Financing Main Street

- Research series -



Report #1: SME Market Share Among Major Banks

March 2023

Overview

Banking is a vital component of operating a business.

For this reason, the Canadian Federation of Independent Business (CFIB) has been taking note of where small businesses do their banking since the early 1980s. CFIB regularly provides a unique perspective in this area by examining the share of small businesses using specific financial institutions for their banking needs.

This report on 2022 SME Market Share Among Major Banks is the first in CFIB's Financing Main Street series about small business banking to be released over the next few months.

The other two reports in the series will cover:

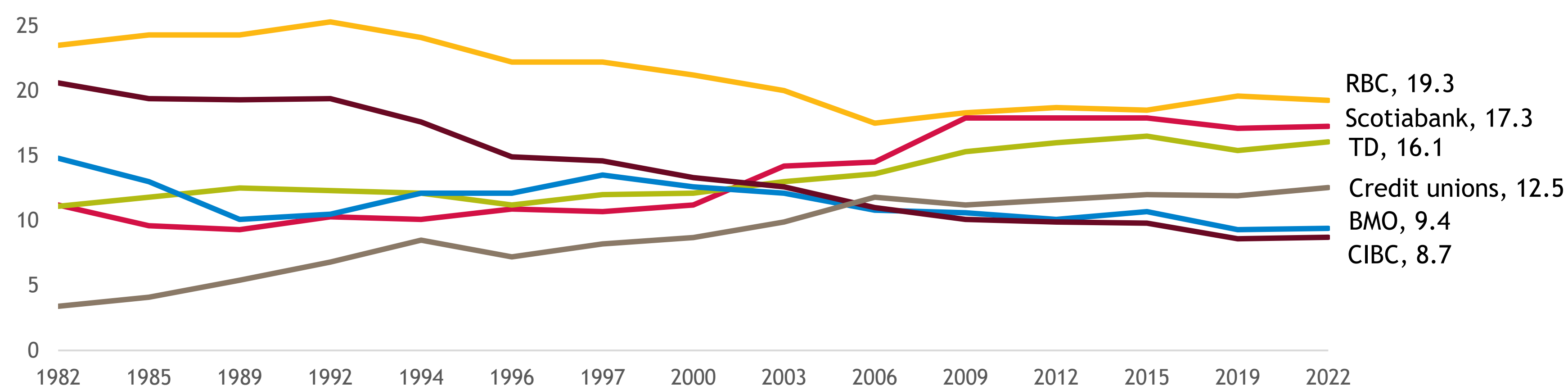
- Small Business Financing Trends
- Banking Customer Service

The research series is based on a survey CFIB conducted with 7,193 Canadian small business owners between October 20 and December 13, 2022.

Key takeaways

- 1 in 10 business owners switched banks at least once between 2019 and 2022; another 1 in 5 have not switched but would like to.
- There have not been any changes in market share rankings among the “Big 5” banks and credit unions for the past 15 years.
- Though RBC retained the top spot in 2022 as the bank with the greatest small business market share (19%) it does not lead any regional markets.
- A business's size impacts which bank they favour. For micro-businesses (0-4 employees) Scotiabank is the most popular (21% market share). RBC is the favourite bank for small (20%) and mid-sized (22%) businesses.

Canadian small business bank market share, 1982-2022 (% response)



Source: CFIB, Banking and Financing surveys, 1982-2022. For 2022: October 20-December 13, final results, n = 7,176.

Introduction

Banking is a vital component of operating a business. The financial institution at which an entrepreneur chooses to bank at can have significant impacts on their bottom line and what opportunities are available to their business. For this reason, the Canadian Federation of Independent Business (CFIB) has been taking note of where small businesses do their banking since the early 1980s. CFIB regularly provides a unique perspective in this area by examining the share of small businesses using specific financial institutions for their banking needs.

Previous editions focused on business owners' primary financial institution where they were currently handling their banking and how trends in small business bank market share have shifted over the years. In this iteration of the report, which is the first update since the COVID-19 pandemic, CFIB takes a closer look at the movement between different banks from 2019 and 2022, and how small businesses make use of secondary financial institutions.

This is the first report in CFIB's banking series with two additional reports to follow. The second report will analyze small business financing trends and the third will cover the level of customer service that businesses receive at their main financial institution.

Methodology

This paper presents findings from the CFIB 2022 National Banking and Financing online survey that was conducted from October 20 to December 13, 2022, and is based on a sample of 7,193 small business owners from across Canada. For comparison purposes, a probability sample with the same number of respondents would have a margin of error of plus or minus 1.2 per cent, 19 times out of 20.

Market shares for credit unions between 2006 and 2015 have been adjusted retroactively to take into account changes in the methodology. Small businesses that did not select "credit union" but wrote a financial institution that is a credit union in their answer are now being considered as if they had selected "credit union".

It should be noted that some business owners responding to the CFIB survey may be participating in exclusive discounts offered by Scotiabank through the CFIB Scotiabank Savings Program.

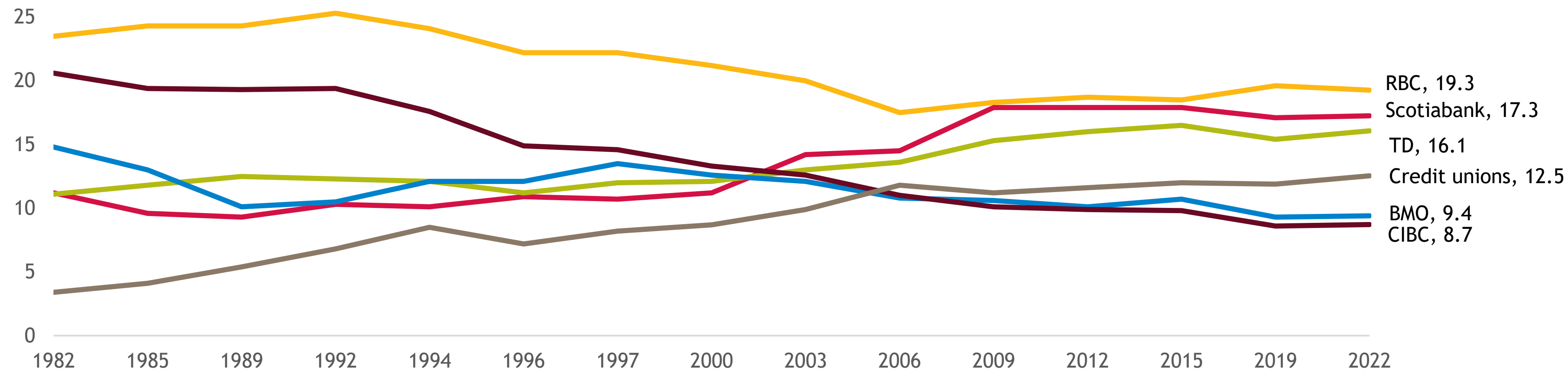
SME market share for main financial institution

Long-term tracking shows significant changes in the main financial institutions that small businesses tend to favour for their primary banking needs. Though it still retained the top spot in 2022 as the bank with the greatest small business market share (19%), going back to the early 80s Royal Bank of Canada (RBC) consistently lost market share until 2006, then stabilized thereafter while some of their competition gained ground.

There has been a clear trend, for example, of credit unions[i] gaining market share within the small business community year over year, which continued in 2022 (Figure 1). Despite some movement in the individual market shares of various financial institutions, there have not been any changes in market share rankings among the "Big 5"[ii] banks and credit unions for the past 15 years.

Figure 1

Canadian small business bank market share, Big 5 and credit unions, 1982-2022 (% response)



Source: CFIB, Banking and Financing surveys, 1982-2022. For 2022: October 20-December 13, final results, n = 7,176.

1 in 5 Canadian small businesses mainly bank with RBC, but its market share lead has decreased over the past 30 years and competitors have gained ground.

There have not been any changes in market share **rankings** among the Big 5 and credit unions in the last

15 years.

Among the Big 5, most have held steady in terms of market share since the last CFIB survey in 2019. Scotiabank[iii] has ranked second in terms of market share since the early 2000s and maintains its place in 2022 with 17%, though it has not made noteworthy gains in the last three years. TD Canada Trust (TD) is the only one of the Big 5 that was able to gain any real ground, and currently holds onto 16% of the market (Table 1). Credit unions (CU) have more than tripled their market share since 1982 and have retained a market share of at least 11% since 2006 and hold 13% as of 2022.

Bank of Montreal (BMO) had been on the decline since 1997 but has managed to maintain a similar market share to 2019, sitting at 9% overall. The Canadian Imperial Bank of Commerce (CIBC) had also been on a significant decline, going from more than 20% market share in 1982 to less than 9% in 2019. As of 2022, CIBC's drop in market share has slowed, remaining largely unchanged from three years ago. The remaining market share held by "All other" institutions (small or regional financial institutions such as Desjardins in Quebec and ATB Financial in Alberta) reported a decline when comparing 2022 to 2019 (Table 1).

Despite some small business customers switching banks, trends show that financial institutions have generally been able to retain a consistent segment of small business bank market share over the years.

Table 1

Canadian small business bank market share - 2000 to 2022

	2000	2003	2006	2009	2012	2015	2019	2022	Change 2019-22
RBC	21.2%	20.0%	17.5%	18.3%	18.7%	18.5%	19.6%	19.3%	-0.3%
Scotiabank	11.2%	14.2%	14.5%	17.9%	17.9%	17.9%	17.1%	17.3%	0.2%
TD	12.1%	13.0%	13.6%	15.3%	16.0%	16.5%	15.4%	16.1%	0.7%
BMO	12.6%	12.1%	10.8%	10.6%	10.1%	10.7%	9.3%	9.4%	0.1%
CIBC	13.3%	12.6%	11.0%	10.1%	9.9%	9.8%	8.6%	8.7%	0.1%
Credit unions	8.7%	9.9%	11.0%	10.6%	11.6%	12.0%	11.9%	12.5%	0.6%
Desjardins	8.4%	8.1%	11.0%	N/A	N/A	6.4%	8.7%	8.1%	-0.6%
ATB Financial	2.2%	1.9%	2.1%	2.0%	2.0%	2.4%	2.6%	2.8%	0.2%
All others	**10.3%**	**8.2%**	**8.5%**	**15.2%**	**13.8%**	**5.8%**	**6.8%**	**5.9%**	**-0.9%**

Source: CFIB, Banking and Financing surveys, 2000-2022. For 2022: October 20-December 13, final results, n = 7,176.
Note: The market share for Desjardins is not available for 2009 and 2012. Small businesses that banked at Desjardins during those years are included in the total for "All others".

Despite having the greatest overall market share in Canada **RBC** does not lead any regional market.

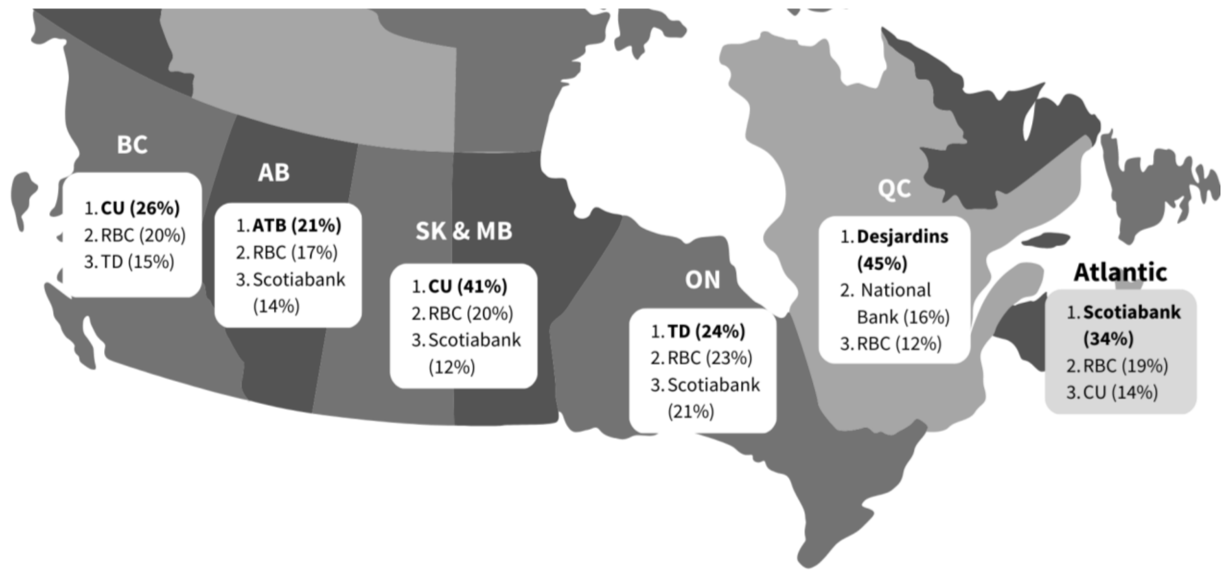
Regional market share for main financial institution

Whereas the national picture of market share reveals who the largest players in banking are for all of Canada, a regional analysis tells a different story. Despite holding the greatest overall small business market share in the country, RBC does not lead any regional market, which may indicate that financial institutions focus their efforts according to regional business banking preferences. Another reason may be that small businesses recognize there is a difference in the level of care and service they receive when dealing with more local or regional banks versus one of the bigger players. That said, RBC still places second in terms of market share in nearly all regions of the country, except for Quebec where they are third (Figure 2).

In Atlantic Canada, though Scotiabank continues to be the most popular bank, retaining a third of the market share in the region, they have experienced a drop since 2019. RBC also still holds a significant market share in the region with nearly one in five small businesses using it as their primary bank (Figure 2), despite their share having dropped over five percentage points in the last three years. Credit unions, on the other hand, experienced an increase compared to 2019, going from 10% to 14%.

Figure 2

2022 Canadian small business market share, by region – Top 3 banks



Source: CFIB, 2022 Banking and Financing survey, October 20-December 13, final results, n = 7,176.

Note: For more detailed results regarding the distribution of market share in each region and changes in market share between 2019-2022, see Appendix.

Financial institutions can still rely on strongholds, with each major region of the country (West, Ontario, Quebec, Atlantic) having a different market leader.

In Quebec, Desjardins remains the dominant main financial institution for small businesses while also gaining market share since 2019, now holding 45% overall (Figure 2). National Bank, which focuses most of its efforts in the province, trails far behind Desjardins but still ranks second with 16% market share, marking a decrease from the 18% it held in 2019.

For their top three banks, Ontario remains a tight market with the top financial institutions falling within three and a half percentage points of each other in terms of market share for the province (Figure 2). TD holds onto the most market share with 24% but is followed closely by RBC (23%), both banks having experienced gains in the province over the last three years. Though it has lost ground since 2019, Scotiabank also holds a significant market share with over one in five businesses (21%) using the bank as their main financial institution (Figure 2).

In Manitoba and Saskatchewan, credit unions continue to rank first and maintain their dominance despite having lost market share since 2019, going from 43% to 41% as of 2022. Regardless, credit unions still hold double the market share of their closest competitor, which is RBC sitting at 20%. In third place, Scotiabank managed to make some gains in market share (Figure 2) in the last three years, while the other financial institutions with a presence in the region stayed relatively unchanged or saw their market share drop (Appendix).

For Alberta, while ATB Financial’s market share had been increasing year over year, in 2022 they experienced a drop. The financial institution still has the greatest presence in the province, however, with 21% market share overall. Once again, RBC maintained its second-place rank with 17% market share. While TD previously held the third spot in Alberta, in 2022 it dropped to fifth place after losing nearly two percentage points in its market share in the province. This also occurred as a result of Scotiabank making significant gains, increasing from 12% to 14%, and credit unions having made some headway in the last few years. These shifts highlight that Alberta was the province that experienced the greatest movement since 2019.

In British Columbia, credit unions were once again the top financial institutions used by small businesses and gained significant market share compared to 2019, going from 21% to 26%. This increase solidified credit unions’ lead over RBC, which ranks second in terms of bank market share for the province at 20% (Figure 2). While British Columbia was previously one of the more balanced markets for small business, the range in market share for the top four financial institutions has nearly doubled since 2019, following the significant gains made by credit unions in recent years.

The most popular choice of main financial institution among the **micro-businesses** (which make up half of the market) is **Scotiabank.**

RBC is the favourite bank for **small and mid-sized businesses** (the other half).

Market share for main financial institution by business size

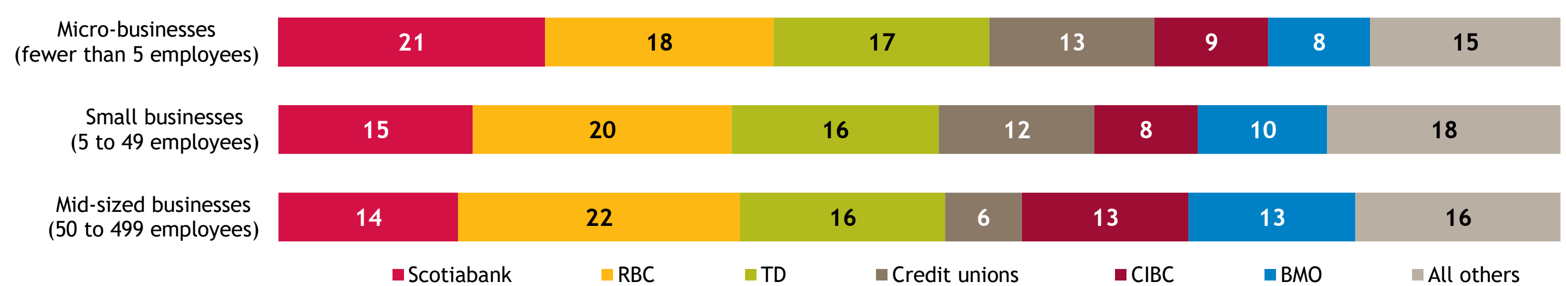
The banks that small businesses tend to favour also vary significantly by their size. For micro businesses (those with less than five employees), Scotiabank holds the greatest market share with 21% (Figure 3), while their presence considerably decreases among businesses in larger size categories. For small businesses (those with five to 49 employees) and mid-sized businesses (those with 50 to 499 employees), RBC holds the greatest market share for both size categories while also ranking second among the smallest businesses. This trend has held steady since the last time this study was conducted in 2019.

TD's market share is similar across different business sizes, suggesting that they are making a balanced effort to appeal to both smaller and mid-sized businesses. Credit unions are doing well among both micro and small businesses, but their market share decreases significantly among mid-sized businesses. In contrast, CIBC and BMO both hold more market share among businesses with a greater number of employees, and much less among smaller businesses. This continues a similar trend that has been observed over the last few years and may indicate that these banks are shifting their focus to larger businesses (Figure 3).

These results suggest that different banks tend to place their focus on different segments of the small business market. While Scotiabank and credit unions report higher numbers of micro-businesses choosing them as their main financial institution, the opposite is true for RBC, BMO and CIBC. As this particular trend has been consistent over the years[iv], it is likely a defined part of most of the Big 5 banks' strategies to target businesses of particular sizes to use their services. Included in "All others", the smaller, regionally based banks, Desjardins and ATB Financial, hold greater relative market share with businesses in the first two size categories – 7% and 3% for micro-businesses and 9% and 3% for small businesses, respectively.

Figure 3

2022 Canadian small business market share, by business size (% response)



Source: CFIB, 2022 Banking and Financing survey, October 20-December 13, final results, n = 7,176.

Market share for main financial institution by sector

When examining the distribution of market share across the sectors, RBC holds the greatest market share for half of all sectors and the second greatest market share in five of the remaining seven (Table 2). Within the sectors where it holds the greatest market share, as of 2022 RBC has a comfortable lead over whatever financial institution holds the second most.

Considering the sizes of the sectors themselves, however, in terms of the share of firms they represent within Canada’s small business population, some additional trends are evident. While RBC leads the market across the majority, those sectors tend to be smaller, with five out of seven of them each making up 5% or less of the overall small business community. Within the larger sectors, the top three spots for market share are more varied across financial institutions. For example, the Finance, Insurance and Real Estate, Professional Services and Construction sectors make up half of all small businesses in Canada, and each one reports a different bank holding the greatest market share (Table 2).

Among the remaining major sectors, Scotiabank holds the most market share in Retail (19%) and Personal Services (19%), beating out RBC by a small margin, and in the Social Services (29%) sector, where they hold a comfortable lead over TD (20%) (Table 2). TD holds the greatest market share among Professional Services (23%) and Hospitality (20%) businesses, while credit unions hold the most for Agriculture (20%) and BMO holds the most for businesses in Finance, Insurance, Real Estate & Leasing (20%).

Among the largest major sectors, the **top three** ranked spots for market share are **varied** across the Big 5 banks.

RBC, Scotiabank and TD top the rankings in market share by sector.

Together, they hold at least half the market share in each sector, with notable exceptions in Natural Resources (48%), Transportation (42%) and Agriculture (36%).

Table 2

2022 Canadian small business market share, by sector

Economic sector	*% of all SMEs in Canada*	RBC		Scotiabank		TD		BMO		Credit unions		CIBC		All others
Fin., Ins., Real E. & Leas.	**28%**	3	17%	2	18%	4	15%	1	20%	5	11%	6	9%	13%
Prof. Services	**12%**	2	18%	2	18%	1	23%	5	9%	4	10%	5	9%	14%
Construction	**10%**	1	21%	2	14%	2	14%	5	9%	4	13%	6	8%	21%
Social Services	**9%**	3	19%	1	29%	2	20%	4	9%	5	8%	6	6%	9%
Pers., Misc. Services	**7%**	2	18%	1	19%	3	15%	4	8%	3	15%	4	8%	17%
Retail	**6%**	2	18%	1	19%	3	15%	5	9%	4	14%	6	8%	17%
Transportation	**6%**	1	19%	3	12%	4	11%	4	11%	4	11%	2	13%	24%
Agriculture	**6%**	2	13%	4	12%	5	11%	2	13%	1	20%	5	11%	20%
Ent. & Admin. Mgmt.	**5%**	1	23%	2	18%	2	18%	5	9%	4	11%	5	9%	12%
Hospitality	**3%**	2	19%	4	15%	1	20%	6	6%	3	16%	5	8%	16%
Arts, Rec. & Info.	**3%**	1	21%	2	16%	2	16%	4	15%	5	12%	6	8%	12%
Wholesale	**3%**	1	22%	3	15%	2	16%	4	11%	6	8%	5	9%	19%
Manufacturing	**2%**	1	20%	3	16%	2	17%	4	10%	6	8%	5	9%	20%
Natural Resources	**1%**	1	23%	2	16%	5	9%	6	8%	4	12%	3	15%	18%

		RBC	Scotiabank	TD	BMO	Credit unions	CIBC
1st place	1	7	3	2	1	1	0
2nd place	2	5	6	6	1	0	1
3rd place	3	2	3	2	0	2	1
	Total	**14**	**12**	**10**	**2**	**3**	**2**

Sources: 1) CFIB, 2022 Banking and Financing survey, October 20-December 13, final results, n = 7,176.

2) Statistics Canada, Table 33–10–0493–01 Canadian Business Counts, with employees, December 2021.

Note: Row totals may not add to 100% due to rounding.

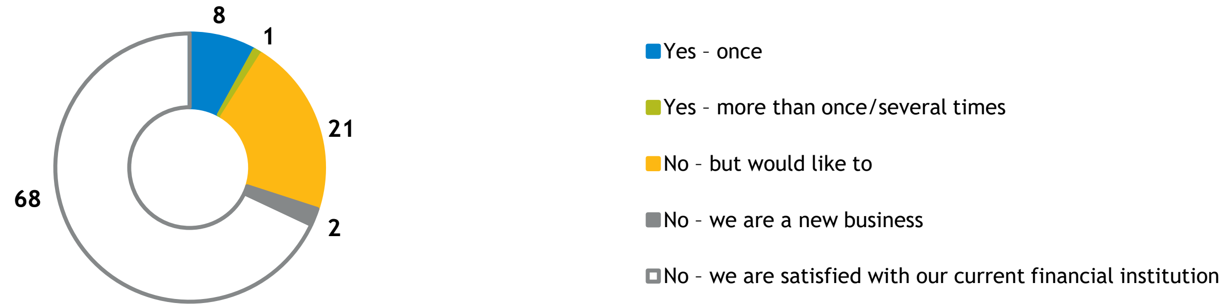
Movement between main financial institutions

Shifts in overall market share for businesses' main financial institution are tied to how many and which businesses have chosen to switch financial institutions. About one in 10 small business owners reported that they switched financial institutions at least once between 2019 and 2022, while another one in five indicated that they had not switched but would like to (Figure 4). The small business owners that had not changed financial institutions or considered it were either new or sufficiently satisfied with their current bank.

Among business owners that did decide to switch to a new financial institution, the banks that reported the greatest relative loss compared to their original customer base were HSBC (15%) and National Bank (12%). Among the Big 5, the greatest losses were experienced by TD (8%) and CIBC (8%). Conversely, the bank that reported the lowest relative loss of customers since 2019 was Desjardins, which recorded a 4% loss among customers that switched financial institutions once.

Figure 4

Canadian small businesses that have switched to a new financial institution between 2019 and 2022 (% response)



Source: CFIB, 2022 Banking and Financing survey, October 20-December 13, final results, n = 7,138.

1 in 10 Business owners have switched banks at least once between 2019 and 2022.

While Desjardins reported the lowest relative customer loss, HSBC had the highest.

Across financial institutions, TD and credit unions were those that gained the most overall market share between 2019 and 2022.

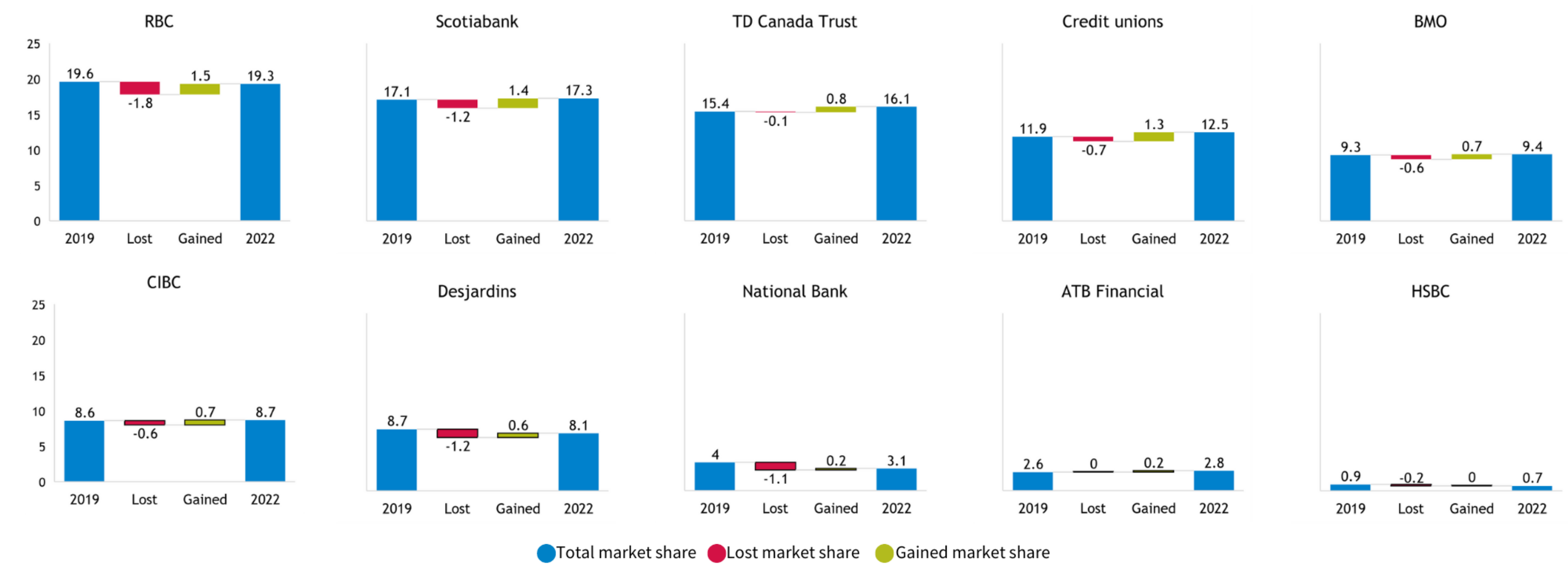
These institutions were able to attract new customers while also limiting their losses.

It is also telling to examine which institutions businesses tended to choose after leaving their previous bank. Of switchers, most businesses redirected their banking activities to RBC (Figure 5). We can estimate that 1.5 percentage points of RBC's current market share was established by small business customers that have switched to the bank in the last three years, which is the highest gain made by any bank. That said, RBC's relative gains were not enough to offset its loss in customers since 2019 – RBC reported the greatest loss across all banks with -1.8 percentage points. For most of the remaining Big 5 banks, only small gains in market share were made due to their relative share of customers gained only outweighing their total customers lost by a small margin.

Across financial institutions, TD and credit unions were those that gained the most net market share since 2019, at 0.7 and 0.6 percentage points, respectively. While these shares are small, as those banks managed to gain more customers than they lost, they provide a clear explanation for the observed increases. Credit unions, for example, reported a -0.7-percentage point loss in customers but were also among the top three destinations for customers leaving their previous financial institutions. While TD was not among the top three destinations of new banking customers, the financial institution stands out for reporting the second lowest relative loss of customers (-0.1 percentage points) (Figure 5).

Figure 5

Market share lost and gained by bank switchers between 2019 and 2022, by financial institution (% response)



Source: CFIB, 2022 Banking and Financing survey, October 20-December 13, final results, n = 548.

Overall, the most popular new banking destinations for small businesses that switched their main financial institutions were RBC, Scotiabank and credit unions.

Taking a closer look at the breakdown for where businesses chose to redirect their day-to-day banking needs based on their previous banks, there are some clear differences in choice depending on a business's original institution. Among the small business clients that were lost by RBC, about one in four chose to redirect their main financial banking services to "All other" institutions (24%), which includes smaller banks like ATB Financial and Desjardins. Credit unions (22%) and Scotiabank (19%) were also popular destinations for small business customers that previously banked with RBC (Table 3). Interestingly, over a third of the customers that were lost by credit unions redirected their business to RBC (38%) and another 29% switched to Scotiabank. For the remaining of the Big 5 banks, TD, CIBC and BMO, their previous small business customers tended to gravitate towards Scotiabank, RBC or one of their other larger competitors.

Table 3

Destination of small business customers that switched between 2019-2022, by previous financial institution

New financial institution → / *Old financial institution ↓*	RBC	Scotiabank	TD	CIBC	BMO	Credit unions	All others	
RBC	0	19%	13%	7%	15%	22%	24%	100%
Scotiabank	20%	0	16%	16%	19%	21%	8%	100%
TD	20%	18%	0	9%	16%	19%	18%	100%
CIBC	21%	22%	15%	0	7%	16%	19%	100%
BMO	24%	24%	9%	13%	0	13%	17%	100%
Credit unions	38%	29%	10%	13%	3%	0	7%	100%

Source: CFIB, 2022 Banking and Financing survey, October 20-December 13, final results, n = 527.

Note: Desjardins, National Bank, ATB Financial and HSBC are included in the "All others" category due to small individual sample sizes (<20).

Top 3 reasons for switching banks

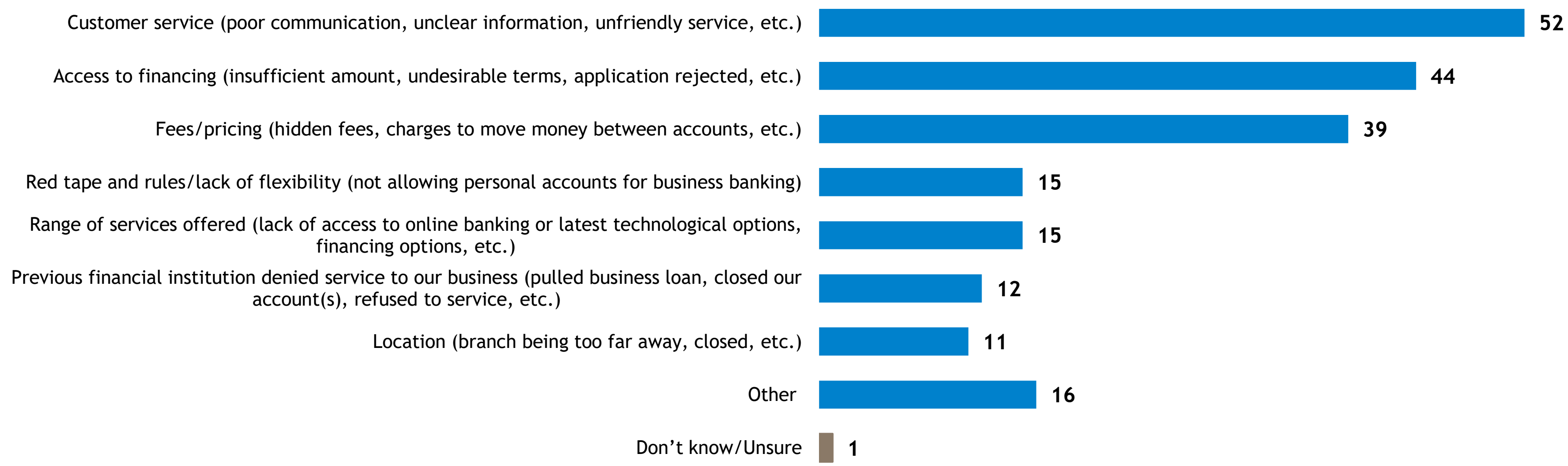
1. Poor customer service (52%)
2. Issues with accessing financing (44%)
3. Fees/pricing (39%)

When it came down to why they switched, business owners identified a variety of reasons for leaving their previous main financial institution. The top issue highlighted by more than half of businesses was poor customer service (such as poor communication, unclear information and unfriendly service) (52%) (Figure 6). For additional information regarding the level of service provided to small businesses by their account managers, CFIB provides a deeper level of analysis in its Banking Service Report Card 2020[v]. This analysis will be updated and released in the coming months as the third report in CFIB's banking series.

Just under half of business owners also expressed issues related to accessing financing for their business (44%) and two in five (39%) did not like the fees/pricing they were being charged for the services that they were receiving (such as hidden fees or being charged for moving money between accounts). While it was not a top issue, over one in 10 businesses that switched had been denied service by their old financial institution (12%). This is referred to as "de-marketing" a client and can include actions such as pulling a business loan, closing bank accounts, or refusing to provide service altogether.

Figure 6

Reasons Canadian small businesses switched financial institutions (% response)



Source: CFIB, 2022 Banking and Financing survey, October 20-December 13, final results, n = 593.

Note: Respondents were able to select more than one answer choice. Percentages will not add to 100%.

Among the **Big 5 banks**, lost small business customers were most likely to cite poor customer service as a reason why they decided to switch.

For **smaller financial institutions**, issues with accessing financing was the most common problem.

The "Other" category also revealed that many small business clients had negative experiences when it came to the account manager that they were assigned at their previous bank. The general sentiment was that account managers do not take the time necessary to understand their clients' business. Some also revealed that their old bank switched their account manager for no reason, forcing them to explain their business to a new representative. Others diminished the level or range of services that businesses had been able to access through their account managers[vi].

Business owners' top reasons for switching banks varied according to which financial institution they were deciding to leave. Among the Big 5, across the board small business customers cited customer service as being the top issue (Table 4). Across these banks, BMO had the highest share of lost clients identifying customer service as an issue (65%) while RBC had the lowest (46%). Small business owners have often indicated that the service they receive from larger banks is not fully up to the standards they expect[vii], so it is not surprising that poor customer service is resulting in lost customers. If the Big 5 want to retain their small business clients, customer service should be a primary area in which to focus efforts on improvement.

Among smaller financial institutions, the most common reason for switching was due to issues with accessing financing. Small business owners that left National Bank reported the highest share of lost customers across all banks citing this reason (63%). Small business owners that left Desjardins and credit unions were also likely to identify access to financing as a reason for deciding to switch to a new financial institution. Difficulties in accessing financing, whether it is altogether or by only being able to access a smaller amount than requested, can often be a challenge for entrepreneurs that choose to bank at smaller financial institutions. While these banks tend to provide a higher level of service to their customers, they also tend to be less equipped to provide the flexibility and level of financing required as they have fewer resources than larger banks.

In terms of the other reasons that business owners identified for switching, TD reported the greatest share of previous customers reporting that fees and pricing (46%) and red tape and rules (19%) were one of their reasons for deciding to switch banks. Bigger banks were also more likely to de-market their clients, with BMO and RBC tying for the greatest share of old customers saying this was one reason they chose to leave (16%). For range of services offered and location, it was credit unions that have been lacking in those areas according to small businesses. Credit unions could take steps to improve their service offering, as over a third of businesses that left a credit union identified this as a reason, compared to a national average of only 15% (Table 4).

Business owners' top reasons for switching banks varied according to which financial institution they were deciding to leave.

Table 4

Reasons for switching by financial institution - Canadian small businesses, 2019-2022

Factor / *Previous institution*	**Customer service**	**Access to financing**	**Fees/ Pricing**	**Red tape and rules**	**Range of services**	**De-marketed**	**Location**
Overall	**52%**	**44%**	**39%**	**15%**	**15%**	**12%**	**11%**
BMO	**65%**	47%	42%	**9%**	12%	16%	**9%**
CIBC	**59%**	44%	49%	16%	13%	13%	**10%**
*National Bank**	59%	**63%**	34%	16%	13%	**6%**	**0%**
Scotiabank	**57%**	38%	43%	17%	**4%**	12%	9%
*ATB Financial**	55%	**60%**	25%	-	15%	15%	**10%**
TD	**53%**	44%	46%	19%	16%	**11%**	13%
RBC	**46%**	38%	42%	14%	10%	16%	**8%**
Credit unions	43%	**49%**	20%	16%	34%	**8%**	18%
*Desjardins**	40%	**47%**	40%	13%	**10%**	**10%**	**10%**

Source: CFIB, 2022 Banking and Financing survey, October 20-December 13, final results, n = 593.

Notes: 1) *Small sample (<40).

2) Respondents were able to select more than one answer choice. Percentages will not add to 100%.

3) HSBC is excluded from this table due to small survey sample size.

39%

of **HSBC** customers would like to switch to a new financial institution.

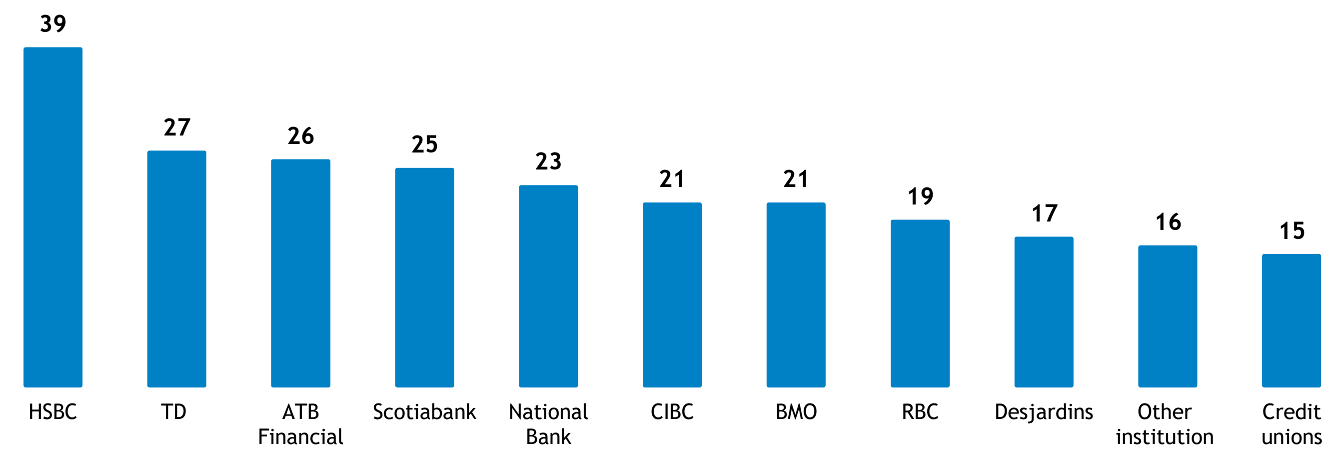
Businesses considering making the switch

In addition to the 9% of business owners that actually left their previous main financial institution, more than one in five businesses did not switch yet but would like to. The bank with the greatest number of businesses considering switching to a new financial institution is HSBC (39%), followed by TD (27%), ATB Financial (26%) and Scotiabank (25%). At the opposite end, credit unions have the lowest share of businesses (15%) saying they would like to switch to a new financial institution, followed by Desjardins (17%) (Figure 7).

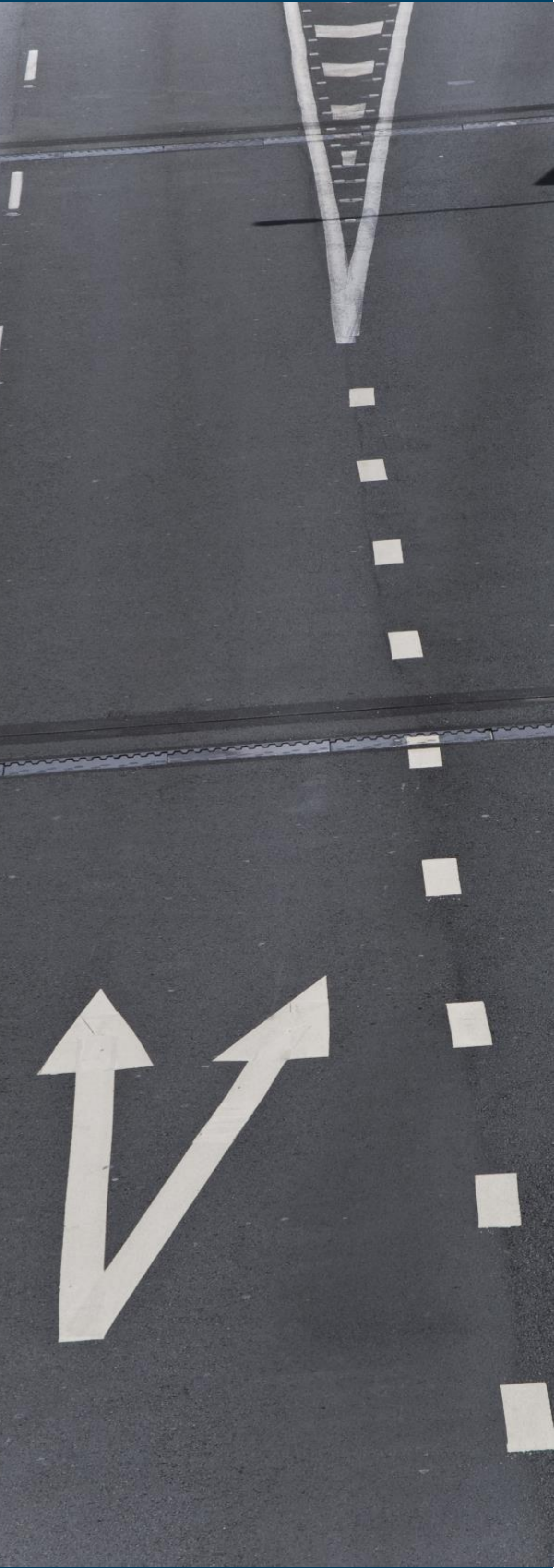
If these financial institutions with a greater share of small business clients toeing the line of switching to a new provider would like to retain their market share among small businesses, they should invest in resources to explore what is influencing these entrepreneurs' concerns. Looking back to businesses that did choose to leave these banks in search of a better fit, the main reasons cited for switching were customer service and access to financing, so those would be good areas to start.

Figure 7

Canadian businesses that have not switched to a new financial institution yet but would like to, by financial institution (% response)



Source: CFIB,2022 Banking and Financing survey, October 20-December 13, final results, n = 1,531.

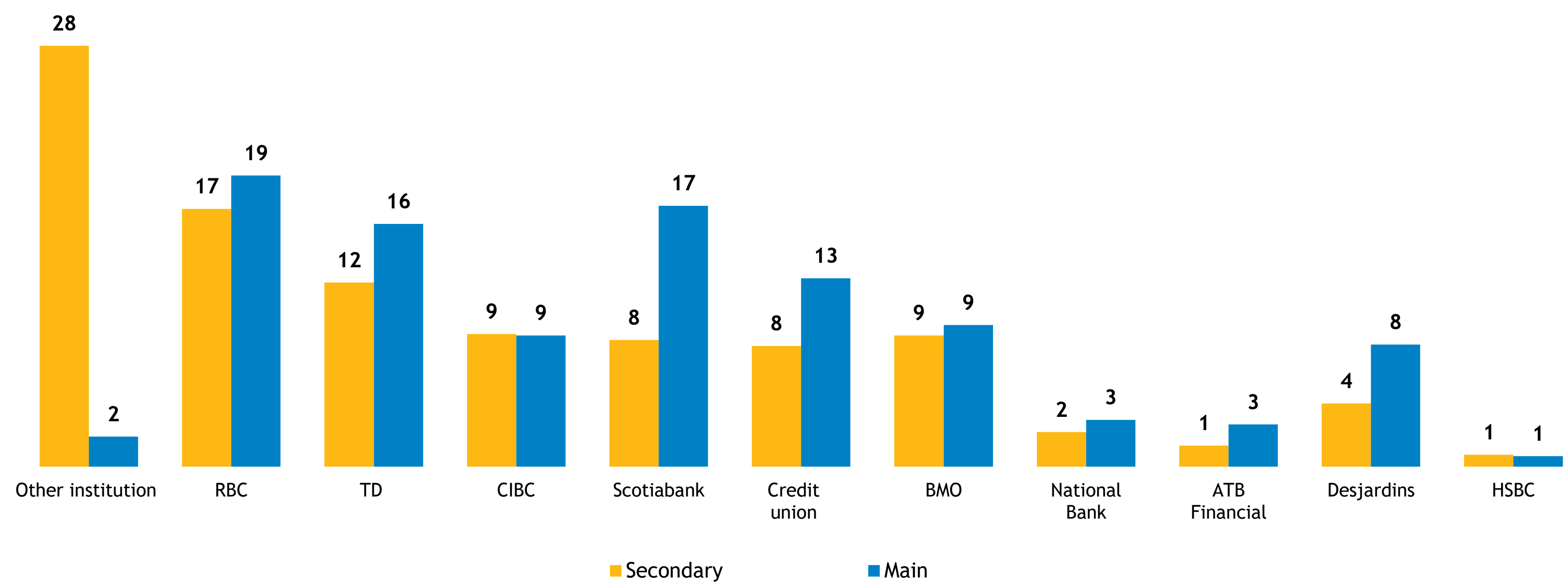


Main vs. secondary financial institutions

With banking services being such a key element of running a business, it is no surprise that entrepreneurs are looking to multiple financial institutions to access the resources that they need for their business. While many small business owners tend to use just one bank for their business banking needs, there is a significant share that also use a secondary financial institution. In comparison to the market distribution for main financial institutions, however, the secondary banking market varies significantly. While many still look to the Big 5 banks and credit unions for their secondary banking needs (Figure 8), the greatest share of businesses with secondary banks are accessing those services through other institutions (28%)[viii].

Figure 8

Market share for main vs. secondary financial institutions, 2022 (% response)



Source: CFIB, 2022 Banking and Financing survey, October 20-December 13, final results, n (secondary) = 2,219, n (main) = 7,176.

The nature of the products and services being used at secondary institutions varies from those being used at businesses' main banks.

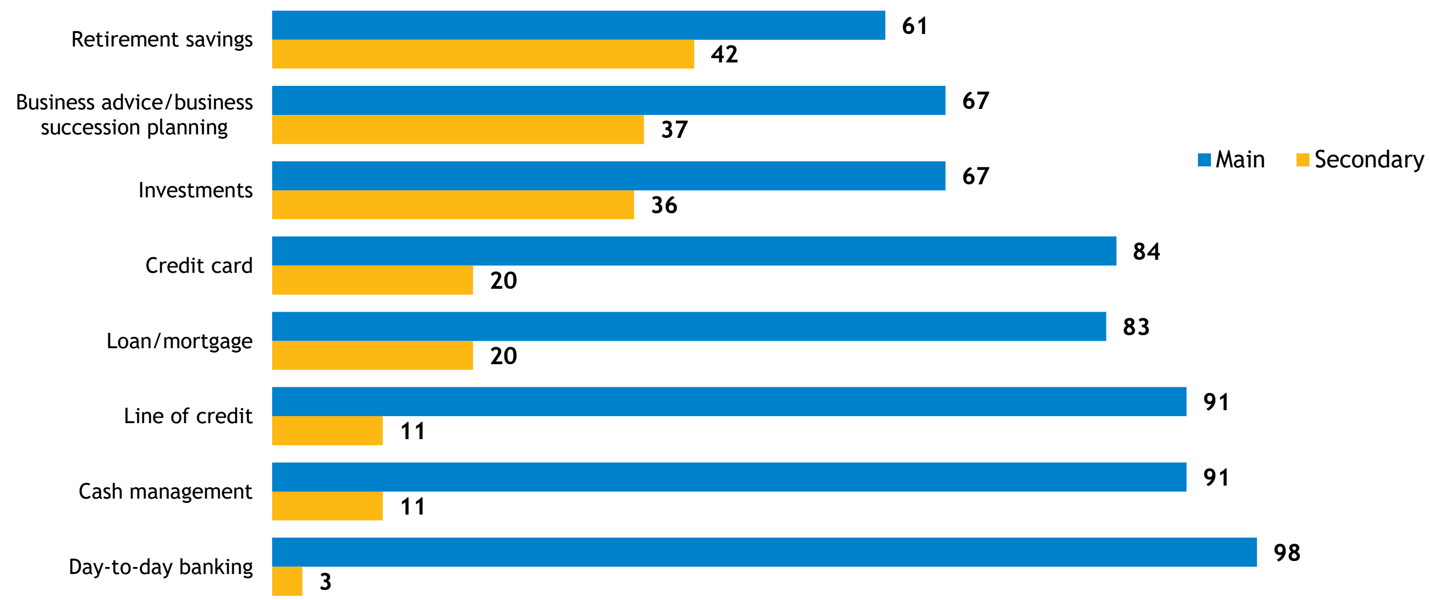
The top services being accessed from secondary sources are retirement savings (42%), business advice (37%) and investments (36%).

This tendency of using other financial institutions beyond those identified in this study may be due to the nature of the products and services that businesses are more inclined to lean towards at their secondary banks. For business owners with secondary institutions, the top three products and services being used include retirement savings (42%), business advice/succession planning (37%) and investments (36%) (Figure 9). Around one in five businesses also reported having a credit card (20%) or loan (20%) at their secondary financial institution.

In comparison, just 11% of businesses with a secondary financial institution are doing any cash management there and only 3% are using day-to-day banking services. For simplicity's sake, it likely makes sense for businesses to do their day-to-day banking at their main financial institution. Opening a retirement savings account or managing investments at a secondary financial institution, however, could have certain benefits for business owners, such as reducing risk or accessing an offer that may not be available at their main bank. This can also be true in the case of loans and credit cards.

Figure 9

Products and services used at main vs. secondary financial institution (% response)



Source: CFIB, 2022 Banking and Financing survey, October 20-December 13, final results, n = 6,886.

RBC holds the greatest market share across nearly all products and services.

As there are leaders in overall market share and secondary market share, there are also certain banks that outperform others for different product offerings. For products accessed at main financial institutions, as they hold the greatest overall market share across all banks, it is not surprising RBC holds the greatest market share across nearly all products and services (Table 5).

Among product offerings for secondary institutions, the trends are slightly different. While RBC still has a clear presence, there is more variation in the secondary institutions where small business owners are accessing products and services. Among secondary banks, other unnamed institutions hold the greatest secondary product market share for cash management (22%), lines of credit (20%), loans/mortgages (37%), business advice/business succession planning (40%), retirement savings (31%) and investments (30%). RBC continues to dominate in some areas of the secondary market, however, reporting the most secondary banking customers of any institution for credit cards (22%) (Table 5).

Table 5

Product and service market share - main and secondary financial institution, Canada, 2022

Product/Service	*Main institution*	*Secondary institution*
Day-to-day banking	RBC (19%)	TD (18%)
Cash management	RBC (20%)	Other (22%) RBC (16%)
Line of credit	RBC (20%)	Other (20%) RBC (19%)
Credit card	RBC (23%)	RBC (22%)
Loan/mortgage	RBC (19%)	Other (37%) RBC (12%)
Business advice/business succession planning	RBC (25%)	Other (40%) RBC (17%)
Investments	RBC (21%)	Other (30%) RBC (19%)
Retirement savings	RBC (23%)	Other (31%) RBC (20%)

Source: CFIB, 2022 Banking and Financing survey, October 20-December 13, final results, n = 6,916.

Conclusion

The small business banking landscape is diverse and varies in many ways. While having access to reliable and high-quality banking services is of great importance to small businesses and their bottom line, there are also benefits to be reaped by banks themselves if they develop a strategy that is inclusive of small businesses. As can be seen from the results in this report, there is a significant number of small businesses that are accessing services at financial institutions that go well beyond day-to-day banking. In addition, they tend to access products and services such as investments, retirement planning, and business advice. If banks across Canada are prepared with the resources that small businesses require and can succeed in securing them as clients, they will have much demand for their different services. Further, if businesses are supported in this way, they will have a greater opportunity to be successful and to contribute to the overall economic health of the country.

Appendix

Table A1

Canadian Small Business Market Share by Region - 2019 to 2022 (% response)

	Atlantic	2019	2022	Change 2019-22
1	*Scotiabank*	33.7	33.5	-0.2
2	*Royal Bank*	23.4	19.1	-4.3
3	*Credit unions*	10.0	14.0	4.0
4	*BMO*	11.0	10.5	-0.5
5	*TD*	10.0	10.3	0.3
6	*CIBC*	7.4	7.7	0.3
7	*National Bank*	1.9	1.4	-0.5

	Quebec	2019	2022	Change 2019-22
1	*Desjardins*	45.2	45.4	0.2
2	*National Bank*	18.3	16.2	-2.1
3	*Royal Bank*	11.2	11.5	0.3
4	*BMO*	6.7	7.8	1.1
5	*Scotiabank*	5.6	6.7	1.1
6	*TD*	5.1	6.4	1.3
7	*CIBC*	3.6	3.3	-0.3

	Ontario	2019	2022	Change 2019-22
1	*TD*	23.1	24.2	1.1
2	*RBC*	22.4	23.1	0.7
3	*Scotiabank*	21.3	20.7	-0.6
4	*CIBC*	10.6	10.8	0.2
5	*BMO*	10.9	10.6	-0.3
6	*Credit unions*	8.0	7.3	-0.7
7	*Desjardins*	1.0	1.0	0.0

	Sask. & Man.	2019	2022	Change 2019-22
1	*Credit unions*	43.0	40.5	-2.5
2	*RBC*	20.3	19.8	-0.5
3	*Scotiabank*	10.2	11.5	1.3
4	*TD*	9.0	10.9	1.9
5	*CIBC*	7.2	7.3	0.1
6	*BMO*	6.8	6.5	-0.3
7	*HSBC*	0.2	0.8	0.6

	Alberta	2019	2022	Change 2019-22
1	*ATB*	21.8	20.6	-1.2
2	*RBC*	17.3	17.0	-0.3
3	*Scotiabank*	11.9	14.7	2.8
4	*Credit unions*	12.1	13.0	0.9
5	*TD*	14.4	12.7	-1.7
6	*BMO*	8.3	9.1	0.8
7	*CIBC*	8.7	7.9	-0.8

	British Columbia	2019	2022	Change 2019-22
1	*Credit unions*	21.1	26.3	5.2
2	*RBC*	20.9	20.0	-0.9
3	*Scotiabank*	15.9	15.0	-0.9
4	*TD*	14.5	14.5	0.0
5	*CIBC*	10.6	10.4	-0.2
6	*BMO*	9.8	8.9	-0.9
7	*HSBC*	2.6	1.6	-1.0

Source: CFIB, Banking and Financing surveys, 2019 and 2022. For 2022: October 20-December 13, final results, n = 7,176.

Endnotes

[i] Throughout this report, "credit unions" also includes "caisses populaires".

[ii] The "Big 5" banks include Royal Bank of Canada, TD Canada Trust, Scotiabank, Bank of Montreal and the Canadian Imperial Bank of Commerce.

[iii] It should be noted that some business owners may be participating in exclusive discounts offered by Scotiabank through the CFIB Scotiabank Savings Program.

[iv] CFIB, Small Business Bank Market Share Report, 2019.

[v] CFIB's Banking Service Report Card 2020 provides a detailed analysis of the quality and level of service provided to small businesses by financial institutions in Canada. An update of this report will be available in the coming months as the third report in CFIB's 2023 banking series.

[vi] ibid.

[vii] Ibid.

[viii] The "other institutions" identified at the greatest frequency included the Business Development Bank of Canada (BDC), Farm Credit Canada (FCC), Manulife and Tangerine.

About CFIB

CFIB is a non-partisan organization exclusively representing the interests of 97,000 small and medium-sized businesses in Canada. CFIB's research capacity is second-to-none because it is able to gather timely and concrete information from members about business issues that affect their day-to-day operation and bottom line. In this capacity, CFIB is an excellent source of up-to-date information for governments to consider when developing policies impacting Canada's small business community.

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