

LITERATURE REVIEW: “IMPLEMENTATION OF ALLOWANCE FOR IMPAIRMENT LOSS RESERVES BASED ON PSAK 71 IN FINANCIAL INSTITUTIONS”

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Abstract . The aims of this research are to determine the implementation of impairment loss reserves based on PSAK 71 in financial institutions using secondary data from 11 previous journals. This research used qualitative approach with literature review method. Result of a research is there are several important found in this research. The analysis of 11 journal publications related to the implementation of impairment loss reserves based on PSAK 71 in financial institutions from 2020-2024 is as follows: First, most of the methods used by previous journals were qualitative approaches using secondary data, some of which were sourced from the IDX website and interviews to answer phenomena related to the implementation of impairment loss reserves based on PSAK 71 in financial institutions, amounted 9 (82%) of 11 journals obtained. Meanwhile, quantitative approach used, amounted 2 (18%) of 11 journals obtained. Second, object of research conducted in previous research related to the implementation of impairment loss reserves based on PSAK 71 was dominated by bank financial institutions amounted 8 (73%) journals obtained. Meanwhile, non-bank institutions amounted 3 (27%) journals obtained. Third, based on the journals found by the authors based the object of previous research, there are 9 (82%) journals obtained that implemented PSAK 71. Meanwhile, there are 2 (18%) journals obtained that do not implemented PSAK 71. The implementation of PSAK 71 has been widely adopted by many entities. This indicates a significant trend towards compliance with the accounting standard, reflecting the importance placed on adhering to regulatory requirements within the financial reporting landscape.

Keywords: CKPN, PSAK 71, Literature Review

INTRODUCTION

DSAK (Dewan Standar Akuntansi Keuangan) started that PSAK 55 will be replaced by PSAK 71 on Financial Instruments and effective as of January 1, 2020. PSAK 71 has an adaptation of IFRS 9 which previously replaced IAS 39. Banking issuers as entities that have the characteristics of financial assets are one of the industries that feel the direct impact of changes in financial accounting standards (Witjaksono, 2018). Meanwhile, the effect is formed in the allowance for impairment losses previously based on PSAK 55 was replaced by PSAK 71 related to financial instruments (Rahayu, 2021).

A financial institution should apply accounting standard that are always changed one of which is the allowance for impairment

losses, one of them is previously regulated by PSAK 55 and since 2020 has become PSAK 71. Based on DSAK, the following are things that regulated by PSAK 71 related to financial instruments:

1. Classifications and Measurements

Classification of amortization cost and fair value, amortization cost if it meets the business model, the business model in question is the entity's goal to obtain cash flows specified in the agreement (contractual cash flows) and cash flows derived from principal and interest payments on the principal (Martani, 2019). Then, the measurement classification consists of Fair Value through Other Comprehensive Income (FVOCI), Fair Value Through Profit or Loss (FVTPL), and amortization cost (Suroso, 2017)

2. Impairments

Calculation of impairment of financial assets financial assets used approach of expected losses for making determination allowance for loan loss provision.

3. Hedging Accounting

According PSAK 71 the effectiveness test requirements are no longer used, then hedging accounting is based on more general requirements, based on management's judgment and decisions. Later financial statements show the risk management of an entity (Suroso, 2017).

Existence of a new standard PSAK 71, certainly aims to make financial instruments become more perfect and have a positive impact on financial institutions implement this standard. According, Rahayu (2021) purpose of provisioning for losses that are greater than before is to make financial institutions safer in facing difficult times such as crises or natural disasters in the future. Especially, banks can also apply the principle of skepticism or prudence in lending to customers because the greater the amount of credit disbursed, the greater the CKPN that must be set aside and this will result in decrease profit.

However, if in the future there is a decrease in profits after financial institutions implement PSAK 71. It is not caused poor financial performance, but because of the implementation of these standards and investors should view this as an opportunity to invest. A financial institution will have resilience when the economy is declining because the loss reserve will be needed, during bad economic conditions. Therefore, the author wants to know implementation of PSAK 71 in financial institutions based on the object of previous researched.

