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Key Small Business Financing Statistics

December 2009

SME Financing Data Initiative
www.sme-fdi.gc.ca

Canada

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Cat. No. lu185-4/2009E
ISBN 978-1-100-14107-7
60684

Aussi offert en français sous le titre *Principales statistiques sur le financement des petites entreprises*.



Printed on 50% recycled paper

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Preface

Key Small Business Financing Statistics is a reference document on the state of financing for Canadian small and medium-sized enterprises (SMEs). It is part of a series of research products prepared through the Small and Medium-Sized Enterprise Financing Data Initiative (SME FDI) — a partnership between Industry Canada, Statistics Canada and the Department of Finance.

Other documents exist that profile certain enterprise groups with specific characteristics (e.g. high-growth SMEs, exporter SMEs, innovative SMEs and SMEs receiving informal financing). Survey results containing a wide range of tabular data on different types of financing are also available.

The SME FDI began following a recommendation in 1998 of the Task Force on the Future of the Canadian Financial Services Sector. Its overall objective is to collect data to build a better understanding of issues faced by SMEs in obtaining financing in Canada, thereby informing policy making. The initiative gathers information from Statistics Canada surveys, as well as from research into niche areas of SME financing, particularly access to risk capital and attitudes and perceptions of financial institutions.

For further information on the SME FDI and access to statistical findings and reports, visit our website at www.sme-fdi.gc.ca.

Highlights

SME Marketplace in 2007

- According to the definition set out in the “How many businesses are there in Canada?” section, in 2007, Canada had roughly 1.6 million SMEs.¹
- Nearly 85 percent of those SMEs operated in the service sector, with the remainder being goods-producing businesses (15 percent).
- The distribution of SMEs by business size (meaning the number of employees) varies considerably from sector to sector. Professional services enterprises and those in the agriculture/primary sector are usually smaller (0 to 4 employees) than those in the manufacturing and wholesale/retail sectors.

Financing Activity of SMEs

Commercial borrowing

- In 2007, nearly one seventh (13 percent) of SMEs applied for new or additional financing from a lending institution for business reasons. Eighty-seven percent of the applications were approved.
- Chartered banks are the primary lending institutions funding SMEs, receiving 68 percent of loan applications. In comparison, credit unions and Caisses populaires received 19 percent of applications.
- Nearly half (45 percent) of businesses applying for credit did so to increase their working capital. Five percent of businesses applied for a loan for research and development purposes.

Lease financing

- In 2007, 17 percent of SMEs applied for lease financing, with 92 percent of applications approved.
- As of December 31, 2007, just over two thirds (69 percent) of lease financing contracts had been approved by finance and leasing companies. Canadian banks captured just under one fifth (17 percent) of the leasing market at that time.

1. According to Statistics Canada's *Business Register*, Canada had 2.2 million business establishments in June 2007. Business establishments are the smallest unit or grouping for which data are published; consequently, a business may be made up of several establishments located in different provinces.



Venture capital financing

- Nearly 90 percent of venture capital invested in Canada in the past decade was directed to businesses in the technology sector, such as telecommunications and biopharmaceuticals.
- From 2003 to 2006, the level of venture capital investment remained fairly stable in Canada, ranging from \$1.6 to \$1.7 billion. In 2007, the value of venture capital investments reached \$2.1 billion.

Access to Financing

- In 2007, start-up SMEs primarily used informal sources of funding, such as personal savings (73 percent); however, about half of SMEs (51 percent) secured commercial or personal loans from financial institutions compared with 64 percent for established SMEs.
- All SMEs used traditional financing methods, such as retained earnings (57 percent) and lease financing (22 percent) to fund their operations. SMEs also tended to use informal financing sources, such as the owner's personal savings (54 percent) or loans from the owner's relatives or friends (9 percent).
- Financial institutions often require documents and guarantees before granting access to financing. In 69 percent of loan applications, the bank asked to see the business' financial statements and in 46 percent of cases the owner's personal financial statements as well. The larger the business, the more weight the lender gives to the business' financial statements and the less it gives to the personal financial statements of the owner.

SME Business Owner Characteristics

Women entrepreneurs

- In 2007, 47 percent of Canadian SMEs were wholly or partly owned by women, and 16 percent of Canadian SMEs were exclusively owned by women.

Young entrepreneurs

- The loan application rate for SMEs owned by young people under the age of 30 years is slightly higher than average (19 percent request rate compared with 13 percent on average); however, in 2007, loan approval rates for young entrepreneurs were lower (69 percent compared with 87 percent for all age groups).

SMEs Covered in the Survey

The definition used in the *Survey on Financing of Small and Medium Enterprises* has been retained in this report to define small and medium enterprises; this includes firms

- with fewer than 500 employees, and
- with annual revenues of less than \$50 million.

Excluded are unincorporated firms with less than \$30 000 in revenues, non-profit organizations, government organizations, schools, hospitals, subsidiaries, cooperatives, and financing and leasing companies.

The statistics in this publication are reported at the enterprise level, where enterprise is defined as the business entity that directs and controls the resources and activities of operations in Canada and has a complete set of financial statements. Other publications report data at the establishment level — the smallest unit/grouping for which data are published.

Since 2000, the *Survey of Suppliers of Business Financing* has used another definition, proposed by the Canadian Bankers' Association, under which firms with loan authorizations (that is, the maximum amount businesses are allowed to borrow) of less than \$1 million are considered SMEs.

The use of two different definitions limits comparisons between the two surveys. To date, the SME FDI has found little correlation between size of business (number of employees) and authorization size. However, the SME FDI will continue to analyze other methods to compare and reconcile data produced using the definition in the *Survey on Financing of Small and Medium Enterprises* with data using the loan authorization definition.

There are many definitions of SMEs, which can be categorized by size according to the number of employees, the value of annual sales, annual revenues or borrowing capacity. This report defines SMEs in terms of number of employees and annual revenues.

This definition is fairly consistent with other definitions of SMEs around the world. The European Union (EU) defines SMEs as enterprises that employ fewer than 250 employees and have an annual turnover not exceeding €50 million (C\$79 million), and/or an annual balance sheet total not exceeding €43 million (C\$68 million).

In the United States (U.S.), the Small Business Administration defines small enterprises as independent businesses having fewer than 500 employees. However, unlike the EU and Canada, which have simple definitions that apply to all industries, the U.S. has chosen to set size standards for each individual North American Industry Classification System (NAICS) category. This variation is intended to better reflect industry differences. The most common sizes used to differentiate medium-sized firms from large firms are

- 500 employees for most manufacturing and mining industries, and
- 100 employees for wholesale trade industries.

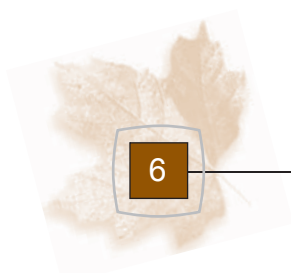


Introduction

This document highlights key findings on the state of small and medium-sized enterprise (SME) financing in Canada for all three types of financing (debt, leasing and equity) by region, sector, size of business and stage of business development.

The report has four parts:

- **SME Marketplace** describes the distribution of SMEs by region, sector and size.
- **Financing Activity of SMEs** describes the demand for financing in terms of requests made and approvals granted for three types of financing (debt, leasing and equity), as well as the amount of financing received.
- **Access to Financing** looks at the types of financing instruments used by SMEs and the conditions under which they are accessed.
- **SME Business Owner Characteristics** examines the profile and financing characteristics of five socio-economic groups of Canadian entrepreneurs — women, youths, visible minorities, new immigrants and Aboriginals — and cooperatives.

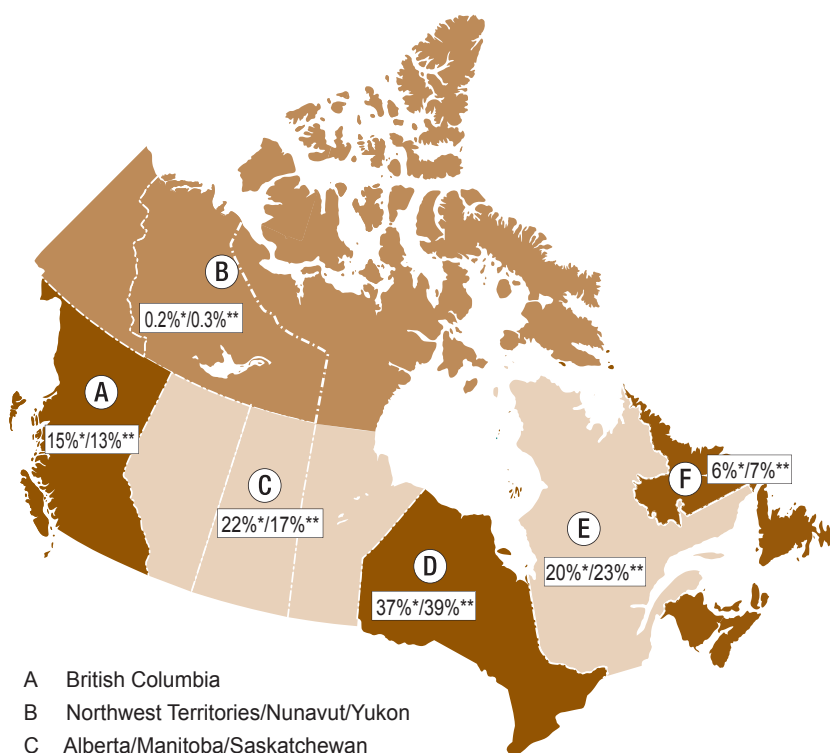


SME Marketplace

How many businesses are there in Canada?

In 2007, there were approximately 1.6 million (see box) small and medium-sized enterprises (SMEs) in Canada. The location of these enterprises is governed primarily by population density and by other factors such as sector concentration. Figure 1 compares the distribution of SMEs by region with the distribution of population by region in Canada in 2007. It shows that the distribution of SMEs is fairly proportional to the overall distribution of population, with 57 percent of business enterprises located in Ontario and Quebec.

Figure 1: Distribution of SMEs by Region in 2007



- A British Columbia
- B Northwest Territories/Nunavut/Yukon
- C Alberta/Manitoba/Saskatchewan
- D Ontario
- E Quebec
- F Atlantic Provinces

* Percentage of total SMEs

** Percentage of Canadian population

Source: Statistics Canada, *Business Register*, October 2007.

Note: Figures may not add up to 100 due to rounding.

