

## **Empirically Testing the Quality of Region Finance Information System (Research on Local Government Indonesia)**

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**Abstract:** Enactment of good governance, including the responsibility to prepare the Local Government Finance Report (LKPD). From the consequences of the examination opinion of the Supreme Audit Agency and the experts, there are several answers and not all local governments can arrange financial statements in agreement with Government Accounting Standards specified. The resolve of this study was to observe the effect of organizational commitment to quality financial information systems used and the effects on the quality of the information produced (Local Government Finance Report). This research was conducted in local Bandung regency government, West Java Province. Data is the primary data poised through questionnaires. A year of research is the year 2015. The data is processed by using SEM PLS. The consequences of this study indicate that there is influence organizational commitment to quality information systems at the 5% significance level and quality of information systems touches the quality of accounting information at a significance level of 5%.

**Key words:** Organizational commitment, finance information system quality, information quality, enactment of good governance (LKPD), SEM PLS

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### **INTRODUCTION**

The quality of accounting information hinge on the accounting information system is used. In Indonesia, the problems still existing accounting information systems. Deputy Minister of Finance in Indonesia, Mardiasmo stated that in the preparation of accrual-based financial statements by the government, things that need attention include the availability of human resources at the ministry/agency which does not entirely come from a background in accounting. General Directorate of Indonesia Tax Center, Fuad Rahmany, declared that the key diffuseness in tax collection's systems was the information systems that not integrated. Chairman of the Supreme Audit Board Indonesia, Harry Azhar Aziz describes the quality of the preparation of financial statements is still low on average cause is still inadequate quality of human resources.

Reports performance accountability of central and local government in 2012 is bad, this performance is a mirror weak commitment by central and local government. Beni Ruslandi revealed that the poor quality of government reports can be overcome if the government has a strong and consistent commitment to reform Accounting standards cannot be applied because of several factors that come from internal or external. Similar

delivered by Ayi Hambali states that the required commitment earnest of the entire head area to improve the quality of local government financial reports.

Internal factors caused by human knowledge of the accounting department of a company that has not been able to do it properly for various reasons such as the issue of honesty that consciously manipulating data and accounting processes for the benefit of individuals, groups or companies (Azhar, 2008). Studies conducted Ismail revealed that the owners and managers who have knowledge of accounting greatly affect the success of the system of accounting information. Similarly, a study conducted by Hajiha and Azizi (2011) which revealed that the managers who have knowledge of accounting and technology importantly affect the success of accounting information system that is used.

**Literature review:** Robbins and Judge (2011) explains that organizational commitment is the degree to which an worker is able to recognize/identify/understand an organization including the objectives and expectations of the organization, so that each member is able to survive to work in today's organizations. Similar disclosed by Robbins and Coulter (2007) that organizational commitment is an orientation/ adjustment of employees to the organization in terms of loyalty and involvement in the

organization. According to McShane and Glinow (2010) organizational commitment is an emotional part to the organization's personnel. Organizational commitment is the suitability of employees with organizational goals and desire of employees to stay afloat in the organization. Definition of organizational commitment is also addressed by Luthans (2008) states that organizational commitment is often definite as: a strong craving to remain a member of a individual organization; a willingness to employ highest effort for the organization; the belief is certain and the acceptance of the principles and objectives of the organization.

Based on the opinion of Robbins and Judge (2011), Robbins and Coulter (2007), McShane and Glinow (2010) and Luthans (2008) it can be concluded that organizational commitment is a commitment of all employees/staff 'organizations to stay in an organization to provide the best for the organization or in other words that organizational commitment is a loyal member/employee to the organization.

Robbins and Judge (2011) states that there are three measurements of organizational commitment: affective commitment is an emotional part to the organization and poise in its beliefs, continuance commitment is considered economically to stay in an organization such as a employees will be committed to the organization for their appropriate rewards that will affect not good for the family if it is out of the organization, normative commitment is an responsibility to continue with the organization for moral or ethical reasons.

