

# Intuit QuickBooks Small Business Index Annual Report 2023

The state of small businesses in the US, Canada, and the UK and how they are responding to economic challenges



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# Introduction and key findings





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I like farming because it's a numbers thing. My year-one goal was to make \$6 a square foot, and we're now at that price on some crops.



Ashley Rodgers,  
Business owner,  
Rodgers Greens and Roots  
(US)



# Small businesses matter

Small and young businesses play a pivotal role in fostering job creation, driving innovation, and propelling economic growth. Even the biggest and most successful firms started their journeys as small businesses, gradually expanding over time. However, due to limited resources, new and small firms tend to be more vulnerable and susceptible to fluctuations in macroeconomic conditions.





# About the report

This comprehensive report captures the state of small businesses in the US, Canada, and the UK by analyzing employment trends from the [Intuit QuickBooks Small Business Index](#), publicly accessible data from national statistical offices, and detailed insights from surveys of small businesses in all three countries.<sup>1</sup> The report examines the pivotal role of small businesses within the economy, evaluating their economic performance, owner characteristics, financing practices, digital transformation efforts, and the diverse array of challenges they encounter. By adopting a structured and multi-faceted approach, our report provides a comprehensive

but nuanced understanding of the small business landscape in the US, Canada, and the UK, and why this matters. The data insights from all three countries shows concerning long-term trends of slowing business dynamism, which is the economy's ability to adapt to changing circumstances, such as technological change and financial or competitive shocks. To a large extent, small businesses drive the vibrancy of businesses in any economy. Policymakers, industry leaders, and aspiring entrepreneurs alike can draw valuable conclusions from this report to help foster an environment conducive to their resilience and success.

<sup>1</sup>See "Data sources, samples, and methodology" for more information.



# Key topics

## **Historical perspective**

The evolution of the small business environment spanning several decades, laying the foundation for a deeper understanding of the present landscape.

## **Economic impact**

The contribution small businesses make to the overall economy of each country as key drivers of growth, job creation, and innovation.

## **Performance evaluation**

In-depth analysis of small business growth and job creation, offering valuable insights into their operational efficiency.

## **Challenges**

Identifying and analyzing the primary obstacles small businesses face, from inflation and funding access to workforce-related challenges.

## **Financing patterns**

Unraveling the funding mechanisms used by small businesses, such as loans and credit cards, and how inflation and interest rates are affecting financial conditions.

## **Digital transformation**

Assessing the extent to which small businesses are using digital technologies, such as software and business apps, and their potential impact on resilience and growth.

## **Business owner characteristics**

Understanding the diverse backgrounds, experiences, and skills of small business owners and decision-makers, providing a comprehensive overview of the people behind these ventures.





# Key findings: small business at a glance

**Small businesses play a critical role in the economies of the US, Canada, and the UK.**

More than 98% of all businesses in each country are small businesses, employing 36% of the US workforce, 47% of Canada's workforce, and 44% of the UK's workforce.

**Inflation and interest rates are creating unique challenges for small businesses.** Small businesses are feeling the strain and increasingly relying on credit cards.

**Funding is a persistent challenge**, often especially so for new and young small businesses and those owned by females or underrepresented racial groups. But small businesses working with well-financed lenders are getting more funding than others.

**Digital tools could help small businesses** expand their workforce and their revenue faster. There is a correlation between higher use of software, apps, and other digital technologies and better business performance.



## Next steps

Financially and digitally connected small businesses appear to be more resilient than those without good access to funding and technology, but further analysis is required to establish whether a causal relationship exists. This is a promising area for future research.



# Small business, big impact







If you look at us today versus a super mass-manufactured product, we're going to be more expensive. So what's really important is that the community supports small businesses in the early days when they can't be competitive. They have to start high because their costs are higher.



Chris Lerohl,  
Business owner,  
Honest Dumplings  
(Canada)





# Economic power players

## US

**Small businesses** constitute 98% of all firms in the US economy. They are significant engines of employment, providing jobs for about 36% of the country's workforce.

The smallest businesses, those with 1 to 9 employees, make up an impressive 77% of all businesses in the US and employ 12% of all workers (see Figure 1).

## 98% of US firms have fewer than 100 employees, providing jobs for 36% of the US workforce

Share of employer firms and employment in the US economy by firm size (number of employees)



Figure 1, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. Size classes are based on average sizing methodology.

Source: U.S. Census Bureau, Business Dynamics Statistics (1992-2020)

**Small business:** defined throughout the report as any business with less than 100 employees.

# New businesses, new jobs

## US

The significance of small businesses to the US economy can be seen in the employment contributions of startups and young firms. New businesses less than one year old make up 9% of all small businesses (with fewer than 100 employees) and generate 4% of all small business jobs, as illustrated in Figure 2.

When considering the broader economy, new businesses collectively contribute an average of 2% of all jobs annually. This noteworthy contribution gains even greater significance when compared to the average net job creation rate in the US, which stands at 1.2% over the same period. Nurturing the existence and growth of startups and young firms is vital for fueling employment opportunities and fostering **economic dynamism**.

## Almost 1 in 10 small businesses in the US are new businesses, which are less than 1 year old

By business age, the number of firms and share of employment among US businesses with less than 100 employees

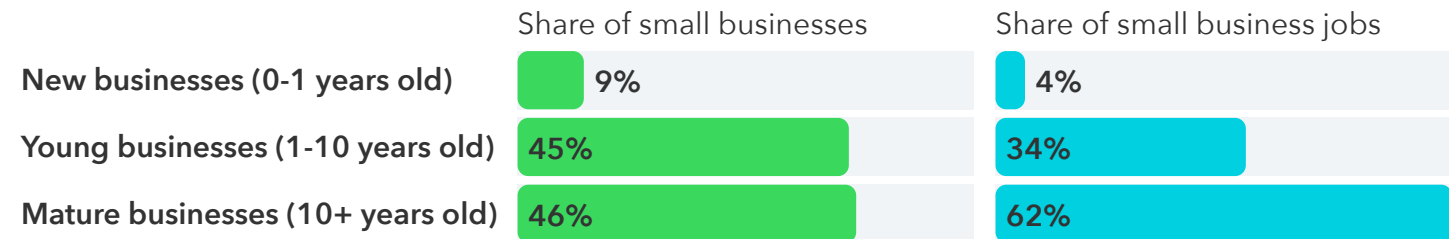


Figure 2, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. For this analysis, "small business" is defined as having less than 100 employees.

Source: U.S. Census Bureau, Business Dynamics Statistics (1992-2020)

**Economic dynamism:** also known as business dynamism, is the economy's ability to adapt to changing circumstances such as financial shocks.



# Small businesses grow with age

## US

New firms that survive tend to expand their workforce as they mature. In the first five years after being established, new firms typically have fewer employees. For example, businesses with less than 10 employees constitute 86% of all businesses under five years old (see Figure 3).

However, as these businesses age, a noticeable change occurs, with a larger proportion of older firms employing more personnel. Among firms established 26 or more years ago, only 61% have less than 10 employees. The shift toward businesses with 10-100 employees is a result of growth as well as firm selection. Smaller, under-resourced firms are less likely to thrive.

## Why small business survival matters: US firms tend to expand their workforces over time

Share of US firms by age and size (number of employees)

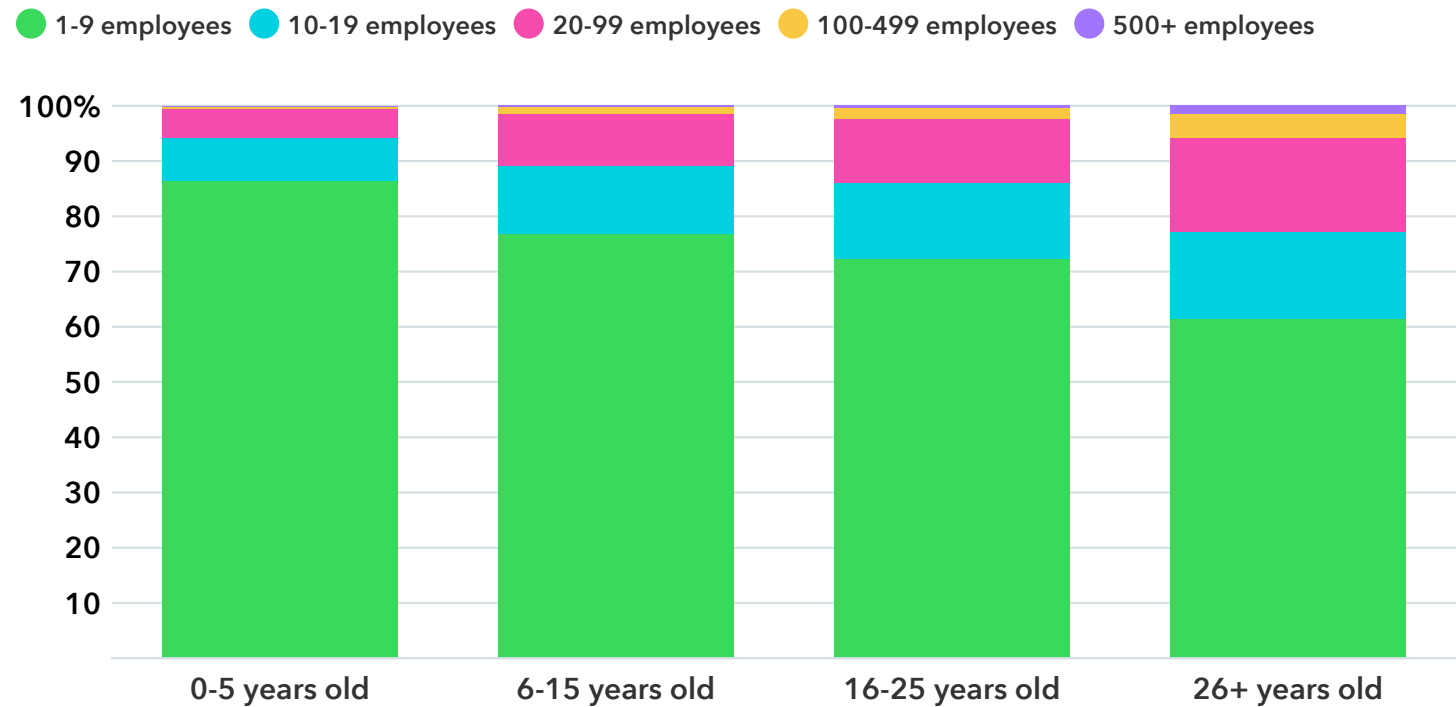


Figure 3, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. Size classes are based on average sizing methodology.

Source: U.S. Census Bureau, Business Dynamics Statistics (1992-2020)

# New businesses, new ideas

## US

New businesses are characterized by remarkable dynamism, primarily because their new owners are learning to find their way in the market. During this phase in their lifecycle, these businesses undergo a diverse array of outcomes; some experience rapid growth and expansion, some face decline and exit, while others quickly achieve their desired size. As a result, they exhibit high levels of volatility and adaptability. Figure 4 shows a weighted average of the job reallocation rates over the 1992 to 2020 period.

**Job reallocation rates** encompass both job creation and job destruction, across different firm ages. The data highlights the significant churn and restructuring that occurs within young enterprises. As businesses mature and gain experience, they tend to stabilize; reaching their intended size. Consequently, job reallocation rates gradually decline. This developmental process underscores the pivotal role played by startups and young firms in driving market innovation, fostering economic growth, and shaping the employment landscape.

### Jobs are created and destroyed faster at younger businesses than older businesses

Job reallocation rates of US firms by age, between 1992 and 2020

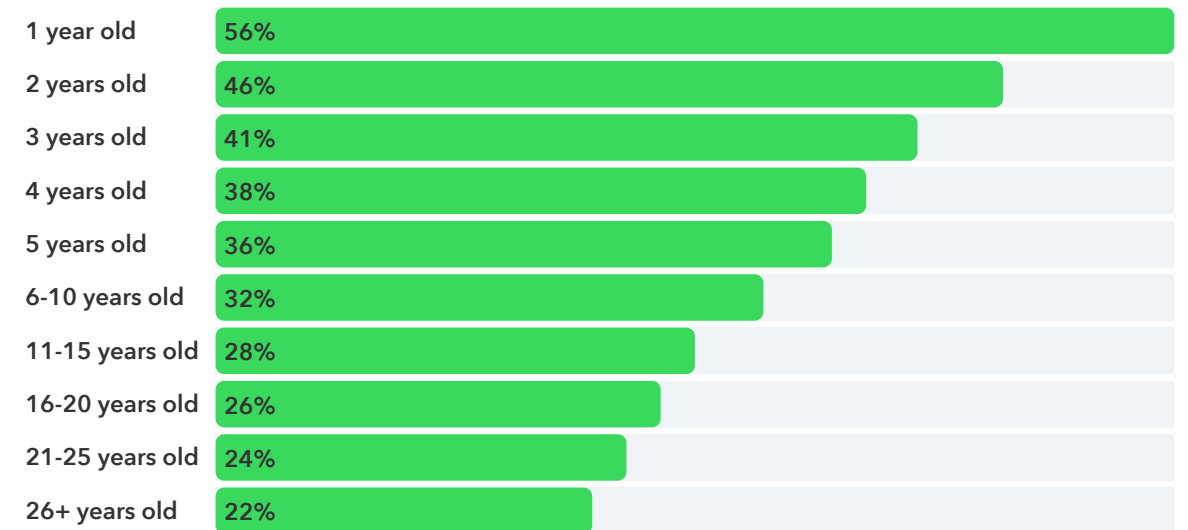


Figure 4, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. A firm's birth is determined by them hiring employees for the first time.

Source: U.S. Census Bureau, Business Dynamics Statistics and Non-Employer Statistics

**Job reallocation rate:** the share of all jobs that are either created or destroyed in a given time period for a given population.



# Investing in the future

## US

Young small businesses contribute substantially to job creation in the US. As shown in Figure 5, firms that survive beyond their initial startup phase play a pivotal role, with an impressive job growth rate of 16.5% in their first year, on average.

While net contributions diminish over time, the importance of helping these small, young firms to survive is clear. Among them lie the potential industry disruptors that evolve into large, established firms, generating millions of jobs. The transformative power of these innovative startups cannot be underestimated, as they hold the potential to drive significant economic growth and employment opportunities in the long term.

## Job creation rates get slower with businesses age

Net job creation rate of continuing US firms by age

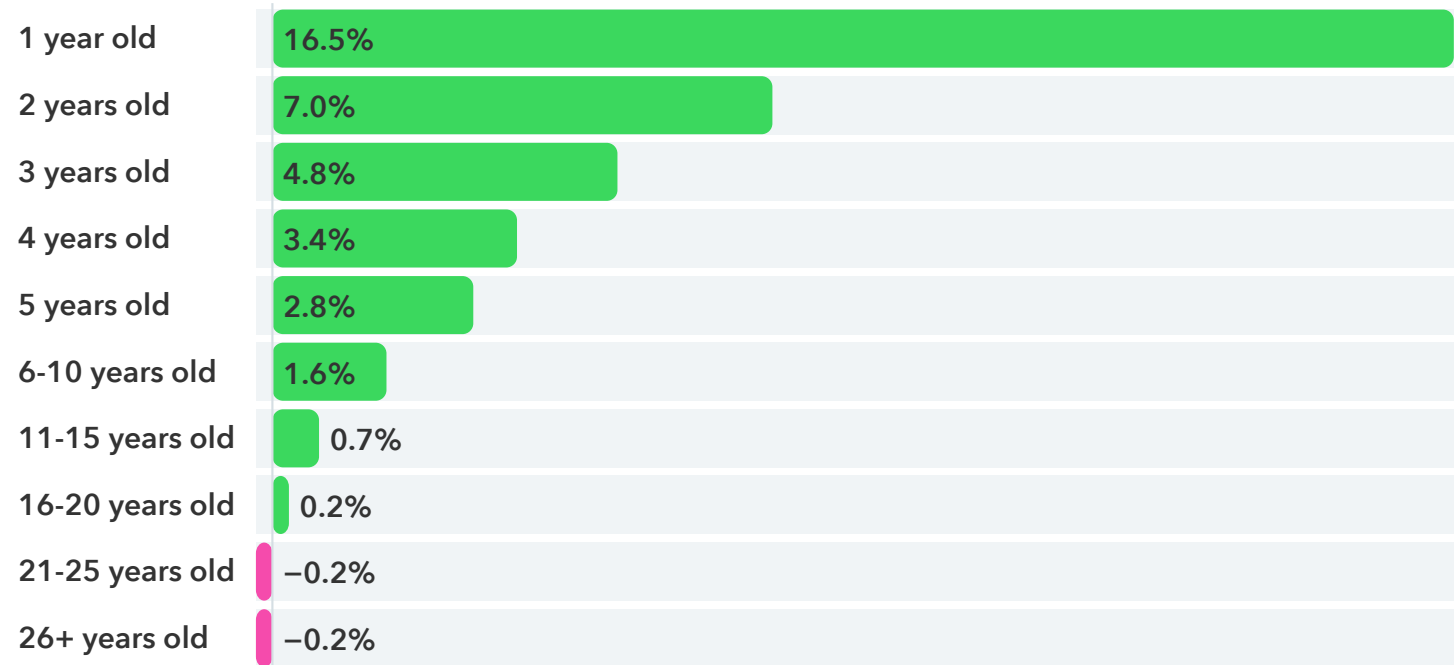


Figure 5, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. A firm's birth is determined by them hiring employees for the first time.

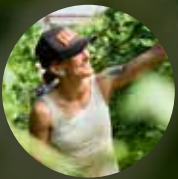
Source: U.S. Census Bureau, Business Dynamics Statistics and Non-Employer Statistics

**Net job creation rate:** It captures the net change in the number of jobs in the economy. It is computed as the sum of the job creation rate and the job destruction rate. Job creation is the gain in the number of jobs between the current and the previous year associated with new or expanding firms. Job destruction is the loss of jobs between the current and the previous year associated with contracting or exiting firms. Rates are computed by dividing by the estimated base population of jobs. The base population can be computed as the current (previous) sum of all jobs or the average of the sum total of current and previous year jobs.



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I wake up for my staff. I have a great staff. I have people who have been with me for a couple years now. That's the first time in my career that I've had that. And we're doing good because of them. I don't want to lose that momentum because they count on me as much as I count on them.



Ashley Rodgers,  
Business owner,  
Rodgers Greens and Roots  
(US)





# Economic power players

## Canada

Almost 99% of all firms in Canada are small businesses. Firms with less than five employees, the smallest businesses defined by Canada's official statistics, make up 76% of all firms and 10% of all jobs (see Figure 6). This is a larger share than in the US and UK.

Overall, 47% of Canada's workforce are employed by small businesses with 1-99 employees—again a larger share than in both the UK (44%) and the US (36%). This highlights the particular importance of small businesses to the Canadian economy.

## Almost 99% of firms in Canada have fewer than 100 employees, providing jobs for 47% of the workforce

Share of employer firms and employment in the Canadian economy by firm size (number of employees)

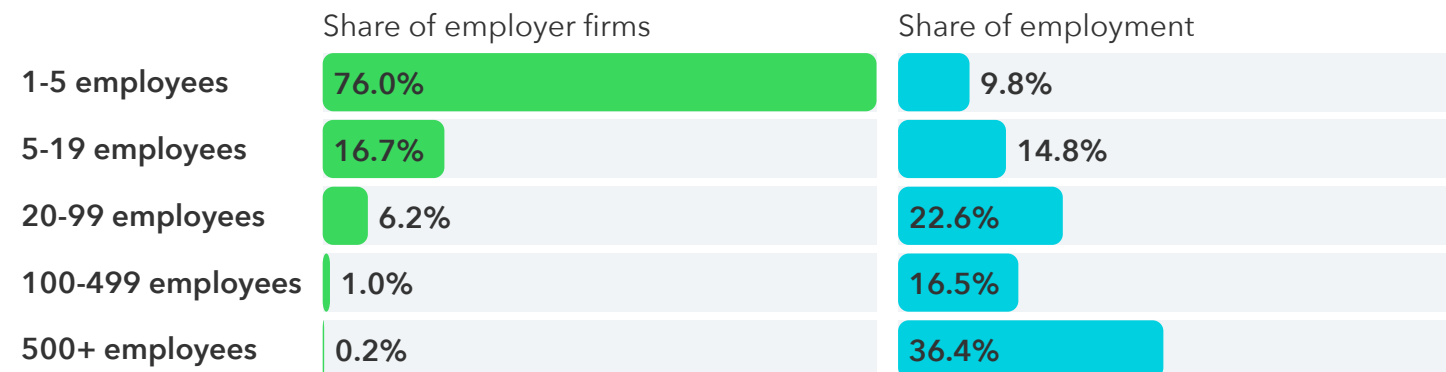


Figure 6, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors.

Source: Business Dynamics Measures by Industry (2001-2020), Statistics Canada

# Economic power players

## UK

Almost 99% of all firms in the UK are small businesses, providing almost 44% of all UK jobs (see Figure 7). More than 82% of UK firms have less than 10 employees and collectively employ almost 19% of the country's workforce—even after excluding non-employer firms.

In the US, for comparison, firms of this size employ 12% of the workforce. The remaining small businesses—those with 10 to 99 employees—collectively employ more than a quarter of the workforce. As with the US and Canada, understanding small businesses is key to gauging the dynamism of the UK economy.

## Almost 99% of UK firms have fewer than 100 employees, providing jobs for almost 44% of the UK workforce

Share of employer firms and employment in UK economy by firm size (number of employees)



Figure 7, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. Size classes are based on average sizing methodology.

Source: Business Population Estimates (2000-2022); Department for Business, Energy & Industrial Strategy



# Jobs depend on young firms' survival

## UK

New and young firms less than 10 years old comprise 66% of all UK employer firms. As Figure 8 illustrates, their share of employment grows as they mature. From 1999 to 2019, businesses less than one year old provided jobs for 6% of the UK workforce, while those 10 years or older accounted for 73% of all jobs.

Creating a conducive business environment that fosters the growth and maturation of nascent firms is crucial for nurturing a healthy and robust economy.

## Why small business survival matters: older businesses have a larger share of UK employment

Share of employer firms and employment in UK economy by firm age



Figure 8, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors.

Source: Business Dynamism Measures from the Inter-Departmental Business Register (1999-2019), UK Office for National Statistics

# New firms, higher reallocation

## UK

As described above (see “New businesses, new ideas”), new firms play a pivotal role in driving business dynamism, with higher job reallocation rates than older firms. As Figure 9 shows, new businesses that are less than one year old have a quarterly job reallocation rate of 2.5% compared to 0.6% for businesses aged two to four years. Mature firms also have a high job reallocation rate, predominantly driven by the ongoing creation of new jobs within the firm itself. This suggests that established companies, with their stability and experience, continue to evolve and innovate, fostering internal

opportunities for employment growth. While young firms generate new vacancies through adaptive processes, mature firms sustain job reallocation by continually creating new positions within their established structures. Job reallocation rates for the UK are not directly comparable to those for the US and Canada due to methodological differences in the computation of those statistics. Rates for the UK are provided by the Office for National Statistics (ONS). They are computed as a share of all jobs rather than the jobs associated with a particular size class.

## New UK businesses have highest job reallocation rate

Job reallocation and net job creation rates by firm age

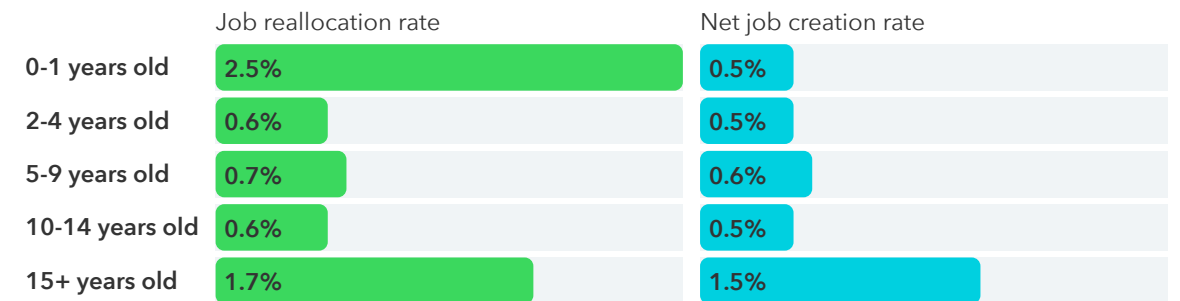


Figure 9, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics Canada due to methodological differences in the computation of those statistics. Rates for the UK are provided by the ONS. They are computed as a share of all jobs rather than the jobs associated with a particular size class.

Source: Business Dynamism Measures from the Inter-Departmental Business Register (quarterly average 1999-2019), UK Office for National Statistics

# Small firms crucial for reallocation

## UK

Small businesses that employ less than 10 employees play a crucial role in job reallocation. On average, every quarter, these businesses contribute to the reallocation of 3% of all jobs in the economy.

This accounts for 32% of all reallocation in the economy (as shown in Figure 10), creating significant dynamism. Larger firms also tend to contribute to dynamism, but their contribution is mainly driven by new jobs created by incumbent firms.

## The smallest businesses in the UK economy contribute almost as much to job reallocation as the largest

Quarterly job reallocation and net job creation rates by firm age

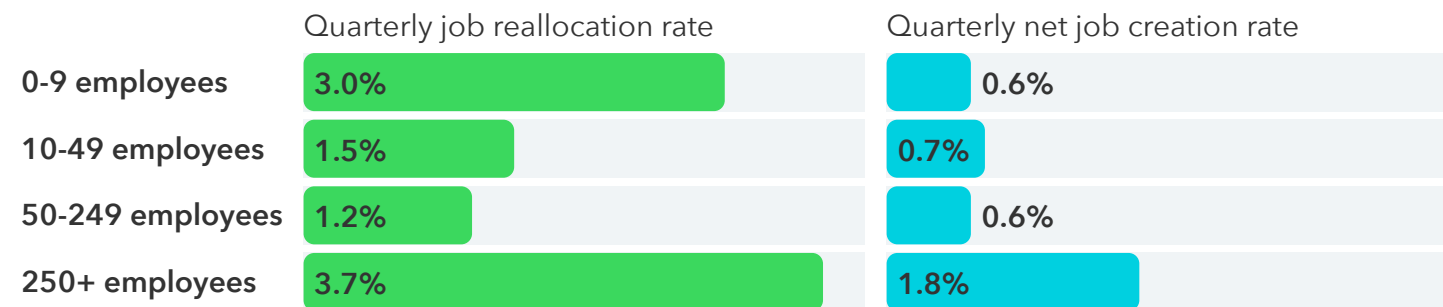


Figure 10, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. Job reallocation rates for the UK are not directly comparable to those for the US and Canada due to methodological differences in the computation of those statistics. Rates for the UK are provided by the ONS. They are computed as a share of all jobs rather than the jobs associated with a particular size class.

Source: Business Dynamism Measures from the Inter-Departmental Business Register (quarterly average 1999-2019), UK Office for National Statistics





The best part of being a business owner for me is about the dream and the vision. I love that not only have I made something that was in my head a reality, but I'm also making dreams a reality for other people within my company.



Charlene Nevin,  
Business owner,  
H2B Toys  
(UK)





# Long-term employment trends



# Long-term employment trends

## US

Over the last 30 years, the share of the smallest businesses in the US economy (1-9 employees) has displayed a consistent fluctuation within a narrow band. Notably, Figure 11 shows that there were peaks in the mid-1990s and early 2010s, with movements characterized by prolonged upswings and downswings.

However, what demands more attention is the prevailing trend of the largest businesses (those with 500 employees or more) progressively dominating economic activity, as shown in Figure 12. Their share of employment has steadily grown from 47% to 53% over this time period.

## The number of small businesses as a proportion of the overall US economy has been relatively stable over the past three decades, with peaks in 1993 and 2012

Share of US employer firms by firm size (number of employees)

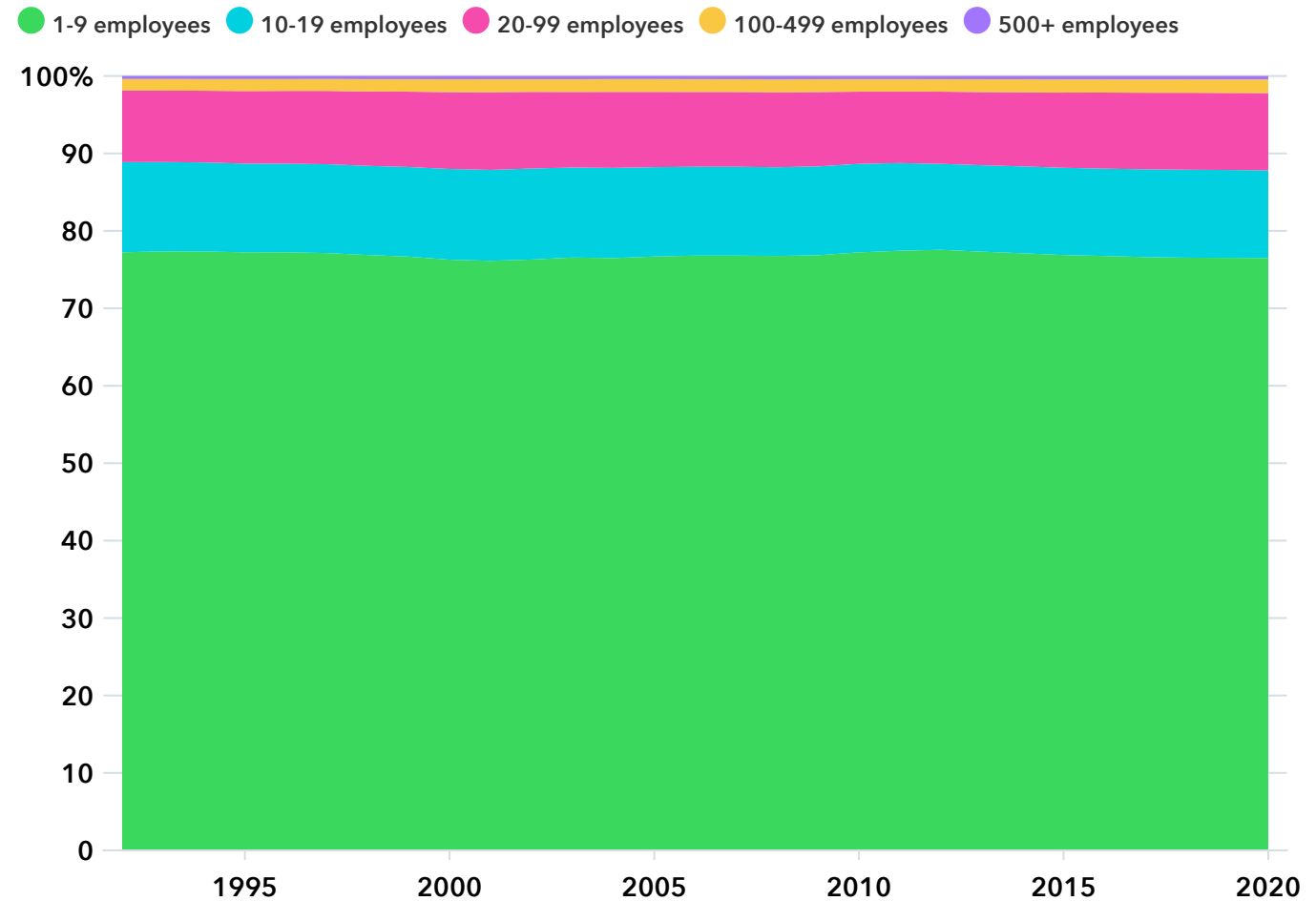


Figure 11, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. For this analysis, "small business" is defined as having fewer than 100 employees.

Source: U.S. Census Bureau, Business Dynamics Statistics (1992-2020)



Several factors may have contributed to the pronounced trend of increasing consolidation of activity within large firms. Challenges pertaining to technological diffusion (the process by which innovations are adopted and spread across all firms in the economy), the decline in labor supply, and the rising importance of intangible capital investments that are difficult to collateralize, might be influencing these dynamics.

As the landscape of business undergoes these notable shifts, it is crucial for policymakers, economists, and business leaders to understand and address the implications to help ensure a balanced and sustainable economic environment that fosters both small and large business development.

## Larger businesses increased their share of US employment from 1992 to 2020

Share of US employment by firm size (number of employees)

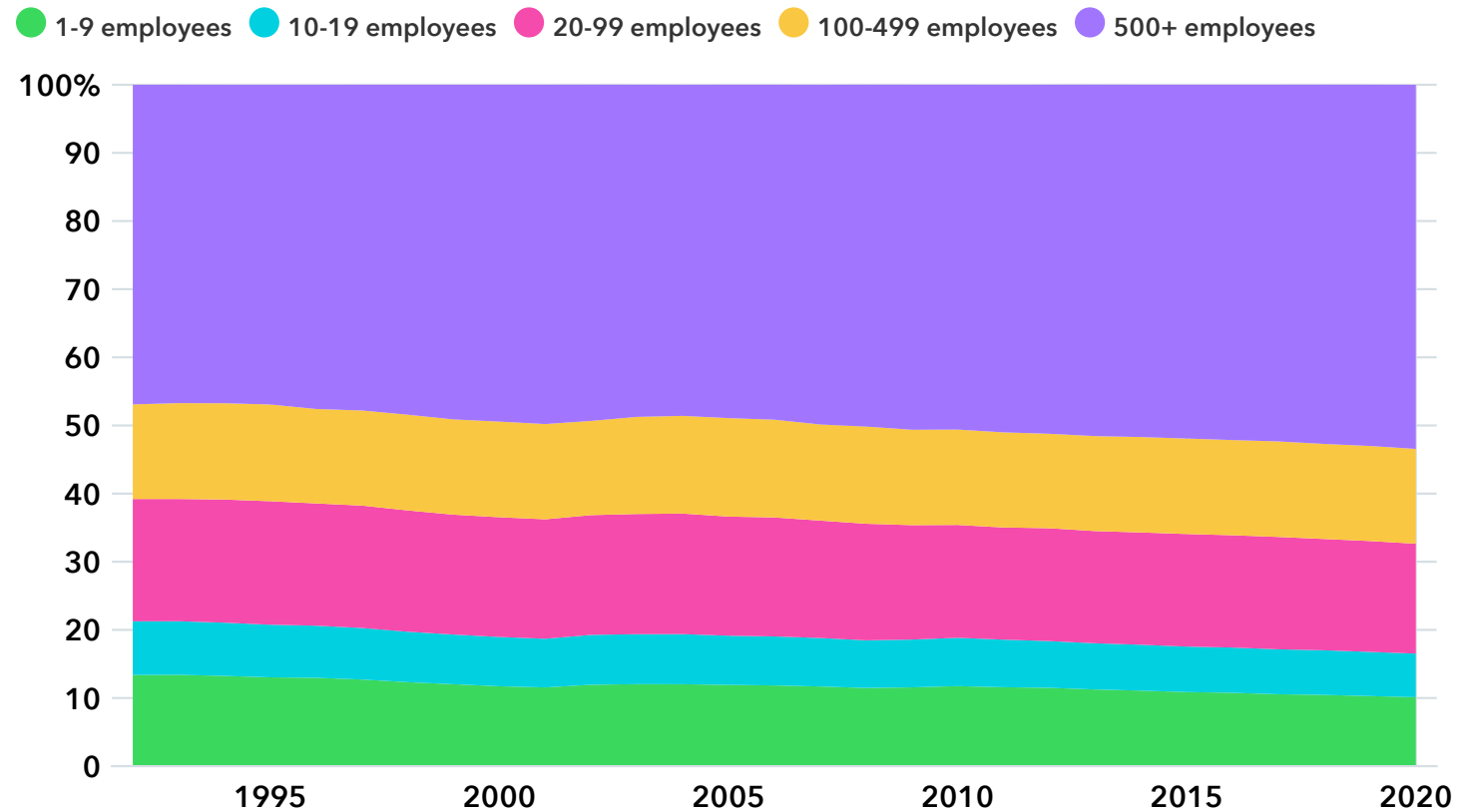


Figure 12, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors.

Source: U.S. Census Bureau, Business Dynamics Statistics (1992-2020)

# Long-term employment trends

## Canada

Over the last two decades, the share of the smallest businesses in the economy, according to official statistics—those with less than 5 employees—has increased. At the same time, the share of remaining small businesses—those with 5-19 and 20-99 employees—has declined.

Businesses with less than 5 employees accounted for as low as 74% in 2003 and increased to a peak of 77% within the next two decades (see Figure 13). This came at the expense of the share of businesses with 5-19 and 20-99 employees, recording a 2% and 1% decline respectively, during the same period.

## The share of the smallest businesses in the Canadian economy increased from 74% in 2003 to 76% in 2020

Share of employer firms in Canada by firm size (number of employees)

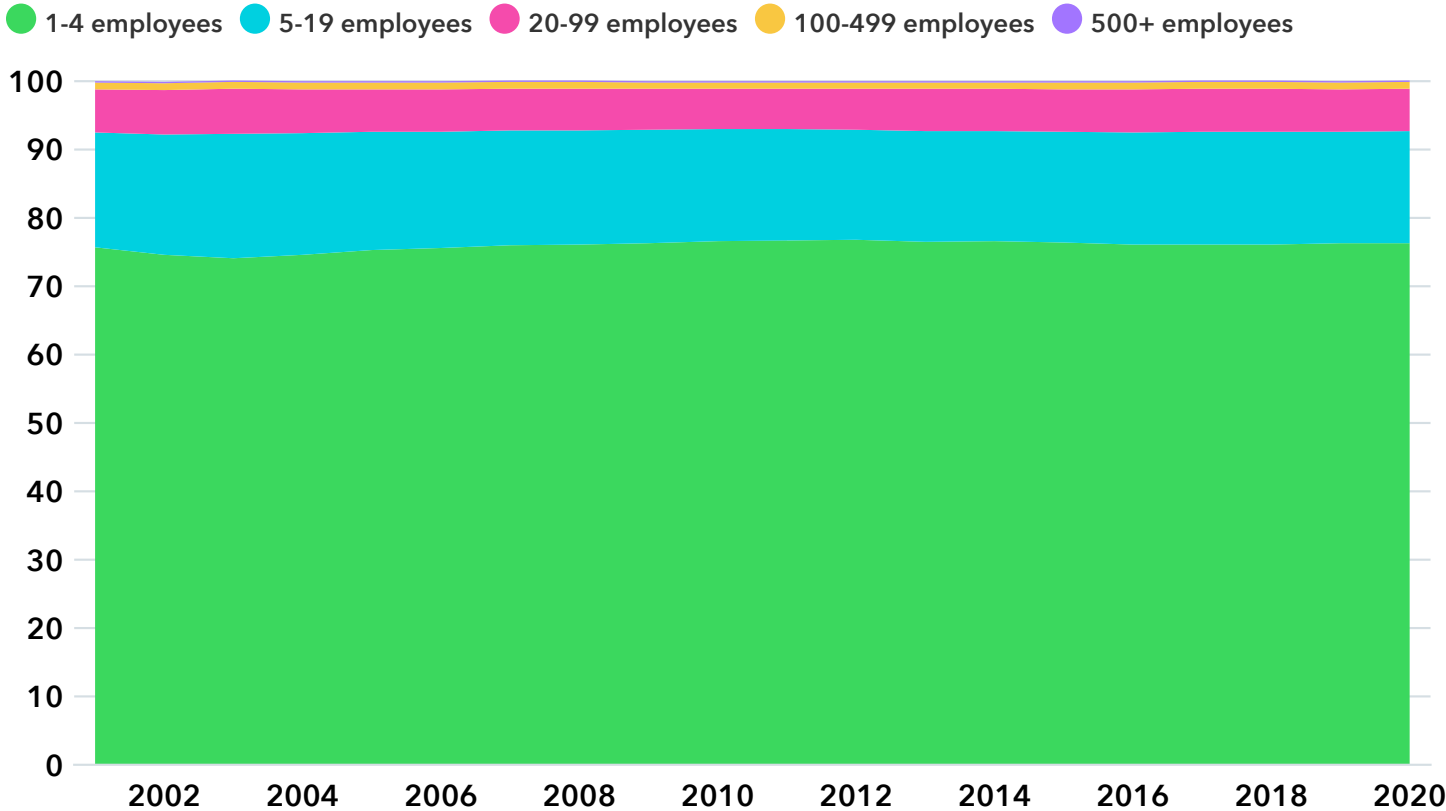


Figure 13, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. For this analysis, "small business" is defined as having fewer than 100 employees. Source: Business Dynamics Measures by Industry (2001-2020), Statistics Canada

Economic activity has increasingly consolidated in large Canadian businesses since the beginning of the 2000s as their share of employment has steadily increased. Large businesses with at least 500 employees employed about 35% of the workforce 20 years ago. During the 2010s, this increased by 2% (see Figure 14).

Factors behind this consolidation at the expense of small and medium businesses may include changes in technology and the business environment benefiting large business models (e.g., digital transformation, use of customer data, regulatory environment). Consolidation raises concerns about market power and declining competition. Maintaining a competitive environment that lets small businesses innovate and grow is key to sustaining business dynamism.

## Between 2001 and 2020, the largest businesses in the Canadian economy increased their share of employment from 35% to 37%

Share of employment in Canada by firm size (number of employees)

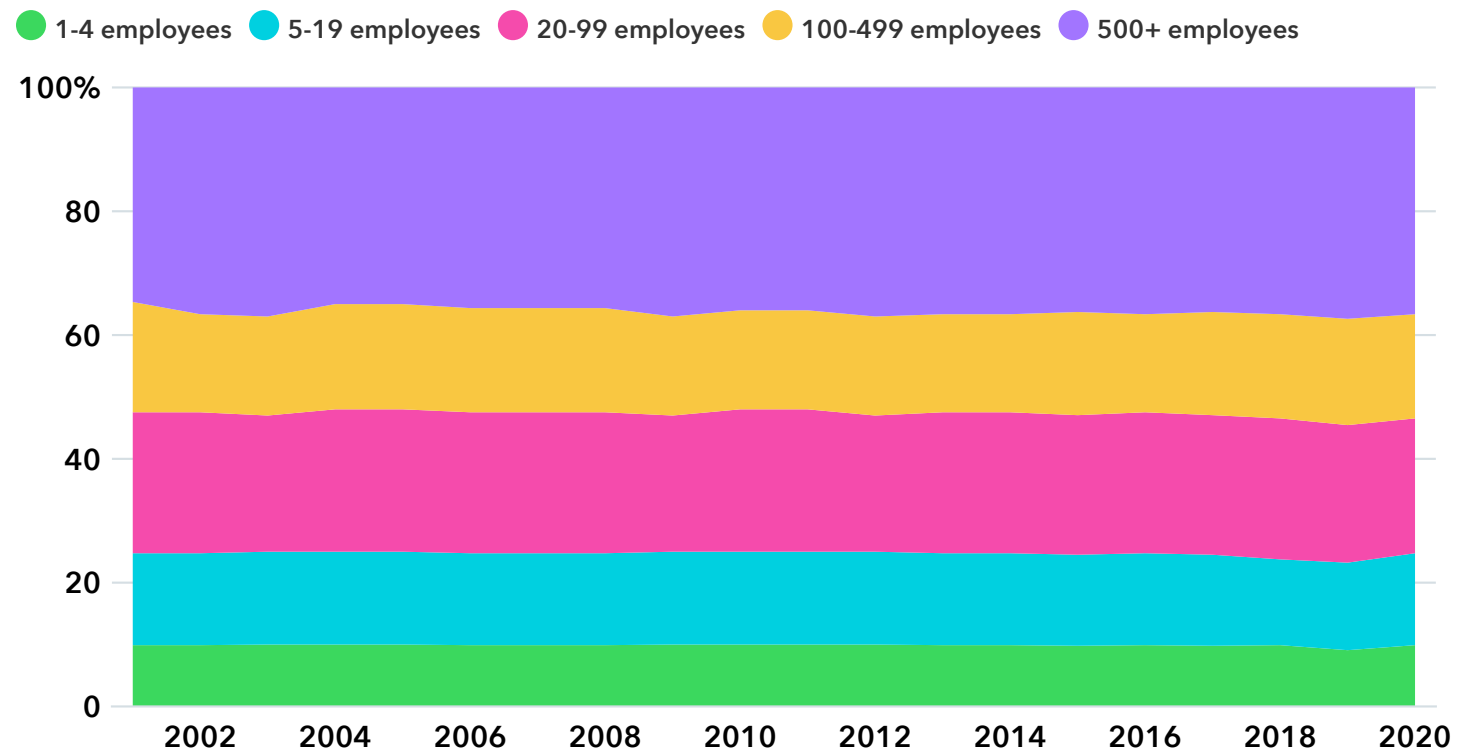


Figure 14, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors.

Source: Business Dynamics Measures by Industry (2001-2020), Statistics Canada

# Long-term employment trends

## UK

Despite some fluctuations, the overall share of small businesses in the UK economy—as a proportion of the total number of businesses—has remained more or less at the same level over the last two decades.

For example, in the first decade of the millennium, the share of businesses with 1-9 employees increased while the share of businesses with 10-99 employees decreased (as shown in Figure 15). However, in the next decade, this trend was reversed. Businesses with 1-9 employees retracted to an 82% share and those with 10-99 employees restored theirs to 17%.

**Between 2000 and 2022, the number of small businesses as a proportion of the overall UK economy increased from 98% to almost 99%**

Share of UK employer firms by firm size (number of employees)

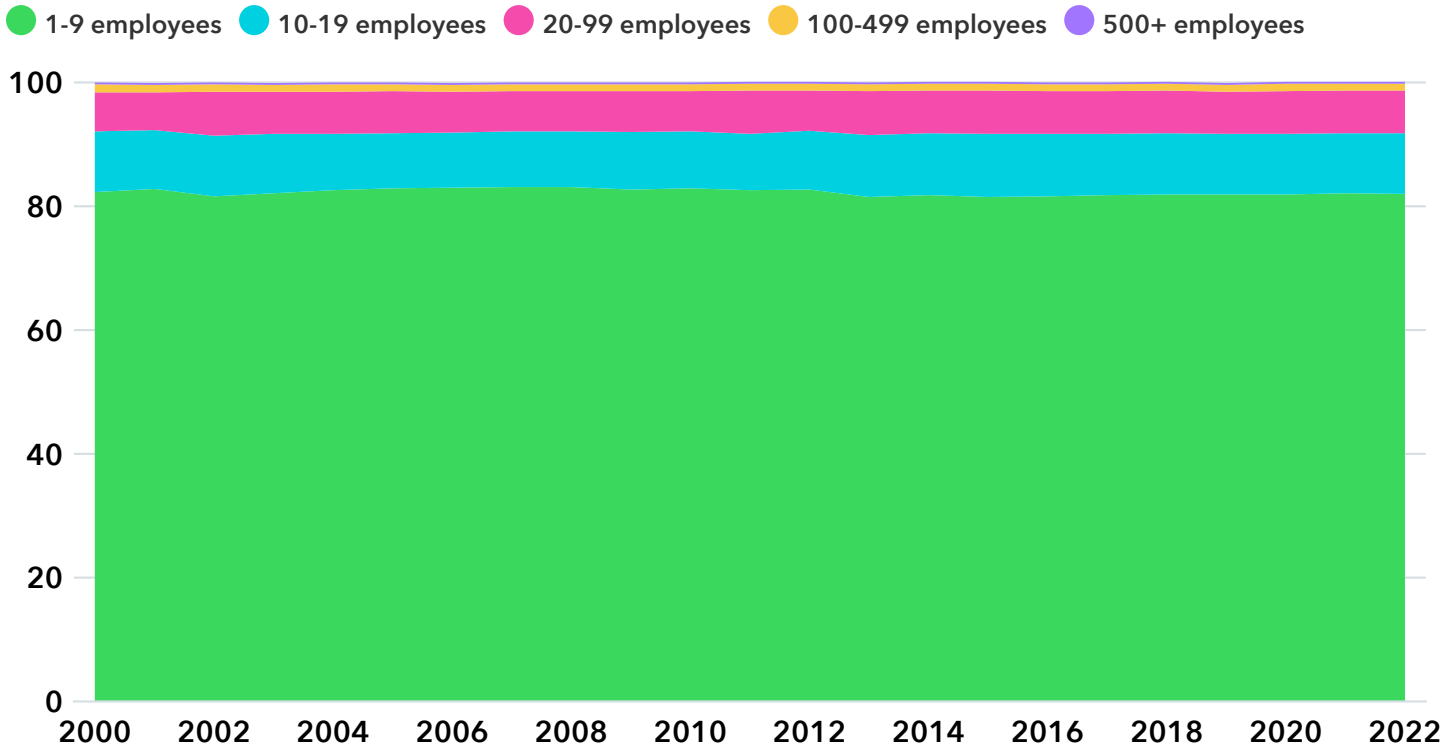


Figure 15, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. "Small business" is defined as having fewer than 100 employees.

Source: Source: Business Population Estimates (2000-2022); Department for Business, Energy & Industrial Strategy



Unlike the US and Canada, the share of employment among large businesses in the UK has decreased over the last two decades, implying weakening consolidation. In other developed countries, large businesses have typically expanded their share of employment over time.

However, in the United Kingdom, large businesses' share of employment fell from around 43% in the early 2000s to around 41% today (as illustrated in Figure 16). Half of this decrease can be attributed to a rising share of employment among businesses with 100-499 employees. The other half can be attributed to businesses with 20-99 employees.

## Between 2011 and 2022, small businesses increased their share of UK employment from 43% to 45%

Share of UK employment by firm size (number of employees)

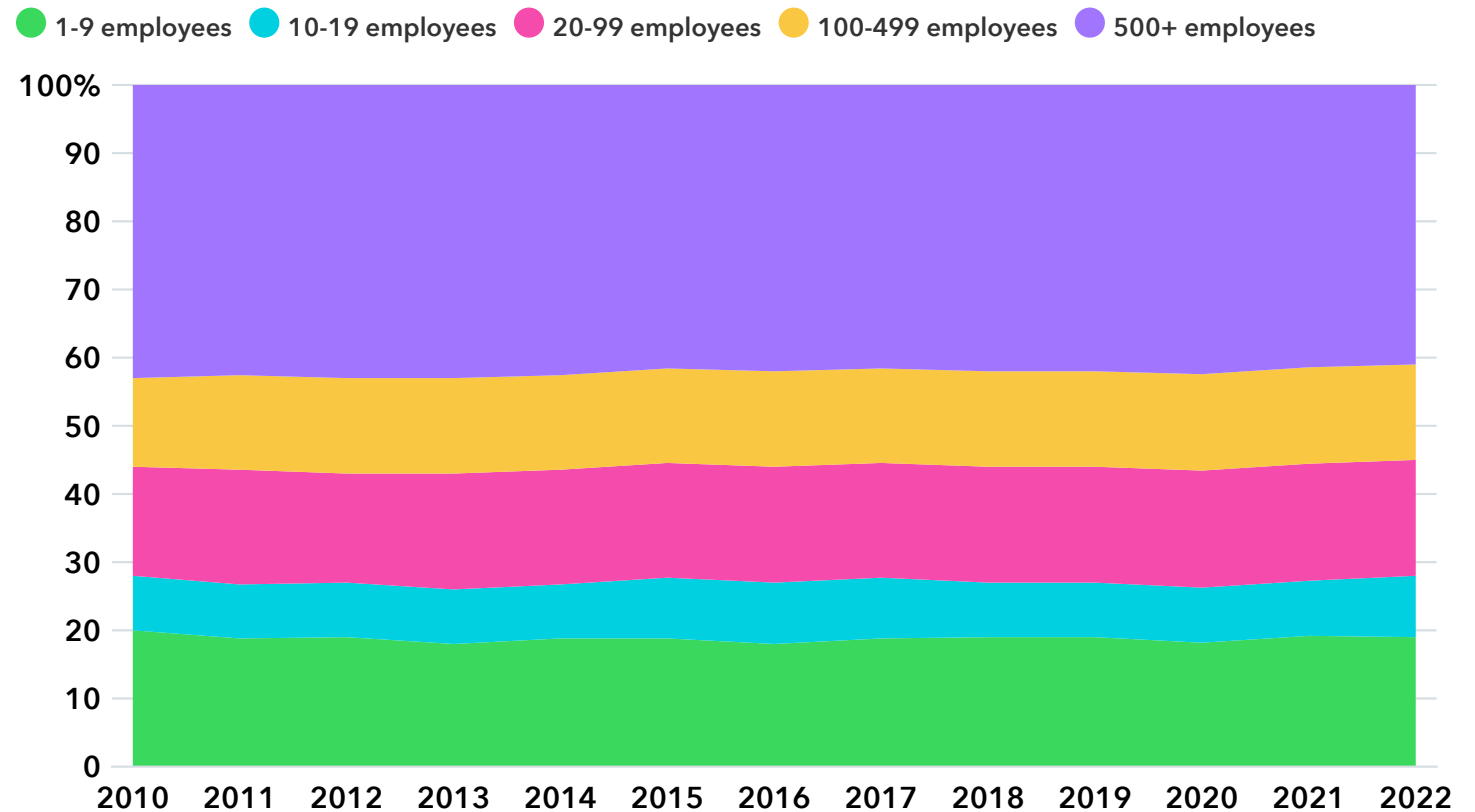


Figure 16, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. For this analysis, "small business" is defined as having fewer than 100 employees. Source: Business Population Estimates (2000-2022); Department for Business, Energy & Industrial Strategy

# New business formations



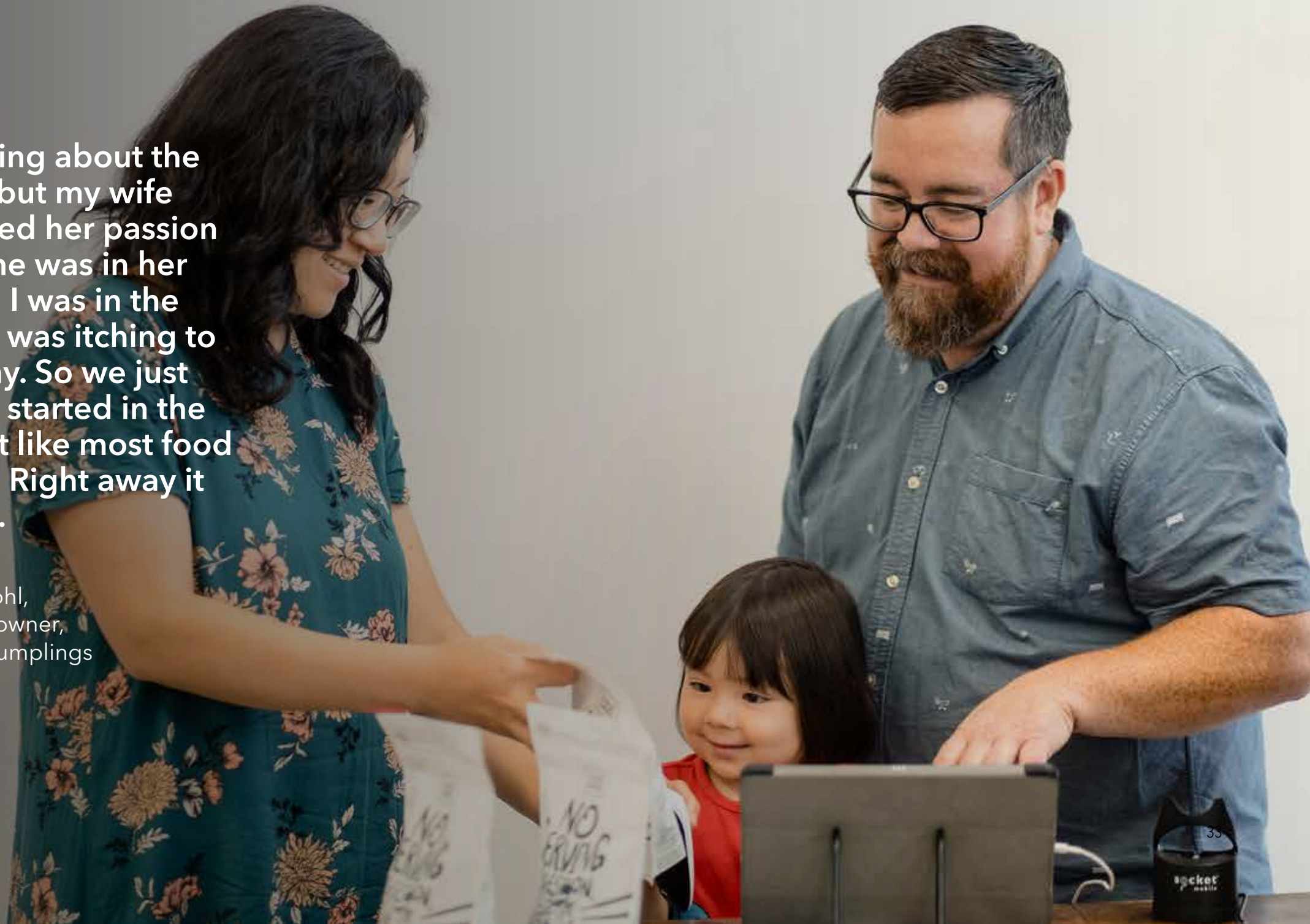




We knew nothing about the food industry, but my wife really discovered her passion was in food. She was in her law career and I was in the tech industry. I was itching to start a company. So we just jumped in and started in the farmers market like most food companies do. Right away it was a huge hit.



Chris Lerohl,  
Business owner,  
Honest Dumplings  
(Canada)





# New business formations

## US

When looking at businesses with employees, the share of new and young businesses has declined over the last decades. The share of new businesses among the population of businesses with employees has gone down from around 14% in the late 1970s to around 8% in 2020 (see Figure 17).

The drivers of this decline are likely a combination of changing market conditions—ranging from credit availability to entry barriers due to regulations and defensive actions by incumbent firms—and natural factors such as demographic changes and saturation in industries.

### In the late 1970s, 14% of employers in the US economy were new businesses compared to 8% in 2020

Entry rates: Proportion of new employer firms created each year vs existing employer firms (1978 to 2020)

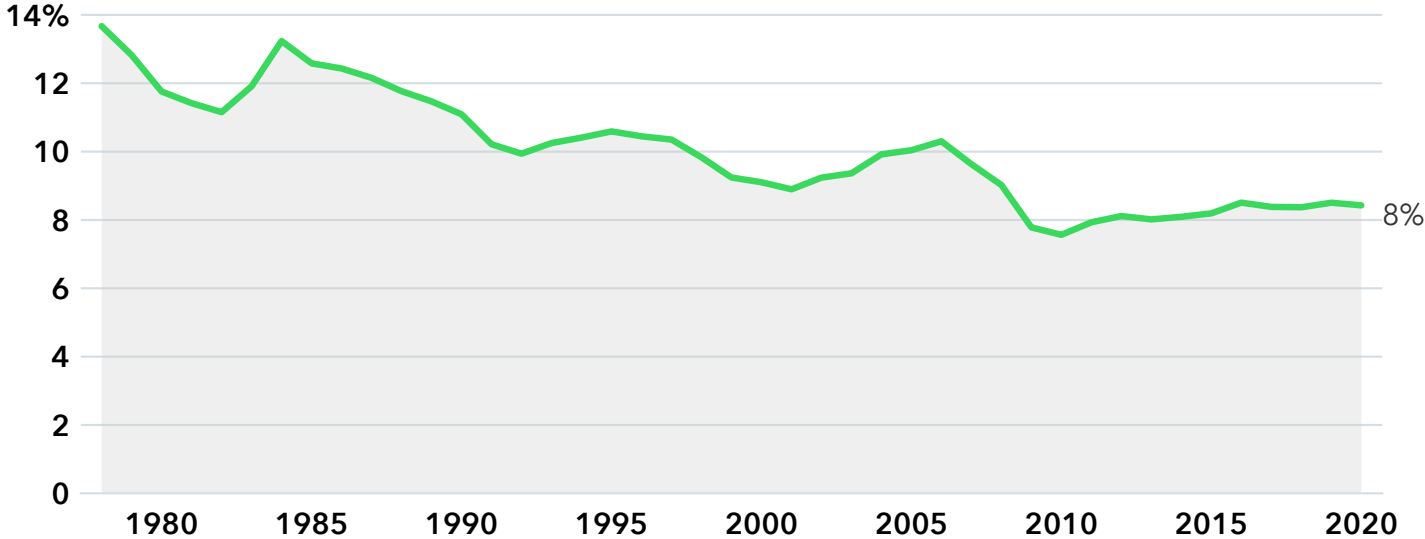


Figure 17, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors.

Source: U.S. Census Bureau, Business Dynamics Statistics

**Entry rate:** The firm entry rate or the business entry rate is the number of entering firms in a given year divided by the estimated base population. The base population can be computed as the current year or the average of the current and previous year.

**Business formations** have risen significantly because of the COVID shock. Figure 18 shows the number of business applications in the US in the immediate aftermath of the pandemic. Business applications in the US experienced a sharp increase. Before the pandemic, there were about 300,000 seasonally adjusted monthly applications. Evidence indicates that many of these businesses are generating new jobs but despite this, the overall share of new businesses creating jobs is declining (as shown in Figure 17) due to the rising popularity of self-employment, which we explore in more detail in the next section.