The *Survey on Financing of Small and Medium Enterprises* is based on the 2007 *Business Register*, which contains over 2.4 million enterprises. Once SMEs not covered in the survey were excluded (see **SMEs covered in the survey**), the number dropped to 2.0 million. Next, we excluded inactive businesses and those with no commercial activities, which further reduced the estimated population of SMEs covered in the survey to 1.6 million.

What is the distribution of SMEs by sector and by size of firm?

Sector

According to the estimated population in the survey, small businesses (those with fewer than 100 employees) represented the vast majority (99.5 percent) of SMEs in Canada in 2007. There were 7196 medium-sized businesses (those with more than 100 employees but fewer than 500 employees), equal to 0.5 percent of all SMEs.

In 2007, a little over four fifths of SMEs (85 percent) operated in the services sector. The remaining SMEs were distributed among the goods-producing sector (15 percent) and the resource-based sector (11 percent) (see Table 1).

Table 1: Distribution of SMEs by Sector in 2007

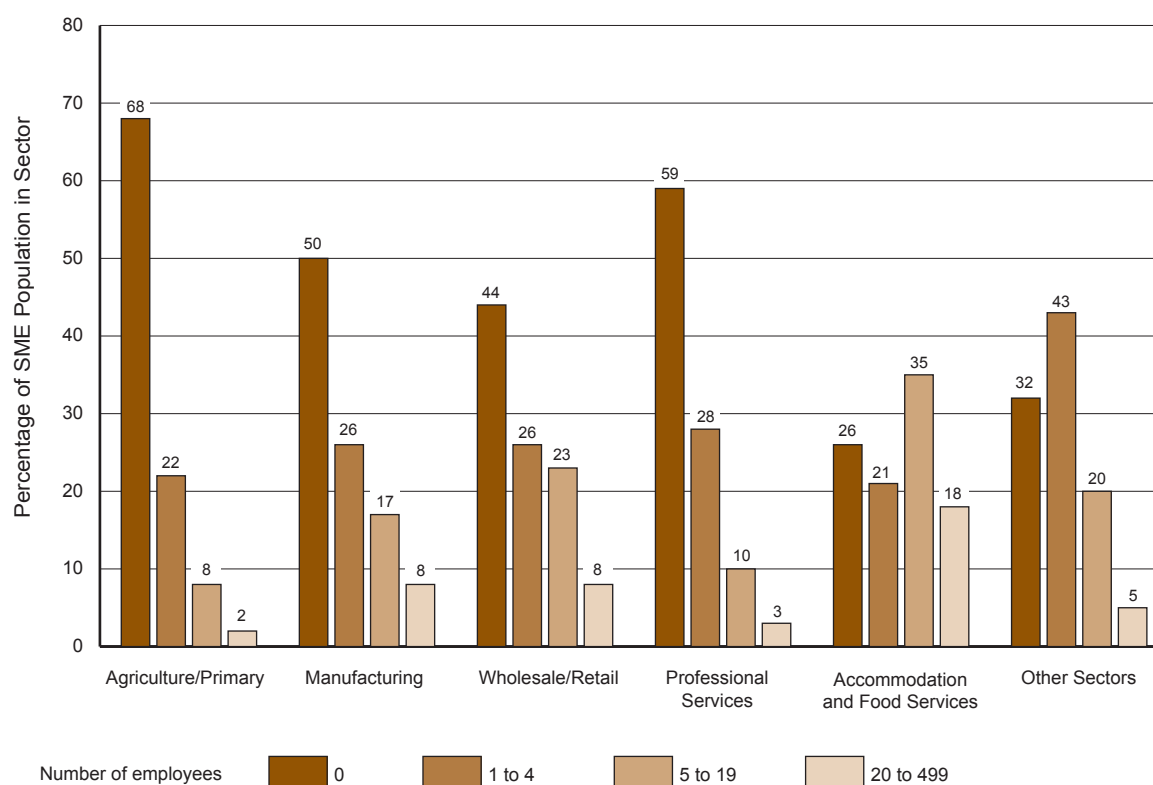
| Sector | Number of SMEs | Proportion of SMEs (%) |
|--|------------------|------------------------|
| Agriculture/Primary | 172 465 | 11 |
| Manufacturing | 67 199 | 4 |
| Subtotal — Goods-Producing Sector | 239 664 | 15 |
| Wholesale/Retail | 232 835 | 15 |
| Professional Services | 177 946 | 11 |
| Knowledge-Based Industry | 102 574 | 6 |
| Accommodation and Food Services | 78 299 | 5 |
| Other Service Sectors | 753 970 | 48 |
| Subtotal — Service Sector | 1 345 624 | 85 |
| Grand total | 1 585 288 | 100 |

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007 (Industry Canada calculations).

Size

The distribution of SMEs by size of firm (number of employees) varies considerably across different industries. Figure 2 reveals the distribution of SMEs by size and sector. Those in the agriculture/primary and professional services sectors are typically self-employed (0 employees) or are micro-enterprises (1 to 4 employees). By comparison, SMEs in the manufacturing, wholesale/retail and accommodation and food services sectors tend to have a higher percentage of firms in the larger size categories.

Figure 2: Distribution of SMEs by Employment Size and Sector in 2007



Source: Statistics Canada, *Business Register*, December 2008 (Industry Canada calculations).

Note: Figures may not add up to 100 due to rounding.

Financing Activity of SMEs

How many SMEs request debt financing?

In 2007, 13 percent of small and medium-sized enterprises (SMEs) made a request for new or additional debt from a credit supplier for business purposes, a decrease from 19 percent in 2004. Of those requests, 87 percent were approved (see Table 2). SMEs in the agriculture/primary sector recorded the highest average value of debt financing in 2007, with the Prairie region, where agriculture accounts for a large share of the economy, having the highest rate of requests for debt financing.

Table 2: Request and Approval Rates and Average Authorized Value by Size of Business, Sector and Region, 2007

| | Request Rate (%) | Approval Rate (%) | Average Authorized Value (\$) |
|---|------------------|-------------------|-------------------------------|
| CANADA | 13 | 87 | 262 434 |
| Size of business (number of employees) | | | |
| 0 employees | 10 | 85 | 170 199 |
| 1–4 employees | 13 | 86 | 154 406 |
| 5–19 employees | 20 | 92 | 316 237 |
| 20–99 employees | 27 | 88 | 720 288 |
| 100–499 employees | 30 | 97 | 1 439 647 |
| Sector | | | |
| Agriculture/Primary | 24 | 96 | 249 108 |
| Manufacturing | 19 | 88 | 387 397 |
| Wholesale/Retail | 12 | 87 | 283 199 |
| Professional Services | 8 | 92 | 183 177 |
| Knowledge-Based Industries | 8 | 85 | 213 450 |
| Accommodation and Food Services | 10 | 80 | 238 692 |
| Other Sectors | 12 | 83 | 264 890 |
| Region | | | |
| Atlantic Provinces | 15 | 85 | 207 445 |
| Quebec | 15 | 94 | 250 443 |
| Ontario | 10 | 83 | 302 613 |
| Prairies | 17 | 89 | 147 054 |
| British Columbia | 10 | 81 | 248 462 |

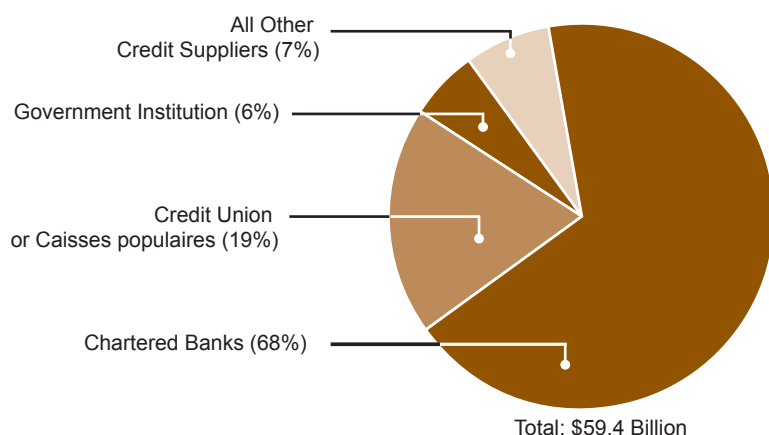
Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007.



Who are the key suppliers of debt financing to SMEs?

Chartered banks were the main suppliers of debt financing to SMEs in Canada in 2007, serving 68 percent of requests made by SMEs (see Figure 3). However, authorizations for amounts less than \$1 million represented only 17 percent of the value of loans provided by banks.² SMEs, particularly those in Quebec and the Prairie provinces, also used savings and credit cooperatives or Caisses populaires and credit unions. Indeed, of all debt financing requests these financial institutions received, 23 percent were made in the Prairie provinces and 38 percent in Quebec.³ Moreover, although domestic banks play an important role in financing SMEs, credit unions or Caisses populaires focus more of their commercial debt authorizations on smaller amounts (authorizations of less than \$250 000) as well as on loans to SMEs (less than \$1 000 000). In 2007, credit unions or Caisses populaires captured nearly a quarter of the market for authorizations under \$250 000 (24 percent) and between \$250 000 and \$1 000 000 (23 percent) (see Figure 4), compared with 10 percent⁴ of the market for all authorizations to SMEs.

Figure 3: Percentage of Total Requests for Debt by Type of Supplier in 2007



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007.

