

Attention: Matthieu Boulianne, Clerk of the Committee

Standing Senate Committee on Banking, Commerce and the Economy

The Senate of Canada

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**BRIEF SUBMITTED TO THE STANDING SENATE COMMITTEE ON BANKING,
COMMERCE AND THE ECONOMY**

Study on access to credit and capital markets for small- and medium-sized enterprises as the basis for growth and improved productivity in the Canadian economy

Submitted by: Eric Saumure, CPA, CA, Principal, Zenbooks Tax Services Professional Corporation

Date: September 9, 2026

Evidence relied on: [Zenbooks Financial Clarity Index 2026](#), a nationally weighted survey of 565 Canadian small and mid-sized businesses, published by Zenbooks at zenbooks.ca

Declaration of interest

Zenbooks is an advisory-led fractional finance team serving more than 300 Canadian small and mid-sized businesses. The firm sells bookkeeping, controllership and advisory services. Nothing in this brief recommends the purchase of those services, and none of the recommendations below would increase demand for them. The committee should weigh the submission with that commercial interest in view.

Executive summary

The evidence before this committee contains a disagreement that was never resolved. The Bank of Canada said the binding constraint on small business credit is demand rather than supply, and that federal lending capacity is not being exhausted. Business owners and community lenders said the opposite, and described businesses unable to obtain an operating line of \$50,000.

Both accounts describe accurately what each party can see. They conflict because applications are being counted as demand, and applications are not demand.

Applying for credit costs a business real money before any answer is given. Roughly 15 hours of the owner's time, plus accounting fees to bring records to a standard a lender will accept. That bill arrives when cash is already tight, because tight cash is why the business went looking. Owners who have been declined before can price the exercise and estimate the odds, and many of them stop. In lender and program data those businesses are indistinguishable from businesses that had no need.

Two conditions make non-application a rational choice rather than a defeatist one. The first is that most Canadian businesses do not hold current, decision-ready financial records, so an application begins with reconstruction rather than retrieval. The Zenbooks Financial Clarity Index 2026 measured this across 565 businesses. The second is that a growing share of Canadian businesses are asset-light, and conventional underwriting asks them to pledge security they structurally do not have.

This brief makes four recommendations.

1. Report discouraged borrowing properly. The Survey on Financing and Growth of Small and Medium Enterprises already asks why businesses did not apply, but does so every three years and reports the answer as a subcategory disconnected from creditworthiness.
2. Extend the consumer-driven banking framework to business accounts, on terms that let one data authorization support applications to several lenders.
3. Require reporting on credit outcomes for asset-light businesses, and direct the Business Development Bank of Canada to develop cash-flow-based underwriting for them.
4. Close the underwriting gap in the middle of the Business Development Bank of Canada product ladder.

1. Basis for this submission

I am a Chartered Professional Accountant and a principal of Zenbooks, an advisory-led fractional finance team in Ottawa. We serve more than 300 Canadian small and mid-sized businesses, most with revenue between \$1 million and \$10 million. Our staff prepare the records lenders ask to see. We assemble the packages, answer the follow-up questions, and see what happens next.

In 2026 the firm published the Zenbooks Financial Clarity Index, a national benchmark of how well Canadian small and mid-sized businesses understand and manage their own finances. The Index surveyed 565 businesses and weighted the results to Statistics Canada regional, size and sector distributions. A methodology note appears at the end of this brief, and the full report and data tables are public.

The submission draws on two kinds of evidence and keeps them apart. Survey findings from the Zenbooks Financial Clarity Index are reported as survey findings. Observations from professional practice are labelled as such and make no claim to statistical representativeness.

2. The question the evidence has not settled

The Bank of Canada told the committee the constraint is demand-side, and that programs such as those of the Business Development Bank of Canada are not being fully drawn on. Operators told the committee that demand is obvious to anyone who talks to business owners, and that businesses across the country cannot get small operating lines from commercial banks.

The exchange stopped there. One senator pressed further and was told the difficulty lies in the process itself. That answer is closer to the truth than either of the original positions.