LITERATURE REVIEW

Financial Institutions

According to the SK Menkeu RI No. 792 of 1990, financial institutions is all bodies whose activities are in the financial sector, carry out collecting and distributing funds to the community,

especially for purposes finance company investments. Even though in these regulations the institution finance is prioritized to finance company investments, but it is not means limiting the financing activities of financial institutions. In fact, the business activities of financial institutions can be intended for company investment, consumption activities, and goods distribution activities and services.

The peoples know financial institutions in 2 forms, namely:

1. Bank Financial Institutions

Financial Institutions Banks are business entities that collect funds from the community in the form of savings, and channeling them returned to society in the form of credit or other forms to improve the standard of living of the people.

2. Non-Bank Financial Institutions

Financial institutions non-banks function as collectors of funds and distributors of funds from and community, the intention is to support developing money and capital markets and assisting with capital companies.

Allowance of Impairment Based on PSAK 71

Accounts receivable reserve is one of the methods to record losses caused by uncollectible receivables caused by uncollectible receivables. Provision for receivables is something that needs to be done so that later in the accounting recording process in the balance sheet there are no difficulties in calculating receivables and so that activities or activities in the accounting process continue to run well. Accounts receivable reserves can result in losses on uncollectible accounts. This accounts receivable reserve is something that is determined and carried out by a company in the accounting recording process on the balance sheet because of uncollectible receivables. The loss of receivables referred to here is a loss caused by a principle that explains that the receivables recorded in the balance sheet financial statements are only the amount of receivables that are expected could be collected (Firmansyah & Arifullah, 2021).

Impairment is a condition where the carrying value or book value of an asset exceeds its recoverable value. Based on PSAK 71, allowance for impairment is a reserve formed by banks to deal with the risk of loss caused to investment of funds in productive assets (Febrianti, 2019). Based on PSAK 71, the determination of losses on financial assets, namely loans in the allowance for impairment (CKPN), will always be updated and recognized from initial recognition to maturity without waiting until objective evidence is found. Even if during this period there is an indication of a decline such as an increasing risk of defaults by the debtor.

Based on PSAK 71 (Paragraph 5.5.1 and 5.5.4) related to the recognition of allowance for impairment (CKPN) is entity recognizes an allowance for expected credit on financial assets

that are measured as lease receivables and assets under credit contracts or commitments and financial guarantee contracts that have impairment requirements. Meanwhile, impairment requirements are intended to recognize expected credit losses over the life of all financial instruments whose credit risk increases significantly from initial recognition, whether assessed individually or in the aggregate taking into account all reasonable and supportive information, including forward looking information (Rahayu, 2021).

Based on PSAK 71 (Paragraph 5.5.1.8) related to the measurement of allowance for impairment (CKPN) is when measuring expected credit losses, an entity is not required to identify all possible scenarios. However, entities do consider the risk or probability of occurrence of a credit loss by reflecting the likelihood of occurrence and non-occurrence of a credit loss, even if the probability of occurrence is very low. The calculation of CKPN refers to forward looking.

PSAK 71: Changes in financial asset arrangement

Important changes in the regulation of financial instruments that appear in PSAK 71 of them are classification and measurement of financial instruments, and impairment of financial instruments. PSAK 71 stipulates that the classification of financial instruments uses an analysis approach to the entity's business model in managing financial instruments and the contractual cash flow characteristics of financial instruments (Kurniawati, 2021).

In this provisions, PSAK 71 among other things states of financial instruments are measured at fair value through profit or loss unless measured at amortized cost or fair value through other comprehensive income. After determining the classification criteria and measurement methods, PSAK 71 also provides guidelines for determining allowances for impairment on financial assets. PSAK 71 uses the expected credit method to measure losses on financial instruments due to a decrease in the value of financial instruments. Recognizing credit losses using the expected credit loss method, PSAK 71 requires immediate recognition of the impact of changes in expected credit losses after the initial recognition of financial assets. This is different from the regulation in PSAK 55 which recognizes credit losses when a credit loss event occurs (Fatiha Kurniadi et al., 2022).

