

T A Study of the Impact of PSAK 71 Implementation on Financial Performance and Capital Adequacy Ratio

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ABSTRACT

This study intends to compare bank financial performance in terms of net income before and after applying PSAK 71 to CKPN in terms of bank credit, capital, and financial performance. This research employs quantitative data in the form of published bank financial statements and the bank's financial ratios to analyze the impact of the new PSAK 71. The results of this study show that PSAK 71 adoption has a favorable effect and that it can provide useful data for financial report users to estimate total, period, and future cash flow uncertainty. However, there are some adverse effects, such as a rise in CKPN and a decrease in KPPM (or Capital Adequacy Ratio). The CKPN will rise by up to 50%, while the KPPM will fall by 5%. Because the decrease of CKPN could have an impact on the Bank performance and there will be more risk to be managed by the Bank, it is crucial for the Bank to make solid preparations from the strategic viewpoint, technical, and operational side.

Keywords: PSAK 71, Financial, Financial Performance, Minimum Capital



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INTRODUCTION

Banks has an important role in the economic system of a country (Indrianasari et al., 2020). The main role of the Bank is to be a financial intermediation institution that collects funds from the community sourced from third party funds or known as deposits, demand deposits, and savings, then the funds are channeled back to business institutions or individuals in the form of credit or other forms in order to improve people's living standards (Bhegawati & Utama, 2020). The Bank must maintain its soundness by applying the principles of prudence and Risk Management in carrying out its business activities, so that the functions of the bank can run well and they can maintain the trust that has been given by the community. This is in accordance with Bank Indonesia Regulation (PBI) No: 13/1/PBI/2011 concerning the soundness assessment of commercial banks, where the soundness of the Bank is the result of an assessment of the bank's condition carried out on risk and good performance.

Accounting has a very important role in providing information related to the health of the bank, one of its roles is to provide quality bank financial statements (Mosteanu & Faccia, 2020). The main

foundation of accounting in Indonesia is the Statement of Financial Accounting Standards (PSAK) and its interpretation published by the Indonesian Institute of Accountants (IAI). In addition, IAI together with the regulator of the accounting profession in the banking industry has developed Indonesian banking accounting guidelines (PAPI) intended for commercial banks. In converging IFRS, developing countries such as Indonesia use a gradual strategy by adopting IFRS gradually. The first phase of the conference was held in 2012 where generally SAK as of January 1, 2012 has been conducted on IFRS standards as of January 1, 2009. The second phase of convergence continued in 2013 and 2014. Effective as of January 1, 2015, SAK effective as of January 1, 2014. Thus, the difference between SEK and IFRS Standards has been minimized from the previous three years to one year. In June 2017, The Financial Accounting Standards Board (DSAK) issued PSAK 71: Financial Instruments which is an adoption of IFRS 9 Financial Instrument to replace PSAK 55 Financial Instruments. PSAK 55 is one of the main references used by banks. PSAK 71 is valid from 1 January 2020. The banking industry is the industry most significantly affected by PSAK 71 because most of the assets and liabilities owned by banks are financial instruments. PSAK 71 requires banks to have an allowance for impairment losses (CKPN) on financial instruments owned by the bank is greater than PSAK 55.

Based on the background, the implementation of PSAK 71 which replaces PSAK 55 will affect the bank's financial statements, because most of the components in the bank's financial statements are financial instruments. Changes in the SAK will also affect the bank's financial ratios. Therefore, researchers will analyze the effect of simulation application of PSAK 71 in Bank X with the main formulation of the research problem as follows:

1. Is there any effect of CKPN and Profit on the Bank's Financial Performance on the implementation of PSAK 71?
2. Is there any effect of CKPN and Profit on the Bank's Minimum Capital Requirement on the implementation of PSAK 71?

In addition, this study is limited to: 1) the effect on the application of PSAK 71 conducted at Bank X using simulation to calculate the effect of PSAK 71 on financial instruments, especially on CKPN and Net Profit. 2) to measure the effect of financial performance to be studied limited to financial ratios ROA, ROE, DER and LDR. and 3) The Bank's capital level will be examined through the minimum capital provision obligation with Capital Adequacy Ratio (CAR) in the observation period. Based on the main formulation of research problems that have been described, the purpose of this study is:

1. To determine the effect of CKPN and Profit on the Bank's Financial Performance on the implementation of PSAK 71.
2. To determine the effect of CKPN and Profit on the Minimum Capital Adequacy Requirement on the implementation of PSAK 71.

