



Malton Women Council

# Funding Options for Small Businesses

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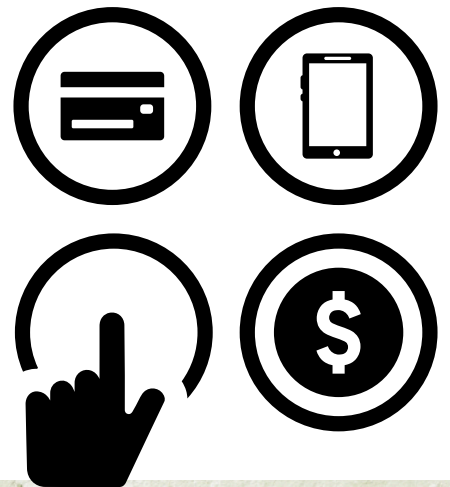
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# Financing Options

There are various funding options available to small business owners. The type of funding you receive will depend on your financial history, the stage of your business, and personal factors. Some examples of funding options include:

- Personal Assets
- Investment from Friends and Family
- Banks and credit unions
- Governments and Foundations
- Crowdfunding





# Personal Assets

Banks and investors may like to see your or your partners' personal investment in the business before lending you money. Why would they invest in you if you are unwilling to invest in your own business?





## Friends and Family

- Friends and family are another source of funding.
- Inform your family members about your business. Inform them that 50% of companies do not last 5 years. Within the 50% that do last, only a few make a significant profit.
- Only seek funding if your family is willing to put in the money, with the knowledge that the funds may not be recovered





# Loans

Banks, credit unions, and the government offer loans to small business owners.

Lenders are often concerned about risk and will have a series of requirements prior to approving a loan. For example, lenders will require you to submit a Business Plan with financial projections for the next few years. If you are already in business, the lender may complete a financial ratio analysis to ensure you are safe to fund.



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Lenders will look at your credit history, credit score, and total debt. You will need a credit score of at least 680. The higher your score, the better the likelihood of obtaining a loan and a competitive interest rate on the loan.

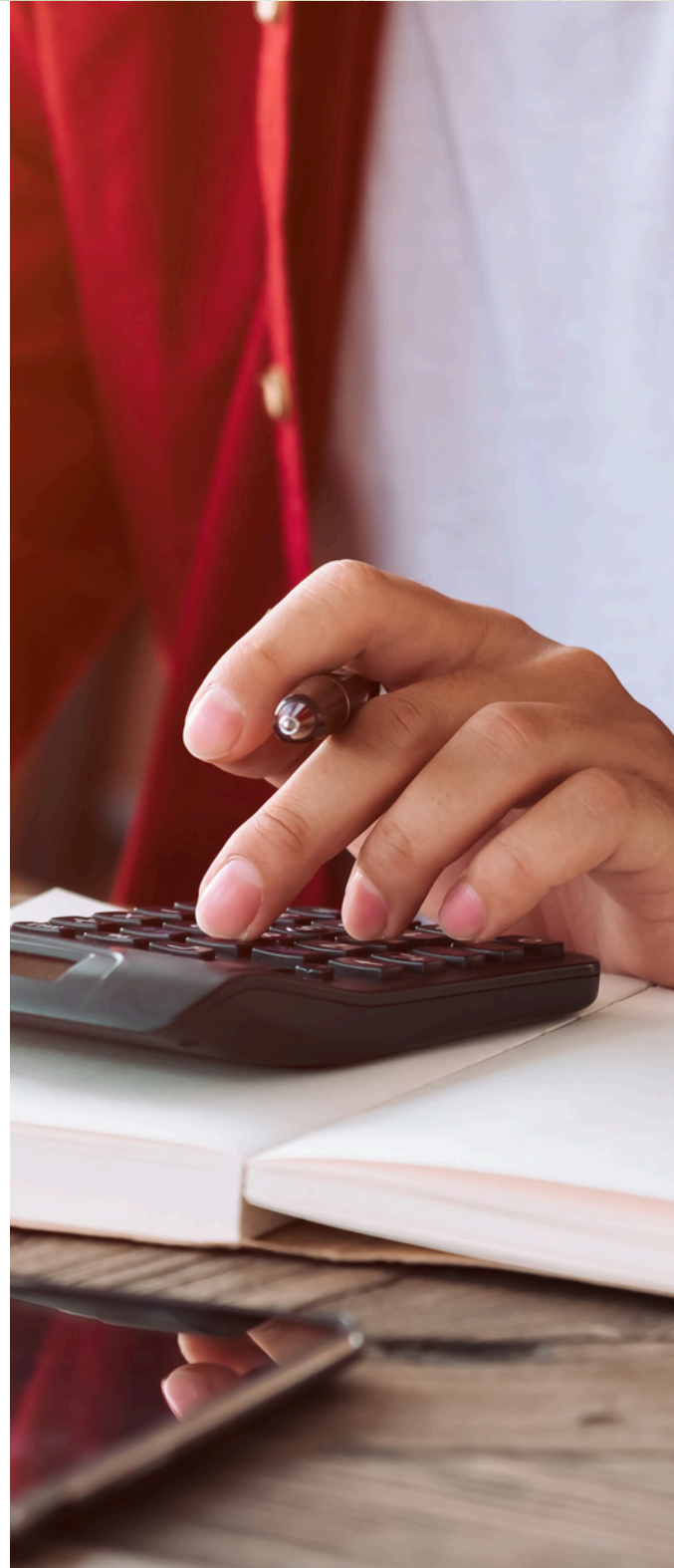
Lenders will look at the credit history of all partners or individuals working together to start or grow the business.





To secure your loan, you will have to offer an item of the same value to the lender in case you are unable to pay back the loan. Examples include investments or your home. Even with a corporation, you, as a business owner, will have to provide a personal guarantee on the loan. If your corporation is currently operating, some lenders will accept a purchase order (P.O.) as security against a loan.

The best time to obtain a loan is in the growth stage of your business. You can leverage business assets to make more money. During the initial stages of your business, it may be difficult to obtain a loan without a guarantee that you can pay it back. However, some institutions do offer loans for early-stage businesses.



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# Grants

- Foundations and large organizations may fund businesses making a social or ecological impact. The Government of Canada and the Government of Ontario also offer grants to small businesses.
- Talk to funders to understand who they fund, their granting goals, and eligibility requirements. Develop relationships with funders to increase your chances of being approved for a grant.



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# Crowdfunding

- People may be willing to give you money for your business idea. Through crowdfunding platforms, you can use stories, images, and videos to build a campaign to encourage people to notice your business.
- Crowdfunding Platforms:
  - **Kickstarter**: Used to launch a product, with many quirky product ideas. Used by artists. Competitive, but high-traffic platform.
  - **GoFundMe**: Use inspiring stories to persuade others to fund your business.
  - **CanadaHelps**: Useful for social enterprises run by charities.

While results are not guaranteed with crowdfunding, crowdfunding can improve business visibility.



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# Choosing a Financing Option

- Your financing needs will change over time. The funding options you choose can change accordingly.
- Most small business owners begin with personal investments. Once the business is running, they may explore banks or other financing options. Growing companies have a better likelihood of obtaining financial support.



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# Real-World Example

The Business Development Bank of Canada (BDC) is the bank for entrepreneurs. BDC offers financing for small business owners.

To determine whether a business is worth funding, BDC examines the business as a whole, including management expertise, growth potential, and project viability.

