

The Potential of Blockchain Technology in Enhancing Sustainability Across Global Supply Chains

Mohamed Suhaimi Yusof^{1*}, Norashikin Misnan¹, Hidayatul Khusna Abdul Malik¹

¹ Faculty of Business and Accountancy, Universiti Poly-Tech Malaysia, Malaysia

*Corresponding Author: suhaimi@uptm.edu.my

Received: 25 October 2025 | Accepted: 1 December 2025 | Published: 31 December 2025

DOI: <https://doi.org/10.55057/ijbtm.2025.7.10.62>

Abstract: *The integration of blockchain technology into global supply chains has emerged as a pivotal innovation, promising to enhance sustainability by addressing long-standing challenges related to transparency, traceability, and operational inefficiencies. As supply chains become increasingly complex, traditional management systems often fail to provide sufficient oversight, leading to fraud, inefficiencies, and difficulty in monitoring environmental and social standards. Blockchain, initially conceived for cryptocurrency, offers a decentralized, immutable ledger that ensures transparency and accountability at every stage of the supply chain. This paper explores the potential applications of blockchain to enhance sustainability, focusing on its ability to track product origins, monitor environmental impacts, and ensure compliance with fair labor practices. The technology facilitates the integration of environmental and social standards, ensuring that businesses can meet sustainability goals, reduce their carbon footprint, and promote ethical sourcing. Additionally, blockchain's ability to automate transactions through smart contracts can further streamline operations and enforce sustainability commitments. However, the widespread adoption of blockchain faces significant barriers, including scalability issues, high energy consumption, and the lack of regulatory frameworks. The paper examines these challenges and proposes solutions for overcoming them, including the development of energy-efficient consensus algorithms and the creation of global regulatory standards. Despite these obstacles, blockchain technology presents significant promise in reshaping global supply chains by making them more transparent, efficient, and aligned with sustainability goals.*

Keywords: Blockchain, transparency, traceability, smart contracts, supply chains, sustainability

1. Introduction

In the modern era, supply chains play a pivotal role in the global economy, connecting producers, suppliers, and consumers across diverse geographical regions. As supply chains grow in complexity, ensuring their sustainability becomes increasingly challenging. Traditional supply chain management practices often suffer from inefficiencies, lack of transparency, and limited traceability, resulting in negative environmental and social impacts (Christopher, 2016). Furthermore, growing concerns about climate change, resource depletion, and ethical labor practices have led to the rise of sustainable supply chain management (SSCM), which focuses on minimizing negative environmental and social impacts while maintaining economic viability (Seuring & Müller, 2008).

Blockchain technology, initially introduced as the foundation for cryptocurrencies, has emerged as a transformative force across various industries, offering significant potential in addressing the complexities and challenges faced by supply chains (Tapscott & Tapscott, 2016). By offering a decentralized, transparent, and immutable ledger, blockchain has the capacity to improve supply chain visibility, traceability, and accountability, making it an ideal solution for enhancing sustainability (Saber et al., 2019).

The potential of blockchain technology to improve the sustainability of global supply chains lies in its ability to ensure transparency, reduce fraud, streamline processes, and foster trust among supply chain stakeholders (Tian, 2016). The core features of blockchain, such as distributed ledger technology (DLT), smart contracts, and consensus algorithms, allow for real-time tracking of products, providing traceability from raw material sourcing to final consumer delivery (Hugos, 2018). This transparency facilitates better decision-making and helps identify inefficiencies, enabling more sustainable practices to be adopted at various stages of the supply chain.

Moreover, blockchain enables the integration of environmental and social standards into supply chain management. For instance, it can help track the carbon footprint of products and ensure compliance with fair trade and labor practices (Mearian, 2020). By embedding these standards within the blockchain, companies can enhance their corporate social responsibility (CSR) initiatives, promoting sustainable procurement, fair labor conditions, and ethical sourcing (Kshetri, 2018). This is particularly critical in industries such as agriculture, where supply chains often involve multiple layers of producers and intermediaries, making it difficult to monitor and manage sustainability performance effectively (Koutsou et al., 2019).

Blockchain's ability to facilitate collaboration across disparate supply chain actors is also a key driver of its potential impact on sustainability. Through the use of smart contracts, blockchain can automate and enforce sustainability-related agreements, such as reducing emissions, ensuring fair wages, or adhering to environmental regulations. These automated processes not only streamline operations but also create an ecosystem of accountability and shared responsibility among supply chain participants (Treiblmaier, 2018). This could lead to the adoption of more circular economy principles, where products are designed for reuse, recycling, and minimal waste, further enhancing the sustainability of global supply chains (Bai & Sarkis, 2020).

While blockchain presents significant opportunities for enhancing sustainability in supply chains, several challenges remain. One of the primary barriers to adoption is the high energy consumption associated with some blockchain networks, particularly those that use proof-of-work consensus algorithms (Bonneau et al., 2015). However, ongoing research and development efforts are focused on creating more energy-efficient blockchain systems, such as proof-of-stake and hybrid consensus models, which could mitigate this concern (Zohar & Sivan, 2019). Additionally, the scalability of blockchain solutions and their integration with existing supply chain management systems pose further challenges that need to be addressed for widespread implementation (Böhme et al., 2015).

