



Financial literacy among Canadian entrepreneurs and business owners

Joint project: BDC Research and Market
Intelligence, and the Telfer School of Business
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01.

Executive summary



Section 01

Executive summary

Survey highlights: Main results

Financial knowledge and enjoyment

More than two-thirds of business owners see themselves as **knowledgeable** regarding **financial matters**. An identical proportion told us they **enjoy** dealing with financial matters.

Retirement and personal risk-taking

Seven out of 10 business owners said they have a **good idea** of how much **money they will need to save** to maintain their desired standard of living when they **retire**.

Overall, more than half of business owners claimed they are willing to **take risks** regarding their personal financial investments. The average self-assessed risk score is 6.3 out of 10.

Financial management

Business owners rated themselves nearly identically on questions related to **financial management proficiency** and those related to **confidence**. A majority said they are proficient in financial management and confident about their financial management skills. The average scores on each of these questions is 7.1 out of 10. Furthermore, on average, business owners said they **allocate 30% of their time** in a typical week to dealing with financial aspects of their business.

Self-assessed skills in other business functions

More than two-thirds of business owners said they are proficient in sales and marketing. This translates into an average score of 7.0 out of 10.

Business owners believe they are more proficient in management of operations (7.8 out of 10) than in financial management (7.1 out of 10) or sales and marketing (7.0 out of 10). This seems to support our perception that **many business owners have solid industry and technical acumen but weaker skills related to some key business functions**.



Executive summary

Survey highlights: Main results (cont'd)

Financial management tasks

On average, business owners gave themselves good scores for their proficiency in managing certain financial aspects of their business. In fact, they feel quite proficient about **keeping track of money** and monitoring **cash flow** (7.6 to 7.9 out of 10). However, a smaller percentage of respondents are confident about their skills in anticipating **remittances** for employee benefit contributions (7.0 out of 10) and accounting for taxes to various levels of government (6.8 out of 10).

Relationship with business professionals

Three out of five business owners tend to **trust professional financial advisors** and accept what they recommend as it pertains to business finances. Moreover, two-thirds of business owners usually **consult an accountant or financial advisor** before making an important financial decision.

Professional advice

The majority of business owners **sought professional advice regarding taxes to various levels of government** over the last 24 months. Fewer than half sought professional advice related to evaluating the financial performance of their firm, accessing external financing and handling payroll remittances. Only a few business owners sought professional advice on managing cash flow, managing debt obligations, and establishing prices and margins.

Company credit record

Nearly three-quarters of business owners believe their **company credit record** to be **good or very good**. However, more than half of them have **never asked for a company credit record**.

Access to external financing

Half of business owners said they had **sought external financing** in the last 12 months. Two-thirds of those who requested external financing **obtained the full amount requested**. Business owners who did *not* request financing over the last year said they either **did not have any projects or investment needs** or they **financed those projects or needs internally**.



Executive summary

Survey highlights: Quiz results

Financial literacy quiz

Overall, business owners did **relatively well** on the financial literacy quiz. In total, more than three-quarters of respondents got at least seven questions right out of 10.

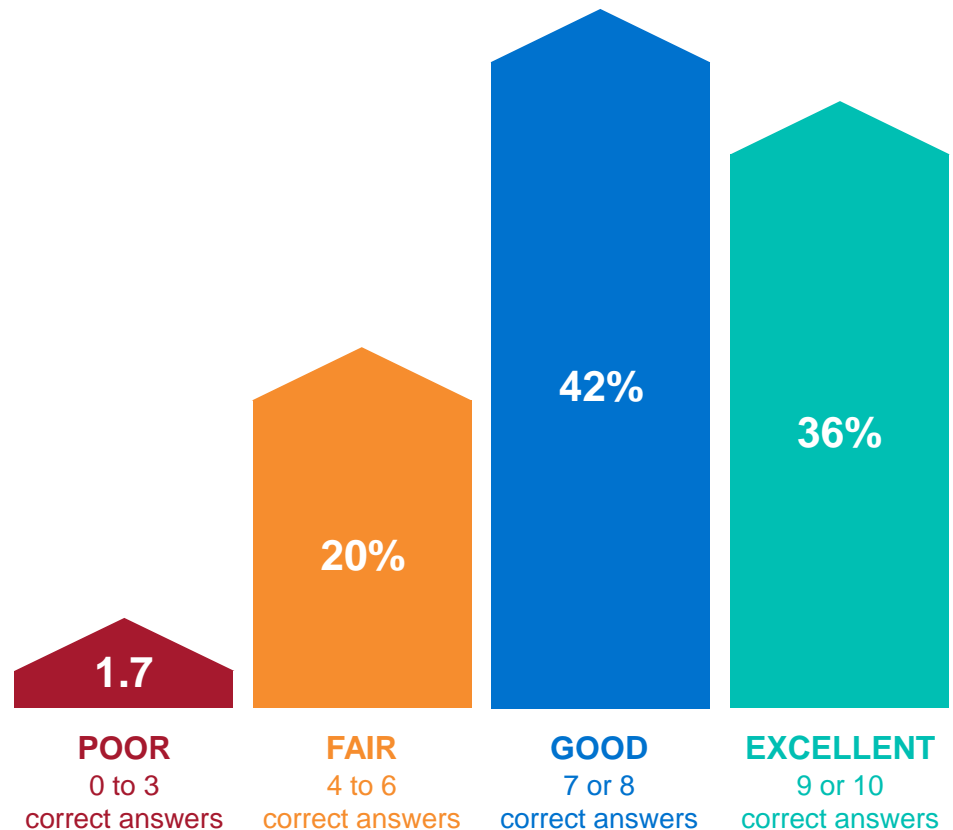
Business owners did really well on questions to which regular consumers could relate.

The vast majority of respondents correctly answered questions regarding credit ratings, lowering the cost of a house, automated teller machine fees, savings accounts and the amount of interest paid.

When topics were slightly more complicated or technical (such as unit pricing, higher levels of competition and profit margins, and credit scoring), then approximately two-thirds of the respondents gave the answer we wanted.

The question related to bond prices, which clearly requires more than basic financial literacy, was the one business owners found most difficult.

That being said, not all profiles performed the same way. Differences among profiles are highlighted on the next slides.





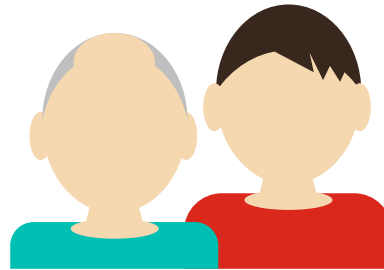
Executive summary

Survey highlights: Main differences

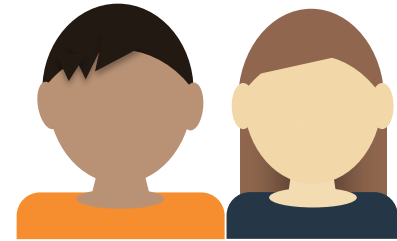
We have been surveying business owners regularly for close to 10 years now and rarely have we seen such polarized results. The following observations are not a judgement on the various sub-groups. We have noted statistically significant differences in terms of financial knowledge, self-confidence and self-evaluation among the following groups; more details are presented in the next slides and in the detailed results.



Larger vs. smaller companies



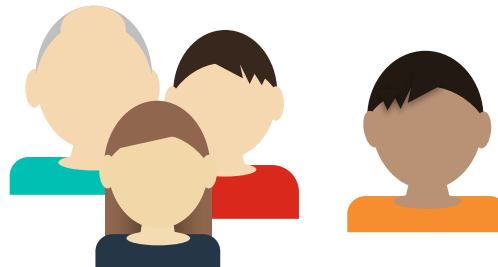
Older vs. younger business owners



Men vs. women



University post-graduates vs. others



Multiple owners vs. sole proprietors



English- vs. French-speaking respondents



Section 01

Executive summary

Main results, by personal profile

	Total (n=880 to 892)	Gender		Language	
		Male (n=670 to 678) A	Female (n=202 to 205) B	English (n=691 to 693) C	French (n=189 to 199) D
Self-assessed level of personal knowledge (% of those who said they are “very knowledgeable”)	22%	26% A	11% B	24% D	17% C
% of those who said they tend to trust professional financial advisors and accept what they recommend	63%	63%	62%	59% D	76% C
% of those who said they usually consult their accountant or financial advisor before making an important financial decision pertaining to their business	67%	67%	66%	64% D	75% C
% of those who said they do “extremely well” at keeping track of money related to their business	47%	47%	48%	51% D	34% C
% of those who said they enjoy dealing with financial matters	68%	71% B	58% A	67%	73%
% of those who said they have a good idea of how much money they will need to save to maintain their desired standard of living when they retire	71%	74% B	60% A	74% D	60% C
% of those who said they are “very willing” to take risks regarding personal financial investments	16%	17%	12%	15%	19%
% of those who said they are “very confident” regarding their skills in financial management	21%	22%	19%	22%	19%
% of those who got an “excellent” score on the financial literacy quiz (9 or 10 correct answers / 10)	36%	40% B	24% A	40% D	23% C

Trend:



Depends



Section 01

Executive summary

Main results, by business-related profile

	Total (n=850 to 892)	Number of employees			Ownership structure		Experience as a business owner		
		0 to 9 (n=540 to 553) A	10 to 49 (n=238 to 260) B	50+ (n=69 to 79) C	1 owner (n=390 to 403) D	2+ owners (n=429 to 459) E	< 2 years (n=37 to 39) F	2 to 19 years (n=479 to 502) G	20+ years (n=332 to 348) H
Self-assessed level of personal knowledge (% of those who said they are “very knowledgeable”)	22%	20% C	24%	33% A	20%	24%	21%	17% H	31% G
% of those who said they tend to trust professional financial advisors and accept what they recommend	63%	62%	64%	63%	62%	64%	72%	66% H	57% G
% of those who said they usually consult their accountant or financial advisor before making an important financial decision pertaining to their business	67%	65%	68%	77%	65%	70%	59%	67%	68%
% of those who said they do “extremely well” at keeping track of money related to their business	47%	43% C	52%	61% A	46%	49%	42%	41% H	57% G
% of those who said they enjoy dealing with financial matters	68%	65%	72%	75%	66%	70%	64%	66%	73%
% of those who said they have a good idea of how much money they will need to save to maintain their desired standard of living when they retire	71%	66% B, C	77% A	85% A	67% E	74% D	56% H	64% H	82% F, G
% of those who said they are “very willing” to take risks regarding personal financial investments	16%	17%	15%	10%	17%	14%	18%	19% H	11% G
% of those who said they are “very confident” regarding their skills in financial management	21%	20%	22%	28%	20%	22%	21%	18% H	26% G
% of those who got an “excellent” score on the financial literacy quiz (9 or 10 correct answers / 10)	36%	32% B	44% A	43%	33%	39%	21% H	34%	41% F

Trend:



Depends



02.

Detailed survey results

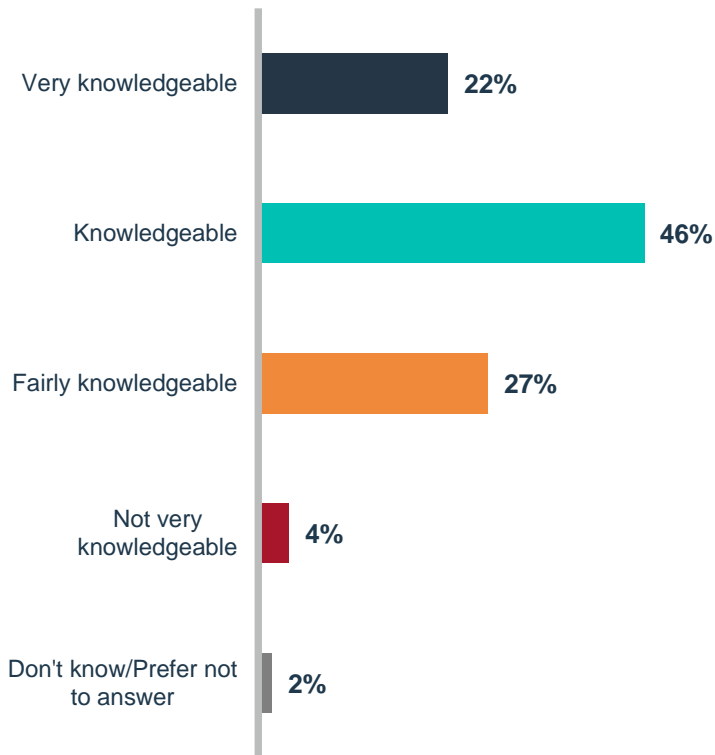


Section 02

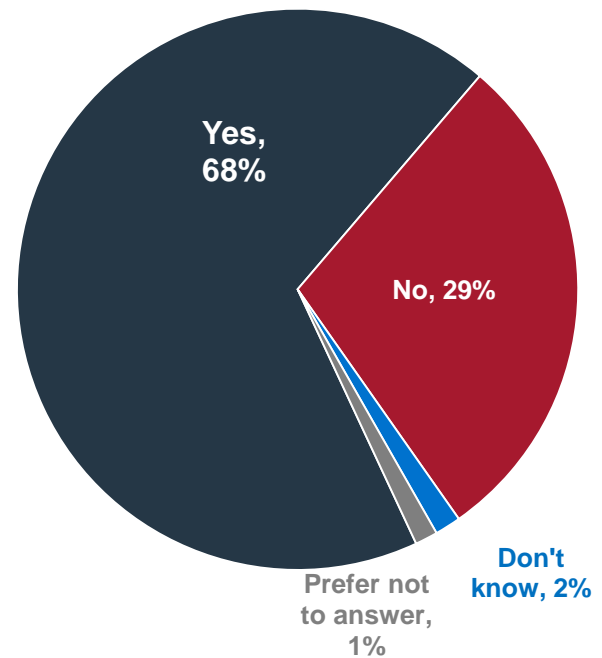
Detailed survey results: Self-assessment

Financial knowledge and enjoyment

How would you rate yourself on your level of financial knowledge? (n=892)



Do you enjoy dealing with financial matters? (n=892)





Detailed survey results: Self-assessment

Financial knowledge and enjoyment

Financial knowledge self-assessment

More than two-thirds of business owners (68%) believe they are either knowledgeable (22%) or very knowledgeable (46%) regarding financial matters.

