happay

State of Indian Enterprise Travel & Expense Management 2018

An exhaustive research exploring what's stopping Enterprises from automating T&E Expense Management.

EXECUTIVE SUMMARY

The big takeaway of the exhaustive benchmark research was a huge mismatch in Expectations v/s Reality of going digital on T&E expense management! According to Happay 'State of Indian Enterprise Travel & Expense Management 2018', corporates in India are still prone to error and fraud due to lack of automation. The other major inference was that although the process related problems concerning the CFO and CHRO are completely different, the IT team led by CIO can play a key role in resolving their respective issues through thoughtful integrations with other softwares and legacy systems.

In today's digital era, where automation has become a necessity, the study revealed that most organizations function on an old and archaic system of expense filing. The report also highlights that 82% of companies are either partially or entirely lacking in making the whole T&E process automated despite it being the second-largest operational expense after payroll. About 50% of the CFOs have understood this urgent need and have taken digitisation upon themselves, and wish to switch to an automated expense management system within the next 6 months.

48% companies lack the systems to detect frauds as most T&E expenses are mapped manually.

But, about **50% CFOs are becoming change agents** & moving to full automation in the next 6 months.

Expense fraud is one of the most overlooked types of fraud and entails a staggering cost for companies. Still, 48% of companies do not have a system to detect frauds as T&E expenses are mapped manually. According to Happay's benchmark report, nearly 55% of companies stated their inability to retrieve past expense data as a key bottleneck in auditing and managing T&E expenses. What is more surprising is that 33% of the companies do not have GST compliant T&E solution and are unable to use any digital means to perform the calculations.

Unlike the West, 65% of companies in India record employee expenses manually. Three-fourth of respondents in the study said, expense claims still had to be filed manually by attaching bills to paper vouchers. Despite the huge penetration of Mobile devices and desktops, just 12% and 27% of companies allow employees to use these devices for recording travel claims.

Since this is a first comprehensive study which explores the barriers of automation and probes deeper into the employee experience, we hope it serves as a thorough guide for the CFO – CHRO –CIO troika who are strategizing on implementing automation in their respective companies.

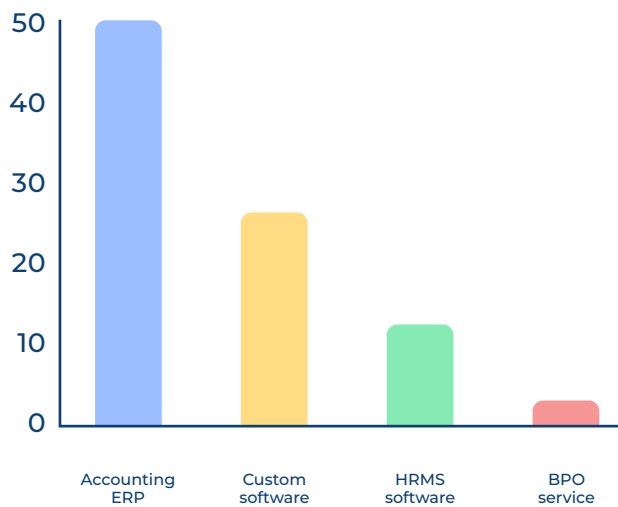**Automated solutions will ensure easy scalability, Visibility and reduced costs.**

NEED FOR A BENCHMARK REPORT IN T&E

Business travel spending is expected to treble until 2030 from USD 30 billion in 2015 (KPMG report). India is the 10th largest business travel market, with the fastest growth rate in the world. Despite such a large marketplace for T&E, there have been no India specific benchmark reports to understand how Indian corporates are strategizing for T&E expense management in India. Through qualitative interviews and research conducted among key financial executives of companies operating in India, this exhaustive report identifies trends, challenges, and future scope of T&E expense management in India.

As companies scale, traditional T&E solutions have led to problems such as high processing cost and instances of error and frauds from manual entry. Over the last decade many CFOs started looking towards automation through T&E solutions to record, process, and reimburse expense costs. The shift had largely been driven by development in transportation and internet, broader access to travel and expense portal through mobile apps, and increased adoption of travel and expense management softwares in companies.

Perception of expense management as a peripheral business activity, limited awareness of automated T&E solutions, and misconception of high costs associated with automated T&E solutions refrain companies from shifting to a complete end-to-end automated expense management system. However, in the last 3-5 years, the T&E market has undergone a phenomenal transformation; T&E automation is no longer an option, it's the need of the hour.

