

Impact of ERP Systems on Financial Accuracy and Efficiency among FMCG Distributors

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Abstract

This study examines how ERP (Enterprise Resource Planning) systems affect FMCG (fast-moving consumer goods) distributors' operational effectiveness and financial correctness. Data was gathered from 120 respondents who were purposefully chosen and worked in operations, inventory, and finance using a descriptive study methodology and a structured questionnaire approach. According to the investigation, ERP systems greatly increase the speed of financial reporting, lower mistakes, strengthen inventory management, and encourage process integration in general. Although there were many advantages, there were drawbacks as well, including significant upfront implementation costs, staff reluctance, and technical difficulties. According to the study's findings, ERP systems are essential for bolstering the financial and operational procedures in the FMCG distribution industry. To optimise ERP adoption, it is advised to use leadership support, frequent training, staggered deployment, and ongoing monitoring.

Keywords: ERP Systems, Financial Accuracy, Operational Efficiency, FMCG Distributors, Inventory Control, etc.

Introduction

High volume, low profit operations are the hallmark of the Fast-Moving Consumer Goods (FMCG) industry, which calls for exact financial management and operational effectiveness. Distributors in this sector must simultaneously ensure timely delivery of goods across intricate supply systems while preserving financial correctness. Systems for enterprise resource planning, or ERP, have become essential instruments for dealing with these issues. ERP systems improve decision-making skills, expedite procedures, and provide real-time data access by combining several corporate operations into a single platform. In order to shed light on how ERP systems affect financial reporting, inventory control, and overall business performance, this study investigates the effects of these systems on financial correctness and operational efficiency among FMCG distributors.

Literature Review

Numerous studies have examined the use of ERP systems in the FMCG distribution industry, emphasising how important they are for improving operational effectiveness and financial correctness. ERP systems reduce data silos and guarantee uniformity throughout the company by centralising data from several departments, such as sales, inventory, procurement, and finance. By automating data collection and consolidation procedures, this integration makes accurate financial reporting easier and produces timely financial statements free of errors. (MDPI Encyclopaedia.)

ERP systems' capacity to increase the effectiveness of financial reporting is one of its main advantages. The automation of data consolidation and reporting operations has been shown in studies to save reporting and analysis time by 50–70%. ERP systems also improve data accuracy by reducing mistakes in manual data input and provide real-time financial transaction visibility, which is essential for audit and compliance purposes. (Inecta and others)

ERP systems have a major influence on inventory management, which is crucial for FMCG distributors in terms of operational efficiency. ERP systems assist in maintaining ideal stock levels by automating replenishment procedures and provide real-time visibility into inventory levels, lowering the possibility of stockouts and overstock scenarios. ERP systems also make it easier to track batches and control expiry dates, which guarantees product freshness and adherence to safety standards (Techysoft ERP).

ERP systems' supply chain management integration features allow suppliers, distributors, and

retailers to work together seamlessly. Reduced lead times and lower operating costs result from this integration's improved supplier collaboration, transportation planning optimisation, and demand forecasting accuracy (Deskera et al.).

Additionally, by automating accounts receivable and payable procedures, ERP systems speed up invoice processing and lower mistake rates, which improves cash flow management. Distributors are able to properly monitor cash flows, make well-informed financial choices, and maintain liquidity thanks to the real-time financial data that ERP systems give (Arobit).

ERP system deployment is difficult, especially for small and medium-sized FMCG distributors, despite the many advantages. ERP implementation may be hampered by the initial investment costs, training resource allocation, and possible change resistance. Furthermore, meticulous preparation is necessary for data integration and migration from legacy systems in order to guarantee data integrity and correctness during the transition (Logic ERP).

ERP solutions are essential for improving FMCG distributors' operational effectiveness and financial correctness. ERP solutions help distributors meet the ever-changing demands of the FMCG industry by streamlining supply chain operations, optimising inventory management, and improving financial reporting. However, in order to fully realise the potential benefits of ERP deployment, the related problems must be addressed via strategic planning, sufficient training, and ongoing support. (Source: Wikipedia).

