

Focus: Bank Lending to Business

Focus Sheet

FAST FACTS

- Banks represent about two thirds of the business lending market and roughly one-quarter of the overall business financing market in Canada.
- Banks are prudent lenders and continually work to make credit available to credit-worthy businesses in Canada.

The Bottom Line

Canada's banks are committed to providing financing to Canadian businesses.

Banks are a key source of credit for Canadian businesses

Banks represent 64¹ per cent of all lending supplied to businesses through business loans, short-term promissory notes known as bankers' acceptances, non-residential mortgages and other lending products. Considering the financing market more broadly, including the capital markets, banks represent roughly one-quarter of the total² business financing marketplace.

Banks will continue to be there to support their business clients, just as they were during the global financial crisis.

Demand for business credit is growing

Business financing continues to grow in Canada. Despite rising interest rates and uncertainty surrounding economic recovery, the outlook for businesses remains positive. Since





the beginning of the COVID-19 pandemic, banks have made more credit available to businesses than they are using.

In fact, as of June 2023 total authorized bank lending amounted to over \$1.7 trillion and total outstanding loans reached over \$900 billion.

Small and medium sized businesses (SMEs) used 62 per cent of the bank credit made available. Authorized lending to SMEs (defined as authorized loans under \$5 million) reached \$282 billion as of June 2023, and loans outstanding reached \$175 billion.³

How lending decisions are made

Banks look at the total business package when making financing decisions and the ability to repay a loan is determined by factors such as the business plan, cash flow projections, asset base, sales and marketplace analysis and business viability.

Banks make lending decisions on a case-by-case basis. The terms of the loan are based on the financial situation of the individual business within the context of financial market conditions more broadly. For example, if economic difficulties have a negative impact on a business' financial situation, then the risk to the bank of lending to that business could increase. In situations like this, the bank may require more security before providing the loan or the loan may be more expensive. But if the business is creditworthy and the bank thinks it has the ability to repay the loan, then the credit would be granted.



Canadian businesses benefit from Canada's strong banking system

Canadian banks did not require the taxpayer-funded bailouts that occurred in many other countries around the world as a result of poor lending practices. Canada's banks have remained strong, contributing substantially to economic growth.

Banks remain prudent lenders

While banks understand the importance of providing credit businesses, they also have a responsibility to protect their depositors' money.

Banks continue to make lending decisions on a case-by-case basis, extending credit to those for whom it would be beneficial and who have the capacity to repay the loans. This prudent approach is a key reason why banks in Canada have avoided the financial difficulties that plagued banks in other countries.

Maintaining these sound, fundamental principles of prudent lending is important to Canada's banking system and also in the best interest of all Canadians. The banking industry annually contributes tens of billions of dollars to Canada's GDP, directly employs more than a quarter of a million Canadians in addition to providing financing for businesses across the country.

¹ Statistics Canada, Survey on Finance and Growth of SMEs, 2020; Released March 2022

² Statistics Canada - Table: 36-10-0640-01 (as at December 2023)

³ CBA Business Credit Statistics, June 2023, 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

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