



# Financing outlook

Part of the SME business investment and financing outlook survey, wave VIII

March 2021



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**01.**

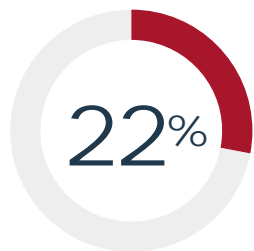
**Key highlights**



# Key highlights

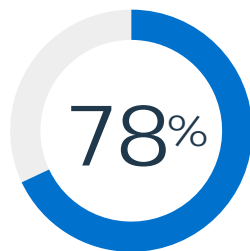


Requested financing and plans to request financing are at yearly lows. Less than half of those planning to request financing think it will be easy to obtain.



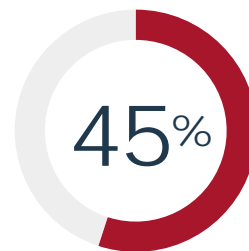
**Requested financing in the past 3 months**

(-6 pts vs. Dec 2020,  $\Delta$  significant)



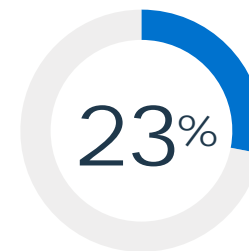
**Approval loan rate, past 3 months**

(+10 pts vs. Dec 2020,  $\Delta$  significant)



**Will be easy to get financing, next 12 months**

(-10 pts vs. Dec 2020,  $\Delta$  significant)



**Will request financing, next 12 months**

(-5 pts vs. Dec 2020,  $\Delta$  significant)

SMEs plan to request slightly larger amounts of financing compared to previous waves



**Average amount sought has increased since December**

**\$280k**

vs. \$156K in December 2020

**Lines of credit and term loans are the most sought after**



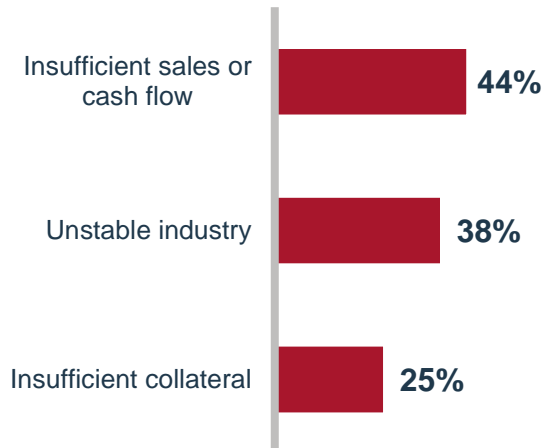
**Those who need \$500K+ mostly do so for growth-related projects and inventory**



Difficulty in obtaining financing has increased significantly and is mostly attributed to insufficient sales or cash flow



**Difficult to obtain financing because of...**



Not needing money and not wanting to add more debt are the main reasons given for not requesting financing

**55%** ...of the companies that will not request financing say it is because they **do not need money now**.

This is the case for 7/10 SMEs with annual sales of \$2M or more and SMEs deemed bankable.



**02.**

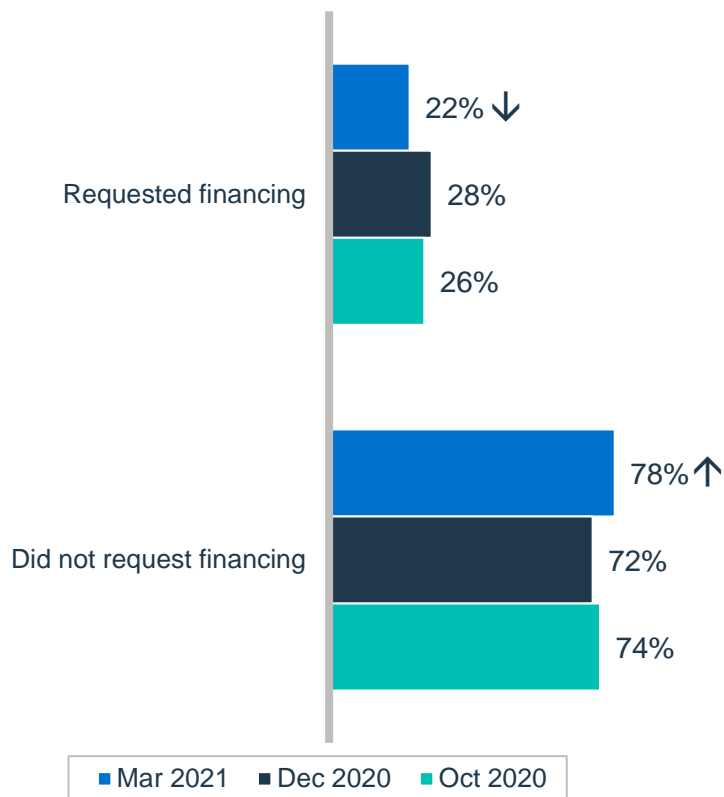
**Detailed results**



# Requested financing decreased significantly since late December, with just over one in five having done so in recent months.



Q30. Over the last 3 months, has your company requested financing?



