

Supply Chain Finance Innovation and Corporate Profitability-Based on the Impact of Social Responsibility

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Article History

Received: 23.07.2024

Accepted: 03.08.2024

Published: 19.08.2024

Abstract: This study explores the intersection of supply chain finance innovation and corporate social responsibility (CSR) and their collective impact on corporate profitability. With the rapid development of supply chain finance and the increasing emphasis on CSR, understanding how these factors influence each other and contribute to business success has become crucial. The research aims to analyze the role of supply chain finance innovations, such as factoring, reverse factoring, and receivables financing, in enhancing corporate profitability. Additionally, it examines how CSR can moderate this relationship by improving corporate reputation and potentially boosting the effectiveness of financial innovations. By integrating theoretical analysis with case studies, the paper identifies key patterns and outcomes of successful and unsuccessful applications of supply chain finance and CSR. The findings offer valuable insights for businesses seeking to balance financial innovation with social responsibility to achieve sustainable growth and profitability.

Keywords: Supply Chain Finance, Corporate Social Responsibility, Profitability, Financial Innovation, Sustainable Development.

Cite this article:

Zhe, J., Kamaruddin, B. H., (2024). Supply Chain Finance Innovation and Corporate Profitability-Based on the Impact of Social Responsibility. *ISAR Journal of Economics and Business Management*, 2(8), 17-22.

1. Introduction

1.1 Background of the study

Driven by globalisation and digitalisation, supply chain finance has gradually become an important means for enterprises to optimise capital liquidity and reduce financing costs. By integrating the resources and credit of upstream and downstream enterprises in the supply chain, supply chain finance provides new financing models, such as accounts receivable financing, factoring, supply chain notes and so on. These innovations not only help enterprises alleviate financing difficulties, but also enhance the efficiency and stability of the entire supply chain.

Meanwhile, Corporate Social Responsibility (CSR) is growing in importance globally. More and more enterprises realise that in addition to pursuing economic benefits, they also need to assume certain social responsibilities, such as environmental protection, employee welfare and community development. CSR is not only an important part of corporate image and reputation, but also gradually becomes an important factor affecting corporate profitability.

In this context, it is of great practical significance and theoretical value to study the relationship between supply chain finance innovation and corporate profitability, especially the moderating role of social responsibility in it.

1.2 Research Questions

The core question of this study is:

1. How does supply chain financial innovation affect corporate profitability?

2. Does and how does CSR play a role in this process?

Specifically, this study will explore the following questions:

1. Does supply chain financial innovation significantly enhance corporate profitability?

2. Does CSR play a moderating role between supply chain finance innovation and firm profitability?

3. How should enterprises balance the requirements of profitability and social responsibility in the process of supply chain finance innovation?

1.3 Research Significance

Exploring the relationship between supply chain financial innovation and corporate profitability not only helps to deepen the understanding of supply chain finance, but also can provide theoretical support for corporate financial management and strategic decision-making. By analysing the moderating role of social responsibility, the study will reveal how enterprises can take into account social responsibility while pursuing financial benefits, and thus achieve the goal of sustainable development.

The significance of this study is mainly reflected in the following aspects: Theoretical contribution: enriching the research results in the field of supply chain finance and CSR, especially the

interaction between the two in enhancing corporate profitability.

Practical implications: to provide corporate managers with decision-making references in supply chain finance innovation and social responsibility, and to help corporations fulfil their social responsibility while maintaining profitable growth.

Policy Recommendations: To provide policy makers with theoretical basis to promote the standardised development of supply chain finance and facilitate enterprises' investment in social responsibility.

2. Literature review

2.1 Concept and development of supply chain finance

Supply chain finance is a financial service model based on supply chain management, which helps enterprises, especially small and medium-sized enterprises (SMEs), to solve their financing problems by integrating the resources and credit of different links in the supply chain. While traditional enterprise financing mainly relies on the assets and credit of the enterprise, supply chain finance is based on the stable business, information and capital flows in the supply chain, and optimises the enterprise's capital liquidity and financing efficiency through accounts receivable financing, factoring, reverse factoring, etc (Chen and Wang, 2018).

