BANKING ON E-COMMERCE

HOW BANKS CAN CAPITALISE ON THE E-COMMERCE GROWTH STORY



JUNE 2026

QUINLAN &ASSOCIATES

TABLE OF CONTENTS

SECTION	TITLE	PAGE
SECTION 1	AN EXPANDING PLAYGROUND	4
SECTION 2	BARRIERS ENCOUNTERED	10
SECTION 3	CURRENT SOLUTIONS	20
SECTION 4	THE OPPORTUNITY FOR BANKS	25
SECTION 5	HOW WE CAN HELP	33

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EXECUTIVE SUMMARY

E-commerce has fundamentally changed the way both consumers and businesses shop, with global B2B and B2C e-commerce Gross Merchandise Value ("GMV") reaching a staggering USD 13.2 trillion in 2025. Capitalising on numerous structural growth tailwinds, the industry has seen the rise of a plethora of third-party e-commerce merchants, numbering over 31 million in 2025 and accounting for the lion's share of global e-commerce GMV, with an especially outsized GMV contribution in Asia.

Compared to traditional retail, e-commerce platforms generate rich, standardised, and contextualised data by capturing both fund flows and fulfilment, materially enhancing underwriting potential. In principle, while this should improve access to bank credit for e-commerce sellers, most banks remain structurally disconnected from the e-commerce ecosystem and lack access to real-time financial and operational data. This separation limits their visibility into merchant performance and creates several key challenges, including (1) inaccurate credit profiling, (2) incompatible product offerings, and (3) an inability to control platform funds. Coupled with persistent operational frictions and prohibitive onboarding costs, most banks, especially in Asia, have remained on the sidelines, resulting in an estimated APAC e-commerce credit gap of USD 1.2 trillion in 2025.

Recognising this whitespace, various FinTech lenders have emerged over the past decade to address a lending opportunity that has been left largely unaddressed by incumbent banks. While a growing number of incumbent banks are providing warehouse financing facilities to these FinTechs, this indirect participation model has seen them surrender ~USD 100 billion in annual revenue potential to frenemies. And in the process of funding their digital-native challengers, they have given up owning the client relationship.

We see a clear opportunity for traditional banks and financial institutions to insert themselves more directly into the e-commerce merchant financing landscape, namely via adopting co-lending and/or direct lending models.

With rapid advancements in technology, including artificial intelligence ("A.I."), enabling robust alternative credit scoring and scalable, automated onboarding, we believe that a shift towards a more direct lending model is not only economically attractive for banks but one that is now operationally feasible, especially considering banks' ability to leverage formidable competitive moats, including lower funding costs, vast balance sheets, regulatory licences, and established brand recognition.

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SECTION 1

AN EXPANDING PLAYGROUND

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THE RISE (AND RISE) OF E-COMMERCE

KEY TAKEAWAYS

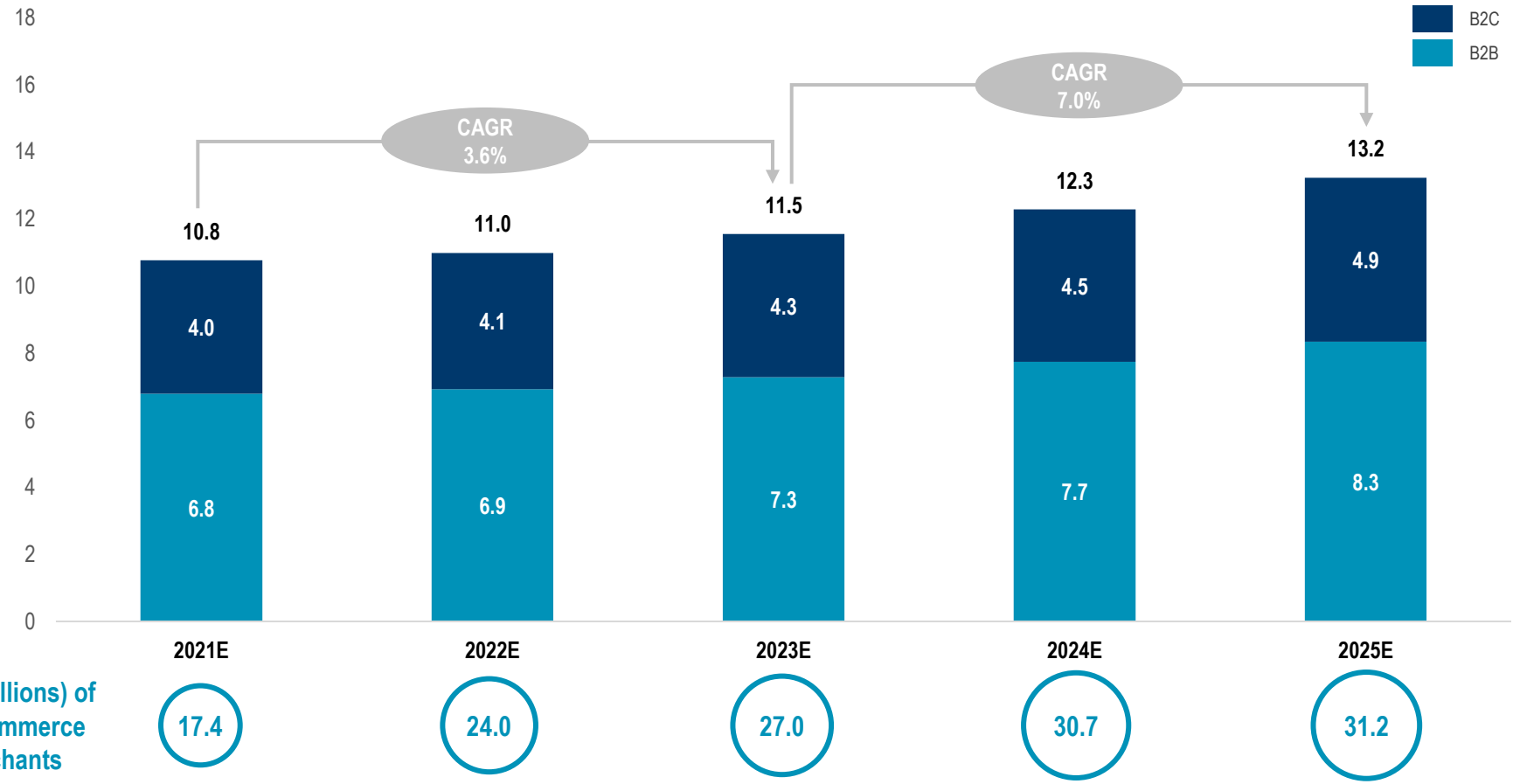
E-commerce growth rates have nearly doubled post-COVID-19 from a CAGR of 3.6% from 2021-23 to a CAGR to 7.0% from 2023-25, with combined B2C and B2B sales reaching USD 13.2 trillion in 2025.

Strong growth in global e-commerce sales is expected to benefit not just e-commerce marketplaces but also the merchants that sell through them, with the number of e-commerce merchants nearly doubling from 17.4 million in 2021 to 31.2 million in 2025.

Global e-commerce sales accelerated markedly post-COVID-19, reaching over USD 13 trillion in 2025, with the number of e-commerce merchants nearly doubling from 2021-25 to over 31 million

Global E-commerce Market Size

2021E-25E, USD Trillion



Source: ECDB, Precedence Research, Forbes, SellersCommerce, Digital Commerce 360, Red Stag Fulfillment, Quinlan & Associates estimates

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ASIA AS A KEY GROWTH DRIVER OF E-COMMERCE

KEY TAKEAWAYS

Asia accounts for 55% of global B2C e-commerce GMV, more than double that of the next largest region – the Americas (27%).

From 2021-25, e-commerce GMV in Asia grew at a robust CAGR of 5.8%, reinforcing the region's position as a key engine of growth for the global e-commerce industry.

Within Asia, China alone represents 42% of global B2C e-commerce GMV, with additional scale and growth concentrated in key Asian markets such as India, South Korea, and Japan.

Asia is the largest region globally for B2C e-commerce, with gross merchandise value ("GMV") reaching USD 2.7 trillion in 2025, ~55% of the global B2C total

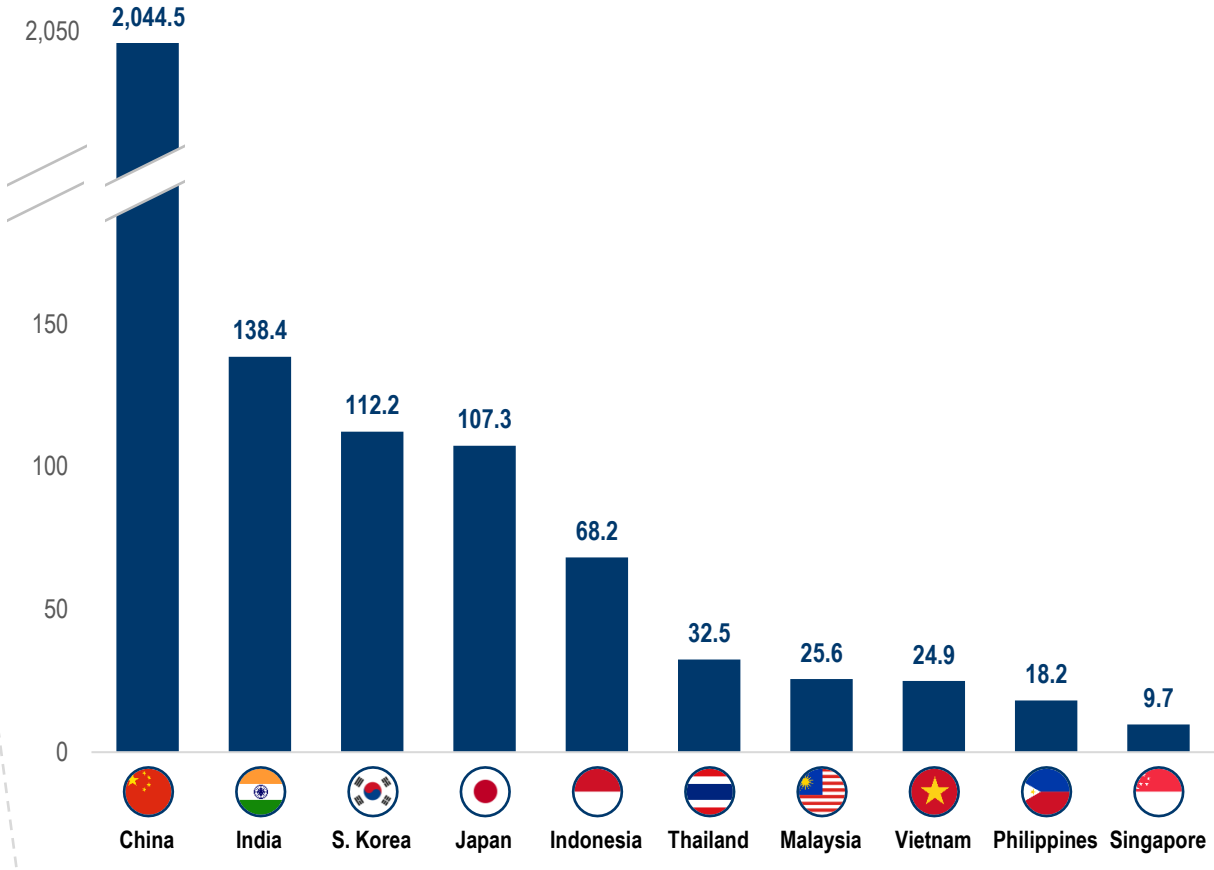
B2C E-commerce GMV by Region

2021-25E, % of Global GMV, % YoY Growth

Region (Across the Globe)	Share (2025E)	CAGR (2021-25)
Asia	55%	5.8%
Americas	27%	6.6%
Europe	17%	2.3%
Australia & Oceania	1%	1.2%
Africa	<1%	17.6%

Leading Asian B2C E-commerce Jurisdictions

2025, USD Billion



Source: ECDB, Quinlan & Associates analysis

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UNIVERSE OF B2C MERCHANTS

KEY TAKEAWAYS

E-commerce platforms typically host two merchant models that shape distinct roles in the ecosystem:

1. Third-party merchants operating on the platform; and
2. First-party merchants owned or controlled by the platform itself.

