



Financing outlook

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

October 2021



Table of contents

01 Key highlights

03 Respondent profile

02 Detailed results

04 Methodology

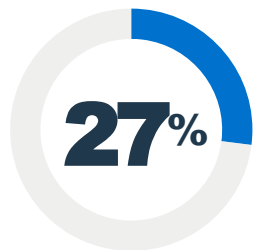


01.
Key highlights

Key highlights

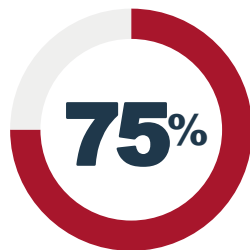


1 in 5 SME plans to request financing and half of them believe it will be easy to obtain



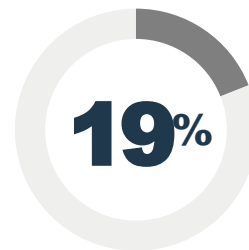
Requested financing in the past 3 months

(+2 pts vs. June 2021)



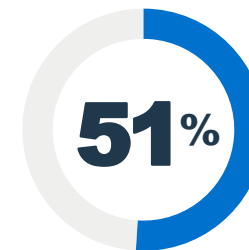
Approval loan rate, past 3 months

(-3 pts vs. June 2021)



Will request financing, next 12 months

(unchanged vs. June 2021)



Will be easy to get financing, next 12 months

(+5 pts vs. June 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): 63%
- Government programs: 27%
- Crown corporations: 16%
- Online lenders: 9%
- Large tech companies: 8%

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



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

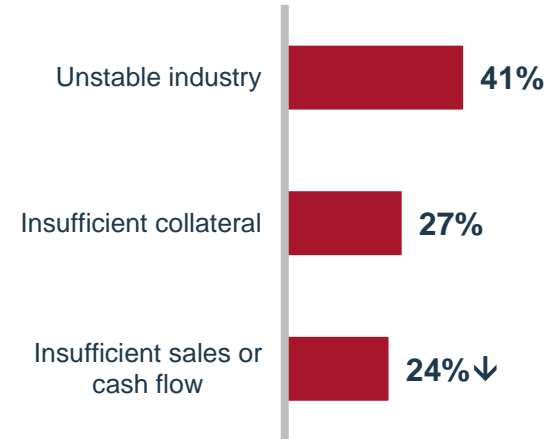
Key highlights (cont.)



Perceived difficulty in obtaining financing has decreased and is mostly attributed to an unstable industry. Insufficient sales or cash flow has decreased significantly since June



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

61% ...of the companies that will not request financing say it is because they **do not need money** now



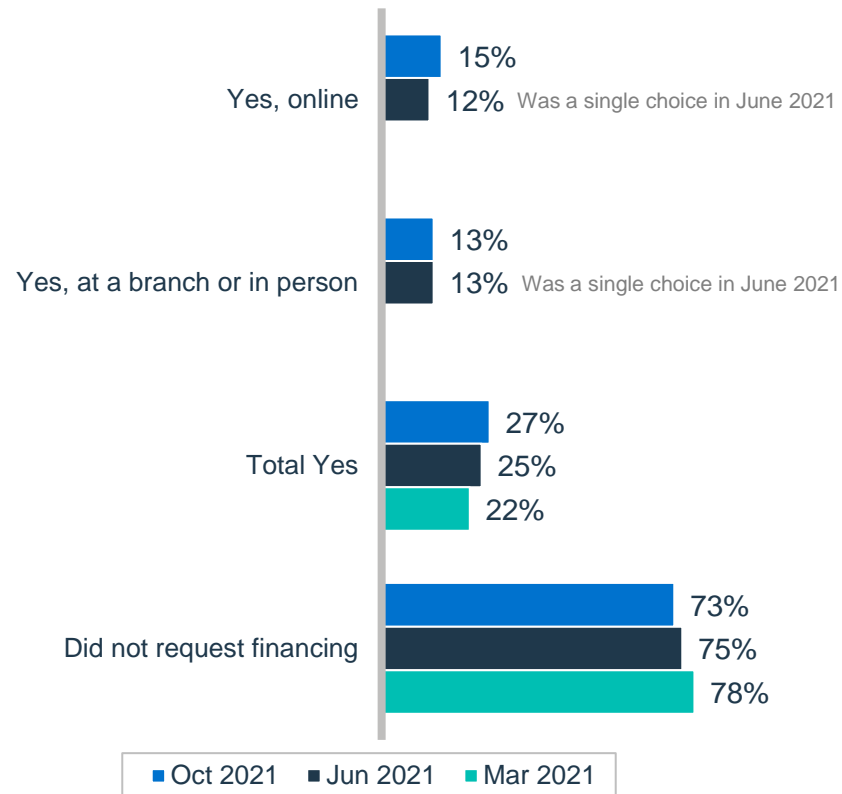
02.

Detailed results

While just over **one in four SMEs requested financing** in the last three months, we see that the proportion who applied **online outnumbers** those who did so **at a branch or in person**.



