



SMALL BUSINESS

Financing Profiles

SME Financing Data Initiative

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Rural-Based Entrepreneurs

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Highlights in 2004 of the profile of rural-based entrepreneurs

- In 2004, rural-based small and medium-sized enterprises (SMEs) represented 28 percent of the estimated 1.4 million SMEs in Canada, somewhat higher than the 20 percent of the population living in rural Canada.
- The Prairie provinces had the highest share of rural-based SMEs (36 percent), followed by Quebec (24 percent), Ontario (21 percent), the Atlantic provinces (11 percent) and British Columbia (8 percent).
- In 2004, nearly one third of rural-based SMEs operated in agricultural and primary industries, such as mining, fisheries and forestry.
- SMEs located in rural areas are more established, have fewer employees and are more likely to be self-employed operations.
- The financial performance of rural-based SMEs is weaker than businesses based in urban centres.
- Rural-based SMEs are more likely to request formal sources of financing such as commercial credit, and are more likely to be approved.
- More than one third of rural-based SMEs do their day-to-day banking with credit unions and Caisses populaires compared with only 15 percent of urban-based SMEs.
- Rural-based SMEs are more likely to deal with one financial institution for longer periods of time than urban-based SMEs.

Drawing on the comprehensive database of the SME Financing Data Initiative, specifically the Survey on Financing of Small and Medium Enterprises, 2004, this article presents a profile of Canada's rural-based entrepreneurs and examines the unique financing needs and practices of rural-based SMEs and compares them with urban-based SMEs.

DEFINITIONS

Rural-based small and medium-sized enterprises (SMEs) are defined as commercial businesses with fewer than 500 employees and less than \$50 million in revenues. Excluded from the SME population are non-profit or government organizations, schools, hospitals, subsidiaries, co-operatives, and finance and leasing companies.

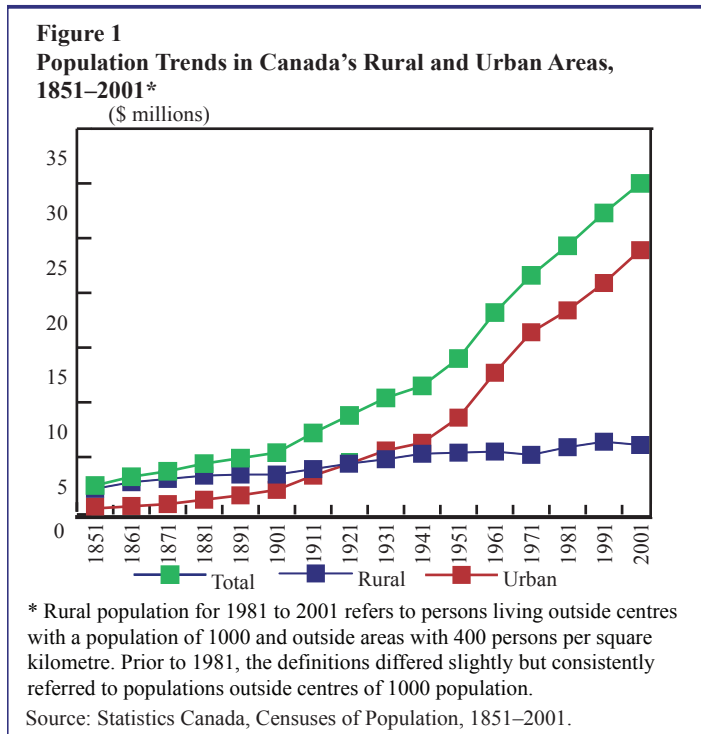
There are several definitions used to categorize rural areas (du Plessis et al., 2001). In this article, unless otherwise stated, Canada's rural areas are primarily identified by postal code — a zero as the second digit in a postal code denotes rural areas.

This definition of rural-based SMEs was extracted from the *Survey on Financing of Small and Medium Enterprises, 2004*. The survey has recently adopted the rural and small town (RST) definition to identify rural areas. RST includes the population living in regions outside the commuting zone of larger urban centres (populations over 10 000). Future research related to the SME Financing Data Initiative will use the RST definition.

POPULATION TRENDS IN RURAL CANADA

Not since 1921 has the population residing in Canada's rural areas exceeded that living in urban centres. While rural areas have experienced a moderate degree of natural population growth since then, it has not matched the rapid pace of growth

in urban areas illustrated in Figure 1.¹ In 2006, only 20 percent of Canadians lived in rural areas.



Many factors contribute to Canada's urbanization. Research has found a steady trend of out-migration from many rural areas, chiefly among rural-based youth (Fellegi, 1996). A "youth exodus" from rural areas has been underway since 1971 as younger people seek education and work experience in urban centres (Tremblay, 2001). At most, only 39 percent of these youth will return to their rural community ten years later (Dupuy et al., 2000). In 2001, the intensity of unskilled occupations was sizably higher in predominantly rural regions, while managerial and professional occupations were more concentrated in predominantly urban regions (Alasia and Magnusson, 2005). Degree holders are more prevalent in larger cities than in rural areas. These developments may present a problem for rural-based businesses that require skilled labour.

¹ Natural population growth (natural increase) occurs when the number of births exceeds the number of deaths.

² Business density measures the number of businesses in a population divided by the number of individuals in that population. Based on 2006 Statistics Canada Census and *Business Register* data, 6 percent of people living in rural areas owned an SME compared with a business density of 4 percent in urban areas.

There is also a tendency for immigrants to head into Canada's urban centres as opposed to rural areas. In 2001, 18 percent of the Canadian population were immigrants and 89 percent of these immigrants were located in urban areas (Beshiri and Alfred, 2002). This trend is significant and has negatively impacted rural-based businesses as it has been estimated that 70 percent of labour force growth in Canada between 1991 and 2001 may be attributed to immigrants.

