

Financing Your Small Business

A guide for newcomers to British Columbia



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1. Financing Your Small Businesses

Introduction

One of the most important steps in starting and running a small business is securing adequate financing to keep your business going until you start breaking even.

According to Statistics Canada, the most common sources of financing for small and medium enterprises (SMEs) include:

Source of financing	All <u>SMEs</u>
Personal financing	84%
Financial institutions	45%
Friends or relatives	17%
Government loans, grants, subsidies	5%
Capital leasing	11%
Trade credit	19%
Retained earnings	13%
Angel investors and venture capital	2%
Other	3%

Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2014

In British Columbia there are many options for financial support to help overcome the challenges of starting a new business.

For more information:

- **Funding & Financing. Small Business Accelerator Program**
<https://sba.ubc.ca/business-basics/funding-financing>
- **Survey on Financing and Growth of Small and Medium Businesses, 2020**
<https://www.ic.gc.ca/eic/siTe/061.nsf/eng/03149.html>

2. Establishing a Credit History

In order to obtain financing it is important to establish a good Canadian credit history. Your credit history shows how much money you borrow and how quickly you pay it back. It is then used by prospective lenders to identify the level of risk you present. Unfortunately, your previous credit history in your country of origin won't apply in Canada.

You can build your Canadian credit history by:

- applying for a credit card through a local bank or credit union
- paying all your bills on time
- paying your required credit card payments when they're due
- don't borrow more than you can afford

More information:

- **Credit in Canada. What Every Newcomer Needs to Know**
<https://arrivein.com/finance/credit-in-canada-what-every-newcomer-needs-to-know/>
- **Credit Card Comparison Tool. Financial Consumer Agency of Canada**
<https://itools-ioutils.fcac-acfc.gc.ca/CCCT-OCCC/SearchFilter-eng.aspx>

2. Personal Savings

Much of your start-up funding may come from your personal savings. Advantages to using your own personal savings include:

- you are not indebted to anyone
- you have control over expenses and how you run the business
- you are not paying interest on loans
- you build credibility and create a good impression in the eyes of potential investors

Small Business BC advises that you aim to fund at least 25% to 50% of your business from your own assets. This shows prospective lenders and investors that you are personally assuming some risk, and are committed to your business success. It may also be a requirement for many small business loans.

More information :

- **Newcomer Entrepreneurs in Canada: How to Fund Your Business**
<https://arrivein.com/finance/newcomer-entrepreneurs-in-canada-how-to-fund-your-business/>
- **How to Finance Your Start-up Business, Small Business BC**
<https://smallbusinessbc.ca/article/how-finance-your-start-business/>

3. Bank Loans

Many small business owners obtain loans from local banks and credit unions. Most banks offer programs specifically for newcomers, so be sure to do some research into different programs and services available to you.

Banks look at your total business proposal when deciding if you are a good lending risk and consider factors such as your business plan, cash flow projections, asset base, and viability of your business. To obtain a loan you will be required to make an appointment, bring your business plan, detailed financial information and a summary of your credit history and personal assets.

Find a local credit union:

- **List of Credit Unions of BC**
<https://www.central1.com/list-bc/>

Find a local bank:

- **Member Banks - Canadian Bankers Association**
<https://cba.ca/member-banks>

More information on banking services in Canada:

- **Banking for Newcomers to Canada - Canadian Bankers Association**
<https://cba.ca/newcomers-to-canada>

Business Development Bank of Canada (BDBC)

The Business Development Bank of Canada is a government owned bank dedicated exclusively to entrepreneurs. You may qualify for financing with a BDC Small Business Loan of up to \$100,000.

In addition to business loans, the BDBC provides advisory services and indirect financing to small and medium-sized enterprises across Canada.

More information:

- **Business Development Bank of Canada**
<https://www.bdc.ca/en>

4. Microloans

Microloans are often easier for newcomers to obtain than a traditional bank loan. They are small loans, often less than \$10,000. With microloans, lenders are more concerned with the strength of your business idea and if you have a viable plan than your credit rating or assets.