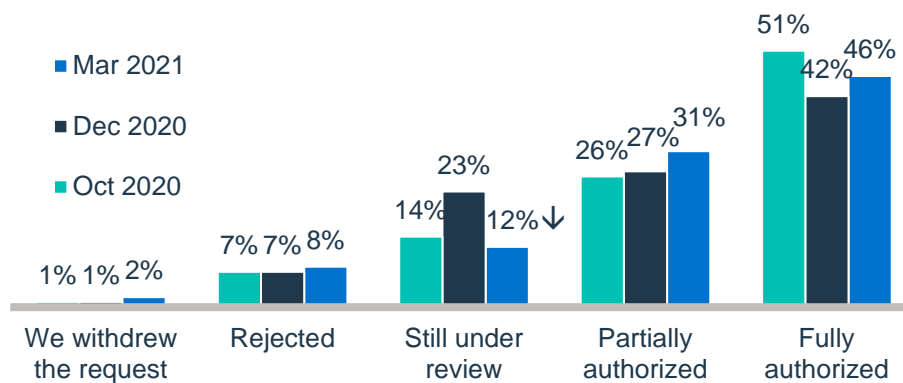
## More likely to have requested financing:

- SMEs with projects (50%+):
  - Those who plan to acquire another business (56%)
  - Those who plan to request financing (55%)
  - Those transitioning the business internally (54%)
  - Those planning to hire an external consultant (53%)
- Businesses with 5 to 99 employees (33%)
- SMEs with annual sales \$2M or more (34%)
- And:
  - Members of a visible minority (41%)
  - Arts, entertainment and recreation (39%)
  - Owned mostly by men (39%)
  - Exporters (35%)
  - SMEs with international activities (34%)

# Approval rates are back to yearly average results with over three-quarters of SMEs obtaining full or partial authorizations.



Q31. What was the **outcome** of this financing request?

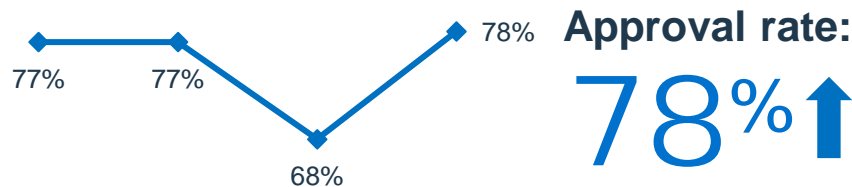


More likely to have seen their request being **authorized** (in full or in part):

- SMEs with annual sales \$2M or more (91%)
- And:
  - SMEs planning to hire a consultant (91%)

More likely to have seen their request being **rejected**:

- SMEs with international activities (13%)
  - Those with foreign direct investments (27%)
  - Those with foreign alliances & partnerships (21%)
- And:
  - SMEs for whom access to financing is deemed difficult (24%)
  - SMEs in the Prairies (17%)
  - SMEs owned equally by men and women (14%)



Jul 2020   Oct 2020   Dec 2020   Mar 2021

◆ Authorized (in full or in part)

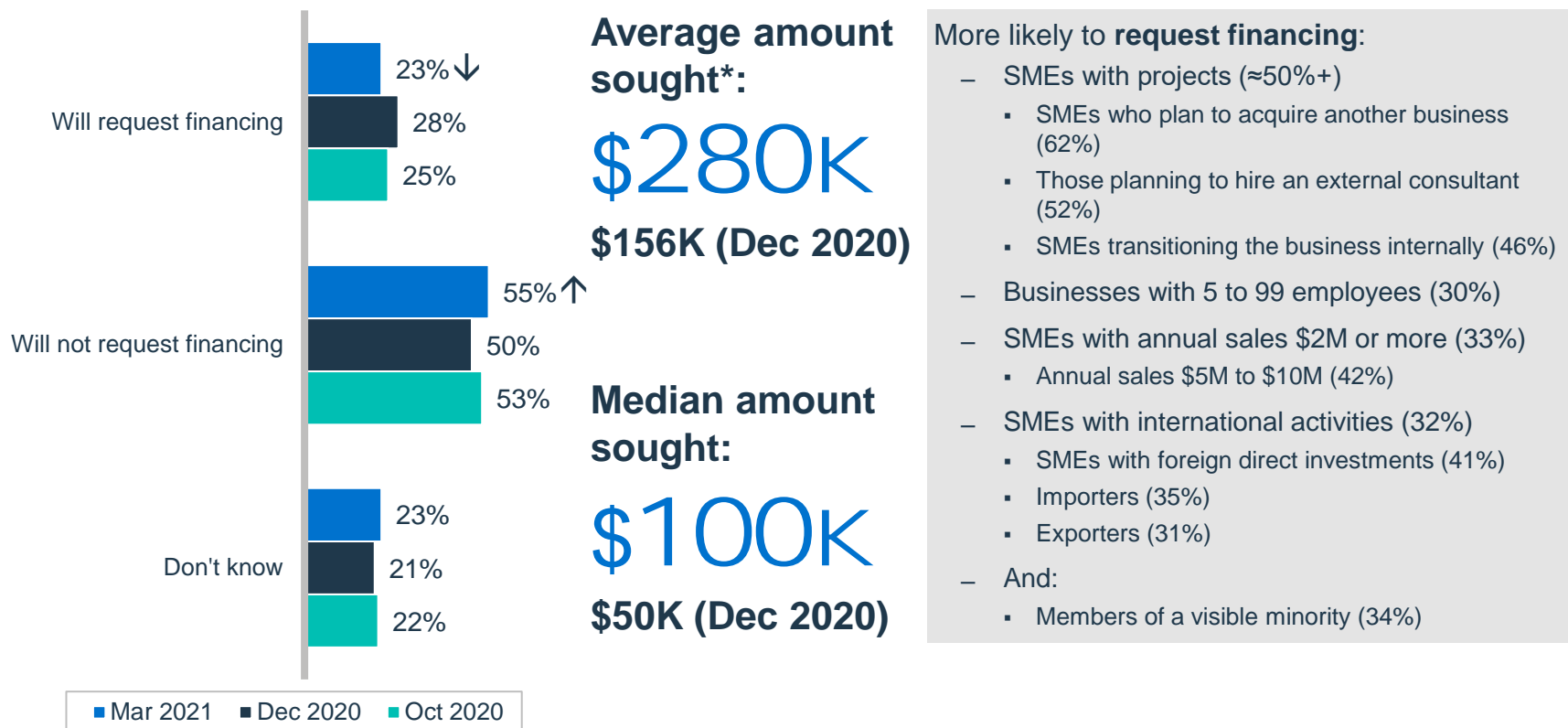
Base: Respondents who requested financing in the past 3 months (n March wave = 231). Those who did not know were excluded from the calculation base. Arrows indicate statistically significant differences between March 2021 and December 2020. Approval rate was 77% in October and July 2020.