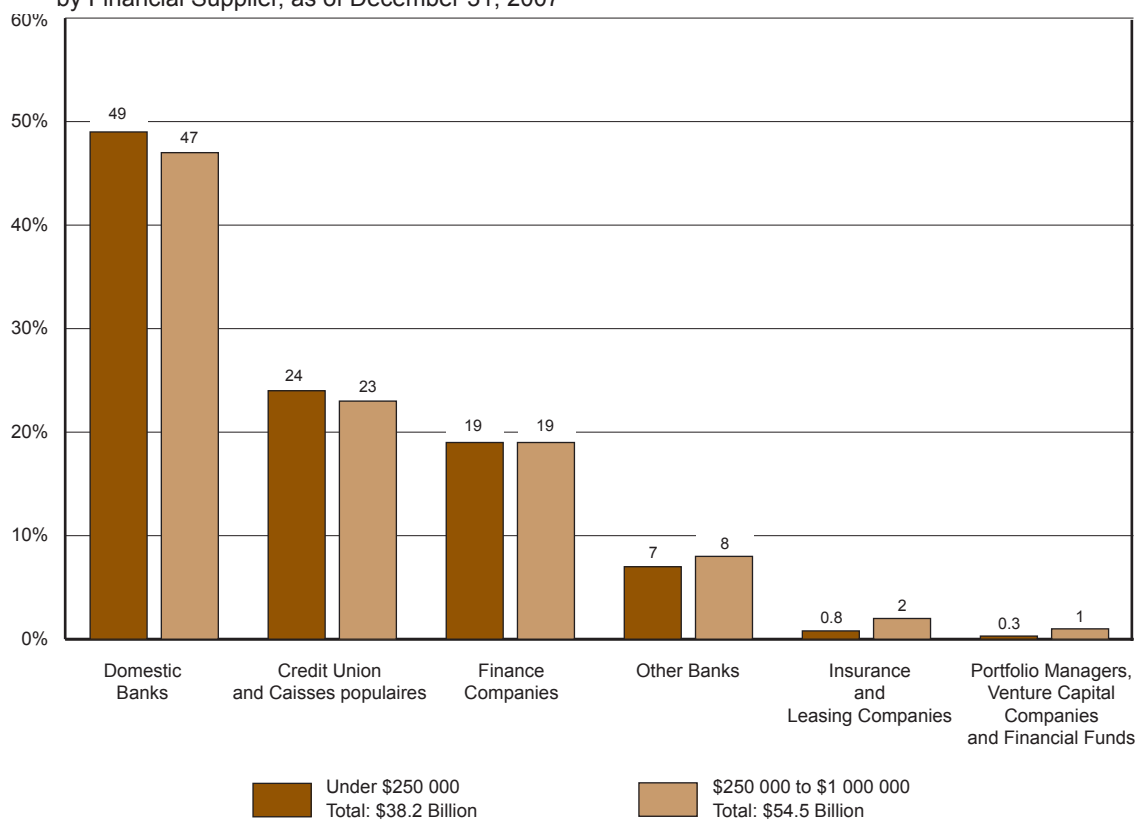
2. Statistics Canada, *Survey of Suppliers of Business Financing*, 2007.

3. Ibid.

4. Ibid.



Figure 4: Distribution of Outstanding Commercial Loans less than \$250 000 and less than \$1 000 000, by Financial Supplier, as of December 31, 2007



Source: SME Financing Data Initiative, Statistics Canada, *Survey of Suppliers of Business Financing*, 2007.

Notes: Figures may not add up to 100 due to rounding.

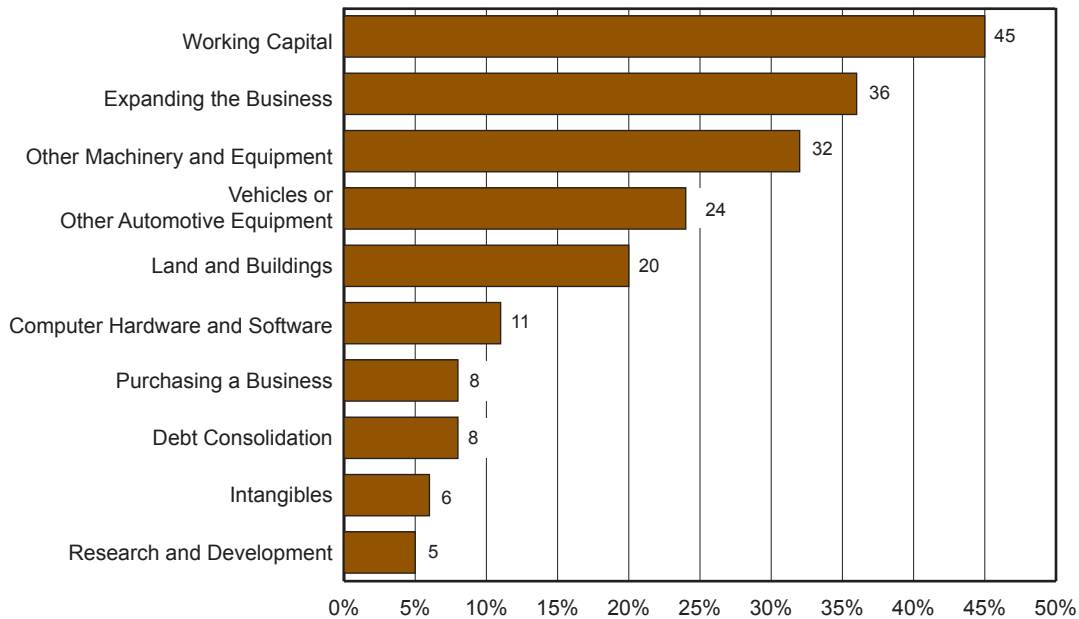
Loans less than \$250 000 are deemed to have been made to small enterprises, whereas loans between \$250 000 and \$1 million normally go to medium-sized enterprises.



What are the intended uses of debt financing?

In 2007, SMEs used debt financing primarily for working capital (45 percent), expand their businesses (36 percent) or purchase vehicles or other automotive equipment (24 percent) (see Figure 5). SMEs did not, on the other hand, use debt financing to a large degree to fund technology-related investments, such as computer equipment and software (11 percent) and research and development projects (5 percent).

Figure 5: Intended Uses of Debt Financing in 2007



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007.

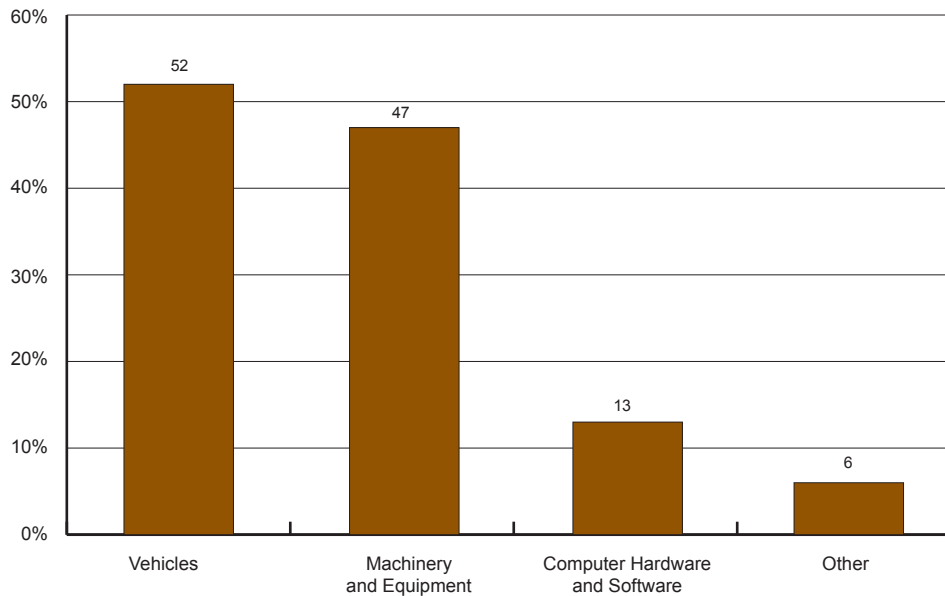
Note: As entrepreneurs can use the financing they obtain for various purposes, the total may not add up to 100.

How many SMEs request lease financing?

In 2007, 17 percent of SMEs made requests for lease financing, almost all (92 percent) of which were approved. Even though this approval rate represented a slight drop from the 96 percent approval rate recorded in 2004, the 17 percent rate of requests represented an increase of 3 percent from 2004.

In 2007, SMEs used lease financing primarily to fund vehicles (52 percent), machinery and equipment (47 percent), and computer equipment and software (13 percent) (see Figure 6). The highest lease financing rate was recorded by SMEs operating in the manufacturing sector at 21 percent, followed by SMEs in the accommodation and food services sector at 13 percent.

Figure 6: Use of Lease Financing by SMEs in 2007



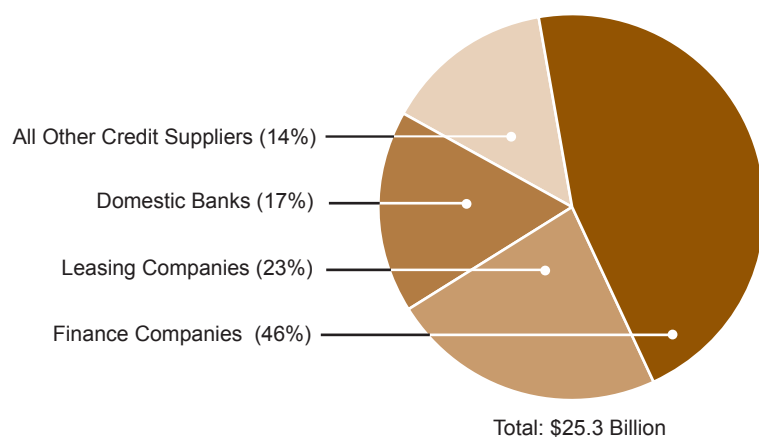
Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007.

Note: As entrepreneurs can use the financing they obtain for various purposes, the total may not add up to 100.

Who are the key suppliers of lease financing to SMEs?

In 2007, the total value of leases authorized to all Canadian businesses (regardless of size) amounted to approximately \$25 billion, a 31-percent decrease from 2004. Finance and leasing companies accounted for just over two thirds (69 percent) of the leasing market, while domestic banks maintained less than a fifth of the market (17 percent) (see Figure 7).

Figure 7: Market Share of Commercial Leases Authorized by Financial Suppliers as of December 31, 2007



Source: SME Financing Data Initiative, Statistics Canada, *Survey of Suppliers of Business Financing*, 2007.

How much venture capital financing was received by Canadian firms?

Venture capital is defined as long-term equity investment in private high-growth-potential firms, which is managed by professional investors. Venture capital firms can often be identified through their active participation in the development of the businesses they finance.