## Business applications remain at historically high levels, at more than 5 million per year over the past two years

Monthly seasonally-adjusted business applications throughout the US since 2004

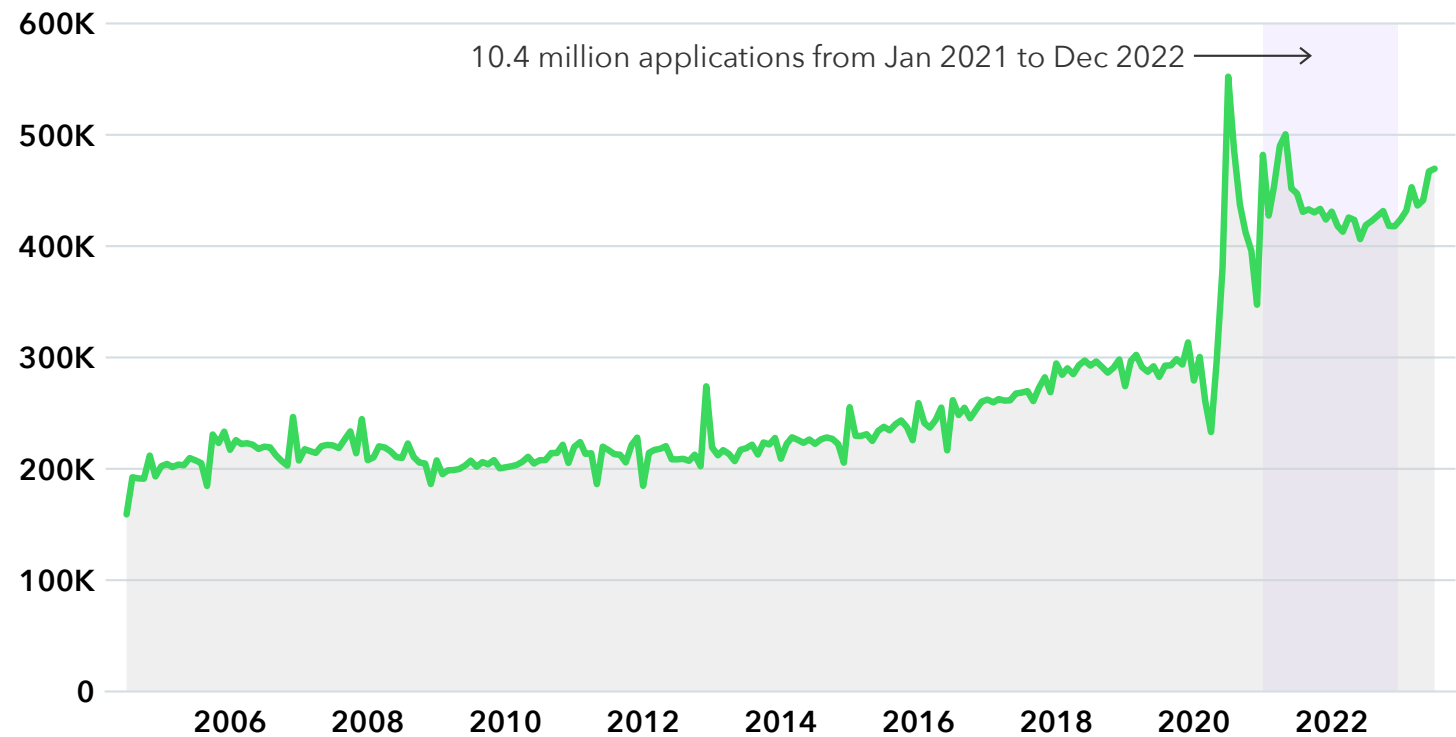


Figure 18, Intuit QuickBooks Small Business Index Annual Report.  
Source: U.S. Census Bureau, Business Formation Statistics (2004-2023)

**Business formation:** “The formation of an employer (wage-paying) business from a business application,” according to the U.S. Census Bureau definition.

**Business application:** An application to the Internal Revenue Service (IRS) in the US for a new business tax number (known as an EIN), which is often one of the first steps people make when starting a new business.

# New business formations

## Canada

The new business formations data is an indicator of business dynamism because it measures the number of new businesses created in a given year. This entry rate has declined significantly since the 1980s. Back then, the entry rate was above 20%. Over subsequent decades, the rate has steadily declined, hitting a low of 13% by the beginning of the 2010s (as shown in Figure 19). Furthermore, this decline is visible across all sectors. New businesses bring new ideas and processes to

the market and increase productivity in the sector via disruption. They usually correspond to higher job reallocation, thus also contributing to efficient allocation of resources. Hence, a decline in the entry rate indicates a decline in business dynamism. Given the Canadian economy predominantly consists of very small businesses, policymakers should understand the demographic and economic drivers of declining business entries.

### Between 1984 and 2012, the proportion of new Canadian businesses creating jobs decreased from almost 25% to 13%

Entry rates: Proportion of new employer establishments created each year vs existing employer establishments (1984 to 2012)

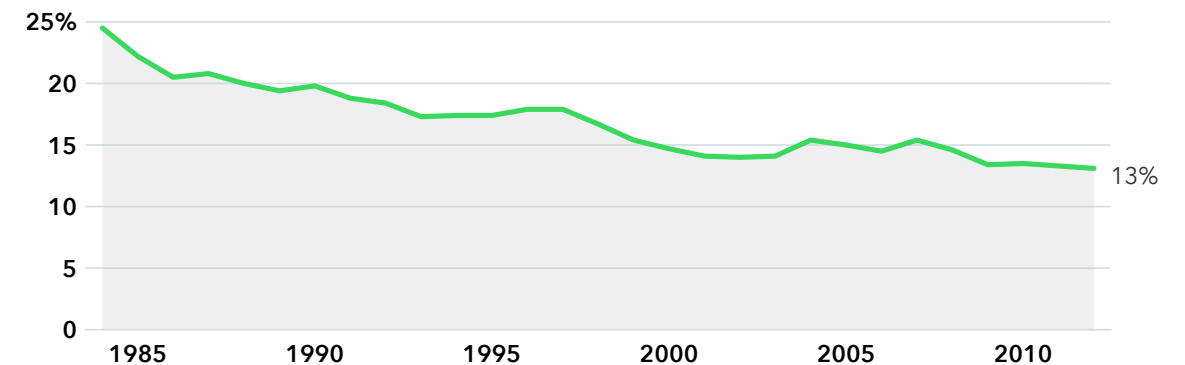


Figure 19, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors.

Source: Macdonald, R. (2014). "Business Entry and Exit Rates in Canada: A 30-year Perspective," Analytical Studies Branch, Statistics Canada



# Self-employment trends



# Self-employment trends

## US

The share of **non-employer** firms in the US has experienced dramatic growth over the last two decades. Non-employer businesses made up 76% of all firms in 1997, rising to 84% of all firms in 2020. The [rise of the gig economy](#), facilitated by digital technologies and new business models, is creating opportunities for entrepreneurs to engage in new ways.

## A growing share of US businesses have no employees: increasing from 76% in 1997 to 84% in 2020

Proportion of non-employer and employer businesses in US (1997 to 2020)

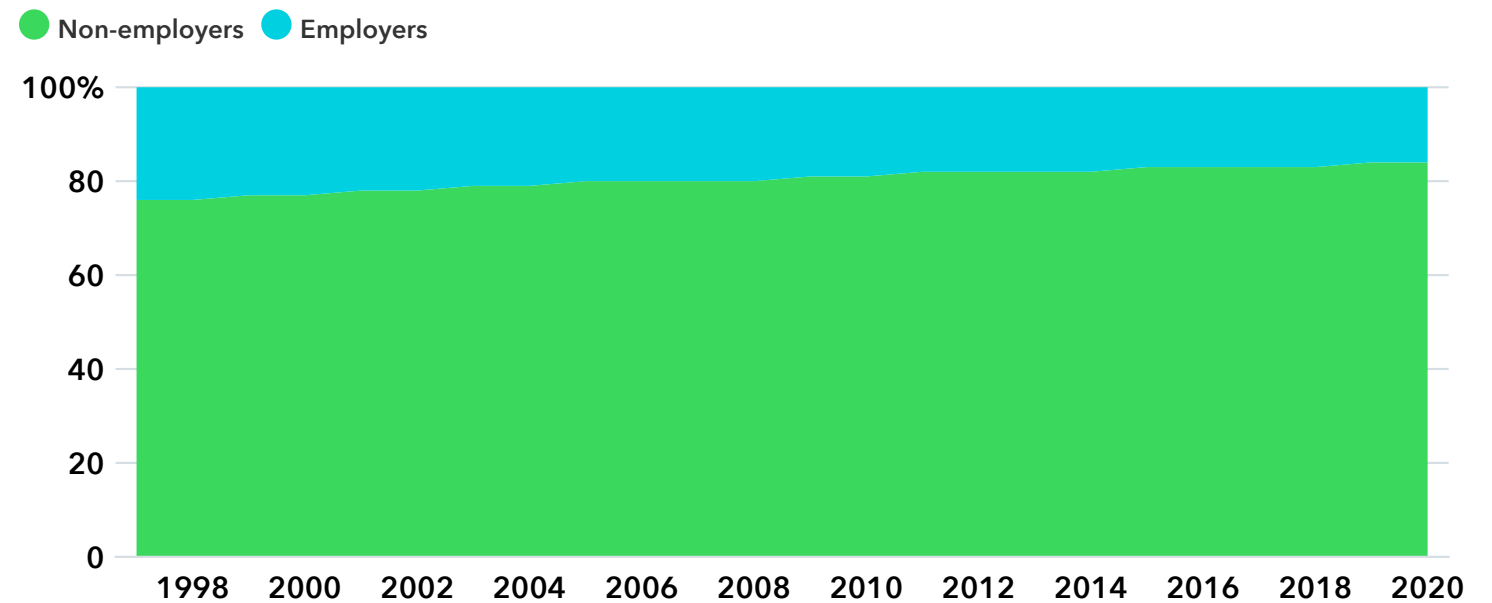


Figure 20, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors.

Source: U.S. Census Bureau, Business Dynamics Statistics and Non-Employer Statistics

**Non-employers:** Businesses without employees, also known as self-employed businesses or solopreneurs.

# Self-employment trends

## Canada

There are twice as many non-employer businesses in Canada as those with employees. Between 2015 and 2022, non-employer businesses made up roughly 68% of all businesses in the Canadian economy (as shown in Figure 21), increasing their share from less than 68% in 2015 to more than 69% in 2022. When combined with businesses with less than five employees, they make up 92% of all businesses. Changes in technologies that let service professionals run their businesses on their own and rising dependence on the gig economy by new businesses

could be some of the drivers behind this increase. Given how many of these businesses there are and the growing trend, self-employed businesses should be the focus of particular and directed attention from policies that aim to support business dynamism. Non-employer business counts in Canada are not directly comparable to those for the US and UK due to differences in the samples used. Counts are provided by Statistics Canada (STATCAN). They exclude non-employers with annual revenue less than \$30,000.

### A growing share of Canadian businesses have no employees: increasing from 68% in 2015 to 69% in 2022

Proportion of non-employer and employer businesses in Canada (2015 to 2022)

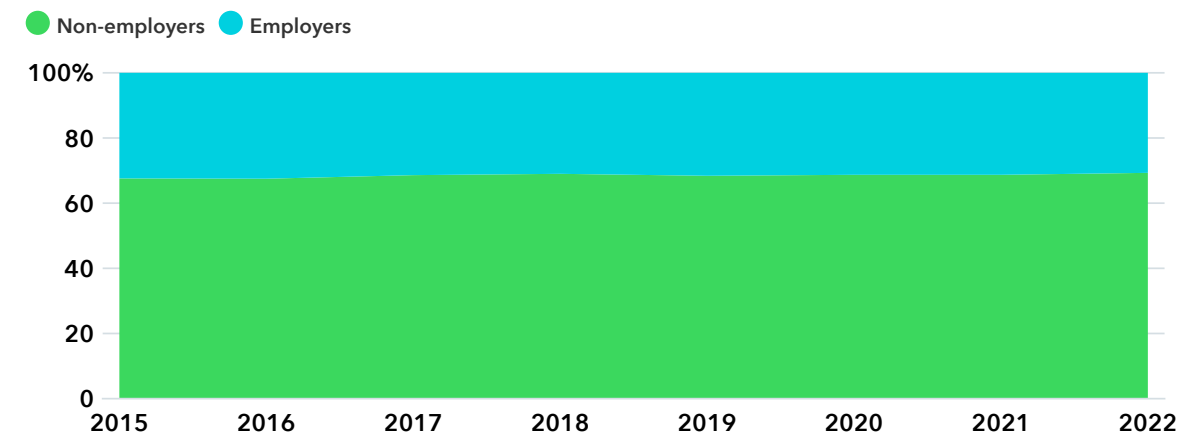


Figure 21, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. Non-employer business counts in Canada are not directly comparable to those for the US and UK due to differences in the samples used. Counts are provided by Statistics Canada (STATCAN). They exclude non-employers with annual revenue less than \$30,000.

Source: Canadian Business Counts, Statistics Canada



# Self-employment trends

## UK

Businesses without employees account for a significant share of UK firms when compared to businesses with employees, and their share keeps growing. The share of non-employer businesses has increased from 68% in the early 2000s to 74% today (as shown in Figure 22). Regulations and changes in job functions can affect the composition of non-employer and employer businesses in the economy. The well-documented rise of the gig

economy and use of automation tools could also be facilitating this increase. These tools let entrepreneurs, sometimes described as solopreneurs, to single-handedly run their operations. To maintain a healthy business dynamism in the economy, it is critical to understand what is driving these shifts and to ensure both regulations and disruptions by new technologies do not lead to inefficiencies in the distribution of resources.

### A growing share of UK businesses have no employees: increasing from 68% in 2000 to 74% in 2022

Self-employment has been on the rise, with a slight decrease in 2021 and 2022

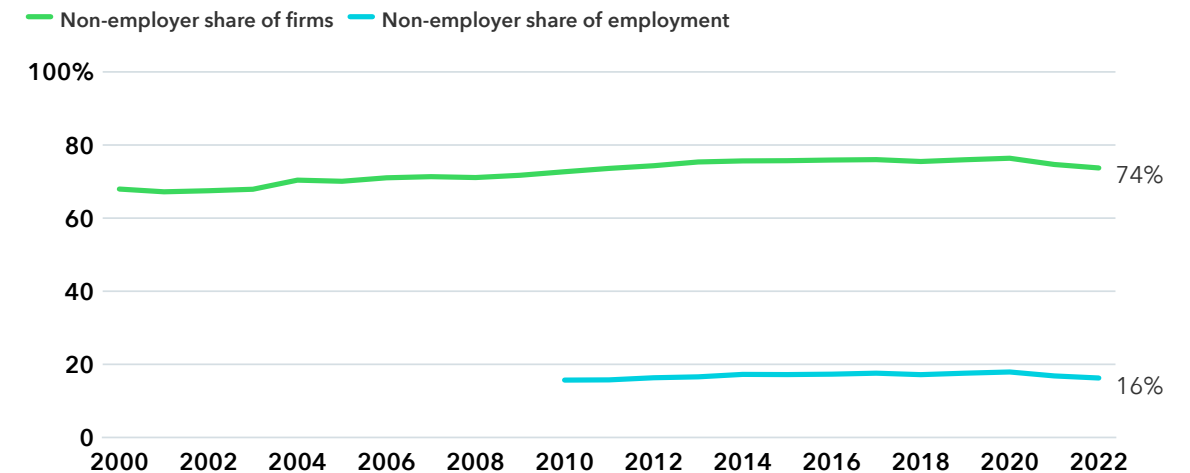


Figure 22, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. Non-employer businesses include registered and unregistered self-employed  
Source: Business Population Estimates (2000-2022); Department for Business, Energy & Industrial Strategy

# Small business employment trends since the COVID-19 pandemic





# Intuit QuickBooks Small Business Index

It is vital to develop new methods of tracking the performance of small businesses due to their disproportionate economic importance and because there are sometimes gaps or delays in official statistics for these businesses. These businesses are particularly sensitive to business cycles and are early indicators of economic activity. Despite the major role small businesses play, it is difficult to produce up-to-date data about their performance due to various data limitations. The coverage of small businesses is either very poor in small-scale surveys, or their

statistics are revealed with a lag of months if not years. These limitations make it hard to monitor the overall performance of small businesses in real-time and design timely policies. With the [Intuit QuickBooks Small Business Index](#), launched in March 2023, we are helping to fill this gap by providing a new and unique index on small businesses with 1-9 employees in the US and the UK, and with 1-19 employees in Canada. A timely series of small business activities is useful for policymakers, researchers, and industry experts alike.



# Index methodology

The Intuit QuickBooks Small Business Index uses purpose-built economic models to normalize anonymized data from hundreds of thousands of small businesses throughout the US, Canada, and the UK against official government statistics to reflect the general population of small businesses in each country.<sup>2</sup> The Index is not a reflection of Intuit's business. We have developed a powerful econometric methodology for Intuit analysts to apply to the

QuickBooks customer data to make it representative of the national pulse of small businesses in each of the three countries. This lets us track the economic activity of not just a narrow set of firms but to be as thorough as possible in tracking the evolving situation nationally, regionally, and by sector, and the needs of small businesses in general.

<sup>2</sup>For details, see "Data sources, samples, and methodology" in the Appendix or visit <https://quickbooks.intuit.com/r/small-business-data/index/methodology/>





# Index sample

Intuit currently serves nearly 8 million small businesses around the world, including 6.5 million [QuickBooks Online](#) subscribers, many of whom use [QuickBooks Online Payroll](#) to pay their workers and access human resources and benefits. The current sample used in the Index is 333,000 businesses in the US, 66,000 in Canada, and 25,000 in the UK that use QuickBooks Online Payroll to pay their employees.

By normalizing this anonymized sample of QuickBooks Online Payroll customer data against official statistics, the Index creates up-to-date employment growth rates by country, region, and sector every month. Employment levels are derived from these growth rates.



# Tracking the impact of the pandemic

The Index provides important insights about the impact of the COVID-19 pandemic, the subsequent recovery, and the more recent effects of monetary tightening to combat inflationary pressures. While the Index was launched in March 2023, we are able to go as far back as 2015 in the US to assess the performance of the Index against other measures of small business activity. Similarly, in Canada and the UK, we are able to go back to 2015 and 2018, respectively, to evaluate performance. This approach allowed us to test the historical performance of the Index before launch. Over the relatively short period since the pandemic, the Index has allowed us to observe four distinct trends in small business employment:

- 1. Initial downturn:** A large drop in employment during the pandemic as economic activity fell with the spread of the virus and the resulting lockdowns.
- 2. Initial rebound:** A subsequent strong recovery where small businesses bounced back after the pandemic. This period saw a record number of new businesses being formed and above average employment growth in general.
- 3. Another downturn:** As central banks started their rate hikes to curb inflation, we see the slowdown and even some reversal of the job gains made during the rebound.
- 4. Rebound again:** An increase in small business activity over the last 3 months, particularly for the US.





# At a glance: Pandemic impact in the US

## Intuit QuickBooks Small Business Index | Aug 2023

USA | Total Employment | Businesses with 1-9 Employees

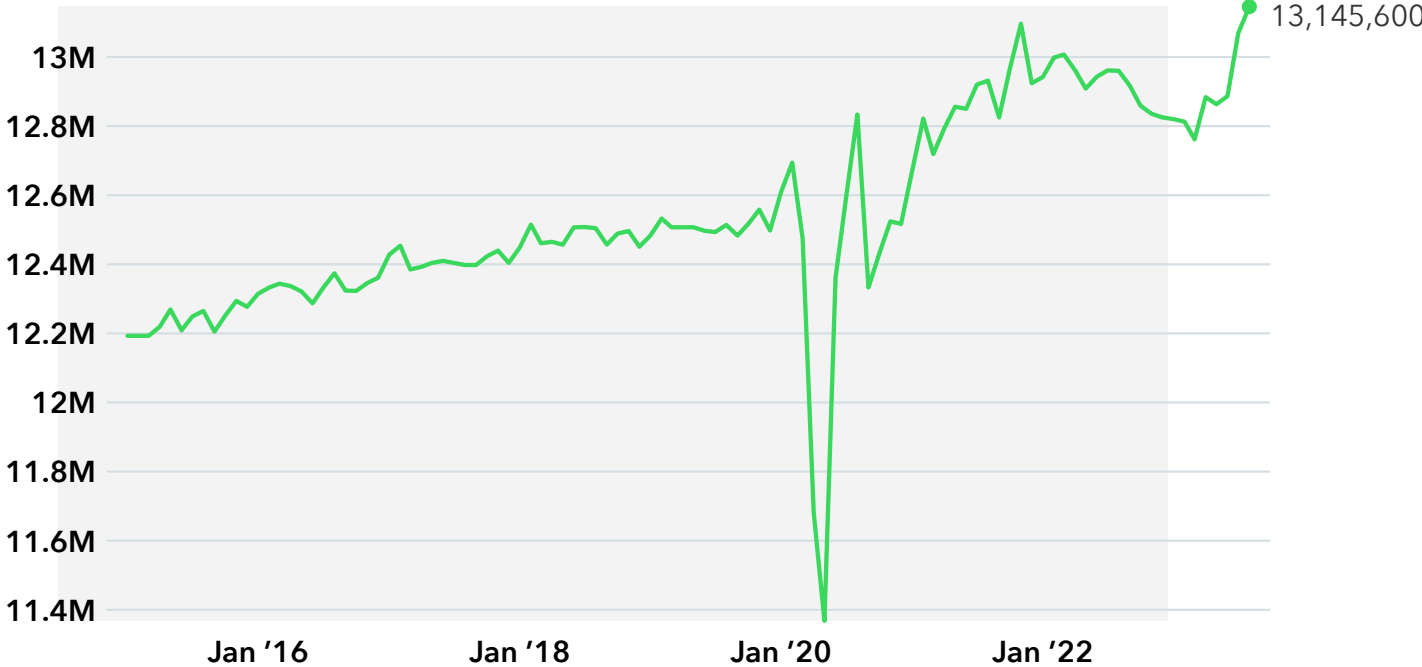


Figure 23, Intuit QuickBooks Small Business Index Annual Report. Total monthly employment for small businesses with 1-9 employees (seasonally adjusted), showing the number of people employed by businesses of this size. National sample: almost 333,000 small businesses that run payroll with QuickBooks. Shaded area follows official employment statistics closely (in-sample). Area not shaded is the Index's prediction for what official statistics will show when published.

Source: Intuit QuickBooks Small Business Index. For sample and methodology details, visit <https://quickbooks.intuit.com/r/small-business-data/index/methodology/>



# At a glance: Pandemic impact in Canada

## Intuit QuickBooks Small Business Index | Aug 2023

Canada | Total Employment | Businesses with 1-19 Employees



Figure 24, Intuit QuickBooks Small Business Index Annual Report. Total monthly employment for small businesses with 1-19 almost 66,000 small businesses that run payroll with QuickBooks. Shaded area follows official employment statistics closely (in-sample). Area not shaded is the Index's prediction for what official statistics will show when published.

Source: Intuit QuickBooks Small Business Index. For sample and methodology details, visit <https://quickbooks.intuit.com/r/small-business-data/index/methodology/>

# At a glance: Pandemic impact in the UK

## Intuit QuickBooks Small Business Index | Aug 2023

UK | Total Job Vacancies | Businesses with 1-9 Employees



Figure 25, Intuit QuickBooks Small Business Index Annual Report. Total monthly job vacancies for small businesses with 1-9 employees (seasonally adjusted), showing the number of job vacancies at businesses of this size. National (UK) sample: almost 25,000 small businesses that run payroll with QuickBooks. Shaded area follows official employment statistics closely (in-sample). Area not shaded is the Index's prediction for what official statistics will show when published.

Source: Intuit QuickBooks Small Business Index. For sample and methodology details, visit <https://quickbooks.intuit.com/r/small-business-data/index/methodology/>

# Some businesses were hit hard, others thrived

The COVID-19 crisis created a difficult environment for many small businesses across the globe. Lockdowns and the spread of the virus meant that the majority of businesses requiring face-to-face contact with customers had to be temporarily shut down. However, as the first period of uncertainty started to ease, it became clear that the effects, though large in magnitude, were very heterogeneous across industries and geographies.

In other words, while many were hit hard, others thrived. Figure 26 shows small businesses employment activity in the US during the pandemic and its uneven impact across different sectors. It shows the average monthly growth rate of employment for each firm in the sector. So, if the values are positive, it implies the firms in that sector expanded their workforces compared to the previous month (and vice versa).





# Accommodation and food services were the worst hit

As Figure 26 shows, the information sector, the professional, scientific and technical services sector, and the finance and insurance sector were less affected than others. Their ability to continue working and generating revenue online or remotely was a major reason for their resilience.

The sectors that relied heavily on person-to-person contact—such as construction and arts and entertainment—took a big dip. The most severely affected sector was accommodation and food services, with a large chunk losing employment during the COVID-19 crisis.

## The Intuit QuickBooks Small Business Index clearly shows the impact of the COVID-19 pandemic, and that some industries were affected more than others

Monthly employment growth rates for US small businesses from January 2019 to December 2020, grouped by NAICS sectors

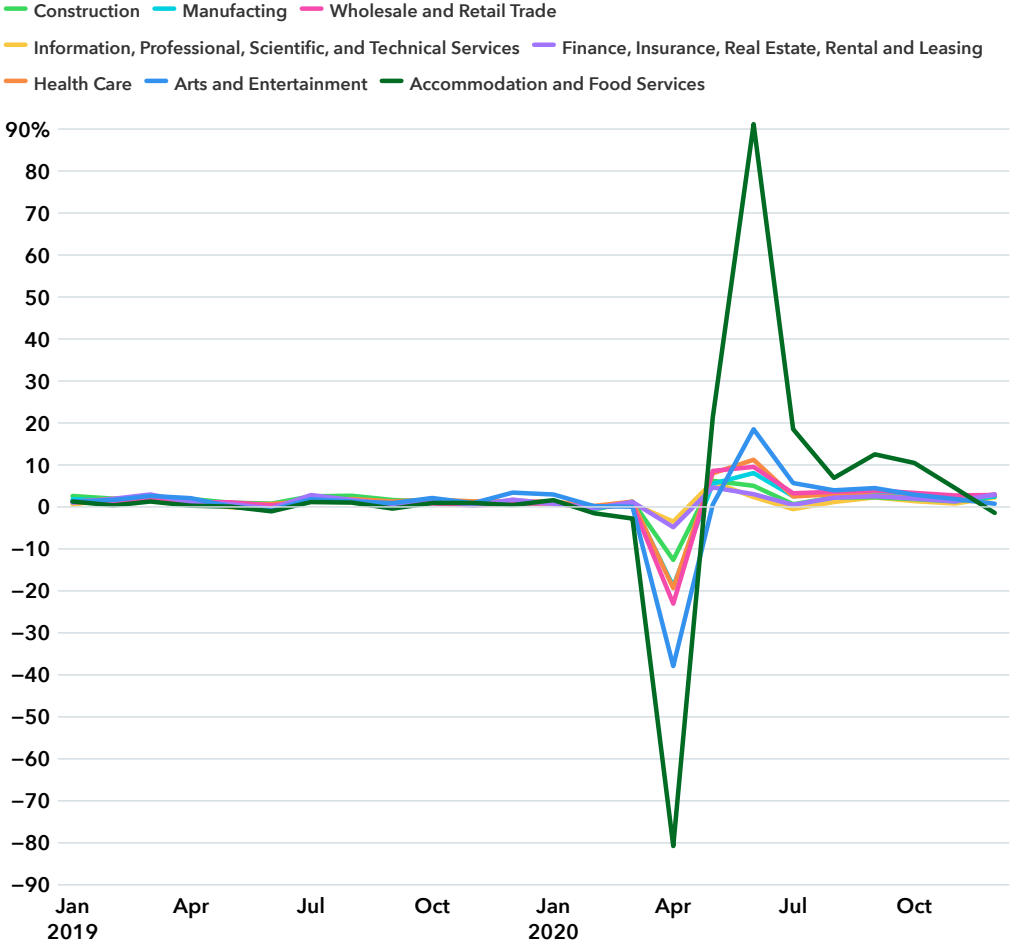


Figure 26, Intuit QuickBooks Small Business Index Annual Report. Monthly employment growth rates for small businesses with 1-9 employees (seasonally adjusted), showing the monthly change in the number of people employed by businesses of this size. National sample: almost 333,000 small businesses that run payroll with QuickBooks. For details about NAICS sector classifications, visit <https://www.census.gov/naics/>

Source: Intuit QuickBooks Small Business Index. For sample and methodology details, visit <https://quickbooks.intuit.com/r/small-business-data/index/methodology/>

# New jobs and new businesses

The Intuit QuickBooks Small Business Index is a valuable tool to track the post-pandemic recovery in the US, Canada, and the UK. The government response in all three countries included a significant amount of fiscal support—such as direct transfers, loan moratoriums, and small business programs. The recovery period also saw a great amount of shuffling in the labor markets, a phenomenon which became known as the Great Resignation. In the US, business formation data published by the Census Bureau (see Figure 18) showed a record number of Americans applied for new business tax numbers in this period.

This trend demonstrated the speed of small businesses' recovery from the pandemic. We see the same pattern in the Intuit QuickBooks Small Business Index, which tracked these developments over time. It remains a useful tool for policymakers who want to stay current with ongoing labor market developments.



# Recent trends in small business employment

The Index shows signs of a slowdown in small business employment growth following interest rate increases. Strong labor market growth precipitated these increases during the pandemic recovery, as well as a rise in aggregate demand driving up prices. In response to these inflationary pressures, central banks in most economies started a monetary tightening cycle by raising interest rates, with widespread impacts. For example, banks cut down on lending, making it harder for small businesses to access funding, forcing some to cut down on investment or operations—particularly

if vulnerable to rising expenses. Monetary policy tightening also affects household consumption directly because higher interest rates persuade more people to save rather than consume. This fall in aggregate consumption impacts small businesses as demand for their products and services falls. Because it publishes monthly insights almost immediately after small business payrolls are processed, the Intuit QuickBooks Small Business Index reflects the evolving situation in the economy ahead of most official statistics.

## Interest rates in the US, Canada, and the UK

January 2022 to August 2023

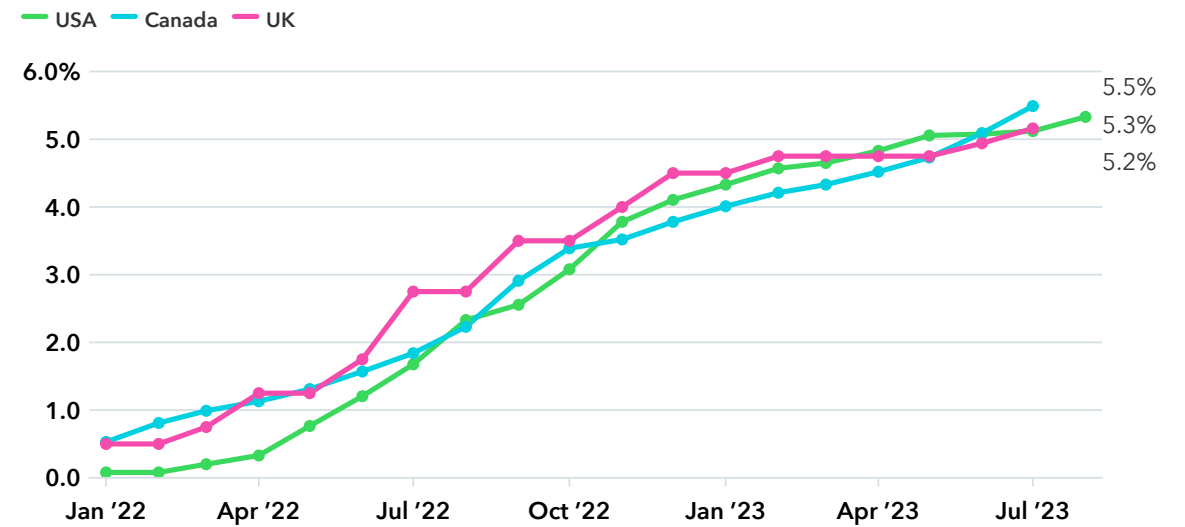


Figure 27, Intuit QuickBooks Small Business Index Annual Report.

Source: USA: Fed Funds Rate Effective | Canada: Interest Rates: Immediate Rates (< 24 Hrs): Central Bank Rates: Total for Canada | UK: 3-Month or 90-day Rates and Yields: Interbank Rates for the United Kingdom



In Canada, the Index shows negative employment growth rates every month from February to August 2023 except May, when the rate was briefly positive. In the UK, where the Index measures job vacancies rather than employment, growth rates were negative every month over the same period. In the US between February and May, it was a similar story, with declining small business employment. But through June, July, and August, growth turned positive, reversing all of the job losses seen over the previous four months. This underlines the Index's value to anyone who wants to gauge the effects of monetary policy on small businesses.



# The impact of higher inflation and interest rates

The data suggest that raising interest rates to curb inflationary pressures has disproportionately affected small businesses in all three economies—the US, Canada, and the UK—due to the smaller scope of these businesses and their reliance on credit availability.

In the next section, we explore small business credit needs in more detail based on a combination of insights from recent small business surveys commissioned by Intuit QuickBooks and a new analysis of anonymous QuickBooks customer data prepared with the help of Intuit’s data analytics team, published here for the first time.<sup>3</sup>

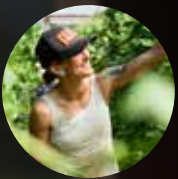
<sup>3</sup>For details, see “Data sources, samples, and methodologies” in the appendix.







Anything that we purchase increased, whether it's packaging, fertilizer, gas, any software, expenses, trash pickup, everything's increased. I tried to pass that on to the customer a little bit. But I know that we did not pass all of that on, which is unfortunate.



Ashley Rodgers,  
Business owner,  
Rodgers Greens and Roots  
(US)





# Credit constraints and monetary tightening

A photograph of two women in a professional setting. One woman with long brown hair is pointing at a laptop screen while the other woman with curly dark hair looks on. They are sitting at a wooden desk with a barcode scanner and some papers. The background is slightly blurred, showing what appears to be a retail or office environment.

Credit constraints are important determinants of entrepreneurial entry and success. Small businesses obtain funding from multiple sources throughout their lifetimes. They primarily require a startup fund in the beginning of their lifecycle, and as their business grows they acquire funding to sustain/grow their operations and overcome negative shocks.

# Insights from Intuit QuickBooks commissioned surveys

Every three months, Intuit QuickBooks commissions an online survey of small businesses in the US, Canada, and the UK—known as the [Intuit QuickBooks Small Business Insights Survey](#)<sup>4</sup>—to learn more about their current pressures and priorities. Figure 28 shows how the respondents’ businesses have used funding since they were

established. The most common, in all three countries, is to invest in future growth. In the UK, 25% report using funding to get the business started—rising to 35% in the US and 36% in Canada. A similar proportion in each country has required funding at some point during the life of the business to cover negative shocks.

## Funding is needed for growth above all, according to small businesses surveyed

Survey question: Since the business was first established, which of the following—if any—has it used funding/loans for?

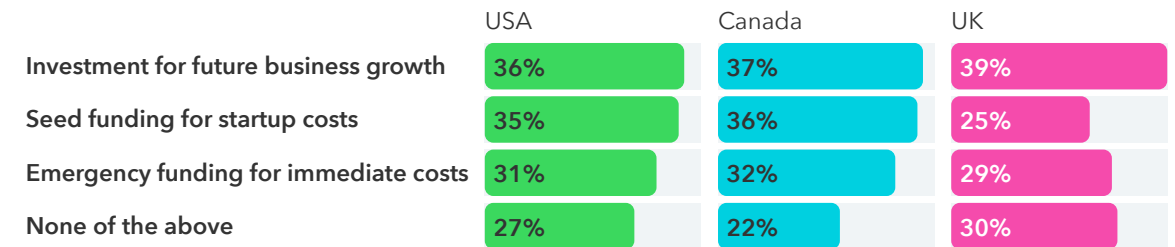


Figure 28, Intuit QuickBooks Small Business Index Annual Report. Online survey of 2850 small businesses in the US (n=1500), Canada (n=600), and UK (n=750) commissioned by Intuit QuickBooks in December 2022.

Source: Intuit QuickBooks Small Business Insights Survey 2022  
<https://quickbooks.intuit.com/r/small-business-data/survey-2022/>

<sup>4</sup>Online surveys commissioned by Intuit QuickBooks in September 2022, December 2022, April 2023, and ongoing. The minimum sample size per survey wave is 2,850 small businesses (1,500 in the US, 600 in Canada, and 750 in the UK). See “Data sources, samples, and methodologies” in Appendix for more information.

# Many small businesses are self-funded

The results from the December 2022 wave of the survey show that almost half of the owners of small businesses surveyed have used personal savings at some point to fund their business (see Figure 29). Formal credit is also important, with business loans from commercial lenders emerging as the second most important funding source identified by the respondents—including private loans from commercial banks and non-bank entities. In the US and UK, 22% of respondents have used a

commercial loan—rising to 27% in Canada. Government funding, loans from online lenders, and loans from family and friends are also routinely, but not as frequently, used by small firms. Due to their nature, only a small fraction of small businesses are able to grow successful enough to source advanced levels of funding such as private capital. Accordingly, the survey results show only around 7% of firms in each country have had access to this type of funding.

## Roughly half of small business owners surveyed have used their own savings to fund their business

Survey question: Since the business was first established, has it used any of the following sources of funding?

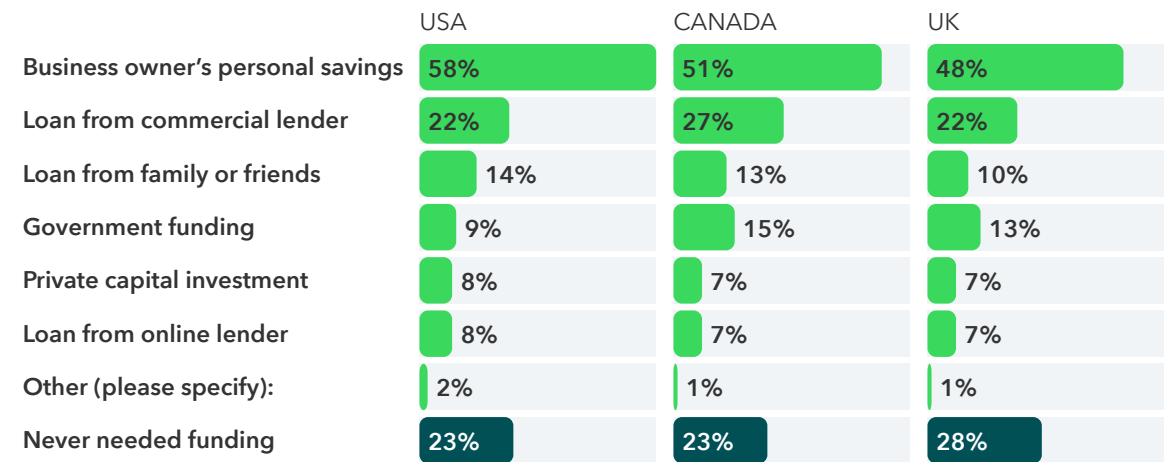


Figure 29, Intuit QuickBooks Small Business Index Annual Report. Online survey of 2850 small businesses in the US (n=1500), Canada (n=600), and UK (n=750) commissioned by Intuit QuickBooks in December 2022.

Source: Intuit QuickBooks Small Business Insights Survey 2022  
<https://quickbooks.intuit.com/r/small-business-data/survey-2022/>



# How small business owners fund their businesses

Given the disproportionate role of personal funding in the small business lifecycle, survey respondents were asked about the sources of this money. Did they inherit it, or earn it, for example? The results highlight how dedicated many small business owners are to building a successful business.

Up to two-thirds report that they have relied on their own income—either from investments or by working for other businesses—to make their dream of business ownership possible. Far fewer small business owners—roughly 1 in 10—use family inheritance.

## When small business owners self-fund their business, they usually do so by working other jobs

Survey question: You said you used your own money or personal savings to fund your business when you started it. Which of the following best describes the source of this money?

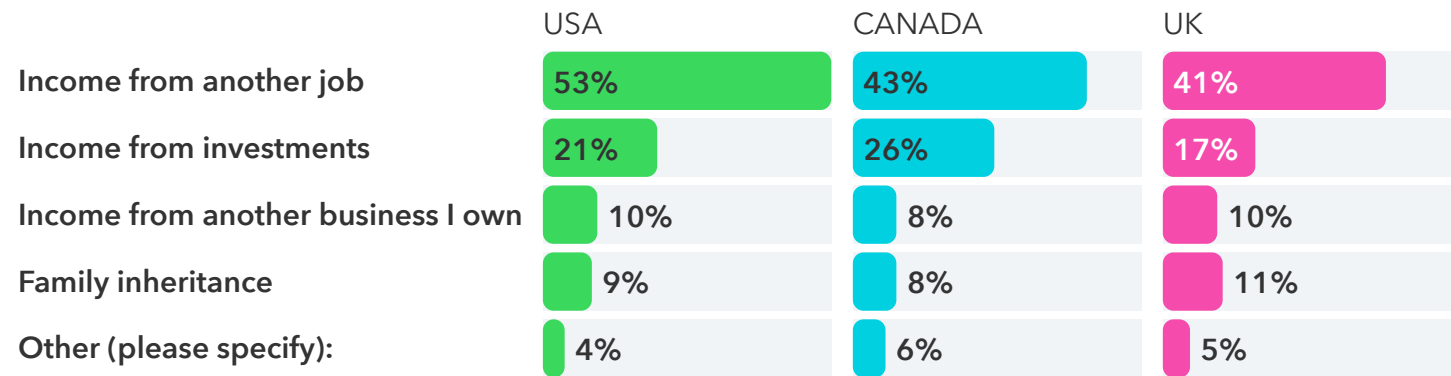


Figure 30, Intuit QuickBooks Small Business Index Annual Report. Online survey of 2850 small businesses in the US (n=1500), Canada (n=600), and UK (n=750) commissioned by Intuit QuickBooks in December 2022.

Source: Intuit QuickBooks Small Business Insights Survey 2022  
<https://quickbooks.intuit.com/r/small-business-data/survey-2022/>

# More recent financing trends

Small business financing falls between the intersection of traditional household models of debt financing and commercial lending. They use many different funding sources. To explore this topic in more detail, since April 2023, Intuit QuickBooks customers have been invited to complete several questions from the [Intuit QuickBooks Small Business Insights Survey](#), expanding the total sample from 2,850 small businesses to 5,175 for this portion of the survey. Data from this combined sample<sup>5</sup> presented below shows

that unlike large firms, a significant number of small businesses have relied on credit card debt over the past 12 months—30% in the US, 21% in Canada, and 14% in the UK—making this the top one or two sources of funding over this period. Other recent sources of funding include loans and lines of credit, with around 22% of US respondents, 23% of Canadian respondents, and 12% of UK respondents reporting that they applied for these within the past year.

## Credit cards have been the primary or secondary source of funding for small businesses over the past 12 months, according to survey respondents

Survey question: In the past 12 months, what types of financing did your business apply for?

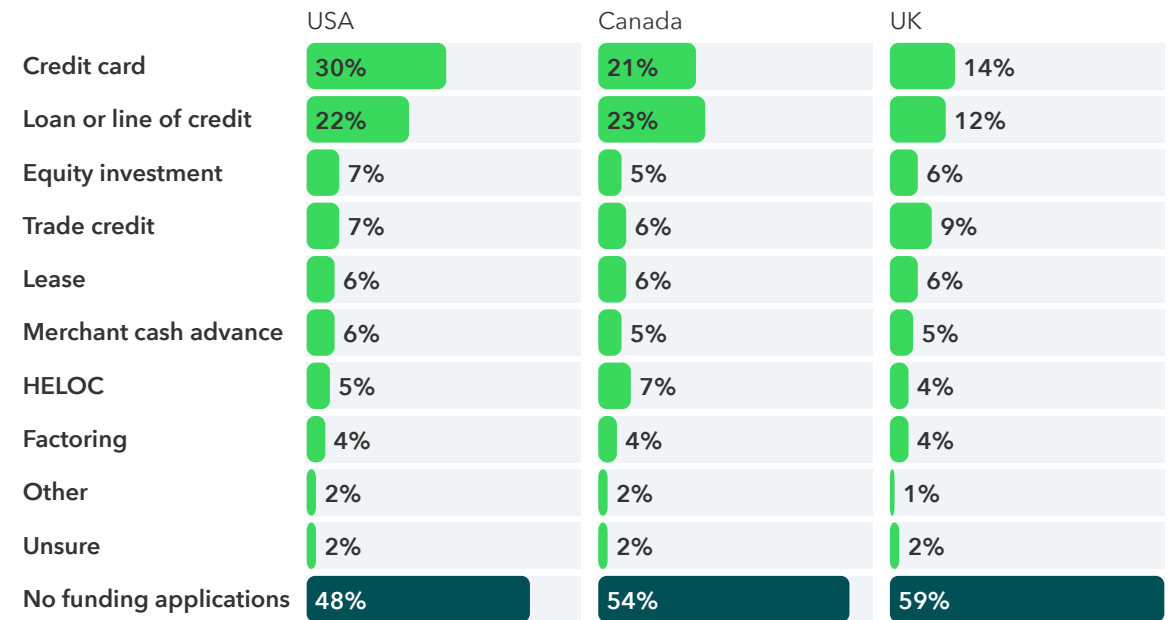


Figure 31, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

<sup>5</sup>The Intuit QuickBooks customers invited to participate in the [Intuit QuickBooks Small Business Insights Survey](#) are drawn from a pool of QuickBooks Online subscribers in the US, Canada, and the UK who were all active in their QuickBooks accounts over the past 30 days. Of these, in April 2023, 1,305 people completed the survey in the US, 610 people completed the survey in Canada, and 410 people completed the survey in the UK. See "Data sources, samples and methodologies" in Appendix for more information.

A smaller number of respondents report using Home Equity Lines of Credit (HELOC), merchant advances, or leasing to fund their operations. Commercial lending comes from a diverse pool of lenders. For example, in the US, the Federal Reserve's Small Business Credit Survey suggests a significant portion of small businesses still rely on large banks for financing—but their dominance has been coming down over time.





# How inflation affects small businesses

The credit supply has been tightening with rising interest rates. As a response to rising inflation after the COVID-19 crisis, central banks began their monetary tightening cycles in 2022. This has a direct effect on small businesses through two channels:

- 1. Demand side:** As interest rates rise, households tend to reduce their spending, leading to a decline in aggregate demand. Small businesses are particularly susceptible to this downturn as their operations are typically on a smaller scale, making them more vulnerable to fluctuations in demand.
- 2. Supply side:** As interest rates increase, small businesses face greater challenges in accessing financing. The rise in monetary

policy rates impacts not only the pledgeable income required to secure funding for projects (Tirole, 2006) but also the cost of funds for banks (Bernanke and Gertler, 1989). Small businesses are especially susceptible to these financing constraints because they lack direct access to capital markets for equity issuance.

Indeed, as data from multiple sources show, small businesses are currently being disproportionately affected by central bank policies. For example, in the US, figures from the National Federation of Independent Businesses show a sharp decline in loan availability since the beginning of the monetary tightening cycle (Figure 32).

## Loan availability compared to three months ago for US businesses borrowing at least once every three months

Net percent of NFIB survey responses from January 2018 to July 2023, showing the difference between the number of respondents who said loan availability is improving and the number of respondents who said loan availability is getting worse. Negative results indicate poor availability, according to NFIB members.

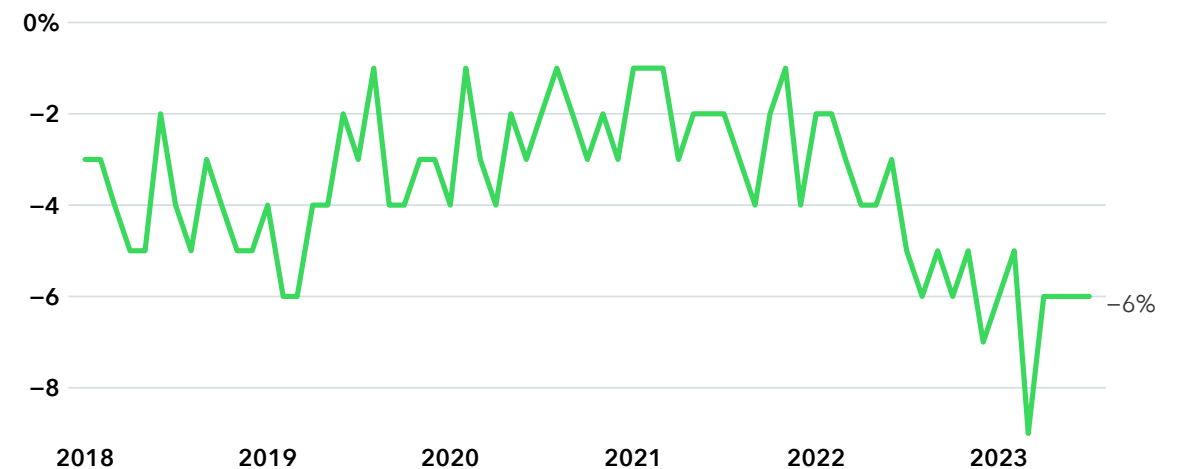


Figure 32, Intuit QuickBooks Small Business Index Annual Report  
Source: National Federation of Independent Businesses



The cost of living crisis has certainly had an impact. There was a huge uplift in how much stuff was costing to ship to the UK, which in turn was hitting the business. I did have to up prices. It forced us to streamline our processes

to make sure we were more efficient and more cost effective. At the same time, the wages have been going up in the UK. So trying to balance that cost was wobbly, especially for a scaling business like ours.



Charlene Nevin,  
Business owner,  
H2B Toys  
(UK)



# Growing reliance on credit

The three waves of the [Intuit QuickBooks Small Business Insights surveys](#) commissioned between September 2022 and April 2023 show that small businesses are becoming increasingly reliant on credit to manage cash flow problems.

For example, in Canada in September 2022, just 37% of respondents with cash flow problems reported having to use credit cards or loans as a result. By April 2023, this had risen to 67%. In the US, it increased from 51% to 68% over the same period. In the UK, it increased from 32% to 51%. See Figure 33.

## Surveys show small businesses with cash flow problems are increasingly turning to credit cards and loans – with more than half using them to solve cash flow problems

Survey question: Which of the following steps, if any, has the business taken to address cash flow problems? Percentages shown combine the following responses: "Used a credit card" and "Taken out a loan."

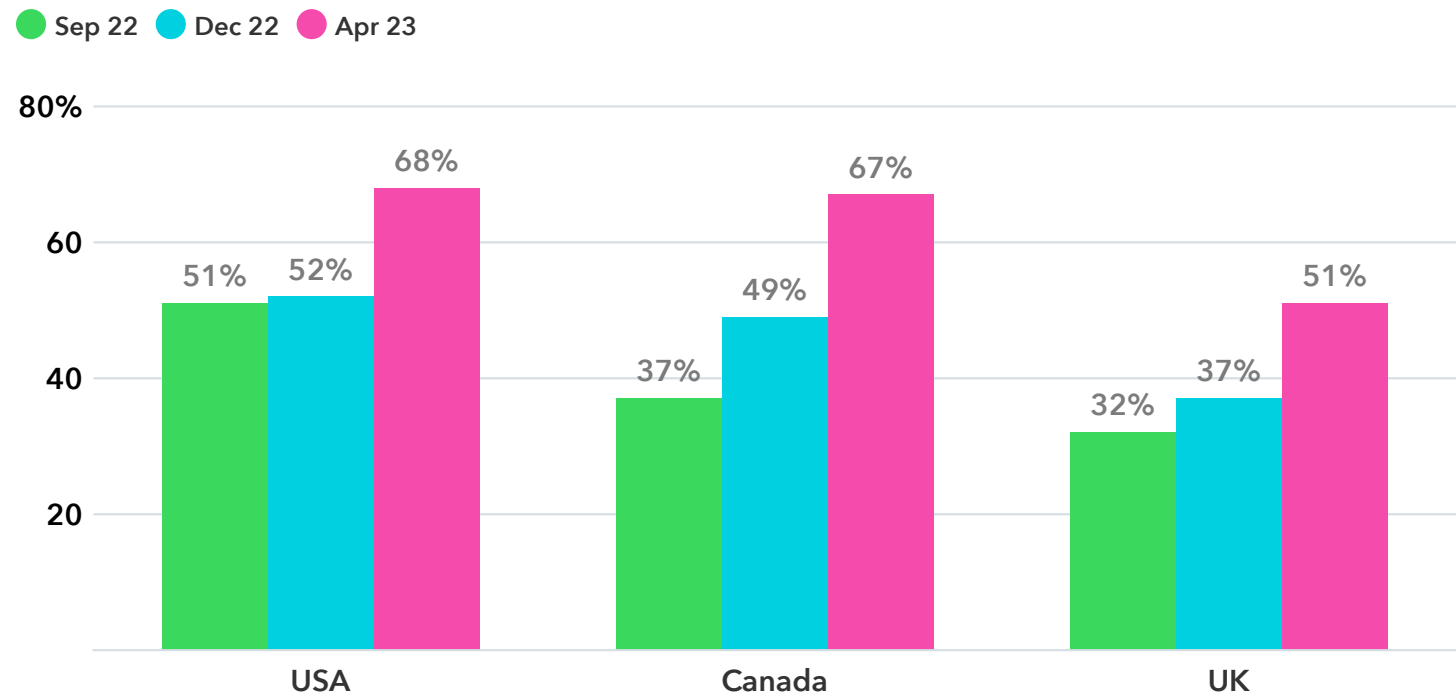


Figure 33, Intuit QuickBooks Small Business Index Annual Report. Total combined sample for this survey question across all three waves of the survey: 4,049 small businesses reporting cash flow problems (2,111 in US; 853 in Canada; 1,085 in UK).

Source: Intuit QuickBooks Small Business Insights: a regular online survey of small businesses in the US, Canada, and UK commissioned by Intuit QuickBooks in September 2022, December 2022, and April 2023. For details, see <https://quickbooks.intuit.com/r/small-business-data/small-business-insights/>





We use business credit cards for sure. There's pros and cons. Obviously, interest rates hurt. I guess when you get in a tight cash position, the card is quick. Then it becomes a bit of a problem.



Chris Lerohl,  
Business owner,  
Honest Dumplings  
(Canada)





# Small businesses and monetary policy

A woman with her hair in a bun, wearing a light blue striped shirt and a dark blue apron, is leaning over a desk in a workshop or office. She is holding a white marker and a brown coffee cup. A laptop is open on the desk to her left. The background is slightly blurred, showing what appears to be a clothing store or a similar retail environment with racks of clothes.

The emergence of COVID-19 has given rise to unparalleled economic circumstances, exacerbated by a series of concurrent global conflicts, such as the conflict in Ukraine. These factors have collectively contributed to a swift and widespread surge in inflation across the globe. In light of escalating inflation, central banks in the US, UK, and Canada have taken measures to address this issue by raising interest rates (see Figure 27). As described above, this adjustment has a twofold impact on small businesses, affecting both their supply and demand dynamics (see “How inflation affects small businesses”).

# Credit card expenditure is 20% higher than before the pandemic

Small businesses are feeling the challenges of tighter monetary policies, particularly when it comes to securing loans, which have become both scarcer and more costly. In response, they are compelled to seek alternative financing options. Thanks to the unique insights derived from Intuit QuickBooks customer data, which has been scaled to make it nationally representative, we are able to uncover a new role of credit card financing for small businesses. Figure 34, for instance, illustrates the monthly average credit card

usage for new purchases within a sample of QuickBooks Online user firms. Before the COVID-19 crisis, this usage remained stable across all three geographic regions. However, during the crisis, it witnessed a significant decline. Yet, by the beginning of 2021, credit card usage had rebounded to pre-pandemic levels and has been on a continuous upward trajectory since. Presently, the accumulation of new credit card debt stands at 20% above the levels observed in the pre-pandemic years.

## Average monthly credit card expenditure (in US dollars) by small business in the US, Canada, and the UK

Monthly credit card expenditure (y axis) trends upward with inflation following the COVID-19 pandemic, with an average increase of 20% internationally: 20% in the US, 18% in Canada, 22% in the UK

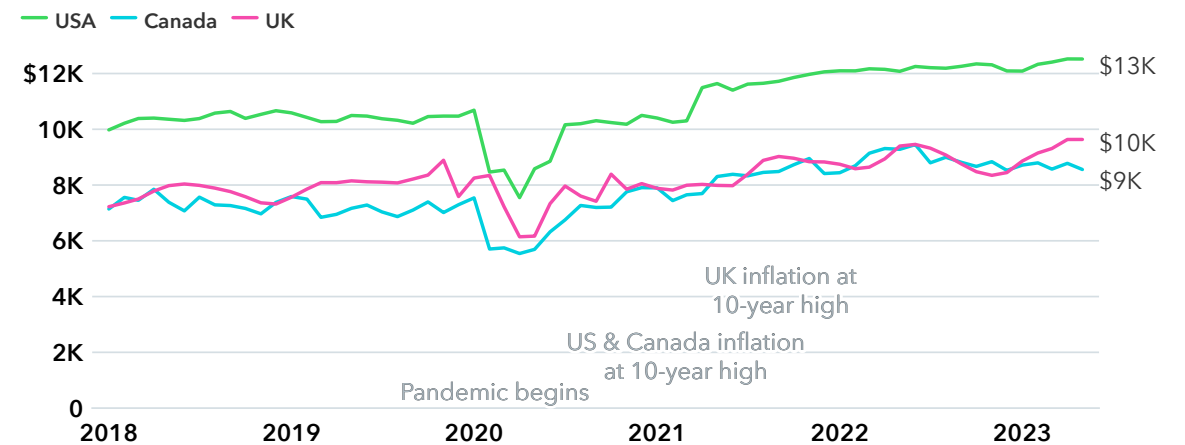


Figure 34, Intuit QuickBooks Small Business Index Annual Report. Sample: 3.4 million small businesses; 2,795,000 in US; 305,000 in Canada; 313,000 in UK. The analysis uses anonymized QuickBooks Online customer data from accounts with at least twelve months of regular transactions. Data shown represents only transactions that have been categorized (manually by users or by automation) as "credit card" in QuickBooks up until the end of May 2023. Excluding uncategorized transactions could have resulted in a data bias. This data has been scaled to match the national distribution in each sector, region, and business-size group to make it nationally representative. It does not reflect the Intuit QuickBooks customer base or Intuit's business.

Source: Intuit QuickBooks Small Business Index Annual Report 2023



# Credit card repayments against account balances are rising

Small businesses have been making higher payments on their credit cards. The rising interest rates and their high pass-through on credit cards have meant that small businesses have had to pay higher amounts out of their pockets to service their credit card debt.

This trend is clearly visible in Figure 35 where payments have been going up in all three countries. The differences in repayment amounts are also significant (which also reflects the difference in sample) with the average payments being highest in the US followed by the UK and Canada.

## Average monthly credit card repayments (in US dollars) made by small business in the US, Canada, and the UK

Monthly repayments against credit card account balances (y axis) trend upward from low-points early in the COVID-19 pandemic, with an average increase of 26% internationally: 29% in the US, 22% in Canada, 25% in the UK

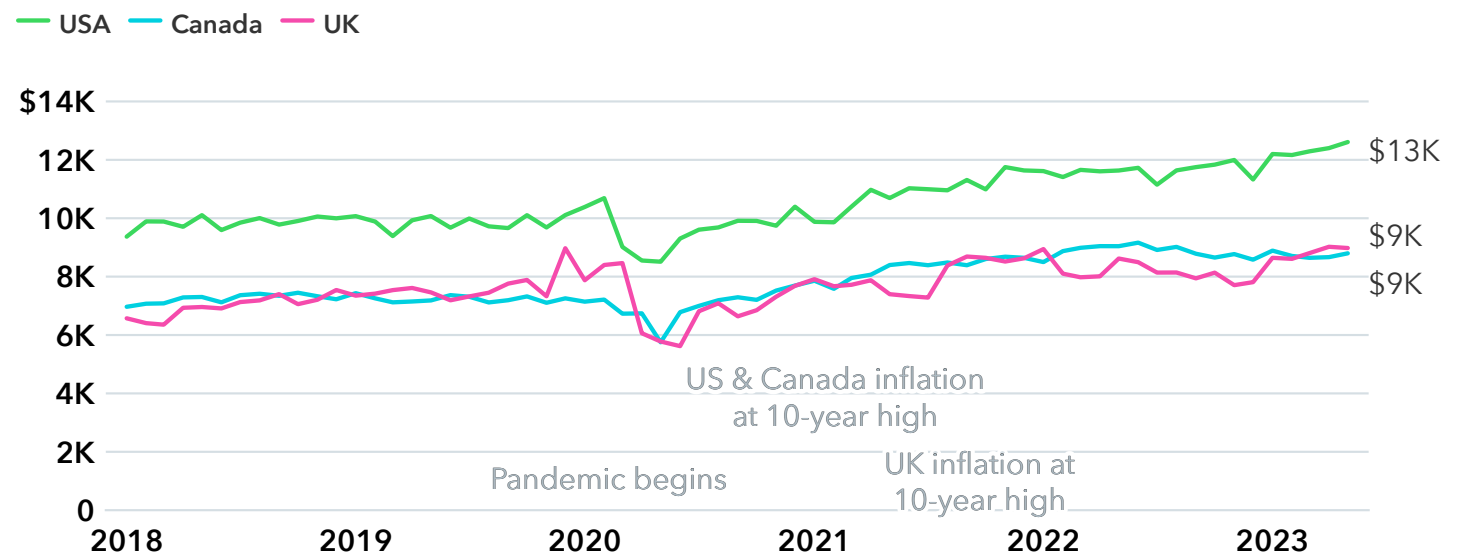


Figure 35, Intuit QuickBooks Small Business Index Annual Report. Sample: 3.4 million small businesses; 2,795,000 in US; 305,000 in Canada; 313,000 in UK. The analysis uses anonymized QuickBooks Online customer data from accounts with at least twelve months of regular transactions. Data shown represents only transactions that have been categorized (manually by users or by automation) as "credit card" in QuickBooks up until the end of May 2023. Excluding uncategorized transactions could have resulted in a data bias. This data has been scaled to match the national distribution in each sector, region, and business-size group to make it nationally representative. It does not reflect the Intuit QuickBooks customer base or Intuit's business.

Source: Intuit QuickBooks Small Business Index Annual Report 2023





**It keeps you up at night. I have six cards and they are all maxed out by June and I have to hope it doesn't flood and the deer don't eat our watermelons, so that by September, those are all paid off again and I can afford to plant for fall. Then we can save up what we can to get through the winter and do it all over again.**



Ashley Rodgers,  
Business owner,  
Rodgers Greens and Roots  
(US)



# Small businesses working with well-financed banks received more funding

Between January 2021 and July 2023, entrepreneurs who partnered with more robust banks found it considerably easier to access financing. Leveraging the unique insights provided by Intuit QuickBooks customer data, we conducted a comprehensive study of post-COVID borrowing behaviors among small business entrepreneurs.<sup>6</sup> To isolate the challenges arising primarily from the

banks rather than the entrepreneurs themselves, we focused on entrepreneurs who maintained relationships with multiple financial institutions, comprising around 50% of our sample. To gauge the financial health of these banks, we used data from the Federal Financial Institutions Examination Council’s Bank Holding Company to construct an “equity ratio” (=Equity/Assets) for each bank.