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

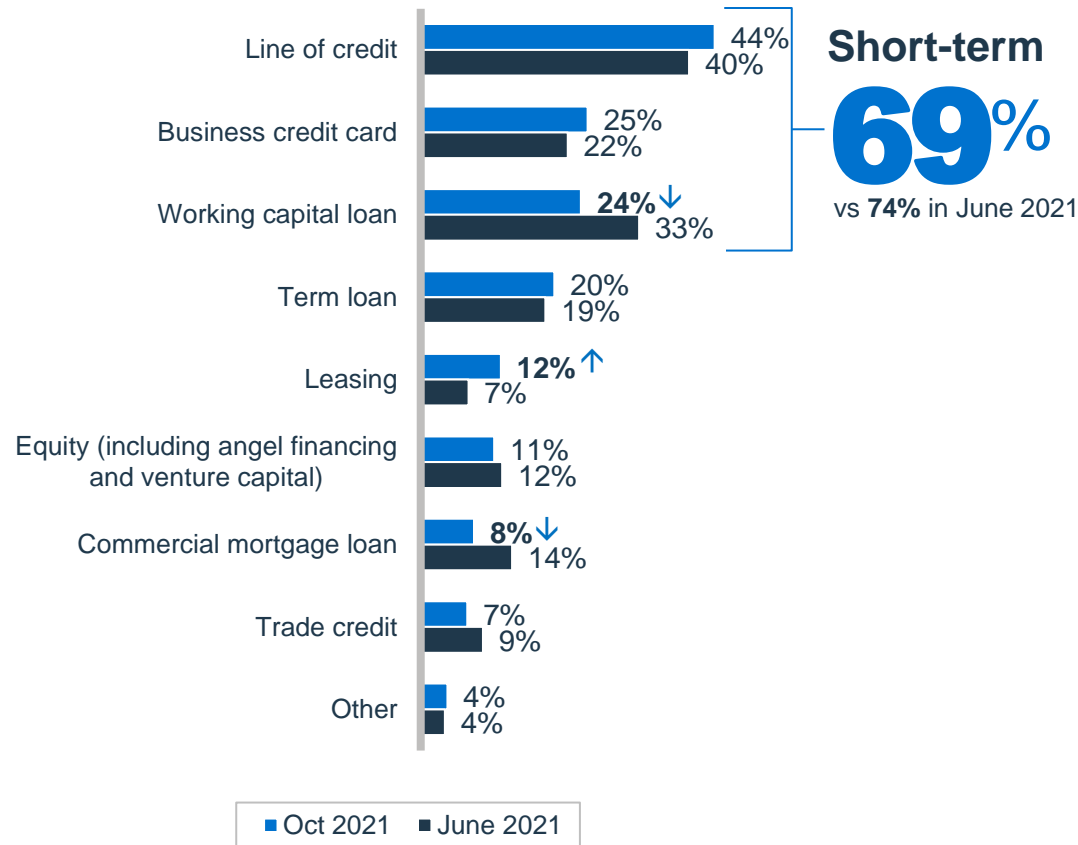


Base: All qualified respondents (n Oct wave = 959). Those who did not know were excluded from the calculation base. This question was modified in October 2021.


Short-term financing remains the most sought after. Demand for working capital and commercial mortgages have decreased significantly since June 2021.



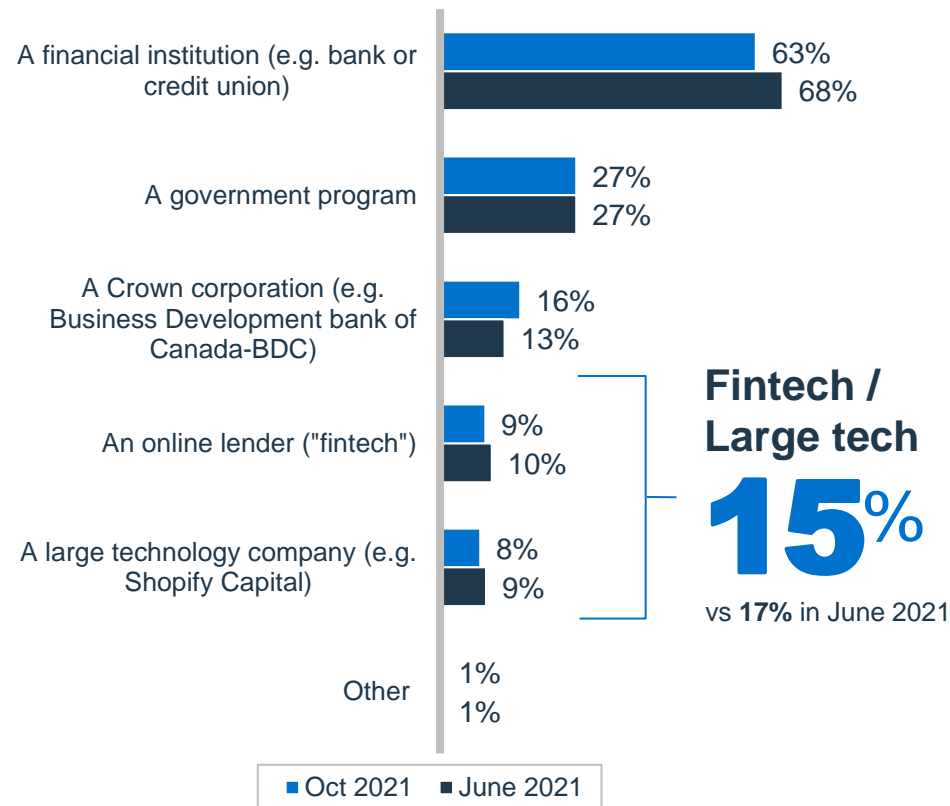
Q30a. What type of financing did you request?