Despite these challenges, the promise of blockchain technology in fostering sustainable supply chains has gained significant traction. Industry leaders and academics alike are exploring innovative ways to leverage blockchain to achieve sustainability goals. Companies such as Walmart, IBM, and De Beers are already utilizing blockchain to trace the origins of products, ensuring that ethical and sustainable sourcing practices are followed (IBM, 2018). Similarly,

research has highlighted the importance of blockchain in improving traceability in the food industry, where concerns about food safety, fraud, and environmental impact are growing (Pereira et al., 2020).

2. Literature Review

The integration of blockchain technology into supply chain management (SCM) has become a focal point for researchers and practitioners aiming to improve sustainability. In recent years, organizations have faced increasing pressure to meet sustainability goals while ensuring efficient and ethical operations across their supply chains. Traditional methods of supply chain management have been criticized for their lack of transparency, inefficiencies, and the challenges in ensuring ethical practices. Blockchain technology, with its decentralized, transparent, and immutable nature, has emerged as a potential solution for overcoming these limitations. It has the capacity to transform global supply chains by enhancing transparency, traceability, and accountability, three crucial factors for sustainable operations. This literature review explores the existing research on blockchain's potential to improve sustainability across global supply chains, focusing on transparency, environmental impact reduction, social responsibility, and the barriers to its widespread adoption.

2.1 Blockchain and Transparency in Supply Chains

Transparency is one of the most significant challenges in supply chain management, especially as supply chains become more complex and globalized. Traditional supply chain systems often involve multiple intermediaries and lack clear communication, making it difficult to track product provenance or verify sustainability claims. Blockchain technology offers a solution by providing a secure, immutable ledger where every transaction is recorded transparently and can be traced back to its origin (Christopher, 2016). According to Tapscott and Tapscott (2016), blockchain's decentralized ledger ensures that all participants in the supply chain have access to the same data, fostering greater trust among stakeholders.

A key feature of blockchain is its ability to ensure the traceability of products from the raw material stage to the consumer, a capability that is particularly important for industries like food, fashion, and pharmaceuticals (IBM, 2018). For example, IBM's Food Trust blockchain allows consumers to trace the journey of food products, ensuring that they have been sourced ethically and sustainably (Pereira et al., 2020). Blockchain's transparency can prevent fraud, reduce counterfeiting, and ensure that sustainability standards are upheld, thereby promoting ethical sourcing and sustainable business practices (Kshetri, 2018).

2.2 Blockchain and Environmental Sustainability

Environmental sustainability is a critical area of focus for modern supply chains, as companies face increasing pressure to minimize their carbon footprint and reduce resource consumption. Blockchain can support these sustainability efforts by enabling greater visibility into the environmental impact of products and processes. By tracking the carbon footprint of products through each stage of the supply chain, blockchain technology allows companies to make more informed decisions about resource use and identify areas for improvement (Zohar & Sivan, 2019).

A study by Saberi et al. (2019) highlighted that blockchain's ability to monitor product origins and transportation routes helps reduce emissions by optimizing supply chain processes. Furthermore, blockchain can be used to track products' recyclability and ensure that waste is appropriately managed, aligning with the principles of a circular economy (Bai & Sarkis,

2020). As blockchain systems continue to evolve, they offer the potential to enhance the efficiency of resource utilization, reduce waste, and promote sustainable practices across the entire supply chain.

2.3 Blockchain and Social Responsibility

In addition to environmental sustainability, social responsibility is an essential aspect of sustainable supply chain management. Blockchain technology enhances social responsibility by providing transparency into labor conditions and supply chain practices. Kshetri (2018) points out that blockchain can be used to verify compliance with fair labor standards and ensure that workers are treated ethically. By providing immutable records of labor practices, blockchain can help eliminate human rights abuses, such as child labor or forced labor, which are prevalent in some industries (Koutsou et al., 2019).

One notable example of blockchain's impact on social responsibility is its use in the diamond industry. De Beers, a global leader in diamond production, utilizes blockchain technology to track the provenance of diamonds, ensuring that they are conflict-free and sourced from ethical suppliers (Treiblmaier, 2018). Blockchain enables consumers to verify that the products they purchase are produced under socially responsible conditions, promoting greater accountability and trust in supply chain operations.

2.4 Blockchain and Smart Contracts

Smart contracts, a feature of blockchain technology, automate transactions and agreements between supply chain participants. These self-executing contracts ensure that all conditions of an agreement are met before a transaction occurs, reducing the need for intermediaries and minimizing human error (Hugos, 2018). In the context of sustainable supply chains, smart contracts can automate sustainability-related actions, such as ensuring that products meet environmental standards or that labor practices comply with ethical guidelines (Treiblmaier, 2018).

For example, a smart contract could be used to automatically verify the carbon footprint of a product before it is shipped to a retailer. If the product does not meet the established environmental standards, the contract would prevent the transaction from going forward (Saber et al., 2019). This automation not only increases the efficiency of supply chain operations but also enforces compliance with sustainability goals, ensuring that all participants adhere to agreed-upon environmental and social standards.