## Small business credit card expenditure increases with the financial health of the banks they borrow from

X axis shows the relative health of each bank, based on their "equity ratio". Y axis shows small business credit card use, relative to banks in the 10th percentile.

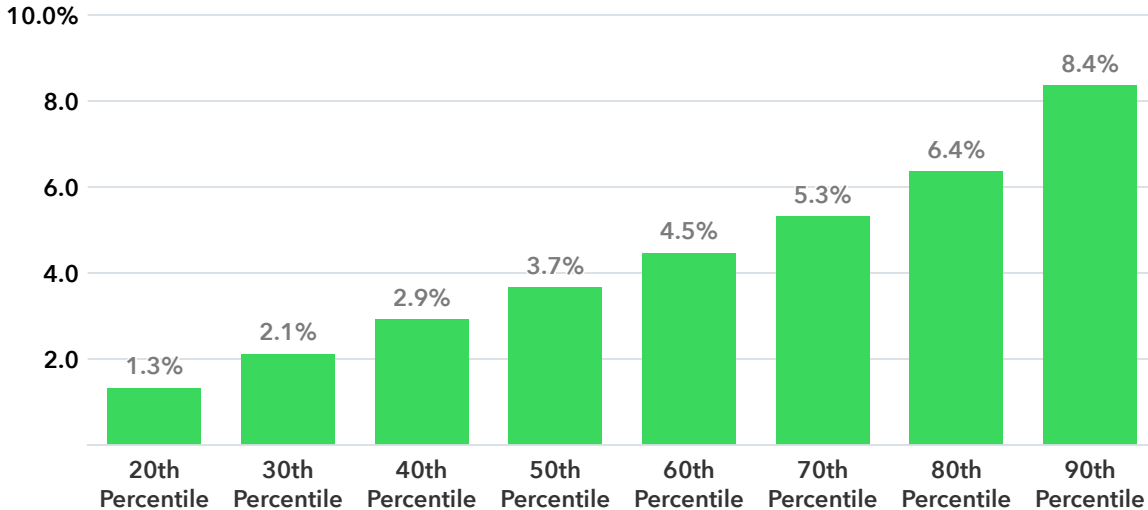


Figure 36, Intuit QuickBooks Small Business Index Annual Report. The assessment of banks' financial health is based on an equity ratio (=equity/assets) constructed from the Federal Financial Institutions Examination Council's Bank Holding Company data by the report's authors. Sample for small business credit card use: anonymized data from 2.1 million QuickBooks Online customer accounts between January 2018 and July 2023. The analysis follows changes within a firm over time and reports these changes by bucket, relative to the 10th percentile. The results does not reflect the Intuit QuickBooks customer base or Intuit's business.

Source: Intuit QuickBooks Small Business Index Annual Report 2023

<sup>6</sup>For details, see "Data sources, samples, and methodology" in the Appendix.



Our research reveals a compelling pattern: entrepreneurs working with banks that have larger and stronger equity ratios were able to secure more substantial financing compared to those associated with banks that entered the tightening phase of monetary policy with lower equity ratios. Figure 36 shows that following a 5-percentage-point increase in monetary policy rates, small businesses increased their credit card usage by 8% more when banking with well-capitalized banks at the 90th percentile of the distribution, compared to poorly capitalized banks at the 10th percentile of the distribution. For a deeper dive into the technical analysis of this important finding, readers can consult the companion white paper (Akcigit et al. 2023).





# Digital tools and small business

A man with a beard and glasses, wearing a green button-down shirt and blue jeans, is standing in a warehouse. He is holding a cardboard box with both hands and looking down at a laptop on a desk. The desk also has a lamp and some papers. In the background, there are shelves filled with cardboard boxes and another person working. The scene is lit with warm, indoor lighting.





Being a highly digital business is critical to our success. Seeing how technology has grown and changed from when I was a child to where it is now, I absolutely believe that digital is the future and if you're not in it, you need to get in it.



Charlene Nevin,  
Business owner,  
H2B Toys  
(UK)





# Small business digital adoption

One of the most transformative factors influencing the business landscape over the last two decades has been the accessibility of digital data and technologies, fundamentally reshaping the arena for managerial decision-making. The advent of the data-driven era has given rise to significant developments in big data analytics and decision-making processes rooted in data-driven insights (Brynjolfsson, Hitt, and Kim, 2011; Brynjolfsson and McAfee, 2012).

The integration of digital tools such as software, internet applications, and other digital technologies, has emerged as a central managerial challenge for both individual managers and businesses as a whole. Digital tools encompass a

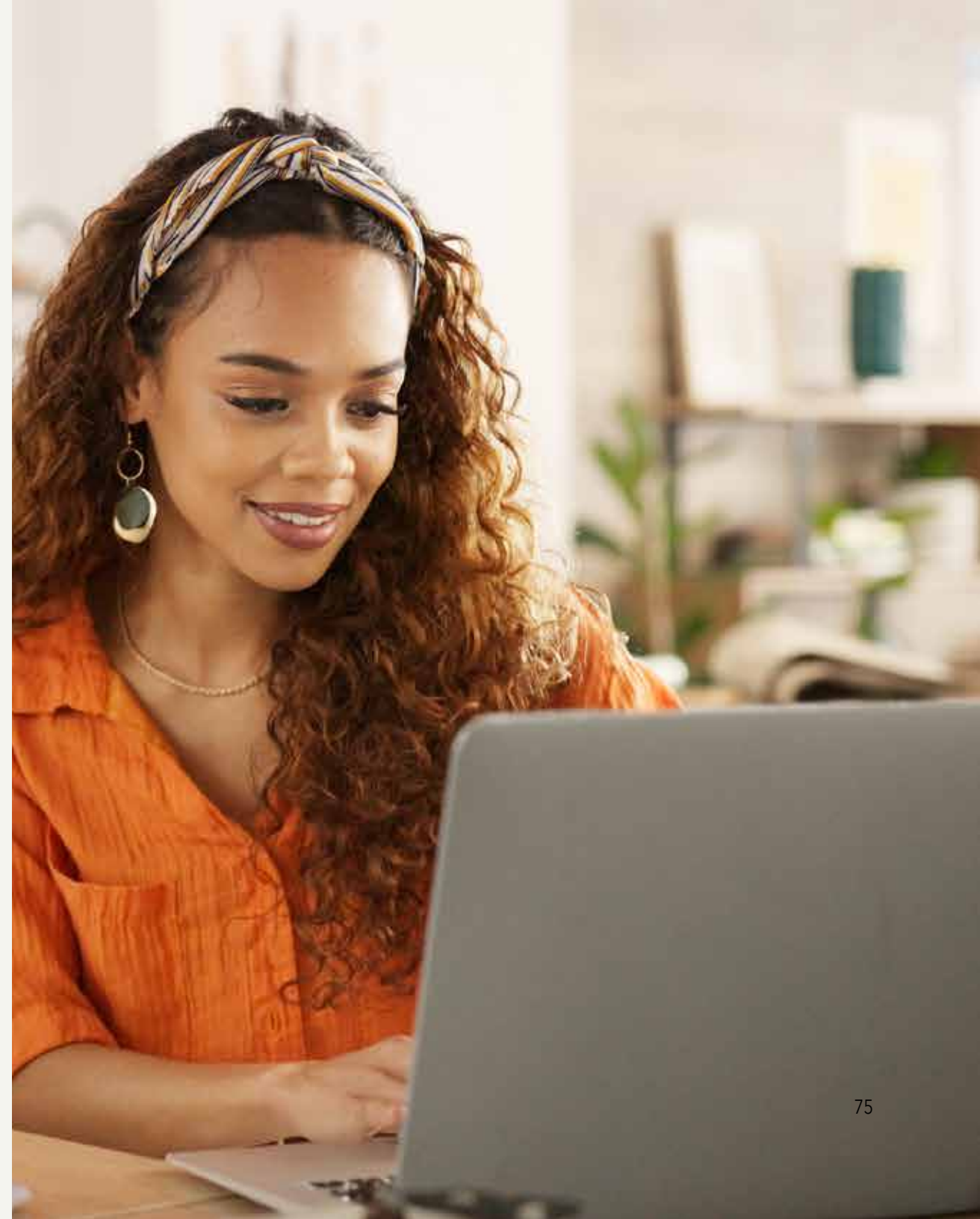
wide range of business software, cloud computing, and other services designed to facilitate various aspects of business operations. These include streamlining product or service delivery, processing payments, managing payroll expenses and human resources, overseeing sales and billing functions, as well as handling accounting, supply tracking, inventory management, and expense records. Essentially, digital tools serve as instrumental aids that empower management to arrive at data-driven solutions, reach their customers, and streamline business processes.



Although there is considerable interest in businesses adopting digital tools and related practices, the spotlight has predominantly centered on larger corporations. The scarcity of empirical evidence concerning the distinct challenges and prospects associated with digital tools for small enterprises presents a significant barrier to devising policies that fuel their agility and competitive edge. Consequently, the [Intuit QuickBooks Small Business Insights Survey](#)<sup>7</sup> emerges as a unique source of information regarding the adoption of technology among small businesses.

In the analysis that follows, we look at how widely small businesses in the US, Canada, and the UK are using digital tools and the extent to which this correlates with better business performance. Section 1 provides an overview of the digital tools employed by businesses, as well as the key entrepreneurial characteristics of firms which make more intensive use of digital tools. Section 2 establishes that businesses with high digital adoption are much more dynamic and on a very different growth path relative to low digital adoption firms. Finally, Section 3 describes the key challenges faced by businesses with different digital practices.

<sup>7</sup>Sample: more than 5,000 small businesses in the US, Canada, and the UK which completed an online survey commissioned by Intuit QuickBooks in April 2023. For details, see “Data sources, samples, and methodology” in the Appendix.



# Which digital tools are small businesses using?

There is significant variation in the extent to which small businesses embrace digital practices, and, according to survey responses, many have yet to fully harness the potential of the latest technological advancements such as Artificial Intelligence (AI). Among the prevalent digital tools, the most commonly employed are linked to social media engagement, business website management, and the use of accounting and financial software.

However, businesses are currently underutilizing the potential benefits offered by digital tools such as artificial intelligence applications, inventory software, or customer relationship management solutions. For this analysis, we define small businesses as “high users” of digital tools when they use eight or more digital tools to manage their business systems and processes.<sup>8</sup> We define them as “low users” when they use up to two digital tools.

<sup>8</sup>In the survey, respondents were given the following randomly sorted list of digital tools to choose from, shown here in alphabetical order: Accounting/financial software, AI, machine learning, business website, cloud services, customer relationship management, document creation/storage, e-signature tools, e-commerce system, email marketing, enterprise resource planning, HR/payroll software, inventory software, payment platforms, project management, remote work tech, sales platforms, social media, video conferencing tools.

## Marketing, sales, and financial tools are most popular digital technologies among small businesses surveyed

Survey question: Which of the following digital tools has the business adopted?

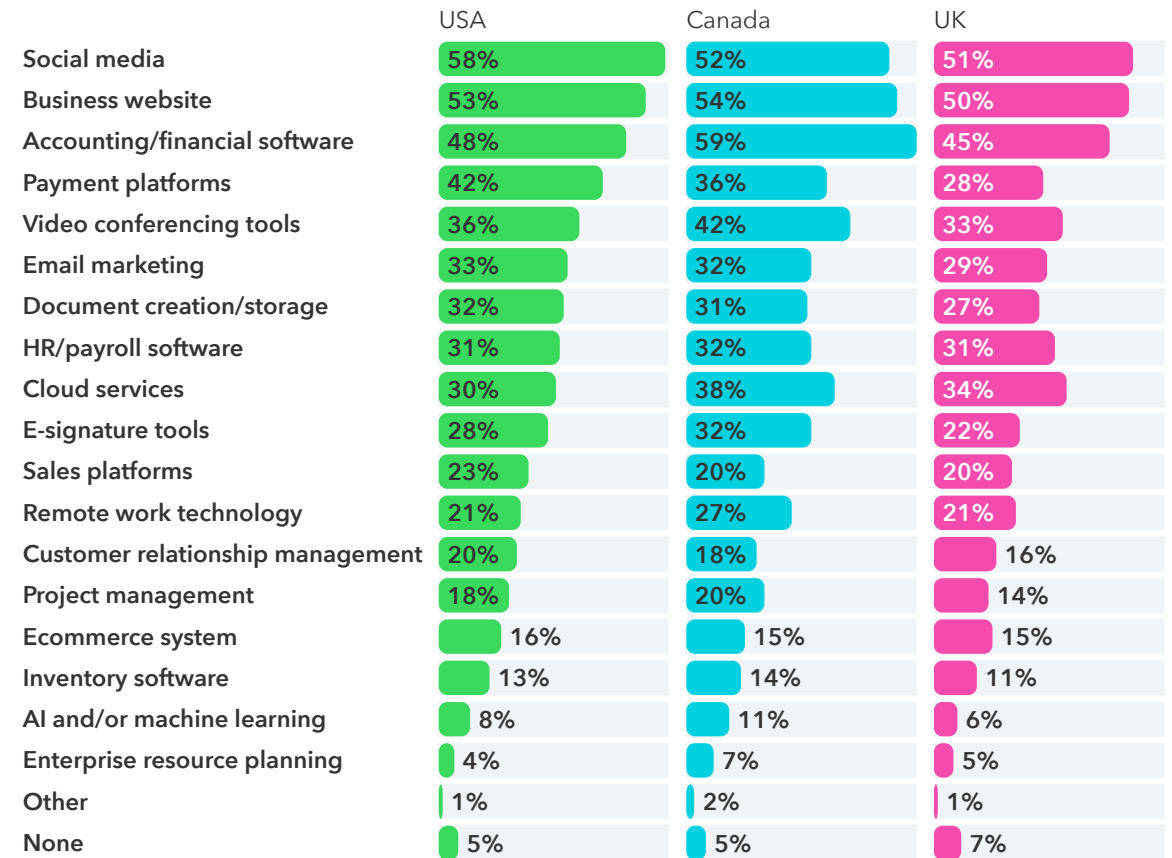


Figure 37, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

**High-users of digital tools:** Small businesses surveyed who report using eight or more of the digital tools listed in Figure 37.

**Low-users of digital tools:** Small businesses surveyed who report using up to two of the digital tools listed in Figure 37.



The adoption of digital tools varies notably across businesses, and a considerable number of them use just one or two tools. Across countries, between a quarter and a third of surveyed firms stick to the most fundamental one or two digital tools or don't use digital tools at all. The adoption of digital tools is highest among small businesses surveyed in Canada, boasting an average utilization of 5.42 tools per business (with a median of 5 tools).

Similarly, small businesses in the United States reported an average deployment of 5.17 digital tools per business (with a median of 4 tools). Among the surveyed small businesses in the UK, adoption of digital tools was found to be comparatively lower, with an average employment of 4.59 tools per business (with a median of 4 tools). Finally, across all surveyed countries, around 20% to 25% of companies use a broader selection, incorporating eight or more digital tools into their management practices.

## Small businesses use roughly five digital tools to manage their business, on average, according to survey results

Average number of responses per business to the following survey question: Which of the following digital tools has the business adopted?

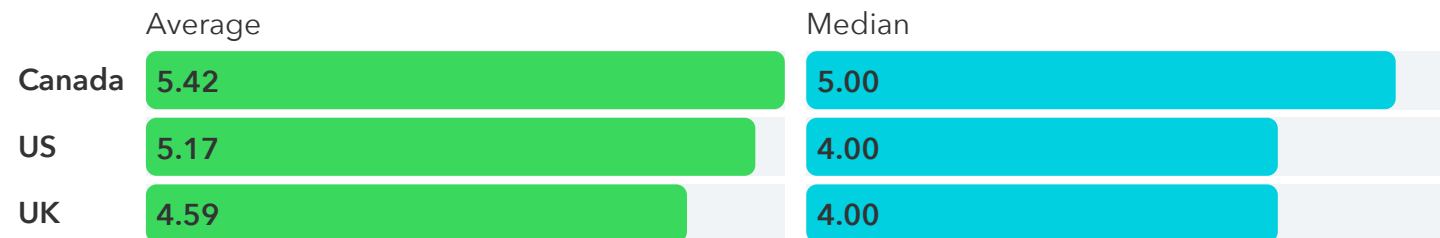


Figure 38, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Differences in the propensity of businesses to adopt digital tools are correlated with educational outcomes and the age of entrepreneurs.

Entrepreneurs with higher levels of education have a higher propensity to adopt digital tools. Another trend identified in the survey data is that low technology adoption is nearly twice as common among entrepreneurs aged 55 or higher.

In Canada and the US, around 52% to 54% of entrepreneurs who make limited use of digital tools (up to 2) have an education level below a bachelor's degree. This percentage is even higher in the UK, reaching 61%. Across all three countries, a strong pattern also emerges with respect to the age of entrepreneurs. Low technology adoption is nearly twice as common among entrepreneurs aged 55 or older. Among this group, just 14% (in the US) to 20% (in Canada and the UK) are high users of digital tools, while 29% (in the US), 34% (in Canada) and 33% (in the UK) are low users of digital tools.

## Distribution of the number of digital tools used by small businesses surveyed

Survey question: Which of the following digital tools has the business adopted? The chart shows the number of digital tools used (from 0 to 18) and how many respondents use that number of digital tools to help manage their business.

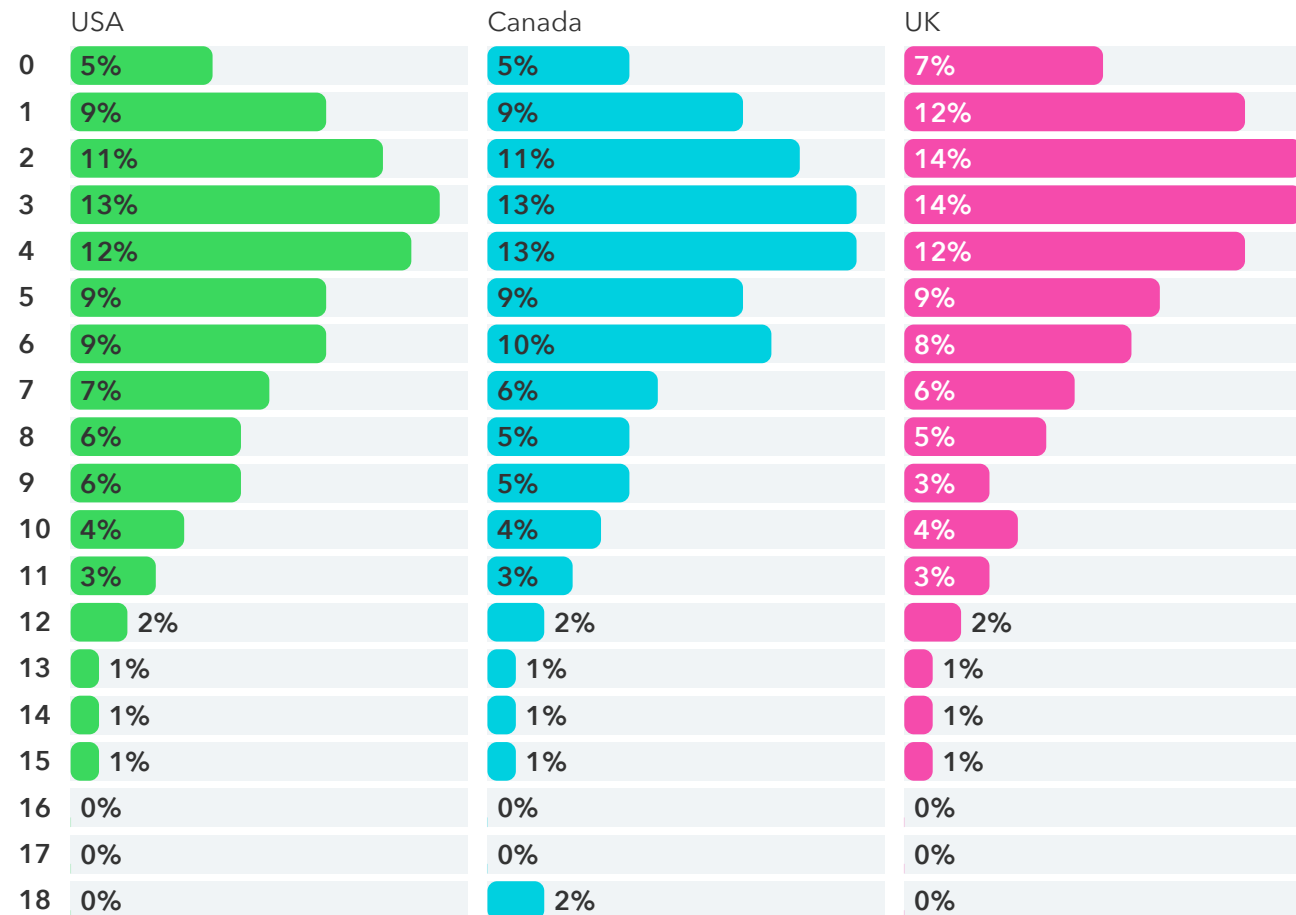


Figure 39, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. Source: Intuit QuickBooks Small Business Insights Survey 2023

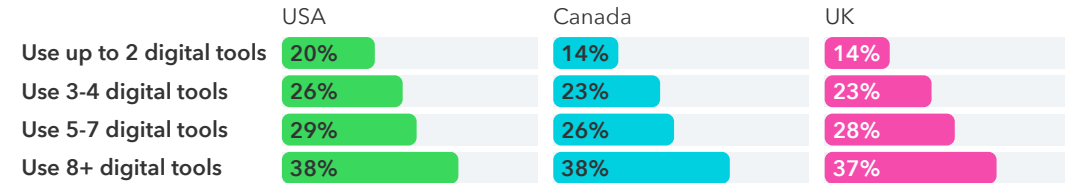
The range of digital tools adopted by the small businesses surveyed not only mirrors their diverse business characteristics but also underscores varying attitudes toward technology integration.

Across all three countries, 38% of firms that are high users of digital tools (8 or more) also consider themselves to be “early adopters” of digital technology, in contrast to just 14% to 20% among firms that are low users of digital tools (up to 2). Similarly, half of businesses employing up to 2 digital tools consider themselves to be late or non-adopters. This proportion reduces to just 8% to 12% for firms that use 8 or more digital tools.

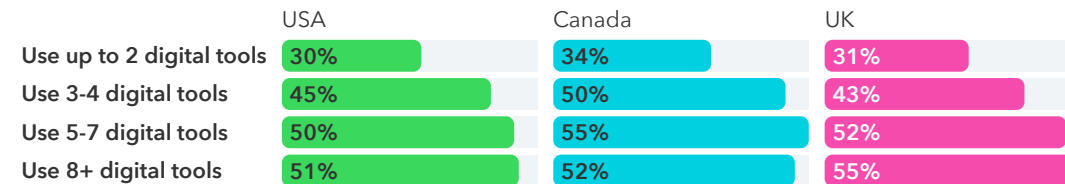
## High users of digital tools are also likely to see themselves as early adopters of new digital tools

Survey question: Which of the following best describes your adoption of new digital tools? Responses grouped by number of digital tools used.

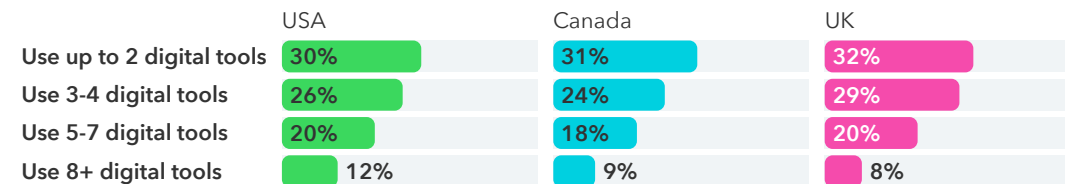
### Early adopters



### Same as peers



### Late adopters



### Don't adopt new tech

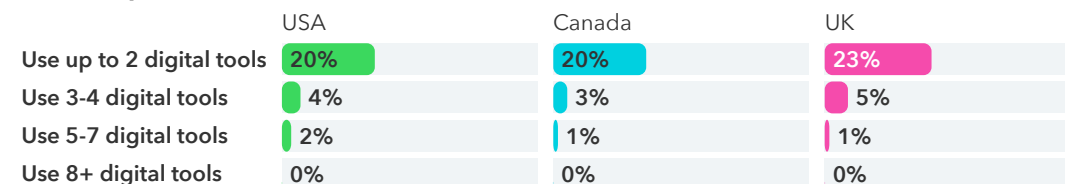


Figure 40, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. Respondents could choose from the following answer options: "We are early adopters of new digital tools; We adopt new digital tools around the same time as our peers; We are late adopters of new digital tools; We don't adopt new digital technologies."

Source: Intuit QuickBooks Small Business Insights Survey 2023



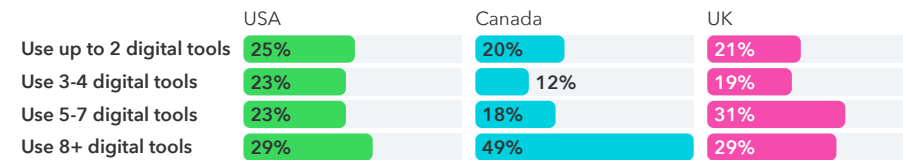
The aspirations and long-term goals of business owners play a crucial role in motivating the adoption of digital practices. Looking at the responses from all three countries surveyed, the foremost long-term objective for companies extensively embracing digital tools as high users (using 8 or more) is the prospect of selling the company to a new external owner.

Particularly in the US and the UK, businesses with limited digital adoption cite other factors or inheritance as their primary long-term motivations. The evidence suggests a correlation between the inclination to sell the business to external investors and the organizational and technological decisions made by companies.

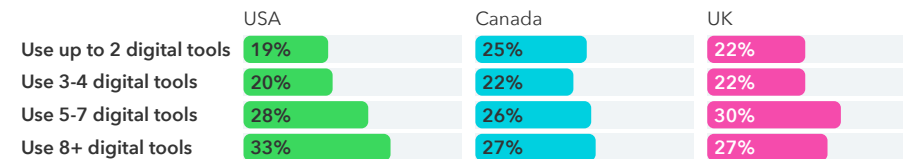
## High users of digital tools are more likely to be targeting external investment for their business

Survey question: What is your primary long-term objective for your business?  
Responses grouped by number of digital tools used.

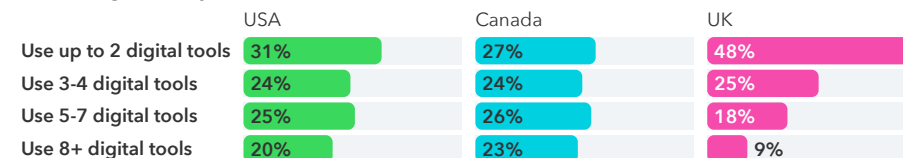
### Go public, with shares sold to investors



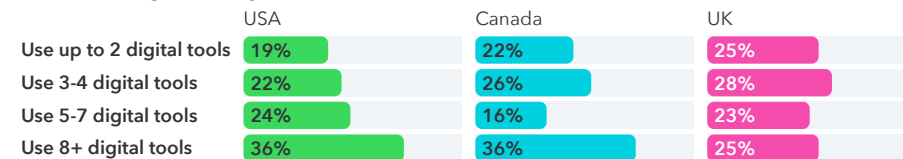
### Sell to a new private owner



### Other long-term objective



### Internal management buyout



### Inheritance by a family member

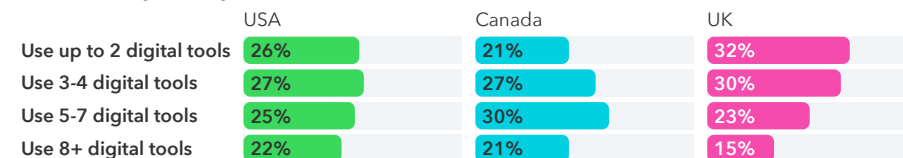


Figure 41, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.  
Source: Source: Intuit QuickBooks Small Business Insights Survey 2023





We do use online marketing to keep our customers engaged, sending out a weekly newsletter saying what crops are in season, and what's going on on the farm. It's primarily geared towards our preorder sales, but I still use it as a tool for marketing.



Ashley Rodgers,  
Business owner,  
Rodgers Greens and Roots  
(US)





# Do digital tools have an impact on small business performance?

Digital adoption practices are key to understanding patterns in business dynamism. The extent to which digital tools are used by the small businesses surveyed correlates positively with higher firm growth. In the US and the UK, a substantial 54 to 55% of enterprises that are high users of digital tools (using 8 or more) report positive revenue growth, in contrast to just 30 to 31% for low users of digital tools (using up to 2). The disparity is more pronounced in Canada, where a significant 63% of businesses using 8 or more digital tools report positive revenue growth, compared

to 30% of those using up to 2. This trend resonates across all countries surveyed, particularly when we focus on respondents reporting high revenue growth. For instance, when considering the more disaggregated breakdown of revenue growth, we find that within Canada, an impressive 28% of businesses that are high users of digital tools report revenue growth exceeding 10% in the past year. Similarly, in the UK this rises to 31%. In contrast, only 11% of low users of digital tools (up to 2 digital tools) report revenue growth exceeding 10%.

## High users of digital tools are more likely to report higher sales revenue over past 12 months

Survey question: Looking back over the past 12 months, what was the approximate percentage of your sales revenue growth rate? Responses grouped by number of digital tools used and whether revenue increased or decreased.

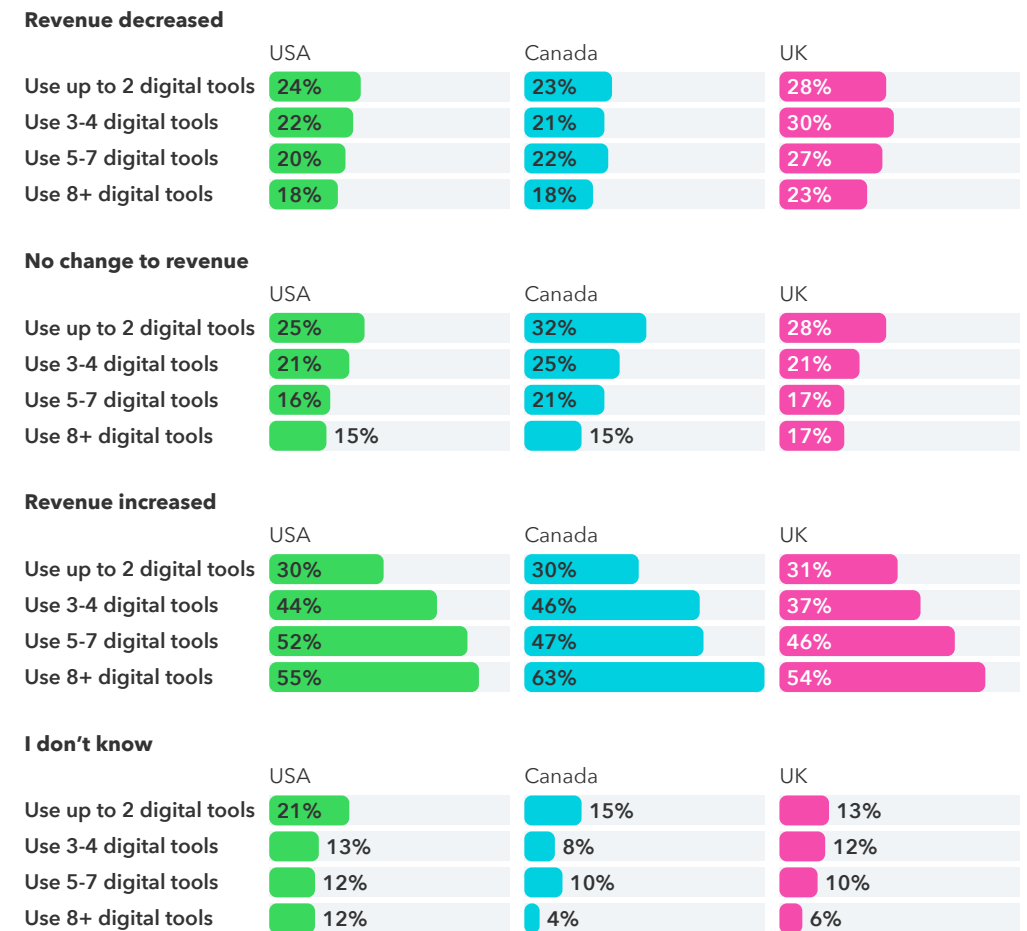


Figure 42, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. Respondents could choose from the following answer options: Sales revenue decreased by 0.1% to 4% / 5% to 9% / 10% to 49% / 50% to 100%; Sales revenue increased by 0.1% to 4% / 5% to 9% / 10% to 49% / 50% to 100%; Sales revenue remained constant  
Source: Source: Intuit QuickBooks Small Business Insights Survey 2023



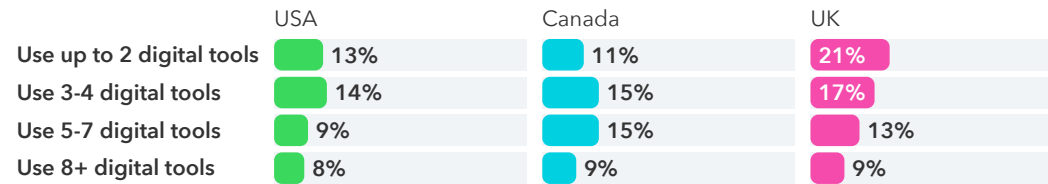
Companies that make wider use of digital tools predict stronger future revenue growth. Just as with actual revenue growth, businesses that are high users of digital tools (8 or more) are also optimistic about future revenue.

In the US, a substantial 67% of companies using 8 or more digital tools anticipate positive revenue growth over the next three months. This percentage notably decreases to 37% for firms that have only integrated up to 2 digital tools into their operational framework. In Canada, 62% of high-use businesses (8 or more digital tools) foresee increasing revenues, contrasting with only 35% for businesses with low digital tool use. Similarly, in the UK, 56% of firms with high digital use predict increasing revenues, compared to a significantly lower 32% for firms with low digital tool use. The survey responses suggest that higher use of digital tools is associated with businesses' optimism about their ability to sustain revenue growth.

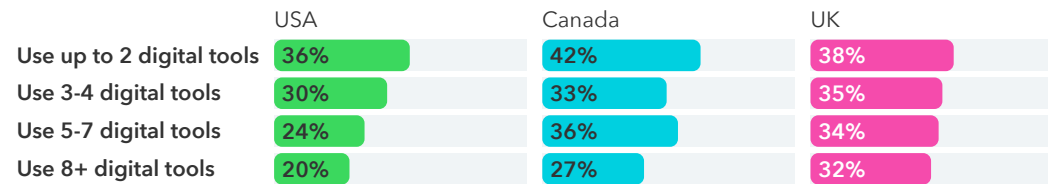
## High users of digital tools are more likely to predict sales revenue growth over the next 3 months

Survey question: Looking ahead over the next 3 months, how much do you expect sales revenue to change? Responses grouped by number of digital tools used and whether they expect revenue to increase or decrease.

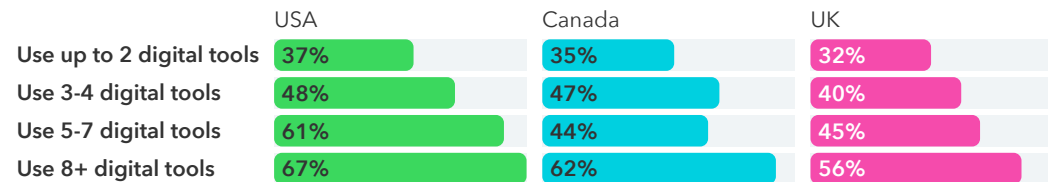
### Predict lower revenue over next 3 months



### Predict no change to revenue over next 3 months



### Predict higher revenue over next 3 months



### I don't know

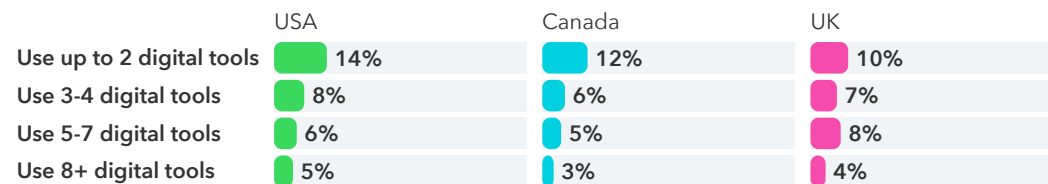


Figure 43, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. Respondents could choose from the following answer options: Decrease by 0.1% to 4% / 5% to 9% / 10% to 49% / 50% to 100%; Increase by 0.1% to 4% / 5% to 9% / 10% to 49% / 50% to 100%; Remain constant

Source: Source: Intuit QuickBooks Small Business Insights Survey 2023

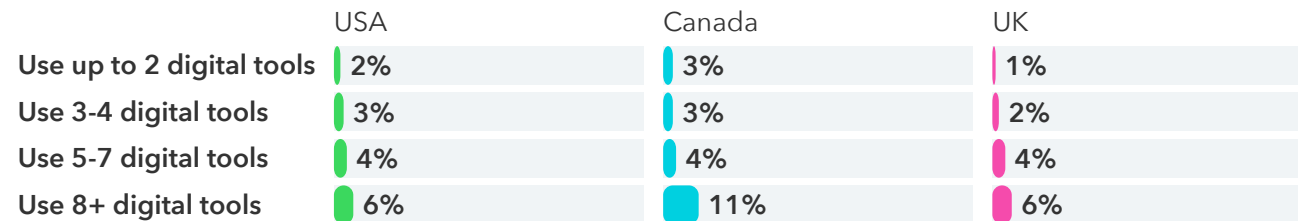
Digital adoption has far-reaching implications. In addition to pointing to revenue growth disparities among companies, it also holds a significant connection to employment trends. While for the majority of entrepreneurs their workforce remains unchanged, enterprises that are high users of digital tools (8 or more) are more likely to witness growth in their workforce.

For instance, in the US, 20% of these companies report a growing workforce, compared to just 7% of businesses that are low users of digital tools (up to 2). In Canada, the comparison is even more striking, with 22% of high users reporting workforce growth, in contrast to 5% using up to 2 digital tools. Shifting focus to the UK, the pattern shows a slight attenuation, where 13% of businesses that are high users of digital tools report a growing workforce compared to 3% of low users. Interestingly, across all three countries, firms with high digital adoption also appear to have elevated employment volatility, as they're also more prone to report declines in their workforce.

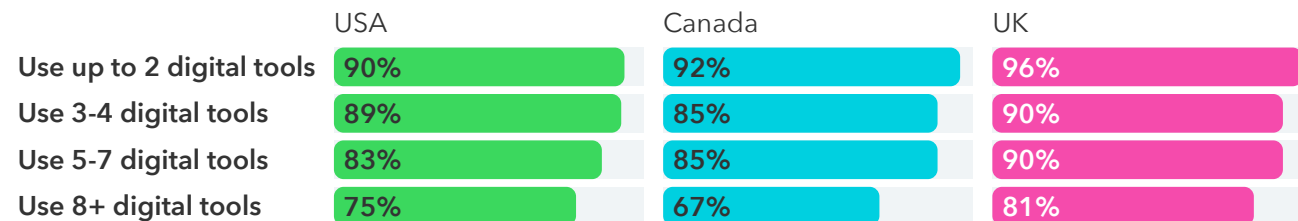
## High users of digital tools are more likely to be expanding their workforces

Responses grouped by number of digital tools used and whether their workforce is currently getting larger or smaller

### Workforce is getting smaller



### Workforce is unchanged



### Workforce is growing

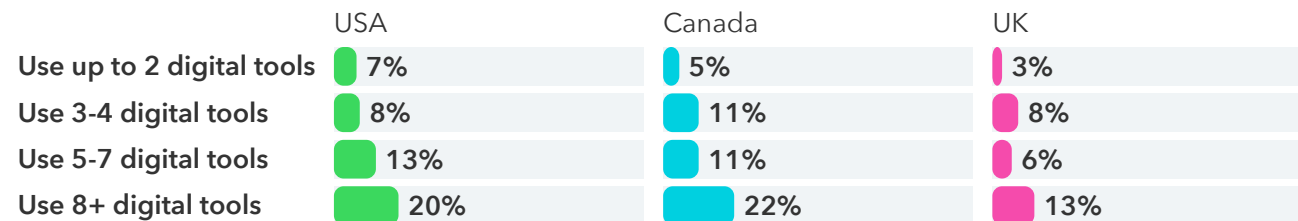


Figure 44, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023



Without data or information, we'd be lost. It's amazing that you can pull up an app on your phone and see what customers are buying. Or create and monitor a route for distribution. Or see what the data is behind social ads for customer acquisition or ROI. Having all of that at our fingertips today is incredible. It's not cheap, but it lets you perform and optimize your operations in a way that you never used to be able to do.



Chris Lerohl,  
Business owner,  
Honest Dumplings  
(Canada)





# What prevents small businesses from making more use of digital tools?

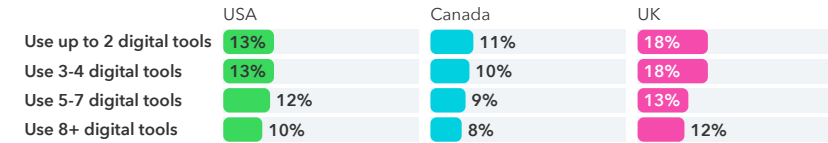
Both high and low users of digital tools share concerns about escalating costs. Across all three countries surveyed, small businesses that use 8 or more digital tools seem less worried about demand than those using up to 2, and, at the same time, they are more focused on competition. Over 40% of small businesses surveyed express worries about increasing costs. However, they express varying levels of concern regarding demand and competition. In each country, a noticeable trend emerges: businesses using 8 or more digital tools are less concerned about low demand in comparison to those using up to two digital tools. This

disparity is particularly accentuated in the UK, where 18% of surveyed businesses using up to 2 digital tools worry about low demand, in contrast to 12% among businesses using 8 or more. Some concerns, however, may be considered healthy, such as concerns about competitors. Here we see an interesting contrast, where high users of digital tools tend to be more worried about low-price competitors. This is especially true in Canada, where 16% of small businesses using 8 or more digital tools express concern about price competition, in contrast to just 10% among low-use small businesses.

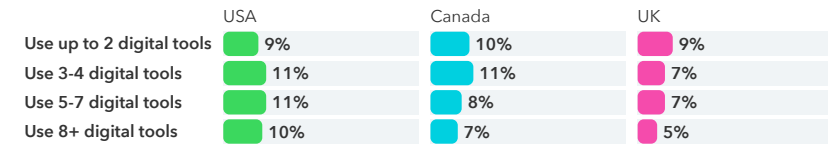
## High users of digital tools are less worried about customer demand, more focused on competitors

Survey question: Which of the following business challenges, if any, are you most concerned about? Responses grouped by number of digital tools used.

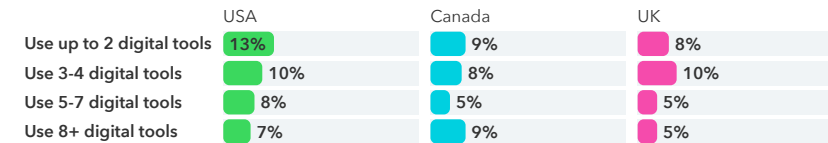
### Low customer demand



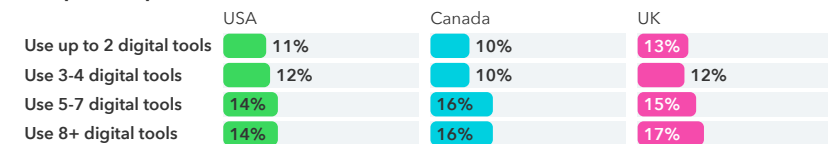
### Cost and availability of financing



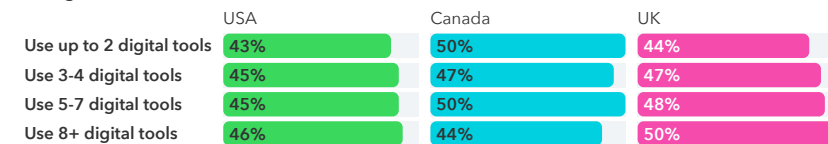
### Supply chain problems



### Low-price competitors



### Rising costs



### Other

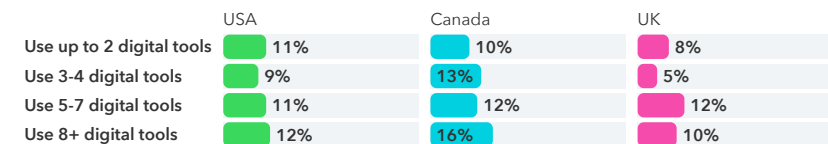


Figure 45, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. Source: Intuit QuickBooks Small Business Insights Survey 2023

There are two prominent obstacles to widespread adoption of digital tools identified by small businesses surveyed in the US, Canada, and the UK—the expense and the perceived ineffectiveness. Internationally, these two hurdles collectively constitute the main explanations provided by survey participants for not embracing digital tools.

This poses a significant challenge for policymakers, who are tasked not only with creating effective financial strategies to lower the initial costs of investing in digital tools, but also with addressing perceptions regarding the practical value of these tools.

## What prevents small businesses surveyed from making more use of digital tools?

Survey question: When you do not adopt new digital tools, what are the main reasons for it? Respondents could choose more than one option.

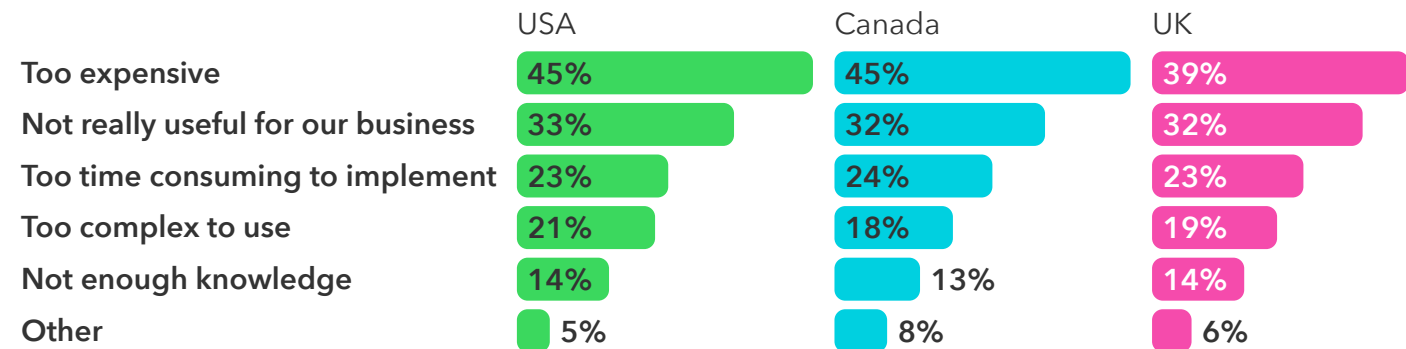


Figure 46, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

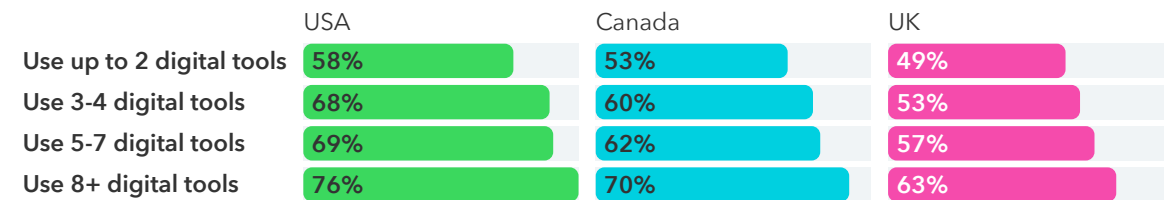
Financial constraints are likely to exacerbate the digital divide. Companies using a greater number of digital tools tend to exhibit higher confidence in their access to finance compared to those with limited digital tool usage. Across all three countries, businesses foreseeing difficulties in securing financing for their operational requirements ranges from 32% to 45%. These financial challenges notably impact companies with lower rates of digital adoption. For example, in the UK, 51% of the small businesses surveyed that are low users of digital tools (up to 2) do not anticipate being able to secure financing for their business requirements. Similarly, this figure stands at 47% and 42%, respectively,

for small businesses in Canada and the US. Conversely, those that have widely adopted digital tools, using 8 or more in their business, express higher confidence in their ability to secure financing. In the US, over three-quarters of these businesses expect to be able to access financing in the upcoming year. The proportion remains similarly high in Canada, at 70%, and slightly lower in the UK, at 63%. As a result, financial challenges are likely to add extra barriers for businesses aiming to adopt digital tools, further emphasizing the digital divide between companies that embrace new technological tools and those that fall behind.

## High users of digital tools are more confident about getting financing over the next 12 months

Survey question: Looking ahead over the next 12 months, do you expect to be able to obtain financing for your business needs? Responses grouped by number of digital tools used.

### Expect to be able to access financing needed over next 12 months



### Do not expect to be able to access financing needed over next 12 months

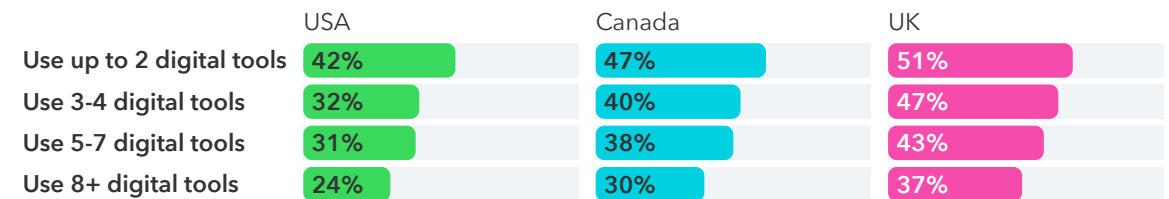


Figure 47, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023



# The state of small business in the US, Canada, and the UK

A man with a beard, wearing a green long-sleeved shirt and a light-colored apron, is watering a hanging plant in a greenhouse. He is holding a small glass watering can and pouring water into the pot. The greenhouse is filled with various plants, including hanging ones and potted ones on shelves. The background shows a window with a view of the outside world.

# Sectors

## US

Small businesses can be found across all sectors of the US economy (Figure 48); however, some sectors have a disproportionate number of small businesses. For example, across the economy, the construction sector accounts for a larger share of the number of small business firms than their share of small business employment. This indicates construction businesses tend to be smaller than the average firm in the economy. These businesses often require a smaller initial investment.

By contrast, sectors like health care or manufacturing account for a larger share of employment when compared to their share of firms. Businesses in these sectors tend to be larger than the average firm in the economy. Firms in these sectors require larger initial investments.

### Retail, services, and construction sectors have the most small businesses in the US

Share of firms and employment by sector among US businesses with fewer than 100 employees

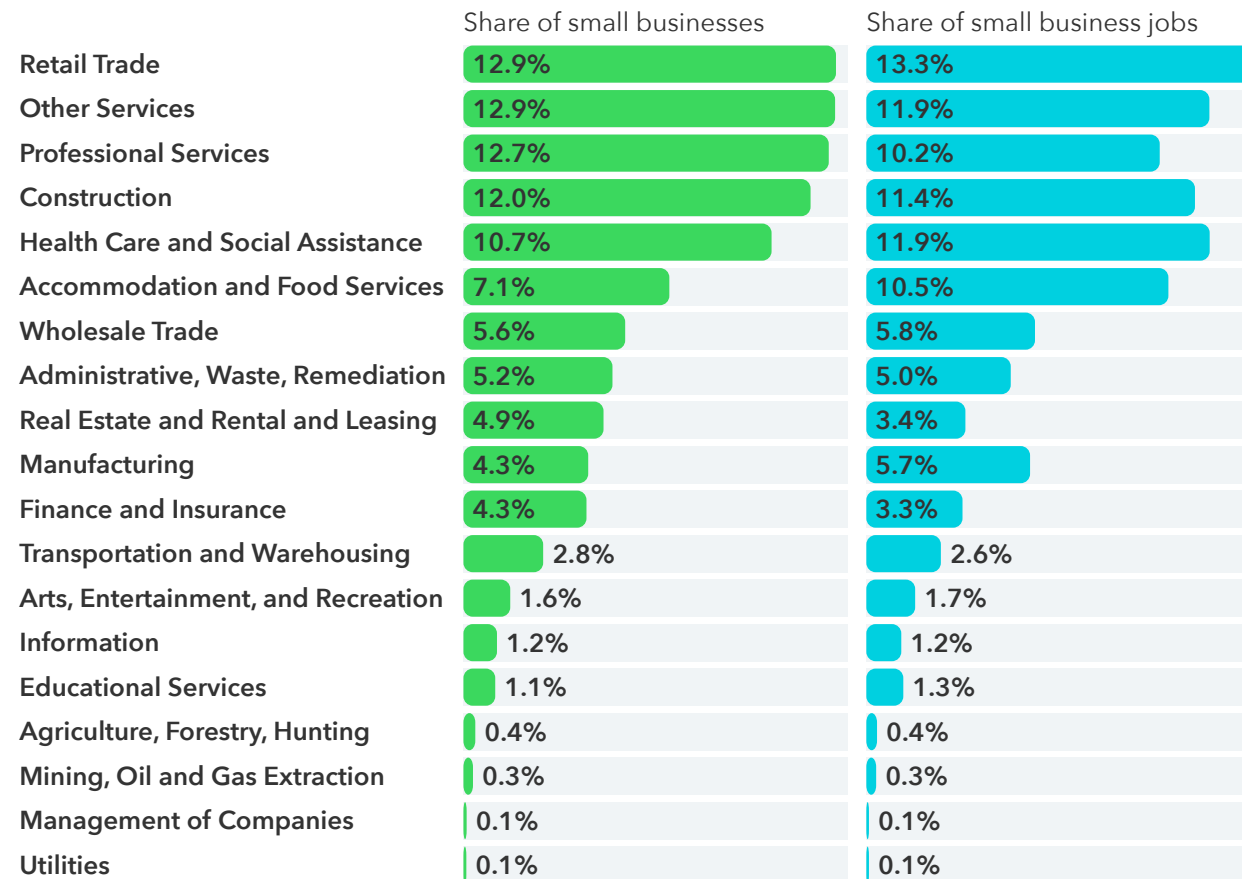


Figure 48, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. For this analysis, "small business" is defined as having fewer than 100 employees. Sector definitions are based on North American Industrial Classification System (NAICS) – visit <https://www.census.gov/naics/> for more information.

Source: U.S. Census Bureau, Business Dynamics Statistics (1992-2020)

# Sectors

## Canada

There are differences in both the share of small businesses and associated employment across sectors. The largest portion of firms operate in the construction sector, retail sector, and professional, scientific, and technical services sector, with 12% of all small businesses in the Canadian economy in each (as illustrated in Figure 49). On the other hand, there are fewer small firms in the utilities sector, education sector, information and cultural industries sector, and management of companies sector. Furthermore, small firms in some sectors employ disproportionately more of the workforce compared

to their share of the overall number of businesses. The accommodation and food services, manufacturing, and retail sectors are prominent examples of this. Conversely, the services and construction sectors employ a small proportion of the small business workforce compared to the share of small firms that operate in these sectors. Differences in an industry's operating conditions lead to variation in the optimal firm size distribution, causing small firms to be disproportionately present in some sectors.

### Construction, professional services, and retail sectors have the most small businesses in Canada

Share of firms and employment by sector among Canadian businesses with fewer than 100 employees

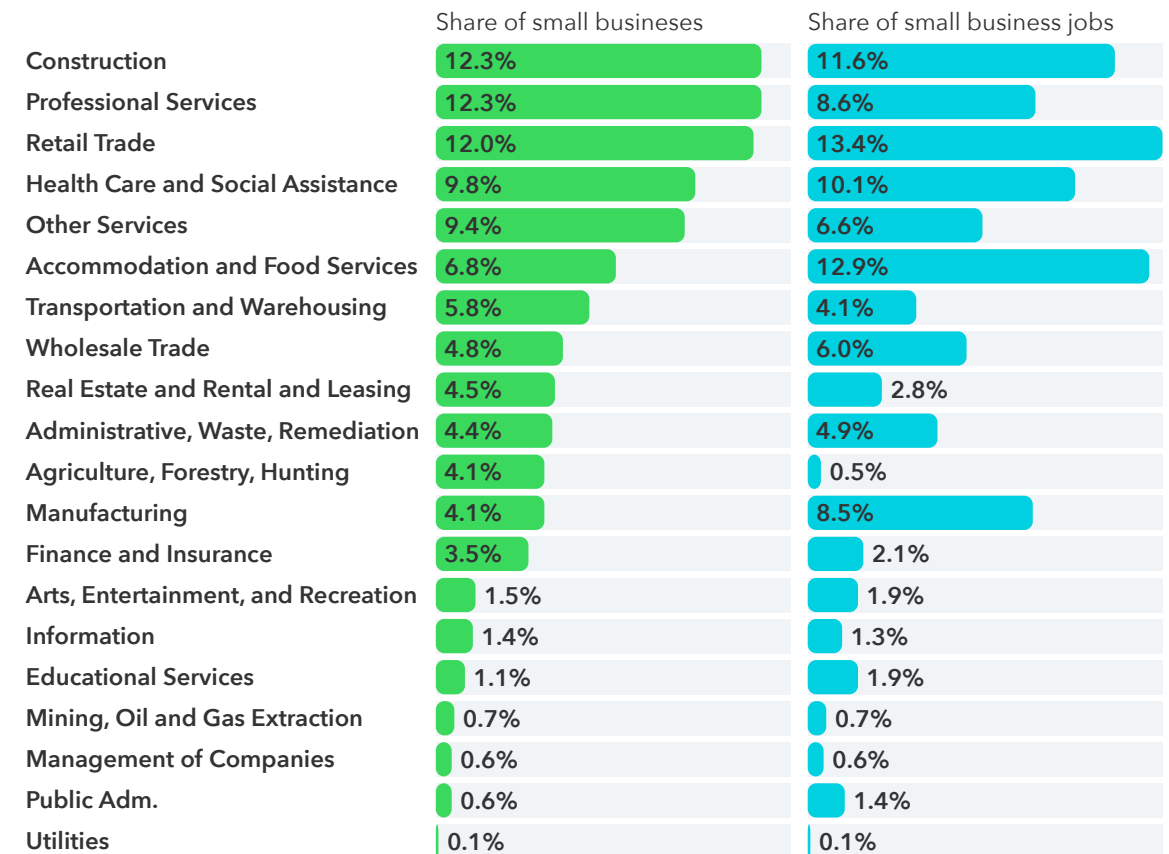


Figure 49, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. For this analysis, "small business" is defined as having fewer than 100 employees. Sector definitions are based on North American Industrial Classification System (NAICS), visit <https://www.statcan.gc.ca/> for details.



# Sectors

## UK

Small businesses in some sectors employ disproportionately more workers than those in some other sectors. Economies of scale, span of control, technology and workforce skills are a few factors that explain why some industries employ proportionately more or less workers compared to their share of firms.

For example, small firms with 1-99 employees in the health care and social assistance sector, which is known to benefit more from economies of scale, comprise 10% of all small firms in the economy, but employ 11% of workers among businesses of this size (as illustrated in Figure 50). This implies these firms are larger than the average small business. Conversely, the finance and insurance sector has a much smaller share of employment compared to the number of firms with 1-99 employees. This is because scale effects are more modest in this sector.

## Transport and warehousing, finance and insurance, and education sectors have the most small businesses in UK

Share of firms and employment by sector among UK businesses with fewer than 100 employees.

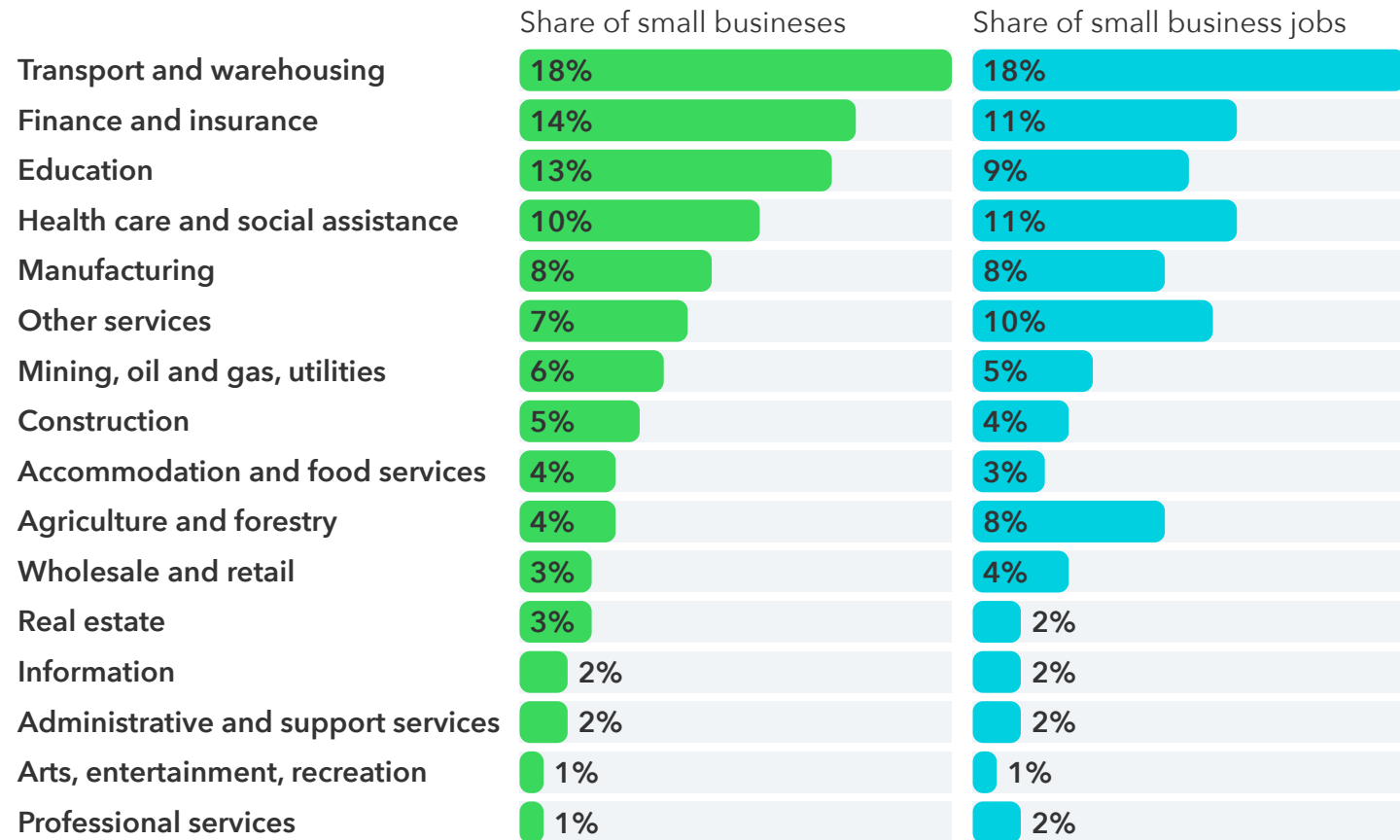


Figure 50, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. For this analysis, "small business" is defined as having fewer than 100 employees. Sector definitions are based on the UK Standard Industrial Classification (SIC), visit <https://www.ons.gov.uk/> for details.

