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The Impact of Blockchain Technology on Improving Transparency and Efficiency in Supply Chain Management

Aleke Jude Uchechukwu and Echegu Darlington Arinze

Faculty of Economics Kampala International University Uganda
Corresponding Author: jude.aleke@kiu.ac.ug
https://orcid.org/0009-0009-6807-9484

ABSTRACT

Blockchain technology was a disruptive force that had the potential to revolutionise existing processes in supply chain management. This study examined the crucial role of blockchain technology in improving the transparency and efficiency of supply chains. Blockchain used its decentralised and irreversible ledger system to address the issues of opacity, inefficiency, and lack of trust that were present in contemporary supply chains. This research conducted an extensive analysis of literature, case studies, and practical implementations to investigate how blockchain technology promoted transparency and improved efficiency in supply chain operations. Furthermore, it tackled the difficulties and possibilities linked to the use of blockchain, such as scalability, interoperability, regulatory compliance, and cost-efficiency. This study intended to enhance stakeholders' comprehension of the revolutionary capacity of blockchain technology in establishing future supply chains that are more transparent, robust, and efficient by presenting crucial insights and suggestions.
Keywords: Blockchain, Supply chain management, Transparency, Efficiency, Decentralisation.

INTRODUCTION

The incorporation of blockchain technology into several sectors has attracted considerable interest in recent years, owing to its capacity to transform conventional procedures. Blockchain is particularly notable for its ability to significantly improve transparency and efficiency in supply chain operations. Blockchain presents a potential remedy for the issues of opacity, inefficiency, and lack of trust that often afflict contemporary supply chains, thanks to its decentralised and unchangeable ledger system. Blockchain technology, which was first made widely known via Bitcoin, has progressed much beyond its original use in cryptocurrencies. According to Tapscott and Tapscott. [1], blockchain is a kind of distributed ledger technology that enables secure, transparent, and tamper-proof record-keeping over a network of linked nodes. Every transaction or occurrence is documented in a "block," which is then connected to the previous block, forming a sequential chain of data blocks. The decentralised design of this system guarantees that no one party has complete control, hence reducing the possibility of fraud or manipulation. In the realm of supply chains, where several entities participate in the manufacturing, shipping, and dissemination of commodities, the absence of transparency may result in a multitude of inefficiencies and problems. In research conducted by Korpela et al. [2], it was discovered that insufficient transparency on the origins and movements of products may lead to delays, counterfeiting, and ethical transgressions, including human rights violations and environmental harm. Blockchain technology solves these difficulties by providing a clear and verifiable ledger of each transaction or movement of items along the supply chain. According to Ivanov et al. [3], blockchain technology allows stakeholders to trace the origin of items, authenticate them, and guarantee adherence to rules along the whole supply chain. The openness provided not only facilitates the rapid identification and resolution of problems but also cultivates trust among participants, resulting in enhanced efficiency and sustainability of supply chain activities. In addition, blockchain enables the automation of many operations using smart contracts, which are contracts that execute themselves based on the conditions expressed in code. Wang et al. [4], stated that smart contracts provide the automated execution of payments, verification of deliveries, and enforcement of contractual commitments, all based on predetermined criteria. This automation not only decreases the need for middlemen but also decreases the likelihood of mistakes and conflicts, thereby simplifying supply chain procedures. Although blockchain technology has the potential to provide significant advantages, its implementation in supply chains is still in the early stages. To fully realise its potential, it is necessary to overcome challenges like scalability, interoperability, and regulatory compliance. Nevertheless, according to Sarkar et al. [5], continuous research and development endeavours indicate a positive outlook for supply chains that use blockchain technology. This article explores the impact of blockchain technology on improving transparency and efficiency in supply chain management. We analyse the fundamental

characteristics of blockchain that make it very suitable for this objective, investigate practical uses and examples in real-life scenarios, and deliberate on the difficulties and possibilities linked to its implementation. By acquiring a more profound comprehension of the capabilities of blockchain technology, those involved may use its potential to establish supply chains that are more transparent, robust, and environmentally friendly for the future.

Statement of Problem

Although blockchain technology has the potential to improve supply chain transparency and efficiency, there are still several hurdles and concerns that prevent its general acceptance and deployment. A major obstacle to the widespread use of blockchain technology in supply chains is the lack of standardised protocols and compatible systems. According to Nguyen et al. [6], the increasing number of blockchain platforms and differences in data formats provide challenges in achieving smooth integration and data interchange across actors in the supply chain. In the absence of a cohesive structure, problems with compatibility develop, which restrict the capacity of blockchain technology to enhance transparency and cooperation across the supply chain. Public blockchain networks, such as Bitcoin and Ethereum, have scalability constraints in terms of transaction throughput and processing speed. Yoo et al. [7], found that as transaction volumes rise, blockchain networks might experience congestion, resulting in delays and increased transaction expenses. Scalability limitations in supply chains, where many transactions take place every day, hinder the real-time tracking and monitoring of items using blockchain technology, therefore impeding the expected efficiency improvements. Although blockchain technology provides the benefits of immutability and transparency, it also gives rise to apprehensions surrounding the privacy and security of data. According to Xu et al. [8], if sensitive supply chain data is stored on a public blockchain, it becomes vulnerable to breaches and unauthorised access. Furthermore, the use of private or permissioned blockchains gives rise to concerns of trust among participants about data ownership and control. The problem of using blockchain for supply chain improvement lies in finding a balance between the need for openness and the necessity to protect data privacy and security. The legislative framework for blockchain technology in supply chains is now in a state of flux, leading to ambiguity and reluctance among stakeholders. Li et al. [9], conducted a study that found transnational supply chain operations have difficulties due to varying legal frameworks in different countries. These concerns mostly revolve around data governance, intellectual property rights, and compliance with industry-specific rules. In the absence of explicit norms and regulatory frameworks, organisations may exhibit reluctance to allocate resources towards blockchain technologies, due to apprehensions over possible legal ramifications or compliance challenges. Integrating blockchain technology into supply chains requires substantial initial investment in infrastructure, technology, and specialised knowledge. According to Chen et al. [10], the expenses associated with creating and managing blockchain networks, educating staff, and incorporating current technologies might be too high for smaller businesses or those with limited profit margins. In addition, the intricate nature of blockchain technology and its accompanying smart contracts might provide difficulties for those who lack technical expertise, hence hindering the progress of adopting and implementing these technologies. To fully harness the promise of blockchain technology in improving supply chain transparency and efficiency, it is essential to tackle the obstacles relating to scalability, interoperability, security, regulations, and costs. Through the identification and mitigation of these obstacles, individuals or groups with an interest or concern in the matter may create a path for a supply chain network that is more open, adaptable, and environmentally friendly, using advancements in blockchain technology.

