Original Research Article

The Changes in Accounting Standard: Their Impact of Implementation Allowance Impairment Losses

ABSTRACT

Aims: This study aims to analyze the comparative of Allowance Impairment Losses (AIL) before and after implementation of PSAK 71 and its effect on banking profits.
Study design: This study using the quatiative descriptive method.
Place and Duration of Study: Financial Services Authority, Period 2011-2020
Methodology: This Study using quantitative data with secondary data from financial statement. The population are conventional commercial Indonesian banks registered with the Financial Services Authority in 2011 – 2020 with a sample of 46 banks. Data analysis in this study was conducted using independent sample t-test and multiple linear regression with using the IBM SPSS that is Descriptive Statistics, Independent Sample T-Test, and also Multiplelinear Regression.
Result: Based on the results of the indepedent sample t-test in this study, it showed that there were significant differences in the AIL variables before and after implementation of PSAK 71 . Based on the multiple linear regression test in this research, it shows that there is a negative and significant effect on AIL after the Implementation of the PSAK 71 on profit.
Conclusion: There are significant differences in the AIL before and after implementation PSAK 71 and negative significant effect on AIL after the implementation PSAK 71.

Keywords: Allowance Impairment Losses (AIL) and Profit

Comment [U1]: used

Comment [U2]: used

1. INTRODUCTION

Comment [U3]: Motivation for the study need to beclearly stated. Also objective of the study as well as statement ofthe problem need to be highlighted

Banks in Indonesia are obliged to apply International Financial Reporting Standard (IFRS) No. 9 which has been enacted by the International Accounting Standards Board (IASB) on January 1, 2018. However, the accounting standards board has taken the decision to ratify the implementation of PSAK 71 on financial instruments that are previously regulated using PSAK 55 which was implemented effectively on January 1, 2020. The change from PSAK 55 to PSAK 71 was due to the bankruptcy of the company in the financial sector.

In the implementation of PSAK 71, there are changes related to financial instrument classification and measurement, impairment, and hedge accounting. In the changes to these requirements there are points, namely Allowance Impairment Losses of financial assets in the form of credit, receivables and loans. So that the result of PSAK 71 is a change in the concept of the calculation method and provision of Allowance Impairment Losses due to uncollectible loans. There are differences in the method of establishing AIL in PSAK 55 and PSAK 71. PSAK 55 uses the Incured Loss method or recognizes credit losses when the loss occurs, while in PSAK 71 uses the Expected Credit Loss method which provides faster recognition of the impact of expected credit losses after the asset finances are recognized at the outset.

Based on Bank Indonesia Guidelines Number 14/15/PBI/1212, Remittance for Weakness Misfortunes is a necessary arrangement so that the remittance value of monetary resources does not exactly match the amount of the underlying remittance. AIL is given to assess the presence of problematic resources in the bank. The reason for this AIL principle is to prevent disappointment with problem loans caused by non-installment of loans that have been disbursed. Therefore, AIL plays a role in the monetary security of a bank because banks cannot avoid the misfortune resulting from non-performing loans. The following is the AIL data for conventional commercial banks in 2011-2020:

Table 1.Conventional Commercial Bank AIL Ratio Data (In Percentage):

Years	Allowance Impairment Losses
2011	2,43
2012	2,05
2013	1,93
2014	1,99
2015	2,32
2016	2,78
2017	2,56
2018	2,44
2019	2,40
2020	4,05

Source: Indonesian Banking Statistics, 2011-2020 (processed)

Based on the data above which shows the state of AIL during the application of PSAK 55 (Revised 2011) until implementation of PSAK 71 (January 2020). It can be seen that the ratio of AIL to productive assets in 2011-2019 (application of PSAK 55) was at 1.93% - 2.78%, while in 2020, when PSAK 71 was applied, data on the AIL ratio showed that there was a significant increase in AIL. set with a ratio of 4.05%. From these data, it can be concluded that there is a difference between the amount of AIL determined for productive assets both in the application of PSAK 55 and PSAK 71. Based on these data, AIL is also fluctuating. For ten years in a row, the loan AIL ratio in banks has not met the provisions made by Bank Indonesia, which is at least 1%.

