

A Survey of India's Private Sector - Questionnaire

PLEASE NOTE: This survey has FOUR parts and questions. We appreciate your time and effort in finishing this survey. Because the results from this survey will be used to conduct scientific economic research, we appreciate your candid and detailed answers and suggestions (please feel free to attach your comments on separate sheets).

All the information obtained through this survey will remain strictly confidential. We will not reveal the identities of your firm nor your personal information to any other third party. We will not share any information with a government agency.

Part I: General Information

Respondent's name and contact information

1.1.1 Your name: _____

1.1.2 Title/Position in the firm: _____

1.1.3 Name of your company: _____

1.1.4 Mailing address of company: _____

Contact Information:

1.1.5 Office Phone: _____

1.1.6 Extension: _____

1.1.7 Office Fax number: _____

1.1.8 Your cell phone (or other phone # we can reach you): _____

Other contact information:

1.1.9 E-mail address _____

1.1.10 Website _____

1.2.1 .When was your firm founded and registered _____?

1.2.2 Who is (are) the founder?

Please give the names of up to **two other** major founders (person or organizations)

1.2.3 _____

1.2.4 _____

1.3 What is the current legal form of your firm (please select ONE choice that best describes your firm)?

- a) Unlisted public company
- b) Publicly listed and traded company

- c) Cooperative enterprise
- d) Partnership (general or limited)
- e) Joint-venture with NRI investors
- f) Joint-venture with non-NRI foreign investors
- g) Individually owned/proprietorship
- h) Not registered
- i) Other forms, please specify _____

1-4. Balance Sheet information of your firm (you can ignore the following table if you can provide us with copies of your balance sheet for the last 3 years). All figures are in Rs 100,000 (one lakh).

Assets	Year 2004-5	Year 2003-4	Year 2002-3
Current Assets			
Cash			
Receivable accounts			
Inventories			
Other			
Fixed Assets			
Property, plant and equipment			
Less depreciation			
Intangible assets and others			
Total Asset			
Liability and Equity			
Current liabilities			
Accounts or notes payable			
Accrued expenses			
Long-term liabilities			
Equity			
Total liability			

1-5. Income Statement of your firm (you can ignore the following table if you can provide us with copies of your income statements for the last 3 years). All figures are in Rs 100,000 (one lakh).

	2004-5	2003-4	2002-3
Total operating revenues			
Cost of goods sold			
Selling, general, & administrative expenses			
Depreciation			
Operating income			
Other income			
Earnings before interests and taxes			
Interest expenses			
Taxes			
Net income			
Retained earnings (for reinvestment)			
Dividends			

Part II. Corporate Financing and Investment

Financing Sources:

2-1. How did the firm/business get started (select all that apply)?

- a) Started with all family-owned store/shop/factory;
- b) Started with a few partners;
- c) Purchased the business;
- d) Others, please specify _____.

2.2.1 Did the founders need to apply for a license to start up the firm?

Yes or No _____

2.2.2 If "Yes," how long did it take to get the license?

- a) Less than 1 month;
- b) 1 – 2 months;
- c) 2 – 3 months;
- d) 3 – 4 months;
- e) Longer than 4 months.

2.2.3 Did the founders face difficulties to get the license and/or to register the business (select all that apply)?

- a) Takes too long to complete the process;
- b) Too many different procedures/stamps required;
- c) Costs too much;
- d) Very difficult to deal with government officials at various offices;
- e) Other problems, please specify _____

2.3.1 In your opinion, which of the following factors new firms entering your industry will face? (Select all that apply)

- a) it takes too long and/or costs too much to apply for a license (government bureaucracy)
- b) high taxes, high quality standards (regulatory hurdles)
- c) bad transportations, poor communications (infrastructure problems)
- d) difficult to find suppliers/customers (high information costs)
- e) resistance from existing firms
- f) difficult to raise funds from state-owned banks and financial markets
- g) Other factors, please specify _____

2.3.2 To get around (a) and (b) above, do other firms in your business

- 1. Bribe government officials
- 2. Hire legal advisers to negotiate with government officials
- 3. Find friends of the government officials and ask them to negotiate on behalf of the firm
- 4. Other methods, please specify _____

