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# SME FINANCING STATISTICS — 2004



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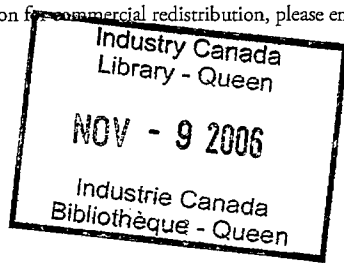
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## **SME Financing Data Initiative**

In 1996, the federal government commissioned the Task Force on the Future of the Canadian Financial Services Sector to examine public policies affecting this sector. With regard to small and medium-sized enterprise (SME) financing, the Task Force concluded there was insufficient data available and recommended a concerted effort to improve the quality and quantity of information on SME financing.

The government's response in 1999 mandated Industry Canada, Statistics Canada and Finance Canada to work together in an ongoing effort to gather data on SME financing. To this end, the government departments have established the SME Financing Data Initiative, the most current and comprehensive data collection regime on SME financing in Canada.

For further information on the SME Financing Data Initiative and access to statistical findings and reports, visit [www.sme-fdi.gc.ca](http://www.sme-fdi.gc.ca).



## Note to Reader on Data Sources

As part of the SME Financing Data Initiative, Statistics Canada administers a series of national surveys on small and medium-sized enterprises (*Survey on Financing of Small and Medium Enterprises*) and financial providers (*Survey of Suppliers of Business Financing*). Industry Canada supplements these surveys with additional research into niche areas of SME financing. The purpose of this document is to present key facts drawn from these surveys and additional research on the total value of new and outstanding financing by supplier, instrument, region, industry and size of SME, as well as to shed light on financing practices and patterns of SMEs across Canada.

In 2004, the *Survey on Financing of Small and Medium Enterprises* surveyed 34 509 enterprises between September 2004 and March 2005. The estimates were generated from the responses obtained from 13 042 SMEs (enterprises that had a gross revenue of less than \$50 million, had less than 500 full-time-equivalent employees and were operational even for a very short time during the reference

year). The response rate (percentage of in-scope businesses) of the survey was 45 percent. The estimates are representative of the 1 357 348 Canadian commercial SMEs operating in 2004 at the 95 percent confidence interval.

The *Survey of Suppliers of Business Financing* is based on a census of enterprises in selected finance and leasing industries, including government business enterprises, with assets of \$5 million or more. Excluded from the survey are government programs, private not-for-profit organizations, informal suppliers and foreign suppliers. Since most suppliers of financing do not track the employment size of their business clients, this survey uses authorization size categories (maximum borrowing capacity) as a proxy for employment size. Authorizations under \$1 million are the proxy used to define SMEs.

Most of the data provided in this reference guide has been extracted from these two Statistics Canada surveys.



## Definitions

**Business Bankruptcy:** Bankruptcy happens when a debtor has made an assignment to his or her creditors or has been put into official receivership by its creditors. Business bankruptcy is a bankruptcy filed by a corporation or individual whose commercial debts account for more than 50 percent of the value of total debt.

**Business Expenditure on Research and Development (BERD):** Research and development expenditures made by the business enterprise sector, which comprises all firms, organizations and institutions whose primary activity is the production of goods or services for sale to the general public. (Also see GERD.)

**Debt Financing:** The borrowing of money by a business for the purpose of obtaining working capital or other funds necessary for operational needs or the purpose of retiring current or other indebtedness. The business must repay the borrowed money in full, usually in instalments, with interest.

**Equity Financing:** Includes any financing where investors receive shares of the business ownership or any non-repayable contribution such as grants or subventions received.

**Exporting SMEs:** Refers to those SMEs reporting sales of goods or services outside of Canada in 2004.

**Final Domestic Demand:** The sum of personal expenditures on consumer goods and services, net government current expenditure on goods or services, and government and business gross capital formation.

**Gross Domestic Product (GDP):** The total unduplicated value of the goods and services produced in the economic territory of a country or region during a given period.

**Gross Expenditure on Research and Development (GERD):** Refers to all monies expended for research and development performed within a country in a given year, including funding from government, businesses, non-profit organizations, higher education or foreign sources.

**Knowledge-Based Industry (KBI):** Industry Canada categorization of industries in the science and technology field and those considered “high knowledge,” based on measures of research and development activity.

**Lease Financing:** Capital lease used to finance equipment for the major part of its useful life and includes the reasonable assurance that the lessee will obtain ownership of the equipment by the end of the lease term.

**Loss Rate:** Financial losses incurred by credit suppliers divided by the total amount of commercial debt outstanding.

**Small and Medium-Sized Enterprises (SMEs):** Refers to commercial (for-profit) businesses with fewer than 500 employees and less than \$50 million in annual revenues. Excluded are non-profit organizations, government, co-operatives, and finance and leasing institutions. Authorizations less than \$1 million are the proxy used by the Canadian Bankers Association to identify lending to SMEs from financial institutions.

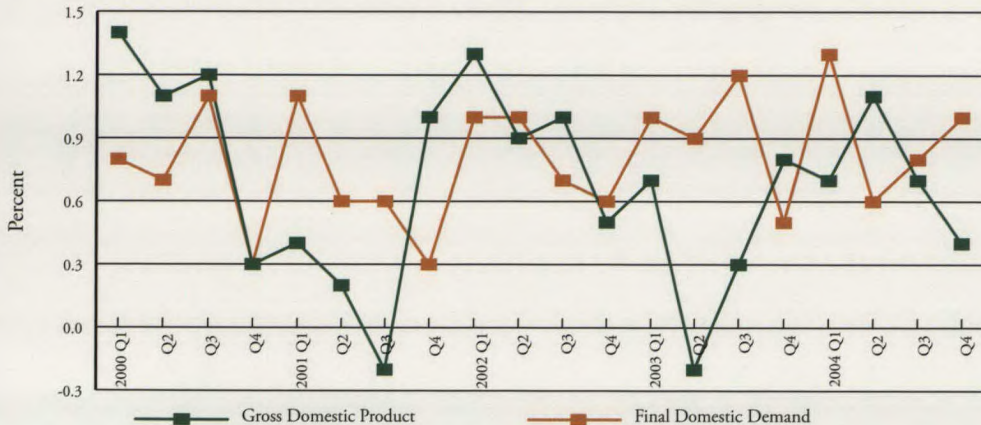
**Tourism Industry:** Refers to an industry that provides tourism commodities to visitors. It includes a grouping of North American Industry Classification codes in the Statistics Canada Provincial and Territorial Tourism Satellite Account, such as transportation, food and accommodation, recreation and travel service industries.