The development of supply chain finance has benefited from the progress of information technology and the complexity of global supply chains. With the wide application of big data, blockchain and IoT technologies, the supply chain finance model has become more intelligent and transparent. The application of these technologies not only improves financing efficiency, but also reduces information asymmetry and credit risk, thus further promoting the innovation of supply chain finance (Gelsomino et al, 2016).

2.2 Forms of Supply Chain Finance Innovation

The innovation of supply chain finance is mainly reflected in the diversification of financial products and service models. The following are several major forms of supply chain finance innovation:

Accounts Receivable Financing: Enterprises use accounts receivable as collateral to raise funds from financial institutions through the supply chain finance platform. This method can accelerate the return of enterprise funds and reduce capital pressure (Hofmann and Belin, 2011). **Factoring:** enterprises transfer future accounts receivable to financial institutions to obtain financing. Factoring is widely used in supply chain finance, especially for small and medium-sized enterprises (SMEs) with tighter cash flow (Zhao et al, 2011). **Reverse factoring:** large enterprises convert suppliers' accounts receivable into financeable assets by cooperating with suppliers in the supply chain. Reverse factoring not only enhances the liquidity of suppliers, but also improves the stability of the entire supply chain (Seuring and Gold, 2013).

2.3 Corporate Social Responsibility and Profitability

Corporate Social Responsibility (CSR) refers to the fact that enterprises take the initiative to assume responsibility for society, environment, employees and community while pursuing economic benefits. With globalisation and increased consumer awareness, CSR has become an important part of corporate strategy.

Numerous studies have shown that companies that fulfil their

social responsibilities usually achieve higher profitability. On the one hand, social responsibility can improve the reputation and brand value of a company, and enhance the trust of consumers and investors, which can lead to more business opportunities and return on investment (Carroll and Shabana, 2010). On the other hand, positive social responsibility practices can increase employee satisfaction and productivity, reduce operating costs, and ultimately enhance a firm's financial performance (Orlitzky et al, 2003).

However, the impact of CSR on profitability is not always positive. Some studies have shown that excessive social responsibility investment may lead to increased costs for firms, especially in the short term when it is difficult to see direct financial returns (Barnett and Salomon, 2012). Therefore, how to find a balance between corporate profitability and social responsibility is an important issue that corporate managers need to face.

2.4 Interaction between supply chain finance and social responsibility

In the modern business environment, the interaction between supply chain finance and CSR has become increasingly close. On the one hand, supply chain finance innovation can support enterprises' investment in social responsibility by improving capital liquidity. For example, enterprises can use the funds obtained from supply chain finance to invest in projects such as environmental technology, employee welfare and community development (Wu and Chiu, 2016). On the other hand, CSR can also enhance the effect of supply chain finance and further promote the application and development of supply chain finance by enhancing corporate reputation and reducing credit risk (Zhang and Li, 2019).

Studies have shown that if enterprises can actively fulfil their social responsibility in the process of supply chain finance innovation, it will help to enhance the stability and sustainability of the overall supply chain, which will ultimately improve the profitability of enterprises (Pagano and Scarpino, 2020). This synergistic effect not only helps enterprises achieve their economic goals, but also promotes the sustainable development of the whole society and environment.

3. Theoretical discussion

3.1 The impact of supply chain financial innovation on enterprise profitability

Supply chain financial innovation plays an important role in modern enterprises and mainly affects the profitability of enterprises through the following ways:

1. Improving capital liquidity:

Through accounts receivable financing and factoring, supply chain finance helps enterprises to rapidly convert their accounts receivable into cash flow, thus easing capital pressure and reducing financing costs.

This improved liquidity is particularly important for SMEs, which often face limited financing channels and high financing costs. Through the innovation of supply chain finance, enterprises are able to manage their cash flows more efficiently, thus achieving a higher return on capital (Silvestro and Lustrato, 2014).

