



DOI: <https://doi.org/10.38035/gijea.v4i1>
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Impact of PSAK 71 Adoption on Regional Development Banks' Financial Performance: Evidence from Indonesia

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Abstract: The study uses data from 24 Regional Development Banks (BPD) over a six-year period (2018–2023), consisting of two years before and four years after the implementation of PSAK 71. The ratios examined include Capital Adequacy Ratio (CAR), Non-Performing Loan (NPL), Return on Assets (ROA), Return on Equity (ROE), Operating Expenses to Operating Income (BOPO), and Loan to Deposit Ratio (LDR). The analysis results indicate that there are significant differences in the ROA and BOPO variables after the implementation of PSAK 71, while the other variables do not show significant changes. These findings suggest that the new accounting standard has a selective impact on indicators of bank financial performance. This study provides empirical contributions for regulators, public accountants, and banking management in understanding the implications of new accounting policies on the stability and efficiency of the banking sector.

Keyword: PSAK 71, Expected Credit Loss, Regional Development Banks, Financial Performance, ROA, BOPO.

INTRODUCTION

Global Context and Changes in Accounting Regulations

Changes in the global financial landscape over the past two decades have encouraged many countries to reform their financial reporting systems. One of the main drivers of these changes was the Global Financial Crisis of 2008, which revealed weaknesses in the recognition and measurement of credit risk in the financial statements of financial institutions, particularly banks. Many analysts and regulators agreed that the accounting standards at that time were too slow in recognizing credit losses because they still relied on the incurred loss approach. As a result, the information presented was not sufficient to provide early warnings regarding the potential escalation of losses when economic conditions deteriorated.

In response, the International Accounting Standards Board issued IFRS 9: Financial Instruments as a reform of IAS 39: Financial Instruments: Recognition and Measurement. IFRS 9 introduced a new approach to loan loss provisioning known as Expected Credit Loss, which is more proactive and forward-looking (Gebhardt, 2016; Cohen & Edwards, 2017), while also accommodating the need for reporting that is more responsive to dynamic credit risks (Bushman & Williams, 2015). The objective is to ensure that financial statements reflect risk more realistically and contribute to strengthening the resilience of the financial system. The ECL approach requires entities to incorporate forward-looking information when estimating credit losses, a fundamental shift in the paradigm of modern financial accounting.

As part of the global financial community, Indonesia responded to this change by adopting IFRS 9 into its local standards through PSAK 71: Financial Instruments, which became effective on January 1, 2020. The implementation of PSAK 71 brings significant consequences for the measurement of financial assets, their classification, and the recognition of impairment losses. In the banking context, this change directly affects financial statements, particularly key financial ratios such as Return on Assets (ROA), Return on Equity (ROE), Capital Adequacy Ratio (CAR), and Non-Performing Loan (NPL), as credit losses are recognized earlier and based on probabilistic estimations (Beatty & Liao, 2014).

The implementation of PSAK 71 presents its own challenges, especially for regional banks whose asset structures and credit portfolio quality are highly influenced by local economic conditions. Regional Development Banks (BPD), as financial institutions owned by regional governments, play a strategic role in regional economic development. Therefore, it is important to understand the extent to which the implementation of PSAK 71 affects their financial stability and performance. Does this policy improve reporting quality and risk management? Or does it instead create administrative burdens and suppress profitability? These are the critical questions underlying this research.

Despite the growing body of literature examining the impact of IFRS 9 and its local adaptations such as PSAK 71 on banking performance, several important gaps remain. First, most prior studies focus on large commercial or Islamic banks using aggregated datasets, thereby overlooking the unique institutional characteristics of Regional Development Banks (BPDs), which operate under different governance structures and regional economic dependencies. Second, existing studies tend to employ cross-sectional or short-term analyses, limiting the ability to capture the dynamic effects of accounting standard changes over time. Third, empirical evidence on how PSAK 71 affects multiple dimensions of financial performance simultaneously particularly profitability, efficiency, liquidity, and capital adequacy remains limited and inconclusive.

Addressing these gaps, this study aims to provide a comprehensive and longitudinal analysis of the impact of PSAK 71 implementation on the financial performance of Regional Development Banks in Indonesia. Specifically, this study investigates whether there are significant differences in CAR, NPL, ROA, ROE, BOPO, and LDR before and after the adoption of PSAK 71. Accordingly, the research question is formulated as follows: Does the implementation of PSAK 71 significantly alter the financial performance of Regional Development Banks in Indonesia?