Aamodt (2013) explains that the commitment has three characteristics: affective commitment: the extent to which an employee wants to endure in the organization, attention about the organization and agreeable to exert exertion for the organization, continuance commitment: to what extent an employee believes they should remain with the organization because of the time, cost and effort they have put into the organization, normative commitment: the extent to which an employee feel an obligation to remain with the organization Langton states that organizational commitment consists of affective commitment: the individual's relationship with the organization or emotional involvement in the organization, continuance commitment: intention of the separate to remain in the organization because it is based the costs incurred to leave the organization, normative commitment: the obligation to remain in the organization (Jones and Pendlebury, 2010). The accrual basis of transactions provides only the foundation for accrual accounting. The accrual basis is therefore, more likely to be restricted to the financial statements. Once we have illustrated the

accrual basis in the context of the financial statements, we can return to its implications for budgeting. The term 'accrual accounting' is authoritatively used to refer to different definitions of all these aspects. Even when the term is used (implicitly or explicitly) to mean comprehensive accrual accounting, the definitions vary. It is useful, therefore to refer to each of these not as 'the full accrual accounting basis' but 'a full accrual accounting basis'. Of equal significance, in government accounting, there are many variations in the use of partial accrual accounting bases indeed, they are probably the norm. In some contexts, they are referred to as 'the modified cash basis' or 'the revised accrual basis' the usefulness of both terms being that they identify a basis that is somewhere between a pure cash basis and a full accrual basis.

The information system is mostly an combination of numerous transaction processing systems or information systems can be definite as a gathering (integration) of the sub-systems/workings of both bodily and non-physical are organized and unite with each other in agreement to process transaction data correlated to financial hitches into financial information (Azhar, 2008). The same thing also delivered by Romney *et al.* (2006) where the information system is a system to collect, record, accumulation and route data to produce information to decision makers, Hurt (2008) revealed that the information system is a set of interconnected activities, forms and technologies designed to assemble data, route and explosion information to a various group of internal and external decision makers in an organization, Bagranoff (2010) defines information systems as a set of mechanisms that collects accounting data, save it to use in the upcoming and can be used by users. Stair and Reynolds states the rewarding implementation of information systems can be restrained with the dimensions of flexible, efficient, accessible and timely. According Zaied, information system success can be measured with reliability dimension; usability; adaptability; trust and maintainability. McCall stated that the quality of the system.

**Correctness:** The extent to which the system meets the required specifications.

**Reliability:** The extent to which the system can be expected to perform the functions as needed.

**Efficiency:** The amount of computing resources and code used to perform the function.

**Integrity:** The extent of access to systems or data by unauthorized persons can be controlled.

**Usability:** Effort required to learn, operate, prepare the input and interpret output.

**Maintainability:** Effort required to find and fix errors in the system.

**Flexibility:** The effort needed to modify the operating system.

**Testability:** Effort required to test a system to ensure that the system has been performing the corresponding functions.

**Portability:** Effort required to transfer the program from one hardware and or software system environment to another.

**Reusability:** The extent to which the system (or part of the system) can be reused in other applications.

**Interoperability:** Effort required to couple one system to another. Overall a measuring tool for quality system according Sedera and Gable (2004) the efficiency, reliability, response time, ease of use, content of the database, the system accuracy.

**Theoretical framework:** According to Whitten and Bentley that the factors that affect the information system one of which is the commitment of the organization. The active support of all followers of the organization (management and users of information systems) in the operation of information systems is an chief factor in the implementation of information systems (Valacich, 2012).

