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The Influence of the Accounting Information System for Providing Credit on Internal Control of Providing Credit

(Study at One of The PT. BPR Kerta Raharja Offices in Bandung)

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Abstract

The research was carried out at the Bandung office of PT. BPR Kerta Raharja employed a quantitative methodology, specifically utilizing a descriptive approach and verification methods such as correlation coefficient, simple regression, and coefficient of determination. The sample size in this study consisted of 10 individuals.

The research findings indicate that the Accounting Information System for Providing Credit falls under the category of reasonably excellent, with a score of 3.29. Similarly, the Internal Control for Providing Credit is also classified as quite good, achieving a score of 2.96.

The calculation of the independent variable, the Accounting Information System for Providing Credit, and the dependent variable, Internal Control of Providing Credit, yielded a correlation value of r = 0.872. The simple linear regression equation is Y = 19.229 + 0.929X. The coefficient of determination (R2), expressed as a percentage, indicates the magnitude of the relationship. The credit-granting accounting information system (X) has a significant influence of 0.872 or 76.1% on credit-granting internal control (Y). The remaining 23.9% is attributed to other factors not examined in this research.

Keywords: Credit Granting Accounting Information System, Credit Grant Control

Introduction

The banking sector is vital to the functioning of the economy. This phenomenon is driven by the ubiquitous reality that all economic transactions are manifested through currency circulation, regardless of whether people, institutions, the government sector, or multinational corporations conduct them. The banking industry is an integral part of this interconnected system.

The internal control system plays a crucial function within the banking industry, particularly in lending. This system is very susceptible to anomalies that might harm the bank. The internal control system is considered valid when the execution of the system successfully achieves the objectives of the internal control system. The objective of the internal control system is to protect organizational assets, verify the correctness and dependability of accounting data, promote efficiency, and ensure adherence to management standards.

The internal control system can be sustained through ongoing monitoring and reassessment of its application. For a bank's system to be effective, it is crucial to have competent and dependable human resources who can efficiently operate and maintain the credit system established by senior managers.

The internal control system encompasses the organizational structure, coordinated methodologies, and provisions implemented within the company to safeguard assets, verify the reliability and integrity of accounting data, enhance operational effectiveness, and promote adherence to established company policies. An effective internal control system implemented by banking institutions encompasses the following: 1) There is a stringent division of duties and responsibilities. 2). A sufficient structure of governance and documentation protocols exists. 3) The presence of sound practices in executing duties and obligations. 4). There are competent individuals whose performance aligns with their assigned duties.

Supplied the small scale and need for quick service in providing credit to Rural Banks, there is a high vulnerability for credit to be supplied without adhering to prudence or with anomalies in credit distribution. This condition is because individuals in the credit sector must execute each credit distribution operation from initiation to completion per specified protocols. While the Rural Bank may have a limited number of workers due to its modest scope, it serves many consumers. Given a restricted workforce, Bank Pereditan Rakyat must allocate duties based on workers' job descriptions. This condition implies that there should be no overlapping places. Thus, the provision of credit necessitates a robust and dependable internal control mechanism.

The PT. BPR Kerta Raharja Office in Bandung plays a crucial role in the Indonesian economy, particularly in offering credit-based financial services to the people. An efficient internal control system is necessary to facilitate the careful and selective issuance of credit. PT. BPR Kerta Raharja Office in Bandung was founded as a regional corporation in the financial services industry to support and promote economic growth and regional development in all areas. PT. BPR Kerta Raharja Office in Bandung consistently endeavors to deliver exceptional service to its customers through a diverse range of savings and credit options. For a bank, extending credit to consumers serves as a means of generating distributed income or profits. Hence, in line with the objective of every corporation to augment its revenue and ensure its viability, the provision of credit is an activity that banks will undoubtedly pursue.

This control is a managerial tool designed to protect assets and verify the precision and dependability of a company's accounting information. Hence, an internal control system, particularly robust accounting control, significantly enhances the accounting audit process by identifying the accuracy of relevant items.

Banks must be ready to confront credit risks that can lead to credit being problematic while distributing credit. Non-performing loans are a type of credit risk. Non-performing loans refer to a scenario in which the borrower is at risk of defaulting on their credit repayment agreement, potentially resulting in financial losses for the bank.

Instances of poor credit frequently arise in both private and government financial institutions. This condition incentivizes banks to consistently enhance their internal control systems, particularly in credit provision. Is it possible to preserve the current system by assessing the present circumstances and conditions, or should it be improved to better align with the current scenario to achieve a more effective internal control system?