The two sides are counting different things. Lenders and program administrators count applications, because an application is the only demand signal they receive. A business that never applies is, in that data, a business with no need.

This problem is not new to the study of small business finance. The discouraged borrower, a creditworthy business that does not apply because it expects refusal, is a long-standing concept in the literature and has been examined in Canadian data. Canada does measure it, thinly. The Survey on Financing and Growth of Small and Medium Enterprises asks businesses that did not request financing why not. In the 2023 iteration, 50.7 per cent of businesses did not request external financing. Of those, 81.4 per cent said financing was not required. Beneath that headline, 6 per cent were unaware of available sources, 6 per cent expected financing to be too costly, 2 per cent believed a request would be turned down, and 2 per cent found applying too difficult or time consuming.

Three limits make that measure hard to use. The survey runs roughly every three years, and the 2023 results were collected in early 2024 and released in February 2025. The reasons are reported as subcategories under a headline finding that most non-applicants had no need, which is the figure that travels. And nothing in the published output connects discouragement to whether the business would have qualified.

The last limit is the one that matters for policy. A business that did not apply because it had no need, a business that did not apply because it expected refusal, and a business that expected refusal and would in fact have been refused are three different things, and only the third is a market failure. The published data does not separate them.

Federal policy on small business credit is therefore being calibrated against a demand figure that leaves out the businesses the policy exists to reach.

3. What it costs a business to apply

An application is not free. It is priced in the owner's time and in professional fees, and the bill is payable whether or not the loan is approved.

Observed in practice: *A credit application of any substance takes something in the order of 15 hours of the owner's own time. Preparation, document assembly, clarification requests, and the reconstruction of records that were never maintained to a standard a lender will accept. That time comes out of serving clients, collecting receivables and winning work.*

Observed in practice: Applications routinely require accounting work the business would not otherwise have commissioned. Books brought current, statements prepared, forecasts built, all at the owner's expense, before any lender has expressed interest.

Consider when this happens. Businesses go looking for credit because cash is constrained. The application then demands discretionary spending at the point in the year when the business has the least of it, and takes the owner off revenue-generating work at the same moment, in exchange for an answer the owner already expects to be no.

Observed in practice: Owners who have been declined more than once frequently stop applying. They do not describe it as a financing decision. They describe it as not being willing to spend the money and the time again.

Every part of that cost is a policy variable. The hours depend on what lenders require and how many times the owner has to assemble it. The fees depend on the distance between the records a business keeps and the records a lender will accept. Nothing about credit itself fixes either one.

4. Why the cost is high

An application requires reconstruction rather than retrieval because most Canadian small and mid-sized businesses do not hold current, decision-ready financial information. The Zenbooks Financial Clarity Index 2026 measured this directly across 565 nationally weighted businesses.

Findings from the Zenbooks Financial Clarity Index 2026

- The national mean score was 56.7 out of 100. A majority of Canadian small and mid-sized businesses, 56.5 per cent, scored below 60.
- 29.1 per cent of Canadian small and mid-sized businesses track key performance indicators consistently.
- 18.1 per cent have no cash runway or do not know what their runway is: 10.6 per cent report none, and 7.5 per cent report that they do not know.
- 24.9 per cent hold neither an emergency fund nor a credit line.
- 23 per cent of owners do not know what their business is worth.
- Businesses running fully integrated financial systems scored 71.9. Businesses running mostly manual processes scored 44.1. The 27.8-point difference is the widest divide in the dataset.
- Among businesses that made a major investment during the period, 19.3 per cent used a formal return-on-investment calculation, 18.2 per cent decided on judgment without supporting numbers, and 62.5 per cent used basic figures. A further 23.5 per cent of all businesses surveyed made no major investment at all, and those businesses scored 46.3.
- 77.2 per cent of owners rated their own financial management as good or excellent. 43.5 per cent scored in that range.

What these findings do and do not establish

These are associations measured at a point in time. The Zenbooks Financial Clarity Index does not establish that weak financial systems cause credit refusal, and this brief does not argue that they do.

What the Index establishes is the starting position. A business that does not track indicators, does not know its runway and cannot say what it is worth has nothing to hand a lender. The application starts with a build.