Source: Business Population Estimates 2010-2022; Department for Business, Energy & Industrial Strategy

# Regions

## US

Small businesses are ubiquitous across the United States, but their prevalence varies significantly among different states. This variation can be attributed, in part, to the growth dynamics of each state's population, and the specific industry distribution. States experiencing substantial population growth tend to have a higher concentration of small businesses.

For example, as shown in Figure 51, states like California, New York, and Florida stand out with an overwhelming number of businesses that are small businesses, around 97%. In contrast, states like Wyoming, New Mexico, and Nevada have lower proportions, falling below 93%. This regional disparity underscores the importance of considering local factors when assessing the small business landscape.

### Top 3 states with highest concentrations of small businesses: California, New York, Florida

Proportion of firms in each state with fewer than 100 employees

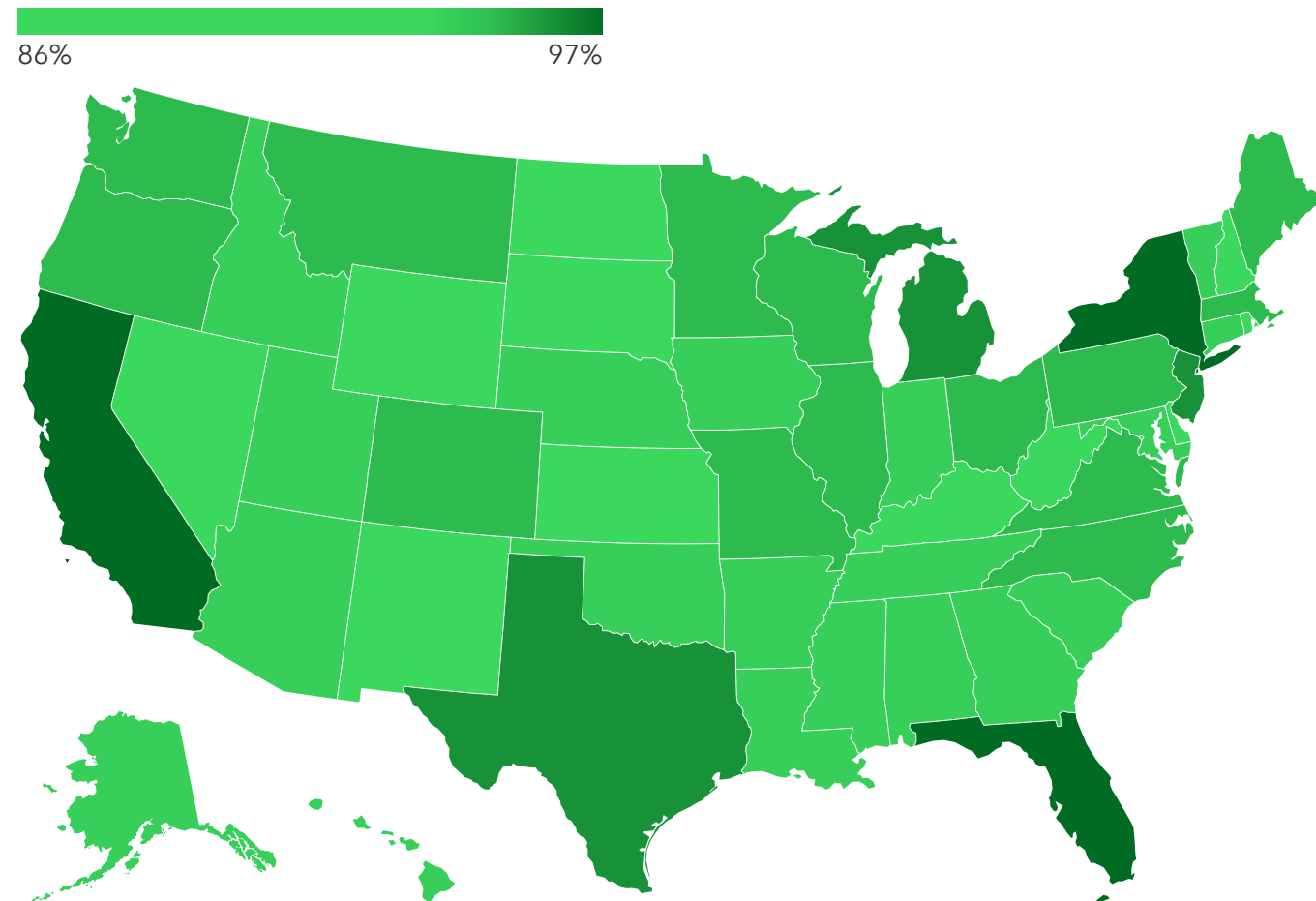


Figure 51, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. Location is based on the physical location of the establishments where business is conducted. Note: businesses located in multiple states are counted in each state they operate in, which is why the average number of small business across the US as a whole is higher (at 98%) when each business is only counted once.

Source: U.S. Census Bureau, Business Dynamics Statistics (1992-2020)

# Regions

## Canada

The different regions of Canada have significant variations in concentrations of small firms. Some regions consist almost solely of small firms, while others have much smaller proportions of small businesses. For example, Newfoundland and Labrador, Prince Edwards Islands, and the Territories consist entirely of small businesses with less than 100 employees (as shown in Figure 52).

On the other hand, Nova Scotia, which is also home to larger businesses, has a much lower share of small firms, at 93%. Due to these discrepancies, measuring the health of businesses, and designing policies for them should be carried out with different lenses for different regions.

### Top 3 regions with highest concentrations of small businesses: Prince Edward Island, Territories, and Newfoundland and Labrador

Proportion of firms in each region with fewer than 100 employees

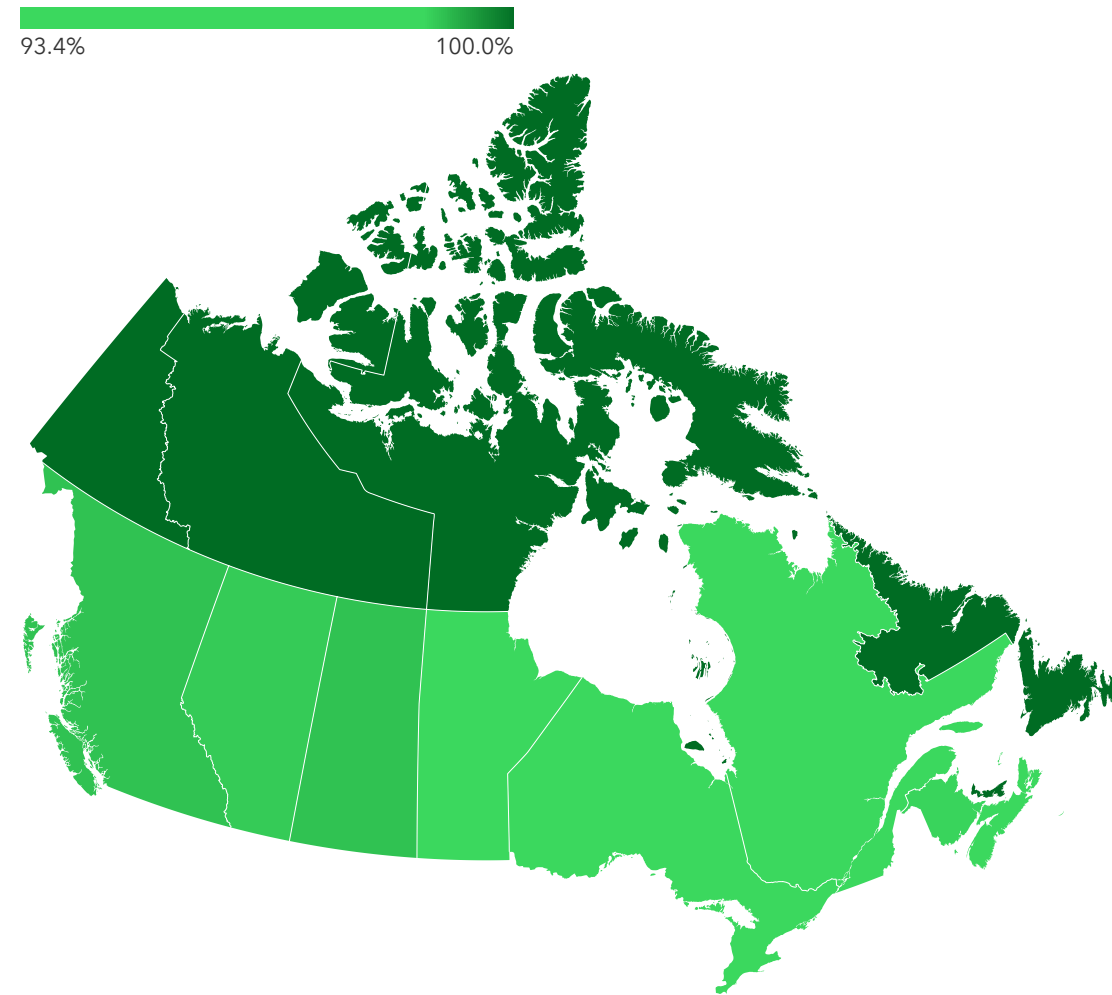


Figure 52, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. Location is based on the physical location of the establishments where business is conducted. "Territories" includes Northwest Territories, the Yukon and Nunavut.

Source: Business Dynamics Measures by Firm Size Per Province/Territory, Statistics Canada (2010-2022)



# Regions

## UK

Small businesses are prevalent across all regions in the United Kingdom with little variation in their share of the overall number of firms in each area.

For example, across all UK regions, the share of small businesses with less than 50 employees is tightly distributed in a narrow band around 97%. The South West has the largest share, at 97.4%. London has the smallest share, at 96.7% (as illustrated in Figure 53). For this analysis, data was unavailable for businesses with 50-99 employees.

### Wales, South West England, and East of England have highest concentrations of small businesses in UK

Proportion of overall firms in each region/nation with fewer than 50 employees

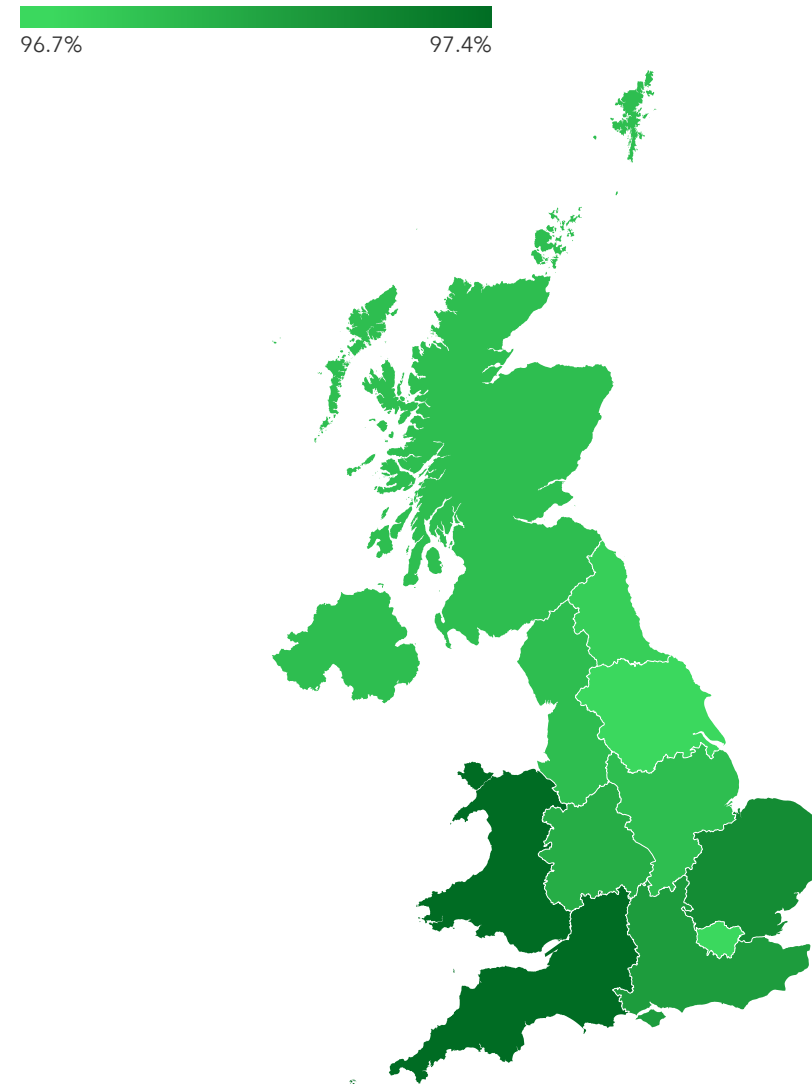


Figure 53, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. For this analysis, "small business" is defined as having fewer than 50 employees (not 100, the definition used in the rest of the report) because data was unavailable for small businesses with 50-99 employees. Source: Business Population Estimates 2010-2022; Department for Business, Energy & Industrial Strategy



# Roughly 97% of UK employer firms have fewer than 50 employees

Share of businesses in UK nations and regions by number of employees



Figure 54, Intuit QuickBooks Small Business Index Annual Report. Based on an analysis of the latest available official statistics by the report's authors. For this analysis, "small business" is defined as having fewer than 50 employees (not 100, the definition used in the rest of the report) because data was unavailable for small businesses with 50-99 employees.

Source: Business Population Estimates 2010-2022; Department for Business, Energy & Industrial Strategy

# Intuit QuickBooks Small Business Insights Survey

As described above (see [“Insights from Intuit QuickBooks commissioned surveys”](#)), Intuit QuickBooks commissions regular online surveys of small business owners and decision makers throughout the US, Canada, and the UK—known as the [Intuit QuickBooks Small Business Insights Survey](#). In this section, we delve into the rich results from the April 2023 wave of this survey, which had more than 5,000 respondents from small businesses across all three countries. For more information about the samples and methodology, please refer to [the appendix](#).



# Firmographics

The size distribution of the small businesses that participated in the sample is similar across all three countries (Figure 55), with a notable concentration within the 1-9 employee size group. Roughly a third of the respondents are from small businesses with 10-100 employees.

While the size distribution of small businesses appears relatively consistent across the surveyed countries, the age distribution reveals compelling disparities (Figure 56). The US stands out with a substantial proportion of younger firms, with 57% of the surveyed businesses being younger than 6 years old. In contrast, the Canadian sample demonstrates a lower share of firms in this age range, with only 32% being younger than 6 years old, while the UK sample falls in between, at 43%.

## Size distribution: roughly a third of small businesses in the sample have 10 to 100 employees

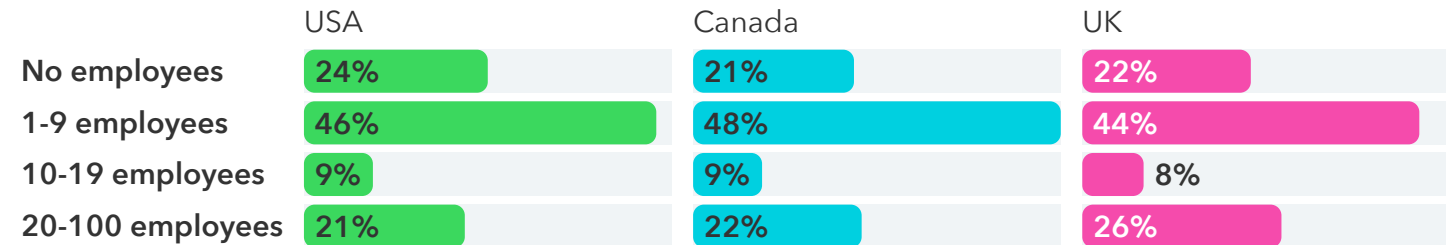


Figure 55, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

## Age distribution: younger small businesses are the largest cohort in all three countries

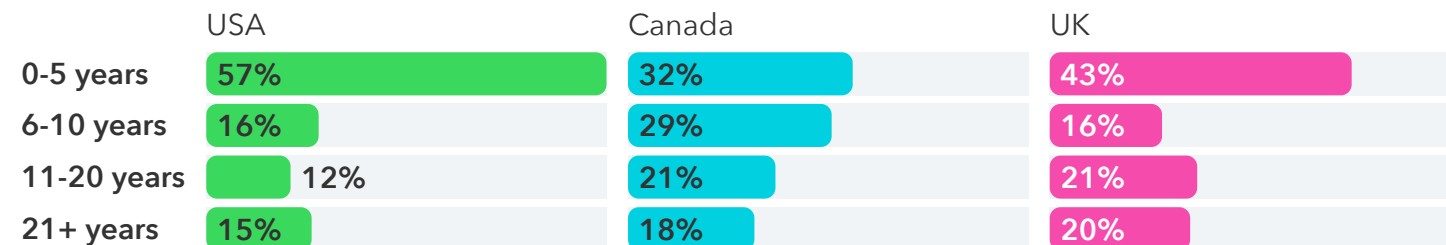


Figure 56, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Service providers make up approximately half of the firms in each country. In the US and Canadian samples, the share of firms selling products is considerably smaller than the share of those offering both products and services. In contrast, in the UK sample, the proportion of firms offering both products and services approximates the share of businesses solely focused on product sales (Figure 57). There are similarities in the mode of sales used by respondents in all the three countries (Figure 58). About 40% of firms in each country are selling products and services directly online and more than 15% are selling online via 3rd parties, showcasing a consistent trend in small businesses embracing digital commerce as a crucial aspect of their sales strategies.

In summary, the majority of small businesses surveyed are very small, with a significant concentration falling within the 1-9 employee range. Many of these businesses are service providers. It's worth mentioning that more than 55% of firms in each country use online platforms for sales.

## Business type: service-based small businesses are the largest cohort in all three countries

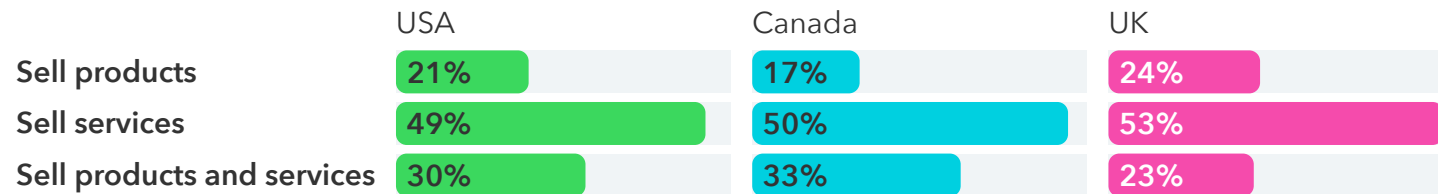


Figure 57, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

## Mode of sales: the majority of small business respondents rely on e-commerce to generate revenue

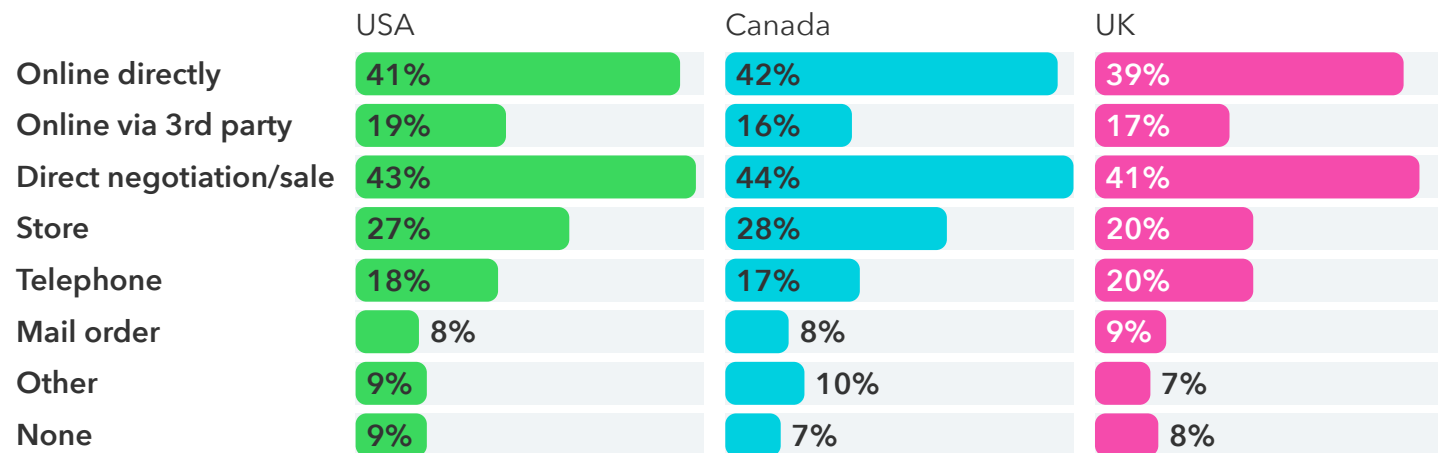


Figure 58, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Demographics

Business success often hinges on the crucial role played by the owner. To gain deeper insights into the characteristics of small business owners, the survey included several questions about their demographics. If decision-makers within the business were answering the survey, not the business owners themselves, they were asked specifically about the characteristics of the business owner (for example, their sex, ethnicity/race). The age distribution reveals different patterns across the three countries (Figure 59). The number of respondents decreases by age in the US sample, with the largest share being in the under-35 age group (37%) and smallest share of those under-35 in Canada (27%). The UK has the highest percentage of the oldest age group (65 or over)—at 9% of the total.

## Age distribution: younger respondents are a larger proportion of the US sample than in Canada and the UK

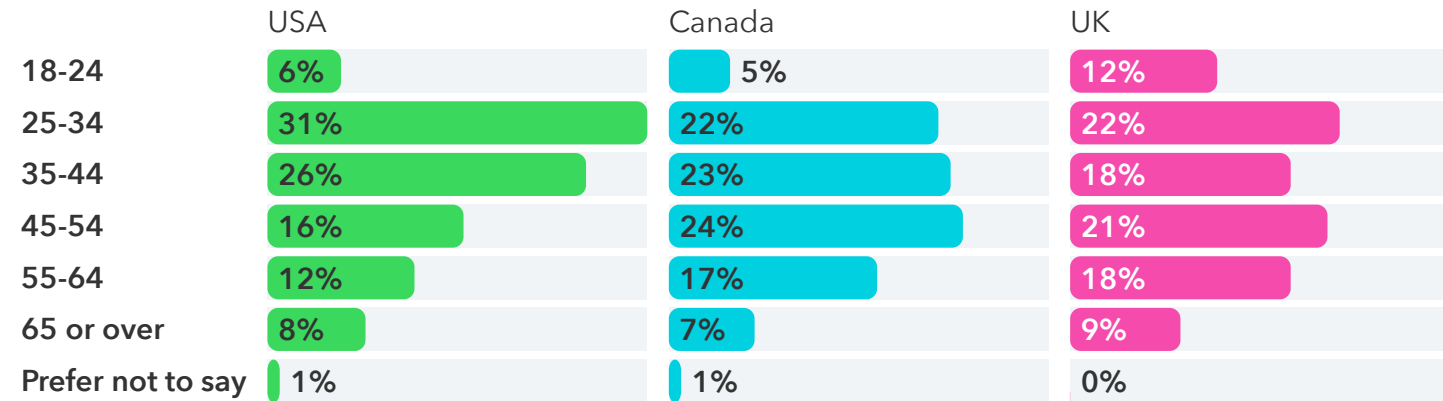


Figure 59, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023



The respondents' distribution by sex is well-balanced in the US and Canadian samples, where the share of female respondents is very close to that of male respondents—with slightly more females than males in the US sample (Figure 60). The UK sample has a higher percentage of males (54%) than females (43%).

In the Canadian sample, the proportion of non-white respondents is notably higher when compared to the UK. The Canadian sample exhibits a higher representation of non-white respondents, accounting for 29% of the total (Figure 61). On the other hand, the UK sample portrays a lower proportion, comprising only 15%.

## Respondents' sex: even distribution in North America; more male than female respondents in UK

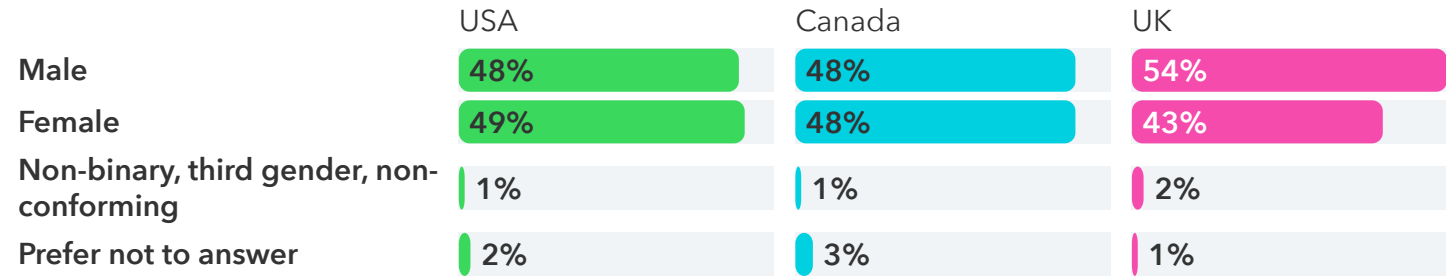


Figure 60, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

## Respondents' race/ethnicity: Canada has the most diverse cohort of survey respondents

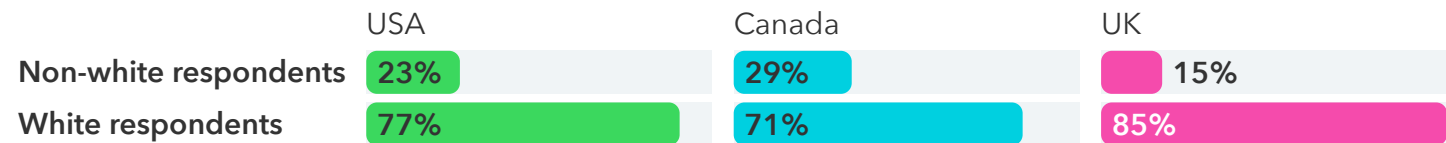


Figure 61, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. Responses of survey participants who are not white have been grouped into a single cohort in each country due to smaller sample sizes.

Source: Intuit QuickBooks Small Business Insights Survey 2023

In both the US and Canada, a significant proportion of respondents have achieved a university degree or above, representing 54% and 53%, respectively (Figure 62). The UK sample exhibits a lower percentage of respondents with a university degree or above, accounting for 46%. Furthermore, the US stands out with a higher share holding graduate degrees, comprising 23% of the sample. In comparison, Canada and the UK display lower percentages with graduate degrees, standing at 17% and 18%, respectively.

Between 7% and 9% of respondents in the US and the UK were born in other countries. In Canada, the ratio is even higher with 22% being foreign-born (Figure 63). In the US sample, 60% of foreign-born respondents hold US citizenship. In the Canadian sample, a substantial 79% of foreign-born respondents are Canadian citizens and in the UK sample, 69% of foreign-born respondents are UK citizens.

## Respondents' education: fewer UK respondents are university educated than North American counterparts

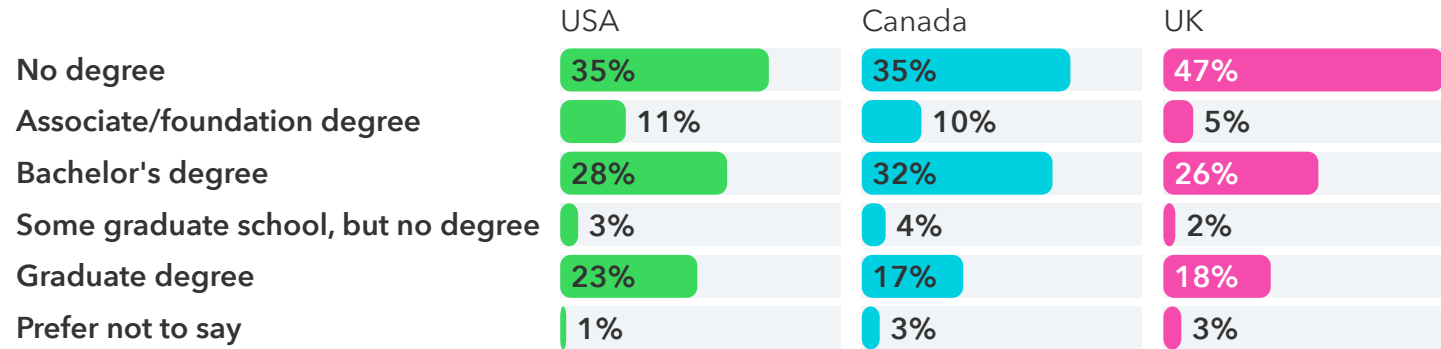


Figure 62, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

## Respondents' place of birth: Canada has the largest proportion of respondents who were born overseas

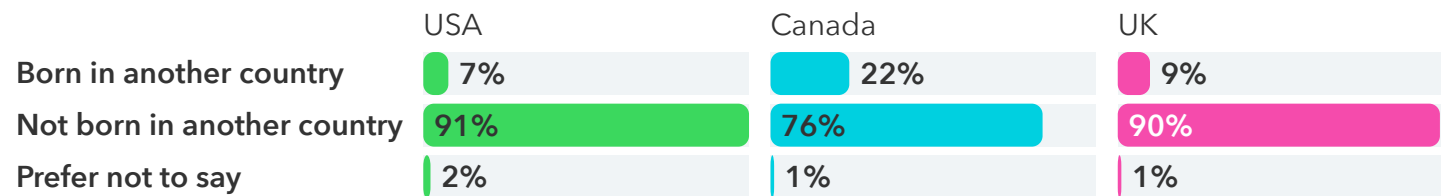


Figure 63, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

To summarize, survey respondents in the US—the majority of whom are the owners of the businesses in question—tend to be younger in comparison to their Canadian and UK counterparts. The survey respondents' distribution by sex demonstrates an important degree of equality between males and females, particularly in the US and Canada.

We infer from the responses that non-white small business ownership is more prominent in Canada and significantly lower in the UK. Furthermore, participants exhibit a high level of education, especially in North America. Foreign-born individuals are a smaller proportion of participants in both the US and the UK compared to Canada.





# Small business owners' motivations and goals

In addition to capturing demographics, the comprehensive [Intuit QuickBooks Small Business Insights Survey](#) explores many essential aspects of small business ownership and operations, including motivations for starting businesses, long-term business objectives, digitization, financing, performance, and future predictions.

This section includes the most notable findings observed in each country, shedding light on the distinctive characteristics within their respective entrepreneurial landscapes.



# Motivations

## US

The survey reveals a variety of motivations behind small business ownership. The results highlight that the most significant motivation for owning a business, selected by 31% of respondents, is the desire to be their own boss (Figure 64). The opportunity for greater income emerges as the second-most popular motivation, with 20% citing it as a driving force.

Additionally, the survey reveals that 12% of the participants choose to start their own businesses as a means to bring their innovative ideas, unique goods, and valuable services to the market. Furthermore, the desire for a better work-life balance, where entrepreneurs can effectively manage their professional endeavors alongside family responsibilities, is another significant motivation identified in the survey (11%).

## People start small businesses in the US because they want to be their own boss, according to survey

Survey question: Which of the following best describes your main motivation for becoming a business owner?



Figure 64, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. Source: Intuit QuickBooks Small Business Insights Survey 2023

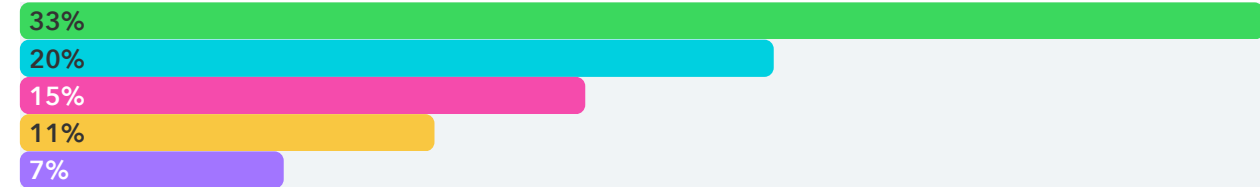
Across all size groups—from zero employee businesses to those with 100 employees—the primary driving factor behind business ownership remains the desire to be their own boss, with a particularly strong inclination observed in smaller firms (Figure 65). The second-most prevalent motivation in all size groups is the opportunity for greater income.

An interesting finding emerges when considering the largest firm group, as their third motivation deviates from the rest. Instead of focusing primarily on personal gains, this group is motivated by the desire to provide society with a valuable service or product. This distinction highlights the evolving priorities and perspectives among business owners based on the size of their enterprises.

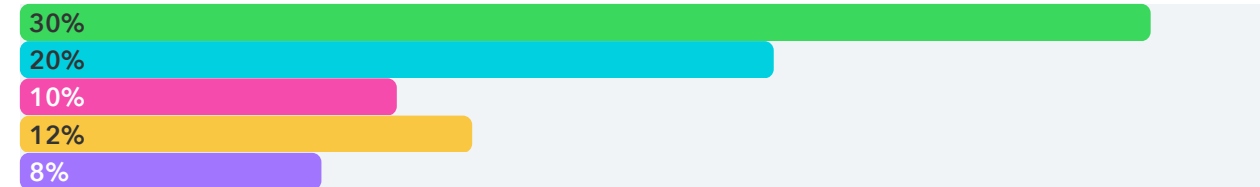
## Top 5 motivations for small business ownership in the US by size of firms surveyed (number of employees)

● Be my own boss ● Opportunity for greater income ● Best avenue for my ideas, goods, or services ● Balance work and family ● Provide society with a useful service/product

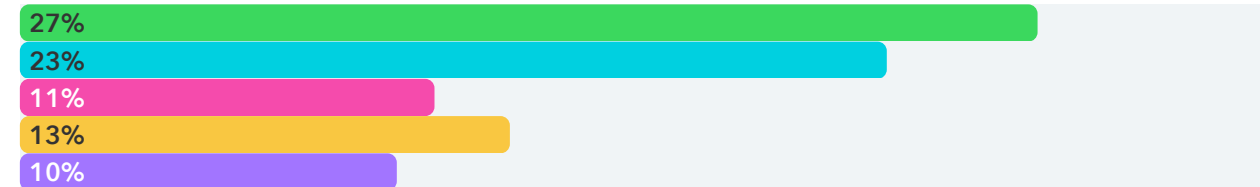
### 0 employees



### 1-9 employees



### 10-19 employees



### 20-100 employees

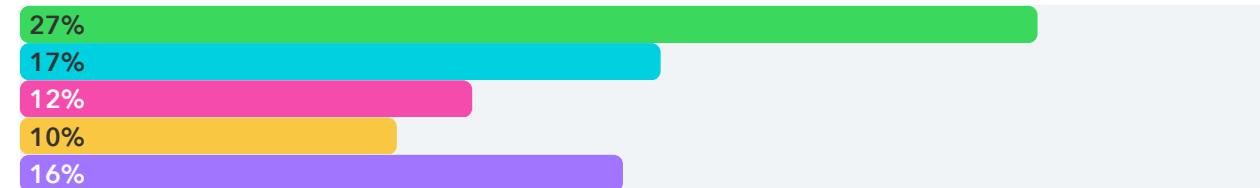


Figure 65, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023



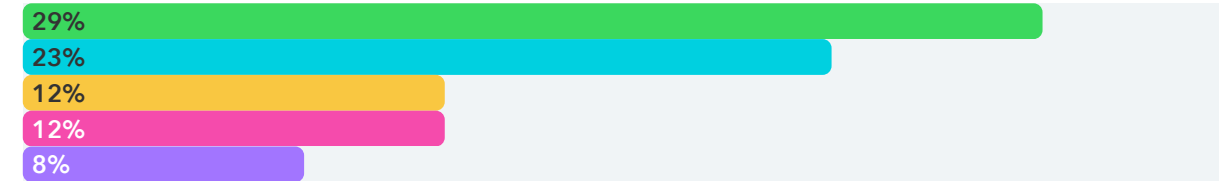
The desire to be their own boss is the most important motivation for all business age groups as well (Figure 66). Regardless of how long the business has been operating, this aspiration remains a consistent and dominant driving force behind entrepreneurial pursuits.

However, a significant trend is observed concerning the second most common motivation, the opportunity for greater income, with a lower share among older firms.

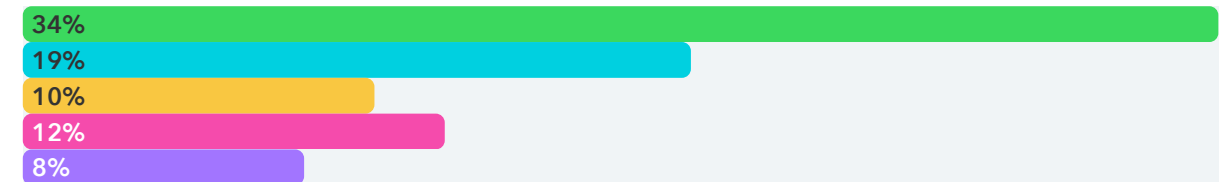
## Top 5 motivations for small business ownership in the US by age of firms surveyed

● Be my own boss ● Opportunity for greater income ● Balance work and family ● Best avenue for my ideas, goods, or services ● Provide society with a useful service/product

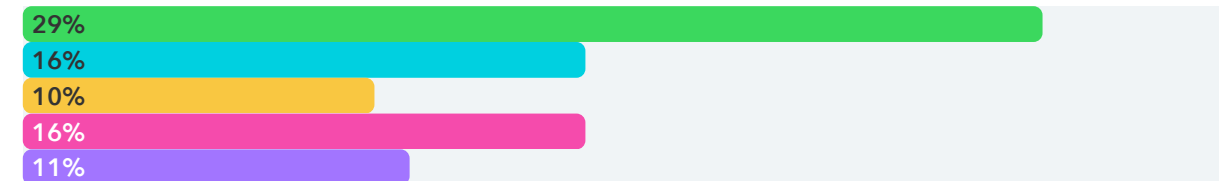
### 0-5 years



### 6-10 years



### 11-20 years



### 21+ years

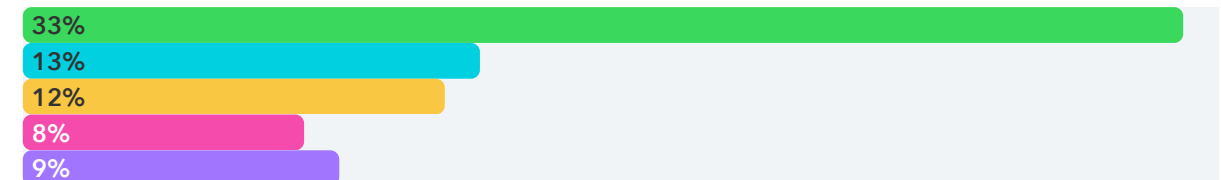


Figure 66, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

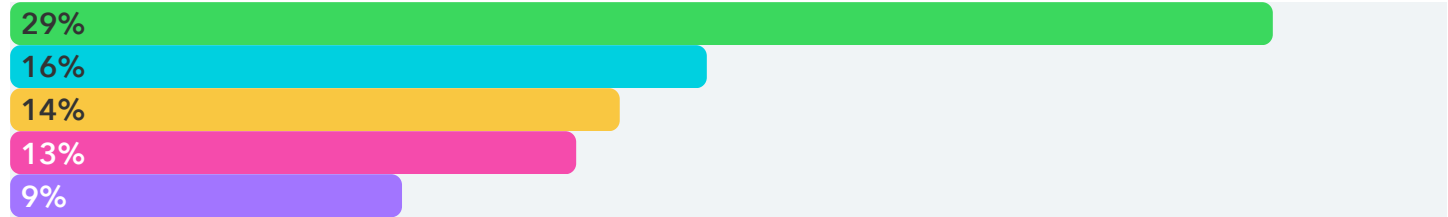
The two most significant motives for both males and females who participated in the survey are "wanted to be my own boss" and "opportunity for greater income" (Figure 67). However, the data indicates that the share of males expressing these motivations is higher than that of females.

Conversely, when it comes to family-related motives, the share of females surpasses males. This suggests that female business owners might be more inclined toward entrepreneurship as a means to balance family responsibilities or achieve work-life integration.

## Top 5 motivations for small business ownership in the US according to male and female survey respondents\*

● Be my own boss ● Opportunity for greater income ● Balance work and family ● Best avenue for my ideas, goods, or services ● Provide society with a useful service/product

### Female respondents



### Male respondents

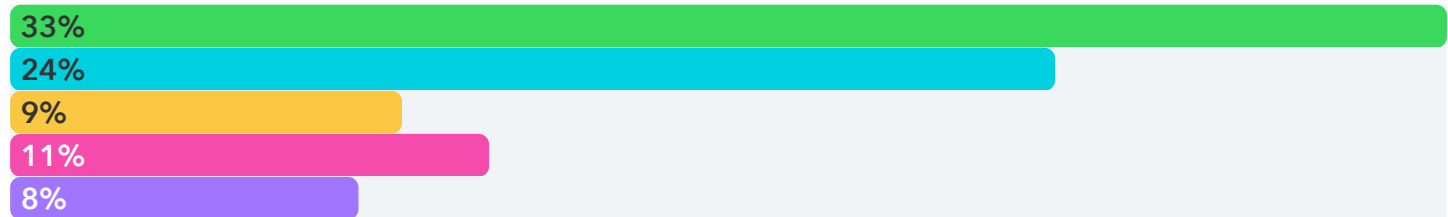


Figure 67, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: Due to low sample sizes, responses have not been included from people who identified as non-binary, third gender, or gender non-conforming and those who chose "prefer not to answer."

Source: Intuit QuickBooks Small Business Insights Survey 2023

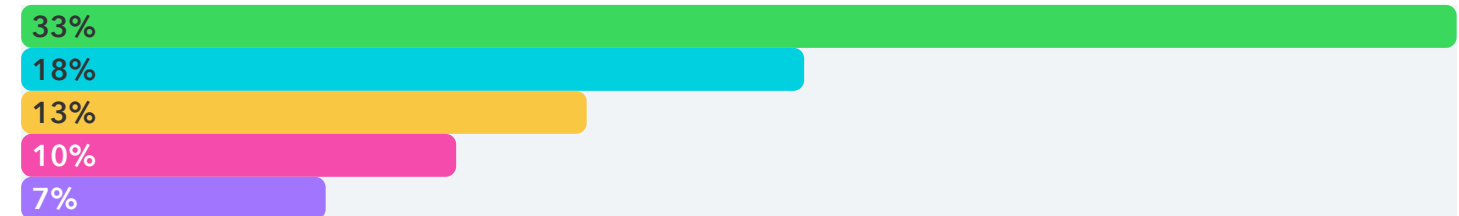
Among all education groups, the desire to be their own boss emerges as the primary motivation for firm ownership as well. However, we observe an interesting trend as education levels increase. While it remains a significant motivation across all groups, the share of owners choosing “wanted to be my own boss” as their main motivation tends to decrease with higher education.

On the other hand, the second motivation, “opportunity for greater income,” becomes more prominent among owners with higher levels of education (Figure 68).

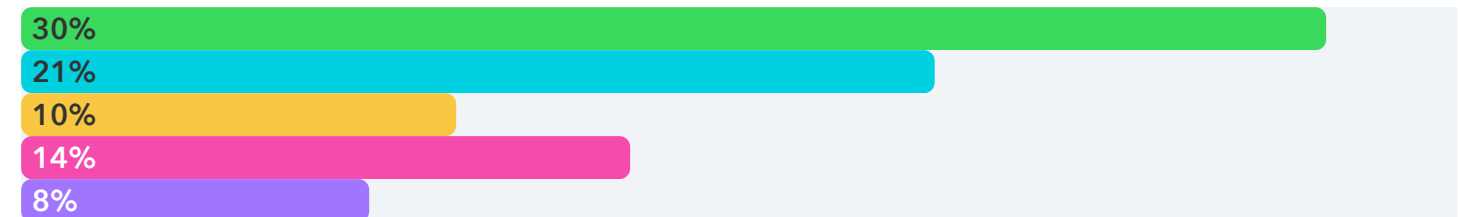
## Top 5 motivations for small business ownership in the US by education level of survey respondents\*

● Be my own boss ● Opportunity for greater income ● Balance work and family ● Best avenue for my ideas, goods, or services ● Provide society with a useful service/product

### No bachelor's degree



### Bachelor's degree



### Higher than bachelor's degree

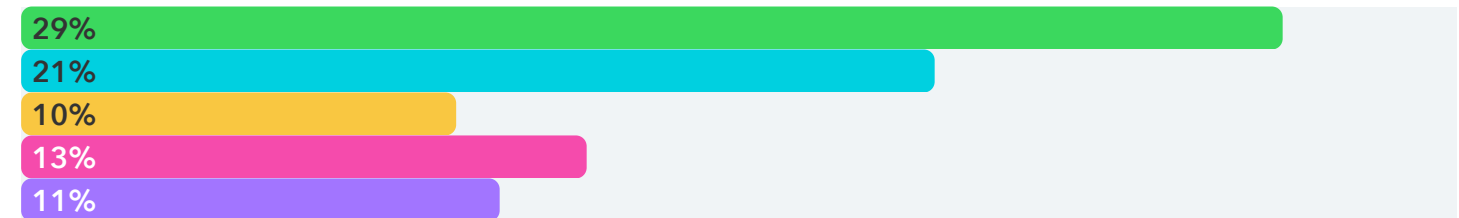


Figure 68, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: respondents who did not provide their education level are excluded from the data shown above.

Source: Intuit QuickBooks Small Business Insights Survey 2023



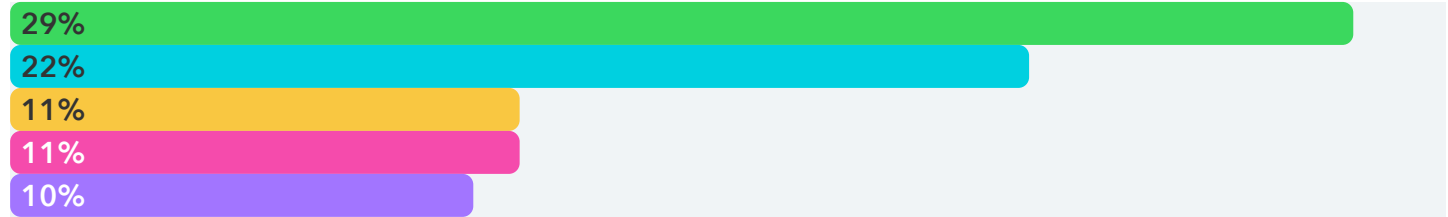
When comparing motivations for business ownership among white and non-white respondents, there are no substantial differences. Both groups show similar patterns in their motivations.

However, one noteworthy point is that while proportionally more white respondents said they "wanted to be my own boss," fewer are motivated by the "opportunity for greater income" (Figure 69). This suggests that a higher proportion of white entrepreneurs are driven by the desire to be their own boss, while a greater number of non-white entrepreneurs are motivated by the potential for increased income.

## Top 5 motivations for small business ownership in the US by ethnicity/race of survey respondents\*

● Be my own boss ● Opportunity for greater income ● Balance work and family ● Best avenue for my ideas, goods, or services ● Provide society with a useful service/product

### Non-white respondents



### White respondents

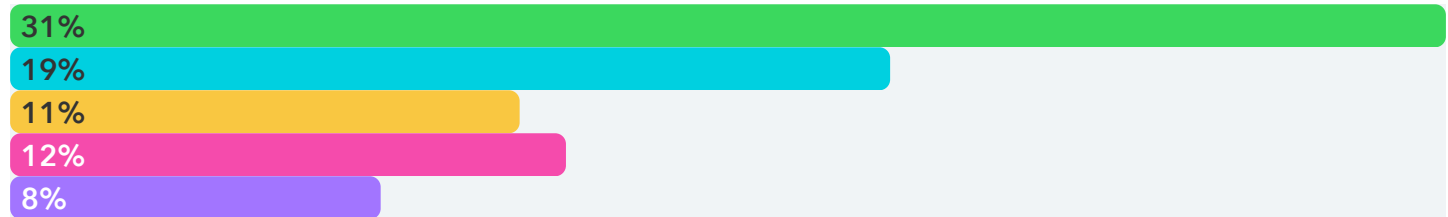


Figure 69, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: due to low sample sizes, responses are not available for individual races/ethnicities within the non-white cohort, which comprises Native American or American Indian, Black or African American, Hispanic/Latino, Asian, Pacific Islander, and Middle Eastern or Arab respondents and people with multiple race/ethnicity or heritage.

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Long-term objectives

## US

The entrepreneurs who participated in the survey have diverse long-term objectives for their businesses. In the US sample, the predominant goal among respondents is “inheritance by a family member,” accounting for 36% (Figure 70). This indicates a desire to pass down the business to the next generation within the family.

Following closely behind is the objective of “sell to a new private owner,” which represents 28% of respondents. This suggests that a considerable portion of entrepreneurs aim to eventually transfer ownership to a new private entity, possibly to realize their financial gains or explore new ventures.

## US small business owners' primary long-term objective is family inheritance, according to respondents surveyed

Survey question: In future, if the business is ever purchased by or passed on to another owner, what's your best guess or prediction for how this will happen?

### Inheritance by a family member

36%

### Sell to a new private owner

28%

### Go public, with shares sold to investors

8%

### Internal management buyout

6%

Figure 70, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

The data reveals that as firms grow larger, “selling to a new private owner” becomes a more prevalent long-term objective. For smaller firms, the primary long-term objective tends to revolve around “inheritance by a family member” (Figure 71).<sup>9</sup>

This inclination highlights the importance of legacy and continuity within family-owned businesses, where passing down the enterprise to the next generation is a cherished aspiration.

<sup>9</sup>A comparable pattern can be noted among young and old firms. While the main objective of the young firms (aged between 0 and 5) is “inheritance by a family member” as the firms aged, “selling to a new private owner” becomes a stronger motive.

## US small business owners' primary long-term objectives by size of firms surveyed (number of employees)

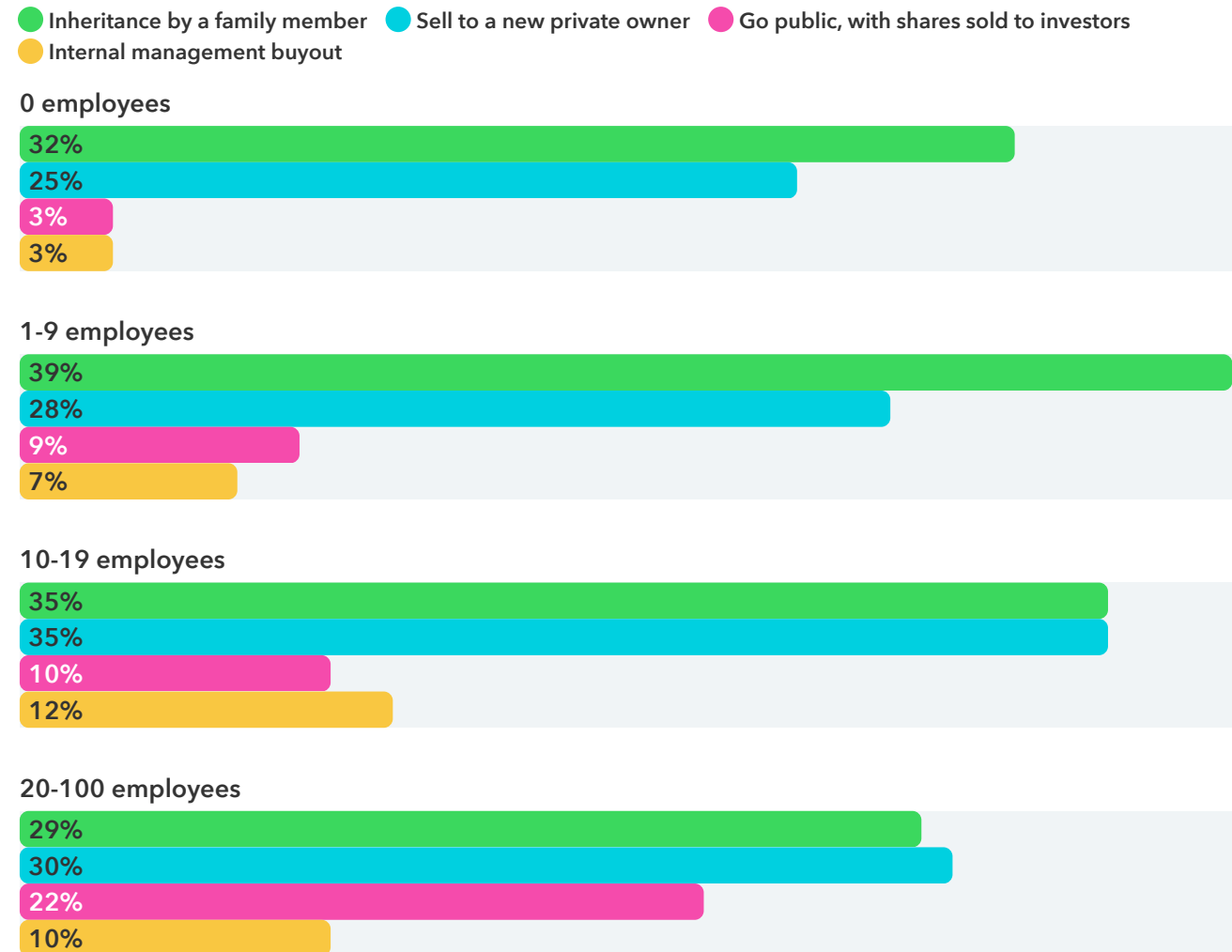


Figure 71, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

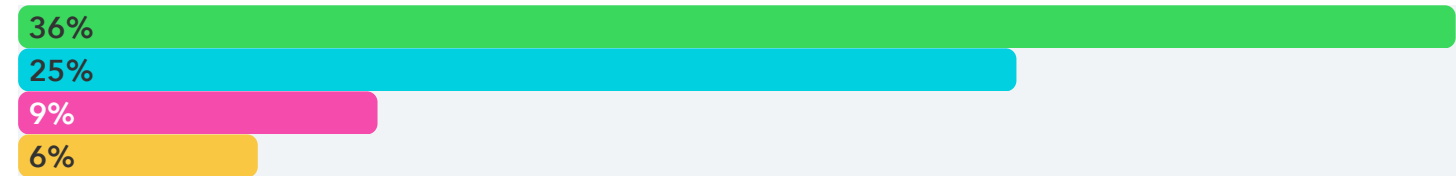


Gender differences are clear in the long-term objectives of entrepreneurs (Figure 72). While the proportion of males and females who prioritize "inheritance by a family member" as their primary goal is similar, there is a contrast when it comes to the objective of "selling to a new private owner." Specifically, a higher percentage of males (31%) declare this objective, in comparison to 25% of females.<sup>10</sup>

## US small business owners' primary long-term objectives according to male and female survey respondents\*

● Inheritance by a family member  
 ● Sell to a new private owner  
 ● Go public, with shares sold to investors  
● Internal management buyout

### Female respondents



### Male respondents

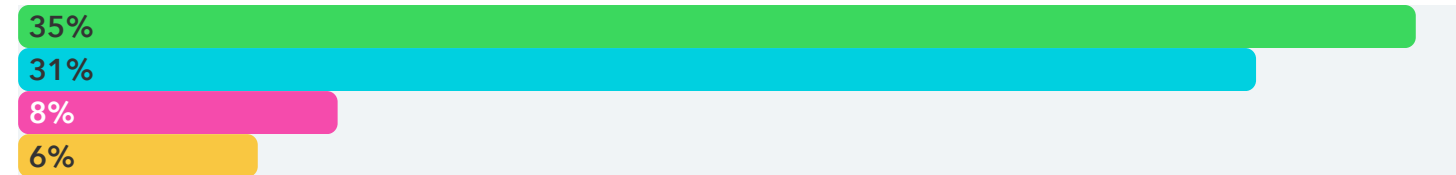


Figure 72, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: Due to low sample sizes, responses have not been included from people who identified as non-binary, third gender, or gender non-conforming and those who chose "prefer not to answer."

Source: Intuit QuickBooks Small Business Insights Survey 2023

<sup>10</sup>A similar pattern is evident when comparing the long-term objectives of white and non-white respondents. While a similar proportion of both groups prioritize "inheritance by a family member," a disparity arises in their preferences regarding the objective of selling their firms to a new private owner. The percentage of white respondents (29%) with this long-term goal is higher than that of other respondents (23%).

As the educational attainment of respondents increases, the proportion of those declaring “inheritance by a family member” as the primary long-term business objective decreases (Figure 73). This suggests that higher education might lead entrepreneurs to explore opportunities beyond traditional familial succession.

Conversely, the data shows a contrasting trend concerning the long-term objective of “selling their firms to a new private owner.” As owners’ educational levels rise, there is an increase in the percentage of entrepreneurs who prioritize this goal. This observation implies that higher education could equip business owners with a broader perspective, making them more open to considering external ownership transfers as an option for future growth or exit strategies.

## US small business owners' primary long-term objectives by education level of survey respondents\*

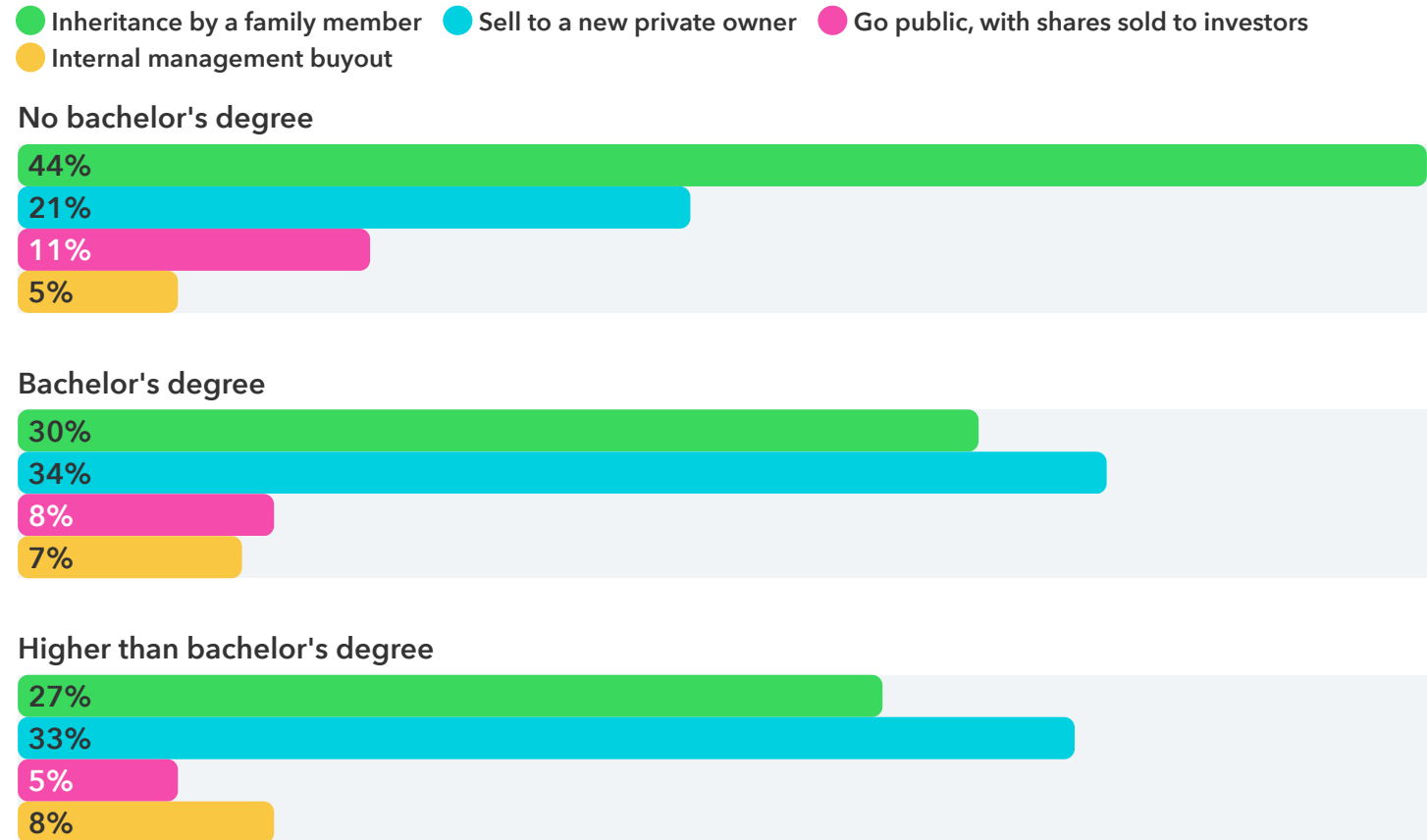


Figure 73, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: respondents who did not provide their education level are excluded from the data shown above.

