

Analysis of Quality of Management Accounting Information System to Improve the Implementation of Good Corporate Governance Principles (Case of Sharia Commercial Banks in Bandung City)

Rini Lestari

Accounting Study Program, Faculty of Economics and Business, University of Islam Bandung, Jl.Tamansari
No.1 Bandung 40116

Abstract

The main causes of bank failures include: poor bank management, too risky to take risks, and a lack of supervision which is conducted on fraud and embezzlement of funds. One way to overcome this is to improve the quality of management accounting information system (KSIAM) and the application of Good Corporate Governance (GCG) principles in banking institutions, one of which is sharia commercial banks. But in reality, there are still Sharia commercial banks that have poor KSIAM, which is characterized by there are still many complaints from users of the banking service information system, as well as the weak implementation of GCG principles as it is indicated by many cases of deviations in the form of fictitious customer financing facilities. This study aims to explain KSIAM and the application of GCG principles and to analyze KSIAM in improving the application of GCG principles in Sharia commercial banks in Bandung city. The research method is a case study and analytical descriptive with quantitative approach. Data collection techniques were carried out by distributing questionnaires and interviews. The study results showed that KSIAM at Sharia Commercial Banks in Bandung city is included in good categories. The GCG implementation in Sharia Commercial Banks in Bandung city is included in the very good category. Furthermore based on a descriptive analysis of the study results, it showed that KSIAM is able to improve the application of GCG principles in Sharia Commercial Banks in Bandung city.

Keywords: Quality of Management Accounting Information Systems, Application of GCG Principles and Sharia Commercial Banks

DOI: 10.7176/RJFA/11-6-10

Publication date: March 31st 2020

Introduction

The main causes of bank failures are marked by the occurrence of the banking crisis in Indonesia. It had occurred at the end of 1997 and was not solely caused by the economic crisis, but was caused by the following factors namely poor bank management, aggressiveness in taking risks, and the lack of supervision which is conducted of many cases on fraud and embezzlement of funds in various commercial banks, especially sharia commercial banks. In order to overcome this, the government has made efforts to improve through Financial Services Authority (OJK) with the issuance of POJK No.4/POJK.03/2015 concerning GCG Implementation for Sharia Commercial Banks and Sharia Business Units Article 2 paragraph (1) (OJK, 2015). Through the application of GCG principles or good corporate governance in sharia banking institutions in every bank activity can improve the performance of sharia banking institutions so that bank failures will never occur. However, in reality, there are still many problems related to the poor implementation of these GCG principles in a number of Sharia Banks in Indonesia in general, such as the case of breaking into savings of 21 Bank Muamalat customers in the amount of Rp 9 billion (Yusri, 2017). This reflects the weak implementation of the responsibility principle of GCG in sharia banking institutions. The weak application of good corporate governance (GCG) principles in Sharia Commercial Banks can be caused by the poor quality of the management accounting information system (SIAM) (Lestari, Sofianty, Sukarmanto & Nurleli, 2018). The lack of good quality of SIAM in several sharia commercial banks because there are still many complaints from customers as the users of information systems related to customer service information systems (Galileoni & Lestari, 2017).

Based on the description above, it can be identified the research problems as follows:

- 1) How is the quality of management accounting information system (KSIAM) at Sharia Commercial Bank in Bandung city?
- 2) How is the application of Good Corporate Governance (GCG) principles applied at Sharia Commercial Banks in Bandung city?
- 3) Is KSIAM able to improve the application of GCG principles in Sharia Commercial Banks in Bandung city?

Theoretical Basis

Quality of Management Accounting Information Systems (KSIAM)

The quality of a management accounting information system (SIAM) can be defined as a condition in which SIAM is formed from the integration of information system components so as to produce information that is useful for managers in carrying out the management process (Hansen & Mowen, 2007: 4; Lestari, 2015). KSIAM can be measured from several components, namely: integration, flexibility, accessibility, formalization and media richness (Heidmann, 2008: 45; Nurhayati & Susanto, 2017; Rapina & Susanto, 2017; Susanto, 2018).

Application of Good Corporate Governance (GCG) Principles

The application of Good Corporate Governance (GCG) principles is the application of a process that is transparent, accountable, responsible, independent and reasonable in determining the company goals, its achievements, and its performance evaluation (Zarkasyi, 2008: 36). The application of GCG can be done based on GCG principles and GCG mechanisms. In this study, the application of GCG is examined based on the application of GCG principles which consist of the principles of transparency, accountability, responsibility, independence and fairness (OJK, 2015).