2-4 Among the following **start-up** financing sources, please rank the importance of EACH (In terms of the fraction of the total funding raised)

(Please fill in each bracket with a numerical score of 1 – 4)

- 1. little importance (less than 10%);
- 2. somewhat important (10% to 25%);
- 3. very important (25% - 50%);
- 4. extremely important (more than 50%)

[] Funds raised within founder's family including founder's own savings

[] Funds raised from founder's close friends

- Loans from state-owned banks (short-term and long-term)
- Loans from private credit agencies and individuals
- Funding from state budget or local government
- Trade credits
- Venture capital
- Investment from NRIs
- Foreign direct investment (non-NRI)
- Other channels, please specify _____

2.5.1.1 If “funds raised from founder’s close friends” is one of the major funding sources when the business started (otherwise skip this question), was there a written contract between the founders and their friends?
Yes or No _____.

2.5.1.2 What about a verbal contract? Yes or No _____.

2.5.1.3 What was the form in which the founders’ friends invested in the firm when it started (select all that apply)?

- a) Private equity/profit sharing;
- b) Personal loan with pre-specified interest rate and maturity;
- c) Personal loan without clearly specified interest or maturity;
- d) *General* partnership (and unlimited liability) between the investors and the founders;
- e) *Limited* partnership (and limited liability) between the investors and the founders;
- f) Other forms, please specify _____.

2.5.2.1 If NRI investment is one of the major funding sources when you started (otherwise skip this question), was there a written contract between the firm and the investors?
Yes or No _____.

2.5.2.2 What was the form in which these investors invested in your firm when it started (select all that apply)?

- a) Private equity /profit sharing
- b) Personal loan with pre-specified interest rate and maturity;
- c) Personal loan without clearly specified interest nor maturity;
- d) *General* partnership (and unlimited liability) between the investors and the founders;
- e) *Limited* partnership (and limited liability) between the investors and the founders;
- f) Other forms, please specify _____

2.5.3 Please rank the degree of difficulty to access the following financing sources during the **growth period** of your firm, using a score or 1 - 4:

1 – very easy and low cost; 2 – relatively easy and moderate costs;
3 – difficult and costly; 4 – extremely costly and difficult

- Raising funds within family and close friends of the owners;
- Short-term bank loans;
- Long-term bank loans;
- Loans from special institutions such as SIDBI and SFCs
- Trade credits;
- Private equity or debt from investors within India;
- NRI Investments;
- Foreign direct investment (non-NRI);
- Going public and issue public stock and bonds in the stock markets.

2.5.4.1 In your opinion, is it easy for a firm like yours to get funding support from government financial institutions (FIs) ?
Yes or No _____.

- 2.5.4.2** Which of the following factors would facilitate the process of obtain funding from the FIs (select all that apply)?
- Firm is profitable and has good growth opportunities;
 - Size factor: easier for large firm to get government support even if it is not profitable;
 - Whether firm operates in “protected” industries;
 - Business* connections between firm and government officials;
 - Political or personal connections between firm and government officials;
 - Other factors, please specify _____.
- 2.5.5.1** In the first year that you reinvested your firm’s net income (earnings after-tax and interests), what was the fraction of net income reinvested?
- 0 – 25%;
 - 25% - 50%;
 - 50% - 75%;
 - 75% - 100%.
- 2.5.5.2** In the same year as mentioned above, did your firm pay out dividends (or similar payments) to the firm’s equity holders (or owners)? Yes or No _____.
- 2.5.5.3** If “Yes,” what was the fraction of net income that was paid out _____ %?
- 2.5.5.4** If “No,” did you pay dividend (or similar payments) to the firm’s equity-holders (or owners) in the past 5 years? Yes or No _____.
- 2.5.6.1** If *trade credits* was one of the main financing sources during your firm’s growth period, how many customers/clients did you have a trade credit account (please give number) _____?
- 2.5.6.2** Were there any written contracts?
- No written contract;
 - All written contracts;
 - Some are written, some are not.
- 2.5.6.3** How many suppliers did you have a trade credit account (please give number) _____?

