

FINANCING

FINANCING INSTRUMENTS USED BY START-UP SMEs

SME financing can be broadly divided into formal and informal sources.

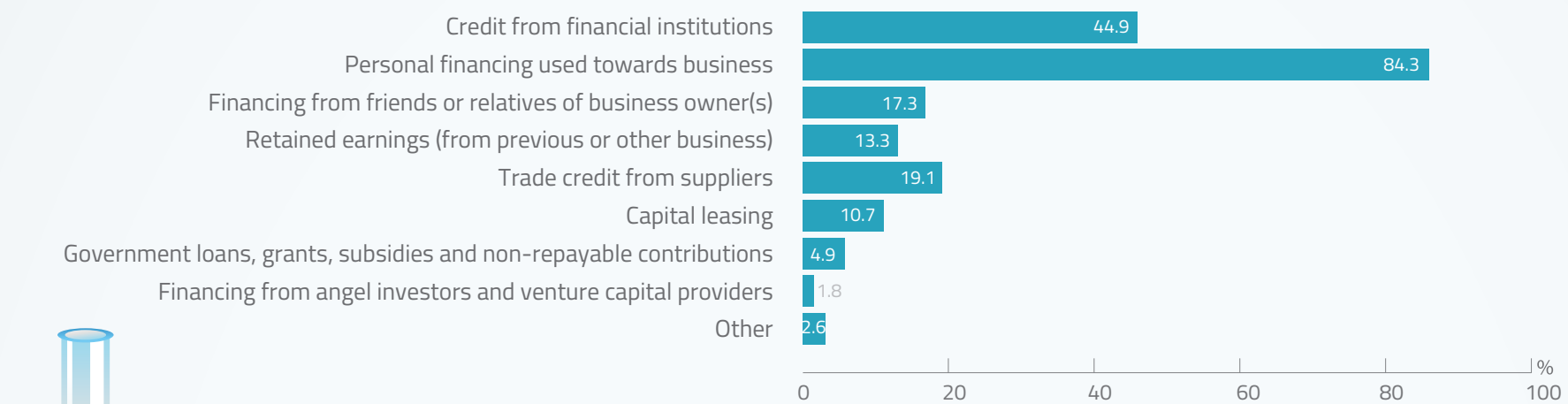
Informal financing sources include owners' savings and personal loans taken out by owners.

Formal financing comes from debt financing, lease financing, equity financing, trade credit and government grants.

Start-up SMEs often lack both a credit history and the collateral needed to secure a loan, which makes informal financing the most common source for new businesses. Over 80% of start-ups used personal financing, 45% used credit from financial institutions and 19% received trade credit from suppliers (Figure 1G).

Figure | 1G

Financing used by Start-ups | SMEs



SOURCE: Source: Statistics Canada, Survey on Financing and Growth of Small and Medium Enterprises, 2014
 Note: Multiple responses were possible, so estimates will not add up to 100%



Small businesses account for 77% of all private jobs created in Canada.

On average, 150,000 new small businesses are created in Canada each year, but only 51% of new businesses survive five years.



There are 950,000 self-employed women in Canada, one third of all self-employed people in the country.

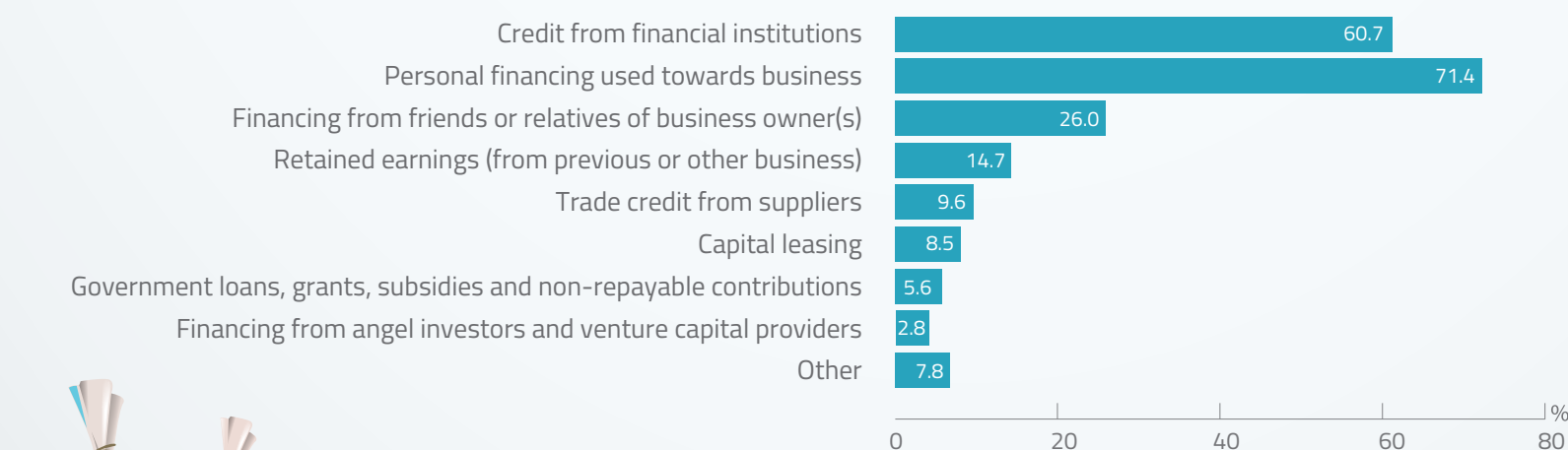
Industry Canada. (2013). Key Small Business Statistics | Industry Canada. (2012). Key Small Business Statistics | Statistics Canada. (2011 & 2012). Business Register | Royal Bank of Canada. (2011) - RBC Canadian Consumer Outlook

FINANCING INSTRUMENTS USED BY SMEs FOR BUSINESS ACQUISITIONS

Business acquisitions help secure market share, talent and revenue and serve as an important growth strategy. Financing business acquisitions is similar to financing start-up SMEs in general. As shown in Figure 1H, the most common instrument for financing business acquisitions was credit from personal financing (71%), followed by credit from financial institutions (61%).

Figure | 1H

Financing used by Start-ups | SMEs



SOURCE: Source: Statistics Canada, Survey on Financing and Growth of Small and Medium Enterprises, 2014
 Note: Multiple responses were possible, so estimates will not add up to 100%