Venture capital investments are generally limited to a small number of companies in the technology sector, all with high growth potential. Almost 90 percent of all venture capital investments made in Canada over the last ten years went to firms operating in the technologies sector, such as telecommunications and biopharmaceutical businesses.⁵ Furthermore, a study conducted on Canadian companies that received venture capital financing between 1996 and 2007 revealed that the firms experienced spectacular growth. From 2003 to 2007, these firms accounted for a 17-percent jump in job creation in the country and 32-percent growth in sales.⁶

As in the United States and Europe, venture capital investments in Canada hit their peak in 2000, just before the dot-com bubble burst. Since then, the value of this type of investment has declined. From 2003 to 2006, the level of venture capital investment in Canada remained stable at between \$1.6 and \$1.7 billion. In 2007, venture capital investment amounted to \$2.1 billion (see Figure 8); while the total number of transactions was low, their value, supported by foreign funds, was nonetheless very high. In 2008, however, venture capital investment in Canada dropped to \$1.4 billion, the lowest level since 1996. To properly contextualize this assessment, we should mention that venture capital investments in the United States and Europe increased by about 50 percent compared with their 2003 values.⁷

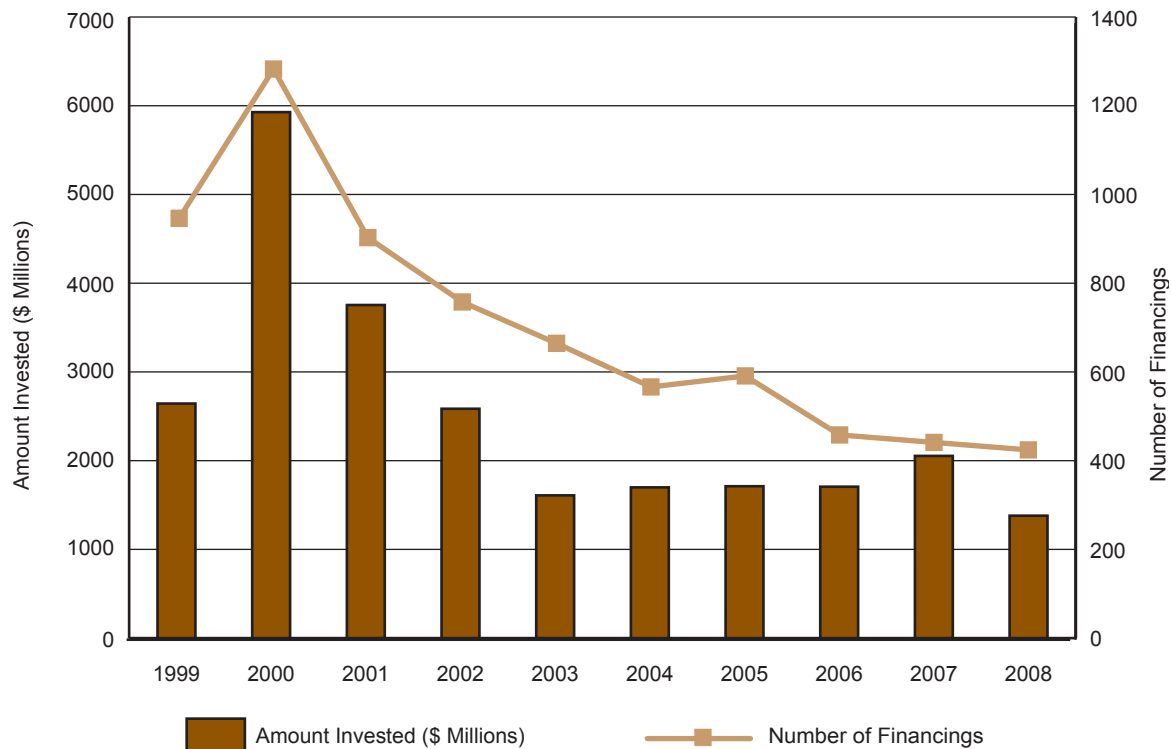
5. Thomson Reuters. *VC Reporter*, 2009. www.canadavc.ca

6. Gilles Duruflé, January 2009. *Why Venture Capital is Essential to the Canadian Economy: The Impact of Venture Capital on the Canadian Economy*. Proposed by Canada's Venture Capital & Private Equity Association; funded by the Business Development Bank of Canada, the Government of Canada and the Alberta, British Columbia and Quebec provincial governments. www.cvca.ca

7. PricewaterhouseCoopers, 2009. *MoneyTree Report: Historical Trend Data*. <https://www.pwcmoneytree.com>
Gilles Duruflé, May 25, 2009. *Facing Headwinds: The Canadian VC Industry in the Present Crisis*. Presented at the Annual Conference of Canada's Venture Capital & Private Equity Association. www.cvca.ca



Figure 8: Canadian VC Activity



Source: Thomson Reuters, 2009.

Businesses need venture capital at different stages of their development. First, at the “pre-start-up and start-up” stages, they launch their business operations and need financing to develop their products. Next, businesses at the “other preliminary stages” have begun marketing and require financing to increase their visibility and to optimize their production process. Finally, during the “later stage,” firms are already established and need venture capital to help them get through a difficult period or to launch expansion or acquisition projects.

The distribution of funding by development stage remained stable throughout the last nine years. The “Internet bubble” was the only thing that caused a disruption during that decade, though it had different effects at the three development stages. While financing for firms at the “pre-start-up and start-up” stages tripled between 1999 and 2000 (see Table 3), before gradually returning to “pre-bubble” levels in 2003, for firms at the “other preliminary stages,” it only doubled between 1999 and 2000, and then returned to pre-bubble levels in 2002. Finally, investments in “later stage” firms more than tripled (3.5 times) between 1998 and 2000, which was faster than for firms at the other development stages.

The negative effects of the speculative bubble have worn off. Despite everything, the number of firms financed, as well as the amounts invested, continued to decline until they reached 1996–1997 levels for firms at all development stages. However, the amounts invested are now higher than they were in 1999 for all development stages, indicating that venture capital firms are now concentrating their investments more than before.

Table 3: Amount Invested, Number of Financings and Average Equity Financing Amount in Canadian Businesses by Stage of Development of Firm

| | | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|------------------------------|---------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Amount Invested (\$M) | Pre-start-up and start-up | 133 | 229 | 202 | 388 | 1284 | 1052 | 676 | 259 | 349 | 223 | 258 | 264 | 196 |
| | Other preliminary stages | 191 | 351 | 383 | 571 | 1393 | 1486 | 527 | 572 | 534 | 691 | 487 | 460 | 372 |
| | Later stages | 685 | 1060 | 932 | 1685 | 3252 | 1216 | 1382 | 778 | 815 | 797 | 962 | 1329 | 812 |
| Number of Financings | Pre-start-up and start-up | 117 | 173 | 232 | 235 | 364 | 272 | 236 | 141 | 143 | 117 | 99 | 91 | 90 |
| | Other preliminary stages | 102 | 187 | 185 | 173 | 281 | 245 | 191 | 231 | 191 | 206 | 144 | 111 | 112 |
| | Later stages | 351 | 529 | 535 | 549 | 651 | 396 | 340 | 301 | 240 | 276 | 222 | 246 | 229 |
| Average (\$M) | Pre-start-up and start-up | 1.14 | 1.32 | 0.87 | 1.65 | 3.53 | 3.87 | 2.86 | 1.83 | 2.44 | 1.91 | 2.61 | 2.9 | 2.18 |
| | Other preliminary stages | 1.88 | 1.88 | 2.07 | 3.3 | 4.96 | 6.06 | 2.76 | 2.48 | 2.8 | 3.36 | 3.38 | 4.14 | 3.32 |
| | Later stages | 1.95 | 2 | 1.74 | 3.07 | 4.99 | 3.07 | 4.07 | 2.58 | 3.4 | 2.89 | 4.33 | 5.4 | 3.54 |

Source: Thomson Reuters, *VC Reporter*, June 29, 2009.

Access to Financing

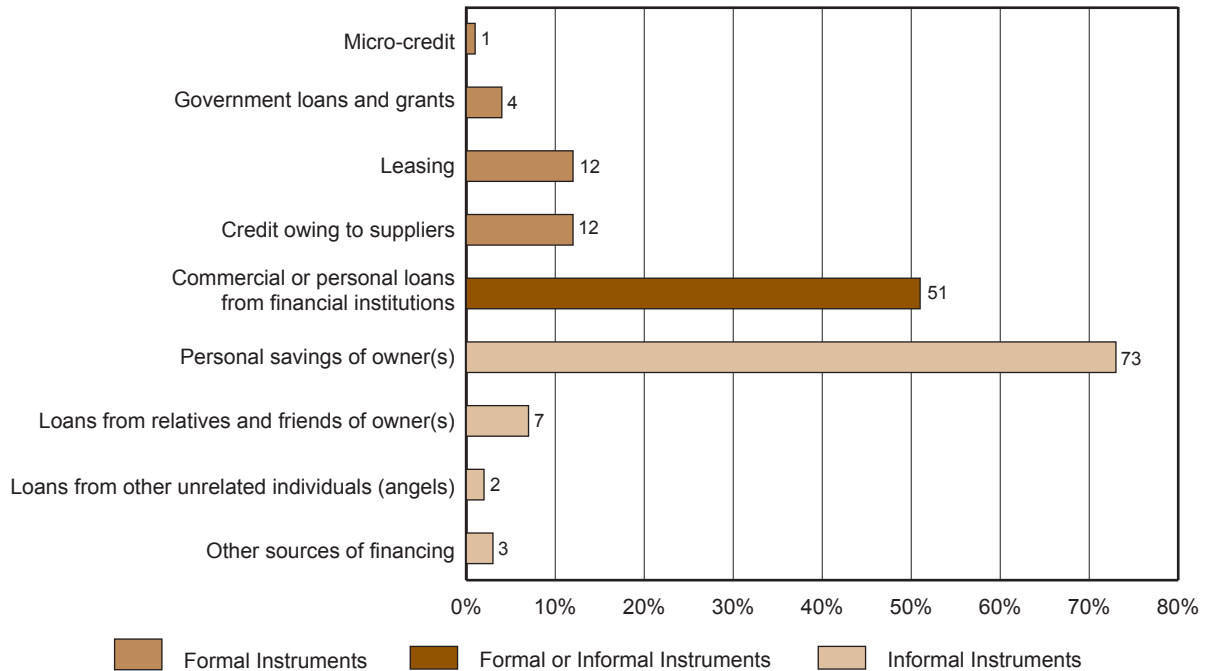
What sources of financing are used by SMEs at different stages of development?

A firm's financing needs evolve as it grows: the sources of financing used by SMEs at the start-up stage are not the same as those used by established SMEs that have built up equity and collateral. Sources of financing can be broadly categorized as formal or informal. Informal financing is a form of financing reserved for small businesses as it is inherently dependent on the solvency (or liquidity) of the owners themselves, rather than on that of the firm receiving the funds. Informal financing can include owners' savings, personal loans taken out by owners, and loans from friends, family members or employees, whereas commercial loans, lease financing, supplier credit and government grants can be categorized as formal financing.

Start-up SMEs often lack both a credit history and the collateral needed to secure a loan, thus they represent a degree of risk many financial institutions are unprepared to take. As a result, start-ups typically use informal sources of external financing and rely on owners' personal savings and credit to finance their operations.