Investment evaluation, planning, and capital structure:

- 2.6.1** Did your firm have major investment projects in the past 2 years?
Yes or No _____
- 2.6.2** If “Yes,” for the largest investment project, what is the total scale _____?
- 2.6.3** Which of the following were sources of financing in terms of financing the project? (select all that apply)
- Retained earnings of the firm
 - Loan from state-owned banks
 - Loan from non-state bank/financial institutions
 - Loans from special institutions such as SIDBI and SFCs
 - Trade credits with existing business partners
 - Private equity or bonds from investors within India
- 2.7.1** Does your firm have a target debt ratio? Yes or No _____.
- 2.7.2** If “Yes,” how important are the following factors affect your choice of the debt level?
1 — not important; 2 — somewhat important; 3 — important. 4 — very important
- [] Firms’ anticipated growth and funding needs;
- [] Cash on hand

- Costs of financial distress and bankruptcy;
- Variations in firm's earnings and cash flows;
- Firm's credit rating (if applicable);
- Other factors, please specify _____.

Inter-corporate borrowing/lending

2.8.1.1 What proportion of your debt is Non-collateralized [_____]

2.8.2.2 What proportion of your debt is from other corporate bodies (not banks/FIs) [_____]

For borrowings from other companies, what proportions come from following sources:

2.8.2.1 Suppliers [_____]

2.8.2.2 Customers [_____]

2.8.2.3 Unrelated companies owned/managed by family members/friends [_____]

2.8.3 What is the average interest rate *paid* by your company on such borrowings? _____

2.9.1 Does your company also lend to other companies? Yes or No?

2.9.2 Are such loans collateralized? Yes or No?

2.9.3 What is the average interest rate *earned* by your company on such lending? _____

2.10. If your firm lends money to another firm but the repayment is not made, what would you do to secure the repayment?

- a) It never happens, because I screen all borrowers/clients carefully;
- b) Seize the collateral, and renegotiate the contract;
- c) Threat to go to court but allowing renegotiation;
- d) Go to court without renegotiation;
- e) Seize the borrower's personal assets yourself;
- f) Other actions, please specify _____.

Relationship with financial institutions

2.11.1 How many banks or other financial institutions (please give number) currently have outstanding loans to your firm?

2.11.2 Which type of financial institutions are they (select all that apply)?

- a) SBI group banks
- b) Other public-sector banks
- c) SIDBI /SFC
- d) Private banks, or trust, saving, or credit agencies/companies
- e) Foreign banks
- f) Other financial institutions, please specify _____.

2.11.3 If you have a choice, which of the following financial institutions would you most prefer to borrow from?

- a) SBI group banks;
- b) Other public-sector banks;
- c) SIDBI/SFC

- d) Private banks, or trust, saving, or credit agencies/companies;
- e) Foreign banks;
- f) Other financial institutions, please specify _____.

2.12.1 For the largest loan on your books, does the lending bank require certain operating/profitability standards or improvement in these conditions in order to approve loans? Yes or No _____.

2.12.2 For this loan, how long did it take for your loan application to get approved?

- a) Less than 1 month
- b) 1 - 2 months;
- c) 2 - 3 months;
- d) longer than 3 months.

2.13 How often does the staff of the bank that issued the largest loan to your firm contact your firm to inquire about the investment project financed by the loan?

- a) staff from the bank is actively involved with the project;
- b) once a month;
- c) once a quarter;
- d) once in six months or less frequent
- e) never contacted the firm once after the loan was issued

Access to capital markets

2.14 In your opinion, what are the benefits for a firm like yours to go public (select all that apply)?

- a) Once listed, will have easy and cheap access to future funding
- b) Once listed, will have large scale funding
- c) Can expand business to more customers
- d) Can attract more foreign investors or Indian investors whom the firm cannot reach as a private firm
- e) Increase the reputation of the firm and its products and future profits
- f) Increase the reputation and pay of the firm's top executives;
- g) Other benefits, please specify _____

2-15.1 In your opinion, what are the costs of going public for a firm like yours (select all that apply)?

