

Data Collection Issues

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BETTER
UNDERSTANDING



SME
FINANCING

SME FINANCING
DATA INITIATIVE

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Overview



- SME FDI Survey Objectives
 - Collect data on both the demand for financing and the supply of financing in Canada in order to have a complete and balanced perspective on business financing
- Methodology
 - Conduct a periodic benchmark survey of SMEs (>30K businesses sampled) to collect detailed data on the number, type, conditions and outcomes of financing requests.
 - Survey results for reference years 2000, 2001, 2004
 - Conduct annual survey of suppliers of financing to collect data on the financing instruments and credit extended to Canadian businesses
 - This is a census of for-profit incorporated enterprises in the financial sector with assets of at least \$5 million
 - Data are available for reference years 2000 – 2004

X-Cutting Data Collection Issues



- Response Burden
 - Many of the respondents to both the Demand and Supply Side Surveys are small businesses within their given sectors
 - These surveys impose a large response burden on the small business community in 2 ways
 - The number of small businesses being surveyed
 - The amount of information being requested from each business
 - SME FDI needs to balance the need for data with the burden this will place on small businesses providing this information

X-Cutting Data Collection Issues



- Budget
 - SME FDI has a fixed budget (established in 1999)
 - As the program evolves and data needs adjust it is a challenge to collect the required data given the ever increasing cost of conducting surveys
- Employment Size
 - Given that one of the primary objectives of SME FDI is to have a balanced perspective on financing in Canada by having data on both Supply and Demand, it is essential to have data reported in a consistent manner based on business size
 - Business size is best reflected by employment counts which are available on the Demand side but not on the Supply side limiting the full potential use of the information (Will be discussed in more detail in the Supply segment)

Demand Side Survey – Data Collection Issues



Declining Response Rates

- This is a problem for business surveys in general but more so for this survey as it is a voluntary survey and much of the sample is small businesses
 - Small businesses feel the impact of response burden the most
 - It is hard for small businesses to see direct benefits of the survey for themselves
- The Demand Survey is a 2 part survey
 - Part1 is applicable to all businesses asking general business characteristics and detailed questions on financing requests that can be answered via CATI
 - Part2 is applicable to all businesses that responded to Part 1. It asks for detailed Balance Sheet and Income Statement information that are too complex for CATI – hence mail out mail back.
 - Mail out mail back has typically lower overall response rate than CATI.
 - Only businesses that responded to Part 1 receive the Part 2 questionnaire.
 - Psychological impact of 2 surveys has negative effect on response rate
 - The number of responses to part 2 affects the detailed estimates that are possible and the quality of those estimates

Demand Side Survey – Data Collection Issues



- Scope of the survey requires a very large sample (>30K businesses)
 - 99% of all businesses in Canada represented
 - Generates estimates by business size, by industry and by region
 - Produces results for rare populations
 - ➔ Borrowers – 1 in 5 businesses
 - ➔ Interest in other rare sub-populations such as angels and exporters
- Difficult to produce high quality estimates for all domains of interest

Supply Side Survey – Data Collection Issues



- Authorization size vs. employment size
 - Definition of SME
 - ➔ SME-FDI definition based number of employees
 - ➔ SSBF data based on authorization size
 - Most lenders do not collect number of employees from borrower
 - Lenders are unwilling to release microdata regarding individual borrowers due to privacy restrictions such as PIPEDA

Supply Side Survey – Data Collection Issues



- Stock of financing vs. flow
 - SSBF measures stock of financing to business (total amounts outstanding)
 - No direct measures of the flow of financing in a specific period
 - Year-to-year comparisons of stock impacted by activities such as securitization and hedging

Supply Side Survey – Data Collection Issues



- Response burden
 - Questionnaire
 - burden on smaller firms
 - Census
 - No relief for smaller firms - annual survey
 - Multinationals
 - Accounts are consolidated worldwide but they are asked to report “booked in Canada” activities

Supply Side Survey – Data Collection Issues



- Equity financing
 - SSBF stopped asking for data on equity financing in 2003 because respondents found it too difficult to provide this information.
- Industry classification of borrowers
 - Most lenders report data on SIC basis instead of NAICS
 - We do not expect this to change in the foreseeable future
- Provincial data
 - Some lenders keep their books by region not necessarily corresponding to a single province