Substantial changes are also occurring in the rural labour market. Traditionally, employment in many rural areas was highly dependent on businesses operating in the resource sector. As will be discussed later in this article, technological advances and automation are changing the way work is done in these industries. This is particularly the case in agriculture. The agricultural sector is shedding jobs as workers are gradually being replaced by machinery (Mwansa and Bollman, 2005). The Statistics Canada Census of Agriculture even found the number of farms in Canada is decreasing, dropping 11 percent over the five years from 1996 to 2001.

RURAL-BASED ENTREPRENEURSHIP

In 2004, rural-based SMEs represented 28 percent of the estimated 1.4 million SMEs in Canada, or 392 000 firms, somewhat higher than rural Canada's proportion (20 percent) of the overall population (Table 1). This means that Canadians residing in rural areas were more likely to be engaged in entrepreneurship activities than those living in urban centres.²

Table 1 shows that more than half of the SMEs in the Atlantic provinces exist in rural areas, a share in keeping with the 46 percent of the population that is rural based. In all regions, the shares of rural-based SMEs are higher than the shares of the populations residing in rural areas.

Table 1
Regional Distribution of SMEs and Population in Rural and Urban Areas, 2004

	Rural-Based		Urban-Based	
	Population*	SMEs	Population*	SMEs
	(%)		(%)	
Atlantic Provinces	46	51	54	49
Quebec	20	31	80	69
Ontario	15	17	85	83
Prairies	23	46	77	54
British Columbia	15	16	85	84
Yukon, Nunavut and Northwest Territories	46	N/A	54	100
Canada	20	28	80	72

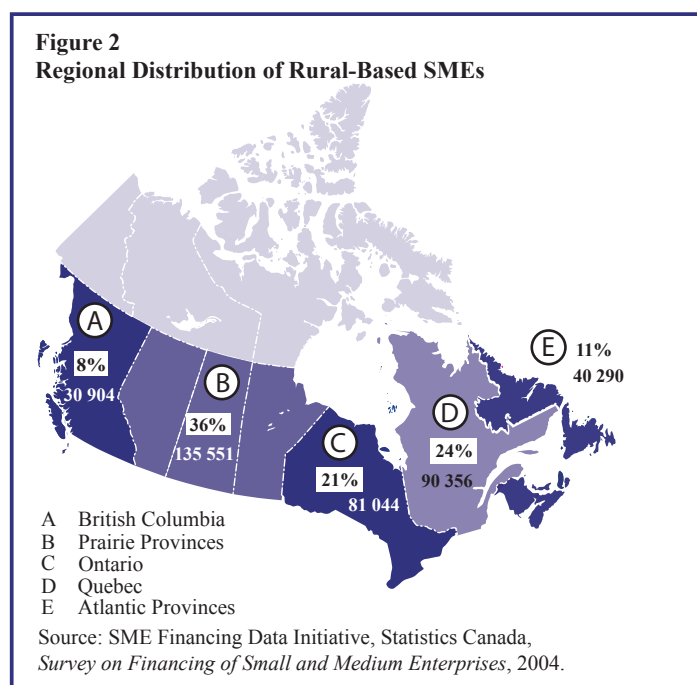
* Statistics Canada's Census defines an urban area as having a minimum population of 1000 persons and a population density of at least 400 persons per square kilometre. All territory outside urban areas is classified as rural. Taken together, urban and rural areas cover all of Canada.

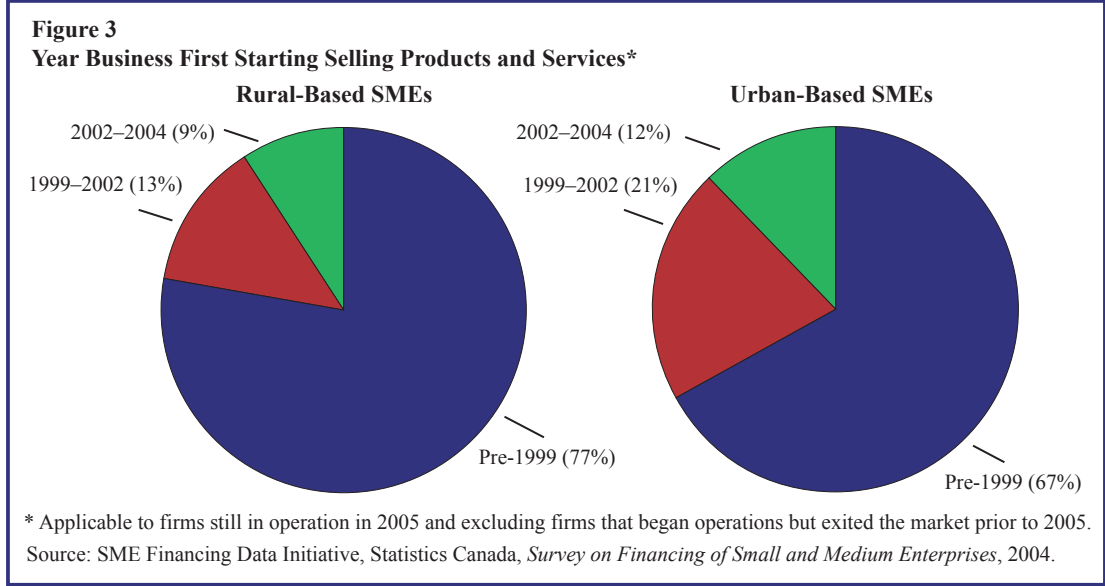
Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004. Statistics Canada, *Census 2001*.

Figure 2 shows how rural-based SMEs are distributed across the country. The highest share is found in the Prairies, with 36 percent, followed by Quebec (24 percent), Ontario (21 percent), the Atlantic provinces (11 percent) and British Columbia (8 percent).

In 2004, rural-based SMEs earned \$216 billion in combined annual revenues compared with \$623 billion earned among urban-based businesses. This translated into 26 percent of total revenues of Canada's SMEs in 2004.

