

Appendix

A

Survey of Small Business Finance

Date: April 7, 1999

Attending: John Wolken & Patrick Lampani, FRB
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Subject: Pretest1 Main Questionnaire Debriefing

Introduction

The group listed above met on Wednesday, 3/31/99, to discuss the results of the SSBF Pretest1 Main Questionnaire Interviewing effort.

All five of the NORC interviewers who attended the quex debriefing attended training worked on the screening effort and were trained on the main questionnaire from 3/15 until 3/17. Interviewing occurred from 3/18 until 3/30.

General Comments

Worksheet mailout. The interviewers reported that the timing of the worksheet packages was good -- the respondents were receiving their packages as the initial calls were being made. However, interviewers also reported that the timing of the interview was bad in general because of the pending tax filing deadline. Many businesses were too busy to cooperate. Additionally, a few interviewers had problems with owners taking a spring/holiday break.

Refusals. In general, the interviewers reported that the respondents were cooperative, but some did refuse. The comments that the interviewers got varied, but some felt that the information was proprietary and could be useful to competitors; others would cooperate but wouldn't give the financial amounts, which they felt were too personal. A few respondents refused with the comment, "What does the government do for me?"

Four companies in the sample were going public and could not participate. It may be useful to finalize these cases with a special refusal category.

The interviewers noted that the "voluntary" statement in the Alan Greenspan letter proved to be a problem. Some respondents cited the phrase and said that since the interview was voluntary they would opt out.

Overall, the number of cases refusing did not negatively impact our ability to complete 50 cases because we fielded enough sample to ensure we would reach our goal since the field period was short and there was very little time to convert cases.

Records. Some of the respondents were well prepared for the interview and had all their records available, or would pull records throughout the interview to answer questions. A few respondents commented that the interview would go better if they had their records. The interviewers need to be trained to try to encourage the respondent to reschedule the interview after they've obtained their records. This course of action needs to be approached carefully, though, so that a willing respondent is not permanently lost.

False data. If in the course of the interview, a respondent reveals that some or all of the information being reported is false, the interviewers must note it. In general, the marginal notes written in the hard copy questionnaires were very useful and the FRB requests that comments be documented and delivered with the data.

Worksheet Use. The interviewers had some comments about the worksheets. They note that when the respondents did the worksheet, the interview went very smoothly. However, some respondents thought that the worksheet was the entire questionnaire and were annoyed when they realized that there were more questions. Other respondents sent in their worksheet as soon as they completed it and before they were interviewed. The worksheet instructions need to be clarified so that respondents understand that the questions are a subset and that they should hold on to the worksheet until after the interview.

John Wolken suggested simply skipping the worksheet questions in the CATI, altogether, for those businesses that send in their worksheet prior to the interview. NORC will discuss the processes impacted by this option and will discuss this strategy further with the FRB.

A handful of respondents, gave a full report in the interview but would not send in the worksheet because the data was too personal. A question needs to be added at the end of the questionnaire so that they can record how likely it is that the respondent will return a completed worksheet.

It was suggested that the FRB prompt the owner to return the worksheet in the text of their follow-up thank you letter.

Sole Proprietors. Most of the data collected in the Assets and Liabilities sections are not referenced on the Sole Proprietor's tax form. We need to explore if there is a standard financial statement or loan application form or balance sheet that the Sole Props could be directed to; this reference could be added to the worksheet and questionnaire.

Sampling and Ethnicity. Rachel needs to discuss how to handle the sampling issues regarding ethnicity in the main. How should cases screened by a proxy with DK/RF ethnicity be handled? Should they all be sampled in? NORC will compare the ethnic question responses in screening to the answers given in the main interview to better understand the scope of this problem.

Loan Section. Throughout the loan section, the top of the CATI screen should say the loan type to help orient the interviewer.

Refused Source Names. Some respondents would not reveal the name of their loan or service source. A protocol to help the interviewers guide the respondents through a naming convention needs to be developed. One solution may be to ask the respondent to refer to the source by its initials, another suggestion is to use the first name of the contact at this source.