**ECONOMIC CONDITIONS**





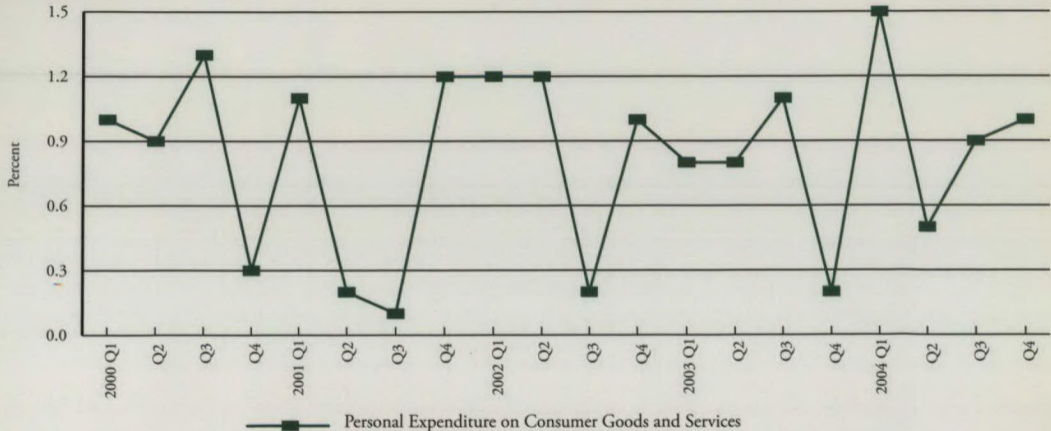
## Quarterly Percentage Change in Real Gross Domestic Product, 2000–2004\*



\* Expenditure-based (chained 1997 dollars) and seasonally adjusted at annual rates.

Source: Statistics Canada, Income and Expenditure Accounts.

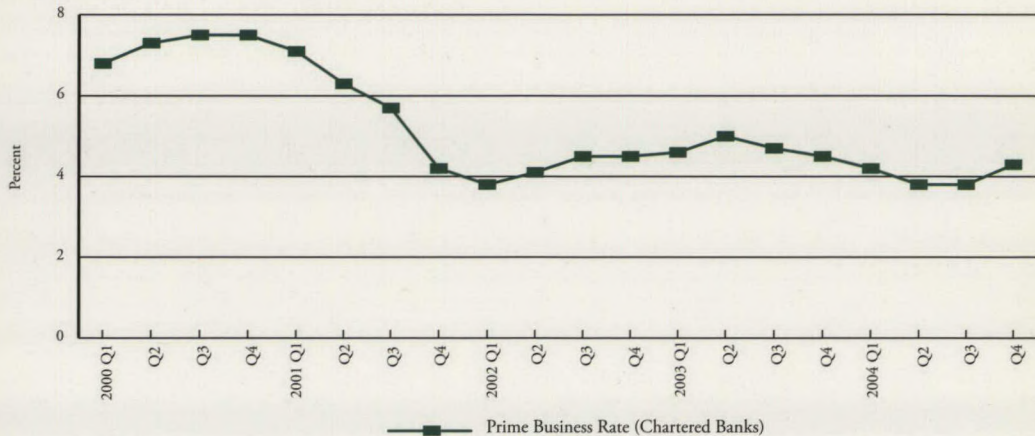
## Quarterly Percentage Change in Canada's Consumer Spending, 2000–2004\*



\* Chained 1997 dollars.

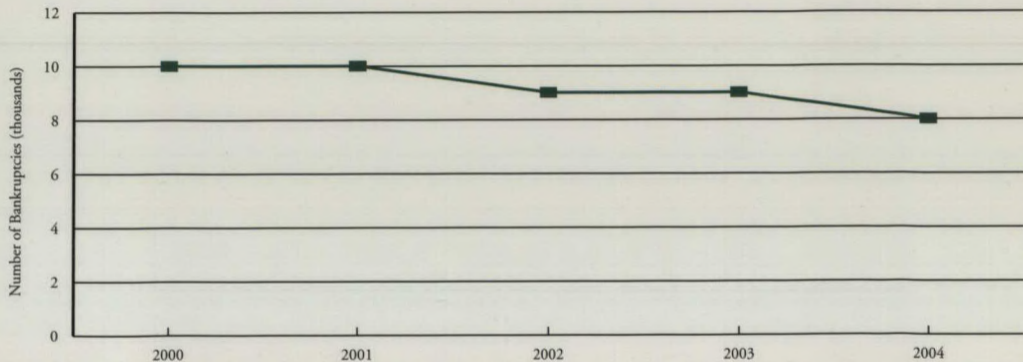
Source: Statistics Canada, Income and Expenditure Accounts.

## Interest Rate Variations, 2000–2004



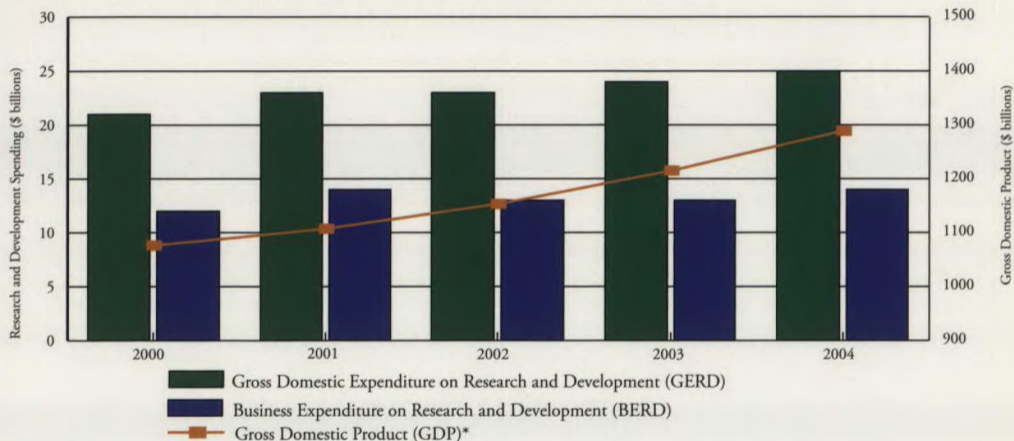
Source: Bank of Canada.

## Business Bankruptcies in Canada, 2000–2004



Source: Office of the Superintendent of Bankruptcy Canada.


## Expenditures on Research and Development, 2000–2004




\* Expenditure-based (chained 1997 dollars).

Source: Statistics Canada, CANSIM, tables 358-0001 and 380-0017 and Catalogue Nos. 88-001-XIE and 88F0006XIE.