Observed in practice: *Lending and grant applications never ask an owner to rate their own financial management. They ask for documents. The barrier is not confidence or self-perception. It is whether usable records exist, and where they do not, somebody has to be paid to create them.*

The gap between the 77.2 per cent who rate themselves well and the 43.5 per cent who score there has a practical consequence for this study. Owners generally do not know, going in, how far their records sit from what a lender will accept. The cost of applying is discovered halfway through, not budgeted for in advance.

5. Why the refusal is predictable

The cost of applying would matter less if the odds were good. For a large and growing category of Canadian business, they are not, and the reason is structural rather than a question of performance.

Commercial lending in Canada is built around security. That model works for a manufacturer with equipment, a contractor with a fleet, a business that owns its premises. It fits poorly with businesses whose value sits in people and contracts, and the committee should test how poorly.

The committee can test the direction of travel without a dataset. Ask any regional economic development agency, Invest Ottawa or its counterpart in any other city, what kind of business is actually being started in their region this year. It is not a manufacturing plant, and it is not capital-intensive. It is a services business, a software business, somebody with an idea and a laptop. If that is what Canada is now producing, and the committee should confirm it rather than take my word for it, then a growing share of new business formation sits outside what conventional lending was built to assess.

Observed in practice: *A professional services business turning over \$1 million a year is a serious operating business by any measure. It also owns almost nothing a lender can take security in. No equipment worth pledging, leased premises, no inventory. Businesses in this position find conventional bank credit very hard to obtain on reasonable terms, and what is available is usually secured against the owner's house.*

The shift to monthly recurring revenue makes this sharper, and in a direction that should concern the committee.

Observed in practice: *Under a monthly subscription or retainer model, a business invoices and collects close to the point of service. Accounts receivable at any given moment are small. Where a lender sizes a facility against the receivables ledger, a business that has improved its cash conversion cycle has simultaneously shrunk the borrowing base it will be assessed on. Getting paid faster reduces the amount you can borrow. And if it collects money ahead of time from clients for good cash flow management practices, it shows up as a deferred revenue liability.*

So a business can do everything the productivity literature recommends, move to predictable recurring revenue, collect promptly, carry no idle inventory, and end up less able to borrow than a slower competitor sitting on aged receivables and depreciating equipment.

This matters for the argument in section 3. An owner in this position who declines to spend 15 hours and several thousand dollars on an application is not being pessimistic. They are reading the underwriting model correctly. Non-application here is an accurate forecast, and no amount of encouragement to apply will change it while the model stays as it is.

6. Where the demand goes

Demand that leaves the regulated lending system does not disappear. It moves into channels no federal dataset captures.

Observed in practice: *Businesses that stop approaching lenders commonly finance through loans from family and friends, or through equity sold to local business owners who have cash on hand. In our practice this is the routine substitute for bank credit, not an exceptional one.*

That bears on something the committee has heard repeatedly. Witnesses described Canada as a country of stranded assets, and raised the drift of business ownership into distant hands as businesses change control with no financing pathway for local buyers.

Informal equity reaches the same destination by a quieter route. An owner who cannot borrow \$200,000, and who sells a share of the business to a local investor instead, has given up permanent ownership to solve a temporary cash problem. Nothing about that transaction appears in an application statistic, an approval rate, or any measure of credit demand.

This is practitioner observation, not survey evidence. The Zenbooks Financial Clarity Index did not ask businesses to identify their financing sources. The 2027 wave will, and I would welcome the committee's guidance on what would be most useful to it.

7. What this brief does not claim

Some of the missing demand is genuine caution rather than discouragement. Owners have told us they will not take on leverage while they cannot judge whether conditions ahead justify it. That is a considered commercial decision and should not be counted as a barrier. On this point the Bank of Canada is partly right.

The difficulty is that nothing in the available data distinguishes the cautious owner from the discouraged one. Both show up as an absence. Policy built on the assumption that the whole gap is caution will keep missing the second group, and at present there is no way to know how large it is. That is the case for Recommendation 1.

