

THE ANALYSIS OF CHANGES IN IMPLEMENTATION TO PSAK 71 POST-COVID 2019 ON ALLOWANCE FOR IMPAIRMENT LOSSES (IN BUMN BANKING SECTOR COMPANIES LISTED ON THE IDX)

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ABSTRACT

Changes in the Statement of Financial Accounting Standards from PSAK 55 to PSAK 71 require banks to use the Expected Credit Loss (ECL) method for the establishment of Allowance for Impairment Losses (CKPN). In the ECL method, banks establish CKPN from the beginning of credit recognition using the forward-looking method on macroeconomic conditions. In Indonesia's current status quo in facing the Covid-19 pandemic, the existence of PSAK has begun to be tested, adjustments must be made to financial accounting standards that are useful for strengthening the line of corporate accountability in Indonesia and able to answer Indonesia's main urgency at this time. The purpose of this paper is to produce a framework that can later become an alternative bank in making decisions for the application of the post model PSAK 71. The method in this study uses a qualitative method with a descriptive design. The consequence of applying PSAK 71 will result in a rise in Allowance for Impairment Losses (CKPN) on loans, which will have an impact on the company's capital. Because the method used in PSAK No. 71 will use the expected credit loss method to determine the expected credit loss, loans that were not previously formed by CKPN will be formed depending on whether there is credit risk exposure or not, as shown by BBNI and BBTN which are seen in the observation year. This will result in an increase in the amount of CKPN on loans. Since there were banks in BUMN banking that experienced an increase in CKPN on loans as indicated by BBNI and BBTN, but there were also banks that experienced a decrease in the value of CKPN on loans as indicated by BBRI, there is no clear correlation between the application of PSAK 71 and CKPN on credit. It is better if the bank's advice has adjusted to changes in PSAK and implemented PSAK 71 taking into account the adjustments to the allowance for impairment losses (CKPN)

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INTRODUCTION

Public funds and returning them to the community in the form of credit or through other means (UU RI, 1998). The advancement of the nation's economy depends greatly on the banking industry of today. The biggest issue that affects every firm operating in any industry the most frequently is the requirement for money (capital) to finance its operations. Financial institutions are no exception; in addition to operating other businesses, such as holding onto money that has not been utilized by the owner in a while, they also finance the capital of an industry of commerce. (Azizah et al, 2022) To reduce the risk of loss that can arise from providing investment funds to these customers, banking organizations are required to provide allowance for asset losses based on the findings of the quality assessment of the assets pledged as collateral. Bank Indonesia requires banks to establish an allowance for impairment losses (CKPN) in accordance with applicable accounting standards by PBI No. 14/15/PBI/2012. A reserve that must be established at

a specific percentage of accounts receivable based on the classification of receivables quality is known as an allowance for doubtful accounts and is required by PMK 201/PMK.06/2010 concerning the quality of receivables of state ministries/agencies and the establishment of an allowance for doubtful accounts. The projected value of receivables that might not be accepted for payment in the future from a person, a corporation, or another entity is known as the "allowance for doubtful accounts." In this situation, the allowance for uncollectible accounts may take the form of an allowance for estimated uncollectible credit losses that are calculated as CKPN.(Rhamadani,2022)

The International Accounting Standards Committee published the drafting of IFRS 9, which replaced IAS 39 as the standard for financial instruments, in March 1999. Through the implementation of PSAK 50: Financial Instruments (Presentation and Disclosure) and PSAK 55: Financial Instruments (Recognition and Disclosure) Measurement, IAS 39 has been implemented in Indonesia since 2006. Prior to the Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK IAI) ratifying PSAK 71 on Financial Instruments, which is the adoption of IFRS 9, on July 26, 2017, PSAK 50 and PSAK 55 underwent a number of revisions and adjustments. The entity is provided a transition period of two years to prepare for PSAK 71, which is proposed to take effect on January 1, 2019, in its application. This is done in light of the fact that preparations for implementation have been made since 2017 through various forms of socialization and education, as well as the creation of a working group made up of regulators and the banking industry, two parties that would be very severely impacted. (2002) (Ningrum, Lubis, & Firmansyah,2022).