Merged Institutions. Regarding loans and loan applications: When an institution source has merged since the time of the loan, we should capture the name of the institution at the time the loan was granted. Regarding services provided: When an institution source has merged since the end of the FY reference date, we should capture the name of the institution at the time of the FY reference date. [*FRB, Please verify that this is correct.*]

Correct Respondent. Finally, the interviewers reported that it was not too difficult to identify the right respondent. There are two issues associated with identifying the correct respondent:

- 1) Is the owner in the main the same owner that did the screener? If the owner is different, the eligibility questions should be asked again of the "main" owner. An explicit question to the interviewer needs to be asked after QA4.1 for these cases.
- 2) Identifying and collecting data for the correct proxy: Some owners will want a proxy to complete the interview, this is okay, provided that the proxy is knowledgeable about the firm's finances and has access to the firm's tax records. Interviewers need training on suitable proxies. Most proxies will take over in the interview after section D, but some will begin sooner. In this situation, the demographic questions should still be referencing the owner. Additionally, the name and title of the proxy should be captured where ever it occurs in the interview.

Question by Question Comments

All questions were reviewed, however comments are only provided for question items that had explicit changes; all questions not listed here were considered effective and in no need of change.

- QA1: Like the screener, this series of questions needs to be simplified. The interviewers have no trouble negotiating the gatekeeper and getting to the owner or a good proxy. The programming at this question will be modified to allow for a smoother entrance into the actual questionnaire.
- QA10.2 Interviewers need explicit QxQ instructions that note that contractors are not employees or workers of the firm.
- QB6. SIC code verbatim responses that match the SIC code provided by D&B will be back coded by NORC. This question was reviewed for 46 cases; 42 of the 46 D&B SIC codes were correct (91.3%), however 7 of the 42 responses at QB6 had to be back coded (16.7%); there were 4 truly incorrect SIC codes from D&B (8.7%). Interviewers need to be trained to code this question properly.
- QB9 The question was not a problem for respondents, but many of the proxy responses given at this question in screening were wrong. B9 will always be reasked of all respondents in the main, but it is very important to a good answer in screening so that the correct worksheets are sent out. This is an item to focus on in screening training.
- A13.2 This question needs to refer to the date (both month and date) because some businesses have a fiscal year that ends mid-month.
- QC4/C16/C29 Add a discrete category that includes “trade school or vocational program” and change the associate degree response category to “ASSOCIATE DEGREE OCCUPATIONAL/ACADEMIC PROGRAM.”
- QC26 If a respondent volunteers that both an owner and a hired employee are responsible, code “OWNER.”
- QD6 Two different locations within a state or region of the country should be coded “REGIONALLY.” Consider adding a response category of “INTERNATIONALLY/GLOBALLY.”
- QD11 The code frame responses are too long. The FRB will shorten these up and give them to the interviewers to review.
- QN6.1 The response category “NO WRITTEN...” will change to read “FROM MEMORY.” Add a response category for “COMPUTERIZED DATA OR FILES.”

Section II Read This “read” was too long. The revised “read” is as follows:

Throughout the rest of this interview, please answer for the entire company -- that is, the main office and all branches and subsidiary companies.

Now, if you have the worksheets we sent you, please turn to the page headed “SSBF FINANCIAL SERVICES & SOURCES OF FINANCING WORKSHEET.”

The deleted “read” in the middle will become a job aid and added to the QxQs.

QE1 Read This needs to be shortened. The revised “read” is as follows:

We’re now going to talk about checking accounts for the firm.

The rest of the “read” will become a prompt.

QF Read This needs to be shortened. The revised “read” is as follows:

The next questions are about credit cards that are used to pay for business expenses. Please do not include debit or check cards, which are cards that immediately withdraw funds from an

account or credit line.

