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Merchant Access to Cash: Going the Extra Kilometer?

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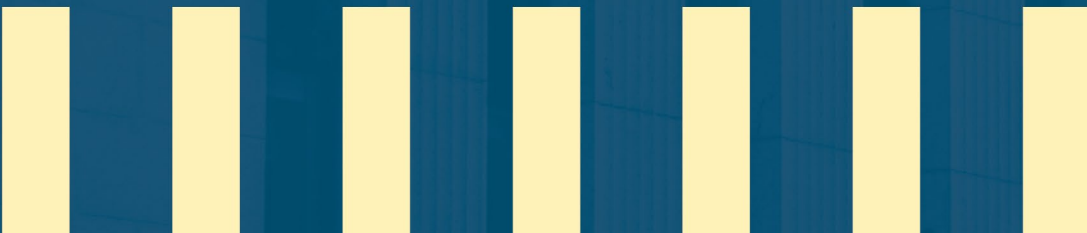
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2 Abstract

The Bank of Canada has a mandate to make adequate arrangements for the supply of bank notes as required for circulation in Canada. Therefore, understanding access to cash for small and medium-sized businesses (SMBs) is essential. In this study, we measure SMBs' access to cash using the driving distance to financial institution (FI) branches. First, we measure the distance between SMBs and their nearest FI branch. The average driving distance to the nearest branch ranges from 1.3 km in large urban census subdivisions (CSDs) to 6.9 km in rural CSDs. In addition, 84% of SMBs are within a 5 km drive of the nearest branch. Second, we use a sample of 651 SMBs from the 2023 Merchant Acceptance Survey to examine SMBs' banking choices. We compute driving distance and driving time from each SMB to the nearest branch and to a branch of its chosen financial institution. The average distance to the nearest branch is 2 km, while the average distance to the chosen branch is 6 km. Fewer than one-quarter of SMBs bank with the financial institution that operates the nearest branch. Rural SMBs are more likely than urban SMBs to bank with the financial institution that operates the nearest branch.

Topics: Bank notes; Digital currencies and fintech; Financial services

JEL codes: D83, E41

3 Résumé

Texte.

Sujets : Billets de banque; Monnaies numériques et technologies financières; Services financiers

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1 Introduction

Cash continues to play an important role in retail payments. In 2023, about 20% of payments at retail point of sale were made in cash, and 97% of small and medium-sized businesses (SMBs) reported accepting cash (Henry et al. 2024; Welte et al. 2024). Since the COVID-19 pandemic, financial institutions (FIs) have shifted toward online services. As branch networks shrink, the Bank of Canada has begun monitoring physical access to cash access points, such as FI branches (see, e.g., Chen et al. 2025). These monitoring activities support the Bank's mandate to make adequate arrangements for the supply of bank notes as required for circulation in Canada.

When businesses adopt digital payments and financial services, the effects on cash extend beyond payment choice. This raises the question of how proximity to financial institutions matters for SMBs. Petersen and Rajan (2002) argue that proximity has become less important for SMBs' access to financial services. In contrast, Adams et al. (2023) find that small businesses in the United States still value local banking relationships and in-person interactions. Bank of Canada data from 2015 to 2023 suggest that most SMBs rely on in-person banking for cash withdrawals and deposits. Cash-accepting SMBs must either travel to access points or pay for transport services. Greater distance increases these costs.

Up to now, the Bank of Canada's research on access to cash has focused on consumers. This is because, at the point of sale, consumer preferences influence merchants' acceptance of payment methods, rather than the other way around (Rysman 2007). Most Canadian consumers report easy access to cash through Automated Banking Machines (ABMs) or FI branches (Chen et al. 2024). At least 80% of Canadians live within 5 km driving distance of a branch, and at least 90% live within 10 km (Chen et al. 2025). Consumers often combine branch visits with other errands (Chen and Xiao 2025). This suggests that consumers' access to cash may also affect SMBs, because customers combine shopping and banking within the same trip.

In contrast to evidence for consumers, research on SMB banking in Canada, particularly the role of local branches, remains scarce. Existing data show regional differences in lending markets and financial institutions (Statistics Canada 2025b). For example, credit unions finance many SMBs in Quebec, including in major urban centres, while domestic banks dominate in Atlantic Canada and Southern Ontario. Some rural areas rely heavily on credit unions.

Our goals are threefold. First, we construct an SMB analogue to consumer travel metrics. Second, we measure how far SMBs travel to the nearest FI branch and establish a baseline. Third, we compare this distance with the distance to the branch of the SMB's chosen FI.

Our analysis generates four key findings:

1. SMBs have similar driving distances and travel times to FI branches as consumers.
2. About 84% of SMBs are within 5 km of the nearest FI branch.
3. Only about one-quarter of SMBs choose to bank with the nearest FI.
4. On average, the nearest branch of the SMB's chosen FI is about three times farther away than the nearest branch of any FI.
5. Rural SMBs travel farther to branches and are more likely to bank with the nearest FI.

We describe the data in Section 2. Section 3 presents the results. Section 4 concludes.

2 The data

The analysis uses four data sources:

1. FI branches (banks and credit unions),
2. Statistics Canada's National Address Register (NAR),
3. Canada Post's Postal Code^{OM} Conversion File (PCCF),
4. The Bank of Canada's 2023 Merchant Acceptance Survey (MAS).

We compute driving distance and time between each business location and each FI branch using standard mapping tools. To improve accuracy, we use longitude and latitude coordinates. The PCCF adds geographic identifiers and attributes to each location (Statistics Canada 2020).

2.1 Financial Institution Branches

We focus on FI retail branches as SMBs' access points to cash and financial services. The Bank of Canada compiled the branch list using multiple data sources (Chen et al. 2023; Chen et al. 2025). Branches are described by their address and the name of the FI operating them.

Chen et al. (2023) and Chen et al. (2025) calculate driving distance and driving time from consumers' homes to the nearest FI branch and also to the nearest ABM. While distance measures can be computed for ABM locations, we focus on FI branches in the SMB context for two reasons. First, SMB owners may supply ABM services when they own, rent or lease white-label ABMs. Depending on the contract with the ABM acquirer, the SMB may even provide cash to the ABM. Second, some ABMs do not accept deposits. Hence, an SMB would still need to travel to a different cash access point to deposit cash.

2.2 Statistics Canada data sets and Canada Post's Postal Code^{OM} Conversion File

Statistics Canada's National Address Register (NAR) approximates the universe of business locations in Canada (Statistics Canada 2025a). We supplement the NAR with two additional sources. The Business Register (Statistics Canada: Data Integration Infrastructure Division 2024) provides information on the distribution of firms, and the Postal Code^{OM} Conversion File (PCCF) provides geographic identifiers, described in greater detail below.

We draw a sample from the NAR that consists of addresses classified as either non-residential or mixed use. We rely on the Business Register for statistical adjustments, such as weighting, for the NAR and MAS samples.

Together, the Statistics Canada data sets comprehensively cover commercial building addresses and active businesses in Canada (Statistics Canada 2025a; Statistics Canada: Data Integration Infrastructure Division 2024).

The PCCF is jointly distributed by Canada Post and Statistics Canada. With this file, we link postal codes and standard geographic areas of the commercial address register to geographic coordinates contained in the PCCF (Statistics Canada 2020). We also use the PCCF to validate census subdivisions (CSDs) and the geographic coordinates of addresses from the NAR or BR, based on six-character postal codes.