Bad credit refers to a situation in which borrowers, including individuals and businesses, cannot make timely payments on the installments or debts they owe to lenders. This state can arise from various

factors, including the debtor experiencing a significant loss of primary income or intentionally defaulting on payments. Failure to promptly address the unfavorable credit situation will exacerbate the debtor's credit history or score. A poor credit history will adversely affect the debtor's ability to secure funding from other sources. Individuals with a track record of low credit will need help to obtain acceptance for their financing applications.

Financial institutions, including financing firms and banks, will experience adverse effects on their company performance due to bad credit. Bad credit in the banking business is called Non-Performing Loans (NPL). Deviation from the recommended limits of the Non-Performing Loan (NPL) % may negatively impact the company's reputation when seeking finance from external parties. It will also raise the expenses of setting up reserves for bad debts.

The 0.24% spike in 2020 is believed to result from the COVID-19 epidemic, which undeniably had widespread ramifications across all societal levels and different economic sectors. Many employees were terminated simultaneously, resulting in several customers requesting payment deferrals. This condition was primarily due to the employees' inadequate skills in assessing possible debtors and the HR department's ineffective credit control methods implemented to address poor credit at one of the PTs. The performance of the BPR Kerta Raharja Office in Bandung has yet to reach its full potential. Although there was a decline compared to the previous year, the growth in 2020 was not significant. Furthermore, the internal control measures still needed to be more optimal, leading to this situation. Additionally, numerous other causes exist.

The causes of poor credit can be attributed to both internal and external factors. Internally, these factors include marketing, funding, management, and technical issues. Externally, changes in government policy and technological advancements can contribute to bad credit. The citation is from Suyatno's work in 2017, specifically on page 117. Lousy credit can arise from either internal or external reasons. Internal causes of bad credit include lenient credit policies, variances in credit procedure implementation, dishonesty from bank management or personnel, and inadequate credit information systems. External factors that contribute to bad credit include the failure of the debtor's firm, the debtor's reliance on an unfavorable competitive banking environment, reduced economic activity, and excessive interest rates on credit (Hariyani, 2008).

Based on the aforementioned explanation, the accounting information system for credit provision is not yet fully optimized. The supervision and administration of credit provision are currently weak, and the competence of Bank staff to analyze potential debtors is still low and suboptimal.

In this scenario, banks must exert oversight when granting credit to enhance control and minimize the likelihood of default. The objective is to guarantee that all cash inflows from loan disbursement can be fully and promptly repaid.

It is imperative for banks to possess a robust accounting information system (AIS) to facilitate the execution of credit transactions conducted at the bank. An effective credit accounting information system is crucial for firms. By implementing a robust credit information system, firms can enhance the effectiveness and efficiency of their operational and credit giving operations while ensuring accurate reporting of these procedures.

One of the primary goals of an accounting information system is to enhance internal control. [1] Internal control is a systematic process conducted by the board of commissioners, management, and other staff members, aimed at instilling sufficient confidence in achieving three key objectives: ensuring the reliability of financial reports, adhering to regulatory requirements,

Reliable human resources are crucial for processing information to generate dependable data, which is essential for a corporation's uninterrupted functioning. Producing this information necessitates not just dependable personnel and subject matter specialists but also an accounting information system capable of facilitating the efficient execution of the company's operational tasks.

In addition, the accounting information system performs many tasks such as data collecting, processing, storage, documenting, and reporting for both internal and external objectives of the organization. Furthermore, the accounting information system also serves as a guiding tool.

An accounting information system is being developed to facilitate credit extension for a specific company, PT. The BPR Kerta Raharja office in Bandung needs to be fixed at its full potential due to human error, suboptimal gear and software, and frequent delays in processing creditor data. Common issues in credit approval processes, such as frequent problems, missing creditor documents in databases, delayed updates of creditor data, insufficient Human Resources leading to a lack of departmental segregation, and human error, cannot be overlooked.

Some factors contribute to multiple issues, such as outdated credit granting information due to manual credit granting reports. This lack of automation results in numerous errors and insufficient oversight, increasing the risk of fraud and hindering the optimal functioning of the credit-granting accounting system.

The brainwave component faces obstacles, including human errors such as manual data input mistakes. In the procedure component, employees often need help to correctly implement the credit distribution flow and adhere to the 5C principles. The customer data database component also presents challenges. The data must be effectively managed, resulting in improper storage and delayed updates.