As shown in Figure 3, on average rural-based SMEs have been in operation somewhat longer than firms in urban centres. Approximately 77 percent of rural-based SMEs were over five years old in 2004 compared with only 67 percent of urban-based SMEs. This could mean that between 1999 and 2004 the rate of business start-ups in rural areas lagged slightly behind that occurring in urban areas (4 percent per year, on average, compared with 6 percent in urban areas). Prior research covering the period between 1993 and 1996 also found that the rate of business start-ups was lower in smaller communities than that observed in larger communities (Mendelson, 1999).





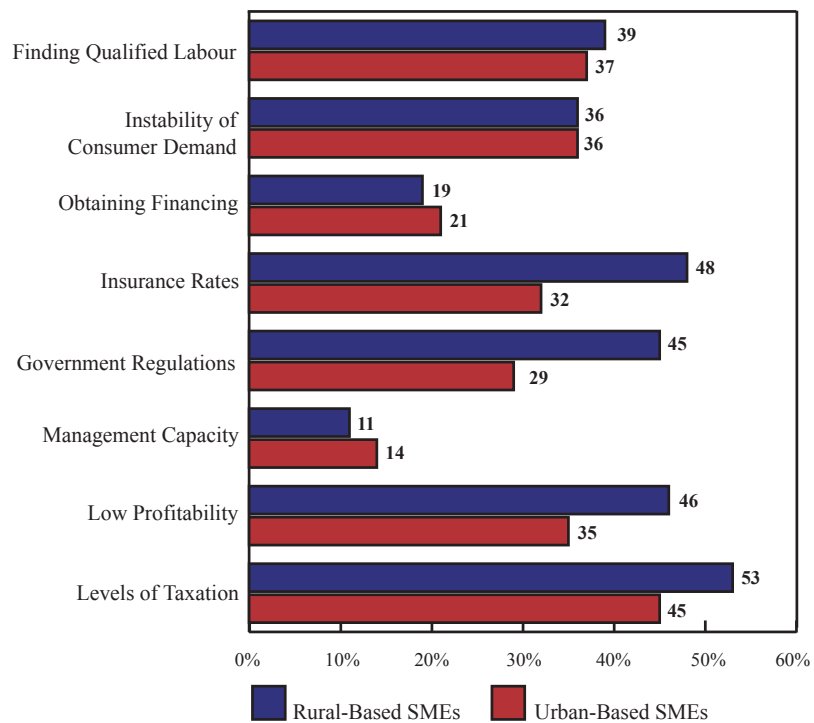
Excluding firms operating in the agriculture sector, however, brings the age profile of rural-based SMEs more in line with that of their urban-based counterparts. Agricultural SMEs and, more specifically, family farms have generally been in business for longer than firms in other sectors. In fact, less than 15 percent of agricultural SMEs were established after 1999.

BUSINESS GROWTH AND PERCEIVED OBSTACLES

To establish and to grow a business can be challenging for entrepreneurs. Rural-based entrepreneurs, and particularly those in remote areas, are likely to face additional impediments

such as increased distance to markets and business services. Figure 4 shows the perceived obstacles to business growth by rural- and urban-based SMEs. A comparison of these obstacles identified by both urban- and rural-based SMEs indicates many similarities on the following obstacles: obtaining qualified labour, obtaining financing, instability of consumer demand and management capacity. Levels of taxation are considered to be the biggest obstacle by both urban- and rural-based SMEs, while management capacity is the smallest obstacle. These findings are similar to those found by St-Pierre and Beaudoin (2002). Rural-based SMEs appear to be affected more by the level of taxation, insurance rates, low profitability and government regulations than their urban counterparts.

Figure 4
Perceived Obstacles to Business Growth and Development



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

PROFILE OF RURAL- VERSUS URBAN-BASED ENTREPRENEURS

Rural-Based Entrepreneurs	Characteristics	Urban-Based Entrepreneurs
13 percent owned by women, 60 percent owned by men and 27 percent are equal partnerships	Gender	18 percent owned by women, 65 percent owned by men and 17 percent are equal partnerships
14 percent are under 40 years	Age	20 percent are under 40 years
70 percent speak English, 24 percent speak French and 6 percent speak a non-official language	First Language	66 percent speak English, 17 percent speak French and 17 percent speak a non-official language
1 percent visible minority, 2 percent Aboriginal and 6 percent disabled	Minority Status	10 percent visible minority, 1 percent Aboriginal and 3 percent disabled
81 percent have more than 10 years	Managerial Experience	65 percent have more than 10 years
6 percent export outside Canada	Export Activity	9 percent export outside Canada
64 percent started from scratch, 22 percent acquired from family member and 13 percent acquired from non-family member	Avenue Used to Become Owner	80 percent started from scratch, 5 percent acquired from family member and 13 percent acquired from non-family member