2.3 Merchant Acceptance Survey

The Merchant Acceptance Survey (MAS) is a Bank of Canada survey of SMBs. It collects information on payment acceptance and banking relationships. We use the 2023 MAS to observe each firm's location and chosen financial institution. This allows us to measure distance to both the nearest branch and the chosen FI. The survey covers independently owned firms in retail (NAICS 44-45), food services (NAICS 722), and other services (NAICS 811-812), with fewer than 50 employees (Welte and Wu 2023). We classify firms as urban or rural using the Forward Sortation Area (FSA) code.¹ The MAS includes about 800 respondents, of which 651 are usable. Missing data mainly reflect incomplete banking or location information.

3 Access to cash: distance-based metrics

We estimate access to cash in two ways. First, we use the NAR to measure driving distance and associated driving time to the nearest FI branch. Second, we use MAS data

¹ The second character of a 6-character postal code is a numeral that identifies the area as urban or rural. A zero indicates a wide-area rural region.

to measure travel distance and time to both the nearest branch and nearest branch of the chosen FI.

Our measures follow Chen et al. (2024), who calculate driving distance and time between households and access points. We replace pseudo-households with business locations. For efficiency, we first identify the five closest branches using straight-line distance.² We then use the HERE API to compute driving distance and time. The branch with the shortest driving distance is the nearest branch.

3.1 Travel metrics using the address register

The average driving distance and driving time between SMBs and the nearest branch are as follows (see also Figures 1 and 2):

- Large urban CSDs: 1.3 km and 2.4 minutes,
- Medium-sized CSDs: 1.8 km and 3.0 minutes,
- Small urban CSDs: 2.5 km and 3.7 minutes,
- Rural CSDs: 6.9 km and 7.7 minutes.

For comparison, Chen et al. (2025) report similar distances for consumers. They find average driving distances of 1.4, 1.9, 2.1 and 9.7 km in large urban, medium, small urban and rural CSDs, respectively. In urban CSDs, differences between urban consumers' and SMBs' average driving distances are less than 0.5 km. In rural CSDs, consumers travel farther on average than SMBs to the nearest branch (Figure 1).

One explanation is that SMBs and FI branches might cluster in commercial areas. Rural CSDs are often larger, so clustering reduces the distance between commercial establishments, such as storefront businesses and FI branches. Alasia et al. (2021) also discuss the importance of these clusters for spatial accessibility. Further, Chen and Xiao (2025) show that consumers combine banking with other errands to gain efficiency, particularly in rural areas.

Table 1 reports the share of SMBs within selected driving distance and time thresholds. For comparison, the Canada Post Service Charter requires that 78% of consumers are within 2.5 km of a postal outlet, 88% within 5 km, and 98% within 15 km. For SMBs, 70% are within 2.5 km of a branch, 84% within 5 km, and 96% within 15 km. In terms of time, 76% are within a 5-minute drive, 91% within 10 minutes, and 98% within 20 minutes. See Figure 2 for a comparison of driving times for consumers and SMBs.

By region, average driving distances for SMBs are similar across British Columbia, the Prairies, Ontario, and Quebec. Average driving distance ranges from 2.7 km to 3.3 km for these regions. The median ranges from 1.1 km to 1.4 km. In Atlantic Canada, SMBs travel

² The geodesic distance is the shortest distance between two points on the Earth's surface and accounts for the curvature of the Earth.

about twice as far to the nearest branch compared with other regions, with an average of 6.5 km and a median of 2.9 km. Figure 3 breaks down distances by region.

When classifying SMBs by NAICS, retailers (NAICS 44-45) and Service Providers (NAICS 811-812) have similar driving distances, with an average of 3.5 km and a median of approximately 1.5 km (Figure 4). Restaurants are somewhat closer to the nearest FI branch as their average driving distance is 2.4 km and the median is 0.9 km.

Small SMBs with fewer than 5 employees are, on average, 3.4 km from the nearest branch. Half of them are within 1.4 km. Medium-sized SMBs are closer to the nearest branch. Their average driving distance is 2.7 km, and the median is 1.1 km.

3.2 Travel metrics using the Merchant Acceptance Survey data

The average driving distances and times to the nearest FI branch for SMBs in the MAS data are:

- 1.3 km in urban areas, or about 2.1 minutes
- 7.6 km in rural areas, or about 8.2 minutes

Half of the MAS respondents are within a driving distance of 0.6 km to the nearest FI branch (median) in urban areas, compared to a median driving distance of 3 km in rural areas, see Figure 5.³ Figure 6 shows average and median driving times.

For the sample collected in Ontario and the Prairies, the average driving distance to a branch was 1.6 to 1.7 km. This is shorter than in Quebec (3.3 km), the Atlantic region (3.1 km), and British Columbia (2.4 km). The median distances followed this pattern. Ontario and the Prairies had a median of 0.6 km. The Atlantic region had the highest median driving distance, at 1.3 km.

Among SMBs in the MAS data, NAICS 722 respondents have the lowest median distances. Average distances are somewhat larger for SMBs with more than 5 employees, although the median distances barely differ by employee count.

3.3 Detailed comparison of address-register and survey-based distance measures

The mean and median driving distances for MAS respondents to the nearest branch are similar to the same metrics calculated from the address register data, albeit with slight differences in magnitude.

³ Due to the small size of the MAS sample, we do not provide estimates by type of urban CSDs

For more granular breakdowns, results may be sensitive to outliers, especially in the MAS sample. We therefore give more weight to discussing the median because it is less sensitive than the mean. Additionally, because we did not estimate variance for the MAS data, we focus on the qualitative alignment between the two samples. In the absence of variance estimates, adjusting for multiple comparisons is challenging.

Comparing estimates of average distance metrics from the address register and the MAS does not suggest that one data source consistently produces larger or smaller estimates.

The address register appears to produce larger median distance estimates. This may reflect differences in sample coverage or sample size. The MAS includes only SMBs with a storefront or physical location, while the address register also includes SMBs located at commercial addresses without storefronts. These businesses may be located outside dense commercial clusters. Therefore, they will be farther from FI branches on average.

Figure 7 compares driving distances for urban and rural SMBs. In urban areas, the MAS yields a mean of 1.3 km and a median of 0.6 km, while the address register sample yields a mean of 1.5 km and a median of 0.9 km. In rural areas, the MAS shows a higher mean distance of 7.6 km and a median distance of 3 km, while the address register yields a lower mean of 6.9 km and a higher median of 4.0 km.

When broken down by geography, industry or SMB size, the MAS distance metrics qualitatively align with those from the address register sample, although the small MAS sample might introduce sampling noise.

The regional averages might be less robust because of the potential influence of outliers in some smaller subsamples. Average distances are lowest in BC and highest in Atlantic Canada. Median driving distances based on the MAS respondents fall within a narrow band of 0.6 to 0.7 km for British Columbia, the Prairies and Ontario. The Atlantic region also has the longest driving distance. The address register sample shows the same qualitative pattern (Figure 8). For example, SMBs in the Atlantic region travel at least twice as far as SMBs in other regions.

Variation across industries is limited in both samples. Median driving distances and times differ only slightly by NAICS code. SMBs in NAICS 722 have shorter travel distances than those in NAICS 44–45 and 811–812 (Figure 9).

Differences by SMB size vary by data source (see Figure 10). For MAS respondents, mean distances are slightly higher for larger SMBs, while median distances do not vary with employee count. In the address register sample, mean and median distances suggest that SMBs with fewer employees are located farther from branches. As mentioned above, sample coverage may explain the difference across data sources if larger SMBs are more likely to have a storefront.

3.4 Revealed banking choices in the survey data

Access to cash is only partially described by the driving distance or time to the nearest branch. For example, SMBs may face obstacles when withdrawing or depositing substantial amounts of cash at a branch that does not belong to their own FI. Non-own-bank withdrawals may incur fees and be subject to withdrawal limits. Therefore, in this section, we focus on their chosen FI.

The MAS provides information on the chosen FI for each SMB, allowing us to examine their banking choices, which is not possible with the NAR.