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Employment growth

## US

About 12% of the firms that participated in the survey reported employment growth over the previous 12 months (April 2022–April 2023). Only 4% reported a decline in employment over the same period (Figure 74). The majority report a steady level of employment during the same period.

### More than 9 out of 10 small businesses surveyed in the US have a growing or stable workforce

Based on current number of employees reported by respondents compared to the number of employees 12 months ago

Workforce is larger

12%

Workforce is unchanged

84%

Workforce is smaller

4%

Figure 74, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023



For firms that experienced a decline in employment over the past year, there is no significant difference between firms of different sizes (Figure 75). The share of 1-9-employee firms experiencing a decline in employment is slightly higher than others, indicating a potential vulnerability among smaller businesses.

As we would anticipate, non-employer firms were most likely to report a consistent level of employment. This observation aligns with their business model, which may be structured around operating without any employees. On the other hand, if we look at firms with employees, the number that reported employment growth declines as we move up the size groups.

## US small business employment growth over previous 12 months by size of firms surveyed (number of employees)

Based current number of employees reported by respondents compared to the number of employees 12 months ago

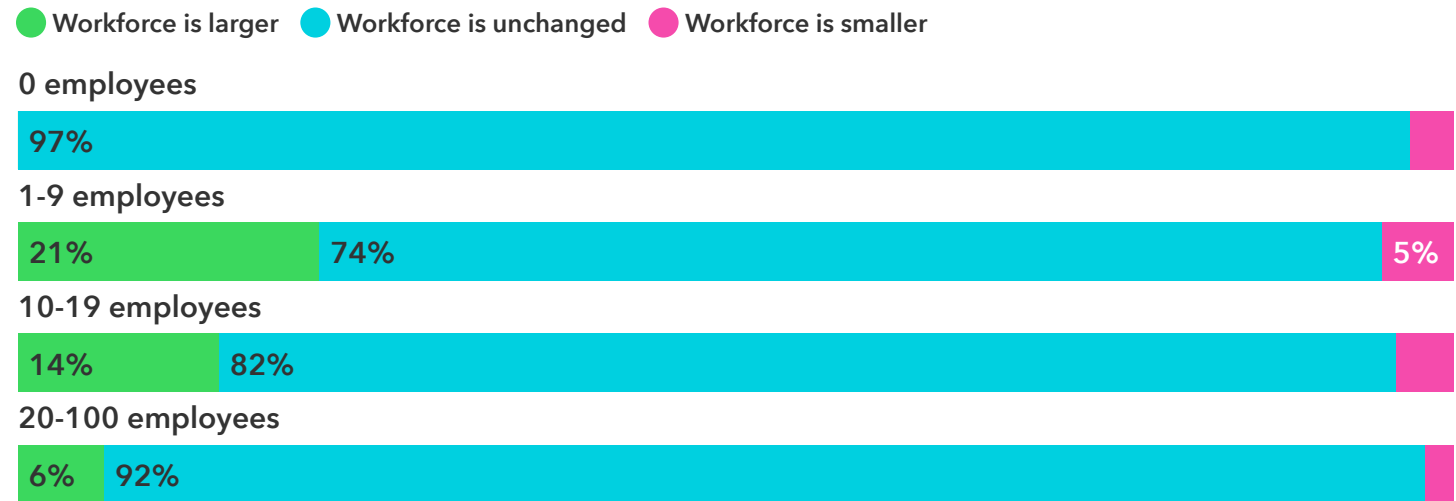


Figure 75, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Regarding firm age, the highest share of businesses that report business growth in the last 12 months is 0-5 years, and the lowest share is over 20 years old (5%) (see Figure 76). This finding highlights the remarkable potential and dynamism of recently established businesses, demonstrating their ability to rapidly expand their workforce.

## US small business employment growth over previous 12 months by age of firms surveyed

Based current number of employees reported by respondents compared to the number of employees 12 months ago

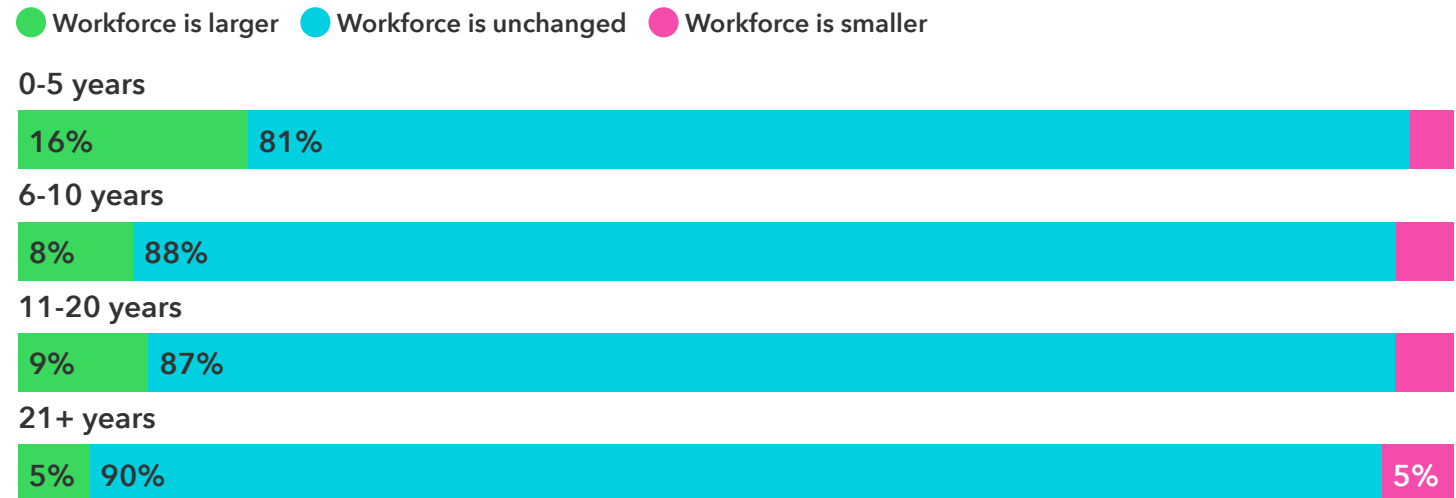


Figure 76, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

When examining the influence of demographic factors on firms' growth performance, no significant differences are observed between male and female owners. However, a compelling contrast emerges when we shift our attention to respondents' education levels. Remarkably, there are striking differences in the employment growth of firms based on the educational attainment of their owners and decision-makers. Among firms that reported a decline in employment, the share of respondents with the lowest education level is the lowest, at just 3%. Moreover, among the growing firms, the share of that

education group is the highest, at 15%. The data also reveals that the share of respondents in the lowest education group is substantially lower among the growing firms, making up only 9% (Figure 77).<sup>11</sup> These findings underscore the pivotal role of education in shaping business success and employment outcomes. Entrepreneurs with higher educational qualifications appear to be better positioned to meet challenges, leverage innovative strategies, and contribute to employment expansion.

<sup>11</sup>There is also a positive relationship with firm size and education. Among the largest firm size (20-100 employee firms, the share of the lowest education group is 18%, whereas it is 26% for the highest education group.

## US small business employment growth over previous 12 months by respondents' education level\*

Based current number of employees reported by respondents compared to the number of employees 12 months ago

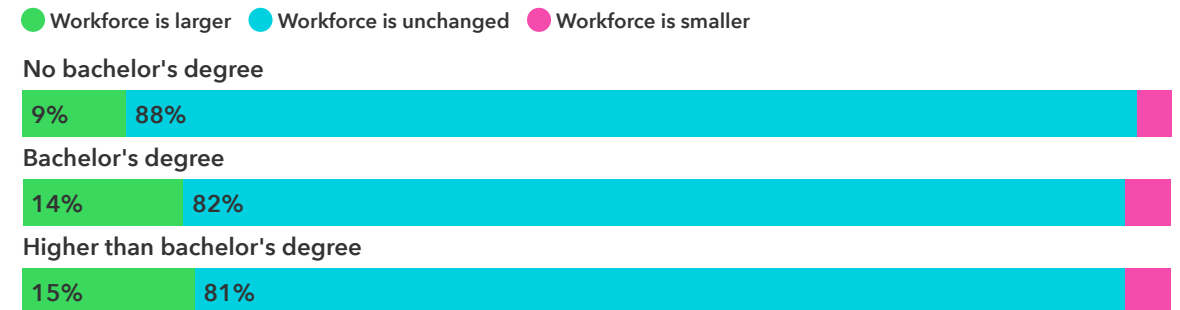


Figure 77, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: respondents who did not provide their education level are excluded from the data shown above.

Source: Intuit QuickBooks Small Business Insights Survey 2023



Figure 78 illustrates the employment growth of firms by respondents' race. According to the survey responses, firms with non-white owners perform better compared to those with white owners. The share of non-white owners is higher among growing firms.

## US small business employment growth over previous 12 months by ethnicity/race of survey respondents\*

Based current number of employees reported by respondents compared to the number of employees 12 months ago

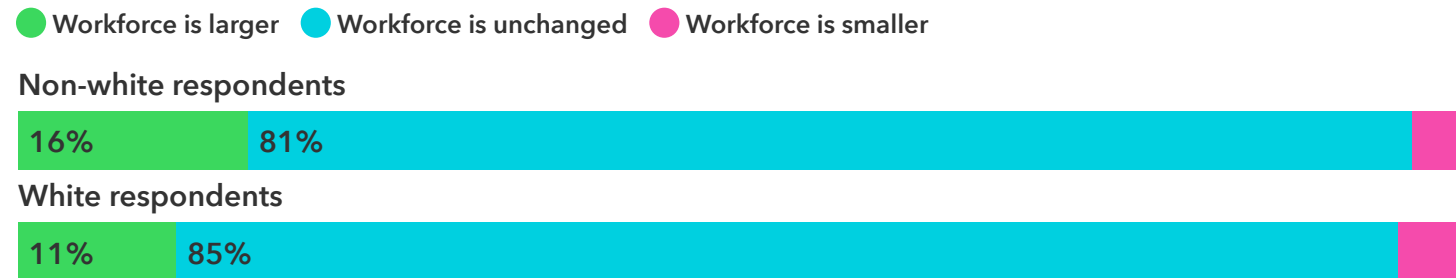


Figure 78, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: due to low sample sizes, responses are not available for individual races/ethnicities within the non-white cohort, which comprises Native American or American Indian, Black or African American, Hispanic/Latino, Asian, Pacific Islander, and Middle Eastern or Arab respondents and people with multiple race/ethnicity or heritage.

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Sales growth expectations

## US

The survey findings reveal an overall sense of optimism among US firms regarding their sales growth expectations over the next three months. While 11% of participants anticipate a decline in their sales, a larger 28% expect their sales revenue to remain stable. The majority, 53% of respondents, anticipate growth (Figure 79).

Among those expecting growth, about 14% foresee modest growth, between 0-4%. Similarly, another 16% expect moderate growth, in the range of 5-9%, while the same proportion again (16%) predicts high growth of 10-49%.

## More than half of US small businesses surveyed predicted higher sales revenue over next three months

Survey question: Looking ahead over the next 3 months, will your revenue go up or down and if so, by how much? Your best estimate is fine.

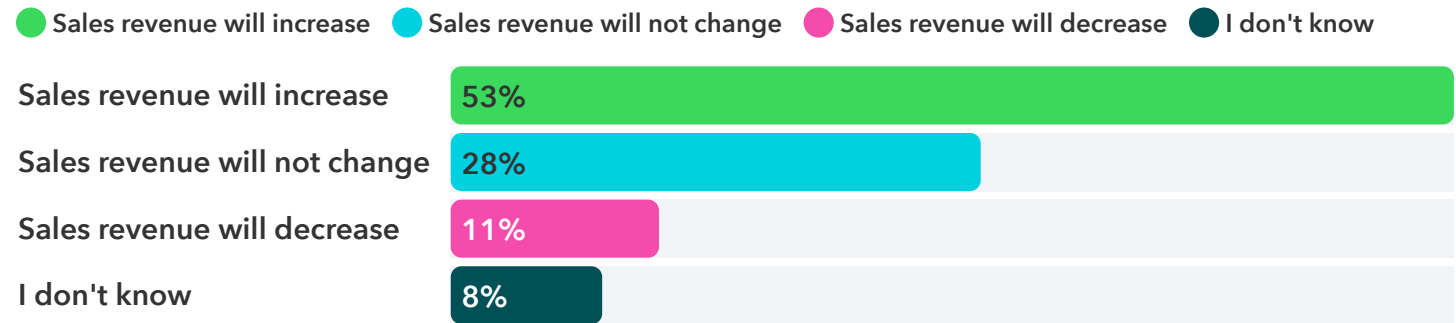


Figure 79, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. Respondents could choose from the following answer options: Decrease by 0.1% to 4% / 5% to 9% / 10% to 49% / 50% to 100%; Increase by 0.1% to 4% / 5% to 9% / 10% to 49% / 50% to 100%; Remain constant.

Source: Intuit QuickBooks Small Business Insights Survey 2023

The survey results reveal variations in sales expectations between large and small firms. Among firms with no employees, only 7% expect a decline in sales, while 54% anticipate an increase, indicating an overall optimistic outlook.

On the other hand, among larger small businesses with 20-100 employees, 17% expect a decline in a slightly more cautious stance. Despite this, the majority (56%) of these firms still express optimism, projecting an increase in sales (Figure 80).

## US small business sales revenue predictions by size of firms surveyed (number of employees)

Timeframe: three-month forecast from April 2023

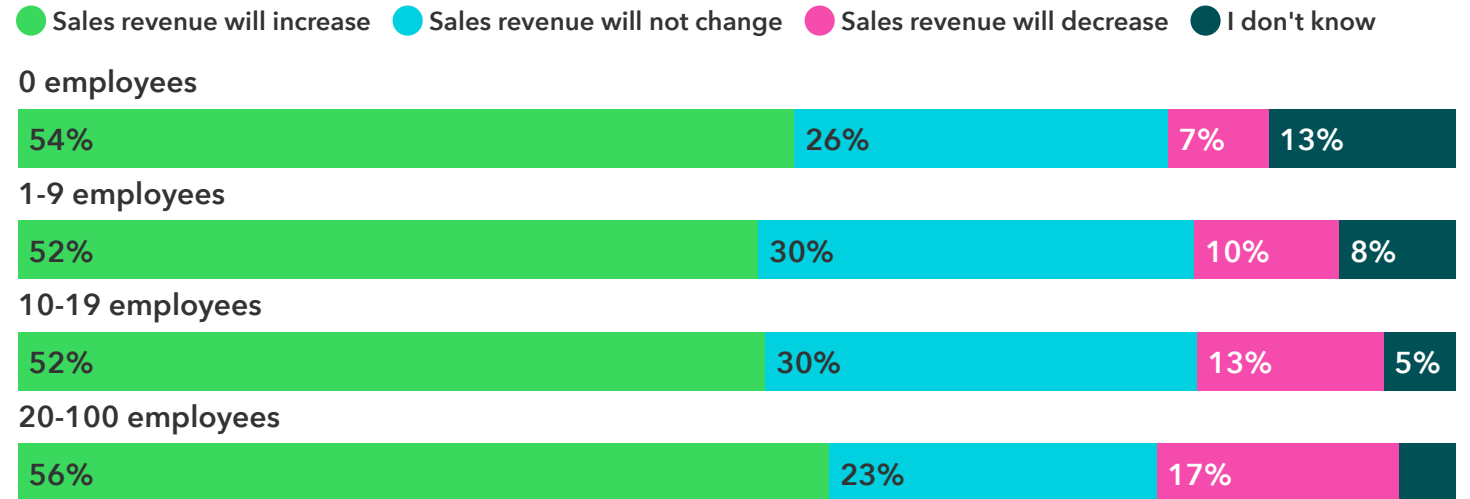


Figure 80, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023



Among firms expecting a decline in sales, there is no significant difference in their ages, according to the survey findings. There are differences, however, among firms expecting sales to remain the same, with the oldest age group being significantly more likely to predict this (43% of them) than the youngest firms (22% of them).

Finally, while a substantial 59% of the youngest age group expresses optimism about future revenue growth, only 38% of the oldest group shares the same positive outlook. This suggests younger firms tend to be more optimistic about their growth prospects than their older counterparts (Figure 81).<sup>12</sup>

## US small business sales revenue predictions by age of firms surveyed

Timeframe: three-month forecast from April 2023

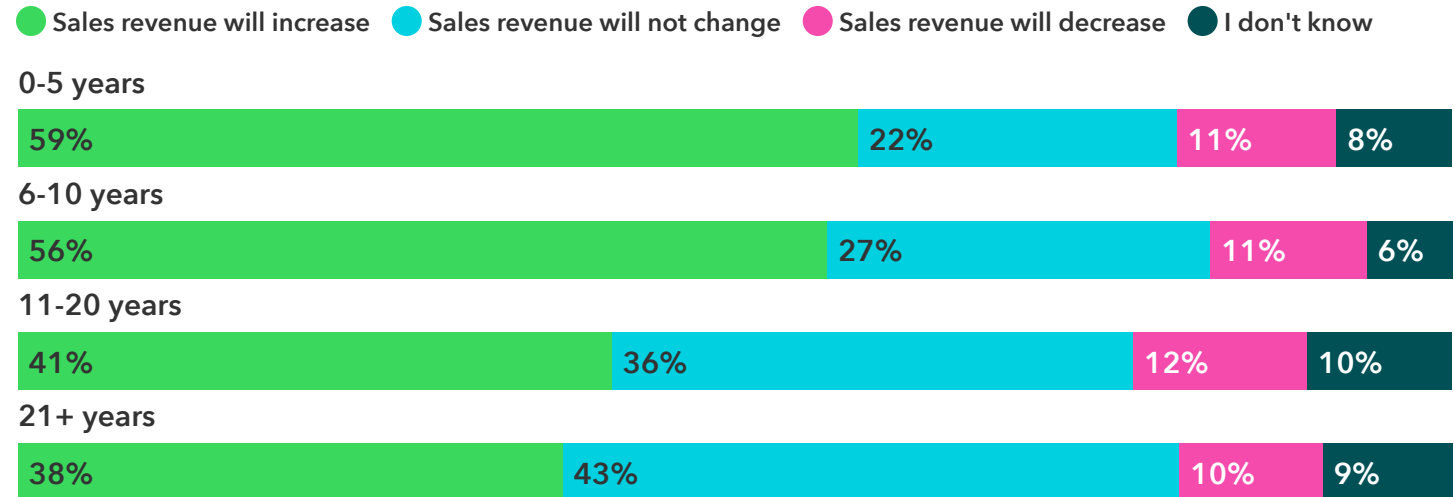


Figure 81, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

<sup>12</sup>Sales growth expectations show no significant variations based on owner demographics. Therefore, graphs of gender, education, and race/ethnicity are not presented.

# Challenges

## US

Understanding the challenges faced by US small businesses is crucial for informed decision-making. The most significant obstacle, by a considerable margin, is rising costs (inflation), with 45% describing this as the number-one challenge they face (Figure 82). Other challenges include low-price competitors (13%), low demand (12%), and the cost and availability of financing (10%).

### Inflation remains the biggest challenge for the largest number of US small businesses surveyed

Survey question: What's the greatest challenge facing the business today?

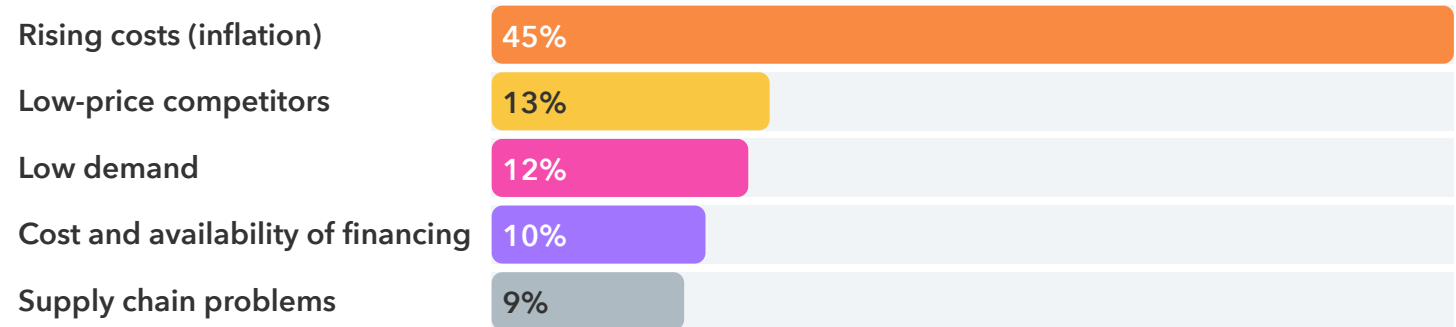


Figure 82, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

When we look at how challenges vary for businesses of different sizes, other trends emerge. As Figure 83 illustrates, among all size groups, rising costs stand out as the primary challenge, but the share of firms fluctuates based on size. For example, 52% of 10-19 employee firms see inflation (rising costs) as their primary challenge, falling to 40% for non-employer firms.

Notably, low demand emerges as being particularly significant for non-employer firms, ranking as the second most important challenge at 18%. Regarding the “cost and availability of financing” and “low-price competitors,” there are no substantial differences observed between different size firms. As expected, larger firms encounter supply chain problems more often, as they are more likely to produce complex goods with diversified inputs and sell them to other locations.

## Top challenges facing US small businesses surveyed by firm size (number of employees)

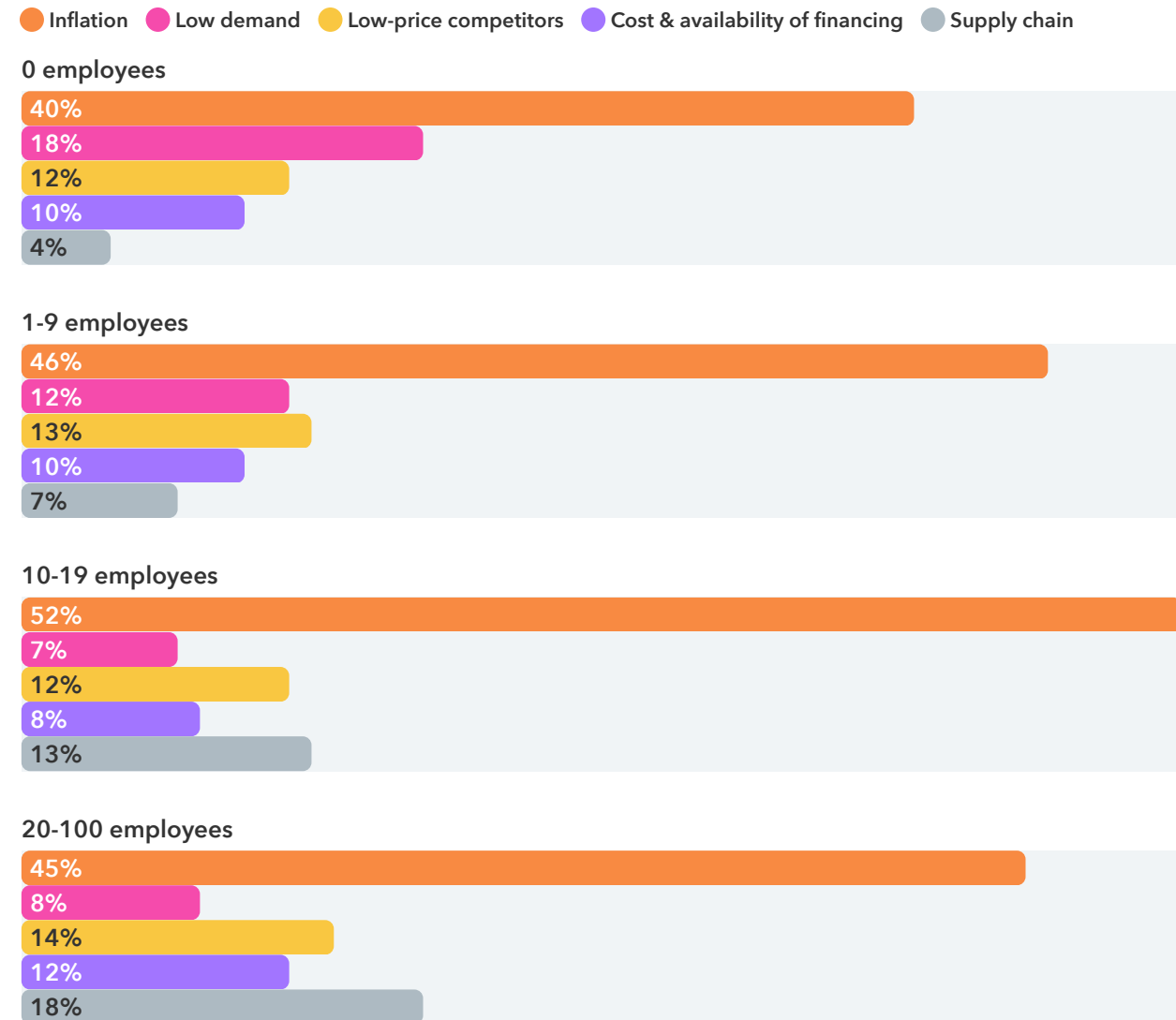


Figure 83, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.  
Source: Intuit QuickBooks Small Business Insights Survey 2023



Firms at different stages of the business life cycle also face different challenges, according to the survey results. Again, as we saw above, rising costs stand out as the primary challenge for all age groups, but the share of firms saying this is their greatest challenge differs by age. The most significant differences are between the youngest and oldest groups, with firms aged 21 years or older more likely to worry about inflation than those aged 0-5 years.

Another striking finding from Figure 84 is the challenge young firms face in accessing financing. The reverse is true for cost and availability of finance, with a much larger share of young firms declaring this as their primary obstacle compared to older firms. This highlights the critical importance of policies aimed at facilitating the access of young firms to credit and financial resources.

## Top challenges facing US small businesses surveyed by firm age

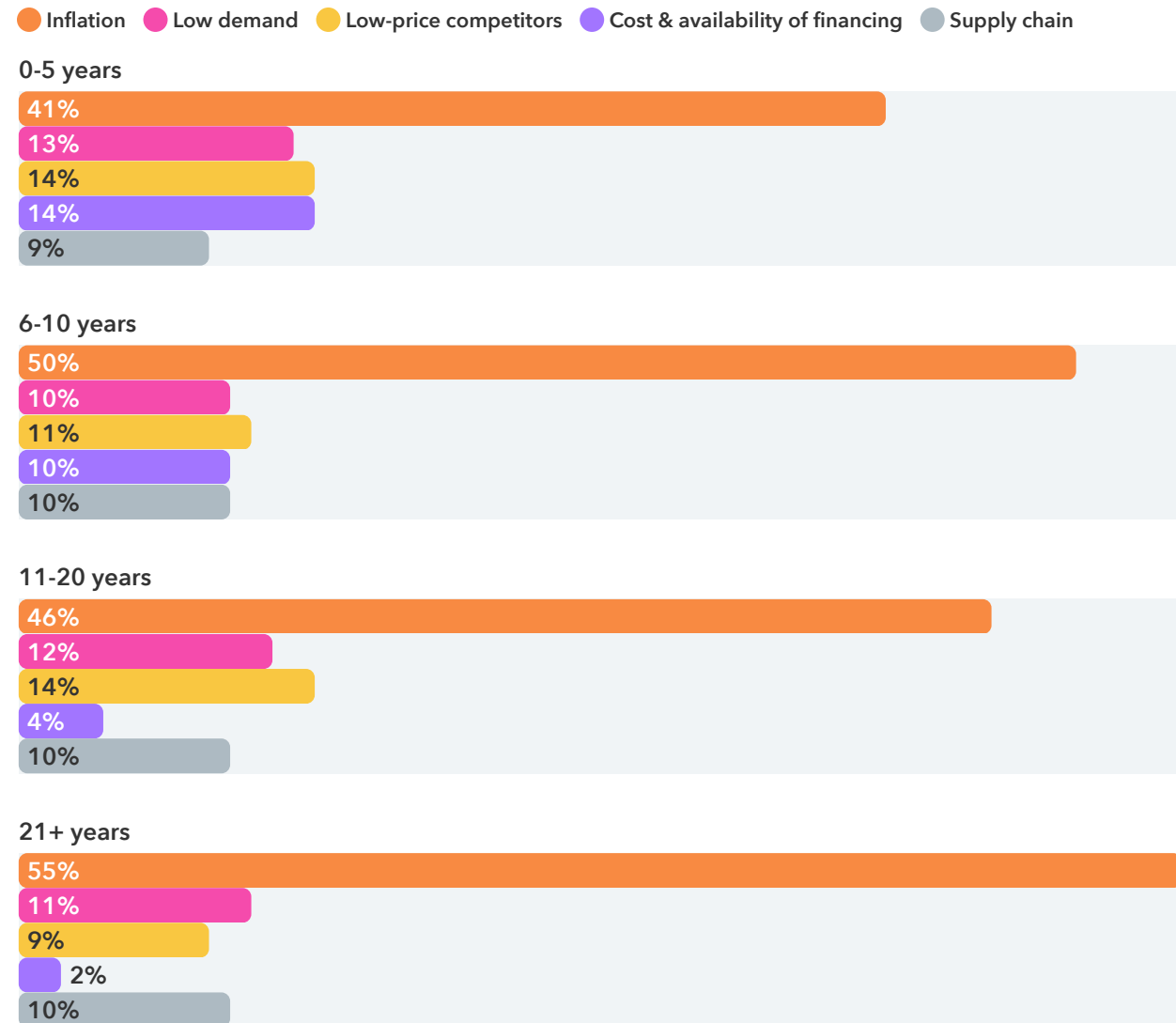


Figure 84, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.  
Source: Intuit QuickBooks Small Business Insights Survey 2023

Male and female respondents express different concerns, with men more likely to express concern about each challenge except inflation. Specifically, 48% of female respondents cite rising costs as their main concern, whereas 42% of their male counterparts express the same (Figure 85).

## Top challenges facing US small businesses surveyed according to male and female survey respondents\*

● Inflation ● Low demand ● Low-price competitors ● Cost & availability of financing ● Supply chain

### Female respondents



### Male respondents

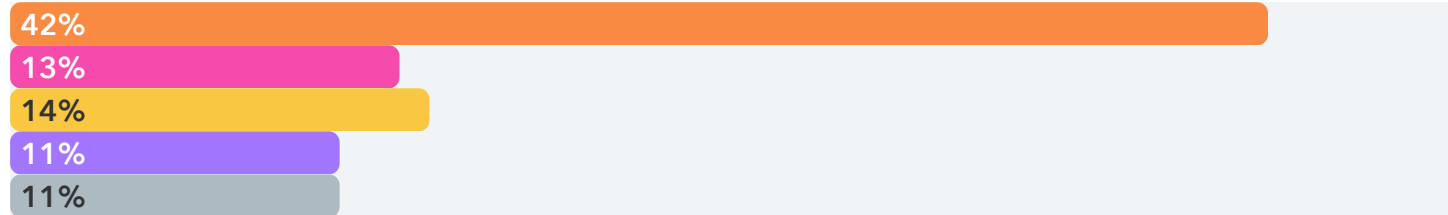


Figure 85, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: Due to low sample sizes, responses have not been included from people who identified as non-binary, third gender, or gender non-conforming and those who chose "prefer not to answer."

Source: Intuit QuickBooks Small Business Insights Survey 2023

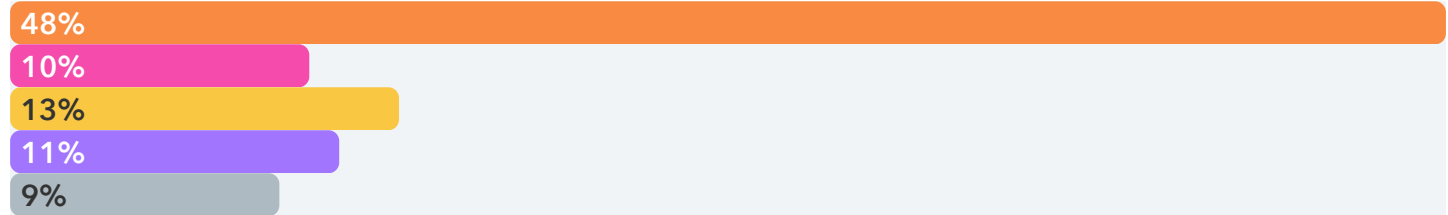
In general, education level does not appear to have a significant effect on the distribution of challenges they identified. However, there are some intriguing trends worth noting.

Respondents who do not have a degree are less likely to report low demand as the primary challenge the business faces. Those with a bachelor's degree or higher are less likely to say rising costs are their greatest challenge. This suggests that they may have found effective strategies to mitigate or hedge against cost increases (Figure 86).

## Top challenges facing US small businesses surveyed by respondents' education level\*

● Inflation ● Low demand ● Low-price competitors ● Cost & availability of financing ● Supply chain

### No bachelor's degree



### Bachelor's degree



### Higher than bachelor's degree

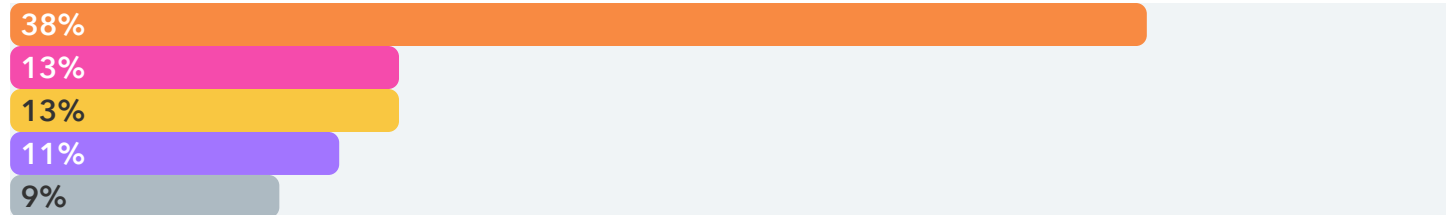


Figure 86, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: respondents who did not provide their education level are excluded from the data shown above.

Source: Intuit QuickBooks Small Business Insights Survey 2023

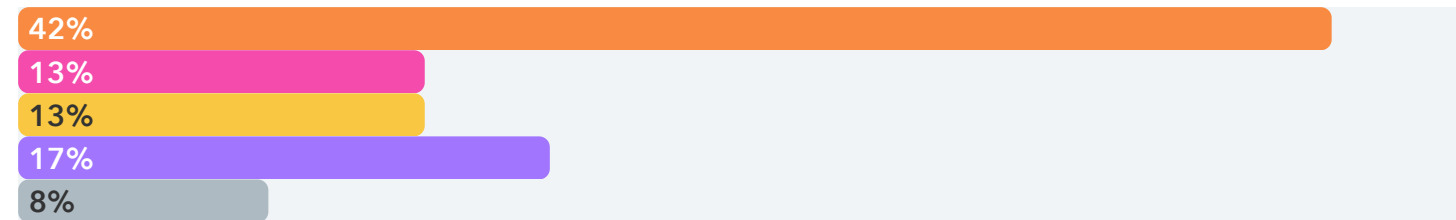


Looking at the relationship between the race/ethnicity of the respondents and the challenges they encounter, a significant difference becomes apparent. A significantly higher proportion of non-white respondents say “the cost and availability of financing” is their main challenge compared to their white counterparts (Figure 87).

## Top challenges facing US small businesses surveyed by ethnicity/race of survey respondents\*

● Inflation ● Low demand ● Low-price competitors ● Cost & availability of financing ● Supply chain

### Non-white respondents



### White respondents

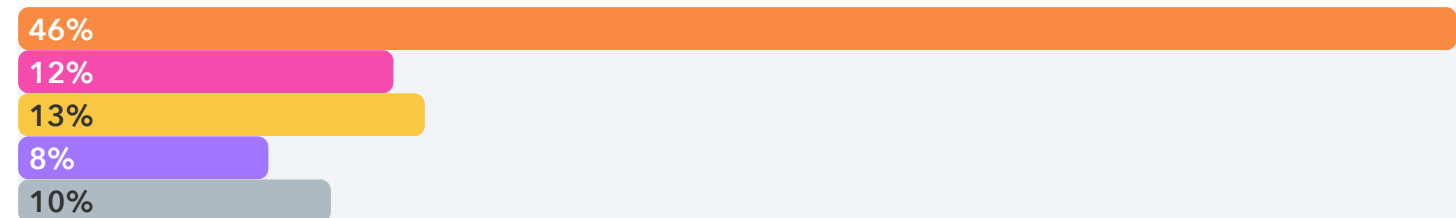


Figure 87, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: due to low sample sizes, responses are not available for individual races/ethnicities within the non-white cohort, which comprises Native American or American Indian, Black or African American, Hispanic/Latino, Asian, Pacific Islander, and Middle Eastern or Arab respondents and people with multiple race/ethnicity or heritage.

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Types of financing

## US

Access to financing emerges as a prominent and extensively studied topic in the literature on small businesses. Small businesses need funding for multiple reasons. Figure 88 shows the different types of financing these firms sought in the US over the past 12 months. Several striking insights come to light. First, 48% reported not applying for any form of financing. This finding warrants further investigation to determine whether this abstention is a deliberate preference or stems from apprehensions about potential rejection.

Additionally, we see credit cards are the primary financing tool employed by these firms. Surprisingly, credit card use exceeds that of loans or lines of credit, emphasizing its significance as a preferred source of financing among small businesses.

### Credit cards have been the top source of funding for US small businesses over the past 12 months

Survey question: Over the past 12 months, has the business applied for any of the following types of financing?

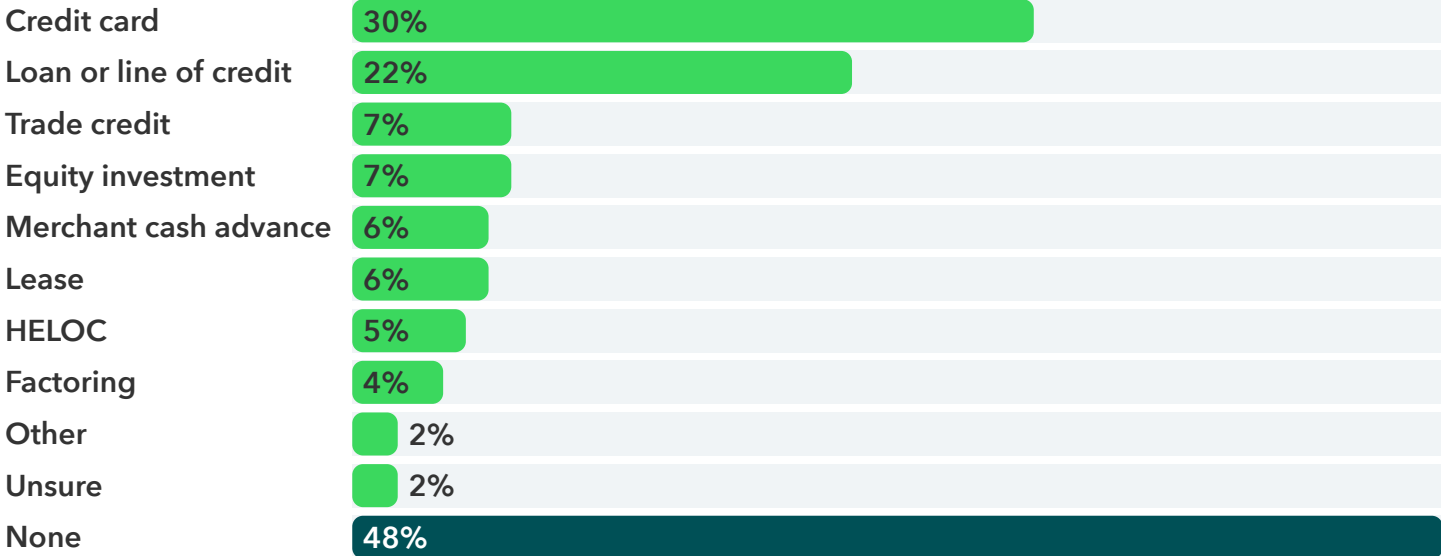


Figure 88, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

The survey suggests firm size plays an important role in influencing funding choices (Figure 89). Notably, smaller firms are much more likely to report they have not applied for any financing. For example, 61% of non-employer firms have not applied for financing over the past 12 months, compared to just 29% of the largest group (20-100 employees). In other words, small firms are not well attached to the financial system compared to large firms.

The largest group of firms demonstrates the application of all available tools, with significant shares attributed to each. Regardless of firm size, credit cards remain the most common financial tool, followed closely by loans or credit lines.

## Proportion of US small businesses using credit cards or loans by firm size (number of employees)

Timeframe for funding applications: 12 months prior to April 2023

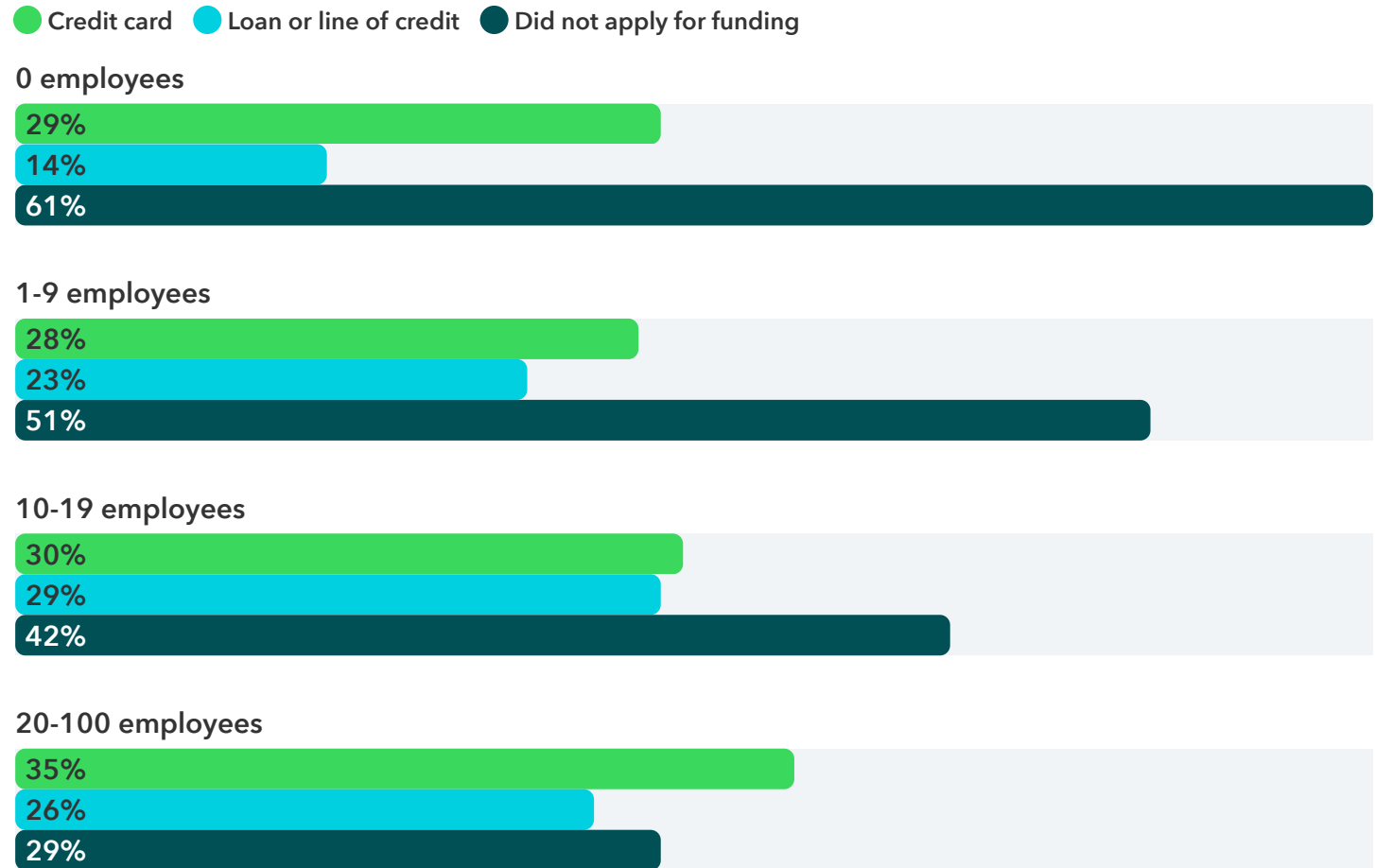


Figure 89, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. For clarity, only the top two most popular funding sources are shown.

Source: Intuit QuickBooks Small Business Insights Survey 2023



Firm age also appears to play an important role in influencing funding choices, according to survey data. The proportion of firms that did not apply for any financing over the past 12 months steadily increases with age. Specifically, while 39% of firms aged 0-5 years old did not apply for any financing, this figure rises to 69% among firms aged 21 years or older.

Younger small businesses are also more reliant on credit cards, as Figure 90 illustrates, with firms up to 10 years old reporting this as their primary source of finance. This highlights the critical role of credit cards as a versatile and widely used financial tool, not only for new startups but also for moderately established enterprises in their first decade of operation.

## Proportion of US small businesses using credit cards or loans by firm age

Timeframe for funding applications: 12 months prior to April 2023



Figure 90, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. For clarity, only the top two most popular funding sources are shown.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Overall, the types of financing used by small businesses over the past 12 months show no significant variations based on business owners' demographics, but there are some points worth mentioning. First, a higher proportion of females (52%) report not applying for any financing, compared to 44% of males. This suggests females have a more cautious approach toward seeking external funding. Second, a larger share of white respondents (51%) did not apply for any financing compared to non-white respondents (38%).



# Financial conditions

## US

In addition to asking about the types of financing small businesses have sought over the previous 12 months, the survey asked if the cost and availability of financing has worsened over that period. The responses here were mixed. A slightly lower percentage of US respondents (32%) reported a decline in financing conditions, as opposed to 35% who perceived an improvement or no change (Figure 91).

## US small businesses surveyed report mixed views on the cost and availability of financing

Survey question: Looking back over the past 12 months, has the cost and availability of financing deteriorated?



Figure 91, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023



By firm size (Figure 92), we see more differences in opinion about current financial conditions for US small businesses. Among the largest small businesses in the sample (those with 20-100 employees), 47% reported a decline, compared to just 18% of businesses without employees.<sup>13</sup>

## US small business views on cost and availability of financing by firm size (number of employees)

Timeframe: 12 months prior to April 2023

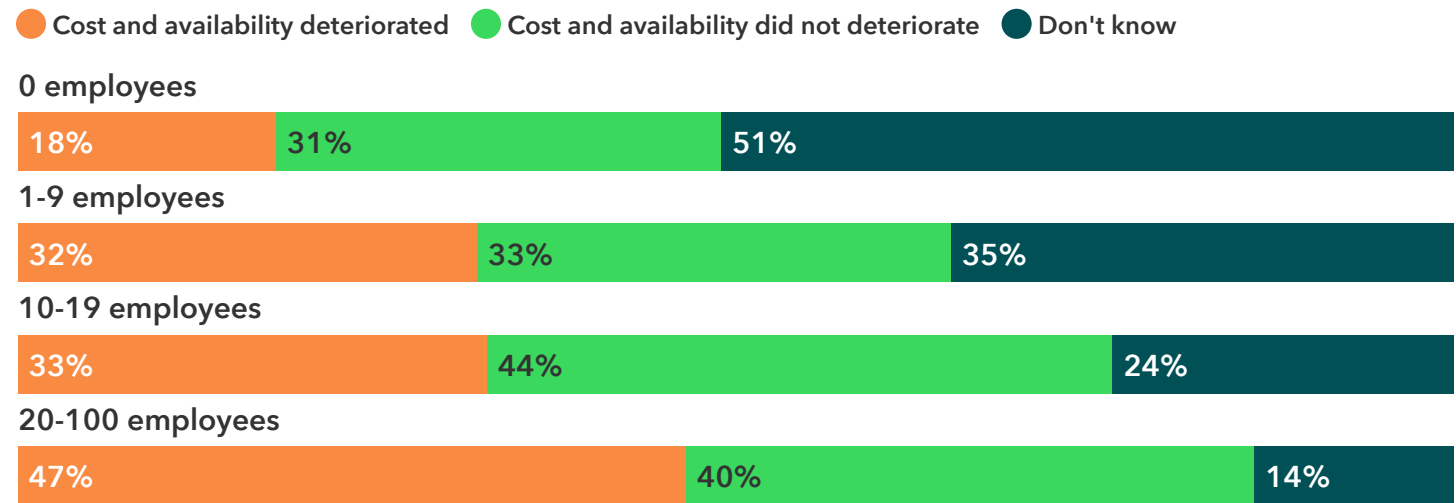


Figure 92, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

<sup>13</sup>For all firm age groups, the share of small businesses indicating a decline in financial conditions is very similar to the share reporting no decline.

Female respondents' perception of current financial conditions for small businesses in the US appears to be more optimistic than that of male respondents. The share of females who reported the cost and availability of finance has worsened is lower (28%) than those who reported it remained stable or improved (36%). Males report the opposite, with a larger share reporting worsened financial conditions (36%) than those reporting improving or stable conditions (34%) (Figure 93).<sup>14</sup>

## US small business views on cost and availability of financing, according to male and female respondents\*

Timeframe: 12 months prior to April 2023

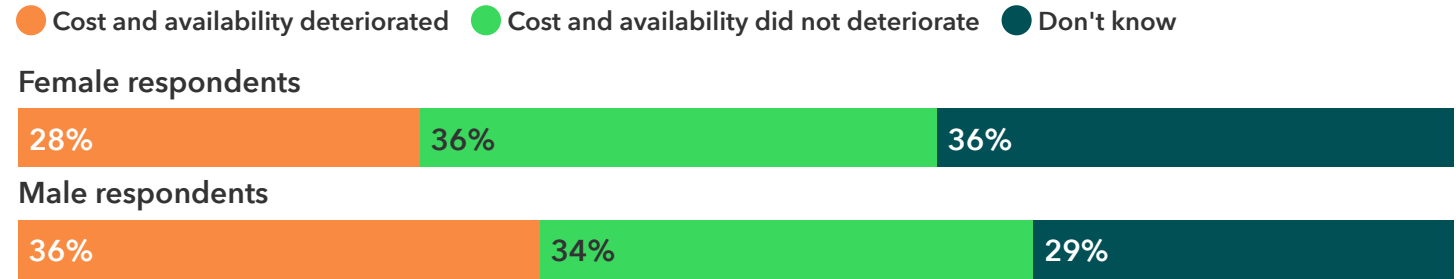


Figure 93, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: Due to low sample sizes, responses have not been included from people who identified as non-binary, third gender, or gender non-conforming and those who chose "prefer not to answer."

Source: Intuit QuickBooks Small Business Insights Survey 2023

<sup>14</sup>Across all education groups, the share of owners who declared worsened financial conditions is slightly lower than the share of owners who reported stable or improved conditions. Moreover, the share of owners who declared worsened financial conditions is slightly lower than the share of owners who reported stable or improved conditions for both white and non-white owners.

# Future financing expectations

## US

Sixty-eight percent of survey respondents are optimistic about being able to get funding for their small businesses over the next year. Despite the Federal Reserve’s increasing interest rates, the majority of respondents (68%) remain optimistic about their ability to obtain financing (Figure 94).

### Two-thirds of US small businesses surveyed expect to be able to get funding over the next 12 months

Survey question: Looking ahead over the next 12 months, do you expect to be able to obtain financing for your business needs?

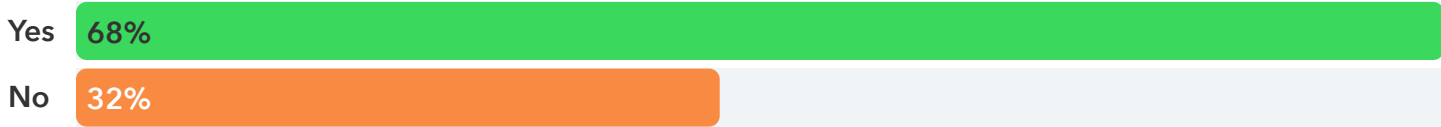


Figure 94, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. Source: Intuit QuickBooks Small Business Insights Survey 2023



Larger firms are more optimistic about obtaining financing over the next year. As firm size increases, the share expecting to obtain financing also rises. For instance, while 63% of non-employer firms anticipate obtaining financing, this figure increases to 75% among firms with more than 20 employees (Figure 95).

## US small business funding expectations over the next 12 months by firm size (number of employees)

Survey question: Looking ahead over the next 12 months, do you expect to be able to obtain financing for your business needs?

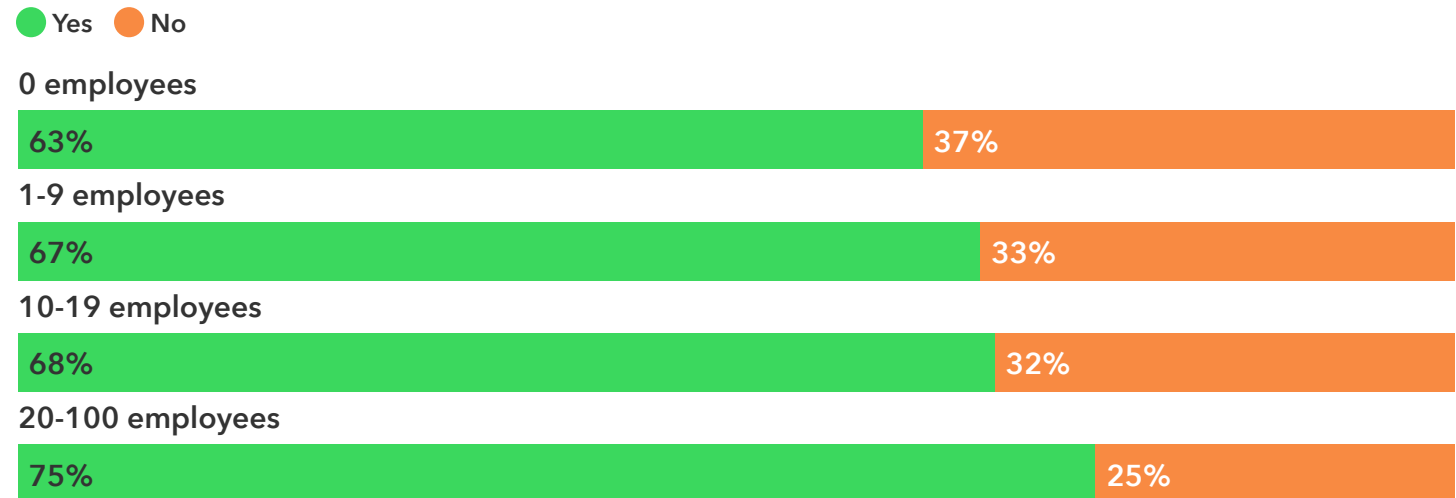


Figure 95, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Younger firms are more optimistic about obtaining financing over the next year. As firm age increases, the share of owners expecting to obtain financing decreases. While 72% of 0-5 years old firms anticipate obtaining financing, this percentage drops to 60% for firms older than 20 years (Figure 96).

Male respondents and non-white respondents are more optimistic about obtaining financing over the next year. Males show a higher level of optimism about future financing compared to females, with 72% anticipating obtaining financing compared to 64% of females. Additionally, the data insights reflect that non-white respondents have a higher expectation of obtaining financing over the next year compared to their white counterparts, highlighting a noteworthy difference in optimism between the two groups.

## US small business funding expectations over the next 12 months by firm age

Survey question: Looking ahead over the next 12 months, do you expect to be able to obtain financing for your business needs?

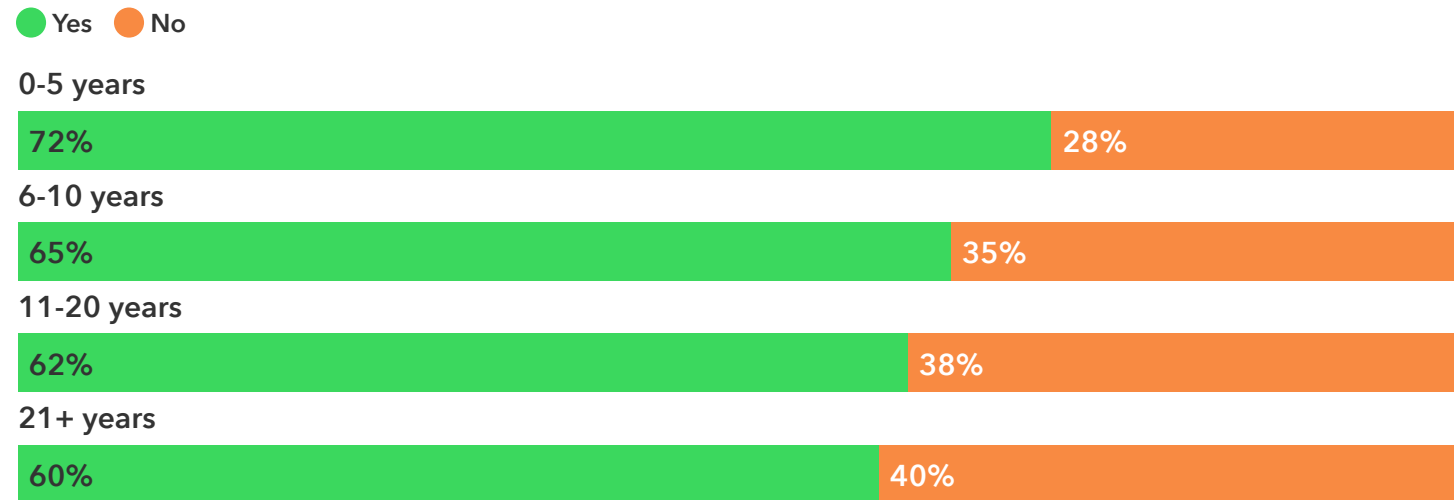


Figure 96, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Summary of survey findings

## US

In conclusion, the primary drivers for US entrepreneurs in owning their businesses are autonomy and the potential for increased earnings. Regarding long-term aspirations, the prevalent objective among respondents is passing on the business to a family member. However, as companies expand in size, transitioning to a new private owner becomes a prominent goal. This trend is mirrored in the context of educational attainment. Performance-wise, the survey indicates that small business owners with higher education and non-white backgrounds tend to report greater growth. A general sense of optimism

pervades US firms regarding their sales growth expectations for the next three months, especially among younger businesses. A significant hurdle, across all age and size categories, is the challenge of escalating costs. Younger small businesses are more likely to report that the cost and accessibility of financing is their primary challenge compared to older firms. Similarly, non-white small businesses are more likely to identify financing costs and availability as a prominent challenge. A significant share (35%) of small businesses that participated in the survey reported not applying for any form of financing over the

previous 12 months. This is more prevalent among smaller firms, underscoring their relatively weaker connection to the financial system. The primary instrument for financing is credit cards, with a notably greater reliance not only for the youngest (0-5 years old) but also for firms aged 6-10 years. A substantial 68% of small businesses are optimistic about securing financing within the upcoming year. This is particularly pronounced among larger and younger firms.



# Motivations

## Canada

Among Canadian respondents, the primary motivation for owning a business aligns with the US sample, with 31% expressing the desire to be their own boss. The opportunity for greater income is the second-most popular motivation, chosen by 20% of respondents. Additionally, 11% were motivated by the desire to balance work and family life (Figure 97).

### People start small businesses in Canada because they want to be their own boss, according to survey

Survey question: Which of the following best describes your main motivation for becoming a business owner?



Figure 97, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023



Among small businesses of every size in Canada, the primary driving force behind the venture was the business owner’s desire to be their own boss, according to survey responses. Among small businesses with employees, the second most popular motivation was the opportunity for owners to earn more income.

However, for non-employer firms, the second most important motivation shifts to achieving a balance between work and family life, followed by the flexibility of working hours (Figure 98). This suggests that owners of small businesses without employees place a greater value on setting their own schedules.

## Top motivations for small business ownership in Canada by size of firms surveyed (number of employees)

● Be my own boss ● Balance work and family ● Flexible hours ● Opportunity for greater income ● Best avenue for my ideas, goods, or services ● Provide society with a useful service/product

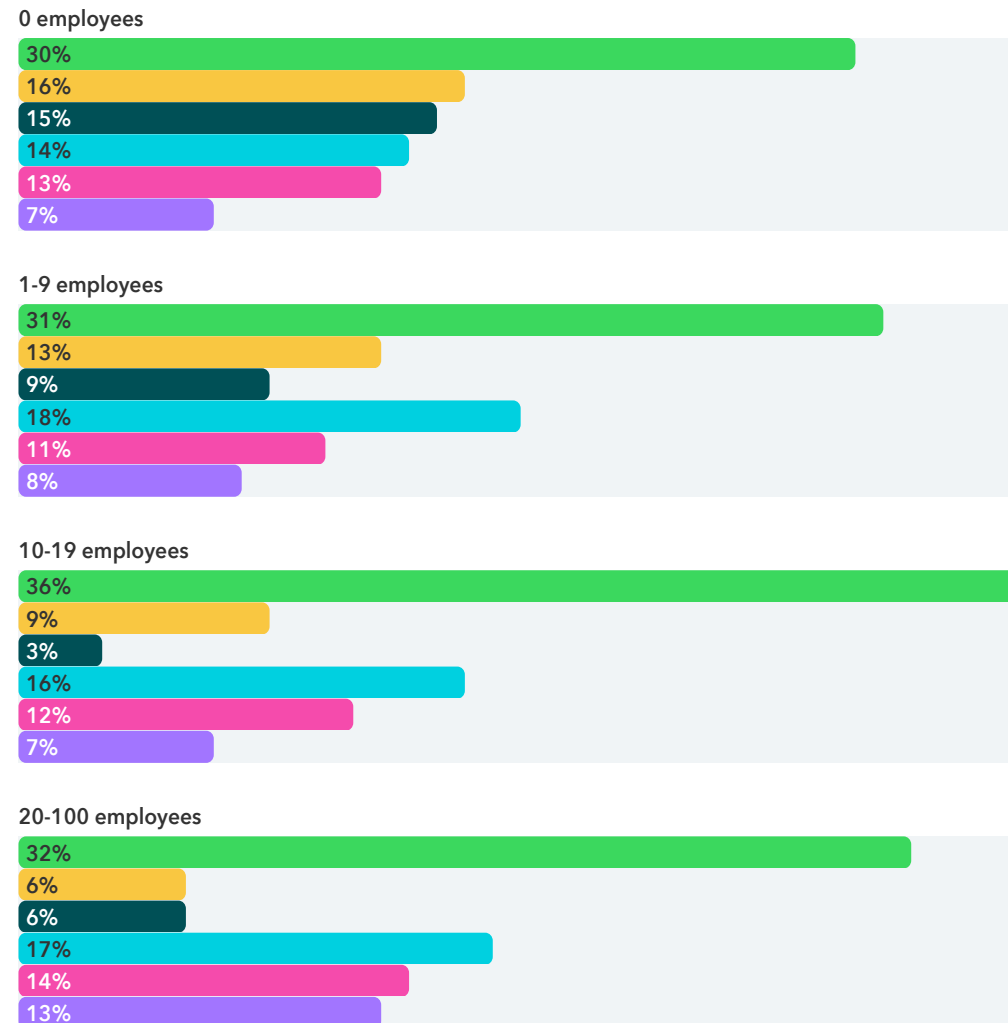


Figure 98, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. Source: Intuit QuickBooks Small Business Insights Survey 2023

The desire to be their own boss is the most significant motivation for business ownership among Canadian survey respondents regardless of when the business was established, followed by the potential for greater income.