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

RESOURCE INDUSTRIES PROMINENT IN RURAL CANADA

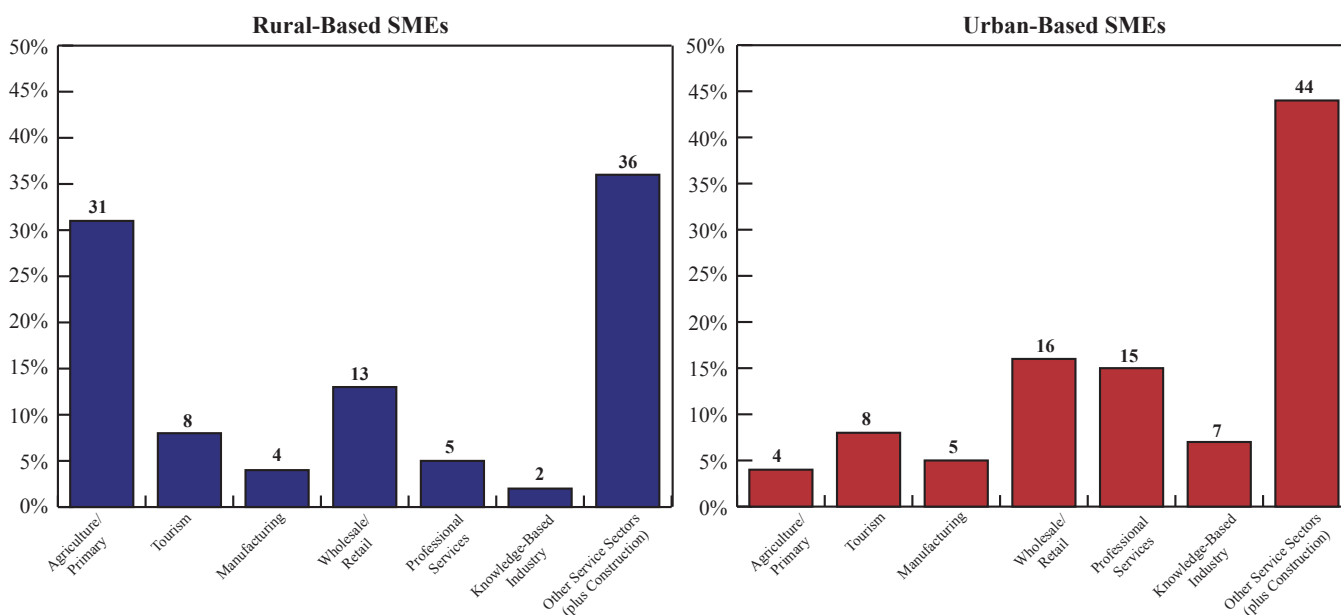
Farming and other primary industries, such as forestry, mining and fisheries, continue to shape Canada's rural countryside and coastal regions, which are reflected in the distribution of firms by industry (Figure 5). In 2004, 31 percent of rural-based SMEs operated in the agriculture/primary sector compared with only 4 percent of urban-based SMEs. This concentration in resource sectors exerts a strong influence on the overall profile of rural-based businesses, as noted earlier in terms of firm age and development.

There are still rural-based SMEs within each industry of the economy, however, although at lower intensities than in urban areas. Figure 5 shows that 36 percent of rural-based SMEs operated in other service sectors (plus construction) in comparison with 44 percent of urban-based SMEs, 13 percent operated in wholesale/retail (versus 16 percent in urban areas), 8 percent operated in tourism (versus 8 percent in urban areas), 5 percent operated in professional services (versus 15 percent in urban areas), 4 percent operated in manufacturing (versus 5 percent in urban areas) and 2 percent operated in knowledge-based industries (versus 7 percent in urban areas).

While rural-based SMEs have a much stronger presence in the resource sectors than in knowledge-based industries, there is a small gap in the rate of research and development (R&D) activity under way in both rural and urban areas. Twenty-six percent of rural-based SMEs reported allocating a percentage of their total expenditures to R&D for products, services and processes in 2004 compared with 30 percent of urban-based SMEs (Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004).

This is indicative of the technological advances occurring in agriculture and resource extraction, which are gradually changing the rural landscape and decreasing the size of its labour force (Reimer and Apedaile, 2000). In fact, technology adoption and automation in the agricultural sector led to the decline of approximately 25 000 jobs between 1991 and 1996 (Keith, 2003). The new reality in rural Canada's resource industries is one of technologically dynamic firms striving to compete globally, which have a greater need for specialized skills among workers (Davis and Hulett, 1999).

Figure 5
Distribution of Firms by Industry Sector, 2004

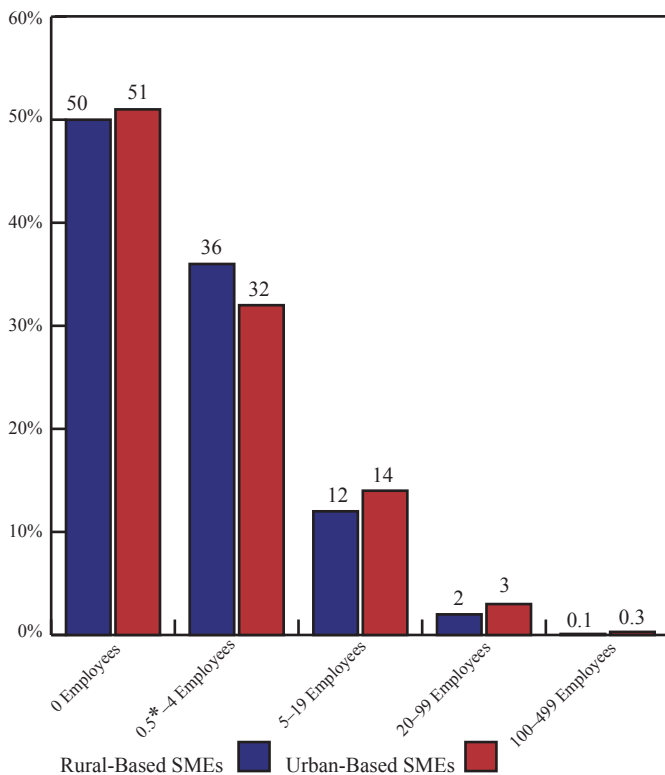


Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

SIZE OF RURAL-BASED SMEs

Although there is a similarity in the distribution by size between rural-based and urban-based SMEs, the concentration of resource-based industries in rural Canada influences the overall size of rural-based firms. In terms of numbers of employees, rural-based firms were found to have somewhat smaller operations than their urban-based counterparts. Figure 6 shows that 86 percent of rural-based firms are micro-businesses, fewer than five employees, compared with 83 percent of urban-based firms.

Figure 6
Distribution of Firms by Business Size, 2004



* Part-time employment corresponds to 0.5 full-time employment.

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

Smaller firm size in rural areas is particularly affected by the presence of agricultural SMEs because a significant portion of farms are self-employed operations. Ninety percent of SMEs in the agriculture/primary sector have fewer than five employees. According to the *Labour Force Survey*, there were over 1.5 million self-employed entrepreneurs in rural areas compared with almost 850 000 in urban centres. This accounted for 65 percent of all self-employment in Canada in 2000, up from 59 percent a decade earlier. Research has shown, however, that the exclusion of farm self-employment activity significantly decreases the difference in self-employment rates between rural and urban areas (du Plessis, 2004).