Observations and statistically significant differences

- **Perceived financial knowledge increases as we move up categories, both in terms of number of employees and annual revenues.**
 - The proportion of business owners who believe they are knowledgeable or very knowledgeable is significantly higher among those with 10 or more employees (78% to 85%) and/or those with annual revenues of \$250,000 or more (69% to 86%), compared to firms with fewer than 10 employees (57% to 63%) and/or those with revenues under \$250,000 (51%).
- **Age, experience and education also greatly influence our respondents' perception of their financial knowledge.**
 - Perceived financial knowledge increases with age. The proportion of business owners who think they are knowledgeable or very knowledgeable is at its lowest among our youngest respondents and gradually increases as we move up in age category to peak at 75% among those 55 and over.
 - The same observation can be made regarding years of experience owning or managing a company. The proportion of business owners who deem themselves knowledgeable or very knowledgeable increases with the number of years of experience owning or managing a company. The lowest score (46%) is among those with less than two years' experience and the highest score (79%) is among those with 20 years' experience or more.
 - Perceived financial knowledge also increases with the number of years in business. Three out of five business owners whose business has been around for five years or less (57% to 60%) said they are knowledgeable or very knowledgeable. This percentage climbs to three-quarters among those whose company has been around for over 10 years (74% to 76%).
 - In relation to education, perceived financial knowledge is significantly higher among business owners who obtained a master's degree or above (77%). Results tend to increase with higher levels of education.



Detailed survey results: Self-assessment

Financial knowledge and enjoyment

Financial knowledge self-assessment (cont'd)

- A larger percentage of **men (71%)** than **women (58%)** perceive themselves as knowledgeable or very knowledgeable about financial matters.
- Although the percentage of English-speaking (69%) and French-speaking (65%) respondents who think they are either knowledgeable or very knowledgeable is similar, **the proportion of English-speaking respondents who think they are “very” knowledgeable (24%) is significantly greater than the proportion of French-speaking ones (17%).**
- Business owners in companies with **three or more owners were much more likely to say that they are knowledgeable or very knowledgeable (80% to 81%)** than those from companies with a single owner (63%).

Enjoyment related to dealing with financial matters

- Over two-thirds of business owners (68%) told us they enjoy dealing with financial matters.

Observations and statistically significant differences

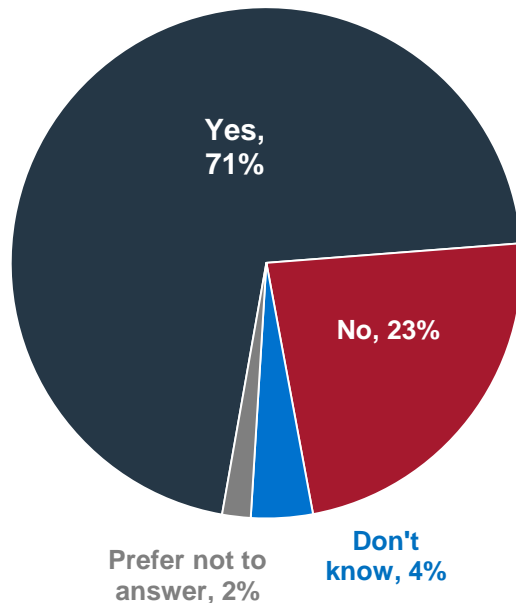
- **Personal enjoyment in dealing with financial matters correlates with perceived financial knowledge and confidence.**
 - The more knowledgeable business owners think they are, the more likely they were to say they enjoy dealing with financial matters. In fact, more than nine out of 10 business owners who consider themselves financially very knowledgeable (92%) enjoy dealing with financial matters. The same logic applies regarding confidence in financial management skills: 89% of those who are very confident enjoy dealing with financial matters.
- Business owners in firms with **100 employees or more (90%)** and/or those in companies with annual revenues between \$3 million and just under \$10 million (81%) were significantly more likely to say they enjoy dealing with financial matters.
- **Men (71%)** in our study were significantly more likely than women (58%) to say they enjoy dealing with financial matters.



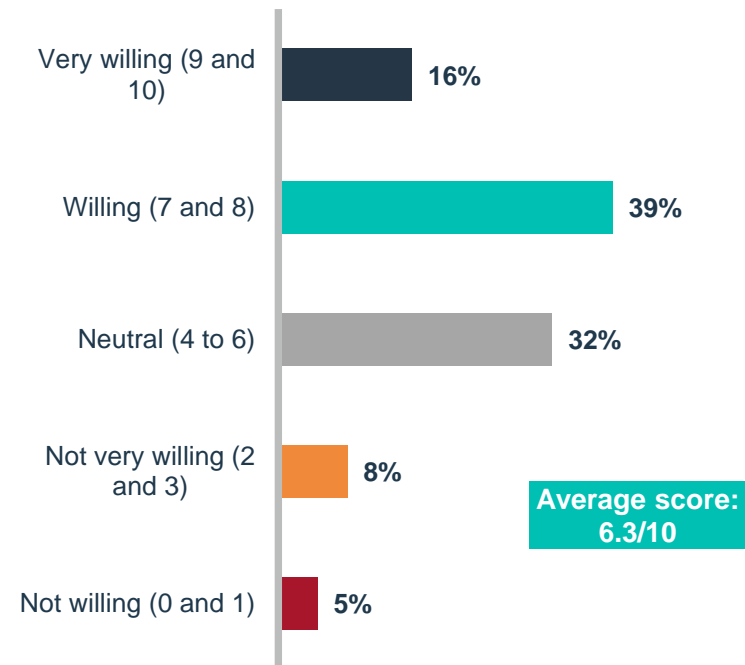
Detailed survey results: Self-assessment

Retirement and personal risk-taking

Do you have a good idea of how much money you will need to save to maintain your desired standard of living when you retire? (n=892)



How willing are you to take risks regarding your personal financial investments? (n=885)*



Scale: 0 is "not at all willing" and 10 is "very willing."

Base: All respondents (business owners).

* Those who preferred not to answer were excluded from the calculation base.



Detailed survey results: Self-assessment

Retirement and personal risk-taking

Retirement needs

- Seven out of 10 business owners (71%) said they have a good idea of how much money they will need to save to maintain their desired standard of living when they retire.

Observations and statistically significant differences

- **Generally speaking, the percentage of business owners who said they have a good idea of their retirement needs increases as we move up categories, both in terms of number of employees and annual revenues.**
 - The proportion of business owners who said they have a good grasp on their retirement needs is significantly higher and above 80% among those with 20 or more employees (80% to 93%). Furthermore, percentages also increase as we move up revenue brackets. Results are lowest among business owners in firms with less than \$250,000 in annual revenues (62%) and at their highest among those with revenues of \$10 million or more (92%).
- **Older and more experienced business owners have a better idea of their retirement needs than younger, less experienced entrepreneurs do.**
 - Given the fact that older business owners are closer to retirement than their younger counterparts are, it is not surprising to see that older business owners have a better idea of the savings they will need to maintain their standard of living when they retire. In fact, the percentage gradually increases with every age category. Results are lowest among younger respondents (33% to 58%) and highest among business owners 65 or older (84%).
 - Experience, both in terms of years in business and years owning and managing a business, leads to some statistically significant differences. Just over half of business owners who have owned or managed a business for less than five years (52% to 56%) have a good idea of their retirement needs. This percentage increases at each interval and peaks at 82% among those who have 20 or more years' experience in owning or managing a company. The years in business factor yields similar results: Results are lowest among those who have been in business for less than two years (62%) and highest among those who have been in business for 25 years or more (80%).
- A greater percentage of **men (74%) than women (60%)** believe they have a good idea of the savings required to maintain their standard of living when they retire.
- The same observation can be made for **English-speaking (74%)** and **French-speaking (60%)** respondents.



Detailed survey results: Self-assessment

Retirement and personal risk-taking

Retirement needs (cont'd)

- The more knowledgeable business owners believe they are regarding financial matters, the more likely they were to say that they have a good idea of their retirement needs. The same pattern prevails regarding stronger financial management skills and financial literacy skills: The more proficient business owners are, the more likely they were to say they have a good idea of their retirement needs.
- **Results also increase with the addition of an owner.** Results are lowest among businesses with a single owner (67%) and highest among businesses with four or more owners (78%).

Risk-taking in personal investments

- Overall, more than half of business owners (55%) are either willing (39%) or very willing (16%) to take risks regarding their personal financial investments. The average score on a scale of 0 to 10 is 6.3.

Observations and statistically significant differences

- **Willingness to take risks regarding personal financial investments is negatively correlated to age.** In other words, willingness to take personal risks decreases as we get older.
- Those with a **master's degree** or above are the most willing to take risks (average score of 6.7 out of 10). **Perceived proficiency** also plays a significant role in risk-taking.
- The average score among **male** business owners (6.6 out of 10) is significantly **higher** than that among **women** business owners (5.6 out of 10).

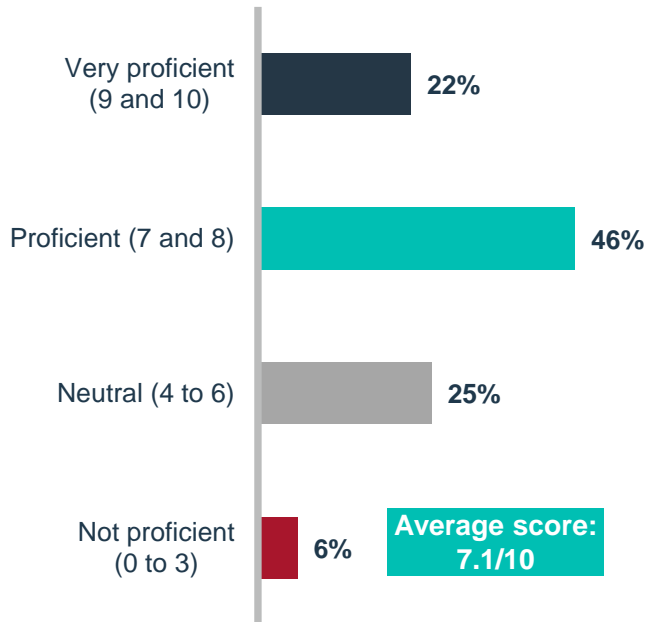


Section 02

Detailed survey results: Self-assessment

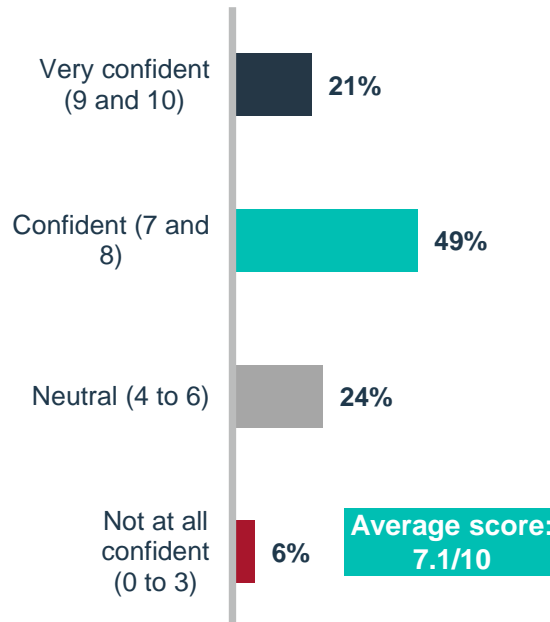
Financial management

How would you rate your skills in financial management? (n=866)*



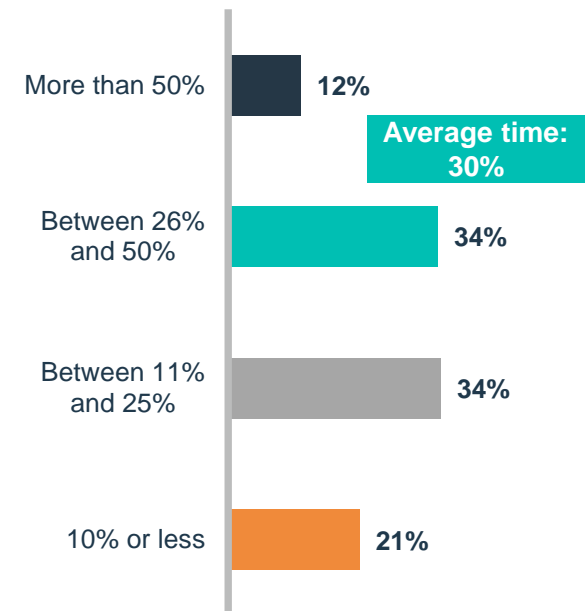
Scale: 0 is "not at all proficient" and 10 is "very proficient."

How confident do you feel about your skills in financial management? (n=887)*



Scale: 0 is "not at all confident" and 10 is "very confident."

In a typical week, approximately what percentage of your time is allocated to managing financial aspects of your business? (n=830)*



Base: All respondents (business owners).

* Those who preferred not to answer were excluded from the calculation base.



