

Influence of Top Management Support on Quality of Accounting Information Systems at Insurance Companies, Evidence in Indonesia

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Abstract: The objective of this study is to test the influence, top management support on the quality of accounting information systems. In various institutions either private or state, the information system is still not running properly until now. It is proved by many phenomena that occur in various institutions as for this study is important. The research method is descriptive and verification method. Data were collected by questionnaire and interview techniques and they were processed by using covariance based structural equation modeling with the second order method. The higher support of top management, hence, the more increasing quality of accounting information systems as the empirical evidence is provided by the study results. It proves top management support influence the quality of accounting information systems.

Key words: Top management support, accounting information system, insurance companies, verification, empirical, questionnaire

INTRODUCTION

Accounting is an information system that generates information in the form of financial reporting and it communicates the information to be used in the decision-making process (Susanto, 2017a-d). Accounting is an information system and measurement that functions in identifying, storing and communicating relevant and reliable information to user and it is comparable data which is related to the business activities of an organization in decision making (Bagranoff, 2010). In line with the above statement (Darma, 2017) reveals also that the decision making is a conscious process that is carried out by someone in determining choice of a wide range of alternative actions to achieve the goal of moving from the present into the future conditions better.

Accounting information system is information system that produces accounting information (Susanto, 2017a-d). Accounting information system is the most important information system in an organization and touches almost into the majority of human life (Joseph *et al.*, 2000). Accounting information systems is an “accounting’s principal goal” for individuals and organizations (Barganoff, 2010).

Accounting information systems support daily company operations that are carried out by company personnel, so as it can determine whether their work is efficient and effective or not (Hall, 2015). All businesses of any size can not survive without accounting

information system which needed in executing activities planning, control and business operations of an organization (Stair and Reynolds, 2012). Effectiveness of Accounting information system can be measured through user satisfaction and system use (Puspitawati, 2016).

Romney and Steinbart (2012) states that the application of accounting information systems in the company can provide value (added value) for users in the form of providing various financial information to improve the efficiency and effectiveness of company operations, improve planning, control and decision making which ultimately can improve the overall company performance. However, based on facts that are found in the field, it shows that until now the implementation of accounting information system in Indonesia is still having problems in various organizations both public and private.

In some non-bank financial industries/Industri Keuangan Non Bank (IKNB), there is still non-qualified accounting information system as it is stated by Setiadi (2016) as Deputy Commissioner of Non-Bank Financial Industry Supervisory (IKNB). Financial Services Authority/Otoritas Jasa Keuangan (OJK) says that it will ensure the information systems which are used by financial institutions can be guaranteed and can operate properly because the reliability of the used information systems are not in accordance with the expected.

Inaccurate listing also occurs in State Owned Enterprises (SOE’s) it is proposed by Iskan (2012) as Minister of SOE’s furthermore, Qosasih (2015) as a

member of BPK RI (Audit Board of the Republic of Indonesia) proposed an audit SOE's In Indonesia showed there were still 14 SOE's needed to get special records in managing finances.

In the banking and insurance industry, Kusumaningtuti (2012) as a member of the Board of Commissioners of the Financial Services Authority (OJK) stated data from the Global index released by the World Bank in 2012, access to accounting information systems in developing countries including Indonesia is still low. Furthermore, Noor (2013) as an Executive Director of the Indonesian General Insurance Association (AAUI), said that 80% of total companies in the general insurance industry do not yet have an integrated information technology system whereas interconnected systems can support more accurate and faster decision-making.

The information that does not give meaning and benefit to someone is not information (Susanto, 2017a-d). Useful information is meaningful information, so that, it is trusted by users and it can be used for decision making. It will provides value to the company and also to its users (Joseph *et al.*, 2000).