Interestingly, the oldest small businesses in the sample (those established 21 years ago or more) are much more likely than others to report wanting “to provide society with a useful service or product” as the primary motivation behind the business (Figure 99).

## Top motivations for small business ownership in Canada by age of firms surveyed

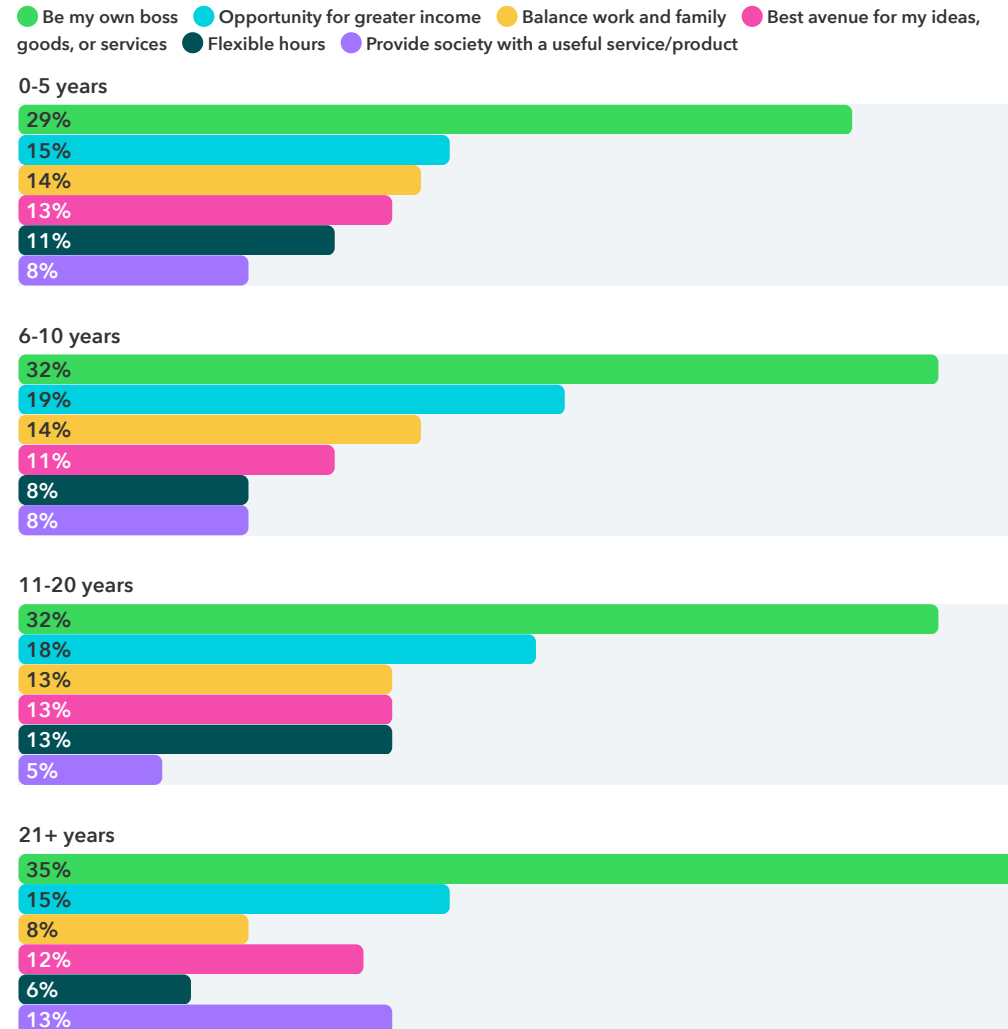


Figure 99, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.  
Source: Intuit QuickBooks Small Business Insights Survey 2023

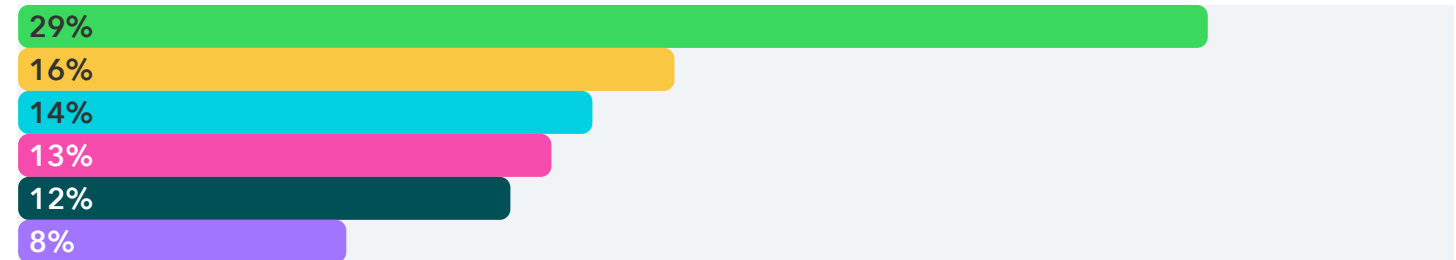
While the most significant motivation for starting a small business for both females and males is "wanted to be my own boss," there is a distinction in the second most important motive. For males, it is the "opportunity for greater income," while for females, it is "balance work and family."

Additionally, across all family-related motives, the share of females choosing these responses is higher than males (Figure 100). This indicates a stronger consideration of family responsibilities and priorities in their entrepreneurial pursuits, reflecting a distinct gender-specific approach to business ownership.

## Top motivations for small business ownership in Canada according to male and female survey respondents\*

● Be my own boss ● Balance work and family ● Opportunity for greater income ● Best avenue for my ideas, goods, or services ● Flexible hours ● Provide society with a useful service/product

### Female respondents



### Male respondents

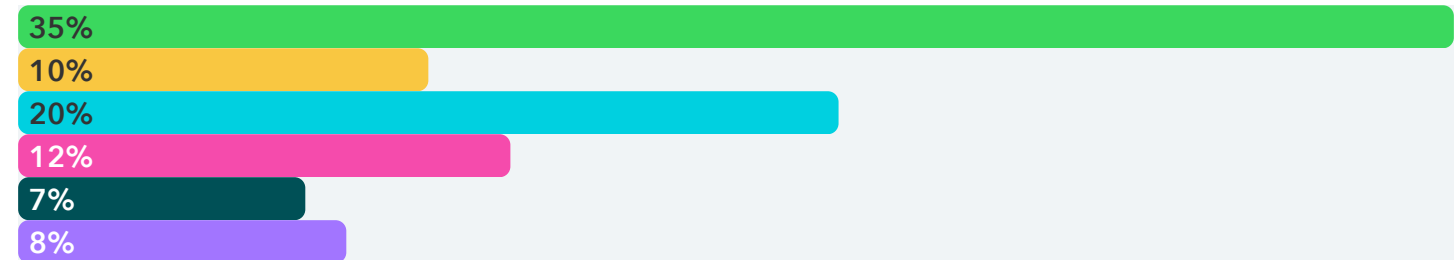


Figure 100, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: Due to low sample sizes, responses have not been included from people who identified as non-binary, third gender, or gender non-conforming and those who chose "prefer not to answer."

Source: Intuit QuickBooks Small Business Insights Survey 2023

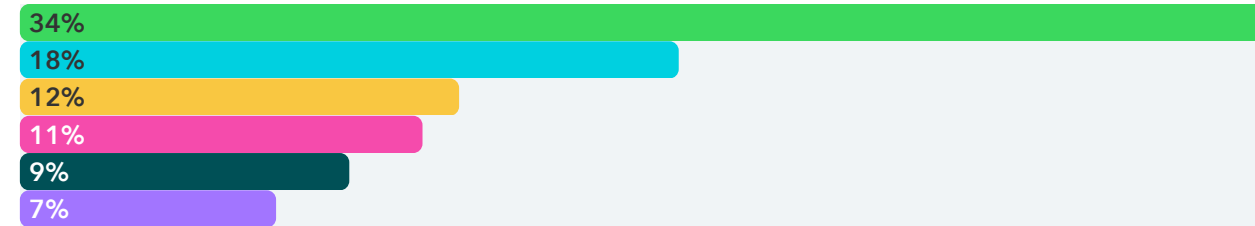
The desire to be their own boss emerges as the primary motivation for firm ownership across all education groups, but it is especially strong among those without degrees.

Among all education groups, except those educated to a bachelor's degree level, the second most popular motivation for small business ownership is the "opportunity for greater income". Among those with bachelor's degrees, the second most popular motivation is the "best avenue for my ideas, goods, and services" (Figure 101).

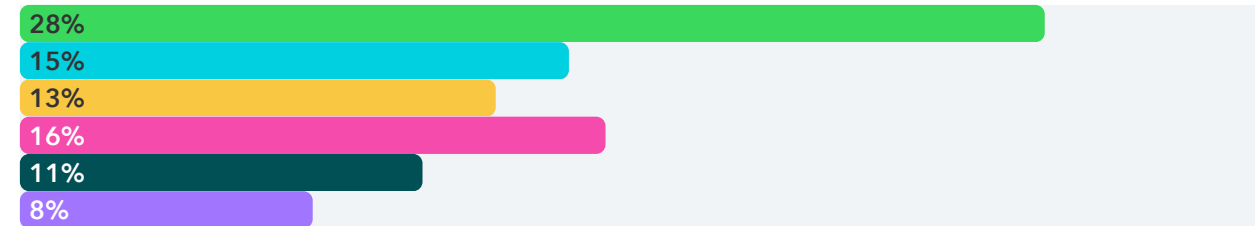
## Top motivations for small business ownership in Canada by education level of survey respondents\*

● Be my own boss ● Opportunity for greater income ● Balance work and family ● Best avenue for my ideas, goods, or services ● Flexible hours ● Provide society with a useful service/product

### No bachelor's degree



### Bachelor's degree



### Higher than bachelor's degree

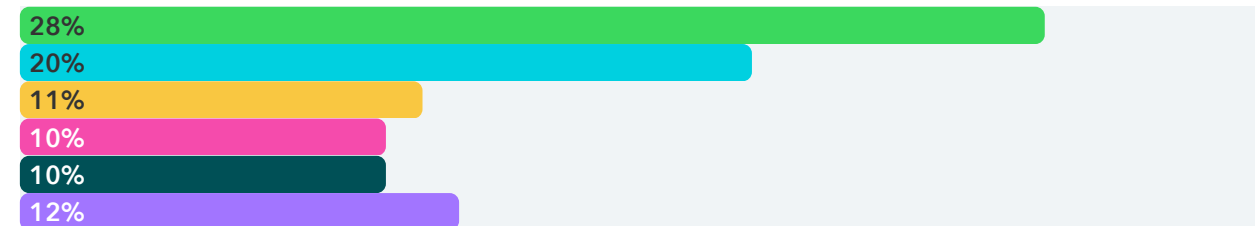


Figure 101, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: respondents who did not provide their education level are excluded from the data shown above.

Source: Intuit QuickBooks Small Business Insights Survey 2023

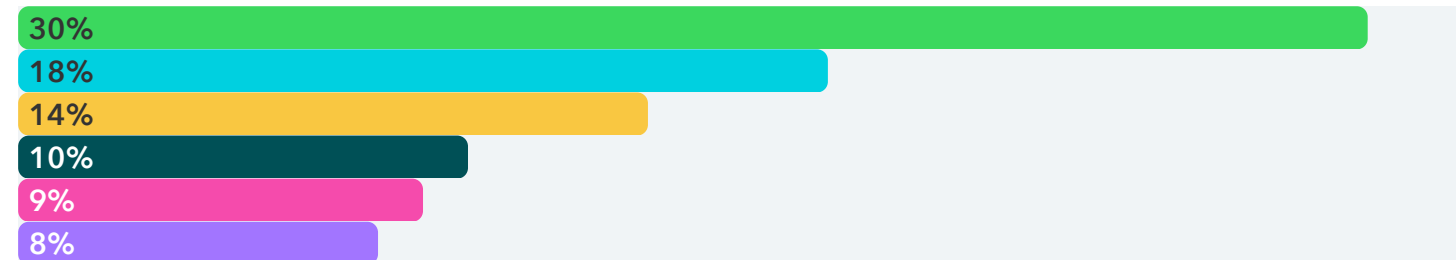


There are no substantial differences observed between white and non-white respondents in the motivations behind starting small businesses. The share of white respondents reporting they “wanted to be my own boss” is higher than among their counterparts, while the opposite is true for the “opportunity for greater income” (Figure 102).

## Top motivations for small business ownership in Canada by ethnicity/race of survey respondents\*

● Be my own boss ● Opportunity for greater income ● Balance work and family ● Flexible hours ● Best avenue for my ideas, goods, or services ● Provide society with a useful service/product

### Non-white respondents



### White respondents

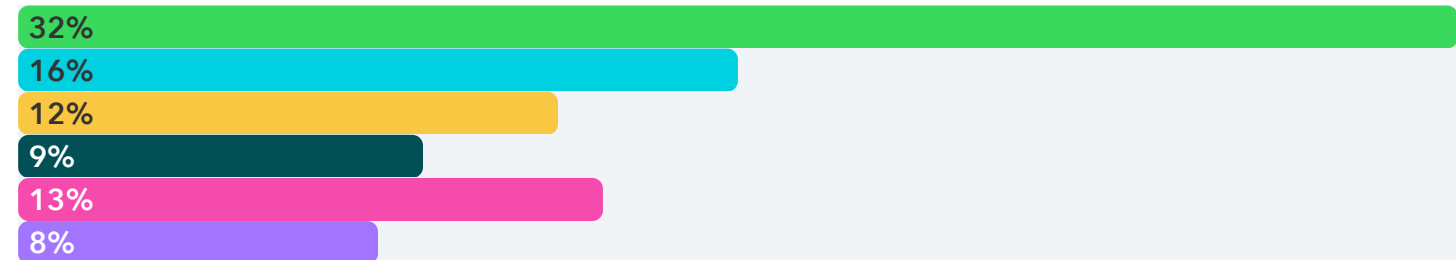


Figure 102, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: due to low sample sizes, responses are not available for individual races/ethnicities within the non-white cohort, which comprises Asian, Black/African/Caribbean, Indigenous/Aboriginal/First Nations, Middle Eastern/Arab, Mixed or Multiple Ethnic Groups, Pacific Islander, and Other Ethnic Groups.

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Long-term objectives

## Canada

Unlike in the US, the primary long-term objective among Canadian respondents is to “sell to a new private owner,” as shown in Figure 103. More than a third (36%) expressed the desire to pursue this, compared to 28% of US respondents. In Canada, the second most popular long-term objective is “inheritance by a family member,” chosen by 27% of respondents.

### Canadian small business owners' primary long-term objective is selling to a new owner, according to survey

Survey question: In future, if the business is ever purchased by or passed on to another owner, what's your best guess or prediction for how this will happen?

**Sell to a new private owner**

36%

**Inheritance by a family member**

27%

**Internal management buyout**

8%

**Go public, with shares sold to investors**

7%

Figure 103, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

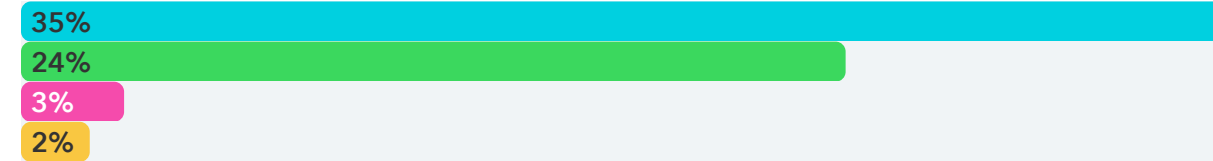
There are significant differences in the long-term objectives of survey respondents based on their size. For Canadian respondents with 20-100 employees, the primary goal is to “go public with shares sold to investors,” with 38% choosing this option, followed by “sell to a new owner” at 26%. These results suggest larger small businesses in Canada are more focused on potential mergers or acquisitions.

Smaller businesses, on the other hand, would prefer to “sell to a new private owner,” with 35% of respondents identifying this as their goal (Figure 104). “Inheritance by a family member” is a lower priority across all size groups in the Canadian sample, differing from the US sample where only the largest firm size group didn’t see this as a priority. This indicates that small businesses in Canada tend to adopt a less conservative approach to their long-term objectives compared to their US counterparts.

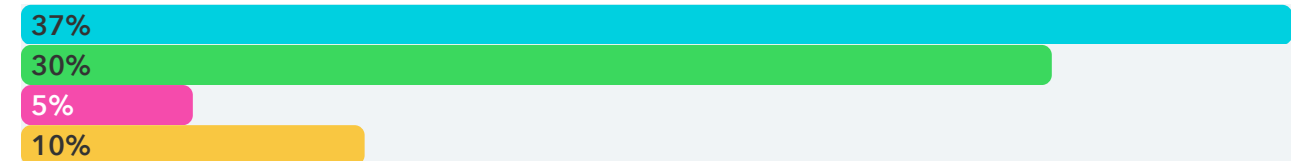
## Canadian small business owners' long-term objectives by size of firms surveyed (number of employees)

● Sell to a new private owner ● Inheritance by a family member ● Go public, with shares sold to investors  
● Internal management buyout

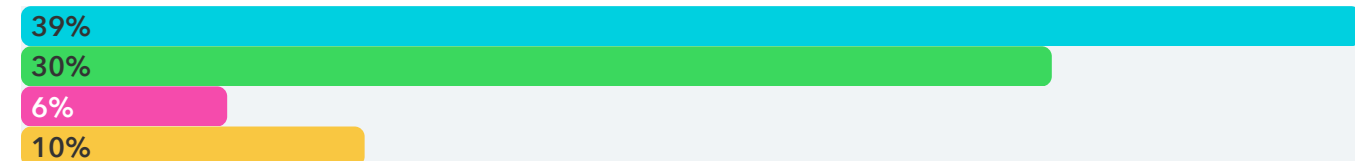
### 0 employees



### 1-9 employees



### 10-19 employees



### 20-100 employees



Figure 104, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

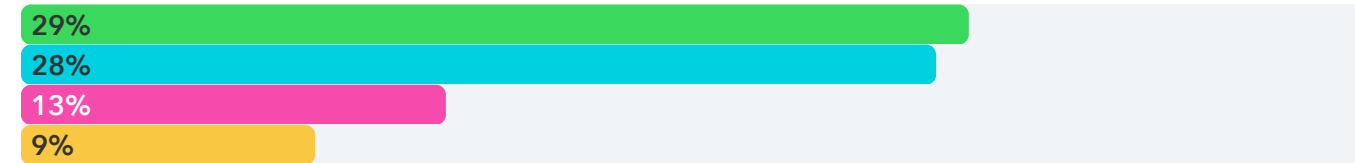
Source: Intuit QuickBooks Small Business Insights Survey 2023

The primary long-term objective for small businesses in Canada six years or older is to sell the business to a new private owner, according to the survey. However, for the youngest age group (small businesses 0-5 years old), a different trend emerges with their main long-term objective being "inheritance by a family member" (Figure 105).

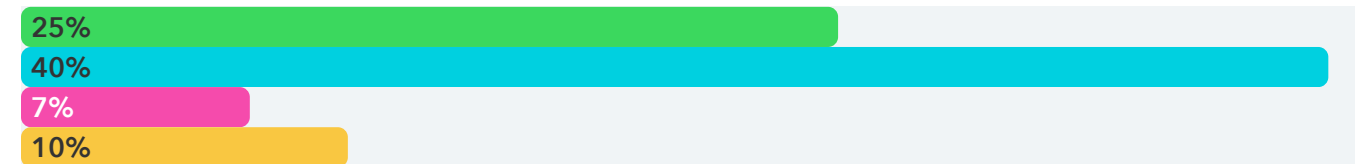
## Canadian small business owners' long-term objectives by age of firms surveyed

● Inheritance by a family member ● Sell to a new private owner ● Go public, with shares sold to investors  
● Internal management buyout

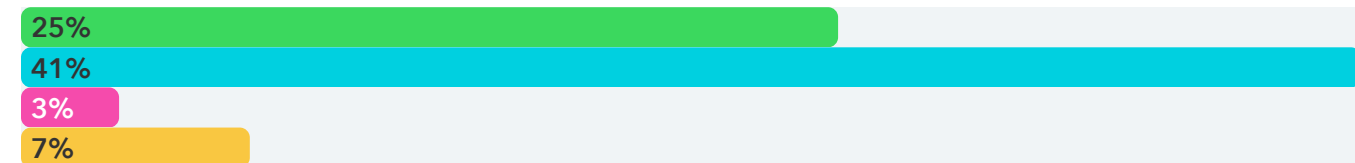
### 0-5 years



### 6-10 years



### 11-20 years



### 21+ years

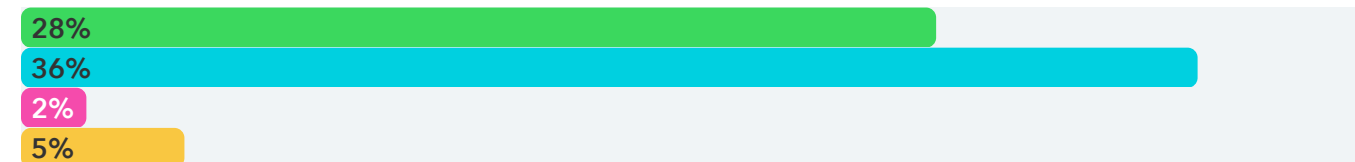


Figure 105, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

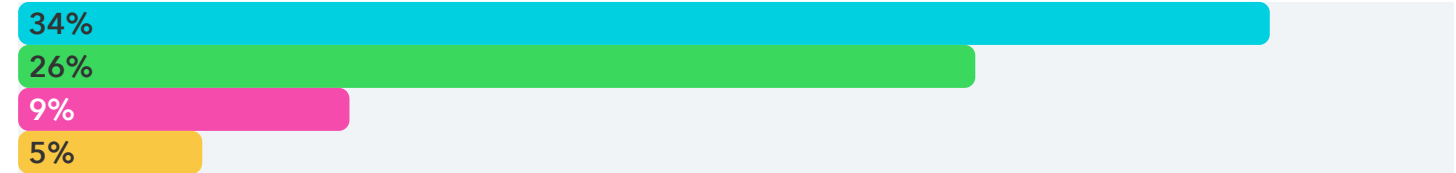


While both males and females share the main long-term objective of "selling to a new private owner," the share of males pursuing this goal is higher at 39% compared to 34% of females. However, when it comes to the second-most popular motivation, "inheritance by a family member," respondents show equal interest with 26% of males and 26% of females citing this as their primary goal (Figure 106).

## Canadian small business owners' primary long-term objectives according to male and female respondents\*

● Sell to a new private owner ● Inheritance by a family member ● Internal management buyout ● Go public, with

### Female respondents



### Male respondents

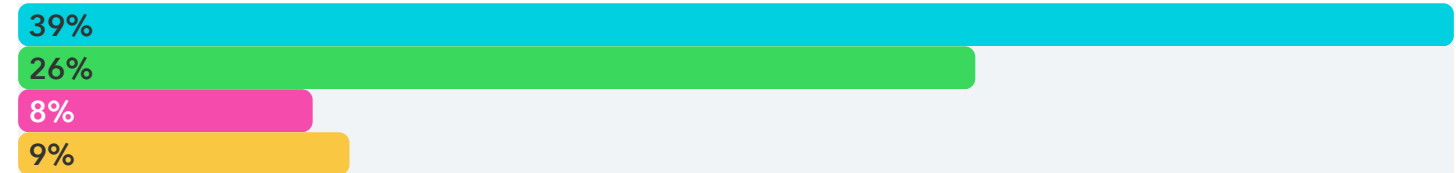


Figure 106, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: Due to low sample sizes, responses have not been included from people who identified as non-binary, third gender, or gender non-conforming and those who chose "prefer not to answer."

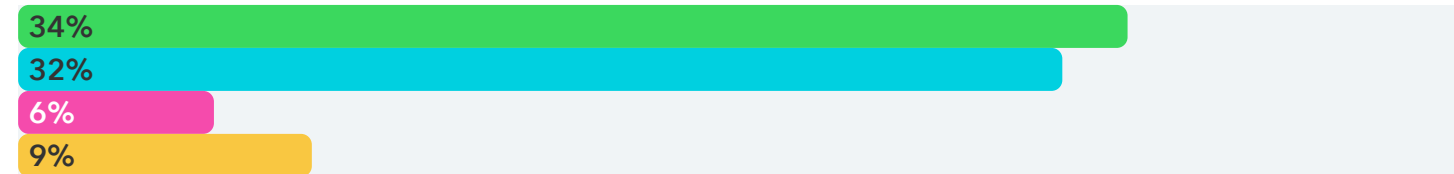
Source: Intuit QuickBooks Small Business Insights Survey 2023

Similar to the US, Canadian respondents' education level appears to play a significant role in shaping their long-term business objectives. Among those without degrees, the primary objective is "inheritance by a family member" chosen by 34%. This is almost 15 points higher than among those with bachelor's degrees. For this group, the primary long-term objective is "sell to a new private owner," comprising 44% of responses. This is also true among those educated beyond the bachelor's degree level, although its share is slightly lower, at 33% (Figure 107).

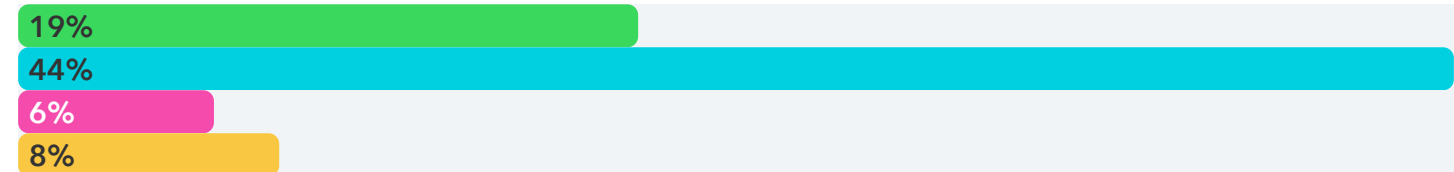
## Canadian small business owners' primary long-term objectives by education level of respondents\*

● Inheritance by a family member  
 ● Sell to a new private owner  
 ● Go public, with shares sold to investors  
● Internal management buyout

### No bachelor's degree



### Bachelor's degree



### Higher than bachelor's degree



Figure 107, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: respondents who did not provide their education level are excluded from the data shown above.

Source: Intuit QuickBooks Small Business Insights Survey 2023

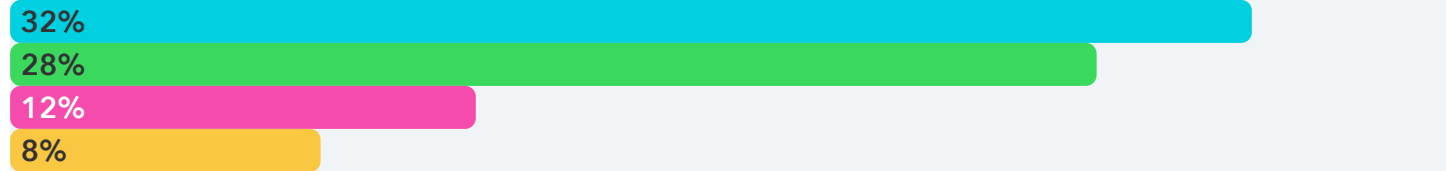
White and non-white survey respondents appear to have broadly similar long-term objectives, with “selling to a new private owner,” emerging as the top choice among both cohorts.

White respondents were slightly more likely to choose this option, at 37%, compared to 32% of non-white respondents. For “inheritance by a family member,” the share of white respondents is slightly lower, at 26%, in contrast to 28% for non-white respondents (Figure 108).

## Canadian small business owners' primary long-term objectives by ethnicity/race of survey respondents\*

● Sell to a new private owner ● Inheritance by a family member ● Internal management buyout ● Go public, with

### Non-white respondents



### White respondents

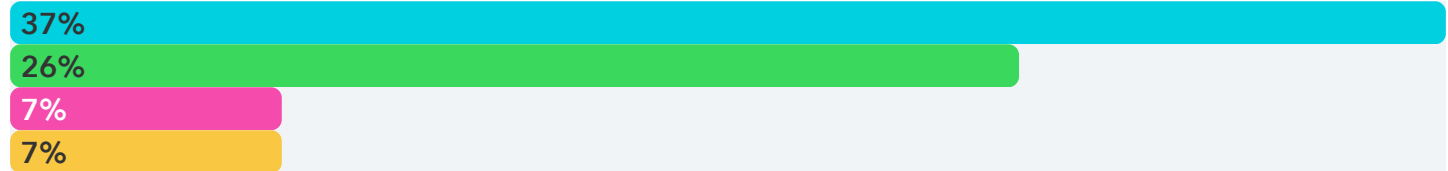


Figure 108, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: due to low sample sizes, responses are not available for individual races/ethnicities within the non-white cohort, which comprises Asian, Black/African/Caribbean, Indigenous/Aboriginal/First Nations, Middle Eastern/Arab, Mixed or Multiple Ethnic Groups, Pacific Islander, and Other Ethnic Groups.

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Employment growth

## Canada

In the Canadian sample, 12% of small businesses surveyed reported employment growth, while 82% reported stable employment levels compared to 12 months ago. Figure 109 presents the firm-level employment growth, determined by comparing the current number of employees with the number of employees one year ago. From this analysis, we see the share of firms with declining employment is 5%.

### More than 9 out of 10 small businesses surveyed in Canada have a growing or stable workforce

Based current number of employees reported by respondents compared to the number of employees 12 months ago

Workforce is larger

12%

Workforce is unchanged

82%

Workforce is smaller

5%

Figure 109, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023



The employment growth analysis reveals important disparities among the different sizes of small businesses in the Canadian sample. Among those that experienced employment growth, the smallest businesses with 1-9 employees and 10-19 employees stand out with 19% and 20% growth, respectively.

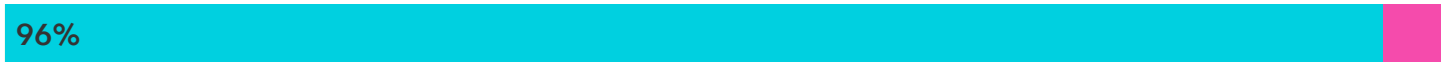
However, among the larger firms in the sample, those with 20-100 employees, the growth rate was only 6%. At the same time, it is worth noting that the group of respondents with 1-9 employees in the business were also the most likely to report a decline in employment (Figure 110).

## Canadian small business employment growth by size of firms surveyed (number of employees)

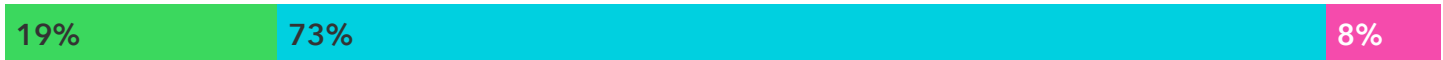
Based current number of employees reported by respondents compared to the number of employees 12 months ago

● Workforce is larger ● Workforce is unchanged ● Workforce is smaller

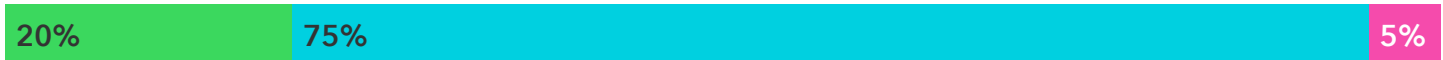
### 0 employees



### 1-9 employees



### 10-19 employees



### 20-100 employees



Figure 110, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

There are evident disparities in employment growth between Canadian small businesses of different ages, according to the survey results. Those established 6-10 years ago reported the highest employment growth rate, at 18%. In contrast, the youngest and oldest groups had lower growth rates, with only 9% and 8% experiencing employment increases, respectively. Among small businesses with declining employment, the youngest and oldest groups showed better performance. The youngest had a share of 3% and the oldest had a share of 5% (Figure 111).

Among Canadian respondents, we do not see significant differences in employment growth across different demographics. Among male respondents 15% report employment growth while among females, 10% report employment growth.

## Canadian small business employment growth over previous 12 months by age of firms surveyed

Based current number of employees reported by respondents compared to the number of employees 12 months ago

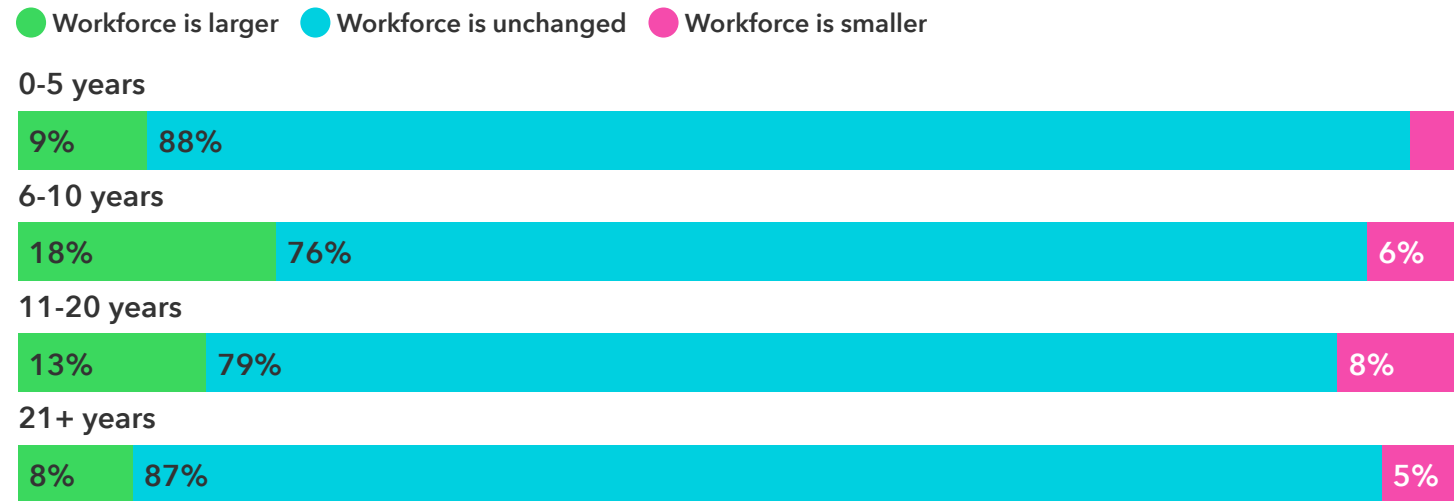


Figure 111, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Sales growth expectations

## Canada

A positive outlook prevails among half of the Canadian sample. 47% anticipate sales growth and only 12% expect a decline over the next three months. Among these respondents, 18% foresee a moderate increase in sales, ranging from 5 to 9%, while 12% anticipate higher growth of 10- 49% (Figure 112).

## Almost half of Canadian small businesses surveyed predicted higher sales revenue over next three months

Survey question: Looking ahead over the next 3 months, will your revenue go up or down and if so, by how much? Your best estimate is fine.

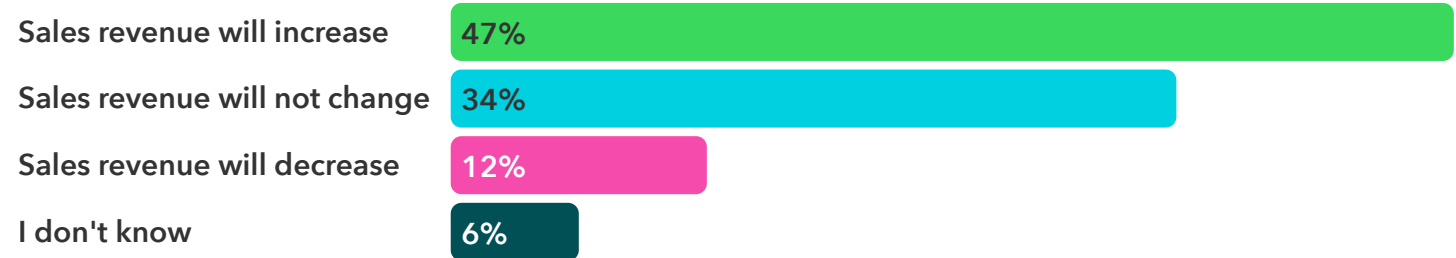


Figure 112, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. Respondents could choose from the following answer options: Decrease by 0.1% to 4% / 5% to 9% / 10% to 49% / 50% to 100%; Increase by 0.1% to 4% / 5% to 9% / 10% to 49% / 50% to 100%; Remain constant.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Compared to the US, small business respondents in Canada are less optimistic about their sales growth. For example, firms with no employees and those with 1-9 employees are more likely to predict a decrease in sales than their counterparts in the US and less likely to predict an increase in sales.<sup>15</sup>

Larger small businesses in Canada appear more confident in comparison, with 60% of those 20-100 employees expecting an increase in sales, which is the same percentage reported in the US (Figure 113).

## Canadian small business sales revenue predictions by size of firms surveyed (number of employees)

Timeframe: three-month forecast from April 2023

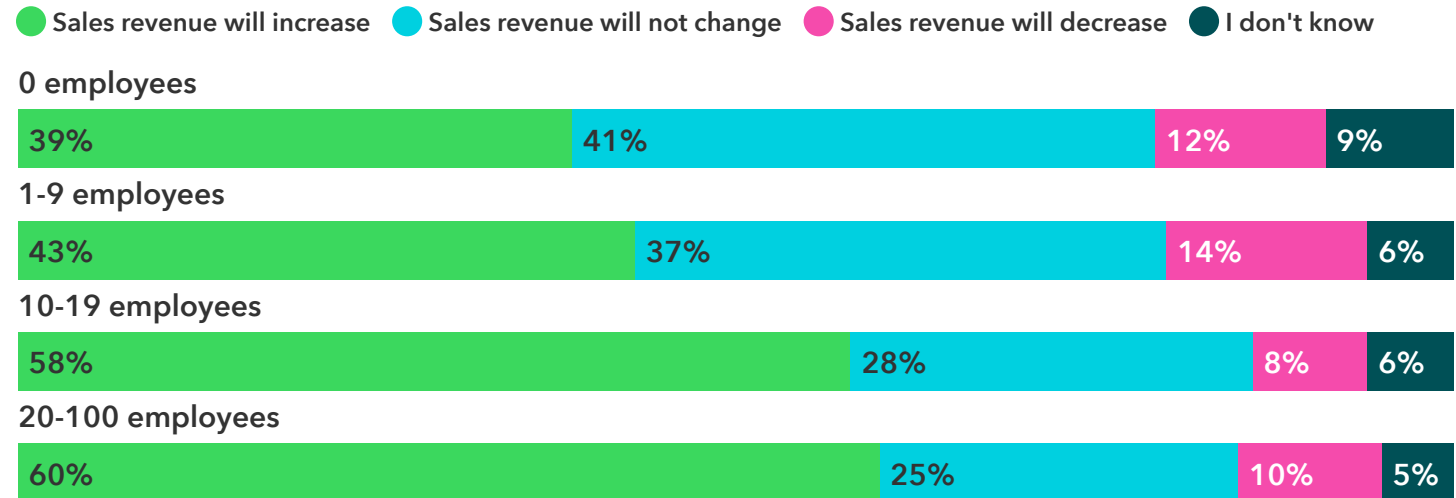


Figure 113, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

<sup>15</sup>The shares are as follows: Among US non-employee firms, 7% expect a decline while 53% expect an increase. Among US 1-9 employee firms, 11% expect a decline, while 52% expect an increase. Among Canadian non-employee firms, 12% expect a decline while 37% expect an increase. Among Canadian 1-9 employee firms, 13% expect a decline while 43% expect an increase.



Sales growth expectations among the different age groups of small businesses are mixed, exhibiting both similarities and significant disparities within the Canadian sample. While there are no significant differences among the shares of different age groups expecting a decline in sales, sizable variations exist among small businesses that expect stable sales revenue.

While 44% of the oldest small businesses (age 21+ years) expect sales to remain unchanged, only 28% of the youngest group (age 0-5 years) say the same (Figure 114). The youngest firms are most likely to expect sales growth, highlighting their optimism compared to older counterparts.<sup>16</sup>

<sup>16</sup>Sales growth expectations show no significant variations based on owner demographics. Therefore, graphs of gender, education, and race are not presented.

## Canadian small business sales revenue predictions by age of firms surveyed

Timeframe: three-month forecast from April 2023

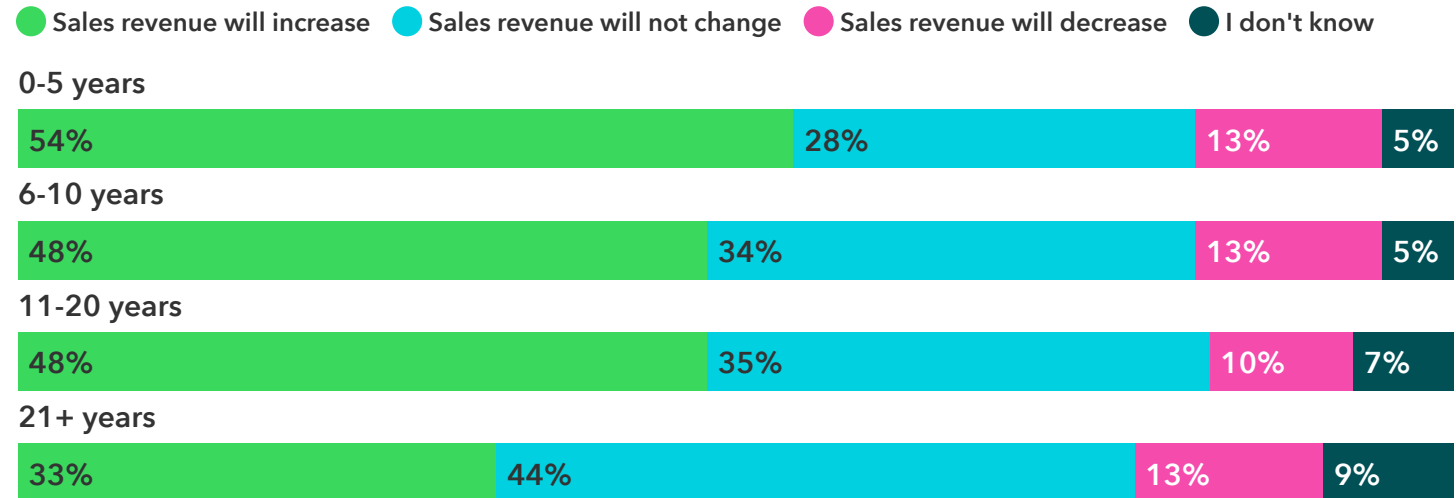


Figure 114, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Challenges

## Canada

Similar to the US, Canadian small businesses also reported that rising costs are the most significant concern, with 48% choosing this response (Figure 115). The next most common choices were low-price competitors (13%), low demand (10%), and the cost and availability of financing (9%).

### Inflation remains the biggest challenge for the largest number of Canadian small businesses surveyed

Survey question: What's the greatest challenge facing the business today?

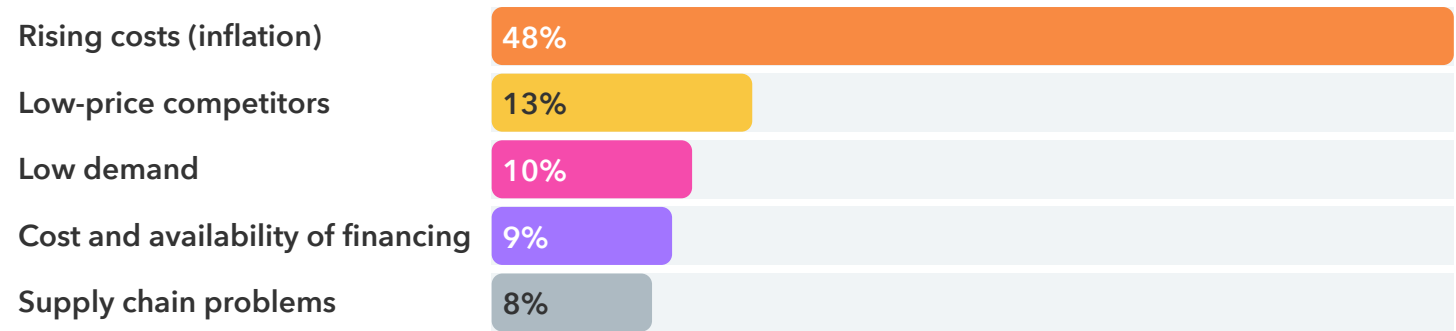


Figure 115, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Different-sized firms face different challenges, according to the survey results (Figure 116). Rising costs emerge as the primary challenge across all size groups, but the share of firms citing it as their main concern fluctuates based on their size. For instance, 60% of 10-19 employee firms consider rising costs their primary challenge, while this drops to 43% among the oldest firms. Among non-employer firms and those with 10-19 employees, the second most commonly cited challenge is low-price competitors.

However, for the largest small businesses that participated in the survey, those with 20-100 employees, the cost and availability of financing is the second most frequent concern. This illustrates the diversity of challenges encountered by small businesses of different sizes.

## Top challenges facing Canadian small businesses surveyed by firm size (number of employees)

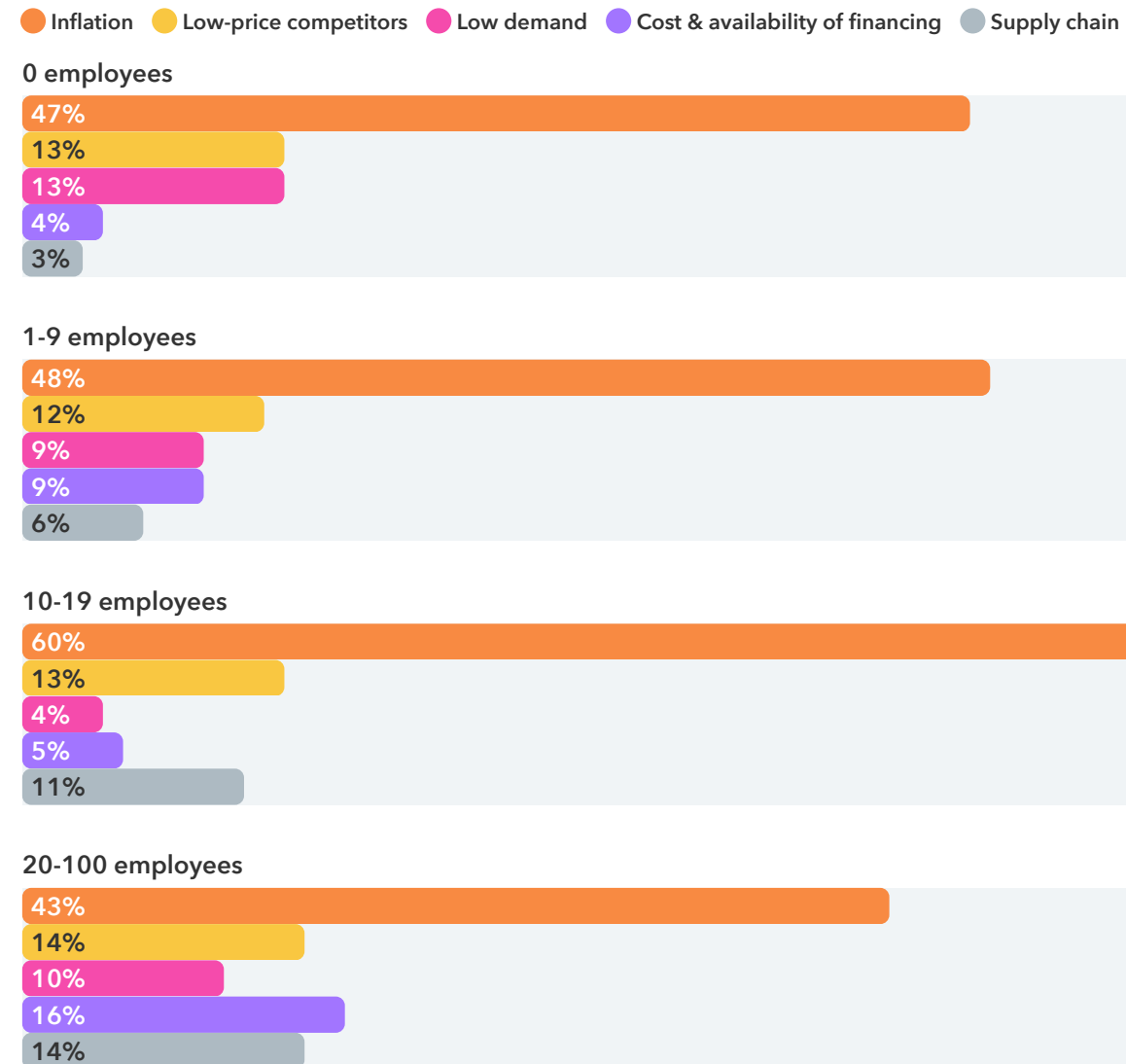


Figure 116, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

The challenges small businesses face also appear to change as they age (Figure 117). While “rising costs” is the main challenge for all age groups, the oldest group (21+ years) is most likely to cite this as their number-one concern (54%). The challenge younger small businesses report in accessing financing is also notable. The share of young firms declaring this as their primary obstacle (12%) is significantly higher than older firms (5%).

This emphasizes the critical importance of implementing policies that facilitate access to credit and financial resources for young firms in Canada. Such initiatives can play a pivotal role in supporting and promoting the growth of emerging businesses.

## Top challenges facing Canadian small businesses surveyed by firm age

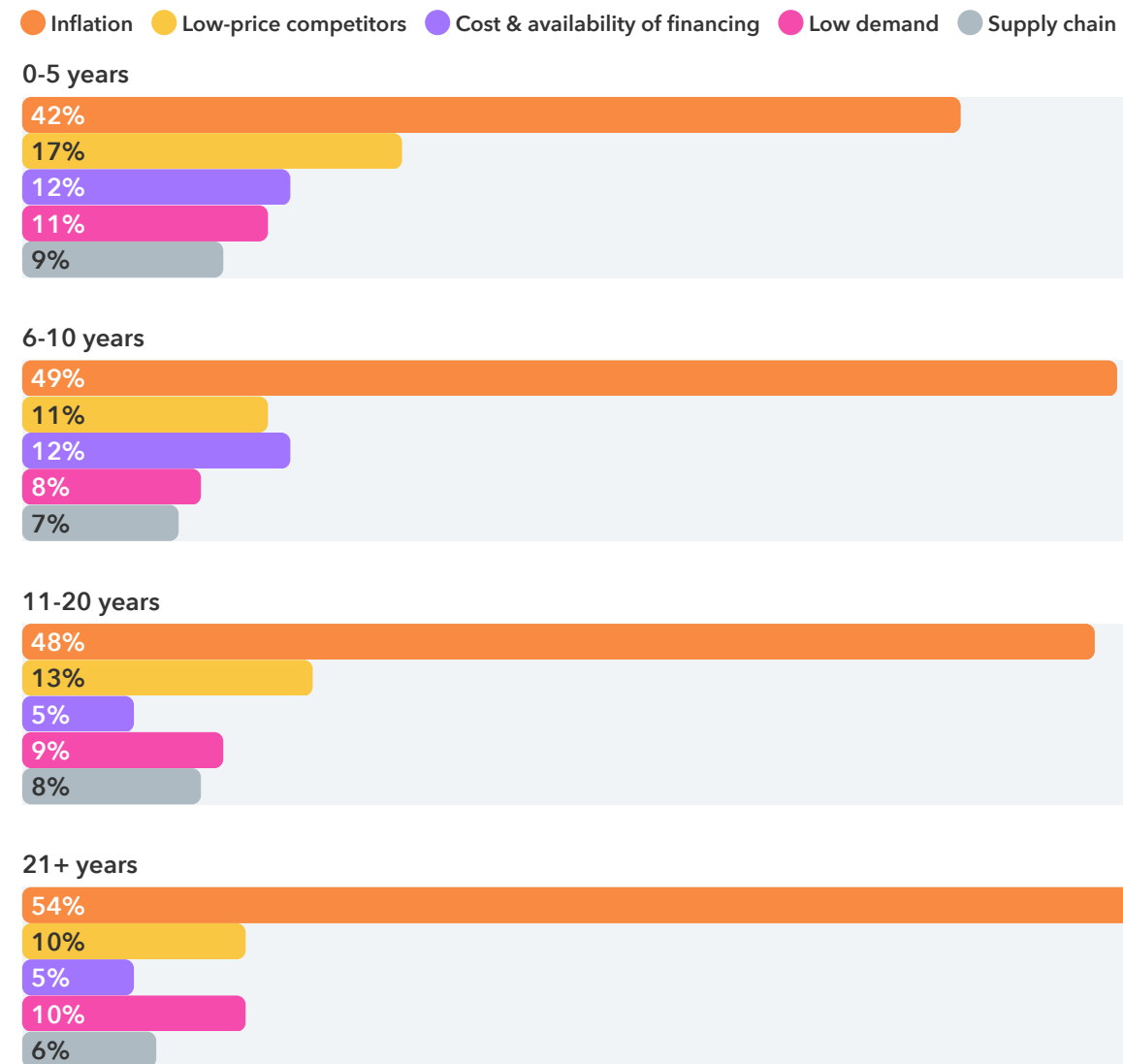


Figure 117, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.  
Source: Intuit QuickBooks Small Business Insights Survey 2023

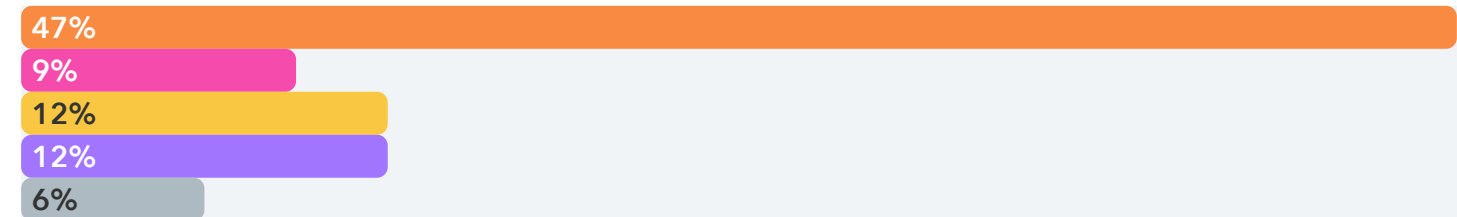


There are slight differences in the challenges encountered by small businesses when we look at how males and females responded to this survey question. Male respondents are less likely to report “the cost and availability of financing” as the primary challenge the business faces (7% vs. 12%).

## Top challenges facing Canadian small businesses surveyed according to male and female respondents\*

● Inflation ● Low demand ● Low-price competitors ● Cost & availability of financing ● Supply chain

### Female respondents



### Male respondents

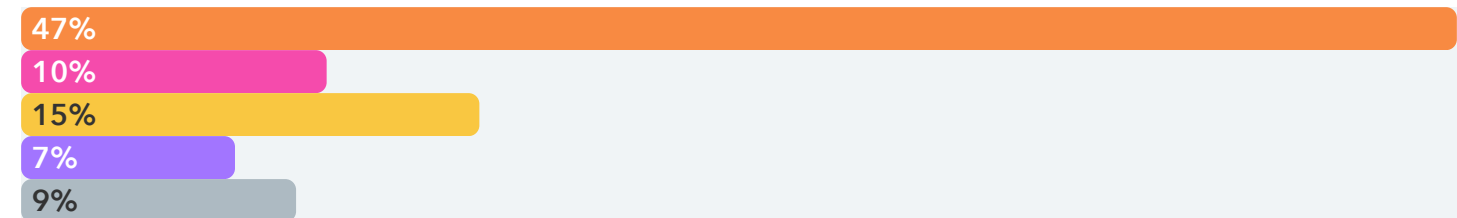


Figure 118, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: Due to low sample sizes, responses have not been included from people who identified as non-binary, third gender, or gender non-conforming and those who chose "prefer not to answer."

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Types of financing

## Canada

Fifty-four percent of Canadian respondents did not apply for any financing in the past 12 months. Figure 119 reveals the primary financial tools used by firm owners are loans or credit lines, accounting for 23%, closely followed by credit cards, at 21%. We see a different picture in the US, where 30% report using credit cards and 21% report using loans or credit lines. Nevertheless, in Canada, credit cards remain a prevalent method of financing among small businesses.

## Loans have been the top source of funding for Canadian small businesses over the past 12 months

Survey question: Over the past 12 months, has the business applied for any of the following types of financing?

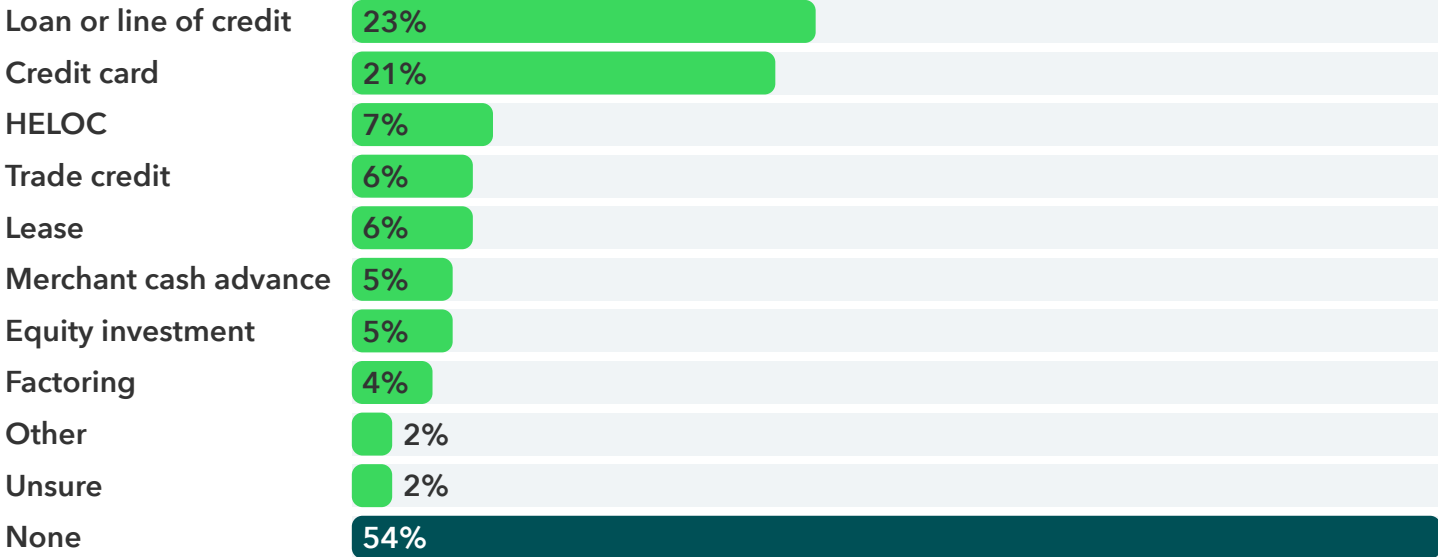


Figure 119, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

The types of financial tools used by small businesses vary by firm size (Figure 120). For example, while 70% of firms without employees have not applied for any financing over the past 12 months, among those with 20-100 employees, this falls to just 30%. In other words, the smallest businesses in Canada are not as well-connected to the financial system as larger small businesses. The most popular options among small businesses with 20-100 employees are loans or credit lines, accounting for 30%, closely followed by credit cards at 27%. We see a similar pattern among firms with 1-9 and 10-19 employees, for whom loans or credit lines are the most commonly used, followed by credit cards.

However, for 1-9 employee firms, the share of loans or credit lines is nearly on par with credit cards, with a close split of 22% and 19%, respectively. This trend gets clearer still when we look at non-employer firms, where credit cards take the lead as the primary source of financing. The smaller the business, the greater the reliance on credit cards.

## Proportion of Canadian small businesses using credit cards or loans by firm size (number of employees)

Timeframe for funding applications: 12 months prior to April 2023



Figure 120, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. For clarity, only the top two most popular funding sources are shown.

Source: Intuit QuickBooks Small Business Insights Survey 2023

There are significant variations in how small businesses of different ages get their funding in Canada. Specifically, while 40% of firms aged 0-5 years have not applied for any financing over the past 12 months, this rises to 66% among firms over 21 years old and 68% among firms 11-20 years old (Figure 121).

Similar to the trend noted above, credit cards appear to play a critical role for the youngest small businesses in the sample (0-5 years). This highlights the critical role of credit cards as a widely used financial tool for new businesses.

In Canada, there are no significant variations in the types of financing used by firms based on the respondents' demographics. The one exception to this is that a substantially larger share of white respondents (58%) did not apply for any financing over the past 12 months, in contrast to non-white respondents (44%). A similar pattern is evident in the US, but the difference is less pronounced, with 51% of white respondents and 38% of non-white respondents not applying for financing.

## Proportion of Canadian small businesses using credit cards or loans by firm age

Timeframe for funding applications: 12 months prior to April 2023



Figure 121, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. For clarity, only the top two most popular funding sources are shown.