The current economic impact is undoubtedly expected to make it harder for banks to construct CKPN, where they must form an instant reserve when credit is issued, commencing in 2020, in line with the efficacy of PSAK 71's implementation. On the other hand, it is feasible for many businesses that had applied for high-risk loans before PSAK 71 was implemented to state that they are unable to continue credit at this time, forcing banks to bear CKPN that had not previously been made. In addition to poor loans, there is a decrease in public consumption. Based on the information, Bank Indonesia predicts that the 2019 GDP will be 2.7% lower than the actual GDP. In 2021, (Tungga, Angelina, and Elliza,2021) The COVID-19 epidemic, which caused the economy as a whole to slow down, was another issue that banks had to deal with during the new period when PSAK 71 was implemented. Almost all business units saw a 2.07% (c-to-c) decline in Indonesia's Gross Domestic Product (GDP) in 2020 compared to 2019 according to statistics from BPS. With this pandemic, it will be difficult for the business sector to continue operating, which will subsequently make it more difficult for debtors to make bank loan payments. OJK issued POJK Number 11/POJK.03/2020 about National Economic Stimulus as a Countercyclical Policy for the Impact of the 2019 Coronavirus Disease Spread in response to this pandemic. According to this rule, banks are allowed to restructure all loans and funding for a period of one year to all debtors, including MSMEs who are said to be impacted by COVID-19. By preventing the increase of CKPN (Suratha E, 2022), OJK also gives banks some leniency. However, this treatment is only given to debtors whose performance is strong but who are now suffering from the pandemic. The bank is required to create a CKPN if it is predicted that the debtor won't be able to recover from a pandemic (Isma, 2022).

When compared to PSAK 55, PSAK 71 is thought to have a greater effect on predicting losses brought on by a variety of unforeseen circumstances, such as the Covid-19 phenomena. Because the bank has a loan loss provision that has been reserved in advance, the expected credit loss (ECL) method will have a positive effect when unforeseen circumstances arise. As of January 1, 2020, PSAK 71 became law and testing for its presence started throughout this pandemic. This paper gives hope that the adaptation of PSAK 71 in the midst of the Covid-19 pandemic is able to stimulate the economy in Indonesia based on the implementation of PSAK 71 in Indonesia and the circumstances that have been described.(Rhamadani&Jefrianto, 2021) . This research has a level of

urgency in order to see the changes that have occurred in state-owned banking during the pandemic, the difference with previous research is the focus on changes that have occurred as a result of the application of PSAK 71 concerning reserves for impairment losses (CKPN)

RESEARCH METHODS

The research technique is a case study conducted at the IDX concerning the performance of 4 (four) state-owned banks that are members of the Association of BUMN Banks. These four objects are considered the most appropriate as samples because these banks are owned by the government and play a role in demonstrating performance compared to private banks. It is a qualitative approach that is applied. Quantitative and qualitative data were collected for this study; qualitative data related to the number of objects examined consisting of bank profiles, description of banking activities, how the adoption of PSAK 71 implementation related to CKPN is applied; Quantitative data taken from bank financial reports consisting of banking profit and loss which can show the performance achievements of a bank regarding the performance of state-owned banks that are members of the Association of State-Owned Banks. Data collection methods used are as follows: observation techniques and documentation techniques.

RESULTS AND DISCUSSION

Results

Beginning in 2020, PSAK 71 will be implemented. Additional CKPN have been created by Indonesian banks to meet with PSAK 71 rules. Haru Koesmahargo, the director of finance at PT Bank Rakyat Indonesia Tbk (BRI), predicts that the CKPN needed by BRI will total Rp. 10 trillion. This amount exceeds his projection from his presentation in the second quarter of 2019, which suggested that BRI would need up to IDR 8 trillion more in extra reserves (Sitanggang, 2022). Consequently, PSAK 71 causes the CKPN of Indonesian banks to rise to varied degrees. The increase in CKPN in the banking sector is considerably impacted by the implementation of PSAK 71. (Arifullah & Firmansyah, 2020). CKPN for banks that are members of the Association of State-Owned Banks (Himbara) has seen a sharp increase since the start of 2020, amounting to Rp, according to data from financial reports. 93 trillion or increased by 102.16% yoy as a result of the passage of PSAK 71. With a total of Rp 65 trillion in CKPN by the end of 2020, BRI will be the Himbara bank with the largest amount. BNI, on the other hand, is the Himbara bank with the biggest CKPN increase in 2020, expanding by Rp 44 trillion or 161.56% year over year throughout the same time frame. The following table summarizes the rise in CKPN in Himbara banking:

Table 1
Development of Himbara Bank CKPN Value

Bank	CKPN per 31 December 2019 (in billion rupiah)	CKPN per 31 December 2020 (in billion rupiah)	Difference 2019-2020	%yoy
Mandiri	29.988	62.271	32.283	107,65
BNI	16.909	44.228	27.319	161,56
BRI	38.364	65.165	26.801	69,86
BTN	6.116	13.061	6.944	113,55
Total	91.377	184.725	93.364	102,16

Source: Himbara Bank Financial Report 2019 s.d. 2020, data processed

The condition of growing Himbara bank CKPN following the implementation of PSAK 71's provisions in 2020 will have an impact on the drop in profit. Banking companies have to set aside

extra money for impairment losses on financial instruments based on the expected credit loss approach as a result of the adoption of the new financial accounting rules. Additionally, this approach gives managers more latitude in choosing the CKPN value. This circumstance may motivate business managers to implement revenue management strategies more broadly. OJK said that 6.73 million debtors had benefited from restructuring as of July 20, 2020. credit (Putra, 2022). Despite the implementation of POJK No. 11/POJK.03/2020, overall banking CKPN continues to rise. The total banking industry was estimated to have formed the CKPN up to Rp248.92 trillion in February 2020. The banks CKPN then climbed by Rp 21.24 trillion, or up 8.53%, to Rp 270.16 trillion in May 2020. Despite the rise in bank CKPN, it appears that banks have not established extra CKPN for restructured loans, particularly current loans, which dominate bank restructuring loans. Consequently, the coverage ratio (defined as the ratio of CKPN to NPL) tends to stay constant. Since February 2020, the coverage ratio has just marginally dropped, going from 161.25% to 160.97% in May 2020. Insignificant growth was also seen in the ratio of CKPN to total loans, which went from 4.49% to 4.84%. (Ardhienus, 2022). The enhanced CKPN had no discernible impact on the banking capital ratio either (CAR). Between February 2020 and May 2020, CAR slightly decreased, going from 22.27% to 22.14%.

But when looked at in light of the loan at risk indicator, which consists of: There was indeed a large increase in non-performing loans (NPL), credit quality in particular mention, and restructuring loans with existing quality. significant. When compared to February 2020, when it was just 11.14%, the proportion of hazardous credit to total loans in May 2020 increased significantly to 19.21%. The loan restructure mentioned above contributed to this increase. Credit restructuring generally results in CKPN for the banking industry. increase. There are several effects of the rise in CKPN. CKPN elevation This was brought on by a significant rise in Loan at Risk. On the other hand, CKPN coverage, banking capital ratio (CAR), and the ratio of CKPN to total loans did not vary appreciably. Along with credit risk, CKPN has an impact on revenue operating costs. Banking activities (BOPO). As of May 2020, BOPO PT Bank Negara Indonesia Tbk (BNI) grew to 78% from 73% at the end of 2019. By the end of 2020, BOPO, according to BNI, will have risen to above 80%. As of May 2020, BNI firms' total operating expenses (other than net interest) was Rp 7.57 trillion, up 14.14% year over year (yoy) from the prior period's Rp 6.79 trillion (Sitanggang, a large to small compact bank predicts the BOPO will increase, 2022). Additionally, BOPO increased, according to BCA. BCA's BOPO was at 77.1% in the first quarter of 2020, a significant rise from the first quarter of 2019 when it was at 65.2%. (Sitanggang, the most efficient BUKU IV Bank in managing operations, 2022). The similar event happened at PT Bank Pembangunan Daerah Jawa Timur Tbk (Bank Jatim). According to Ferdian Timur Satyagraha, director of finance at Bank Jatim, the BOPO position was 70.71% in May 2020. Compared to the previous year, the realization grew a little. In contrast to other banks, Bank Mayora actually saw a drop in BOPO. This bank's BOPO for the year 2019 was 97.31%. In the meantime, Bank Mayora's BOPO was reported to be 95.13% at the end of March 2020. Although BOPO has fallen, Bank Mayora still has an extremely high BOPO rate when compared to other banks.

