

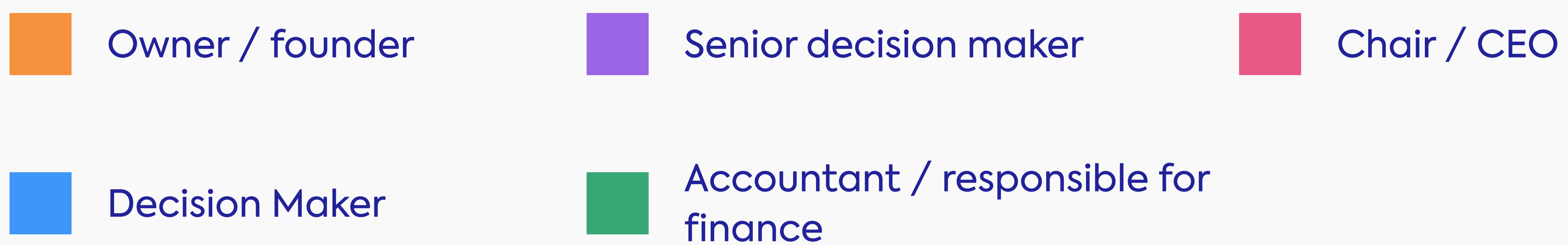
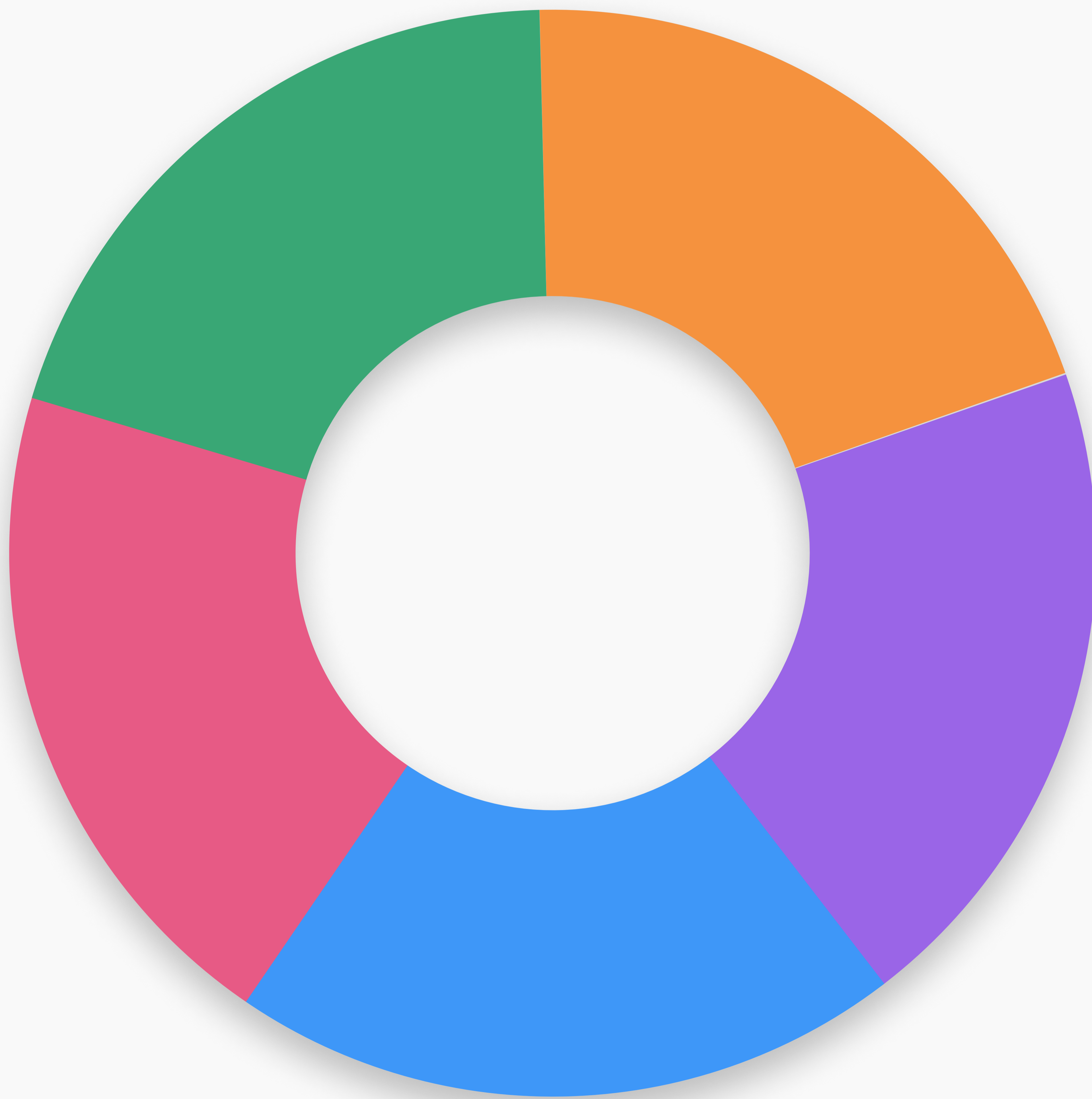
# Leveraging data to optimize merchant lending

