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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**: 27% (+2 pts vs. June 2021)
- **Approval loan rate, past 3 months**: 75% (-3 pts vs. June 2021)
- **Will request financing, next 12 months**: 19% (unchanged vs. June 2021)
- **Will be easy to get financing, next 12 months**: 51% (+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
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.

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?

- **Line of credit**: 44% (40% in June 2021)
- **Business credit card**: 25% (22% in June 2021)
- **Working capital loan**: 24% (33% in June 2021)
- **Term loan**: 20% (19% in June 2021)
- **Leasing**: 12% (9% in June 2021)
- **Equity (including angel financing and venture capital)**: 11% (12% in June 2021)
- **Commercial mortgage loan**: 8% (14% in June 2021)
- **Trade credit**: 7% (9% in June 2021)
- **Other**: 4% (4% in June 2021)

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?

- A financial institution (e.g. bank or credit union): 63% (Oct 2021), 68% (June 2021)
- A government program: 27% (Oct 2021), 27% (June 2021)
- A Crown corporation (e.g. Business Development Bank of Canada-BDC): 16% (Oct 2021), 13% (June 2021)
- An online lender (“fintech”): 9% (Oct 2021), 10% (June 2021)
- A large technology company (e.g. Shopify Capital): 8% (Oct 2021), 9% (June 2021)
- Other: 1% (Oct 2021), 1% (June 2021)

Fintech / Large tech: 15% vs 17% in June 2021

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?

![Chart showing financing outcomes](chart.png)

**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?

<table>
<thead>
<tr>
<th>Category</th>
<th>Oct 2021</th>
<th>Jun 2021</th>
<th>Mar 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will request financing</td>
<td>19%</td>
<td>19%</td>
<td>23%</td>
</tr>
<tr>
<td>Will not request financing</td>
<td>59%</td>
<td>57%</td>
<td>55%</td>
</tr>
<tr>
<td>Don't know</td>
<td>22%</td>
<td>24%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Base: All qualified respondents (n Oct wave =992).
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?

<table>
<thead>
<tr>
<th>Amount of Financing</th>
<th>Oct 2021</th>
<th>Jun 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $100K</td>
<td>30%</td>
<td>35%</td>
</tr>
<tr>
<td>Between $100K and $249,999</td>
<td>23%</td>
<td>20%</td>
</tr>
<tr>
<td>Between $250K and $499,999</td>
<td>23%</td>
<td>18%</td>
</tr>
<tr>
<td>Between $500K and $999,999</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>Between $1M and $2,999,999</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Between $3M and $4,999,999</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>$5M or more</td>
<td>2%</td>
<td>3%</td>
</tr>
</tbody>
</table>

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?

<table>
<thead>
<tr>
<th>Type of Financing</th>
<th>Oct 2021</th>
<th>Jun 2021</th>
<th>Mar 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line of credit</td>
<td>45%</td>
<td>40%</td>
<td>53%</td>
</tr>
<tr>
<td>Working capital loan</td>
<td>27%</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Business credit card</td>
<td>23%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>Term loan</td>
<td></td>
<td>22%</td>
<td>25%</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>Trade credit</td>
<td>11%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Commercial mortgage loan</td>
<td></td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>Leasing</td>
<td>9%</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>1%</td>
<td>5%</td>
</tr>
</tbody>
</table>

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?

- Growth-related projects: 62% (Oct 2021), 54% (Jun 2021), 55% (Mar 2021)
- Machinery and equipment: 31% (Oct 2021), 33% (Jun 2021), 30% (Mar 2021)
- Inventory: 27% (Oct 2021), 28% (Jun 2021), 36% (Mar 2021)
- Non-residential buildings: 25% (Oct 2021), 23% (Jun 2021), 23% (Mar 2021)
- Business transition: 20% (Oct 2021), 23% (Jun 2021), 13% (Mar 2021)
- Other: 1% (Oct 2021), 9% (Jun 2021), 3% (Mar 2021)

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?**

![Bar chart showing the distribution of responses across different difficulty levels from October 2021 to October 2020](chart)

- **Very difficult** (0-4 out of 10): 32% in March 2021, 23% in June 2021, 23% in October 2021.
- **Somewhat difficult** (5-6 out of 10): 30% in March 2021, 31% in June 2021, 29% in October 2021.
- **Somewhat easy** (7-8 out of 10): 35% in March 2021, 37% in June 2021, 37% in October 2021.
- **Very easy** (9-10 out of 10): 16% in March 2021, 12% in June 2021, 14% in October 2021.

**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?

- Insufficient sales or cash flow: 41% (Oct 2021), 38% (Jun 2021), 56% (Mar 2021)
- Insufficient collateral: 32% (Oct 2021), 32% (Jun 2021), 25% (Mar 2021)
- Insufficient sales or cash flow: 24% (Oct 2021), 44% (Jun 2021), 21% (Mar 2021)
- Project is too risky: 4% (Oct 2021), 14% (Jun 2021), 15% (Mar 2021)
- Too much debt: 9% (Oct 2021), 8% (Jun 2021), 12% (Mar 2021)
- Poor credit or lack of credit history: 8% (Oct 2021), 8% (Jun 2021), 13% (Mar 2021)
- Other: 13% (Oct 2021), 11% (Jun 2021), 11% (Mar 2021)

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?

Don’t need it: 61% (Oct 2021), 64% (Jun 2021), 58% (Mar 2021)

Don’t want to add more debt / dilute company ownership: 18% (Oct 2021), 17% (Jun 2021), 22% (Mar 2021)

Cost of financing is too high: 8% (Oct 2021), 6% (Jun 2021), 7% (Mar 2021)

Unfavourable terms and conditions: 4% (Oct 2021), 3% (Jun 2021), 4% (Mar 2021)

Request would be turned down: 3% (Oct 2021), 4% (Jun 2021), 4% (Mar 2021)

Would be too difficult or time-consuming: 3% (Oct 2021), 3% (Jun 2021), 2% (Mar 2021)

Other: 3% (Oct 2021), 3% (Jun 2021), 2% (Mar 2021)

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

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.C. &amp; North</td>
<td>16%</td>
</tr>
<tr>
<td>Prairies</td>
<td>19%</td>
</tr>
<tr>
<td>Ontario</td>
<td>37%</td>
</tr>
<tr>
<td>Quebec</td>
<td>21%</td>
</tr>
<tr>
<td>Atlantic</td>
<td>6%</td>
</tr>
</tbody>
</table>

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

BDC – Financing outlook, October 2021
Number of employees, annual sales and BDC segment

**Number of employees**
- Less than 5 employees: 57%
- 5 to 19 employees: 31%
- 20 to 49 employees: 8%
- 50 to 99 employees: 2%
- 100 employees or more: 2%

**Annual sales**
- Less than $500K: 56%
- $500K to <$2M: 26%
- $2M to <$5M: 9%
- $5M to <$10M: 5%
- $10M and over: 3%

**Gender ownership**
- Mainly by men: 45%
- Men and women in equal proportions: 35%
- Mainly by women: 16%
- Preferred not to answer: 4%

Base: All respondents (n=887-1,001). For the annual sales and the segments, those who didn’t know were excluded from the calculation base.
Revenue growth:
- Negative growth: 16%
- 0%: 17%
- >0% to <5%: 36%
- 5% to <10%: 16%
- 10% to <20%: 8%
- 20% or more: 6%

Diversity groups:
- Do not belong to any of these groups: 56%
- Person of immigrant origin: 17%
- Member of a visible minority group: 17%
- Child of a person of immigrant origin: 9%
- Indigenous person: 4%
- Preferred not to answer: 5%

Sector of activity:
- Services: Professional, scientific & technical;...: 24%
- Services: Other private services: 12%
- Retail: 12%
- Construction: 11%
- Technology, information and...: 9%
- Manufacturing: 9%
- Real estate, rental and leasing: 5%
- Primary sectors (agriculture, fishing,...): 5%
- Accommodation and food services: 4%
- Arts, entertainment and recreation: 4%
- Wholesale trade: 3%
- Transportation and warehousing: 3%

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