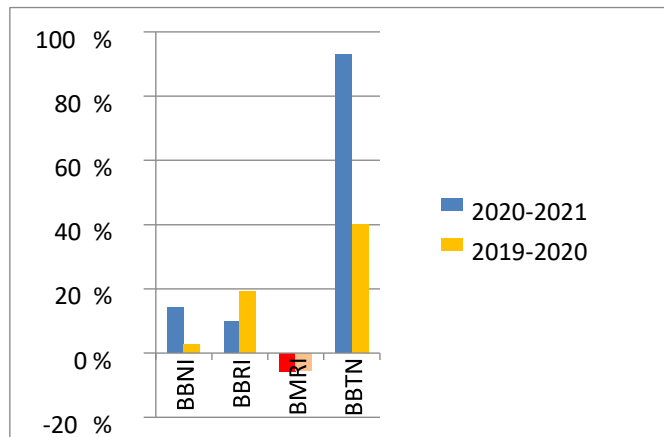
In general, the average BOPO for the banking sector in April 2020 is at a level of 84.85% (Sitanggang, large to small compact banks forecast BOPO would climb, 2022) According to the Indonesian Banking Statistics (SPI) data, which was published by the Financial Services Authority (OJK) as of April 2020, BOPO BUKU IV is at a level of 77.74%. Compared to the previous December 2019 period, when its position was at 72.31% (Sitanggang, The BUKU IV bank with the best operational management, 2022). When compared to BUKU I, II, and III banks, BUKU 4 Bank has the highest level of efficiency. However, it cannot be denied that BOPO increased across the board in the banking sector.

Discussion

Analysis of the Implementation of PSAK 71 on CKPN on Loans of State-Owned Banking Companies Listed on the IDX

The following *bar chart* shows the proportion of CKPN on credit from four state-owned banks (BBNI, BBRI, BMRI, and BBTN) listed on the IDX in the 2018–2019 fiscal year and the 2019–2020 fiscal year. Overall, CKPN on credit is a higher percentage in the 2020–2021 period than it was in the 2019–2020 period. BBNI by 14.1% and BBTN by 92.9% show that two of the four state-owned banks saw an increase in CKPN on loans on a year-over-year basis.

Figure 1
CKPN for BUMN Banking Loans for the 2019-2020 and 2020-2021 periods



Source: State-owned Banking Financial Reports for the 2019-2020 and 2020-2021 Periods
(Data Processed)

However, BBRI and BMRI were exempt from this. From 19% in the 2019–2020 year, BBRI was only able to increase CKPN on loans by a significantly smaller 9.7% in the 2020–20 term. BMRI, on the other hand, had a free fall of 5.7%, therefore there was neither an increase nor a decrease in CKPN on credit. Despite the fact that CKPN on BMRI credit also decreased by 5.6% over the 2020–2021 period. Research findings (Rizal & Shauki, 2019) and (Witjaksono, 2017) that claimed that the introduction of PSAK 71 would generally increase CKPN on credit supported the rise in CKPN on credit that happened in state-owned banks as demonstrated by BBRI and BBTN. Five out of six respondents in a study (Rizal & Shauki, 2019) said that the implementation of PSAK No. 71 will result in a rise in the quantity of CKPN available for credit. According to study results (Rizal & Shauki, 2019), the impact of the application of PSAK No. 71 on the establishment of CKPN on loans related to the implementation of PSAK No. 55 previously applied whether conservative or not, so that it was found that all banks were not negatively affected by the implementation of PSAK No. 55. This is why the value of the decline in CKPN on loans in state-owned banks, which was shown by BBRI, occurred. 71. This indicates that, in fact, when PSAK 71 is applied, an increase in CKPN on credit on a year-over-year basis does not necessarily have a negative effect on all banks.

