

## **THE EFFECT OF ENTERPRISE RESOURCE PLANNING (ERP) IMPLEMENTATION ON OPERATIONAL ADVANCES ON THE QUALITY OF FINANCIAL INFORMATION AT PT PUPUK KUJANG IN 2020**

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### **ABSTRACT**

This study aims to determine how the effect of enterprise resource planning (ERP) implementation on quality financial information at PT Pupuk Kujang. This research is based on business changes due to increased competition which is marked by the needs of the company and related internal parties who are the perpetrators of ERP implementation in the development of the company's business activities, and also against the background of the implementation of an ERP system that produces inaccurate information.

This research was conducted using quantitative methods with a survey approach. The data collected comes from questionnaires distributed to 63 respondents in related departments including accounting, finance, human resources (HR), marketing, sales facilities, retail sales, planning and promotion departments, industrial and general education and training.

The results obtained indicate that ERP implementation can affect the quality of financial information through good implementation stages, supported by quality hardware and good human resources. However, there are also other factors that are not discussed in this study and have an influence on the quality of financial information

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### **INTRODUCTION**

Today's business competition is becoming increasingly complex, making companies required to continue to improve the quality of information generated from systems that utilize information technology to integrate the entire system owned. Information technology is no longer seen as a complement or supporter, but has become one of the determinants of a company's business success. Information technology support for the company's business has a role to increase employee productivity and help achieve information quality and provide satisfaction for consumers and employees, so companies should pay attention to the development of information systems.

The use of information systems is expected to provide great benefits to the highly competitive business world. It is not surprising that investment decisions and attention to the critical success factors of developing and implementing information systems in companies are very important. The information system requires a due audit care planning and implementation, to avoid any resistance to the system being developed (resistance to change).

The solution that is becoming the prima donna of business today is a package to manage company resources as a whole or commonly known as Enterprise Resource Planning (ERP). ERP has the ability to integrate all existing processes within the company's functional areas, between departments, or between different locations. System integration explained that the data obtained from different systems will be integrated in real time, so that there are no more differences in processes that occur, between functions, between departments, or between different locations. Some ERP software that is widely used by companies are such as: SAP, Oracle, JD. Edward, and People Soft.

Companies not only prevent errors through activities, organizations also need ERP implementation with adequate governance. When there is an error in the financial statements, ERP implementation will know it early. This should also be supported by an organizational environment and good governance. ERP implementation is a process carried out by management, and other personnel, designed to provide reasonable assurance about the achievement of the objectives of a quality information system, compliance with applicable laws and regulations, effectiveness and efficiency of operations. In other words, the quality of the information system is also determined by an adequate ERP implementation.

Pupuk Indonesia Holding Company (PIHC), which is one of the SOEs engaged in the Indonesian fertilizer industry, is currently a subsidiary of the PIHC Group using ERP software that is diverse and not integrated with each other. PT Pupuk Kujang itself previously used IFS from 1999 to 2015.

The variety of software used by Pupuk Indonesia's subsidiaries is due to the business processes in each of the Pupuk Indonesia's subsidiaries have its own characteristics. Each company has different policies and methods in carrying out business operations. With this SAP ERP project, the ERP Software in all Subsidiaries at PIHC becomes one piece of software, so that the business processes in the Pupuk Indonesia Holding Company (PIHC) Group will be integrated and aligned with each other.

The ERP software implemented at Pupuk Indonesia Holding Company (PIHC) Group is the SAP software (System, Applications and Products in Data Processing) which is a product made in Germany and is an ERP software that dominates the world which has the ability to integrate various kinds of business applications, where each business application represents a specific business area.

The SAP-based ERP application was implemented in 2016 at PT Pupuk Kujang which is one of the PIHC subsidiaries. The implementation of SAP has the hope that it will increase the company's competence by integrating the existing units in it (finance, human resources, and logistics), especially in producing accounting information. In addition, the implementation of ERP is also a learning tool for employees to leave the old work culture. It means that the old work culture in question is one of the habits of employees in throwing responsibility when an error occurs in the work process. Whereas what should be done is to find a solution to fix the error that has already occurred. Smooth work processes as a result of

ERP implementation can help companies fulfill stakeholder desires so as to facilitate decision making.

*Enterprise Resource Planning (ERP)* according to (Susanto, 2008) suggests that: "*Enterprise Resource Planning (ERP)* is an integrated software package designed to provide complete integration of all data related to corporate information systems"

There are also other opinions from experts regarding the definition of ERP, including according to (Situmorang, 2019) ERP is: "A configurable information system package, which integrates information and information-based processes within, and across functional areas in a organization

## METHOD

The object of this research is the influence of the implementation of Enterprise Resource Planning (ERP) on the Quality of Financial Information. As for the object of research, the independent variable is the implementation of ERP, as variable X and the dependent variable is the quality of financial information, as variable Y.

This research was conducted at the office of PT. Pupuk Kujang Cikampek whose address is at Jl. Gen. Ahmad Yani No. 39 Cikampek. Respondents in this study were employees of PT. Kujang Fertilizer.