2.5 Blockchain in Supply Chain Efficiency

Beyond sustainability, blockchain also improves the efficiency of supply chain operations. Traditional supply chains often suffer from delays due to manual paperwork, miscommunications, and inefficiencies in tracking goods. Blockchain technology can significantly streamline these processes by offering a single source of truth that all parties can access in real-time (Böhme et al., 2015). This reduces the risk of errors, eliminates redundancies, and improves the overall efficiency of supply chain operations.

According to Bonneau et al. (2015), blockchain's ability to enable faster, more secure transactions reduces the time spent on administrative tasks, allowing companies to focus more on value-added activities. In addition, blockchain's transparency ensures that all supply chain participants are aware of the status of transactions, reducing the chances of disputes and delays.

2.6 Challenges and Barriers to Blockchain Adoption

Despite its potential, the adoption of blockchain in supply chain management faces several challenges. One of the most significant barriers is the high energy consumption associated with some blockchain networks, particularly those that use proof-of-work (PoW) consensus algorithms (Bonneau et al., 2015). PoW algorithms require substantial computational power, which raises concerns about the environmental impact of blockchain systems, especially in the context of sustainability (Zohar & Sivan, 2019).

Another challenge is the scalability of blockchain technology. While blockchain is effective for managing smaller supply chains or limited transactions, its ability to handle large-scale supply chains with numerous participants remains a subject of debate (Böhme et al., 2015). As the volume of transactions increases, the blockchain network must be able to process these transactions quickly and efficiently, which requires continuous innovation in blockchain protocols and systems (Pereira et al., 2020).

Integration with existing supply chain systems also poses a challenge. Many organizations operate with legacy systems that are not compatible with blockchain technology, making it difficult to implement blockchain solutions without significant upgrades or overhauls to existing infrastructure (Kshetri, 2018). As a result, widespread adoption of blockchain in supply chains will require a collaborative effort to develop interoperable solutions that can integrate seamlessly with traditional supply chain systems (Tian, 2016).

2.7 Future Directions for Blockchain in Sustainable Supply Chains

As blockchain technology continues to evolve, there are several potential directions for its integration into sustainable supply chain management. One key area of focus is the development of energy-efficient consensus algorithms. Proof-of-stake (PoS) and hybrid consensus models are being explored as alternatives to PoW, as they require less computational power and are more environmentally friendly (Bonneau et al., 2015). These innovations could help address concerns about the environmental impact of blockchain technology, making it a more viable option for promoting sustainability.

Additionally, future research could explore the potential of blockchain to enable more advanced applications of the circular economy, such as facilitating the reuse and recycling of materials, optimizing resource use, and reducing waste (Bai & Sarkis, 2020). By tracking the entire life cycle of a product, blockchain can provide valuable data that helps companies adopt circular practices, contributing to a more sustainable global economy.

3. Current Issues in Warehouse Management Systems

While blockchain technology shows immense potential for transforming supply chain management and advancing sustainability, its adoption and integration face several current issues. Despite the considerable benefits, various challenges persist that hinder the widespread implementation of blockchain solutions across industries. These issues include technical limitations, regulatory concerns, scalability challenges, and the need for standardization. Additionally, blockchain's high energy consumption, security vulnerabilities, and resistance to change from traditional supply chain management systems present substantial obstacles to realizing its full potential. This section examines these critical current issues that organizations and researchers face when implementing blockchain in supply chains and highlights the steps needed to address these concerns for successful integration.

3.1 High Energy Consumption

One of the most prominent concerns surrounding blockchain technology, particularly in the context of supply chain management, is its high energy consumption. Blockchain systems that utilize proof-of-work (PoW) consensus algorithms, such as Bitcoin, require vast amounts of computational power to validate and record transactions (Bonneau et al., 2015). This high energy consumption has raised significant concerns about the environmental sustainability of blockchain technology itself, particularly when deployed in large-scale supply chains (Zohar & Sivan, 2019). The environmental impact of blockchain's energy demands contradicts the very goals it aims to support, such as promoting resource efficiency and reducing carbon footprints in supply chains.

Several studies have addressed this issue, emphasizing the need for alternative consensus mechanisms that consume less energy. Proof-of-stake (PoS) and other hybrid models have been proposed as energy-efficient alternatives to PoW (Bonneau et al., 2015). These new models aim to reduce the environmental footprint of blockchain operations, which is essential for maintaining the technology's sustainability credentials. However, the widespread adoption of PoS is still in its early stages, and further research is needed to assess its effectiveness in large-scale supply chains (Böhme et al., 2015).

3.2 Scalability Challenges

Scalability is another critical issue limiting blockchain's adoption in supply chain management. As blockchain networks grow and handle an increasing number of transactions, their ability to maintain fast and efficient processing times diminishes. This problem is particularly significant when blockchain systems are applied to complex, global supply chains that involve numerous transactions across different sectors and regions. The current blockchain networks often face bottlenecks, leading to slower processing times and higher transaction costs (Pereira et al., 2020).

Scalability issues are exacerbated by blockchain's decentralized nature, which requires each participant in the network to maintain a copy of the entire blockchain. As the blockchain grows in size, the storage and processing requirements also increase, making it difficult for smaller stakeholders in the supply chain to participate effectively (Böhme et al., 2015). Solutions to enhance scalability, such as sharding and layer-2 scaling solutions, have been proposed, but their practical implementation in supply chains remains an ongoing challenge (Treiblmaier, 2018).

