Proceedings of the 2nd International Conference on Management Research and Economic Development
DOI: 10.54254/2754-1169/72/20240685

"Redefining Supply Chain Financing: The Role of Long-Term Investors and Intangible Assets" from a Resource-Based View Perspective

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Abstract: Supply chain finance has the capacity to enhance the efficiency of financing and the ability to manage risk for all stakeholders involved in the supply chain, leading to the promotion of sustainable development, and fostering collaborative partnerships within the chain. The theoretical foundation for the evolution of supply chain finance and the optimal utilization of internal and external resources can be attributed to the resource-based view. Building upon this view, we propose establishing a framework for the relationship between supply chain finance, intangible assets, and long-term investors. However, it is crucial to note that, under the predominant shareholding structure of long-term investors, the value and safeguarding of intangible assets may not be effectively enhanced. This can have ramifications on the investment decisions and interest protection of long-term investors as well as hinder the competitiveness of enterprises and the efficacy of supply chain finance. Leveraging it allows for the extraction of value from intangible assets and attracts the support of long-term investors, thereby aiding enterprises in risk reduction, fostering innovation and technological advancement, and ultimately achieving sustained development. Our proposed model serves as a valuable reference for relevant enterprises and individuals seeking to utilize supply chain finance, particularly for entrepreneurs and innovative companies.

Keywords: Supply Chain Finance, The Resource-Based View, Intangible Assets, Long-term Investors

1. Introduction

In normal circumstances, it is not recommended for companies to borrow too much money because of the risks and costs associated with debt. However, there are times when businesses face challenges that require financing, such as limited capital, inventory management problems, and operational pressures. Traditional financing methods like bank loans and bond issuance have drawbacks that make it difficult for modern enterprises to meet their financing needs. As a result, supply chain finance has become popular, especially for small and medium-sized enterprises.

Supply chain finance plays a crucial role in improving capital availability, reducing financing costs, enhancing efficiency, mitigating risks, and creating overall value [1]. It encourages risk sharing and collaboration between different companies in the supply chain. Researchers have explored the use of technology, like blockchain and big data, to enhance the efficiency and security of supply chain

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finance. They have also studied various risks, such as credit and liquidity risks [2]. New models and products, like supply chain financial platforms and bonds, have been proposed for supply chain financial services.

Despite the rapid growth of supply chain finance in recent years, there are still practical challenges to overcome. The provision of supply chain financial services tends to favor large corporations and well-established brands, but limited access to financing for small businesses [3] and the need for further technological advancements [4]. Furthermore, strict risk management may also increase financing costs. Balancing the interests of all stakeholders and promoting sustainable development requires innovative solutions.

Supply chain finance involves the movement of money and risk sharing among different parties involved in the supply chain, such as suppliers, manufacturers, distributors, and consumers. There are several key factors that impact it, including agency problems, information issues, enterprise capital, and long-term and short-term strategic relationships. The agency problem refers to situations where a delegate acts in their own self-interest rather than the principal's, resulting in an unfair distribution of resources and risk. This is especially relevant in supply chain finance and the decision-making of long-term investors. For example, Bao et al. [5] discuss the problem of information asymmetry in it and highlight the important role that long-term investors play in making capital investment and financing decisions throughout the chain. Essentially, the parties involved in supply chain finance are usually long-term investors who aim to optimize long-term benefits through reasonable capital allocation methods and risk management strategies. Kouvelis et al. [6] also address the agency problem in it, exploring the challenges and opportunities from a long-term investor perspective and emphasizing the potential role these players have in reducing uncertainties and risks. Additionally, Kouvelis et al. [7] examine the long-term investor problem in supply chain finance by creating an optimization model and proposing an effective decision-making method for financing.

Proper information asymmetry can increase opportunities for enterprises to obtain supply chain financing, but when information is not shared or distributed effectively in the whole chain, it can lead to increased risks and uncertainties [8]. For instance, information asymmetry among different participants in the chain can lead to credit risks, uneven distribution of risks, and higher financing costs. Yan & Zhang [9] explore information asymmetry and its connection to default risks, suggesting a financing mechanism that focuses on information disclosure and risk sharing. They argue that addressing the problem of information asymmetry and improving information sharing and transparency are crucial for the advancement of it [10]. Additional studies have provided further evidence that the issue of information in it can be effectively addressed by establishing platforms for sharing information and implementing supply chain finance technology. Gao & Liu [11] have presented a financing model that incorporates information sharing and collateral value to overcome the challenges posed by information asymmetry and mortgage requirements in supply chain finance. Addressing information asymmetry is crucial for the development of the chain and can be achieved through information sharing platforms and the use of the technology.

This article discusses the importance of enterprise resources, especially intangible assets like brand value, intellectual property, and technology patents, in supply chain finance. These assets can be used as collateral or guarantees for debt, reducing financing costs and risks. Chen et al. [12] have explored the issue of intellectual property collateral in supply chain finance and proposed a financing model based on intangible resource collateral. Additionally, Zhang & Luo [13] have examined the consideration of brand value in it and proposed a financing decision-making approach based on brand value. Leveraging enterprise's intangible resources can enhance the competitiveness and sustainable development of it and integrating these resources with it can improve its efficiency and effectiveness.

The article also emphasizes the significance of strategic relationships in supply chain finance, both in the short-term and long-term. Short-term strategic relationships can address temporary financing

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needs, while long-term collaborations are necessary for sustainable development. Feng & Zhang [14] have studied financing decisions in the presence of strategic customers in the chain and proposed a financing model based on strategic relationship orientation, which is of significant importance for the development and implementation of supply chain finance. It often requires long-term investments and ongoing collaborations, and the interests of participants in the chain are complex and ever-changing. As a result, finding a balance between the long-term and short-term interests of it and achieving sustainable development presents challenging issues. Zhang & Li [15] have provided an in-depth analysis of research findings and sustainable development, emphasizing the importance of corporate resources and the relationship between long-term strategic relationship orientation. They have also suggested potential future research directions.

The resource-based view is applied to analyze factors influencing supply chain finance, and a new model is proposed that focuses on leveraging intangible assets and attracting long-term investors. This model aims to enhance it by promoting intangible assets and involving external investors.

Traditional financing strategies often neglect intangible assets, but by utilizing these assets, companies can obtain funds to support innovation and commercialization. Small and medium-sized enterprises can attract long-term investors by selling or converting some of their intangible assets. The study suggests improving equity structure or establishing digital financing platforms to facilitate supply chain finance. By integrating the resource-based view with it, the value of intangible assets is fully utilized, and external investors can share risks and returns with companies.

2. Theoretical bases

The Resource-Based View (RBV) of an enterprise focuses on the various resources that the enterprise relies on for its operations. These resources, both tangible and intangible, are what give the enterprise its competitive edge. Effective management of these resources can lead to long-lasting competitive advantages and potential for growth. Therefore, through acquiring, integrating, and allocating internal resources, the concept of a resource base not only addresses the issue of information asymmetry but also tackles challenges related to limited resources and balancing short-term and long-term development [16]. Long-term investors also play a significant role in providing capital and guidance to enterprises, helping them achieve sustainable development [17]. The involvement of long-term investors not only resolves the problem of agency but also helps steer an enterprise's long-term and short-term development [18].

According to the RBV, evaluating an enterprise's intrinsic worth and the uniqueness and scarcity of its resources is essential for resource management [19]. Primarily, the value of an enterprise lies in its capacity to benefit from its resources. When the enterprise value aligns with market values, it becomes possible to obtain external financing [20]. Secondly, this evaluation allows the enterprise to leverage its resources and obtain external financing [21]. Allocating resources to different business units maximizes their usage and creates synergies. Transparency and open communication are crucial for effective resource management. It is crucial to maintain transparency and openness in sharing resource information to facilitate internal communication and coordination [21]. The RBV emphasizes the importance of integrating diverse resources to adapt to market fluctuations and maintain long-term competitiveness [19,20]. Protecting and maintaining resources is necessary to preserve an enterprise's long-term strategic direction [19].

While the Resource-Based View (RBV) may not be able to solve all challenges in supply chain finance, there is a connection between long-term institutional investors and the RBV. These investors can offer the necessary resources to support enterprises, prioritizing long-term sustainability and value rather than short-term gains [20]. Therefore, institutional investors tend to focus on companies with high growth potential, limited resources, and valuable investments that can generate long-term returns [19]. By redirecting firms' focus on long-term growth and stability, institutional investors can

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address the agency problem and play a supervisory role in corporate governance. They tend to focus on companies with high growth potential, limited resources, and valuable investments that can generate long-term returns. As long-term investors, they prioritize long-term sustainability and value over short-term gains and actively participate in managing risks, promoting sustainable development, and advocating for market reform [19]. Thus, long-term institutional investors play a crucial role in providing stable capital and strategic guidance to enterprises, fostering cooperative relationships that promote sustainable development [20].

This is why we can draw a connection between the Resource-based View, long-term investors, and information asymmetry. By combining these perspectives, the challenges faced in supply chain finance can be improved.

3. Proposition

3.1. The integration of Intangible assets

The RBV focuses on highlighting and emphasizing the value of intangible assets. These assets are recognized for their ability to support capital alongside tangible assets in different ways. Tangible resources for businesses mainly include raw materials, equipment, land, and other measurable items. On the other hand, intangible resources, such as brand value, intellectual property rights, talent, and reputation, cannot be quantified. Companies with fewer tangible resources often face significant challenges when trying to secure bank loans. Therefore, firms with limited financing options may need to consider using supply chain finance to overcome their financial difficulties. To obtain it, a company must first attract and convince its suppliers and sellers to provide financing through accounts receivable financing, inventory financing, and prepayment financing. Similarly, companies with more intangible assets can also utilize supply chain finance to mitigate their financial constraints. Suppliers have confidence in companies with substantial intangible assets, which can help improve their creditworthiness. By effectively utilizing intangible assets, businesses can enhance their capital financing, manage risks, gain competitive advantages, and promote coordination and efficiency in the supply chain.

Proposition1: *The Intangible assets promotes the implementation of supply chain finance.*

3.2. The performance of Long-term investors

Long-term investors tend to invest in companies with higher firm value. According to the Resource-Based View (RBV), companies need support from shareholders for their intangible assets. Adopting a long-term development orientation, which is supported by intangible assets, can help prevent short-sighted behavior by executives. Even if a company lacks substantial intangible assets, long-term investors are still likely to assist the company in establishing them if they perceive its potential for development. Having intangible assets as support allows companies to leverage their unique characteristics to attract support from long-term investors, such as their non-imitable and non-transferable nature in the market.

Increasing ownership by long-term institutional investors raises the chances of securing supply chain finance through intangible capital. The presence of long-term investors attracted by intangible assets can also improve the company's creditworthiness, as their presence instills confidence in suppliers and customers. For example, when a company has a larger number of long-term investors, suppliers view its long-term development prospects as viable, consider it to be profitable, trust in the company, and willingly offer financial support.

Proposition2: *Long-term investors have played a pivotal role in enhancing intangible assets, consequently promoting the facilitation of supply chain finance.*

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3.3. The performance of information asymmetry

Information asymmetry will hide the real firm value. When a firm possesses a considerable amount of intangible assets, it can garner support in terms of supply chain finance as well as secure bank loans. The high level of transparency pertaining to the company's information implies that the information is equally accessible, thereby revealing the potential profitability of the firm. With heightened visibility, financial institutions can discern the value generated by intangible assets for the company, thus fostering a willingness to extend loans, subsequently providing a source of cash flow for the enterprise. In instances where transparency is high, firms that have crafted intangible assets need not rely on supply chain finance, but rather have the option of opting for bank loans. Only when there is information asymmetry do financial institutions hesitate to offer loans due to concerns regarding enterprise credibility, consequently leading to increased opportunities for companies to avail it.

Proposition3: *In instances of information asymmetry, the probability of supply chain finance transpiring is heightened.*

4. Conclusion

The inherent constraints and hazards inherent in customary modes of financing are inapplicable to the current funding and development exigencies of contemporary enterprises. The leveraging of intangible assets presents a viable solution to the undercapitalization challenges facing supply chains. In congruence with the principles espoused by the resource-based view, intangible assets can be effectively harnessed by firms to mitigate these impediments. Supply chain finance, a new financing framework, is well-suited to handle various challenges such as limited capital, inventory management complexities, operational burdens, and risk aversion. This innovative form of financing offers the strategic advantages of increased flexibility, cost reduction, and simplification of the financing process, ultimately benefiting companies by improving liquidity, strengthening risk management, and enhancing relationships with suppliers.

With advancements in supply chain finance and the ideas presented by scholars, we aim to provide a fresh perspective on it. Grounded in the resource-based view, this study highlights the significant contribution and importance of intangible assets and long-term investors in supply chain finance. It unlocks the value of intangible assets and gains support from long-term investors, helping businesses mitigate risks, drive innovation and technological progress, and achieve sustainable development.

In our model, we establish a relationship framework by utilizing intangible assets and long-term investors. This model proves advantageous for businesses and individuals looking to leverage supply chain finance, especially entrepreneurs and innovative enterprises. Intangible assets expand the investment opportunities available to businesses, broadening the scope for investors when assessing a company's intangible assets. Trust is crucial in supply chain relationships, so it is important to prioritize social trust. By embracing the concept and practice of it, businesses and managers can collaborate with suppliers, customers, and financial institutions to optimize the flow of supply chain capital and improve the efficiency and competitiveness of capital utilization. Entrepreneurs and innovative enterprises can draw inspiration from innovative ideas and models of supply chain finance that focus on intangible assets and long-term investors, applying them to their own business models and product designs to enhance capital efficiency, reduce risks, and foster business growth. Measuring the value of intangible assets is challenging, leading to information asymmetry. By adopting a framework that includes intangible assets and long-term investors, researchers can address other issues such as enterprise investment, research and development, and the establishment of digital platforms.

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