The Zenbooks Financial Clarity Index measures financial clarity. It does not measure credit access, approval rates or lender behaviour, and it should not be cited for any of those. It is offered here on one question only: whether Canadian businesses are positioned to produce what an application requires.

The survey is descriptive. Every finding above is an association observed at a point in time, and none of them establishes causation.

Summary of propositions and evidence

Proposition	Evidence in this brief	What government could verify
Some credit demand is hidden by non-application	Federal survey data plus practitioner observation	Increase frequency and reporting depth of existing survey questions
Applications impose material time and fee costs	Practitioner observation	Measure owner hours and professional fees among applicants
Many businesses lack decision-ready financial records	Zenbooks Financial Clarity Index 2026, 565 weighted responses	Compare against federal survey instruments
Asset-light businesses face structural underwriting barriers	Practitioner observation	Business Development Bank of Canada outcome data by asset intensity
A burden discontinuity exists in mid-sized financing requests	Practitioner observation only	Disclosure by financing band

8. Recommendations

Recommendation 1: Measure discouraged borrowers

That the committee recommend that Innovation, Science and Economic Development Canada and Statistics Canada increase the frequency of the financing questions in the Survey on Financing and Growth of Small and Medium Enterprises, and report non-application as a structured measure rather than a subcategory: first, businesses with a financing need that did not apply; second, within that group, those who did not apply because they expected refusal or because applying was too costly or time consuming; third, the observable characteristics of that group, including tangible-asset intensity, revenue and sector, so that the extent of discouragement among otherwise viable businesses can be assessed.

Canada already does something close to this in the labour market. The Labour Force Survey identifies discouraged searchers, people who want work and have stopped looking because they expect to find none, and reports them in the supplementary unemployment rates precisely because the headline rate would otherwise miss them. That measure is monthly, named, and published as a headline series in its own right. The credit equivalent is triennial and buried.

Without it, every other recommendation in this study will be judged against a demand figure that excludes the businesses the recommendation was written for. A measure that reduces discouragement substantially can appear, in the data, to have achieved nothing.

Recommendation 2: Extend consumer-driven banking to business accounts on multi-lender terms

That the committee recommend that a business be able to assemble its financing information once and present it to multiple lenders, and that extending the consumer-driven banking framework to business accounts, on terms permitting a single data authorization to support more than one application, be treated as the first mechanism for achieving it.

Most of the 15 hours in section 3 goes to assembling information the business's own bank already holds. An owner who wants to compare three lenders does that work three times. More often they do it once, are refused, and stop.

Households solved this problem. A homebuyer can find a mortgage broker in a minute, and that broker takes one set of documents to several lenders. Business owners have no equivalent within practical reach.

Observed in practice: *Commercial finance intermediaries do exist in Canada, but most owners have never heard of them, they are not visible in the way mortgage brokers are, and they are typically compensated by the lender rather than the borrower. The person an owner actually turns to is their accountant. Accounting firms are not built for this. We hold no lender panels, we are not compensated for placement, and most firms have no reliable basis for knowing which lender will look favourably on a given file. The owner ends up assembling one package for one lender chosen more or less at random, not a competitive process.*

Data portability does not require the intermediary market to mature first. It lets the business run the comparison itself, and it requires no new spending.

Recommendation 3: Address underwriting for asset-light businesses

That the committee recommend that the Business Development Bank of Canada report application, withdrawal, approval and pricing outcomes by tangible-asset intensity, and that if those data confirm a material access gap among otherwise viable asset-light businesses, the Business Development Bank of Canada assess and pilot proportionate underwriting approaches based on recurring revenue and cash flow.

Section 5 sets out the problem. Services and subscription businesses are a growing share of Canadian economic activity and a shrinking share of what conventional underwriting can assess. If the committee's concern is productivity, this is directly on point: the businesses least able to borrow under the current model are frequently the ones that have already made the operational improvements productivity policy is trying to encourage.

The reporting element matters as much as the underwriting element. Nobody currently publishes how asset-light businesses fare in Canadian credit markets, so the scale of the problem is unknown.

