

Focus: Small and Medium Sized Enterprises: Lending and More

Focus Sheet

FAST FACTS

- Banks serve close to three million self-employed, small and medium-sized enterprises across Canada
- Loan approval rates are high: 90.8 per cent of all SMEs that applied for a loan from a financial institution were approved¹
- Banks authorized \$1.7 trillion in credit to Canadian businesses as at the end of 2022. Of that, \$278 billion went to small-and-mid-sized businesses.²

The Bottom Line

Banks play an essential role in the business operations of small- and medium-sized enterprises (SMEs), meeting their diverse financial needs to drive innovation, development and growth.

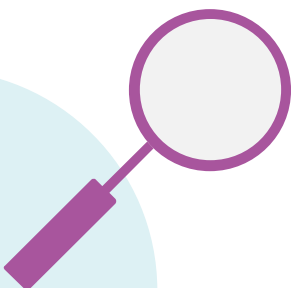
The majority of bank business customers are small and medium-sized businesses and banks work hard to meet the needs of this market – one that is increasingly competitive, diverse and technologically savvy. In fact, all banks have dedicated departments to help their SME customers.

What defines an SME?

The CBA defines a small- and medium-sized enterprise (SME) as having authorized borrowing under \$5 million and defines small businesses as having authorized borrowing under \$1 million.

Lending to SMEs

Canadian SMEs seeking credit enjoy a very competitive marketplace, with many different financing firms competing for their business. According to an Industry Canada survey,



domestic banks are the main providers of external debt financing 64.1 per cent of SMEs who requested financing.³

Throughout changing economic and business cycles, including the COVID-19 pandemic, banks have continued to lend to credit worthy businesses, providing flexibility and a range of credit products including loans and lines of credit.

Banks provide a variety of short-term lending options, including overdraft protection, credit cards and lines of credit. SMEs can also arrange a variety of longer-term financing solutions through their banks such as term loans, mortgages, and leasing. Banks also participate in the federal government's [Canada Small Business Financing Program](#) (CSBFP). The government shares risk with lenders through this program, which helps stimulate job and wealth creation. Small businesses or start-ups operating for profit in Canada with gross annual revenues of \$10 million or less are eligible for CSBFP loans.

Banks continued to lend through the pandemic

SMEs are the lifeblood of the Canadian economy. The majority of business customers served by banks in Canada are small and medium-sized, and banks understand the continuing challenges the pandemic has placed on SME customers.

Banks will continue to stand by their SME customers to ensure Canadian small businesses emerge through this crisis, resilient, strong and growing. Links to more information, including the banks' COVID-19 information pages can be found on the CBA website at cba.ca/standingbycanadians.





Banks are also offering more flexible products and simplifying the credit application process, especially for smaller amounts of credit, making it easier to access financing.

SMEs have come to rely on readily accessible finance to help meet their business needs

- Banks authorized \$1.7 trillion in credit to Canadian businesses as of 2022. Of that, \$278 billion went to small-and-mid-sized businesses.⁴
- Approval rates are quite high: 90.8 per cent of all SMEs that applied for debt financing from a financial institution were approved.⁵
- Approval rates for rural SMEs are higher than for their urban counterparts.⁶
- Obtaining financing is the least problematic external obstacle to growth. SMEs are more concerned about the rise in operating costs, fluctuations in demand for products and services, increasing competition, recruiting and retaining skilled employees among other external obstacles.⁷
- For those that did not seek debt financing, 86.5 per cent of SMEs said they did not need it. Only three per cent said that it was because they thought they would be turned down and less than one per cent thought the cost of financing was too high.⁸

More than just lending

Banks in communities across the country have close to three million financial relationships with self-employed and SME owners. SMEs are demanding value and quality service. To meet this demand, banks provide a variety of products and services in addition to lending. These banking solutions include:

- Providing advice and support throughout the pandemic and into the recovery to help small business clients' manage their immediate cash management or new lending needs;
- Business chequing and saving accounts, in both Canadian and foreign dollar denominations;
- Tax payment services;
- Foreign exchange services;
- Succession and investment planning;
- Electronic fund transfers;
- On-line and telephone banking;
- Payroll and filing services; and,
- Coaching podcasts, booklets and seminars.

Supporting Women Entrepreneurs

Banks have taken initiatives to assist women entrepreneurs to build and grow their businesses - from financing and other banking products and services to capacity building and networking programs. Innovation, Science and Economic Development Canada's 2021 Credit Conditions survey provides insight on the financing of women entrepreneurs. According to this study, for businesses majority-owned by women, 98 per cent were approved for debt financing.

Canadian banks are active supporters of SMEs across Canada and this support and commitment extends to women entrepreneurs. Beyond the business banking services offered to their clients, banks have programs and services internally to support women entrepreneurs as well as offering support to external organizations.





Strong ties to agriculture

Banks in Canada also have a longstanding business relationship with farmers and agricultural customers and these strong relationships have helped banks work with their customers through significant challenges. Farmers have had to confront the COVID-19 pandemic, BSE, avian influenza, drought, floods, the H1N1 virus and country of origin labelling (COOL). Banks have been there for their clients, working with them on an individual, case-by-case basis to assess their unique needs and to develop solutions.

Approximately 13.7 per cent of SME authorized financing from banks goes to the agriculture industry and authorized financing to agriculture SMEs make up almost 46 per cent of the banks' agricultural portfolio.⁹ Banks also participate in the federal government's [Canadian Agricultural Loans Act \(CALA\) Program](#) designed to establish, improve, and develop farms.

1 Stats Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2020 (Data tables), Released 2022.

2 CBA Business Credit Statistics, December 2022, figures from nine banks

3 Stats Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2020 (Data tables), Released 2022.

4 CBA Business Credit Statistics, December 2022, figures from nine banks

5 Stats Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2020 (Data tables), Released 2022.

6 Ibid.

7 Ibid.

8 Stats Canada, *Credit Conditions Survey*, 2021.

9 CBA Business Credit Statistics, December 2022, figures from nine banks

The Canadian Bankers Association is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can succeed in their financial goals.

Canadian Bankers Association [**www.cba.ca**](http://www.cba.ca)

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