The foregoing explanation demonstrates that, when PSAK 71 is applied, CKPN on credit does not necessarily have a negative impact on all banks, even when there are signs that CKPN on credit is rising year over year. In BUMN banking, it transpired that some banks experienced an increase in CKPN on credit as indicated by BBNI and BBTN, but there was also a decrease in the value of CKPN on credit as indicated by BBRI, indicating that there is no clear relationship between the application of PSAK 71 and CKPN on credit. In other cases, the CKPN value for credit as indicated by BMRI actually *minus*.

According to BBRI and BBTN, the rise in CKPN on credit in state-owned banks was caused by the requirement that banks give CKPN for all forms of credit or loans, whether current (*performing*), questionable (underperforming), or non-performing (*non-performing*). According to research findings (Rizal & Shauki, 2019), the impact of the application of PSAK No. 71 on the formation of CKPN on credit depends on the application of PSAK No. 55 previously applied, whether conservative or not. As a result, it was discovered that not all banks were adversely affected by the implementation of PSAK No. 71. This is why the decrease in CKPN on loans in state-owned banks that was demonstrated by BBRI occurred. Because the fund reserves were already conservative before this legislation (PSAK 71), according to Laurensius, *Workflow Manager the Consumer Loans Group* at PT Bank Mandiri (Persero) Tbk (in Dirgantara, 2020), BMRI did not suffer a substantial impact. Thus, the stricter reserve requirements imposed by PSAK 71 have been felt by Bank Mandiri. Laurensius continued by saying that the impact of the adoption of PSAK on smaller banks was quite apparent. Laurensius claimed that Bank Mandiri's provision charges had a sizable influence on the bank as well as other sizable banks.

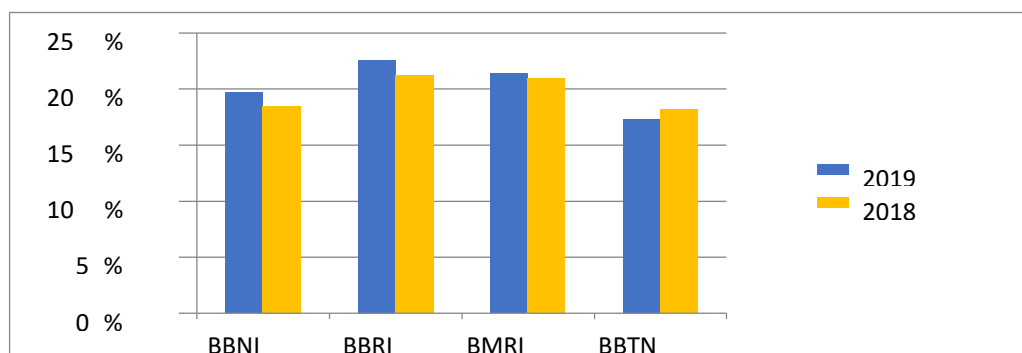
When considering the aforementioned circumstances, it cannot be said that they are "black and white," hence this issue may not necessarily apply to the bank as a whole. Conclusion: Several factors, including the following, greatly influence the amount of the impact of applying PSAK 71 on the rise in CKPN on loans.

1. The number of credits granted.
2. Credit risk.
3. Banking management in assessing the credit risk.
4. Application of PSAK No. 55 previously applied whether conservative or not.

Analysis of the Implementation of PSAK 71 on BUMN Banking Capital Listed on the IDX

The information regarding the CAR ratio (%) of state-owned banks in 2019 and 2020 is displayed in the *bar chart* below. Overall, the CAR ratio in 2019 has grown compared to the CAR ratio in 2018. Three of the four state-owned banks saw an increase in the CAR ratio, as shown by BBNI by 19.7%, BBRI by 22.6%, and BMRI by 21.4%. This did not occur to BBTN, however, as a result of the CAR ratio significantly declining in 2019 from 18.2% to a range of 17.3%.