Detailed survey results: Self-assessment

Financial management

Financial management skills: Perceived proficiency and confidence

- Business owners rated themselves nearly identically on the questions related to financial management proficiency and confidence. That is, one in five said they are very proficient (22%) and very confident (21%) about their financial management skills. Moreover, over four out of 10 said they are proficient (46%) and confident (49%) about their financial management skills. The average score on each of these questions is 7.1 out of 10.

Observations and statistically significant differences

- The contrast between business owners in larger firms and those in smaller companies is also seen in regard to proficiency and confidence about their financial management skills. **In sum, business owners in larger firms perceive themselves as more proficient and confident about their financial management skills than their counterparts in smaller companies.**
 - The average scores for proficiency are lowest among companies with fewer than five employees (6.7 out of 10) and/or those with revenues under \$250,000 (6.5 out of 10). Conversely, average scores are highest among business owners with 100 employees or more (7.7 out of 10) and/or those with revenues of \$10 million or more (7.8 out of 10). Statistically significant differences also exist between business owners with 10 or more employees (7.4 or higher out of 10) and those with fewer than 10 employees (6.7 to 7.0 out of 10) and between business owners with \$250,000 or more in annual revenues (7.1 to 7.8 out of 10) and those with revenues under \$250,000 (6.5 out of 10).
 - Business owners' confidence in their financial management skills is lower among those in smaller companies (in terms of both number of employees and revenues) than among business owners in larger firms. Statistically significant differences exist between respondents in companies with fewer than 10 employees (6.7 to 7.0 out of 10) and/or less than \$1 million in annual revenues (6.6 to 7.0 out of 10) and those in firms with 10 or more employees (7.5 to 7.6 out of 10) and/or at least \$1 million in annual revenues (7.3 to 7.6 out of 10).



Detailed survey results: Self-assessment

Financial management

Financial management skills: Perceived proficiency and confidence (cont'd)

- **More experienced business owners tend to perceive themselves as more proficient and also exhibit higher levels of confidence in their financial management skills, compared to less experienced entrepreneurs.**
 - Average scores for perceived proficiency are directly correlated to the number of years in business: Scores are lowest among business owners whose company has been in business less than two years (6.8 out of 10) and steadily increase at each interval, to reach 7.5 out of 10 among respondents whose business has been around more than 25 years. A similar pattern occurs in relation to respondents' years of experience in owning or managing a company: Average scores for perceived proficiency are lowest among those with less than two years' experience in owning or managing a company (6.2 out of 10). Results tend to increase gradually and peak at 7.6 out of 10 among business owners with 20 or more years' experience in owning or managing a company.
 - Business owners' confidence increases with the number of years in business. The lowest average score appears among those who have been in business less than two years (6.8 out of 10) and the highest score appears among those who have been in business more than 25 years (7.4 out of 10). Furthermore, business owners with 20 or more years' experience in owning or managing a company are much more confident about their skills (7.5 out of 10) than less experienced entrepreneurs are (6.4 to 6.7 out of 10).
- Average scores for perceived proficiency and confidence are significantly higher among **male respondents** (7.2 out of 10 for proficiency and confidence) than among their **female counterparts** (6.7 out of 10 for proficiency and 6.5 out of 10 for confidence).
- **English-speaking** respondents evaluated their financial management proficiency significantly more favourably (7.2 out of 10) than **French-speaking** ones did (6.8 out of 10). However, their confidence is nearly identical: 7.1 out of 10 for English-speaking respondents and 7.0 out of 10 for French-speaking respondents.
- Business owners with a **master's degree or above** have the highest average scores for perceived proficiency (7.5 out of 10) and confidence in their financial management skills (7.6 out of 10).
- **Average scores for proficiency and confidence increase with additional owners.** Perceived proficiency and confidence stands at 6.9 out of 10 among single owners and climbs to 7.4 for proficiency and 7.5 for confidence among those in businesses with three or more owners. These results are not statistically significant but are indicative of a trend.



Detailed survey results: Self-assessment

Financial management

Financial management time allocation

- Business owners said they allocate 30% of their time on average, in a typical week, to dealing with financial aspects of the business.

Observations and statistically significant differences

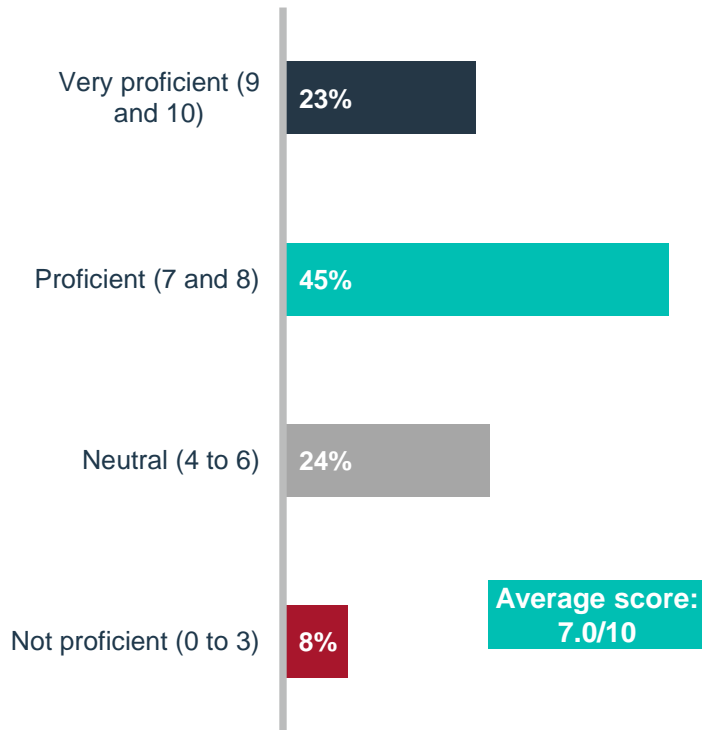
- **The average percentage of time allocated to dealing with financial aspects of the business follows a bell curve distribution.**
 - Business owners in smaller companies allocate the smallest percentage of their time to dealing with financial aspects of the business (no employees, 23%; one to four employees, 27%; and under \$250,000 in annual revenues, 24%). Percentages are highest among those with 10 to 19 employees (36%) and/or \$3 million to under \$10 million in annual revenues (36%), before decreasing among larger firms.
- **Women** in our study allocate a **significantly larger percentage of their time** to dealing with financial aspects of their business than **men** do (34% vs. 29%, respectively).
- Although it is not statistically significant, we noticed an **indirect correlation between higher education and time allocated to dealing with financial aspects of the business**. Concretely, this means that business owners with less than a high school diploma allocate a larger percentage of their time (40%) to dealing with financial matters than do those with a master's degree or more (27% of their time).
- Business owners who performed well on the financial literacy quiz allocate a smaller percentage of their time to dealing with financial aspects of the business. **This leads us to believe that raising financial literacy among business owners may lead to some productivity gains.**



Detailed survey results: Self-assessment

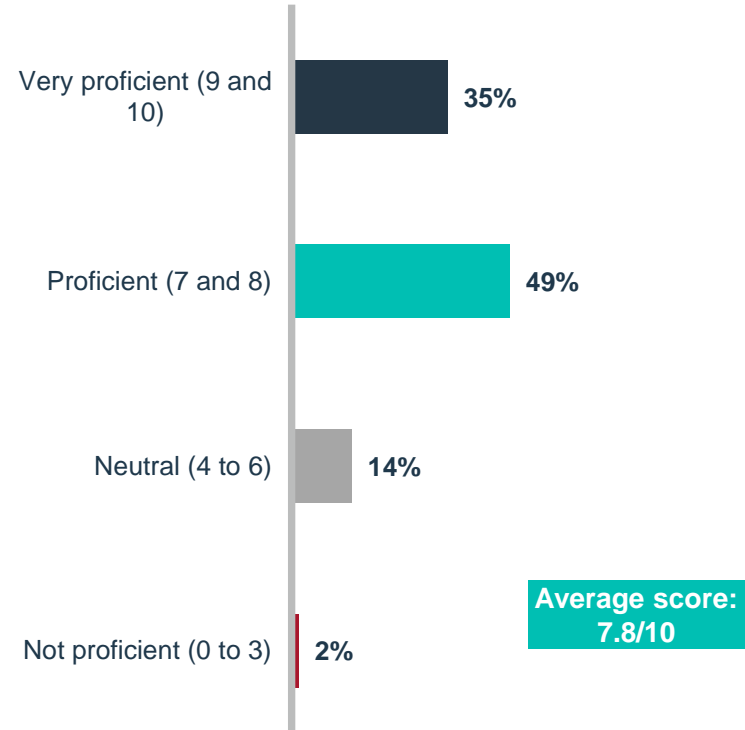
Other business functions

How would you rate your skills in sales and marketing? (n=852)



Scale: 0 is "not at all proficient" and 10 is "very proficient."

How would you rate your skills in management of operations?(n=850)



Scale: 0 is "not at all proficient" and 10 is "very proficient."

Base: All respondents (business owners).
Those who preferred not to answer or who indicated that the business function was the responsibility of someone else were excluded from the calculation base.



Detailed survey results: Self-assessment

Other business functions

Other business skills: Sales and marketing

- More than two-thirds of business owners (68%) said they are either very proficient (23%) or proficient (45%) in sales and marketing. This translates into an average score of 7.0 out of 10.

Observations and statistically significant differences

- **Business owners in the Prairies and Western Canada feel much less proficient in sales and marketing than their counterparts in other provinces do.**
 - Average scores are significantly higher among business owners in Ontario (7.3 out of 10) and Quebec (7.2 out of 10) than among those in the Prairies (6.6 out of 10). Results are 6.7 out of 10 for B.C. and North and 7.2 out of 10 for business owners in Atlantic Canada.
- Generally speaking, **business owners in smaller companies evaluated themselves less favourably than those in larger firms did.** Average scores are below 7.0 out of 10 among those in companies with fewer than five employees and/or businesses with less than \$1 million in annual revenues.
- **The bigger the growth over the last three years, the more likely it is that business owners rate their sales and marketing skills as high.** Average scores are lowest among business owners who have experienced negative growth (6.4 out of 10) and highest among those experiencing 20% or more growth per year over the last three years (7.4 out of 10).
- **There are no statistically significant differences in terms of experience, gender or language.** However, **high levels of perceived knowledge and confidence** regarding financial matters **carry over to respondents' self-evaluation regarding their sales and marketing skills.** In other words, average scores for sales and marketing proficiency are highest among those who are very confident about their financial management skills (7.5 out of 10) and among those who perceive themselves to be very knowledgeable regarding financial matters (7.3 out of 10).



Detailed survey results: Self-assessment

Other business functions

Other business skills: Management of operations

- Overall, business owners believe they are more proficient in management of operations (7.8 out of 10) than in financial management (7.1 out of 10) or sales and marketing (7.0 out of 10). This seems to support our perception that **many business owners have solid industry and technical acumen but weaker skills in some key business functions.**

Observations and statistically significant differences

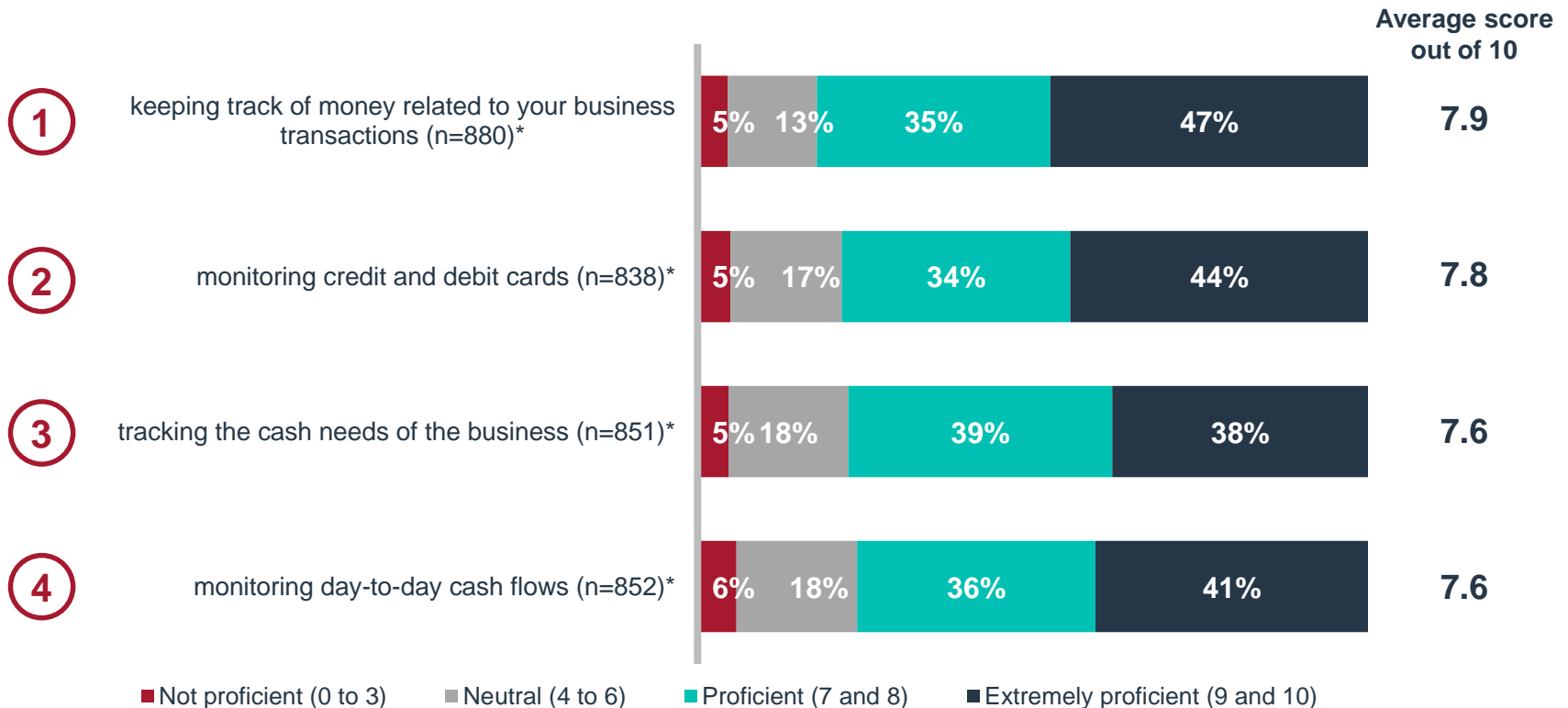
- **Business owners across the board tend to perceive themselves as quite proficient in management of operations.** There are no statistically significant differences in terms of number of employees or annual revenue.
- There are few statistically significant differences regarding proficiency in management of operations. However, we see **that perceived proficiency in management of operations directly correlates with perceived financial knowledge and confidence regarding financial management.** Once again, we observe that the more knowledgeable and the more confident a business owner feels about their financial management skills, the more proficient they deem themselves to be regarding management of operations.
- We mentioned that English-speaking respondents evaluate their financial knowledge and confidence in their financial management more favourably than French-speaking ones do. Consequently, **English-speaking respondents (7.9 out of 10) have a higher average score regarding proficiency in management of operations than French-speaking ones do (7.5 out of 10).**



Detailed survey results: Self-assessment

Financial management tasks

On a scale of 0 to 10, where 0 is “not at all proficient” and 10 is “extremely proficient,” how would you rate your skills in...