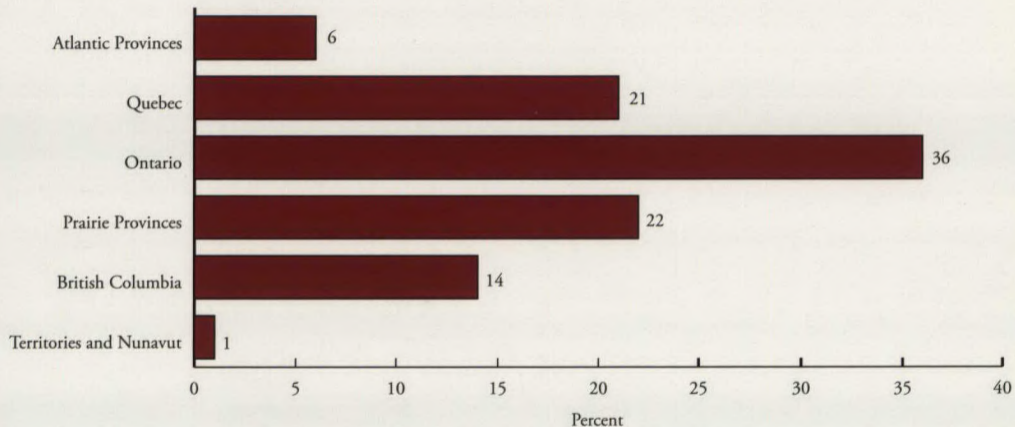
**SMEs IN CANADA**





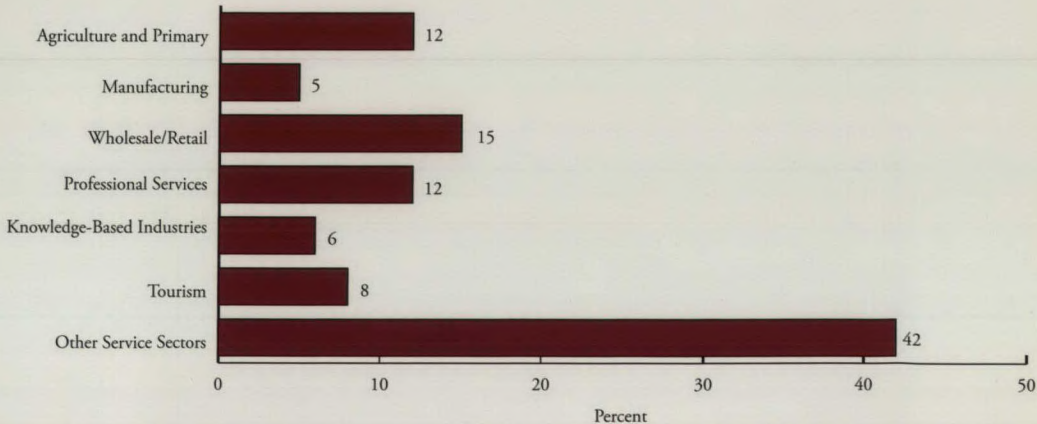


## Regional Distribution of SMEs across Canada, 2004



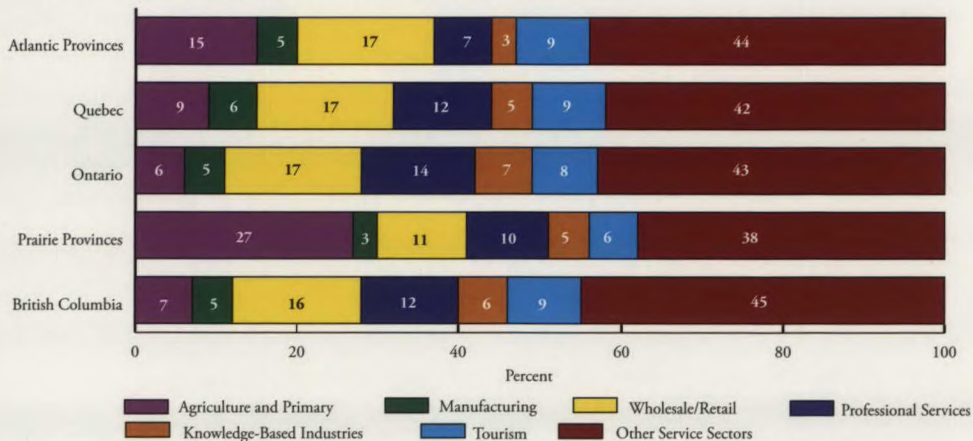
Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

## Industry Sector Distribution of SMEs in Canada, 2004



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

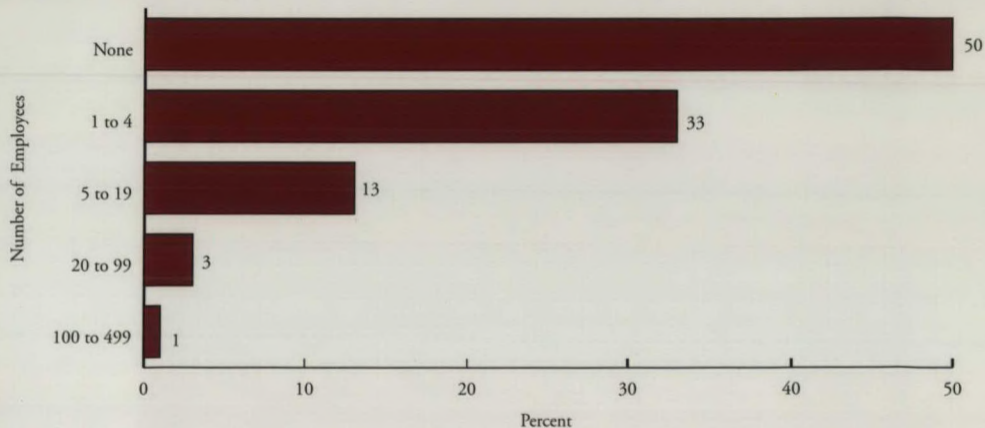
## Industry Sector Distribution of SMEs within Regions, 2004\*



\* Distributions for the Territories and Nunavut are not available due to low frequency of response.

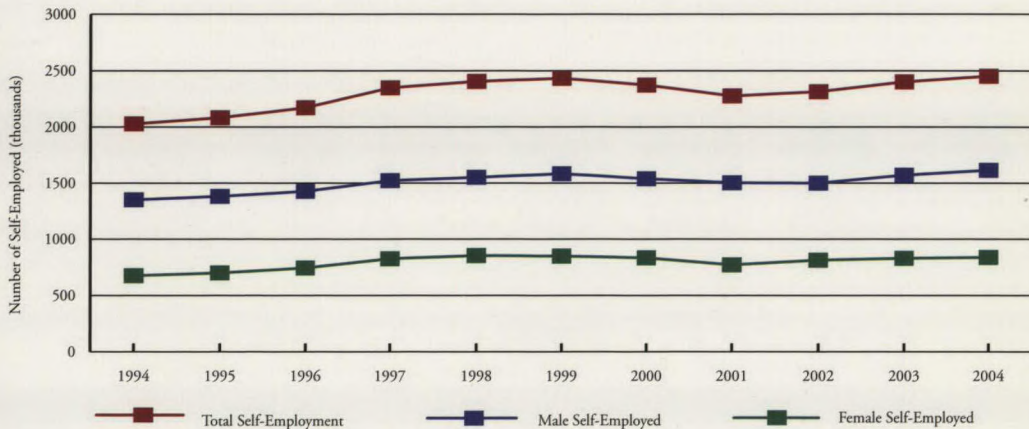
Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises, 2004*.

## Distribution of Businesses by Number of Employees, 2004



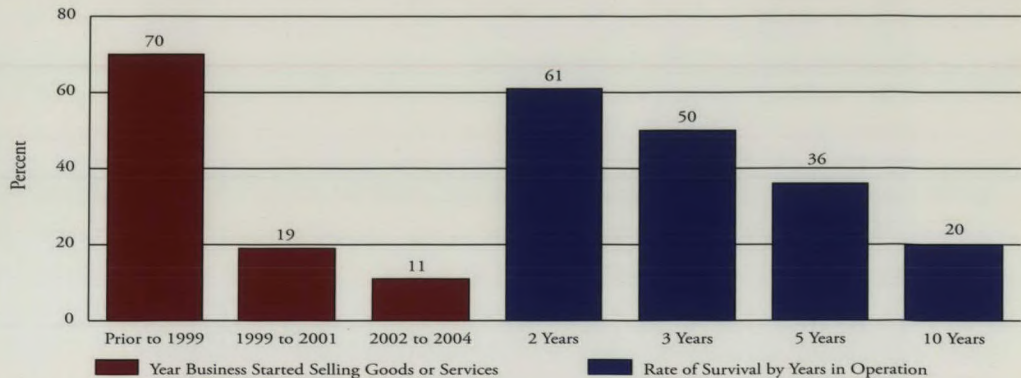
Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

## Self-Employment Trends in Canada by Gender, 1994–2004



Source: Statistics Canada, CANSIM, table 282-0012 and Catalogue No. 89F0133XIE.