Figure 2
BUMN Banking CAR Ratio 2019 and 2018



Source: BUMN Banking Financial Report 2019 (Data Processed)

The CAR ratio for BBNI just marginally increased from 18.5% to 19.7% as compared to last year. Similar events occurred with BBRI and BMRI, which only marginally increased from 21.2% to 22.6% at BBRI and from 21% to 21.4% at BMRI. BBTN, meanwhile, had a significant drop from 18.2% to 17.3%. The results of this study differ from those of research (Rizal & Shauki, 2019), which claim that the implementation of PSAK 71 will have the effect of increasing the amount of

CKPN on loans that will affect the company's capital, and Witjaksono, (2017), who claim that it will have the effect of decreasing the KPMM/CAR. The technique and sampling used in the research are to blame for this discrepancy. Early adopters of PSAK 71 comprised the research sample used in (Rizal & Shauki, 2019) research that used a mixed methodology (consisting of six banks, namely three foreign banks, two state banks, and one national private bank). In the meantime, Witjaksono investigated the banks that are mentioned in BUKU 2. Because BBNI, which has an increase in CKPN on credit, does not experience a fall in CAR, it follows that, in the application of PSAK 71, when CKPN on credit increases, as demonstrated by BBNI and BBTN, it will not necessarily lower the CAR ratio of the banking sector. CAR ratio year over year.

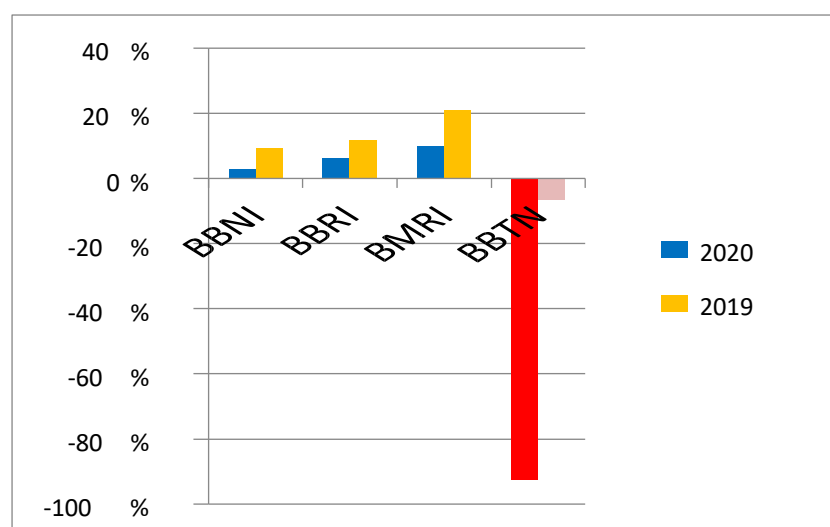
Based on the previously mentioned reasoning, it can be deduced that BBNI has raised CKPN on loans but has not experienced a decline in CAR ratio year over year, indicating that when CKPN on loans increases, as indicated by BBNI and BBTN, it will not necessarily decrease the banking CAR ratio. . In addition, BBRI and BMRI saw an increase in the CAR ratio on a year-over-year basis, despite the fact that BBRI and BBNI did not have an increase in CKPN on loans. Of course, circumstances like an increase in the CKPN on credit will cause the KPMM/CAR to decrease. The degree to which PSAK 71 treatment will reduce KPMM/CAR depends on a number of factors, including (Suroso, 2017:163):

1. Profitability level
2. Risk Weighted Assets (RWA)
3. Credit Quality Profitability level

The Impact of the Implementation of PSAK 71 on the Financial Performance of State Owned Banks(BUMN) Listed on the IDX Before and After the Implementation of the Standards.

Information about the percentage of banking profits listed on the IDX for the years 2020 and 2019 is displayed in the sidebar *bar chart*. Four state-owned banks *underperformed* overall in 2020 compared to 2019. The three state-owned banks did have an increase in net profit, as shown by BBNI's 2.7%, BBRI's 6.2%, and BMRI's 10%, although this development was only marginally higher than the year before. BBTN, on the other hand, experienced no increase and instead decreased by 92.5%.

