



Financing outlook

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

June 2021



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01.
Key highlights

Key highlights

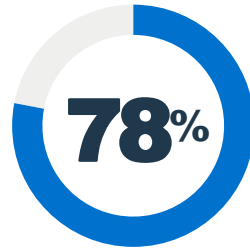


A smaller proportion plan to request financing. Debt repayment is becoming a concern.



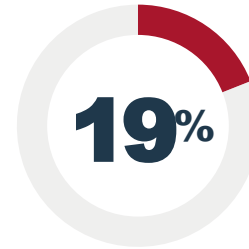
Requested financing in the past 3 months

(+3 pts vs. Mar 2021)



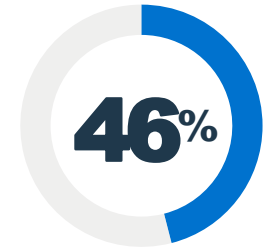
Approval loan rate, past 3 months

(unchanged vs. Mar 2021)



Will request financing, next 12 months

(-4 pts vs. Mar 2021,
Δ significant)



Will be easy to get financing, next 12 months

(+1 pts vs. Mar 2021)

FIs are the main lenders to SMEs, but a non-negligible portion looked elsewhere.



SMEs turned to the following for financing:

- Banks or credit unions (FI): 68%
- Government programs: 27%
- Crown corporations: 13%
- Online lenders: 10%
- Large tech companies: 9%

Lines of credit and working capital loans are the most sought-after



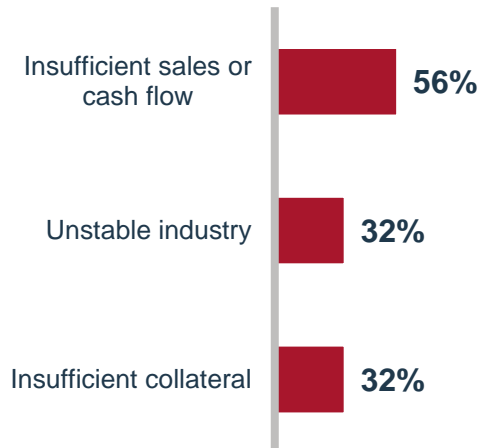
Those who need \$500K+ mostly do so for growth-related projects and machinery



Difficulty in obtaining financing has remained relatively unchanged 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.

60% ...of the companies that will not request financing say it is because they **do not need money** now.



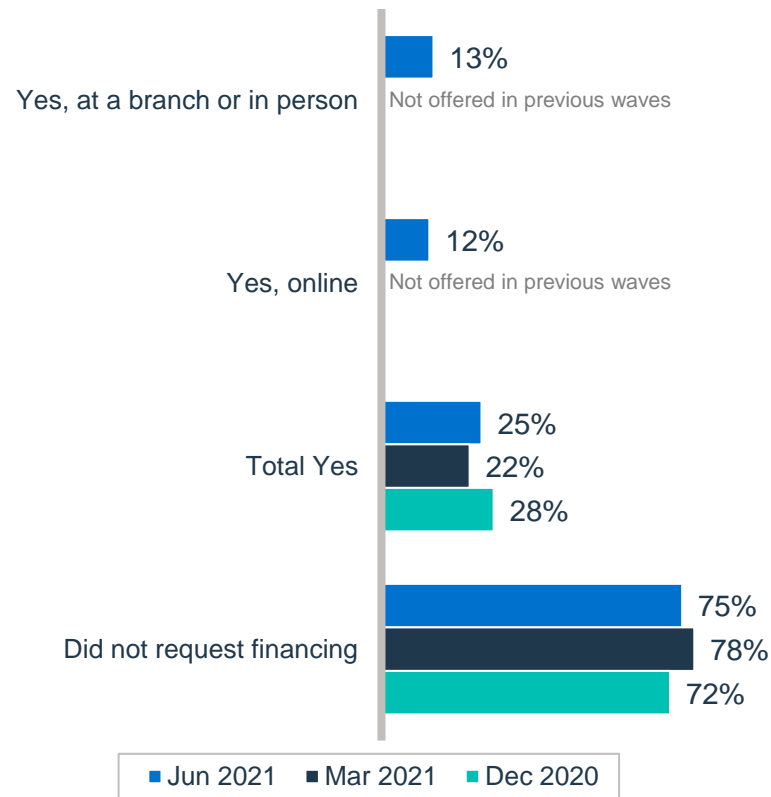
02.

Detailed results

One quarter of SMEs made a **request for financing** over the last 3 months. The more sophisticated the company, the more likely they are to have requested financing.