Objectives:

Through an analysis of enhancements in financial reporting, inventory control, and overall process integration, this study seeks to assess the effect of ERP systems on financial correctness and operational efficiency among FMCG distributors. It looks for the main advantages, difficulties, and best practices related to the distribution industry's use of ERP.

Methodology:

In order to evaluate how ERP systems affect FMCG distributors' operational effectiveness and financial accuracy, this study uses a descriptive research design. Key employees working in finance, inventory, which consists and operations for FMCG distribution companies will be the focus of the questionnaire-based data collection process. A designed questionnaire encompassing both closed-ended and Likert scale-based enquiries will be utilised to gain insights on advances in financial reporting, inventory management, process integration, advantages, obstacles, and best practices in ERP deployment. The study will focus on a sample size of 120 respondents, selected using a purposive selection approach, ensuring that participants have sufficient expertise and knowledge connected to ERP systems within their particular firms.

Data Analysis:

The influence of ERP systems on FMCG distributors' operational efficiency and financial correctness was evaluated through a methodical analysis of the data gathered. Descriptive statistics like mean, percentage, and standard deviation were used to assemble, code, and assess the responses. To aid in the understanding of the results, tables and charts were created.

Table 1 Improvement in Financial Reporting

Parameter	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean Score
Faster Financial Closing	45	50	15	7	3	4.08
Reduction in Errors	40	55	10	10	5	4.00
Improved Financial Transparency	48	52	10	5	5	4.10

With mean ratings all above 4.00, the results show that ERP systems have a significant beneficial influence on financial reporting's speed, accuracy, and transparency.

Table 2 Impact on Inventory Control

Parameter	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean Score
Real-time Stock Updates	50	45	15	8	2	4.13
Reduction in Stockouts	47	48	13	8	4	4.03
Improved Inventory Valuation	44	49	17	6	4	4.03

High mean values, which indicate better stock management and fewer inconsistencies, demonstrate how ERP systems dramatically improved inventory control.

Table 3 Overall Process Integration

Parameter	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean Score
Streamlined Operations	46	49	15	6	4	4.05
Better Inter-departmental Coordination	43	50	18	5	4	4.02
Enhanced Decision-Making	45	47	18	6	4	4.01

Following the deployment of ERP systems, the data shows a favourable trend in operational integration and decision-making ability.

Means, percentages, and tabulations were among the descriptive statistics used to analyse the information gathered from the questionnaires. With mean scores continuously over 4.00 across a range of characteristics, the results showed that ERP systems significantly improved financial reporting, inventory control, and overall process integration among FMCG distributors. ERP systems specifically helped with simplified processes, real-time inventory updates, less mistakes, and quicker financial close. Improved regulatory compliance, faster report availability, and increased financial correctness were among the main benefits mentioned by respondents. Nevertheless, difficulties were identified, including large upfront expenses, reluctance to change, and technological complexity. To optimise the advantages of ERP adoption, best practices included staggered deployment, frequent user training, and ongoing system monitoring.

Conclusion

According to the study's findings, FMCG distributors' use of ERP systems has greatly increased operational effectiveness and financial correctness. High responder satisfaction ratings corroborated the evident improvements in integrated process management, real-time inventory control, and financial reporting. ERP systems made it possible to close financial accounts more quickly, reduce human mistakes, increase regulatory compliance, and make smarter decisions. Notwithstanding the favourable results, difficulties were noted, including expensive upfront investment costs, reluctance to adopt new technologies, and technical difficulties during customisation. All things considered, the results show that ERP systems are essential to bolstering the operational and financial structures of FMCG distribution companies.

Recommendations

In order to effectively manage change and lower resistance, it is advised that FMCG distributors who intend to use ERP systems use a phased rollout approach. To improve user proficiency and optimise ERP advantages, organisations should make consistent and ongoing training program investments. A specialised technical support staff should also be kept on hand to quickly handle integration and customisation problems. To make sure that ERP systems are in line with changing business requirements, companies should also periodically review and

upgrade them. Last but not least, attaining long-term success requires rigorous cost-benefit analysis prior to deployment and strong leadership commitment throughout the ERP lifespan.

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