Based on the two theories above, the following will explain the relations between KSIAM and the application of GCG principles. Good Corporate Governance (GCG) can be interpreted as the activities of members in the organization in carrying out corporate activities as a legal entity, both internally and in relation to stakeholders outside the corporation (BI, 2009). In sharia banking institutions especially sharia commercial banks, the application of GCG principles becomes an undeniable necessity, because sharia commercial banks carry the name of religion in their business processes. This is in line with the Decree of OJK (2015), it is explained that Bank is required to implement GCG principles in each of its business activities at all levels of the organization.

The necessity of sharia banking institutions as pioneers in upholding GCG principles is also caused by the potential for information asymmetry that is very high for sharia banking, so the problem of agency theory becomes very relevant. To minimize the risk of information asymmetry, KSIAM is needed in every activity of sharia banking institutions. KSIAM can be interpreted as a condition in which SIAM can produce useful information for managers at every level of the organization in planning up to making decisions (Hoque, 2003: 4). To realize KSIAM can be measured from several components, namely: integration, accessibility, flexibility, formalization and media richness (Heidmann, 2008: 45).

Various research results have proven that KSIAM influences the implementation of good corporate governance (GCG). This was stated by Scapens, Ezzamel, Burns, and Baldvinsdottir (2003); Burns, Ezzamel, and Scapen (2003); OECD (2004); Wickramasinghe and Alawattage (2007); Uyar, Gungormus and Kuzey (2017) that KSIAM contributed to the process of implementing GCG in the organization. It can be further explained that KSIAM is able to produce quality of accounting information to facilitate the management of the company in applying GCG principles as the responsibility of managers for the owners and various stakeholders. The application of GCG in sharia commercial banks will be measured by the application of GCG principles consisting of: 1) transparency, accountability, responsibility, independence and independence and fairness (OECD, 2004; BI, 2009).

Research Methods

The research methods in this research are case studies and analytical descriptive with quantitative approach. The research method is used because this research focuses on discussing or explaining the phenomenon only to sharia commercial banks in Bandung city so that a detailed description or description of KSIAM and the application of GCG principles can be obtained and can be analyzed to how much further KSIAM can improve the application of GCG principles at these banking institutions (Sekaran & Bougie, 2016). The quantitative approach is used to explain the level or category of KSIAM that is owned by sharia commercial banks and the level or category from the application of GCG principles to the bank.

This research was conducted at sharia banks in Bandung city. Of the 12 Sharia Banks in Bandung, only 9 sharia commercial banks are willing to provide information related to research issues. The data collection techniques are using questionnaires and interviews. The questionnaire contains a list of statements that are closed, distributed to managers who are at the level of middle management in each sharia commercial bank, as well as interviews that were conducted at least to one manager in each sharia commercial bank that is willing to be interviewed. While the data analysis stage starts from gathering information which is related to the responses of respondents about each item statement in the questionnaire. Then analyzing the data based on the responses of respondents and the results of interviews which then connect each statement item according to their respective dimensions. So that the analysis results are how much further KSIAM is able to improve the application of GCG principles.

Research Results and Discussion

1) Quality of Management Accounting Information System (KSIAM) at Sharia Commercial Banks in Bandung City

The quality of management accounting information systems is measured through five components (dimensions) and each component is explained by one to two other measures (indicators), then the indicators are overall processed into eight statement items. The following table is a recapitulation of the average score from respondents' assessment at each dimension of the quality of management accounting information system variables.

Table 1
Recapitulation of the average answer score on the variable of quality of management accounting information system

No.	Dimension	Average scores	Category
1	<i>Integration</i>	4.19	Good
2	<i>Flexibility</i>	3.52	Good
3	<i>Accessibility</i>	3.80	Good
4	<i>Formalization</i>	4.40	Very Good
5	<i>Media Richness</i>	4.07	Good
	Quality of Management Accounting Information Systems	3.996	Good
	Gap of Ideal Score	1.004	

Based on the results of respondents' responses to each item statement that has been grouped into their respective dimensions, it can be explained that KSIAM which is owned by 9 sharia commercial banks in Bandung city is in good category on average. However, there are still weaknesses that are shown from the lowest average score of the respondent's response, which is in 'flexibility' dimension. It can be interpreted that KSIAM in 9 sharia commercial banks in Bandung city still have to improve the suitability of the information system with the needs from the users of information system. Especially in order to provide maximum service to customers and especially to internal company parties so as to facilitate decision making. The study results are in line with the phenomenon that occurs. There are still many obstacles that occur in service information systems for the users of information systems (Galileoni & Lestari, 2017).

2) Application of Good Corporate Governance (GCG) Principles at Sharia Commercial Banks in Bandung City

The application of GCG principles is measured through five dimensions and each dimension consists of two to six indicators, then all indicators are operationalized into seventeen statements. The following is a recapitulation of average rating scores from respondents for each dimension of Implementation of Good Corporate Governance variable.