■ How are T&E Expenses Managed

Another reason for the slow adoption of automation is the incompatibility with existing systems. According to the report, the T&E software in 50% of large companies is incompatible with other systems. If the adoption of new software entails an overhaul of an entire existing system, the impact will be felt across departments and verticals. Given the large-scale nature of such an impact, organisations naturally shy away from automation, little aware that solutions that facilitate truly seamless integration with legacy systems actually exist.

Depending on the number of vouchers processed or T&E expenses as a percentage of OPEX, the study shows that companies have multiple options to manage it. The majority are using software packages like Accounting/ ERP (50%) or have homegrown custom software (26%) to cater to this huge latent need. A small minority have integration with HRMS software (12%) or outsourced the process to a BPO service provider.

KEY INSIGHTS FROM THE STUDY

■ 'Manual process' is the biggest challenge faced by CFOs

With T&E expense being the second largest operational expense after payroll companies are increasingly taking steps to minimize costs and removing bottlenecks. Amongst the 200+ participating CFOs, 65% confirmed that expense vouchers are manually checked with policies by approvers and finance. Only 31% of companies use an inbuilt software that automatically flags out-of-policy expenses. 77% of companies capture receipts manually and attach them to paper vouchers before submission. Remaining 33% of companies upload the receipts through mobile apps or desktops.

Many CFOs stated that their Finance departments find it difficult to recover expense data from the previous year for audit purposes. For 55% of the CFOs, recovery of past data is time-consuming and requires multiple people to gather the required information. Whereas, 44% of CFOs with access to cloud-based systems or any custom software, Accounting package, ERP are able to extract past data within seconds. Thus, companies with automated data storage are able to retrieve data easily at any given time as compared to those that process expense-related data manually.

> "Most of the companies realise, you need to automate and digitise. Twin requirements are how do you maximise the automation to improve productivity and how do you digitise governance and controls, rather than relying on manual. Because the moment its manual and dependant on person, the system is prone to error".

Mr. Nikhil Madgavkar,
CFO, Mahindra & Mahindra.

Though the companies are able to process and manage their T&E, 54% of them are unable to provide their employees-visibility on the approval status and routes. Expense vouchers in these companies are passed manually through various stages for approval leading to delays and lack of transparency.

When asked about key challenges in T&E management, 21% CFOs cited manual data entry of expenses and attaching of receipts as their biggest challenge. Another factor that makes the work of a CFO more difficult & time-consuming is lack of travel spend analytics (15%) around T&E expenses. This increases the workload of a Finance department furthermore.

■ Significant losses to companies due to fraudulent claims

Most organizations function on an old and archaic system of expense filing, which requires manual entry of data. While airfare and hotel stay forms the larger cost, there are several other micro-spends like luggage fare, meals, local travel expenses etc. To compile information from varied sources into a central management system and draw relevant insights is an arduous task. It is also prone to mistakes, if not done in the right manner.

The benchmark study aimed to validate industry reports that 14.5% of T&E reimbursement is misappropriation or fraudulent claims in every company. (Fig. 1) highlights that while 50% CFOs stated that the percentage of fraud and misappropriation in their companies is lower than 14.5%, 48% of CFOs were unaware of this number.
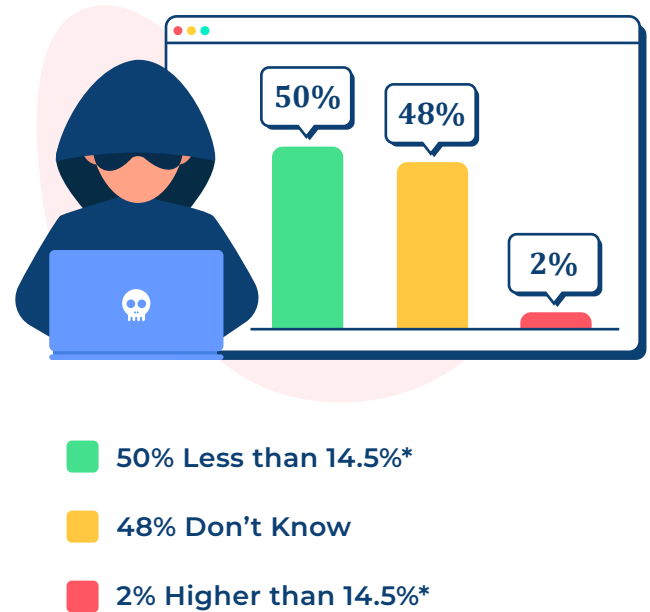
The significant share of CFOs who do not realise the degree of fraud and misappropriation in T&E indicates a lack of a proper system to oversee such practices. As a consequence, either fraudulent claims do not get reported or there is an absence of a system to monitor them, leading to huge costs for the company. At an administrative level, since receipts are passed manually across stages, it is difficult to monitor and regulate the process to make it transparent and time-effective. Sometimes the same bills are claimed twice and nobody notices the discrepancy if the amounts as relatively smaller.