The strong presence of family farms in rural Canada is also evident in the prevailing method in which rural-based businesses are established. One fifth of rural-based SMEs (22 percent) were acquired from a family member compared with only 5 percent of urban-based SMEs (Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004). Furthermore, a substantial portion of these “family owned and operated” businesses are based out of the home (72 percent of rural-based SMEs versus 48 percent of urban-based SMEs). These characteristics are consistent with SMEs operating in the agricultural sector.

FINANCIAL PERFORMANCE OF RURAL-BASED SMEs

Table 2 presents key financial statement figures for the average rural-based SME in 2004 compared with the average urban-based business. Three common measures of profitability used for this comparison are gross profit margin,³ liquidity ratios⁴ and financial leverage ratios.⁵ The average SME owned by a rural-based entrepreneur has

- a lower gross profit margin compared with urban-based entrepreneurs (26 percent versus 29 percent respectively);
- a weaker ability to meet short-term financial obligations than urban-based entrepreneurs (the average current ratio for rural-based SMEs is 1.4 compared with 1.7 for urban-based SMEs); and
- similar long-term solvency compared with urban-based entrepreneurs (the debt ratios and debt-to-equity ratios of rural-based SMEs were 0.52 and 1.1 compared with 0.53 and 1.14 for urban-based SMEs respectively).

Table 2
Financial Statement Figures, 2004*

		Rural-Based SMEs (Average \$)	Urban-Based SMEs (Average \$)
Balance Sheet Information			
Assets	Current	168 000	211 000
	Fixed	327 000	323 000
	Total	495 000	533 000
Liabilities	Current	119 000	122 000
	Long -Term	141 000	162 000
	Total	260 000	284 000
Equity	Retained Earnings	131 000	137 000
	Total	236 000	249 000
Income Statement Information			
Revenues	Sales	555 000	573 000
	Other Revenues	45 000	52 000
	Total	600 000	625 000
Cost of Goods Sold		409 000	406 000
Net Profit (loss) Before Tax		44 000	N/A
Indicators of SMEs' Performance and Financial Situation			
Profitability Ratios, Gross Profit Margins		26%	29%
Liquidity Ratios (average current ratios)		1.4	1.7
Debt Ratios		0.52	0.53
Debt-to-Equity Ratios		1.1	1.14

* Figures may not add up due to rounding and the absence of some income statement or balance sheet data.

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

³ Gross profit margin = (net sales - cost of goods sold) / net sales.

⁴ Liquidity ratios provide information about a firm's ability to meet its financial obligations over the short run.

⁵ Leverage ratios measure the use of debt and equity for the financing of assets.

FINANCING

Table 3 and Figures 7 to 13 present an overview of the financing activity of rural-based SMEs in 2004 compared with urban-based entrepreneurs. In 2004, rural-based entrepreneurs had a higher demand for debt and lease financing than their urban-based counterparts and a higher likelihood of approval. In fact, 88 and 99 percent of rural-based SMEs were approved for debt and lease financing compared with 77 and 94 percent approval rates among urban-based SMEs respectively. The main conclusions drawn pertaining to financing are:

- Rural-based entrepreneurs have easier access to debt and lease financing as defined by their higher approval rates.
- Rural-based entrepreneurs are more likely to turn to formal means of financing as they become established.
- Rural-based entrepreneurs are greater users of government loans and grants.

A comparison between 2004 and previous surveys for 2000 and 2001 shows a significant fluctuation in requests for debt, lease and equity financing by rural-based SMEs. The request rate for debt financing was 31 percent in 2000, went down to 22 percent in 2001 and increased to 26 percent in 2004. The request rate for lease financing has been declining over time, starting at 9 percent in 2000, declining to 6 percent in 2001 and declining again to 4.7 percent in 2004. There have been no significant differences in approval rates, however, for debt and lease financing for rural-based SMEs.

The high request and approval rates of rural-based SMEs are strongly linked to the agriculture sector, which had the highest debt request and approval rates among all sectors. The high approval ratings may be attributed to the fact that agricultural-based SMEs possess more capital and assets (i.e. landholding and equipment) to pledge as collateral compared with most other SMEs.

Table 3
Financing Request and Approval Rates, 2000, 2001 and 2004

Type of Financing		Rural-Based SMEs	Urban-Based SMEs	Rural-Based SMEs	Urban-Based SMEs	Rural-Based SMEs	Urban-Based SMEs
		2004		2001		2000	
		(%)					
Debt Financing	Request Rate	26	16	22	17	31	21
	Approval Rate	88	77	87	76	87	79
Lease Financing	Request Rate	4.7	2.6	6	8	9	9
	Approval Rate	99	94	98	92	99	97
Equity Financing	Request Rate	1.4	1.1	<1	1	4	2
	Approval Rate	N/A	40	N/A	N/A	81	74

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2000, 2001 and 2004.

CREDIT CONDITIONS FOR RURAL-BASED ENTREPRENEURS IN 2004

- The most requested forms of debt were term loans (44 percent), new lines of credit (24 percent) and short-term loans (19 percent).
- Rural-based entrepreneurs, on average, requested term loans for \$104 000 and were authorized for \$95 000 (\$150 000 requested and \$137 000 authorized for urban-based entrepreneurs).
- For new lines of credit, the average request was for \$71 000, with \$76 000 authorized (\$91 000 requested and \$95 000 authorized for urban-based entrepreneurs).
- For short-term loans, the average request was \$65 000, with \$131 000 authorized (\$141 000 requested and \$261 000 authorized for urban-based entrepreneurs).
- Forty-five percent of rural-based entrepreneurs requesting financing were required to pledge personal assets as security (40 percent for urban-based entrepreneurs).
- Forty-seven percent of rural-based entrepreneurs requesting financing were required to pledge business assets as security (38 percent for urban-based entrepreneurs).
- Business financial statements, personal financial statements and formal applications were the most common documents requested by the credit supplier.