Merchant bases are highly heterogeneous, ranging from MSMEs to mid-market and large corporate third-party and first-party sellers, requiring differentiated approaches to engagement, risk, and support.

In particular, MSMEs constitute most of the share of companies and GMV (55%), as seen in OECD economies.

Both third- and first-party merchants often co-exist on e-commerce platforms, with merchants of all sizes, ranging from MSMEs to large-cap corporates, using the same platforms

Merchant / Seller Types

Illustrative

THIRD-PARTY ("3P") MERCHANTS

Non-platform merchants that operate on the platform

L'ORÉAL

L'Oréal operates as a third-party merchant by leveraging external digital marketplaces (e.g., Taobao) to reach consumers directly, maintaining control over its premium branding while utilising established retail traffic and logistics

FIRST-PARTY ("1P") MERCHANTS

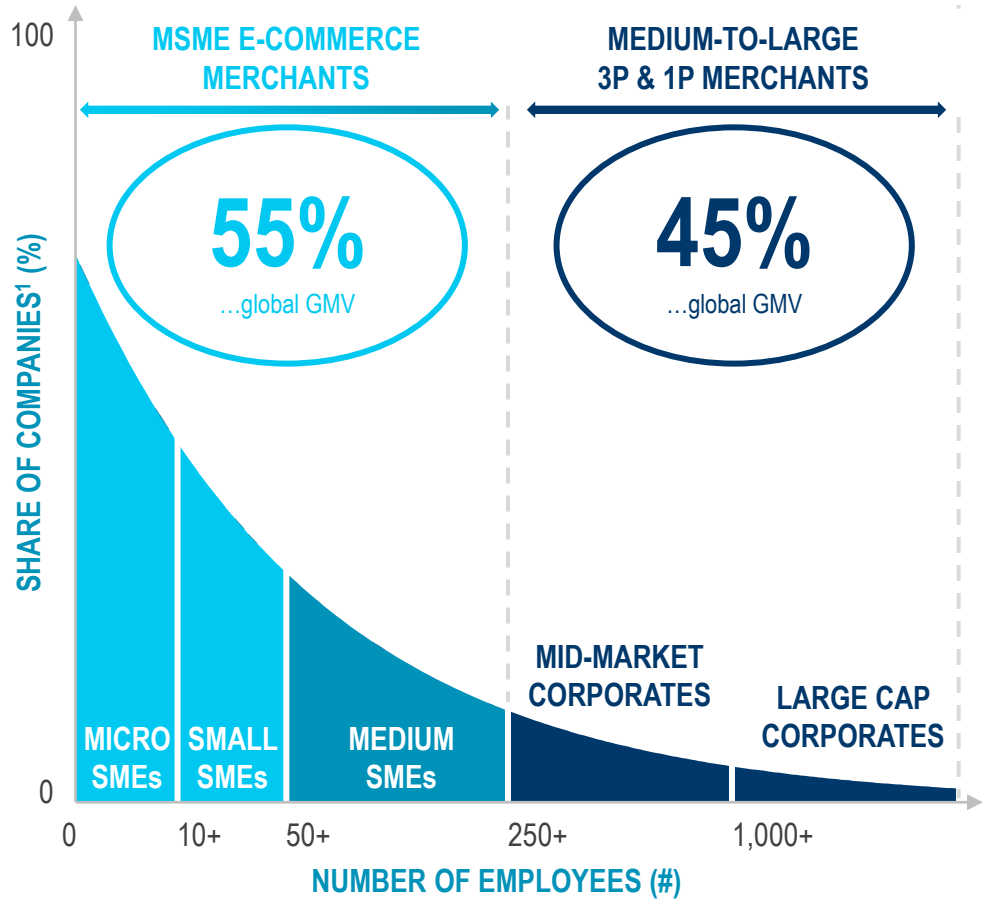
Merchants / operations owned or controlled by the platform

amazon

While Amazon hosts third-party merchants, it launched its own first-party retail division, covering brands such as "Amazon Basics" and "Happy Belly", acting as a direct seller that sources, owns, and prices inventory to provide a seamless customer experience

Illustrative Merchant Distribution

Number of Employees (#, x-axis) vs. Y-Axis: Share of Companies (%, y-axis)



Source: OECD, Quinlan & Associates estimates

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DOMINANCE OF 3P MERCHANDISING IN ASIA

KEY TAKEAWAYS

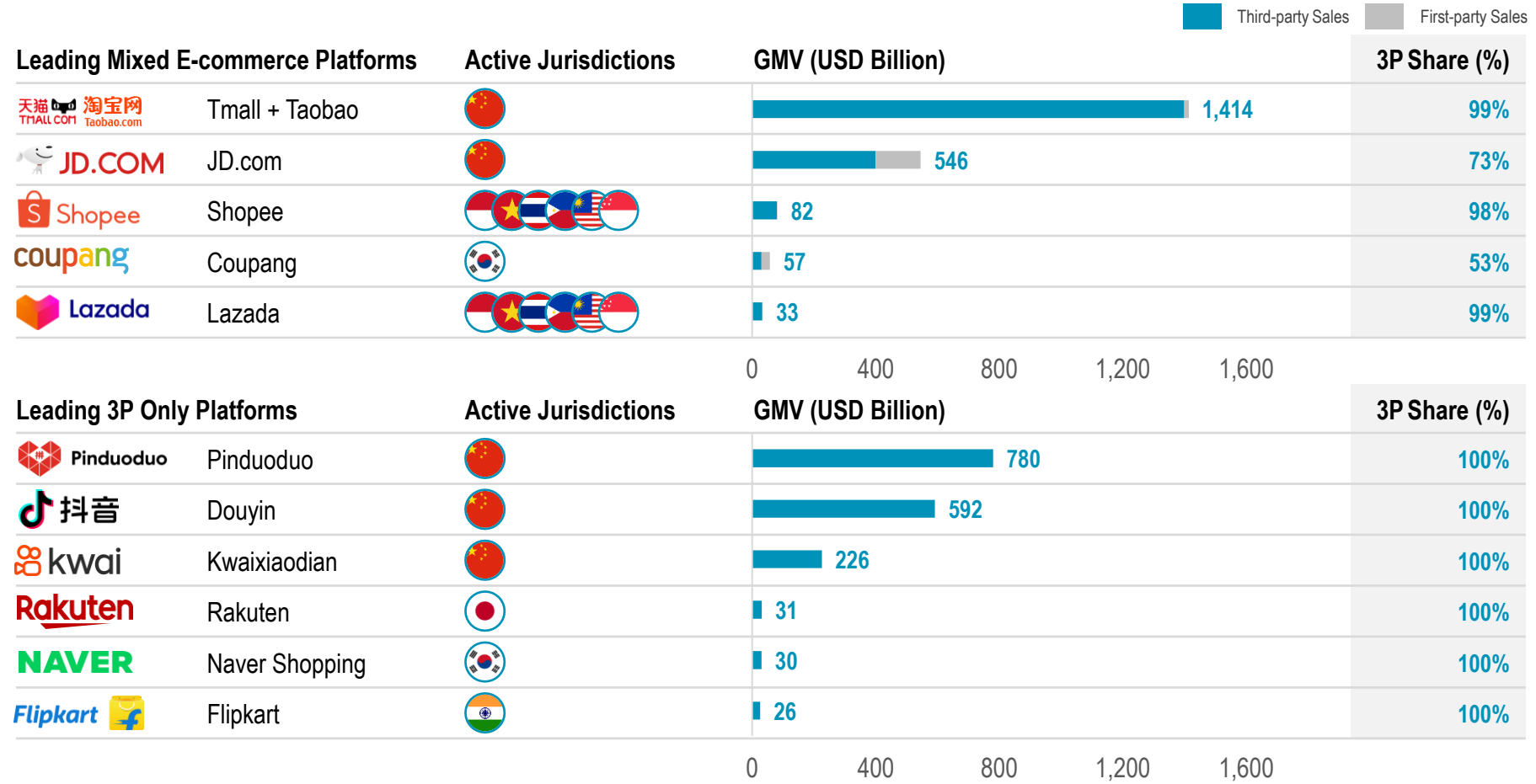
Two B2C e-commerce platform models exist in the market: (1) mixed (i.e., 1P and 3P platforms) and (2) 3P-only platforms.

However, most mixed platforms in Asia, such as Tmall + Taobao, Shopee, and Lazada, still derive the majority of their GMV from third-party sales, underscoring the central role of the 3P model in the ecosystem.

Most leading B2C e-commerce platforms in APAC focus on third-party merchandising, with even first-party dominant platforms (e.g., JD.com, Coupang) featuring a majority of third-party sales

Select Leading Asian E-commerce Platforms' GMV

2025, USD Billion



Note: 2 of the leading e-commerce platforms (i.e., Amazon and TikTok Shop) have been excluded due to a lack of Asian data segregation, [1]Third-party

Source: ECDB, Quinlan & Associates analysis

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THE NEED FOR MERCHANT FINANCING

KEY TAKEAWAYS

E-commerce sellers must typically pay for their inventory well in advance, including not just upon receipt of shipment, but also on the date they place the order. Upon receiving the inventory, many e-commerce sellers also need to spend on marketing their products to customers.

