

E-Procurement – Challenges and opportunities in India

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ABSTRACT

Electronic Procurement (also known as e-Procurement) is the way of using internet to make easier, faster, and less expensive B2B (business-to-business) purchase and sale of supplies and service over the Internet. Government of India is leveraging Information Technology to attain a position of leadership and excellence in the information age and to transform itself into a knowledge society. The Tender Management System helps buyers and suppliers to reduce the cycle time, unnecessary paper work, waiting in long queues and simultaneously maintain the transparency in the entire process. The author attempts to explain various concepts of e-procurement. The author touched upon the challenges and opportunities in the e-procurement in India. This article aims to inculcate in the readers the understanding of the procurement process, its framework and functionalities.

Keywords: e-procurement, tender, b2b, information technologies.

Introduction

E-Procurement is more than just a system for making purchases online. A properly implemented system can connect companies and their business processes directly with suppliers while managing all interactions between them. This includes management of correspondence, bids, questions and answers, previous pricing, and multiple emails sent to multiple participants.

Well e-procurement system helps a firm organize its interactions with its most crucial suppliers. It provides those who use it with a set of built-in monitoring tools to help control costs and assure maximum supplier performance. It provides an organized way to keep an open line of communication with potential suppliers during a business process. The system allows managers to confirm pricing, and leverage previous agreements to assure each new price quote is more competitive than the last one.



Figure 1: e-procurement system

Objectives of the study

The paper aims to enhance the capabilities of the participants in:

- Understanding the contemporary management practices in procurement.
- Deciding on the e-procurement models appropriate for their business.
- Better knowing the technologies available for e-procurement.
- Better realizing and assessing the risks involved in e-procurement adoption.

Methodology

The methodology is intended to apprise, engage & inspire. It is based on the paradigm of learning by doing.

Benefits of implementing e-procurement system

Implementing an electronic procurement system offers a company many benefits to the company, such as:

1. E-procurement helps with the decision-making process by keeping *relevant information* neatly organized and time-stamped.
2. Well-managed e-procurement helps *reduce inventory* levels. Knowing product numbers, bid prices and contact points can help businesses close a deal while other suppliers are struggling to gather their relevant data.
3. E-Procurement systems that allow *multiple access levels and permissions* help managers organize administrative users by roles, groups, or tasks. Procurement managers do not need to be as highly trained or paid because such systems are standardized and easy to learn.
4. With e-procurement all purchases are *easier to track* because they are done over the Internet and the company's managers can easily see who made which purchases without having to wait to receive a monthly revolving credit statement.
5. E-procurement *saves times*. Buyers do not need to leave their desks or make phone calls to suppliers in order to place orders; they simply go through the Internet. And, because suppliers receive the order almost immediately, they can also fulfil and ship it much faster than with the traditional procurement methods.

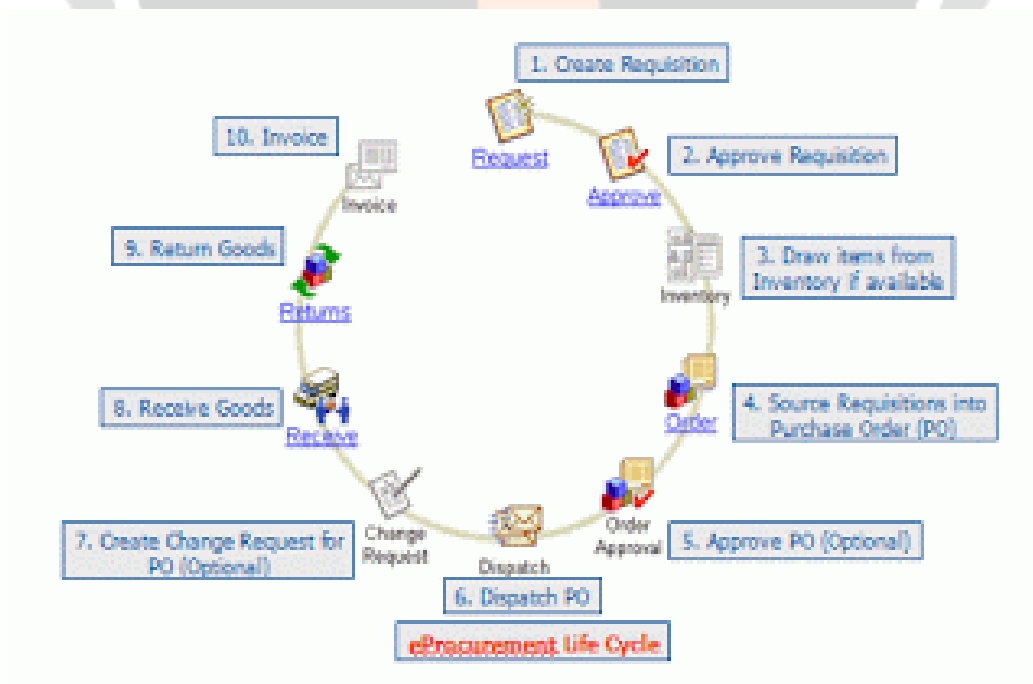


Figure 2: e-procurement life cycle

There are some real benefits that experienced by some companies that use electronic purchase method (e-procurement):

