

# Expense Management Systems in India and Globally

Ila Imani highlights the benefits of implementing expense control automation in corporations

**A**n Expense Management System (EMS) implements authorisation policies for approval of an expense before it is incurred, and again before it is paid. It provides self-service to every employee for submitting expense claims, to plan and manage travel expenses, and to submit vendor invoices for payment authorisation, as well as to requisition, or purchase any items, or services required.

It provides a view of all expenses being incurred, so as to facilitate spend control, audits, policy compliance, and transparency.

### Drivers in India vs the US and Europe

In the US and Europe, the key drivers for implementing EM automation have so far, been the following:

- “Make it easy for employees to submit their expense claims, and get their reimbursements.”
- Do not increase the head count of staff required to process employee claims or vendor bills...better to automate it instead.

In one word, it has been about ‘maintaining caution’ in those countries.

In India, the key drivers have been the following:

- As companies focus on growth and growth-related challenges, there is a tendency not to have tight controls on discretionary expenses, resulting in these expenses shooting up.
- Auditing and compliance norms are becoming more stringent, whether this is due to internal auditors or external agencies requiring more transparency and policy

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- control. In paper-based systems, the cost of audit trails and policy compliance is very high.
- Expense-related problems in offices are multiplying. There are difficul-

ties in making on-time payments for utilities and supplies; potential risks and frauds; too many courier packets and phonecalls across offices to track vouchers, among others. The costs of mistakes and costs of processing are shooting up insidiously.

In brief, in India, it has been about ‘handling growth-related challenges’.

### Why is India lagging behind in EM automation?

The drivers have been different in the US and in India. But, this does not fully explain why expense management is a well developed area of automation in the US, but not in India. Surely, the IT capital of the world would have had solutions for expense management earlier, and corporate houses must have been asking for such solutions? Surprisingly, in the rush for



growth, this area has been neglected by corporates in the past. In the US, however, pragmatism about keeping headcounts low, and emphasis on employee satisfaction, have driven rapid progress in this area. The key reasons why India is lagging behind are the following:

- Due to low manpower costs Indian corporates have, so far, been able to manage their manual processes by adding headcounts.
- Indian corporates have so far been focusing on core ERP and accounting systems as top priority areas, and hence, this area has got pushed back for later.

## Why are Indian companies now going in for EM automation?

As mentioned earlier, the foremost driver is the growth-related costs shooting up.

Other key reasons are the following:

- The second driver is the 2008-09 slowdown which made many finance departments and compliance heads re-think on internal controls and processes related to spends. Companies realised the need to control every possible controllable expense, and also the very real danger of frauds; and hence the need for systems which will provide transparency and compliance of policies.

## Due to low manpower costs Indian corporates have, so far, been able to manage their manual processes by adding headcounts



- The third is the rising salaries and wages of staff. This has led companies to re-think how much they should spend on processing expense payments. The benefits to Indian corporates
- Saves costs on people, communication, and paper when handling hundreds of employee claims and vendor bills from across offices.
- Controls discretionary business expenses by better procurement practices, actionable spend MIS, and tighter policies.
- Ensures quicker turnaround time.
- Minimises risk of frauds through better audit trails, and transparency.
- Process improvement for imple-

menting better policies related to authorising spends.

## I have an ERP, so do I need an EMS?

The answer is yes, because an ERP has certain limitations.

### What an ERP does not do

- It cannot look at expenses pre-facto, but only post-facto, that is, after an expense is incurred, it is recorded.
- It cannot provide visibility to all employees, but it only provides a tool to the accounts department.
- While some ERPs do enable approval processes, they are not user-friendly for the layman. They also take up more time and money than what most companies can afford.

### How an EMS complements the ERP

- Handles authorisations and decision-making tools to decide how much expense should be incurred, when it should be incurred, and by whom?
- Provides an integrated Chart of Accounts with your ERP, and posts expense entries into the ERP for your accounting
- Provides drill-down MIS to analyse trends, exceptions, and to provision upcoming expenses.
- Implements budget control so that expenses stay within budgeted levels, and there are no surprises later.

## Is this the right time to implement EMS?

If your company has multiple offices, and its employees are travelling and incurring business expenses, but your auditors are unhappy with your processes, or if your expense policies are not being implemented well, then this is the right time to implement an EMS.

If you have none of the above problems, you will still find this to be the right time to implement a system for expense control, since improving the bottom line is the ultimate objective. ■



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