Fewer than **one quarter of SMEs plan to request financing** in the next 12 months but many of these SMEs have important projects on the go, which increases the amounts sought.



Q32. Over the **next 12 months**, is your company planning to **request financing**?

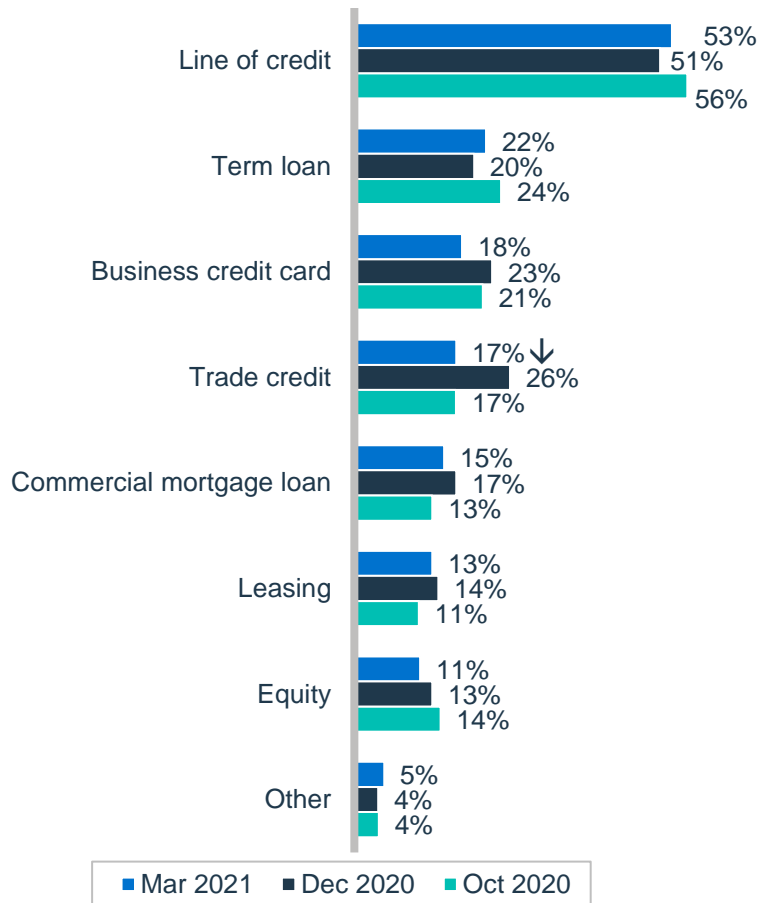


Base: Q32 = All qualified respondents (n March wave = 991. \*Average amount (trimmed average) was calculated with Q34 results (n March wave = 180); the lowest 5% and the highest 5% were excluded from the calculation base. Those who preferred not to answer were also excluded from the calculation base at Q34.

# SMEs are reverting to **lines of credit** and **term loans** as the type of financing they plan on requesting the most in the upcoming year, almost back to October 2020 levels.



## Q33. What **type of financing** will you request?



### More likely to request a **line of credit**:

- Business leaders who are first-generation in Canada (72%)

### More likely to request **term loan**:

- Transportation and warehousing (64%)
- Annual sales \$10M or more (48%)
- SMEs who plan to request \$1M or more (42%)

### More likely to request a **business credit card**:

- Arts, entertainment and recreation (43%)
- Annual sales under \$2M (21%)

### More likely to request **trade credit**:

- Transportation and warehousing (50%)
- Those planning to hire an external consultant (39%)
- Exporters (35%)
- SMEs with foreign alliances & partnerships (35%)