Indonesian Banks are also required to be careful in choosing the amount of AIL because it can affect the losses that will be faced by the bank. If the bank is wrong or inaccurate in determining the amount of the Allowance Impairment Losses , and it is allocated as a large AIL expense, then this can result in a large decrease in profit because it becomes a non-productive asset that has the potential to cause a decrease in profit. The following is data on the average profit of Conventional Commercial Banks for the 2012-2020 period:

Table 2. Data on Average Profit of Indonesian Conventional Commercial Banks (In Billion Rupiah):

Years	Current year profit Conventional Commercial Bank
2011	75.077
2012	92.830
2013	106.707
2014	112.160
2015	104.628
2016	106.544
2017	131.156
2018	150.013
2019	156.487

Comment [U4]: Move this table Methodology section of the paper

Comment [U5]: Move table to Methodology

2020	104.718

Source: Indonesian Banking Statistics, 2011-2020

Based on the data above, it shows that the profit of Conventional Commercial Banks in the period of application of PSAK 55 (Revised 2011) is 2011-2019. The profit of banking companies tends to increase, but in 2015 it decreased by 7,532 (in billion IDR). then in 2020 after the implementation of PSAK 71 Conventional Commercial Banks experienced a decrease in profit of 51,769 (In Billion Rp).

In previous research, testing the Allowance Impairment Losses on profit showed that the Allowance Impairment Losses has a negative and significant effect on profit/loss [1]. However, in another study which states that the Allowance Impairment Losses has a positive and significant effect on changes in profit [2]. Due to the inconsistency in the results of research related to the effect of Allowance Impairment Losses on Profit, it is necessary to re-do the analysis and research related to this matter. The novelty of this research is to compare the Allowance Impairment Losses (AIL) to the company's profit at the time of the application of PSAK 55 and then change to PSAK 71 which was effectively used on January 1, 2020.

Comment [U6]: Provide citations to back up this statement.

2. LITERATURE REVIEW, DEVELOPMENT OF HYPOTHESIS AND RESEARCH METHOD

Comment [U7]: The author need to rearrange this section as follows:
Conceptual Framework and Literature Review.
Concept
Literature
Review of Empirical Studies:and Theoretical Frameworkor Review of Theories

2.1 Literature Review

2.1.1 Stewardship Theory

Stewardship theory is a theory proposed by Donaldson and Davis in 1997 in relation to the state of management that is driven to work, because of individual goals and focus on organizational interests. The premise of this theory is that brain research and humanism are directed at spurring stewards as principals to act according to the wishes of management without sacrificing the goals of the association to achieve predetermined targets. [3] This theory explains administrative theory and contrasts in authoritative cultures and initiatives to achieve common goals without compromising everyone's interests. The important thing in stewardship theory is to match goals with standards to make great collaborations [4].

2.1.2 Bank

As stated in the Law of the Republic of Indonesia Number 10 of 1998 regarding Banking, a Bank is a business entity that functions as a place to collect public wealth to serve as a source of reserve funds to be distributed to various regions form of credit or other forms. The maintenance of banking duties depends on the trust instilled by borrowers, both from the community and business elements. The monetary cycle that occurs in finance comes from two players, between debtors who experience an abundance of assets and creditors as a meeting that requires reserves.

2.1.3 Allowance Impairment Losses (AIL)

Allowance Impairment Losses (AIL) is a set aside activity that is made if there is a carrying value of a financial asset after an impairment is smaller than the initial recording [5]. According to [6] stated that AIL is a useful reserve to cover loss of funds on productive assets. AIL can also be interpreted as funds that are allocated to productive assets which are then reserved by the bank in order to cover future needs, which is the basis for determining the policy using SAK as a reference.

2.1.4 Major Changes in Impairment of PSAK 55 to PSAK 71

In PSAK 55, AIL is calculated using the accruing loss method, which is retroactive in nature, where AIL is established if there is objective evidence that the obligor has suffered a loss, such as late payment of accounts payable. The evidence is then calculated by the bank to assess whether it should be included in an impairment loss for recognition. The policies of each bank certainly have differences, especially in forming AIL. Not only that, considering the retrospective nature, so that its implementation is carried out on a historical basis and risk considerations [7]. PSAK 71 – as an effective financial instrument was stipulated on January 1, 2020. Based on PSAK 71, the calculation of AIL is based on expected loss with the main characteristic of forward looking. Meanwhile, based on the IAI applies the Expected Loss method which obliges banks to estimate the risk of financial instruments since the initial introduction by using forwarding looks such as projections of economic growth, inflation, unemployment, and so on.

