



HOW DOCUMENTATION REQUIREMENTS SHAPE THE EQUITABLE DISTRIBUTION OF SMALL BUSINESS RELIEF FUNDING

A city small business relief program that reduced documentation requirements subsequently received a higher share of completed applications from historically underserved businesses

Target a Priority Outcome The Small Business Administration (SBA) aims to advance healthy entrepreneurial ecosystems, especially for minority, veteran, and women entrepreneurs. SBA is particularly interested in exploring how documentation requirements affect access to resources for historically underserved communities.¹

Translate Behavioral Insights Programs that provide capital to small businesses typically require applicants to provide documentation (e.g. Profit and Loss Statement or Tax Returns). Documentation requirements create burdens that may disproportionately prevent people from underserved communities from completing applications.² Reducing documentation requirements may increase the likelihood that members of these groups gain access to government support. In

one city, a policy change reduced the documentation requirements for a COVID-19 small business relief program (e.g. Profit and Loss statements were no longer required), creating an opportunity to build evidence on the role of documentation requirements in access to small business capital.

Embed Evaluation Documentation requirements may prevent businesses that start an application from submitting, which would reduce the chance of receiving funding. The Office of Evaluation Sciences (OES) examined the likelihood of submitting a completed application, having that application go under review, and receiving funding, before and after the city program change. Success at each of these stages was observed for applicants from historically underserved groups (minority-owned, women-owned, Veteran-owned, and disabled-owned businesses), and compared to the likelihood of success for other applicants. This project used an interrupted time-series design, leveraging the program change in documentation requirements, which was rolled out in the middle of the application period on May 21st, 2020. Because changes in application success may be influenced by factors other than documentation requirements, such as changes in the types of businesses that apply or

¹ Executive Order 13985, [Advancing Racial Equity and Support for Underserved Communities Through the Federal Government](#), defines underserved communities as including Black, Latino, and Indigenous and Native American persons, Asian Americans and Pacific Islanders and other persons of color; members of religious minorities; lesbian, gay, bisexual, transgender, and queer (LGBTQ+) persons; persons with disabilities; persons who live in rural areas; and persons otherwise adversely affected by persistent poverty or inequality.

² Christensen, Julian, Lene Aarøe Martin Baekgaard Pamela Herd, and Donald P. Moynihan. [“Human Capital and Administrative Burden: The Role of Cognitive Resources in Citizen-State Interactions.”](#) *Public Administration Review*.

increased awareness of the program, these analyses cannot isolate the causal impact of documentation requirements.

Analyze Using Existing Data The city shared its existing administrative data on the 12,454 businesses that started applications between March 2020 and July 2020. On the application, 3,256 businesses reported belonging to one or more of the underserved groups. Another 3,750 businesses did not answer these demographic questions and were excluded from the main analyses. The administrative data tracked each application's progress through stages: submitted; under review; and funded.

Results The primary outcome was, of the businesses that *started* an application, the proportion that *submitted* an application. The day before the program change, 21.6% of applications started by applicants from underserved groups were submitted. The day of the program change, this increased to 47.7%, an increase of 26.1 percentage points in the likelihood that underserved applicants who started an application submitted it ($p = .000$, 95% CI [19.64, 32.56]).³

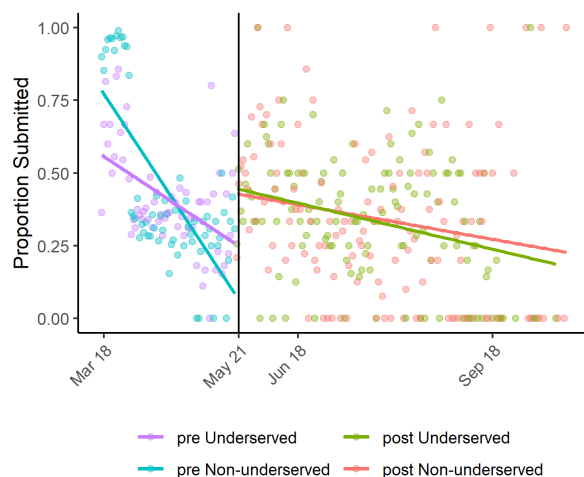


Figure 1. Proportion of Started Applications that are Submitted, by Underserved Status

³ All of the results reported are statistically significant after controlling for the familywise error rate using the Holm-Bonferroni procedure.

We also examined whether the changes in outcomes were larger for underserved, relative to non-underserved businesses. Unfortunately, the results were inconclusive. When the outcomes are examined day-by-day, the program change was associated with an even larger increase in the likelihood of submitting an application for applicants who were not from underserved groups, who went from 3.9% likelihood of submitting to 45.7%, an increase of 41.8 percentage points ($p = .000$, 95% CI [35.46, 48.28]). As shown in Figure 1, success for applicants who were *not* from underserved groups started off much higher and declined over time, so their increased success the day of the program change was more dramatic. However, when examining outcomes across the whole time period rather than day-by-day, we find that the documentation change was associated with a larger change for applicants from underserved groups. Before the program change, 37.3% of underserved applicants submitted applications, which increased by 9.6 percentage points ($p = .000$, 95% CI [6.6, 12.6]) to 46.8% after the program change. Applicants not from underserved groups submitted at a rate of 43.9% before and 42.3% afterward, a statistically insignificant decrease of 1.5 percentage points ($p = .601$, 95% CI [-4.5, 1.4]). Together, these results provide inconclusive evidence on whether the program change is associated with disproportionately larger changes for underserved businesses.

Build Evidence These findings suggest that a reduction in documentation requirements may help businesses owned by those from underserved communities to access relief funding. This preliminary evidence lays a promising foundation for future evaluations to estimate the causal impact of documentation changes on access to resources for underserved communities.