Figure 3
BUMN Banking Profit in 2020 and 2019



Source: State-owned Banking Financial Reports (BUMN) for 2020 and 2019, Annual Report (Data Processed)

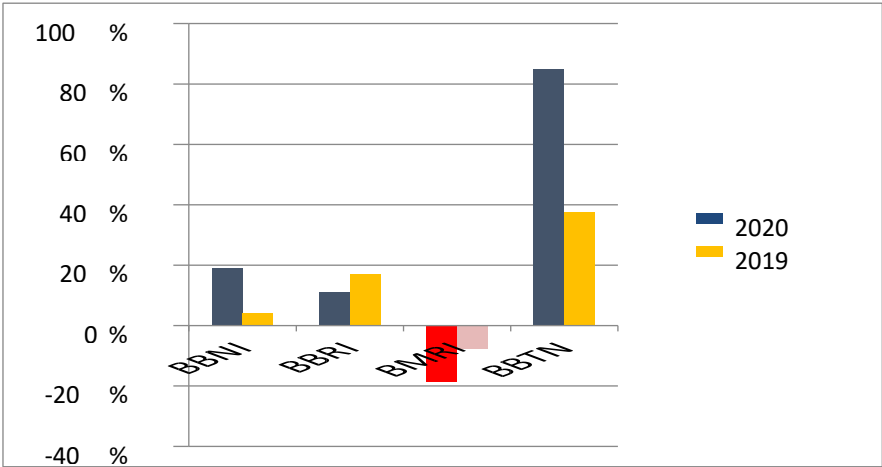
The Analysis of Changes in Implementation to Psak 71 Post-Covid 2019 on Allowance for Impairment Losses (in Bumn Banking Sector Companies Listed on the IDX)

Rafika Sari, Yevi Dwitayanti

As can be observed, the red plate issuer (BBNI) only made a profit after taxes of Rp at the end of 2020. 1,550 trillion. With profit after tax already at Rp, there was a rise of 2.6% from the prior year. 15 billion. Similar to BBNI, BBRI was only able to turn a Rp profit after taxes. 2020 will see a 3.4% growth to 34.4 trillion. from the Rp 32.4 trillion of the preceding year. BMRI too experienced almost the same fate. At the end of 2020, the performance of the bank with the gold ribbon logo only showed a 10% increase in profit after tax from Rp25,9 trillion to Rp28.5 trillion. This rise was still less than the preceding period's growth, which was 21% and could be considered *double-digit* growth.

It is clear that BTN's profit after tax, as of December 31, 2020, was Rp. 209.3 billion, down 92.5% from the company's total profit of Rp. 2.8 trillion in 2019. According to Nixon, who served as BTN's director of finance (in Gideon, 2020), the bank's profitability fell as a result of implementing PSAK 71. In accordance with the PSAK regulations, banks must have a respectable CKPN with *coverage* that must be higher than 100% by early 2020. As shown in Figure 5 Total State-Owned Bank CKPN in 2020 and 2019 on the following page, bank BTN did grow the CKPN by a sizable amount last year, namely 84.9%. Other state-owned banks (BUMN), in contrast, did not raise CKPN as much as bank BTN. In other words, when PSAK 71 was applied to state-owned banking companies' financial performance before and after the standard's application, the company's earnings indicated a change that was less than before the standard's adoption.