Laudon and Laudon (2014) argues that quality of accounting information is generated by quality of accounting information systems. Users will get quality of information at the right time for decision making through quality of accounting information system, so, the taken decisions are better. This will reduce costs and increase profits. In some companies, managers perceive that the financial information which is provided by their accounting information system is inadequate to meet all of their needs because the company increasingly faces the complex environments and its complex customer's desires (Joseph *et al.*, 2000).

The problem of inaccurate accounting information is also experienced by various organizations in Indonesia as it is proposed by Rahardjo and Aziz (2016) as the Audit Board (BPK) of-RI indicates that the regional budget accounting information is not qualified because it does not have liability evidence in billions of rupiah. Furthermore, Anonymous (2015) argued that the financial statements of issuers in the Indonesia capital market industry are expected to be more transparent, accurate and accountable Chairman of BPK/Audit Board.

Every big or small organization must have a manager or a person who is responsible for planning, organizing resources, directing employees and controlling operations (Garrison and Noreen, 2000). The conditions that are related to the application on quality of accounting information systems require support from top management. Its support is the key to successful implementation of information system. Management

support influences the effectiveness on the implementation of information systems. Top management is responsible for planning and long-term organizational control within information system (Studer, 2005).

O'Brien and George (2010) argues that the involvement of top managers is an important factor for the performance of good information systems. Furthermore, Susanto (2017a-d) affirmed that the sustainable support and commitment of the organization leaders is a key success factor which is the most important in the development of accounting information system.

Top management commitment is a long-term commitment that refers to the objectives, forms of cooperation and responsibility for implementing a project. Top management support is crucial to apply in achieving the success of a work team within a company. Top management support is the key factor determining the critical point between success and failure in developing and implementing the viability of management projects and systems within an organization (Griffin and Gregory, 2014).

Top management support ensures that an information system gets sufficient funding and funding resources to work well top management support is needed in the implementation of information system because it is not only a financial need for a certain time but it should continue to work. Furthermore, the form of management support can be support in the provision and allocation of human resources as well as the support in disseminating the goals of the improvement process at all levels of the organization (Laudon and Laudon, 2014). Based on the above statements, the researchers are motivated to examine the influence, top management support on the quality of accounting information system.

Literature review: Wheen *et al.* (2015) state the definition of top management support is the highest decision making within an organization and management in its position as the top officer or executive in the organization is responsible for achieving the company goals, together with other organizational members. Beccera and Sabherwall provides an illustration that the research on top management teams shows that the characteristics on demographic and socio-psychological of top managers have important effects on organizational strategies they follow including diversification, strategic change and innovation. Cognitive and social psychology can be very helpful to address how top managers enact their environment and form objective patterns of their business.

Based on the several opinions, the dimensions and indicators that can be used to measure management support are.

Planning process support:

- Support to the formulation of organizational goals
- Support to needs of information system
- Support to the selection of human resources related to information system

Organizational support:

- Support in the form of involvement in the selection of information system technology
- Support and training of human resource and
- Support in the development of human resource

Directives support are:

- Support in the form of involvement in the improvement process and
- Problem-solving support related to information system
- Supervision support

Conceptual framework and hypothesis development: The influences of top management support on accounting information systems is presented by Olson (2003) through his statement as follows: top management support has been repeatedly found to be an important factor (influential) on the success of information systems. Similarly, according to Loonam and McDonagh (2005) in his statement explains that top management support is an important factor that influences the implementation of information system and in determining between the point of success and failure in the continuity of potential business.

Furthermore, Olson (2003) suggests that top management support has long been believed to be an important factor to the success on implementation of information systems. This condition is clarified in a statement which is put forward by Griffin and Gregory (2014) that top management support may involve verbal encouragement from a number of organizational members but organizational support for the members is also indispensable. For example, the support systems of organizational members include more efficient inventory and better scheduling, recruitment and selection systems. Improve the use of appropriate compensation and information systems (Griffin and Gregory, 2014).