■ What is the % of fraud in your organization?

Fig: 1

■ **50% Less than 14.5%***

■ **48% Don't Know**

■ **2% Higher than 14.5%***

Companies are facing challenges due to the lack of real-time visibility into the overall claims process. The report highlighted that 21% CFOs cited manual data entry of expenses and attaching of receipts as the biggest area of concern. Another factor that makes the work of a CFO more difficult & time-consuming is lack of travel spend analytics (15%) around T&E expenses. This issue of lack of visibility can easily be resolved via an automated system that ensures clarity and awareness about the process. An end-to-end automated process can flag the travel policy violations at the input stage itself apart from highlighting repeat offenders to the department heads in the company.

"If I have to talk about the challenges in T&E management, I will put it under three brackets - policy adherence, how we have the most cost-effective travel booking and the timely submission and the tracking.

We have automated our T&E management. We have introduced a T&E tool, where each one of us uploads our travel budget on a monthly basis. We also have the workflow defined."

Paresh Gupta, CFO, GVK Bio

■ Importance of T&E automation in respect to GST is not understood

Companies large or small, across verticals lack automation. The report found a staggering 84% companies are either only partly or not automated at all. Since they do not use any digital method to submit or approve receipts, 33% of the companies are still struggling to institute GST compliant systems and are unable to use any digital means to perform the calculations particularly when it comes to T&E related claims.

Imagine manually sorting through hundreds and thousands of bills of employees to segregate the CGST & SGST components and vendor GST number. It doesn't end there; all of this information needs to be fed into an excel sheet and uploaded in the ERP or Accounting systems. Apart from the errors due to manual data entry, removing fraudulent bills manually itself is quite a task. Hence, at a macro level, CFOs tend to ignore the GST input claims in absence of a system for automatic computation. However, ignoring the claims is not an answer to the problem. On the contrary, it can have a direct impact on the balance sheet itself when T&E claims are more than 5% of the revenues.

T&E is a major expense item for any services company. It's roughly in the range of 5-8% of the total cost. So, it has to be looked into very carefully in the process. Even a 0.5% improvement can have a clear direct impact on your bottom line. So, it's a very high value item and CFOs should not turn a blind eye to it."

Uttam Gujrati,
Vice President – Finance,
Onward Technologies Limited

Even though 67% of the companies have some GST compliant software, they still need the employees to submit tour bills and enter vouchers manually to claim input credit. The bigger issue is that wherever the company is using software to manage T&E it is assumed to be integrated with other systems, however, in reality, the data entry into the accounting system or ERP is being done manually by 59% of organisations.

■ Indian CFOs are tired of half-baked "automation"

With rising business travel across segments, the companies are processing a greater number of expense vouchers in a month. Majority of the companies, however lack efficient systems to manage travel related costs, policy compliance and frauds. Lack of automated systems to record, process, and reimburse expenses as per our benchmark study is the single biggest reason for the mismatch in expectation v/s reality for the CFO.

> "Right now, it is (T&E system) more manual driven. We have to go to the next level… we have to harmonize the process…because if we do not harmonize, it will become a little bit challenging."

Leon Verdes,
CFO, Schreiber Dynamix

Nearly 47% of the companies using only an accounting software or ERP declared themselves 'partly automated' and 8% declared themselves 'fully automated' when it comes to managing travel expenses. It can therefore be seen that there is a lack of accepted benchmark against which level of automation can be evaluated by companies. These levels vary across and within sectors.

Companies often assess and calculate their automation level based on a subjective understanding of the available technology. This leads to discrepancies in mapping a company to the appropriate level of automation. As per our report 82% companies use partial or no automation to manage T&E expenditure and 57% of these companies wish to switch to an automated expense management system in the next 6 months.
This highlights the current level of dissatisfaction with manual management of expenses and an urgent desire of the CFO to quickly switch to a fully automated system.

The fact that in only 50% companies the software used currently for expense management is compliant with internal system indicates the lack of a coordinated platform and the consequent difficulties faced by finance in appropriating and collating requisite data. Hence, it is no surprise that for 92% business' integration of software with key internal systems such as HRMS, ERP and accounting is high priority.

