Can Portable Reputation Improve Supplier Finance?

Verifiable trade records and working capital for small suppliers

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Abstract

A small supplier can accumulate years of reliable delivery records and still look untested to a lender that cannot verify those records. This paper develops the portable reputation proposal in Chapter 10 of Target Money. It distinguishes evidence that a supplier has performed from evidence that a specific receivable exists, remains unpaid, and is available for financing. It proposes that lenders assess whether portable records add information beyond their existing underwriting and evaluate approval, pricing and losses at comparable risk. A hypothetical invoice and a two-stage study design show how the approach could be applied. Stablecoins enter the model as a possible disbursement and repayment rail. The paper presents a conceptual framework.

1. A good trading record that stays behind

Consider a parts supplier that has served several buyers through a procurement platform. It needs money for materials while it waits for a recently accepted invoice to be paid. A new lender can see the invoice, but may need to call the buyer to check acceptance and may have little visibility into the supplier's history. A high platform rating gives the lender limited grounds for distinguishing a supplier with repeat deliveries from one whose score rests on a few small orders.

Chapter 10 of Target Money calls this problem an institutional reputation silo. The issue is that one market participant controls access to information another institution needs to assess performance. A portable trade record is an authenticated, time-bounded statement about a business event that the supplier can present to another authorized institution. Its usefulness depends on whether the institution can identify the source, interpret the event and establish whether the statement is still current.

2. What can the lender verify?

A lender needs to answer two questions. Has the supplier delivered accepted orders in the past? Does the buyer currently owe the amount on this invoice? A buyer can attest that it accepted a delivery, an invoice operator can attest its status, and a payment provider can confirm settlement. Each speaks to different facts. The W3C Verifiable Credentials Data Model provides a way to exchange issuer statements and check their authenticity. A valid signature establishes provenance. The lender still needs to decide whether the issuer is in a position to know, and whether the statement covers the risk it is assessing.

For historical performance, report the number of accepted deliveries, the observation period, and how much of the supplier's trade the source covers. Include disputed or reversed entries and describe missing records. Disclose how indicators are calculated and allow corrections. A supplier with a short history should have a way to submit conventional evidence. For a specific invoice, confirm the debtor, outstanding amount,

due date, dispute and adjustment status, and any prior financing or restrictions on assignment through appropriate sources. A credential about a historical milestone offers no assurance that a different invoice is available to finance.

3. Applying the model to an invoice

First, the supplier asks an existing buyer or platform to issue an attestation for a defined observation period. Second, with the supplier's authorization, the lender receives selected fields and confirms the issuer and current status. Third, the lender evaluates the receivable and the debtor using its ordinary controls. The supplemental history may inform the reliability of documentation, the likelihood of disputes, or the cost of verification. The decision should record which new evidence affected the assessment and how a supplier can correct it.

Suppose a small supplier presents an accepted invoice for 10,000 units due in 45 days. A confirmed 1,000-unit adjustment leaves 9,000 units outstanding. If the lender's ordinary maximum advance is 70% of eligible face value, the illustrative ceiling is 6,300 units before any further exclusions or limits. The lender still checks whether the invoice has been pledged and whether the debtor can pay. A portable record may let the lender resolve the adjustment faster or document a history of disputed deliveries. Any change to terms should reflect validated evidence and the lender's policy. The numbers are illustrative and establish no typical terms.

A stablecoin may carry an approved disbursement or repayment where both parties can use it. Evaluate that choice by measuring time to usable funds, fees, conversion costs and settlement failures. It does not establish that an invoice exists or resolve the priority of competing claims. Keep purchase orders and invoice details in access-controlled systems. A lender can verify attestations without placing the supplier's full trading history on a public ledger.

4. How to tell whether it works

In a shadow review, compare the same applications under two information conditions: ordinary underwriting and ordinary underwriting with portable credentials. Keep actual credit decisions under the existing process during this stage. Measure verification time, missing evidence, agreement between reviewers, and approval or terms differences. Evaluate estimates using decision-date information, and test them on a later sample or a different platform to detect leakage and platform-specific effects.

If the evidence warrants a live pilot, compare similarly situated applicants offered the two review processes, using a phased or randomized offer where feasible. Track approval, effective cost, advance size, time to funds and realized losses. Report results by length of supplier history and source coverage, and account for participation and selection. Higher approvals by themselves do not establish better access at comparable risk. Default outcomes for rejected applicants may be unobserved, so report that limitation and avoid assuming their outcomes.

The main hypothesis is that histories have greater incremental value for firms whose underlying performance is documented but difficult for a new lender to observe. A separate hypothesis is that current invoice attestations reduce verification time more reliably than broad platform ratings. Both may fail if issuers capture little of the supplier's activity, buyers record disputes inconsistently, or lenders already see equivalent evidence.

5. Relationship to the earlier papers

Programmable Money in Three Layers explains how evidence can inform a payment rule. When Should Freelancers Get Paid? studies how payment timing and escrow distribute working-capital exposure inside a contract. This paper asks whether evidence from completed contracts remains useful when a supplier applies for financing elsewhere. The earlier programmable-voucher paper studies how controls affect access to public benefits. Here the decision is commercial underwriting, and outcomes must be evaluated alongside realized credit risk.

Keywords

Portable reputation, verifiable credentials, supplier finance, SME working capital, invoice financing, receivables verification, stablecoin settlement.

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