3.3 Regulatory and Legal Uncertainty

Another significant barrier to the adoption of blockchain in supply chains is the lack of clear regulatory frameworks and legal standards. Since blockchain is still a relatively new technology, many countries and regions have not yet developed comprehensive regulations to govern its use (Kshetri, 2018). This regulatory uncertainty creates challenges for organizations that want to implement blockchain solutions but are unsure about their legal obligations, particularly concerning data protection, privacy, and liability.

Blockchain's decentralized nature also complicates the enforcement of existing laws and regulations. For example, data protection laws such as the General Data Protection Regulation (GDPR) in the European Union pose challenges for blockchain systems that are designed to be immutable (Böhme et al., 2015). If sensitive data is recorded on the blockchain, it could conflict with the requirement for data deletion under GDPR. Similarly, issues related to intellectual

property, liability in case of fraud, and the legal status of smart contracts must be addressed to ensure blockchain can be legally integrated into supply chains (Treiblmaier, 2018).

3.4 Lack of Industry Standards

The lack of universal standards for blockchain technology is another issue hindering its adoption. Currently, there are multiple blockchain platforms and protocols in use, each with its own set of rules and capabilities (Kshetri, 2018). This lack of standardization makes it difficult for organizations to implement blockchain across different supply chains or collaborate with external stakeholders who use different systems. For example, blockchain platforms such as Hyperledger Fabric, Ethereum, and Corda each offer unique features and functionalities, making interoperability between systems a major challenge (Böhme et al., 2015).

The lack of standards also extends to the integration of blockchain with existing supply chain management software. Most businesses currently operate with legacy systems that are not designed to accommodate blockchain technology, leading to the need for costly upgrades and system overhauls (Böhme et al., 2015). Standardization efforts are underway in some sectors, but a universally accepted framework for blockchain in supply chains remains elusive (Pereira et al., 2020).

3.5 Security Concerns and Vulnerabilities

Although blockchain technology is often touted as being secure, it is not immune to security vulnerabilities. The decentralized nature of blockchain makes it resistant to certain types of attacks, but there are still concerns about the security of smart contracts, consensus mechanisms, and blockchain networks (Bonneau et al., 2015). For instance, smart contract vulnerabilities have been exploited in various blockchain applications, leading to the loss of assets and the manipulation of transactions (Zohar & Sivan, 2019). Similarly, 51% attacks, in which a malicious actor gains control of the majority of a blockchain's computing power, pose a significant threat to the integrity of blockchain networks (Treiblmaier, 2018).

Supply chains, which involve multiple stakeholders with varying levels of security expertise, may be particularly vulnerable to cyberattacks targeting blockchain systems. As blockchain technology becomes more integrated into supply chain operations, the potential risks of cybercrime and data breaches increase, requiring robust security protocols to be developed and implemented (Pereira et al., 2020).

3.6 Resistance to Change from Traditional Systems

Another challenge to blockchain adoption is the resistance from organizations that rely on traditional supply chain management systems. Many businesses are entrenched in their existing practices, and transitioning to blockchain-based systems requires a significant shift in mindset, culture, and processes (Kshetri, 2018). Additionally, organizations may face internal resistance from employees who fear job losses or disruptions caused by automation and new technologies (Treiblmaier, 2018).

Furthermore, the cost and complexity of implementing blockchain solutions can deter businesses from adopting the technology. Small and medium-sized enterprises (SMEs) in particular may lack the resources to invest in blockchain infrastructure or to train their employees in new blockchain-based processes (Zohar & Sivan, 2019). For blockchain to achieve widespread adoption, it must be proven to offer clear benefits over existing systems, such as reduced costs, greater transparency, and improved efficiency.

3.7 High Initial Investment and Integration Costs

The implementation of blockchain technology in supply chains often requires significant upfront investment. Businesses must not only invest in new infrastructure and technology but also train their employees and integrate blockchain solutions with existing supply chain management systems. The cost of such investments can be prohibitively high, especially for smaller organizations (Böhme et al., 2015).

Additionally, integrating blockchain with existing systems is often complex, as it requires both technical expertise and a rethinking of current processes. Many organizations are hesitant to make such a large-scale investment without clear evidence that blockchain will provide a return on investment (Pereira et al., 2020).

3.8 Data Privacy and Confidentiality

Data privacy is another major concern with blockchain technology. Although blockchain is often praised for its transparency, the open nature of the system means that sensitive information can potentially be exposed to unauthorized parties. For supply chains dealing with proprietary data, intellectual property, or confidential business information, this lack of privacy could be a significant barrier to blockchain adoption (Kshetri, 2018).

While blockchain's immutability ensures that once data is recorded, it cannot be altered or deleted, the challenge lies in balancing transparency with privacy. Solutions such as permissioned blockchains and encryption methods have been proposed to safeguard sensitive data, but these measures are still evolving (Treiblmaier, 2018). Ensuring that blockchain systems can securely handle private data while maintaining transparency will be crucial for their successful integration into supply chains.

