

# Simplifying employee expenses and payments processes through digitisation

October 2019

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# Foreword

Dear readers,

It is our pleasure to bring to you the latest edition of our Payments newsletter.

In this edition, we look at digitising expenses for corporate employees, use cases, payment modes, stakeholders involved and the emerging models in the ecosystem. We have also focused on the partnerships that are being formed to digitise corporate employee payments in the banking, financial services and insurance (BFSI) sector.

We hope you will find this to be an insightful read.

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# 1

## Introduction

Employee expenses and reimbursements form a crucial part of business expenditure. Over the last few years, corporate setups in India have changed the way their employee payments are handled. With more digital modes of payment available, companies are looking to adapt new age employee payment models.

Employee expenses fall mostly into three basic categories—reimbursable expenditures, non-reimbursable expenditures and reward payments to employees. Reimbursable expenditures usually include travel expenses (local conveyance, flight and hotel bookings), meal expenses, medical expenses, telecom expenses and fuel expenses. The non-reimbursable category usually includes on-site expenses like canteen payments, parking and subscription fees. Reward payments, which are given to employees based on their performance, form the third category of employee payments.

Reimbursable expenses are usually recorded, reconciled and reimbursed in travel and expense (T&E) management software or standalone applications. Some rewards and recognition programmes are also being integrated with these platforms to ease facilitation. Even though T&E software is automating the expense management process for reimbursable expenses in a limited way, there is yet a lot of manual intervention in various processes, generally involving lengthy reimbursement timelines. Additionally, the non-reimbursable expenses in many organisations are still being handled offline and usually settled with cash or cheque.

### Employee payments



Local conveyance



Telecom



Travel—flights and hotels



Refreshment payments



Meal allowance



Parking



Fuel



Reward payments



Medical expenses

Payment modes used for most reimbursable payments include corporate credit cards and prepaid cards, which are often integrated with expense management systems. But again, corporate credit cards are usually provided only to a limited number of employees (e.g. top management, employees in specific departments). Other employees have to pay themselves and wait for long durations for such payments to be reimbursed.

While business-to-consumer (B2C) and consumer-to-business (C2B) models are popular use cases in the digital payments ecosystem, there is huge potential for business-to-employee (B2E) payments as well, due to such small ticket, high-volume transactions in corporate expenses and payments. Some of the largest companies (in terms of market capitalisation) in India have an average employee strength of 1.2 lakh each, giving them a large scope for digitisation of their employee payments. Additionally, there are approximately 42 million small-to-medium enterprises

(SMEs) in India employing about 106 million people.<sup>1</sup> This is a relatively new area that banks and FinTech companies are currently exploring for various purposes.

Having identified this opportunity, various players are now exploring the ecosystem and new use cases, focusing on making employee payments cashless. Banks have mainly penetrated the space with products such as prepaid meals, travel cards, rewards cards and payment wallets. Technology companies, on the other hand, have focused on developing digital platforms for expense management, along with providing digital payment modes and channels for such expenses. Banks and tech companies are also partnering with large software developers, which are major players in the T&E business space.



<sup>1</sup> <https://evoma.com/business-centre/sme-sector-in-india-statistics-trends-reports/>

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## Stakeholders and evolving models

### Transitions over the years

#### Earlier



**Cash:** Used for small ticket payments like meals and conveyance



**Corporate credit cards:** Used for large ticket travel, fuel and medical payments

#### Now



**Prepaid cards and wallets:** Used for payments like meals, conveyance, travel, rewards



**Corporate credit cards:** Integrated with expense management systems for easier expense reporting



**QR and NFC:** At points of expenditure like canteens for quicker processing of payments

With the increased focus on digitisation of employee payments, many players from the banking and financial services industry are providing organisations their own payment platforms and payment products or partnering with technology firms to introduce new business models for faster payments.



Banks

#### Prepaid card model:

**Solution:** Banks provide a host of prepaid solutions to employees for:

- meal cards
- travel cards
- rewards cards
- multi-wallet cards

#### How it works:

Banks approach enterprises with their prepaid card solutions and provide access to an online portal where the enterprise can load, track and monitor expenses incurred by employees at various points.

#### Corporate credit card model:

**Solution:** Banks provide corporate credit cards to employees.

#### How it works:

Banks approach enterprises with their corporate card solutions, and often integrate the company's expense management/accounting systems with the credit cards, which allows automatic recording of official expenses.



## Wallet players

### Wallet model:

**Solution:** A few prepaid payment instruments (PPIs) players are now specifically targeting corporate reimbursement use cases by providing digital wallets to employees for meals, fuel, travel expenses, etc.

### How it works

- Employees are provided access to a prepaid wallet/multi-wallet, which can be loaded, blocked, unblocked and more through a corporate dashboard.
- All corporate reimbursements and rewards can be channelled to the mobile wallet of employees. Depending upon corporate preferences, wallet usage can either be restricted to corporate expenditures (specific merchant category code [MCC] list) or extended to personal and corporate expenses.
- No dedicated expense management software is provided in this model by PPI players. However, corporate HR, accounting, enterprise resource planning (ERP) and expense management systems can be integrated for complete reconciliation and reporting.
- Firms can offer additional innovative use cases over an all-in-one app by tying up with merchants such as cab aggregators, wellness clubs, online courses, etc. Employees can avail services through one click using wallet payments and can flag specific payments that were made for corporate purposes. Such expenses get auto-populated in the expense management software through integration with such third-party merchants.