Research conducted Sethi which explains the two different views of the commitment of the organization studied. Affective commitment depict emotionally employee engagement in the organization. Continuance commitment is the interpretation of the behavior of employees to stay in an organization related to the cost of leaving the organization. Both dimensions examined empirically for 312 cases of employees who use information systems. These findings suggest that affective commitment is a very important factor. Basu *et al.* (2002) revealed that of the 105 companies that use information systems, variable organizational commitment is a very important factor and will enhance the success. Furthermore, Stair and Reynolds

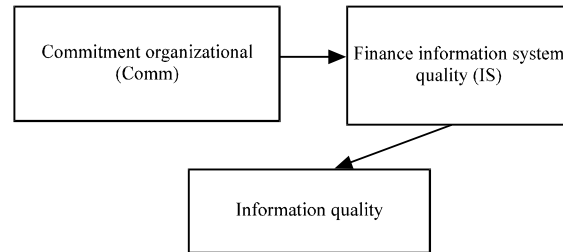


Fig. 1: Research model

states that one of the factors of success is the commitment of information systems organization. In information systems is key to the success of its implementation is the organizational commitment (Brooks and Korzaan, 2014).

Newman and Sabherwal (1996) explains that a commitment is the most decisive aspect in the successful operation of information systems. Cardoso and Pedron (2013) revealed that organizational commitment effect on the accomplishment of information systems, organizational commitment is a very important factor in the implementation of enterprise information systems. Commitment to the information system is an significant part in the success of information systems (Sabherwal *et al.*, 2003). Based on the above it can be concluded that organizational commitment affects the quality of information systems (Fig. 1).

## MATERIALS AND METHODS

The objective of this study is the commitment of the organization, the quality of information systems and quality of information. The method castoff in this research is descriptive-hypothesis testing methods. The unit of analysis of this research is the district office in Bandung, Indonesia. The sampling method used in this study is the rule of thumb. Respondents of this study are users of information systems and accounting department headquarters. The number of samples is 32 respondents. Data will be analyzed by the method of PLS (Partial Least Square). PLS is a powerful analytical tool because it is not based on assumptions. Data should not normally distributed with a variety of scale and the sample size is between 30-50 samples.

## RESULTS AND DISCUSSION

**Structural testing models:**All the variables have values >0.5 AVE. These results suggest that the information contained in all the indicators of the manifest variables denoted in latent variables. Reliability composite of

**Table 1: The Average Variance Extracted (AVE) and composite reliability**

Variables	AVE	CR
Comm	0.549	0.828
IS	0.670	0.924
IA	0.543	0.876

**Table 2: Evaluation of structural model**

Variable		Coefficient effect				
Exogenous	Endogenous	(O)	SD	T-stat ( O/S T DEV )	p-values	Sig.
Comm	IS	0.711	0.081	8.740	0.00	Sig.
IS	IA	0.674	0.077	8.781	0.00	Sig.

**Table 3: The estimation results of great influence between the variables**

Variable			
Cause	Result	Intermediary	Influence
Comm	IS	-	0.711
IS	IA	-	0.674
Comm	IA	IS	$0.711 \times 0.674 = 0.479$

The data was reprocessed

indicators of a latent variable, the result is greater than the suggested score as many as 0.7 which means that the indicator has high consistency (Table 1).

**The influence of organizational commitment to quality information system:** Statistical hypothesis testing as follows:

- $H_0: \gamma_{11} = 0$ : commitments organization does not affect the quality of the IS
- $H_1: \gamma_{11} \neq 0$ : organizational commitment affects the quality of IS

The test statistic used is Eq. 1:

$$t = \frac{\hat{\gamma}_{11}}{SE(\hat{\gamma}_{11})} \quad (1)$$

**Criteria test:** Reject if p-values smaller than the significance level = 0.05 According to Table 2 can be seen p-value was 0.00 because the  $p = 0.00 < 0.05$ , then the null hypothesis is rejected, the conclusion there is the influence of organizational commitment to quality IS at significance level of 5% (Fig. 2).

Path coefficient of 0.711 explained that any change of organizational commitment groove of one standard deviation of the quality score IS will be changed by 0.711 standard deviations. This means that any increase organizational commitment, the more qualified IS. This can be interpreted that the higher level of commitment from all adherents of the organization to the progress of the organization to be able to achieve the vision will increase the quality of IS.