Literature Review

Financing Accounting Standards (SAK)

Financial Accounting Standards (SAK) consists of a statement of Financial Accounting Standards (PSAK) and interpretation of Financial Accounting Standards (ISAK) issued by the Financial Accounting Standards Board of the Indonesian Institute of accountants (DSAK IAI) and the Sharia Accounting Standards Board of the Indonesian Institute of accountants (DSAS IAI) as well as capital market regulatory regulations in the field of accounting for entities under its supervision. From 1 January 2015, the PSAK applicable in Indonesia is in line with the International Financial Reporting Standards (IFRS) applicable from 1 January 2014. DSAK IAI has managed to minimize the difference between the two standards, from three years on January 1, 2012 to one year on January 1, 2015. This is a commitment of the Government of Indonesia through DSAK IAI in its role as the only member of the G-20 in Southeast Asia.

PSAK 55: Financial Instruments: Recognition and Measurement

SFAS 55 Financial Instruments: Recognition and measurement is the result of the adoption of all provisions of IAS 39 financial instruments. An entity recognizes a financial asset or financial liability on its balance sheet, if the entity is a party to the contractual provisions of that instrument relating to the purchase of the common financial asset. Receivables are recognized in the statement of financial position if the entity is part of the receivables contract. Account receivables transactions associated with lending, then account receivables recognized by the entity at fair value and account receivables that can still be collected but the payment process is late from the agreed account receivables agreement, the calculation of impairment based on the value of the cash flow. The entity estimates the time of receipt of cash from the account receivable, then calculates the value of the account receivable using the market interest rate (Pulumbara et al., 2014).

PSAK 71: Financial Instrument

PSAK 71 is the basis for the rules related to the approach to the classification of financial assets through the business model of an entity in managing financial assets and the characteristics of contractual cash flows from financial assets. Financial assets can be classified into three, namely, measured at Fair Value Through Income Statement (FVTPL), measured at amortized cost or fair value through other comprehensive income (FVTOCI). However, an entity may exercise an irrevocable option upon initial recognition of an investment in certain equity instruments generally measured at fair value through profit or loss, so that changes in fair value are reflected in other comprehensive income (PSAK 71,2018). PSAK 71 introduces the expected credit loss method in measuring financial instrument losses due to impairment of financial instruments. Unlike the previous PSAK 55, which recognizes credit losses when credit loss events occur. The method introduced by PSAK 71 requires immediate recognition of the impact of changes in expected credit losses after initial recognition (Witjaksono, 2017).

Financial Performance

The company's financial performance according to Brigham and Houston (2001) measured using financial ratio analysis to determine the advantages of the company's strengths and simultaneously, correcting the weaknesses of the company. To measure the financial performance of a company in a period, it usually uses financial ratios as stated by Brigham and Houston, both solvency ratios, liquidity ratios, and profitability ratios. The profit ratio used in this study is the Return on Assets (ROA) and Return on Equity (ROE). ROA is used to improve the ability of bank management in managing its activities to generate income (Ameliana, 2021). While Return on Equity according to Agus (2010) which measures the ability of the company in obtaining profits available to shareholders of the company. This ratio is influenced by the size of the company's debt, if the proportion of debt is getting bigger, then this ratio will be even greater. Solvency ratio used in this study is the debt-to-equity ratio. According to Riyanto (1995) debt to equity ratio is used to measure the part of each rupiah which is its own capital that is used as collateral for the entire debt. According to Ameliana (2021), the effect of implementing PSAK 71 on DER is a decrease that occurs due to the amount of CKPN which will reduce the increase in assets where bank liabilities (third party funds or obligations for investment) increase. To reduce the risk of default, the bank will implement liquidity risk by making maturity gap per month up to 5 years.