Non-bank/  
FinTech/  
technology  
players

### Software model:

**Solution:** In this case, the players develop an expense management and automation solution and sell this solution to enterprises.

### How it works

- The software syncs with the employee's payment mode, usually corporate cards.
- Expense line items are auto-populated, and receipts are recorded by the employee at various points of expenditure.
- Corporate HR, accounting and ERP systems are integrated with the solution for complete reconciliation and reporting.
- The solution is also integrated with platforms of merchants providing travel, food and other such services for automatically capturing receipts.





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## Way forward

The T&E sector is at the cusp of disruption with various innovations taking place across the entire value chain. As an intrinsic part of this T&E value chain, payments and reimbursement are also evolving along the way, with active participation by BFSI players. Banks, in particular, are leveraging their existing corporate B2B relationships

by extending their offerings to include digital products (wallets, QR offerings, apps) for their corporate clients. Another route being opted is the B2B2C model, in which banks tie-up with T&E players to position their wallet or other payment offerings to the clients of T&E players.

### **Business analytics and intelligence tools**

Corporates get more visibility on employee spends and can make better informed decisions, leading to multiple financial and non-financial benefits. For example, a global staffing organisation was able to save 20% on taxi services per year using data insights on the T&E platform, which helped identify frequent taxi expenses.

### **Aggregator model by tie-ups with merchants and banks**

Traditionally, enterprises were tying up with various merchants like travel companies to provide services like hotel, flight and cab bookings. However, with emerging business models, the enterprise doesn't have to integrate with travel agents; instead the T&E software provider acts like an aggregator by partnering up with various merchants for various T&E services, and with banks for providing digital payment modes. All payments are auto-synced in the T&E software and employees need not upload receipts.

For example, a leading cab aggregator has partnered with a T&E vendor leading to i) capturing of receipts on the go, ii) syncing up of all ride receipts with the T&E system, iii) enabling payments using a mobile wallet.

### **Digitising physical receipts:**

- OCR technology: Reducing manual interventions by optical character recognition (OCR) technology, where details of the receipts are auto-read and uploaded.
- Email add-ons: An Indian FinTech firm is offering an add-on to the email accounts of employees, where the invoices in the emails are auto-read with the click of a button and fetched in the T&E software.

## Digitising meals payments

- A digital FinTech player in India is changing the way employees pay in the corporate canteen. It has tied up with various corporate canteen vendors of each office location, and employees can view the live menu for the day on their mobile app, can pre-book their meals, make payments online via different payment modes, including wallets, and get notified of the order status. Employees save time by not standing in long queues and avoid using cash.
- Few firms have deployed QR code-based and NFC-based tap and go technologies in their canteens for accepting digital payments.
- Some firms integrate corporate ID cards with the canteen systems, wherein the ID card can be tapped for payments and aggregated canteen expenses are later deducted from the salary of the employee.

Collaborations across stakeholders to digitise corporate employee payments is win-win for all the stakeholders involved as such collaborations ensure:

- quick reimbursements, saving of time and effort for employees
- increased retail customer base for BFSI players
- increased corporate accounts for T&E players
- reduced reconciliation and other hassles for corporates.



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## Payments technology updates

### Safeguarding travel culture through data-driven insights

#### Harvard Business Review

How can companies take smarter decisions about how and where to deploy T&E spend more strategically? Is it possible to accurately allocate budgets in a manner that will enable them to maintain sales while avoiding unnecessary expenditure? This report from Harvard Business Review Analytic Services uses data and expert insights from across the travel industry to address some of the problems faced by finance and sales executives.

### SAP Concur connects users to AvidXchange payments

#### Pymnts.com

SAP Concur has collaborated with AvidXchange Payments for Concur Invoice users to process electronic payments via the AvidPay network.

Also, this integration will connect Concur Invoice users to AvidXchange's supplier services offering.

### Why digitisation of corporate reimbursement is the new imperative for the BFSI sector

#### MoneyControl

T&E management promises exciting business proposition for banks, non-banking financial companies (NBFCs) and financial institutions (FIs) to attract talent and drive consumer satisfaction.

### SAP Concur partners with Thomas Cook India to streamline travel and expense management

#### Economic Times

SAP Concur, provider of expense, travel and invoice management solutions, announced commitment of its partnership with Thomas Cook (India) Ltd. The partnership is a reiteration of enabling organisations across verticals to completely automate their business travel for employees. The partnership provides a user-friendly, integrated T&E management solution to provide an organisation's workforce with a seamless and rewarding experience.

### Corporate India gets a digital edge with full stack FinTech

#### Times of India

Are corporate travel bookings and reimbursements exhausting you? For the HR and admin departments, it can be a nightmare, involving a whole host of issues such as difficulty in enforcing compliance, complex accounting and dealing with excess spending. To add to this, both the departments tend to get lost in a maze of paperwork and rely on multiple vendors for various services. This fragmentation leads to a lack of synergy in execution, which negatively impacts the entire employee morale spectrum.



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Data Classification: DC0

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PD/October 2019-M&C 882