The implementation of PSAK 71 regarding expected credit losses has the potential to increase expenses/losses from the business entity which will reduce the value of profits that can be recorded. Therefore, business entities need to be careful in considering the value of expected credit losses. Determining the expected credit loss value requires a lot of information and data so that the value determined is accurate. Several business entities in the guarantee industry have complained about the availability of this information and data. In investment transactions, this

information/data can be obtained but it does require effort for the business entity (Prajanto, 2022).

RESEARCH METHODS

This research used a qualitative approach with literature review method, also used secondary data in publication of journals. Researchers have been searching on the Google Scholar platform as many as 11 journals with various titles are focused on discussing implementation PSAK 71. According, Restu (2021) literature review is an analytical activity that can be in the form of criticizing research conducted on certain topics in the scientific field.

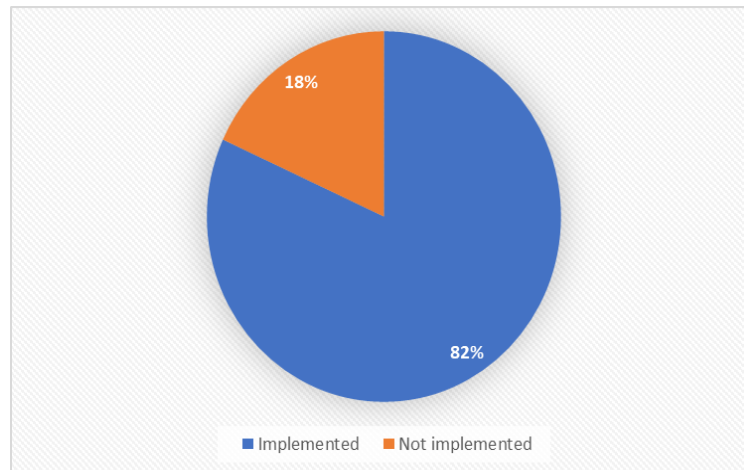
Data collection techniques include: (1) visit software publish or perish and then search for titles based on the title words category with the keyword "implementasi PSAK 71" for the entire time journals of years, since (2020-2024), (2) collected previous journals data relevant to the title collected into a folder and then entered into software Mendeley desktop (3) created a matrix table format to find out the category of each topic journals of implementation PSAK 71 (4) the number of each category in the matrix table is processed and a chart format is created using Microsoft Excel.

DISCUSSION

Implementation of PSAK 71 Based Object of Previous Journal Publications

Based on the journals found by the authors based the object of previous research, there are 9 journals that implemented PSAK 71 (Wardoyo et al., 2022; Fatiha Kurniadi et al., 2022; Firmansyah et al., 2022; Firmansyah & Nizar Arifullah, 2021; Khasify & Purwaningrum, 2023; Prajanto, 2022; Rahayu, 2021; Respati, 2024; Sibarani, 2021), Meanwhile, there are 2 journals that do not implemented PSAK 71 (Ilat et al., 2020; Kurniawati, 2021). Based on research by Kurniawati (2021) reason for not implementing PSAK 71 because mostly credit guarantee companies are still waiting for OJK regulations and attitude of other credit guarantee companies which despite understanding but have not yet implemented PSAK 71, can be categorized as mimetic isomorphism and based on research by Ilat., et al (2020) PT. Sarana Sulut Ventura has not yet formed CKPN according to accounting standard PSAK 71. From the explanation of these results can viewed in the following chart below:

Picture 1. Implementation PSAK 71

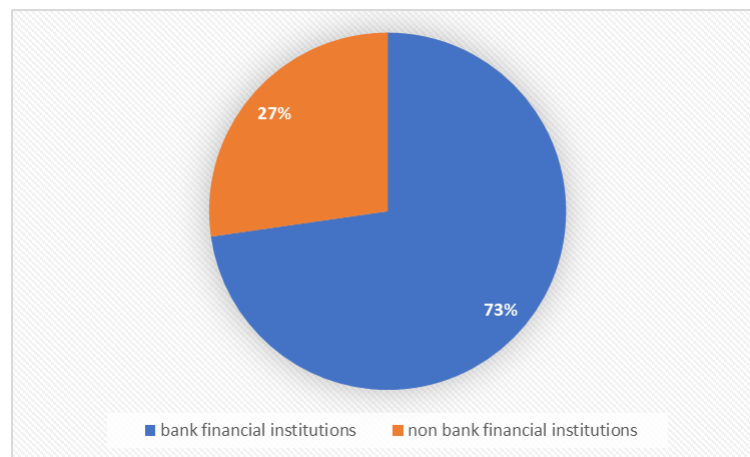


Source: processed secondary data

Data and Objects of Previous Research

Based on found by the authors, there are 8 journals whose research objects are in bank financial institutions (Wardoyo et al., 2022; Fatiha Kurniadi et al., 2022; Firmansyah et al., 2022; Firmansyah & Nizar Arifullah, 2021; Prajanto, 2022; Rahayu, 2021; Respati, 2024; Sibarani, 2021) and 3 journals in non-bank financial institutions (Ilat et al., 2020; Khasify & Purwaningrum, 2023; Kurniawati, 2021). Can viewed in chart below:

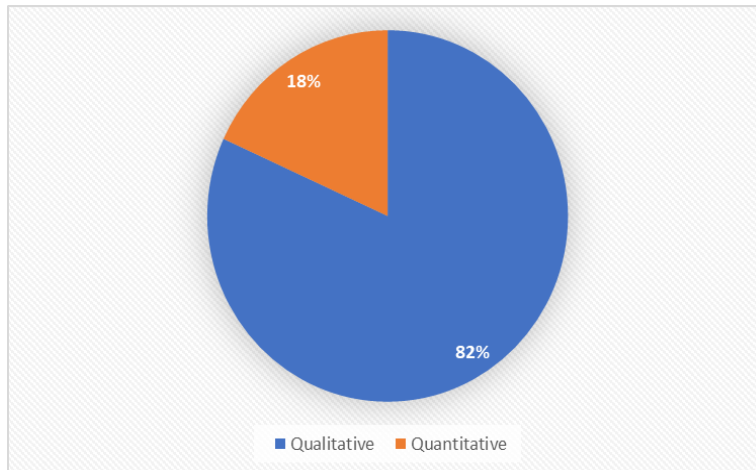
Picture 2. Object Research



Source: processed secondary data

Meanwhile, there are 9 journal publications using qualitative data (Wardoyo et al., 2022; Fatiha Kurniadi et al., 2022; Firmansyah & Nizar Arifullah, 2021; Ilat et al., 2020; Kurniawati, 2021; Prajanto, 2022; Rahayu, 2021; Respati, 2024; Sibarani, 2021) and 2 journal publications using quantitative data (Firmansyah et al., 2022; Khasify & Purwaningrum, 2023). Can viewed in chart below:

Picture 3. Data Research

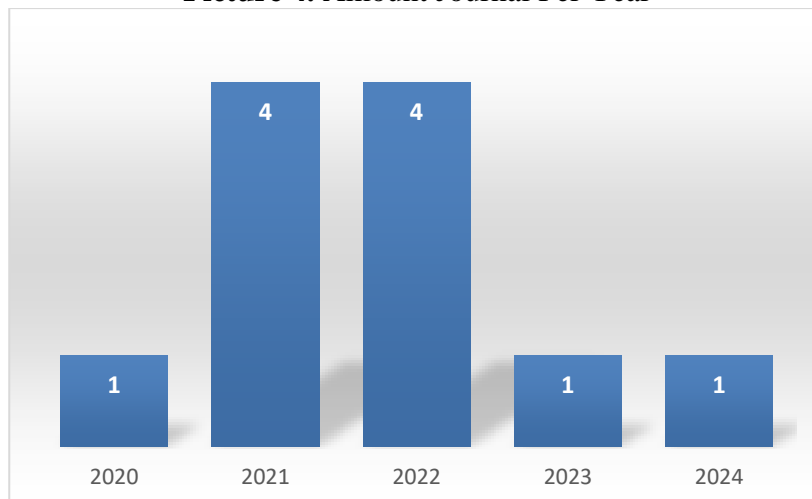


Source: processed secondary data

Periodical and Authors Previous Journal

Furthermore, this section explains the amount of journal publications from 2020-2024. There are 11 articles that researchers found using Google Scholar through publish or perish that are relevant to the implementation of PSAK 71. In 2020 amounted to 1 journal (Ilat et al., 2020), in 2021 amounted to 4 journals (Firmansyah & Nizar Arifullah, 2021; Kurniawati, 2021; Rahayu, 2021; Sibarani, 2021), in 2022 amounted to 4 journals (Wardoyo et al., 2022; Fatiha Kurniadi et al., 2022; Firmansyah et al., 2022; Prajanto, 2022), in 2023 amounted 1 journal (Khasify & Purwaningrum, 2023) and in 2024 amounted 1 journal (Respati, 2024). Can viewed in chart below:

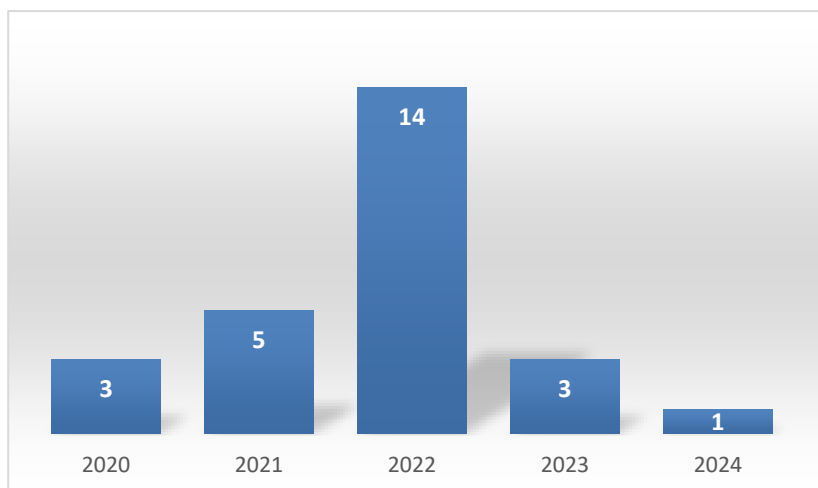
Picture 4. Amount Journal Per Year



Source: processed secondary data

Meanwhile, researchers found in 2020 amounted 3 authors, in 2021 amounted 5 authors, in 2022 amounted 14 authors, in 2023 amounted 3 authors and in 2024 amounted 1 author. Amount in entire period is 26 authors. Can viewed in chart below:

Picture 5. Amount Authors Per Year



Source: processed secondary data

Analysis Implementation PSAK 71 with Table Matrix

Table 1. Attachment of Implementation PSAK 71

No	Authors	Year	Research Data	Type Article	Research Object	Conclusion	Implementation PSAK 71
1	Ilat,Sabijono, Rondonuwu	(2020)	Qualitative	Journal	PT Sarana Sulut Ventura	PT Sarana Sulut Ventura should make the formation of CKPN according to PSAK 71 accounting standards, and the company pays more attention to the distribution of financing to business tide companies with consideration that distribution reduces financing that results in default and the inability of consumers to return the amount of financing received.	Not Implemented

2	Kurniawati	(2021)	Qualitative	Journal	27 credit guarantee companies	Total of 9 other companies are still in preparation and the remaining 15 companies have not implemented PSAK 71 in 2020. Based on the results of observations, 3 credit guarantee companies implemented PSAK 71 due to the encouragement of professionalism.	Not Implemented
3	Arifullah & Firmansyah	(2021)	Qualitative	Journal	43 banking sub-sector companies listed on the Indonesia Stock Exchange (IDX) on June 20, 2020	This study shows that Bank Mandiri, BRI, BPD, and BCA explain the calculation in making provision for receivables using the new Accounting Standard, namely PSAK 71 (2017), while BRI Agro Bank and Woori Bank only show the final value without any details of the calculation.	Implemented
4	Sibarani	(2021)	Qualitative	Journal	PT Bank Ibk Indonesia, Tbk	Even though PT Bank Ibk Indonesia Tbk is a small bank listed on the developer board, but it does not make this bank neglect the application of accounting policies, the Bank has made an allowance for impairment losses before PSAK 71 is effective.	Implemented