IMPORTANCE OF BLOCKCHAINTECHNOLOGY

Originally developed as the foundational technology for Bitcoin, blockchain has now transformed into a flexible tool with uses that extend beyond money. Blockchain is essentially a distributed and unchangeable record that allows for safe and transparent transactions without the involvement of middlemen. Within the realm of supply chain management, blockchain technology has the potential to completely transform conventional procedures by offering an immutable and secure log of transactions and the movement of assets.

1. Improving Supply Chain Transparency

Transparency is an essential element of supply chain management, as stakeholders need clear insight into the movement of items and information throughout the supply chain network. Blockchain technology provides a decentralised and transparent platform for documenting transactions in real time, allowing stakeholders to monitor the flow of products from the starting point to the ultimate destination. The study conducted by Truby et al. [11], investigates the capacity of blockchain technology to improve supply chain transparency by allowing stakeholders to get reliable and verifiable data on the origin and authenticity of products.

2. Enhancing Supply Chain Efficiency

Blockchain technology can enhance supply chain efficiency by simplifying procedures and minimising operating costs. Blockchain technology can speed up the movement of products and information by automating procedures like paperwork, verification, and reconciliation. This results in shorter lead times and lower prices. According to Shen et al. [12], the researchers examine the effects of blockchain technology on the efficiency of supply chains.

They also identify crucial elements that play a role in the effective adoption of this technology, such as interoperability, scalability, and data privacy. Case studies and practical implementations provide concrete evidence of how blockchain technology improves supply chain transparency and efficiency. An instance of this is the collaboration between Maersk and IBM, known as TradeLens, which uses blockchain technology to digitise and optimise worldwide trade processes, leading to more transparency and less administrative documentation. Luxury goods firms use the VeChainThor blockchain technology to authenticate and trace the origin of their products, thereby mitigating the possibility of counterfeit items and fraudulent activities.

3. Real-World Applications

Numerous real-world applications and case studies provide evidence of the efficacy of blockchain technology in improving the transparency and efficiency of supply chains. IBM's Food Trust platform uses blockchain technology to trace the whole path of food goods, starting from the farm and ending at the consumer's table. This enables merchants and customers to authenticate the products. The Maersk-IBM joint venture, TradeLens, employs digital technology to streamline global trade procedures, leading to more transparency and less reliance on physical documentation [13].

Challenges and Future Directions

The use of blockchain technology in supply chain management encounters several obstacles, such as the capacity to handle large amounts of data, the ability to work with different systems, and the need to comply with regulations. To tackle these difficulties, industry participants must work together and establish uniform procedures and governance structures. Future research should prioritise investigating novel strategies to address these obstacles and uncovering new applications for blockchain technology in the field of supply chain management. Despite the existence of difficulties, continuous research and actual implementations provide evidence that it is possible and beneficial to use blockchain technology in supply chain management systems. To fully realise the advantages of blockchain technology in enhancing transparency and efficiency in the supply chain, stakeholders must confront these obstacles and make use of new possibilities.

CONCLUSION

To summarise, blockchain technology has great potential to improve the transparency and efficiency of supply chains. Blockchain facilitates the availability of reliable and verifiable information in real-time by offering a decentralised and transparent platform for recording transactions and monitoring the movement of commodities. Despite the presence of obstacles, continuous research and real-world implementations provide evidence that it is possible and beneficial to include blockchain technology in supply chain management systems.

Recommendations

It is advised that stakeholders work together to create uniform protocols and governance frameworks for the deployment of blockchain technology in supply chains. This will enhance compatibility and guarantee smooth incorporation with current systems. Sustained investment in research and development is crucial to tackle technological obstacles and propel innovation in blockchain technology. Organisations should commit resources to investigate novel use cases and possible uses of blockchain technology in the management of supply chains. It is necessary to provide training programmes and educational tools to improve the knowledge and comprehension of blockchain technology among supply chain experts. This will enable stakeholders to efficiently use blockchain technology in their operations. Regulatory frameworks need to be revised to include the use of blockchain technology in supply chain management, while also guaranteeing data confidentiality and protection. Effective resolution of regulatory challenges requires close collaboration among politicians, industry stakeholders, and technology vendors. Organisations should assess the viability and efficacy of blockchain technology in their supply chains by conducting pilot projects and proof of concept. These efforts will provide useful knowledge and experiences that may be used more widely. To fully harness the benefits of blockchain technology in improving supply chain transparency and efficiency, stakeholders should follow these guidelines and overcome the hurdles related to blockchain implementation.

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