

UNIVERSITI TEKNOLOGI MARA

**SUPPLY CHAIN FINANCE:
ADOPTION ASSESSMENT AMONG
MALAYSIAN MANUFACTURING
COMPANIES**

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ABSTRACT

The objective of the study is to investigate the salient belief factors (Knowledge and awareness, Cost benefit, Business support and Reputation), perceived ease of use (PEOU), and perceived usefulness (PU), which are the determinants of attitudes towards SCF adoption intention. Attitude is a crucial aspect in describing human behaviour, which has been the key interest in social psychology and consumer behaviour studies. Attitude and behavioural intention are the primary focus in this present study. Contextually, this study had attempted to bridge the gap between manufacturers and supply chain finance (SCF). In fact, SCF has been regarded as a new channel to support competitiveness and resilience of the financial performance amongst companies since the financial crises that occurred in year 2008. Despite of the many benefits that it can offer, its adoption rate is low, especially amidst developing nations. As for Malaysia, the lower adoption rate is witnessed by low penetration of SCF among manufacturing industry players. Business must not only focus on the conventional way of financing their projects, but with less cost possible. Unfortunately, this has yet to be met. As such, this study assessed the attitude of manufacturers in adopting SCF in their businesses, thereon to examine their behavioural intention. This study adopted and integrated the Theory of Planned Behaviour (TPB) and Technology Acceptance Model (TAM) as the underpinning theories to develop the conceptual framework of this study. The attitude of 411 manufacturers as a sample was analysed by using Smart-Partial Least Square (Smart-PLS) software. The outcomes serve as evidence that the measures for respondents achieved adequate measurement quality in terms of unidimensional, reliability, convergent validity, and discriminant validity. Structural equation model was employed to test the hypothesized correlations among the constructs, as postulated in the research model. The outputs of this present investigation highlight several key theoretical and practical contributions, such as in providing empirical evidence that Knowledge and Awareness, Cost Benefit, and Reputation hold essential roles in the formation of attitude amongst manufacturers. Hence, the study provides several recommendations to the industry practitioners, government, the industry association as well as the financial institutions in promoting the adoption of SCF. The significant implication for future research is that the current model can be extended within varied contexts, such as SCF for other industries, for instance, consumers and construction sector. Additionally, the outcomes can be extended to other determinants of attitude, such as perceived service quality or perceived transparency, which can influence attitude formation.

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CHAPTER ONE

INTRODUCTION

1.1 Background Of Study

In this present era of globalisation, industrial supply chains (SCs) have become more complex, spanning more countries and suppliers (large or medium) than ever before (Hieminga, 2012). Such chains integrate an equally complex string of (financing) arrangements and interdependencies between suppliers, buyers, banks, and logistics service providers (Hurtrez & Salvadori, 2010). Such immense network of agreements has conjured a clear challenge, where data are fragmented, as well as limited common sharing and interface (Hofmann, 2013). While the flow of goods and associated information are increasingly integrated and optimised, the interdependency of financial and operational flows is rarely reckoned (Protopappa-Sieke & Seifert, 2010). Inefficiency in inter-company processing means that significant amounts of working capital are locked up in delivered products and services yet to be paid for by clients. Roubert (2013) asserted that working capital recorded in France alone exceeded €200 billion due to poorly managed inventories, as well as payment terms and delays.

A significant source of funding refers to the trade credit, which is granted by the suppliers. For example, 80% of the business-to-business (B2B) transactions in the United Kingdom (UK) had been based on trade credit, particularly from small and medium enterprises (SMEs) (Summers & Wilson, 2002). In fact, credits are preferred over bank loans amidst buying firms that possess string credit rating in order to enhance net working capital (Petersen & Rajan, 1997). Nevertheless, from the stance of SC, such approach is viewed as suboptimal, especially when the suppliers possess weak credit rating, hence the need to pay additional interest rate. Therefore, one solution in addressing this particular issue refers to the practice known as 'supply chain finance' (SCF), which is also termed as 'reverse factoring'