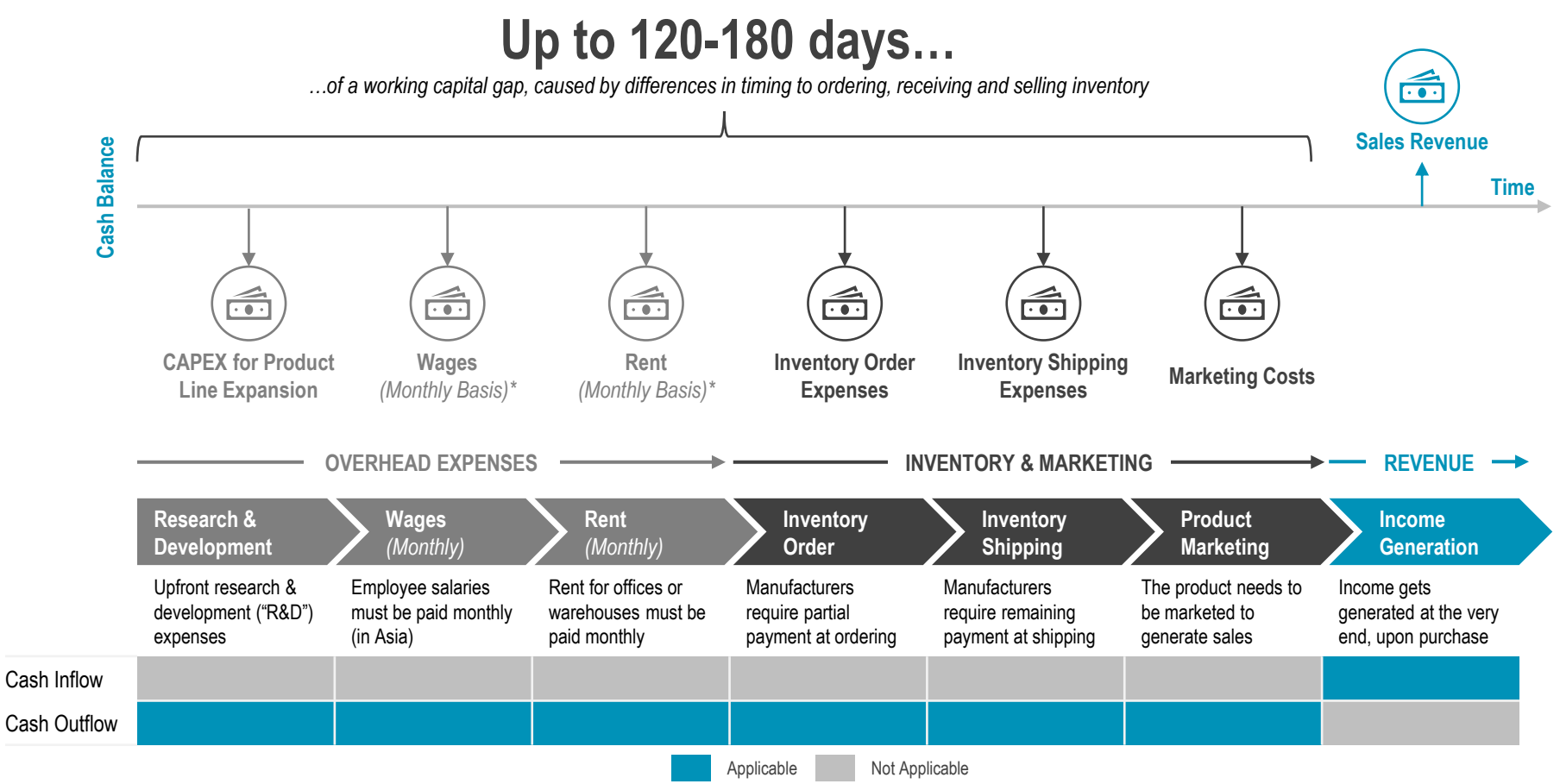
As such, there is a significant time lag, estimated at between 120-180 days, between expenses that e-commerce sellers incur and the eventual cash inflow that they receive upon generating revenue through sales. This creates a sizeable working capital gap, a problem that can be especially acute for micro, small, and medium-sized enterprises ("MSMEs").

To fund this working capital gap, as well as their other operating expenses (e.g., wages, rent, etc.), access to financing is crucial.

Despite their contribution to global GMV, many smaller e-commerce players (i.e., e-commerce MSMEs) face considerable working capital constraints owing to cash flow timing issues

E-commerce Merchant Journey

Illustrative Cash Flow



*Only illustrated once for the purposes of this visual

Source: Wayflyer, SCMP, Shopify, Ramp, Quinlan & Associates analysis

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SECTION 2

BARRIERS ENCOUNTERED

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THE E-COMMERCE DATA ADVANTAGE

KEY TAKEAWAYS

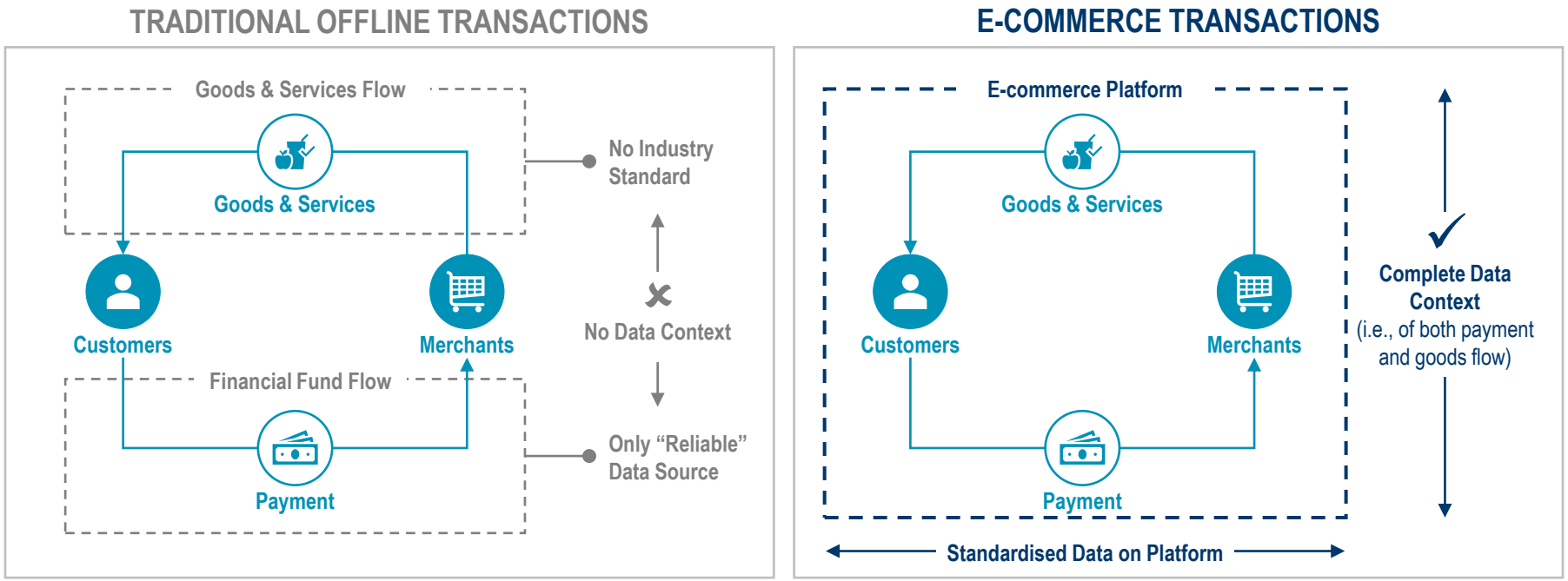
E-commerce transactions generate richer, more contextualised data for underwriting, as a single platform captures both fund flows and the delivery of goods and services, unlike offline models, where these are tracked separately and lack linkage.

Standardised data structures across merchants further enhance usability, in contrast to offline environments where the absence of delivery data standards limits lenders' reliance primarily to financial records.

Compared to offline transactions, e-commerce transactions are digitally native and produce a wealth of data that: (1) has full payment and delivery context; and (2) is standardised for underwriting

Traditional vs. E-commerce Transactions

Fund and Goods & Services Flow



Lack of Data Context: As separate systems track fund flow and the delivery of goods & services, each data point lacks context

Lack of Reliable Data Sources: As no standard exists for tracking the delivery of goods & services, financial data is seen as the only "reliable" source of data

Rich Data Context: As a single platform tracks both fund flow and the delivery of goods & services, each datapoint is enriched and contextualised

Standardised Data: A single e-commerce platform services multiple merchants and standardises data formats across all of them

Source: Quinlan & Associates analysis

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E-COMMERCE ADOPTION BARRIERS

KEY TAKEAWAYS

Most banks remain structurally disconnected from the e-commerce ecosystem and lack access to real-time financial and operational data, limiting visibility into merchant performance due to:

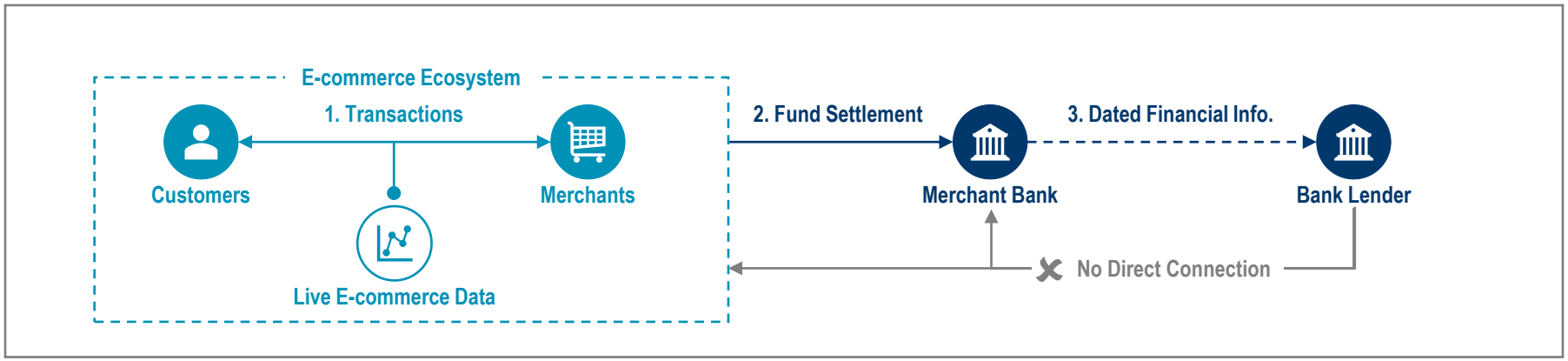
- **Inaccurate Credit Profiling:** This constrains accurate credit profiling, as incompatible data models and thin MSME credit files reduce the reliability of risk assessment;
- **Incompatible Product Offerings:** It also limits product relevance, as banks have an incomplete view of merchant needs and operating dynamics; and
- **Inability to Control Platform Funds:** In addition, limited visibility over on-platform fund flows reduces banks' ability to monitor and control the end use of funds.

However, most banks remain heavily disconnected from e-commerce data, reflecting a number of structural barriers

Barriers to Deploying Credit

Banks to e-Commerce MSMEs

DISCONNECT BETWEEN BANK LENDERS AND E-COMMERCE MERCHANTS



Inaccurate Credit Profiling

Inability to accurately assess e-commerce merchants' creditworthiness

- **Incompatible Data Models:** Banks lump e-commerce SMEs with general SMEs
- **Thin Credit Files:** E-commerce MSME merchants have limited credit history

Incompatible Products Offerings

Inability to service the exact credit needs of e-commerce merchants with existing products

- **Incompatible Products:** E-commerce merchants tend to face irregular cash flows, requiring tailored products

Inability to Control Platform Funds

Inability to control merchants' fund usage due to being disconnected from e-commerce platforms

- **Lack of Control:** Banks face increased credit risk due to a lack of control on e-commerce platform activity

[1]Business Registration

Source: Quinlan & Associates analysis

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1. INACCURATE CREDIT PROFILING (1/2) – INCOMPATIBLE MODELS

KEY TAKEAWAYS

Banks typically rely on historical financial and business data when extending SME loans to e-commerce merchants and often lack the data models to incorporate more predictive, real-time indicators, such as revenue trends and order velocity.

As a result, e-commerce merchants are often assessed within broader retail or SME risk pools, which may overstate their credit risk, while alternative lenders leveraging richer alternative data have achieved ~70-80% reductions in 90-day NPL ratios. vs. their incumbent rivals.

