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Cost and Benefit Analysis Purchase System in Surety Bond (Based on Case)

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ABSTRACT : This paper deals with the cost-benefit (CBA) of the underwriting company located in Jayapura. The purpose of this study is to determine the analysis of the implementation of purchasing system on economic feasibility analysis. To find answers to research questions, this research model uses a qualitative descriptive case study by interviewing 13 employees directly related to the implementation of the new system. Analyze the feasibility of the project being undertaken whether in accordance with existing theory The analysis uses data reduction over the interview results. The results of this study prove that the implementation of the system can facilitate the company in running its business operations.

KEYWORDS: *Bond Guarantee, Purchase System, Evaluation, Economic Benefit*

I. INTRODUCTION

The financial services Authority of the Republic of Indonesia issued a regulation concerning the operation of the guarantee institution number 2 / POJK.05 / 2017, although prior to this regulation, guarantees are regulated in law number 1 of 2016 (OJK, 2017). The law provides that the underwriting activity is the grant of guarantee by the guarantor for the fulfillment of the financial obligations guaranteed to the Beneficiary, the Guarantee Company is a legal entity engaged in finance with the conduct of the main business of Guarantees.

If the preliminary law comes into effect there will be some anomalies in implementation for those affected by the regulation, and the affected parties in the organization prefer to survive the change if it makes it difficult for those affected (Bovey &Hede, 2001).

This in an organization is a change of system, and this is a disadvantage because the high cost of system turnover tends to be the main cause of system users to protect themselves from the running of new systems (Kim &Kankanhalli, 2009). Cost is also an important element in the implementation of the new system, the development of the system for the new company requires a lot of cost and time from the parties involved in system implementation.

The company has decided to purchase a system related to the company's main business ie underwriting application, and before the company decides to buy only by considering its benefits only.

The purpose of buying the system is the problem solving (Agarwal, Sinha, &Tanniru, 1996) experienced by this guarantee company, the main issues are the accurate system of assurance and attendance list in the office as well as accurate guarantee report.

This paper is structured as follows. We Present a literature review in section 2. Section 3 discusses the mothods and section 5 the result.

II. LITERATURE REVIEW

This study was formed from several previous studies. Beginning with in any applying an innovation to a product or service then that innovation will use great resources and special attention in its implementation (Brown, 2001). In line with the research brown (Lu, 2003) to prove that with a large investment and utilization of information systems will increase customer satisfaction so as to provide benefits to companies greater than the cost incurred. Goal to be achieved by the company is going concern, then to achieve that goal many ways done such as integration of data information systems. Because in system integration can increase benefits received by the company (Goodhue, Wybo, & Kirsch, 1992). In harmony with it (Berghout, Nijland, & Powell, 2011) that system integration can be done through several stages to achieve sustainable benefits for the company. Benefit cost analysis is an analytical tool with a systematic procedure for comparing a set of costs and benefits relevant to an activity or project (Sassone& Schaffer, 1978). The final goal to be achieved is to accurately compare the two values, whichever is greater (Tiwana& Mclean, 2005). Furthermore from the results of this comparison, the decision maker may consider continuing a plan or not of an activity, product or project, or in the context of an evaluation of something that has been done, is determining its sustainability.

To know a successful investment decision or not in management science known by cost and benefit analysis method. The method has its own weaknesses and advantages - it can be used as a good alternative decision choice for the company (Husdal, 2004). Not just for a company, but cost and benefit analysis can serve as an evaluation tool for government policy and what impacts the whole community has on the application of a new system (Brand, Parody, Orban, & Brown, 2002).

This analysis can also be used to measure organizational performance that is the effect of cost control by management (Diefenbach, Wald, &Gleich, 2018) in line with this analysis is also used as an evaluation of the application of information systems (Learman, 1971). Public companies also need cost and benefit analysis, this happens because the financial statements of companies that go public should be audited by the public accounting firm. And the more famous public accountant who audits a company's financial statements the better the company's image in the community. So the company developed this analysis in the selection of public accounting firm for his company (Hogan, 1997).

III. RESEARCH METHOD

This research uses qualitative method with case study about expediency analysis from system purchasing done by company management. This method is chosen because it suits the purpose of researchers who want to dig deeper about the analysis of purchasing systems undertaken by the company. Case study research and explain its value to develop theory and inform practice. While recognizing the complementary nature of many research methods, we emphasize the benefits of case studies to understand situations of uncertainty, instability, uniqueness, and value conflict. We perform data triangulation that proves validity and reliability in qualitative research. We introduce the concept of phronesis-an analysis of what actions are practical and rational in a particular context-and show the value of case studies to develop, and reflect, professional knowledge (Cooper & Morgan, 2008).

