

CHAPTER I

INTRODUCTION

A. Background

The Covid-19 pandemic that has hit almost all countries in the world, including Indonesia, has an impact on all sectors, especially the economic sector, which indirectly causes a slowdown in the pace of the economy. This condition has the potential to have a negative impact on the sustainability of the organization. Private universities are one of the organization from the education sector that are affected. The reason is that many universities have cut tuition fees to ease the burden on students. Moreover, private universities must take mitigation steps during this pandemic to ensure academic continuity and the organization's activity continue to run well. This effort was made because the income of this private university itself is predicted to stagnate from students as a source of finance because the economic conditions of the students themselves are vulnerable to impact on the financial performance of the university.

Regarding the mitigation measures, currently there is a review of face-to-face lectures due to the development of the Covid-19 case and the Java-Bali PPKM (Restrictions Towards Community Activities). However, a number of universities throughout Indonesia, especially universities located in regions that have an impact on emergency of PPKM, still implement online lecture policies. Therefore, face-to-face learning must be stopped to adjust the PPKM policies. For example, some universities do not

allow students to enter the university environment or activities during PPKM and must follow the current regulations and enforce policies to work from home. Full work from home (WFH) for lecturers and education staff was done 3 to 20 July 2021 (theconversation.com).

The weakening Indonesian economy due to the Covid-19 pandemic has adversely affected the financial condition of universities in Indonesia, with numbers varying from 50%-90%. The rising unemployment rate and declining incomes of parents of students coupled with many universities that are not yet able to run online courses properly have led to a reduction in the number of new students this academic year. The National University and the Islamic University of Djakarta in Jakarta, for example, each experienced a decline of around 20% and this could have an even more severe impact, especially on private universities (PTS) and university with a relatively small number of students. This has also resulted in almost half of private universities in Indonesia experiencing a student decline rate of more than 50%. This decline in the end caused various universities to experience a decrease in income. The government also issued tuition fee relief rules for students affected by the Covid-19 pandemic. This is regulated in the Regulation of the Minister of Education and Culture Number 25 of 2020. In fact, the majority of university in Indonesia rely on the income paid by students.

This Covid-19 pandemic has provided meaningful lessons about many things, such as teaching gratitude and trust for all mankind.

This is according to the word of Allah SWT in Surah Al-Anbiya verse 35:

كُلُّ نَفْسٍ دَآبِقَةُ الْمَوْتِ وَنَبْلُوكُمْ بِالشَّرِّ وَالْخَيْرِ فِتْنَةً وَإِلَيْنَا تُرْجَعُونَ

“Every soul will face death. We will test you with evil and good as a trial. And you will be returned only to Us.”

In this verse of the Qur'an, it is obligatory for every human being to be patient in the face of trials. According to Imam Ar-Razi in the interpretation of Mafatih al-Ghaib, every living creature will certainly face death in this world, Allah tests humans with various tests in the form of pleasure, spaciousness of sustenance, easy obedience or in the form of a misfortune that is miserable such as illness, lack of property, death and others. Therefore, there are several strategies to keep the operational performance of higher education institutions running, such as strengthening information technology, paying attention to the readiness of lecturers and students, redesigning business processes, improving marketing performance in order to attract the attention of prospective new students and efficiency by determining the priority scale program. There are several new strategies that must be carried out by universities after the pandemic. Before the pandemic period the class was completely filled by many students, now the teaching and learning process is required to use classes with a limited number of students. Some of the world's leading universities may agree that the university is only attended by a maximum of 20 percent of university residents. In the pre-pandemic period, lecture hours were generally carried out simultaneously, but during this pandemic, innovations were made in the scheduling of lectures, namely that lecture hours could no longer be carried

out simultaneously, especially in the number of students who were present on university. Class scheduling innovation for large university is a challenge in itself. Universities in the post-pandemic era can also be predicted to have a hybrid learning model that combines online and offline learning.

From the following description, it can be concluded that the operational activities of an organization are not only determined by the success and finances managed based on the strength of capital or money alone, but also determined by the success of human resources and strategic assets management effectively. Therefore, universities must take advantage of strategic assets, such as accounting information system, and IT capability.

IT capability refers to the ability of an organization to use various technologies, develop new ideas to create new products that are accepted by the market and follow rapid process developments (Afuah, 2002). (Zhang et al., 2008) defines information technology capabilities as the ability of an organization to mobilize and deploy resources based on information technology in combination or in combination with other resources and capabilities. Today's IT advancements have become a business necessity in providing information for strategic resources that are important to be managed by organization. IT services that have good quality will make a major contribution in terms of efficiency and effectiveness as well as benefits for the organization. The existence of information technology governance can support an organization's competitive advantage in facing competition and increase organizational productivity/ performance (Hairi,

2014). The goals of an organization can be achieved if information technology governance is implemented in line with the goals and needs of the organization (Damia et al., 2017).

Currently, the development of information technology has grown rapidly and entered almost all areas of life, especially the world of business, health and education. This is marked by the increasing use of information technology for all organization because it is believed to be able to help and provide benefits by providing opportunities to increase ongoing business productivity (Arens et al., 2008). Activities within universities are in accordance with their main function, namely as education providers that provide academic services. In carrying out this academic service, it is necessary to use information technology that can support convenience, speed and security so that a comfort in the quality of academic services can be provided to students, lecturers and the existing academic community.