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

SOURCES OF FINANCING

Formal sources of commercial credit, such as term loans and lines of credit, have long been considered the mainstay of small business financing. However, personal equity and credit invested in their businesses are also becoming important sources of capital for small business owners. Figures 7 and 8 list the top ten sources of financing used by rural-based entrepreneurs at the time they started their businesses and as established businesses in 2004, respectively, compared with urban-based business owners.

As shown in Figure 7, informal means of financing, such as personal savings, are one of the most prevalent sources of financing used by both urban- and rural-based entrepreneurs during the start-up phase, with three quarters of businesses relying on personal savings.

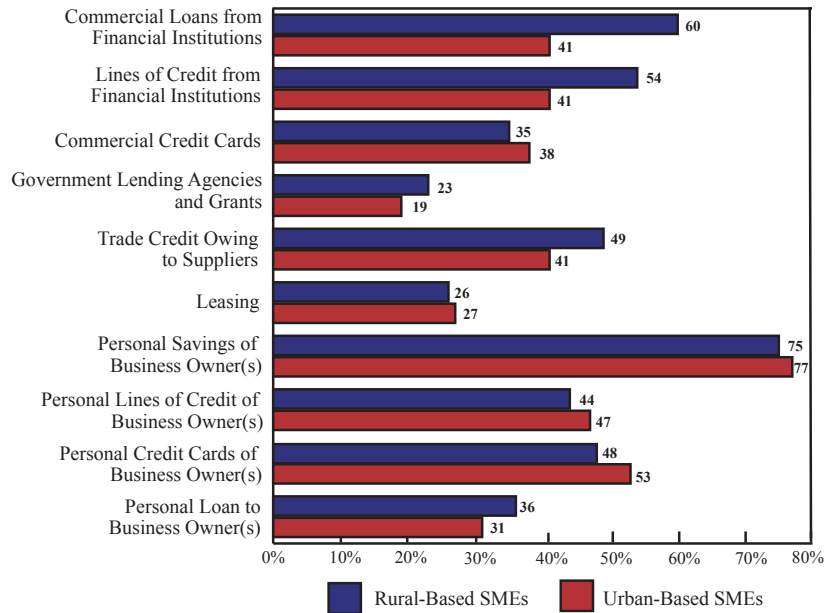
Rural-based SMEs turned to a greater extent to commercial loans (60 percent versus 41 percent) and lines of credit (54 percent versus 41 percent) to fund their start-up phase compared with urban-based SMEs. Greater assets, which could be used as collateral, may account for the fact that rural-based

SMEs are more likely to use formal commercial credit during start-up. This finding is supported by the fact that 47 percent of rural-based SMEs were required to pledge business assets compared with 38 percent of urban-based SMEs. This may be linked to the high concentration of rural-based SMEs in the agriculture sector, which ranks first in the usage of commercial loans and lines of credit.

Government loans and grants are also used more by rural-based SMEs compared with their urban-based counterparts (23 percent versus 19 percent). Once established, both rural- and urban-based SMEs exhibit a shift to more formal sources of financing as illustrated in Figure 8. Once established, rural-based SMEs are less likely to use personal savings of business owners (56 percent versus 75 percent during the start-up phase).

In terms of the type of credit supplier approached, rural-based SMEs are less likely to approach chartered banks for debt financing (47 percent versus 74 percent for urban-based SMEs) (Figure 9). This reflects the fact that rural-based SMEs tend to do business with credit unions and Caisses populaires (32 percent versus 18 percent).

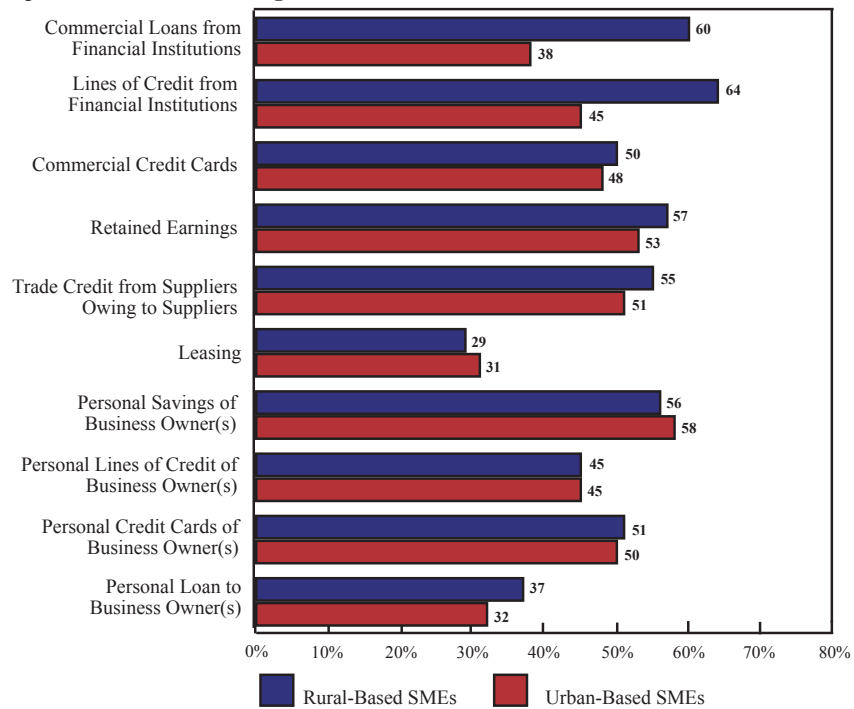
Figure 7
Top Ten Sources of Financing Used During Business Start-up*



* Reported by SMEs operating in 2005 in relation to financing experiences when starting up their business at any time between 1999 and 2004.