The Phenomenon of Regional Development Banks (BPD) in Indonesia and the Relevance of PSAK 71 Implementation

In Indonesia, the banking sector plays a central role in maintaining the stability of the financial system while also acting as a driver of national economic growth. Among the various types of banks, Regional Development Banks (BPD) occupy a unique position. BPDs are banks owned by regional governments and established with the primary mandate of promoting local economic development while supporting financing for the public sector and

micro, small, and medium enterprises (MSMEs) within their respective regions. Their existence is not merely as commercial entities but also as instruments of regional fiscal policy that bridge development interests with financial services.

However, this strategic position also presents several challenges. Compared with national or foreign banks, BPDs often face limitations in terms of capital, digital innovation, human resources, and risk governance. In practice, many BPDs maintain relatively homogeneous credit portfolio structures, with a concentration in consumer lending and loans to civil servants, as well as conservative credit expansion strategies. This condition makes BPD credit risk exposure highly sensitive to policy changes and fluctuations in local economic conditions.

The implementation of PSAK 71: Financial Instruments represents a significant challenge for BPDs because the Expected Credit Loss (ECL) approach requires each bank to estimate credit risk using forward-looking information and complex statistical models. The readiness of information technology systems, the availability of historical data, and the capability of risk management are essential prerequisites for implementing this standard. However, for many BPDs, such supporting infrastructure is not yet fully available or optimally functioning (Haryanto & Sari, 2020). Consequently, the burden of credit loss provisioning may increase and potentially reduce bank profitability.

According to the Otoritas Jasa Keuangan (OJK) report in 2021, several BPDs experienced declines in profitability ratios following the implementation of PSAK 71. On the other hand, the Capital Adequacy Ratio (CAR) of most banks remained relatively stable, although the increase in Non-Performing Loans (NPL) became a notable concern. The report also highlighted differences in adaptation among banks where large banks with well-established risk management systems were able to adopt PSAK 71 relatively smoothly, while small and medium-sized banks, including several BPDs, encountered challenges in modeling and measuring expected credit losses.

These facts strengthen the urgency of systematically examining the impact of PSAK 71 implementation on key financial ratios in BPDs. Does PSAK 71 truly lead to significant changes in performance indicators? What is the direction and magnitude of its impact on ratios such as CAR, NPL, ROA, ROE, BOPO, and LDR? This study attempts to answer these questions empirically using a quantitative approach based on BPD financial statement data from 2018 to 2023.

Theoretical Foundation, Research Gap, and Problem Formulation

Theoretically, the impact of changes in accounting standards on bank financial performance can be examined through the lens of financial reporting theory and signaling theory. In the context of financial reporting, the quality of accounting information is considered capable of influencing investor perceptions, risk management practices, and strategic decision-making at the internal level of a company (Scott, 2015; Watts & Zimmerman, 1986). This becomes even more relevant in the post-crisis era, where regulators encourage greater transparency and more accurate recognition of risk (Barth et al., 2008; Huian, 2012). The implementation of PSAK 71, which is based on the Expected Credit Loss approach, is expected to improve reporting quality because it reflects credit risk in a more realistic and accountable manner.

Meanwhile, signaling theory explains that changes in the recognition and measurement of assets or liabilities can serve as signals to the market regarding the fundamental condition of a company. In the banking context, when credit loss provisioning increases due to changes in ECL estimates, this may be interpreted as a signal of rising risk, which in turn influences stakeholders' evaluation of bank performance (Spence, 1973).

Several previous studies have examined the impact of PSAK 71 or IFRS 9 at the international level on banking financial indicators. For example, research by Bouvatier and Lepetit (2012) found that banks applying the ECL approach tend to have higher and more stable provisioning, although this may reduce profitability in the short term. In Indonesia, studies by Novia (2022) and Simorangkir & Diniyati (2021) show mixed results; some find effects on ROA and NPL, while others do not observe significant changes.