Base: All respondents (business owners).

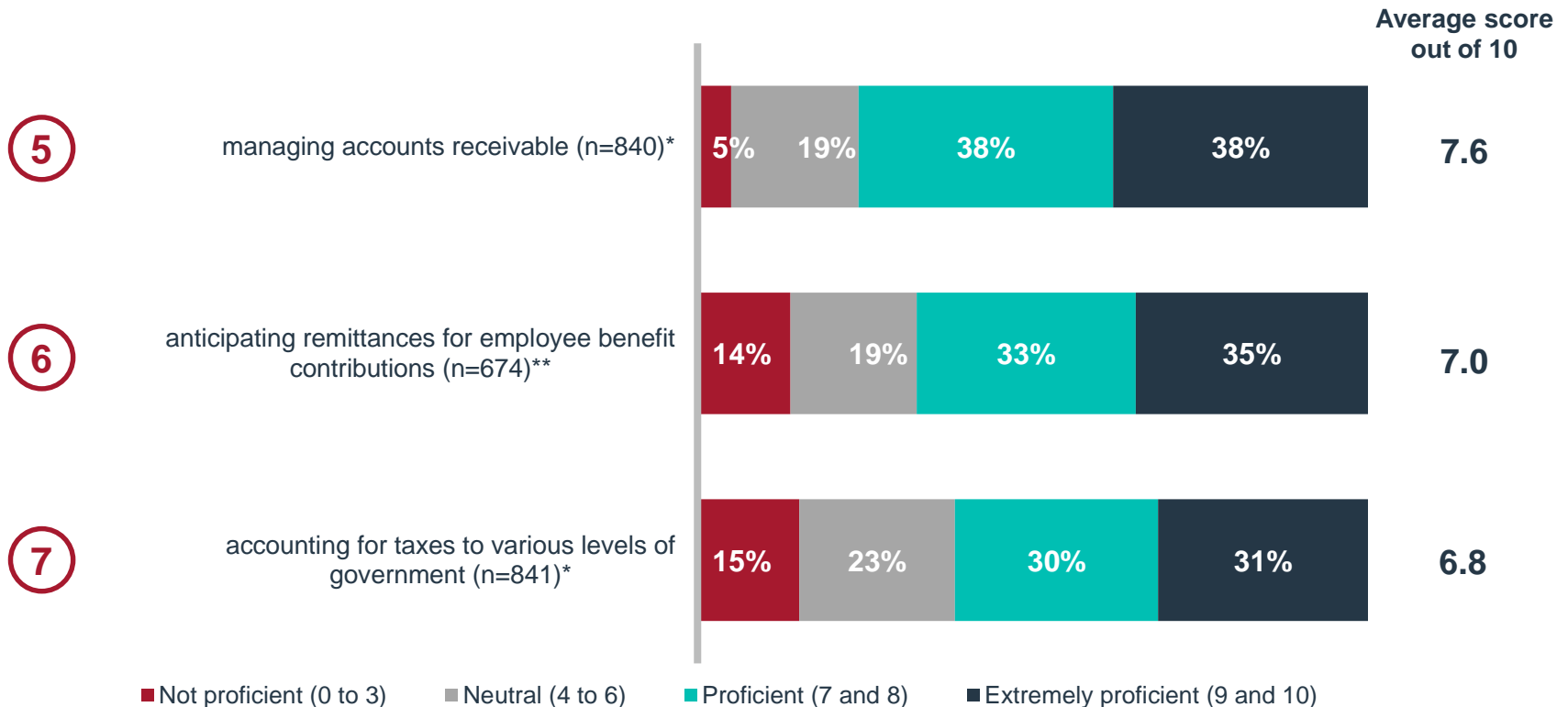
* Those who preferred not to answer were excluded from the calculation base.



Detailed survey results: Self-assessment

Financial management tasks (cont'd)

On a scale of 0 to 10, where 0 is “not at all proficient” and 10 is “extremely proficient,” how would you rate your skills in...



Base: All respondents (business owners).

* Those who preferred not to answer were excluded from the calculation base.

** Business owners with no employees were excluded from the calculation base.



Detailed survey results: Self-assessment

Financial management tasks

Financial management tasks

- On average, business owners gave themselves good scores for their proficiency in managing certain financial aspects of their business. In fact, they feel quite proficient in keeping track of money and monitoring cash flow (7.6 to 7.9 out of 10). However, smaller percentages are as confident about their skills in anticipating remittances for employee benefit contributions (7.0 out of 10) and accounting for taxes to various levels of government (6.8 out of 10).

Observations and statistically significant differences

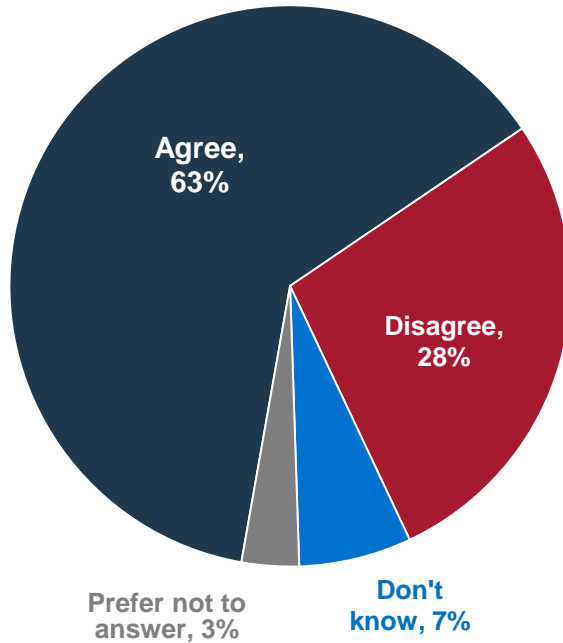
- Exposure and experience seem to help build financial management proficiency. When we analyze the results for each of the financial management tasks, we find that, in the vast majority of cases, **perceived proficiency in these tasks is highest** among business owners who are **older**, who have **more years of experience in owning or managing a business**, and whose **business has been around longer**. In fact, average scores tend to increase as we move up categories.
- Furthermore, **business owners who feel knowledgeable and confident about their financial management skills** and who performed well on the financial literacy quiz **evaluated themselves much more favourably on the financial management tasks** than did business owners who do not perceive themselves as knowledgeable or confident.



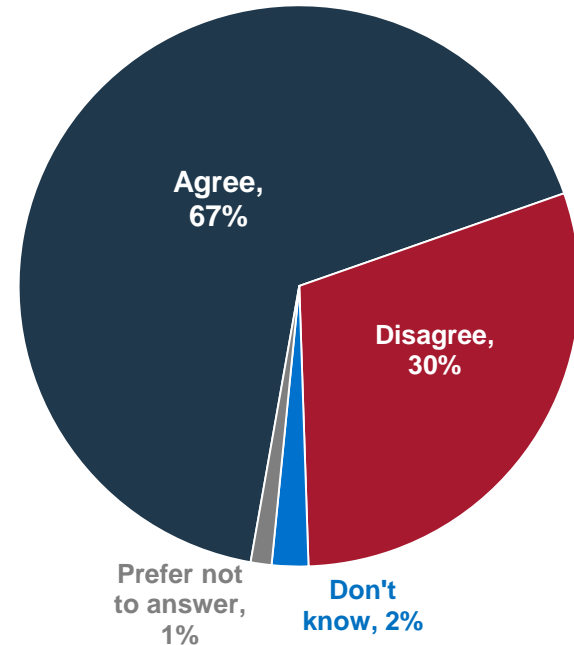
Detailed survey results: Behavioural components

Relationship with business professionals

“I tend to trust professional financial advisors and accept what they recommend as it pertains to business finances.” (n=892)



“I usually consult my accountant/financial advisor before making an important financial decision as it pertains to business finances.” (n=892)





Detailed survey results: Behavioural components

Relationship with business professionals

Relationship with business professionals: Business finance recommendations

- Three out of five business owners (63%) tend to trust professional financial advisors and accept what they recommend as it pertains to business finances.

Observations and statistically significant differences

- A significantly larger percentage of **business owners in Quebec (72%) tend to trust professional financial advisors**, compared to business owners in Ontario (58%). Results stand at 62% in B.C. and North, at 61% in Atlantic Canada, and at 60% in the Prairies.
- A **smaller percentage of older business owners** tend to trust and accept recommendations of financial advisors regarding business finance. The percentage is lowest among business owners 65 and over (49%).
- Not statistically significant but nevertheless indicative of a trend, business owners who perceive themselves as knowledgeable and confident about financial matters, as well as those who performed well on the financial literacy quiz, were less likely to say that they tend to trust financial advisors and accept what they recommend.
- Three-quarters of **French-speaking respondents (76%)**, compared to three out of five **English-speaking ones (59%)**, said they trust and accept the recommendations of financial advisors regarding business finances.



Detailed survey results: Behavioural components

Relationship with business professionals

Relationship with business professionals: Consulting a professional before making an important business decision

- Two-thirds of business owners (67%) usually consult an accountant or financial advisor before making an important financial decision.

Observations and statistically significant differences

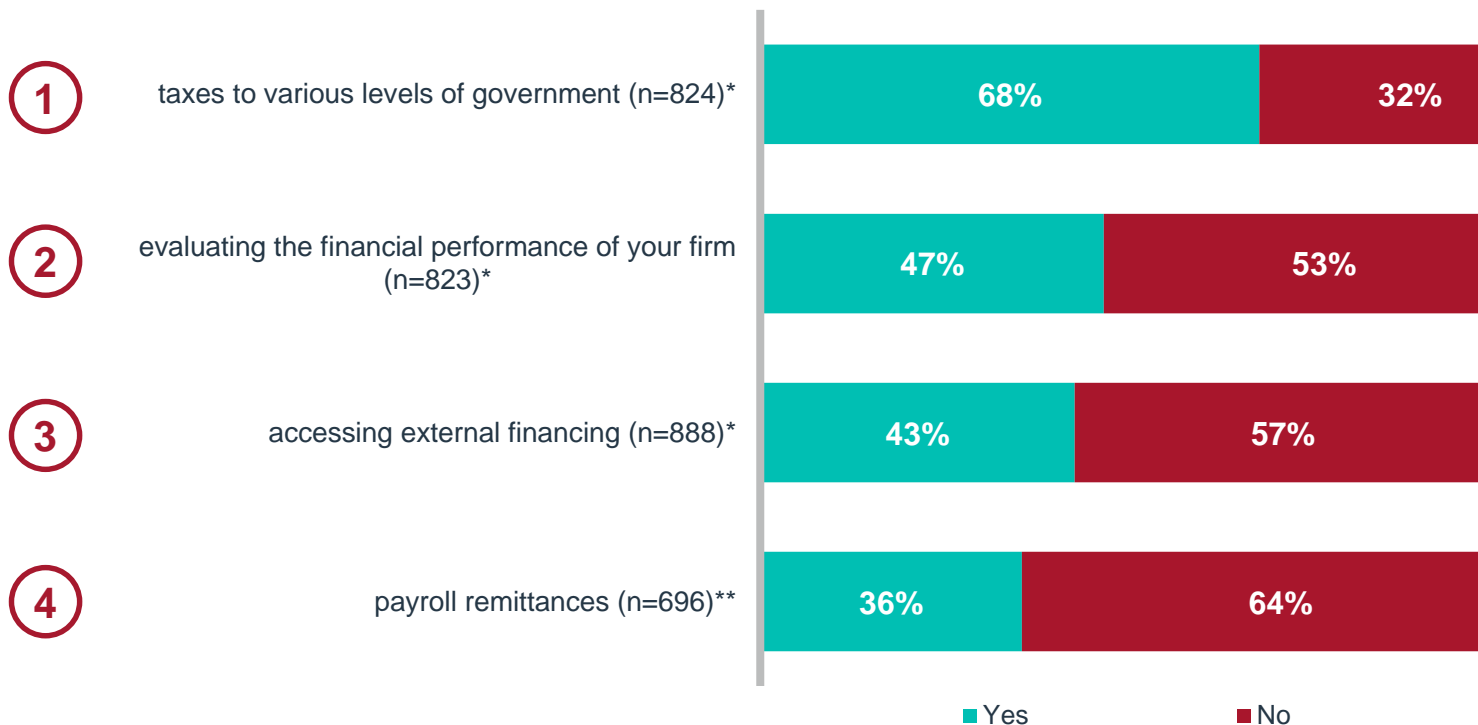
- A significantly larger percentage of **business owners in Quebec (75%) consult a business professional before making an important business decision**, compared to business owners in Ontario (64%) and the Prairies (59%).
- The proportion of business owners who said they usually consult a business professional before making an important business decision tends to increase as we move up in company size.** Results are lowest among business owners with no employees (57%) and among those with one to four employees (66%) and highest among business owners in firms with 100 employees or more (80%). In terms of revenue, only 62% of business owners with annual revenues under \$250,000 usually consult a professional before making an important business decision, compared to 77% of those in firms with at least \$10 million in annual revenues.
- Interestingly, the percentage of business owners who consult a professional before making an important business decision tends to increase gradually at each interval related to years in business. Results stand at 62% among those with fewer than two years in business and climb to 69% among those in business for more than 25 years. Patterns related to the business owners' age, and to the number of years owning or managing a business, are more irregular.
- Results related to business owners' perception of their financial knowledge and to their confidence in their financial management skills show an interesting trend: The proportion of business owners who consult is lowest at both extremes of the spectrum. Those who do not consider themselves very knowledgeable and those who do consider themselves very knowledgeable were the least likely to say they consult a professional before making important business decisions (56% and 57%, respectively). A similar pattern occurs regarding confidence in financial management skills: 59% of those who are very confident consult and 62% of those who are not confident consult a professional.
- Three-quarters of **French-speaking respondents (75%)** said they consult a business professional before making important business decisions, compared to less than two-thirds of **English-speaking ones** who said they do so (64%).