- a) Too much bureaucracy makes it very time consuming
- b) Expensive fees must be paid to government agencies and investment banks
- c) Firm must disclose valuable financial and business information to outsiders and potentially can be revealed to competitors
- d) Firm must subject to a whole set of accounting, corporate governance standards which are different from what have been working within the firm
- e) Other costs, please specify _____

2.15.2 Will you ever consider going public? Yes_____ No_____ Maybe_____

Part III: Ownership, Property Rights, and Corporate Governance

3-1. Who is currently the majority owner or the person/organization that owns the largest fraction of your firm's assets?

- a) The founder and/or his family
- b) Founder plus (the number of) _____ partners (outside of the founder's family)
- c) Collectively owned: individual owners along with community, or local government, or an institution such as hospital or school, etc.
- d) Local or central government;
- e) Foreign investors (including NRIs)
- f) A group of owners including individuals and organizations, but the specific ownership structure (i.e., which party owns what fraction of the firm's assets) is not clear
- g) Others, please specify _____.

3.2.1 Does your firm have *limited* liabilities? Yes or No _____.

3.2.2 If a firm like yours has *limited* liabilities, what will happen when the firm can not honor the debt payment?

- a) The debtholders will have full control of the firm's assets and run the firm if necessary
- b) The firm will be liquidated immediately and the proceeds of asset sales will be distributed among debtholders and other owners of the firm
- c) The firm's current managers can still run the firm, but will be under close monitoring of the debtholders
- d) The firm's current managers will have full control of the firm and will renegotiate with debtholders to reduce debt burden
- e) Others, please specify _____

3.3.1 . If a firm like yours is subject to *unlimited* liabilities, and when the owners can not honor all the debt payment, in your opinion how concerned will the owners be about the following events occurring (please give a score of 1 - 3 for EACH question)?

- 1 — Not concerned
- 2 — somewhat concerned
- 3 — very concerned

- Lose reputation ("face") among friends and business partners;
- Lose some or all of their *personal* assets;
- Be sentenced by a court to go to jail;
- Personal safety

3.3.2 If a firm like yours is subject to *unlimited* liabilities, and the owners think that their personal assets may be taken away from them by creditors, what could the owners do to protect the owners' personal assets in that situation (please select all that apply)?

- a) Try to negotiate with debtors for debt extension;
- b) Declare personal bankruptcy and hire a lawyer and prepare to go to court;
- c) Other actions, please specify _____

3.4 If the CEO or top manager is not a partial owner of the firm, how much discretion can the manager have in making business/operation related decisions?

- a) Full discretion: can do whatever he/she decides;
- b) Some to a lot of discretion: needs to get approval from owners on critical decisions;
- c) Little discretion: needs to consult the owners for most decisions;
- d) No discretion at all, always consults the owners for all decisions.

3.5. If a firm like yours is in financial distress, how would it pay the employees?

- a) Owners will renegotiate to *delay* part or all of the payments;
- b) Use non-cash payment methods, e.g., firm's own products;
- c) Owners will cut payments to some employees, replacing full-time employees by part-time employees, or lay off some employees to reduce costs;
- d) Others, please specify _____.

3-6 If a firm in your business is not well managed, in your opinion how likely will it be for that firm's assets (or liabilities) be purchased by other firms or individuals?

- a). Very likely; b). Somewhat likely c). Not likely.

Part IV: Product and Input Markets

Relationship with *Customers* and *Suppliers*

4.1 Which of the following criteria do you use when you choose a potential client/customer? (Please select all that applies)

- a) Size and profitability of the client/customer firm;
- b) Credit history of the client/customer;
- c) Other aspects of the client/customer reputation (e.g., reputation of the CEO, whether the customer ever involved in disputes with former business partners, etc);
- d) Whether the customer has close ties to the local government;
- e) Whether you can easily find/contact the customer;
- f) Whether the customer/client shares a common business partner (or personal friend) with YOU;
- g) Other factors, please specify _____.