They can offer start-up financing to entrepreneurs who are in start-up or early growth stages of their business (less than 24 months), provided the business owners also have:



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- Personal and credit references
- Reasonable personal financial resources invested in the company
- Business plan with cash flow forecast and realistic market and sales potential
- Experience or expertise in the chosen field
- Competent management team
- Demonstrate characteristics of an entrepreneur

Eligible projects can include:

- Purchase of fixed assets and soft cost expenses
- Working Capital
- Start-up marketing expenses
- Purchase of franchise and soft cost expenses



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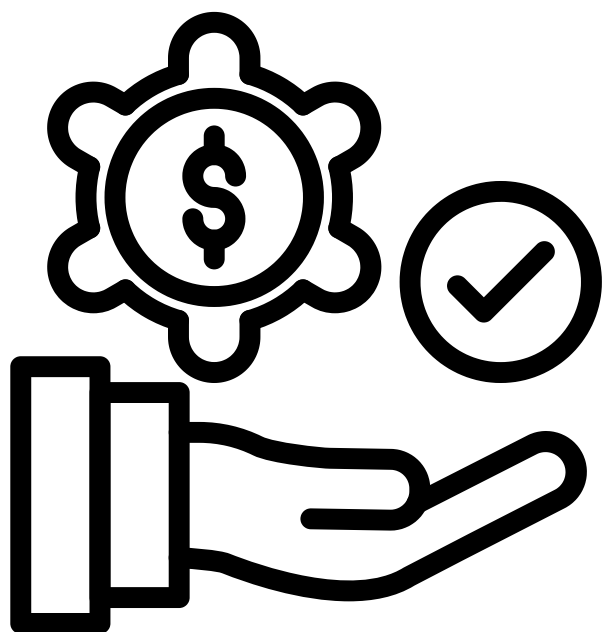
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Your proposal will need to include a business plan and additional documents like market research, industry trends, and information supporting your project's viability



As a lender, BDC may look for:

- Proof of experience, skills, and confidence to carry out the project
- Personal credit history
- Business Plan (clear, structured, and concise, but covers all key elements)
- Forecast for the next 2 years
- Cash flow analysis showcasing seasonal fluctuations in business



## Resources

To learn more about some of the grants and loans available to you, please visit the websites below:

- ACCESS Community Capital: Loans for individuals with poor or no credit or collateral. ACCESS also funds individuals who are unable to receive a loan from a major bank.  
<https://accessccf.com/>
- Government of Canada Business Benefits Finder:  
[https://innovation.ised-isde.canada.ca/innovation/s/?language=en\\_CA](https://innovation.ised-isde.canada.ca/innovation/s/?language=en_CA)
- Canadian Small Business Financing Program: Makes it easier to obtain loans from financial institutions by sharing the risk with lenders. <https://ised-isde.canada.ca/site/canada-small-business-financing-program/en>
- Digital Main Street: Programs and funding for Ontario Businesses <https://digitalmainstreet.ca/ontario/>
- Futurpreneur: Programs and funding for Canadian citizens and Permanent Residents between the ages of 18 to 39.  
<https://futurpreneur.ca/en/offering/side-hustle/>



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- Summer Company: Funding and Mentorship for students between the ages of 15 to 29.  
<https://www.ontario.ca/page/start-summer-company-students>
- Starter Company Plus: Business training, mentorship, and funding for individuals 18+ seeking to start, buy, or expand a business.  
<https://www.ontario.ca/page/starter-company-plus>
- Banks: All banking institutions offer business financing options.
- BDC Inclusive Entrepreneurship Loan: Offers up to \$350,000 to businesses at least 51% owned and led by women, Indigenous, or Black entrepreneurs.  
<https://www.bdc.ca/en/financing/inclusive-entrepreneurship-loan>



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- Business Development Bank of Canada (BDC): Bank for entrepreneurs, with a focus on small and medium-sized businesses <https://www.bdc.ca/en>
  - Offers financing, capital, and advisory services (non-financial services)
  - Loans and indirect financing
  - Does NOT provide: Bank accounts, lines of credit, term deposits, investment certificates, RRSPs or insurance, Grants or interest-free loans, Residential or non-commercial loans, vehicle, or equipment leasing





# References

- Starting a Business Presentation by Dilpreet Bhatia, Sr. Account Manager, Small Business BDC Brampton
- Small Business Ontario Business Basics: How do you finance a small business?

<https://www.sbcontario.ca/business-basics>



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