Base: Respondents who requested financing (n Oct wave = 302). 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 financial institutions continue to be the main purveyor of financing. Usage of **online lenders** and **large tech companies** has remained relatively stable since the last wave. 

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

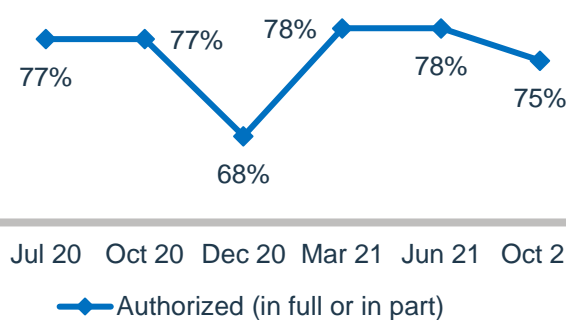
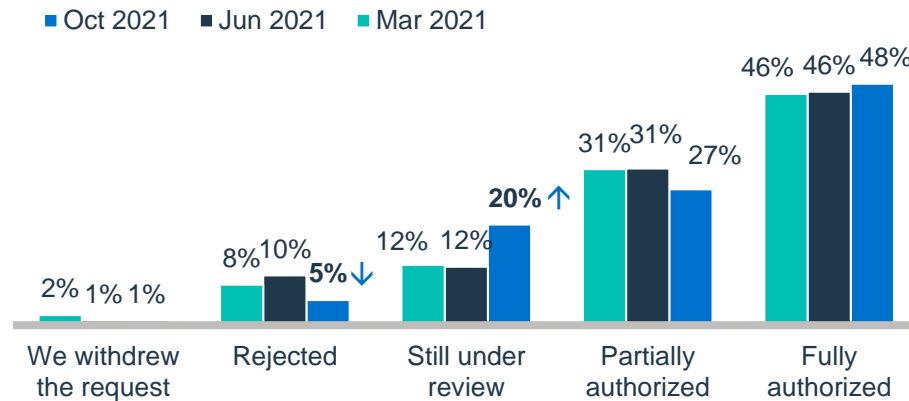


Base: Respondents who requested financing (n Oct wave = 298). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. This question was asked for the first time in June 2021.

Although **approval rates have dipped slightly**, the % of SMEs who were **rejected has decreased significantly** since the last wave. A statistically higher proportion of requests were still under review.



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



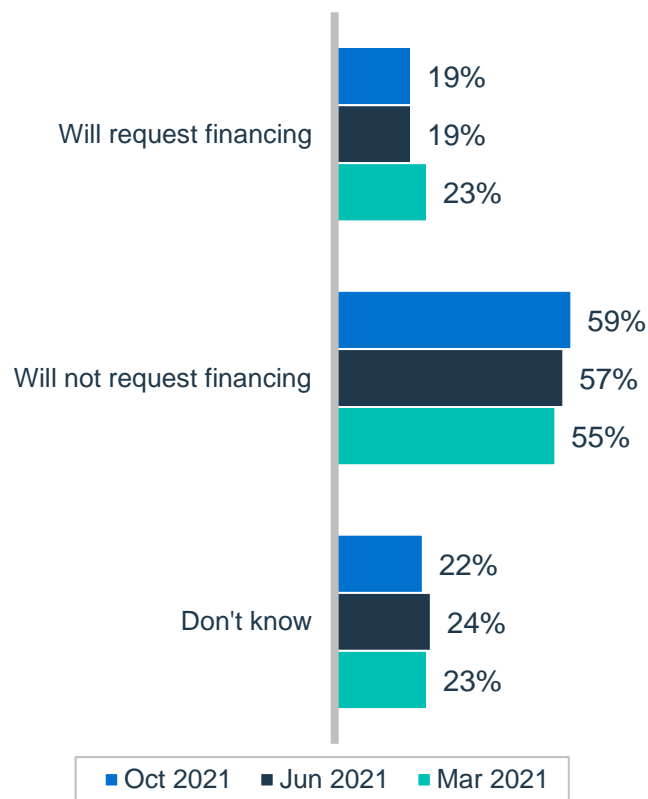
Approval rate:
75%

Base: Respondents who requested financing (n Oct wave = 300). Those who did not know were excluded from the calculation base. Arrows indicate statistically significant differences between October 2021 and June 2021.

For the second wave in a row, just under **one in five SMEs plan to request financing** in the next 12 months.



