Article published on December 9th 2011 | Finance

In the current economy, small businesses act as a literal backbone. Merchant loans can be significantly helpful for the growth of small businesses, whether funds for the expansion of facilities, the addition or upgrading of equipment, or for buying extra inventory, are needed.

Full-fledged bank loans, merchant loans and cash loans are some of the different types of loans that can currently be obtained by people. However, to make a well informed decision, the actual difference between these types of loans must be known.

Firstly, business owners can face a real problem if rather than taking merchant loans, they take out personal loans. Firstly, rather than being based on the finances of the business, a personal loan is based on the personal finances of an individual. Secondly, rather than the business being responsible for paying off the loan, individuals themselves are personally liable of paying it off and this is another drawback. Since collateral is usually placed against such a loan, the bank goes after it when a personal loan is failed to be repaid, no matter what the reason. A home, personal bank account and private cars are some of the collaterals that individuals place against a personal loan. In a situation where the loan is not repaid, it can result in a huge disaster for the entire family of the borrower.

When a loan is needed for a short period of time, especially for a business, even banks loans will not be suitable. In comparison to the money that might usually be needed by business owners, bank loans offer far more money and rather having a payoff of weeks or months, it goes on for years. Qualifying for a bank loan might not be a problem, but the real issue is closing one and usually such a loan that cannot be used is as useless as not having a loan at all. Regardless of whether a bank loan is taken out as a personal loan or a business loan, rather than being a short term investment they are more of a long term investment, which might not be ideal for small businesses.

On the other hand, business loans that are designed exactly for this purpose happen to be merchant loans. The responsibility of paying merchant loans usually lies on the business itself. Thus when merchant loans are obtained by business entities, there is no risk of any personal property or credit getting affected. When it comes to short term situations, such as when inventory for seasonal business has to be increased and any other short term needs, merchant loans happen to be really ideal. The fact that rather than paying back the amount of the loan in a specific way at a specific time, credit card receipts can be used as a means of paying back third party merchant loans, which is a huge benefit. Unlike any other kind of loan, this level of added flexibility is only available with merchant loans. Thus, merchant loans are ideal for business owners and the best place to get them is from Merchant Cash Advance.

Article Source:
http://www.articleside.com/finance-articles/the-difference-between-merchant-loans-and-personal-loans.htm - Article Side

Amos Ben - About Author:
The writer is an expert in a small business loans, a merchant cash advance and works with merchantcashadvances.org

Article Keywords:
merchant cash advance, small business loans

You can find more free articles on Article Side. Sign up today and share your knowledge to the community! It is completely FREE!