5	Rahayu	(2021)	Qualitative	Journal	PT Bank XYZ Tbk	Recognition and measurement of the allowance for expected credit losses of PT XYZ Tbk has been applied in accordance with the provisions stipulated in PSAK 71.	Implemented
6	Wardoyo,Rah mandita,Tazkiyaturohmah, Fauzan,Pranatha	(2022)	Qualitative	Journal	Bank BJB in 2021	Bank BJB has implemented the allowance for impairment losses in accordance with the enactment of PSAK 71, although in its application the percentage or figure is different each year.	Implemented
7	Ningrum,Lubis, Firmansyah	(2022)	Quantitative	Journal	37 banking sub-sector companies listed on the Indonesia Stock Exchange in 2019 and 2020	Overall, the value of CKPN formed by thirty-seven banking companies changed and most of them experienced an increase in the value of CKPN after implementing PSAK 71. This is supported by the increase in the average value of CKPN before and after PSAK 71 became effective, namely from 3,727,825,872,394 in 2019 to 7,310,326,216,253 in 2020.	Implemented

8	Prajanto	(2022)	Qualitative	Journal	Regional Development Bank Of Central Java	<p>The implementation of PSAK 71 which is effective January 1, 2020 has been responded by the Bank.</p> <p>Central Java very well. Human capital Planning, Financial Strategy and Risk Management have been implemented by the Bank of Central Java throughout 2020. The initial application of PSAK 71 in January 2020 resulted in several adjustments to the financial statements, especially the financial instruments of assets and liabilities due to the transition of PSAK 55 to PSAK 71.</p>	Implemented
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9	Kurniadi,Rahmanissa, Rosydah,Anggraini,Putri	(2022)	Qualitative	Journal	PT. BNI,Tbk	PT BNI Tbk has implemented PSAK 71 since January 01, 2020, replacing PSAK 55 where there are several changes made by BNI following the applicable PSAK regulations. The regulations that have been implemented are PT Bank Negara Indonesia has recognized credit reserves for expectations in accordance with the applicable provisions in PSAK 71 and PT Bank Negara Indonesia has measured reserves for expectations in accordance with the applicable provisions in PSAK 71.	Implemented
10	Khasify,Natalina, Purwaningrum	(2023)	Quantitative	Journal	Pt. Adira Dinamika Multi Finance, Tbk	PT Adira Dinamika Multi Finance, Tbk. calculates the allowance for impairment, the forward-looking Expected Credit Loss (ECL) method used in accordance with PSAK 71.	Implemented
11	Respati	(2024)	Qualitative	Journal	Finance Company in jabodetabek	The ten companies used as research objects have implemented PSAK 71 on impairment loss reserves.	Implemented

CONCLUSION

Based on previous research, the primary purpose here is to inform readers that the implementation of PSAK 71 has been widely adopted by many entities. This indicates a significant trend towards compliance with the accounting standard, reflecting the importance placed on adhering to regulatory requirements within the financial reporting landscape. There are several important findings in this research. The analysis of 11 journal publications related to the implementation of impairment loss reserves based on PSAK 71 in financial institutions from 2020-2024 is as follows:

First, mostly methods used by previous journal were qualitative approach using secondary data, some of which were sourced from the IDX website and interviews to answer phenomena related to the implementation of impairment loss reserves based on PSAK 71 in financial institutions, amounted 9 (82%) of 11 journals obtained. Meanwhile, quantitative approach used, amounted 2 (18%) of 11 journals obtained.

Second, object of research conducted in previous research related to the implementation of impairment loss reserves based on PSAK 71 was dominated by bank financial institutions amounted 8 (73%) journals obtained. Meanwhile, non-bank institutions amounted 3 (27%) journals obtained.

Third, based on the journals found by the authors based the object of previous research, there are 9 (82%) journals obtained that implemented PSAK 71. Meanwhile, there are 2 (18%) journals obtained that do not implemented PSAK 71

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