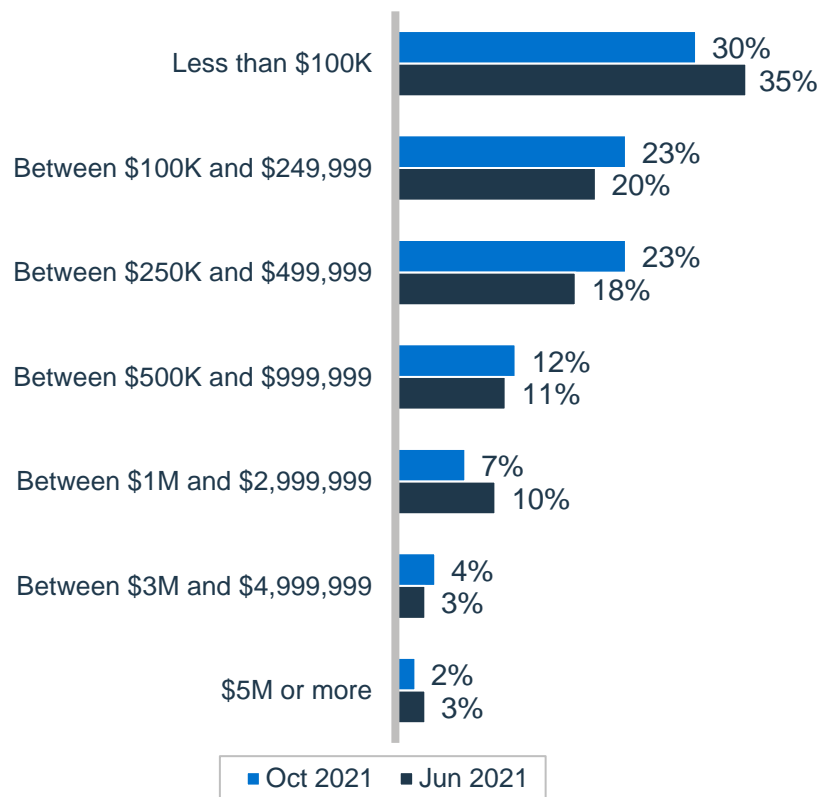
Q32. Over the **next 12 months**, is your company planning to **request financing**?



Not surprisingly, the **larger** the company and the **more revenue** it generates, the **greater the amount of financing** it seeks.



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

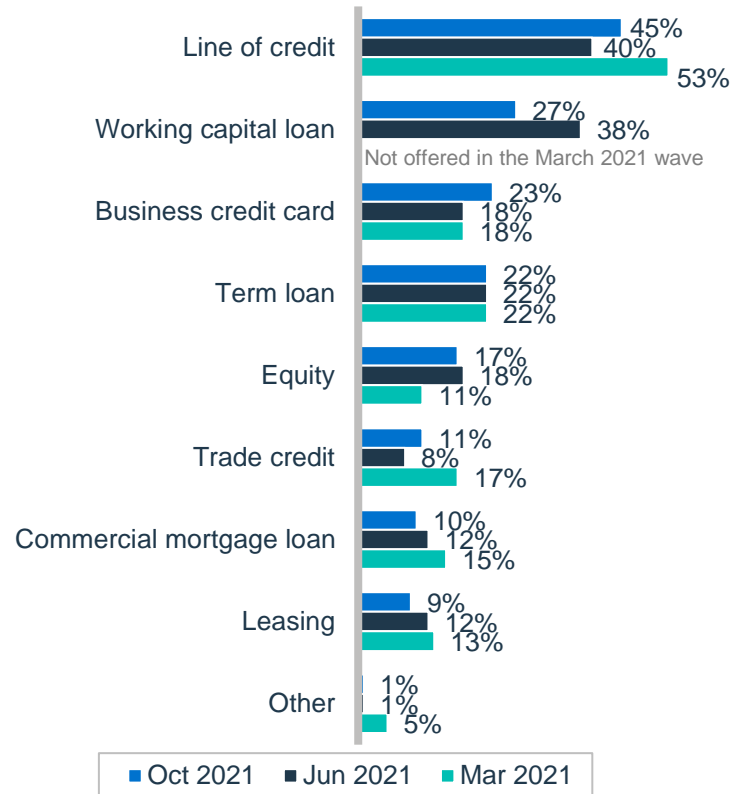


Base: Respondents who will request financing (n Oct wave = 217).
This question was modified in June 2021 to provide intervals.

Demand for the different types of financing solutions have remained relatively similar with **lines of credit, working capital, and business credit cards** topping the list.