### More likely to request **commercial mortgage loan**:

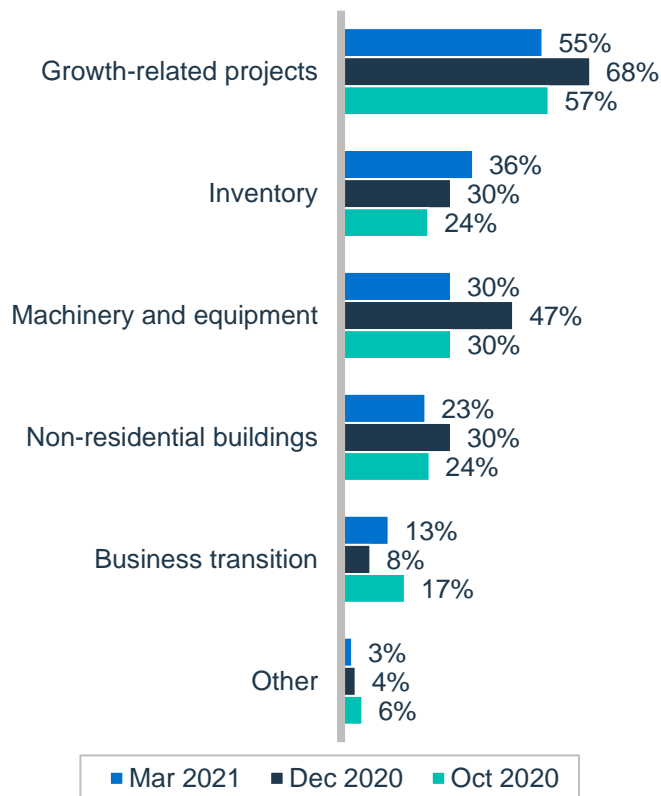
- Real estate and leasing SMEs (44%)
- Accommodation and food services (41%)
- SMEs in Atlantic Canada (31%)

Base: Respondents who will request financing in the next 12 months (n March wave = 235). Those who did not know are not presented in the graph. Arrows indicate statistically significant differences between March 2021 and December 2020. Multiple mentions were allowed, therefore total exceeds 100%.

Directional trend: Among those planning to request \$500K or more in financing, just over half need it for **growth-related projects** and more than one-third plan to add **inventory**.



Q34b. What would this financing be **used for**?

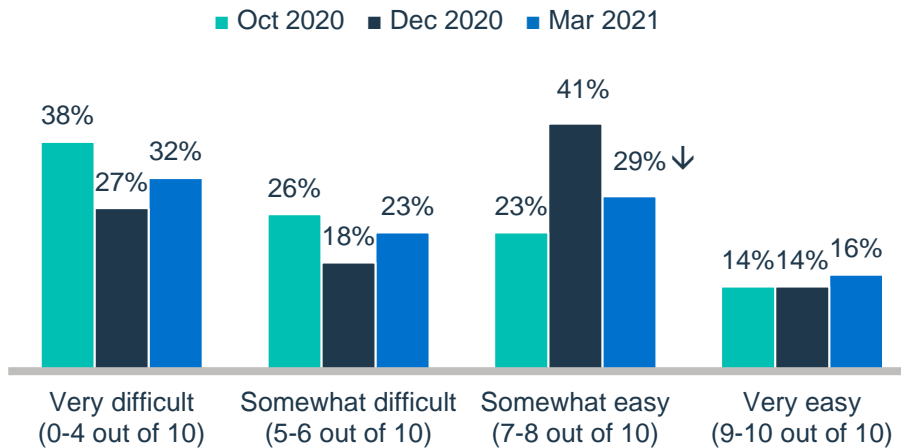


Base: Respondents who will request at least \$500K of financing in the next 12 months (n March wave = 61). Multiple mentions were allowed, therefore total exceeds 100%. This question was asked for the first time in October 2020. Those who did not know or preferred not to answer are not presented on this slide.

Fewer than half of those planning to request financing in the next 12 months believe that it will be **easy to obtain**. This is a significant decrease from the result obtained in December.



Q35. How easy will it be to **obtain this financing**?

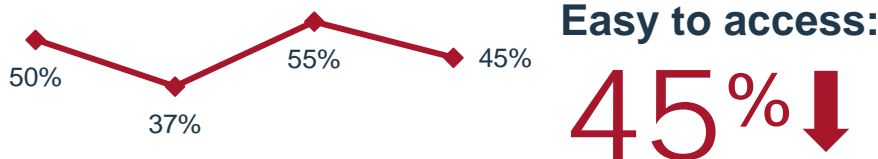


More likely to find it **easy**:

- Real estate and leasing (83%)
- SMEs with 100 or more employees (75%)

More likely to find it **difficult**:

- Those planning to close their business (83%)
- Importers (78%)
- Business leaders who are first-generation in Canada (72%)