Banking choices in the MAS data are consistent with other surveys of Canadian SMBs, for example the one conducted by Canadian Federation of Independent Businesses (2023). Analysis of the responses reveals that 74% of small businesses chose a bank and 26% chose a credit union. Most SMBs (71%) bank with one of the 5 largest banks in Canada by assets: Royal Bank of Canada (RBC), Toronto Dominion Bank (TD), Bank of Nova Scotia (Scotia), Bank of Montreal (BMO) and Canadian Imperial Bank of Commerce (CIBC). In Quebec, many SMBs have their main account with Desjardins group, a federation of caisses populaires.

Most SMBs in the MAS do not choose their FI based on proximity only. We find that 77% of SMBs bank with an FI other than the one operating the nearest branch, while 23% use the nearest FI.

Geographic patterns show substantial variation, consistent with regional differences in Canada's FI landscape documented in the literature, e.g., Carbo-Valverde et al. (2023). Rural SMBs display a stronger preference for proximity: 39% bank with the nearest FI, nearly twice the 20% observed in urban areas.

In Quebec, 37% of SMBs bank with the nearest FI, a level well above the national average of 23%. SMBs in the Atlantic provinces and the Prairies also show similar shares (21% and 23%, respectively), while those in Ontario and British Columbia are under 20%. Caution is warranted when interpreting the Quebec estimates. As seen in Table 2, most SMBs in Quebec report Desjardins as their FI. Because Desjardins encompasses nearly 200 local caisses populaires and operates numerous business centres, we cannot determine whether an SMB uses the nearest local caisse populaire or a different local caisse Populaire or business centre located farther away. This may overstate the share of SMBs that choose the nearest FI in that province.

Across the three industries represented in the MAS, the share of SMBs that bank with the nearest FI is similar: 24% for retailers, 22% for restaurants, and 23% for service providers. Banking choices vary little by business size. Among small SMBs, 23% choose the nearest FI, compared with 25% of medium-sized SMBs.

Our results show that many SMBs travel farther to reach the nearest branch of their chosen FI than to reach the nearest branch of any FI. As illustrated in Figure 5, urban SMBs travel roughly 3 km on average, and at least half travel less than 2 km. Rural SMBs travel an average of 19 km to their chosen branch, with half travelling more than 10 km.

The average driving distances to the chosen branches are the lowest in Ontario (4.5 km) and the Prairies (4.7 km). SMBs in the Atlantic provinces travel farther, with an average of 10.4 km (see Figure 8). Average driving distances also vary slightly between industries. Service provider SMBs (NAICS 81) generally travel the shortest distance, while SMBs in retail (NAICS 44–45) and restaurants (NAICS 72) travel farther. Restaurants have the lowest median driving times (see Figure 9).

Driving distances to the chosen FI tend to be similar when we consider the size of the SMB. The average distances are slightly larger for companies with more than five employees. The median distances are essentially the same for the two size categories.

3.5 Modeling Banking Choice

Fewer than one in four SMBs bank with the nearest FI; most travel farther to bank with their chosen provider. This additional travel reflects frictions such as switching costs, service differences, and relationship-specific factors, including loan arrangements.

Prior work examines proximity in business banking in Italy (Bragoli et al. 2022), branch consolidation in the United States (Adams et al. 2023), and the effect of distance on loan interest rates in Norway (Herpfer et al. 2023). For Canada, Carbo-Valverde et al. (2023) discuss spatial and cultural proximity in consumer banking. Aguirregabiria and Vicentini (2016) develop a framework for dynamic spatial competition among multi-branch retailers. While their framework focuses on retailers, it motivates thinking about location and multi-branch networks in a concentrated market such as Canadian banking.

Taking the branch network as given, an SMB can choose among the FIs operating in its province. Although the market is concentrated among the five largest banks and several large provincial credit unions, more than 30 federally and provincially regulated institutions offer personal and business banking. This poses an empirical challenge: the MAS sample includes about 650 SMBs, and some FIs are never chosen. We therefore estimate a reduced-form logistic regression in which the dependent variable equals 1 if the nearest branch belongs to the SMB's chosen FI. We apply survey weights to address sample imbalances along key stratification dimensions.

We estimate three specifications with increasing complexity. Specification (1) includes the characteristics of the SMB with fixed effects for industry, region, size, and rural location. Specification (2) adds the natural log of the distance to the nearest branch, $\ln(dist1)$. Specification (3) adds the relative proximity of the second-nearest branch, $\ln(dist2/dist1)$. Here, $dist1$ is driving distance (km) to the nearest branch and $dist2$ to the

second-nearest branch. We treat cases where SMBs are at the same address as a branch by adding a small distance to $dist_1$.

For p , the probability that the nearest branch belongs to the SMB's chosen FI, we have the following.

$$\text{logit}(p) = \beta_0 + \beta_1(Rural, Size, Region) \quad (1)$$

$$\text{logit}(p) = \beta_0 + \beta_1(Rural, Size, Region) + \beta_2 \cdot \ln(dist_1) \quad (2)$$

$$\text{logit}(p) = \beta_0 + \beta_1(Rural, Size, Region) + \beta_2 \cdot \ln(dist_1) + \beta_3 \cdot \ln(dist_2/dist_1) \quad (3)$$

The chosen estimator for the coefficients produces robust standard errors for survey-weighted data.

In specifications (1) and (2), the geographic variables are statistically significant (Table 3). Rural SMBs and SMBs in Quebec are more likely to bank with the nearest FI (see Figure 11 for a comparison of the marginal effects for regions and urban and rural areas). In specification (2), the coefficient on $\ln(dist_1)$ is negative, so the probability that the nearest branch belongs to the SMB's chosen FI decreases as the distance to that branch increases. Adding $\ln(dist_2/dist_1)$ to specification (3) does not improve the log-likelihood measure; $\widehat{\beta}_3$ is near zero and is insignificant, and the SE of $\widehat{\beta}_2$ increases compared to (2). These observations could indicate lack of statistical power or other identification issues for $\widehat{\beta}_3$. For example, clustering of branches could result in collinearity of $\ln(dist_1)$ and $\ln(dist_2)$. Given the lack of statistical significance for $\widehat{\beta}_3$, we avoid an economic interpretation of the relative-proximity term. The positive sign of $\widehat{\beta}_3$ would be consistent with SMBs choosing the nearest FI more often when the second-nearest branch is much farther away, but the estimate is not precise enough to support inference.

Several mechanisms could explain why an SMB chooses a more distant FI, holding other factors constant. Much of the literature emphasizes lending outcomes (approval and interest rates), with proximity used as a proxy for soft information. Digitization enables SMBs to obtain credit from non-local lenders (Petersen and Rajan 2002; Fasano and La Rocca 2024) and reduces the need for face-to-face interactions. Competition may also reduce the value of proximity if banks respond to nearby competitors by adjusting pricing (Herpfer et al. 2023). Finally, proximity can change over time as branches open or close and SMBs move; switching costs may prevent SMBs from moving their banking relationship to the nearest FI.

The MAS data do not contain perceived service quality, loan terms, or direct measures of switching and search costs. Future work could extend this reduced-form approach to incorporate additional outcomes or a model of dynamic competition to better identify the frictions underlying banking choice.

4 Discussion and conclusion

This paper advances access-to-cash research in Canada by constructing new datasets that link SMB locations to FI branches. Using a unique data set on SMBs' chosen FIs, we provide evidence on the distances they travel to access in-person branch services.

First, by extending the metrics of Chen et al. (2023), we find that the driving distances and times for SMBs are similar in magnitude and pattern to consumers', based on the measure for the nearest branch.