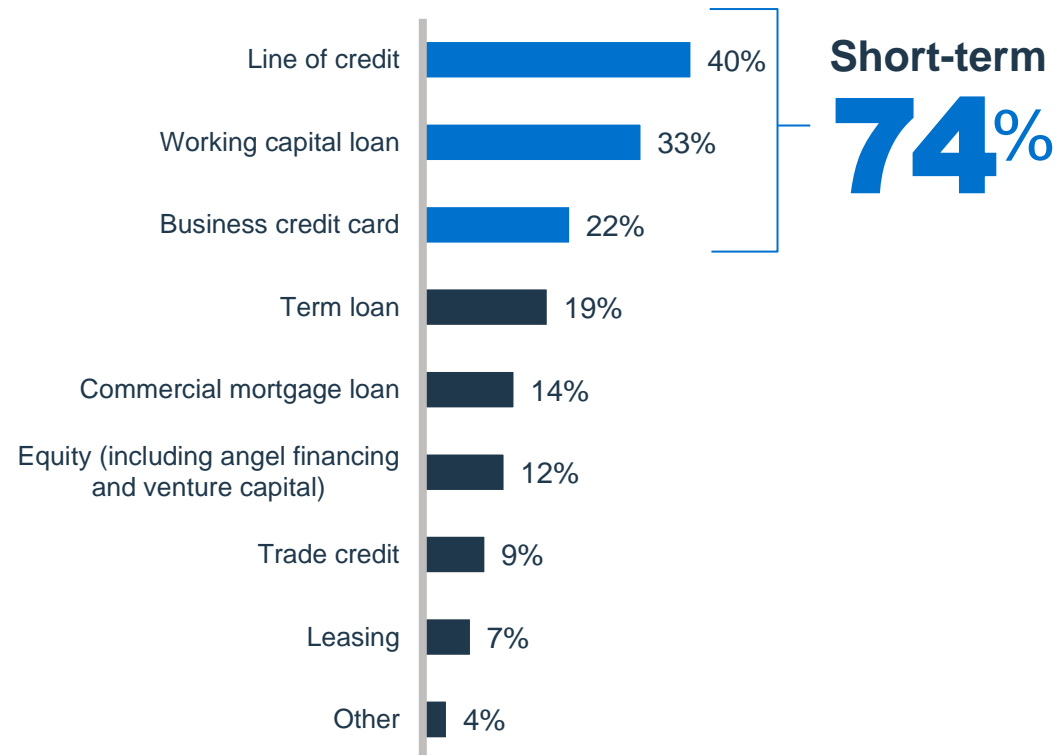
Q30. Over the **last 3 months**, has your company **requested financing**?



Short-term financing is the most sought – a line of credit, a working capital loan and a business credit card are the top-3 answers.



Q30a. What **type of financing** did you request?

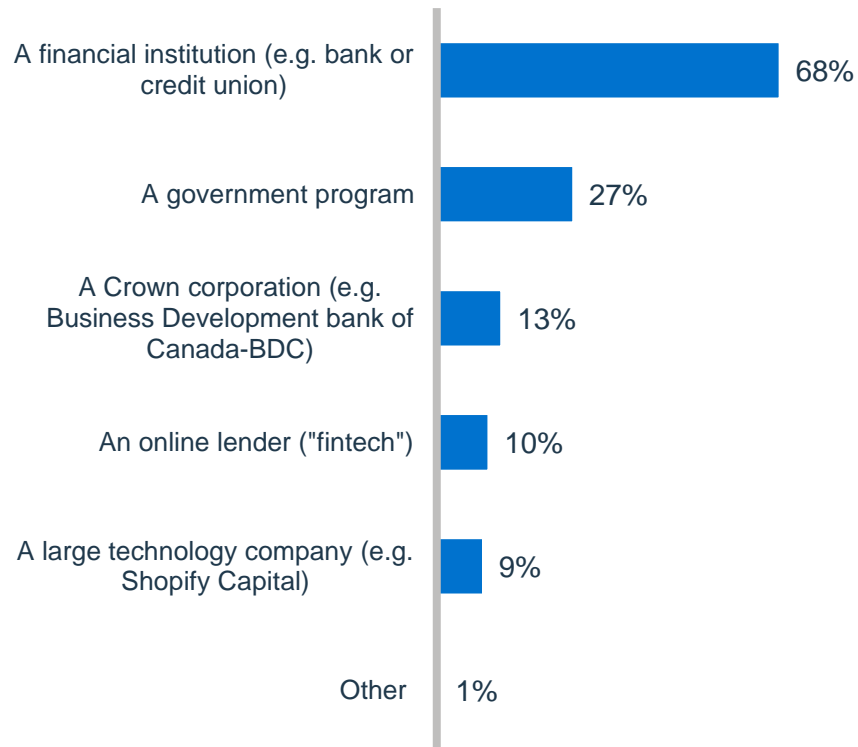


Base: Respondents that requested financing (n June wave = 318). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. This question was asked for the first time in June 2021.

Traditional FIs were the main purveyor SMEs turned to. Many made multiple requests to different potential lenders.