Detailed survey results: Behavioural components

Professional advice

During the past 24 months, have you sought professional advice (for example, from an accountant or financial advisor) regarding...



Base: All respondents (business owners).

* Those who preferred not to answer were excluded from the calculation base.

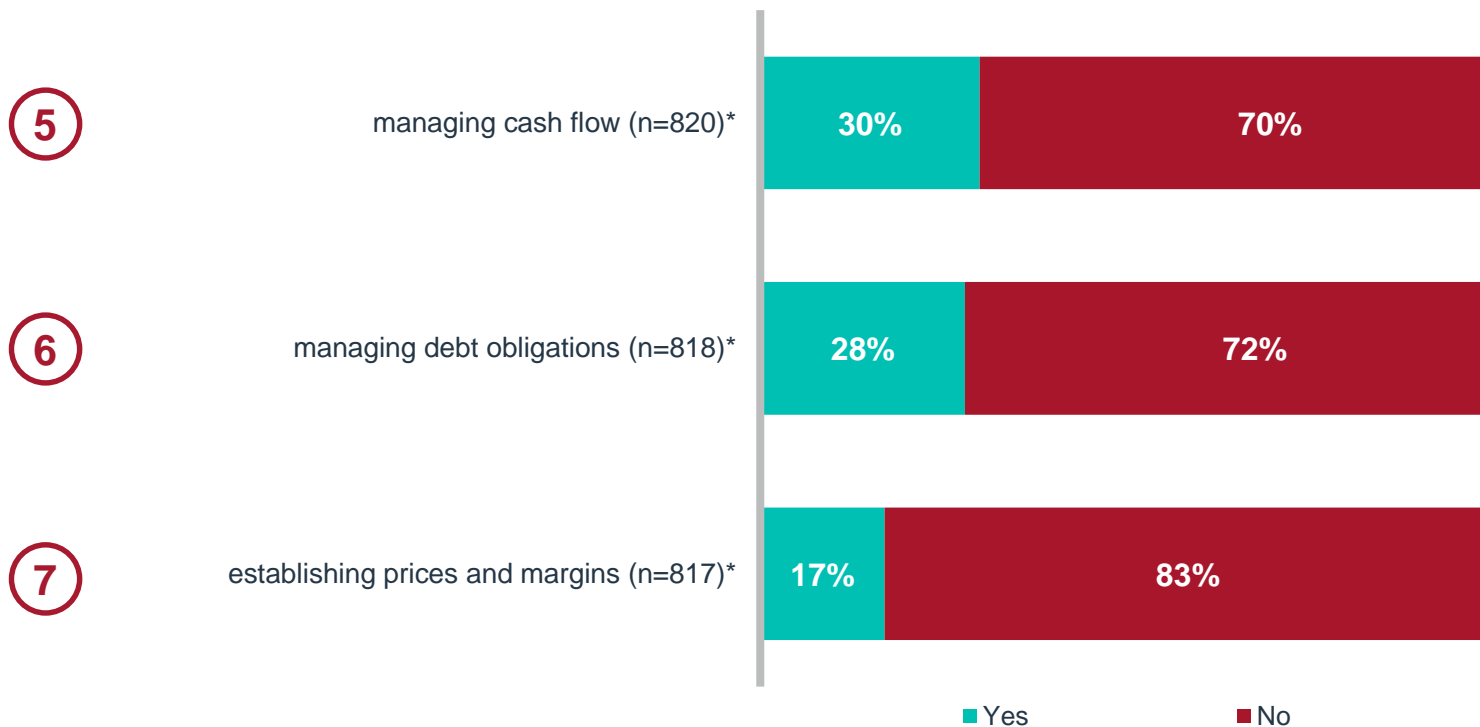
** Business owners with no employees were excluded from the calculation base.



Detailed survey results: Behavioural components

Professional advice (cont'd)

During the past 24 months, have you sought professional advice (for example, from an accountant or financial advisor) regarding...



Base: All respondents (business owners).

* Those who preferred not to answer were excluded from the calculation base.



Detailed survey results: Behavioural components

Professional advice

Professional advice

- The majority of business owners sought professional advice regarding taxes to various levels of government (68% did so over the last 24 months). Fewer than half sought professional advice related to evaluating the financial performance of their firm (47% did), accessing external financing (43%) or making payroll remittances (36%).

Observations and statistically significant differences

▪ Advice regarding taxes to various levels of government

- Business owners in B.C. and North (75%), the Prairies (72%), and Ontario (72%) are much more likely than their counterparts in Quebec (58%) or in Atlantic Canada (63%) to seek out professional advice regarding taxes.
- Statistically significant differences exist between men (71%) and women (58%) on this topic, as well as between English-speaking (72%) and French-speaking (57%) respondents.
- Interestingly, seeking out professional advice regarding taxes is more common among university graduates (71%) and among those who performed really well (9 or 10 out of 10) on the financial literacy quiz (74%).

▪ Evaluating the financial performance of the firm

- More than half of companies with five or more employees (51% to 68%) and/or \$1 million in annual revenues (59% to 62%) have a professional evaluate the financial performance of their business, compared to fewer than one-third of smaller companies (23% to 32%), which account for the majority of companies in Canada.
- The percentage of companies that have their performance evaluated increases with the number of years in business: It is 27% among those in business for less than two years and 54% among those in business for more than 25 years.
- Contrary to patterns related to tax advice, business owners with more education are less inclined than others to ask a professional to evaluate the performance of their business: 38% of those with a master's degree or above seek such advice, compared to 74% of those with less than a high school education.



Detailed survey results: Behavioural components

Professional advice

Professional advice (cont'd)

▪ Accessing external financing

- Business owners in Quebec (57%) are significantly more likely to have sought professional advice regarding access to external financing than are those in the rest of Canada (37% to 42%).
- In terms of company size, results are lowest among smaller companies: 29% for firms with no employees and 41% for firms with one to four employees. Results tend to rise at each interval and peak at 57% among firms with 100 employees or more. The same pattern exists in terms of revenues: 33% for firms with revenues under \$250,000 and 55% for firms with revenues of \$10 million or more.
- French-speaking respondents (58%) are much more likely than English-speaking ones (39%) to have approached business professionals regarding access to external financing.

▪ Payroll remittances

- More than one-third of respondents in Quebec (45%), B.C. and North (39%), and Ontario (39%) have sought professional advice regarding payroll remittances, compared to one-quarter or fewer of those in the Prairies (25%) and Atlantic Canada (16%).
- The proportion of respondents seeking professional advice on payroll remittances decreases with the number of years their firm has been in business. It is 47% among those who have been in business for less than two years, compared to 29% among those who have been in business for more than 25 years. Similarly, the proportion decreases as the business owner's age increases: 52% of respondents 25 to 34 years old have sought such advice, compared to 24% of those 65 or older.
- French-speaking respondents (42%) are more likely to have sought advice on payroll remittances than are their English-speaking respondents (34%).



Detailed survey results: Behavioural components

Professional advice (cont'd)

Professional advice (cont'd)

- Only a few business owners have sought professional advice on managing cash flow (30%), managing debt obligations (28%), and establishing prices and margins (17%).

Observations and statistically significant differences

▪ Managing cash flow

- Seeking professional advice on managing cash flow tends to gradually decrease with the number of years in business. Results range from 33% among our youngest companies to 25% among our oldest firms.
- The slope is much steeper in relation to the business owner's age: Results range from more than one-third (36%+) among younger respondents to as low as 19% among older respondents.
- The percentage of business owners seeking advice on managing cash flow decreases as education levels go up: Among those with less than a high school education, it is 39%, compared to 27% among those with a master's degree.
- Business owners who did really well on the financial literacy quiz are much less likely (22%) to call on professionals to help them manage cash flow than are those who did poorly on the quiz (42%). Women (38%) are more likely than men (27%) to solicit advice on managing cash flow.

▪ Managing debt obligations

- Those who perceive themselves as financially very knowledgeable (19%), who are very confident in their financial management skills (17%) and those who performed really well on the financial literacy quiz (22%) are the least likely to seek advice on managing debt.

▪ Establishing prices and margins

- The percentage of business owners seeking professional advice on prices and margins is lowest among older, more experienced and more educated business owners. Men (14%) are significantly less likely than women (23%) to seek professional advice on prices and margins.
- The greater a company's growth over the last three years and its projected growth over the next three years, the higher the percentage of business owners who have sought professional advice to establish prices and margins: Of those with no growth, 8% to 12% have sought professional advice, compared to 21% to 22% of those with high growth (20% or higher).
- The more financially knowledgeable and confident about their financial management skills business owners are, and the better they performed on the quiz, the less likely they are to have sought professional help to establish prices and margins.

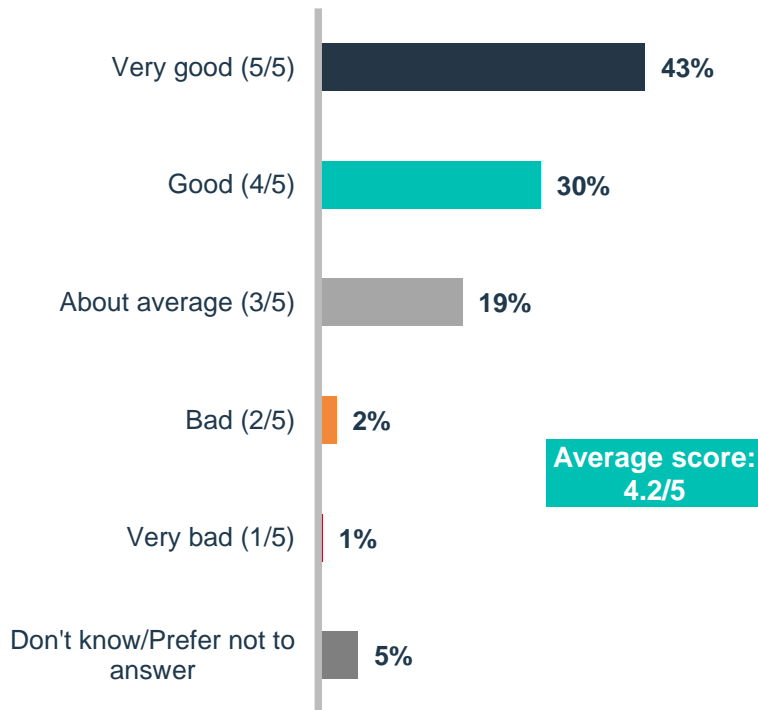


Section 02

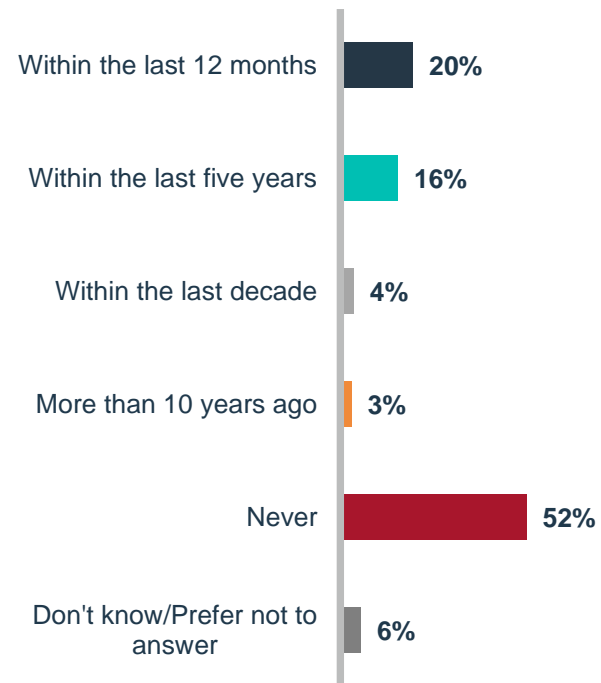
Detailed survey results: Business context and reality

Company credit record

How would you rate your firm's credit record? (n=892)



When did you last ask a credit agency for a credit report to verify your firm's credit history? (n=892)



Base: All respondents (business owners).