Merchant insights



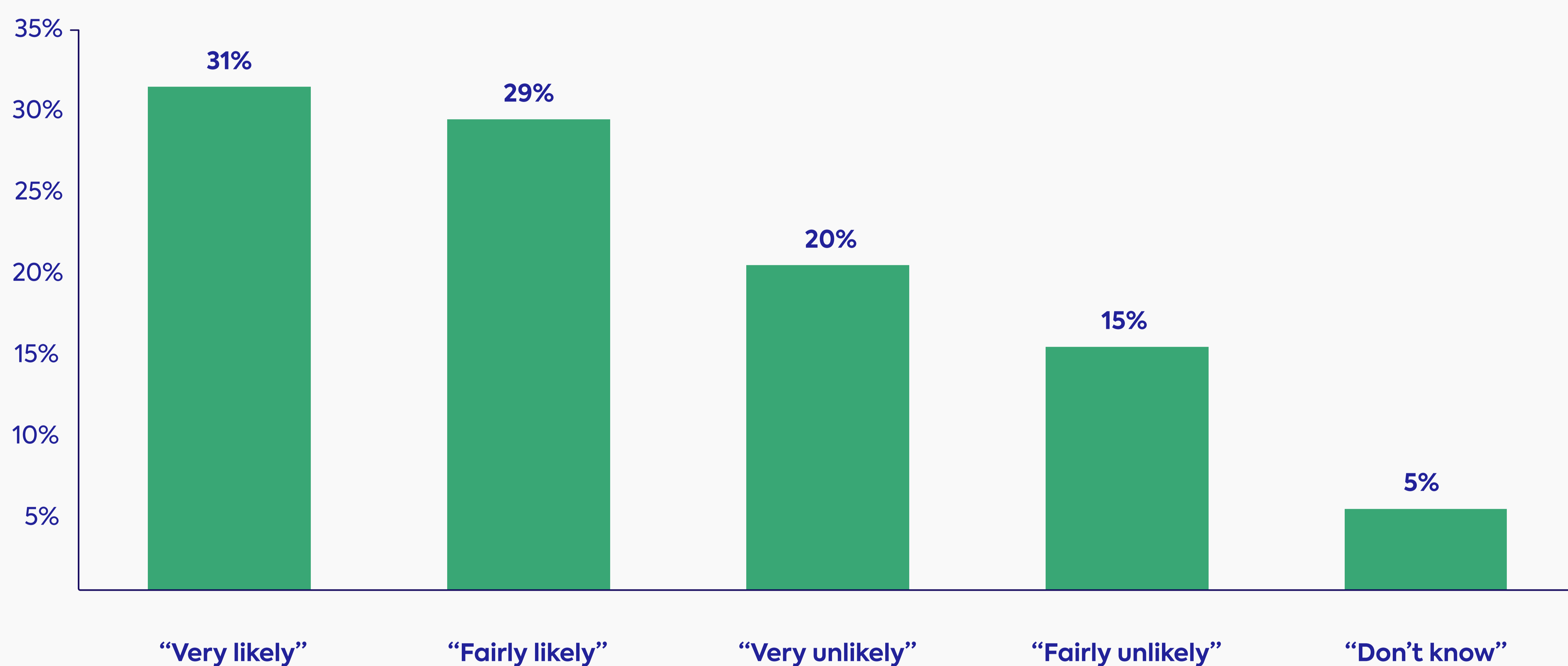
# Methodology

In March 2024, Codat conducted a survey of 350 US merchants to uncover more about their appetite for taking capital from their payment provider. The research covered SMBs from 0-1000 employees and was carried out via Attest, a leading research platform.