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

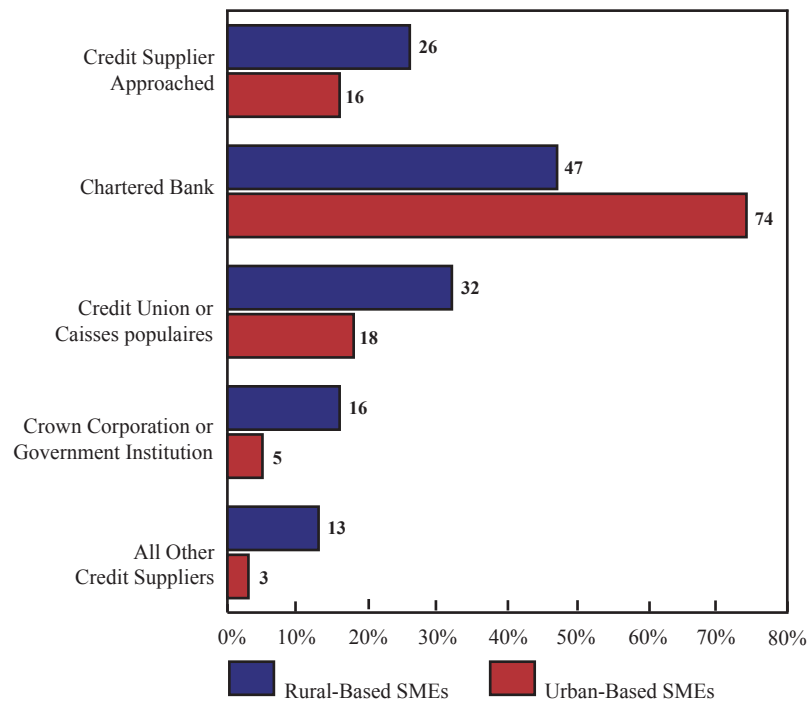
Figure 8
Top Ten Sources of Financing for Established Firms in 2004*



* Includes any source used, regardless of whether it was authorized or obtained in a previous year.

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

Figure 9
Percentage of SMEs that Applied for Debt Financing and Creditor
Types Approached



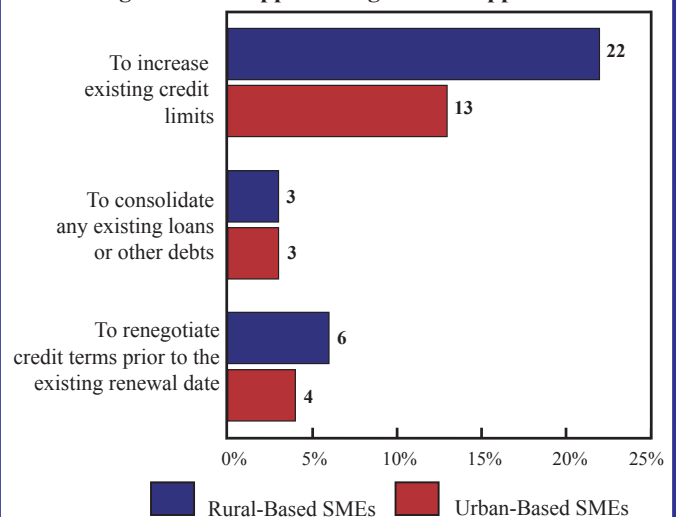
Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

Rural-based SMEs are more likely to deal with one financial institution for longer periods of time than urban-based SMEs. Forty-three percent of rural-based SMEs have been dealing with the same financial institution for more than 10 years compared with 33 percent of urban-based SMEs (Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004).

OTHER FINANCING CHARACTERISTICS

More rural-based SMEs approached their credit suppliers to increase existing credit limits and to renegotiate credit terms prior to the existing renewal date than urban-based SMEs. Figure 10 shows that 22 percent of rural-based SMEs approached their credit suppliers to increase existing credit limits and 6 percent to renegotiate credit terms prior to the existing renewal date compared with 13 percent and 4 percent of urban-based SMEs respectively.

Figure 10
Percentage of SMEs Approaching Credit Suppliers

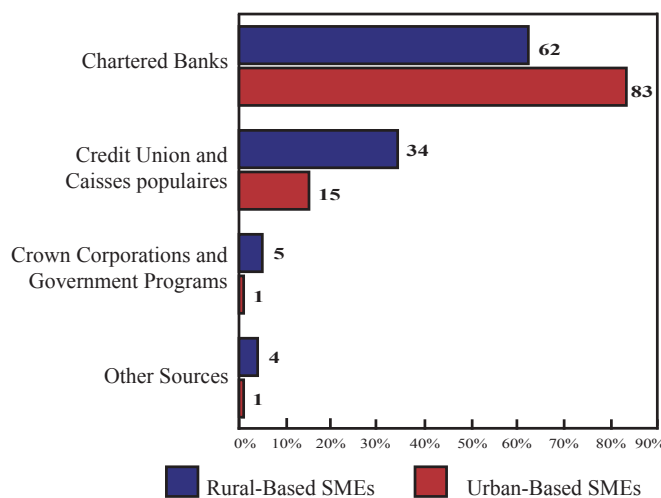


Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

Over one third of rural-based SMEs do their day-to-day banking with credit unions and Caisses populaires compared with only 15 percent of urban-based SMEs (Figure 11). In contrast, 83 percent of urban-based SMEs do their day-to-day banking with chartered banks compared with 62 percent of rural-based SMEs. Even more interesting, rural-based SMEs are five times more likely to do their day-to-day banking with Crown corporations and government programs than urban-based SMEs.