Detailed survey results: Business context and reality

Company credit record

Company credit record

- Nearly three-quarters of business owners (73%) believe their company record to be either very good (43%) or good (30%). However, more than half of them (52%) have never asked for a company credit record.

Observations and statistically significant differences

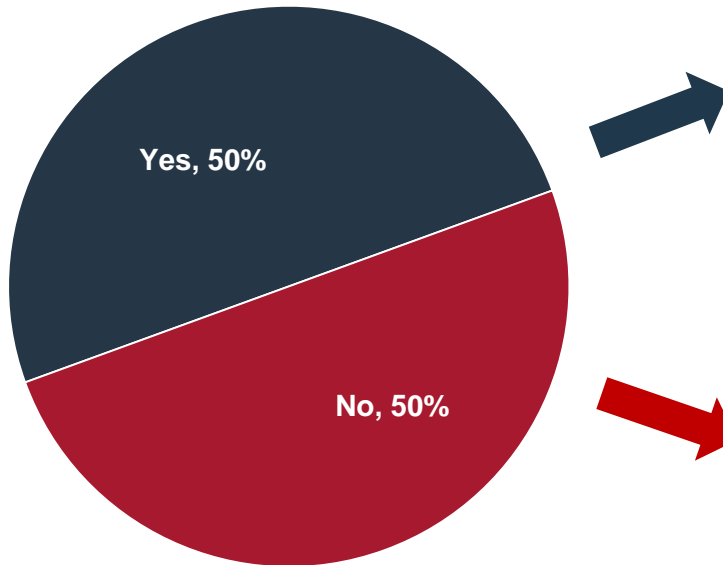
- **The larger the business, the more likely it is that the business owner evaluated the company's credit record favourably.** Average scores are highest among firms with revenues greater than \$3 million (4.4 to 4.6 out of 5) and at their lowest for companies with annual revenues inferior to \$3 million (4.0 to 4.2 out of 5).
- **Years in business and years owning or managing a company also influence the positive perception of the company's credit record.** Average scores are significantly higher among those who have been in business 11 or more years (4.2 to 4.4 out of 5), as well as among those who have 20 or more years of owning or managing a company (4.4 out of 5). Average scores are **significantly higher among those who are very confident** in their financial management skills (4.5 out of 5), those who perceive themselves as **very knowledgeable** (4.4 out of 5) and those who **performed really well on the financial literacy quiz** (4.3 out of 5).
- English-speaking respondents (4.3 out of 5) evaluated the credit record of their company much more favourably than their French-speaking counterparts did (4.0 out of 5).
- Younger and smaller companies are much less likely to have requested a company credit report.



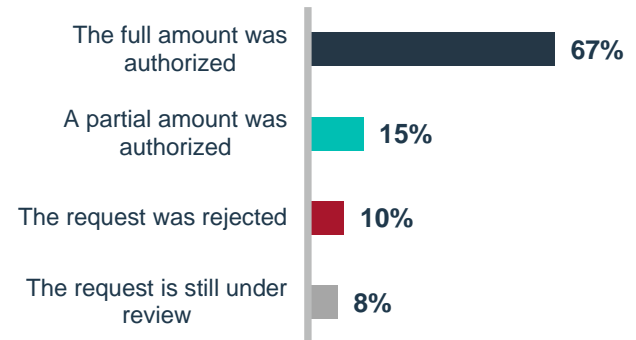
Detailed survey results: Business context and reality

Access to external financing

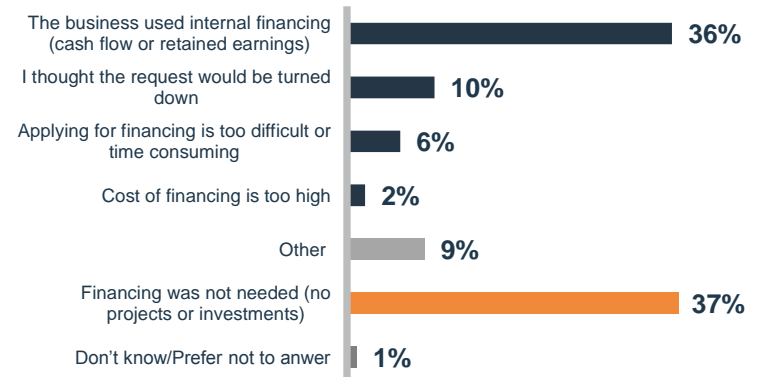
Has your business sought any form of loan from a financial institution (for example, a chartered bank, credit union or other commercial institution) in the last 12 months? (n=889)*



What was the outcome of your firm's financing request? (n=439)*



Why did your business not seek external financing in the last 12 months? (n=444)*



Base: All respondents (business owners).

* Those who preferred not to answer were excluded from the calculation base.



Detailed survey results: Business context and reality

Access to external financing

Access to external financing

- While half of business owners (50%) indicated that they have sought external financing in the last 12 months, half did not. Two-thirds of those who did request external financing obtained the full amount requested (67%). Business owners who did not request financing over the last year said either that they did not have any project or investment needs (37%) or they financed those needs internally (36%).

Observations and statistically significant differences

- Less than half of business owners in companies with fewer than five employees (32% to 38%) and/or less than \$1 million in annual revenues (36% to 48%) requested external financing. Business owners in companies with five or more employees (51% to 77%) and/or at least \$1 million in annual revenues (59% to 72%) are more likely to have requested external financing.
- **Men** are significantly more likely to have requested external financing over the last year (53%) than their female counterparts are (42%).
- **A larger percentage of French-speaking business owners** (58%) requested financing, compared to English-speaking business owners (48%).
- A significantly larger percentage of businesses with **three or more owners (63%)** requested external financing in the last 12 months, compared to businesses with just one owner (44%).
- **Survey results for those who requested external financing include the following.**
 - Overall, two-thirds obtained the **full amount requested** (67%). This is true for a larger proportion of companies with **five or more employees** (73% to 91%) and/or those with **revenues of \$3 million or more** (75% to 92%). Conversely, smaller companies—in terms of both employees and annual revenue—were less likely to receive the full amount requested.
 - Firms that have been **in business 11 or more years** were more likely to get the full amount requested, to a statistically significant degree (73% to 82%).
 - Only 48% of those who said they are very willing to take risks with their personal finances received the full amount of the loan they requested. In fact, nearly one-quarter (23%) of them said the request was rejected. The latter differs by a statistically significant degree from the comparable figure (10% or less) among business owners who are much less willing to take risks with their personal finances.



Detailed survey results: Business context and reality

Access to external financing

Access to external financing

- **Survey results for those who did not request external financing include the following.**

- More than one-third of those who **did not request external financing** (37%) said they had no need for financing because they had no project or investment needs. This is the case for a much larger percentage of respondents in **Quebec** (49%) and/or **French-speaking** respondents (54%).
- Business owners who have **experienced or anticipate modest growth** (between 0.1% and 4.9%) were significantly more likely to say they have no need for financing than were entrepreneurs with significant past growth or anticipated growth of 20% or more.
- More than one-third of business owners who did not request external financing (36%) said their business financed its needs using cash flow or retained earnings. Although the difference is not statistically significant, the proportion of self-financed businesses increases when the number of employees increases and when annual revenues increase. The same trend can be observed in relation to years in business: Younger firms are less likely to self-finance than are those that have been around longer.



03.

Financial literacy quiz



Financial literacy quiz

Quiz results

Financial literacy quiz

- Business owners did really well on questions to which regular consumers could relate. The majority of respondents (78% or more) correctly answered questions regarding credit ratings, lowering the cost of a house, automated teller machine fees, savings accounts and the amount of interest paid.
- When questions got a bit more complicated or technical—on topics such as unit pricing, higher levels of competition and profit margins, and credit scoring—roughly two-thirds of our respondents got the right answer. The question related to bond prices, which clearly requires more than basic financial literacy, was the one that business owners had the most difficulty with.
- Overall, business owners did relatively well. More than one-third got at least nine questions right, and three-quarters (78%) got at least seven questions right.

Observations and statistically significant differences

- Just over one-third of our business owners (36%) performed really well on the quiz—that is, they answered nine or 10 questions correctly (out of 10).
 - The percentage of business owners who **performed really well on the financial literacy quiz** is significantly higher in **B.C. and North** (48%) and **Ontario** (40%) than in Quebec (27%).
 - Generally speaking, the percentage of respondents who performed really well on the quiz **tends to increase as we move up in company size**. Results are lowest among those with no employees (29%) or one to four employees (33%) and/or under \$250,000 in annual revenues (32%). Results are highest among business owners in companies with 100 or more employees (47%) and/or \$10 million or more annual revenues (46%).
 - A significantly larger percentage of business owners whose **company has been around for six years or more performed really well on the quiz** (41%), compared to those in companies that have been around for less than two years (22%) or between two and five years (27%). The same trend prevails in relation to owners' years of experience in owning or managing a company: **Those with fewer years of experience did not perform as well as seasoned business owners did**. There is also a direct correlation between the business owners' age and their performance on the quiz, as the **percentage of respondents who did really well on the quiz increases at each age bracket**. The percentage is lowest among our younger business owners (27%) and it climbs steadily to peak at 45% among those 65 or older.



Financial literacy quiz

Quiz results

Financial literacy quiz (cont'd)

- **Academic education also has an impact on results.** One-third or fewer of business owners with no university degree performed really well on the quiz, compared to 43% of those with a master's degree or above.
- Business owners who perceive themselves as knowledgeable (37%) or very knowledgeable (56%) in financial matters, as well as those who are confident (40%) or very confident (47%) in their financial management skills, significantly outperformed their less knowledgeable and less confident peers. However, roughly 10% to 15% of business owners who exude confidence did not obtain the results to justify their high level of confidence.
- The difference between the percentage of **men who did really well on the quiz (40%)** and the percentage of women who did so (24%) is statistically significant.
- **Anglophones** (40%) outperformed their French-speaking colleagues (23%).
- Business owners who operate their company alone were less likely to do really well on the quiz (33%) than were those in a business with four or more owners (49%). Although not statistically significant, this difference does highlight a potential trend and the benefits of adding partners to a business.



Section 03

Financial literacy quiz

Quiz results

Question	Potential answers	Correct answer	% of respondents who got the correct answer
1. By using unit pricing at a store, you can easily compare the cost of any brand and any package size.	<ul style="list-style-type: none">• True• False• I don't know• I prefer not to answer	<ul style="list-style-type: none">• True	67%
2. If you had a savings account at a bank, which of the following statements would be correct concerning the interest you would earn on this account?	<ul style="list-style-type: none">• Sales tax may be charged on the interest you earn• You cannot earn interest until you pass your 18th birthday• Earnings from savings account interest cannot be taxed• Income tax may be charged on the interest if your income is high enough• I don't know• I prefer not to answer	<ul style="list-style-type: none">• Income tax may be charged on the interest if your income is high enough	78%
3. Which of the following statements is incorrect about most automated teller machine (ATM) cards?	<ul style="list-style-type: none">• You can get cash anywhere in the world with no fee• You must have a bank account to have an ATM card• You can generally get cash 24 hours a day• You can generally obtain information on your bank balance at an ATM• I don't know• I prefer not to answer	<ul style="list-style-type: none">• You can get cash anywhere in the world with no fee	87%
4. Which of the following situations can hurt your credit rating?	<ul style="list-style-type: none">• Making late payments on loans and debts• Staying in one job for too long• Living in the same location for too long• Using your credit card frequently for purchases• I don't know• I prefer not to answer	<ul style="list-style-type: none">• Making late payments on loans and debts	99%



Section 03

Financial literacy quiz

Quiz results (cont'd)

Question	Potential answers	Correct answer	% of respondents who got the correct answer
5. Which of the following can affect the amount of interest you pay on a loan?	<ul style="list-style-type: none">• Your credit rating• How much you borrow• How long you take to repay the loan• All of the above• I don't know• I prefer not to answer	<ul style="list-style-type: none">• All of the above	82%
6. Which of the following will help lower the cost of a house?	<ul style="list-style-type: none">• Paying off the mortgage over a long period of time• Agreeing to pay the current rate of interest on the mortgage for as many years as possible• Making a larger down payment at the time of purchase• Making a smaller down payment at the time of purchase• I don't know• I prefer not to answer	<ul style="list-style-type: none">• Making a larger down payment at the time of purchase	97%
7. If interest rates rise, what will typically happen to bond prices?	<ul style="list-style-type: none">• They will rise• They will fall• They will stay the same• There is no relationship between bond prices and interest rates• I don't know• I prefer not to answer	<ul style="list-style-type: none">• They will fall	40%



Section 03

Financial literacy quiz

Quiz results (cont'd)

Question	Potential answers	Correct answer	% of respondents who got the correct answer
8. Higher levels of competition for your firm's products or services imply smaller gross margins.	<ul style="list-style-type: none">• True• False• I don't know• I prefer not to answer	<ul style="list-style-type: none">• True	68%
9. The most important factor in setting the selling prices of a firm's products or services is the firm's cash flow situation	<ul style="list-style-type: none">• True• False• I don't know• I prefer not to answer	<ul style="list-style-type: none">• False	86%
10. Credit scoring is a form of computer-based adjudication of loan applications used by financial institutions.	<ul style="list-style-type: none">• True• False• I don't know• I prefer not to answer	<ul style="list-style-type: none">• True	68%



Section 03

Financial literacy quiz

Quiz results: Aggregate results

Number of correct answers out of 10	% of respondents (n=892)
10	11%
9	25%
8	24%
7	18%
6	13%
5	5%
4	2%
3	0.7%
2	0.6%
1	0.1%
0	0.3%