Source: Intuit QuickBooks Small Business Insights Survey 2023



# Financial conditions

## Canada

Thirty-four percent of survey participants reported that the cost and availability of financing has worsened over the previous year. As we saw in the US, responses here are mixed. A slightly higher percentage of respondents (34%) reported a decline in financing conditions, as opposed to 33% who perceived an improvement (Figure 122).

### Canadian small businesses surveyed report mixed views on the cost and availability of financing

Survey question: Looking back over the past 12 months, has the cost and availability of financing deteriorated?



Figure 122, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Larger small businesses appear to be more pessimistic about current financial conditions. A higher share of the largest businesses in the sample (those with 20-100 employees) reported that financial conditions have worsened (51%), compared to 35% who report no change.

Among smaller businesses, respondents are less likely to report that the cost and availability of financing has gotten worse, particularly among no-employee firms (Figure 123).

## Canadian small business views on cost and availability of financing by firm size (number of employees)

Timeframe: 12 months prior to April 2023

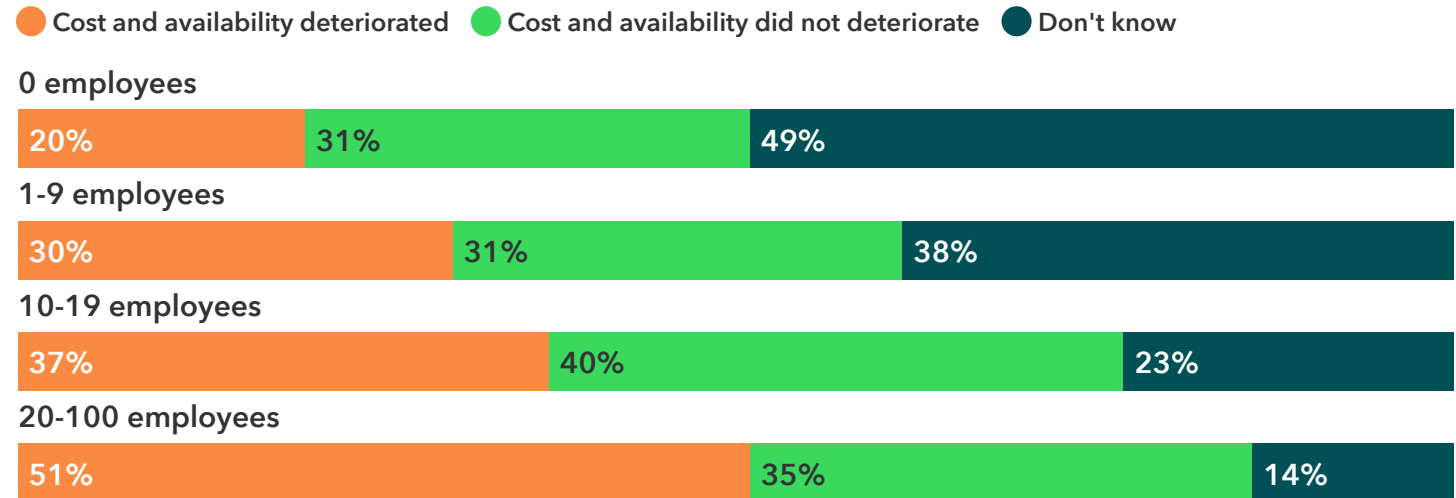


Figure 123, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Younger small businesses in Canada have a more pessimistic outlook about the cost and availability of finance than older small businesses.

While 38% of the youngest age group (businesses aged 0-5 years) reported that financial conditions have gotten worse, the percentage decreases to 35% among 6-10-year-old firms, 28% among 11-20 year-old firms, and 29% among 21 years or older (Figure 124). The greater vulnerability of young firms could be behind their concerns.

## Canadian small business views on cost and availability of financing by firm age

Timeframe: 12 months prior to April 2023

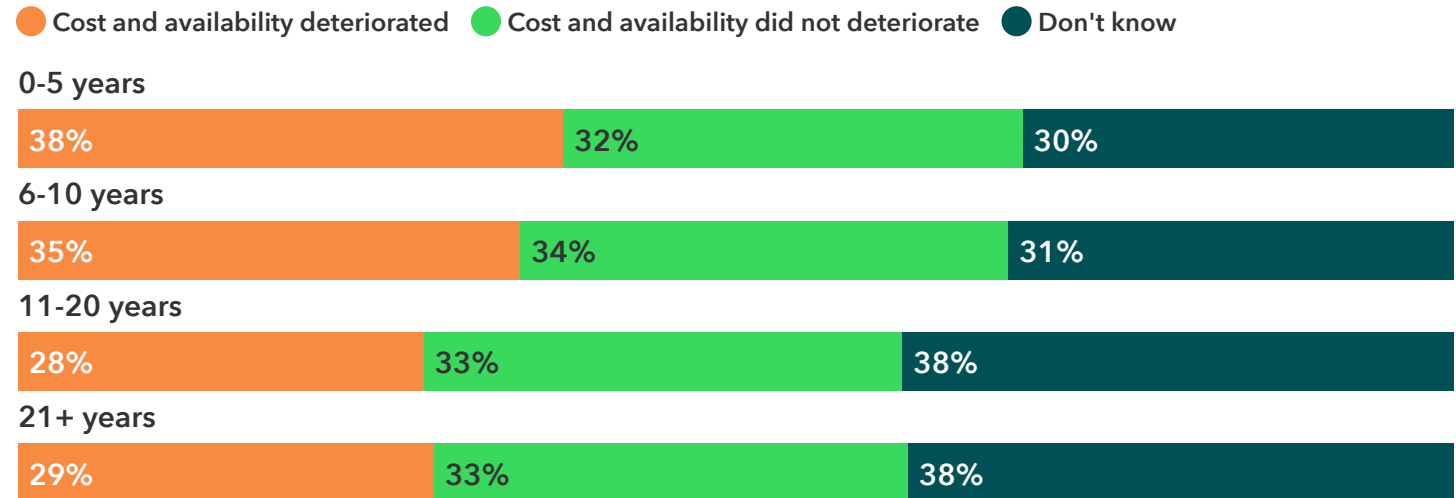


Figure 124, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Female respondents appear to be more pessimistic about the cost and availability of small business financing than their male counterparts. Unlike in the US, the share of female reporting worse financial conditions for their business is higher, at 34%, than those who reported stable or improving conditions (at 30%).

Conversely, males reported the opposite. While 34% reported worse financial conditions for their business, 36% have not experienced this. (Figure 125).

## Canadian small business views on cost and availability of financing, according to male and female respondents\*

Timeframe: 12 months prior to April 2023

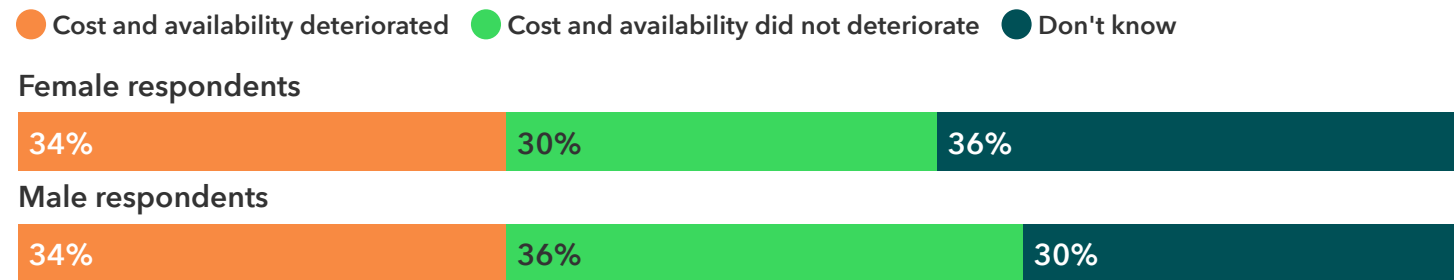


Figure 125, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: Due to low sample sizes, responses have not been included from people who identified as non-binary, third gender, or gender non-conforming and those who chose "prefer not to answer."

Source: Intuit QuickBooks Small Business Insights Survey 2023



# Future financing expectations

## Canada

Sixty-two percent of survey respondents in Canada are optimistic about their ability to secure financing over the upcoming year (Figure 127). While this figure is slightly below that of the US, where it stands at 68%, the majority of small businesses surveyed in Canada believe they can get the funding they need.

### 62% of Canadian small businesses surveyed expect to be able to get funding over the next 12 months

Survey question: Looking ahead over the next 12 months, do you expect to be able to obtain financing for your business needs?



Figure 126, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Optimism about getting financing over the next 12 months is notably more pronounced among the largest small businesses in the Canadian sample. As firm size increases, the share of those who are confident about getting funding grows.

For instance, while 49% of non-employer firms believe they can get funding, this rises to 78% among firms with more than 20 employees (Figure 127). For comparison, 63% of non-employer firms in the US expect to access financial support. A similar trend emerges for businesses with 1 to 9 employees (67% in the US and 57% in Canada), although the disparity is less pronounced.

## Canadian small business funding expectations over the next 12 months by firm size (number of employees)

Survey question: Looking ahead over the next 12 months, do you expect to be able to obtain financing for your business needs?

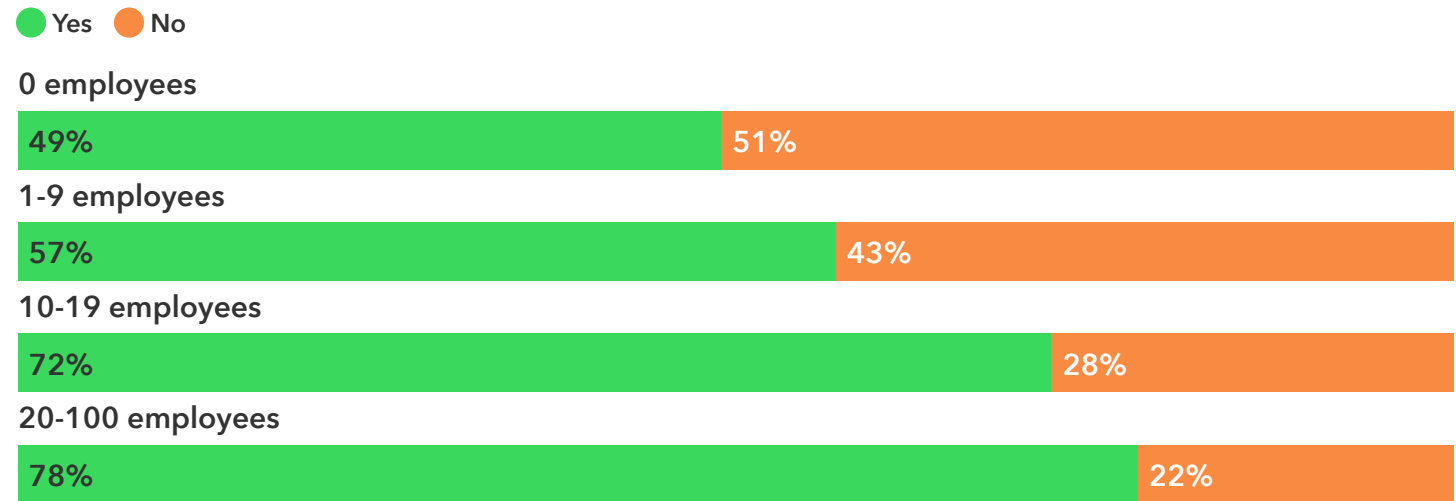


Figure 127, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Among the different age groups of small businesses surveyed in Canada, the oldest category (21+ years) is less optimistic about their prospects of securing financing in the upcoming year. Specifically, while 53% of the oldest firms anticipate successfully obtaining financing among firms aged 6 to 10 years and 11 to 20 years, this rises to 63%. Firms aged 0 to 5 years are even more optimistic, with 64% expecting to secure financing (Figure 128).

Male and non-white respondents in the Canadian small business sample are more optimistic than their counterparts about obtaining financing over the next year. Males show a slightly higher level of optimism about future financing compared to females (63% vs 60%). Additionally, the data insights reflect that non-white respondents are more likely to expect to obtain financing over the next year compared to their white counterparts.

## Canadian small business funding expectations over the next 12 months by firm age

Survey question: Looking ahead over the next 12 months, do you expect to be able to obtain financing for your business needs?

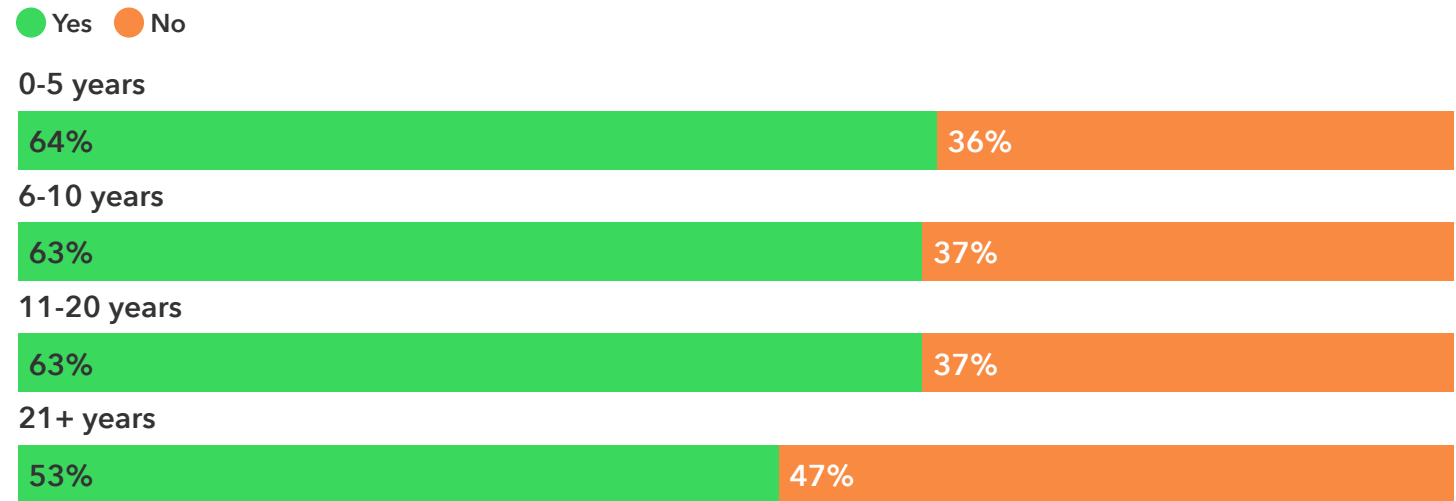


Figure 128, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Summary of survey findings

## Canada

In summary, the key driving forces behind entrepreneurship among the Canadian participants closely mirror those of their US counterparts: the desire for autonomy in being their own bosses and the potential for improved income. Family-related motives exhibited a gender discrepancy, with females more likely to say this is why they started a business than males. With long-term objectives, a distinctive trend emerges among small businesses surveyed in Canada. The goal of "selling to a new private owner" sets Canadian businesses apart from those in the US, suggesting a bolder strategic approach.

Approximately half of Canadian respondents expressed optimism about their future sales growth, but they are less optimistic than their US counterparts. Challenges mirrored those in the US, with escalating costs taking center stage. With financing, it's clear that younger and smaller Canadian firms encounter greater obstacles in accessing the funding they need.

Forty percent of small businesses in the Canadian sample did not apply for any financing over the past year. This tendency was particularly strong among smaller businesses, potentially signifying a disconnect between them and

the broader financial system. The most commonly used sources of financing included loans, credit lines, and credit cards, with the latter favored by younger and smaller businesses. Despite a slightly lower percentage compared to the US, a considerable 62% of Canadian small businesses are upbeat about their upcoming financing prospects—confident they can get funding over the year ahead. This sentiment was particularly evident among larger firms and among male and non-white respondents.





# Motivations

## UK

Mirroring trends observed in the United States and Canada, the predominant driving force among the UK respondents for entrepreneurship is the aspiration to be their own boss. Figure 129 reveals that this inclination is even more pronounced in the UK, with 38% citing this motivation compared to 31% in both the US and Canada.

### People start small businesses in the UK because they want to be their own boss, according to survey

Survey question: Which of the following best describes your main motivation for becoming a business owner?

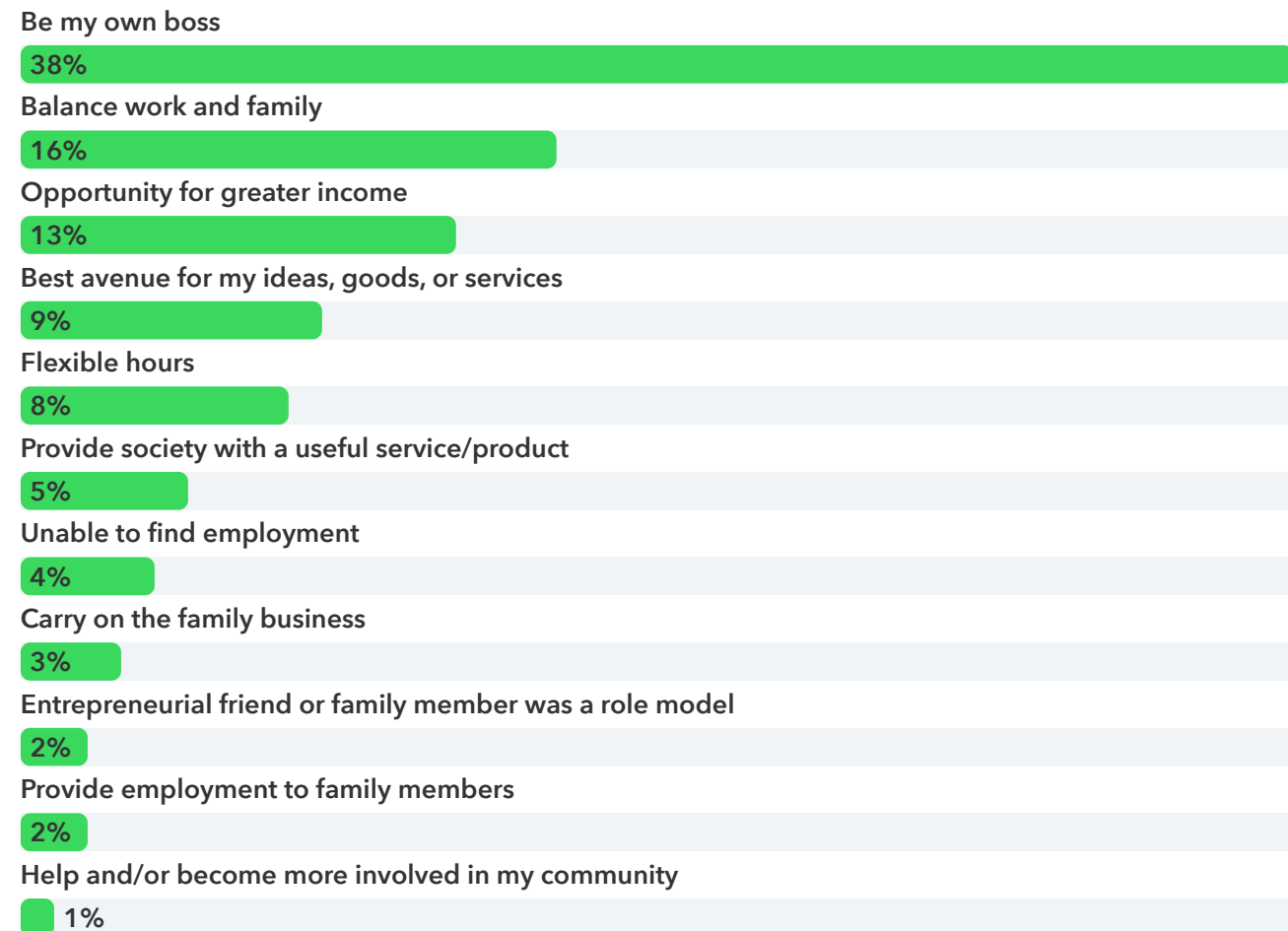


Figure 129, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

The desire to be their own boss remains the main motivation, regardless of the size of small businesses surveyed in the UK. However, among firms with 20-100 employees, the percentage of those citing “wanted to be my own boss” as their motivation for starting the business is lower compared to their counterparts in the US and Canada. Among these firms, the same percentage of owners are motivated by the “opportunity for greater income”.

For the smallest firms in the sample (nonemployer firms and 1-9 employee firms), the second most prevalent motivation is achieving a “balance between work and family”. Conversely, among larger firms (with 10-19 employees and 20-100 employees), the driving factor shifts to the “opportunity for greater income” (Figure 130).

## Top motivations for small business ownership in the UK by size of firms surveyed (number of employees)

● Be my own boss 
 ● Balance work and family 
 ● Opportunity for greater income 
 ● Best avenue for my ideas, goods, or services 
 ● Flexible hours 
 ● Provide society with a useful service/product

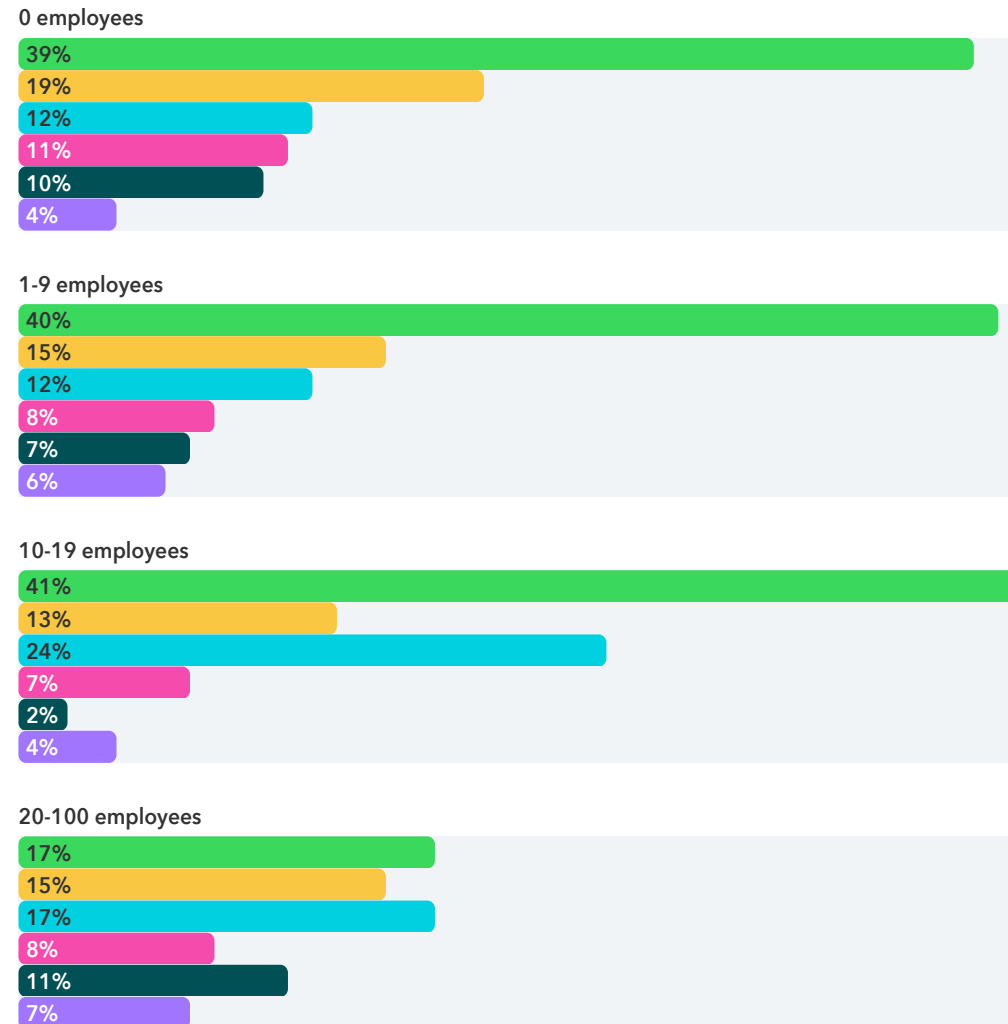


Figure 130, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

The desire to be their own boss is the most significant motivation across all age groups of small businesses as well. The second most prevalent motivation for the youngest firms, those aged 0-5 years, is the potential for increased income.

However, among firms in the remaining age groups, the “balance between work and family” emerges as the second most common motivation (Figure 131).

## Top motivations for small business ownership in the UK by age of firms surveyed

● Be my own boss ● Opportunity for greater income ● Balance work and family ● Flexible hours ● Best avenue for my ideas, goods, or services ● Provide society with a useful service/product

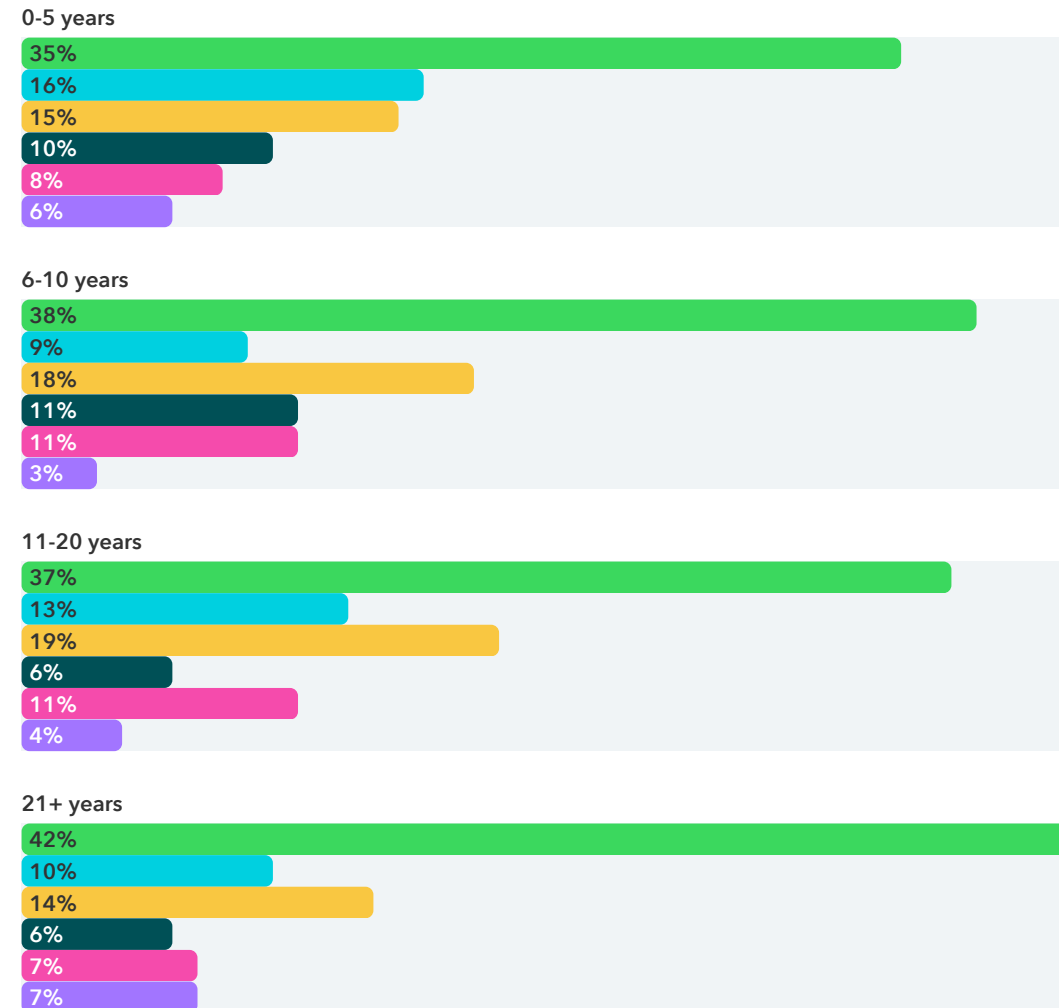


Figure 131, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. Source: Intuit QuickBooks Small Business Insights Survey 2023

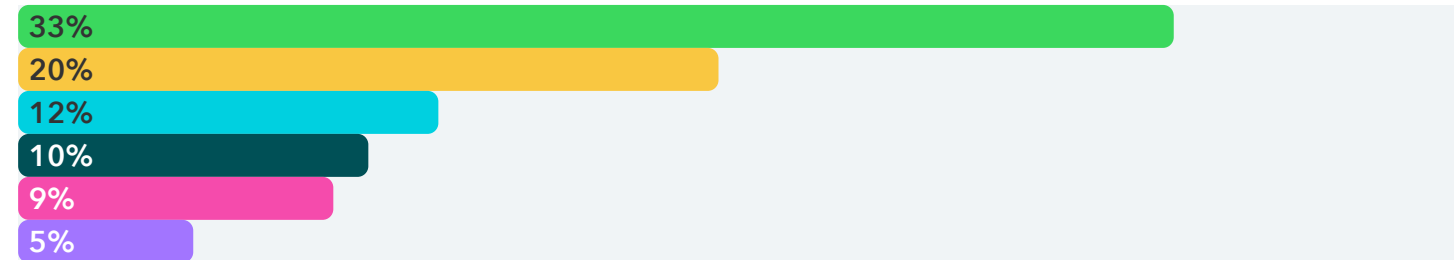
There are significant disparities between responses from males and females about their motivations behind business ownership. Among male respondents, 41% said their primary motivation was the desire to become their own boss. The second most common motivation among males is the potential for increased income, although only 14% indicated this is why they started a business.

Among female respondents, their primary motivation also centers around the aspiration to be their own boss, chosen by 33% of respondents compared to 41% of males. However, the second most popular reason females gave for starting a business is achieving a balance between work and family responsibilities, with 20% expressing this (Figure 132).

## Top motivations for small business ownership in the UK according to male and female survey respondents\*

● Be my own boss ● Balance work and family ● Opportunity for greater income ● Flexible hours ● Best avenue for my ideas, goods, or services ● Provide society with a useful service/product

### Female respondents



### Male respondents

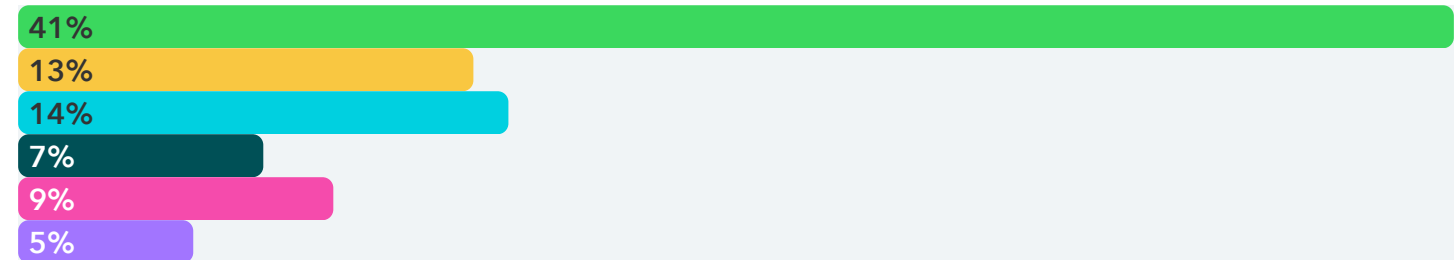


Figure 132, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: Due to low sample sizes, responses have not been included from people who identified as non-binary, third gender, or gender non-conforming and those who chose "prefer not to answer."

Source: Intuit QuickBooks Small Business Insights Survey 2023



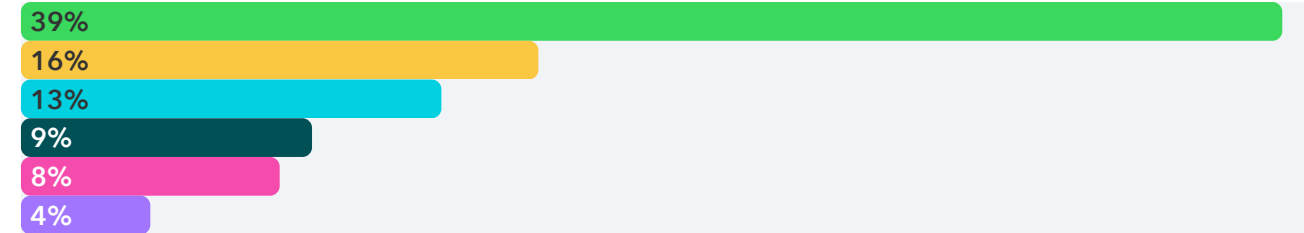
The desire to be their own boss again emerges as the primary motivation for small business ownership at every level of education within the UK sample (Figure 133).

However, a slightly lower proportion of the most educated group of respondents had this motivation. The second most common motivation behind business ownership—again across all education groups—is the desire to achieve a harmonious balance between work and family commitments.

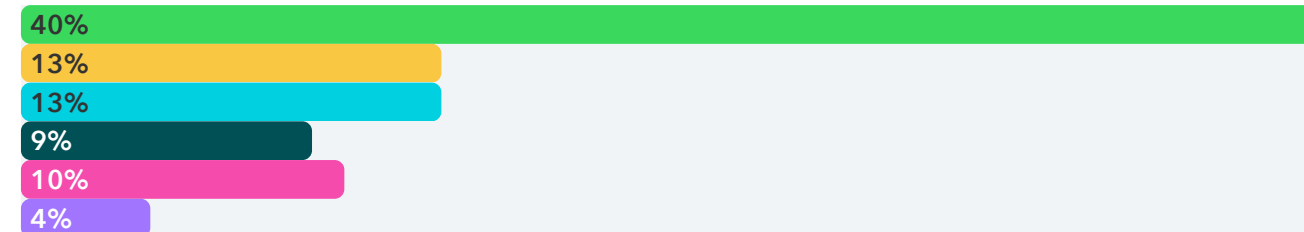
## Top motivations for small business ownership in the UK by education level of survey respondents\*

● Be my own boss ● Balance work and family ● Opportunity for greater income ● Flexible hours ● Best avenue for my ideas, goods, or services ● Provide society with a useful service/product

### No bachelor's degree



### Bachelor's degree



### Higher than bachelor's degree

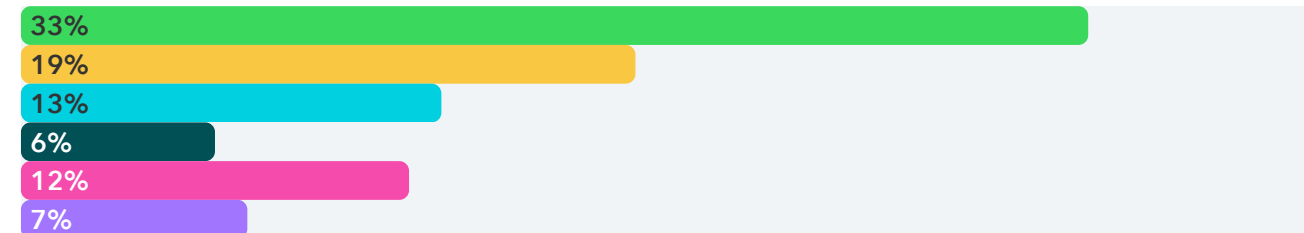


Figure 133, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: respondents who did not provide their education level are excluded from the data shown above.

Source: Intuit QuickBooks Small Business Insights Survey 2023

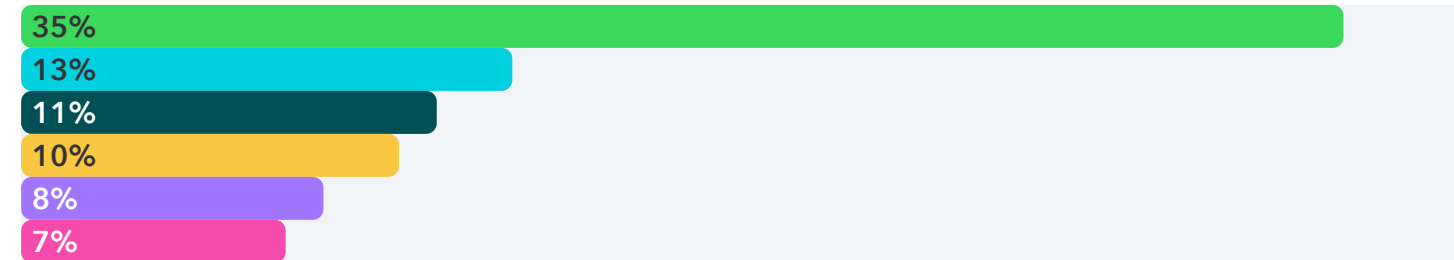
Motivations for starting small businesses differ between white and non-white respondents in the UK sample. While the foremost motivation for both groups remains the desire to become their own bosses, a notable variation emerges in their second most cited motivations.

For white respondents, the second most common is achieving a “balance between work and family,” accounting for 17% of responses. In contrast, among non-white respondents, the “opportunity for greater income” is the second most popular motivation, making up 13% of responses (Figure 134).

## Top motivations for small business ownership in the UK by ethnicity/race of survey respondents\*

● Be my own boss ● Opportunity for greater income ● Flexible hours ● Balance work and family ● Provide society with a useful service/product ● Best avenue for my ideas, goods, or services

### Non-white respondents



### White respondents

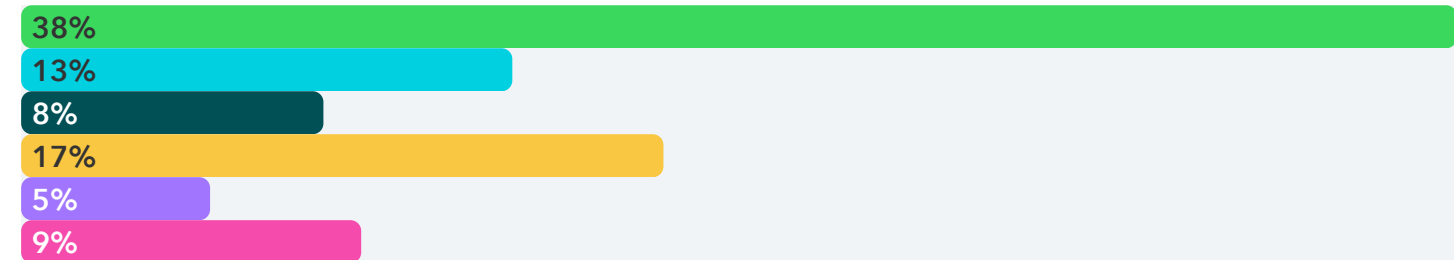


Figure 134, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: due to low sample sizes, responses are not available for individual races/ethnicities within the non-white cohort, which comprises Asian or Asian British; Black, African, Caribbean or Black British; Middle Eastern or Arab; Mixed or Multiple Ethnic Groups; and Other Ethnic Groups.

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Long-term objectives

## UK

Among UK small business respondents, the primary long-term objectives are “selling to a new private owner” and “inheritance to a family member.” These top two objectives were each chosen by 31% of UK respondents (Figure 135).

### UK small business owners' primary long-term objectives are family inheritance and selling to new owners, according to respondents surveyed

Survey question: In future, if the business is ever purchased by or passed on to another owner, what's your best guess or prediction for how this will happen?

Inheritance by a family member

31%

Sell to a new private owner

31%

Internal management buyout

7%

Go public, with shares sold to investors

6%

Figure 135, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

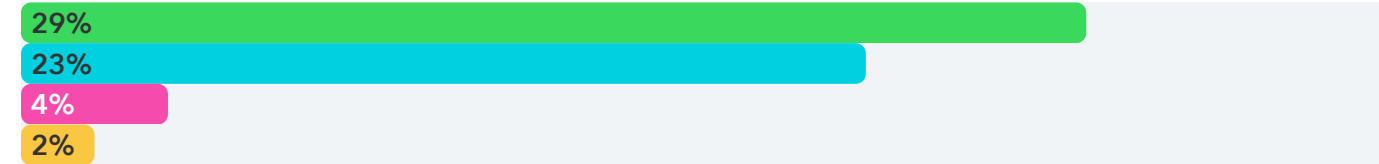
The long-term objectives of small businesses surveyed in the UK vary by business size firms (Figure 136). For both the smallest and the largest firms in the sample, the main long-term objective is “inheritance by a family member” with 29% and 28% respectively.

Interestingly, even though firms with 1-9 employees and those with 10-19 employees show a higher inclination towards “inheritance by a family member,” the top aspiration is to “sell to a private owner.”

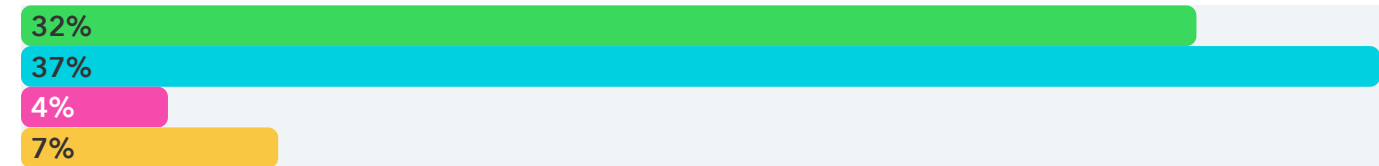
## UK small business owners' primary long-term objectives by size of firms surveyed (number of employees)

● Inheritance by a family member ● Sell to a new private owner ● Go public, with shares sold to investors  
● Internal management buyout

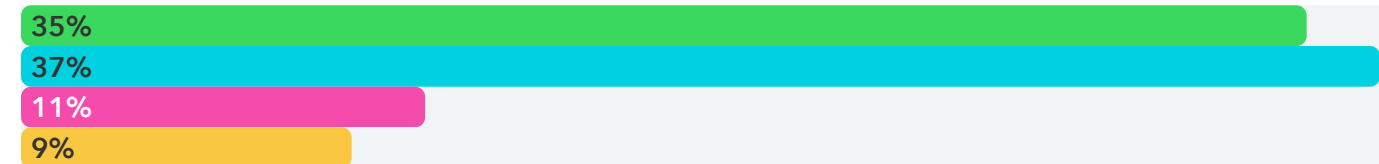
### 0 employees



### 1-9 employees



### 10-19 employees



### 20-100 employees



Figure 136, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023



For younger small businesses, the primary long-term objective is “inheritance by a family member,” whereas for older firms in the UK it is to sell their businesses to a new private owner (Figure 137). This finding suggests that owners of younger businesses are relatively more focused on building something they can pass down to their families, reflecting a desire for continuity and legacy.

However, as firms mature, their priorities might shift toward external sales as a means of achieving their long-term goals.

## UK small business owners' long-term objectives by age of firms surveyed

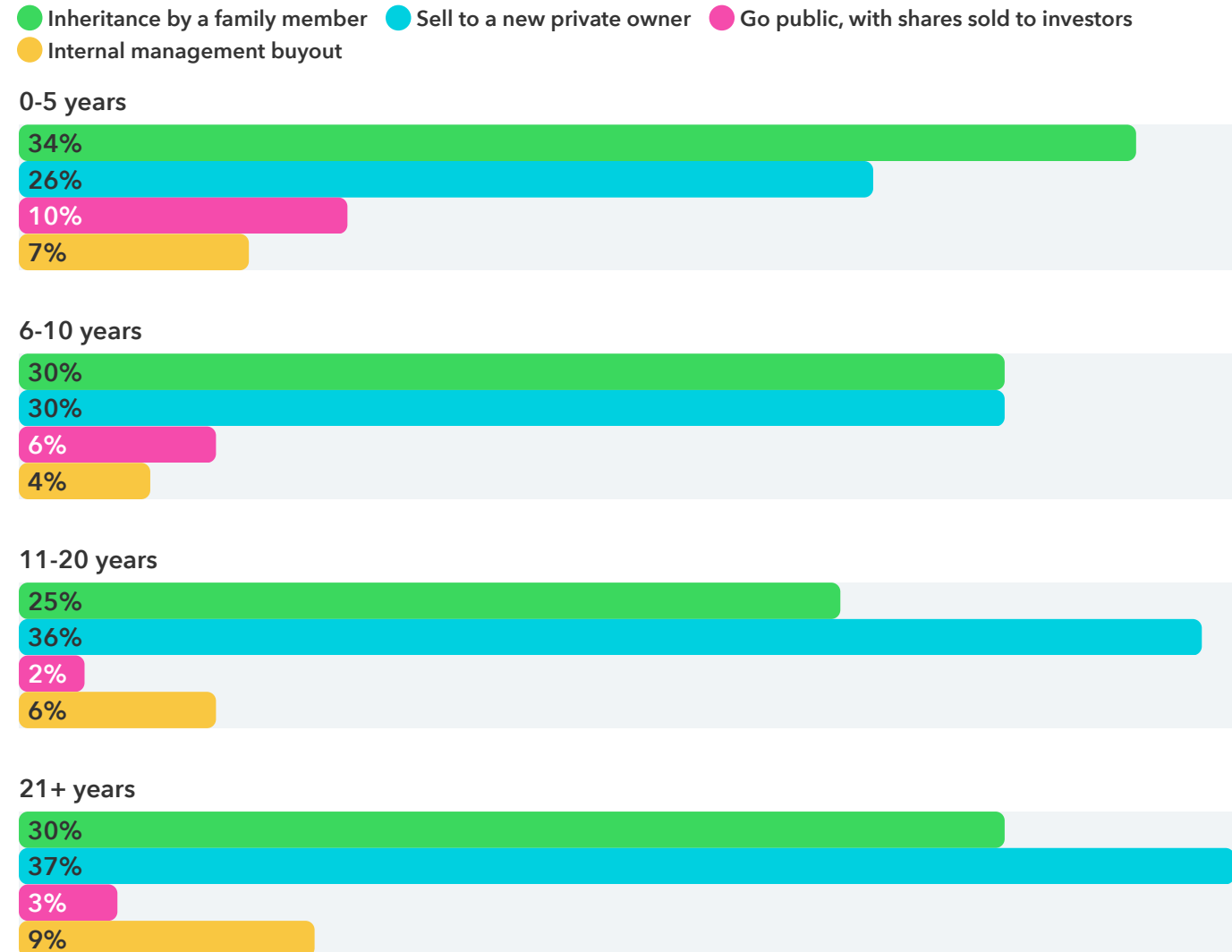


Figure 137, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

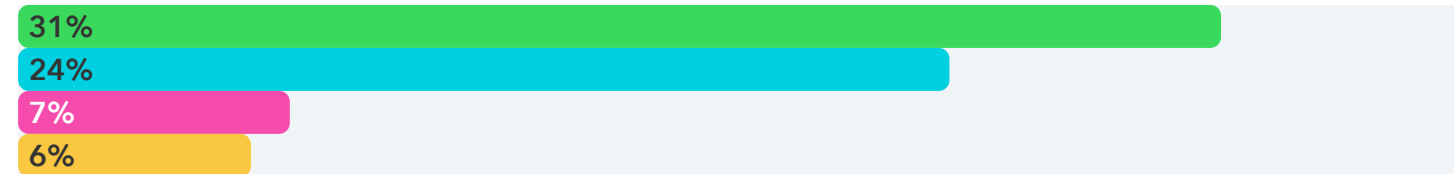
The prevailing aspiration among female respondents at small businesses in the UK is "inheritance by a family member," while for male respondents it is "selling to a new private owner." The shares of females and males aiming for "inheritance by a family member" are similar.

However, a disparity emerges among those who want to "sell to a new private owner," with 24% of females compared to 37% of males favoring this (Figure 138).

## UK small business owners' primary long-term objectives according to male and female respondents\*

- Inheritance by a family member
- Sell to a new private owner
- Go public, with shares sold to investors
- Internal management buyout

### Female respondents



### Male respondents



Figure 138, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: Due to low sample sizes, responses have not been included from people who identified as non-binary, third gender, or gender non-conforming and those who chose "prefer not to answer."

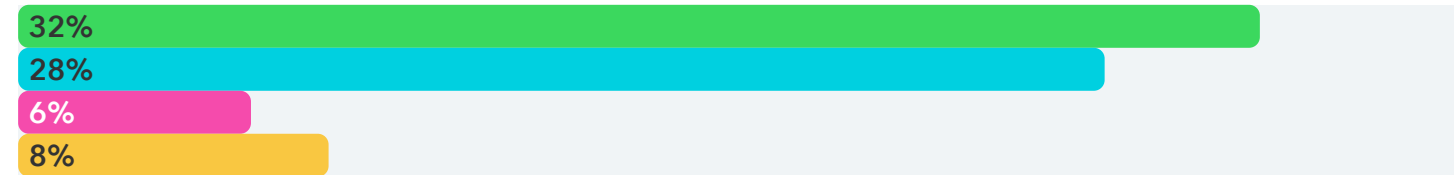
Source: Intuit QuickBooks Small Business Insights Survey 2023

In the UK, much like in the US and Canada, the primary long-term objective for the lower educated group of respondents is “inheritance by a family member.” However, among those educated to bachelor’s degree level or higher the top objective is “sell to a new private owner” (Figure 139).

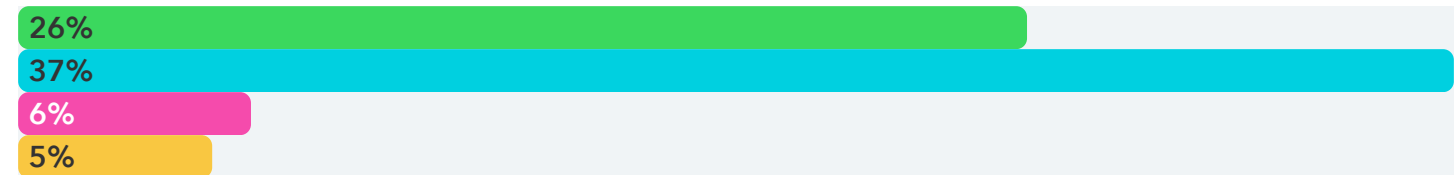
## UK small business owners' primary long-term objectives by education level of respondents\*

● Inheritance by a family member  
 ● Sell to a new private owner  
 ● Go public, with shares sold to investors  
● Internal management buyout

### No bachelor's degree



### Bachelor's degree



### Higher than bachelor's degree

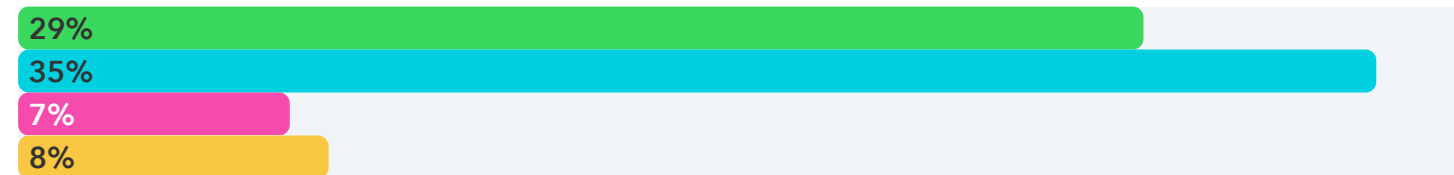


Figure 139, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: respondents who did not provide their education level are excluded from the data shown above.

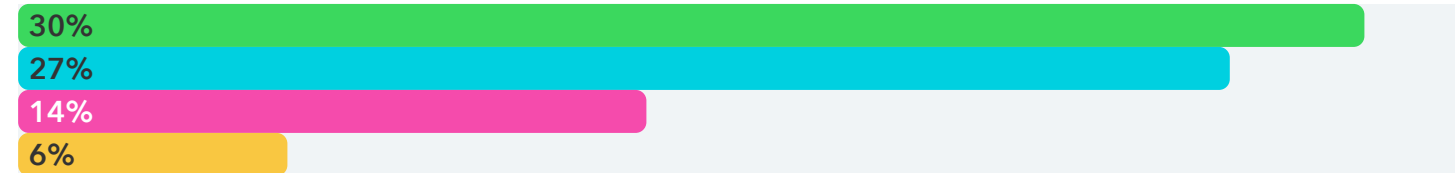
Source: Intuit QuickBooks Small Business Insights Survey 2023

Similar to what we saw in the US, white and non-white respondents in the UK expressed different long-term objectives. Specifically, “selling to a new private owner” is a more popular goal among white respondents than non-white respondents. Non-white respondents were more likely than white respondents to say “go public” is their goal (Figure 140).

## UK small business owners' primary long-term objectives by ethnicity/race of survey respondents\*

- Inheritance by a family member
- Sell to a new private owner
- Go public, with shares sold to investors
- Internal management buyout

### Non-white respondents



### White respondents

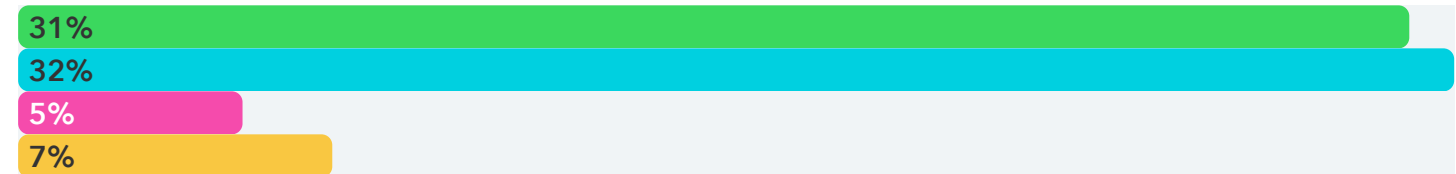


Figure 140, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: due to low sample sizes, responses are not available for individual races/ethnicities within the non-white cohort, which comprises Asian or Asian British; Black, African, Caribbean or Black British; Middle Eastern or Arab; Mixed or Multiple Ethnic Groups; and Other Ethnic Groups.

Source: Intuit QuickBooks Small Business Insights Survey 2023



# Employment growth

## UK

Across the three countries, the UK stands out with the lowest proportion of firms that reported employment growth over the previous 12 months. Just 7% of UK businesses reported an increase in employment, whereas in both Canada and the US 12% reported growth. Despite this, 90% reported that they maintained their employment levels over this period (Figure 141).

## More than 9 out of 10 small businesses surveyed in the UK have a growing or stable workforce

Based current number of employees reported by respondents compared to the number of employees 12 months ago

Workforce is larger

7%

Workforce is unchanged

90%

Workforce is smaller

3%

Figure 141, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Firm size differences in growth performance are also evident in the UK sample. Among firms that reported employment growth, the 10-19 employee group and the 1-9 employee group emerged as the top performers, with 14% and 12%, respectively, reporting growth. Among larger small businesses, those with 20-100 employees, only 2% report growth. When we look at firms with declining employment, the largest share is held by those with 1-9 employees (Figure 142).

## UK small business employment growth over previous 12 months by size of firms surveyed (number of employees)

Based current number of employees reported by respondents compared to the number of employees 12 months ago

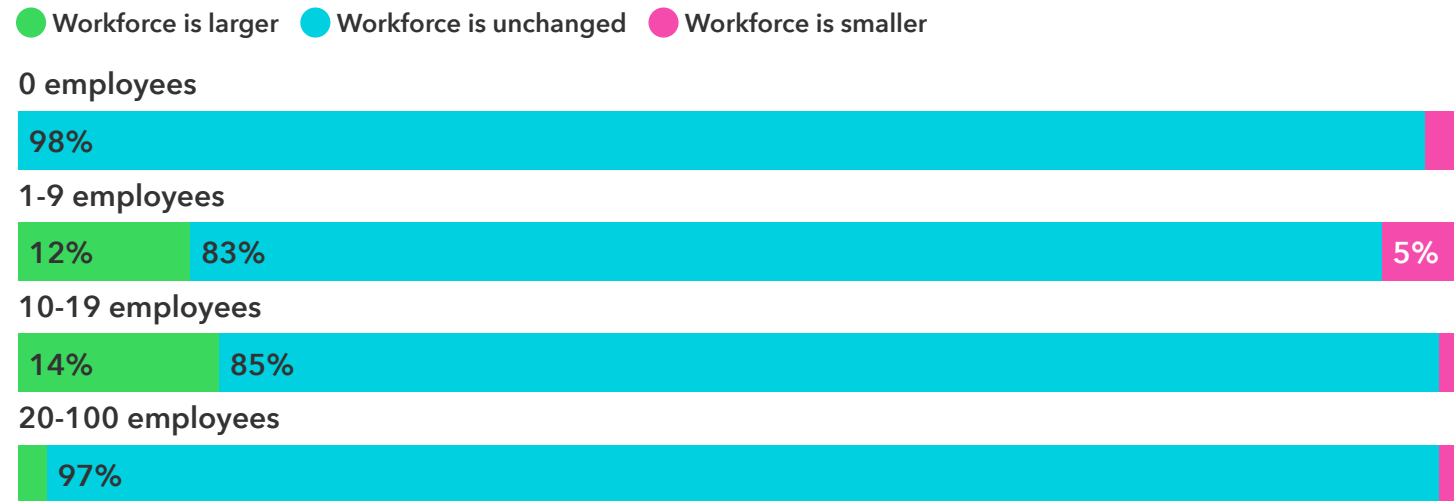


Figure 142, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

There are no significant variations in employment growth between the different age groups of small businesses in the UK sample.

It is noteworthy, however, that a relatively larger proportion of older firms experienced significant declines in comparison to younger firms (Figure 143). Specifically, both the 11-20 year-old and 21+ year-old firms have equal shares of 5%, while for the 0-5 year-old and 6-10 year-old firms, it's 2%.

Employment growth among small businesses surveyed in the UK does not show significant variations across owner demographics. Notably, there are no substantial differences in growth performance based on gender, education level, or race/ethnicity in the UK sample.

## UK small business employment growth over previous 12 months by age of firms surveyed

Based current number of employees reported by respondents compared to the number of employees 12 months ago

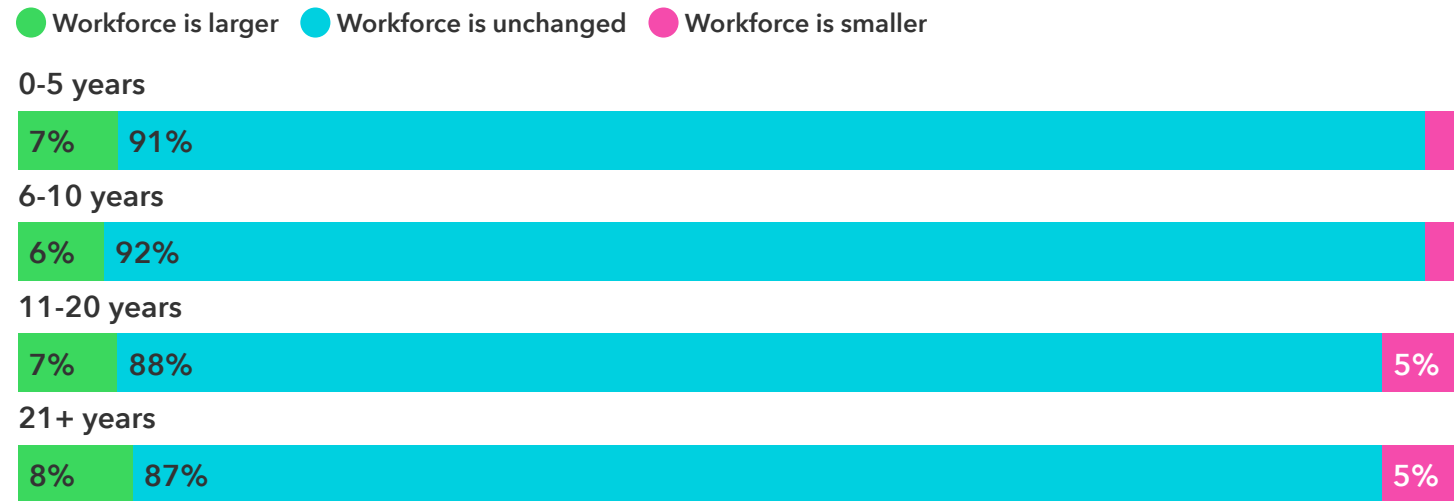


Figure 143, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Sales growth expectations

## UK

Compared to the US and Canada, UK firms have not only witnessed lower employment growth but are also less optimistic about their sales growth. Specifically, 42% of UK firms anticipated positive sales growth over the next 3 months, compared to 53% for the US and 52% in Canada (Figure 144). Additionally, the share of UK firms that expected a decline in sales is higher, at 16%, surpassing both the US (11%) and Canada (12%).

## 42% of UK small businesses surveyed predicted higher sales revenue over next three months

Survey question: Looking ahead over the next 3 months, will your revenue go up or down and if so, by how much? Your best estimate is fine.



Figure 144, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. Respondents could choose from the following answer options: Decrease by 0.1% to 4% / 5% to 9% / 10% to 49% / 50% to 100%; Increase by 0.1% to 4% / 5% to 9% / 10% to 49% / 50% to 100%; Remain constant.

Source: Intuit QuickBooks Small Business Insights Survey 2023



The smallest businesses in the UK sample are more pessimistic about future sales than larger small businesses. The proportion of firms anticipating an increase in sales over the next three months is notably lower for smaller enterprises: at 31% for firms with no employees and 38% for those with 1-9 employees, compared to 48% for those with 10-19 employees and 54% for firms with 20-100 employees (Figure 145).

Furthermore, UK respondents appear more pessimistic, overall, than their counterparts in the US and Canada, where at least half of respondents predicted higher sales revenue.