Figure 4
Total State-Owned Banking CKPN in 2020 and 2019



Source: 2019 State-Owned Enterprise Banking (BUMN) Financial Report and Annual Report (Data Processed)

Based on the explanation that has been described previously, that in the application of PSAK 71 on the financial performance of state-owned banking companies before and after the application of the standard, the changes in company profits are less than before the implementation of the standard. The author concludes that the impact of the application of PSAK 71 on the profit/loss of BUMN banking is quite significant because the four BUMN banks experienced a percentage slowdown in growth compared to the previous year. The implementation of the Financial Accounting Standards Guideline (PSAK) 71's regulations, according to PT Bank Negara Indonesia (Persero) Tbk, will reduce bank capital. The impact of the regulation's diminishing earnings on the business, even for the issuer with the BBNI stock code, is still within safe bounds. This is still a trial period, if the initial calculations are there (eroding BNI's profit), but it's still *back and forth*, according to BNI's

Director of Management and Risk Bob Tyasika Ananta (in Miftahudin, 2019). It has been established that the realization of Bank BNI's net profit in the 2020-2021 period only increased by 2.7%, a significant decline compared to the 2019-2020 period, which increased by 9.4%.

Suprajarto, President and Director of BRI, said "The creation and implementation of PSAK 71 have been taken into account when calculating BRI's earnings. Therefore, we are optimistic that our credit growth can still reach *double digits* when we are ready to execute PSAK 71 in 2020 ". But because Bank BRI was only able to experience an increase of 6.2% from the previous year, the profit realization that actually took place was not in the *double digits*. Executor of tasks. "With the increase in the quota for CKPN, Bank Tabungan Negara's net profit is in the area of Rp. 801 billion in the third quarter," said Oni Febriarto R., President Director of Bank BTN. We want the ratio of CKPN to keep rising until the year's limit, which is set at a level over 70%. This is demonstrated by the fact that Bank BTN's realized profit decreased by 92.5%.

As of the third quarter of 2019, Bank Mandiri reported a combined net profit of Rp 20.3 trillion, up 11.9% annually (yoy). The business will continue to raise its profits by *double digits* by the end of this year. Bank Mandiri did manage to keep profit growth in the *double digits* of 10% over the 2019–2020 period, however when compared to the prior time, Bank Mandiri saw a marked fall in profit while the bank with the gold ribbon emblem was able to produce 21% profit.

Obviously, situations like the one where the CKPN on credit increases will decrease the KPMM/CAR so that it suppresses banking profit/loss cannot be regarded as "black and white," thus this circumstance does not necessarily apply to the bank as a whole. According to the author's analysis, there are a number of factors that have a significant impact on how much profit will result from the adoption of PSAK 71 in relation to the drop in banking profit/loss, including:

1. Allowance for Impairment Losses (CKPN)
2. Third-party funds (DPK)
3. *Non-Performing Loan* (NPL)
4. Credit growth
5. Interest income

CONCLUSIONS AND RECOMMENDATION

The consequence of applying PSAK 71 will result in a rise in CKPN on loans, which will have an impact on the company's capital. Because the method used in PSAK No. 71 will use the expected credit loss method to determine the expected credit loss, loans that were not previously formed by CKPN will be formed depending on whether there is credit risk exposure or not, as shown by BBNI and BBTN which are seen in the observation year. This will result in an increase in the amount of CKPN on loans. Since there were banks in BUMN banking that experienced an increase in CKPN on loans as indicated by BBNI and BBTN, but there were also banks that experienced a decrease in the value of CKPN on loans as indicated by BBRI, there is no clear correlation between the application of PSAK 71 and CKPN on credit. In other cases, the CKPN value for credit as indicated by BMRI actually decreased. In the implementation of PSAK 71, when CKPN on loans grows, as demonstrated by BBNI and BBTN, it will not necessarily result in a fall in the CAR ratio of the banking sector as BBNI has raised CKPN on loans but does not experience a decrease in the CAR ratio on a year-over-year basis. Even though BBRI and BBNI didn't actually experience a rise in CKPN on credit, BBRI and BMRI also had an increase in the CAR ratio on a year-over-year basis. Suggestion, Before the implementation of PSAK 71, the change in corporate earnings was greater than it is now. The adoption of PSAK 71 has had a substantial impact on the profit and loss of the banking industry, since the growth of four state-owned banks (BUMN) has slowed, It goes without saying that if the CKPN on credit tightens, it will decrease Capital Adequacy Ratio (CAR) and suppress banking profits/losses, but this situation is not always applicable to the bank as a whole because it cannot be interpreted entirely in "black and white."

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