Excellent (9 or 10 correct answers):
36%

Good (7 or 8 correct answers):
42%

Fair (4 to 6 correct answers):
20%

Poor (0 to 3 correct answers)
1.7%



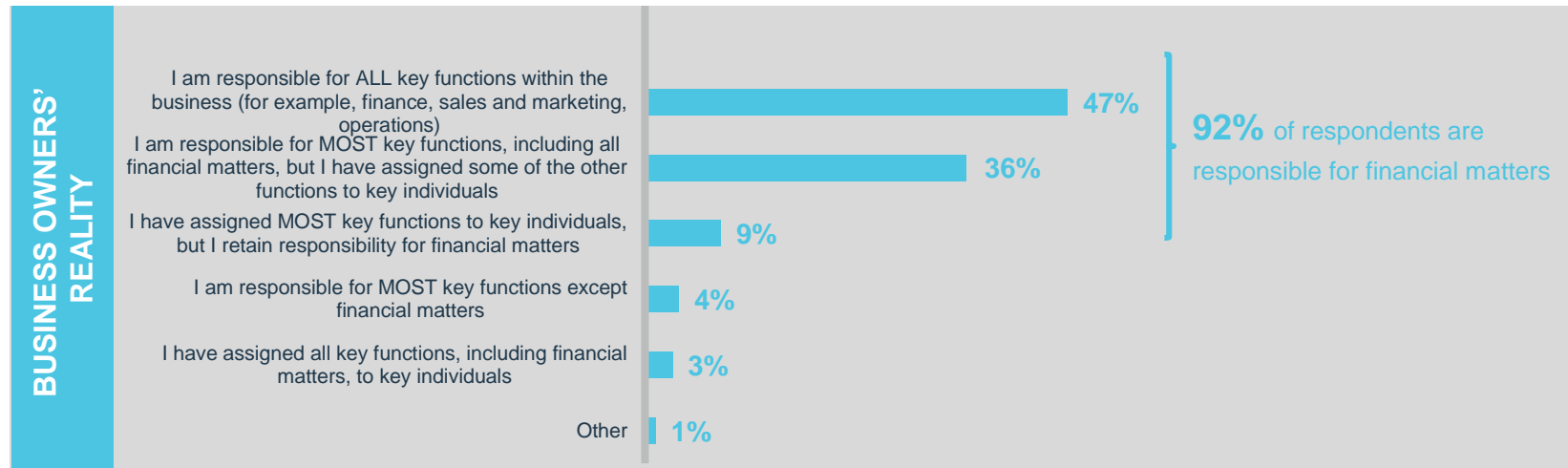
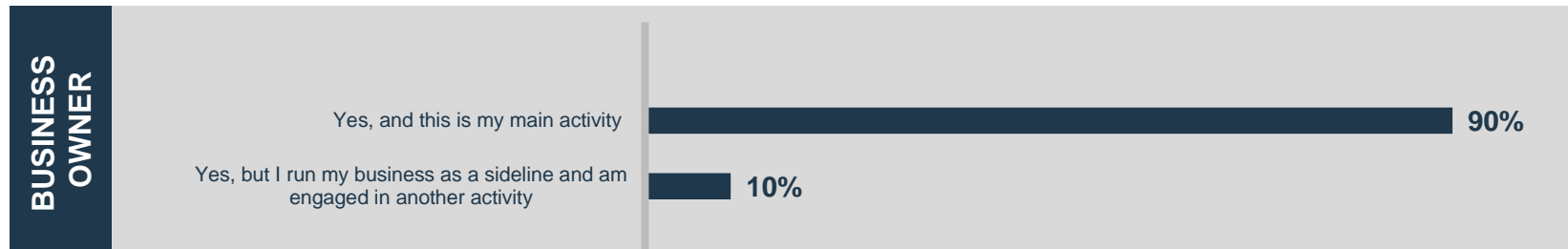
04.

Respondents' profile



Respondents' profile

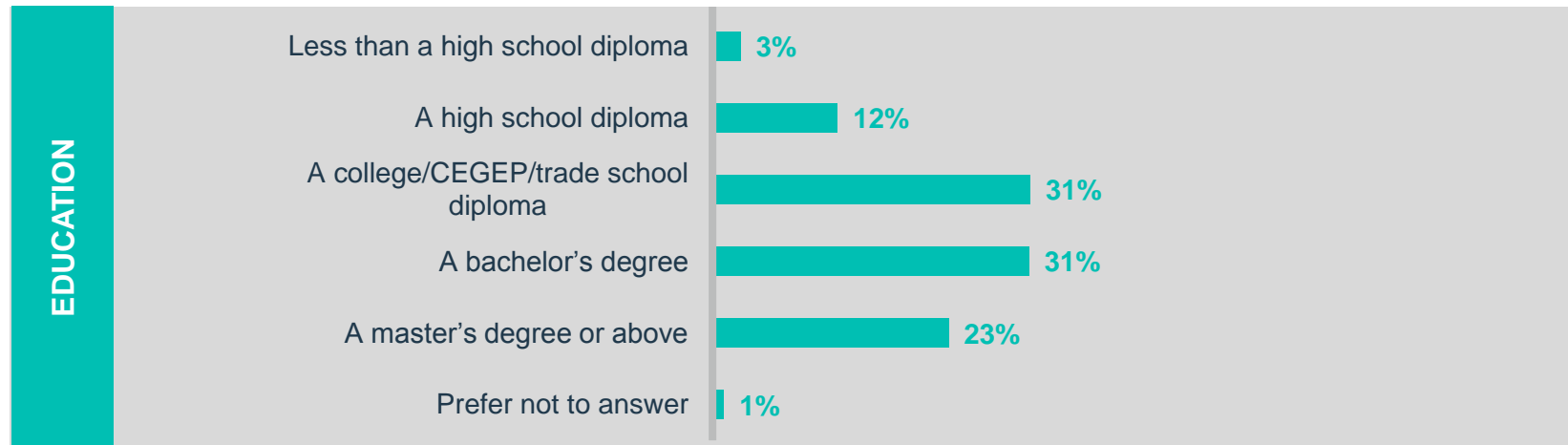
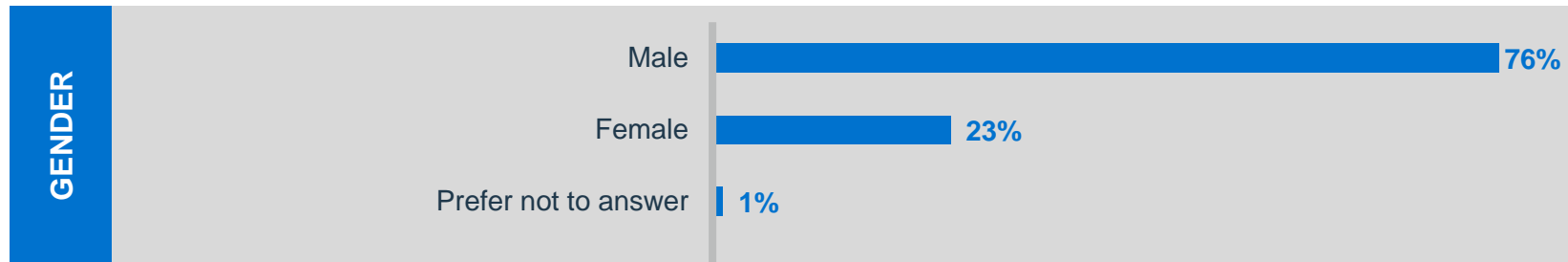
Business owner profile





Respondents' profile

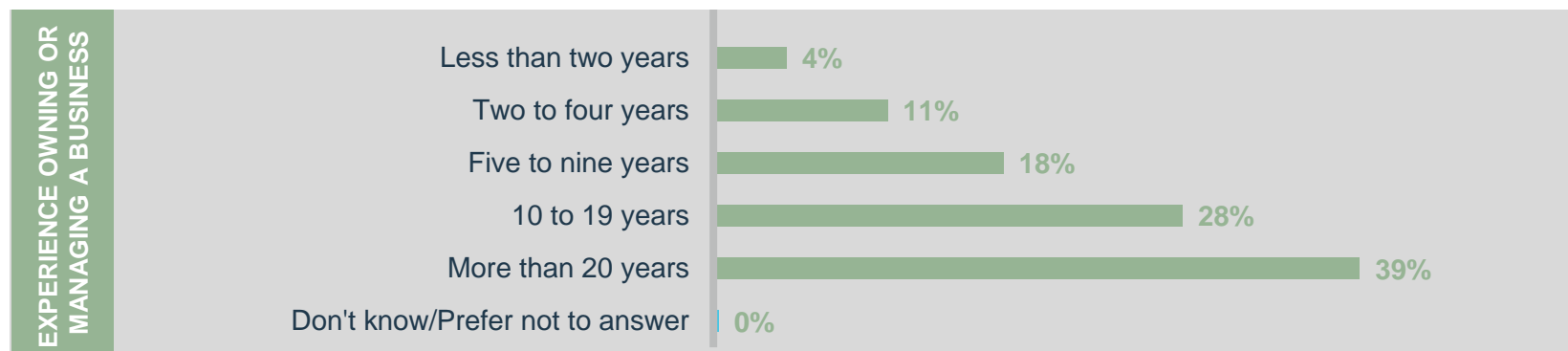
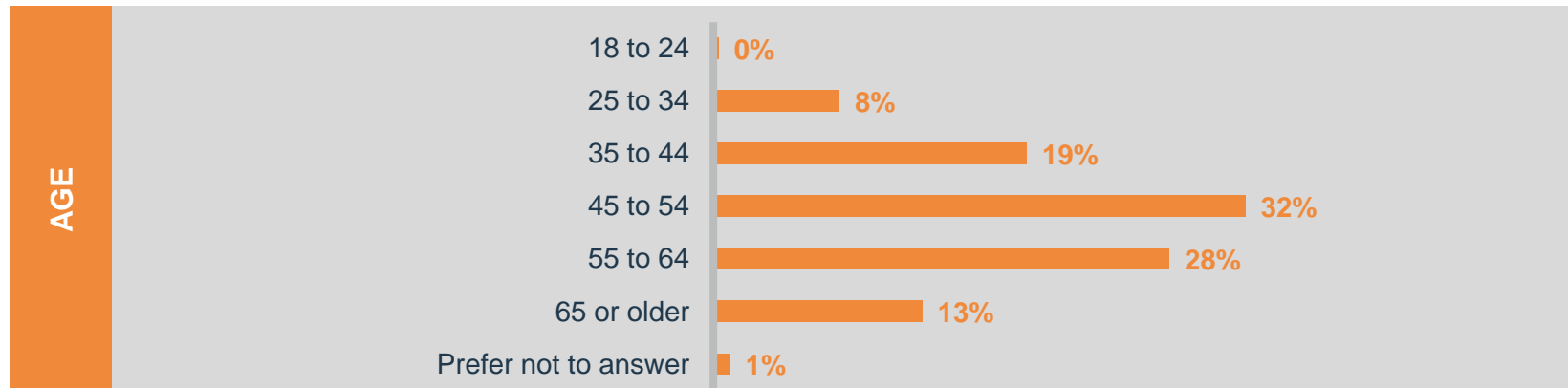
Business owner profile





Respondents' profile

Business owner profile





05.