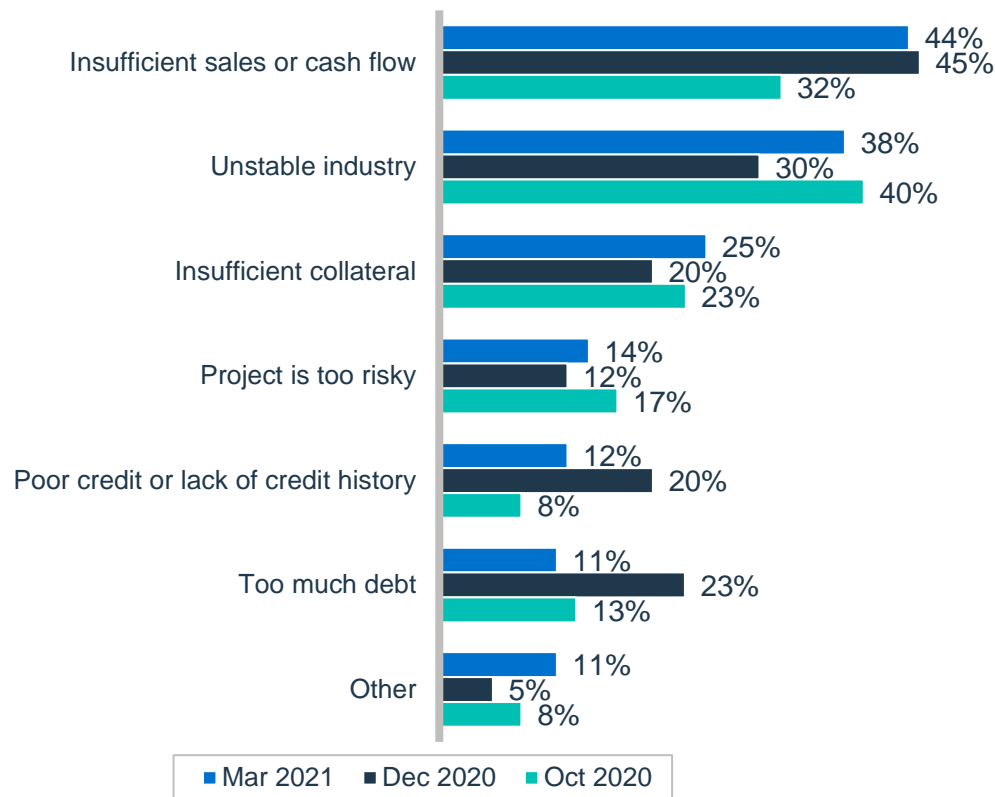
Jul 2020   Oct 2020   Dec 2020   Mar 2021

Base: Respondents who intend to request financing in the next 12 months (n March wave = 223). Those who did not know or refused to answer were removed from the calculation base. Arrows indicate statistically significant differences between March 2021 and December 2020. Statistically significant differences between sub-groups are presented in terms of "Total easy" (scores of 7-10 out of 10) and "Total difficult" (scores of 0-6 out of 10).

**Insufficient sales** remains the main reason to believe it will be difficult to obtain financing. **Unstable industry** and **insufficient collateral** complete the top three answers.



Q36. What makes you believe that it will be **difficult** to obtain financing for your company?

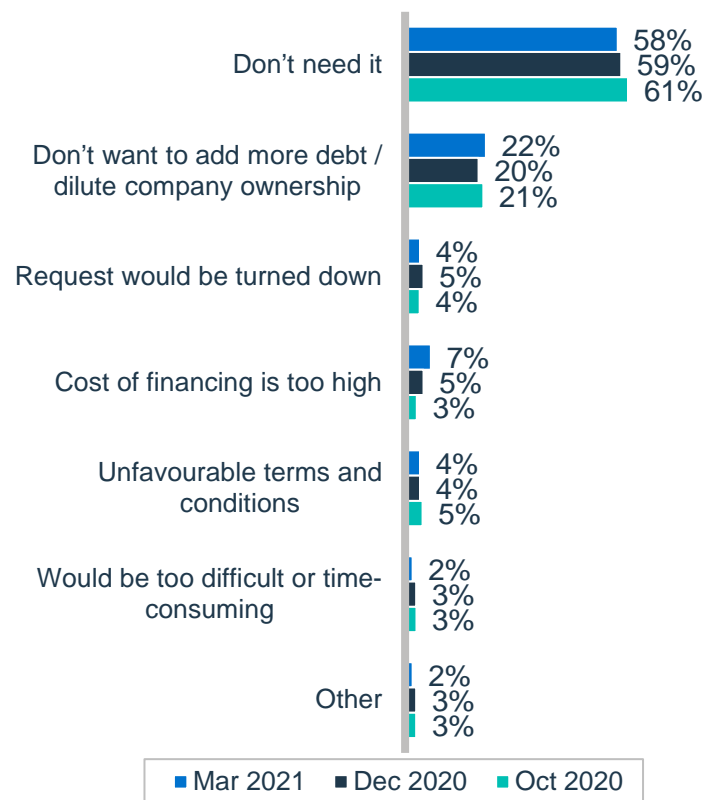


Base: Respondents who believe it will be difficult to obtain financing (n March wave = 57). Those who did not know were excluded from the calculation base. Arrows indicate statistically significant differences between March 2021 and December 2020. Multiple mentions were allowed, therefore total exceeds 100%. We did not list statistically significant differences between sub-groups because of the small sample size.

# Reasons for not requesting financing continue to remain stable: entrepreneurs claim they **don't need it** or **don't want to add more debt** or dilute the company's ownership.



Q37. Why do you **not intend to request financing** over the next 12 months?