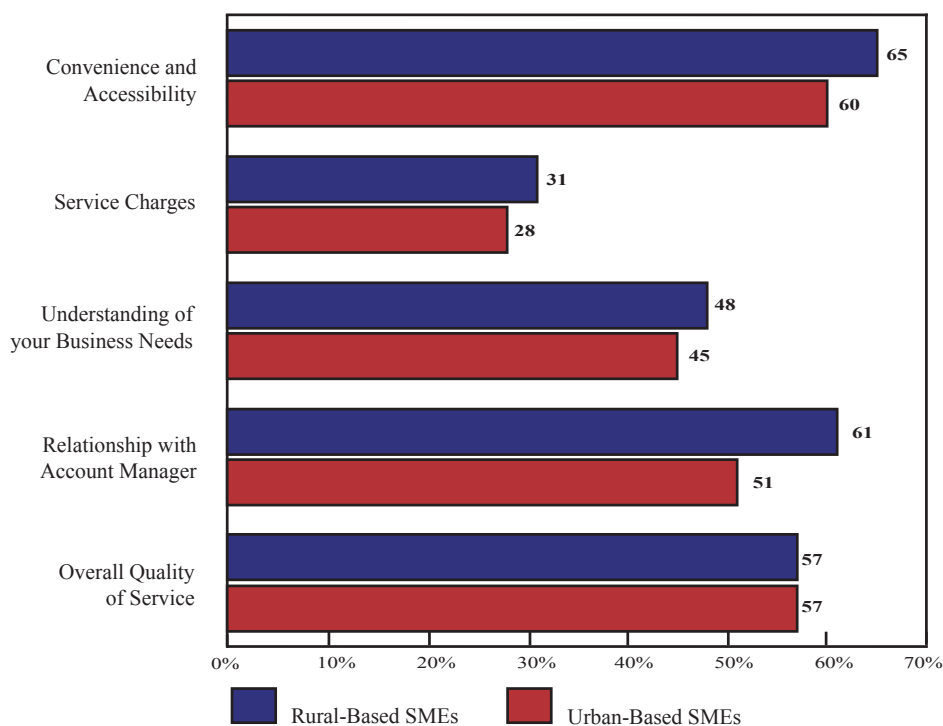
Figure 12 shows the rate of satisfaction of SMEs with their main financial institution. The level of satisfaction is measured according to the following criteria: overall quality of service, relationship with account manager, understanding of their business needs, service charges, and convenience and accessibility. In general, rural-based SMEs are more satisfied with their financial institution than urban-based SMEs.

Figure 11
Type of Financial Institution Where Day-to-Day Banking Business is Conducted



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

Figure 12
Rate of Satisfaction of SMEs with their Main Financial Institution



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

Figure 13 presents information on SMEs' relationship with their designated account manager. Almost half of SMEs, both in rural and urban Canada, have had a designated account manager over the last three years. Both rural-based and urban-based SMEs have had, on average, two account managers over the last three years. Rural-based SMEs are more satisfied with how the account manager changeover was handled than urban-based SMEs (86 percent versus 70 percent).

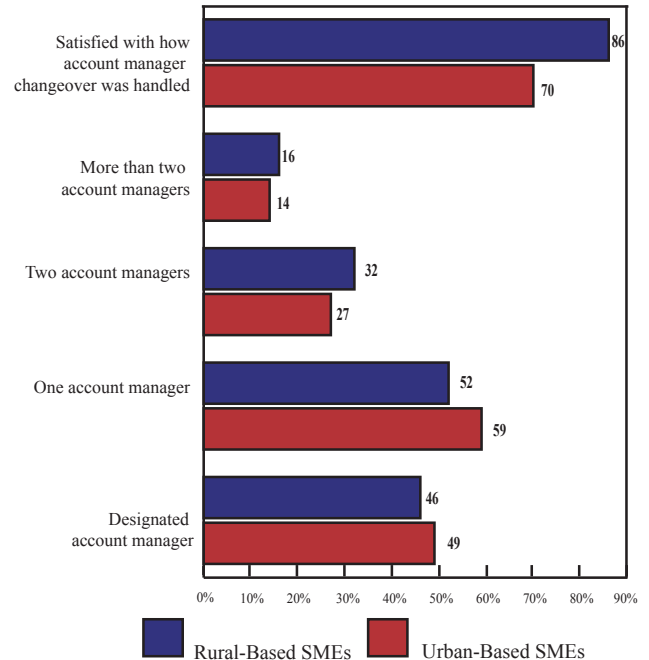
SUMMARY AND DISCUSSION

Canada's rural-based SMEs make a significant contribution to the Canadian rural economy. Overall, rural-based SMEs are proportionally more concentrated throughout the Prairies and the Atlantic region. These regions are known for the greater importance of the agriculture/primary sector, which is consistent with the sectoral distribution of rural-based SMEs.

There are many obstacles facing entrepreneurs wanting to grow or diversify their businesses. The greater challenges perceived by rural-based SMEs, compared with their urban-based counterparts, are finding qualified labour, insurance rates, low profitability, levels of taxation and government regulations.

With respect to access to financing, this profile has shown that rural-based SMEs are more likely to request formal sources of financing, such as commercial credit, leasing and government funding, and are more likely to be approved than their urban-based counterparts. In addition, rural-based SMEs are more likely to approach credit unions or Caisses populaires for financing. More than one third of rural-based SMEs do their day-to-day banking with credit unions and Caisses populaires compared with only 15 percent of urban-based SMEs and rural-based SMEs are more likely to deal with one financial institution for longer periods of time than urban-based SMEs.

Figure 13
Relationship with the Account Manager Over the Last Three Years



Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

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SME FINANCING DATA INITIATIVE

Small Business Financing Profiles is an ongoing series of articles on specific segments of the marketplace and a component of Industry Canada's reporting efforts on SME financing.

Consistent with recommendations in 1999 from the Task Force on the Future of the Canadian Financial Services Sector, the SME Financing Data Initiative is a comprehensive data collection program on SME financing in Canada. In partnership with Statistics Canada and Finance Canada, Industry Canada reports on the supply of, and demand for, small and medium-sized business financing to provide a complete picture of SME financing.

As part of the initiative, Statistics Canada administers a series of national surveys on small and medium-sized enterprises (*Survey on Financing of Small and Medium Enterprises*) and financial providers (*Survey of Suppliers of Business Financing*). Industry Canada supplements these surveys with additional research into niche areas of SME financing.

For further information on the SME Financing Data Initiative and access to statistical findings and reports, visit www.sme-fdi.gc.ca. For information regarding the methodology of the *Survey on Financing of Small and Medium Enterprises*, visit Statistics Canada's website at www.statcan.ca.

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