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Square offers small-business loans

By [Mark Garrison](#)

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Square CEO Jack Dorsey demonstrates the Square payment system Congressman Dave Camp and Senator Max Baucus while touring the Square headquarters on August 19, 2013 in San Francisco, California. - [Justin Sullivan/Getty Images](#)

The company behind those gleaming white stands that many small businesses use to swipe your credit card is trying something very different. Square — best known for processing payments — is now offering loans to its clients

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expanded from two chairs to 30. In the past, Ghianni used cash advances from Square to fund some of that growth. He can see himself taking out future loans from Square, because it promises to be easier and faster than traditional banks.

“Last time I went to the bank to do some expansion, it just was hours and hours of putting together paperwork and pulling out figures,” Ghianni sighed. “[With Square cash advances,] they just looked at your credit card intake.”

Square’s new loans build on those cash advances. There won’t be traditional loan paperwork. Business owners will be automatically offered loans through their Square dashboards that they can quickly accept and spend. Fees will range between 10-16 percent, with 18 months to repay. Square will get its money back by taking a larger than normal cut out of the transactions it processes for the business.

Fast and easy loans have strong appeal to small business owner, who have struggled to get loans to expand in recent years, even when their sales numbers are good. Square’s relationship with those businesses could give it an advantage over traditional lenders.

“In contrast to a regular bank, Square has got access to real-time transactions,” said Duke business professor Campbell Harvey.

Square can use all the data from transactions it processes to anticipate what businesses are fast-growing enough to need a loan and stable enough to pay it off.

But processing credit cards is still a world away from lending money. Any business risks faltering when it moves into a new area. Trip Chowdhry, managing director of Global Equities Research is a skeptic about Square in general and thinks it is making a mistake.

“These are completely different businesses. They require a different skill set,” he said.

But Square thinks it can pull it off. Its wager is that its connection with small

businesses and treasure chest of data on them gives it an advantage over competing lenders. The hope is it'll provide the right ones with the money to grow, meaning they'll be swiping a lot more credit cards and paying a lot more money to Square.

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