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

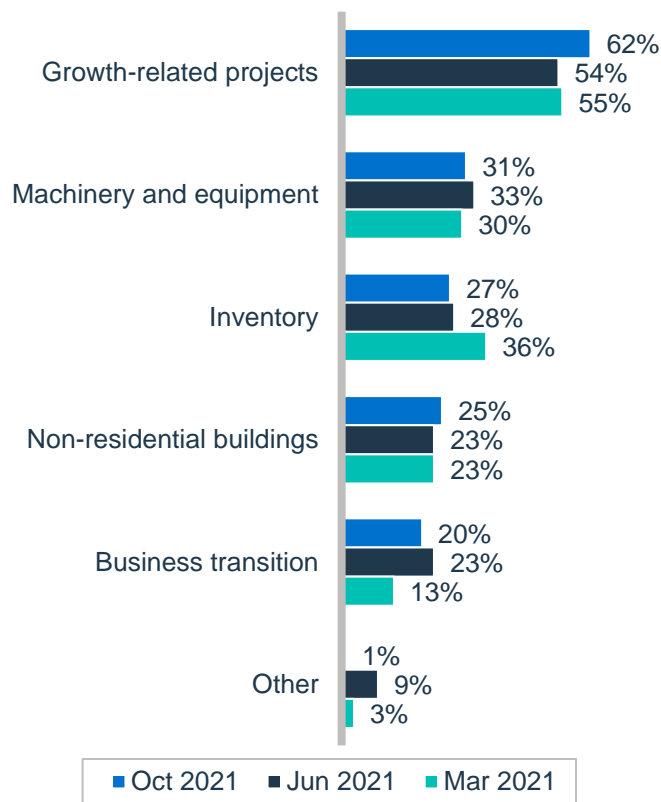


Base: Respondents who will request financing (n Oct wave = 207). Those who did not know are not presented in the graph. Working capital loan was added to the answer set for the first time in June 2021. Arrows indicate statistically significant differences between October 2021 and June 2021. Multiple mentions were allowed, therefore total exceeds 100%.

SMEs seeking \$500,000 or more need the funds primarily for **growth-related projects**. Less than one third need financing for other purposes.



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

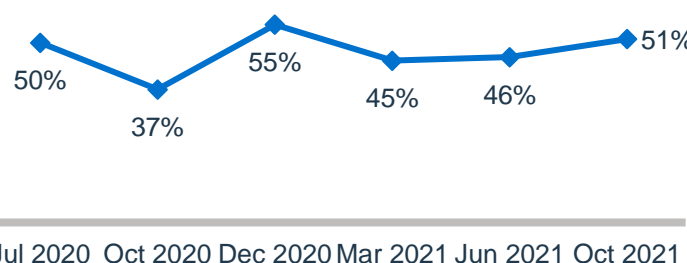
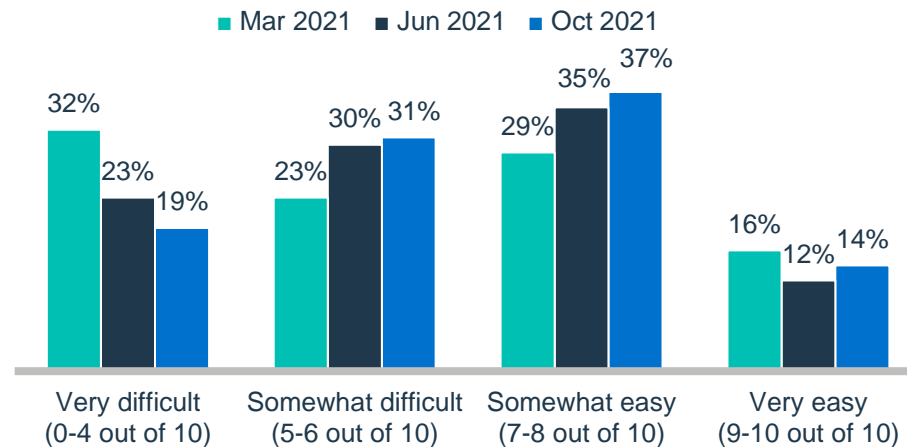


Base: Respondents who will request at least \$500K of financing in the next 12 months (n Oct wave =83). Multiple mentions were allowed, therefore total exceeds 100%. Those who did not know or preferred not to answer are not presented on this slide.

Among those planning to request financing, **half believe it will be easy**. The proportion who believe it will be “**very difficult**” is **trending downwards**.