Recommendation 4: Close the middle of the Business Development Bank of Canada ladder

That the committee recommend that the Business Development Bank of Canada disclose, by financing band, its documentation requirements, median time to decision, completion and withdrawal rates, and approval rates. If a discontinuity in applicant burden exists around a particular financing size, it will be visible in that data, and a proportionate tier can be designed against evidence rather than against my impression.

Observed in practice: *The Business Development Bank of Canada runs a streamlined process at the smaller end of its range and a full underwrite above it, with very little between the two. A request in the low hundreds of thousands carries substantially the documentary burden of a request many times its size, which puts the cost of applying badly out of proportion to the amount sought.*

This is the range where a growing business asks for its first real expansion capital. In our experience it is also the range where owners most often abandon the process partway through.

9. Conclusion

The committee has heard a great deal about the supply of capital, from banks, credit unions, development banks, exchanges, securities regulators and private funds. It has heard very little about what happens on the other side of the counter before an application is ever filed.

Many of the businesses this study is concerned with are not being refused. They are not asking. Asking costs money they do not have at the moment they need it, and for asset-light businesses the answer is predictable enough that the expense is hard to justify. Until someone measures that, it will keep being read as an absence of demand.

Methodology note

The Zenbooks Financial Clarity Index 2026 surveyed Canadian small and mid-sized business owners and decision-makers. After quality exclusions, the analysable sample was 565 respondents.

- Responses were weighted to Statistics Canada regional, size and sector distributions using an iterative proportional fitting procedure. The design effect was 1.10, producing an effective sample of approximately 513.
- The sample was drawn from an online research panel. It is a nonprobability sample weighted to national totals and should be read as such.
- All findings are descriptive associations. The survey design does not support causal inference.
- The methodology and weighting approach were reviewed, in an individual capacity and not on behalf of his institution, by an economist at the C.D. Howe Institute. Additional comments were provided by Corinne Pohlmann of the Canadian Federation of Independent Business, by Professor Francois Brouard of Carleton University, and by Professor Ryan Riordan of Queen's University. Professor Riordan is a client of Zenbooks and that relationship is disclosed alongside his comments in the published report.

The full report, the methodology appendix and the underlying data tables are published at zenbooks.ca. The scored dataset is available to the committee or to the Library of Parliament on request, including cuts not present in the published tables.

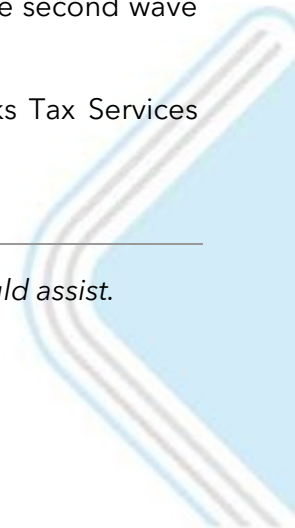
Sources referred to in this brief: Innovation, Science and Economic Development Canada, Survey on Financing and Growth of Small and Medium Enterprises, 2023; Statistics Canada, Labour Force Survey supplementary unemployment rates; and the discouraged borrower literature, of which Kon and Storey (2003), *A Theory of Discouraged Borrowers*, Small Business Economics, is the standard reference.

About the Zenbooks Financial Clarity Index

The Zenbooks Financial Clarity Index is an annual national benchmark of financial clarity among Canadian small and mid-sized businesses, published by Zenbooks Tax Services Professional Corporation of Ottawa. The 2026 edition, the first wave, surveyed 565 businesses and weighted the results to Statistics Canada regional, size and sector distributions. The Index scores five disciplines: awareness, forecasting, decision-making, systems and risk management. The national mean for 2026 was 56.7 out of 100. The second wave fields in March 2027.

Suggested citation: Saumure, E. (2026). Zenbooks Financial Clarity Index 2026. Zenbooks Tax Services Professional Corporation, Ottawa.

I would be pleased to appear before the committee, or to answer written questions, if that would assist.

A stylized graphic in the bottom right corner of the page, showing a blue pen resting on a piece of paper with a light blue grid pattern.