As shown in Figure 9, 73 percent of start-up SMEs used personal savings to finance their company, compared with 54 percent of all SMEs (see Figure 10). Start-up businesses also used personal and commercial loans (51 percent) to fund their operations. However, they used formal financing, such as lease financing (12 percent) and supplier credit (12 percent), less often than established SMEs, 21 percent of which used lease financing and 22 percent supplier credit.

Figure 9: Types of Financial Instruments Used by All Start-up SMEs in 2007*



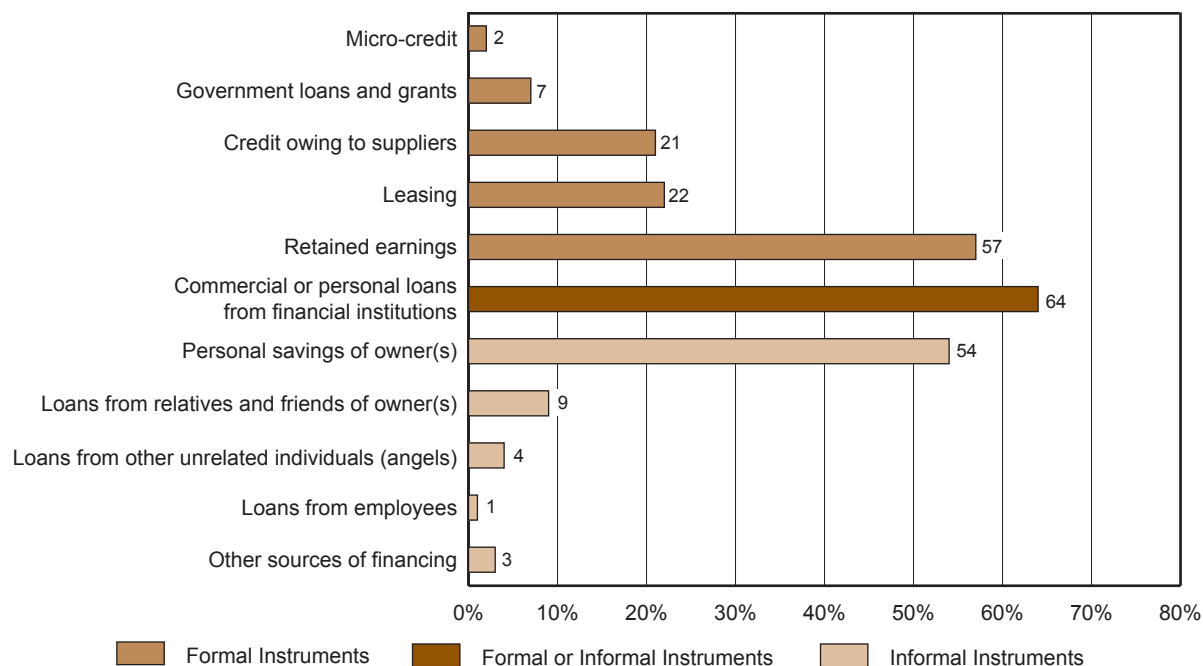
Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007.

* Includes any source used, regardless of whether it was authorized or obtained in a previous year. Multiple responses were possible.

Figure 10 shows that, in 2007, SMEs as a whole used mainly personal and commercial loans (64 percent) to finance their current activities. They also used many formal instruments, such as retained earnings (57 percent), lease financing (22 percent) and supplier credit (21 percent). SMEs also used informal financing sources, but less so than at the start-up stage. However, over half (54 percent) of well-established SMEs financed their activities through personal savings. These SMEs also took out loans from family members or friends, from angel investors and employees in 9 percent, 4 percent and 1 percent of cases respectively.



Figure 10: Types of Financial Instruments Used to Maintain Activities in 2007*



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007.

* Includes any source used, regardless of whether it was authorized or obtained in a previous year. Multiple responses were possible.



How do SMEs apply for debt financing?

SMEs have traditionally obtained access to debt financing through well-established associations with a particular branch of a financial provider. In 2007, 48 percent of SMEs reported they requested debt through a personal discussion in a branch or with their account manager (see Table 4). This is down from 56 percent of SMEs that reported applications through a personal discussion in a branch in 2004.

Table 4: Application Methods Used by SMEs that Requested Debt

| Method | Percentage of Applicants in 2004 | Percentage of Applicants in 2007 |
|--|----------------------------------|----------------------------------|
| Applications filled in at the branch | 56 | 48 |
| Applications by phone | 29 | 33 |
| Applications over the Internet or by email | 4 | 4 |
| Other | 11 | 14 |

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004 and 2007.

Note: Figures may not add up to 100 due to rounding.

However, despite the increased use of new technologies by SMEs (different ways for consumers and businesses to access financial services), the rates of requests made by telephone and over the Internet did not change significantly as they went from 29 percent and 4 percent, respectively, in 2004 to 33 percent and 4 percent, respectively, in 2007.

Which documents and types of collateral were requested by debt suppliers?

Over the last decade, credit rating risk based analysis increased among Canadian financial institutions. This is evidenced by the fact that businesses' financial statements (69 percent) and personal financial statements (46 percent), which are needed for such analyses, are the documents that are most often required following financing applications (70 percent) (see Table 5). On the other hand, business plans, which are generally not taken into account in this type of analysis, were only requested in 21 percent of cases.

Table 5: Documents Requested by the Last Credit Supplier Approached for Debt Financing

| Type of Document Requested | 2004 (%) | 2007 (%) |
|-----------------------------------|----------|----------|
| Formal application for financing | 53 | 70 |
| Business financial statement | 61 | 69 |
| Business plan | 21 | 21 |
| Personal financial statement | 47 | 46 |
| Appraisal of asset to be financed | 26 | 32 |
| Cash flow projection | 22 | 27 |
| All other documents | 5 | 18 |

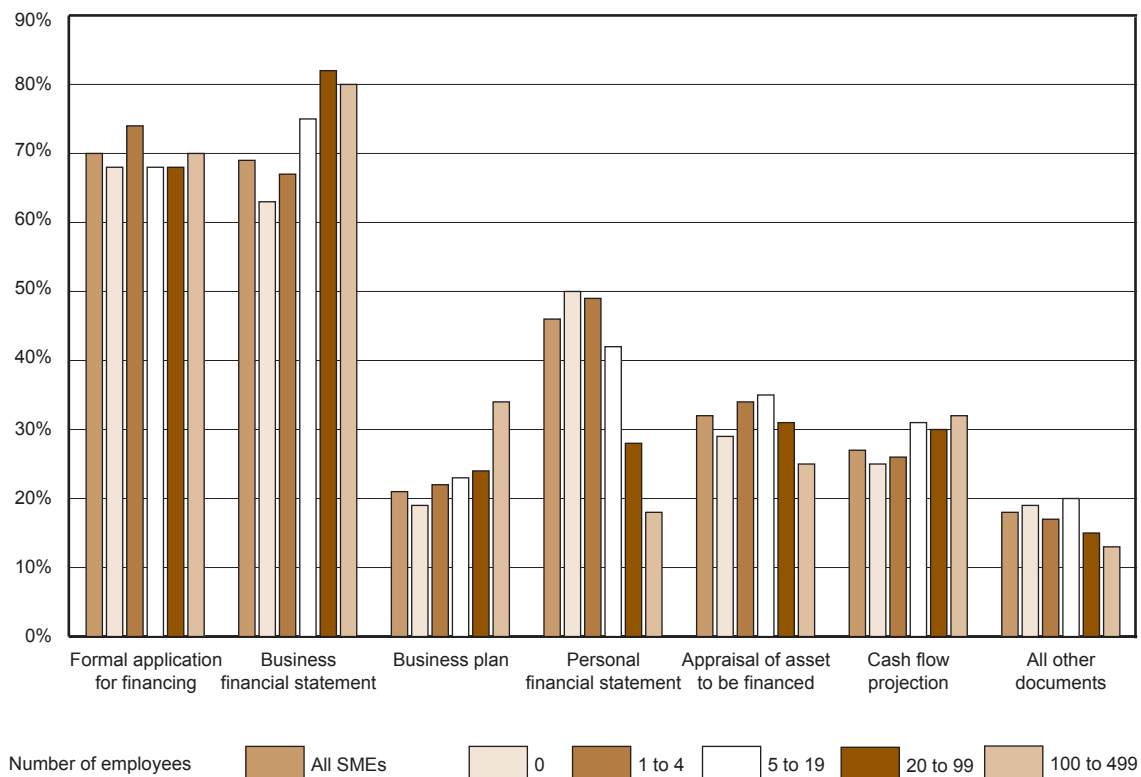
Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004 and 2007.

Financial institutions often require that SMEs seeking financing provide collateral as security. Collateral can take the form of land, buildings, or other business or personal assets that can be used as security for the debt, or guarantees from third parties. The amount of collateral required is directly linked to the perceived risk. In 2007, almost half (49 percent) of SMEs were asked to provide collateral (business or personal assets) to guarantee their financing. Innovative businesses (those with R&D expenses of at least 20 percent of their total investment) represent the greatest risk for financial institutions, which is why 65 percent of such firms had to provide some collateral whenever they requested financing in 2007.

Firm size generally has a bearing on the type of financing used. Large companies require greater financing and cannot depend on informal financing as much as small enterprises. Large companies, therefore, can be expected to make more formal financing requests and to have to provide documents attesting to the firm's solvency, and fewer documents covering the solvency of the owners themselves. For example, a business plan was required in 34 percent of cases of medium-sized enterprises (100 to 499 employees) requesting financing, and only in about 20 percent of cases involving all other categories (see Figure 11). The entrepreneur's personal financial statement was requested in approximately 50 percent of cases involving micro-enterprises (0 to 4 employees), in 45 percent of cases involving firms with 5 to 19 employees, and in 28 percent of cases involving firms with 20 to 99 employees; the rate for entrepreneurs owning medium-sized enterprises was only 18 percent. The demarcation between micro-

enterprises and medium-sized enterprises is less pronounced in terms of the firm's financial statements, which were requested from 63 percent of micro-enterprises and from 80 percent of medium-sized enterprises. There was less variation between different business categories in terms of other documents (official financing request, assessment of assets to be financed and cash flow forecasts).

Figure 11: Documents Required by Last Credit Supplier Contacted for Debt Financing by Firm Size, 2007



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007.

SME Business Owner Characteristics

Demographic trends in Canadian entrepreneurship

The face of Canadian entrepreneurs has become increasingly diverse throughout the past two decades. Women are entering the business world in ever-greater numbers. In 2000, they owned or co-owned 45 percent of SMEs,⁸ and this share rose to just over 47 percent in 2007 (see Table 6).