2.1.4 Profit

Every business wants to make a profit or what is commonly referred to as profit or (profit). Profit is necessary for the company to continue to exist in the economy and to continue its operations. [8] argues that if income is greater than expenses, then the difference is called net income (net income or net income). Definition of net income according to [9] Net income is the final number in an income statement that is sought: operating profit plus other income minus other expenses.

2.2 Development of Hypothesis

Comment [U8]: Hypothesis should be captured under section one (1)

2.2.1 Allowance Impairment Losses Before and After Application of PSAK 71

To achieve the goal of banking, namely maximizing profit, management must manage the provision of Allowance for Impairment Loss so that it is not wrong in estimating reserves for non-performing loans that will be faced in the future. There are differences in the AIL formation system in PSAK 55 and PSAK 71. In PSAK 55 using the incurred loss method. AIL is formed if there is objective evidence that the debtor is harmed, like late payment of loan installments. This evidence is then taken into account by the bank as a basis for evaluating whether it is included in the impairment loss that needs to be recognized. In PSAK 71, AIL is calculated using the forward looking expected loss method. According to the Indonesian Institute of Accountants (IAI), the expected loss method requires banks to estimate the risk of a financial instrument since initial recognition. There are several studies related to AIL during the application of PSAK 55 and PSAK 71. One of them is the research conducted by [10]. which states that there are significant differences in Reserves that have a negative effect when PSAK 55 and PSAK 71. When a bank implements PSAK 71, the AIL formed will increase from the previous year's AIL which still uses PSAK 55. The formation of AIL in PSAK 55 is different from PSAK 71. AIL based on PSAK 71 is formed using the Expected loss method and is recognized at the beginning of the period. This causes a difference in the amount of AIL after implementation of PSAK 71 and AIL after the application of 55 which is formed using the Incurred Loss method. Therefore, the hypothesis of this study is

H1: There is a significant difference in AIL before and after implementation of PSAK 71

Comment [U9]: What is thesource of this information or statement?

Comment [U10]: Mention those studies

2.2.2 Allowance Impairment Losses and Profits After the Implementation of PSAK 71

In accordance with the theory of stewardship which explains that management acts in the interests of the organization, so that the goals of the organization can be achieved. To achieve the current organizational goals, especially in banking companies, is to maximize the planning for the provision of Allowance Impairment Losses effectively and efficiently so that it does not have a negative impact on company profits and can maintain the existence of profits when PSAK 71 is applied. 71, with the

provision that this replacement for PSAK 55 has an effect on banking profits and has the potential to erode bank profits. This is because banks need to prepare additional allowance for losses (AIL), because it is calculated through the concept of expected losses. This means that the bank must prepare AIL immediately after the credit is given. For outstanding credit, banks are required to provide AIL based on expected credit losses for the next 12 months. Banks should also provide larger AIL for bad loans than in the past. This new PSAK obligation can lead to a decrease in the capital ratio (CAR) and bank profitability. There are several previous researchers who conducted research on AIL and profit. Research conducted by [1] which states that AIL has a negative and significant effect on profit. This is also in line with the research conducted by [10] which states that AIL has a negative effect on profits resulting in an increase in AIL and a decrease in company profits.The change in the formation of AIL in PSAK 71 which requires all banks to set their AIL at the beginning of the period has resulted in banks having high AIL. If the specified AIL is used to cover credit obligations from non-performing loans, it will cause a significant decrease in profit because assets that should be productive assets that can generate increased profits will turn into non-earning assets which have the potential to cause a decrease in profits. Based on this description, the following hypothesis can be formulated:
H2: AIL has a negative and significant effect on profits after implementation of PSAK 71

2.3 Research Method

Comment [U11]: Research methodology should be separated from theoretical Framework.

2.3.1 Theoritical Framework

Comment [U12]: Where is the Theory. The author should provide us with a theory that best explain his work in this paper as well as the justification for adopting such theory.

This study analyzes the Allowance Impairment Losses before and after implementation of PSAK 71 using ratios AIL in the company's financial statements and its effect on banking profits.