## New Firm Entries and Survival Rates\* in Canada

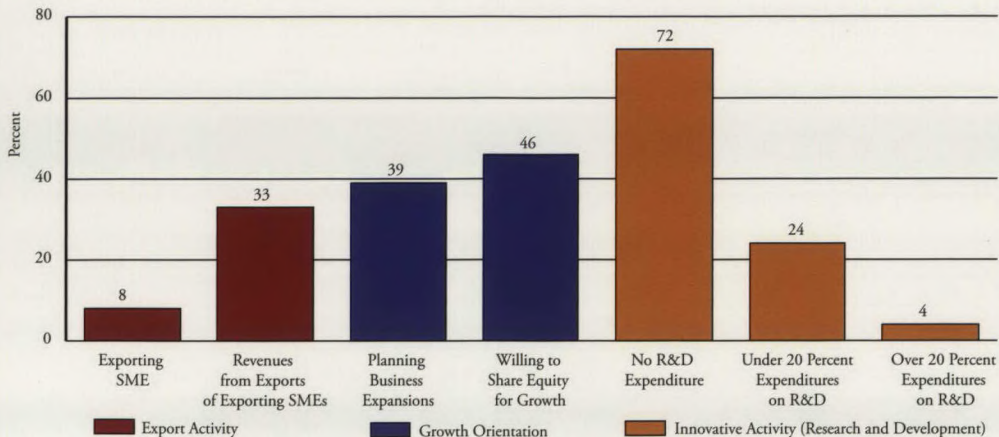


\* Measuring the probability that a business will continue operations after a certain number of years.

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004; Baldwin, J., L. Bian, R. Dupuy and G. Gellatly, 2000. *Failure Rates for New Canadian Firms: New Perspectives on Entry and Exit*. Statistics Canada, Catalogue No. 61-526-XIE.

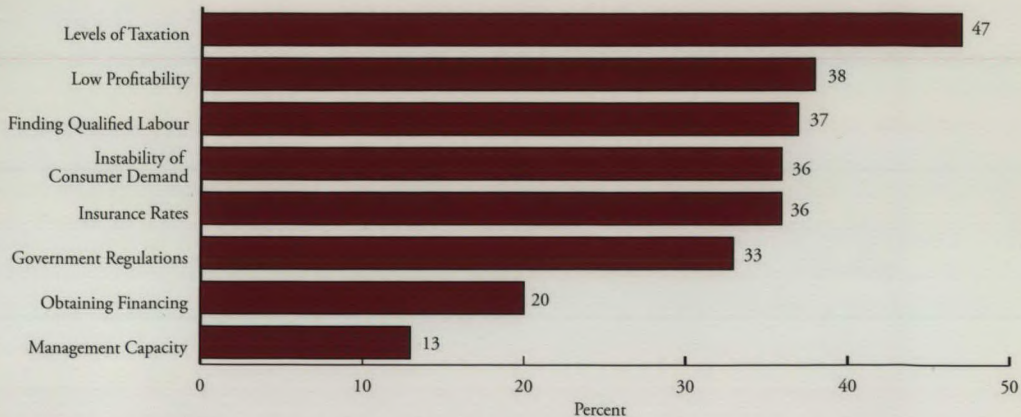


## Growth Factors of Canadian SMEs, 2004



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

## Perceived Obstacles to Business Growth and Development, 2004\*

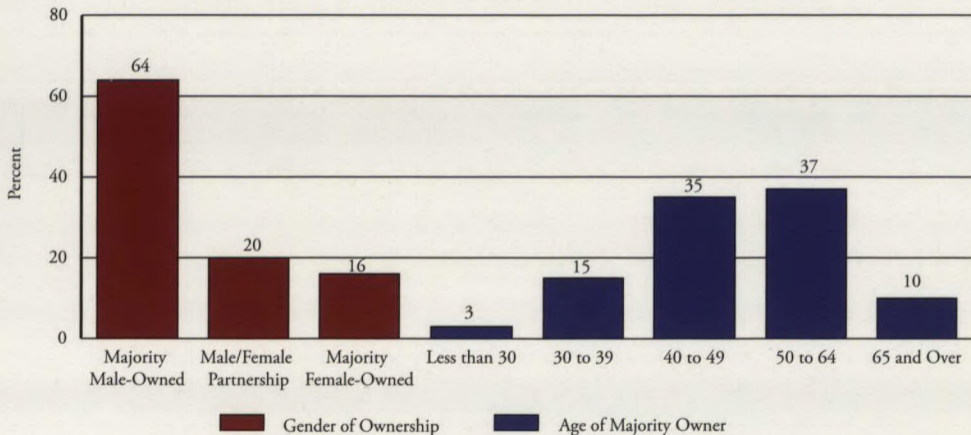


\* Multiple responses were possible.