4.2.1 Do you usually give credits to your customers? Yes or No _____.

4.2.2 If "Yes," how long have you worked with the customer before you offered credit for the first time? ____years, and ____months;

4.2.3 How large is the credit, as a percentage of the whole sales contract ____%?

Contracts, Agreements, and Enforcement

4.3 What is the standard form of the *sales* contract between you and your most important customer / supplier?

- a) Written contract and notified to legal advisers or a third party;
- b) Written contract without notifying legal advisers or third party;
- c) Verbal agreement and notified to legal advisers or a third party;
- d) Verbal agreement between me (or the manager in charge) and the customer;
- e) Other forms, please specify

4.4.1 Do you and your customers or suppliers allow for renegotiation of the original contracts? Yes or No _____.

4.4.2 If "Yes," what triggers the renegotiation?

- a) Change in market conditions (prices, costs, etc) affect at least one side;
- b) One party receives *competing* offers from outside party (customer/supplier);
- c) One party breaches contract agreement (e.g., fail to deliver the first batch of goods or payment, etc) according to the original contract

- d) No significant changes whatsoever, but one side (or both sides) is not happy about certain terms of the original contract;
- e) Other factors, please specify _____.

4.5 What is the average proportion of various forms of payment in your sales?

- a) Cash _____%
- b) Checks _____%
- c) Bank wireless transfer _____%
- d) Bank notes _____%
- e) Commercial note _____%
- f) Credit card _____%
- g) Existing *trade credits* between your firm and the customer _____%.
- h) Other payment forms, please specify _____%.

4.6 If trade credits between you and your customers and/or suppliers are included in the payment schedule, how do you clear the accounts of your firm and your business partners?

- a) Clearing occurs on *regular* dates based on mutual agreement;
- b) No regular dates: clearing occurs only when a new sales/delivery is made;
- c) No regular dates: clearing occurs when one or both sides demand such a clearing;
- d) Other schedule, please specify _____.

4.7.1 In the past 3 years, did any of your major customers fail to pay for a product after you delivered it, or did any of your suppliers fail to deliver, or delivered low-quality merchandise? Yes or No _____.

4.7.2 If your answer to the above question is “Yes,” what action did you take following the contract breach?

- a) Did not do anything, took the loss and kept the business relationship
- b) Threat to stop business relationship, but ended up renegotiating with the customer/supplier
- c) Immediately stop business relationship *without* renegotiation
- d) Go to court and/or government authorities to resolve the dispute
- e) Rely on mutual friends or non-government organizations (e.g., trade union) to resolve the dispute
- f) Other actions, please specify _____

4.8 If a firm like yours breaches a contract with its customers or suppliers, in your opinion how concerned should the owners of the firm be for each of the following events? (Please give a score of 1-3 for each question)

- 1 — Not concerned
- 2 — somewhat concerned
- 3 — very concerned

- Lose reputation (“face”) among friends and current business partners;
- Lose some future business opportunities in the same city/county;
- Lose some future business opportunities in other cities/areas;
- Difficulty in secure funding for future project;
- Be sentenced by a court to go to jail;
- Personal safety.

4.9.1 Does your firm have a regular *legal adviser*? Yes or No _____.

4.9.2 If your answer is “Yes,” to your knowledge does the legal adviser have a law degree?
Yes or No _____.

4.9.3 A license to practice law? Yes or No _____.

4.9.4 Are you satisfied with the legal adviser’s service?
a) Very satisfied; b) Somewhat satisfied; c) Not satisfied.

4.9.5 If your firm does not have a regular legal adviser, which of following factors can explain this decision? (Select all that apply)

- a) There are very few good lawyers, and they are too expensive to hire;
- b) No need for lawyers for my firm: I know all of my business partners very well, and can negotiate with them on fair terms anytime;
- c) Lawyers are necessary only for large firms or publicly traded firms, and my firm is neither;
- d) Using lawyers may actually delay resolving disputes among business partners;
- e) Other reasons, please specify _____

4.10 If a firm like yours has a contract dispute, which of the following sources, in your opinion, is the best to turn to for help in enforcing the contracts or to mediate the dispute?

- a) Going to the court with or without legal advisers
- b) Relying on legal advisers to negotiate and to settle the dispute outside the court
- c) The local government (and if necessary, the central government)
- d) A non-government organization (such as a trade association)
- e) Mutual friends or business partners (they may or may not be lawyers)
- f) Other, please specify _____.

Thank you very much for taking time to finish this survey. Your input will greatly enhance the quality and impact of our research. We wish you success and prosperity!

Date:

Details of Inverviewer

Name:

Affiliation:

E-mail Address:

Phone: