

SUMMARY OF THE SURVEY ON FINANCING AND GROWTH
OF SMALL AND MEDIUM ENTERPRISES, 2014

November 2015

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The 2014 Survey on Financing and Growth of Small and Medium Enterprises (SFGSME) was designed to determine the types of financing used by small and medium-sized enterprises (SMEs), and to collect information on recent attempts by SMEs to obtain new financing. In addition, the survey gathers data on firm growth, government contracting, exporting, innovation and intellectual property as they relate to SMEs, as well as business owner characteristics. This latest questionnaire was adapted from the 2011 Survey on Financing and Growth of Small and Medium Enterprises, as well as from past questionnaires for the Survey on Financing of Small and Medium Enterprises and the Credit Conditions Survey.

SUMMARY OF RESULTS

The key results from the 2014 Survey on Financing and Growth of Small and Medium Enterprises are described below. More detailed descriptive statistics by business size, region, census metropolitan area, industry, export status, age of business, innovation activity, as well as owner age, education, and gender are provided in the data tables.

Introduced in the 2014 tables are statistics by growth characteristics, intellectual property holdings, government procurement activity, co-operative status and business owner place of birth. The 2014 questionnaire also provides new insight into obstacles faced by exporting SMEs, allowing for a deeper understanding of the challenges faced by firms selling abroad.

Similar statistics from previous surveys are available for the years 2000, 2001, 2004, 2007, 2009, 2010, 2011, 2012, and 2013.¹

FINANCING CHARACTERISTICS

In 2014, 51 percent of SMEs requested external financing. Twenty nine percent of all SMEs requested trade credit, 28 percent requested debt, 8 percent requested lease financing, 4 percent requested government financing and 1 percent requested equity financing.²

Eighty-eight percent of SMEs that did not request financing did not require financing. Three percent of SMEs not requesting financing were unaware of available sources of financing, 2 percent considered applying to be too difficult, 2 percent believed their request would be turned down and 1 percent thought financing would be too costly.³

Seventy-two percent of SMEs that received debt financing obtained it from chartered banks, the main suppliers of financing to SMEs in 2014. Twenty-five percent and 6 percent of SMEs received debt financing from credit unions and government, respectively.⁴ Smaller businesses were more likely than larger businesses to obtain debt financing from credit unions (see Table 1).

Table 1: Suppliers of Debt Financing by Size of Business, 2014*

		Domestic Chartered Bank	Credit Unions	Government Institution
		%		
All SMEs		71.6	24.7	6.2
Size of Business (number of employees)	1-4	69.0	27.6	5.8
	5-19	70.1	24.7	7.2
	20-99	78.3	20.1	5.2
	100-499	89.5	10.7	4.1

* Percentages are of SMEs that received debt financing.

In 2014, 86 percent of the amount of debt financing requested by SMEs was authorized. Both request and approval rates for debt financing increase with business size, suggesting that the larger the business, the more likely it is to request and to obtain debt financing (see Table 2).

On average, SMEs paid an interest rate of 5 percent for non-residential mortgages, lines of credit and term loans, and 17 percent for credit card financing. Two-thirds of SME debt financing was secured by collateral, with business assets and personal assets being provided as collateral by 51 percent and 27 percent of SMEs respectively.⁵

¹ Note that differences in surveys may limit comparability over time.

² SMEs may have requested more than one type of external financing.

³ The remaining SMEs that did not request financing did not specify a reason.

⁴ SMEs may have received external financing from more than one supplier.

⁵ SMEs may have provided as collateral both business and personal assets.

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Table 2: Debt Request and Approval Rate by Size of Business, 2014*

		Request Rate	Approval Rate	Amount Authorized/ Requested
		%		
All SMEs		28.1	82.1	86.1
Size of Business (number of employees)	1-4	22.6	80.5	82.8
	5-19	31.8	81.4	81.2
	20-99	41.0	86.1	87.8
	100-499	44.9	96.1	98.2

* A request that was fully or partially approved was considered "approved".

OWNER CHARACTERISTICS⁶

In 2014, 59 percent of SME owners were 50 years of age or older, 26 percent were between 40 and 49 and 15 percent were younger than 40.

Seventy-five percent of SME owners had over 10 years of management or ownership experience.

Most SME owners were male: 65 percent of SMEs were majority male-owned, 16 percent were majority female-owned and 20 percent were owned equally by men and women.⁷

Seventy-six percent of SME owners were born in Canada. Owners born outside Canada had resided in Canada, on average, for 29 years.

