

Small Business Bank Market Share

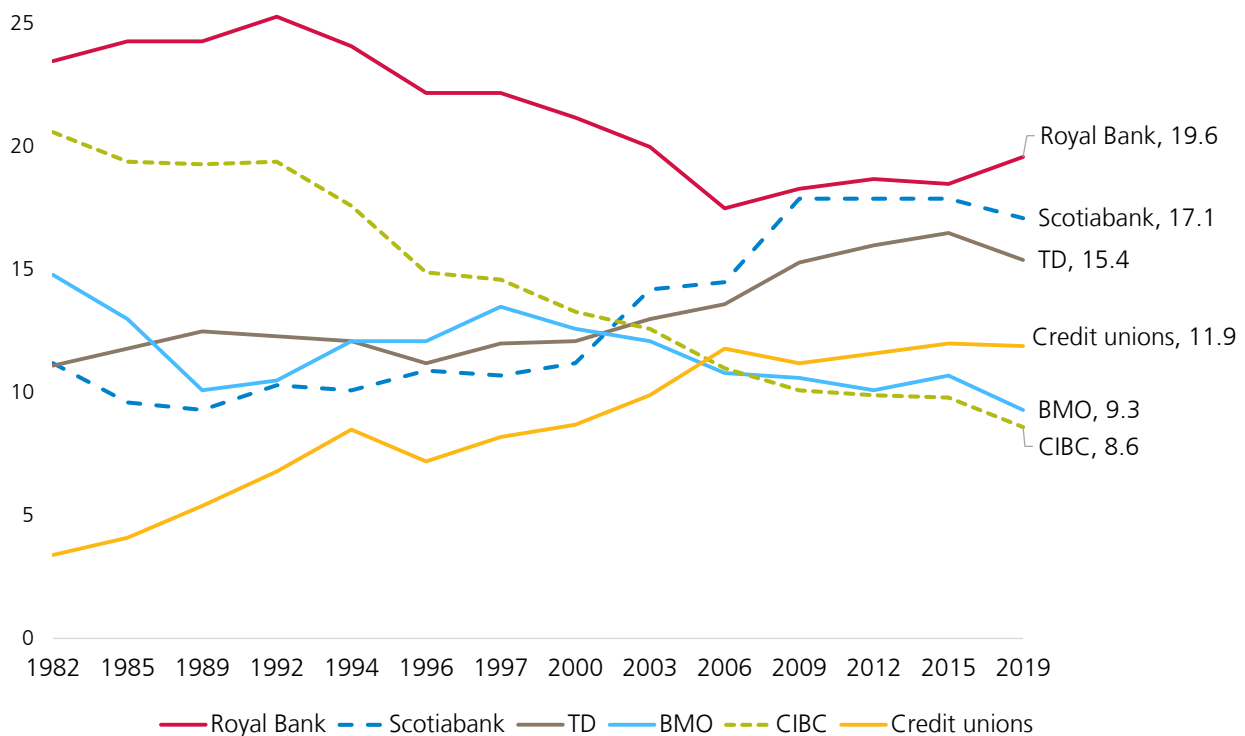
Where do small businesses bank?

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SME Market Share

The Canadian Federation of Independent Business has been tracking where small businesses bank for decades. While there are several ways to analyze market share, the CFIB offers a unique perspective by looking at the percentage of small businesses using a specific bank as their primary financial institution. Looking at the trends over the last few decades we see a number of significant shifts in which banks small businesses use for their day-to-day needs. While their market share has fallen over the last 30 years, Royal Bank of Canada (RBC) remains the most used bank by small business with almost one in five small business owners using it as their main financial institution in 2019 (Figure 1).

Figure 1: SME Market Share, Big Banks and Credit unions, 1982-2019 (% businesses)



Scotiabank has been second since the early 2000s, and maintained its rank in 2019 with 17% market share. Credit unions more than tripled their market share since 1982 and have retained a market share of 11 to 12% since 2006. Conversely, the Canadian Imperial Bank of Commerce (CIBC) continues its decline, going from more than 20% market share in 1982 to less than 9% in 2019. This steep of a downward trend seems to indicate that CIBC is no longer interested in investing in the small business market. Bank of Montreal (BMO) has also been on the decline since 1997 and currently holds just over 9% market share.

