

Banks have been good to SMEs

Published in the National Post

Tue 11 Mar 2008

Page: FP17

Section: FP Comment

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Source: Financial Post

Re: Bank merger proposal still unwelcome, Garth Whyte, March 3

The Canadian Federation of Independent Business does a disservice to small business readers in its recent article.

Contrary to the CFIB's claim, there has been steadily increasing competition in the market, resulting in more choice, access, and competitive rates for small businesses. Canada has consistently maintained the lowest average interest rate spread of all countries monitored by the World Economic Forum, and there is aggressive competition among a growing number of suppliers, including more than 20 domestic banks, 24 foreign banks, and over 1,000 credit unions and caisses populaires.

The CFIB questions whether banks are meeting the borrowing needs of small businesses. In fact, banks are the largest providers of SME financing in Canada and at the end of 2005, the latest data available, banks had authorized more than \$80-billion in debt financing to over one million SME borrowers, representing more than half of all business credit extended to SMEs. And the credit authorized by banks has been growing since 2000, when Statistics Canada started compiling the data.

I don't know one account manager who is paid to decrease his or her client base -- indeed, quite the opposite. In fact, bank loan approval rates are high. According to Statistics Canada data, the loan approval rate cited by the CFIB -- 86.3% -- is high by any standard. And as the CFIB has also rightly pointed out, not every business should get financing: You need a good business plan. Moreover, StatsCan data shows that there is very little difference between the access and pricing of business credit available to rural SMEs compared to their urban counterparts. In fact, rural SMEs have higher authorization rates than those in urban areas.

Finally, the CFIB makes it sound as if equity financing is a bad thing -- in fact, equity is an important element of a small business's mix of financing options along with the loans that banks and other lenders provide.

Small business is valued and important to the banking industry and we are constantly investing considerable resources, time and energy into serving this sector and to contributing to its success.

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