Further, 90% of finance heads would like the ability to manage everything related to T&E from one platform. With an eye on the rapidly digitizing finance space, 91% of the CFOs say flexibility of software to support dynamic change or growth of the company is a top requirement.

WHAT'S STOPPING ENTERPRISES?

Businesses must consider digitalization of their T&E processes in order to plug the revenue loss occurring due to unaccounted costs expenses or to manage frauds. Lack of insights is an impediment to finance and HR teams in taking critical business decisions with respect to employee productivity and organisational efficiency. It can also prevent organizations from adhering to compliance norms. It's a strange paradox because while everybody understands and are well aware that automation can solve the problems faced by enterprises, lack of it is the key reason on what's stopping enterprises in digitising reimbursements.

While globally, companies are switching to mobile applications that automate filing of travel expenses, this large-scale dependence on manual voucher processing in Indian companies seems anachronistic. Integrated T&E accounting systems, cloud-based data storage, automated checks for policy compliance are other automated features can significantly help resolve the challenges caused by manual processes.

CFOs have access to data from across segments in any enterprise and are predisposed to analytical functions. From that perspective, they are perfectly positioned to assume a centralised decision-making role. As the role of finance shifts from providing numbers to sharing insights, technology and analytical solutions will be the key focus areas for CFOs. From controlling the business expenses viewpoint their priority lies in automating the entire process in order to control and optimise travel costs.

At the same time, the CHRO is more worried about designing policies and processes that keep employees happy and productive. CHRO's efforts are focussed around proactively working towards automating the workforce's mundane non-core repetitive task to improve employee productivity through efficient processes. Broadly speaking the progressive HR practitioners are looking at helping employees prioritize work and provide conditions conducive to maximise output with minimum wastage of time and effort.
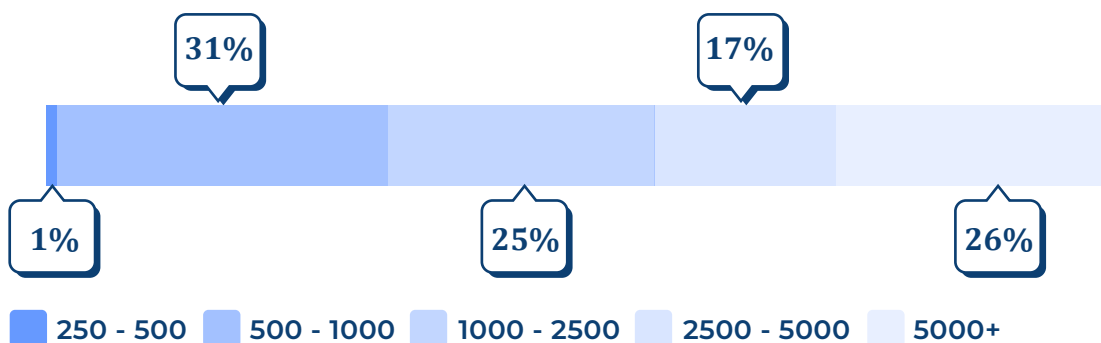
While business logic is different, commonality in output is automation for both CFO and CHRO. Hence, CIO becomes the key technology enabler and the fulcrum of the overall objective attainment. But as with any major decision, a strong business case needs to be built jointly to ensure successful implementation. A clear plan charted out by CIO with sound reasoning to adopt, implement and integrate T&E automation with other softwares packages is mandatory for any organisation today.
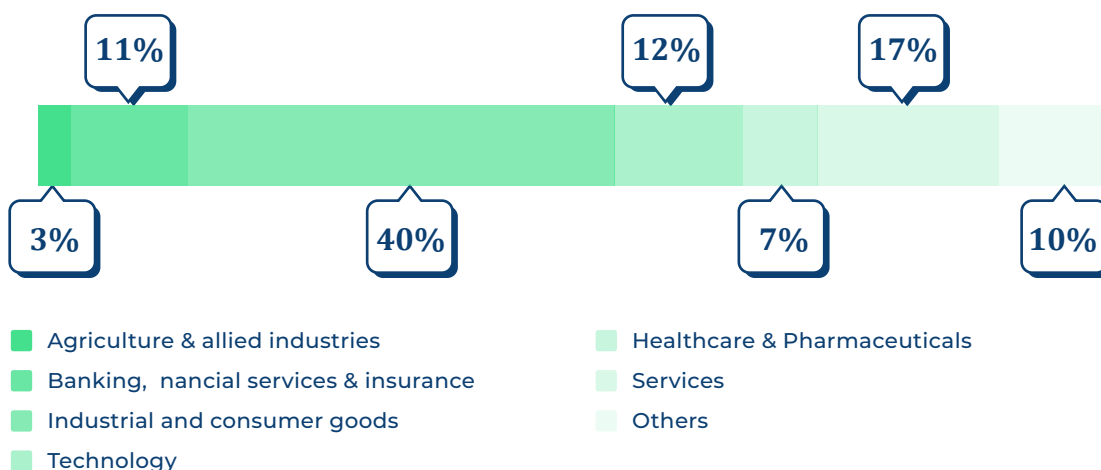
STUDY DEMOGRAPHICS