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

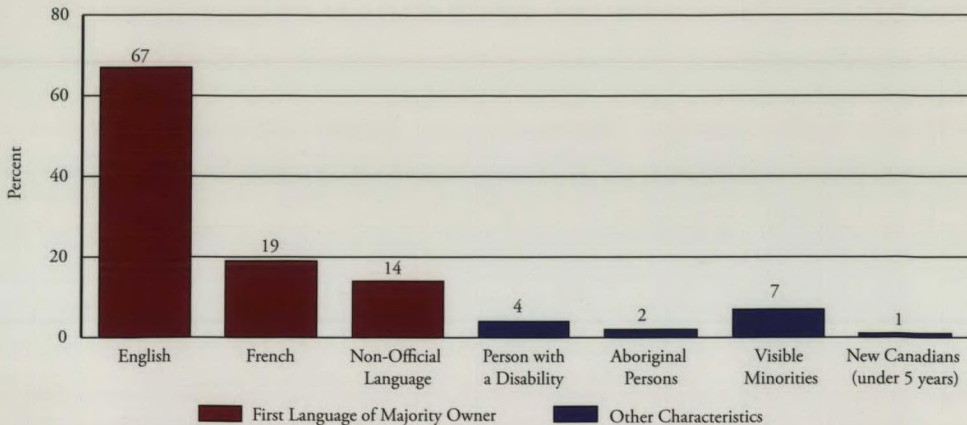


## Distribution of SME Owners by Gender and Age, 2004



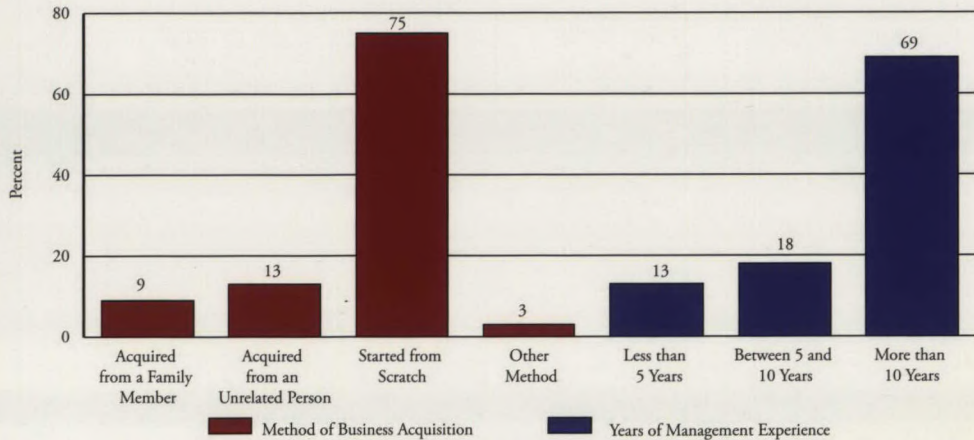
Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises, 2004*.

## Distribution of SME Owners by Language and Other Characteristics, 2004



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

## Method of Business Acquisition and Managerial Experience of SME Owners, 2004



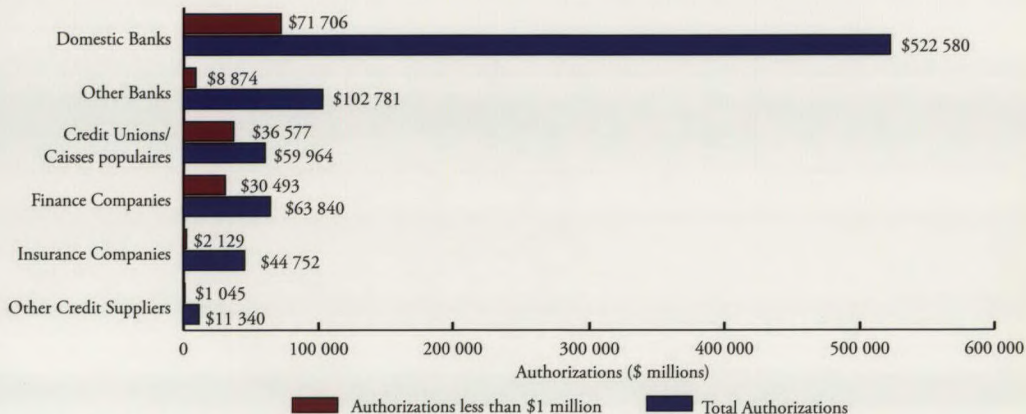
Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises, 2004*.



**FINANCING ACTIVITY**



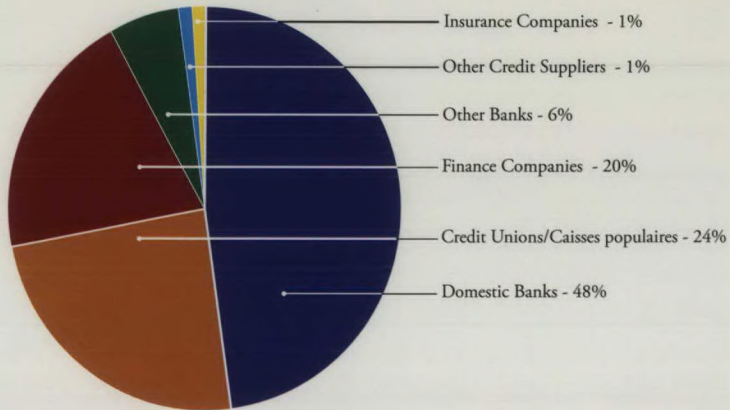
## Amount of Commercial Debt Authorized by Credit Suppliers, 2004\*



\* As of December 31, 2004.

Source: SME Financing Data Initiative, Statistics Canada, *Survey of Suppliers of Business Financing*, 2004.

## Commercial Debt Authorized (under \$1 million) by Credit Supplier, 2004\*

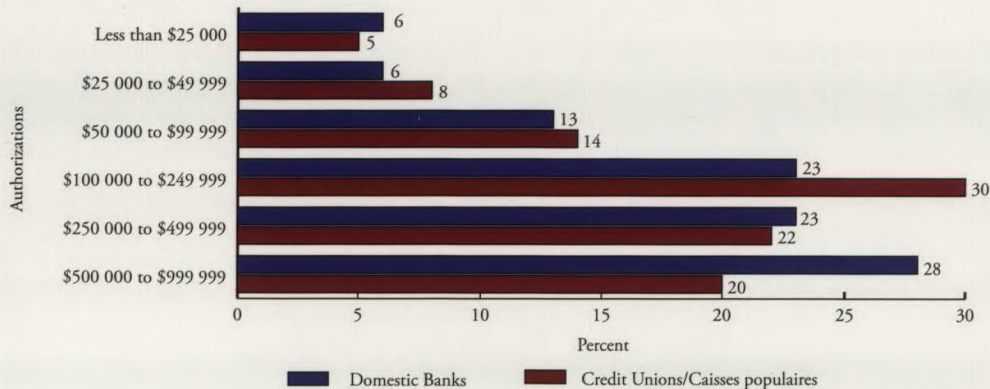


\* As of December 31, 2004.

Source: SME Financing Data Initiative, Statistics Canada, *Survey of Suppliers of Business Financing*, 2004.



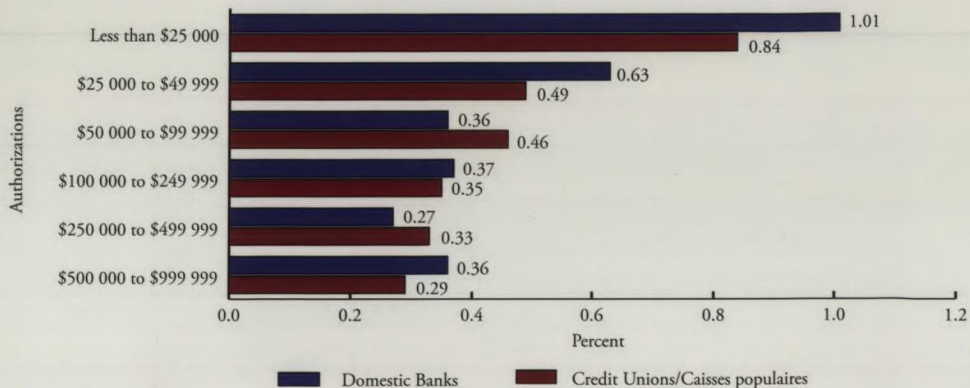
## Commercial Debt Authorized (under \$1 million) by Size by Domestic Banks and Credit Unions/ Caisses populaires, 2004\*



\* As of December 31, 2004.

Source: SME Financing Data Initiative, Statistics Canada, *Survey of Suppliers of Business Financing*, 2004.

## Loss Rates on Commercial Debt Authorized (under \$1 million) by Size by Domestic Banks and Credit Unions/Caisses populaires, 2004\*



\* As of December 31, 2004.