Nevertheless, there remains a gap in the literature, particularly regarding the evaluation of PSAK 71 implementation at the level of Regional Development Banks. Most studies focus on national commercial banks or Islamic banks using aggregated macro approaches. In contrast, BPDs face distinctive structural characteristics and challenges that require more specific investigation. Moreover, relatively few studies compare financial ratios quantitatively and longitudinally before and after the implementation of this new accounting standard using adequate time spans and samples.

The implementation of IFRS 9 and its adoption into PSAK 71 has attracted significant attention in recent literature, particularly regarding its impact on bank stability and financial reporting quality. Recent studies (e.g., Abad & Suárez, 2021; Novotny-Farkas, 2016) highlight that forward-looking provisioning frameworks may improve financial system resilience, although they can also introduce short-term volatility in earnings.

Empirical evidence on the impact of IFRS 9 remains mixed. For instance, Novotny-Farkas (2016) argues that the expected credit loss model enhances the timeliness of loss recognition, thereby improving transparency. Similarly, Abad and Suárez (2021) show that forward-looking provisioning contributes to financial stability by reducing procyclicality in lending. However, other studies such as Groff and Mörec (2020) find that the adoption of IFRS 9 may negatively affect bank profitability in the short term due to increased provisioning requirements.

Therefore, this research is designed to fill that gap. Using financial data from 24 Regional Development Banks over a six-year period (2018–2023), this study aims to examine whether there are significant differences in six key financial performance ratios: CAR, NPL, ROA, ROE, BOPO, and LDR following the implementation of PSAK 71: Financial Instruments. The paired sample t-test approach is employed to capture direct and paired changes between the pre- and post-implementation periods. The findings of this study are expected to provide a comprehensive overview not only for academics but also for regulators and BPD management in making evidence-based policy decisions.

Conceptual Framework and Hypothesis Development

The implementation of PSAK 71 introduces a forward-looking Expected Credit Loss (ECL) model, which directly affects the recognition of impairment losses and, consequently, financial performance indicators. From a financial reporting perspective, earlier recognition of credit losses is expected to reduce profitability indicators such as ROA and ROE due to increased provisioning expenses. At the same time, operational efficiency, reflected in the BOPO ratio, may deteriorate as banks incur additional costs related to risk modeling, data processing, and compliance.

Conversely, capital adequacy (CAR) and liquidity (LDR) are less directly affected, as these ratios depend more on structural financial policies and regulatory requirements rather than accounting measurement changes. Similarly, the NPL ratio reflects realized credit risk, which may not immediately change following accounting adjustments.

Based on this theoretical reasoning and prior empirical findings, the hypotheses of this study are formulated as follows:

- H1: There are significant differences in profitability (ROA, ROE) before and after PSAK 71 implementation
- H2: There are significant differences in efficiency (BOPO) before and after PSAK 71 implementation
- H3: There are significant differences in risk and stability indicators (CAR, NPL, LDR) before and after PSAK 71 implementation

METHOD

Research Type and Approach

This study employs a comparative quantitative approach using secondary data analysis to examine differences in the financial performance of Regional Development Banks (BPD) before and after the implementation of PSAK 71: Financial Instruments. This research design is appropriate for assessing changes resulting from a specific treatment in this case, the adoption of PSAK 71 in 2020 on financial variables that can be measured numerically.

Population and Sample

The population of this study consists of all conventional Regional Development Banks operating in Indonesia that consistently published complete annual financial reports during the 2018–2023 period. The sample was selected using a purposive sampling technique based on the following inclusion criteria:

- a) The bank is a conventional Regional Development Bank, not an Islamic bank or an Islamic business unit.
- b) The bank publishes complete annual financial reports for six consecutive years (2018–2023).
- c) The bank fully adopted PSAK 71: Financial Instruments starting on January 1, 2020, in accordance with regulations issued by the Ikatan Akuntan Indonesia and the Otoritas Jasa Keuangan.

Based on these criteria, 24 Regional Development Banks were selected as the units of analysis.

Types and Sources of Data

The data used in this study are secondary data obtained from publicly available annual financial reports. These reports were collected from the official websites of each Regional Development Bank, the website of the Otoritas Jasa Keuangan, and other relevant sources. The dataset includes key financial ratios covering the period from 2018 to 2023.