As the Canadian population continues to age, young people will be stepping more and more into the small business world. According to the Canadian Imperial Bank of Commerce (CIBC), 22 percent of Canadian entrepreneurs will be retiring between 2004 and 2010, followed by an additional 29 percent by 2020.⁹ Indeed, results of the 2007 *Survey on Financing of Small and Medium Enterprises* indicate that 58 percent of owners of SMEs are over 50 years old.

Visible minority entrepreneurs also play an important role in the Canadian economy. The portion of Canadians who are visible minorities rose sharply from 4.7 percent in 1981 to 13.4 percent in 2001 and 16.2 percent in 2006.¹⁰ According to Statistics Canada, between 19 percent and 23 percent of the Canadian population will be made up of visible minorities in 2017,¹¹ and they will undoubtedly form the same proportion of the workforce.¹²

- Among exporting SMEs, 49 percent were partly or entirely owned by women, 8 percent by visible minorities, 4 percent by youths, 4 percent by new immigrants and 2 percent by Aboriginals.
- Among innovative SMEs (SMEs whose R&D investments represent at least 20 percent of their total investment), 58 percent were partly or entirely owned by women, 14 percent by visible minorities, 5 percent by youths, 5 percent by new immigrants and 3 percent by Aboriginals.

8. SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2000.

9. CIBC World Markets. *Are Canadian Entrepreneurs Ready for Retirement?* Canadian Imperial Bank of Commerce, 2005.

10. Statistics Canada, *Canadian Census of Population*, 1981, 2001 and 2006.

11. Statistics Canada, *Canada's Visible Minority Population in 2017*.

12. Antunes, P., J. MacBride-King and J. Swettenham. *Making a Visible Difference: The Contribution of Visible Minorities to Canadian Economic Growth*. Conference Board of Canada, 2004.

Women entrepreneurs

Women continue to choose entrepreneurship as a career. In 2007, 47 percent of Canadian SMEs were entirely or partly owned by women, while 16 percent of Canadian SMEs belonged exclusively to women.

Proportionately fewer majority women-owned enterprises request financing (approximately 18 percent), and they also receive less financing. There are several characteristics of these enterprises that may complicate access to financing:

- Majority women-owned enterprises are generally smaller (over 99 percent have fewer than 20 employees).
- Majority women-owned enterprises are concentrated in the professional services sector and in accommodation and food services industries. The agriculture/primary sector attracts fewer women entrepreneurs, with only 3 percent of businesses in this sector majority women-owned.
- Women owners are less experienced; over 50 percent have less than 10 years experience.
- Majority women-owned enterprises represent 22 percent of SMEs that began operations in 2006–2007 and 20 percent that began between 2000 and 2005, while representing 16 percent of all SMEs.

It has also been observed that a large number of women are self-employed. Over 900 000 of the 2.6 million self-employed workers in Canada in 2007 were women.¹³ Over the last decade, the number of self-employed women has risen by 10 percent, which is slightly less than the 12-percent rise in self-employed men.

13. Statistics Canada, CANSIM, Table 282-0012 and Catalogue No. 89F0133XIE.



Young entrepreneurs

There are several characteristics of SMEs owned by youth that may complicate access to financing for younger entrepreneurs, including:

- their firms are newer (80 percent created within the past five years) and may be perceived as riskier (i.e. have less credit history); they are slightly more concentrated in knowledge-based industries;
- their firms often record higher growth (64 percent plan to expand compared with 40 percent for all Canadian firms), which is associated with higher financial risk;
- their firms are relatively smaller and less established than SMEs owned by other groups in their sectors of operation;
- although financially viable, their firms do not perform as well as businesses owned by older entrepreneurs (54 percent have a net value of less than \$100 000, which includes the value of both the entrepreneur's personal assets and those of the firm, compared with 32 percent for all entrepreneurs); and
- younger owners have fewer years of management experience (91 percent have less than 10 years experience compared with 28 percent for all Canadian entrepreneurs).

It comes as no surprise, therefore, that in 2007, young entrepreneurs were more likely to indicate "obtaining financing" (26 percent) as an obstacle to growth than all entrepreneurs on average (17 percent).

At the same time, many of these factors also increase the capital needs of youth-owned SMEs. As new, fast-growing businesses, these SMEs have slightly higher financing request rates than those belonging to older entrepreneurs (e.g. 19 percent debt financing rate compared with 13 percent on average). In 2007, young entrepreneurs faced lower approval rates for financing (69 percent compared with 87 percent for all age groups). The lower approval rates are partially attributable to the fact that young entrepreneurs have been dealing with a financial institution for a shorter period of time, and that they may lack a credit history. Perhaps as a result, youth-owned SMEs finance their operations through informal financing methods, such as personal savings, personal credit, and loans from friends and family, more often than firms owned by older entrepreneurs (see Table II in Appendix). Thus, in 2007, 71 percent of young entrepreneurs used their personal savings to finance their operations, while 6 percent made loan arrangements with their employees, compared with 54 percent and 1 percent, respectively, for all Canadian SMEs.

Visible minority entrepreneurs

Majority visible minority-owned enterprises represent about 10 percent of all SMEs in Canada. They are concentrated primarily in the accommodation and food services sector and in knowledge-based industries (11 percent and 10 percent respectively). Visible minority entrepreneurs do not seem to be attracted to the agriculture/primary sector (3 percent) or to the rural environment (2 percent).

Majority visible minority-owned enterprises generally have fewer than 100 employees (only 0.2 percent have more than 100 employees), and are located primarily in Ontario (48 percent) and British Columbia (24 percent). There are fewer majority visible minority-owned enterprises in the Atlantic provinces and Quebec (2 percent and 9 percent respectively).

Visible minority business owners are generally young, making up 15 percent of all entrepreneurs under 30 years of age, as are their businesses (15 percent started selling goods or services in 2006–2007 and 13 percent began operations between 2000 and 2005).

New immigrant entrepreneurs

New immigrant majority-owned enterprises represent approximately 3 percent of SMEs in Canada. Ten percent of new immigrant entrepreneurs operate in the accommodation and food services sector, with a similar proportion in knowledge-based industries. These businesses are located primarily in Ontario (46 percent) and British Columbia (18 percent), two particularly multi-ethnic provinces.

New immigrant entrepreneurs tend to be young (under 39 years of age) and predominantly male. New immigrant majority-owned businesses tend to invest more in R&D, representing 5 percent of innovative businesses, even though they constitute only 3 percent of all businesses.



Aboriginal entrepreneurs

Aboriginal-owned businesses represent approximately 2 percent of Canadian SMEs, whereas Aboriginals represent 3.8 percent of the Canadian population.¹⁴ These businesses are mostly active in the agriculture and natural resource sectors, where they represent 3 percent of all Canadian SMEs, which is why Aboriginal SMEs are more commonly located in rural areas (38 percent) than the average Canadian SME (28 percent).

Women play a very important role in Aboriginal businesses, with 51 percent of Aboriginal-owned SMEs belonging entirely or partly to women, while the Canadian average stands at 47 percent.

Cooperatives

A cooperative is a business that belongs jointly to members who use its services. Cooperatives enable economic and social development activities, such as the supply of goods and services, that would otherwise not be available to the community, and they create jobs.

In 2007, 35 percent of Canadian cooperatives¹⁵ requested external financing. By comparison, 18 percent of Canadian SMEs requested external financing in 2007. A high proportion of cooperatives (89 percent) and SMEs (82 percent) received the full amounts they requested.

Although the proportion of rural cooperatives that requested financing was essentially identical to that of urban cooperatives (35 percent), it was a different story for SMEs as a whole, with 26 percent of rural SMEs requesting financing compared with 16 percent of urban SMEs. The approval rate differed by location (urban or rural), both for cooperatives and for SMEs as a whole. Indeed, 95 percent and 88 percent of cooperatives and SMEs, respectively, located in rural areas received the full amounts they requested, compared with 73 percent and 79 percent, respectively, of cooperatives and SMEs located in urban areas.

14. Human Resources and Skills Development Canada. <http://www4.hrsdc.gc.ca/3nd.3c.1t.4r@-eng.jsp?iid=36>

15. Statistics Canada, *Survey on Financing of Co-operatives*, 2007.



Table 6: Regional Distribution (percentage) of Entrepreneurs by Demographic Characteristics, 2007

| | All SMEs | Entirely or Partly Women-Owned SME | Youth-Owned SMEs | Visible Minority-Owned SMEs | Aboriginal-Owned SMEs | New Immigrant-Owned SMEs (residing in Canada for less than 5 years) |
|---|----------|------------------------------------|------------------|-----------------------------|-----------------------|---|
| Canada | 100 | 47 | 3 | 10 | 2 | 3 |
| Atlantic Provinces | 6 | 6 | 3 | 2 | 5 | 4 |
| Quebec | 20 | 15 | 23 | 9 | 9 | 12 |
| Ontario | 37 | 38 | 33 | 48 | 39 | 46 |
| Alberta, Manitoba and Saskatchewan | 22 | 26 | 31 | 18 | 26 | 21 |
| British Columbia | 15 | 15 | 11 | 24 | 21 | 18 |
| Northwest Territories, Nunavut and Yukon | 0.2 | — | 0.1 | 0.2 | — | 0.1 |

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007 (Industry Canada calculations).

Notes: Dash indicates estimates suppressed to meet confidentiality requirements of the *Statistics Act* and/or for low data quality reasons.

Figures may not add up to 100 due to rounding.

Table 7: Industrial Sector Distribution (percentage) by Demographic Characteristics, 2007

| | All SMEs | Entirely or Partly Women-Owned SMEs | Youth-Owned SMEs | Visible Minority-Owned SMEs | Aboriginal-Owned SMEs | New Immigrant-Owned SMEs (residing in Canada for less than 5 years) |
|--|----------|-------------------------------------|------------------|-----------------------------|-----------------------|---|
| All Sectors | 100 | 47 | 3 | 10 | 2 | 3 |
| Agriculture/Primary | 11 | 14 | 13 | 3 | 16 | 6 |
| Manufacturing | 4 | 4 | 3 | 3 | 3 | 3 |
| Wholesale/Retail | 15 | 17 | 11 | 19 | 10 | 17 |
| Professional Services | 11 | 11 | 8 | 9 | 6 | 8 |
| Knowledge-Based Industry | 6 | 5 | 10 | 10 | 3 | 10 |
| Accommodation and Food Services | 5 | 7 | 4 | 11 | 6 | 10 |
| Others | 48 | 41 | 51 | 44 | 56 | 46 |

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007 (Industry Canada calculations).