The research results which is conducted by Thong *et al.* (1996) suggests. The result shows that the influence of top management support is not as important as the effectiveness of accounting information systems. High external expertise in quality of information systems will enable it to become more important driver for small

businesses operating in the environment with poor resources. Thong *et al.* (1996) and Susanto and Meiryani (2018), the research results show the success of small companies in applying information systems will be more effective if it is influenced by the use of external experts, adequate investment in information systems users of information systems who have good knowledge, high involvement of users and the support of top management.

The conclusion on the research by Sharma and Yetton (2003) is that management support becomes one of the critical factors to the success on the implementation of accounting information system. There is a strong relation between management commitment through management support and the success on the implementation of accounting information system. Hussein *et al.* (2007) review the influence of various organizational factors on the success of information system which is made on e-Government agency in Malaysia the research result provides empirical evidence that organizational factors are represented by top management support, decision making structure, management style, managerial IT knowledge, goal alignment, dan resources allocation significantly influence on the success of information system. Further, the research of Loonam and McDonagh (2005) show top managers play a critical role in their inevitable success or failure, yet, despite these systems strategic relevance many studies reveal a dichotomous relationship between ‘management’ and information systems.

Based on the theories as the study concept which has been mentioned above and some recent research results that support them, it can be said that top management support influences the quality of accounting information system. So, the hypothesis of this research is “Top management support influences the quality of accounting information systems”.

MATERIALS AND METHODS

In this study, the method is: descriptive method aims to give a quantitative description of the summary observations on every research variables that generally describes the actual size and distribution of each research variable without intending to make a conclusion apply in common or generalization. Furthermore, according to Sekaran and Bougie it is a method which is designed to collect data that can describe characteristics of people, events and situations. So, it can be said that descriptive research method as a technique to describe or to illustrate

actual of certain variable, person or situation without intending to conclude or to generalize. In this study, it will be described the respondent and the characteristics of respondents and it will also describe the variables of management strategy, top management support user competence, the quality of accounting information systems and the quality of accounting information and its influences. This study also used verification method. Shi (2008) states that the verification of the conclusions that illustrate the pattern of confirmed data to ensure that the real conditions are not just fantasy which are thought by the researchers. Further, Shi (2008) also states that verification must involve all convincing procedures that are used to draw conclusions towards the events that the articulation is clear. Furthermore, Suriasumantri (2005) states that the verification method is performed to test the proposed hypothesis with factual data in the field. Verification method is used to test the influence, top management support on the quality of accounting information system.

Then, primary data collection is done by: spreading questionnaire. The questionnaire is a set of questions or written statement which is formulated in advance to record respondent's answers. The activities of distributing and collecting questionnaires are done by: visiting directly insurance companies and using postal services (mail survey and courier) and interview. Interviews are conducted through question and answer activities directly with respondents at insurance companies that are expressed as research samples.

The analytical techniques for data analysis will use statistics, one of which uses descriptive statistics. Descriptive statistics aim to provide a quantitative overview of the observational summary to each research variable that generally describes the actual size and distribution of each research variable without intending to make a conclusion in common or generalization.

The data were processed using covariance based-SEM with the second order method. According to Hair *et al.*, the use of SEM allows researchers to unify some unobserved variables that are indirectly measured by the indicator and it can be used to calculate measurement errors on observed variables. Then in general CB-SEM can be used to confirm/to test the theory (which is a set of systematic relations among some empirically testable variables).

RESULTS AND DISCUSSION

Top management support is measured through 4 dimensions: planning, organizing, directing and

controlling processes. The dimension of the planning process consists of 3 indicators, the dimension of organizing is measured by 2 indicators. The dimension of directing is measured by 2 indicators and the dimension of evaluating is measured by 2 indicators and the dimension of controlling is measured only 1 indicator.

Based on Table 1 can be seen that top management support in insurance companies in Indonesia generally have quite high criteria. There is still a gap of 1.12 between the facts that occurred in the field with the expected. Here is described the results of the average category of respondents score on top management support as it is seen from indicators of each dimension.