The primary focus of an accounting information system lies in the execution of financial transactions. A well-executed transaction, adhering to established criteria, ensures the generation of accurate reports reflecting the actual occurrences. Every bank must possess a robust accounting information system that adheres to established standards to ensure the efficient and seamless processing of credit transactions. This condition will ensure that each transaction is executed flawlessly, fostering customer satisfaction and contentment with the services rendered by the bank.

If any of the operations in the accounting information system for awarding credit are not executed correctly, multiple issues may occur in the continuing process, which will likely affect the outcomes of the report.

The primary objective of an Accounting Information System is to furnish information to both internal and external stakeholders. The system must have a clear goal to facilitate the development of a system that can generate valuable information for planning and controlling purposes within the organization. Data generated by information systems can be utilized to assess the economic performance of organizational units or organizations. Fraud in the banking sector is mainly attributed to the inadequacy of the internal control system and accounting information system when granting credit to potential borrowers. Therefore, it is crucial to establish effective and accurate control and supervisory measures in the banking industry.

According to this data, the internal control for providing credit at the PT BPR Kerta Raharja's office in Bandung could be better. This condition is believed to be due to the suboptimal accounting information system that grants credit.

A dependable Accounting Information System possesses sufficient control to ensure that the information generated by the system is trustworthy and can be utilized for decision-making purposes. In this context, control is an integral component that cannot be detached from the existing accounting information system.

The issues above indicate a correlation between the accounting information system for credit approval and the internal control system for credit approval. When the accounting information system is effectively constructed, the inherent control system will ensure the control objectives are successfully met.

In order to ensure the smooth operation of credit activities at the PT. BPR Kerta Raharja Office in Bandung, it is essential to have a robust accounting information system for credit granting. This system will facilitate the management of funds and ensure compliance with procedures, particularly in the savings and loans sector. To ensure the smooth return of credit given by debtors, it is necessary to evaluate the accounting information system for granting credit. This evaluation should examine the credit granting procedures, the documents used, the related functions, and the accounting records. This examination aims to ensure that these components function correctly and by established procedures, thereby minimizing unhealthy credit risks. The credit-giving accounting system plays a crucial role in the growth of the loan-granting industry at PT. BPR Kerta Raharja Office in Bandung.

This research aims to investigate the impact of implementing a Credit Accounting Information System on Internal Control at the PTs. BPR Kerta Raharja Office in Bandung. The author expresses interest in undertaking a research study titled "The Influence of Accounting Information Systems for Providing Credit on Internal Control of Providing Credit" at the PTs. BPR Kerta Raharja Office in Bandung.

Method

The research employed a quantitative research methodology. Quantitative research refers to a methodical and scientific investigation of components and events and their interconnections.

Quantitative methods are research techniques that rely on a specific population or sample. These methods involve collecting data using research instruments and analyzing the data using quantitative or statistical techniques. The main objective is to test pre-established hypotheses. This research employs a causal relationship, which refers to a cause-and-effect relationship.

The research methodology employed in this study is the utilization of questionnaires. The author aims to acquire data using the quantitative methods described above. Subsequently, the obtained results will be processed, analyzed, and ultimately concluded. This result universally applies to all populations, ensuring that research objectives can be accomplished appropriately.

Population refers to a broad area that includes persons or items with specific amounts and qualities selected by the researcher for study and analysis.

Based on this description, populations encompass organisms, inanimate objects, and other elements of the natural world. Population refers to more than simply the quantity of items or subjects under investigation; it encompasses all the attributes or qualities associated with the object or subject.

The population for this study is the total number of loans issued by PT. BPR Kerta Raharja Office in Bandung from 2017 to 2021. It comprises 15 respondents in roles related to the accounting information system for credit approval and internal credit control.

Utilizing samples is crucial when conducting research to identify a population's traits. However, to acquire these traits, it is adequate to merely partially depict the unit in question.

The research sample is determined by the quantity and attributes exhibited by the population. When the population size is substantial, and researchers cannot examine every aspect of it owing to constraints such as limited resources, they can instead utilize samples extracted from that community. The knowledge gained from the sample can be extrapolated to the entire population. In order to ensure accuracy, it is necessary for the samples collected from the population to be representative.

The sampling approach chooses a representative population subset for analysis or study. Various sampling strategies are employed to determine the sample for research. Sampling techniques can be categorized into two main groups: probability sampling and nonprobability sampling.

In cases where the population is extensive, and the researcher has various constraints, such as limited time and energy, examining every individual in the population becomes impractical. In such situations, the researcher can utilize samples extracted from the population. The samples collected from the population must be representative. The survey included a sample of 10 respondents from the PT. BPR Kerta Raharja Office in Bandung.