Note: Figures may not add up to 100 due to rounding.

Table 8: Financing Request and Approval Rates by Ownership Characteristics, 2007

| | Debt Financing | | Capital Leasing | | Equity Financing | |
|--|----------------|---------------|-----------------|---------------|------------------|---------------|
| | Request Rate | Approval Rate | Request Rate | Approval Rate | Request Rate | Approval Rate |
| | % | | % | | % | |
| All Small and Medium-Sized Enterprises | | | | | | |
| | 13 | 87 | 17 | 92 | 3 | 72 |
| Gender of Owner | | | | | | |
| Entirely Women-Owned | 13 | 62 | 14 | 77 | 2 | 100 |
| Majority Women-Owned | 10 | 99 | 9 | 100 | 1 | — |
| Majority Male-Owned | 16 | 89 | 21 | 94 | 3 | 94 |
| Entirely Male-Owned | 11 | 88 | 19 | 96 | 2 | — |
| Age of Majority Owner (years) | | | | | | |
| Under 30 | 19 | 69 | 11 | — | 2 | 92 |
| 30 to 39 | 16 | 84 | 16 | 92 | 4 | 80 |
| 40 to 49 | 14 | 88 | 17 | 91 | 3 | 74 |
| 50 to 64 | 12 | 90 | 18 | 93 | 4 | 67 |
| 65 and Over | 8 | 85 | 21 | 97 | 3 | 77 |

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007.

Notes: Dash indicates estimates suppressed to meet confidentiality requirements of the *Statistics Act* and/or for low data quality reasons.

Figures may not add up to 100 due to rounding.

Appendix: Summary Tables

Table I: SME Request and Approval Rates for Debt in 2007

| | | Request Rate (%) | Approval Rate (%) |
|---|-------------------------------------|------------------|-------------------|
| Rural and urban location | Rural | 18 | 88 |
| | Urban | 11 | 84 |
| Export and non-export activities | Exporter | 21 | 85 |
| | Non-exporter | 12 | 87 |
| Year business started selling goods and services | 2006–2007 | 17 | 87 |
| | 2000–2005 | 14 | 81 |
| | Prior to 2000 | 12 | 91 |
| Innovation | Non-innovative (0% R&D expenditure) | 12 | 87 |
| | 1–19% R&D expenditure | 14 | 89 |
| | ≥20% R&D expenditure | 17 | 79 |

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007.

Table II: Percentage of SMEs Using Financing in 2007 by Instrument Type*

| | Commercial loans from financial institutions | Government lending agencies/grants | Retained earnings | Credit owing to suppliers | Leasing | Loans from employees | Personal savings of business owner(s) | Loans from relatives or friends of business owner(s) | Loans from individuals unrelated to the firm or its owner ("angels") | Micro-credit | Other sources of financing |
|---|--|------------------------------------|-------------------|---------------------------|---------|----------------------|---------------------------------------|--|--|--------------|----------------------------|
| All SMEs | 64.3 | 7.0 | 57.1 | 20.7 | 21.6 | 1.4 | 53.9 | 9.0 | 4.1 | 2.4 | 3.0 |
| SMEs by Size of Firm (number of full-time employees) | | | | | | | | | | | |
| 0 | 62.8 | 6.6 | 56.6 | 16.8 | 20.4 | 1.6 | 59.0 | 8.7 | 3.1 | 2.9 | 3.0 |
| 0.5 to 4 | 63.6 | 5.8 | 52.9 | 22.1 | 20.1 | 1.3 | 49.3 | 7.7 | 4.6 | 2.0 | 1.7 |
| 5 to 19 | 67.6 | 9.7 | 62.9 | 26.5 | 23.7 | 1.0 | 52.0 | 13.4 | 5.4 | 1.4 | 5.3 |
| 20 to 99 | 77.2 | 12.0 | 73.2 | 37.6 | 39.1 | 1.4 | 32.8 | 6.0 | 7.7 | 2.1 | 4.7 |
| 100 to 499 | 75.6 | 10.2 | 69.4 | 38.7 | 38.8 | 3.3 | 31.7 | 4.6 | 5.4 | 1.0 | 6.2 |
| Industry | | | | | | | | | | | |
| Agriculture/Primary | 79.1 | 27.6 | 61.6 | 25.9 | 24.3 | 0.9 | 54.6 | 11.7 | 4.1 | 2.8 | 3.2 |
| Manufacturing | 64.0 | 10.0 | 65.8 | 31.6 | 24.7 | 1.5 | 49.6 | 10.8 | 5.7 | 0.9 | 2.4 |
| Wholesale/Retail | 66.8 | 3.1 | 55.2 | 27.2 | 16.4 | 3.1 | 63.4 | 12.8 | 4.3 | 1.5 | 2.6 |
| Professional Services | 49.1 | 2.5 | 56.9 | 10.5 | 14.4 | 2.0 | 43.5 | 4.7 | 1.9 | 3.0 | 4.5 |
| Knowledge-Based Industry | 53.9 | 4.8 | 62.0 | 10.0 | 16.8 | 4.4 | 59.3 | 9.0 | 3.8 | 1.7 | 3.7 |
| Accommodation and Food Services | 69.4 | 6.6 | 52.1 | 26.5 | 19.7 | 1.4 | 60.0 | 25.0 | 4.3 | 3.0 | 2.9 |
| Other Industries | 64.9 | 4.8 | 55.6 | 19.8 | 24.9 | 0.5 | 52.2 | 6.3 | 4.4 | 2.5 | 2.8 |
| Region | | | | | | | | | | | |
| Atlantic Provinces | 70.2 | 13.6 | 62.3 | 28.2 | 20.8 | 1.1 | 51.6 | 9.7 | 3.8 | 2.3 | 1.5 |
| Quebec | 63.7 | 6.9 | 42.2 | 15.6 | 18.4 | 1.2 | 48.7 | 7.3 | 2.1 | 0.6 | 3.6 |
| Ontario | 59.7 | 6.5 | 54.9 | 21.9 | 26.3 | 1.7 | 60.1 | 8.5 | 4.6 | 1.2 | 3.8 |
| Prairies | 72.6 | 8.6 | 66.8 | 19.2 | 19.5 | 1.6 | 49.5 | 11.0 | 5.0 | 2.6 | 2.6 |
| British Columbia | 61.0 | 3.0 | 66.2 | 24.3 | 18.1 | 1.0 | 54.3 | 9.2 | 4.3 | 7.3 | 1.6 |
| Territories | — | — | — | — | — | 0.2 | — | — | 0.7 | 1.5 | 2.8 |
| Rural or Urban Location | | | | | | | | | | | |
| Rural | 74.3 | 14.8 | 56.6 | 23.0 | 18.3 | 1.4 | 52.1 | 9.4 | 5.0 | 4.4 | 1.9 |
| Urban | 61.3 | 4.7 | 57.2 | 20.0 | 22.5 | 1.4 | 54.4 | 8.8 | 3.8 | 1.7 | 3.4 |

(continued on page 34)



(continued from page 33)

| | Commercial loans from financial institutions | Government lending agencies/grants | Retained earnings | Credit owing to suppliers | Leasing | Loans from employees | Personal savings of business owner(s) | Loans from relatives or friends of business owner(s) | Loans from individuals unrelated to the firm or its owner ("angels") | Micro-credit | Other sources of financing |
|--|--|------------------------------------|-------------------|---------------------------|---------|----------------------|---------------------------------------|--|--|--------------|----------------------------|
| Export and Non-Export Activities | | | | | | | | | | | |
| Exporter | 72.9 | 16.0 | 62.5 | 26.8 | 29.7 | 3.0 | 58.2 | 9.4 | 8.1 | 0.6 | 5.8 |
| Non-exporter | 63.6 | 6.2 | 56.6 | 20.2 | 20.8 | 1.3 | 53.5 | 8.9 | 3.7 | 2.5 | 2.8 |
| Year Business Starting Selling Goods and Services | | | | | | | | | | | |
| 2006–2007 | 56.5 | 5.1 | 45.4 | 15.4 | 13.9 | 0.3 | 67.6 | 20.4 | 5.8 | 1.1 | 3.6 |
| 2000–2005 | 60.0 | 3.8 | 53.9 | 17.7 | 23.1 | 1.8 | 56.2 | 11.2 | 4.1 | 2.5 | 2.4 |
| Prior to 2000 | 67.7 | 9.1 | 60.3 | 23.1 | 21.7 | 1.4 | 50.9 | 6.3 | 3.8 | 2.5 | 3.3 |
| Female Ownership | | | | | | | | | | | |
| 0% | 61.7 | 6.1 | 56.6 | 23.8 | 19.9 | 1.5 | 52.7 | 6.4 | 4.3 | 2.6 | 2.4 |
| 1 to 50% | 70.4 | 9.7 | 63.2 | 20.2 | 23.0 | 0.8 | 55.2 | 11.4 | 3.6 | 1.8 | 2.8 |
| 51 to 99% | 80.8 | 10.7 | 59.0 | 9.5 | 19.9 | 2.7 | 71.3 | 10.8 | 5.4 | 0.0 | 0.6 |
| 100% | 65.6 | 6.3 | 52.5 | 15.5 | 28.2 | 1.6 | 58.8 | 13.0 | 4.4 | 3.3 | 2.2 |
| Majority Owner by Age Group (years) | | | | | | | | | | | |
| <30 | 57.1 | 4.3 | 49.7 | 12.8 | 26.7 | 6.0 | 71.3 | 8.2 | 1.2 | 6.6 | 0.0 |
| 30–39 | 55.0 | 6.1 | 52.4 | 12.0 | 17.9 | 0.4 | 51.4 | 14.1 | 3.7 | 2.4 | 2.2 |
| 40–49 | 66.2 | 5.7 | 53.7 | 21.2 | 21.7 | 2.0 | 56.7 | 12.5 | 3.1 | 2.0 | 2.7 |
| 50–64 | 67.0 | 7.0 | 57.5 | 21.1 | 22.2 | 0.9 | 51.1 | 5.8 | 3.8 | 2.2 | 2.8 |
| ≥65 | 60.5 | 12.2 | 70.9 | 28.9 | 21.6 | 2.0 | 56.3 | 6.5 | 9.0 | 3.2 | 6.4 |
| Innovation | | | | | | | | | | | |
| Non-innovative (0% R&D expenditure) | 64.8 | 6.0 | 56.2 | 20.5 | 20.8 | 1.3 | 51.8 | 7.9 | 3.8 | 2.4 | 2.8 |
| 1–19% R&D expenditure | 62.0 | 12.6 | 60.2 | 24.5 | 25.2 | 1.1 | 60.7 | 13.1 | 4.4 | 2.1 | 3.5 |
| Innovative (≥20% R&D expenditure) | 65.2 | 5.0 | 60.7 | 9.8 | 21.6 | 5.2 | 65.9 | 12.0 | 8.4 | 2.6 | 6.1 |

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007.