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



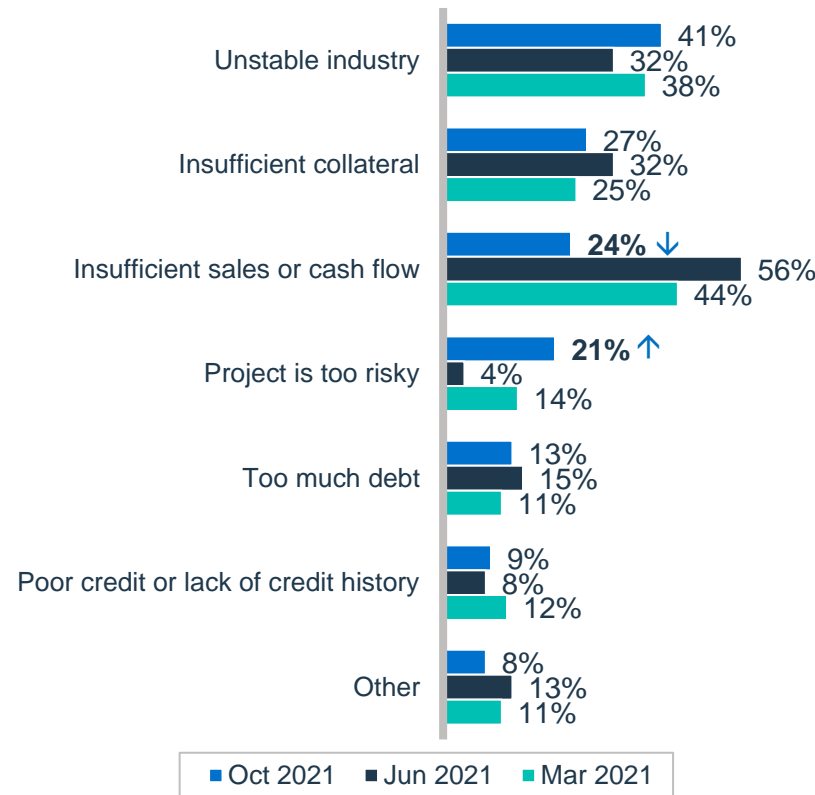
Easy to access:
51%

Base: Respondents who intend to request financing in the next 12 months (n Oct wave = 207). Those who did not know or refused to answer were removed from the calculation base. Arrows indicate statistically significant differences between October 2021 and June 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 was the main reason those seeking financing thought it would be difficult. It has decreased significantly, while **project deemed too risky** increased significantly.



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

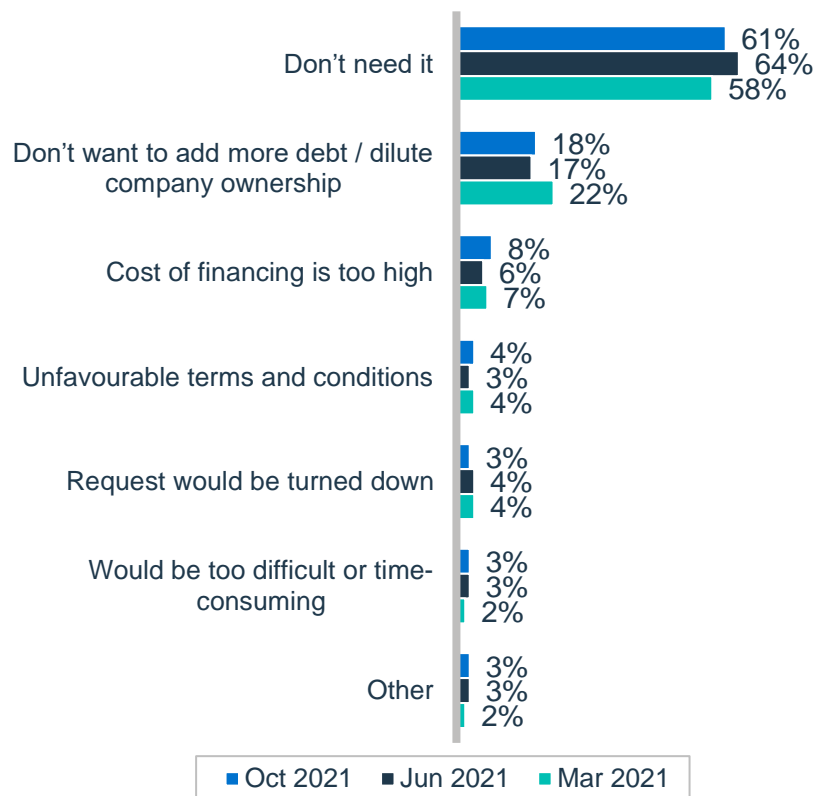


Base: Respondents who believe it will be difficult to obtain financing (n Oct wave = 42). Those who did not know were excluded from the calculation base. Arrows indicate statistically significant differences between October 2021 and June 2021. Multiple mentions were allowed, therefore total exceeds 100%. We did not list statistically significant differences between sub-groups due to the small sample size.

Reasons for not planning to request financing remain the same with **not needing it** and **not wanting to add more debt** or diluting the ownership structure as the main reasons evoked.