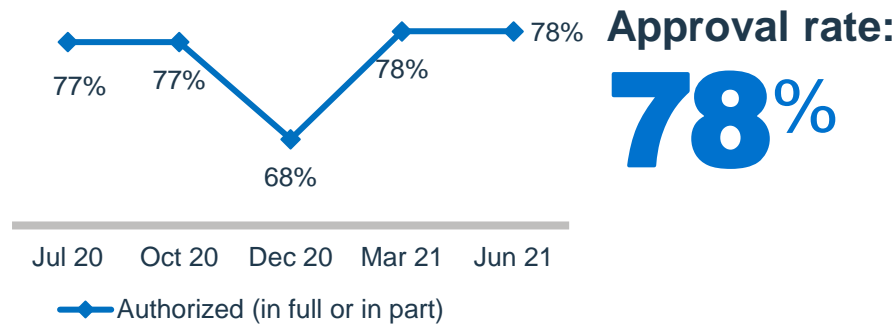
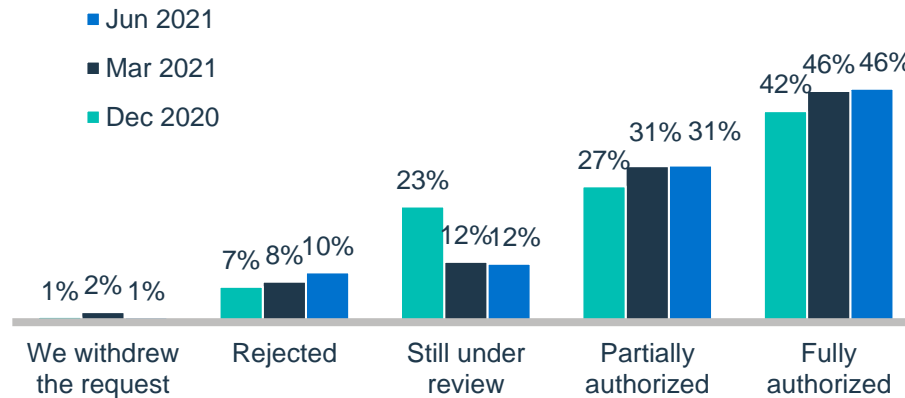
Q30b. **Who** did you apply to for financing?



Approval rates have remained unchanged since the last wave (most received total or partial approval). The more **revenue** a company has, the more likely it is that the request was approved.



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

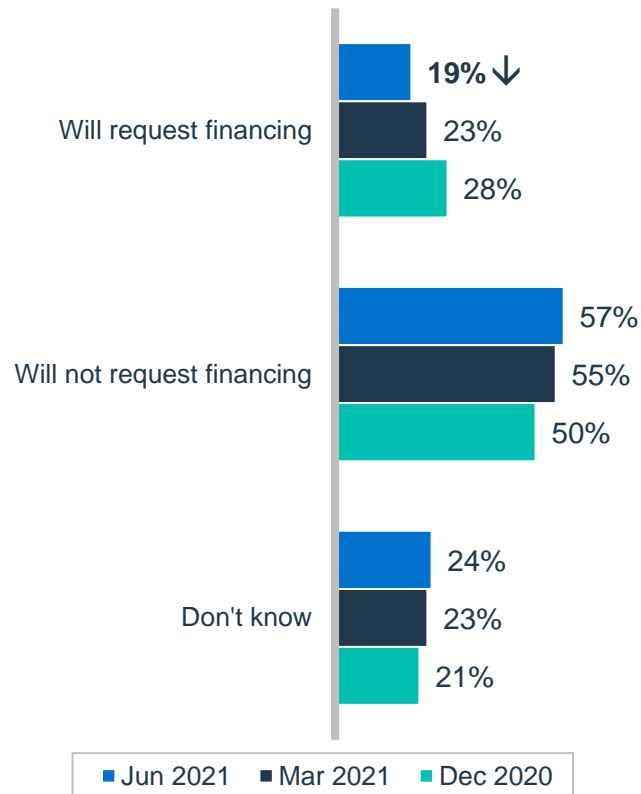


Base: Respondents who requested financing (n June wave = 320). Those who did not know were excluded from the calculation base. Arrows indicate statistically significant differences between June 2021 and March 2021.

The proportion of SMEs planning to **request financing** is trending **downwards** and has significantly decreased for a second consecutive quarter.