1. Lower price of purchasing (5%-20%)
 - More supply resources that can be access
 - New supplier will be easier to get
 - Competitive price
 - Broader the geographic scope
2. Time Efficiency of Purchasing Process (20-30%)
 - Faster to look the sources
 - Faster to ask for offering request
 - Faster to send the requested list
 - Faster the offering evaluation
 - Faster the release the requested item
 - Faster the follow up
 - Easier to detect the offering
3. Reduce the time limit for claim and payment.
 - Potentially get the price reduction
 - Reduce the potential mistakes that can be happen in term of offering document, receiving documentations, and billing.
4. Reduce the administration fee
 - Reduce the manual jobs and paper work
 - Increase the buyer productivity
5. Develop the ability to create/ manage the optimal supply basis
 - Fix the market data
 - Avoiding the effect of high demand level
6. Expedite the communication between buyer and seller
 - Faster and more accurate
 - More faster in detecting problem and problem solving
7. Just-in-time purchasing
 - Daily request communication
 - Daily delivery communication
8. Supply Chain Management
 - Transparent communication and information delivering in supply chain in real time

- Synchronization and automatic payment
9. Support the partnership practice.
- Support daily, fast, and accurate communication
 - Support transparency between partners.

Impact of e-procurement

E-Procurement cause the lower cost with many ways. For example: sale price, administration fee, inventory cost, and other cost, and that's why e-procurement can increase company ROI (return on investment). With all the benefit that achieved from E-Procurement, the company can significantly increase ROE (return on equity) and ROI (return on investment). The price can be reducing directly from the sales price from selling process expense. Increased efficiency due to competition, transparency and lower transaction costs, Reduced opportunity for fraud & corruption due to automated procedures and Public procurement monitoring.

Challenges of e-procurement

One of the main challenges for an e-Procurement is the establishment of an appropriate and context tailored strategy. Every project or initiative needs to be rooted in a very careful, analytical and dynamic strategy. This seems to be a very difficult task, requiring a focus on many aspects and processes, a holistic vision, long-term focus and objectives. The government must have a clear strategy to overcome the barriers to change. Part of the strategy is to engage in a rigorous assessment of the current situation, the reality on the ground and the inventory of projects, articulate costs, impacts and benefits of programme as well as continuously monitor and evaluate the project upgrading. Borrowing a lesson from the private sector, e-Procurement must be customer-driven and service oriented. This means that a vision of e-Procurement implies providing greater access to information as well as better, more equal services and procedures for public and businesses.

In a typical large PSU and Government, procurement runs into hundreds of crores and complexity is inherent in the procurement process. What is required to be procured is wholly dependent on the nature of its business, and therefore varies from enterprise to enterprise. In today's scenario, adopting an effective cost saving mechanism is integral to any company's continued existence.

Another important aspect that the Government and PSU's need to look into is driving organizational compliance with negotiated contracts. This would enable Governments to keep and sustain their savings.

Opportunities in e-procurement

E-procurement, a new avenue for buying direct and indirect goods and services, is an effective procurement system, making waves in purchasing circles. The service provider plays a crucial role in offering sourcing and procuring solutions that satisfy customer needs and provide ample value addition to the service provided.

In the past, traditional methods of procurement offered little transparency and lesser satisfaction of negotiation with suppliers. E-procurement offers the benefits of greater transparency, wider geographical reach and lesser time of transaction and better pricing. Also sustained savings can be achieved through automated, easy-to-use purchasing, invoice management, and supplier enablement capabilities.

There is no point in expecting higher revenues every year from the same existing lines of business or the panel. They have to diversify and bring in newer products as also larger number of clients. Also contract compliances have to be ensured.

Suggestions

For a successful implementation of an e-Procurement initiative the government must ensure that the following parameters are taken care of, in the solution which they intend to implement:

1. **Analyse:** Accurate, thorough analysis

2. Source: Efficient, in-depth sourcing

3. Contract: Effective contracting

4. Procure: Efficient procurement

5. Settle: Effective settlement

Conclusions

The concept of e-procurement (e-GP), as it is being implemented in India, is explained. Furthermore, a set of challenges encountered during implementation of e-procurement is discussed in depth. The challenges discussed generally covers are: lack of skilled personnel; multi-departmental implementation; inadequate IT and networking infrastructure; challenges in implementation of state-wide system; the need to regulate e-procurement market; and replicating best practices in federal state setup. While this paper deals specifically with e-Procurement in India, certain aspects of it can be generalized to e-Procurement implementations elsewhere in the world. Such generalization is possible since government procurement is driven by the same set of principles such as efficiency and transparency.

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