Second, 84% of SMBs in Canada are within 5 km of the nearest FI branch. SMBs in urban areas are closer to branches than those in rural areas, consistent with the findings for consumers in Chen et al. (2025). On average, the driving distance for an SMB to the nearest branch is 1.4 km in large urban CSDs, while it is 6.9 km in rural CSDs.

Third, distance to the nearest FI branch does not fully capture access to banking services. On average, SMBs travel about three times farther to reach their chosen FI than the nearest branch. Our analysis still suggests that SMBs are less likely to choose a given FI as the distance to that FI's nearest branch increases.

Fourth, rural SMBs are both farther from branches and more likely to rely on their nearest FI than urban SMBs. In rural areas, at least half of SMBs are located more than 10 km from their chosen FI, increasing the burden of accessing in-person banking services.

These findings might have implications for cash management. SMBs in areas with low branch density may rely on cash-in-transit services or invest in secure cash storage on-site. In urban areas, proximity to a branch of the chosen FI may allow for more frequent and lower-cost cash handling. Taken together, these results shed light on SMB access to bank branches. Quantitative results based on the MAS should be interpreted with caution, as they are primarily directional and limited by sample size and the absence of variance estimates.

We outline areas for future work:

1. Investigating the role of distance and other factors that influence banking choice and access to cash, using the datasets constructed for our analysis.
2. Monitoring technological changes, such as digital payments, cash-management technologies, and developments in the cash-in-transit industry, and their implications for SMBs.
3. Better understanding merchant travel patterns, trip-chaining, and how and when they access and deposit cash.
4. Providing insights into how businesses can function as cash access points, for example, through ABMs on-site or cashback services.

5. Additional data and methodological improvements could strengthen the analysis of revealed banking choices.

5 Tables

Table 1: Proportion of SMBs and consumers within selected distances of FI branches and comparison with Canada Post’s Service Charter in 2023

	SMBs	Consumers	Canada Post
1 km	0.41	.33	-
1.57 km (walk/transit threshold)	0.56	0.53	-
2.5 km	0.70	0.70	0.78
5 km	0.84	0.83	0.88
10 km	0.92	0.91	-
15 km	0.96	0.94	0.98
20 km	0.98	0.96	-
>20km	1.00	1.00	-

Source: Chen et al. (2025), Canada Post, authors’ calculations based on Statistics Canada data, and Bank of Canada branch location data.

Table 2: Banking choice of respondents in the Merchant Acceptance Survey, selected categories

	Nearest	Big 5	Credit Union	Smaller bank
Overall	0.23	0.71	0.26	0.04
Rural	0.39	0.52	0.43	0.05
Urban	0.20	0.74	0.23	0.03
Atlantic Canada	0.21	0.97	0.03	0
Quebec	0.37	0.34	0.54	0.12
Ontario	0.17	0.94	0.06	0
Prairies	0.23	0.60	0.38	0.02
British Columbia	0.16	0.83	0.17	0
NAICS 44-45	0.24	0.69	0.28	0.03
NAICS 722	0.22	0.73	0.23	0.04
NAICS 811/812	0.23	0.71	0.25	0.04
≤ 5 Employees	0.23	0.71	0.25	0.04
6–50 Employees	0.25	0.69	0.27	0.03

Note: This table reports the proportion of merchants who selected their FI based on proximity (“choosing nearest”), and the distribution of banking relationships across major FI types: the Big 5 banks, credit unions, and smaller banks. Results are shown overall and broken down by region, industry classification

(NAICS), and firm size (number of employees).
Source: MAS 2023 and authors' calculations.

Table 3: Logistic model of choosing the FI with the nearest branch

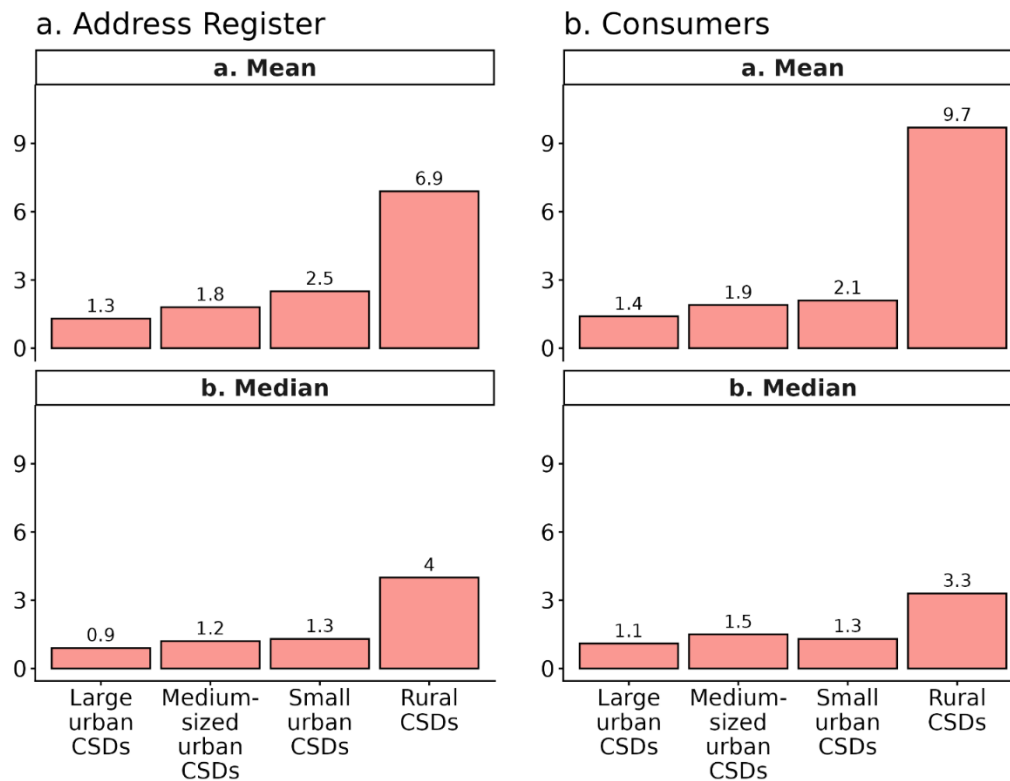
	Model 1	Model 2	Model 3
Constant	-1.731 (0.330)	-1.810 (0.338)	-1.80 (0.340)
Geography			
Rural	0.861 (0.212)	1.047 (0.228)	1.08 (0.252)
Urban	Omitted		
Atlantic	0.137 (0.528)	0.183 (0.531)	0.189 (0.533)
Quebec	1.04 (0.355)	1.04 (0.361)	1.05 (0.361)
Ontario	-0.014 (0.368)	-0.063 (0.371)	-0.059 (0.372)
Prairies	0.313 (0.387)	0.274 (0.390)	0.278 (0.390)
British Columbia	Omitted		
Industry			
NAICS 81	0.004 (0.239)	0.056 (0.240)	0.058 (0.240)
NAICS 72	-0.071 (0.261)	-0.132 (0.266)	-0.135 (0.267)
NAICS 44 -45	Omitted		
Distance			
log(distance to nearest branch)		-0.146 (0.069)	-0.163 (0.086)
log(nearest/(second nearest) branch)			0.049 (0.135)
N	648	648	648
logLik	-335.038	-332.675	-332.602

Note: The table reports estimated coefficients from logistic regression models using survey weights, with robust standard errors in parentheses. Coefficients represent the change in the log-odds of the dependent variable associated with a one-unit change in the predictor.

Source: MAS 2023, authors' calculations based on Statistics Canada data, and Bank of Canada branch location data.