Banks typically only reference historic financial and business data in extending loans to SME e-commerce merchants, over-estimating creditworthy borrowers' default risk

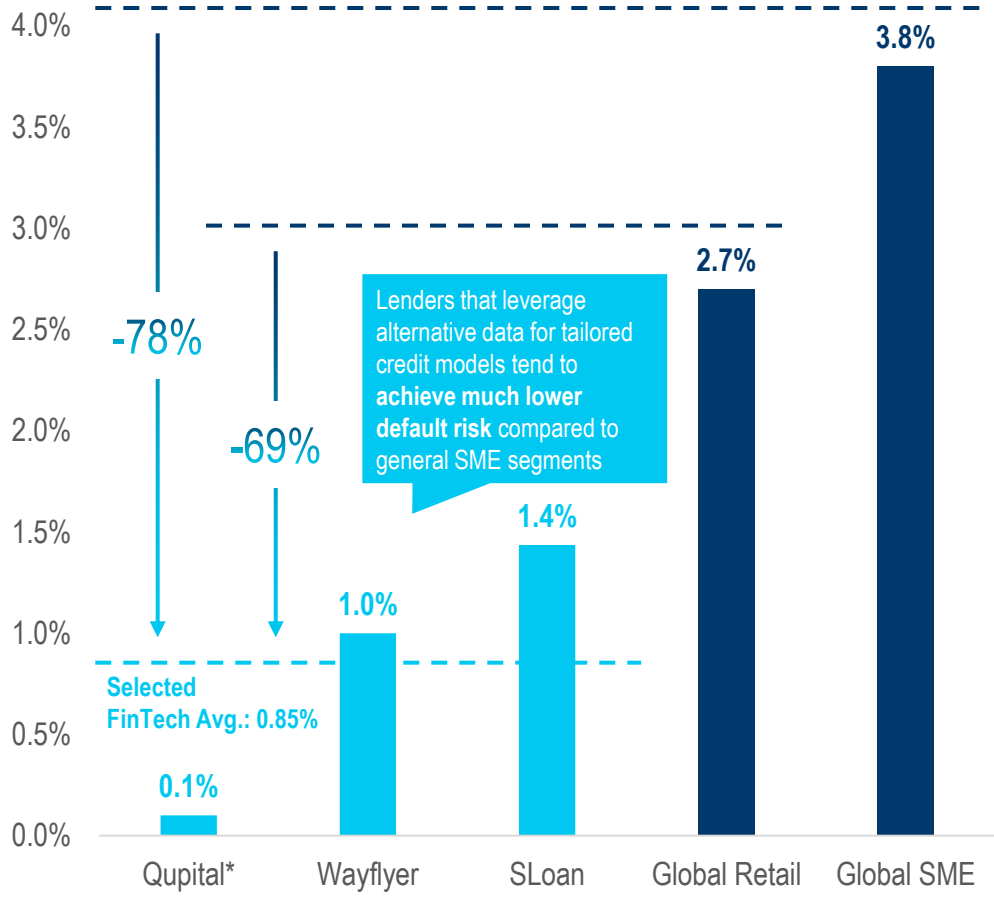
Required Documentation

Hong Kong Bank Example, 2026

Typical Data Points	A HK Bank's Requirements
Dated Financial & Business Data	
Financial Statement	✓
Latest Profits Tax	✓
6-months Bank Statement	✓
Business Documentation	✓
Payroll Records	✓
Utility Bill	✓
Shareholders' IDs	✓
Alternative and Live Data	
Total Real-time Revenue	×
Order Volume / Velocity	×
Average Order Value	×
Customer Retention Data	×
Return Rates	×
Ad Spend Efficiency	×
Cost-per-Acquisition	×
Platform Account History	×

FinTech vs. Global SME Credit Risk

90-Day Non-Performing Loan Ratio, 2024



*Cumulative default rate used as a proxy, which is a more conservative estimate than the ratio of non-performing loans

Source: Onramp Funds, Hang Seng Bank, International Finance Corporation, Quinlan & Associates analysis

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1. INACCURATE CREDIT PROFILING (2/2) – THIN CREDIT FILES

KEY TAKEAWAYS

Reliance on lagged financial and business data limits banks' ability to serve SMEs, particularly e-commerce merchants, who often lack:

1. **Formal Documentation:** Many SMEs take 18-24 months to break even, constraining their ability to present sufficiently strong financial track records. Access to traditional bank financing remains limited, with only 23% of ASEAN SME merchants receiving support from traditional banks.
2. **Tangible Collateral:** Collateral requirements further restrict access, with ~80% of SME loans in APAC requiring collateral despite e-commerce merchants typically being asset-light.
3. **Audited Statements:** Limited audit requirements across e-commerce-heavy APAC markets reduce the availability of verified financials, often restricting access to larger credit lines unless merchants undergo voluntary audits.

Many e-commerce SMEs lack adequate financial records, which often remain under-documented, insufficient, or unaudited, making them ineligible for bank financing

E-commerce Merchant Thin Credit Files
Description

LACK OF BANKING DOCUMENTATION

18-24 … months is the average timeline it takes for e-commerce merchants **to break even**, making it **difficult** for them to provide profitable **statements 12-24 months long**

23% …of ASEAN SME merchants received support from traditional banks to start their business, revealing **insufficient repayment data to support large-value financing**

LACK OF TANGIBLE ASSETS & COLLATERAL

~80% …of SME loans in APAC markets require collateral; however, **e-commerce merchants are asset-light**, and may not have sufficient assets to pledge

LACK OF AUDITED STATEMENTS

8/10 …of the e-commerce-heavy jurisdictions in APAC do not have SME audit requirements, resulting in merchants facing denial of **larger credit lines unless they undergo voluntary audits**

SME Audit Requirements
APAC Jurisdictions, 2026

Jurisdiction	SME Audit Requirement
China	✓
Thailand	✓
Japan	×
South Korea	×
India	×
Indonesia	×
Vietnam	×
Philippines	×
Malaysia	×
Singapore	×

Source: Funding Societies, OECD, RSM Global, Haeon Tax, MSNA & Associates, Acclime, Kreston Thailand, Korea Science, Philippines Government, Companies Commission of Malaysia, Accounting and Corporate Regulatory Authority (Singapore), Quinlan & Associates analysis

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2. INCOMPATIBLE PRODUCTS OFFERINGS

KEY TAKEAWAYS

Traditional SME loan products are designed around stable, linear cash flows, limiting their suitability for e-commerce merchants, whose revenues are highly cyclical and event-driven.

As a result, structural mismatches in cash flow profiles constrain effective utilisation of these products by e-commerce merchants.

This volatility is pronounced in practice. For example, peak-month e-commerce sales in China are 68% higher than the rest of the year's average, while major campaign days on platforms such as Shopee and Lazada see spikes of 14x and 10x average daily sales, respectively.

In addition, banks' typical products for SMEs do not completely match the credit needs of e-commerce merchants, given their strong revenue seasonality and volatile cash flows

SME Products vs. E-commerce Merchant Needs

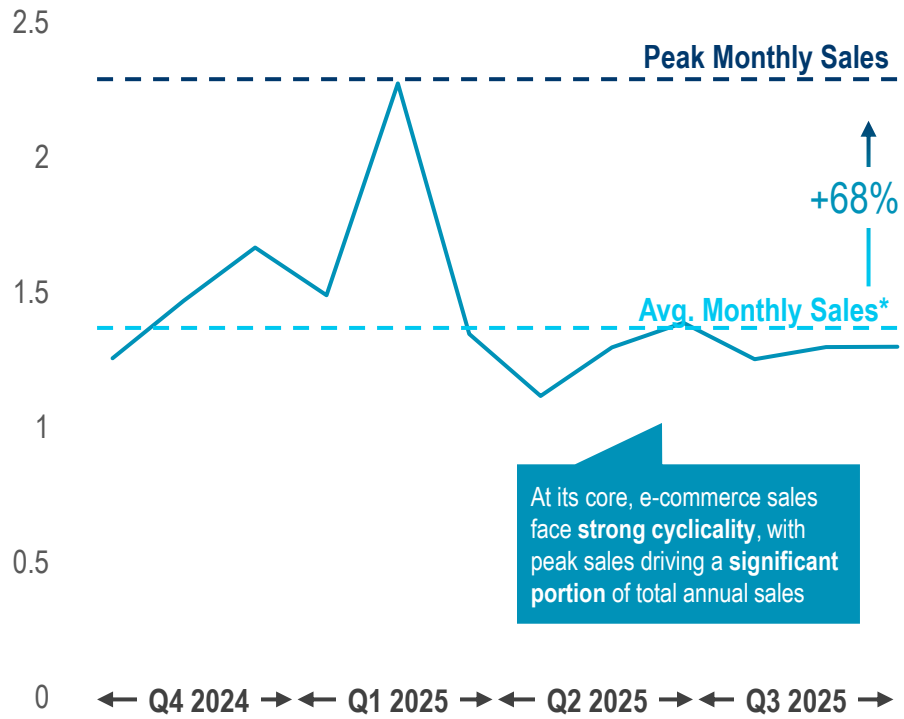
Purpose and Deficiencies

Credit Product & Purpose	Deficiencies
Term Loans Fixed lump-sum financing repaid over a set schedule, typically used for CAPEX, business expansion, or long-term working capital needs	**Fixed Repayment** Seasonality places liquidity stress during trough months on fundamentally healthy businesses
Revolving Credit Facility Flexible credit line drawn and repaid repeatedly up to a set limit, designed to bridge ongoing, unpredictable short-term working capital needs	**Inadequate Credit Limits** Limits are set using historical average revenue, underestimating pre-peak inventory financing needs
Invoice Financing Advances cash against outstanding invoices or purchase orders, helping bridge the gap between delivery and customer payment settlement	**Long Settlement Cycles** Platform merchants settle in days, not a 30–90-day receivables cycle that the product is built around

Traditional SME loan products are architected around stable, linear cash flows; however, e-commerce merchants, whose business model is defined by extreme cyclicality, cannot directly leverage these products, **due to structurally differences in cash flows**

Monthly E-commerce Sales

Trillion Yuan, China, Q4 2024 – Q3 2025



Shopee

14x …increase in daily sales on November 11 (2025)

Lazada

10x …increase in daily sales on November 11 (2025)

*Excludes peak monthly sales

Source: National Bureau of Statistics (China), MediaOutReach, Manila Standard, Quinlan & Associates analysis

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3. INABILITY TO CONTROL PLATFORM FUNDS

KEY TAKEAWAYS

Banks face elevated credit risk due to limited control over platform-held funds, reducing visibility and enforceability:

1. **RISK 1:** Platform actions, such as account suspension or fund freezes, can disrupt merchant cash flows and repayment capacity; and
2. **RISK 2:** merchants may deploy funds ahead of repayment obligations, further increasing repayment uncertainty.

For credit extended to merchants, banks faced outsized credit risks due to (1) e-commerce platforms freezing / suspending accounts and (2) merchants spending funds pre-emptively before loan payment

Risks Encountered Before Loan Repayment

Description and Examples

STEP 1

MERCHANT RECEIVES PAYMENT

When merchants receive payment from their customers, the funds are credited to the corresponding e-commerce platform's account and must be withdrawn to the merchant's bank account before it can be used for debt repayment

RISK 1

PLATFORMS FREEZE / SUSPEND MERCHANT ACCOUNT

Before accessing the funds, if the merchant has violated any e-commerce platform terms or conditions, the e-commerce platform can (1) freeze any residual funds left in the account, and (2) suspend the merchant account

RISK 2

MERCHANT SPENDS THE FUNDS

E-commerce platforms typically allow merchants to use the balance fees for additional services (e.g., ads, promotions, etc.), which allows merchants to purchase these value-added services before even servicing their bank loans

STEP 2

MERCHANT WITHDRAWS FUNDS AND PAYS BANK

As there is no connection between the bank and the e-commerce platform, the bank lender only receives payment after the e-commerce platform has approved the merchant withdrawal and taken its share

Shopee

MERCHANT ACCOUNT FREEZING

"I went over the limit for my SLoan for a month, but my account got frozen right away. I cannot withdraw any cash from my account to my bank account, nor can I receive any additional orders."