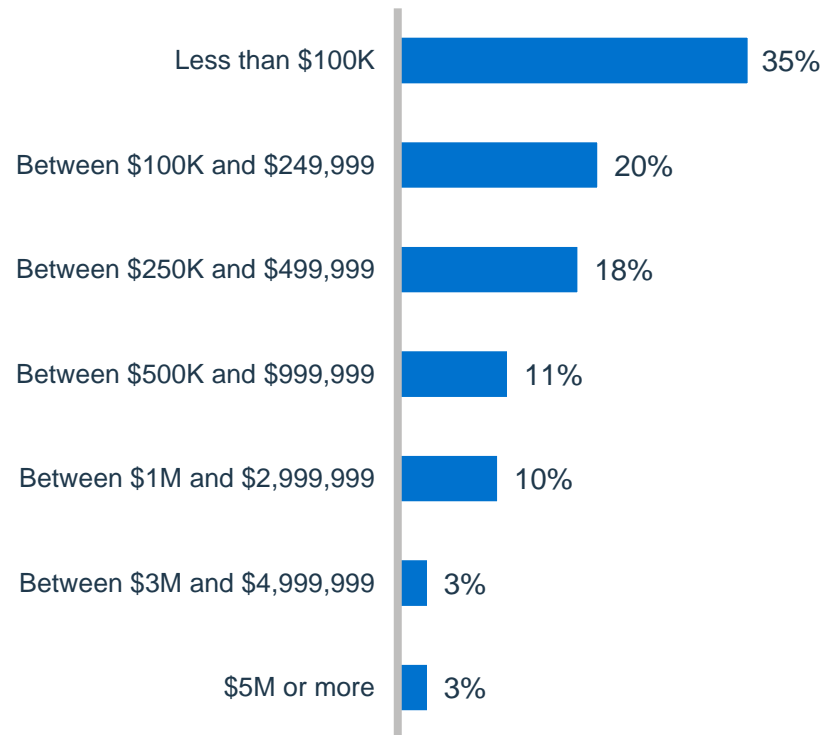
Q32. Over the **next 12 months**, is your company planning to **request financing**?



More than a third of SMEs are looking for financing of **less than \$100K**. The **larger** the company, the **higher** the amounts sought.



Q34. Approximately, what is the **amount of financing** you are seeking?

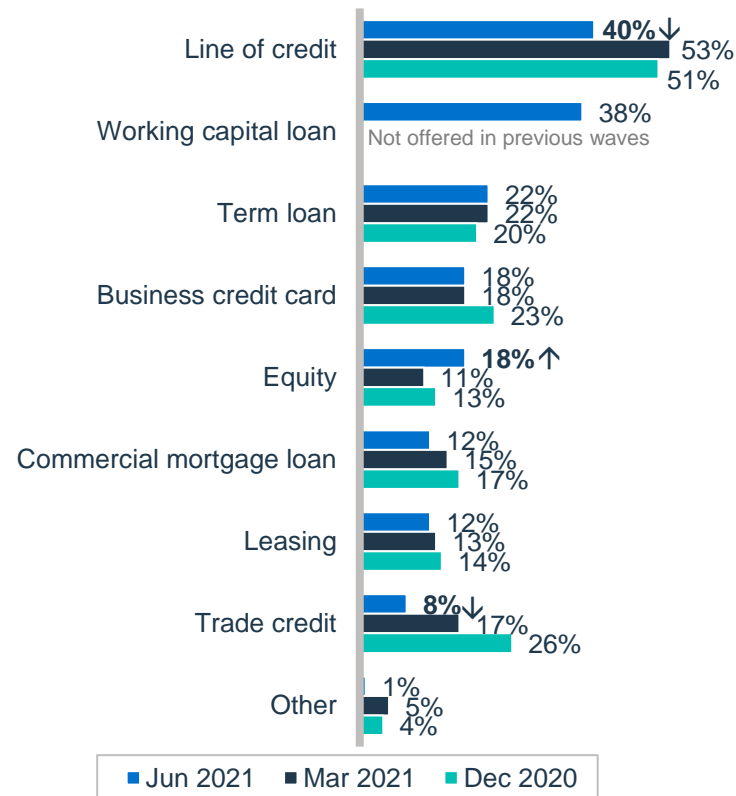


Base: Respondents that will request financing (n June wave = 236).
This question was modified in June 2021 to provide intervals.

A **line of credit** and a **working capital loan** are the most sought after types of financing. One in five SMEs is seeking a term loan, business credit card or equity investment.



