

Impact of Supply Chain Finance Practice on Stock Performance of Core Firms

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Abstract

Supply chain finance is a financing mode innovated by commercial banks based on the actual trade relationship between core enterprises and upstream and downstream enterprises. Previous studies have shown that participating in supply chain finance can innovate and develop financial services and achieve a win-win situation for supply chain participants. We establish a link between the release of supply chain financial announcements and core company stock performance through the CSMAR database. This paper adopts the event research method based on the market and the Fama-French (1993) three-factor model. Our findings show that core firms exhibit significant positive cumulative abnormal stock returns following announcements of participation in supply chain finance. Further research shows that affected by the COVID-19 pandemic, the significance of positive cumulative abnormal stock returns has weakened. In addition, the positive cumulative abnormal stock returns of core companies in the financial industry are stronger than those in the non-financial industry. Our findings may have such practice and policy implications that SCF may help managers identify better practices for announcing their SCF programs and promote the development of the real economy.

Keywords: supply chain finance, stock performance, core firms