In the last four years, Royal Bank is the only one of the “big 5” banks that gained ground (Table 1). The market share of all “other” institutions (small or regional banks such as Desjardins in Quebec and ATB Financial in Alberta) have also seen their market share increase from 15% to 18% between 2015 and 2019. This contrasts with the period between 2006 and 2015 when their total market share decreased year-over-year (Table 1), which seems to indicate that they have overcome some past issues and have started to earn their way back into the small business market.

CFIB strongly believes that all banks should have a strategy that includes investing in small business as it can be of great benefit to the bank and to the local community. This is because most smaller businesses usually do more than just get financing and/or use business banking services, they often also use banking services related to investments, retirement planning or personal banking. Furthermore, having the ability to access financing is critical to the success of many small businesses. The more opportunities they have to get that support, the more successful businesses will be, which, in turn, helps create jobs and grow local communities across Canada.

Table 1: Market Share, Big Banks and Credit unions – 2000 to 2019

	2000	2003	2006	2009	2012	2015	2019	Variation 2015-2019
Royal Bank	21.2	20.0	17.5	18.3	18.7	18.5	19.6	1.1
Scotiabank	11.2	14.2	14.5	17.9	17.9	17.9	17.1	-0.8
TD	12.1	13.0	13.6	15.3	16.0	16.5	15.4	-1.1
BMO	12.6	12.1	10.8	10.6	10.1	10.7	9.3	-1.4
CIBC	13.3	12.6	11.0	10.1	9.9	9.8	8.6	-1.2
Credit unions	8.7	9.9	11.0	10.6	11.6	12.0	11.9	-0.1
All others	20.9	18.2	21.6	17.2	15.8	14.6	18.1	3.5

Regional market share

In Atlantic Canada, Scotiabank continues to be the most popular bank, retaining a third of the market share in the region. Royal Bank also continues to hold a significant market share with almost one in four small business using RBC as their primary bank. CIBC and credit unions, however, have seen their market share decline in the last few years (Table 2).

In Quebec, Desjardins reinforced its regional dominance, and was the financial institution that made the largest gains in market share. National Bank, which concentrates most of its activities in the province, is second with 18% market share (Table 2). Together, these two Quebec-based institutions represent 63% of the market share in the province.

Ontario is the most balanced market for small business with three banks vying for top spot. Toronto-Dominion (TD) has the largest market share at 23.1%, followed closely by RBC (22.4%) and Scotiabank (21.3%). However, HSBC continues to lose market share and is quickly become a non-player within the small business market in Ontario and across Canada (Table 2).

Table 2: Regional Market Share 2015-2019

Atlantic				Quebec					
	2015	2019	Change 2015- 2019		2015	2019	Change 2015- 2019		
1	Scotiabank	33.0	33.7	0.7	1	Desjardins	42.6	45.2	2.6
2	Royal Bank	21.3	23.4	2.1	2	National Bank	17.4	18.3	0.9
3	BMO	13.2	11.0	-2.2	3	Royal Bank	12.0	11.2	-0.8
4	TD	8.3	10.0	1.7	4	BMO	8.7	6.7	-2.0
5	CIBC	8.7	7.4	-1.3	5	Scotiabank	5.5	5.6	0.1
6	Credit unions	8.6	7.8	-0.8	6	TD	5.2	5.1	-0.1
7	Caisses populaires	2.9	2.2	-0.7	7	CIBC	4.7	3.6	-1.1
Ontario				Man. & Sask.					
	2015	2019	Change 2015- 2019		2015	2019	Change 2015- 2019		
1	TD	24.1	23.1	-1.0	1	Credit unions	39.2	42.0	2.8
2	Royal Bank	20.1	22.4	2.3	2	Royal Bank	18.6	20.3	1.7
3	Scotiabank	20.5	21.3	0.8	3	Scotiabank	13.1	10.2	-2.9
4	BMO	11.8	10.9	-0.9	4	TD	9.0	9.0	0.0
5	CIBC	12.0	10.6	-1.4	5	CIBC	8.6	7.2	-1.4
6	Credit unions	7.7	7.7	0.0	6	BMO	7.0	6.8	-0.2
7	HSBC	1.0	0.6	-0.4	7	Caisses populaires	1.8	1.0	-0.8
Alberta				British Columbia					
	2015	2019	Change 2015- 2019		2015	2019	Change 2015- 2019		
1	ATB	19.7	21.8	2.1	1	Credit Unions	23.0	21.1	-1.9
2	Royal Bank	17.7	17.3	-0.4	2	Royal Bank	17.5	20.9	3.4
3	TD	13.4	14.4	1.0	3	Scotiabank	16.3	15.9	-0.4
4	Credit unions	14.4	12.0	-2.4	4	TD	15.3	14.5	-0.8
5	Scotiabank	13.9	11.9	-2.0	5	CIBC	10.1	10.6	0.5
6	CIBC	7.3	8.7	1.4	6	BMO	12.1	9.8	-2.3
7	BMO	7.7	8.3	0.6	7	HSBC	4.2	2.6	-1.6