- Social Media

Etsy

MERCHANT ACCOUNT SUSPENSION

"My account was suspended on Etsy for no reason. I have contacted their customer service multiple times, and I have not received a response from their team at all. I cannot continue to do business like this."

- Social Media

Lazada

MERCHANT SPENDING ON ADS

Lazada allows store owners to leverage store credit (sometimes exclusively) to fund marketing campaigns (e.g., product and keyword ads), with only off-platform marketing requiring off-platform balances

- Research

3.6…

…average e-commerce platforms used by MSME merchants, creating a fragmented landscape that makes it difficult for banks to track fund utilisation prior to servicing credit

- Research

Source: Various e-commerce platforms, eBay, social media, Quinlan & Associates analysis

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ADDITIONAL BARRIER – HIGH ONBOARDING COSTS

KEY TAKEAWAYS

One of the biggest barriers preventing banks from lending to MSMEs is the high cost of onboarding.

Manual processes, expensive third-party services, legacy system integrations, ongoing costs for cross-border activities, and the opportunity cost of lengthy procedures all contribute to the burden.

As a result, banks may take up to one to two years to recover their KYC costs for MSMEs.

Aside from e-commerce specific barriers, high KYC costs compress bank returns when lending to MSMEs in general, which erodes profitability on small-cap loans, often with long break-even times

KYC Cost Drivers
Description

Cost Drivers

Manual Operations
Missing documentation, secondary reviews, and corporate hierarchy mapping for ultimate beneficial owners are largely still manual processes despite automation

Heavy Third-party Fees + Legacy Integration
Per-click costs of pulling data from third-party databases (e.g., government registries, credit bureaus, etc.) and the costs of maintaining "middleware" connecting Fintech KYC tools with core banking systems scale significantly

Periodic Costs for Cross-border Activity
Periodic KYC reviews and regulatory reporting compound the manual effort needed to maintain e-commerce SMEs as clients, which is especially relevant considering cross-border commerce activities

Opportunity Costs
Onboarding abandonment by SMEs and delayed time-to-revenue leak revenue opportunities during the KYC processes add to the opportunity cost of servicing e-commerce SME clients

SME KYC
Key Statistics

COST

USD 1,500-3,000

…is the average cost for a bank to conduct a **single KYC check for corporate clients**, factoring in staffing costs, with the process taking up to…

TIME

31-60 days

…for a KYC review **for a single corporate client.** If the bank were to bear a similar cost for SMEs, a bank may need up to...

PAYBACK

0.9-1.7 years

…to reach **break-even on the KYC costs** of servicing an SME, considering a credit line can typically be 70% of quarterly revenue

Note: Assuming a loan size of USD 11,724 (70% of quarterly revenue based on an average 1-month revenue of USD 5,583 for Shopify e-commerce merchants), with an interest rate of 15%.
Source: Hyperion Consult, Fernego, Bankrate, Onramp, Quinlan & Associates estimates

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APAC E-COMMERCE MSME CREDIT GAP

KEY TAKEAWAYS

Of the USD 7.5 trillion-dollar e-commerce market, ~38% is estimated to be commanded by MSMEs in Asia Pacific.

However, 43% of APAC MSMEs are still experiencing credit constraints, of which 34% are completely credit constrained, and 9% are partially credit constrained.

This has resulted in a growing e-commerce MSME credit gap, which we estimate at USD 1.2 trillion in 2025 in APAC.

We estimate the APAC credit gap faced by e-commerce MSMEs to be ~USD 1.2 trillion in 2025, with USD 970 and 250 billion attributable to fully and partially credit-constrained MSMEs, respectively

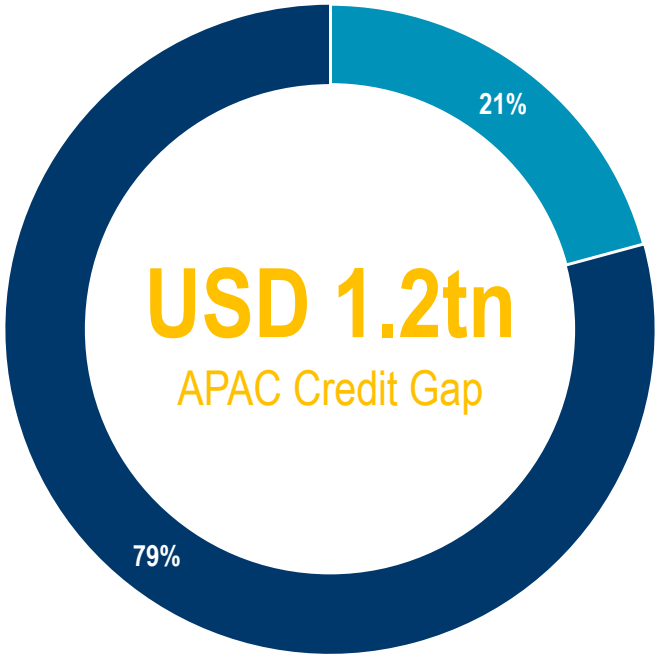
E-commerce MSME Credit Gap
2025, USD

~USD 970bn

…fully credit-constrained MSMEs

..which includes:

- **Rejected MSMEs** that sought credit but were denied
- **Terms-deterred MSMEs** that opted out due to costs / requirements
- **Perception-deterred MSMEs** that self-excluded due to anticipated refusal



~USD 250bn

…partially credit-constrained MSMEs

...which includes:

- **Funded MSMEs that were discouraged** from seeking bank loans
- **Funded MSMEs that were partially granted** the credit amount requested
- **Funded MSMEs that were rejected** from institutional lending

Strategic Segment

Underserved by most credit facilities, and may be a harder segment to target due to their inherent lower credit-worthiness

Low-Hanging Fruit

Already served by alternative credit facilities and may be readily serviced by banks with more tailored e-commerce solutions

Source: World Bank, ECDB, Amazon, Jumia, Soax, TNGlobal, Precedence Research, Quinlan & Associates estimates

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APAC WALLET OPPORTUNITY

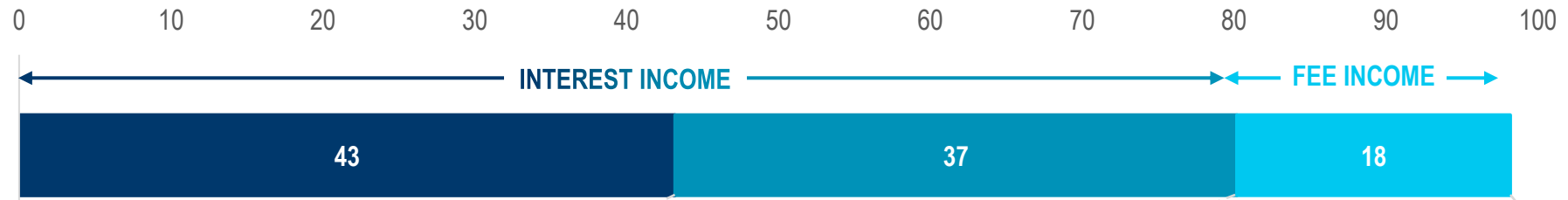
KEY TAKEAWAYS

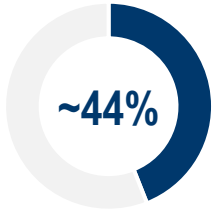
The creditworthiness of e-commerce merchants can vary significantly depending on the type of MSME, with fully credit-constrained SMEs carrying greater risk as compared to partially credit constrained SMEs.

Taking our base case credit gap, we estimate the MSME e-commerce wallet opportunity to be worth up to USD 98 billion in 2025, with 82% from core lending activities and 18% from cross-selling opportunities, including FX, remittances, corporate payments / cards, and deposits,

Taking our base case credit gap, we estimate that a USD 98 billion wallet opportunity is up for grabs for e-commerce MSME lenders in APAC

Wallet Opportunity
2025, USD Billion





LENDING TO FULLY CREDIT CONSTRAINED MSMES

While these firms often lack maturity and collateral, we identify **the terms-deterred and perception-deterred segments** as viable for lending



LENDING TO PARTIALLY CREDIT CONSTRAINED MSMES

Possessing existing credit access and strong financial standing, this group offers **high potential growth** and may be immediately eligible for loan facilities



GENERATING FEE INCOME VIA CROSS-SELLING NON-CREDIT PRODUCTS

E-commerce MSMEs offer sizeable **cross-selling** opportunity potential, driven by **FX, remittances, corporate card payments, and deposit services**

USD 98bn

Note: (1) The interest rate assumed to apply on an annual basis, at 16% (emerging market average), (2) we assume that the terms-deterred and perception-deterred (i.e., 49% of the credit-constrained MSMEs) will apply for credit facilities and will face an average acceptance rate of 57% (i.e., the APAC average SME credit application acceptance rate), (3) we assume that 91% of partially credit constrained MSMEs will receive credit, as 91% of MSMEs' one-month default rates can be successfully captured with the use of alternative data, and (4) we assume a 22% increase in cross-selling as per industry benchmarks

Source: ECDB, Various e-commerce lenders, HKMA, Bank of International Settlements, Quinlan & Associates estimates

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SECTION 3

CURRENT SOLUTIONS

QUINLAN &ASSOCIATES

THE RISE OF ALTERNATIVE LENDERS

KEY TAKEAWAYS

To address the sizeable credit gap for e-commerce MSMEs, alternative lenders leverage live data from banks and e-commerce platforms to enable automated credit decisioning and more responsive risk assessment.

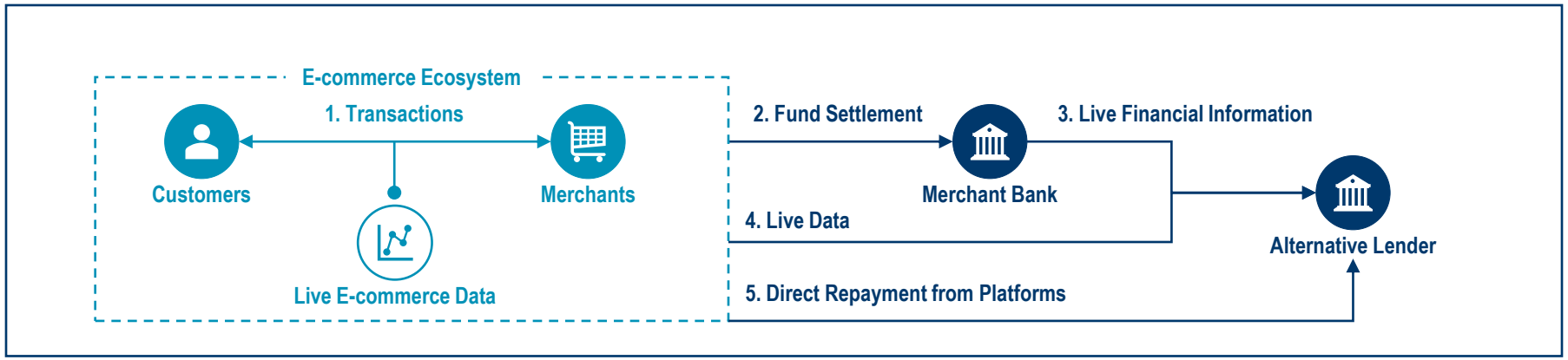
This supports the development of products tailored to e-commerce cash flow dynamics, improving alignment with merchant needs.