2. Reduce operating costs:

Through the innovation of supply chain finance, enterprises are able to establish closer relationships with partners in the supply

chain, thus achieving better resource allocation and cost control. For example, through reverse factoring, large enterprises can help their suppliers obtain low-cost financing, reduce the overall costs in the supply chain, and enhance the profitability of all parties (Choi and Linton, 2011). In addition, supply chain financial innovation can optimise the supply chain management of enterprises and improve operational efficiency, thus further reducing costs.

3. Enhance market competitiveness:

Supply chain financial innovation can also enhance the competitiveness of enterprises in the market. By optimising capital liquidity and reducing costs, enterprises can devote more resources to their core business and market expansion, thereby increasing market share and brand influence.

This enhanced market competitiveness, in turn, helps enterprises to obtain more profit opportunities (Flynn et al, 2010).

Despite the significant advantages of supply chain finance innovations in enhancing the profitability of enterprises, their implementation may also face challenges, such as technological thresholds, restrictions in laws and regulations, and changes in the market environment. These factors may affect the effectiveness of supply chain finance, so enterprises need to adequately assess the risks and benefits in order to develop an optimal strategy when undertaking financial innovation.

3.2 The Moderating Role of Social Responsibility

Corporate Social Responsibility (CSR) plays an increasingly important role in corporate operations. It is not only the embodiment of corporate image and brand value, but also an important guarantee for long-term sustainable development of enterprises. In the context of supply chain finance innovation, CSR may affect corporate profitability in several ways:

1. Enhancing corporate reputation and credit rating:

Enterprises that fulfil their social responsibilities tend to obtain higher credibility and credit ratings, and thus more favourable financing conditions in supply chain finance. For example, enterprises focusing on environmental protection and social responsibility may be regarded as low-risk customers by financial institutions, thus obtaining lower financing interest rates and better financing solutions (Kumar and Prakash, 2019). This indirect effect through social responsibility can further enhance the profitability of enterprises.

2. Enhancing stakeholder trust:

CSR helps to enhance trust with stakeholders such as suppliers, customers and investors. This trust relationship can enhance the stability of the supply chain, reduce the uncertainty and potential risks in the supply chain, thus creating a more stable profit environment for the enterprise (Russo and Perrini, 2010).

3. Support long-term sustainable development of enterprises:

Social responsibility not only has an impact on the current profitability of the enterprise, but also can support the long-term sustainable development of the enterprise. Through positive social responsibility practices, enterprises can obtain long-term social capital, which can provide additional protection and support when the economy fluctuates or the market environment changes, thus ensuring stable profitability in the long term (Porter and Kramer,

2006).

Although CSR can enhance the effectiveness of supply chain finance innovations in many cases, it can also bring about a rise in costs in the short term. This rise in costs, especially in the initial period, may have a negative impact on firms' profitability. Therefore, firms need to find an appropriate balance between their social responsibility commitments and their short-term profitability goals.

3.3 Synergies between supply chain finance and social responsibility

Supply chain finance innovation and CSR are not two factors that exist independently; there is a synergistic effect between them. The capital liquidity obtained by enterprises through supply chain finance innovation can be partially used to support social responsibility projects, such as environmental protection, employee welfare and community development. These projects not only enhance the social image of enterprises, but also strengthen the stability and sustainability of the supply chain (Beske and Seuring, 2014).

In addition, enterprises that fulfil their social responsibilities are usually able to gain greater benefits from supply chain finance innovation by enhancing their reputation and reducing their financing costs. This synergistic effect helps enterprises to take into account social responsibility while pursuing profitability, and realise a win-win situation for both economic and social benefits (Lee and Rammohan, 2017).

4. Case studies

4.1 Successful Case: Haier Group's Supply Chain Finance Innovation and Social Responsibility Practices

Background:

Haier Group is a leading home appliance manufacturer in China, known for its innovation capability and globalisation strategy. In recent years, Haier has actively promoted supply chain finance innovation and integrated CSR into its operational strategy.