Table 2
Recapitulation of the average answer score on the variable of implementation of good corporate governance principles

No.	Dimension	Average Scores	Category
1	<i>Transparency</i>	4.72	Very Good
2	<i>Accountability</i>	4.83	Very Good
3	<i>Responsibility</i>	4.54	Very Good
4	<i>Independency</i>	4.39	Very Good
5	<i>Fairness</i>	4.72	Very Good
	<i>Good Corporate Governance</i>	4.64	Very Good
	Gap of Ideal Score	0.36	

Based on the average score of respondents' responses as it is shown in table 2 above, the application of GCG principles from each dimension in 9 sharia banks in Bandung city overall is included in very good category. This is proven by the principles: Transparency, Accountability, Responsibility, Independency and Fairness very well at sharia commercial banks in Bandung city. Nevertheless there is still the lowest score on the application of independence principle. It can be interpreted that 9 sharia commercial banks in Bandung city still have to correct any unnatural domination by any stakeholder, should not be affected by stakeholder interests, and should be free from conflicts of interest. Besides, the leaders of sharia commercial banks must be objective and free from party pressure anywhere in decision making. In order to facilitate the achievement of objectives and can avoid corruption cases related to financing and others. The study results have been able to answer the phenomenon as it is outlined in the introductory chapter that there is a case of breaking into customer savings at one of the largest sharia commercial banks in Indonesia, especially in Bandung city (Yusri, 2017).

3) Analysis of KSIAM in Improving the Application of GCG Principles in Sharia Commercial Banks in Bandung city

Based on the results of respondents' responses, it is proven that KSIAM in 9 sharia banks in Bandung is included

in good category. And the application of GCG principles in 9 sharia banks in Bandung is included in very good category. It can be said that KSIAM at general banks in Bandung city is able to improve the application of GCG principles. Furthermore, this can be proven by explaining the relationship of each dimension from KSIAM to the dimensions from the application of GCG principles. First, the dimension of integration in KSIAM shows that SIAM at 9 sharia commercial banks in Bandung city has been overall unified both between system components and between system sub-components. As to produce the information which is needed by managers and users of information systems in order to make decisions and all sections or fields as well as every level of management in the organization gets the same information. It means that the decisions are taken based on accurate or factual information so as to facilitate the implementation of the principle of responsibility in implementing GCG at 9 sharia commercial banks in Bandung very well.

Second, the dimension of flexibility that forms KSIAM, it can be interpreted that SIAM at 9 commercial banks in Bandung city has been able to meet the needs from the users of information systems. Eventhough, there still must be improvements because it has the smallest score of respondents' responses. However, when KSIAM has been able to meet the needs of users even though it has not been maximized, managers who will carry out management functions such as control can carry out these functions in fairness. It means that managers are able to pay attention to the interests of stakeholders based on the principle of equality and fairness very well. Third, the dimensions of accessability that makes up KSIAM at 9 commercial banks in Bandung city show that the SIAM in the bank is easy to use by system users including managers. If SIAM in 9 commercial banks in Bandung is easily accessible anywhere, anytime and under any circumstances, this will facilitate decision makers to implement transparency principles very well. It means that they can disclose information in a timely, adequate and clear.

Fourth, the dimension of formalization that forms KSIAM at 9 commercial banks in Bandung shows that all procedures carried out in information system activities produce information. It has been formally written in a clear standard operating procedure so that managers can easily make decisions without having to be affected or pressured by unilateral interests and can be free from various conflicts of interest. It means that the principle of independence in GCG can be implemented very well. Fifth, the richness media dimension in KSIAM at 9 commercial banks in Bandung shows that the information system uses various channels and media that can accelerate and facilitate communication between decision makers. It means that they are able to establish clear responsibilities of each organ of the organization, to ensure a check and balance system in bank management. In other words, the principle of 'accountability' can be done very well.

From the description above it can be said that KSIAM which is formed from the components of integration, flexibility, accessability, formalization and media richness can improve the application of the principles of transparency, accountability, responsibility, independence and fairness in GCG at sharia commercial banks in Bandung city. The study results are supported by several previous studies such as those which are conducted by MK & HM (2011), and Uyar, Gungormus and Kuzey (2017).

Conclusion

Based on the identification of problems, results and discussion in this study, the authors can make the following conclusions:

- 1) The Quality of Management Accounting Information Systems (KSIAM) in sharia commercial banks in Bandung city is included in both categories. However, there is still a component that needs to be improved in KSIAM, it is 'flexibility'. It shows that KSIAM in sharia commercial banks in Bandung city has not been fully able to meet the needs from the users of information system.
- 2) The application of Good Corporate Governance (GCG) principles in sharia commercial banks in Bandung city is included in the excellent category. However, the principle of independence in GCG still needs to be improved so that decision makers can make decisions objectively without being stressed by conflicts of interests.
- 3) KSIAM has been able to improve the application of GCG principles in sharia commercial banks in Bandung city. It can be shown from the results of descriptive analysis that when integration, flexibility, accessability, formalization and media richness are able to form KSIAM well so that the information which is generated can increase transparency, accountability, responsibility, independence and fairness in implementing GCG in sharia commercial banks in Bandung city.