Ardhienus (2018) in Kartika et al. (2022) argues that the process of calculating and providing reserve funds when bad debts occur in PSAK 71 and this is very different from the previous PSAK. Based on PSAK 71, allowance for impairment of financial assets or commonly called CKPN is formed at the beginning of the credit period and applies to all types of loans and loans granted, whether in the current, suspicious or bad categories. The implementation of PSAK 71 on CKPN has an impact on banking companies, especially on changes in financial performance because the largest assets owned by banks are loans. In other words, the implementation of PSAK 71 will indirectly affect the LDR ratio, because the LDR ratio is the determining ratio of the company's ability to distribute its core capital. Capital is a certain amount of funds placed by the shareholders as founders of a business

entity to finance the bank's business activities and to meet the regulations set by the Monetary Authority. The ratio to measure the adequacy of bank capital is Capital Adequacy Ratio (CAR). CAR is a ratio that shows how much of all bank assets that contain risk elements such as loans, investments, securities, bills in other banks financed by own capital. The CAR ratio is a comparison between own capital and risk-weighted assets. CAR is a ratio that shows how far all bank assets that contain risk (credit, investments, securities, bills on other banks) can be financed from its own capital (core capital). Then, funds derived from sources outside the bank, such as public funds, loans (debt), and others.

Hypothesis Development

CKPN calculation method in PSAK 71 using expected loss method that is forward-looking. The Financial Accounting Standards Board considers that the expected loss method forces banks to estimate the risk of financial instruments from their initial recognition using forward-looking information such as predictions of economic growth, inflation, unemployment rates, and commodity price indices at each reporting date. In the approaching 12 months, the company must provide various categories of CKPN for various types of loans, doubtful (underperforming), as well as non-performing such as current loans, CKPN which must be provided by the corporation based on the prediction of credit losses. As discussed, the KPMM/CAR ratio is a comparison between capital (core capital plus complementary capital) with ATMR. The use of capital changes is based on the consideration that the increase in the formation of CKPN has a very large influence on the achievement of profitability (profit/loss) and very influential on core capital (Suroso, 2017). Changes in the method used in determining the CKPN regulated in PSAK 71 have an important influence in the banking industry. The implementation of this standard makes banks have to prepare a larger CKPN because it will affect the capital Adequacy Ratio (CAR). The impact of the implementation of PSAK No. 71 that raising the CKPN rate on credit will affect the company's capital. Witjaksono (2017) also believes that the impact of the implementation of PSAK 71 produces a decreasing effect on KPMM / CAR banking. The results of a study conducted at one of the National private banks included in the buku 2 group showed that the application of PSAK 71 had an impact on reducing KPMM/CAR by an average of 0.28%.

METHODS

Research Object

The object of research is a scientific objective to obtain data with a specific purpose and function, valid and reliable about a particular variable. The object of research in this study is the analysis of the effect of the application of PSAK 71 on financial performance and minimum capital provision obligations in Bank X. The Unit of analysis becomes important in a study. This relates to the place of research and research section of the unit of analysis. Unit of analysis in this study is on the financial performance and minimum capital provision obligations in Bank X. This research method is descriptive quantitative. According to Sumadi (2013) definition of descriptive method is a study to make a description of certain situations.

Variable Measurement

Operational research variable is an attribute or nature or value of the object or activity that has a certain variation that has been determined by the researcher to be studied and then drawn conclusions in accordance with the title of this research proposal, Analysis of the effect of PSAK 71 implementation on financial performance and Minimum capital supply obligation. So, the related variables in this study are as follows:

1. Independent Variable (X)
 - a. Proposed Impairment Losses (CKPN)
 - b. Net Profit of the Bank
2. Dependent Variable (Y)

- a. Financial Performance (ROA, ROE, LDR and DER)
- b. Minimum Capital Provision Obligation (CAR)