## More likely to say they **don't need financing**:

- SMEs with annual sales \$2M or more (71%)
- And:
  - Those in professional, scientific and technical services (73%)

## More likely to say they **don't want to add more debt**:

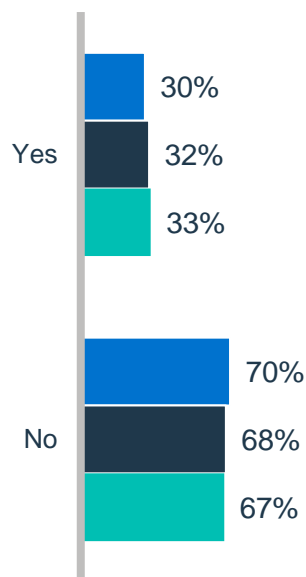
- Accommodation and food services (43%)
- Manufacturers (41%)
- Indigenous entrepreneurs (40%)
- Exporters (39%)
- Business leaders who are first-generation in Canada (35%)

Base: Respondents who will not request financing in the next 12 months (n March wave = 698). Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistically significant differences between March 2021 and December 2020. Multiple mentions were allowed, therefore total exceeds 100%.

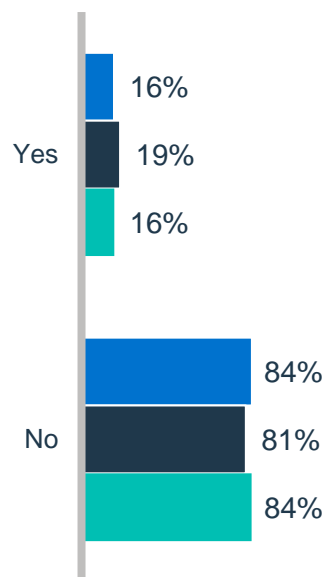
# Access to financing (Bankability index) questions



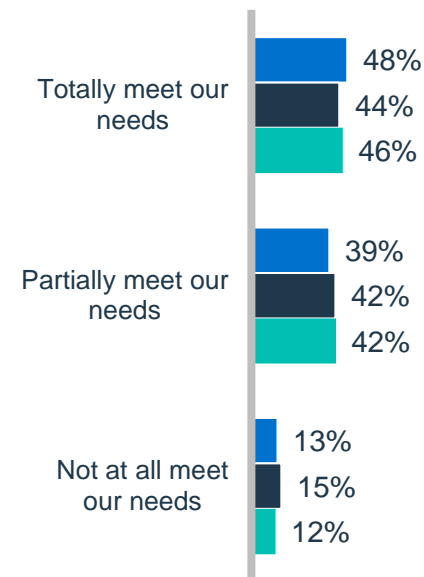
BA1. In the past or next 12 months, has your business used or will use **significant resources** for **growth projects**?



BA2. Just before the COVID-19 crisis, did the **repayment** of your company's debts **limit its activities, growth or borrowing capacity**?



BA3. To what extent do the financial institution(s) you are currently dealing with **effectively meet your short-term financing needs**?



■ Mar 2021 ■ Dec 2020 ■ Oct 2020

Base: All respondents (n March wave = 929-1,000). Those who preferred not to answer at BA2 and BA3 were excluded from the calculation base. These questions were asked for the first time in October 2020.