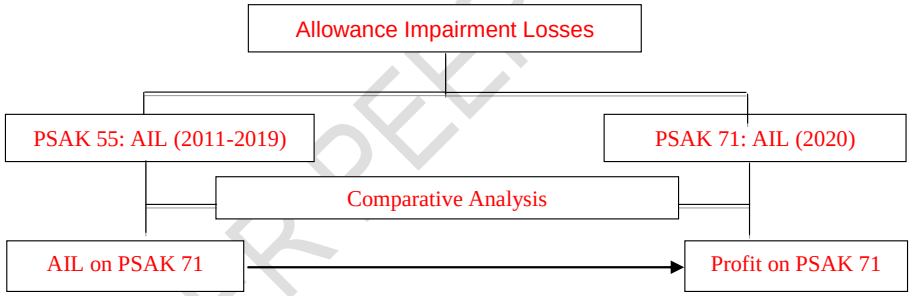


Fig. 1 Theoritical Framework

2.3.2 Population and Research Sample

The population in this study are conventional commercial Indoesian banks registered with the Financial Services Authority as many as 68 banking companies. The sample in this study were 46 conventional commercial banks. The sampling technique was done by purposive sampling. The sample criteria needed are as follows: (1) Conventional Commercial Banks registered with the Financial Services Authority, (2) Conventional Commercial Banks that apply PSAK 55 in 2011-2019 and PSAK 71 in 2020, (3) Conventional Commercial Banks which published the Annual Report and financial reports for 2011-2020 can be accessed and found.

2.3.3. Data collection technique

This study uses quantitative data with secondary data sources in the form of financial reports obtained through the official website of each company or through the official website of the Financial Services Authority and the official website of the Indonesia Stock Exchange.

2.3.4 Analysis Method

The type of method used is quantitative descriptive research and data processing through statistical methods collected from secondary data. The data presentation analysis method in this research is comparative analysis and effect analysis. The hypothesis of this study was tested using the Independent Sample T-Test, Classical Assumption Test Then multiple linear regression.

3. RESULTS AND DISCUSSION

3.1 Results

3.1.1 Statistical Analysis of Banks Before and After Implementation PSAK 71

a. Descriptive Statistical Analysis

Table 3. Descriptive Statistical Results of AIL, SIZE, and PROFIT Ratios Overall 10 Years Pre- and Post-Implementation PSAK 71

	N	Minimum	Maximum	Mean	Std. Deviasi
AIL	460	0,04	18,71	1,6708	1,69441
SIZE	460	0,588	14,229	9,75133	2,417634
PROFIT	460	-6483	34413	1667,37074	4873,509711

Based on Table 3. the results of the descriptive analysis, it is stated that the AIL value as an independent variable from 46 Conventional Commercial Banks registered with the OJK from 2011 to 2020, has the lowest data of 0.04% which is located at PT. Bank Capital Indonesia, Tbk in 2015, PT. Bank Jasa Jakarta, Tbk in 2014, and PT. Bank Mizuho Indonesia, Tbk in 2019. This means that the three banks have AIL values in current quality of 0.04% of earning assets. While the highest data is 18.71% which is located at PT. Bank J Trust Indonesia, Tbk in 2013 which means that the AIL held in the attention is substandard. The average AIL at 46 Conventional Commercial Banks registered with OJK is 1.6708 and the standard deviation is 1.69441, which means that if there is an average deviation, the deviation is not more than 1.69441 or -1.69441.

Size as a control variable of 46 Conventional Commercial Banks registered with OJK from 2011 to 2020, has the lowest data of 0.588 which is located at PT. Bank Ganesha, Tbk in 2011 and the highest of 14,229 which is located at PT. Bank Rakyat Indonesia, Tbk in 2020. The average size of the 46 Conventional Commercial Banks is 9.75133 and the standard deviation is 2.417634, which means that if there is an average deviation, the deviation is not more than 2.417634 or -2.417634.

Profit as the dependent variable of 46 Conventional Commercial Banks registered with OJK from 2011 to 2020, has the lowest data of IDR -6,483 billion located at PT. Bank Permata, Tbk in 2016 and the highest amounting to Rp 34,413 billion which is located at PT. Bank Rakyat Indonesia, Tbk in 2019. The average profit at 46 Conventional Commercial Banks is Rp. 1667.37074 billion and the standard deviation is 4873.509711, which means that if there is an average deviation, the deviation is not more than 4873.509711 or -4873.509711.