## RESULTS AND DISCUSSION

### 1.1 Research result

The profile of respondents who have filled out the questionnaire includes 3 aspects, namely the profile of respondents based on gender, age and years of service

Based on gender, the respondent's profile is presented in the following table:

**Table 4.1 Profile of Respondents by Gender**

Jenis Kelamin	Frekuensi	Presentase
Man	48	76%
Woman	15	24%
<b>Total</b>	<b>63</b>	<b>100%</b>

Source: Based on Questionnaire Processing Results

The profile of respondents grouped by age is presented in table 4.2 as follows:

**Table 4.2 Profile of Respondents by Age**

Age	Frequency	Percentage
20 – 29 Years	1	2%
30 – 39 Years	50	79%
40 – 49 Years	6	10%
50 Years	6	10%
<b>Total</b>	<b>63</b>	<b>100%</b>

Source: Based on Questionnaire Processing Results

The profile of respondents grouped by years of service is presented in table 4.3 as follows :

**Table 4.3 Profile of Respondents Based on Years of Service**

<b>Years of service</b>	<b>Frequency</b>	<b>Percentage</b>
< 1 Year	0	0%
1 - 10 years	46	73%
> 10 Years	17	27%
<b>Total</b>	<b>63</b>	<b>100%</b>

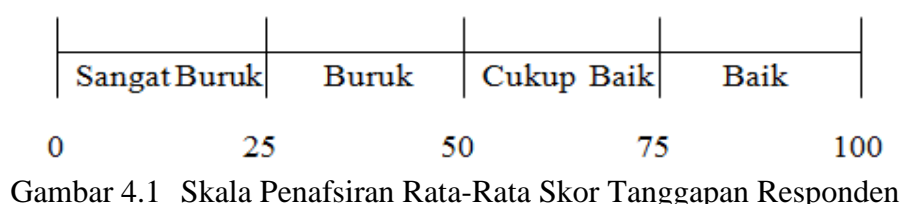
## 1.2 Respondents Overview

In obtaining data to determine the effect of ERP implementation on operational advances on the quality of financial information at PT Pupuk Kujang, the authors conducted research by distributing questionnaires to 13 (thirteen) departments using the company's operational advances as listed in table 3.3 Research Sample/Population ERP User Unit at PT Pupuk Kujang.

The population in this study were 75 registered respondents, and the samples taken based on the results of the calculation of the Slovin formula were 63 questionnaires distributed to 63 respondents who were sampled. The method used to process and analyze the data in this research is descriptive analysis and regression analysis as a tool in analyzing research results.

## 1.3 Validity Test Results

Validity testing is carried out to determine whether the measuring instrument designed in the form of a questionnaire can actually carry out its function. As has been explained in the research methodology that to test the validity of a measuring instrument, a statistical approach is used, namely through the correlation coefficient value of the statement item score with the total score. If the correlation coefficient of the statement item with the total score of other items  $> 0.30$  then the statement is declared valid. Testing the validity of this study using the test content validity (content validity). According to Sugiyono (2012:353), "The testing for each question/statement item is carried out through item analysis, namely by calculating the correlation between the instrument item scores and the total score", the formula used is :



Furthermore, the average score of respondents' responses will be categorized based on the continuum line so that it can be seen the condition of each statement item or variable being studied thoroughly.

#### **1.4 Hasil Pengujian Alat Ukur Penelitian**

Sebelum dianalisis, data hasil penelitian terlebih dahulu diuji validitasnya untuk mengetahui apakah alat ukur yang digunakan berupa butir item pernyataan yang diajukan kepada responden telah mengukur secara cermat dan tepat apa yang ingin diukur pada penelitian ini.

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$$:r = \frac{n \sum XY - (\sum X)(\sum Y)}{\sqrt{\{n \sum X^2 - (\sum X)^2\} \{n \sum Y^2 - (\sum Y)^2\}}}$$

In line with what was stated by (Susanto, 2008) that the accounting information system can run well if it is supported by various tools, one of which is Enterprise Resource Planning (ERP). ERP is an integrated software package designed to provide complete integration of all data related to the company's information system. Based on that stated that ERP implementation determines the Quality of Financial Information. Where the quality of financial information is determined, one of which is a successful ERP implementation.

In line with the statement of (Wijaya, 2003) which explains the direct relationship between ERP and information quality, which states that the implementation of Enterprise Resource Planning (ERP) has an effect on producing financial information within the company. ERP is a system that is closely related to accounting information systems, because ERP is a system that integrates all aspects of organizational activities into an accounting information system . By implementing ERP, it is expected to produce quality accounting information that is meaningful and useful to meet the company's needs.

Based on the results of statistical hypothesis testing using the regression analysis method, it is known that the effect of ERP implementation on the quality of information systems is 65.8%. While the remaining 34.2% is the influence of other

factors outside the three independent variables. This fact is in line with one of the important factors in creating good financial performance through the implementation of all aspects of good ERP implementation. This also answers the phenomenon in the background of the research, where the problem of Financial Information Quality is influenced by ERP implementation.

**CONCLUSION**

## **CONCLUSION**

Based on the results of research and discussion regarding the Effect of Implementation of Enterprise Resource Planning (ERP) on Operational Advances on the Quality of Financial Information at PT. Pupuk Kujang (Persero) YEAR 2020, here are the conclusions in answering the background of the problem in this research:

ERP implementation for operational advances at PT Pupuk Kujang (Persero) is in good category. In accordance with the discussion in the table, it can be seen that ERP implementation is at a value of 83.42%. The questions that explain the lowest score are question numbers 5 and 15 which are worth 70.48% and 76.17%, respectively.

The quality of financial information at PT Pupuk Kujang (Persero) is on average in the good category. According to the discussion in the table, it can be seen that the Quality of Accounting Information is at a value of 82.64%. The questions that explain the lowest score are question numbers 2 and 18, each with a value of 76.27%.

ERP system implementation has an influence on the quality of accounting information. This result is known from the regression analysis method that the effect of ERP System Implementation on the Quality of Financial Information is 65.8%. While the remaining 34.2% is the influence of other factors outside the independent variable. This fact is in line with one of the important factors in creating good Quality

Accounting Information through the implementation of ERP System Implementation through the implementation of all good aspects. This also answers the phenomenon in the background of the research, where the problem of Financial Information Quality is influenced by ERP System Implementation.

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