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Financial Regulation in context to Enterprise Resource Planning: Impact on Trade and Business

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Abstract: With the era of globalization, ERP development and implementation has taken a massive step. In last few decades ERP has given an advantage in different industries for their day to day work and has gained worldwide acceptance. In India, major players in ERP market are SAP, Oracle and Microsoft Dynamics. While implementing an ERP in any country, a vendor has to keep in mind the **Financial Regulations** of that country as such. In India, most of the software implemented is developed abroad; hence it becomes difficult at times for the vendors to implement certain financial regulations, most commonly "Taxation". With every passing year, the software upgradation cost and end users training cost are thrown on the customer in the name of change in Financial Regulations of the country. For example as soon as the union budget/ finance budget is presented by the Finance Minister of India every year, there is a change in the tax slabs and different financial regulations within the country. Most of these changes are covered by or say addressed by our ERP software providers, but there are always expected gaps which need system upgradation or customization cost. This paper studies these gaps which hampers the day to day working of a company with change in financial regulations and puts a negative impact on the trade and business.

Keywords: ERP (Enterprise Resource Planning), Financial Regulations, Implementation, Taxation, Trade and Business.

I. Introduction:

Financial regulations of a country are the regulatory framework which helps it to deal and cope up with World's economic conditions. There are so many financial regulations in any country, which help it to control not only its monetary stability but its economic, political and global conditions as well. In India, Financial Regulations have been diversified from RBI to SEBI, Forward market commission to IRDA, etc. Along with these, the Ministry of Finance, issues finance bill every year which takes into account all the changes / updation required in financial regulations of our country.

One of the major portions of this finance bill issued every year in the union budget is taxation. Taxation may be Direct or Indirect, subsidies, Octroi and Duties etc. These changes or say updation in tax structures may be due to the current global economic requirements, brings all kind of assesses on a common platform of changing their accounting entries, sometime retrospectively to suffice the changes brought into by the union budget.

Enterprise resource planning (ERP hereafter) has been an important tool in last decade for maintaining a harmony in different accounting policy set up and a business organization for successful day to day trading. ERP has gained a rapid acceptance due to the resources and easily availability of Information as and when required from the system.

Though ERP has been an important tool in recent past for accounting, data processing, data handling and decision making, still it has many loop holes which makes it extremely necessary to analyze, understand and know what it could lead to future, a curse or a boon.

Every ERP has a set of package which consist of General Ledger, Accounts payable, Accounts receivable, BOM, Production, Cash and Bank module, SCM, HRM, CRM, Projects etc. all these modules are directly or indirectly relates to General Ledger module, which maintains the final books of account. Any change, in tax structure will definitely brings a negative impact on the ERP as a whole. Hence considering the fact that, even a single upgradation of ERP calls for a huge cost to the company, every year changes in financial regulations, especially taxation part of it, brings a disharmony in procedural framework carried out in a company with the help of ERP.

II. Background:

Financial regulations; especially tax structure has been a flexible components since independence in Indian economy. With announcement of union budget, the tax slabs, its implications and other treaty's do change, which brings an impact on the trade and business a lot.