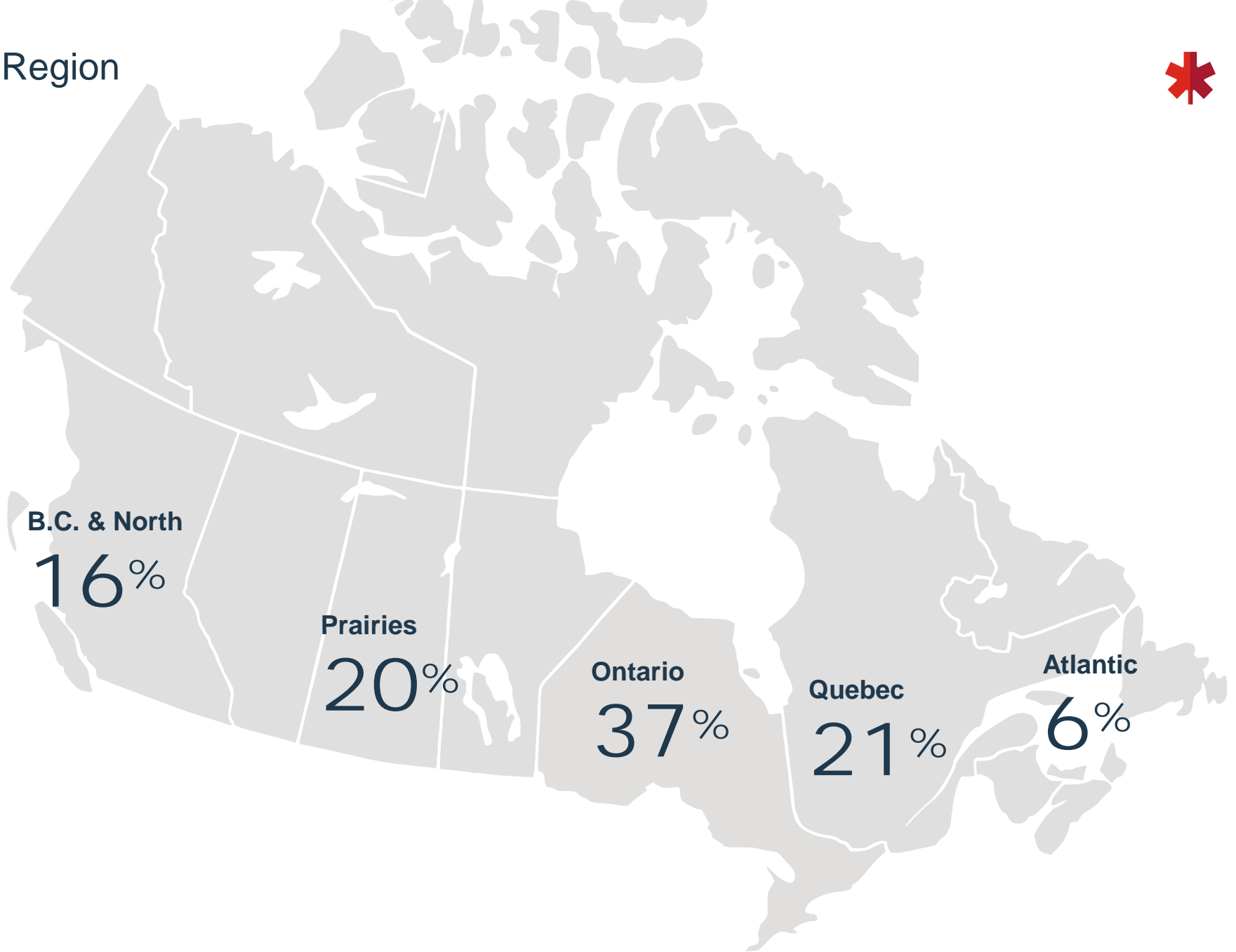
**03.**

**Respondent  
profile**





# Region

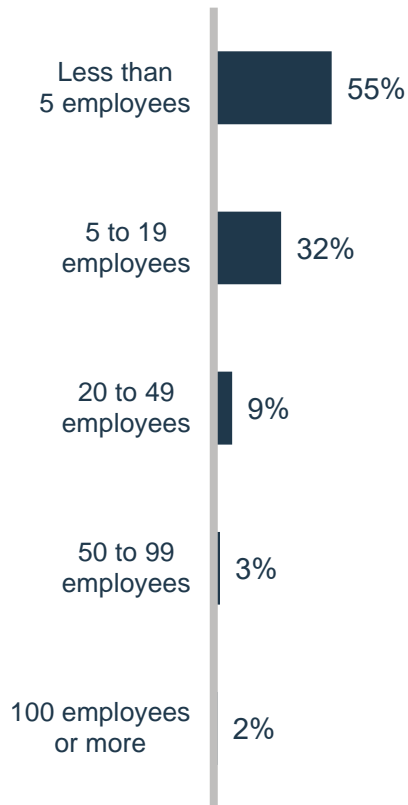


Base: All respondents (n=1,000).

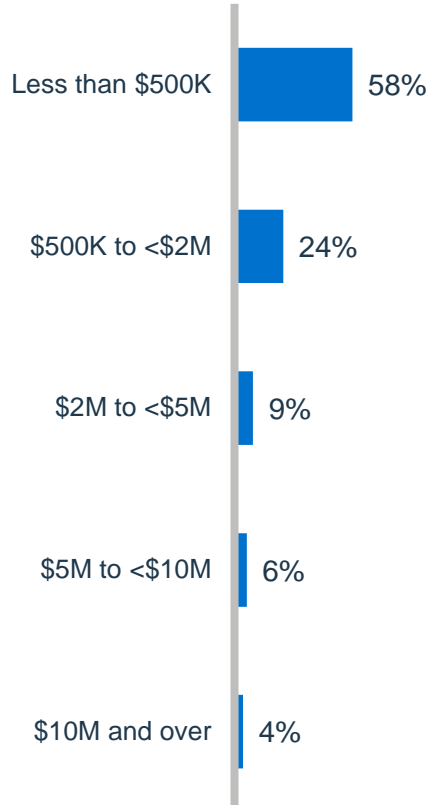
# Number of employees, annual sales and sector of activity