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

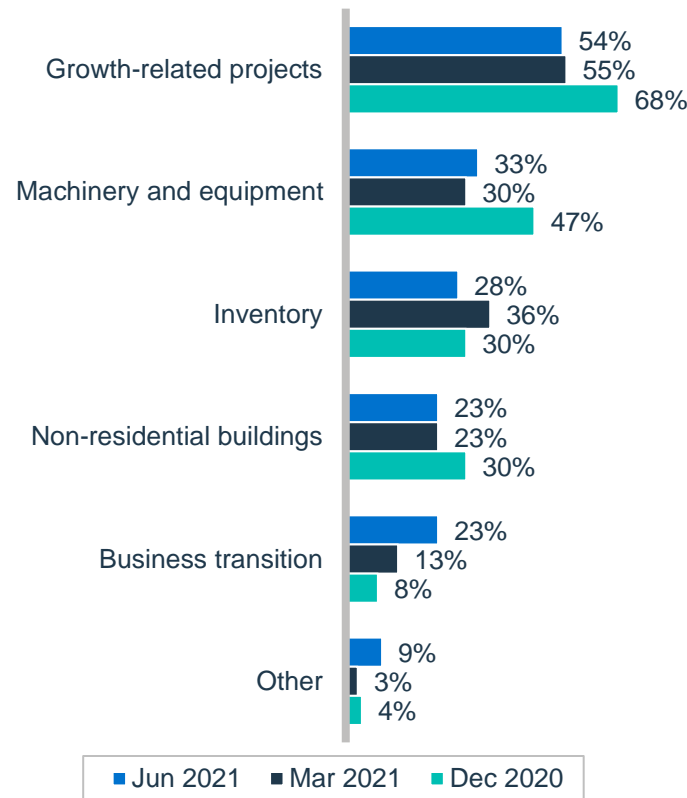


Base: Respondents who will request financing (n June wave = 235). Those who did not know are not presented in the graph. Working capital loan was added to the answer set for the first time in June 2021. Arrows indicate statistically significant differences between June 2021 and March 2021. Multiple mentions were allowed, therefore total exceeds 100%.

SMEs seeking \$500K or more need the funds mostly for **growth-related projects**. Furthermore, we see a **small uptick in business transition**.



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

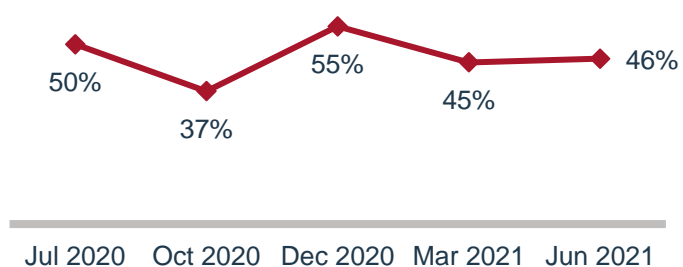
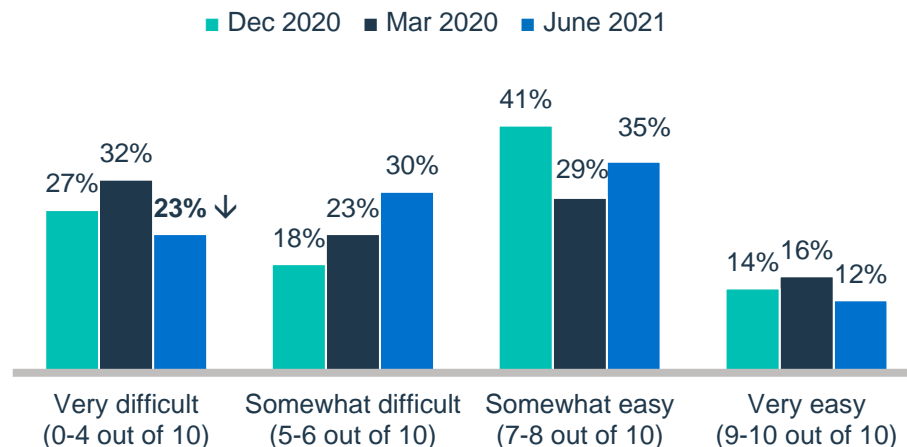


Base: Respondents who will request at least \$500K of financing in the next 12 months (n June wave = 110). Multiple mentions were allowed, therefore total exceeds 100%. Those who did not know or preferred not to answer are not presented on this slide.

Ease of access to financing is moving away from extremes, (very difficult or very easy), towards the middle (somewhat difficult or somewhat easy).