Accounting information system is a tool that can help an organization's management to increase its control over its operations and to improve its performance. Accounting information system involves identifying, collecting, processing, and conveying accounting information to employees and decision makers at all levels of the organization. Accounting information system is also seen as a system used to record financial transactions of a business or organization (Rehab U. Trabulsi, 2018). The data record is a source of information that must be owned by an organization. One of the presenters of information is accounting, where

accounting is a tool to inform the state of an organization (Dan et al., 2017). As a tool in processing accounting and financial data, accounting requires an information system that can convey information to those who need it. By using the accounting information system, the data processing carried out can be trusted for its accuracy. To realize quality education, it is necessary to have a comprehensive and professional management of existing resources in universities.

One of the resources that need to be managed properly in higher education is financial matters. In this context, finance is a source of funds that is needed by universities to carry out daily operational activities. During this pandemic, a few number of private universities are threatened with bankruptcy. This is caused by various things, one of which is financial management that is not transparent and accountable. Transparency and accountability must always be upheld in the financial management system while still being principled in the accounting rules established at the university. Financial management with a suitable, healthy, transparent and accountable accounting information system is the main goal of universities to survive. A healthy financial condition and the ability to generate high profits will have a strong and positive impact on the financial performance of the organization itself.

The definition of financial performance according to the Indonesian Institute of Accountants (2007) is the organization's ability to manage and control its resources. According to Rudianto (2013), financial performance

is the result or achievement that has been achieved by the financial management of the organization in carrying out its function in managing the assets of an organization effectively during a certain period. Financial performance is needed by organization to know and evaluate to what extent the organization's success rate is based on the financial activities that have been carried out.

Financial performance is something that is very much needed by universities to carry out daily operational activities. Universities are expected to be able to manage their financial funds to achieve a good level of financial performance and create stability in the overall performance of universities. Universities are able to generate and manage their finances to achieve a good level of financial performance. One of the factors that influence this is the level of financial performance owned by universities in financing every operational activity of the institution. An organization will be able to achieve a good level of financial performance if it has large current assets so that it is able to meet all its current obligations that must be met immediately. In universities, to assess the level of financial performance can be said to be successful if the college is able to finance its current obligations (eg. employee debt, debt to third parties, and taxes) with current assets in the form of cash, banks, receivables etc. (Listiyowati, 2016). Financial performance in private universities is one of the important factors to achieve quality education. The phenomenon shows that the financial performance of private universities is not good, especially in terms

of liquidity (current ratio) which encourages private universities to commit several violations in obtaining income to finance the operational activities of the institution.

Operational performance is the implementation of managerial activities carried out in the selection, design, renewal, operation and supervision of production systems. There are four dimensions to Operational Performance which are cost, quality, delivery and flexibility (Naufal, 2018). Higher education performance is the achievement of a university's performance in obtaining planned targets such as research quality, academic reputation of the faculty, quality of academic programs, research contributions to society, preparation of future leaders and quality of graduates used to make decisions in improving higher education performance (Indrianita, 2013). Higher education operational performance can be influenced by good college financial performance because good financial performance will be able to finance every operational activity of the institution.

Today's college competition is very tight, so universities need the best college performance to be able to compete. Satisfactory higher education performance has met the achievement of input, process and output on the experience of higher education values. The operational performance of higher education institutions must be carried out in a structured manner in implementing its strategy, taking into account several aspects that must be considered. When implementing the strategy applied, universities must

pay attention to performance measurement in universities in order to find out how successful or influence the implementation of strategies in universities is. Competition in the era of globalization forces universities to improve their operational performance as much as possible. This is based on maintaining competition and being able to compete with its competitors. The public as consumers expect and are more interested in the operational performance of higher education institutions that show satisfactory results reflected in the operational performance achieved, accreditation and various supporting facilities for improving human resources. This is an achievement from the performance of universities in analyzing the effectiveness of implementing higher education strategies in improving their operational performance (Indrianita, 2013).

This is interesting to study because this problem raises the main variables of the organization's internal environment in the form of financial performance and operational performance whose existence is influenced by several variables, including two of them are IT capability and accounting information system. Based on the above background, a research was conducted with the title:

“The Effect of Accounting Information Systems and IT Capability on Higher Education Operational Performance with Financial Performance as an Intervening Variable”

B. Research Questions

1. Does the accounting information system affect operational performance?
2. Does the accounting information system affect financial performance?
3. Does IT capability affect operational performance?
4. Does IT capability affect financial performance?
5. Does financial performance affect operational performance?
6. Does the accounting information system affect operational performance through financial performance as an intervening variable?
7. Does IT capability affect operational performance through financial performance as an intervening variable?

C. Research Objectives

1. To test and obtain empirical evidence of the influence of accounting information system on operational performance.
2. To test and obtain empirical evidence of the influence of accounting information system on financial performance.
3. To test and obtain empirical evidence of the effect of IT capability on operational performance.
4. To test and obtain empirical evidence of the effect of IT capability on financial performance.
5. To test and obtain empirical evidence of the effect of financial performance on operational performance.

6. To test and obtain empirical evidence of the effect of accounting information system operational performance through financial performance as an intervening variable.
7. To test and obtain empirical evidence of the effect of IT capability on operational performance through financial performance as an intervening variable.

D. Research Benefits

1. Theoretical Benefits

- 1) The research results are expected to be used as a reference for further research that examines the factors that affect operational performance.

2. Practical Benefits

- 1) Provide practical benefits to the organization or management about the importance of accounting information systems and IT capability for an organization and their influence on the financial sustainability of an organization which will ultimately affect the survival of an organization and the organization's ability to maintain its business in the future.