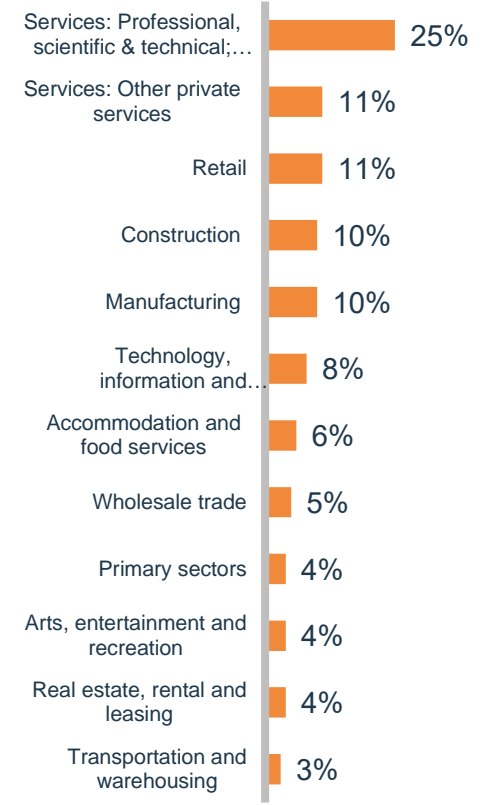
Number of employees



Annual sales



Sector of activity

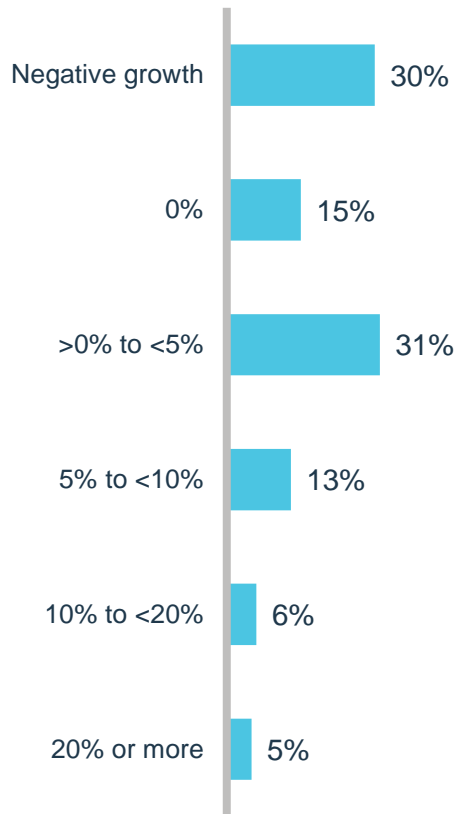


Base: All respondents (n=890-1,000). For the annual sales, those who didn't know were excluded from the calculation base.

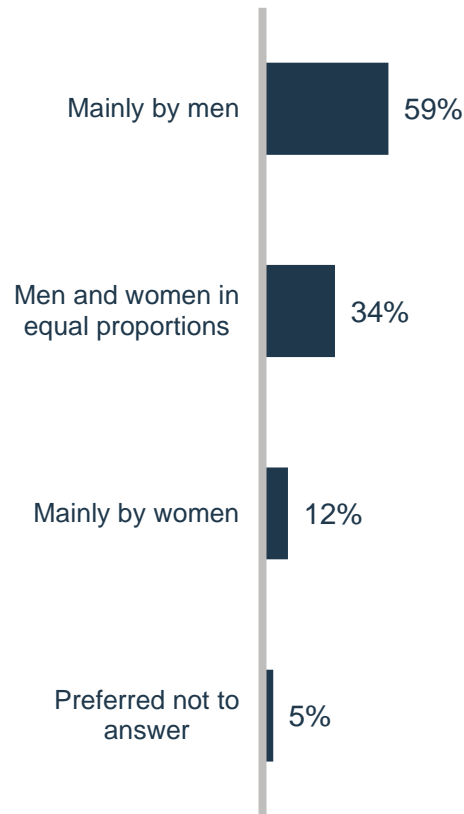
# Business revenue growth, gender ownership and diversity groups



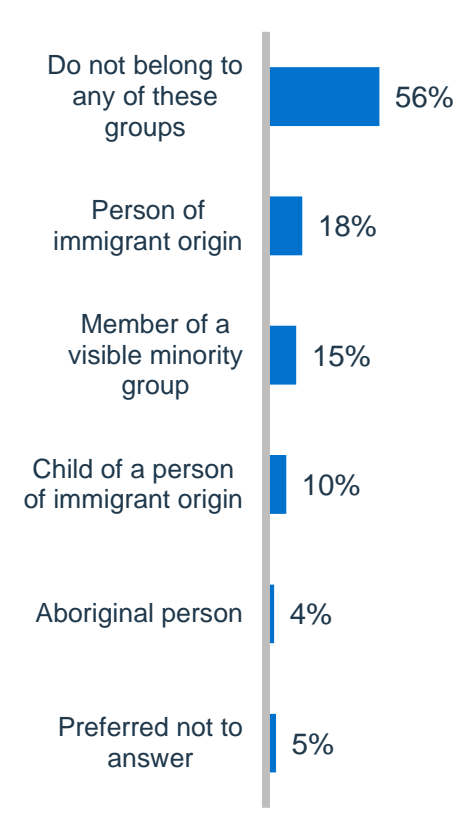
## Revenue growth



## Gender ownership



## Diversity groups



Base: For revenue growth = Respondents for which company existed last year (n=910).  
Gender ownership and Diversity groups (all respondents n=1,000).



# 04. Methodology



# Methodology

## Survey methodology

Online tracking survey.

## Respondent profile

Business owners and business decision-makers from the AskingCanadians (Delvinia) panel.

## Survey dates

March 1<sup>st</sup> to 14<sup>th</sup>, 2021.

## Margin of error

For a probability sample of 1,000 respondents, the maximum margin of error is  $\pm 3.1$  percentage points, 19 times out of 20. However, as this survey is based on a non-probability sample, this information is provided for reference only.

## Data processing and analysis

Were performed by the BDC Research and Market Intelligence team.

## Weighting factors

Results were weighted by region and number of employees to be representative of the Canadian SME population.

**Note:** Unless otherwise mentioned, calculation bases exclude respondents who preferred not to answer the question. Other appropriate exclusions are detailed on the different slides.



# Thank you.

Research and Market Intelligence

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