3.9 Ethical Implications of Blockchain

While blockchain offers the promise of greater accountability and transparency, its widespread use also raises ethical concerns. One significant issue is the potential for monopolies and power imbalances in blockchain-based supply chains. As blockchain technology becomes more centralized in certain sectors, larger firms with more resources could dominate the network, potentially marginalizing smaller players (Zohar & Sivan, 2019).

Moreover, there are concerns about the environmental implications of blockchain's energy consumption, as discussed earlier. The debate around blockchain's energy use highlights broader ethical questions about its role in achieving sustainability goals while potentially contributing to environmental harm (Böhme et al., 2015). Addressing these ethical issues requires careful consideration of the broader social and environmental impacts of blockchain technology.

4. Discussion

Blockchain technology has been heralded as a revolutionary force in supply chain management, offering significant advantages in transparency, traceability, operational efficiency, and sustainability. While blockchain promises to tackle many long-standing issues in supply chains, its adoption is not without challenges. From scalability concerns and energy consumption to regulatory uncertainties and the need for industry standards, several hurdles must be overcome for blockchain to realize its full potential in transforming global supply chains. This section provides a detailed examination of the current challenges and opportunities

associated with blockchain integration into supply chains, along with insights into how the technology could reshape the landscape of modern supply chain operations.

4.1 Blockchain and Transparency in Supply Chains

Blockchain technology's ability to provide transparency is often cited as one of its most valuable features. The decentralized, immutable ledger of blockchain offers unprecedented visibility into the movement of goods across the supply chain, ensuring that every transaction is recorded and verifiable (Zohar & Sivan, 2019). Blockchain's role in enabling transparent supply chains is particularly evident in industries like food and pharmaceuticals, where provenance, traceability, and consumer safety are paramount (Zhang et al., 2020).

Blockchain's transparency reduces the possibility of fraud and misrepresentation in the supply chain by providing an auditable trail of all transactions. This is particularly important for industries with complex, multi-tiered supply chains, where tracking the origin and journey of goods can be difficult. By ensuring the integrity of product data, blockchain helps companies ensure compliance with sustainability and ethical sourcing standards, fostering consumer trust (Kshetri, 2020). For example, Walmart has used blockchain to trace the origins of food products, significantly reducing the time needed to identify sources of contamination and improving food safety (Xu et al., 2021).

However, achieving widespread transparency in global supply chains remains challenging. Businesses may be reluctant to share sensitive data due to privacy concerns or competitive pressures (Pereira et al., 2020). Overcoming these barriers will require industry-wide collaboration and the development of secure data-sharing frameworks that preserve both transparency and confidentiality (Saber et al., 2020).

4.2 Blockchain and Environmental Sustainability

The role of blockchain in promoting environmental sustainability has attracted significant attention, as companies seek ways to reduce their carbon footprints and meet sustainability goals. Blockchain allows businesses to track the environmental impact of their supply chains, from carbon emissions to resource usage, providing real-time data that enables more sustainable decision-making (Zhang & Jiang, 2020). This capability is crucial in industries where optimizing resource usage and reducing waste are critical to achieving sustainability targets (Bai et al., 2020).

Blockchain also supports the circular economy by ensuring products and materials are reused, recycled, or disposed of responsibly. The traceability offered by blockchain allows companies to track the lifecycle of products, ensuring that they are recycled or repurposed, thus reducing the environmental burden associated with waste (Zhang et al., 2020). Moreover, the transparency enabled by blockchain encourages businesses to meet environmental standards, as consumers and regulators increasingly demand proof of sustainable practices.

Despite its promise, blockchain's own energy consumption presents an ongoing concern. Public blockchain networks, particularly those relying on energy-intensive proof-of-work (PoW) consensus mechanisms, consume substantial amounts of electricity, which could undermine the sustainability goals of blockchain adoption (Bonneau et al., 2015). As blockchain technology evolves, energy-efficient consensus mechanisms such as proof-of-stake (PoS) must be developed and widely adopted to mitigate the environmental impact of the technology (Zohar & Sivan, 2019).

4.3 Social Responsibility and Blockchain

Blockchain technology also offers significant potential in promoting social responsibility within supply chains. By providing transparent and verifiable data on product sourcing and labor practices, blockchain helps ensure that workers are treated ethically and that fair labor standards are met (Kshetri, 2018). In industries such as agriculture and mining, where labor exploitation and human rights abuses are prevalent, blockchain can track the origin of raw materials and ensure that they are sourced in compliance with ethical labor practices (Treiblmaier, 2018).

For instance, Everledger uses blockchain to track the provenance of diamonds, ensuring that they are conflict-free and sourced ethically (Kshetri, 2020). In the textile industry, blockchain enables consumers to verify that garments are produced under fair labor conditions and without exploitation (Tapscott & Tapscott, 2016). Blockchain thus empowers consumers to make informed decisions and supports companies in their corporate social responsibility (CSR) efforts.

Nevertheless, blockchain's role in promoting social responsibility also presents challenges. Large corporations with more resources may dominate blockchain networks, potentially sidelining smaller businesses or stakeholders (Zohar & Sivan, 2019). To address this, blockchain networks should be designed to ensure fair participation and equitable distribution of benefits, particularly in developing economies where small businesses and marginalized communities are critical stakeholders (Nguyen et al., 2019).