Source: SME Financing Data Initiative, Statistics Canada, *Survey of Suppliers of Business Financing*, 2004.

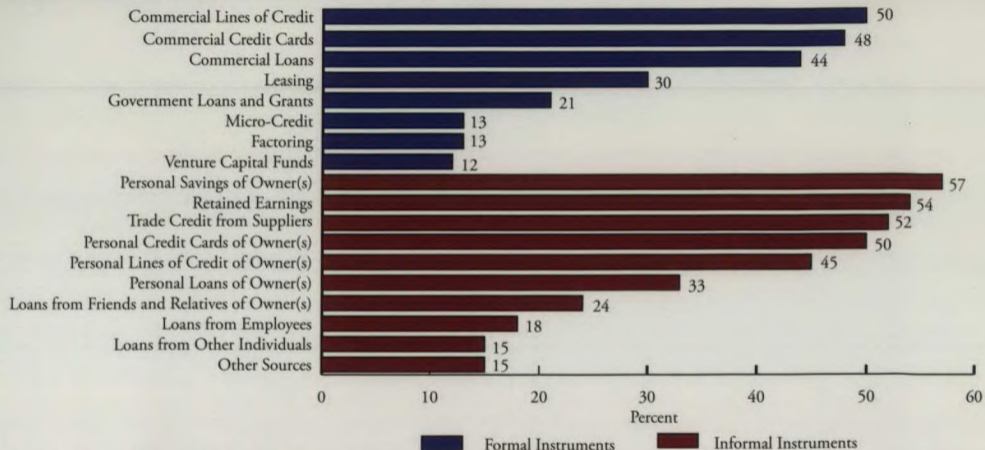
## Financial Statement Figures for Canadian SMEs, 2004\*

Balance Sheet Information		SME Average (\$)	SME Total (\$ millions)
Assets	Current	199 193	270 374
	Fixed	323 855	439 585
	Total Assets	523 048	709 959
Liabilities	Current	120 902	164 107
	Long-Term	156 632	212 603
	Total Liabilities	277 534	376 710
Equity	Retained Earnings	135 577	184 025
	Total Equity	245 515	333 249
Income Statement Information			
Revenues	Sales	568 591	771 775
	Other Revenues	49 845	67 658
	Total Revenue	618 436	839 433
Cost of Goods Sold		406 734	552 080
Net Profit (loss) Before Tax		36 074	48 966

\* Figures may not add up exactly due to rounding and the absence of certain financial statement data.

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

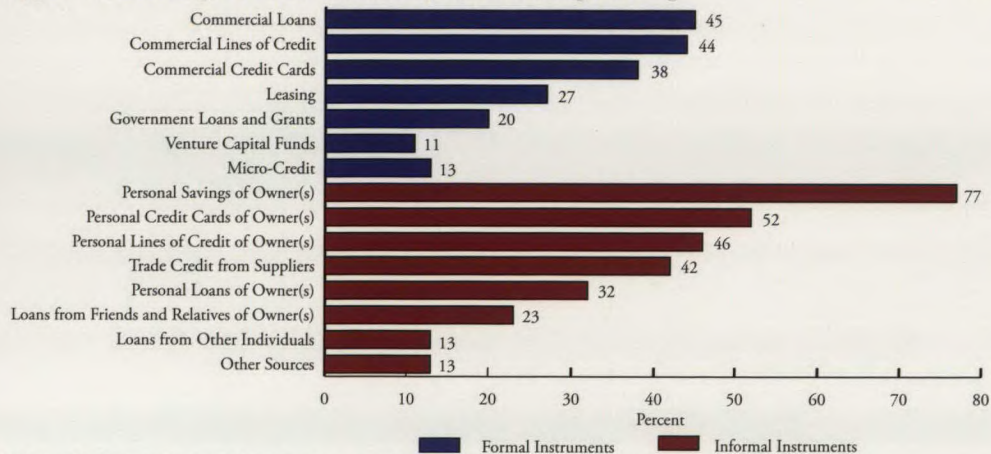
## Types of Financing Instruments Used by Established SMEs, 2004\*



\* Includes any source used, regardless of whether it was authorized or obtained in a previous year. Multiple responses were possible.

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises, 2004*.

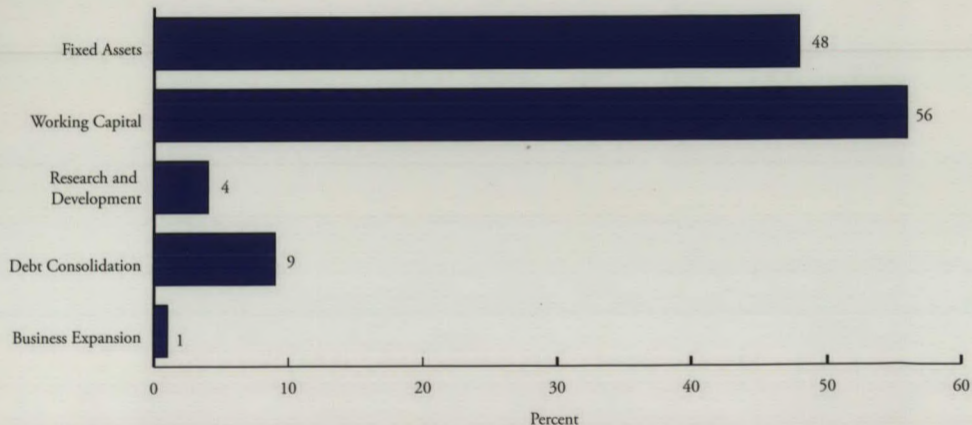
## Types of Financing Instruments Used by SMEs during Start-up\*



\* Reported by SMEs operating in 2004 regarding the sources of financing used during start-up. Multiple responses were possible.

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

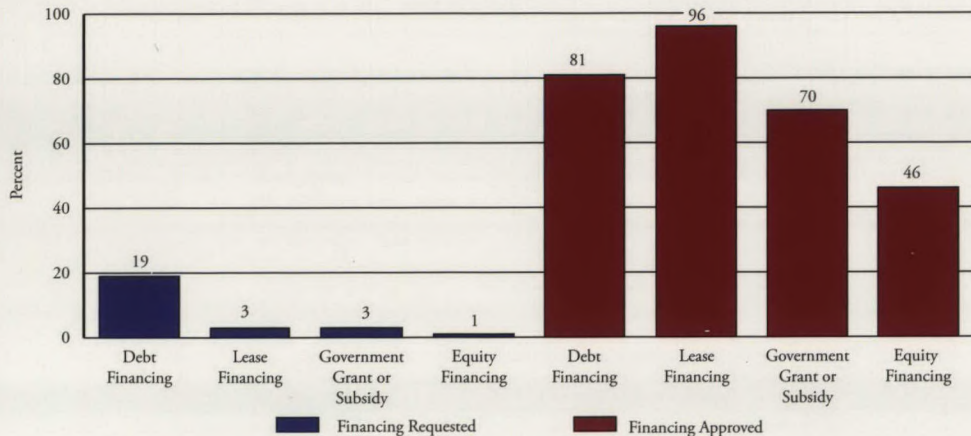
## Intended Purpose of Debt Financing Requested, 2004