Supply chain finance innovation initiatives:

Haier Group has established its own supply chain finance platform, aiming to provide efficient financing services for its suppliers and distributors. Through this platform, Haier's upstream suppliers can finance their accounts receivable from Haier and obtain a quick cash inflow. This model not only reduces the suppliers' financing costs, but also enhances the stability of the supply chain (Haier, 2020).

Social responsibility practice:

Haier is outstanding in fulfilling its social responsibilities, including environmental protection, employee welfare and community development. For example, Haier is committed to researching and developing energy-saving and environmentally friendly home appliances to reduce carbon emissions; it invests a lot of resources in employee training and development; and it actively participates in community welfare activities to enhance its corporate image (Liu and Zhang, 2019).

Results and Impact:

Through supply chain finance innovation, Haier not only improves its own capital operation efficiency, but also helps its supply chain

partners improve their capital situation and enhance the competitiveness of the whole supply chain. Combined with its excellent social responsibility practices, Haier's brand value and market reputation have significantly increased. Together, these factors have contributed to Haier's improved profitability and continued growth in its share of the global market (Bai and Sarkis, 2019).

4.2 Failure Case: Supply Chain Finance Dilemma and Lack of Social Responsibility in an SME Manufacturing Enterprise

Background:

A small and medium-sized manufacturing enterprise (hereinafter referred to as 'Enterprise A' for the sake of privacy) is mainly engaged in the production of parts and components, and has complex supply chain relationships. However, there are obvious deficiencies in supply chain finance innovation and social responsibility practices.

Supply chain finance issues:

Due to the lack of an effective supply chain finance strategy, Enterprise A faces long-term liquidity difficulties. Its accounts receivable cycle is long, leading to cash flow constraints. The enterprise tries to co-operate with financial institutions for accounts receivable financing, but it is ineffective due to low credit ratings and high financing costs (Johnson et al, 2017).

Lack of social responsibility:

In terms of social responsibility, Enterprise A has not invested enough. For example, there are environmental pollution problems in the production process and low employee benefits, which lead to high employee turnover. These problems not only affect the social image of the enterprise, but also have a negative impact on its operational efficiency (Xia and Xiao, 2011).

Results and Reflection:

Due to the mismanagement of supply chain finance and the lack of social responsibility, the profitability of Enterprise A declined year by year. The tight financial chain leads to lower productivity and weaker market competitiveness. At the same time, the negative social image puts it in an unfavourable position in the cooperation with suppliers and customers. Eventually, Enterprise A falls into operational difficulties and even faces the risk of bankruptcy (Wang and Qian, 2011).

4.3 Summary of Case Analysis

The above two cases clearly demonstrate the significant impact of supply chain finance innovation and CSR on corporate profitability. Haier Group has achieved double improvement in profitability and market competitiveness through active supply chain finance innovation and social responsibility practice. On the other hand, Enterprise A suffers from operational difficulties due to its deficiencies in these two aspects.

These cases show that enterprises should regard supply chain financial innovation and social responsibility as mutually reinforcing strategic factors. While promoting financial innovation, they should actively fulfil their social responsibility in order to achieve sustainable development and profitability.

5. Discussion

5.1 Significance of the research findings

Through the comprehensive analysis of supply chain financial innovation and CSR, this study finds the following significant findings:

1. Supply chain financial innovation has a significant role in improving the profitability of enterprises

From the theoretical discussions and case studies, it can be seen that supply chain financial innovation can effectively improve the enterprise's capital liquidity, reduce financing costs, and enhance the enterprise's operational efficiency through optimising supply chain management. These factors work together to significantly enhance the profitability of enterprises. For example, by establishing a supply chain finance platform, Haier Group not only accelerated the return of funds, but also formed a closer cooperative relationship with suppliers, which promoted the profit growth of the enterprise.

2. The moderating role of CSR in supply chain finance innovation is crucial

CSR not only affects an enterprise's market reputation and credit rating, but also can further amplify the positive impact of supply chain finance innovation on an enterprise's profitability by enhancing stakeholders' trust and supporting the long-term sustainable development of the enterprise. On the contrary, enterprises that neglect social responsibility, such as Enterprise X in the case study, despite their supply chain financial innovation, end up with declining market competitiveness and financial difficulties due to the lack of support from social responsibility.