**The influence of quality IS to quality IA:** Statistical hypothesis testing as follows:

- $H_0: \beta_{21} = 0$ : quality IS does not affect the quality of the IA
- $H_1: \beta_{21} \neq 0$ : quality IS affects the quality of IA the test statistic used is Eq. 2:

$$t = \frac{\hat{\beta}_{21}}{Se(\hat{\beta}_{21})} \quad (2)$$

**Criteria test:** Reject if p-values smaller than the significance level = 0.05. According to Table 2 can be seen p-value was 0.00 because the  $p = 0.00 < 0.05$ , then the null hypothesis is rejected, the conclusion there is the influence of the quality of IS on the quality of IA at a significance level of 5%. Path coefficient of 0.674 explained that any change IS quality score of one standard deviation of the scores of quality of accounting information will change by 0.674 standard deviations. This means that any increase in the quality of the higher-quality IS IA. It can be interpreted that the higher the level of quality of IS will improve the quality of IA.

**Indirect influence organizational commitment variables on the quality of IA through quality IS:** The indirect effect of one variable to another variable occurs because there are variables to three as an intervening variable. In this study, the indirect effect is as follows: the indirect effect has been positive with the strength of the effect of 0.479. The next test of significance to the indirect effect is as follows (Table 3):

- $H_0: \gamma_{1,3} \cdot \beta_{2,1} = 0$ : organizational commitment does not affect the quality of IA through quality IS
- $H_1: \gamma_{1,3} \cdot \beta_{2,1} \neq 0$ : organizational commitment affects the quality of IA through quality IS

The test statistic used is Eq. 3:

$$t = \frac{\gamma_{1,3} \beta_{2,1}}{Se(\gamma_{1,3} \beta_{2,1})} \quad (3)$$

Reject if p-values smaller than the significance level of = 0:05  $p = 0:00 < 0:05$ , so the null hypothesis is rejected. It can be decided there is influence of the organization's commitment to quality through quality IA IS. Its influence is positive with a strong influence of 0.479.

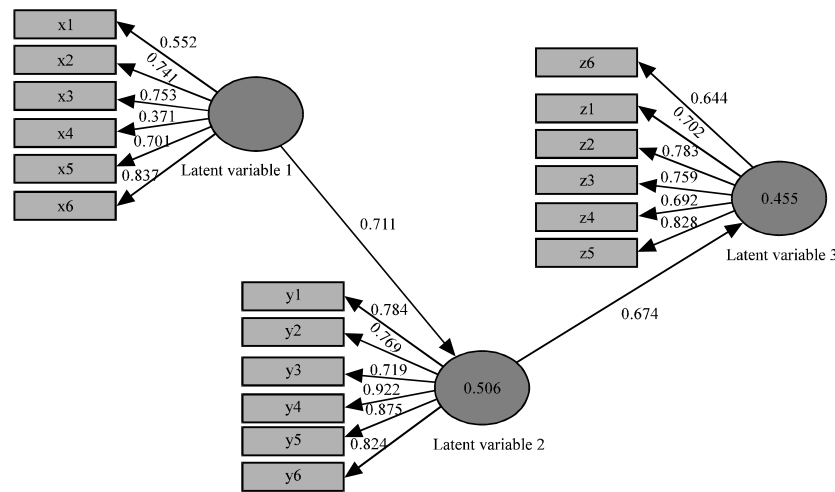


Fig. 2: SEM model complete

## CONCLUSION

Based on the findings and discussion, the following conclusions can be drawn: with a significance level of 5%, it can be concluded that the organization's commitment to positively affect the quality of information systems. With a significance level of 5%, it can be concluded that the quality of information systems positively affect the quality of information.

## LIMITATIONS

Based on our results, there are some disadvantages of this study: this study is a case study intended to explain the phenomenon in Bandung District, therefore the results cannot be generalized except for each district with the same characteristics. In addition, a study which resembles the pattern of the same research and instruments need to be done in a different city or county to show proof reliable on improving accountability in the city or the district. To meet the characteristics of scientific research among replicability and generalibility it is recommended to other researchers for performing research back based on the results of this study by the same research methods, the unit of analysis and different samples that presented the same results that will add confidence to the research that has been achieved and the usefulness of the research can be widely accepted.

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