Why a Guide on Value Chain Finance?

- Some banks have shown VCF is one of the most sustainable and effective ways to reach large numbers of smallholders.
- Lack of practical guidance materials for banks on the “how to” of value chain finance.
- Ability to utilize network of bankers to develop this resource, unique to other information about VCF.
Characteristics of AVCF

- Rather than a simple credit risk assessment of the borrower, **AVCF requires a comprehensive assessment and understanding of the value chain.**
- Leverages **aggregation of farmers** to diversify risk and reduce costs of delivery.
- Uses **tailored financial products and services** that meet the needs of the chain.
- Examines the **flow of goods, information and money** up and down the value chain.
Objectives of the VCF Guide

- To provide **practical, evidence-based guidance** to financial institutions engaging in AVCF.

- To offer a comprehensive picture of agricultural value chains so as to enable financial institutions to work with **different segments of the value chain** and adapt financial products to the specific demands of value chain participants.

- To provide examples of **field-tested AVCF products and procedures** that have shown value or promise.
The Guide has been created by bankers for bankers. The Guide has been developed by practitioners carrying out field experiments (in partnerships with AgriFin).

The Guide documents “peer-to-peer” sharing on the “how-to” of value chain finance.

- Bankaool, Mexico; HBL, Pakistan; HDFC, India.
- Case examples from other banks active in VCF, e.g., Yapi Kredi, Turkey, Rabobank, Brazil
AVCF Guide Overview

- Step-wise framework – walks reader through the following:
  - Making the Business Case for Value Chain Finance
  - Identifying a Target Value Chain
  - Mapping the Value Chain - Market Intelligence
  - Entry Points for a Financial Institution
  - Value Chain Financial Products
  - Risk Management, Costs and Returns
  - Adapting Bank Structure and Operations
  - From Pilot Project to Value Chain Finance Launch
AVCF Guide can be used by:

- Financial institutions' staff including senior management to understand the strategic benefits of value chain finance
- Heads of lending departments and their teams to implement value chain finance
- Other bank staff for training and self-study
- Development professionals supporting agricultural finance projects.
- Guide comes in two formats: Full pdf version and an online overview version
Questions for HDFC

- How does HDFC employ VCF approach and why important to HDFC's business model for agricultural lending?

- Why did you partner with AgriFin on this activity?

- Advice for banks wanting to get started/employ VCF approach?
AVCF Guide + Online Overview