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Merchant cash advance is the new kind of business loan by Sadie Rad

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Small businesses are on the rise everywhere and all they need is funding. It is absolutely necessary to have a large sum of capital before even considering coming into the business world. Lending from banks is such a huge hassle that people avoid the regulatory procedure for some alternative in place. Merchant cash advance belongs to a booming industry and has a massive demand on the rise and gives quick access to money for any person setting up a small business.

This industry has grown significantly on the basis of booming demand since the past two years, and in this short period of time it boasts round about 50 providers and many supporters and critics have concluded that the less amount of borrowing available from banks has resulted in this popularity. These providers can charge interests or premiums of about 30% or even more, just to avoid critics from getting up on their case. The concept is rather simple and hassle free, it comprises of merchant cash advance service providers giving businesses a start up cash amount in exchange for a portion of their oncoming sales and revenues. These providers are rather clever and mainly target businesses like restaurants and other service plus retail ones that are least likely to qualify for loans because of their bad credit history and low reliance. But, the reason why their sales are so strong is because most of them are through credit cards, something that really attracts these merchant cash advance companies. However, these merchants feel that companies need to be serious about the advances offered, as much as they are with loans because thatâ€™s one of the major incentives for them to earn profits.

As mentioned before the advances themselves arenâ€™t loans and that explains why they donâ€™t give a much burden as their counterparts. The concept might be confusing for some, but is much simpler in reality. Merchant cash advance owners are not controlled by the laws of interest rates; therefore they donâ€™t make it mandatory to pay regular fixed partial payments of the loan amount. What they aim to achieve is deducting a small percentage of money from regular credit card sales until they retrieve the amount they gave out and over and above premiums of course. Both sides are on an advantage because the lenders can pay only when they are profiting or making sales and arenâ€™t forced to pay when theyâ€™re not earning anything. As for the merchant advance payment owners they also receive regular payments that can make up for the money they gave out very easily.

Some people claim that merchant cash advance is their only option out because banks refuse to lend them any money because of low levels of reliability. But even people who are being offered loans resort to this alternate method because it gives them much more satisfaction and convenience based upon not so stringent measures for repayment. Even though currently this industry occupies only 5% of the toal lending potential it is capable of much more on the basic of the increasing demand that every company has including the awareness of course.

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