Partnerships with platforms also provide greater visibility and control over fund flows, strengthening repayment mechanisms and risk management.

To plug the e-commerce MSMEs credit gap, alternative lenders have started to use data directly from e-commerce platforms to create live, tailored credit models and products for MSMEs

Alternative E-commerce Lending
High-level Operating Model

RISE OF ALTERNATIVE E-COMMERCE LENDERS



Automated Credit Decisioning

Alternative lenders use connections to both (1) merchant banks and (2) e-commerce platforms to **gain live data** on e-commerce merchants' **financial positions and sales data**, allowing lenders to make **automated and accurate credit decisions**

Tailored E-commerce Products

Due to their target customers, alternative lenders often offer **tailored products, such as "Revenue-based Financing",** where underwriting is based on past revenue and repayment is variable, closely matching e-commerce merchants' cash flow needs

Direct Control Over Platform Funds

Due to their connections with merchant banks and e-commerce platforms, alternative lenders can **enforce repayment if prior agreements are made** with these other parties, reducing credit risk due to uncontrollable on-platform factors (e.g., ad spending)

[1]Business Registration
Source: Quinlan & Associates analysis

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TYPES OF ALTERNATIVE LENDERS

KEY TAKEAWAYS

Both platform-based and non-platform FinTech lenders are addressing this gap, reflecting two distinct approaches to e-commerce financing:

1. **Platform-based Financing:** Operates as an in-house solution, enabling frictionless access to liquidity for merchants, but may increase ecosystem lock-in.
2. **Non-platform Financing:** Offers a more omnichannel approach, enabling access to larger and more portable pools of capital beyond a single platform.

Both platform-based and non-platform-based FinTech lenders have begun to service this gap, with the latter gaining more traction due to their underwriting breadth, capital flexibility, and repayment structures

Alternative E-commerce Lenders

Evaluation

	1 Platform-based Financing (e.g., Shopee's Sloan)	2 Non-platform Based Financing (e.g., Wayflyer)
DESCRIPTION	Extension of a loan facility by an e-commerce platform to third-party e-commerce merchants that operate the platform	Extension of a loan facility by an independent FinTech to third-party e-commerce merchants, aggregating data across-platforms
CRITERIA		
Underwriting Velocity	Instant approval based on internal historical data	Requires linking external APIs for credit underwriting
Underwriting Breadth	Limit is calculated based on sales within the specific platform	Aggregates data from multiple channels to grant larger total limits
Capital Flexibility	Funds can be "locked" to specific platforms (e.g., usage on ads only)	Capital is typically unrestricted and directly wired to bank accounts
Repayment Structure	Term structure automatically deducted from platform balances	Deductions scale up and down as a % of daily sales
KEY TAKEAWAY	**IN-HOUSE SOLUTION** *Provides frictionless liquidity to merchants, offering instant, one-click survival for single-channel sellers, but risks ecosystem lock-in and cash flow strain due to rigid, sales-agnostic repayment terms*	**GROWTH PARTNER** *Offers omnichannel leverage, unlocks larger, portable capital based on an SME's entire business footprint, using revenue-based repayments to act as a financial shock absorber during slow months*

High Medium Low

Source: Shopee, Wayflyer, Quinlan & Associates analysis

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ALTERNATIVE LENDER LANDSCAPE

KEY TAKEAWAYS

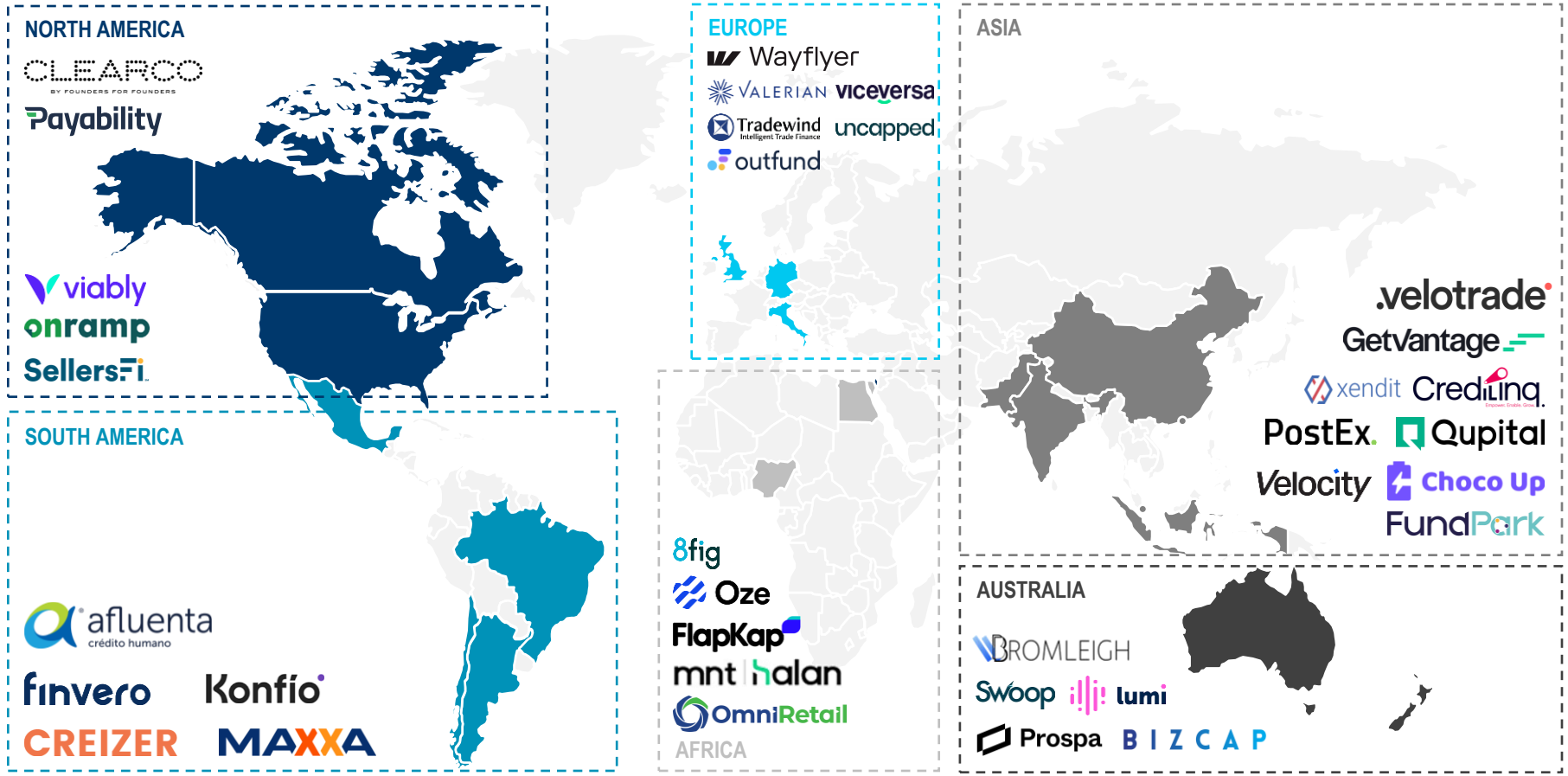
From SellersFi in North America to Wayflyer in Europe to FundPark in Asia, a number of FinTechs specialising in lending to e-commerce merchants have stepped up across the globe, looking to fill the gap left by traditional banks.

In sharp contrast to traditional banks' highly time-consuming processes that can take days or weeks, these FinTechs have created an application process that takes only a few minutes and can communicate the outcome in as little as 24 hours.

Recognising this sizeable white space, a plethora of non-bank lenders have set up operations across the globe to capitalise on untapped revenue opportunities being overlooked by traditional lenders

Notable E-commerce Seller Financiers

Select Examples by Place of Origin*



*Inexhaustive

Source: Alternative lender websites, Quinlan & Associates analysis

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CASE STUDY – WAYFLYER

KEY TAKEAWAYS

Ireland-based Wayflyer has achieved a unicorn valuation within just a few years of its 2019 launch, lending in excess of USD 5 billion to over 5,000 businesses.

It has done so with a low bar for qualifying merchants, requiring just 6 months of business history with at least USD 10,000 in monthly sales of physical products in one of the 11 countries where Wayflyer operates.

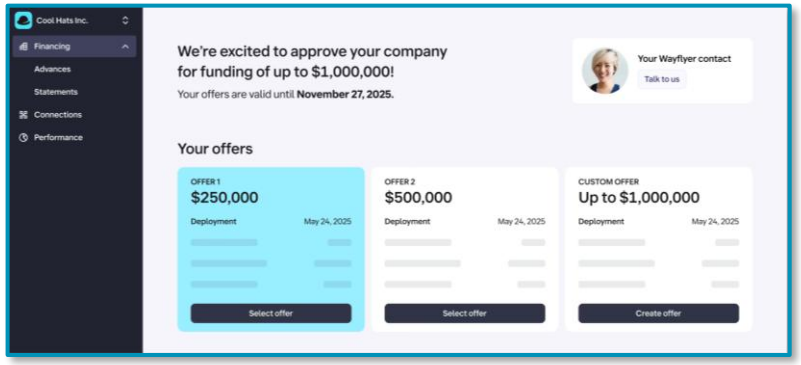
Impressively, it takes eligible borrowers just 12 minutes, on average, to apply for financing with Wayflyer, with response times as fast as 94 minutes, leading to a high average customer rating of 4.9/5.0 on Trustpilot.

Since its founding in 2019, Ireland-based Wayflyer has disbursed more than USD 5 billion in loans to over 5,000 businesses, helping it to achieve unicorn status

Wayflyer
Description

Wayflyer

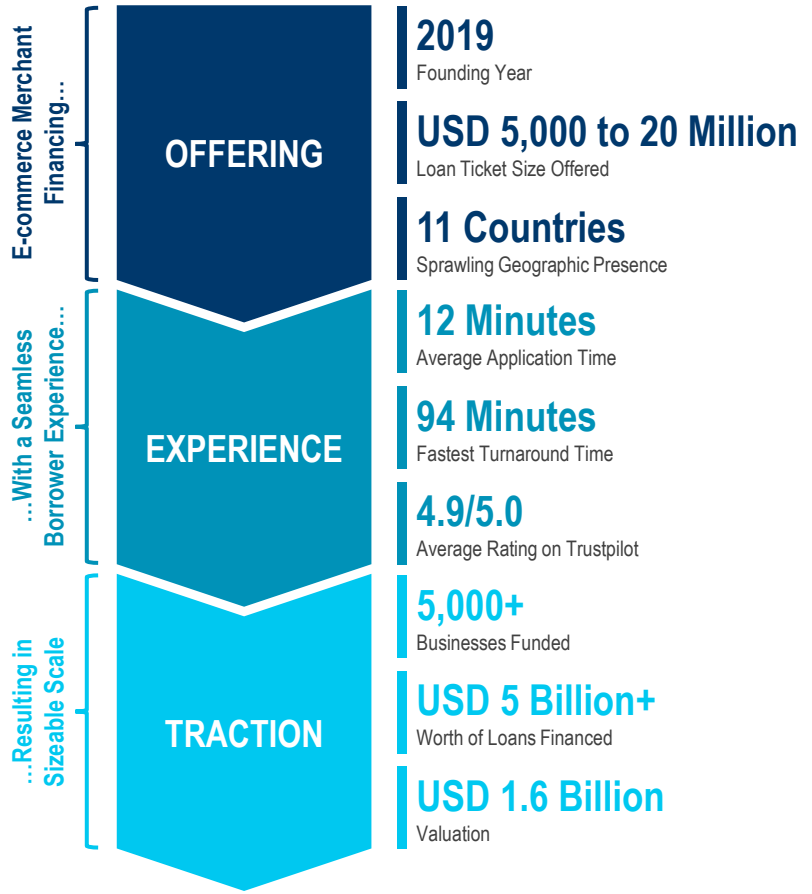
Founded in 2019, Wayflyer is an Irish non-bank lender that specialises in lending to e-commerce-based consumer brands and has distributed over USD 5 billion in funding, fetching it a unicorn valuation