**Insight 1:****There is high demand for capital among merchants**

Within the sample surveyed, 61% of respondents said they were fairly likely or very likely to apply for credit within the next 12 months. The most common reason for wanting credit was to invest in the business (44.8%), followed by help with general cash flow (36.3%). The most common amount they wanted to borrow was between \$50-100K (21.8%), next most common was \$250-500k (16.1%)



**Q:** Thinking ahead, how likely is it that your company will apply for (more) external credit from a bank/lender in the next 12 months? N=350

**Take away:**

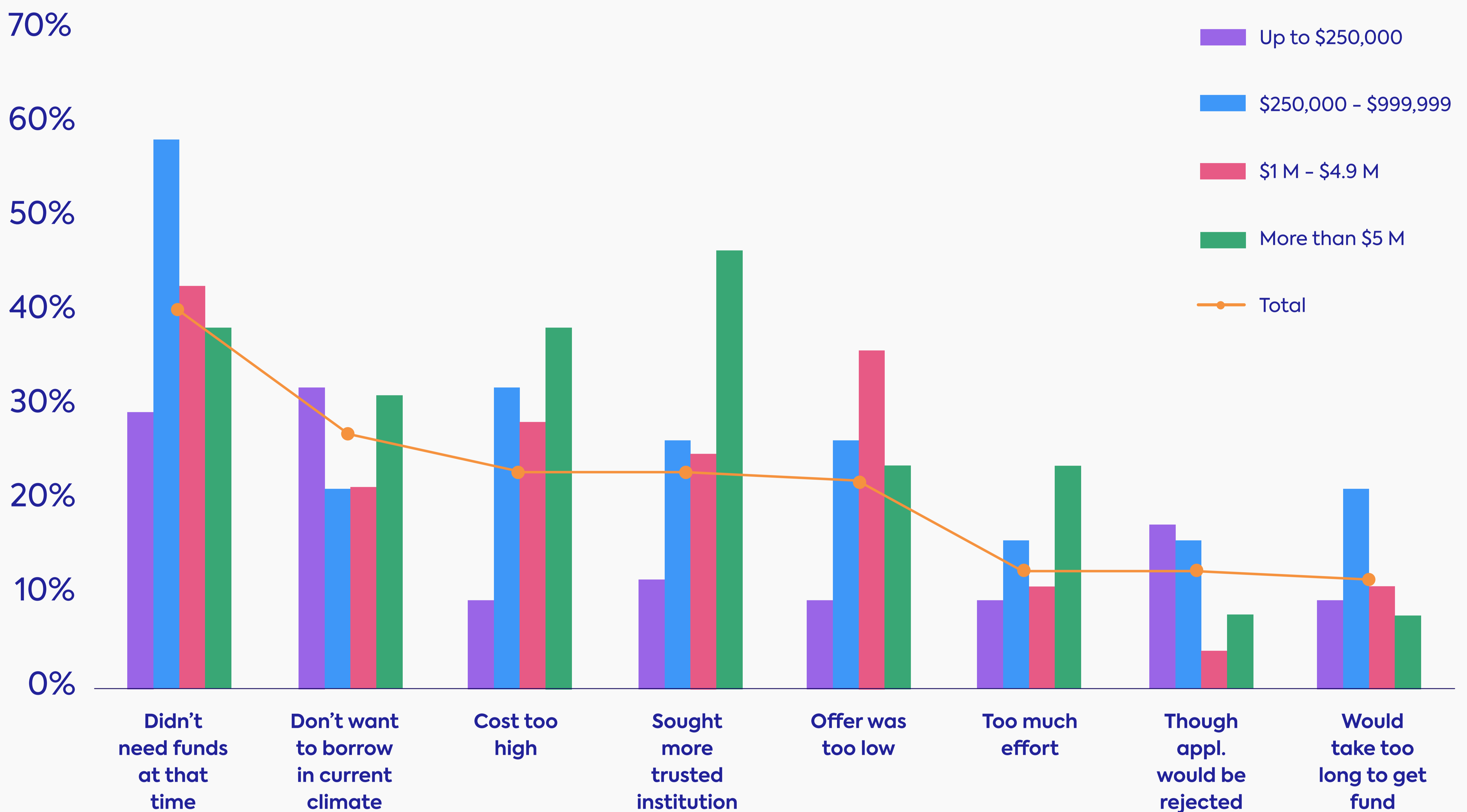
Where payment companies experience low take rates for capital offers, it's not simply a case of a lack of want or need for credit. There are likely other factors at play related to the capital proposition and how it is offered.

Insight 2:

**Receiving an offer that is too low is a significant factor in choosing not to take up capital, particularly for larger merchants.**

The top reasons selected for not taking up a loan offer from a payment provider were: not needing capital at that time (40.2%), being reluctant to borrow in the current climate (26.8%) high cost (22.7%), lack of trust in the brand (22.7%) and the amount offered was too low (21.6%). For merchants with revenue above \$1 million, the 'offer was too low' jumps to 31.7%

The perception of high effort, time taken or fears of rejection are not significant factors in the decision not to take up an offer. (This differs from typical credit offers.)



