

CHAPTER 1

INTRODUCTION

This chapter explains the background of the research, a problem that is going to be solved, the research objectives, the scope of the research, and its limitation.

1.1. Research Background

For the last decade, information technology has evolved along with the technological development. This advancement in technology has pushed the implementation of technology in an organization or company as a key component in their overall business strategy. The development of information technology aimed at the improvement in decision making to become more efficient and faster. The key premise behind information technology is its ability to improve decision making by providing access to more information. Dynamics of the development of information technology and its fast usage brought major changes in modern business development. In the last decade research showed an increase of the impact of information technology on organization structures of enterprises and their business activities (Ramathan & Sibanda, 2017).

In this era, a large amount of information can easily be collected. Before, the problem of the information system was how to collect and process any necessary information in an appropriate, fast, and easy way. In order to gather the necessary data on the business process about customers, suppliers, and process data for information, companies use computers and information technology to support the information systems (Berisha-Namani, 2013).

Furthermore, understanding the role of the information system, information technology, and its influences is a new challenge for any business and it can be a valuable improvement for several companies. Many companies have combined its business with information system and information technology development. The use of information system and information technology has supported its business process on a daily basis. Each function in the business can work properly, accurately, and timely manner with the help of the IS. The management data done by the information system in a company can be used to support the decision-making process because the information can be provided easily (Altameem et al., 2014).

To gain its competitiveness, any kind of business should develop an information system. As the growth of information system in this era, any type of business has no other choice but to follow this development. This development will help the company to keep up with the improvement of their competitors. The core function of an information system is record keeping. An IS is able to store the record of various company's state e.g. the current state, historical state, and hypothetical state (Salvendy, 2001). This also affects the development of the retail business.

The developments of information system and information technology have improved the retail sectors. A retailer with information system development helps the retailer to provide an important data to the retailer itself and its business partner. Having an information system in the retail itself and also for its business partner is one of the core processes in modernizing a retail business (Jain & Bagdare, 2009). That is why, IS become one of a crucial factor that can affect a retailer's success (Zaied et al., 2013).

However, it cannot be denied that many retailers still cannot keep up with any technological developments, because the owner has lacked understanding about the technology or does not aware of the importance of technology to support the business process. This kind of retailer can also be called an unorganized retail. It typically has no technological development in its retail business process. Any kind of activities in its business process is done manually including activities in its information system.

Although this kind outdated retailer can still maintain its existence, there will be some disadvantages for the retailer itself or its customer that can affect the whole business process both in the short-term impact or long-term impact. The growth of information system technology cannot be stopped and if the retailer has no intention to catch up with the development of IS, it is just a matter of time to see the retailer totally losing its competitiveness.

In Yogyakarta, there are some retail businesses run by an individual (or family business). One of those retailers is Toko Besi (TB) Panji Jaya Yogyakarta. It is a retail of building materials located in Yogyakarta, Indonesia. This retailer is an outdated enterprise who runs their business with all traditional record system for collecting any important information in regard to its business process, except the use of the smartphone for communication. TB. Panji Jaya becomes the object of this research.

Basically, the business process of this retailer consists of two main activity which is selling and purchasing products. The retailer will purchase products from certain suppliers and keep those products in the store as the product stock. Then the owner considers the selling price to reach the targeted profit. A customer will make an order to TB. Panji Jaya and a transaction occur. Whenever the retailer runs out of product demanded by the customer, then the owner will supply the product from the supplier.

There are 2 documents that are used to record any transaction which are sales invoices and purchase invoices. In sales invoices, there will be lists of products sold, the customer data, and the payment status. The sales invoice will only be used whenever the owner wants to check any unfinished payment and the amount of money that the customer should pay. Beside that, this retailer will only keep the invoice in the store desk without a specific purpose. This also happened to the purchase invoice received by this retailer from its suppliers.

In this research, an information system will be developed to record the invoices for every transaction, both sales, and purchases. The owners want to track the flow of money in a certain period of time. They want to know how much money they have spent on purchasing the products, how many account receivables have been given to the customer, how many of them have been paid, and how much money has been earned from the sale.

The owner of the retailer usually makes an account receivable whenever the customer asks to finish the payment partially. It has happened because the customer does not have the cash money at the time he/she buy the product. But, the problem appears when the owner does not have any consideration when he should make an account receivable and when he no longer can give any of it. When the owner makes an account receivable, it is true that the product he sold in the store is sold, but he has not received the money at the time the product is taken by the customer. If the owner always makes an account receivable, the stock of product will be decreased but the money that should be received as the exchange of the products taken by the customer has not received yet. The customer also possibly not paying the debt as the promised date. So, when the owner needs to supply the product to add stocks, he will allocate money from another source like his own savings or he will make an account payable from the purchase process.

This information system development aims to provide a certain system to collect the data from sales invoice and purchase invoice and save the data in the database. Then the program will process all the data and generate several reports that will help the retailer to have the same problem explained above.

This information system development is done in Management Information System level as the second level of information system development. In MIS level, the developed IS aimed to provide relevant information for the purpose of supporting decision-making process in this retailer. By resulting reports of sales and purchases done by this retailer for a certain period of time, the owner of the retailer will be able to make a better decision for further business process improvement (Awosejo et al., 2013).

1.2. Problem Formulation

The retailer does not have proper information system needed to record the transaction. Unfinished payments cause a chaos in the retailer's financial. Therefore, the owner has no information to support the decision especially when the retailer needs to make any account receivable. As the result of the poor finance and accounting system in this retailer, the retailer cannot maintain its business strategy in regard to decision making. The currently recorded data were collected manually. Therefore, the research in this final project is done in order to develop the computer-based information system for this retailer.

1.3. Objective of Research

The objective of the research is to improve the business process by developing an information system in order to support the decision-making process in the retailer and solve the problem related to this condition.

1.4. Scope and Limitation

The scope of limitation of the research stated to limit the data used in the research and method to manage the data.

- a. Information system development followed System Development Life-Cycle Method.
- b. Level of information system development done in the retailer is in MIS (Management Information System) level.