Wayflyer
Borrower Eligibility

HISTORY	SALES	PRODUCTS	COUNTRY
A minimum of 6 months in business	At least USD 10,000 worth of monthly sales	Involved in sale of physical products	Present in one of Wayflyer's markets

Wayflyer
Borrower Offering, Experience, and Traction



Source: Business Wire, Wayflyer, Quinlan & Associates analysis

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SECTION 4

THE OPPORTUNITY FOR BANKS

QUINLAN &ASSOCIATES

PARTICIPATION AVENUES AVAILABLE TO BANKS

KEY TAKEAWAYS

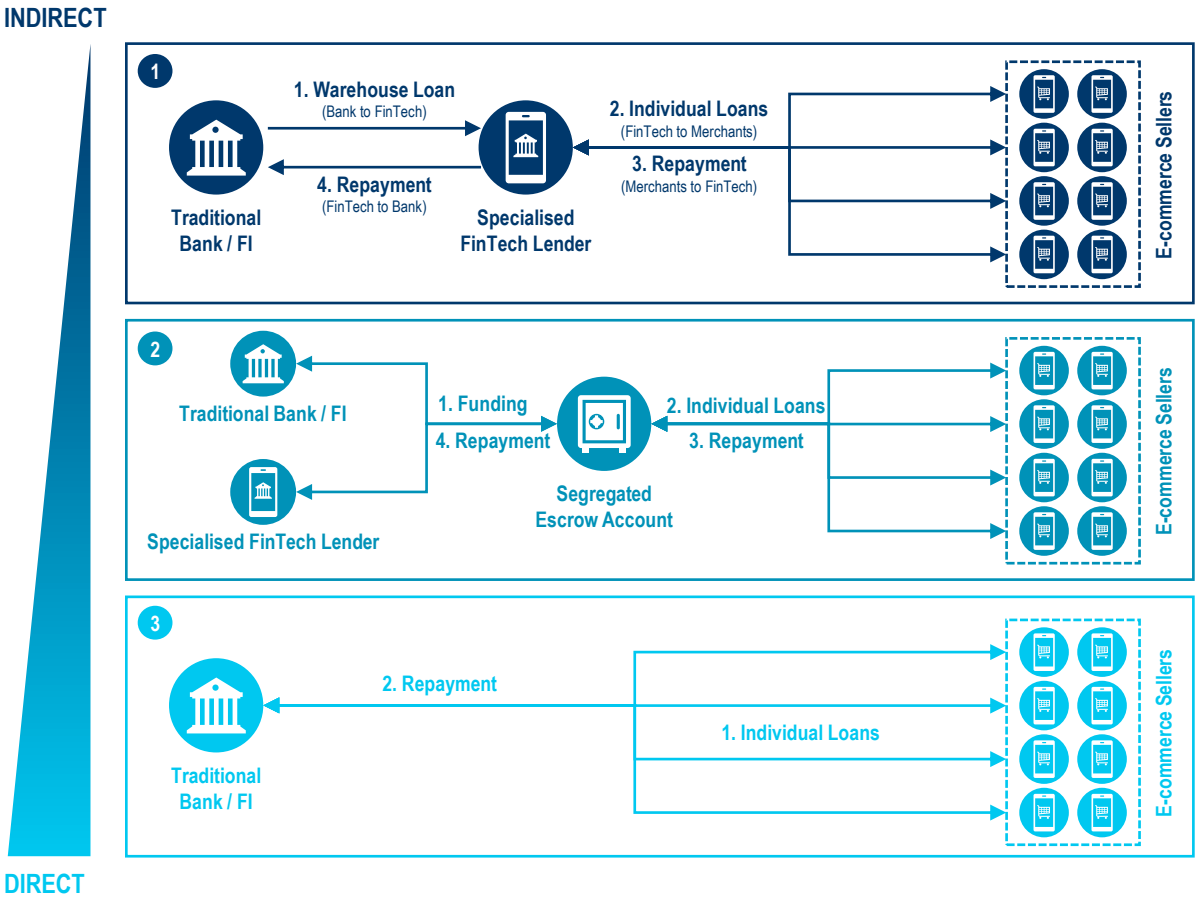
To benefit from the rapidly growing e-commerce landscape, banks have three potential lending models that they can utilise, ranging from direct to indirect:

- **Warehouse Financing:** Involves extending a wholesale facility to a FinTech specialising in e-commerce merchant lending, enabling indirect participation with limited operational involvement;
- **Co-Lending:** Entails partnering with a specialist FinTech to jointly fund loans, balancing risk participation and yield generation; and
- **Direct Lending:** Includes extending loans directly to e-commerce merchants.

Banks have multiple avenues available to participate in the growing e-commerce lending market opportunity, varying in directness: (1) Warehouse Financing; (2) Co-lending; and (3) Direct Lending

Available Options

Three E-commerce Lending Avenues



Warehouse Financing

Bank Lends to Specialised FinTech Lender

Extension of a wholesale loan facility to a FinTech, which then lends the capital on to e-commerce merchants

Co-lending Agreement

Bank Lends Alongside a Specialised FinTech Lender

Entering into a co-lending arrangement with a specialist FinTech for partnered loans

Direct Lending

Bank Lends Directly to E-commerce Merchants

Extension of loans directly to e-commerce merchant borrowers as a competitor to specialised FinTech lenders

Source: Quinlan & Associates analysis

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PREFERENCE FOR WAREHOUSE FINANCING

KEY TAKEAWAYS

Major banks primarily remain indirect participants in the e-commerce lending market, choosing to deploy capital through FinTech lenders via warehousing loan facilities rather than building their own proprietary lending infrastructure.

This indirect strategy allows institutions to fast-track their entry into the e-commerce lending space. By anchoring the capital stack of established FinTechs, banks capture steady, risk-mitigated revenue from the e-commerce boom without the operational overhead of direct market exposure.

Major banks have largely been content being indirect participants in the e-commerce lending story, typically participating via warehouse loans to specialist FinTech lenders

Warehouse Financing Deals

Select Examples

TRADITIONAL BANK	FINTECH	WAREHOUSE LOAN SIZE
citi	SellersFi	USD 300m
J.P.Morgan	Wayflyer	USD 300m
Goldman Sachs	FundPark	USD 250m
svb Silicon Valley Bank	8fig	USD 100m

Case Study

Goldman Sachs x FundPark

Goldman Sachs FundPark

In 2022 and 2024, Goldman Sachs served as the senior lender and arranger for FundPark's asset-backed securitisation facility. Originally established at USD 250 million in 2022, the facility was upsized to USD 500 million in 2024 to provide crucial working capital for underserved Asian e-commerce SMEs

Primary Drivers of Adoption

Motivating Factors

MINIMAL SET-UP REQUIRED

Needs no specialised e-commerce credit models or data capabilities, allowing easy adoption for banks

FAST SPEED TO MARKET

Leverages fintech lenders' existing origination, allowing banks to generate yields from day one

RAPID DEPLOYMENT

Banks tend to favour warehouse financing as they can almost immediately enter the e-commerce lending playground with minimal capability investment

Source: Reuters, Bloomberg, CTech, FinTech Futures, Quinlan & Associates analysis

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THE BIGGER OPPORTUNITY

KEY TAKEAWAYS

While a number of major banks have so far acted as indirect participants via warehouse financing, we see a significant opportunity for them to capture greater yield and retain borrower relationships via co-lending / direct lending to e-commerce MSMEs.

For instance, direct lending maximises return potential and grants full ownership over data, economics, and the merchant relationship. However, it requires full risk absorption by the bank and significant upfront investment.

However, we believe banks are leaving money on the table, given the opportunity to capture greater yield and unlock cross-selling opportunities through direct lending to borrowers

Comparative Analysis

Warehouse Financing vs. Co-lending vs. Direct Lending

		WAREHOUSE FINANCING	CO-LENDING	DIRECT LENDING
FINANCIAL	**Credit Risk** *Who absorbs losses?*	**Single Counterparty Exposure** *If the FinTech goes under, then the bank's loan portfolio is at risk*	**Shared Risk** *The bank holds merchant NPLs proportional to its share*	**100% Credit Risk** *Full credit risk on the bank and requires robust provisioning*
	Revenue Potential *What is the yield & fee income?*	**Thin Spread** *The FinTech (not the bank) captures the high-yield merchant margin*	**Capped by Portfolio Share** *Revenue is capped by the bank's share and FinTech's pricing*	**Highest Revenue Potential** *Captures full interest income and offers cross-selling opportunities*
OPERATIONAL	**Operational Know-how Need** *In-house knowledge requirement?*	**Minimal Set-up Required** *The bank requires no capability build-out of its own, simply sharing capital*	**Shared Capabilities** *Depending on the arrangement, some know-how may be required*	**Extensive Knowledge Needed** *Retains own KYB, decisioning engine, servicing stack, etc.*
	Speed to Market *Time needed to first disbursement?*	**Fast Speed to Market** *Go-to-market is immediate due to the FinTech's operations*	**Partnership Setup** *Technical integration and policy alignment still takes time*	**Longest Runway** *Building required infrastructure (e.g., credit models) take time*
STRATEGIC	**Merchant Data Access** *What is the bank's visibility?*	**Zero Merchant-level Insight** *Loans are aggregated black boxes to the bank*	**FinTech Dependence** *Data quality and completeness depend on FinTech cooperation*	**Full Proprietary Data Set** *Banks access full merchant data (e.g., transaction history)*
	Regulatory Burden *What is the compliance scope?*	**Increasing Regulatory Risk** *Regulators are increasingly scrutinising these arrangements*	**Incomplete Regulation** *Co-lending laws (e.g., KYC data-sharing rules) are still murky*	**Full Regulatory Clarity** *The bank owns the relationship and already has licenses in place*
		LOWEST GO-TO-MARKET FRICTION	*BALANCED APPROACH*	*HIGHEST POTENTIAL RETURNS*

Favourable
Neutral
Unfavourable
Most Lucrative Opportunity

Low — Opportunity Size — High

Source: Quinlan & Associates analysis

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SOLVING FOR BANK OBSTACLES

KEY TAKEAWAYS

The operational challenges that had previously deterred traditional banks from lending to e-commerce merchants and created a window of opportunity for FinTech lenders can now be readily resolved using mature, commercially available technologies.

As such, instead of ceding market share to FinTech competitors, established financial institutions can now leverage alternative data, tailored lending products, marketplace integrations, and process automation to overcome historical obstacles and regain their competitive edge.