The majority of SME owners had received post-secondary education. Thirty-one percent had completed a college, CEGEP or trade school education, 24 percent a bachelor's degree and 14 percent a master's degree or above. For 23 percent of owners, high school was the highest level of education obtained, while 8 percent of owners had not completed high school.

SALES DESTINATIONS

In 2014, 12 percent of SMEs exported to other countries. Eighty-nine percent of exporters sold to the United States, 31 percent to Europe, 17 percent to Latin America, 13 percent to China and 16 percent to Asian countries other than China. Ninety-three percent of non-exporting SMEs reported that they did not sell abroad because of the domestic nature of their businesses.

Most exporters did not face major obstacles to exporting. No more than 7 percent of exporting SMEs considered any single issue, including those related to administration, border, logistics, market knowledge and intellectual property, to be a major obstacle to selling abroad.

Many SMEs sold beyond their local markets, with 50 percent selling outside of their municipality/region and 21 percent selling to other provinces or territories.

Larger SMEs were more likely to sell beyond their local markets and export, while businesses with fewer than 100 employees were more likely to sell in their local markets (see Table 3).

Table 3: Sales Destinations by Size of Business, 2014

		Within local municipality or region	Outside of local municipality or region but within province/territory	Rest of Canada	Outside Canada (export sales)
		Propensity (Percentage of Businesses)			
All SMEs		94.2	50.2	21.0	11.8
Size of Business (number of employees)	1-4	93.6	46.4	16.7	9.1
	5-19	96.1	52.8	23.0	12.4
	20-99	92.9	58.9	33.0	20.7
	100-499	86.6	62.9	43.1	28.0

* 'Owner' refers to an SME's primary decision maker.

⁷ Percentages total more than 100% due to rounding.

GROWTH CHARACTERISTICS

Seventy percent of SMEs reported increased average yearly growth in sales over the 2012-2014 period. During that period, fifty percent experienced average sales growth of between¹ and 10 percent per year. Sales of 11 percent of SMEs grew, on average, between 11 and 20 percent. Nine percent of SMEs were considered high-growth firms, with average annual sales growth of more than 20 percent. The sales of 19 percent of SMEs did not grow, while sales declined for 12 percent of firms.

The most common major obstacles to growth in 2014 were increasing competition and fluctuations in consumer demand (each cited by 19 percent of SMEs), recruiting and retaining skilled employees and rising costs of inputs (each cited by 17 percent of SMEs), and government regulations (15 percent). Only 9 percent of SMEs found obtaining financing to be a major obstacle.

INNOVATION ACTIVITY AND INTELLECTUAL PROPERTY

Forty-two percent of SMEs introduced at least one type of innovation over the 2012-2014 period. Twenty-six percent introduced a product innovation, 20 percent a marketing innovation, 19 percent an organizational innovation and 18 percent a process innovation.

Twenty-one percent of SMEs held intellectual property. Twelve percent were party to non-disclosure agreements,⁸ the most commonly held intellectual property. Ten percent of SMEs held trademarks, five percent trade secrets, 2 percent patents and 1 percent industrial designs.

Larger SMEs were more likely than smaller SMEs to innovate and to hold intellectual property (see Table 4).

Table 4: Innovation and Intellectual Property Holdings by Size of Business, 2014

		Introduced at least one type of innovation	Held at least one type of intellectual property
		%	
All SMEs		41.6	21.4
Size of Business (number of employees)	1-4	34.4	16.6
	5-19	49.6	23.8
	20-99	52.8	35.4
	100-499	58.3	51.1

METHODOLOGY

The target population for the survey was private sector, for-profit, SMEs employing between 1 and 499 people and generating over \$30,000 in annual revenues in 2014. The target population was stratified by geography, employment and industry, with random samples selected from these strata. The survey was conducted by Statistics Canada from February to May 2015. The sample size was 19,998 businesses with a response rate of 61%.

NOTES

For more information, or to enquire about the concepts, methods or data quality of the survey results, contact Statistics Canada (toll-free 1-800-263-1136; STATCAN.infostats-infostats.STATCAN@canada.ca).

For additional information on related research topics and data sets, consult the SME Research and Statistics website (www.ic.gc.ca/SMEresearch) or contact Richard Archambault (343-291-1798) or Lyming Huang (343-291-1792) at the Small Business Branch.

⁸ In the SFGSME, a non-disclosure agreement refers to 'a legal contract between at least two parties that outlines confidential material, knowledge, or information that the parties wish to share with one another for certain purposes, but wish to restrict access to by third parties'.

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