Microloan programs available in BC include:

- **Women’s Enterprise Centre Loans Program**
<https://we-bc.ca/what-we-offer/financing/>
- **Vancity Credit Union Microfinance programs:**
<https://www.vancity.com/BusinessBanking/Financing/Loans/SmallBusinessAndStartup/>
- **Community Micro Lending**
<https://communitymicrolending.ca/>

5. Government Sources of Financing

The federal and provincial governments offer a variety of programs for small businesses to help you start up, expand or improve your business.

The majority of government funding programs are typically loans, for which you’ll be required to repay the principal amount plus interest.

Loans

- **The Canada Small Business Financing Program**
<https://ised-isde.canada.ca/site/canada-small-business-financing-program/en>
This program makes it easier for small businesses to get loans from financial institutions by sharing the risk with lenders. The federal government guarantees a loan made by the bank - up to a maximum of \$1.15 million - for you to do things such as purchase land, a building, vehicles or equipment to start your business.

Grants and Wage Subsidies

- **Get Youth Working Program (BC)**
<https://www.getyouthworking.ca/employers>
You could receive a negotiated wage subsidy to hire eligible youth between the ages of 15 and 29

- **BC Employer Training Grant**

<https://www.workbc.ca/find-loans-and-grants/industry-and-employers/bc-employer-training-grant>

Provides funding to employers to support skills training for their workforces. You could get up to \$300,000 to help cover the cost of skills training.

To find out about more government programs available to you see:

- **Canada Business Benefits Finder**

<https://innovation.ised-isde.canada.ca>

- **Canada Business Grants and Financing**

<https://www.canada.ca/en/services/business/grants.html>

- **Government Funding Directory. MentorWorks**

<https://www.mentorworks.ca/government-funding/>

6. Non-Profit Organizations

Non-profit organizations are also an excellent source of start-up assistance for newcomers.

Some programs available to you include:

- **Futurpreneur Canada's Newcomer Program**

<https://www.futurpreneur.ca/en/get-started/financing-and-mentoring/newcomer/>

If you're new to Canada and between 18-39 years old, this program provides you with access to valuable coaching/mentorship services and financial resources for starting a new venture.

- **Community Futures**

<https://www.communityfutures.ca/>

This program may provide financing to entrepreneurs in rural BC to start and expand your business

6. Alternative Sources

Angel Investors

An angel investor is a person or firm that invests in your business, usually from their own funds. An angel investor will provide funding in the form of a loan or for a percentage stake in your business. Many angel investors are successful entrepreneurs themselves and can provide you with both financing and business expertise. To get their support you will need a good business plan and a strong “pitch.”

You can find angel investors by business networking or searching online directories including:

- **Angel Forum Canada**
<https://www.angelforum.ca/>
- **National Angel Capital Organization**
<https://nacocanada.com/>
- **Vancouver Angel Technology Network (VANTEC)**
<https://www.vantec.ca/cpages/homepage>
- **How to Find Angel Investors. BDC Canada**
<https://www.bdc.ca/en/articles-tools/start-buy-business/start-business/angel-investors-how-find-them>

Crowdfunding

Crowdfunding is the raising of funds through the collection of small contributions from the general public (known as the crowd) using the Internet and social media. It can represent an alternative to traditional forms of financing your business.

For more information see:

- **Crowdfunding, BDC Canada**
<https://www.bdc.ca/en/articles-tools/entrepreneur-toolkit/templates-business-guides/glossary/crowdfunding>

7. Additional Resources

- **Financial Consumer Agency of Canada**
<https://www.canada.ca/en/financial-consumer-agency.html>
- **Fundica**
<https://www.fundica.com/>
- **Economic Development Funding & Grants Search. Province of BC**
<https://www2.gov.bc.ca/gov/content/employment-business/economic-development/funding-and-grants>
- **Pacific Economic Development Canada**
<https://www.canada.ca/en/pacific-economic-development.html>
- **Your Guide to Government Financial Assistance for Business in British Columbia**
Central Library, 658.1592 Y81
- **Canadian Subsidy Directory**
Central Library, 361.705 C213

Questions? Please ask the Information Staff, Central Library or telephone 604-331-3603.

Please note that the information in this guide is also available online through the Skilled Immigrant InfoCentre website at <https://www.vpl.ca/siic/>