

# The Effect of Accounting Information System on Lending Policies

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**Abstract**---The aim of the paper is to evaluate the impact of the accounting information system on lending policies in Program Kemitraan Witel Bandung . The independent variable in this study is the accounting information system and the dependent variable is the lending policies. The research method used in this research is descriptive verification research method. The results were analysed using simple linear regression analysis. The results showed that the accounting information system has a significant effect on lending policies.

**Keywords**---Accounting information systems, Credit, Lending policies.

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## I. INTRODUCTION

Economic development is one of the most influential factors in the survival of the Indonesian people to achieve prosperity. Economic development can be realized by increasing the economic activity of state, private and MSME companies. The banking sector and financial institutions are the drivers in providing capital in terms of providing loans or credit to business actors.

Loans are not free from credit risk, namely non-performing loans or bad loans. Bad credit or commonly called non-performing loan is a credit in which there are obstacles caused by two elements, namely from the creditor in analyzing or from the debtor who intentionally or unintentionally in his obligation not to make payments (Kasmir, 2014: 155). Factors causing the occurrence of problem loans include the financial institution itself, where in conducting its analysis, the analysis is less thorough so that what happens is not predicted beforehand. Therefore, the management must be able to analyze credit well to be able to determine credit granting policies (Kasmir, 2014: 148).

One example of a case that occurred in a lending partnership program related to high non-performing loans was reported from TribunSolo.com on February 7, 2019, written by Garudea Prabawati mentioned that according to the Ministry of BUMN that the 2019 MSMEs development program partnership funds are greater from the previous year, but the level of non-performing loans is quite high at around 10-20 percent. Meanwhile, according to Bank Indonesia Regulation Number 6/10 / PBI / 2004 dated 12 April 2004 concerning the Rating System for Commercial Banks, stipulates that the ratio of non-performing loans is 5%.

Determining policies in granting credit must go through a good credit check and in managing a credit assistance in a company is needed such as risk management needed to manage risk, internal control methods that must be managed properly, and accounting information systems that support all smooth operations of the company daily.

Accounting information system is a system that collects, records, stores, and also processes data into information that is useful in helping the decision making process (Romney and Steinbart, 2015: 10). There are three functions of accounting information systems, namely supporting daily activities, supporting the decision making process, and helping the management of the company in fulfilling its responsibilities to external parties (Susanto, 2013: 8). Based

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on this understanding accounting information systems are needed in the decision making process, one of which is a decision in determining the provision of credit.

Accounting information systems that meet the requirements can provide relevant information, the right time, accurate, and complete to those who make credit decisions and are expected to take into account the risk of the existence of bad loans, (Susanto, 2013: 38). The quality of the resulting information system influences management to make decisions in managing and controlling the activities of the entity (COSO, 1994). With the role of an adequate accounting information system in the lending process that is expected to be provided in the implementation of controlled lending and the provision of credit assistance in an unhealthy manner (Rimbawa, 2005: 1-2).

Based on the description above, this paper is conducted to analyze the impact of accounting information systems in Program Kemitraan Witel Bandung, by evaluating the quality standards of accounting information such as accurate, relevant, timely, and complete. This research aims to improve the efficiency of the system and make it more able to produce the information needed in the credit decision making process.

## II. LITERATURE REVIEW

According to Krismiaji (2015: 15) understanding of information systems are ways that are organized to collect, enter, process, and store data, and ways that are organized to store, manage, control, and report information to achieve goals. In the end it will help managers and employees to analyze problems and create new products.

Accounting information system according to Weygandt et al (2014: 395) is a system that collects and processes data transactions and conveys financial information to certain parties. The same thing was conveyed by Krismiaji (2015: 4) that an accounting information system is a system that processes data and transactions in order to produce useful information for planning, controlling, and operating a business. The main purpose of building an accounting information system is to process accounting data from various sources into accounting sources needed by various users to reduce risk when making decisions (Susanto, 2013; Saudi, 2018).

According to Romney & Steinbart (2016: 12) suggested that an indication of the quality of accounting information systems is to reduce uncertainty in favor of decisions, and encourage better planning of work activities. Decision making by management will be better if all factors that influence decision making are considered. If all factors have been considered, then management has a smaller risk of making mistakes in decision making. Hall (2010: 12) mentions that the characteristics of the quality of accounting information systems, namely relevant, accurate, timely, complete, and summary. While according to Susanto (2013: 38), in general accounting information has four dimensions of information quality, namely relevant, accurate, timely, and complete.

With the role of a quality accounting information system in the credit granting process, it is hoped that the implementation of credit disbursement can be controlled and able to prevent credit disbursement in an unhealthy manner (Rimbawa, 2005: 1-2). The definition of credit according to Banking Act No.10 of 1998 (article 21 paragraph 11) concerning amendment to Act No.7 of 1992 is the provision of money or claims that can be equated with it, based on an agreement or agreement between the bank to borrow and borrow others that require the borrower to repay the debt after a certain period of time with interest. Credit occurs based on an agreement between the two parties, namely the lender (creditor) and the recipient of the credit (debtor) in accordance with the agreement that has been made. The credit agreement covers the rights and obligations of each party, including the term and interest determined jointly. Likewise, with the problem of sanctions if the debtor breaks a promise with an agreement that has been made together.