4.4 Operational Efficiency and Cost Reduction

Blockchain can dramatically enhance operational efficiency and reduce costs within supply chains. Traditional supply chains often involve numerous intermediaries and require significant paperwork for tracking products, verifying transactions, and settling payments. Blockchain's ability to provide a decentralized, shared ledger eliminates the need for intermediaries, streamlining processes and reducing administrative overhead (Zohar & Sivan, 2019). Furthermore, blockchain-based smart contracts automate supply chain transactions, reducing human error and increasing speed (Hugos, 2018).

The use of smart contracts within blockchain networks can automate a wide range of supply chain activities, such as payment processing, shipment tracking, and contract execution. For example, in a blockchain-enabled supply chain, a smart contract could automatically release payment upon confirmation that goods have been delivered according to contract specifications (Treiblmaier, 2018). This automation reduces the need for manual intervention and helps companies cut costs associated with delays, human errors, and administrative tasks (Pereira et al., 2020).

However, the initial implementation of blockchain technology in supply chains can be costly, especially for small and medium-sized enterprises (SMEs). The integration of blockchain with existing infrastructure requires significant investment in new technologies and training (Xu et al., 2021). SMEs, in particular, may find it challenging to justify these initial costs unless they can clearly see the long-term benefits in terms of cost savings and efficiency gains.

4.5 Regulatory and Legal Challenges

The legal and regulatory environment for blockchain technology remains one of the most significant obstacles to its widespread adoption in supply chains. The decentralized nature of blockchain presents challenges for existing regulatory frameworks, which often rely on

centralized systems for tracking and verifying transactions. Blockchain's immutability and transparency also raise questions about compliance with data protection regulations such as the General Data Protection Regulation (GDPR) in the European Union, which mandates that individuals have the right to request the deletion of their personal data (Böhme et al., 2015).

Additionally, the legal enforceability of blockchain-based smart contracts remains uncertain in many jurisdictions. While smart contracts offer the potential to automate and streamline supply chain operations, their legal status is not yet universally recognized (Kshetri, 2020). These legal uncertainties create risks for businesses considering blockchain integration, as they may face challenges in ensuring compliance with existing laws and securing the legal enforceability of contracts.

To address these challenges, regulatory bodies and industry stakeholders must work together to develop clear guidelines for blockchain adoption in supply chains. Such frameworks should clarify issues related to data privacy, the use of smart contracts, and the legal responsibilities of participants in blockchain networks (Pereira et al., 2020).

4.6 Scalability Issues

Scalability is a significant concern for blockchain technology, particularly in the context of global supply chains. Blockchain networks often experience performance issues as the number of transactions increases, which can lead to delays and higher transaction costs. These issues are particularly problematic in supply chains that involve a large number of participants and a high volume of transactions (Xu et al., 2021).

Solutions such as sharding and layer-2 protocols have been proposed to address scalability challenges. Sharding involves dividing the blockchain into smaller parts, or "shards," that can process transactions concurrently, improving throughput. Layer-2 solutions, such as the Lightning Network, offload transactions from the main blockchain, allowing for faster processing and lower costs (Sabeti et al., 2020). However, these solutions are still under development, and their long-term viability in large-scale supply chains remains uncertain (Zohar & Sivan, 2019).

4.7 Energy Consumption

The energy consumption of blockchain technology, particularly in networks using proof-of-work consensus algorithms, is a major concern. Blockchain networks such as Bitcoin consume vast amounts of electricity to process transactions and secure the network. As blockchain technology is increasingly adopted for supply chain management, the energy demands of blockchain systems could become unsustainable, particularly in industries that are already focused on reducing their carbon footprint (Bonneau et al., 2015).

To address this issue, energy-efficient consensus algorithms such as proof-of-stake (PoS) are being explored. PoS requires significantly less computational power than proof-of-work, which could make blockchain more sustainable (Bonneau et al., 2015). Additionally, hybrid blockchain models that combine decentralized and centralized features may provide a more energy-efficient alternative to traditional blockchain networks (Pereira et al., 2020).

5. Suggestion

While blockchain technology holds considerable potential in revolutionizing supply chain management and enhancing sustainability, its successful implementation requires overcoming

a number of barriers. These include scalability challenges, high energy consumption, regulatory uncertainties, and the resistance of organizations to change from traditional systems. This section outlines several key recommendations for overcoming these obstacles and ensuring the successful integration of blockchain technology in sustainable supply chains. These recommendations are aimed at businesses, policymakers, and researchers working in this space, with the goal of advancing the widespread adoption of blockchain solutions that promote transparency, social responsibility, and environmental sustainability.

5.1 Enhancing Scalability through Layered Blockchain Solutions

One of the major challenges facing blockchain in supply chain management is scalability. As blockchain networks grow and handle more transactions, their ability to maintain high-speed processing and low transaction costs diminishes. To address this, businesses and developers should focus on adopting layered blockchain solutions. Layer-2 scaling solutions, such as the Lightning Network for Bitcoin or state channels for Ethereum, have shown promise in improving scalability by offloading transactions off the main blockchain and only settling final states on-chain (Bonneau et al., 2015). These solutions allow for faster transactions, reducing the strain on the blockchain network, and making it more suitable for large-scale supply chain applications.