6 Figures

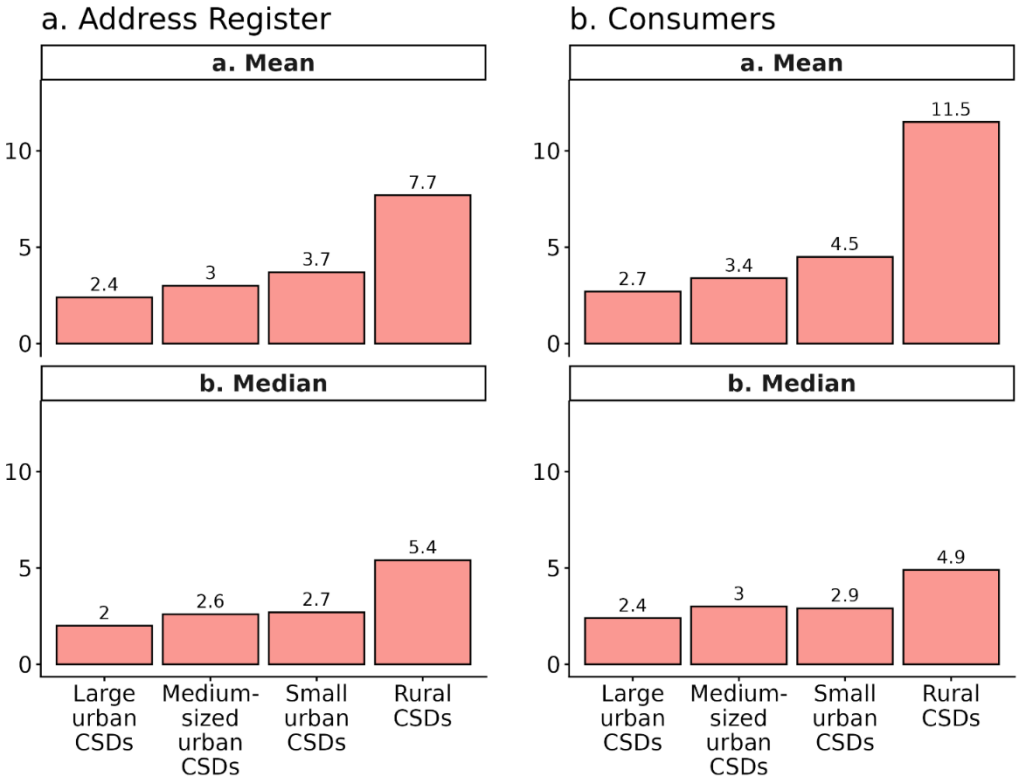
Figure 1: Mean and median driving distance (km) for SMBs and consumers to the nearest FI, by CSD type



Note: This chart shows the mean and median driving distances in large, medium-sized, and small urban CSDs, along with rural CSDs. Panel a. shows the driving distances as calculated using the commercial address register. Panel b. reproduces the distances for consumers from [Chen et al. \(2025\)](#).

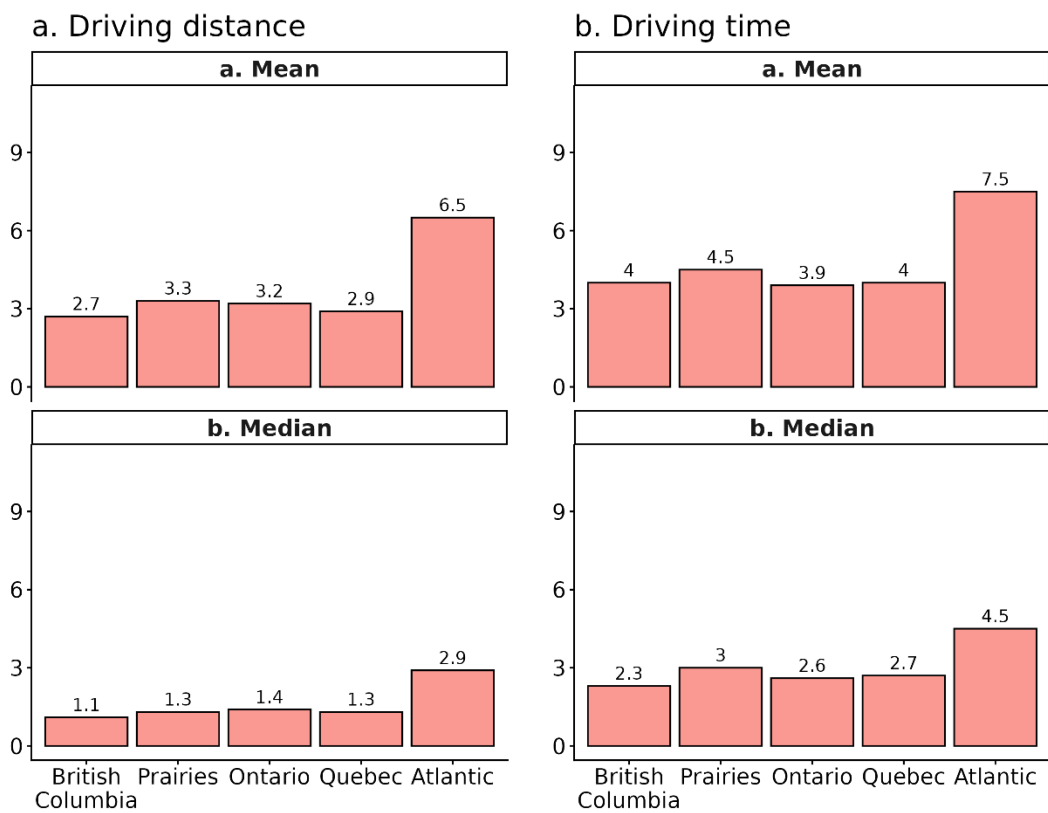
Source: Innovation, Science and Economic Development Canada, Statistics Canada, Canada Post, Bank of Canada, and authors' calculations.

Figure 2: Mean and median driving time (min) for SMBs and consumers to the nearest FI, by CSD type



Note: This chart shows the mean and median driving time in large, medium-sized, and small urban CSDs, along with rural CSDs. Panel a. shows the driving distances as calculated using the commercial address register. Panel b. reproduces the distances for consumers from [Chen et al. \(2025\)](#).
Source: Innovation, Science and Economic Development Canada, Statistics Canada, Canada Post, Bank of Canada, and authors' calculations.

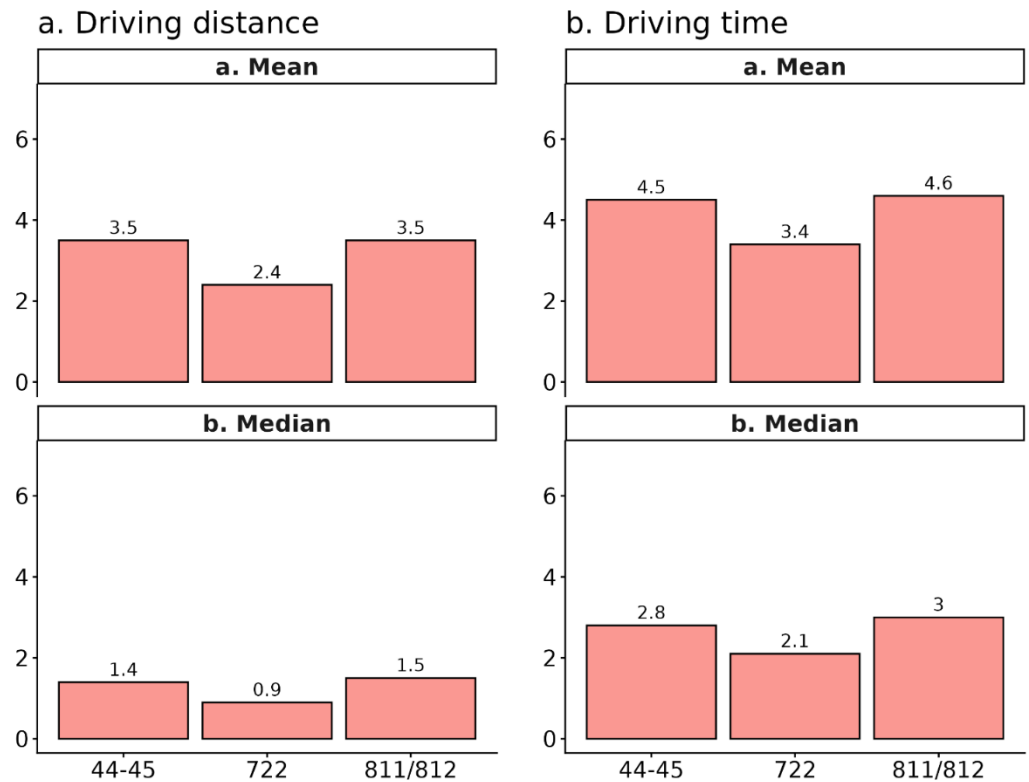
Figure 3: Mean and median driving distance (km) to the nearest FI branch, by region