Research Variables

The variables in this study consist of six financial performance indicators widely used in evaluative and regulatory banking studies:

- a) Capital Adequacy Ratio (CAR) – Measures the adequacy of a bank's capital relative to risk-weighted assets.
- b) Non-Performing Loan (NPL) – Indicates the proportion of non-performing loans to total loans.
- c) Return on Assets (ROA) – Measures a bank's ability to generate profit from its total assets.
- d) Return on Equity (ROE) – Reflects the level of net income relative to total equity.
- e) Operating Expenses to Operating Income (BOPO) – Represents the operational efficiency of the bank.
- f) Loan to Deposit Ratio (LDR) – Indicates the bank's ability to channel third-party funds into credit.

Table 1. Operational Definition of Variables

Variable	Definition	Measurement
CAR	Capital adequacy ratio	Capital / Risk-weighted assets
NPL	Credit risk indicator	Non-performing loans / Total loans
ROA	Profitability	Net income / Total assets
ROE	Profitability	Net income / Equity
BOPO	Efficiency	Operating expenses / Operating income
LDR	Liquidity	Total loans / Total deposits

All variables are measured using standard banking financial ratio formulas as regulated by Otoritas Jasa Keuangan (OJK).

Data Analysis Techniques

The analysis was conducted using a paired sample t-test to compare the average values of each financial ratio during the two years before implementation (2018–2019) and the four years after the implementation of PSAK 71: Financial Instruments (2020–2023).

Prior to performing the t-test, the data were tested for normality using the Shapiro–Wilk test. If the data were not normally distributed, the analysis was continued using the Wilcoxon Signed-Rank Test as a non-parametric alternative.

All statistical analyses were conducted using IBM SPSS Statistics 26, with a significance level of $\alpha = 0.05$.

Ethical Considerations

Since this study utilizes secondary data obtained from publicly available documents, ethical approval or informed consent was not required. Nevertheless, the principles of academic integrity and data validity were carefully maintained, and the entire analytical process was conducted transparently to ensure replicability.

RESULT AND DISCUSSION

This study aims to determine whether there are significant differences in the financial performance of Regional Development Banks (BPD) before and after the implementation of PSAK 71. Six key financial ratios include the Capital Adequacy Ratio (CAR), Non-Performing Loans (NPL), Return on Assets (ROA), Return on Equity (ROE), BOPO, and Loan to Deposit Ratio (LDR).

Statistical Description of Financial Ratios (2018–2023)

Before conducting the hypothesis test, the researcher first described the general trend in financial ratio values for the period 2018 to 2023. The first two years (2018–2019) represent the period before PSAK 71 was implemented, while the following four years (2020–2023) reflect the period after the implementation of the new standard.

Overall, the statistical descriptions reveal some interesting differences:

ROA and ROE experienced a sharp decline in 2020, the first year of PSAK 71 implementation, followed by a gradual recovery until 2023.

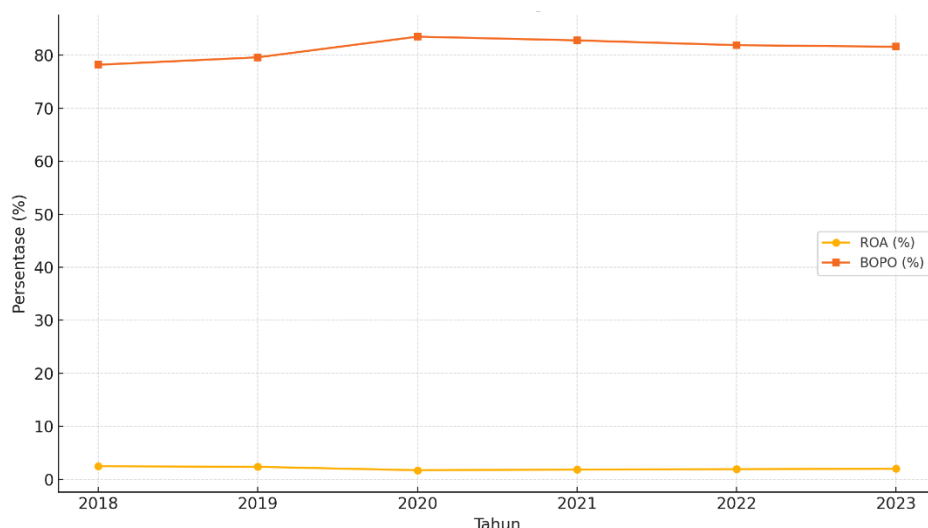


Figure 1. Trends in Return on Assets (ROA) and Operating Costs to Operating Income (BOPO) of BPDs in 2018–2023

Source: Processed by the author from BPD financial reports (2018–2023)

- a) BOPO, an efficiency indicator, showed an increase post-2020, reflecting higher operating expenses compared to revenue.
- b) NPLs were relatively stable but tended to increase slightly in 2020–2021, indicating increased credit risk.
- c) CAR and LDR showed no significant changes and remained within the safe limits set by banking authorities.