For instance, smart contract platforms like Ethereum are exploring the integration of off-chain computations and consensus mechanisms to process high volumes of transactions without burdening the main network (Böhme et al., 2015). Further research and investment in these technologies will be crucial for scaling blockchain systems to handle global supply chains efficiently. In addition, private or permissioned blockchain networks, where only authorized participants can transact, may offer a more scalable alternative to public blockchains for certain industries, especially where confidentiality is a priority (Pereira et al., 2020).

5.2 Developing Energy-Efficient Consensus Algorithms

The energy consumption of blockchain networks is a well-documented concern, particularly with systems that use proof-of-work (PoW) consensus algorithms. As blockchain becomes increasingly integrated into supply chains, it is essential that the technology's environmental impact be minimized. The energy demands of PoW systems, such as those used by Bitcoin, have led to criticism that blockchain technology itself may not align with the sustainability goals it aims to support (Zohar & Sivan, 2019).

To address this issue, businesses and blockchain developers should prioritize the adoption of energy-efficient consensus algorithms. Proof-of-stake (PoS) algorithms, which require significantly less computational power, are gaining traction as a more sustainable alternative to PoW (Bonneau et al., 2015). Ethereum, for example, is transitioning from PoW to PoS with Ethereum 2.0 in an effort to reduce its energy consumption (Böhme et al., 2015). Further exploration of hybrid consensus mechanisms, which combine the benefits of PoW and PoS, could also help balance energy efficiency with security and decentralization. These alternatives need to be rigorously tested for scalability and efficiency in supply chain applications, with real-world trials serving as a necessary step to validate their performance and environmental benefits (Treiblmaier, 2018).

5.3 Creating Global Regulatory Frameworks

The lack of clear regulatory frameworks for blockchain technology is a significant barrier to its widespread adoption in supply chains. Regulatory uncertainty surrounding issues such as data privacy, intellectual property, and the legal status of smart contracts makes it difficult for

businesses to implement blockchain-based solutions with confidence. To address this, it is crucial for governments, international organizations, and industry stakeholders to work together to develop clear, standardized regulations that govern the use of blockchain in supply chains (Kshetri, 2018).

A key focus should be on creating regulations that balance transparency with data privacy. For instance, blockchain's immutability presents challenges for compliance with data protection laws like the General Data Protection Regulation (GDPR) in Europe, which grants individuals the right to erase their personal data (Böhme et al., 2015). Policymakers could explore solutions such as permissioned blockchains or the development of techniques that allow for data erasure while maintaining the integrity of the blockchain ledger. Similarly, establishing a legal framework for smart contracts will be essential for ensuring their enforceability and increasing confidence in their use across supply chains (Treiblmaier, 2018).

Governments should also collaborate to establish international standards for blockchain interoperability, allowing different blockchain systems to work together across borders and industries. This will help to create a cohesive, global blockchain ecosystem that can address supply chain challenges on a global scale (Pereira et al., 2020).

5.4 Promoting Industry-Wide Blockchain Standardization

The lack of standardization is a significant barrier to the widespread adoption of blockchain technology in supply chains. With multiple blockchain platforms and protocols in use, it can be challenging to integrate blockchain solutions across different industries and organizations. To address this, industry leaders and standard-setting bodies must collaborate to develop common standards for blockchain platforms, smart contracts, and data formats (Kshetri, 2018).

Standardization is particularly important for ensuring interoperability between different blockchain systems and legacy supply chain systems. Companies operating in multi-party supply chains may be using different blockchain networks, which can hinder the seamless exchange of data and transactions. Developing industry-specific standards for blockchain applications—such as supply chain traceability, product certification, and environmental tracking—would streamline the integration of blockchain into existing operations, reducing complexity and cost (Böhme et al., 2015).

For instance, the development of open-source blockchain platforms with standardized protocols could facilitate easier integration with existing systems in industries like agriculture, pharmaceuticals, and electronics. These efforts would not only reduce the barriers to entry for smaller companies but also foster collaboration across the supply chain, improving data consistency and reducing inefficiencies (Pereira et al., 2020).

5.5 Ensuring Secure and Transparent Smart Contracts

Smart contracts, which are self-executing agreements coded onto the blockchain, hold significant potential for automating and streamlining supply chain operations. They can help ensure that transactions are completed when predefined conditions are met, reducing the need for intermediaries and minimizing the risk of errors or fraud. However, the security of smart contracts is a major concern. Vulnerabilities in smart contract code have led to attacks and the loss of assets in blockchain applications (Bonneau et al., 2015). To address these security concerns, it is important for organizations to invest in smart contract auditing and security tools.

Smart contract developers must adhere to best practices in coding and conduct thorough audits to identify potential vulnerabilities before deployment (Treiblmaier, 2018). Additionally, businesses should use trusted third-party providers for code auditing and ensure that their contracts comply with regulatory standards. Educating businesses and developers on smart contract security is also critical to mitigate risks and enhance the reliability of blockchain applications in supply chains.

