

Overview of the SME Financing Data Initiative

SME FDI Workshop
September 21, 2006

BETTER
UNDERSTANDING



SME
FINANCING

SME FINANCING
DATA INITIATIVE

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Government
of Canada

Gouvernement
du Canada

Canada

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1. Overview of SME FDI

How the Initiative began...



- 1998: Task Force on the Future of Canadian Financial Services Sector (the Mackay Task Force) concluded:
 - *“there was a lack of consistent, comprehensive and impartial data on SME Financing. Recommended government make a concerted effort to improve the quality and quantity of information on SME financing”*
- 1999: Government responded – mandated the Department of Finance, Industry Canada and Statistics Canada to gather data on SME financing and report regularly to the House of Commons Industry Committee on the state of SME financing in Canada.

Partners



3 partners:

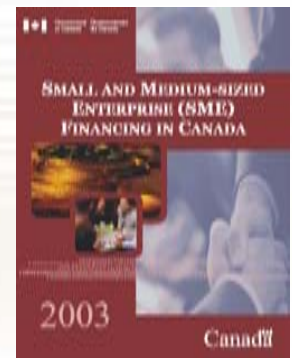
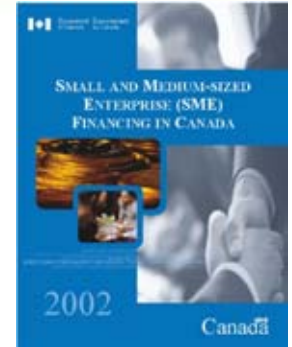
- Finance Canada
 - Responsible for implementing and ensuring mandate is satisfied
- Industry Canada
 - Responsible for the analysis of the results of surveys and collection of additional data/research and reporting to the Industry Committee
- Statistics Canada
 - Responsible for administering the surveys and providing timely access to data on SME financing from a demand and supply perspective.

SME Financing Data Initiative – Mission statement



Building a Better Understanding of SME Financing

“The mission of the SME Financing Data Initiative is to be a world-class, cutting-edge program, which builds a comprehensive knowledge base of timely and unbiased information on SME financing in Canada. This critical knowledge will help foster an environment, which supports the growth of Canadian SMEs by fuelling the public policy debate and bringing clarity to the SME financing market. We do this in an environment of professionalism, transparency and interdepartmental cooperation



- Mission Statement (2002)

Data Collected under SME FDI



Demand Survey

- The Survey is administered to a sample of firms with up to 499 full-time equivalent employees and less than \$50 million in gross revenues.
- Financing and leasing companies, co-operatives, subsidiaries, not-for profit organizations, government offices, schools, hospitals and other public sector organizations were excluded.

Supply Survey

- Census of enterprises with assets of \$5 million or more in selected finance and leasing industries. Enterprises providing venture capital financing and government business enterprises were also surveyed.
- Excluded from the survey were governments, other public sector organizations, private not-for-profit organizations, informal suppliers such as business "angels" and family members, and foreign suppliers.

Data Collection Program



Two-pronged data collection process consisting of baseline surveys and specialized studies:

3 surveys:

- Survey of Suppliers of Business Financing
 - ❑ annual survey starting in 2000
 - ❑ measures supply of financing
 - ❑ covers all financial service providers (census)
 - Survey on Financing of SMEs
 - ❑ tri-annual survey starting in 2000
 - ❑ measures demand for financing by SMEs
 - ❑ Captures data by size of business, geographic region, age of business, business owner characteristics, etc.
 - Survey of SMEs Needs and Satisfaction
 - ❑ published in 2001
 - ❑ probed the attitudes & perceptions of SMEs owners on issues related to financing
- These surveys aim to measure the total value of new and outstanding financing by supplier, as well as shed some light on the financing practices and patterns of SMEs across Canada.

Specialized Studies:

- Financial Marketplace
- Risk Capital
- SMEs and Entrepreneurs
- Other Research



2. Breakout Sessions

Context and Purpose of Breakout Sessions



- As seen in the *Mission Statement* the SME FDI has two primary objectives:
 - ***“builds a comprehensive knowledge base of timely and unbiased information on SME financing in Canada”***
 - Reports to Parliamentary Committees (Industry Committee)
 - Key Small Business Financing Statistics
 - Small Business Financing Profiles
 - ***“supports the growth of Canadian SMEs by fuelling the public policy debate and bringing clarity to the SME financing market”***
 - Program evaluation
 - Debt financing gaps
 - Understanding the financial marketplace (players)
 - Understanding borrower attributes (export propensity and R&D activity)

Program Evaluation



- Canada Small Business Financing Program (federal government loan-loss guarantee program for SMEs)
- Main program evaluation question of any government program – relevance (Is the program incremental?)
- Conclusion:
 - 75% level of additionality/incrementality; therefore refutes the belief that we **cannot** measure additionality

Debt Financing Gaps



- After allowing for size, sector, age, etc. (measures of creditworthiness), are there certain borrower characteristics/attributes that are more likely to be turned down for debt financing than other firms without those attributes
- SME populations investigated to date include:
 - Knowledge-based industries
 - Women entrepreneurs
 - SME Exporters

Understanding the Financial Marketplace (Business Angels)

- Informal investment is an important source of equity financing, particularly for early-stage firms.
- Estimating the potential stock of capital available from informal investment is difficult and costly (particularly business angels)
- This session evaluates how data under SME FDI improves our understanding of the flow and stock of financing beyond the estimates available in the literature.

Understanding Borrower Attributes (Propensity to export and R&D activity)



- Is there a connection between the propensity of firms to export and their proclivity to conduct research and development (R&D) activities?
- Any differences at the sector level?

Breakout Sessions



- Session 1 (2:00 – 2:30)
 - Program evaluation (CSBFA) – Committee Room
 - Understanding the Financial Marketplace (Business Angels) – Rideau Room
 - Debt financing gaps (Women entrepreneurs) – Colonel By Room
- Transition period (2:30 – 2:45)
- Session 2 (2:45 – 3:15)
 - Debt financing gaps (KBI) – Rideau Room
 - Debt financing gaps (SME exporters) – Colonel By Room
 - Understanding borrower attributes (Technology firms) – Committee Room