3.1.2 Comparison of AIL on PSAK 55 and PSAK 71

a. Independent Sample T-Test

Table 4. Independent Sample T-Test, Difference Test Results

		F	Sig.	T	df	Sig. (2 tailed)
AIL	Equal Variances Assumed	3,999	0,046	-3,820	458	0,000
	Equal Variances Not Assumed			-3140	51,293	0,003

Table 4. Basis of decision making for Independent Sample t-test if the value of Sig. (2-tailed) < 0.05 then Ha is accepted, but if the value (2-tailed) > 0.05 then Ha is rejected. Based on the results of the Independent Sample t-test, it can be seen that the value of Sig. (2-tailed) on the variable Allowance Impairment Losses is 0.000. Because the value is 0.000 <0.05, then H1 is supported, meaning that there is a significant difference between the Allowance Impairment Losses before and after the implementation of PSAK 71 on 46 Conventional Commercial Banks registered with OJK.

3.1.3 Classic Assumption Test Result of Banks on PSAK 71

a. Normality Test

Table 5. AIL, SIZE, and Profit on PSAK 71 Performance Normality Test Results

One Sample Kolmogorov Smirnov-Test	
Asymp. Sig. (2 tailed)	**Conclusion**
0,052	Normal

Based on table 5, the results of the multicollinearity test of AIL and Size data at the time of implementation of PSAK 71 show that the tolerance value is 0.944 > 0.10 and the VIF value is 1.059 < 10. So it can be concluded that there is no multicollinearity between variables in the regression

b. Multicollinearity Test

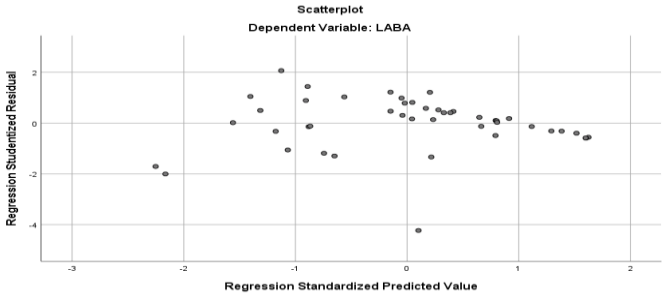
Table 6. AIL, SIZE on PSAK 71 Performance Multicollinearity Test Results

	Collinearity Statistic	
	Tolerance	**VIF**
AIL	0,944	1,059
SIZE	0,944	1,059

Based on table 6, the results of the multicollinearity test of AIL and Size data at the time of implementation of PSAK 71 show that the tolerance value is 0.944 > 0.10 and the VIF value is 1.059 < 10. So it can be concluded that there is no multicollinearity between variables in the regression.

c. Heteroscedasticity Test

Fig.2. AIL, SIZE, And Profit on PSAK 71 Performance Multicollinearity Test Results



In the scatterplot graph above, it shows that there is a spread of dots and does not form a pattern. Thus, it can be concluded that the model is not affected by heteroscedasticity symptoms.

d. Autocorrelation Test

Table 7. AIL, SIZE, and Profit on PSAK 71 Performance Autocorrelation Test Results

Durbin-Watson
1,672

Based on table 7, the results of the autocorrelation test at the time of implementation of PSAK 71 show that the DW value is 1.672. Then it can be written systematically with -2 < 1.672 < 2. So it can be concluded that there is no autocorrelation in the data used in this study

3.1.2 Multiple Linear Regression Analysis Based on Implementation PSAK 71

Table 8. Multiple Linear Regression

	Unstandardized Coefficient	
	B	**Std. Error**
(Constant)	4,445	0,046
AIL	-0,021	0,009
SIZE	-0,181	0,046

Based on Table 8. Multiple linear regression test results obtained multiple linear regression model as follows:

$$Y = 4{,}445 - 0{,}021X_1 - 0{,}181X_2 + \varepsilon$$

From the results of the multiple linear regression equation formed, it can be concluded that:

1. The constant value is 4.445, which means that if all independent variables are considered constant or have not changed (value 0), the total profit (Y) has increased by 4.445.
2. The value of the Allowance Impairment Losses is 0.021 negative. This means that every time there is an increase in AIL PSAK 71 (X1), it will have an impact on reducing the value of profit (Y) by 0.021. So that the increase in the value of AIL, the value of profit will decrease with the assumption that other variables are constant.