Top management support is measured using 4 dimensions which is operationalized into 8 indicators. The relation between the indicators and the dimensions is reflective as well as the relation between the dimensions and the variables is reflective. Based on the results of data processing by using confirmatory factor analysis, it is obtained measurement model for latent variables of top management support as it is presented in Fig. 1.

The second hypothesis testing:

- H_{02} : $\gamma_{1.2} = 0$, top management support does not influence the quality of accountin
- H_{a2} : $\gamma_{1.2} \neq 0$, top management support influence the quality of accountin information system

In Table 2, it can be seen that the t_{count} value of top management support variables (4.451) is $>t_{critical}$ (1.96). Because the t_{count} value is $>t_{critical}$, the error rate of 5% decides to reject H_0 . So, based on the test results, it can be concluded that top management support influencea the quality of accounting information systems. The study results provide empirical evidence that the higher the support of top management, hence, the more increasing quality of accounting information systems.

Based on the data in Table 2, it can be seen that top management support gives influence on the quality of accounting information system by 39.5% which is obtained directly between top management support to quality of accounting information system by 22.3%, then, it is obtained indirectly because of its relations with two other exogenous variables by 17.2% through the management strategy variable by 6.8% and through the user competence by 10.4%.

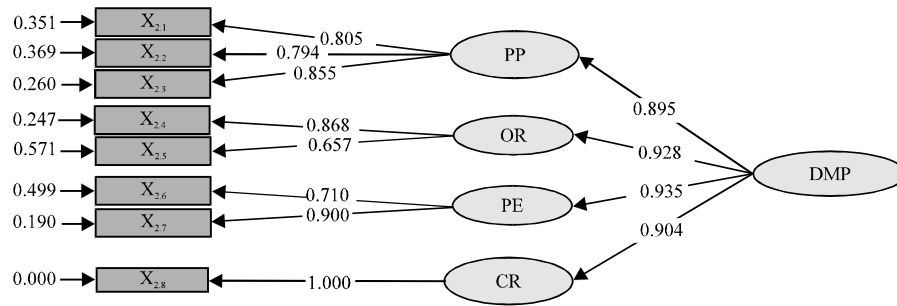


Fig. 1: Line chart of measurement model on top management support variables

Table 1: Average recapitulation of respondent's response scores for each dimension on variables of top management support

Dimension	Average actual score	Ideal average	Gap	Criterion
Planning process	3.87	5	1.13	Fair
Organizing	3.81	5	1.19	Fair
Directing	3.86	5	1.14	Fair
Controlling	4.10	5	0.90	High
Management support	3.88	5	1.12	Fair

The results of data processing

Table 2: Testing result of influence of top management support on the quality of accounting information system

Path coefficient	t _{count}	t _{critical}	H ₀
0.473	4.451	1.96	Rejected

CONCLUSION

Based on the research results and discussion above, it can be concluded that top management support influences accounting information system. Top management support which has not run maximally makes the accounting information system have neither, yet, integrated nor operated well in various financial institutions both banks and non banks and other institutions.

The result of this research is able to answer the problem which is stated through phenomenon that happened such as in non bank financial industry (IKNB), there is still found the accounting information system that is not qualified and Financial Service Authority (OJK) states that the information system which is used by financial service institution has not yet, operated well. Because the reliability of the information system which is used is not in accordance with the expected as well as inaccurate recordings also occur in the companies of State-Owned Enterprises (BUMN).

Based on that, for accounting information system can run well, it must start from support to planning process and formulation of organizational goals as well as support to the selection of human resources that are related to information system. From the management side, top management should be actively involved in the selection of information system technology, human resources and

it should provide support for various trainings to improve the quality of human resources. Another factor is the support in the form of engagement in the repairment process and searching for problem-solving which is related to information systems.

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