Note: This chart shows the mean and median driving time for businesses based on their industry. Panel a. shows the driving distances as calculated using the National Address Register. Panel b. shows the driving times.

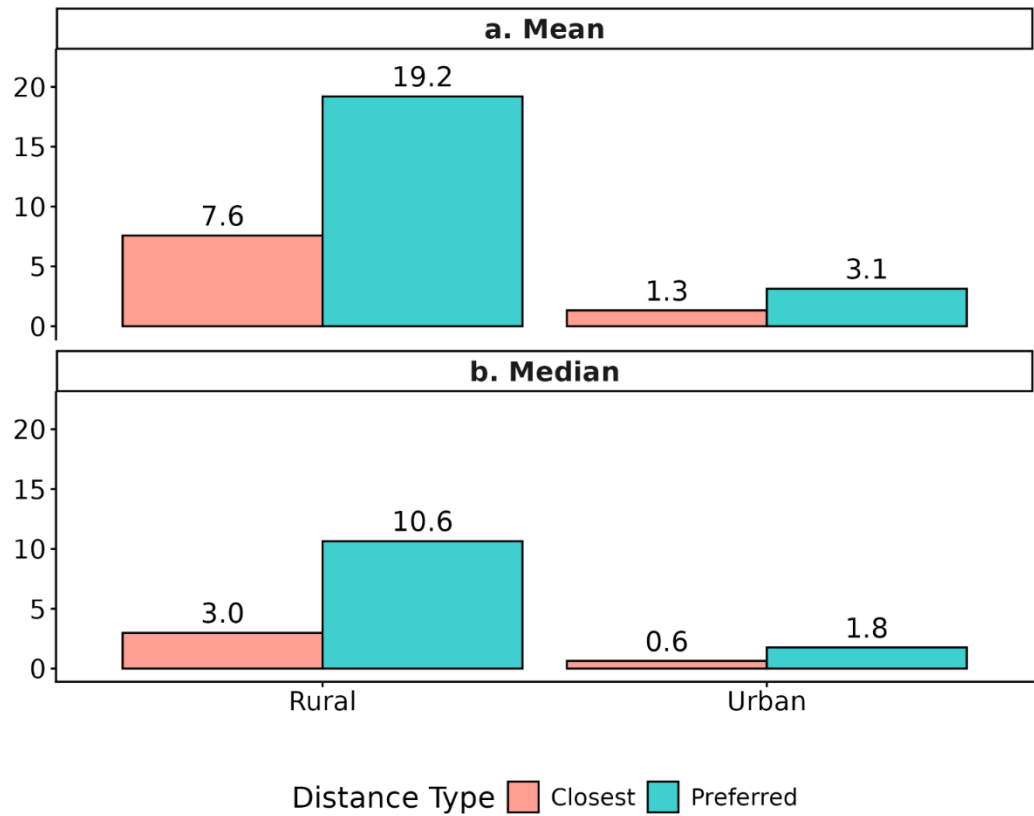
Source: Statistics Canada, Canada Post, Bank of Canada, and authors' calculations.

Figure 4: Mean and median driving distance (km) to the nearest FI branch, by industry



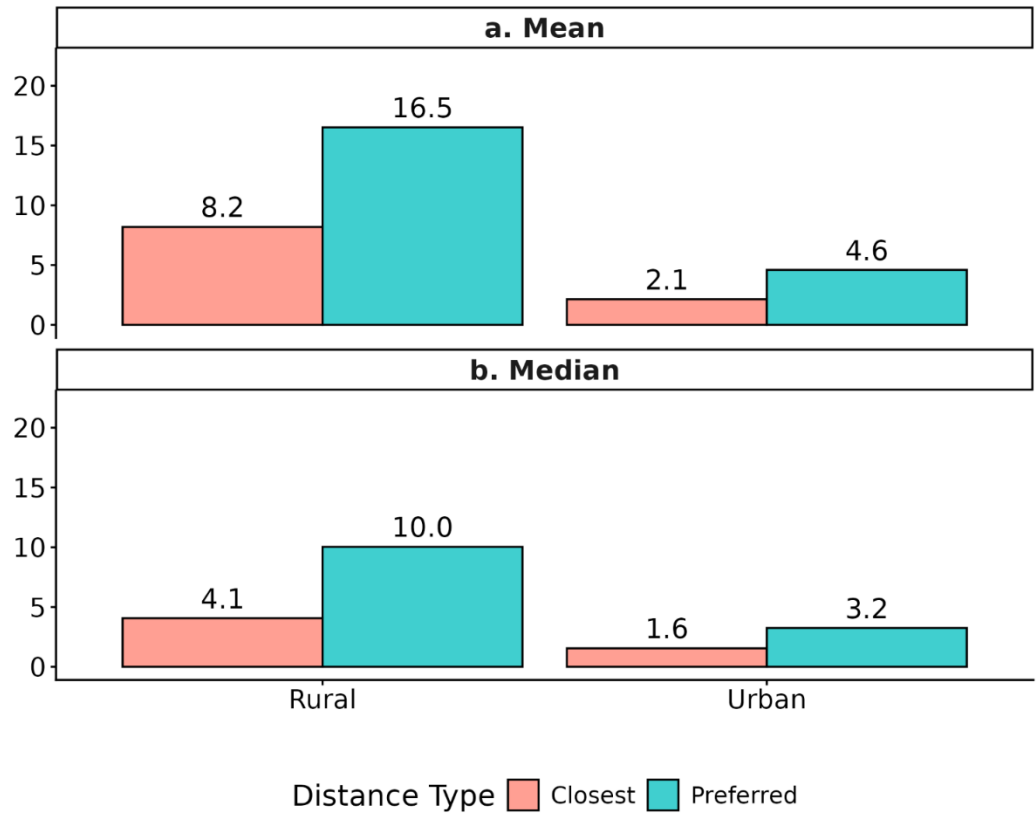
Note: This chart shows the mean and median driving time for businesses based on their industry. Panel a. shows the driving distances as calculated using the National Address Register. Panel b. shows the driving time. Source: Statistics Canada, Canada Post, Bank of Canada, and authors' calculations.

Figure 5: Mean and median driving distance (km) to the nearest and chosen FI branch for MAS respondents, by urban or rural location



Note: This chart shows the mean and median driving times in minutes to both the nearest and chosen FI branch for respondents to the Merchant Acceptance Survey. In the MAS SMBs are classified as “Rural” if the middle digit of their Forward Sortation Area is “0”.
Source: MAS 2023 and authors’ calculations.

