

# Smart Lending with Blockchain

## Executive Summary

According to the US Small Business Administration, the top two reasons small businesses fail are sluggish cash flow and limited access to financing. Yet the huge amount of capital required to get a business loan from a bank has led many small-to-medium businesses (SMBs) to seek alternative sources of financing. SMB lenders often find it difficult to gain the trust of borrowers seeking funds due to lack of collateral and transparency into financials. The credit risk associated with traditional lending as well merchant credit advance type lenders, can be mitigated by providing complete and real-time transparency to the books of the borrowers. Alontrus Group, smart lending blockchain platform, allows borrowers to securely and immediately share their financials and cash flow information with lenders in order to obtain the best possible rates available in the market.

## Challenges in Lending to SMBs

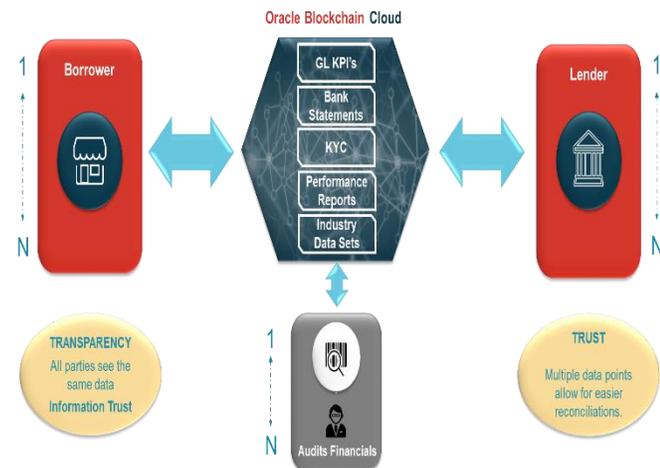
Some of the key challenges that banks and alternate lenders face in working with SMB borrowers are:

- **Lack of Transparency to Financials:** Lender has no insight into the underlying true financials of the borrower
- **Low-Quality or missing Collateral:** Generally, they do not have any collateral to pledge
- **Long Onboarding time:** Collecting verified financials from borrower is time-consuming and increases onboarding cost.
- **Fraud Potential:** Borrower has ways to dodge repaying the credit fees by showing lower revenue through monitored channels
- **High Operational Costs:** Lender has high operational cost for collections and may have to resort to alternate means to verify
- **Lower Lending Potential:** Lender deliberately lowers the amount of credit offered to limit risk exposure
- **Non-Competitive Rates:** To protect against the risk, the lender increases the borrowing rate may become non-competitive

## Our Solution

Our solution can fundamentally transform the SMB and the lending business by following capabilities to lenders:

- **Real-time** access to key company financial KPI's is obtained by direct permission access to the borrowers' financial systems
- **Trusted** tamper proof network is created among parties where everyone agrees to the numbers
- **Numbers**, financials and credit card receivables are reconciled. Smart Contracts allow interest rates to adjusted automatically.
- **Direct** Integration using adaptors.
- **Validated** audited financial statements by a financial auditor
- **The solution** is flexible to be offered to a marketplace where lenders can bid for different clients based on their risk appetite.



## Benefits

A blockchain based smart lending solution can result in a dramatic improvement of operational efficiencies, reduction in fraud and increase in the size of the loan book for small and big lenders. Our benchmark business case conducted with an alternate lender who adopted this solution found the following tangible benefits for their business:

- Higher Operational Efficiencies by reducing collections efforts
- Higher Lending book volume with faster onboarding
- Ability to offer better rates to customers who offer complete transparency to their financials
- Reduced credit risk and lower Charge-Offs

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