It is imperative to differentiate between study outcomes that are valid and trustworthy, as well as instruments that are valid and dependable. Accurate study findings are obtained when there is a correlation between the acquired data and the actual blood on the investigated object. Meanwhile, reliable study outcomes are contingent upon consistent data throughout multiple periods. A valid instrument refers to a measuring device that is reliable and accurate in obtaining data. In this context, "valid" refers to the instrument's ability to measure the intended quantity accurately. Meanwhile, a dependable instrument consistently yields identical results when used multiple times to measure the same object.

Results and Discussion

Given the globalized nature of the banking business and its heightened rivalry, accounting information systems have become an essential element for maintaining internal control, particularly in the lending sector—a study conducted at PT. BPR Kerta Raharja Office in Bandung revealed a highly significant association (correlation coefficient of 0.872) between the accounting information system and internal control in giving credit. The coefficient of determination, 76.1%, demonstrates that the accounting information system significantly impacts the internal control of credit granting. This condition shows that using this system effectively optimizes the credit-granting process.

An efficient and effective accounting information system is crucial for identifying and managing credit risks in bank operations from an internal control standpoint. This system facilitates precise data collecting and thorough credit analysis, aiding management in making well-informed decisions and reducing errors that may arise from human factors or information bias. Therefore, employing suitable information technology is crucial for enhancing internal control by continuously monitoring credit activities, assessing credit performance, and ensuring compliance with relevant laws and regulations.

Accounting information systems offer convenience in the reporting process and rapid access to information for decision-makers, enhancing the speed and accuracy of management reactions to issues or difficulties. This condition is particularly crucial in a dynamic business environment where the rapid dissemination of information confers competitive benefits and facilitates the dependability and openness of banking operations.

Nevertheless, this study also discovered that 23.9% of the influence on the internal control of lending was attributed to other factors that needed to be addressed in the research. These factors may encompass but are not restricted to, alterations in organizational policies, adherence to modifications in financial regulations, the competence and honesty of personnel engaged in the credit approval process, and shifts in macroeconomic conditions that could impact the banking industry as a whole. Hence, banks must have a comprehensive approach to overseeing risk and internal control, encompassing information technology and other facets of risk management and compliance.

Accounting information systems must prioritize incorporating cyber security measures due to the growing risk of cyber assaults in the banking sector. Ensuring information security is crucial for safeguarding customer data and financial transactions and maintaining information systems' reliability. It also prevents cybercriminals from exploiting vulnerabilities in the system, which could harm the bank's reputation and operations.

Practically, the PT. BPR Kerta Raharja Bandung Office must consistently evaluate and revise its accounting information system to maintain its relevance to evolving business requirements and its ability to address developing obstacles. Utilizing cutting-edge technology and adhering to industry best practices in developing information systems is crucial for guaranteeing the efficacy of internal control and efficiency in banking operations.

Future research should investigate additional aspects that impact internal control beyond the scope of the accounting information system. Future research endeavors encompass a meticulous examination of diverse internal control technologies and methodologies alongside an evaluation of the influence of internal and external policies on the efficacy of internal controls. This research can also focus on assessing the sustainability of internal control techniques by incorporating additional factors and diverse contexts to obtain a more comprehensive and profound understanding.

In summary, the findings of this study validate the significance of accounting information systems in facilitating internal control for loan provision within the banking industry. This condition demonstrates that allocating resources to suitable information technology and proficiently overseeing these systems can significantly enhance the efficiency of internal controls and, eventually, bolster the stability and long-term viability of bank operations—the office of PT. BPR Kerta Raharja in Bandung has shown, via the deployment of its system, that the strategic utilization of information technology in offering credit is not just a requirement but also an essential element in today's competitive business landscape.

Conclusion

This study demonstrates the accounting information system utilized for loan provision at PT. BPR Kerta Raharja Office in Bandung substantially impacts the internal control of lending, contributing to 76.1% of the variability in internal control. Approximately 23.9% of the total can be attributed to additional factors not analyzed in this study. The findings underscore the significance of using efficient accounting information systems to enhance internal control and mitigate risks in banking operations. Additional investigation is required to examine other variables that impact internal control within the banking industry.

Consistent resource allocation toward information technology and the creation of strong accounting information systems are essential. By implementing this measure, internal controls will be reinforced, and regulatory compliance will also be guaranteed, enhancing customer confidence. Through a more in-depth analysis of these overlooked elements, banks can pinpoint chances for additional

enhancement, thereby fortifying their internal control framework and facilitating more knowledgeable and efficient strategic decision-making.

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