3. The value of Size as a control variable is negative 0.181. It means that every time there is an increase in Size (X2), it will have an impact on reducing the value of profit (Y) by 0.181. So that the increase in the value of Size as a control variable, the profit value will decrease assuming other variables are constant

3.1.3 Hypothesis Test

a. Coeffient of Determination Test Result (R Square)

Table 9. AIL, SIZE, and Profit on PSAK 71 Performance Coeffient of Determination Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,626	0,392	0,363	0,01954

Based on the table above, from the results of the coefficient of determination test, it is known that the Adjusted R Square value is 0.363 or 36.3%. These results indicate that the ability of the independent variable, namely Allowance Impairment Losses when applying PSAK 71 and the control variable, namely Size, in explaining the dependent variable, namely Profit, is 36.3%. while the remaining 63.7% is influenced or explained by other variables. The variables referred to in 63.7% are assumed to be variables in previous studies that affect banking profits. As in the research conducted by (Pratito & Puspitasari, 2017) in addition to AIL, there is an Analysis of the Effect of the Statutory Reserve Policy (GMW), Net Open Position (PDN), and Loan To Deposit Ratio (LDR) which affect earnings. In the research conducted by (Sutriani, Tira, Fermayani, 2018) in addition to AIL, there are LDR, Liquidity GAP and BOPO that affect earnings.

b. Regression Model Feasibility Test Result (Statistical Test F)

Table 10. AIL, SIZE, and Profit on PSAK 71 Performance Regression Model Feasibility Test Result

ANOVA						
Model		Sum of Square	df	Mean Square	F	Sig.
1	Regression	0,010	2	0,005	13.547	0,000
	Residual	0,016	42	0,000		
	Total	0,026	44			

Based on the results of the ANOVA test in table 10, the F value is 13,547 with a significance of 0.000. So it can be concluded that the significance value <0.05, which means that the regression model in this study is feasible to test and can be continued for further testing.

c. Individual Parameter Significance Test Result (Statistical Test t)

Table 11. AIL, SIZE, and Profit on PSAK 71 Performance Individual Parameter Significance Test Result

Coefficient

Model		Unstadardized Coefficient		Standardized Cofficient	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4,445	0,046		97,269	0,000
	AIL	-0,021	0,009	-0,288	-2,329	0,025
	SIZE	-0,181	0,046	-0,492	-3,975	0,000

Based on the table above, the explanation of the results of the t statistical test can be concluded as follows:

1. Effect of Allowance for Impairment Losses
   Based on the table of statistical results t, it can be seen that the independent variable is Allowance Impairment Losses as measured by a nominal scale. Obtained a significance value of 0.025 (0.025 < 0.05) and a negative coefficient (direction) of 0.021. It means that AIL has a significant negative effect on the profits of Conventional Commercial Banks registered with OJK. So it can be concluded that H2 is supported.
2. Effect of Control Variable Size
   Based on the statistical table t, it can be seen that Size as a control variable has a significance of 0.000 (0.000 <0.05) and a negative coefficient (direction) of 0.181. It means that Size has a significant negative effect on the profits of Conventional Commercial Banks registered with OJK.

3.2 Discussion

a. **Differences in Allowance Impairment Losses Before and After implementation of PSAK 71**

Allowance Impairment Losses (AIL) is an allocation of funds from earning assets that is reserved for banks to cover the risk of future losses. Banks in Indonesia are required to provide an Allowance Impairment Losses as regulated in PSAK 55 which came into existence on January 1, 2000 and underwent an update, one of which was PSAK 55 (Revised 2011) which became a variable in this study. Then currently there is a change to PSAK 71 which is effective on January 1, 2020.

Based on the different tests in this study using the Independent Sample t-Test in table 4, Sig. (2-tailed) on the variable Allowance Impairment Losses is 0.000. Because the value is 0.000 < 0.05, this indicates that the H1 hypothesis is supported, meaning that there is a significant difference between the Allowance Impairment Losses before and after the implementation of PSAK 71 on 46 Conventional Commercial Banks registered with OJK.

This is due to differences in the Impairment Methodology, namely the formation of the initial AIL. The formation of AIL in PSAK 55 as IAS 39 requires banks to calculate AIL at the time of presentation of financial statements or called the Incurred Loss method, while PSAK 71 in accordance with IFRS 9 requires banks to calculate AIL at the beginning of the period or called the Expected Loss method. Due to the difference in these methods, the AIL value at the time of implementation of PSAK 71 will be greater than when the application of PSAK 55. As an example at PT. Bank Rakyat Indonesia Tbk. in 2019 when PSAK 55 was implemented, the AIL on earning assets was 3.36% and in 2020 it was 5.42%. AIL increased by 61.3% from the previous, the main factor for this change was the transition from PSAK 55 to PSAK 71.