Respondents' business profile



Respondents' business profile

Region



B.C. and North

14%

Prairies

20%

Ontario

32%

Quebec

26%

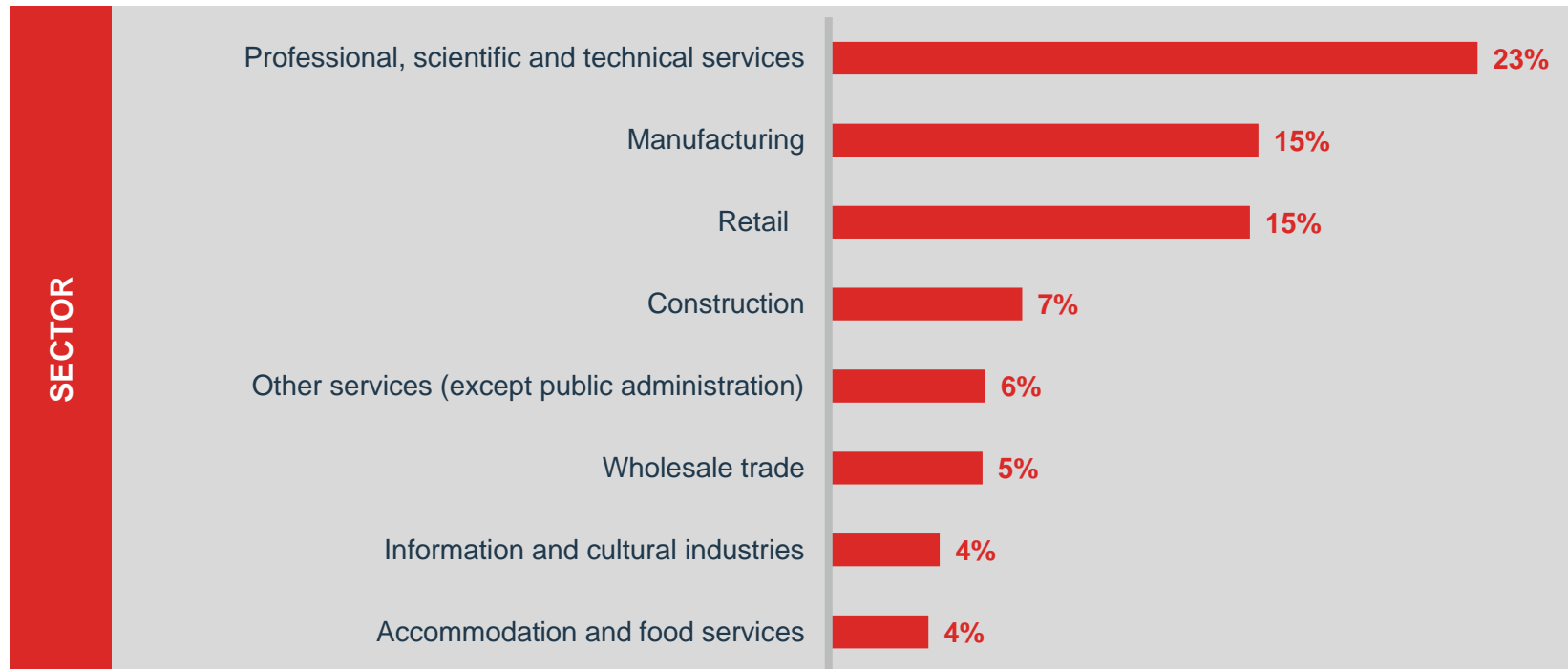
Atlantic

8%



Respondents' business profile

Sector of activity

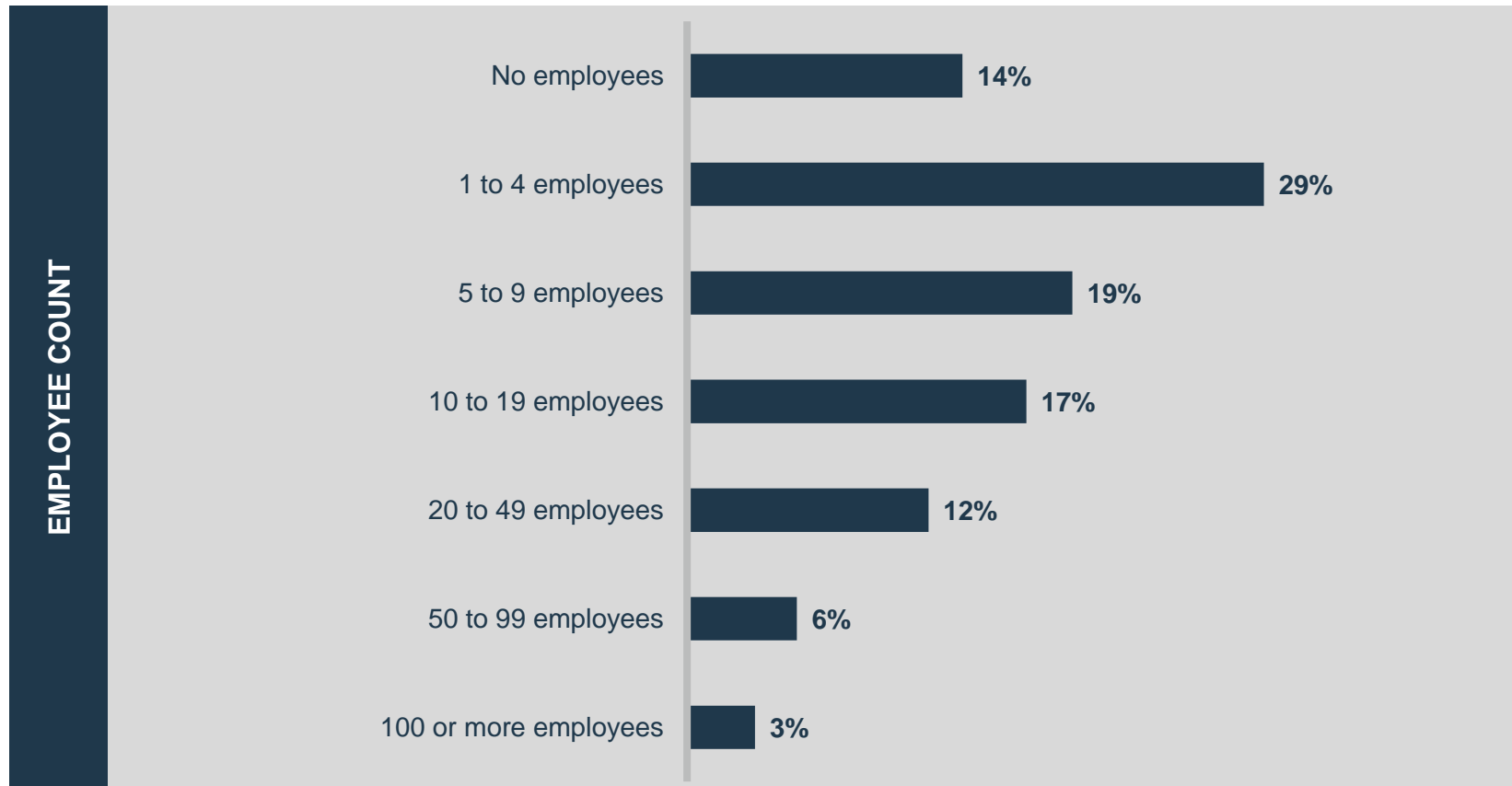


Base: All respondents (n=892). Only sectors comprising a minimum of 4% of respondents are shown.



Respondents' business profile

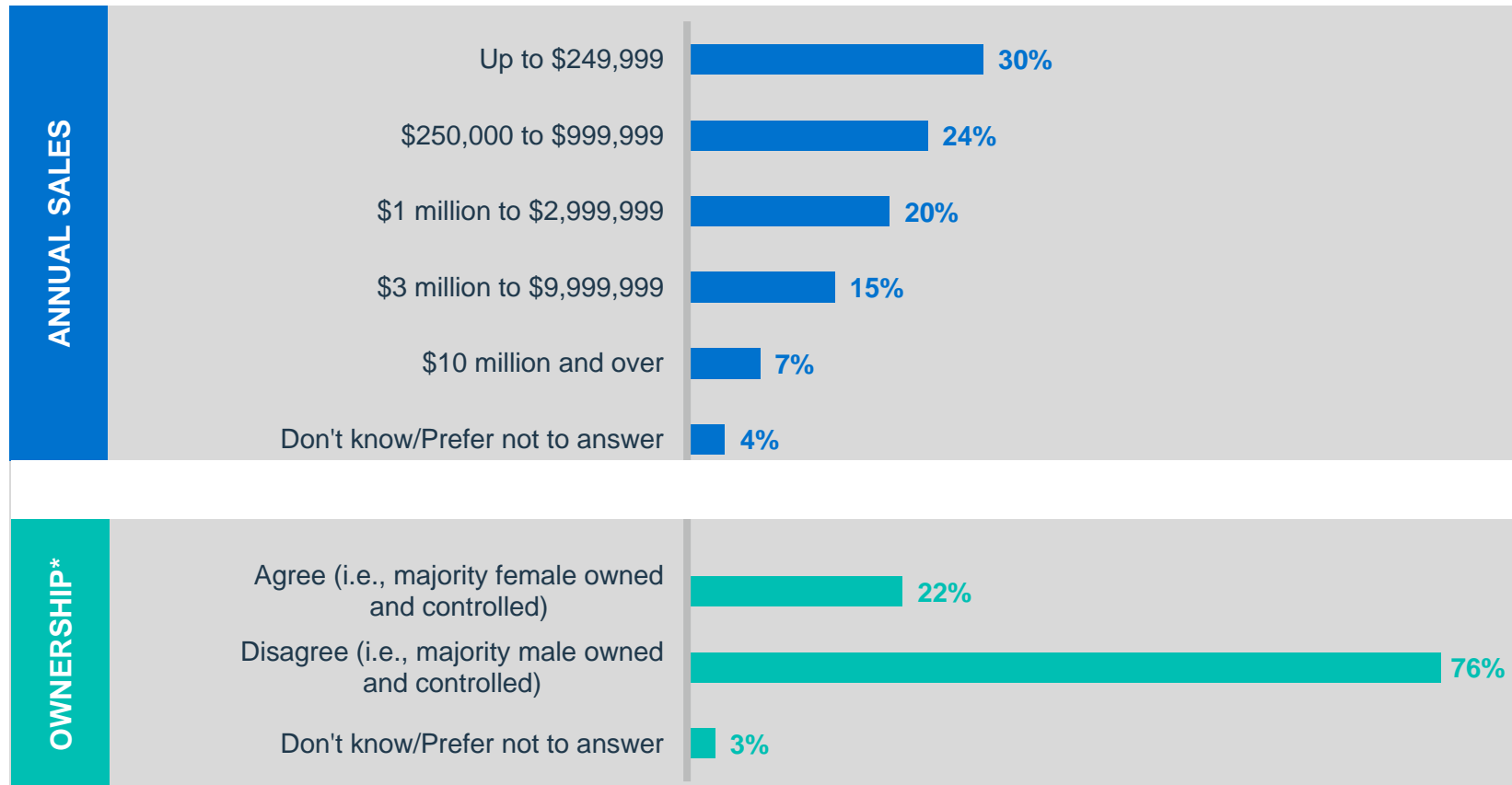
Number of employees in 2016





Respondents' business profile

Annual sales and ownership

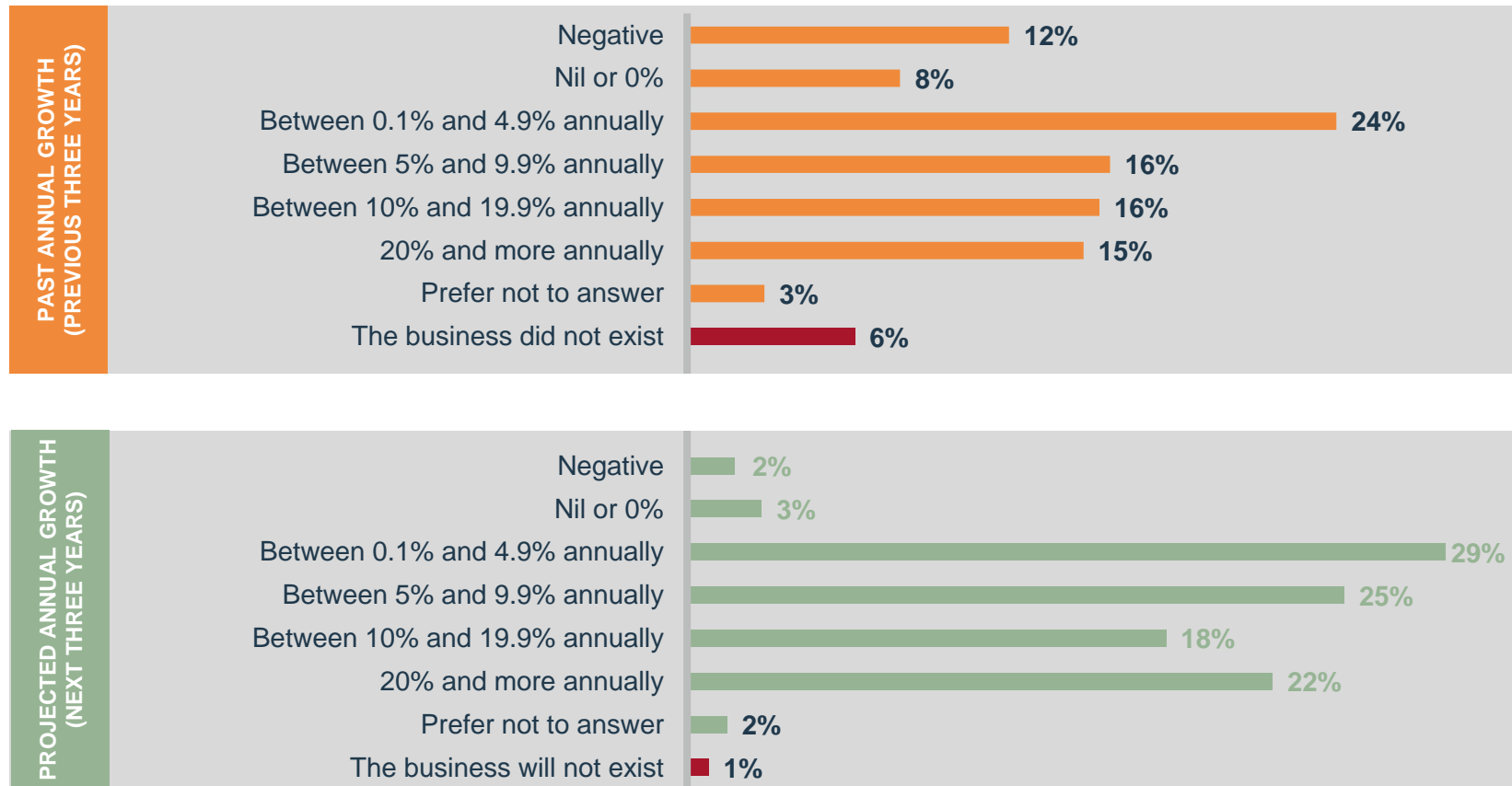


**Respondents were asked to agree or disagree with this statement: The business is at least 51% directly and unconditionally owned and controlled by one or more women.*



Respondents' business profile

Past and projected growth





06.

Context, objectives and methodology



Context, objectives and methodology

Context and objectives

- The Research and Economic Analysis team at BDC partnered with the Telfer School of Management at the University of Ottawa to tackle financial literacy.
- The objective of this research is to better understand Canadian business owners' mindset regarding finances in general, as well as this mindset's implication for the business. Results of this initiative will help teams at BDC and Telfer develop appropriate content and tools for business leaders and future entrepreneurs across Canada.

Methodology

- **Survey methodology:** Online
- **Respondent profile:** Business owners who are members of the BDC ViewPoints panel
- **Sample size:** 892 respondents
- **Survey dates:** October 17 to October 29, 2017
- **Data processing and analysis:** Performed by the BDC Research and Market Intelligence team



Thank you.

Research and Market Intelligence

For more info, please contact us at

marketingresearch@bdc.ca