Distribution financing is less appealing for financial institutions than supplier payment programs since distributors' credit quality is not as high, usually, than that of GVC anchors. Further, credit will need to be assessed and monitored for numerous distributors as opposed to a single entity under supplier payment programs. For this reason, many financial institutions are only prepared to provide distribution financing if they have recourse back to the GVC anchor.

A majority of early adopters of SCF report that these solutions have performed as intended: financing costs have been lowered, unit costs of procured goods have declined, DPOs have been lengthened, DSOs shortened and supply disruptions reduced.[24] Despite this, the usage rate for SCF solutions remains relatively low. We examine why next.

The Current State of Supply Chain Finance

Although SCF has grown rapidly during the past few years (spurred along, namely, by the financial crisis), it remains a category of trade finance solutions that is in an early stage of development. For instance, a survey conducted in May 2010 found that only twenty-five per cent of European corporations were using SCF solutions (a strong increase from the previous year when only fifteen per cent of respondents indicated they used SCF).[25] The usage rate for SCF is believed to be at least as high in the United States but lower in Canada due, in part, to the relatively small number of GVC anchors located in Canada.

Many factors explain why, despite the benefits that they can bring, SCF solutions have not been adopted by more GVC participants. The reasons most frequently identified by scholars, SCF providers and supply chain experts are outlined below.

Demand-side impediments:

- Lack of understanding by GVC anchors and suppliers of the concept, costs and benefits of SCF
- Resistance to change within GVC anchors and supplier firms
- Costs and efforts required by GVC anchors to sign up suppliers and distributors to SCF programs
- Suppliers wary of embarking on programs driven or imposed on them by GVC anchors
- Difficulty or inability of suppliers to get their bank to release their security interest in the accounts receivables owed by GVC anchors
- Concerns with systems integration costs on the part of suppliers who risk having to deal with multiple, non-compatible, SCF platforms when selling to more than one GVC anchor

Supply-side impediments:

- A limited number of banks offer supply chain financing solutions and an even lower number (mostly the top global banks) offer comprehensive suites of SCF solutions[26]

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[24] See Aberdeen Group, *op. cit.*, p. 7.

[25] Source: Demica, June 2010, *op. cit.*, p. 7.

[26] Top global banks presently dominate the SCF landscape. The most active in this space included, at time of writing, Citi, Bank of America, Wells Fargo, J.P. Morgan, Deutsche Banks, Banco Santander, HSBC and Standard Chartered Bank.