Data Sources and Data Collection Methods

To support the purposes of analyzing research data, researchers need a number of supporting data. The data collected in this study include secondary data. Secondary Data were used to analyze the effect of PSAK 71 implementation on financial performance and minimum capital requirement of banks. In this study, the data collection method used is the study of documentation, by collecting data, recording and reviewing secondary data in the form of company financial statements that have been published during the observation period. This study took data at PT. Bank X is a bank BUMD KBMI (group of banks based on core capital). Secondary Data this study uses quantitative data in the form of Quarterly Financial Statements of banks and quarterly financial ratios of Banks 2018-2021 Bank statements which are simulation data for the calculation of financial ratios and minimum capital supply obligations of banks. Stages of analysis in this study include descriptive statistical test, normality test, and hypothesis test using paired sample t-test. Descriptive statistical tests are statistical methods used to collect, summarize, present and describe data, thereby providing useful information. Data presented in descriptive statistics are usually in the form of measures of data centralization (mean, median and module) as well as measures of data dispersion (standard deviation and variance) (Nisfiannoor, 2009). To test the hypothesis can be done by two alternative methods, namely parametric statistical tests and nonparametric statistical tests. Determination of the use of the method is carried out based on the results of the normality test. If the test results show a normal distribution of data, then used parametric statistical tests using the technique of paired sample t-test/ a two-tailed test. Meanwhile, if the test results show the data is not normally distributed then used nonparametric statistical tests that use Wilcoxon signed ranks test.

RESULTS AND DISCUSSION

Respondents' Profile

Based on the results of the normality test above, it is known that the overall value of the data of this study has a normal distribution of data because it exceeds Sig. value. 0.05 except DER_PSAK71 which has a Sig value. 0.006 or < 0.05. Therefore, because there is one component of research data that is not normally distributed, the paired sample t-test in this study will use the Wilcoxon test.

1. Analysis Results CKPN

Table 1 PSAK 55 and PSAK 71 CKPN Simulation Results (in millions)

CKPN	Quarterly I	Quarterly II	Quarterly III	Quarterly IV	Mean
PSAK 55 2018	540.543	482.819	460.394	628.568	528.081
PSAK 55 2019	650.577	1.296.598	1.372.501	681.233	1.000.227,25
PSAK 71 2020	1.933.278	1.852.701	545.565	430.381	1.190.481,25
PSAK 71 2021	493.004	401.006	469.146	397.575	440.182,75
Total PSAK 55	1.191.120	1.779.417	1.832.895	1.309.801	1.528.308,25
Total PSAK 71	2.426.282	2.253.707	1.014.711	827.956	1.630.664
	1.235.162	474.290	-818.184	-481.845	102.355,75
Up (down) in %	69,41%	26,65%	-44,63%	-36,78%	3,66%

Source: Data Processed (2022)

Based on the results of analysis/simulation changes made in the first quarter, there was an increase of Rp 1,235,162,000,000 or 69.41% and in the second quarter increased by Rp 474,290,000,000 or 26.65%. However, there was a decrease in the third quarter of Rp 818,184,000,000 or 44.63% and in the fourth quarter of Rp 481,845,000,000 or 36.78%. If accumulated as a whole, an increase of Rp 102,355,750,000 or 3.66%. This result confirms that the implementation of PSAK 71 has an impact on the increase in CKPN by 3.66%. In addition, based on the results of the Wilcoxon test above, it is known that the value of Asymp.Sig (2-tailed) is 0.012 or < 0.05. That is, there is a difference in the value of CKPN after the implementation of PSAK 71.

2. Analysis Results Net Profit

Table 1 PSAK 55 and PSAK 71 Net Profit Simulation Results (in millions)

LABA	Triwulan I	Triwulan II	Triwulan III	Triwulan IV	Rata-Rata
PSAK 55 2018	454.179	886.550	1.320.902	1.531.235	1.048.216,5
PSAK 55 2019	412.901	787.232	1.114.892	1.541.852	964.219,25
PSAK 71 2020	415.565	795.476	118.634,4	1.682.122	752.949,35
PSAK 71 2021	477.832	914.692	1.399.428	2.014.275	1.201.556,75
Total PSAK 55	867.080	1.673.782	2.435.794	3.073.087	2.012.435,75
Total PSAK 71	893.397	1.710.168	1.518.062,4	3.696.397	1.954.506,1
	26.317	36.386	-917.731,6	623.310	-57.929,65
Up (down) in %	3,03%	2,17%	-37,67%	20,28%	-3,04%

Source: Data Processed (2022)