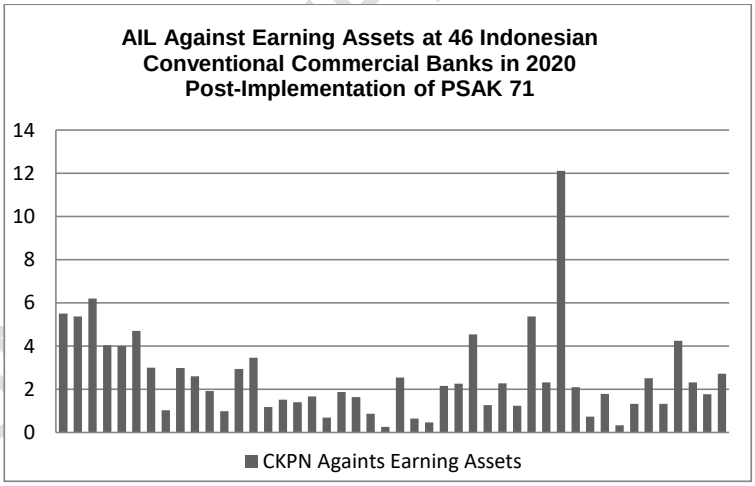
This shows that changes to PSAK 71 have an impact on increasing the accumulation of reserves for impairment losses owned by each bank. The greater the value of AIL will result in a decrease in lending, the decrease in lending will cause a decrease in profit. With the large formation of the existing AIL in 2020, it will anticipate a deterioration in asset quality and potentially reduce profits. Based on the results of the different tests in this study. This study is in line with research conducted

by [10] which states that there is a significant difference in the Allowance Impairment Losses in PSAK 55 and PSAK 71.

b. **The Effect of Allowance Impairment Losses on Profit After implementation of PSAK 71**

On January 1, 2020, PSAK 71 officially became effective in Indonesia. In PSAK 71, AIL is formed at the beginning of the period and uses the Expected Loss method. This causes banks to have a higher AIL than the previous year. In this study, the value of AIL measured by the nominal scale of AIL in the financial position statements of Conventional Commercial Banks registered with the OJK has an important role in determining banking profits. If AIL is allocated to the closing of non-performing loans, then the AIL will be in non-productive assets and cause a decrease in profit. The following is AIL data on productive assets from 46 Conventional Commercial Banks registered with OJK:

Fig. 3 Graph of AIL Against Earning Assets of 46 Conventional Commercial Banks



Based on the picture above, which shows that from 46 Conventional Commercial Banks that apply PSAK 71, 8 Conventional Commercial Banks have AIL of less than 1% of productive assets which means current quality, 33 Conventional Commercial Banks that have AIL under special mention, and 5 Conventional Commercial Banks have AIL under substandard attention. This shows that there are only 8 banks that comply with the Circular Letter of Bank Indonesia if the AIL has a value of < 1% of earning assets. In implementation of PSAK 71 , the previous AIL value at 46 Conventional

Commercial Banks increased by 112.3% on average in 2020 and banking profits tended to decline. Banks that experienced a decline in profits occurred in 33 banks from the research sample.

From Table 11, it can be seen that the significance value of AIL is less than 0.05, which is 0.025 and the value of is -0.021. This shows that the results of the H2 hypothesis are supported, namely AIL has a negative and significant effect on profits after implementation of PSAK 71 . As an example at PT. Bank Rakyat Indonesia Tbk. in 2019 when PSAK 55 was implemented, it had a profit of Rp 34,413 billion and in 2020 it was Rp 18,660 billion. Profit decreased by 46% from the previous year. Likewise with other banking profits, when applying PSAK 55 profits tend to increase from 2011 to 2019, but when implementation of PSAK 71 in the first year, 2020, banking profits tend to decrease from 46 Conventional Commercial Banks registered with OJK.

The main factor for this change is the transition from PSAK 55 to PSAK 71. The higher the establishment of AIL in anticipation of non-performing loans, the credit distribution will decrease and profits will be lower at Conventional Commercial Banks registered with the Financial Services Authority. Especially profit in the first year of application of PSAK 71. The results of this study are in line with research conducted by [1] which states that AIL has a negative and significant effect on profits.