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



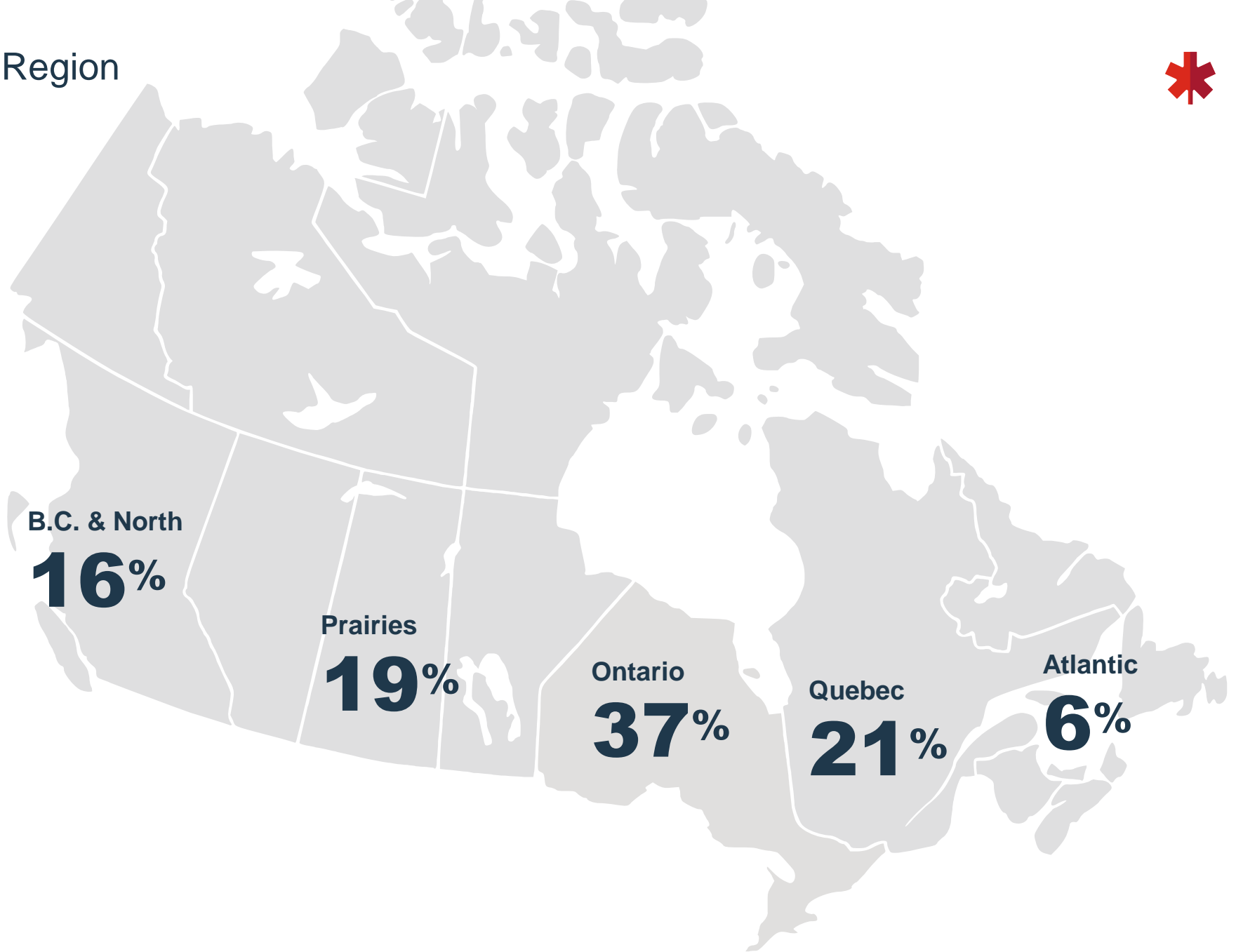
Base: Respondents who will not request financing in the next 12 months (n Oct wave = 708). Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistically significant differences between October 2021 and June 2021. Multiple mentions were allowed, therefore total exceeds 100%.



03.

Respondent profile

Region

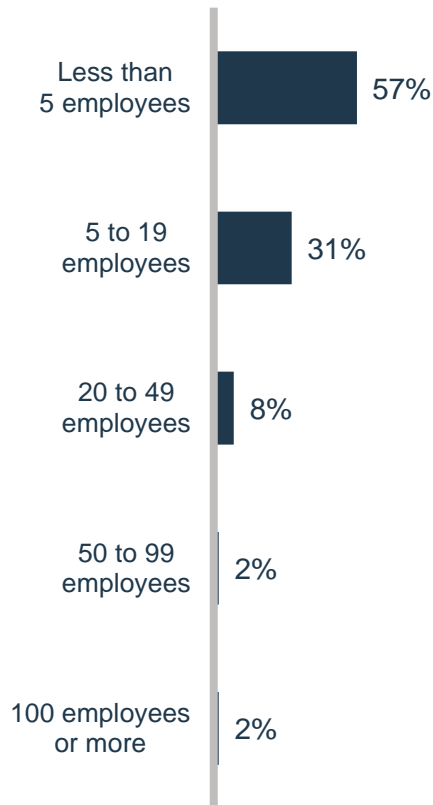


Base: All respondents (n=1,001).

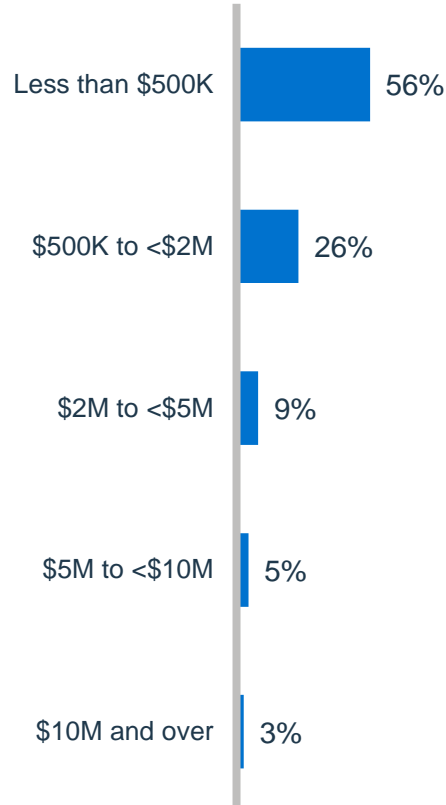
Number of employees, annual sales and BDC segment