These data provide initial indications that the implementation of PSAK 71 puts pressure on BPD profitability and operational efficiency, but does not significantly impact liquidity and capital in the short term.

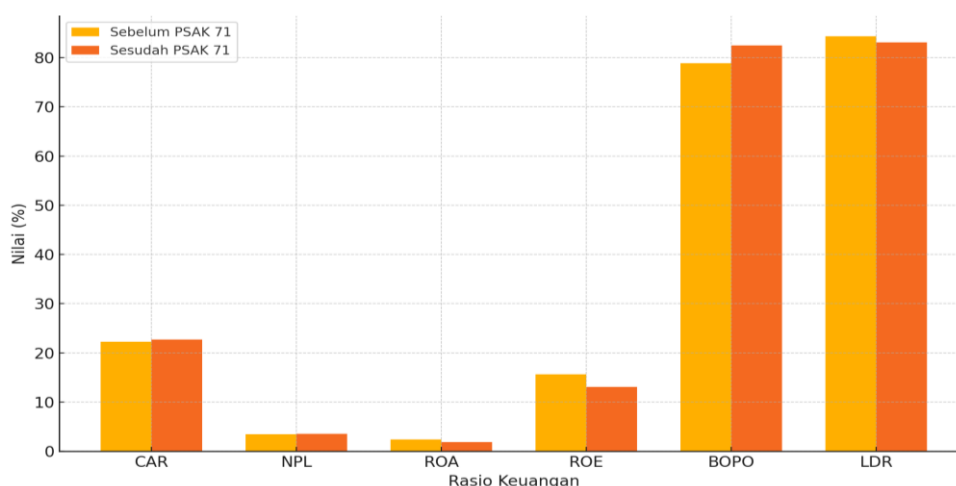


Figure 2. Comparison of Average BPD Financial Ratios Before and After PSAK 71 Implementation (2018–2019 vs. 2020–2023)

Source: Processed by the author from BPD financial reports (2018–2023)

Normality Test and Selection of Test Techniques

Before conducting the difference test, the data were tested for normality using the Shapiro-Wilk test. The test results indicated that most variables had a normal distribution ($p > 0.05$), so the primary analysis was conducted using a paired sample t-test. For variables that were not normally distributed, such as ROA and BOPO, the Wilcoxon Signed-Rank Test was performed as a non-parametric alternative.

Table 2. Results of the Normality Test for Financial Ratios Using the Shapiro-Wilk Test

No	Financial Ratios	Statistical Value (Shapiro-Wilk)	Significance (Sig.)	Description of Normality
1	Capital Adequacy Ratio (CAR)	0.963	0.131	Normal
2	Non-Performing Loan (NPL)	0.948	0.065	Normal
3	Return on Assets (ROA)	0.914	0.012	Abnormal
4	Return on Equity (ROE)	0.939	0.089	Normal
5	BOPO	0.902	0.006	Abnormal
6	Loan to Deposit Ratio (LDR)	0.973	0.194	Normal

Source: Results of primary data processing with SPSS 25 (2024)

The results of the normality test in Table 1 indicate that most financial ratios have a normal distribution, indicated by significance values above 0.05. However, two key ratios, Return on Assets (ROA) and BOPO, exhibit non-normal distributions (Sig. < 0.05), indicating a deviation from the normality assumption. This is an important consideration in selecting the difference test technique in the next stage.

Based on these results, the difference test for means (difference test) for CAR, NPL, ROE, and LDR ratios was conducted using the Paired Sample t-Test. For ROA and BOPO, the non-parametric Wilcoxon Signed-Rank Test was used. This selection was made to maintain statistical validity and avoid interpretation bias due to the non-fulfillment of the normality assumption.