## UK small business sales revenue predictions by size of firms surveyed (number of employees)

Timeframe: three-month forecast from April 2023

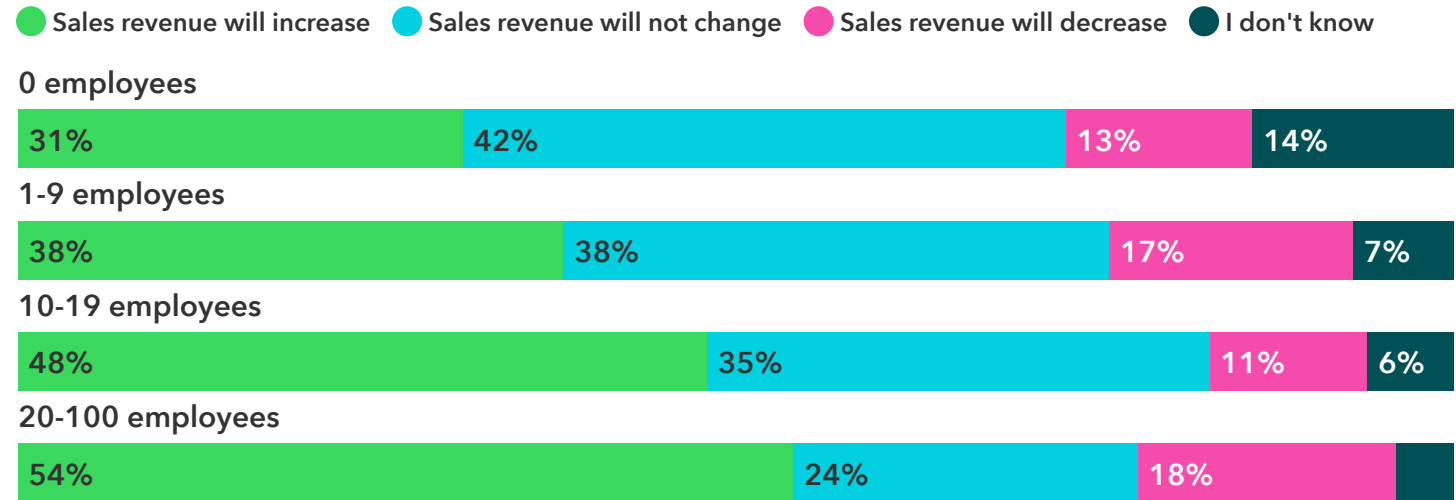


Figure 145, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Younger small businesses are more likely to anticipate a decline in sales than older small businesses in the UK, according to the survey. At the same time, younger firms are also more likely to predict higher sales, so the overriding trend appears to be that sales become more stable as businesses age (Figure 146).

## UK small business sales revenue predictions by age of firms surveyed

Timeframe: three-month forecast from April 2023

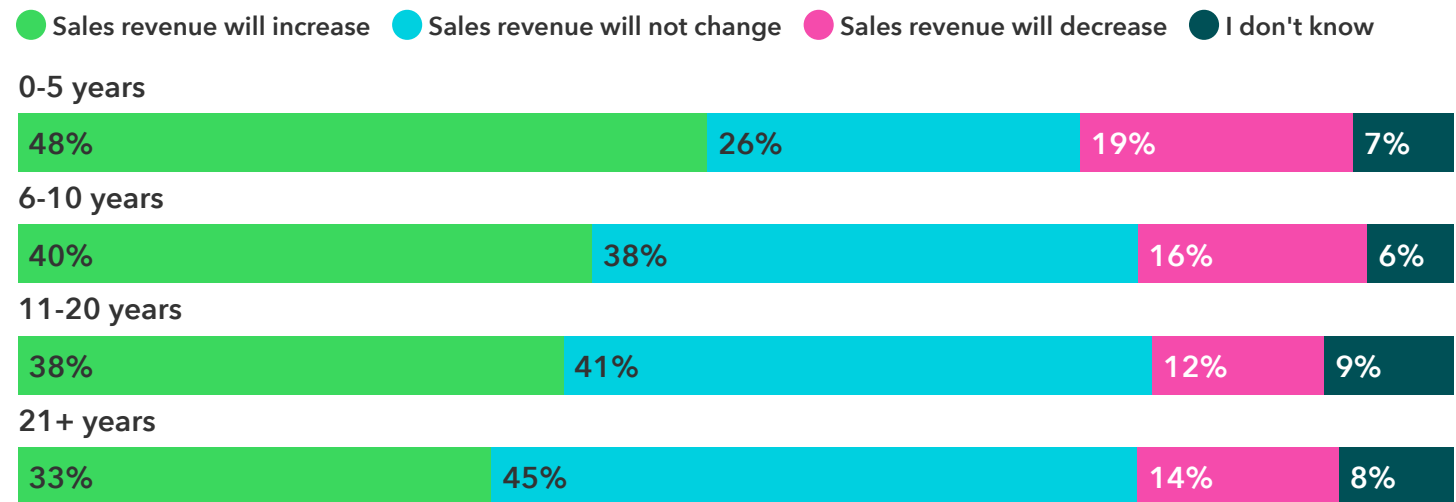


Figure 146, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Variations emerge among different demographic groups regarding sales growth expectations. The proportion of those in the lower education group (those without degrees) who anticipate sales growth is lower than that of higher education groups (Figure 147). Additionally, the share of non-white respondents expecting a decline in sales, at 23%, is higher than among white respondents, at 14%.

## UK small business sales revenue predictions by education level of respondents\*

Timeframe: three-month forecast from April 2023

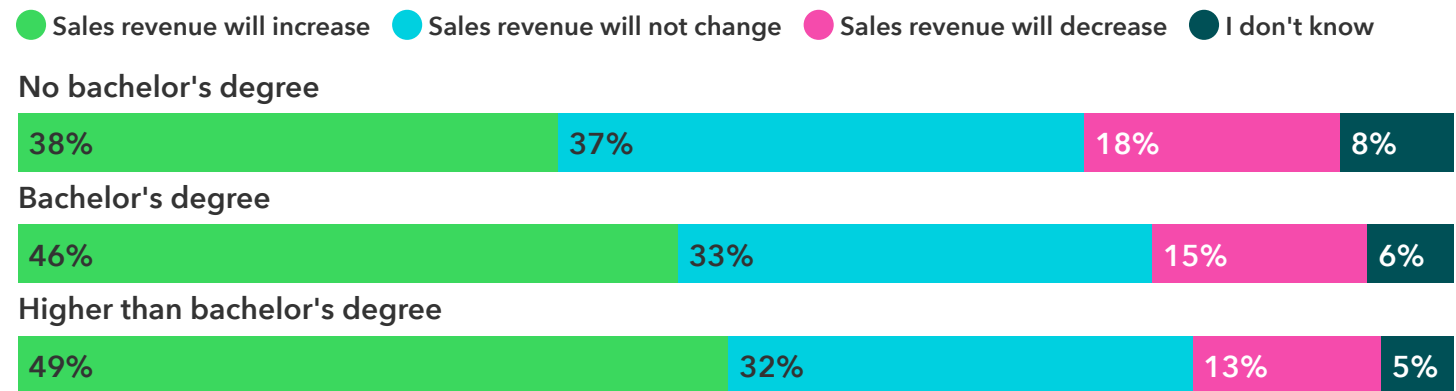


Figure 147, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: respondents who did not provide their education level are excluded from the data shown above.

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Challenges

## UK

As we saw from the surveys in the US and Canada, UK firms face a major hurdle with inflation. Almost half (47%) of them said this is the top challenge they face. As Figure 148 shows, 16% cite lower demand as their greatest challenge, while 14% say it's low-price competitors, and another 8% say it's their inability to secure affordable financing.

## Inflation remains the biggest challenge for the largest number of UK small businesses surveyed

Survey question: What's the greatest challenge facing the business today?

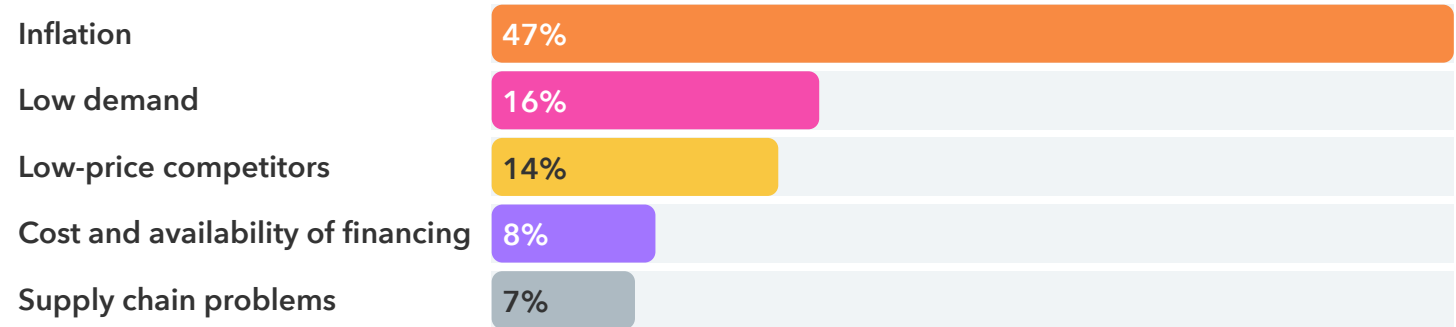


Figure 148, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023



Challenges vary across small businesses of different sizes. Larger firms with 20-100 employees are more likely than smaller firms to identify rising costs as their primary challenge. While inflation remains the top concern overall, smaller firms are more likely than larger firms to say low customer demand is a problem (Figure 149).

## Top challenges facing UK small businesses surveyed by firm size (number of employees)

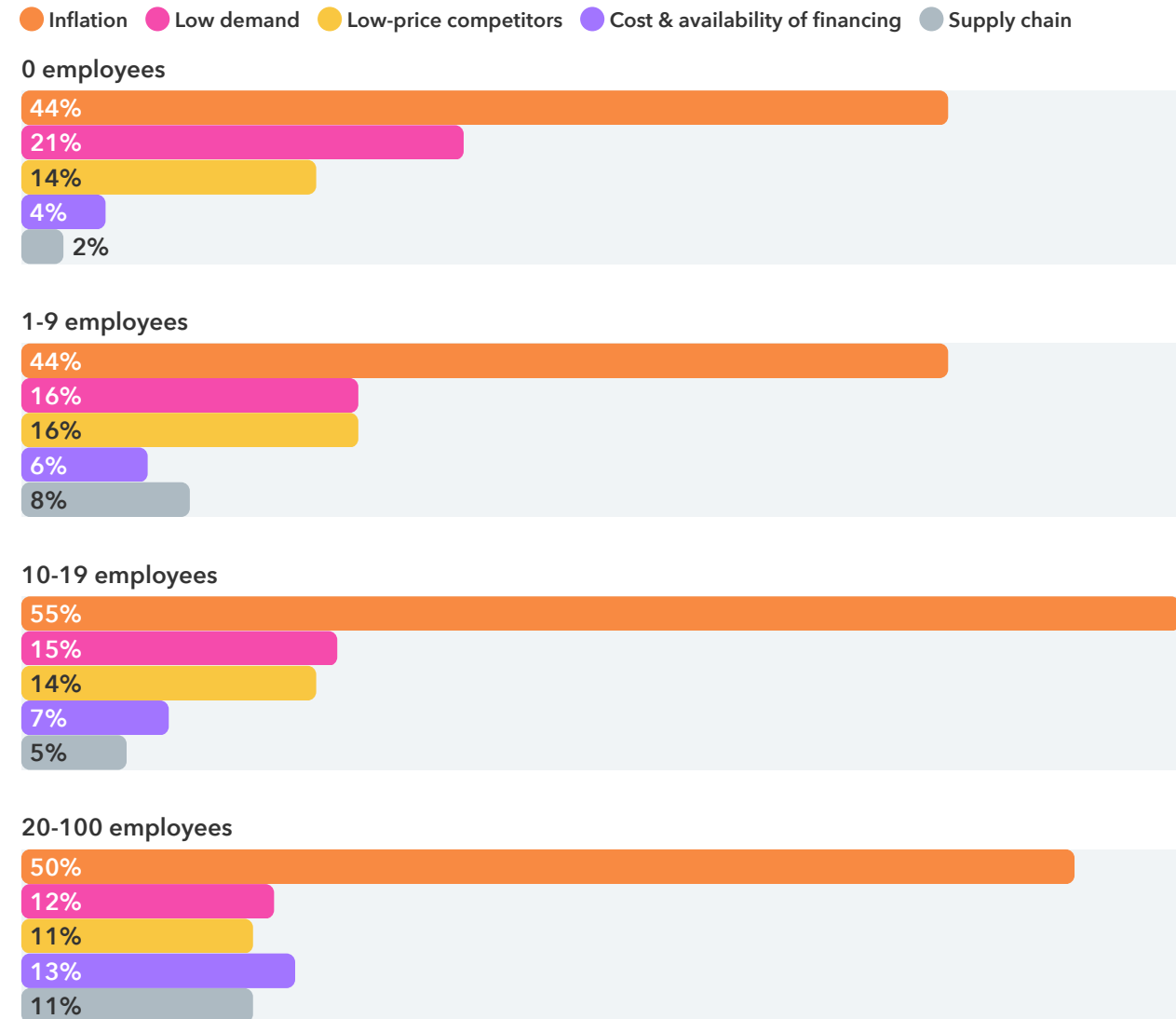


Figure 149, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

As small businesses age, the challenges they face shift, according to survey results. Figure 150 highlights that “rising costs” remain a dominant concern for firms of all ages; albeit slightly less so for the youngest group. Another important insight is the difficulty faced by young firms in obtaining funding. The percentage of young firms citing the cost and availability of finance as their primary hurdle is much higher than that of older firms. This underscores the crucial role of implementing policies that ease credit access and provide better financial support for young businesses.

## Top challenges facing UK small businesses surveyed by firm age

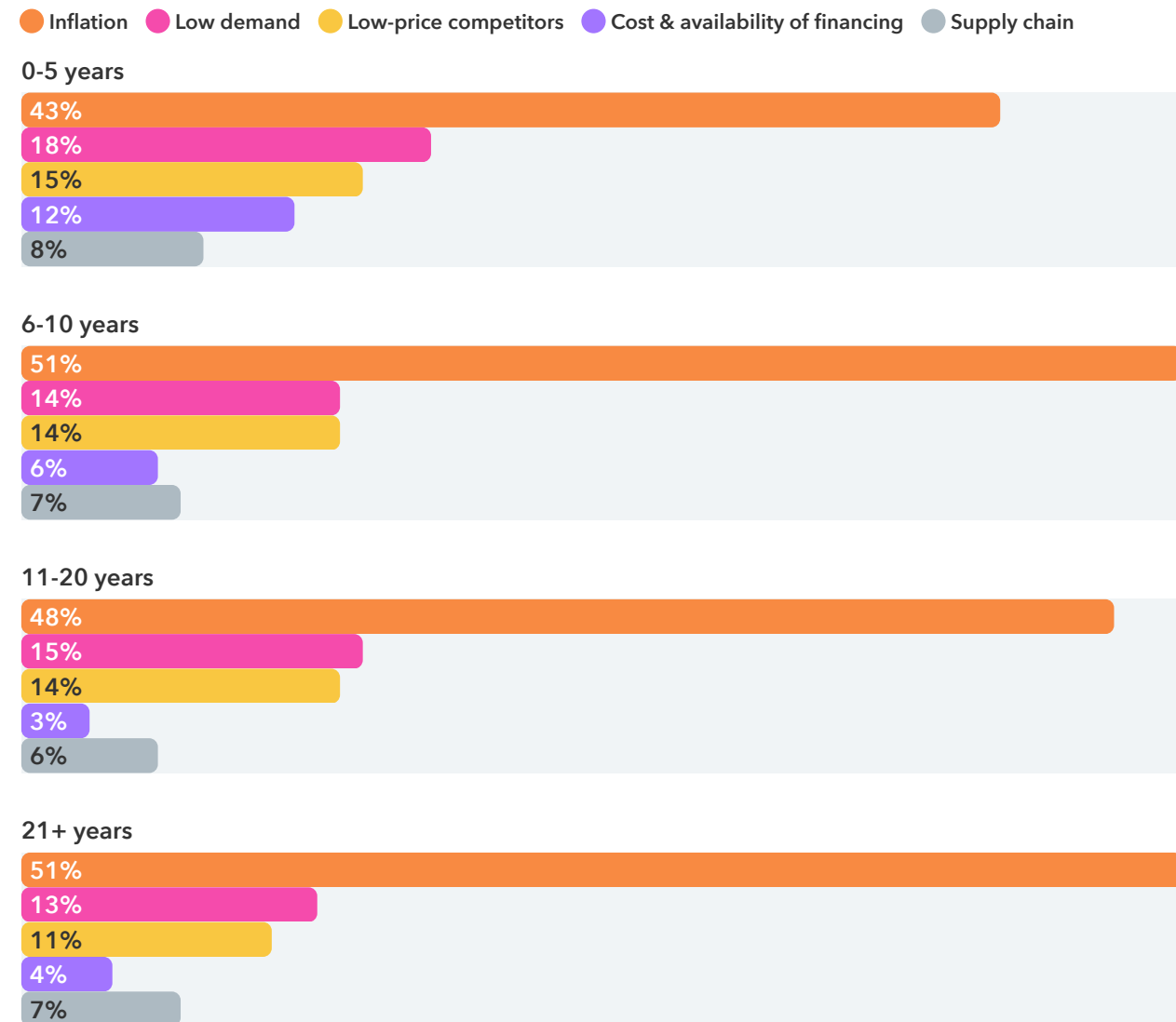


Figure 150, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.  
Source: Intuit QuickBooks Small Business Insights Survey 2023

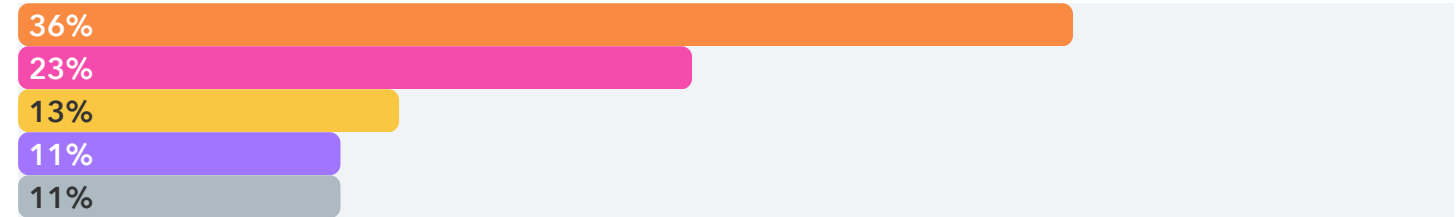
Small business challenges show limited correlation with the gender and education of respondents in the UK but notable differences emerge between white and non-white respondents.

Among white respondents, 49% highlight rising costs as their primary challenge, falling to 36% among non-white respondents. Conversely, for the second most commonly cited challenge—low demand—the trend is reversed. Here, 15% of white respondents report this as their primary challenge, rising to 23% among their non-white counterparts (Figure 151).

## Top challenges facing UK small businesses surveyed by ethnicity/race of survey respondents\*

● Inflation ● Low demand ● Low-price competitors ● Cost & availability of financing ● Supply chain

### Non-white respondents



### White respondents

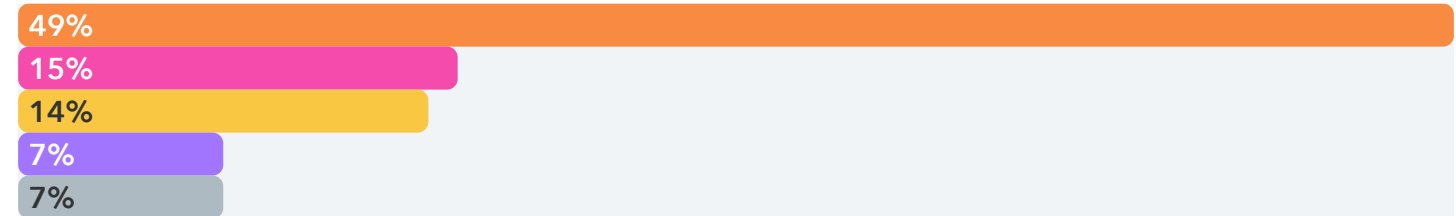


Figure 151, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: due to low sample sizes, responses are not available for individual races/ethnicities within the non-white cohort, which comprises Asian or Asian British; Black, African, Caribbean or Black British; Middle Eastern or Arab; Mixed or Multiple Ethnic Groups; and Other Ethnic Groups.

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Types of financing

## UK

More than half of the respondents in the UK sample reported that they did not apply for any financing for their small business over the previous 12 months. Specifically, 59% of UK firms did not seek funding, compared to 48% in the US and 54% in Canada (Figure 152).

Among those who did apply for funding, credit cards played a central role. Despite this, a smaller proportion of UK small businesses (14%) report using credit cards compared to the US (30%) and Canada (21%).

## Credit cards have been the top source of funding for UK small businesses over the past 12 months

Survey question: Over the past 12 months, has the business applied for any of the following types of financing?



Figure 152, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023



Across the different sizes of small businesses in the UK sample, there are significant variations in the different types of financing they use and whether they use it at all (Figure 153). For example, 81% of firms with no employees did not apply for funding, compared to just 36% for the largest businesses in the sample (those with 20-100 employees). This suggests smaller businesses are not as well integrated into the financial system.

The survey shows the largest firms were more likely to pursue a wider range of financial tools, with credit cards again emerging as the favored choice, commanding a 25% share, followed by loans or credit lines at 18%. Another significant finding is that a greater proportion of larger firms have applied for loans or lines of credit compared to their smaller counterparts. Among the smallest firms with employees, those with 1-9, credit cards are the most popular source of funding.

## Proportion of UK small businesses using credit cards or loans by firm size (number of employees)

Timeframe for funding applications: 12 months prior to April 2023



Figure 153, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. For clarity, only the top two most popular funding sources are shown.

Source: Intuit QuickBooks Small Business Insights Survey 2023

There are significant variations in the type and extent of financial tools used by younger small businesses in the UK, according to the survey, compared to older small businesses. Specifically, while 46% of 0-5 year-old firms did not apply for any financing, this rises to 77% among 11-20 year-old firms and to 81% among 21+ year-old firms (Figure 154).

Credit cards are the most common source of funding for younger firms, spanning both the 0-5 and 6-10 year groups. This underscores the pivotal role they play not only for very new businesses but also relatively well-established businesses.

## Proportion of UK small businesses using credit cards or loans by firm age

Timeframe for funding applications: 12 months prior to April 2023



Figure 154, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. For clarity, only the top two most popular funding sources are shown.

Source: Intuit QuickBooks Small Business Insights Survey 2023

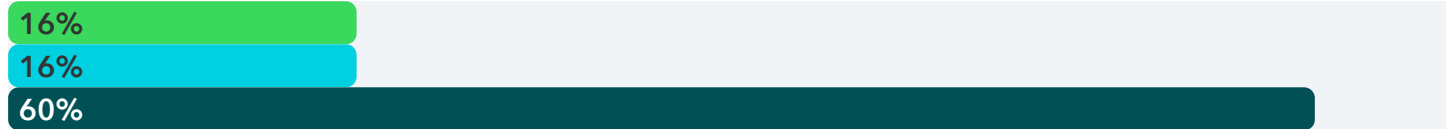
Two-thirds of male respondents (66%) and 60% of female respondents did not apply for any financing for their small business over the last 12 months. Among those who did, females were more likely than males to apply for credit cards and loans or credit lines (Figure 155).

## Proportion of UK small businesses using credit cards or loans according to male and female survey respondents\*

Timeframe for funding applications: 12 months prior to April 2023

● Credit card ● Loan or line of credit ● Did not apply for funding

### Female respondents



### Male respondents

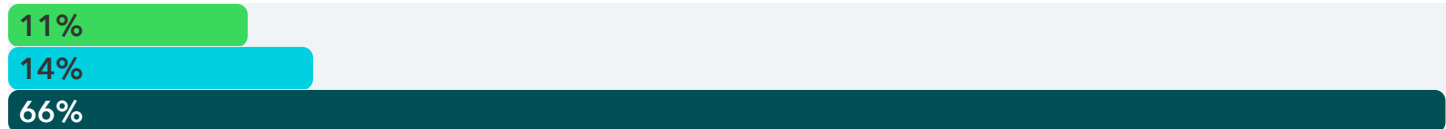


Figure 155, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. For clarity, only the top two most popular funding sources are shown. \*Note: Due to low sample sizes, responses have not been included from people who identified as non-binary, third gender, or gender non-conforming and those who chose "prefer not to answer."

Source: Intuit QuickBooks Small Business Insights Survey 2023

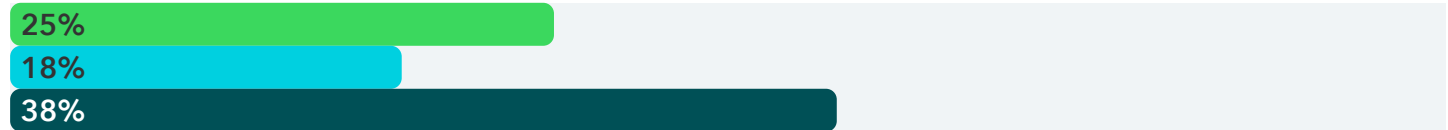
We see significant differences in the volume of financing applications reported by white and non-white survey respondents in the UK. Among white respondents, 66% did not seek any financing over the previous 12 months compared to just 38% of non-white respondents. Notably, for both groups of respondents, credit cards are the most frequently used source of financing (Figure 156).<sup>17</sup>

## Proportion of UK small businesses using credit cards or loans by race/ethnicity of survey respondents\*

Timeframe for funding applications: 12 months prior to April 2023

● Credit card ● Loan or line of credit ● Did not apply for funding

### Non-white respondents



### White respondents



Figure 156, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. For clarity, only the top two most popular funding sources are shown. \*Note: due to low sample sizes, responses are not available for individual races/ethnicities within the non-white cohort, which comprises Asian or Asian British; Black, African, Caribbean or Black British; Middle Eastern or Arab; Mixed or Multiple Ethnic Groups; and Other Ethnic Groups.

Source: Intuit QuickBooks Small Business Insights Survey 2023

<sup>17</sup>The application of financing tools does not display noteworthy differences across different education groups.

# Financial conditions

## UK

Thirty-two percent of UK survey participants said the cost and availability of financing deteriorated in the year prior to April 2023. Similar to Canada, a slightly lower percentage of respondents (28%) reported no deterioration (Figure 157).

### UK small businesses surveyed report mixed views on the cost and availability of financing

Survey question: Looking back over the past 12 months, has the cost and availability of financing deteriorated?



Figure 157, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023



Larger small businesses appear more pessimistic about financial conditions than the smallest businesses in the UK sample. For example, 47% of the largest (20-100 employees) reported a decline in financial conditions compared to 18% of the smallest (0 employees).

The zero-employee category is the only one with a larger share reporting no deterioration. Among all the other size categories, respondents were more likely than not to say financial conditions have deteriorated (Figure 158).

## UK small business views on cost and availability of financing by firm size (number of employees)

Timeframe: 12 months prior to April 2023

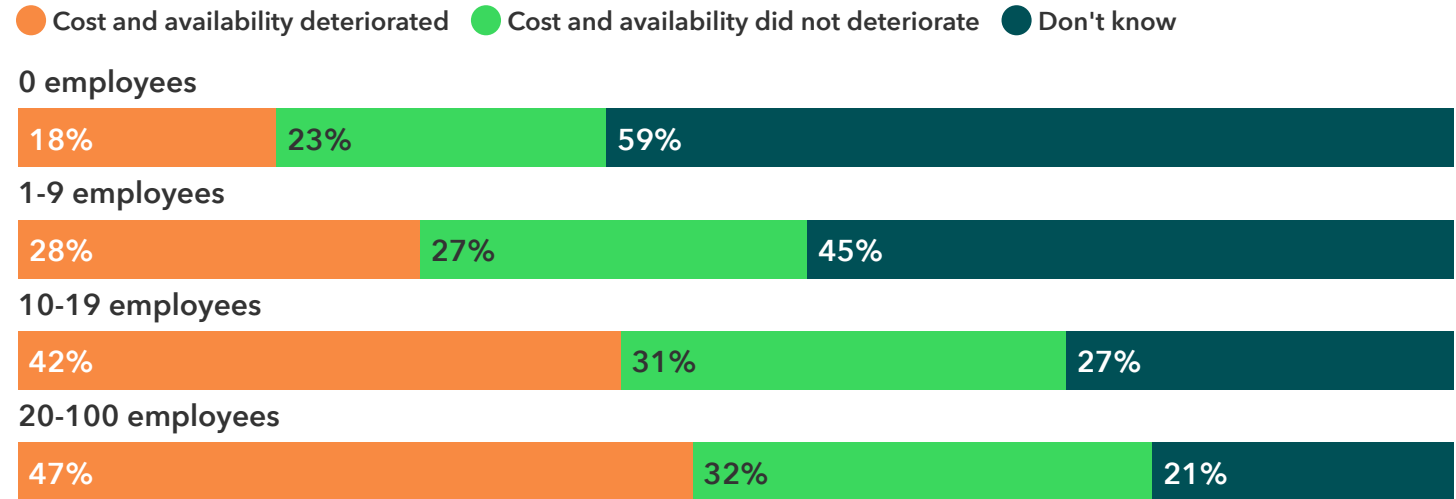


Figure 158, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

The perception of financial conditions among younger firms also tends to be more pessimistic. In the youngest age group (0-5 years old), 39% reported a decline in financial conditions, while just 25% of the oldest (21+ years) said the same (Figure 159). The oldest group is the only one in which a larger share reported no deterioration.

## UK small business views on cost and availability of financing by firm age

Timeframe: 12 months prior to April 2023

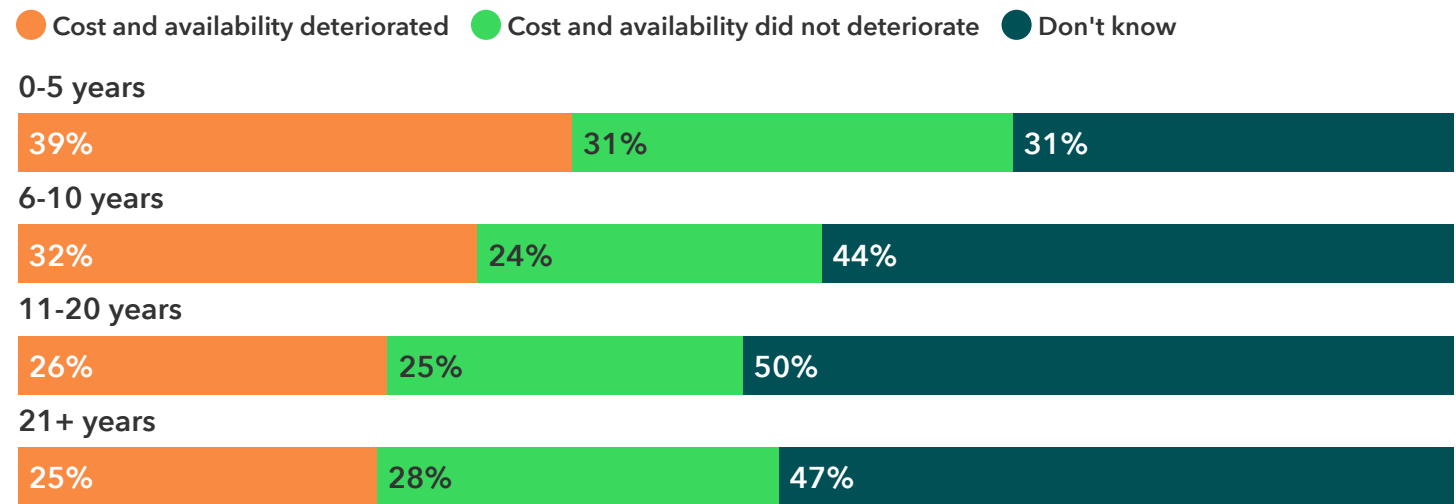


Figure 159, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Female survey respondents in the UK appear more pessimistic about current financial conditions than their male counterparts. The proportion of females who reported a deterioration is higher, at 34%, than those who said it was stable or better, at 27%. Among males, opinions were more evenly split: 30% reported worse financial conditions but 29% reported no deterioration (Figure 160).

## UK small business views on cost and availability of financing, according to male and female respondents\*

Timeframe: 12 months prior to April 2023

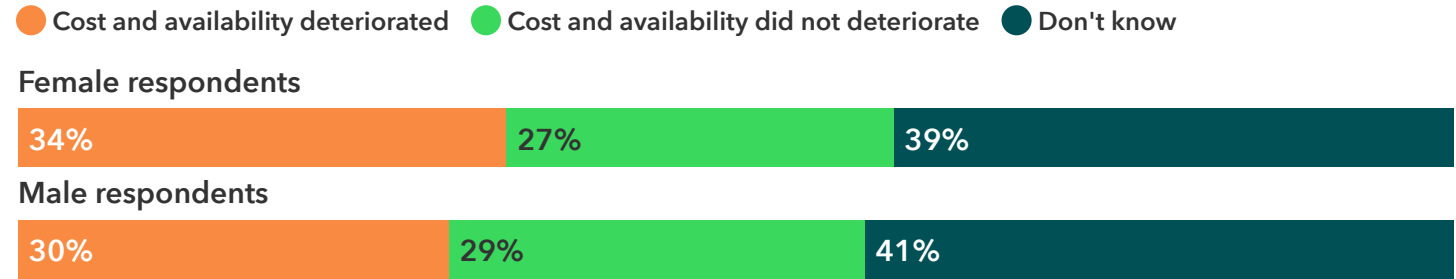


Figure 160, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: Due to low sample sizes, responses have not been included from people who identified as non-binary, third gender, or gender non-conforming and those who chose "prefer not to answer."

Source: Intuit QuickBooks Small Business Insights Survey 2023

Perceptions of financial conditions differ based on UK respondents' education levels (Figure 161). Notably, those in lower education groups (bachelor's degree or below) tend to hold a more pessimistic view. In contrast, among higher educated respondents (more than a bachelor's degree), the proportion reporting worse financial conditions (29%) is lower than those reporting no deterioration (31%).

## UK small business views on cost and availability of financing by respondents' education level\*

Timeframe: 12 months prior to April 2023

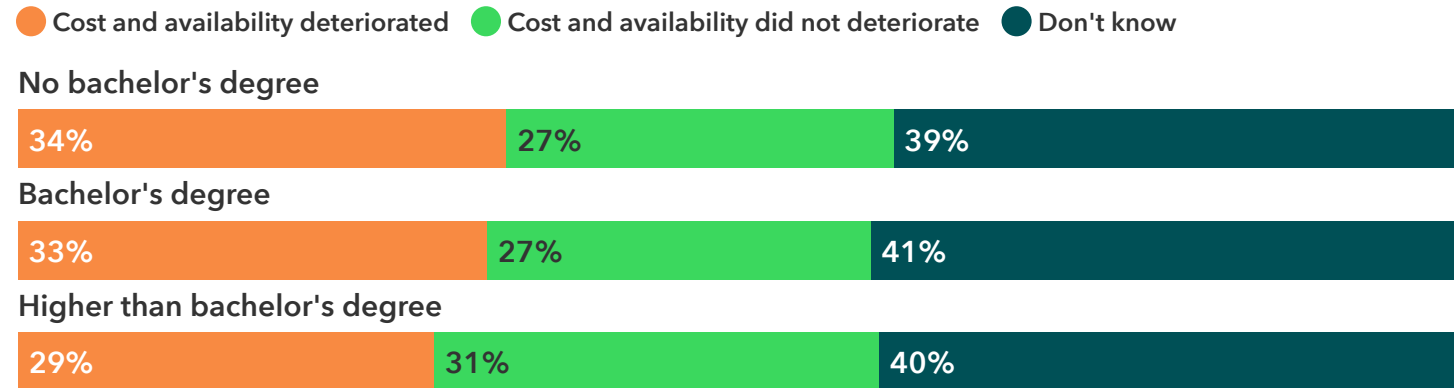


Figure 161, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: respondents who did not provide their education level are excluded from the data shown above.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Non-white respondents in the UK are more pessimistic about current financial conditions for small businesses (Figure 162). The percentage of non-white respondents who reported worse financial conditions (45%) is significantly higher than those who reported no deterioration (34%). Among white respondents, we see a much smaller difference (30% vs. 27%).

## UK small business views on cost and availability of financing by respondents' race/ethnicity\*

Timeframe: 12 months prior to April 2023

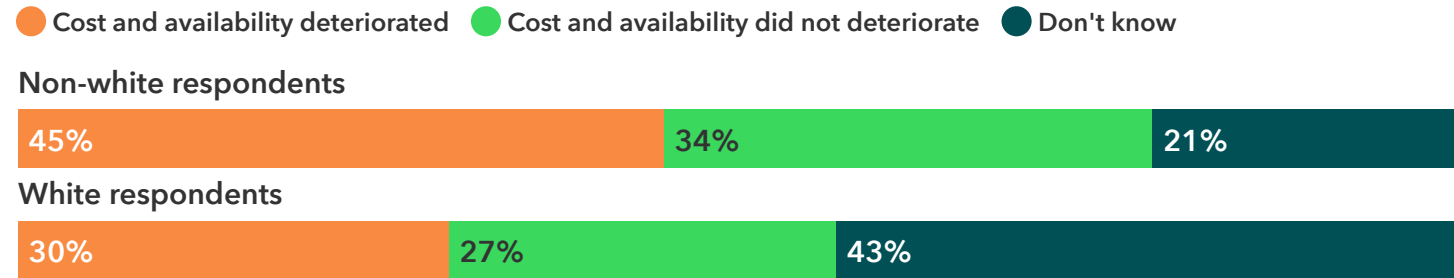


Figure 162, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: due to low sample sizes, responses are not available for individual races/ethnicities within the non-white cohort, which comprises Asian or Asian British; Black, African, Caribbean or Black British; Middle Eastern or Arab; Mixed or Multiple Ethnic Groups; and Other Ethnic Groups.

Source: Intuit QuickBooks Small Business Insights Survey 2023



# Future financing expectations

## UK

Fifty-five percent of UK respondents expect to obtain financing for their small business over the year from April 2023 (Figure 163). This percentage is below the United States (68%) and Canada (62%). Nonetheless, the majority are optimistic about their ability to get funding.

### More than half of UK small businesses surveyed expect to be able to get funding over the next 12 months

Survey question: Looking ahead over the next 12 months, do you expect to be able to obtain financing for your business needs?



Figure 163, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Respondents from larger small businesses in the UK sample (with 20-100 employees) are most optimistic about their ability to obtain financing over the next 12 months (Figure 164). While 42% of firms with no employees anticipate securing financing, this rises to 68% among firms with 20-100 employees.

## UK small business funding expectations over the next 12 months by firm size (number of employees)

Survey question: Looking ahead over the next 12 months, do you expect to be able to obtain financing for your business needs?

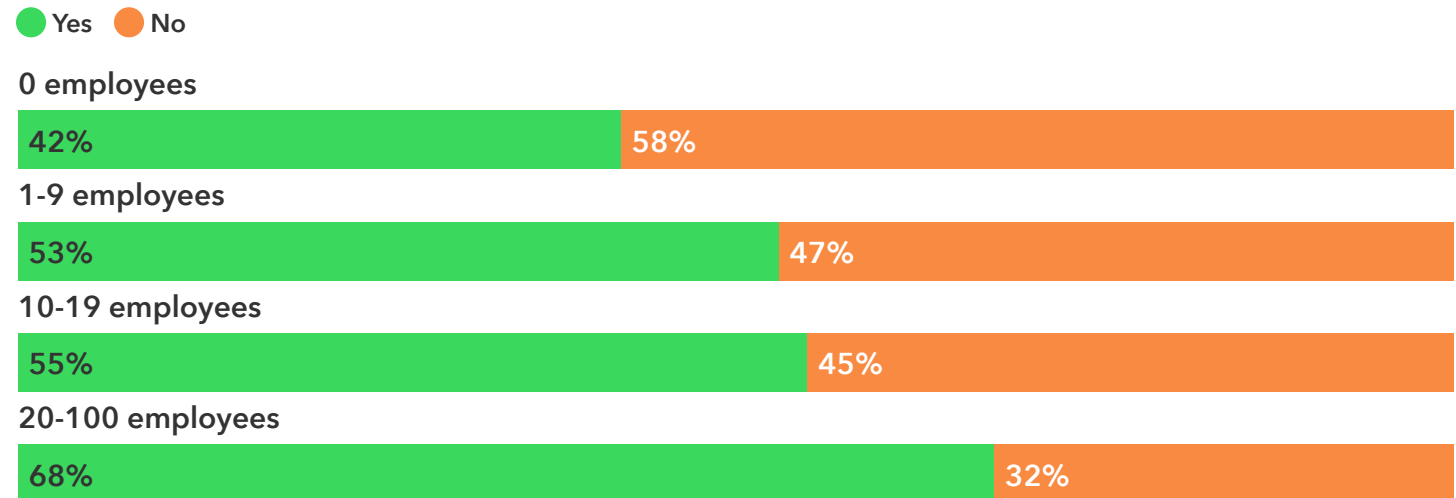


Figure 164, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Firms' expectations about getting financing vary with business age (Figure 165). Among firms aged 0-5, 6-10, and 21+ years, the percentage expecting to secure financing is higher than those who do not. Among firms aged 11-20 years, the opposite is true.

## UK small business funding expectations over the next 12 months by firm age

Survey question: Looking ahead over the next 12 months, do you expect to be able to obtain financing for your business needs?

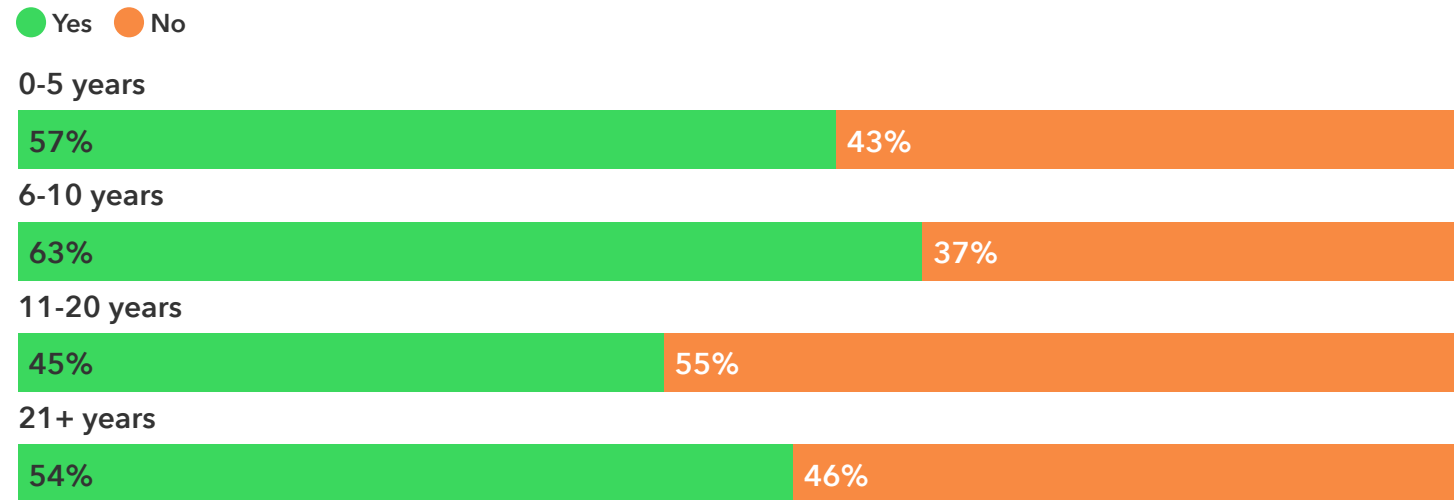


Figure 165, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023.

Source: Intuit QuickBooks Small Business Insights Survey 2023

Turning to demographics, male and non-white respondents in the UK are more optimistic about their ability to get financing for their small business over the next 12 months (Figure 166). For example, while 56% of males believe they can get financing, 52% of females say the same. We see a similar trend among non-white respondents, who are more optimistic than their counterparts in the UK survey.

## UK small business funding expectations over the next 12 months according to male and female respondents\*

Survey question: Looking ahead over the next 12 months, do you expect to be able to obtain financing for your business needs?

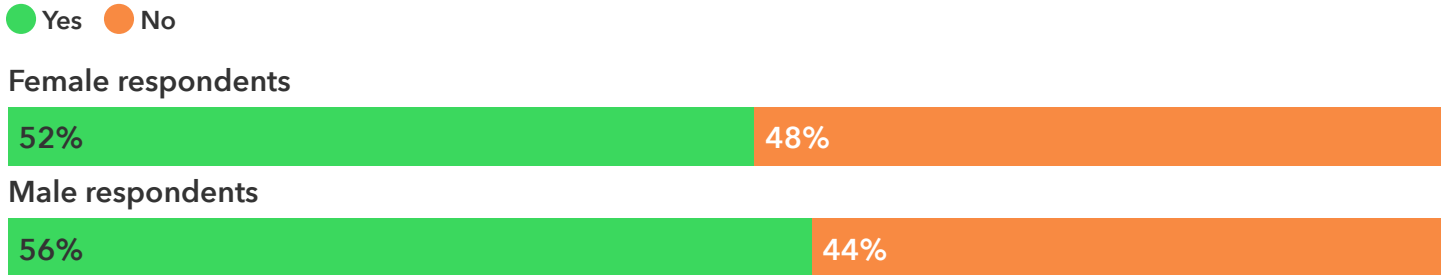


Figure 166, Intuit QuickBooks Small Business Index Annual Report. Online survey of 5175 small businesses in the US (n=2805), Canada (n=1210), and UK (n=1160) commissioned by Intuit QuickBooks in April 2023. \*Note: Due to low sample sizes, responses have not been included from people who identified as non-binary, third gender, or gender non-conforming and those who chose "prefer not to answer."

Source: Intuit QuickBooks Small Business Insights Survey 2023

# Summary of survey findings

## UK

Reflecting trends observed in the US and Canada, UK entrepreneurs share a common drive rooted in the desire to become self-employed and increase their earnings. Their primary long-term objectives are "selling to a new private owner" and "inheritance to a family member." Younger businesses in particular aim for family inheritance, while more established firms seek to transfer ownership to new private entities. Moreover, distinct gender preferences emerge, with females emphasizing familial inheritance and males favoring sales to new private owners. However, despite these aspirations, the UK appears to face a unique challenge as it records the lowest proportion of firms projecting employment growth over the next year compared to those in North America.

A prevalent obstacle faced by small businesses in the UK, akin to those in the US and Canada, is the weight of rising costs, affecting nearly half of the businesses surveyed. Interestingly, smaller firms in the sample make up a larger proportion of those citing low demand as a concern. Moreover, the financing landscape in the UK differs significantly, with almost half of the firms not pursuing financial assistance, surpassing the rates seen in the US and Canada. Credit cards again emerge as an important financial tool, especially for younger small businesses and those with fewer employees. Despite a lower percentage of UK firms expecting to be able to get financing compared to their North American counterparts, optimism about

securing funding in the coming year remains notably higher among larger firms, as well as among male and non-white respondents.

Within the UK business landscape, perceptions of financial conditions tend to be more pessimistic among larger and younger firms. Notably, female, less educated, and non-white respondents express a more negative outlook regarding their financial standing. While confidence about getting financing in the upcoming year is comparatively lower among UK firms than in the US and Canada, larger firms and specific demographic groups—including males and non-white respondents—hold a more positive outlook.





# Data sources, samples, and methodology

A woman with long brown hair and glasses, wearing a light-colored striped shirt and olive green pants, is standing in a warehouse. She is talking on a mobile phone held to her ear with her right hand and looking down at a document she is holding with her left hand. The warehouse is filled with stacks of cardboard boxes, and a hand truck is visible in the foreground. The lighting is warm and focused on the woman.

# Official statistics

The data sources listed below are primarily used in the first four sections of the report (Small business, big impact; Long-term employment trends; New business formations; Self-employment trends).

## US

- Business Dynamics Statistics, U.S. Census Bureau
- Business Formation Statistics, U.S. Census Bureau
- Non-Employer Statistics, U.S. Census Bureau

## Canada

- Active Enterprises With One or More Employees, Statistics Canada
- Business Dynamics Measures by Industry, Statistics Canada
- Business Dynamics Measures by Firm Size per Province or Territory, Statistics Canada
- Canadian Business Counts, Statistics Canada
- Employment For All Employees by Enterprise Size, Statistics Canada
- Macdonald, R. (2014). "Business Entry and Exit Rates in Canada: A 30-year Perspective," Analytical Studies Branch, Statistics Canada

## UK

- Business Dynamism Measures from the Inter-Departmental Business Register, Office for National Statistics
- Business Population Estimates, Department for Business, Energy & Industrial Strategy





# Small business and monetary policy

This section of the report is based on an analysis completed by the report's authors in September 2023 in collaboration with Intuit QuickBooks.

## Data sources

- Federal Financial Institutions Examination Council, Bank Holding Company
- Intuit QuickBooks customer data (anonymized and reweighted to match national distributions in each sector, region, and business-size group to make it nationally representative in the US, Canada, and the UK)



# Small business and monetary policy

## Methodology

### Average credit card expenditure and repayments

The findings drawn from Figures 35 and 36 show the evolution of small business credit card expenditure and repayments against credit card account balances between January 2018 and May 2023. The total sample for this analysis was 3.4 million small businesses: 2,795,000 in US; 305,000 in Canada; and 313,000 in the UK using anonymized QuickBooks Online customer data from accounts with at least twelve months of regular transactions. Data shown represents only transactions that have been

categorized (manually by users or by automation) as “credit card” in QuickBooks up until the end of May 2023. Excluding uncategorized transactions could have resulted in a data bias. This data has been scaled to match the national distribution in each sector, region, and business-size group to make it nationally representative. It does not reflect the Intuit QuickBooks customer base or Intuit’s business.





## Access to credit

The findings drawn from the third chart in this section (Figure 37) are from analysis of anonymized data from 2.1 million QuickBooks Online customer accounts between January 2018 and July 2023. The analysis follows changes within a firm over time and reports these changes by bucket, relative to the smallest group. Therefore, it does not reflect the Intuit QuickBooks customer base or Intuit's business. Because small businesses are particularly reliant on financial institutions for their funding needs, the analysis explores how interest rate policies enacted by monetary authorities to tame inflation from January 2022 have affected them. It compares small business credit card usage as a function of the equity ratio (controlling for bank size and income gap) of the institutions they bank with. The equity ratio is a measure of health/solvency of the bank, calculated from Bank Holding Company data using the following formula:

$$\text{equity ratio} = 1 - (\text{liabilities}/\text{assets})$$

The analysis shows that banks and other financial institutions with higher equity ratios have been able to lend more to small businesses (as shown by their credit card usage) since January 2022 than banking institutions with relatively low equity ratios. A key challenge with this type of analysis is distinguishing the impact that changes in policy have on bank lending, and thus on small businesses, from changes in demand from small businesses themselves. This is addressed by comparing the credit conditions for the same borrower across different banks.





# Intuit QuickBooks Small Business Index

Insights from the monthly [Intuit QuickBooks Small Business Index](#) are primarily used in the “Small business employment trends since the COVID-19 pandemic” section of this report.

## Data sources

- U.S. Bureau of Labor Statistics Business Employment Dynamics (BED) and Job Openings and Labor Turnover Survey (JOLTS)
- U.S. Bureau of Economic Analysis regions
- Statistics Canada Labour Force Survey and regions
- UK Office of National Statistics Vacancy Survey
- Intuit QuickBooks customer data which has been anonymised from a sample of 424,000 small businesses (333,000 in the US; 66,000 in Canada; 25,000 in the UK) using [QuickBooks Online Payroll](#) to pay employees



# Methodology

The Intuit QuickBooks Small Business Index provides monthly employment and hiring data insights for small businesses in the US, Canada, and the UK by country, region, and sector. The Index publishes the previous month's employment or job vacancy growth rates and levels at the beginning of every month. The Index is a collaboration between Intuit QuickBooks and the authors of this report, using purpose-built economic models to normalize anonymized QuickBooks data against official government statistics to reflect the general population of small businesses in the US, Canada, and the UK. It is not a reflection of Intuit's business. The Index methodology is robust and stands out from other

reports in the market by being calibrated against official statistics and focusing exclusively on small businesses, while also eliminating publication delays. Unlike other small business indexes, it does not rely exclusively on survey data. Instead, a sample of anonymized QuickBooks Online Payroll customer records are normalized against official government statistics using purpose-built economic models and aggregated before publication.

**For more information and to download the full methodology white paper, visit the [Intuit QuickBooks Small Business Index Methodology](#).**





## How the monthly Intuit QuickBooks Small Business Index differs from this Annual Report

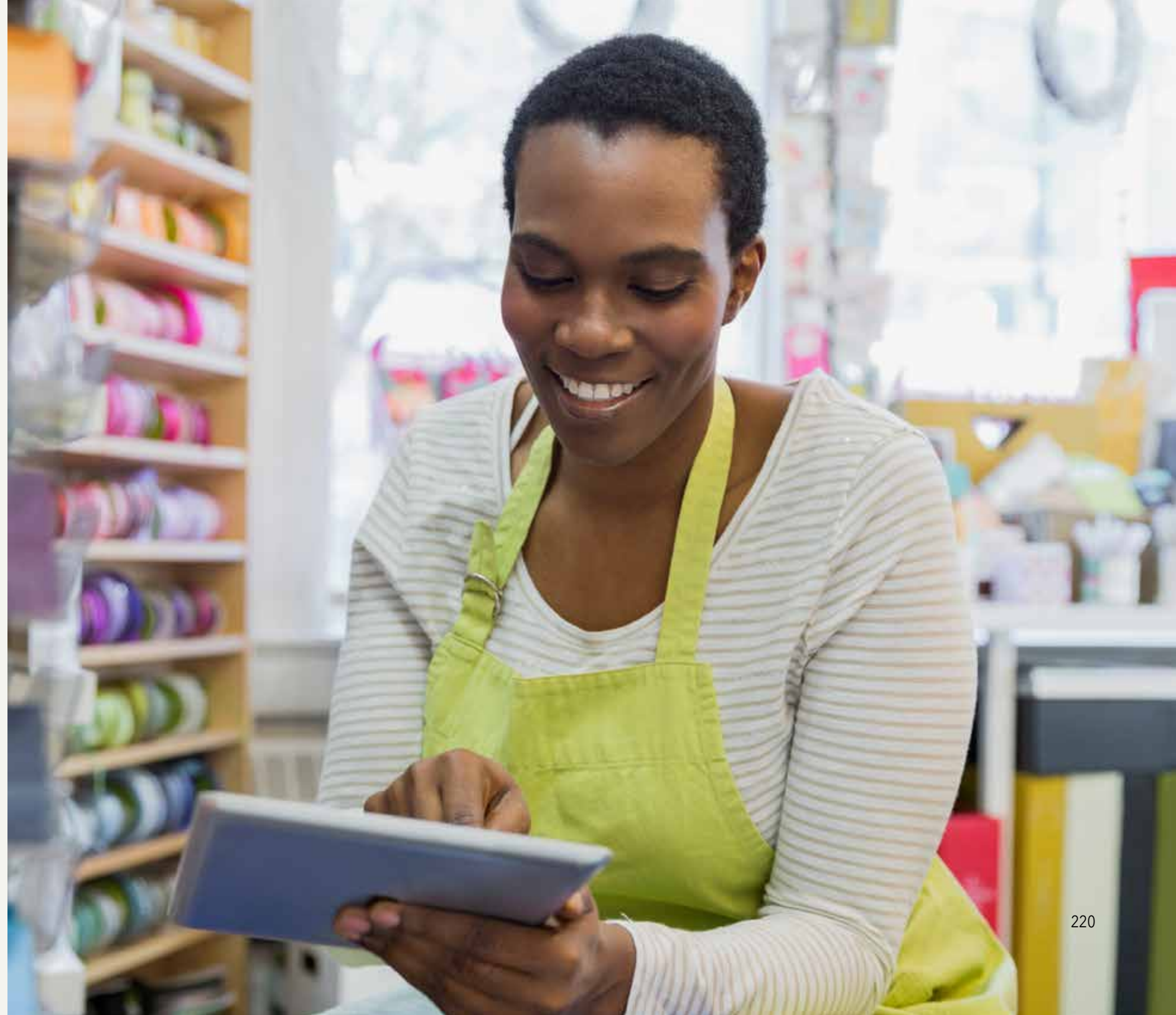
	<b>Monthly Index</b>	<b>Annual Report</b>
First published	March 2023	October 2023
Countries included	US, Canada, UK	US, Canada, UK
Frequency	Published monthly	Published annually
Topics	Small business employment and hiring	Small business employment, hiring, funding, revenue, expenses, challenges, objectives, credit card use, digital technology use
Data sources	Anonymized, aggregated data provided by QuickBooks customers	Anonymized, aggregated data provided by Intuit QuickBooks customers; survey data provided by Intuit QuickBooks customers and other small businesses; official statistics
Focus	Small businesses with 1-9 employees (US & UK) and 1-19 employees (Canada)	Small businesses with 1-99 employees
Goal	New, up-to-date insights into the current health of small businesses	Deeper understanding of the unique characteristics of small businesses; create the conditions for their long-term growth and success
Content	Data insights and expert analysis	Data insights, expert analysis, real-life small business stories, actionable takeaways



# Intuit QuickBooks Small Business Insights

Anonymous data from the [Intuit QuickBooks Small Business Insights Survey](#) is primarily used in the following three sections of this report:

- Credit constraints and monetary tightening
- Digital tools and small business
- The state of small business in the US, Canada, and the UK



# Samples and methodology

The [Intuit QuickBooks Small Business Insights Survey](#) is an online survey commissioned by Intuit QuickBooks at regular intervals, usually every three months, in the US, Canada, and the UK. Participants are small business owners and decision makers selected from two sources:

**1. Dynata audience panels:** 2,850 survey respondents over the age of 18 (1,500 in the US, 600 in Canada, and 750 in the UK) for each successive survey waves (wave 1: September 2022; wave 2: December 2022; wave 3: April 2023; and ongoing) with a target of 50% repeat respondents in each wave to allow opinions and business health to be tracked over time. Respondents remain anonymous.

**2. Intuit QuickBooks customer base:**

The number of survey participants drawn from the Intuit QuickBooks customer base varies over time but in the April 2023 wave – data from which has been incorporated into this report – there were 2,325 respondents (1,305 in the US, 610 in Canada, and 410 in the UK) taking the total sample to 5,175 small businesses. Respondents from the Intuit QuickBooks customer base are drawn from a pool of QuickBooks Online subscribers in the US, Canada, and the UK who have been active in their accounts in the past 30 days.

Across both cohorts of respondents, every effort is made to make the samples as representative as possible—for example, by rebalancing the Intuit

QuickBooks sample to better reflect the general proportions of small business by sector and geography—but, as with all surveys, there are limitations. All participants are invited to complete the surveys via an online form and are incentivized to do so. Those selected from the Intuit QuickBooks customer base have agreed to allow Intuit QuickBooks to connect their survey responses to a limited set of data provided in their QuickBooks account (such as revenue, payroll, payments, and product use). Participants from Dynata’s audience panels are from small businesses with less than 100 employees. Roughly, 3 in 5 of these respondents are small business owners while the remainder are senior decision-makers within the business who are familiar with the business’s finances, operations, and strategic

priorities. For clarity, percentages have been rounded to the nearest whole number so, in some cases, the survey responses may not add up to 100% as a result. Please also note that responses to multiple choice questions are shown as a percentage of the total number of respondents, not the total number of responses, to better reflect the number of people who chose each answer option – and as a result, the sum of these percentages will always be greater than 100.

**For more details, visit the [Intuit QuickBooks Small Business Insights](#).**



# Glossary

A young woman with dark hair tied back, wearing a light blue long-sleeved shirt and a grey apron, is seated at a dark wooden desk in a floral shop. She is smiling and looking towards the right. Her right hand is holding a pen over a document, and her left hand is on a black calculator. The desk is cluttered with various items including papers, a blue folder, a green folder, and a pair of scissors. In the background, there are wooden shelves filled with various floral arrangements and vases. A large bouquet of white roses is prominent on the right side of the desk.

**Business application:** An application to the Internal Revenue Service (IRS) in the US for a new business tax number (known as an EIN), which is often one of the first steps people make when starting a new business.

**Business dynamism:** see “economic dynamism.”

**Business formation:** “The formation of an employer (wage-paying) business from a business application,” according to the U.S. Census Bureau definition. See “business application.”

**Continuing firms:** A firm that is active in two continuous years. Using economic formulas, if  $t$  = time, a firm is active in both  $t$  and  $t-1$  is a continuing firm; but a firm with activity at time  $t-1$  and no activity at time  $t$  is an exiting firm; and a firm with no activity at time  $t-1$  and activity at time  $t$  is an entering firm. Entry, exit, and continuer are definitions that the report’s authors typically apply to specific year-pairs. Activity can be defined in terms of employment or revenue depending on the population of interest.

**Demographics:** Descriptive attributes or characteristics used to describe a population in statistical terms; e.g., age, size, industry. The term demographics can be applied to people or more broadly society including firms. It refers to the statistical study of populations.

**Digital tools:** Refer to technology-based programs, websites, or online platforms used by businesses or individuals that can make tasks easier to complete.

**Economic dynamism:** Describes an economy’s ability to adapt to changing circumstances, such as technological change, business cycle, demand, financial, or competitive shocks. It is often associated with the ability of businesses in an economy to respond to shocks as well as the rate of new business formation. Also known as “business dynamism.”





**Entry rate:** The firm entry rate or the business entry rate is the number of entering firms in a given year divided by the estimated base population. The base population can be computed as the current year or the average of the current and previous year.

**Establishments:** An establishment is a single physical location at which business is conducted or services or industrial operations are performed. It is not necessarily identical with a company or enterprise, which may consist of one or more establishments.

**Firmographics:** Also known as firm demographics.

**Firms:** A firm is a business organization consisting of one or more domestic establishments under common ownership or control. The firm and the establishment are one and the same for single-establishment firms. Most small businesses in the 1 to 9 size class are single establishment firms.

**Job reallocation rate:** The job reallocation rate is the sum of the job creation and job destruction rates. It captures the share of all jobs that are either created or destroyed in a given time period and for a given population.

**Non-employers:** Businesses without employees, also known as self-employed businesses or solopreneurs.

**Net job creation rate:** It captures the net change in the number of jobs in the economy. It is computed as the sum of the job creation rate and the job destruction rate. Job creation is the gain in the number of jobs between the current and the previous year associated with new or expanding firms. Job destruction is the loss of jobs between the current and the previous year associated with contracting or exiting firms. Rates are computed by dividing by the estimated base population of jobs. The base population can be computed as the current (previous) sum of all jobs or the average of the sum total of current and previous year jobs.



**Small business:** Throughout this report, “small businesses” are defined as having fewer than 100 employees.

**Technological diffusion:** The process by which technology spreads across a population whether it is businesses, classes, cultures, nations, and societies.

**Workforce:** The collective of employees working for employer firms.