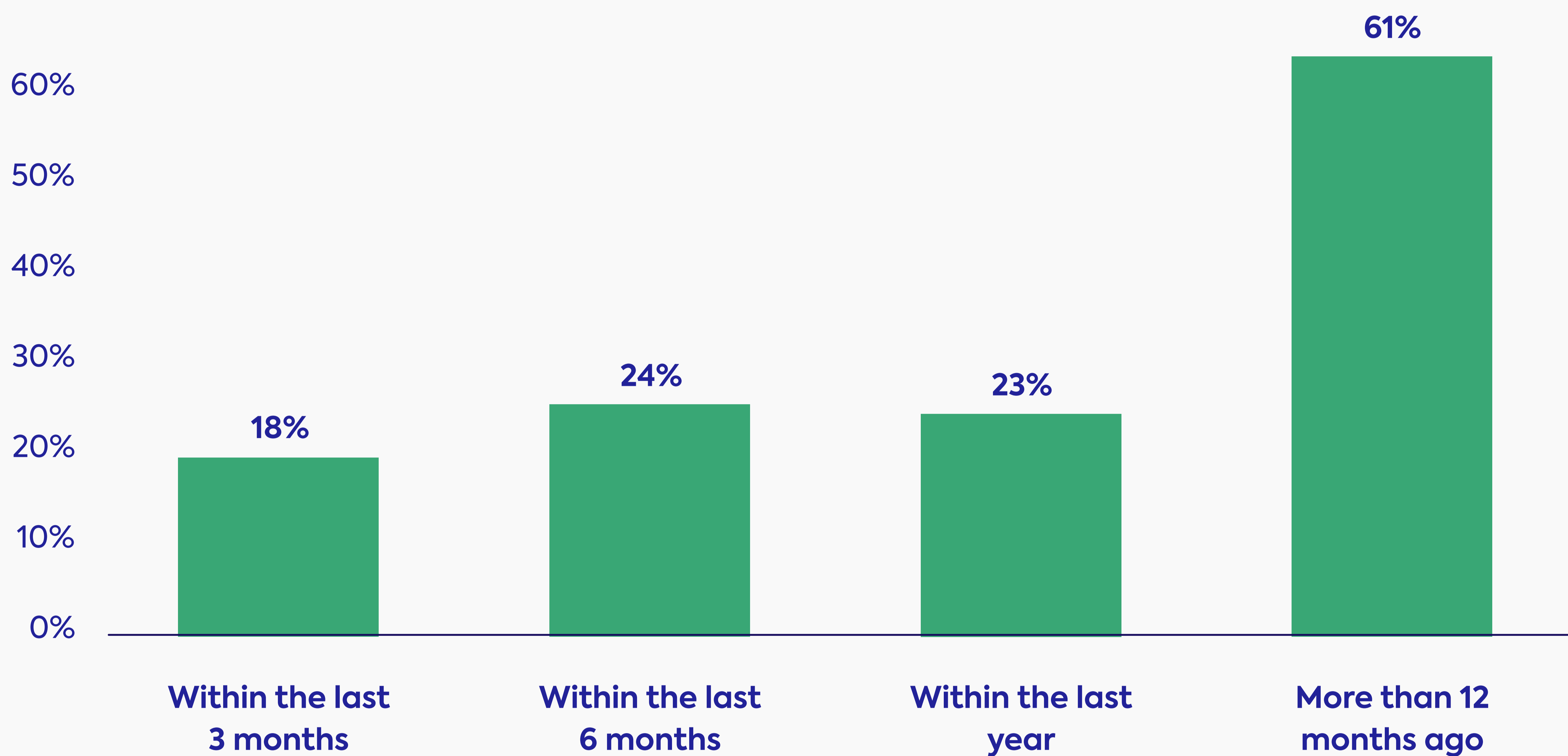
Q: You said that you didn't accept the offer of a loan / credit from your payment provider. Why? (Select all that apply)“ N=97

**Take away:**  
 Increasing the size of the loan offered could positively impact take rates of capital.



**Insight 3:****A high proportion of merchants surveyed had started using a new payment provider within the past 6 months**

36.8% of those surveyed said they had started using one of their payment providers within the last 6 months. 18.2% said they had started using a payment provider within the last 3 months. Payment providers may assume that new to platform merchants are recent upstarts with low revenue. Our findings do not suggest that this is an accurate assumption. Within the cohort of merchants who had recently started using a new payment provider (last 6 months), 41% had an annual turnover of over \$1 million.



Q: When did your business start using the following payment system? N=345

**Take away:**

Finding ways to pre qualify new-to-platform merchants could significantly increase the pool of creditworthy merchants open to capital offers.

## About Codat

Codat helps banks and payment providers build deeper connections with their business customers.

We offer products that make it easy to access, synchronize and interpret data from customers' financial software for specific use cases, such as underwriting business loans and accounting automation.

Some of the largest providers in the world, like PayPal, Fiserv and Toast, use Codat to establish new revenues streams, grow share of wallet and reduce churn.

To learn more about our platform, get in touch via our website or the email address below.

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