4. CONCLUSION

a. The results of a different test using the Independent Sample t-Test, there is a significant difference in the Allowance Impairment Losses at the time of the application of PSAK 55 and PSAK 71. So H1 is supported in this study.
b. The effect test using multiple linear regression analysis, it was found that the Allowance Impairment Losses after implementation of PSAK 71 had a significant negative effect on earnings. So that H2 is supported in this study

5. SUGGESTIONS

a. It is recommended for further researchers to be able to add other variables to support the effect on earnings due to changes in PSAK 55 to PSAK 71.
b. It is recommended in further research to add research samples, not only conventional commercial banks.

Comment [U13]: Conclusion should emanatefrom research findings or test of hypothesis. The author should link up his conclusions with the major findings of the study

Comment [U14]: Give more reasons why your result appears like this in the study or paper.

Comment [U15]: Rreplace this with recommendations. Also, Recommendations emanates from conclusions. Therefore link them up

Comment [U16]: How? Explain further please!

COMPETING INTERESTS DISCLAIMER:

Authors have declared that no competing interests exist. The products used for this research are commonly and predominantly use products in our area of research and country. There is absolutely no conflict of interest between the authors and producers of the products because we do not intend to use these products as an avenue for any litigation but for the advancement of knowledge. Also, the research was not funded by the producing company rather it was funded by personal efforts of the authors.

REFERNCES

[1] E. Bagus Cahyo Purnomo, “Pengaruh Skema Pembiayaan Bagi Hasil, Cadangan Kerugian Pembiayaan Dan Biaya Dana Terhadap Laba/Rugi,” J. Tabarru’ Islam. Bank. Financ., vol. 3, no. 2, pp. 137–151, 2020, doi: 10.25299/jtb.2020.vol3(2).5720.
[2] R. Sutriani, Tira, Fermayani, “Jurnal Profiet,” Anal. Pengaruh Ckpn, Ldr, Liq. Gap Dan Bopo Terhadap Profitab. Perbank. Di Indones. (Studi Kasus Pada Bank Umum Konvensional Yang Terdaftar Di Bursa Efek Indones. Periode 2012-2016), vol. 1, no. 1, pp. 8–15, 2018.
[3] S. Riyaldi and A. Yulianto, “PENGARUH PEMBIAYAAN BAGI HASIL , PEMBIAYAAN JUAL BELI ,” Vol. 3, No. 4, Pp. 466–474, 2014.
[4] S. Ayem, D. Yuliana, K. A. Independence, A. Quality, P. Management, and I. Commissioner, “Pengaruh Independensi Auditor , Kualitas Audit , Manajemen Laba , Dan Komisaris Independen Terhadap Integritas Laporan Keuangan (Studi Kasus Pada Perusahaan Perbankan Yang Terdaftar di BEI,” J. Akunt. Manaj. Akmenika Vol . 16 No . 1, vol. 16, no. 1, 2019.
[5] M. Y. Mohd Isa, Y. Voon Choong, D. Yong Gun Fie, and M. Z. H. Abdul Rashid, “Determinants of loan loss provisions of commercial banks in Malaysia,” J. Financ. Report. Account., vol. 16, no. 1, pp. 24–48, 2018, doi: 10.1108/JFRA-03-2015-0044.
[6] S. A. Vebriana, D. H. Setyowati, and ..., “Pengaruh Non-Performing Loan dan Loan to Deposit Ratio terhadap Cadangan Kerugian Penurunan Nilai,” Indones. J. …, vol. 1, no. 1, pp. 245–254, 2020, [Online]. Available: https://jurnal-akuntansi.polban.ac.id/ijem/article/view/95.
[7] I. B. Indonesia, Implementasi Psak 71 Pada Perbankan. 2019.
[8] C. Warren, J. Reeve, And J. Duchac, Accounting. Cengage Learning, 2017.
[9] V. W. Surjaweni, Analisis Laporan Keuangan : Teori, Aplikasi, & Hasil Penelitian. Yogyakarta: Pustaka Baru Press., 2017.
[10] S. Devi, I. G. A. Wigarba, N. T. Herawatl, and I. N. P. Yasa, “A comparison between PSAK 71 and PSAK 55 in the banking industry,” J. Ekon. dan Bisnis, vol. 24, no. 1, pp. 173–188, 2021.