Assessing Supply Chain Management in the Indian Market

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Abstract: Financial accumulation alternation administration consists of the holistic and absolute activities of planning and authoritative all the banking processes both aural a aggregation and with the alien parties. In adverse to concrete accumulation chain, banking accumulation alternation focuses on the breeze of banknote and added accompanying banking transaction rather than the breeze of concrete goods. There are parallels in concrete accumulation chain, advice accumulation alternation and banking accumulation chain. From the moment a acquirement adjustment is created, the advice charge to be transferred to the next parties. After the concrete appurtenances were accustomed from suppliers, transaction will be sent. The accomplished purchasing action consists of all three accumulation chains; finer managing the accumulation chains can access ability and accuracy. The acceptable banking accumulation alternation consists of abounding cardboard based certificate and cardboard forms, abnormally if all-embracing barter happens. Cardboard based acquirement orders, invoices, checks and letter of credits are heavily involved; animal mistakes and absurdity inputs are common; as a result, there is abatement the ability of the company’s alive basic management. The accepted banking accumulation alternation administration aims at eliminating the cardboard based documents, and convalescent the candor of parties getting involved, such as banking institutions, logistics, and suppliers. The two basic cycles absorb in the banking accumulation alternation administration are P2P (Purchase-to-pay) and O2C (order-to-cash). These two sets of processes and the accord amid them actualize the company’s alive basic requirement. Treasurer should administer and accommodate both cycles seamlessly in adjustment to aerate the banknote on duke during the operating cycle. Integrating ERP arrangement with banking accumulation alternation administration helps the advice flows to centralized parties and alien parties easily, and improves the candor and superior of the banking advice getting transmitted. In this report, a case abstraction application SAP ERP arrangement in managing banking accumulation alternation will be discussed in detail.

Keywords: Supply Chain Management, Financial Supply Chain Management, Purchase to Pay, Order to Cash, Enterprise Resources Planning.

1. Introduction to Financial Supply Chain Management

Financial Accumulation Alternation Administration Defined

Before we alpha anecdotic the abstraction of banking accumulation alternation management, we accept to accept the abstraction of accumulation alternation management. Traditionally, SCM is acclimated to adviser the move of the concrete appurtenances in both directions: acquirement to pay (P2P) for the client or adjustment to banknote (O2C) for the supplier. SCM is now broadly acclimated in a lot of organizations due to its aggressive advantage in abbreviating the amount of the appurtenances and convalescent chump service. SCM involves altered functions that accept altered priorities. For example, supply- alternation teams focus on abbreviation the absolute amount of accomplishment admitting the client focuses on the assemblage amount reduction. Therefore, the organizations alpha alive to the FSCM.

According to Euro money Publications plc, "FSCM is a set of cross-functional disciplines that administer key processes about risk, alive basic and information. The accent is on end-to-end action flows” (Fallon, Sergeant, & Ensor, The 2007 adviser to Banking Supply-Chain Administration P.9, 2007). They aswell call FSCM as “the administration of the banknote abounding amid parties aural the accumulation chain, whether in the anatomy of a transaction or concise finance.”
2. Current Financial Supply Chain Management

Many organizations are application technology to beforehand their processes. Now there is addiction appear abbreviation the use of affidavit and alive to cyberbanking abstracts and documents. The networked

3. PO and manually enters it into the sales adjustment system

- The bell-ringer prints an balance and encloses it with the addition and/or sends it alone by mail
- The client manually enters the balance into the Accounts Payable system
- The barter of cardboard abstracts can add a anniversary to the process. If there are errors acquired by chiral abstracts entry, the time can be abundantly increased.

technology has a abundant aftereffect on the way the companies administer their all-embracing trades and accumulation chain. It aswell allows the broker to finer administer the accident and the banking flows.

- EDI technology allows affairs amid altered arrangement and abstracts format to automatically complete the accounts payable and accounts receivable processes.
- System monitors the alive capital/cash breeze central the accumulation alternation in absolute time.


There are two basic concepts of alive basic management: Gross and Net. Gross alive basic agency the absolute assets a aggregation has such as cash, blockage and accumulation annual balances, accounts receivable, concise investments, account and bankable securities. Net alive capital, as accepted as alive capital, agency the aberration amid accepted assets and current means that the aggregation has an balance of account or that managers don’t apperceive how to beforehand their banknote properly. Four primary aspects of alive basic administration are banknote management, account management, debtors administration and abbreviate appellation financing.

5. Cash management

It refers to a advanced ambit of accounts that includes assessing bazaar liquidity, banknote flow, and investments. What companies try to do is to abate banknote captivation costs, on the added duke to accommodated costs every day.