Before credit is given, banks and financial institutions must feel confident that the credit will actually be returned. The confidence is obtained from the results of the credit assessment before the credit is channeled. Credit appraisal by companies can be done in various ways to get confidence about the recipient of credit, such as through proper and serious assessment procedures. Usually the assessment criteria are general and must be done by the company to get credit recipients who are really worthy of being given by doing with the 5C analysis. Evaluation with 5C analysis according to Kasmir (2014: 136) is character, capacity, capital, condition of economy, collateral.

One of the activities in the partnership program implemented by BUMN is providing business loans and coaching to Micro, Small and Medium Enterprises (MSMEs) that have carried out business activities and have prospects for development. Activities to provide business loans or provide credit to MSMEs, SOEs must be careful in conducting

lending policies through credit analysis and management policies, because lending involves risks in the form of non-performing loans or commonly referred to as non-performing loans. Non performing loans are loans in which there are obstacles caused by 2 elements namely from the creditor in analyzing or from the debtor who intentionally or unintentionally in his obligation not to make payments (Kasmir, 2013: 155).

Factors causing the occurrence of problem loans include the financial institution itself, where in conducting its analysis, the analysis is less thorough so that what happens is not predicted beforehand. Therefore, the management must be able to analyze credit well to be able to determine credit granting policies (Kasmir, 2014: 148).

Accounting information systems affect the progress of the decision making process, the quality of accounting information, measurement of company performance, internal control and facilitation transactions that are evaluated (Shahabi, 2015: 297). Accounting information systems in a company are adequate or not, can be reviewed using the characteristics of the accounting information system according to according to Susanto (2013: 38), namely: accurate, relevant, timely, and complete.

Before a credit facility is provided, the company must feel confident that the credit will actually be returned. The confidence is obtained from the results of the credit assessment before the credit is channeled. Credit assessment contained in the procedure for granting credit can be done in various ways to get confidence about its customers, such as through the 5C assessment assessment criteria. The evaluation criteria using the 5C analysis according to Kasmir (2014: 136) are as follows: Character, Capacity, Capital, Condition, and Collateral. By conducting credit granting procedures, the banks and financial institutions can conduct a credit analysis of the credit granting process. The information obtained by the credit analysis will then be processed by a system to produce an information about the prospective debtor which will be used as a basis for making credit decisions.

Based on previous research conducted by Rizkya (2016) states that the Accounting Information System plays a role in supporting the effectiveness of lending. Another study conducted by Ernalina (2006) states that the Accounting Information System has a very significant effect on the Internal Control of Credit Provision. Furthermore, the research carried out by La Ane (2011) is the same as the results of previous studies that the Accounting Information System plays an important role in supporting the effectiveness of internal control in lending. Finally, research conducted by Dikdik Rimbawa (2005) obtained the results of research that the accounting information system for providing credit plays a role in supporting the effectiveness of internal control in granting credit.

$H_1$ : Accounting information system that is effect for lending policies.

### III. RESEARCH METHODOLOGY

The method used in this research is descriptive verification method and data obtained primary sources and secondary sources.

#### III.I. Primery source

The questionnaire was prepared and distributed to managers, heads of accounting, accountants, accounting employees at the Program Kemitraan Witel Bandungwho have accounting and financial experience in accordance with the research sample qualifications. Data were collected and analyzed with SPSS statistics to test the effect of research assumptions.

#### III.II. Secondary source

Secondary source in this study were obtained from the annual report of Program Kemitraan Witel Bandung, such as non-performing loan data and the performance of lending funds, graphs of the number of fostered partners given credit, as well as literature, notes, research reports, and other sources relevant and related to the problem under study.

#### III.III The Analysis of the Data

Analysis of the data used in this research is descriptive verification statistic with a simple linear regression analysis method. The equation for simple linear regression is as follows:

$$Y = a + bX + e$$

Explanation:

- Y = Lending policies
- X = Accounting Information Systems
- a = constant
- b = regression coefficient
- e = error term

### III.IV. The Correlation Coefficient Analysis (r)

This study uses correlation coefficient analysis to find out how strong the relationship of accounting information systems and lending policies is by using Pearson correlation coefficient (r).