3. There is a synergy effect between supply chain financial innovation and social responsibility

Successful enterprises are able to find a balance between supply chain financial innovation and the fulfilment of social responsibility, thus achieving a win-win situation in terms of economic and social benefits. The experience of Haier Group shows that by partially investing the results of supply chain financial innovation into social responsibility projects, the enterprise can not only improve its brand image, but also enhance the stability and sustainability of its supply chain. This synergistic effect allows the enterprise to enhance profitability while promoting sustainable social development.

5.2 Comparison with existing literature

The findings of this study have some fit with the findings of existing literature on supply chain finance and CSR, but also offer some new insights. Firstly, while much of the literature emphasises the role of supply chain finance in optimising firms' cash flows, this study further highlights the non-negligible moderating role of social responsibility in this process. Second, while existing studies mostly focus on the impact of a single aspect (e.g., supply chain finance or social responsibility), this study demonstrates the synergistic effect when the two are combined through case study analyses, which provides a new direction of strategic thinking for corporate managers.

5.3 Implications for Business Management

Based on the above findings, this study proposes the following practical suggestions for enterprises in supply chain management and social responsibility:

1. Focus on the strategic application of supply chain finance innovation

Enterprises should fully understand the importance of supply chain financial innovation in enhancing profitability and use it as a core tool for financial management and supply chain optimisation. However, when carrying out supply chain financial innovation, enterprises need to deeply analyse the market environment and the actual situation of supply chain partners to avoid blindly pursuing innovation and neglecting risk management.

2. Incorporate social responsibility into the long-term development strategy of enterprises

While promoting supply chain finance innovation, enterprises must consider social responsibility as an important part of their corporate strategy. By actively fulfilling social responsibility, enterprises can obtain higher market reputation and credit rating, and thus more support and resources in the financial market. In addition, the investment in social responsibility can help enterprises build stronger competitive barriers in the market competition and achieve long-term sustainable development.

3. Finding a balance between supply chain finance and social responsibility

Enterprises should endeavour to find a balance between supply chain finance innovation and the fulfilment of social responsibility, and make full use of the synergy effect between the two. For example, enterprises can use part of the proceeds from supply chain finance for environmental protection projects or community development, thus enhancing social benefits while improving corporate profitability. Through this win-win strategy, enterprises can not only obtain financial returns in the short term, but also establish a more stable and sustainable market position in the long term.

6. Conclusions and Recommendations

6.1 Main conclusions

This study examines the relationship between supply chain financial innovation and CSR in enhancing corporate profitability and draws the following key conclusions:

Supply chain financial innovation can significantly enhance the profitability of enterprises, mainly through improving capital liquidity, reducing operating costs and enhancing market competitiveness.

CSR plays an important moderating role in the process of supply chain financial innovation and can amplify the positive impact of supply chain financial innovation on corporate profitability.

There is a synergistic effect between supply chain financial innovation and CSR, and enterprises can achieve a win-win situation of economic and social benefits by fulfilling their social responsibility while pursuing profitability.

6.2 Management Recommendations for Enterprises

Based on the conclusions of the study, when promoting supply chain financial innovation, enterprises should fully consider the factors of social responsibility and organically combine the two in order to achieve the sustainable development of enterprises. In addition, enterprises need to strengthen risk management and carefully select partners and innovation modes in the process of supply chain finance innovation to ensure the successful

implementation of the innovation.

6.3 Research Limitations and Future Prospects

This study mainly adopts theoretical analyses and case studies to explore the impact of supply chain finance innovation and CSR on corporate profitability. However, due to data and time constraints, the study fails to conduct large-scale empirical analyses, and future research can further collect relevant data for more in-depth empirical studies. In addition, there may be differences in supply chain finance and social responsibility practices among enterprises in different industries and regions, and future research can explore this issue in a broader context.

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