- QF2 Read There was a bit of debate about this read, the decision was to leave it as is.
- QF2/F2.1 Underline “owner’s personal credit cards.” Add a QxQ that explains that employees using personal credit cards that are then reimbursed by the firm should NOT be included.
- QF2.7 Read Delete this “read.”
- QF2.7 Add “Now,” to the beginning of the question. Underline “business or corporate credit cards.”
- QF2.8 Underline “business or corporate credit cards.”
- QF7 Eliminate “including home equity lines of credit” from the question.
- QF13 Insert entrance question prior to this question, “Was collateral required...?” Add a response category of “VEHICLE.” Eliminate the response category of “NONE.” Make the question be code all that apply, but don’t read all options. Do this consistently for all loan sections.
- QF15 Move this guarantee question before the collateral question. Do this consistently for all loan sections.
- QF16 Read This needs to be shortened. The revised “read” is as follows:
- Now we’re now going to ask you about other loans. These loans are typically obtained from banks, savings institutions, finance companies, and sometimes friends and individuals.
- QF16 Add “First,” to the beginning of the question.
- QF25 Add entrance questions that reads as follows:
- Was the mortgage used to purchase business or personal real estate?
- Other than the real estate, was any other collateral used to secure the mortgage(s)?
- QF26 Move this question before the collateral questions.
- QF31 Add entrance questions that read as follows:
- Was the vehicle used as collateral to secure the loan?
- Was any other type of collateral used to secure the loan?
- QF32 Move this question before the collateral questions.
- QF36 Add entrance questions that read as follows:
- Was the equipment purchased used as collateral to secure the loan?
- Was any other type of collateral used to secure the loan?
- QF37 Move this question before the collateral questions.
- QF46 Add an entrance question.
- QF47 Move this question before the collateral questions.

MRL2 Read	Delete the phrase, “When thinking about these questions.”
MRL7	Move this question up after MRL2.
MRL12	Add entrance questions that read as follows: Was any type of collateral used to secure the loan?
MRL17	Change the question to read: Was the interest rate fixed or variable? Add a prompt to explain the meaning of “fixed” and “variable.”
MRL18	Note in the QxQ that if the interest rate is tied to more than one index, the response should be recorded in other specify.
MRL22	Change the question to read: What was the total amount of fees associated with obtaining the [loan/line of credit] including points and all other fees?
MRL42	Underline “denied.”
MRL47	Change the question to read: For this application, what official reasons did (NAME2) give for denying the firm’s application?
QH6.1	DK/RF responses should go to H9.
QH9	Underline “most frequent.” Probe to get the respondent to select just one method. Change the response categories so that “MAIL” is by itself, and “DIRECT WITHDRAWAL OR WIRE” is another category.
QL1 READ	Delete the third sentence so the new “read” is as follows: The next questions are about the firm’s use of trade credit. Trade credit refers to purchases on account with a supplier.
QL4/L5	Make these questions ask for a percentage, with a follow-up question that asks for an estimate if a DK/RF response is given.
QL7	Make this question ask for a percentage, with a follow-up question that asks for an estimate if a DK/RF response is given. Disallow a zero response.
QL11	Review the responses provided in 1993 and add any reasonable response categories that will be likely to come up.
QM1	Add the following prompt: Retained earnings do not count as new equity. Retained earnings will be recorded later when we discuss equity.
QM7	Add the phrase, “excluding retained earnings.”
QP1 Read	Revise this to read as follows:

Now I'd like to ask about the firm's income and expenses during fiscal year 1998. I need dollar amounts. This information can easily be found on the firm's income tax return, and my experience is that these questions will go very quickly if you are able to report from your records. [Please turn to the worksheets now./Please turn to your records now.]

QP2.1 Shorten this question for the interviewer and respondents' sake. The question should simply be:

That's (DOLLAR ENTRY)?

QP3.1 This question needs rewording. Firms are only reporting the cost of goods sold. Perhaps the question should ask for the "total operating and business expenses." FRB would like Charlie to weigh in on improving this question.

QP11 The FRB needs to have an internal discussion about this question and the best way to improve it.

QR1 Add a "read" before this question that reminds the respondent of the checking and savings accounts that they already reported:

Earlier you said that, at the end of 1998, you had...

FROM ROSTER, READ IF ANY ARE CIRCLED "YES"

Checking Account(s)

Savings Account(s)

QR7 Change the question to read as follows:

What was the total dollar amount of the firm's other current assets? Do not include cash, accounts receivable and inventory. Other current assets are assets that can be converted to cash, sold, or used up within a year through normal operation of the firm. Examples are bonds, stocks, and prepaid expenses.

QS12 Add the phrase, "do not include equity."

QS14 Read Change this "read" as follows:

Now we're going to ask you about equity. Equity is assets minus liabilities. Equity can be negative or positive.

QS19 Read Change this "read" as follows:

Now we're going to ask you about equity. Equity is assets minus liabilities. Equity can be negative or positive.