The study was undertaken by CFO India magazine. 200+ CFOs and finance heads across verticals have contributed to the findings of this report. 57% of the sample had revenues over Rs.1,000 Cr. and half of them were very large enterprises (Rs. 5,000 Cr. plus).

The data for this report has been gathered via an exhaustive questionnaire and through a mix of quantitative and qualitative research. The research assessed the company's T&E expenditure, management process, the current level of automation, and future outlook. Additionally, CFOs participated in a personal interview where they shared organisational challenges with T&E management, insights on current systems, and their outlook towards automated management systems.
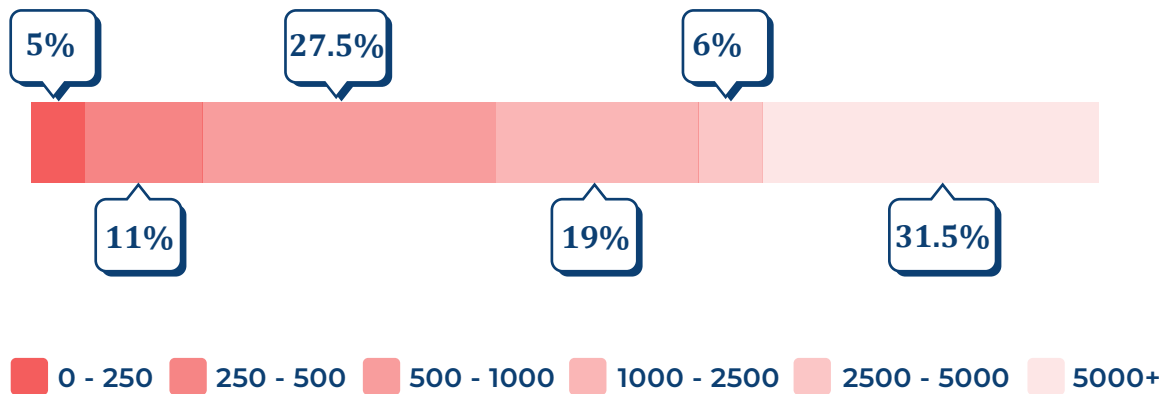
By Annual Revenue

31% 17%

1% 25% 26%

■ 250 - 500 ■ 500 - 1000 ■ 1000 - 2500 ■ 2500 - 5000 ■ 5000+

By Industry Verticals

11% 12% 17%

3% 40% 7% 10%

■ Agriculture & allied industries   ■ Healthcare & Pharmaceuticals
■ Banking, nancial services & insurance   ■ Services
■ Industrial and consumer goods   ■ Others
■ Technology

By Number of Employees

5%	27.5%		6%	
11%		19%		31.5%

🟥 0 - 250 🟥 250 - 500 🟥 500 - 1000 🟥 1000 - 2500 🟥 2500 - 5000 ⬜ 5000+

ABOUT HAPPAY

Happay is India's leading Business Expense Management solution provider, with Gross Transaction Value crossing Rs.4,000 Crs p.a. and used by 4,500 midsize and large corporates in 40 verticals. Founded by IIT Kharagpur alumni, the Bengaluru-based company has become India's foremost FinTech company, with 350+ employees spread across 10 cities. Using Happay's solution, companies can gain 100% spend visibility and control, speed up their process cycle time by 7X, reduce paperwork by 96%, reduce leakage by more than 90%, and boost overall employee productivity.

Top awards include India's Emerging Twenty (IE20) 2018, Silicon India's 'Company of the Year' 2017, IAMAI's Best Prepaid Card in 2018 & 2016, Nasscom EMERGE 10 in 2015 and many more. The company is backed by leading VC firms like Sequoia Capital, Axiom Capital, AME Cloud Ventures and Prime Ventures.

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