Square to Offers Financing to Small Businesses

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The following story has been changed to include comment from Square that it is not offering small business loans but rather cash advances for a fee.

Mobile payments provider Square today launched a new service called Square Capital that it says is designed to give small business easier access to funds.

Square Capital aims to do away with the lengthy process of applying for a small business loan, and is instead offering cash advances to those businesses. The company said in statement that there is no application and businesses get their money as soon as the next business day.

Faryl Ury, a spokewoman for Square, made distinction between an interest-based small business loan and what Square is offering.

"The product is a merchant cash advance, and not a loan," Ury said via email. "The seller knows the cost upfront and it doesn't change over time."

To pay the advance, businesses automatically pay Square as a set percentage of daily card sales, so they pay more when sales are strong and less if things slow down.

Square said it creates unique offers for businesses with the expectation that sellers will complete their advance in approximately 10 months, although there is no set time frame. The cost to the seller never changes, regardless of how long it takes to repay Square.

The company conducted a pilot produce where thousands of sellers used Square Capital to buy equipment and inventory, hire more employees, and add new stores. Many neighborhood businesses with access to alternative funding sources chose Square Capital for the simple and fast process.

New York–based Cafe Grumpy owner Caroline Bell said in a statement that she was grateful for Square Capital, which helped her add a sixth coffee shop location and expand her roastery."

"We got our money quickly and the ease of automatic payments allowed us to focus our time and energy on serving great coffee to our customers," Bell said.

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