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

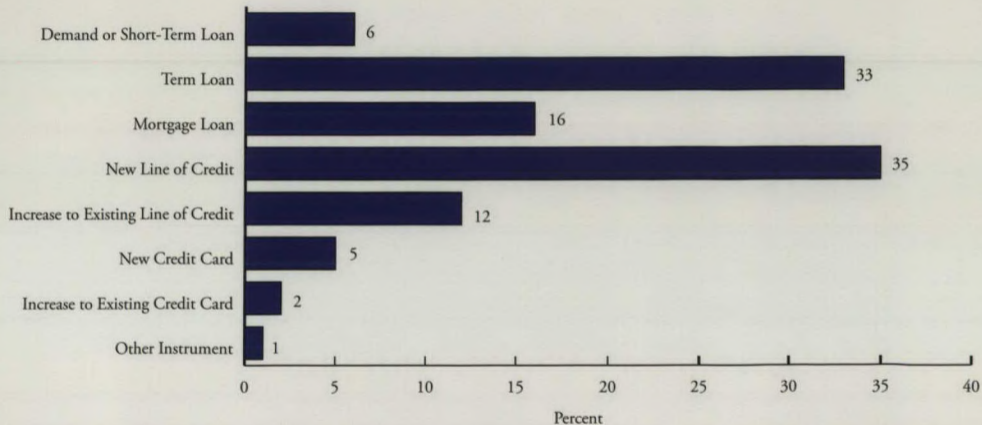


## Type of Financing Requested by SMEs and Percentage Approved, 2004



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

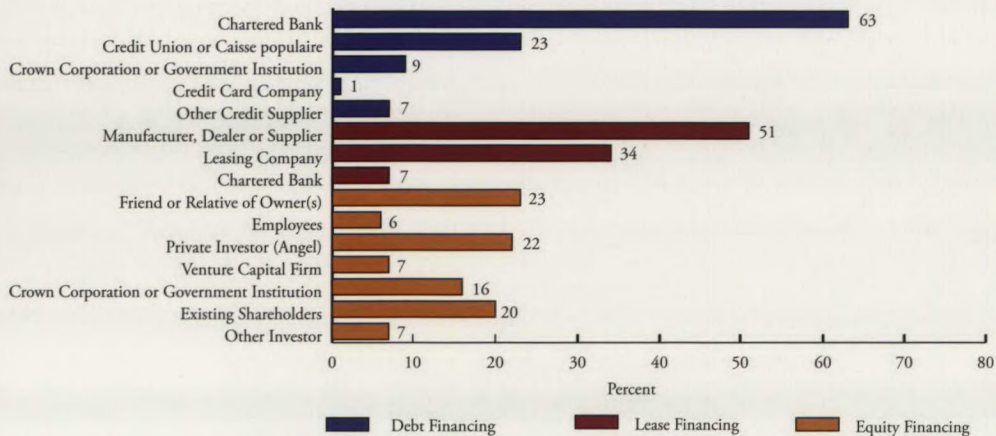
## Type of Debt Financing Requested, 2004



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

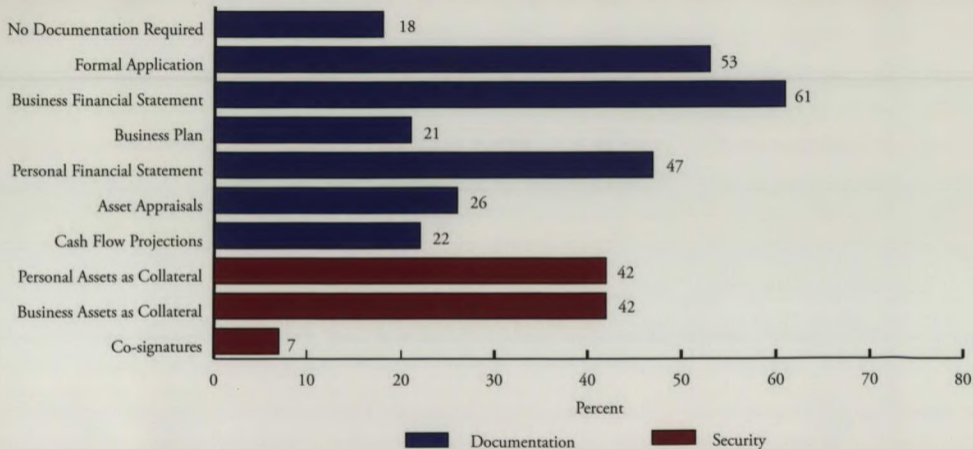


## Financial Supplier Approached by SMEs by Type of Financing, 2004



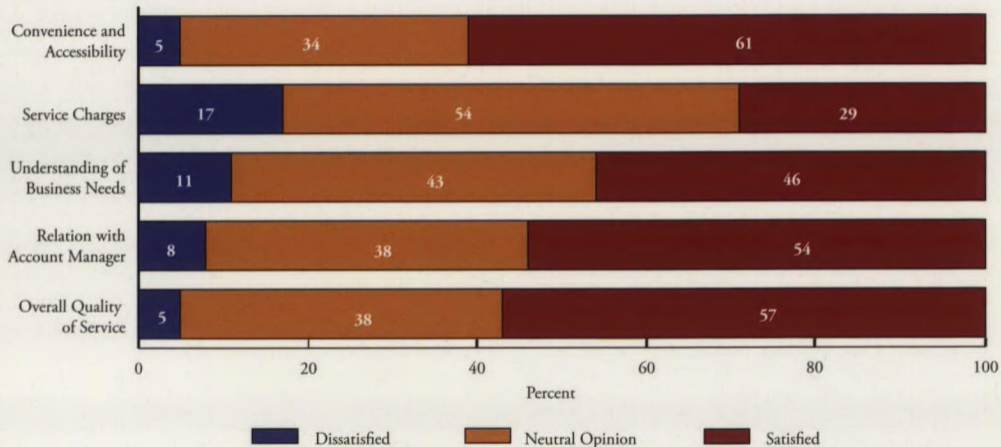
Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

## Documentation and Security Required by Financial Suppliers, 2004



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

## Satisfaction with Main Financial Institution, 2004



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.