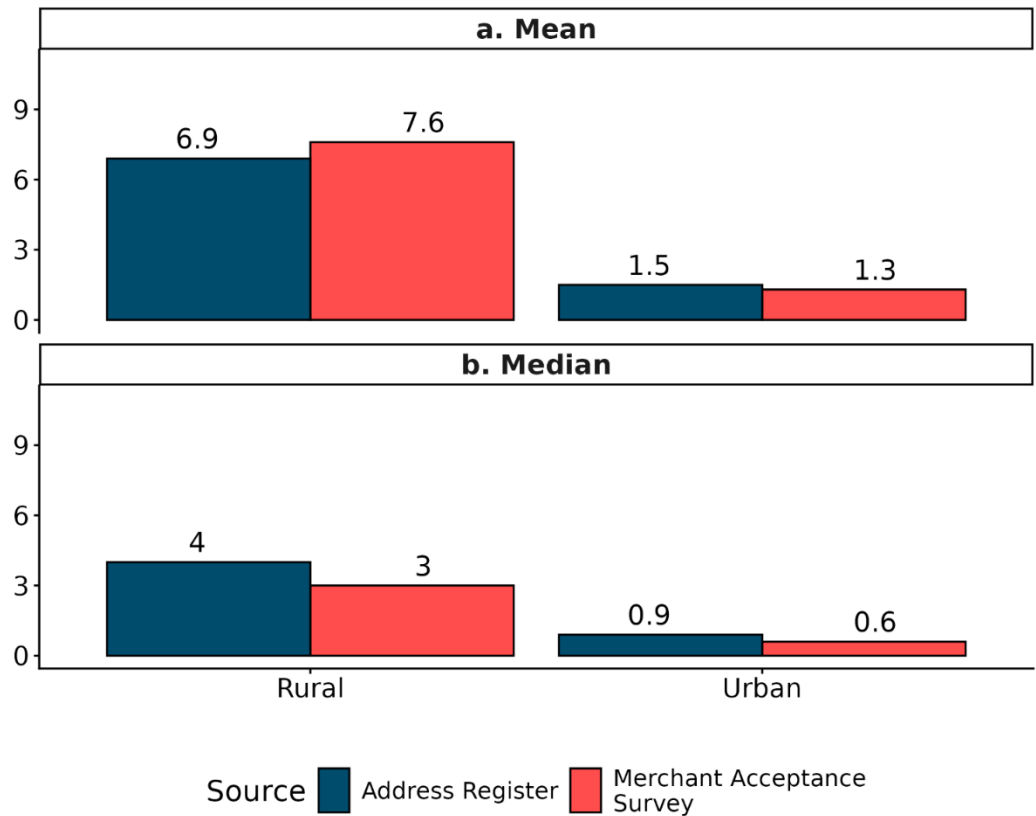
Figure 6: Mean and median driving time (min) to the nearest and chosen FI branch



Note: This chart shows the mean and median driving distances to both the nearest and chosen FI branch for respondents to the Merchant Acceptance Survey. In the MAS SMBs are classified as “Rural” if the middle digit of their Forward Sortation Area is “0”.

Source: MAS 2023 and authors’ calculations.

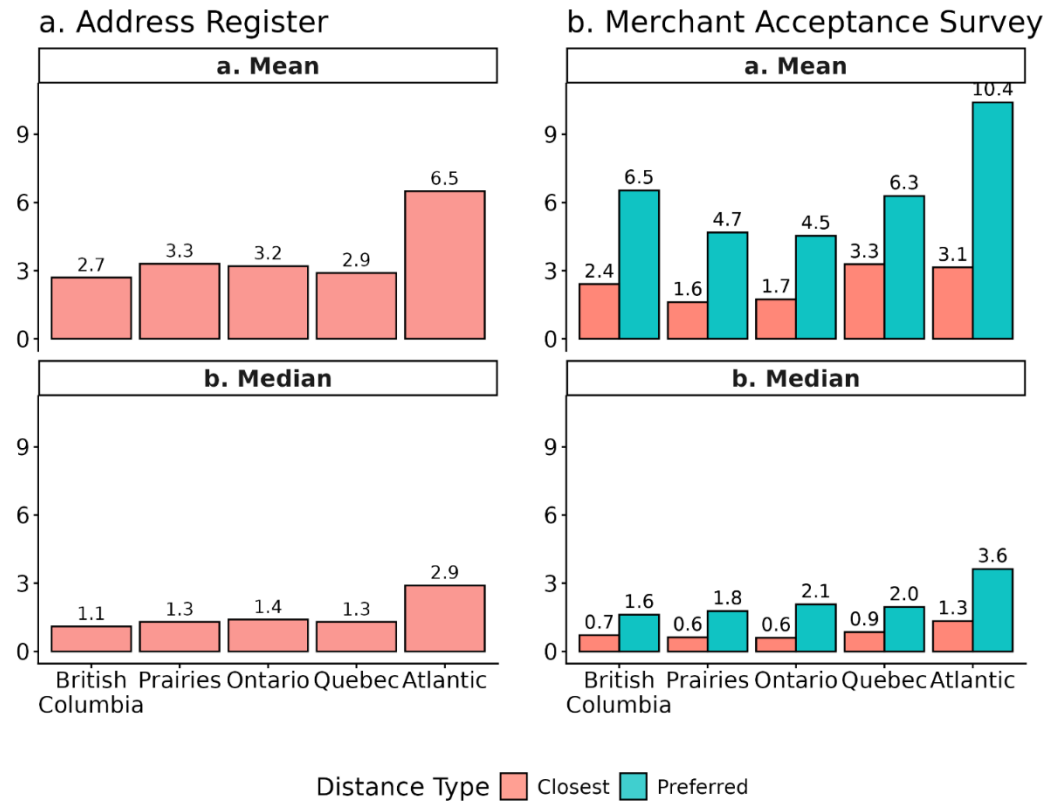
Figure 7: Comparison of mean and median driving distance (km) for the MAS and address register



Note: This chart shows the mean and median driving distances to both the nearest and chosen FI branch for respondents to the Merchant Acceptance Survey. In the MAS SMBs are classified as "Rural" if the middle digit of their Forward Sortation Area is "0".

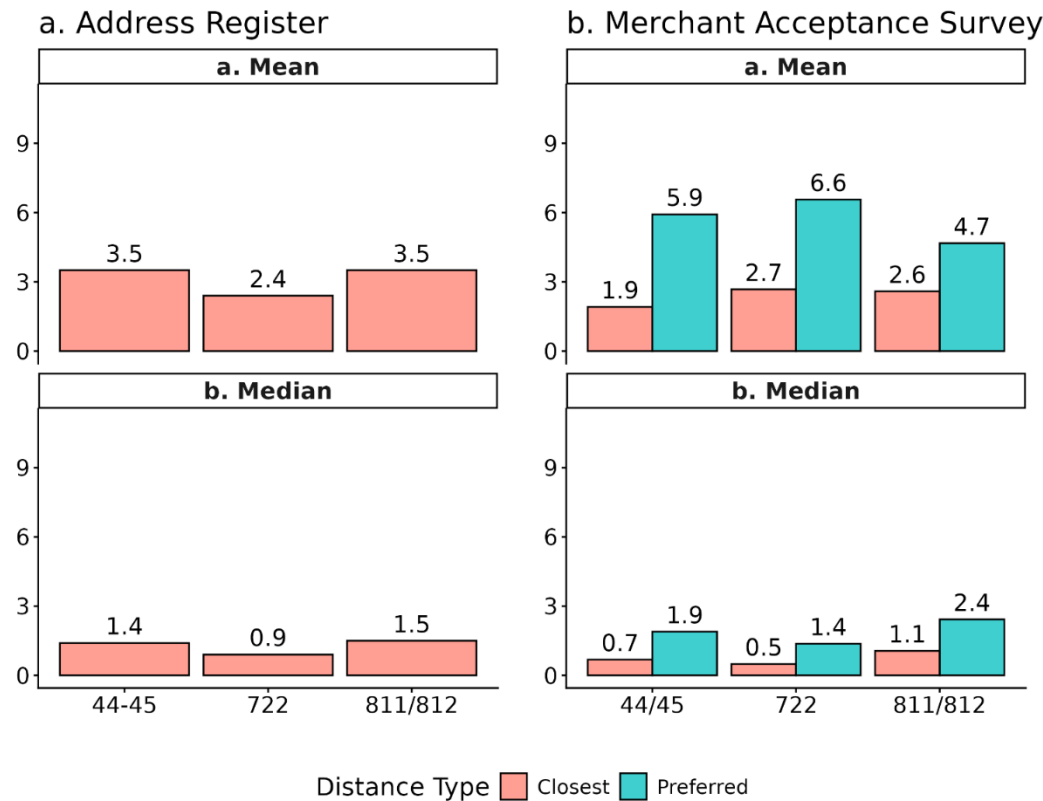
Source: Statistics Canada, Canada Post, Bank of Canada, MAS 2023, and authors' calculations