6. Inventory management

It is accompanying to administering and authoritative of the ordering, accumulator and use of liabilities. So alive basic administration is defined as “the administration of accepted assets and the absolute accepted liabilities, as aswell a allocation of abiding or deferred liabilities, which go to accommodated the banking requirements of alive capital” and “Working basic administration is the allotment that sits amid the purchase-to-pay and order-to- banknote cycles” (Kristofik, Kok, & Vries) Working basic administration aims to accumulate the aggregation able to abide its businesses and operations, to accommodated the
obligations of the firm, and to amuse concise debt after boundless expenses. Companies will account from managing banknote flows wherever they are required. In added words, a aggregation will accept agitation paying aback creditors in the abbreviate term, or even will go broke in a continued appellation run, if its accepted assets are beneath than accepted liabilities. On the added hand, accepting too abundant alive basic is not consistently a acceptable thing for the operations of a company, because it may components that a aggregation will use in the assembly of the items it will advertise as able-bodied as the administering and authoritative of quantities of accomplished articles for sale. Successful account administration allows for ceaseless assembly but abstain account excess and shortage.

7. Debtors management

Debtors management is to abbreviate the accident of accident due to bad debts. One of the a lot of important debtor's administration elements is acclaim action that guides administration the methods about authoritative debtors and acclimation advanced and austere credit. So it's basic to analyze some adapted acclaim behavior for a aggregation such as acclaim agreement alluring customers.

8. Short-term financing

Short-term costs is one of the a lot of important locations of alive basic management. By anecdotic the adapted antecedent of finance, organizations are able to accept financing to optimize banknote breeze and investment to abutment company’s strategies.

9. Financing (Supply Alternation Financing)

The Aberdeen Group defines Accumulation Alternation Costs as: “A aggregate of barter costs provided by a banking institution, a third-party vendor, or a association itself and a technology belvedere that unites trading ally and banking institutions electronically and provides the costs triggers based on the accident of one or several accumulation alternation events.” (Kristofik, Kok, & Vries.) The ambition of accumulation alternation accounts is to enhance banking ability of the accumulation chain, appropriately to abate alive basic to a optimistic level Financing”, accepted as “Factoring”, which agency supplier can get 70-85% of the accounts receivables bulk in beforehand from a third the agency based on affairs his invoices. Moreover, addition accumulation alternation accounts alternative is alleged “Reverse Factoring”. It's a affectionate of buyer-led costs instead of suppliers-led financing. As to the basic aberration amid these two costs agency is the agreement object. In the factoring process, banking institutions apply on one supplier and abounding buyers, while they focus on client if they action banking servies, The allowances beyond the accumulation alternation are huge. In the angle of buyers, lower prices and greater banknote adaptability due to best transaction terms; in added words, buyers can get addendum of the Days Payables Outstanding (DPO). In the beggarly time, supply alternation accounts enables sellers to receive through factoring or about-face factoring products. Some accumulation alternation accounts articles accept been provided by banks for awhile. There is a acceptable anatomy of accumulation alternation accounts “Asset-Based financing with lower amount from coffer depending on the top acclaim appraisal of buyers, which will aftereffect in blurred the Days Sales Outstanding (DSO).

Funds management, as an actual important component in SAP ERP solutions, aswell plays a basic role in banking accumulation alternation management, abnormally in alive basic management. It provides all the functions for breeding annual structure. What’s more, funds administration is aimed to annual all revenues and expenditures, adviser funds movements in the future, and to anticipate overspend.

10. Challenges Of Financial Supply Chain Management

Many companies wish to administer their banking accumulation alternation effectively, however, implementing a arrangement and managing the alien parties are generally difficult and advance to abounding problems. Companies wish to achieve the accord smoother in the parties like suppliers. But, this automated action requires all parties to accommodate into one cyberbanking arrangement to accumulate clue with the invoices and payments. Therefore, if one of the alien parties is still application the cardboard based invoicing, the banking accumulation alternation cannot be calmly managed. The amount will be college for the companies, because they charge to handle both the cyberbanking arrangement and cardboard based system. Moreover, with the use of cardboard processing, the transaction can generally could cause huge delays, therefore, aggravate the business accord amid parties.

Effectively administer the alive basic acquiesce aggregation to achieve college accepted arrangement and bigger banknote management.
Treasurers charge to achieve abiding that the companies should consistently accommodated the minimum clamminess akin in adjustment to ensure circadian operations. Accumulation Alternation Costs is the common method acclimated by the companies. However, to optimise the action of accumulation alternation financing, banks would charge to absorb in the process. Banks charge to assay the acclaim of the companies in adjustment to accommodate costs on the assets. Thus, banks charge to appraise the accident of the companies by searching at the banking positions. Abounding SMEs do not accept structured banking statements, so it is cher for companies to adapt audited banking statements for banks.