Suggestions

Theoretical Suggestions

Further researchers are advised to conduct the same research using different methods and units of analysis, so that it can meet the characteristics of scientific research replicability and generalibility.

Practical Advice

- 1) To improve flexibility in KSIAM on sharia commercial banks in Bandung city, it is necessary to do the

following things, such as maintaining and developing SIAM by a special team or team of experts consistently and periodically. And subsequently the results of maintaining and developing SIAM are well communicated to managers as internal users in the organization.

- 2) Sharia commercial banks in Bandung city must also increase the application of independence principle in GCG by implementing standard operating procedures in every business activity of the company and accompanied by implementing strict sanctions for decision makers who commit violations.

References

- B.I. PBI. No.8/4/PBI. 2009. *Pedoman Bank Indonesia Good Corporate Governance Perbankan*.
- Burns, J., Ezzamel, M., and Scapen, R. 2003. *Challenge of Management Accounting Change*. CIMA Publishing.
- Galileoni, Gintan Delta dan Lestari, Rini. 2017. Pengaruh Penerapan Good Corporate Governance terhadap Penilaian Kinerja Perusahaan. *Proceeding: 1st National Seminar on Small Medium Enterprises "Towards the Self Reliance of Micro, Small and Medium Enterprises in Indonesia, ISBN: 978-602-7642-47-8, 2017*.
- Hansen, D. R. & Mowen, M. M. 2007. *Managerial Accounting, 8th Edition*. Thomson.
- Heidmann, M. 2008. *The Role of Management Accounting Systems in Strategic Sensemaking, 1st Edition*. Germany: Deutscher Universitats-Verlag.
- Hoque, Z. 2003. *Strategic Management Accounting: Concepts, Process and Issues, Second Edition*. Great Britain: Biddles, UK
- Lestari, Rini. 2015. The Influence of Manager Competence on The Quality of Management Accounting Information System and its implication on The Quality of Management Accounting Information. *Serials Publications. International Journal of Applied Business and Economic Research Vol.13 No.6, 2015*.
- Lestari, Rini., Sofianty, Diamonalisa., Sukarmanto, Edi dan Nurleli. 2018. The Implementation of Good Corporate Governance: Required Quality of Management Accounting Information System? (Empirical Evidence on Sharia Banking Institutions in Bandung City, Indonesia. *Proceedings of The 2018 International Conference of Organizational Innovation, KnE Social Sciences, Volume 2018*.
- MK, Mayanja and HM, Van der Poll. 2011. Management Accounting: An Instrument for Implementing Effective Corporate Governance. *African Journal of Business Management, Vol. 5 (30), pp: 12050-12065 05, 2011*.
- Nurhayati & Susanto, 2017. The influence of transformational leadership on the success of accounting information systems implementation. *Journal of Engineering and Applied Sciences, ISSN: 1816-949X*.
- Organization for Economic Cooperation and Development (OECD). 2004. *OECD Principles of Corporate Governance*. Paris: OECD Publishing.
- OJK. 2015. POJK. No.4/POJK.03/2015. *Pedoman Tata Kelola Bank Umum*.
- Rapina & Susanto. 2017. An empirical investigation of the accounting information systems quality. *Advanced Science Letters, ISSN: 1936-6612*.
- Scapens, R., Ezzamel, M., Burns, J., and Baldvinsdottir, G. 2003. *The Future Direction of Management Accounting Practice*. Amsterdam: CIMA.
- Sekaran, U & Bougie, R. 2016. *Research Methods for Business: A Skill Building Approach, Eighth Edition*. United Kingdom: John Wiley & Sons Ltd.
- Uyar, Ali., Gungormus, H. Ali., and Kuzey, Cemil. 2017. Impact of the Accounting Information System on Corporate Governance: Evidence from Turkish Non-Listed Companies. *Australasian Accounting, Business and Finance Journal, Vol.11, Issue: 1, 2017*.
- Wickramasinghe, D and Alawattage, C. 2007. *Management Accounting Change: Approaches and Perspectives*. London & New York: Routledge (Taylor & Francis Group).
- Yusri. 2017. Kasus Pembobolan Rekening Nasabah Bank Muamalat, melalui <http://m.rri.co.id> [6/1/19, 16.45 wib].