Credits unions maintained their stronghold in Manitoba and Saskatchewan, increasing their market share from 39% to 42% and widening the gap between them and their competitors. Only Royal Bank has been able to make some inroads in the Prairies, with all other financial institutions staying the same or seeing their market share drop.

ATB Financial is also widening the gap with its competitors in Alberta, increasing its market share from 20% to 22%. Royal Bank maintained its second place rank, followed by TD, credit unions and Scotiabank. When you combine credit unions and ATB Financial market share, more than one-third of Alberta small businesses are no longer using a large bank as their main financial institution.

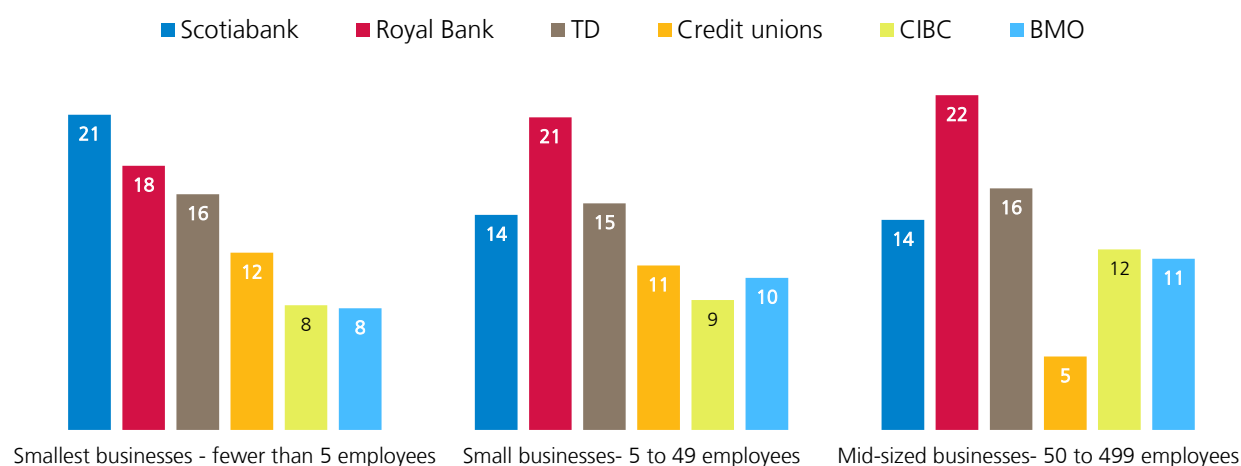
In British Columbia, credit unions remain the top financial institutions used by small businesses but are now neck and neck with RBC, which made important gains in the province since 2015. British Columbia is also among the most balanced markets for small business with the top four financial institutions within 6.5% of each other when it comes to market share.

Market share by business size

Among the smallest businesses (those with less than five employees), Scotiabank dominates with 21% market share (Figure 2). Royal Bank ranks first among small businesses (5 to 49 employees) and mid-sized businesses (50 to 499 employees), and second among the smallest businesses.

Credit unions are doing well among both the smallest businesses and small businesses, but their market share decreases as number of employees in the business increases. In contrast, CIBC's and BMO's market share increases with the number of employees, which may further indicate that they want to focus more on larger market segments (Figure 2).

Figure 2: Market Share by Business Size (%)



Methodology

This paper presents findings from the CFIB National Banking, Financing and Payments online and paper survey was conducted from April 9 to July 29, 2019 and is based on a sample of 11,599 small business owners from Canada. For comparison purposes, a probability sample with the same number of respondents would have a margin of error of plus or minus 0.91 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 may be participating in exclusive discounts offered by Scotiabank through the CFIB Scotiabank Savings Program.