Figure 8: Comparison of mean and median driving distance (km) for the MAS and address register, by region



Note: This chart shows the mean and median driving distances to both the nearest and chosen FI branch for respondents to the Merchant Acceptance Survey and to the nearest branch for the address register sample.
Source: Statistics Canada, Canada Post, Bank of Canada, MAS 2023, and authors' calculations

Figure 9: Comparison of mean and median driving distance (km) for the MAS and address register, by industry



Note: This chart shows the mean and median driving distances to both the nearest and chosen FI branch for respondents to the Merchant Acceptance Survey and to the nearest branch for the address register sample.
Source: Statistics Canada, Canada Post, Bank of Canada, MAS 2023, and authors' calculations.

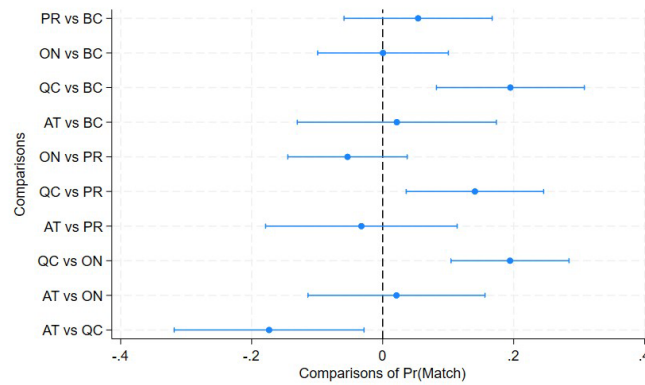
Figure 10: Comparison of mean and median driving distance (km) for the MAS and address register, by size



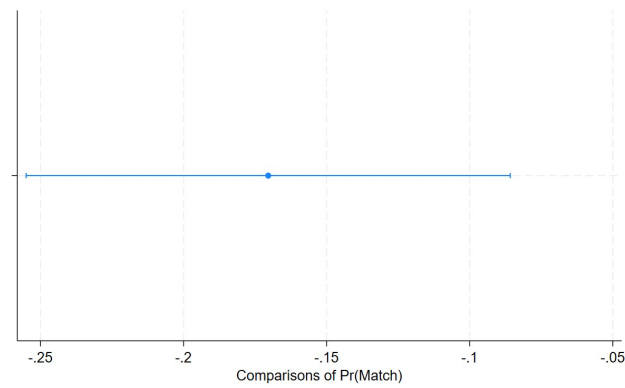
Note: This chart shows the mean and median driving distances to both the nearest and chosen FI branch for respondents to the Merchant Acceptance Survey and to the nearest branch for the address register sample.
Source: Statistics Canada, Canada Post, Bank of Canada, MAS 2023, and authors' calculations.

Figure 11: Pairwise comparison of region effect on choosing the nearest FI

a. Regional pairwise comparisons for choosing the nearest FI



b. Urban vs. rural comparison for choosing the nearest FI



Note: This chart shows the pairwise marginal comparisons of regional effects on the probability of choosing the nearest FI. Panel a. shows the contrasts across regions, comparing how much more likely a small SMB in one region is to have the nearest branch be from its chosen FI compared with a similar small SMB in another region. The dot represents the point estimate, while the horizontal line is the 95% confidence interval. Panel b. illustrates the same comparison for urban versus rural SMBs. Estimates are based on weighted logistic regression adjusting for size, industry, area, and region. Source: MAS 2023 and authors' calculations.

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8 Appendix

A Technical appendix and additional materials

A.1 Sampling Procedure for the Statistics Canada data sets

The travel metrics are obtained in two steps. First, a sample is drawn from the NAR, which is then joined with the PCCF. Second, the driving distance and time to the nearest branch are computed.

As a first step, we draw a stratified random sample of addresses to ensure sufficient geographical coverage, while also limiting computational time and cost for distance calculations. The sample is first stratified by census subdivision (CSD). We use the same typology of CSDs as in Chen et al. (2023), resulting in three types of urban CSDs and one rural CSD. The sample contains 45,000 addresses covering nearly 40,000 postal codes. These postal code areas in turn represent about 75,000 small and medium-sized businesses in the scope of the study.

In a second step, the sample is weighted according to Chen et al. (2024) to match the business counts of Statistics Canada's Business Register by CSD, business size and NAICS code.

This sample represents a population of approximately 332,000 merchants in NAICS codes 44/45, 722, and 811/812, or 8% of the active business count in Canada for 2023.

The detailed steps in the sampling procedure are as follows:

- Link the National Address Register (NAR) with the Postal Code Conversion File to validate and assign a CSD to each address.
- Partition the NAR according to CSD: $NAR = \bigcup NAR_i$
- For all CSD i repeat:
 - Draw commercial buildings cb_{ij} , $j = 1, \dots, n_i$ from NAR_i , and obtain the postal code c_{ij} associated with building cb_{ij} .
 - The postal code sample is $C_i = \bigcup \{c_{ij}\}$, in other words the de-duplicated list of postal codes of the cb_{ij} .
 - For each $c_{ij} \in C_i$:

- * Obtain longitude and latitude coordinates $(long_{ij}, lat_{ij})$ from the Postal Code Conversion file to the postal code c_{ij} .
 - * Identify the 5 nearest FI branches by straight line distance to the point given by $(long_{ij}, lat_{ij})$.
 - * Submit these 5 branches to the HERE API to identify the shortest driving distance d_j and associated driving time t_j to the nearest branch from $(long_{ij}, lat_{ij})$.
 - * Define BR_{ij} as the subset of the BR of all businesses with postal code c_{ij} that are of scope according to NAICS and number of employees (SIZE).
- Form the union $B_i = \bigcup_j \{(b, c_{ij}, long_{ij}, lat_{ij}, d_j, t_j, csd_j, NAICS_{ij}, SIZE_{ij} : b \in BR_{ij})\}$
- Compute weights w_k for the sample $B = \bigcup_i B_i$, calibrating B to CSD and NAICS.
 - Note that this union may not be disjoint. This may happen when postal codes are not nested in CSDs.
 - The sample consists of observations

$$(b, c, long, lat, d, t, csd, NAICS, SIZE, w).$$
 - Delete all intermediate outputs.

This algorithm can be made more efficient by keeping track of the postal codes visited in the inner loop.

Per Chen et al. (2023), we draw at least one business per CSD. Not all CSDs contain addresses classified as non-residential or mixed-use businesses, such as CSDs with low populations (e.g., fewer than 500 residents). Therefore, our sample covers 3,043 CSDs.