

Merchant Cash Advance Automation to Offer SMEs and Gig-Workers with Instant Access to Specialized Finance

Staff

10-20

Location

USA

Target audience

SMEs and gig-workers

Lending model

Merchant Cash Advance

MARKET OPPORTUNITY

Merchant cash advances aren't a new concept and in the current climate, it is a financial product that can be used both by large scale enterprises and micro-entrepreneurs like delivery people or drivers. As gig-economy is making its way through the services sector, more and more members of the workforce become independent contractors. And just like any other business entity, they need access to financial solutions that are tailored to their needs.

While launching a conventional lending operation can take a significant amount of time, expertise and effort, the merchant cash advance space is a lot less regulated and presents a promising window of opportunity for both finance providers and users.

CHALLENGE

The merchant cash advance business model allows entrepreneurs and SMEs to obtain business finance when life takes unexpected turns. At the same time, this business model requires automation tools and functionality not commonly available within conventional digital lending platforms.

To fit the needs of different types of Merchant Cash Advance providers, an effective solution needs to have relevant pre-configured integrations and business flows capable of handling the main approaches to scoring and collection.

1 Revenue share

A borrower repays the advance by automatically charging a percentage of the business's sales. In this case, MCA provider gets the client's bank statements every day/week and charges a percentage of the income visible on the business account.

2 Fixed model

This approach requires a more sophisticated scoring model and long-term prediction capacity. An MCA provider analyses the historical business income data and makes a prediction of the future revenue to set a fixed contributions' amount.

CHALLENGE

A significant amount of business analysis and product development were invested into the creation of the dedicated MCA edition of the TurnKey Lender's AI-driven lending platform. The new solution works efficiently for Merchant Cash Advance providers out of the box handling numerous standalone advances' settings, factor rates, regular bank statement scoring and contributions' collection, etc.

TurnKey Lender Merchant Cash Advance edition includes:

- A reimagined application flow specific to MCAs
- Ability to extend multiple offers which is a common requirement
- New industry-specific calculation options for quick deployment of new advance options
- Customer portal tailored to the MCA business model
- Revenue generation through establishing a factor rate
- A new calendar that allows flexibly charging contributions on business days
- Dwolla Contributions integration and an expansion to the existing Plaid integration
- MCA debit forecast and contributions' collection
- New terminology within the software and the documentation that addresses MCA regulations

The two most common use cases TurnKey Lender is fully capable of automating: TurnKey Lender Merchant Cash Advance edition includes:

- Advances for gig-workers, like drivers or delivery people, for whom the advances will be smaller sums and the collection will be carried out on a daily or weekly basis.
- Large-scale businesses that require large amounts in their advances and a higher level of long-term income prediction is required.

The percentage of the income and other terms of the merchant cash advances are fully configurable on the credit product level. The rate at which contributions are charged from the client's bank account can be daily, weekly, monthly, or other, custom, regularity.

NEXT STEPS

Ready to start your own Merchant Cash Advance success story with TurnKey Lender?

Book an intro call today.