Many of the hurdles historically facing banks can now be addressed through modern-day technological applications and a tailored e-commerce lending proposition

E-commerce Lending Challenges

Obstacles, Root Causes, and Solutions

	1. OBSTACLES	2. ROOT CAUSES	3. TANGIBLE SOLUTIONS
OPERATIONAL	**Inaccurate Credit Profiling** Tough to accurately assess novel e-commerce sellers' creditworthiness	**Dated Credit Models** Use of dated analytics for traditional models overestimates credit risks	**Alternative Data-based Credit Scoring** Modernise credit scoring using alternative data and other emerging technologies
OPERATIONAL	**Lack of Control Over Platform Funds** Inability to control or supervise e-commerce merchants' usage of disbursed funds	**Disconnect from Platforms** Banks have little visibility or control over merchant platform activity	**Platform Integration** Integrate with e-commerce platforms to redirect revenues for repayment collections
OPERATIONAL	**High High KYC Costs** High unit costs of onboarding for e-commerce merchant lending	**Slow, Manual Processes** Onboarding is highly manual, slow, and costly for banks	**Automation of Onboarding Processes** Automate processes via A.I. to reduce manual workflows and improve scalability
STRATEGIC	**Incompatible Product Offerings** Inability to service the needs of e-commerce merchants with traditional products	**Generic SME Products** Banks' current products do not suit highly cyclical, volatile cash flows	**Tailored E-commerce Proposition** Create products that match e-commerce merchants' highly cyclical, volatile cash flow

Source: Quinlan & Associates analysis

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LEVERAGING COMPETITIVE EDGE

KEY TAKEAWAYS

There are a number of strategic, operational, and financial advantages that traditional banks and FIs can take advantage of, providing them with an edge over specialised FinTech lenders.

Instead of lending money to specialised FinTech lenders, traditional banks and FIs can simply lend to e-commerce merchants themselves at a comparatively attractive rate, given their lower cost of capital.

Their sizeable balance sheet advantage and multi-product capabilities also provide ample opportunities to effortlessly scale their lending efforts as e-commerce borrowers grow, while also providing opportunities to cross- / up-sell a broader suite of services.

Existing licenses automatically solve regulatory constraints, while brand recognition helps build trust from the get-go, with several e-commerce merchants who are existing deposit account holders acting as low-hanging fruit offering an easy conversion opportunity.

Moreover, traditional banks and FIs can draw upon several significant competitive moats to outmanoeuvre alternative FinTech lenders

Competitive Moats

Traditional Banks and FIs vs. FinTech lenders

		TRADITIONAL BANKS & FIs	VS.	SPECIALIST FINTECHS	OBSERVATIONS
FINANCIAL	Cost of Funding	■■■■■		■□□□□	Access to lower-cost institutional funding and retail deposits allows **banks to consistently outcompete FinTechs on loan pricing**
	Financing Scalability	■■■■■		■□□□□	Large balance sheets enable banks to **fund e-commerce** merchants through various **growth stages**, unlike capital-constrained FinTechs
	Risk Tolerance	■□□□□		■■■■□	Conservative risk frameworks require **tighter underwriting standards**, often conceding higher-risk merchant segments to FinTech platforms
OPERATIONAL	Execution Speed	■□□□□		■■■■■	Legacy infrastructure and internal bureaucracy **slows deployment**, giving agile **FinTechs an advantage in capturing rapid market opportunities**
	Geographic Reach	■■■■□		■■□□□	Established international footprints uniquely position banks to facilitate and support **cross-border expansion** for successful e-commerce merchants
	Data Availability	■■■■■		■■■□□	Decades of historical transaction data provide banks with a **structural advantage in predictive credit modeling** and underwriting precision
STRATEGIC	Franchise Strength	■■■■■		■□□□□	**Institutional trust and entrenched brand equity** naturally drive market awareness, significantly lowering banks' customer acquisition costs
	Breadth of Offering	■■■■■		■□□□□	Comprehensive product ecosystems allow banks **to cross-sell and fulfill the holistic financial needs** of merchants beyond standard credit lines
	Regulatory Standing	■■■■■		■■□□□	Existing banking charters provide **immediate, fully compliant market access** without the licensing friction that often slows FinTech expansion

Favourable ■■■■□ Unfavourable □ Primary Advantages

Source: Quinlan & Associates analysis

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CASE STUDY (1/2) – TRADITIONAL BANKS

KEY TAKEAWAYS

Moving beyond warehousing loans to specialist e-commerce financiers, HSBC rolled out its own "Merchant Financing Programme" aimed at third-party e-commerce merchants on Amazon, HKTVmall, and TMall.

It has accomplished this on the back of a series of partnerships, including HKECIC, Dowsure, and Cainiao Network, leveraging data on inventory, sales, and customer feedback to extend up to USD 2 million in loan ticket sizes in four different currencies for up to 120 days.

Banks may learn from the criticality of HSBC's partnerships in its direct lending success, which allowed it to launch its "Merchant Financing Programme" targeted at e-commerce merchant borrowers

HSBC Merchant Financing Programme
Case Study

HSBC

In 2020, HSBC moved beyond warehouse financing to launch its Merchant Financing Programme, targeting third-party sellers on platforms such as Amazon, HKTVmall, and Tmall, signalling a shift towards direct engagement with e-commerce merchants.

Key Programme Details
Description

Key Information*		
Select E-commerce Platform Partners	Global	amazon
	HK-Focused	HKTV mall
	China Focused	天猫 TMALL.COM
Other Data Partners	API Platform	dowsure 豆沙包
	Logistics	CAINIAO 菜鸟
Other Partners	Credit Insurance	Hong Kong Export Credit Insurance Corporation 香港出口信用保險局
Example Data Points	• Inventory (e.g., type of goods, current inventory levels, turnover rates) • Sales (e.g., sale amounts, performance trends) • Customer Feedback (e.g., refund records)	

Partnerships
Overview

HSBC'S MERCHANT FINANCING PROGRAMMES

	Amazon	HKTVmall	Tmall / Cainiao
Description	Provides digital trade financing by leveraging **Amazon** store performance and sales data from **Dowsure** for credit assessment	Uses **HKTVmall's** commercial data, like turnover and refund records, to offer merchants fast, document-free digital trade loans	Evaluates real-time logistics and inventory data from **Cainiao** to approve trade finance for merchants on **Tmall Global** platforms
Tenor	120 Days	90 Days	N/A, Rolling Portfolio Basis
Facility Size	USD 2 million	USD 500 k	USD 500 k
Collateral	None Required	None Required	None Required

*Inexhaustive
Source: HSBC, Quinlan & Associates analysis

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CASE STUDY (2/2) – VIRTUAL BANK

KEY TAKEAWAYS

Hong Kong's PAObank has been especially focused on SME borrowers, recently opening up its loan book to third-party e-commerce merchants by partnering with MyBooster to access its real-time data.

It's offering up to USD 5 million worth of credit for up to 6 months or as a revolving credit facility, monetising its loan product, termed "Cross-border E-commerce Revolving Loan," by charging a mix of interest- and fee-based schedule of charges.

Banks may also learn from the key terms of Hong Kong-based virtual bank PAObank's "Cross-border E-commerce Revolving Loan" to successfully monetise their direct lending operations

PAObank Cross-border E-commerce Revolving Loan
Case Study

X
X

PAObank

In 2025, PAObank launched its Cross-border E-commerce Revolving Loan, offering unsecured, data-driven financing to MSMEs, signalling a shift towards direct lending by leveraging platform data to underwrite risk, capture full interest margins, and build proprietary merchant relationships.

Key Programme Details
Description

PARTNERSHIP
PAObank is leveraging data from partners, such as MyBooster with its "MaiBao Cloud Data" on sales, refunds, inventory, etc.

LOAN AMOUNT
PAObank is offering loans ranging from USD 50,000 to 5 million, in only US Dollars

TURNAROUND TIME & TENOR
Drawdown is as fast as one week, with a loan tenor of up to 6 months for monthly re-payment or a revolving credit facility

MONETISATION
PAObank charges a combination of interest-based and fee-based costs to borrowers to monetise its loan offering

Key Terms

INTEREST-BASED	INTEREST RATE	USD Prime Rate + 2% (equivalent to an effective annual rate of 6.49%+)
	LATE RE-PAYMENT INTEREST	3% Per Month (charged and accrued on the overdue amount in case of delays)
FEE-BASED	HANDLING FEE	Up to 0.1% (of the principal limit approved is charged for the initial set-up)
	ANNUAL FEE	Up to 0.1% (of the renewed principal limit approved is charged)
	CHANGE OF TERMS FEE	USD 200 Per Item… (charged when clients request to change any term(s) of the loan)

Source: PAObank, Quinlan & Associates analysis

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SECTION 5

HOW WE CAN HELP

QUINLAN &ASSOCIATES

HOW WE CAN HELP

KEY TAKEAWAYS

Various factors must be carefully considered for banks and FIs looking to enter the e-commerce lending space as direct financiers.

We have identified a series of key questions – and associated considerations – that prospective lenders need to address, from proposition set-up to ongoing risk and customer management.

We can help banks and NBFIs develop a fit-for-purpose e-commerce lending strategy, operating model, and business case / implementation roadmap

Value Chain

Key Questions and Examples

Proposition Set-up

FUNDING ORIGINATION
How should the funding be sourced to lend?
- Internal accruals / customer deposits
- Institutional funding (e.g. private credit)
- Bank credit (e.g., warehousing loan)

PRODUCT DESIGN
What product structure should be offered?
- Revolving loan
- Revenue-based financing
- Merchant cash advance

CHANNEL SELECTION
Which channel should you lend through?
- Marketplace partnering for embedded loans
- Direct, independent lending
- Different marketplace-dependent approach

Customer Acquisition

BORROWER PROFILING
Who should be the target borrower?
- Choice of marketplace (e.g., Amazon)
- Borrower size (e.g., by GMV[1])
- industry vertical (e.g., fashion, electronics)

BORROWER ACQUISITION
How do you win borrowers over?
- Borrower preferences and decision drivers
- Marketing channels, content, and cadence
- Distribution partnerships

BORROWER ONBOARDING
How can the UI/UX be made seamless?
- API connections with marketplace account
- Automated KYC processes
- Automated AML processes

Lending Process

CREDIT UNDERWRITING
How should credit lending decisions be made?
- Traditional data points (e.g., credit score)
- Alternative data points (e.g., sales volume)
- Proprietary credit scoring model training

LOAN PRICING
How should the loan offering be priced?
- Interest rate setting (e.g., benchmark rate)
- Fees (e.g., loan processing / handling fee)
- Ancillary products (e.g., insurance)

FUNDS DISBURSEMENT
What should the disbursement process be?
- Disbursement timing
- Lumpsum vs. staggered disbursement
- Final compliance / verification checks

Ongoing Risk & Customer Management

BALANCE SHEET MANAGEMENT
How should assets be managed?
- Securitisation sale
- Entity transfer (e.g., SPV[2])
- Currency risk hedging

CREDIT MONITORING
How should risk be monitored?
- Periodic data (e.g., credit score)
- Real-time data (e.g., inventory)
- End-use proof (e.g., invoices)

DEBT COLLECTION
How should debt be collected?
- Interest accrual period
- Method (i.e., percentage vs. flat)
- Frequency (e.g., unit or month)

BORROWER RETENTION
How to keep borrowers loyal?
- Value-added services
- Account manager KRAs[3]
- Loyalty programs

[1]Gross Merchandise Volume; [2]Special Purpose Vehicle; [3]Key Responsibility Areas
Note: The questions and options listed are not exhaustive
Source: Quinlan & Associates analysis

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