The results of analysis/simulation conducted in the first quarter, there was an increase of Rp 26,317,000,000 or 3.03% and in the second quarter increased by Rp 36,386,000,000 or 2.17%. However, there was a decrease in the third quarter of Rp 917,731,600,000 or 37.67% and in the fourth quarter there was an increase of Rp 623,310,000,000 or 20.28%. If accumulated as a whole, there was a decrease of Rp 57,929,650,000 or 3.04%. This result confirms that during the implementation of PSAK 71, the impact on net profit decreased by 3.04%. While the Wilcoxon test results show the value of Asymp.Sig (2-tailed) is 0.012 or < 0.05. This means that there is a difference in the value of Net Profit after the implementation of PSAK 71.

3. Analysis Results Net Profit

Table 3 PSAK 55 and PSAK 71 CAR Simulation Results

CAR	Quarterly I	Quarterly II	Quarterly III	Quarterly IV	Mean
PSAK 55 2018	17,33%	17,44%	17,53%	18,63%	17,73%
PSAK 55 2019	18,57%	16,94%	16,62%	17,71%	17,46%
PSAK 71 2020	17,08%	16,72%	16,59%	17,31%	16,93%
PSAK 71 2021	17,05%	16,86%	17,71%	17,78%	17,35%
Total PSAK 55	35,90%	34,38%	34,15%	36,34%	35,19%
Total PSAK 71	34,13%	33,58%	34,30%	35,09%	34,28%
Up (down) in %	-1,77%	-0,80%	0,15%	-1,25%	-0,92%

Source: Data Processed (2022)

The analysis/simulation results show that there is a change in the value of Capital Adequacy Ratio (CAR) after adopting PSAK 71. In the first quarter, there was a decrease of 1.77% and in the second quarter decreased by 0.80%. However, there was an increase in the third quarter of 0.15% and in the fourth quarter there was a decrease of 1.25%. If accumulated as a whole, there is a decrease of 0.92%. This result confirms that the implementation of PSAK 71 has an impact on the decrease in CAR by 0.92%. While the Wilcoxon test results show the value of Asymp.Sig (2-tailed) is 0.123 or > 0.05. That is, there is no difference in the value of the CAR after the implementation of PSAK 71.

4. Analysis Results ROA

Table 4 PSAK 55 and PSAK 71 ROA Simulation Results

ROA	Quarterly I	Quarterly II	Quarterly III	Quarterly IV	Mean
PSAK 55 2018	2,08%	2,06%	2,08%	1,71%	1,98%
PSAK 55 2019	1,91%	1,80%	1,68%	1,68%	1,77%
PSAK 71 2020	1,80%	1,65%	1,61%	1,66%	1,68%
PSAK 71 2021	1,67%	1,61%	1,64%	1,73%	1,66%
Total PSAK 55	3,99%	3,86%	3,76%	3,39%	3,75%
Total PSAK 71	3,47%	3,26%	3,25%	3,39%	3,34%
Up (down) in %	-0,52%	-0,60%	-0,51%	0,00%	-0,41%

Source: Data Processed (2022)

The analysis/simulation results showed that in the first quarter, there was an increase of 3.47% and in the second quarter increased by 3.26%. However, there was an increase in the third quarter of 3.25% and in the fourth quarter there was an increase back by 3.39%. If accumulated as a whole, there is a decrease of 3.34%. This result confirms that the implementation of PSAK 71 has an impact on the increase in ROA by 3.34%. While the Wilcoxon test results show the value of Asymp.Sig (2-tailed) is 0.030 or < 0.05. That is, there is a difference in the value of ROA after the implementation of SFAs 71.