IV. ANALYSIS

Researcher has conducted on-site mentoring and observation, and has asked the user in the guarantee company about the investment feasibility analysis. That is an analysis of the economic benefits gained by the people, and the following is the answer that was successfully summarized by the researcher on the question of the analysis of economic benefit from the purchase of the guarantee system.

Based on the results of the above interviews can be analyzed, among others:

Rough workers such as Office Boy and drivers do not benefit from the adoption of new systems, because the workers only get a facility in the absence of employees who use the fingerprint and even then sometimes still have to use manual attendance. And spending on the purchase of accounting information systems is considered too expensive and not in accordance with the objectives to be achieved by this guarantee company.

Workers who benefit from purchasing this infotmation system are employees directly related to the main activities of the company in the form of guarantee. And according to Accounting, Kadiv Finance, operational employees the expenses incurred for the purchase of the system have been appropriate and provide great benefits in the company's main activities.

The directors and commissioners who are the top management in this company who propose to purchase the system and the absence of a technical feasibility mechanism undertaken by the company before deciding the purchase of the system.

Because in every decision an investment project on the run should be minimal consider

a. Operational Feasibility

Regarding whether operationally the new system can be implemented with available human resources and training methods offered, after sales service / maintenance and efficiency and effectiveness of the new system.

b. Technical Feasibility

Indicate whether radware / software to be developed is available, implementation schedule and data security system.

c. Economic feasibility

Concerning the cost of creating and running a new system and the benefits it will derive from the system.

After doing triangulation of data from interview result, document and observation. The next step is to make an analysis of the investment options for the purchase of the system based on the evaluation of project evaluation with Net Present Value (NPV) and Internal Rate of Return).

NPV is the difference between disbursed expenses and revenues using the social opportunity cost of capital as a discount factor, or in other words, the estimated future cash flows discounted at this time. According to (Kasmir, 2003). Net Present Value (NPV) or net present value is a comparison between PV net cash and PV

Investment over the life of the investment. Meanwhile, according to (Ibrahim, 2003) NPV is a net benefit that has been discounted by using social opportunity cost of capital (SOCC) as a discount factor.

Based on the data obtained from the documentation, the NPV for the purchase of the guarantee information system can be described as follows:

Table 1. NPV Calculation

Annual Discount Rate	4,25
Initial Investment	Rp. 235.000.000
1st Year Return	Rp. 607.543.670
2nd Year Return	Rp. 232.109.308
3rd Year Return	Rp. 361.632.635
NPV Function	Rp. 68.884.369

So cash inflows in the first year have returned the investments made by management, but with cash flow conditions received not reduced by the rational burden that occurred in year n. From the above results can be concluded that the investment is done by the management has been on target if considering the use of capital that has returned in the first year after the expenditure made in this year.

This method is to rank investment proposals by using the rate of return on investment calculated by finding the discount rate that equates the present value of the expected project cash inflows to the present value of the project cost or equal to the discount rate that makes the NPV equal to zero.

IRR which is an indicator of the efficiency level of an investment. A project / investment can be done if the rate of return (rate of return) is greater than the rate of return when investing elsewhere (interest on bank deposits, mutual funds and others). IRR is used to determine whether the investment is implemented or not, for which it is usually used the reference that the investment must be higher than the Minimum Acceptable Rate of Return or Minimum Atractive Rate of Return (MARR). MARR is the minimum rate of return on an investment that a brave investor would undertake.

V. CONCLUSION

Based on the overall results of interviews and direct observations in the field, it can be concluded that this company does not know adanyanya some feasibility analysis of an investment can be beneficial or detrimental to the company. However, this case is an example that although management does not carry out an analysis of the investment, the company still benefits and benefits the main activity of the company that is running (Joshi, 1991). Proven with the profit margin in the company record that is more than 100% which means the company can minimize costs associated with investment. So it can be concluded that the purchase of information systems provide benefits to the main activities of the company and facilitate employees guarantee in the work.

On the above results, it is necessary to assist and purchase the system that has been done must use modern and reliable method for the system so as to minimize the maintenance cost of the system used (Dekleva, 1992) and in (Ragunath, Velmourougan, Davachelvan, Kayalvizhi, &Ravimohan, 2010) also stated so. Mentoring is necessary in the application of a new system for the company, because if the user gets something new in an element of his work then in need of good knowledge so that if there is a problem in the system solving the problem can be immediately found a way out (Vessey& Conger, 1993).

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