



Ways to finance your small business in Canada

Description

A compilation of possible funding sources to start your small business

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Small businesses or enterprises are a significant part of the Canadian economy. They comprise over **98 percent of all employer businesses** in the country. Small businesses employ around 10.3 million people in 2021, accounting for **63.8 percent of the private labour force**.

If you're planning to join the 98 percent and start a small business, funding is one of the primary considerations. You will need to spend a bit to get your business off the ground.

Depending on the business, you might need a bit of assistance to get the capital you need. Below is a compilation of possible funding sources to start your small business. You can consider more than one funding source to meet your goals.

Loans

Private lending companies specializing in [unsecured loans](#) in Canada are easily accessible. But unsecured loans are typically high-interest and short-term, so that is only a good idea if you need the money for a short time. For example, you know you will get your bonus or a tax refund within a month, but you need cash now for the equipment you need for your new business.

You could get smaller loans if you already have some capital saved up or find loan offers specific to your business or demographic. Some lenders offer loans specifically to young entrepreneurs and minority business owners.

Make sure to read the loan agreement terms carefully before signing any paperwork. Knowing what you're getting into will help minimize any possible confusion or frustration down the road.



Personal Investment

Personal investment is business capital from your own pockets. You might have had the idea of starting the business for a while, so you saved up for it. Alternatively, you have enough disposable income to start a new business.

Funding your business through a personal investment poses the least risk as you won't have an obligation to pay it back. In other words, you don't owe anyone else anything.

But keep in mind that it could take a while to gather enough capital. It will depend on the amount you need to start the business and your disposable income. You could try selling off stuff you don't need to hurry things up a little.

Love Money

As the name implies, this funding type comes from friends, family, and other loved ones. They could loan you a certain amount or give it to you if they feel generous.

Regardless of your existing relationship with your benefactor, you should still have a written agreement with them to specify the terms of the loan or donation. If you're willing to give equity in your small business—that is, have part ownership—your agreement should also reflect that.

No matter the terms or nature of your agreement, remember that business relationships are serious matters. You and other parties should understand the gravity of such an arrangement to avoid any misunderstandings or ill feelings down the road.

Small Business Grants

Government agencies and private groups across the country offer financial grants and subsidies to businesses that fit specific criteria. Browse through the official [Canada Business Benefits Finder](#) for grants and subsidies for which you might qualify.

Applying for small business grants is an excellent way to obtain additional funding, but it's better to have them as a backup option. It could be challenging to find slots for grants for which you qualify, and waiting for an opening may delay your business plans for quite some time.

Angel Investors

Angel investors are high-net-worth individuals who help budding entrepreneurs fund their startups, usually in exchange for equity.

The terms of an angel investment may vary depending on the investor or the business. They could provide a one-time sum or continuous support to the business owner as they take their first steps in building the business.

Many aspiring entrepreneurs seek out angel investors with more agreeable, less predatory terms. They often prioritize innovation and growth and provide funds based on a business idea's profit potential.

The Quest For Funding

Finding capital for your small business idea can be challenging, especially if you have no experience in it. Carefully study the funding sources available to you and make sure you understand their terms. Doing so



increases your chances of making the right choices for your circumstances and the eventual success of your business.

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