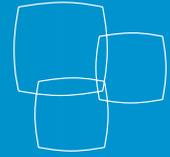




Summary of the Survey on Financing and Growth of Small and Medium Enterprises, 2011

February 2013

www.ic.gc.ca/surveys

The *Survey on Financing and Growth of Small and Medium Enterprises* was designed to determine the types of financing that small and medium-sized enterprises (SMEs) are using, and to collect information on recent attempts by those SMEs to obtain new financing. In addition, the survey gathers information on firm growth, engagement in international business activities, innovation and intellectual property, as well as owner characteristics. The questionnaire was adapted from the *Survey on Financing of Small and Medium Enterprises* conducted by Statistics Canada in 2000, 2001, 2004 and 2007, and the *Credit Conditions Survey* conducted by Leger Marketing in 2009 and 2010.

Summary of Results

Below are the key results from the 2011 survey. For further descriptive statistics by business size, industry, region, census metropolitan area, age of business, export status, innovation activity and owner age, gender and education, see the data tables. Comparable statistics are also available for the years 2000, 2001, 2004, 2007, 2009 and 2010.

Financing Characteristics

In 2011, 36 percent of SMEs reported some type of external financing, with 26 percent requesting debt, 7 percent requesting leasing, 8 percent requesting trade credit, 4 percent requesting government financing and 2 percent requesting equity financing.

Chartered banks were the main suppliers of financing to SMEs in 2011, serving 55 percent of financing requests, followed by credit unions or Caisses populaires (16 percent), government institutions (7 percent), leasing companies (4 percent), family and friends (2 percent), venture capital funds or angel investors (1 percent) and foreign banks (0.4 percent).

In 2011, 90 percent of debt financing requests were approved. Both request and approval rates for debt financing increase with business size (see Table 1), suggesting that the larger the business, the more likely they are to require debt financing and the more likely they are to obtain debt financing.

SMEs paid an average interest rate of 6.7 percent for their debt financing in 2011. Sixty-five percent of SMEs were required to provide collateral to obtain their loan: 48 percent pledged businesses assets, 26 percent pledged personal assets and 1.3 percent pledged intellectual property.

Table 1: Debt Request and Approval Rate by Size of Business, 2011

	Employees	Request Rate	Approval Rate*	Amount Authorized/ Requested
All SMEs	1–499	25.5	89.9	94.0
Size of Business	1–4	19.9	88.4	90.4
	5–19	29.9	88.5	88.6
	20–99	36.9	97.1	97.2
	100–499	47.6	97.7	99.0

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

Owner Characteristics

- In 2011, 60 percent of SME owners were 50 years of age or older, 28 percent were between 40 and 49 and 12 percent were younger than 40.
- Seventy-seven percent of SME owners had over 10 years of management or owner experience.
- Most SME owners were male: 66 percent of SMEs were majority male-owned, 16 percent were majority female-owned and 18 percent were owned equally by men and women.
- Seventy-eight percent of SME owners were born in Canada while 22 percent were born elsewhere.
- The majority of SME owners possessed some form of post-secondary education with 32 percent having a college, cegep or trade school education, 22 percent having received a bachelor's degree and 13 percent a master's degree or above. For 24 percent of SME owners, high school was the highest level of education obtained and 10 percent of owners had not completed high school.

International Business Activity

In 2011, 10 percent of SMEs exported goods and/or services outside of Canada. Of these exporters, 49 percent exported goods only, 40 percent exported services only and 12 percent exported both. On average, 33 percent of an exporter's revenue came from export sales. United States is the most popular export destination among Canadian SMEs, with 89 percent of exporters selling to this market. Europe is the second, with 32 percent of SMEs exporting there, followed by Latin America (12 percent), China (10 percent) and other Asian countries (12 percent).

In addition to exporting, other international activities were important to SMEs. Twenty-six percent of SMEs imported goods and/or services, and 3 percent outsourced or contracted out work to a business in another country.

Growth Characteristics

Almost two thirds of SMEs reported an increase in sales over the 2009-2011 period (44 percent grew between 1 and 10 percent per year, 11 percent grew between 11 and 20 percent and 8 percent were considered high-growth firms, growing more than 20 percent per year). Only 22 percent indicated that their sales had not grown at all and 16 percent experienced declining sales.

Most SMEs also have positive expectations for their future sales growth over the next three years (2012-2014). The majority of SMEs expect their sales to grow either moderately (56 percent expect growth between 1 and 10 percent) or significantly (12 percent expect to grow between 11 and 20 percent and 8 percent expect to be high-growth firms, growing more than 20 percent). Only 18 percent of firms are expecting no growth and 7 percent expect a decline in sales.

The most commonly cited obstacles to growth include cost of inputs (63 percent), fluctuations in sales (52 percent) and increasing competition (48 percent).

Innovation Activity and Intellectual Property

The data revealed that 38 percent of SMEs introduced at least one type of innovative activity over the 2009-2011 period. The most common type of innovation was product innovation (24 percent), followed by marketing innovation (17 percent), organizational innovation (15 percent) and process innovation (15 percent). For many SMEs, introducing these innovations resulted in increased sales (70 percent) and increased market share (61 percent).

In addition, 16 percent of SMEs held some type of intellectual property protection. Non-disclosure agreements were the most common (9 percent), followed by trademarks (8 percent), trade secrets (4 percent), patents (1.5 percent) and industrial designs (1 percent).

Methodology

The target population for the survey was private sector, for-profit, SMEs employing between one and 499 employees and generating between \$30 000 and \$50 million in annual revenues in 2011. The sample was stratified by region, industry, size (as measured by the number of employees), age of business, and participation in the Canadian Small Business Financing Program. The survey was conducted by Statistics Canada from February 13 to June 10, 2012. The sample size was 25 007 businesses and the completion rate was 39.8% (or 9977 respondents). For more information on methodology see the methodology report.

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; infostats@statcan.gc.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 (613-952-6617) or Andrea Pierce (613-957-7903) at the Small Business Branch.

Acknowledgements

This survey would not have been possible without the financial contributions and valuable comments from our many partners. Special thanks to Business Development Canada and Canadian Intellectual Property Office for their significant financial support and many thanks to the Canadian Small Business Financing Program, Canadian Economic Development for Quebec Regions, Quebec Institute of Statistics, Export Development Canada, Federal Economic Development Initiative for Northern Ontario, Ontario Ministry of Economic Development and Innovation, Atlantic Canada Opportunities Agency, Federal Economic Development Agency for Southern Ontario, Industry Canada Atlantic Regional Office and Foreign Affairs and International Trade Canada for their funding towards this project.

The Small Business Branch would also like to thank the Centre for Special Business Projects Team at Statistics Canada for its work in developing and conducting the survey.