Difference Test Results Before and After PSAK 71

The following are the results of a comparison test of the average values of financial ratios before (2018–2019) and after (2020–2023) the implementation of PSAK 71:

Table 3. Statistical Description of BPD Financial Ratios Before and After PSAK 71 Implementation (2018–2023)

Financial Ratios	Average Before PSAK 71	Average After PSAK 71	Mark <i>p</i>	Information
CAR	22,3%	22,7%	0,412	Not significant
NPL	3,45%	3,58%	0,379	Not significant
ROA	2,42%	1,87%	0,027	Significant
ROE	15,6%	13,1%	0,081	Not significant
BOPO	78,9%	82,5%	0,041	Significant
LDR	84,3%	83,1%	0,215	Not significant

Source: Processed by the author from the BPD annual financial report (2018–2023)

The table above shows that:

- a) The ROA and BOPO ratios show significant differences before and after the implementation of PSAK 71, with the direction of change consistent with initial predictions. ROA decreased, indicating declining profitability; while BOPO increased, indicating worsening efficiency.
- b) Other ratios, such as CAR, NPL, ROE, and LDR, did not show statistically significant differences, although visually there was slight variation in the average values.

These results indicate that the impact of PSAK 71 on the financial performance of regional development banks (BPDs) is selective and uneven. Profitability and efficiency are the most impacted aspects, while capital and liquidity remain relatively stable. This confirms previous findings in studies by Rachmadi (2023) and Simorangkir & Diniyati (2021), which noted that the provision burden due to the expected credit loss approach tends to erode profit margins, especially in banks with immature risk assessment systems.

The statistical results indicate that the implementation of PSAK 71 has a differentiated impact across financial performance dimensions. The significant decline in ROA and increase in BOPO suggest that the adoption of the ECL model imposes immediate pressure on profitability and operational efficiency. This reflects the front-loading effect of credit loss recognition under PSAK 71, where expected losses are recognized earlier compared to the incurred loss model.

In contrast, the absence of significant changes in CAR, NPL, ROE, and LDR indicates that the structural financial stability of BPDs remains relatively unaffected in the short term. This suggests that PSAK 71 primarily influences accounting-based performance indicators rather than altering the fundamental risk profile or liquidity management of banks.

Discussion

The results of this study indicate that the implementation of PSAK 71: Financial Instruments has a significant impact on two key financial ratios of Regional Development Banks (BPD), namely Return on Assets (ROA) and BOPO, while other ratios such as CAR, NPL, ROE, and LDR do not show statistically significant changes. These findings provide several important implications both theoretically and practically.

1. Impact on Profitability: Decline in ROA

The significant decline in ROA after the implementation of PSAK 71: Financial Instruments indicates that the profitability of Regional Development Banks has been materially affected by changes in the method of credit loss provisioning. This is consistent with the logical consequences of the Expected Credit Loss approach applied under the standard. Compared with the previous method, which only recognized losses that had already occurred (incurred loss), the ECL approach requires banks to provision for potential losses based on forward-looking estimates, thereby increasing operational expenses in the current period.

These results are consistent with the study by Bouvatier and Lepetit (2012), which shows that the adoption of expectation-based provisioning models tends to reduce bank profits in the short term due to higher estimated credit risks, particularly for institutions that do not yet have advanced risk management systems. In the context of Indonesia, this finding is reinforced by Rachmadi (2023), who found that regional banks with limited historical data tend to overestimate risk, thereby reducing profit margins.

From a theoretical perspective, this result supports Signaling Theory, in which the decline in ROA after the implementation of PSAK 71 may be interpreted as a signal of managerial prudence in anticipating potential unrealized risks. Although profits decline, this may also reflect stronger risk governance and greater transparency in financial reporting.

2. Increase in BOPO: Declining Operational Efficiency

In addition to the decline in profitability, the test results also show a significant increase in the BOPO ratio, indicating a decrease in the operational efficiency of Regional Development Banks. The increase in BOPO after 2020 suggests that bank operational expenses including credit loss provisions have grown faster than operating income.