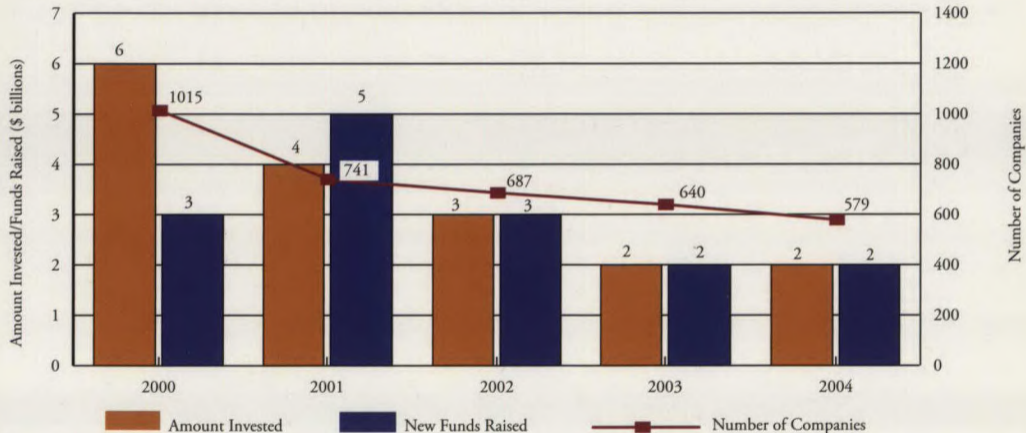


**RISK CAPITAL**



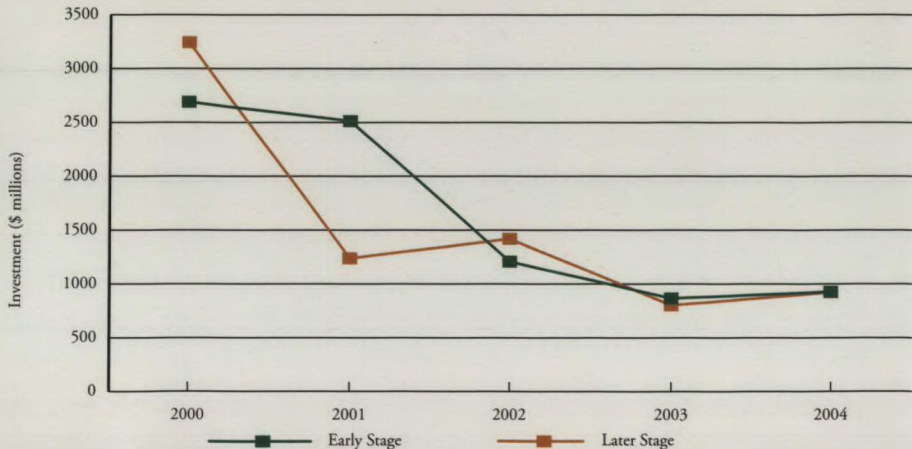


## Canadian Venture Capital Activity, 2000–2004



Source: Thompson Macdonald, VC Analyst II, updated 2005.

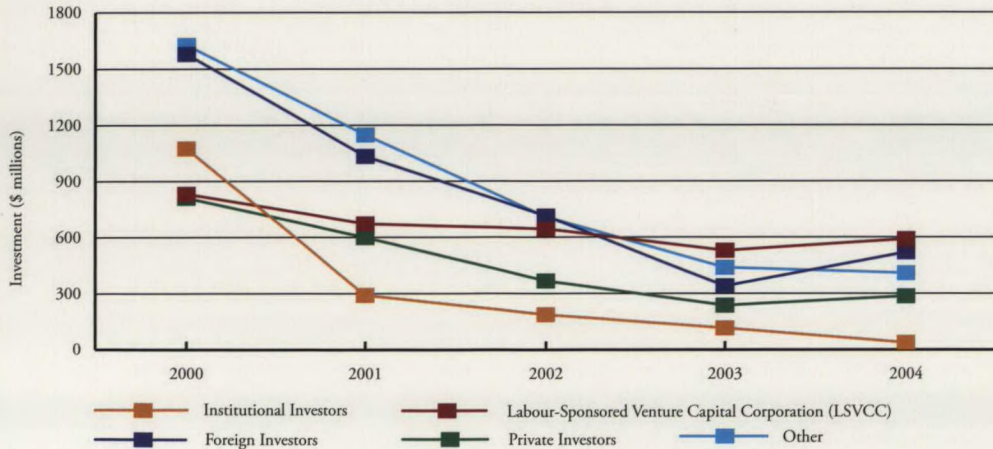
## Venture Capital Investments by Stage of Development, 2000–2004



Source: Thompson Macdonald, VC Analyst II, updated 2005.

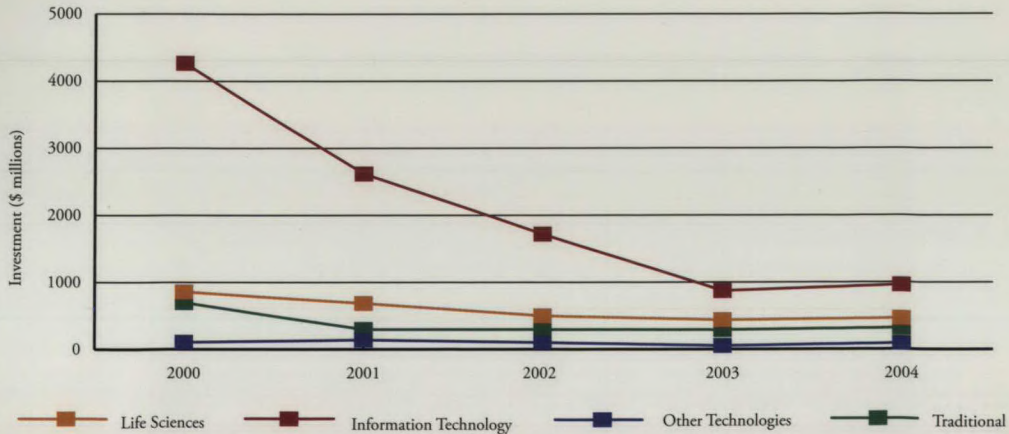


## Venture Capital Investments by Type of Investor, 2000–2004



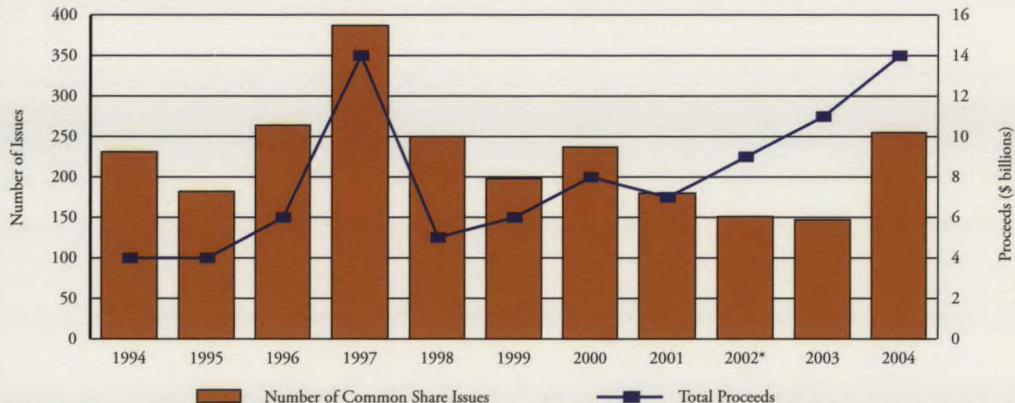
Source: Thompson Macdonald, VC Analyst II, updated 2005.

## Venture Capital Investments by Sector, 2000–2004



Source: Thompson Macdonald, VC Analyst II, updated 2005.

## Number and Total Proceeds of Canadian Initial Public Offerings, 1994–2004



\* A substantial number of initial public offerings (IPOs) after 2002 comprised income trusts, accounting for 50 percent of IPOs in 2002, 40 percent in 2003 and 30 percent in 2004 (PricewaterhouseCoopers IPO Survey).

Source: FPinfomart.ca (CanWest Interactive Inc.).