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



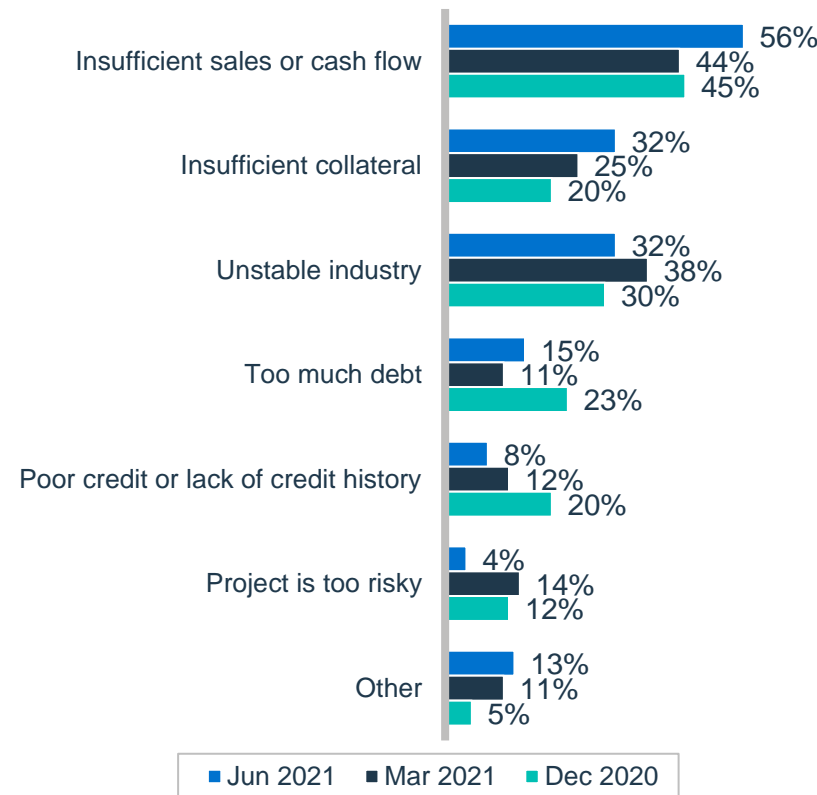
Easy to access:
46%

Base: Respondents who intend to request financing in the next 12 months (n June wave = 226). Those who did not know or refused to answer were removed from the calculation base. Arrows indicate statistically significant differences between June 2021 and March 2021. 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 or cash flow, insufficient collateral and unstable industry top the reasons why business leaders think it will be difficult to obtain financing for their company.



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

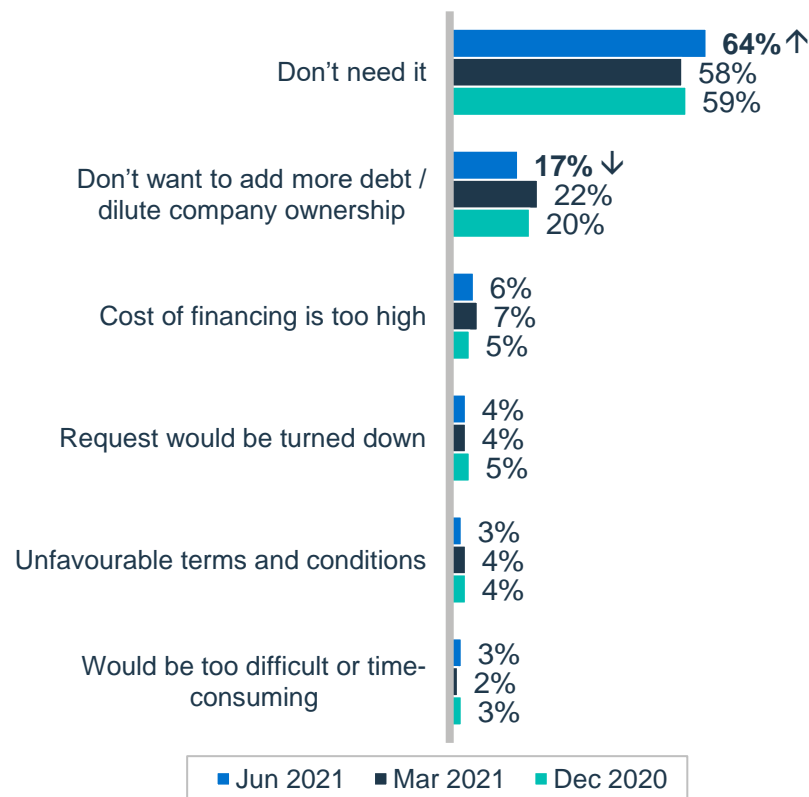


Base: Respondents who believe it will be difficult to obtain financing (n June wave = 35). Those who did not know were excluded from the calculation base. Arrows indicate statistically significant differences between June 2021 and March 2021. Multiple mentions were allowed, therefore total exceeds 100%. We did not list statistically significant differences between sub-groups due to the small sample size.

Not needing the financing and not wanting to add more debt or dilute the company continue to be the main reasons why SMEs do not intend to request financing in the next year.