5. Analysis Results ROE

Table 5. PSAK 55 and PSAK 71 ROE Simulation Results

ROE	Quarterly I	Quarterly II	Quarterly III	Quarterly IV	Mean
PSAK 55 2018	22,00%	21,72%	21,51%	18,31%	20,89%
PSAK 55 2019	17,37%	16,93%	16,11%	16,51%	16,73%
PSAK 71 2020	16,20%	16,31%	16,15%	16,95%	16,40%
PSAK 71 2021	18,60%	17,98%	17,99%	19,01%	18,40%
Total PSAK 55	39,37%	38,65%	37,62%	34,82%	37,62%
Total PSAK 71	34,80%	34,29%	34,14%	35,96%	34,80%
Up (down) in %	-4,57%	-4,36%	-3,48%	1,14%	-2,82%

Source: Data Processed (2022)

The analysis/simulation results showed that in the first quarter, there was a decrease of 4.57% and in the second quarter decreased by 4.36%. However, there was a decline again in the third quarter of 3.48% and in the fourth quarter there was an increase of 1.14%. If announced as a whole, there is a decrease of 2.82%. This result confirms that the implementation of PSAK 71 has an impact on reducing ROE by 2.82%. While the Wilcoxon test results show the value of Asymp.Sig (2-tails) is 0.484 or > 0.05. That is, there is no difference in the value of ROE after applying PSAK 71.

6. Analysis Results LDR

Table 6. PSAK 55 and PSAK 71 LDR Simulation Results

LDR	Quarterly I	Quarterly II	Quarterly III	Quarterly IV	Mean
PSAK 55 2018	81,63%	86,43%	88,25%	97,89%	88,55%
PSAK 55 2019	88,93%	87,10%	88,06%	97,81%	90,48%
PSAK 71 2020	93,58%	94,56%	78,37%	86,32%	88,21%
PSAK 71 2021	84,37%	80,92%	78,27%	81,68%	81,31%
Total PSAK 55	170,56%	173,53%	176,31%	195,70%	179,03%
Total PSAK 71	177,95%	175,48%	156,64%	168,00%	169,52%
Up (down) in %	7,39%	1,95%	-19,67%	-27,70%	-9,51%

Source: Data Processed (2022)

The analysis/simulation results showed conducted showed that in the first quarter, there was a decrease of 7.39% and in the second quarter increased by 1.95%. However, there was a decrease in the third quarter by 19.67% and in the fourth quarter there was a decrease back by 27.70%. If accumulated as a whole, there is a decrease of 9.51%. This result confirms that the implementation of PSAK 71 has an impact on the LDR reduction of 9.51%. While the Wilcoxon test results show the value of Asymp.Sig (2-tailed) is 0.327 or > 0.05. That is, there is no difference in the value of LDR after the implementation of SFAs 71.

7. Analysis Results DER

Table 7. PSAK 55 and PSAK 71 DER Simulation Results

DER	Quarterly I	Quarterly II	Quarterly III	Quarterly IV	Mean
PSAK 55 2018	9,30%	12,32%	12,62%	11,57%	11,45%
PSAK 55 2019	12,30%	10,74%	10,83%	12,09%	11,49%
PSAK 71 2020	11,01%	10,44%	9,08%	10,40%	10,23%
PSAK 71 2021	10,28%	9,51%	9,35%	10,04%	9,80%
Total PSAK 55	21,60%	23,06%	23,45%	23,66%	22,94%
Total PSAK 71	21,29%	19,95%	18,43%	20,44%	20,03%
Up (down) in %	-0,31%	-3,11%	-5,02%	-3,22%	-2,92%

Source: Data Processed (2022)

The analysis/simulation results showed that in the first quarter, there was a decrease of 0.31% and in the second quarter decreased by 3.11%. However, there was a decrease in the third quarter by 5.02% and in the fourth quarter there was a decrease back by 3.22%. If accumulated as a whole, there is a decrease of 2.92%. These results confirm that the implementation of PSAK 71 has an impact on DER reduction of 2.92%. While the Wilcoxon test results show the value of Asymp.Sig (2-tailed) is 0.036 or < 0.05. That is, there is a difference in the value of DER after the implementation of SFAs 71.