### III.V. Analisis Koefisien Determinasi (R<sup>2</sup>)

The coefficient of determination (r<sup>2</sup>) basically aims to measure how far the ability of the model in explaining the variation of the dependent variable. The formula for calculating the coefficient of determination according to Sugiyono (2012: 257) is as follows:

$$KD = r^2 \times 100\%$$

Explanation :

- KD = The coefficient of determination
- r<sup>2</sup> = correlation coefficient squared

Based on the formula above, the calculation results can be categorized in the criteria of the amount of influence based on the following table:

**Table1: Criteria for the Coefficient of Determination.**

Interval	Tingkat Pengaruh
0%-19,9%	Very low
20%-39,9%	Low
40%-59,9%	Moderat
60%-79,9%	Strong
80%-100%	Very strong

### III.VI.Hypothesis Test

This research was conducted t-test to show how the accounting information system in explaining lending policies, with a degree of freedom of 5% ( $\alpha = 0.05$ ). Conclusions are drawn with the following criteria (Hussain et al., 2019):

- i. Ho is accepted if the value of the test statistic count ( $t_{hitung}$ ) is in the area of reception Ho, where  $-t_{table} < t_{count} < t_{table}$ .
- ii. Ho is rejected if the value of the test statistic count ( $t_{hitung}$ ) is in the rejection area Ho, where  $t_{count} \geq t_{table}$  dan  $t_{count} \leq -t_{table}$ .

## IV. ANALYSIS AND RESULTS

To test the impact of the influence of accounting information systems on the credit policy of the Program Kemitraan Witel Bandung, using data from respondents' responses to the dimensions of the quality of accounting information systems and lending policies.

#### IV.I.Simple Linear Regression Testing

**Table-2. Simple Linear Regression.**

<b>Coefficients<sup>a</sup></b>		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
<b>Model</b>		B	Std. Error	Beta		
<b>1</b>	(Constant)	0,038	0,508		0,075	0,941
	Accounting information system	1,057	0,137	0,781	7,701	0,000

a. Dependent Variable: lending policies

Sources: Primary Data Processed, 2019

Based on Table 2, the results of the regression equation are as follows:

$$\hat{Y}=0,038 +1,057X1 +e$$

#### IV.II. Correlation Coefficient Testing (r)

Here are the results of correlation analysis with Pearson correlation.

**Table 3: Correlation coefficient.**

<b>Correlations</b>		Accounting Information System	Lending Policies
Accounting Information System	Pearson Correlation	1	0,781**
	Sig. (2-tailed)		0,000
	N	40	40
Credit Provision Policy	Pearson Correlation	0,781**	1
	Sig. (2-tailed)	0,000	
	N	40	40

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Sources: Primary Data Processed, 2019

Based on Table 3, it can be interpreted that the correlation value on the accounting information system variable has a significant level of relationship with the lending policies, with a correlation value of 0.781 included in the strong category.

#### IV.III.Determination Coefficient Test (r<sup>2</sup>)

The following determination coefficient test results are shown in Table 3.

**Tabel 3: Koefisien determinasi (R<sup>2</sup>).**

<b>Model Summary</b>				
<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	0,781 <sup>a</sup>	0,610	0,599	0,34738

a. Predictors: (Constant), Accounting Information System

Sources: Primary Data Processed, 2019

Based on Table 3, the R2 results are 0.610 or 61%. This means that the accounting information system variable has the effect of a contribution of 61% to the lending policy variable, while the remaining 100% minus 61% by 39% is influenced by other variables outside the research variable.

#### IV.IV. Hypothesis test

The following t-test results are shown in Table 4.

**Table 4: T-test results.**

Coefficients <sup>a</sup>		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	0,038	0,508		0,075	0,941
	Accounting Information System	1,057	0,137	0,781	7,701	0,000

a. Dependent Variable: Credit Provision Policy

Sources: Primary Data Processed, 2019

Based on Table 4, it was obtained that the t value was 7.701 and the significance value was 0.000. At the significance level  $\alpha = 0.05$  it can be concluded that the significance value is  $0,000 < 0.05$  so  $H_0$  is rejected. This means that there is an influence of accounting information systems on lending policies.

## V. DISCUSSION

Hypothesis testing results indicate that the accounting information system influences the lending policy and the coefficient value of the accounting information system variable has a positive value indicating that the accounting information system has an impact in determining credit policies that are getting better at the Program Kemitraan Witel Bandung. This study also shows that the quality of the accounting information system namely: accurate, relevant, timely and complete can be used to encourage the application of the principles of lending namely: character, capacity, capital, condition of economy, and collateral.

From the results of this study the Program Kemitraan Witel Bandung needs to continue to improve the quality of accounting information as a basis for credit lending decisions, this will reduce the occurrence of problem loans and as a control activity. The results of this study are in line with research Rizkya (2016) which shows that the application of accounting information systems on the effectiveness of lending policies.

## VI. CONCLUSIONS

Hypothesis testing results indicate that the accounting information system influences the lending policies in the Program Kemitraan Witel Bandung. This study also shows that the criteria in the quality of accounting information systems can be used to encourage the application of the principles of lending. The results of the study provide that the Program Kemitraan Witel Bandung needs to continue to improve the quality of accounting information as a basis for credit lending decisions, so as to reduce the occurrence of problem loans and as a control activity.

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