* Includes any source used, regardless of whether it was authorized or obtained in a previous year.

Note: Dash indicates estimates suppressed to meet confidentiality requirements of the *Statistics Act* and/or for low data quality reasons.

Table III: Amount of Outstanding Commercial Debt by Authorizations as of December 31, 2007

| | Domestic banks | Other banks | Credit unions and Caisses populaires | Finance companies | Portfolio managers, venture capital companies, financial funds | Insurance companies | Leasing companies | Total – all suppliers |
|---------------------------------------|----------------|-------------|---|-------------------|---|---------------------|-------------------|-----------------------|
| LESS THAN \$25 000 | | | | | | | | |
| Amounts authorized (\$ millions) | 1 727.1 | 295.4 | 555.5 | 828.6 | 13.8 | — | — | 3 430.3 |
| Number of clients (thousands) | 657.2 | 46.8 | 103.6 | 196.2 | 0.8 | — | — | 1 005.5 |
| \$25 000–\$49 999 | | | | | | | | |
| Amounts authorized (\$ millions) | 2 306.8 | 240.2 | 924.5 | 802.1 | 7.6 | — | — | 4 320.7 |
| Number of clients (thousands) | 143.9 | 12.2 | 47.2 | 39.3 | 0.3 | — | — | 244.0 |
| \$50 000–\$99 999 | | | | | | | | |
| Amounts authorized (\$ millions) | 4 739.5 | 508.5 | 2 037.3 | 1 507.6 | 18.2 | 116.3 | 23.1 | 8 950.4 |
| Number of clients (thousands) | 147.1 | 12.6 | 48.3 | 32.1 | 0.3 | 1.6 | 0.4 | 242.5 |
| \$100 000–\$249 999 | | | | | | | | |
| Amounts authorized (\$ millions) | 9 978.4 | 1 484.8 | 5 678.7 | 4 061.9 | 76.5 | 174.1 | 3.1 | 21 457.6 |
| Number of clients (thousands) | 115.2 | 12.9 | 56.4 | 37.1 | 0.6 | 1.1 | 0.0 | 223.2 |
| SUBTOTAL — LESS THAN \$250 000 | | | | | | | | |
| Amounts authorized (\$ millions) | 18 751.8 | 2 528.9 | 9 196.0 | 7 200.2 | 116.1 | 290.4 | 26.2 | 38 159.0 |
| Number of clients (thousands) | 1 063.4 | 84.5 | 255.5 | 304.7 | 2.0 | 2.7 | 0.4 | 1 715.2 |
| \$250 000–\$499 999 | | | | | | | | |
| Amounts authorized (\$ millions) | 11 217.5 | 1 894.8 | 5 828.3 | 4 948.9 | 135.2 | 273.4 | 6.8 | 24 304.7 |
| Number of clients (thousands) | 51.0 | 7.1 | 25.0 | 19.5 | 0.5 | 0.8 | 0.0 | 103.9 |
| \$500 000–\$999 999 | | | | | | | | |
| Amounts authorized (\$ millions) | 14 275.3 | 2 357.0 | 6 807.6 | 5 522.3 | 256.1 | 1 003.5 | 4.3 | 30 226.1 |
| Number of clients (thousands) | 32.6 | 4.8 | 14.8 | 10.8 | 0.5 | 1.4 | 0.0 | 64.8 |
| SUBTOTAL OF SMEs | | | | | | | | |
| Amounts authorized (\$ millions) | 44 244.6 | 6 780.7 | 21 831.9 | 17 671.4 | 507.4 | 1 567.3 | 37.3 | 92 689.8 |
| Number of clients (thousands) | 1 147.0 | 96.4 | 295.3 | 335.0 | 3.0 | 4.9 | 0.4 | 1 883.9 |
| \$1 000 000–\$4 999 999 | | | | | | | | |
| Amounts authorized (\$ millions) | 45 675.9 | 9 622.9 | 15 581.5 | 16 031.7 | 1 513.1 | 10 902.6 | 44.2 | 99 371.9 |
| Number of clients (thousands) | 36.0 | 6.3 | 11.9 | 11.5 | 0.9 | 3.8 | 0.0 | 70.5 |
| \$5 000 000 AND MORE | | | | | | | | |
| Amounts authorized (\$ millions) | 172 947.9 | 63 431.8 | 11 811.3 | 19 845.6 | 5 814.7 | 28 262.9 | 363.8 | 302 478.1 |
| Number of clients (thousands) | 14.5 | 4.5 | 1.8 | 3.1 | 0.5 | 1.8 | 0.0 | 26.2 |
| TOTAL – ALL CLIENTS | | | | | | | | |
| Amounts authorized (\$ millions) | 262 868.4 | 79 835.5 | 49 224.7 | 53 548.7 | 7 835.1 | 40 779.5 | 448.0 | 494 539.8 |
| Number of clients (thousands) | 1 197.5 | 107.2 | 308.8 | 349.6 | 4.3 | 12.2 | 1.0 | 1 980.7 |

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007.

Note: Dash indicates estimates suppressed to meet confidentiality requirements of the *Statistics Act* and/or for low data quality reasons.

Table IV: Amount of Outstanding Lease Financing by Authorization as of December 31, 2007

| | Domestic banks | Finance companies | Leasing companies | All other suppliers | Total – all suppliers |
|---------------------------------------|-------------------|----------------------|----------------------|------------------------|--------------------------|
| LESS THAN \$25 000 | | | | | |
| Amounts authorized (\$ millions) | 4.6 | 1 611.4 | 845.7 | 66.4 | 2 528.1 |
| Number of clients (thousands) | 0.4 | 245.7 | 140.9 | 4.6 | 391.6 |
| \$25 000–\$49 999 | | | | | |
| Amounts authorized (\$ millions) | — | 2 799.3 | 774.6 | — | 4 508.0 |
| Number of clients (thousands) | — | 111.1 | 31.1 | — | 179.5 |
| \$50 000–\$99 999 | | | | | |
| Amounts authorized (\$ millions) | 72.8 | 1 369.6 | 852.4 | 92.1 | 2 386.8 |
| Number of clients (thousands) | 1.5 | 31.1 | 16.6 | 1.5 | 50.7 |
| \$100 000–\$249 999 | | | | | |
| Amounts authorized (\$ millions) | 247.9 | 1 935.2 | 598.4 | 209.4 | 2 991.0 |
| Number of clients (thousands) | 2.5 | 22.9 | 5.3 | 1.4 | 32.1 |
| SUBTOTAL — LESS THAN \$250 000 | | | | | |
| Amounts authorized (\$ millions) | 325.3 | 7 715.5 | 3 071.1 | 367.9 | 12 413.9 |
| Number of clients (thousands) | 4.4 | 410.8 | 193.9 | 7.5 | 653.9 |
| \$250 000–\$499 999 | | | | | |
| Amounts authorized (\$ millions) | 314.9 | 1 140.3 | 394.2 | 237.6 | 2 087.0 |
| Number of clients (thousands) | 1.4 | 5.9 | 1.6 | 0.7 | 9.7 |
| \$500 000–\$999 999 | | | | | |
| Amounts authorized (\$ millions) | 392.4 | 762.5 | 365.6 | 371.5 | 1 892.0 |
| Number of clients (thousands) | 0.9 | 2.1 | 0.8 | 0.5 | 4.4 |
| SUBTOTAL OF SMEs | | | | | |
| Amounts authorized (\$ millions) | 1 032.6 | 9 618.3 | 3 830.9 | 977.0 | 16 392.9 |
| Number of clients (thousands) | 6.7 | 418.8 | 196.3 | 8.7 | 668.0 |
| \$1 000 000–\$4 999 999 | | | | | |
| Amounts authorized (\$ millions) | 1 122.8 | 1 245.0 | 721.9 | 915.8 | 4 005.5 |
| Number of clients (thousands) | 0.9 | 1.2 | 0.5 | 0.4 | 3.1 |
| \$5 000 000 AND MORE | | | | | |
| Amounts authorized (\$ millions) | — | 665.4 | 1 268.1 | — | 4 856.0 |
| Number of clients (thousands) | — | 0.1 | 0.1 | — | 0.5 |
| TOTAL – ALL CLIENTS | | | | | |
| Amounts authorized (\$ millions) | 4 247.2 | 11 528.8 | 5 820.8 | 3 657.5 | 25 254.4 |
| Number of clients (thousands) | 8.7 | 420.2 | 196.9 | 45.8 | 671.6 |

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007.

Note: Dash indicates estimates suppressed to meet confidentiality requirements of the *Statistics Act* and/or for low data quality reasons.

List of SME Financing Data Initiative Publications

Research Reports

http://www.sme-fdi.gc.ca/eic/site/sme_fdi-prf_pme.nsf/eng/h_02159.html

Financing Innovative Small and Medium-Sized Enterprises in Canada — October 2009

Canadian SME Exporters — January 2008

Financing Canadian SME Exporters — June 2007

Financing Global Gazelles — March 2006

Research report that will be published soon

Determinants of Trade Credit Use by Small and Medium-Sized Enterprises in Canada

Small Business Financing Profiles

http://www.sme-fdi.gc.ca/eic/site/sme_fdi-prf_pme.nsf/eng/h_01253.html

Regions

Rural-Based Entrepreneurs — October 2008

Small and Medium-Sized Enterprises in Ontario — September 2007

Small and Medium-Sized Enterprises in the Atlantic Provinces — September 2007

Small and Medium-Sized Enterprises in the Prairie Provinces — September 2007

Small and Medium-Sized Enterprises in Quebec — August 2007

Small and Medium-Sized Enterprises in British Columbia — June 2007

Business Characteristics

Financing Innovative Small and Medium-Sized Enterprises in Canada — March 2009

Borrowers under the Canada Small Business Financing Program — February 2009

Informally Financed SMEs — September 2006

Exporter SMEs — September 2006

High-Growth SMEs — May 2006

Business Owner Characteristics

Young Entrepreneurs — January 2006

Visible Minority Entrepreneurs — March 2005

Women Entrepreneurs — November 2004