Discussion

The Effect of CKPN and Profit on the Bank's Financial Performance

Based on the results of the analysis that has been done, it is known that the four ratios that are proxies of financial performance which include ROA, ROE, LDR and DER, only ROA and DER are proven to have differences through the paired sample t-test Test after the implementation of PSAK 71. These results reinforce the results of the analysis of the increase or decrease in the value of financial performance showed in the variables ROA and DER in each quarterly financial statements decreased. The effect of the application of PSAK 71 to the ROA variable can be caused by the depreciation of income from lending caused by the reserved CKPN continues to be large and reduces the capacity of banks to distribute credit. If viewed from the theory of signals where if profitability increases, it will give a good signal, while if profitability decreases it will give a bad signal. Therefore, the application of PSAK 71 causes banking profitability to experience a significant decrease, according to signal theory, if it gives a bad signal, it will have an impact on banking capital (Kustina & Putra, 2021). ROE is a form of profitability ratio used to measure the amount of profit generated from Capital Investments issued. The results showed that the application of PSAK 71 does not affect the value of ROE. This is possible because the application of PSAK 71 does not fully affect the ROE value, but changes in the ROE value can be caused by other factors.

The implementation of PSAK 71 on CKPN has an impact on banking companies, especially changes in financial performance because the largest assets owned by banks are loans. In other words, the implementation of PSAK 71 will indirectly affect the LDR ratio because the LDR ratio is the determining ratio of the company's ability to distribute its core capital. However, this study shows that the application of PSAK 71 does not affect the LDR value. This is possible because the

application of PSAK 71 does not fully affect the LDR value, but changes in the LDR value can be caused by other factors. According to Ameliana (2021), the effect of the application of PSAK 71 on DER is that a decrease occurs because the amount of CKPN will reduce the increase in assets. Where the bank's liabilities (third party funds or investment obligations) increase, to reduce the risk of default, the bank will implement liquidity risk by making maturity gap per month up to 5 years.

The Effect of CKPN and Profit on the Bank's Minimum Capital Requirement

Based on the results of the analysis, it is known that the application of PSAK 71 does not have an impact on the achievement of profit/loss that will affect the capital aspect. The simulation results show that there is a decrease in CAR by 0.92%. However, based on the test results paired sample t-test showed no difference CAR before the application of PSAK 71 and after the application of PSAK 71. This means that the changes that have occurred in the CAR are not entirely due to the implementation of PSAK 71 at Bank BJB, but due to other factors. As it is known that the KPMM/CAR ratio is a comparison between capital (core capital and complementary capital) with ATMR. The use of this capital change is based on the consideration that the increase in the formation of CKPN which has a very large influence on the achievement of profitability (profit/loss) and this is very influential on core capital. It should also be understood that in the calculation of KPMM/CAR in banks, in particular, core capital consists of the main core capital, one of the components of which is profit for the current year and profit for past years, and additional core capital (Suroso, 2017). Larger CKPN will make the funds used to overcome the risk of loss is also greater, but on the contrary, when CKPN decline, funds used to cover non-performing loans will decrease, so there is no need for additional capital so as to make profits and bank performance will be better. However, based on the analysis it is known that the application of PSAK 71 does not affect the value of CAR. This is possible because the implementation of PSAK 71 does not fully affect the change in the value of the CAR after the adoption of PSAK 71 in the company. In other words, there are other factors that affect the change of CAR after the adoption of PSAK 71.

CONCLUSION

Based on the results of analysis and discussion that has been done, here are the conclusions: (1) Based on the results of the Wilcoxon test, it is known that the value of Asymp.Sig (2-tailed) is 0.030 or < 0.05 . That is, PSAK 71 which is proxied by CKPN and profit has a significant effect on ROA. Then the results of CKPN and profit on ROE with Asymp.Sig (2-tailed) 0.484 or > 0.05 , then, there is no effect of CKPN and profit on ROE. Furthermore, the effect of CKPN and profit on LDR is known that the Asymp.Sig (2-tailed) value is 0.327 or > 0.05 , then there is no effect of CKPN and profit on LDR. Then the effect of CKPN and profit on DER is known that the Asymp.Sig (2-tailed) value is 0.036 or < 0.05 . That is, CKPN and profit have a significant effect on DER. So it can be concluded that CKPN and profit can affect financial performance as proxied by ROA and DER. However, CKPN and profit have no effect on financial performance as proxied by ROE and LDR. (2) Based on the results of the Wilcoxon test, it is known that the Asymp.Sig (2-tailed) value is 0.123 or > 0.05 . This means that the application of PSAK 71 as proxied by CKPN and profit has no significant effect on the Minimum Capital Adequacy Requirement as proxied by CAR.

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