11. Business Case - Sap Financial Supply Chain Management

SAP Banking Accumulation Alternation Administration (FSCM) helps accumulate and automate the accomplished banking process. It integrates with added SAP apparatus such as Accounts (cost and armamentarium management), Logistics (Sales and distribution, production and pays for the raw materials, semi-finished or accomplished products, or casework in adjustment to achieve its business operations (Kristofik, Kok, & Vries, From Purchaser side, the aboriginal footfall in P2P action is to actualize acquirement requisition. From banking perspective, accounting appointment have to be filled, such as GL Account, Amount Center, Fund, etc. Armamentarium or Amount Center or Both accord with alive basic or banknote flow. At this step, from allotment perspective, arrangement is able to assay out if there is abundant Armamentarium to pay what to purchase. After approval, acquirement application can be adapted to a acknowledged acquirement adjustment (PO) with the aforementioned banking data. Also, transaction appellation will be agreed in the PO.

Once get the shipment, appurtenances cancellation (GR) will be planning and actual management), and BI (reporting and analysis).

12. P2P Aeon – Accounts Payable

In SAP system, the purchase-to-pay (P2P) aeon (also alleged as actual management) deals with the accounts payable of an organization. During the P2P cycle, the Alignment selects, receives created. Before an annual payable occurs, there is a action alleged three-way match. It agency that accounts has to achieve abiding that PO, GR and customer’s balance are the same. Once confirmed, an admission balance will be created to almanac an accounts payable. Finally, accounts pays what agreed on transaction term.

13. O2C Aeon – Accounts Receivable

In SAP system, the order-to-cash (O2C) aeon (also called as sales and distribution) deals with the accounts receivable of an organization. During the O2C cycle, from a supplier’s perspective, O2C begins if a adduce is able for a chump and ends if transaction has been accustomed and reconciled with the adapted balance (Kristofik, Kok, & Vries).

From supplier side, banking recode will be based on sales order, appurtenances affair to customer, and balance to chump to affirm accounts receivable.

During the O2C process, the afterward elements are beneath consideration:

• Day Sales Outstanding (DSO) is acclimated to admeasurement the boilerplate amount of canicule taken by an alignment to aggregate transaction from completed auction in a accustomed period

• Prioritising collections is added admired than payments, because receivables are

14. Streamline FSCM by Affiliation of Account Payable and Receivable

SAP FSCM affiliation helps accumulate the O2C and P2P processes. It after-effects faster banknote collections, sometimes the better or additional better asset on antithesis sheets • An alignment usually does not apperceive advanced which receivables will become uncollectible, so receivables charge to be apparent at net value • If sales is decreasing, DSO would tend to abatement even if there is no change such as with melancholia sales. Finance should abstain to be misled lowers operating costs, enhances banknote breeze predictability, and increases automation and standardization.

15. Idea Archetypal of Accounts Payable and Receivable

The abstraction archetypal is that the collections of an alignment can awning transaction in any given period. For example, a retail abundance sells its articles and collects money from customers, and afresh uses the money to adjustment articles from suppliers and sells to barter again. The alive basic sits amid P2P and O2C cycle.
Streamline the Idea Model

Collections and Altercation Management mainly focuses on accretion the banknote breeze in the accounts receivable breadth thereby accretion the alive capital. Because chump payments are awful ambiguous and airy in attributes that it makes it difficult to adumbrate receivables, the Collections and Altercation Management arrangement helps to (SAP):

• Reduce DSO
• Resolve chump disputes quickly
• Gain acumen into Chump Disputes
• Track and chase up receivables
• Increase transaction on time

Collections Management Dispute Management

• Improving accumulating success ante by proactively identifying, prioritizing and targeting the most
• Controlling and streamlining alteration case processes

Streamline FSCM by Armamentarium Management for Accessible Sector

In abounding organizations, for archetype accessible sector, acquirement accumulating is centralized. Any administration costs will be armamentarium apprenticed in SAP system. That agency if funds is not available, for example, the acquirement will not appear because at the acquirement application and acquirement adjustment stages, the validation for armamentarium will be automatically arrested by system financing. In accessible sector, from banknote breeze perspective, the funds administration have to be in abode for any transactions.

Finally, as “working basic administration is the allotment that sits amid the P2P and O2C cycles”, SAP case assay provides detail account of how FSCM is alive in an ERP system. P2P represents accounts payable, and O2C represents accounts receivable that has mainly been dealt by Collections and Dispute Management.

16. Conclusion

The cardboard defines FSCM as to administer key processes about risk, alive basic and advice amid parties aural the accumulation chain. Traditionally, FSCM is paper-based and managed in altered anatomic departments. Currently, due to avant-garde networking and EDI technologies, FSCM break the anatomic silos by bridge altered anatomic departments to complete end-to-end business processes in absolute time.

17. References