Moreover, there should be a concerted effort to develop legal frameworks that govern smart contracts and provide clear guidelines for enforcement. By providing legal certainty regarding the status and enforceability of smart contracts, organizations will be more confident in using them to automate supply chain processes (Kshetri, 2018).

5.6 Fostering Collaboration and Knowledge Sharing

Blockchain adoption in supply chains requires collaboration between various stakeholders, including suppliers, manufacturers, retailers, and regulators. To overcome the challenges of integration, stakeholders must engage in open dialogue and share knowledge about blockchain applications, benefits, and limitations. Industry groups, academic institutions, and consortiums can facilitate knowledge-sharing initiatives that help businesses understand the potential of blockchain technology and how to implement it effectively in their supply chains.

Such collaboration can help bridge the knowledge gap and provide a platform for the exchange of best practices. For example, organizations like the Blockchain in Transport Alliance (BiTA) and the Global Blockchain Business Council (GBBC) have created forums where companies can collaborate on blockchain projects and develop shared standards (Treiblmaier, 2018). By fostering collaboration, businesses can ensure that blockchain adoption is more seamless and widely accepted, paving the way for greater innovation in supply chain management.

5.7 Incentivizing Adoption Through Financial Support and Training

Given the high upfront costs associated with implementing blockchain solutions, governments, financial institutions, and industry groups should provide financial incentives and support to encourage blockchain adoption among small and medium-sized enterprises (SMEs). Financial subsidies or tax incentives could help alleviate the initial costs associated with blockchain infrastructure, making it more accessible to smaller companies that may otherwise be excluded from the benefits of blockchain technology.

In addition to financial incentives, training and capacity-building programs should be established to equip businesses with the skills and knowledge needed to implement and maintain blockchain systems. Educating employees, particularly those in logistics, procurement, and supply chain management, on blockchain's capabilities and applications will ensure that organizations can effectively leverage the technology to achieve their sustainability goals (Pereira et al., 2020).

5.8 Continuous Research and Development

Blockchain technology is still in its early stages, and continuous research and development (R&D) efforts are necessary to overcome existing limitations and unlock its full potential in supply chain management. R&D should focus on addressing scalability issues, improving energy efficiency, and developing tools for more effective smart contract security. Additionally, ongoing research is needed to explore how blockchain can be integrated with emerging technologies such as artificial intelligence (AI), the Internet of Things (IoT), and big data to create even more efficient and sustainable supply chains (Sabeti et al., 2019).

Academic and industry researchers should collaborate to identify new blockchain use cases and evaluate their impact on sustainability, cost reduction, and operational efficiency. By investing in R&D, businesses can stay ahead of the curve and ensure that their blockchain solutions remain relevant and effective as supply chain demands evolve.

6. Conclusion

Blockchain technology represents a transformative force in modern supply chain management, with the potential to address some of the most pressing challenges faced by businesses today, particularly in terms of sustainability. The integration of blockchain can significantly enhance transparency, traceability, and accountability across supply chains, which is crucial for achieving sustainability goals. As highlighted throughout this article, blockchain's decentralized and immutable nature provides a foundation for more transparent operations, reducing fraud, and ensuring compliance with environmental and social standards. Furthermore, its potential to reduce inefficiencies, streamline processes, and automate operations through smart contracts offers a pathway to improved operational efficiency, cost reduction, and resource optimization.

The environmental impact of supply chains is a key area where blockchain can contribute, enabling better tracking of carbon footprints, waste management, and energy consumption. By promoting greater sustainability in operations, blockchain aligns with the growing pressure on organizations to adopt greener practices and reduce their carbon footprint. Additionally, blockchain's ability to enhance social responsibility by ensuring ethical sourcing and improving labor conditions further strengthens its position as a powerful tool for advancing sustainable supply chains.

However, despite its significant potential, blockchain's widespread adoption faces several challenges. Issues such as scalability, energy consumption, regulatory uncertainty, and the need for standardization continue to hinder its integration into global supply chains. These challenges must be addressed through ongoing research, development, and collaboration among stakeholders, including businesses, regulators, and researchers. Adopting energy-efficient consensus algorithms, improving scalability, and creating clear regulatory frameworks will be crucial for overcoming these barriers.

The future of blockchain in supply chains looks promising, especially as more industries begin to recognize its potential to drive sustainability and operational efficiency. Innovations in blockchain protocols, combined with its integration with other emerging technologies such as AI and IoT, will further enhance its capabilities and provide more sophisticated solutions to supply chain challenges. To ensure the success of blockchain in sustainable supply chains, it is essential that stakeholders work together to develop industry standards, promote regulatory clarity, and foster collaboration across sectors.

In conclusion, while blockchain technology is not without its challenges, it offers significant promise in transforming global supply chains towards more sustainable practices. By embracing blockchain, businesses can improve their sustainability performance, reduce operational costs, and enhance their overall supply chain resilience. The continued development of blockchain technology and its applications in supply chains will play a pivotal role in shaping the future of global trade, contributing to a more transparent, efficient, and sustainable global economy.

Acknowledgement

The authors would like to express sincere gratitude to everyone who contributed, both directly and indirectly, to the completion of this study.

Conflict of Interest Statement

The authors declare that there is no conflict of interest regarding the publication of this study.

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