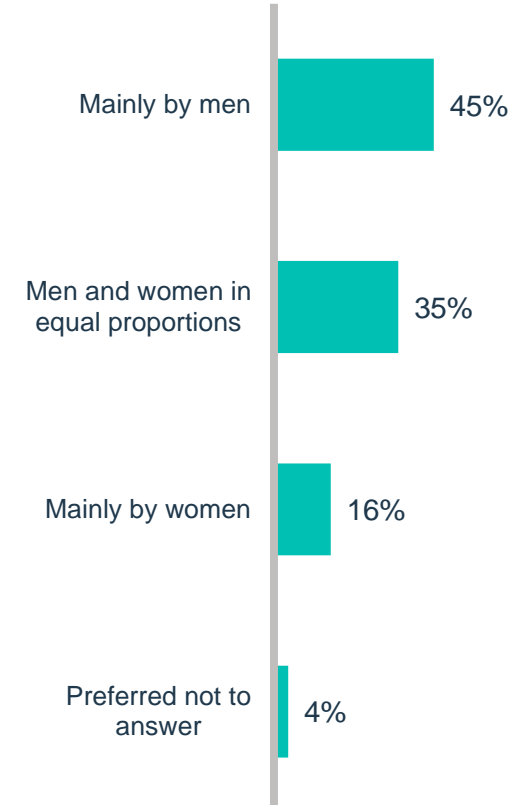
Number of employees



Annual sales



Gender ownership



Business revenue growth, bankability status and sector of activity



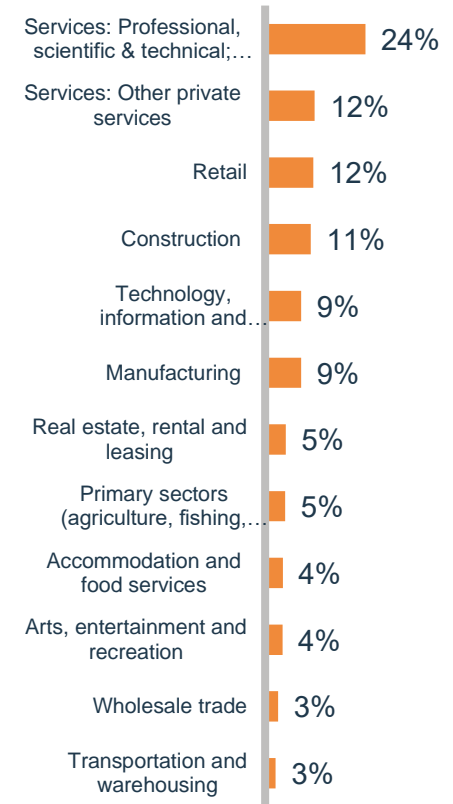
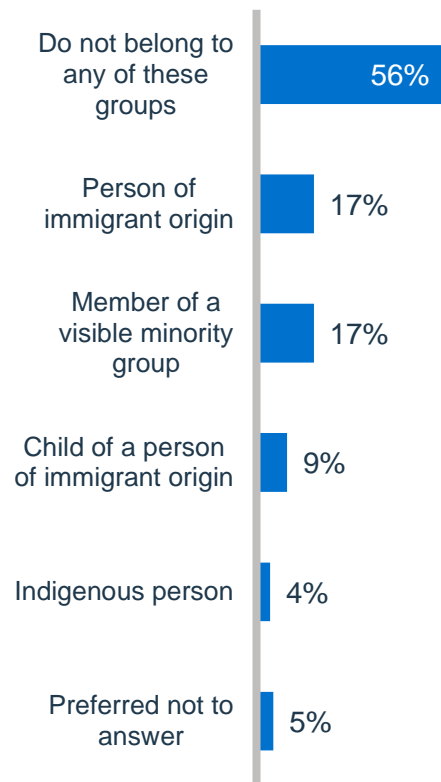
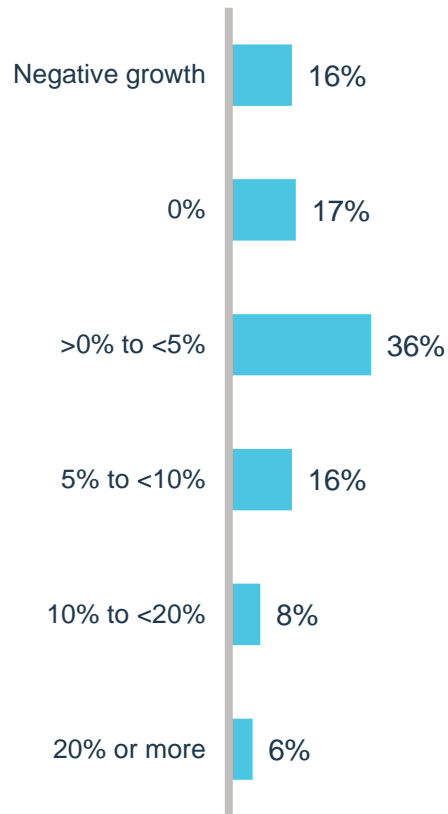
Revenue growth



Diversity groups



Sector of activity



Base: For revenue growth = Respondents for which company existed last year (n=893). For diversity groups = All respondents (n=1,001). For sectors = All respondents (n=990). 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

October 4th to October 20th, 2021.

Margin of error

For a probability sample of 1,001 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:

marketingresearch@bdc.ca