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



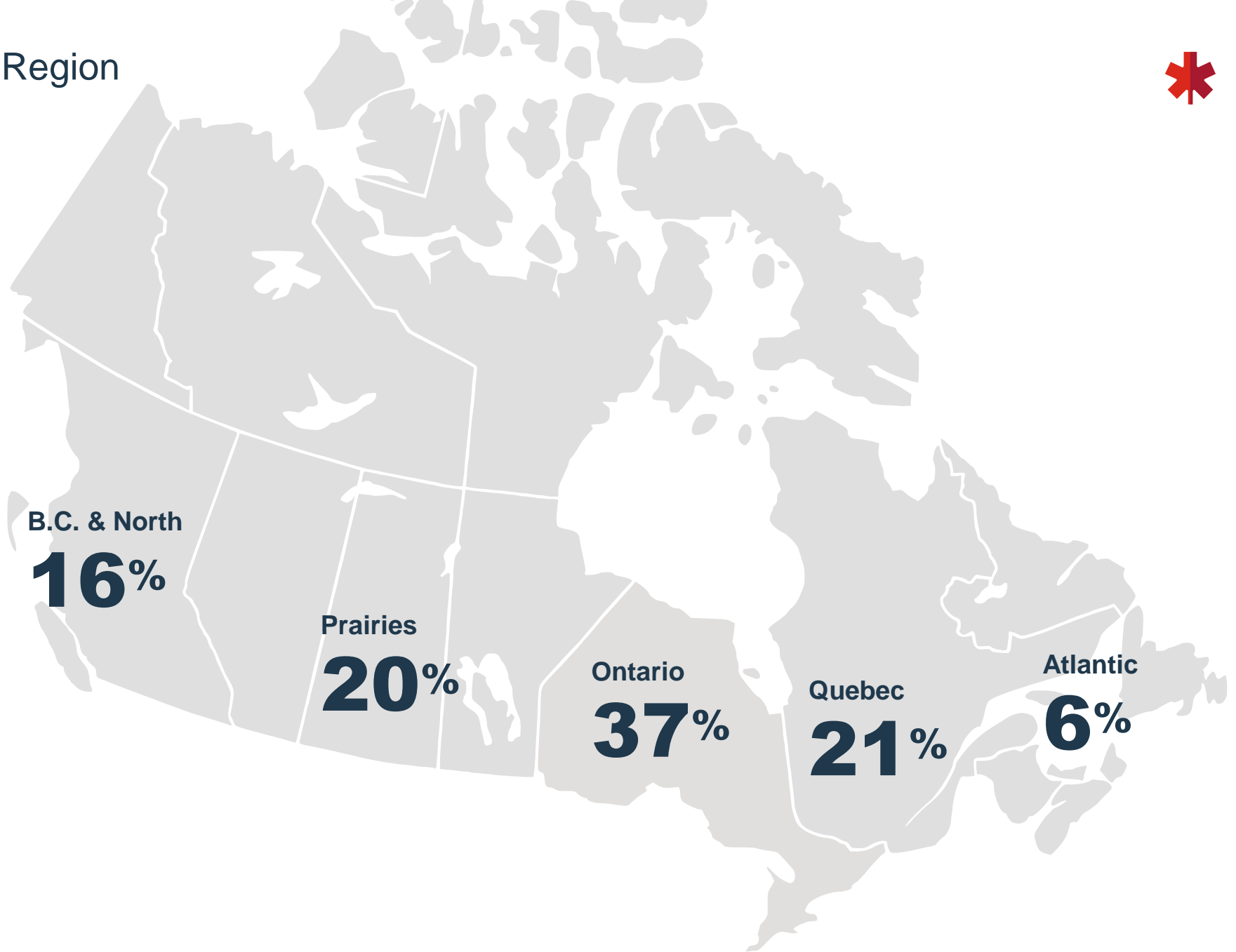
Base: Respondents who will not request financing in the next 12 months (n June wave = 692). Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistically significant differences between June 2021 and March 2021. Multiple mentions were allowed, therefore total exceeds 100%.



03.

Respondent profile

Region

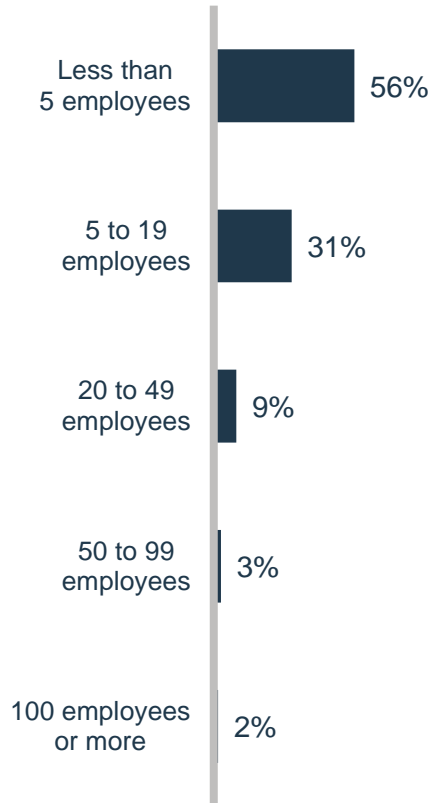


Base: All respondents (n=1,010).

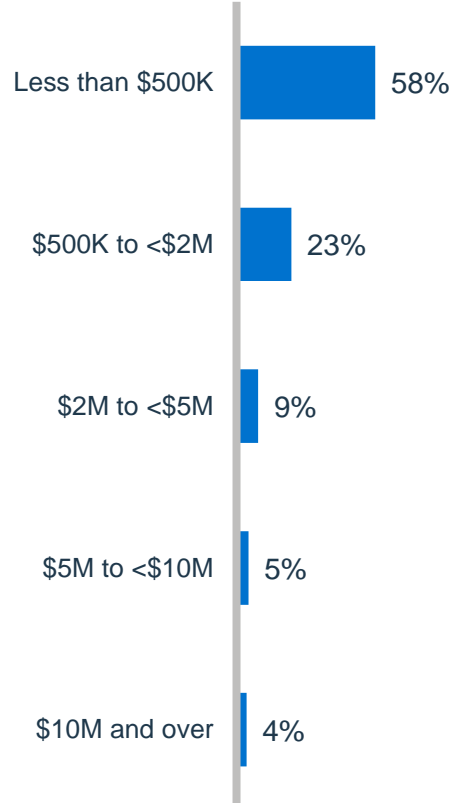
Number of employees, annual sales and gender ownership



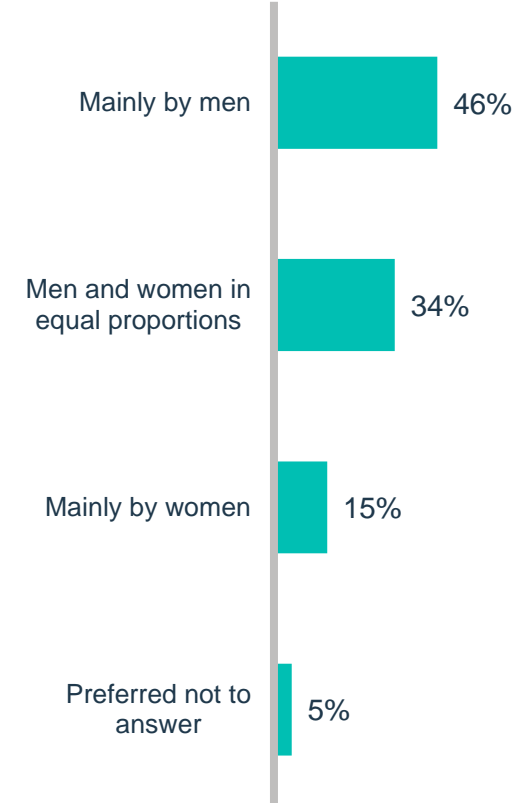
Number of employees



Annual sales



Gender ownership



Business revenue growth, diversity groups and sector of activity



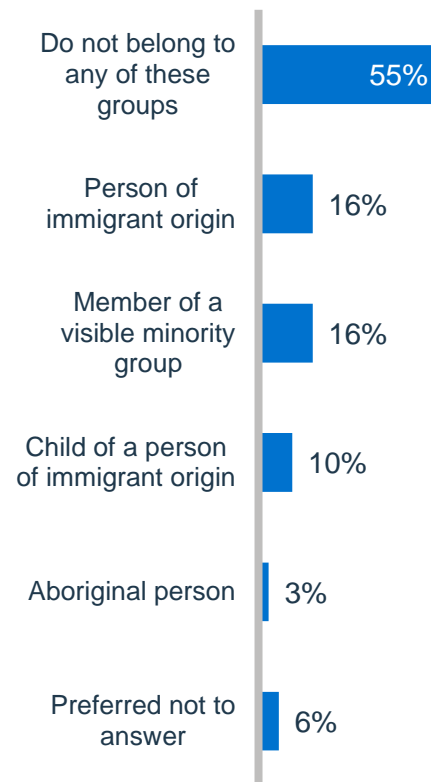
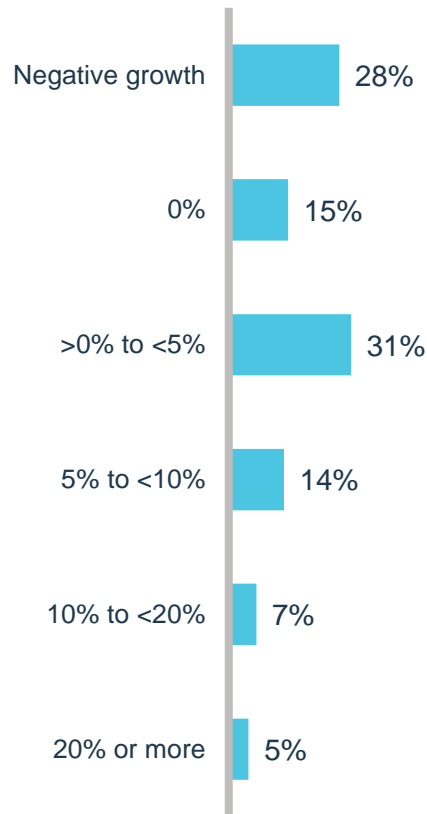
Revenue growth



Diversity groups



Sector of activity



Base: For revenue growth = Respondents for which company existed last year (n=891). For sector = All respondents (n=900-999). Those who did not know or preferred not to answer were excluded from the calculation base.



04. Methodology



Methodology

Survey methodology

Online tracking survey.

Respondent profile

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

Survey dates

May 31st to June 14th, 2021.

Margin of error

For a probability sample of 1,010 respondents, the maximum margin of error is ± 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

For more info, please contact us at:

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