This condition can be interpreted as an administrative and technical consequence of implementing PSAK 71: Financial Instruments, especially for banks that do not yet possess robust data-driven risk measurement systems. Additional costs arising from the development of ECL models, data collection, staff training, and information technology upgrades may contribute to this operational pressure (Prasetyo & Dewi, 2021; Basel Committee, 2015). This is particularly relevant for banks that lack adequate risk infrastructure. Research by Simorangkir and Diniyati (2021) also found that many Regional Development Banks experienced significant cost increases when implementing PSAK 71 due to insufficient infrastructure to optimally adopt the standard.

However, in the long run, this increase in operational expenses may be interpreted as an initial investment in building a more reliable risk governance system. The long-term effects may not yet be fully reflected in the quantitative results within the four-year period following implementation.

3. Ratios Not Significantly Affected

The finding that CAR, NPL, ROE, and LDR ratios do not show significant changes after the implementation of PSAK 71: Financial Instruments deserves attention. First, the stability of the Capital Adequacy Ratio (CAR) indicates that the capital position of Regional Development Banks remains sufficient to absorb the additional credit loss provisions resulting from the new accounting standard. This is a positive signal, reflecting adequate capital strength in accordance with regulatory requirements set by the Otoritas Jasa Keuangan.

Second, the absence of a significant increase in the Non-Performing Loan (NPL) ratio suggests that the actual realized credit risk did not deteriorate substantially after the implementation of PSAK 71, even though provisioning estimates increased through the Expected Credit Loss approach. In other words, perceived credit risk increased in estimation terms, while the realized credit risk remained under control.

Third, the ROE and LDR ratios also remain relatively stable, indicating that the implementation of PSAK 71 does not substantially affect the leverage structure or the ability of Regional Development Banks to channel third-party funds into lending activities.

Overall, these findings reinforce the assumption that PSAK 71 primarily affects the accounting recognition and reporting of profits rather than the actual risk profile or liquidity management strategies of banks. Therefore, this study confirms that the effects of PSAK 71 implementation are asymmetric, with stronger impacts on profitability reporting and operational efficiency than on capital structure or liquidity management.

The findings of this study are consistent with prior research on IFRS 9 adoption. The decline in profitability observed in BPDs aligns with the findings of Groff and Mörec (2020), who report that increased provisioning requirements tend to suppress bank earnings in the short run. At the same time, the results support the argument of Abad and Suárez (2021) that forward-looking provisioning enhances financial system stability, as reflected in the unchanged CAR and LDR ratios.

These findings highlight an important theoretical implication: the adoption of forward-looking accounting standards such as PSAK 71 does not uniformly affect all dimensions of financial performance. Instead, its impact is concentrated on accounting-sensitive indicators, particularly profitability and efficiency, while leaving structural indicators relatively stable.

The findings of this study are consistent with prior research on IFRS 9 adoption. The decline in profitability observed in BPDs aligns with the findings of Groff and Mörec (2020), who report that increased provisioning requirements tend to suppress bank earnings in the short run. At the same time, the results support the argument of Abad and Suárez (2021) that forward-looking provisioning enhances financial system stability, as reflected in the unchanged CAR and LDR ratios. This asymmetry can be explained through the lens of financial reporting theory, where changes in accounting measurement primarily affect reported earnings rather than underlying economic fundamentals. Furthermore, from a signaling theory perspective, the decline in profitability following PSAK 71 adoption may not necessarily indicate deteriorating performance, but rather improved transparency and prudence in risk recognition.

From a practical standpoint, the results suggest that BPDs need to strengthen their risk management infrastructure, including data systems, predictive modeling capabilities, and human resource competencies. Without such improvements, the implementation of PSAK 71 may continue to exert downward pressure on profitability and efficiency.

CONCLUSION

This study aims to evaluate the impact of PSAK 71 implementation on the financial performance of Regional Development Banks (BPD) in Indonesia by comparing six key banking ratios between the periods before (2018–2019) and after (2020–2023) the implementation of the new accounting standard.

Based on the results of statistical tests and data analysis, it can be concluded that:

- a) There were statistically significant changes in the ROA and BOPO ratios after the implementation of PSAK 71. The decline in ROA indicates a weakening of BPD profitability, while the increase in BOPO indicates a decline in operational efficiency. Both reflect pressure on financial performance due to the expected credit loss (ECL)-based loan loss provision approach.
- b) The other four ratios, CAR, NPL, ROE, and LDR, did not experience significant changes. This means that the impact of PSAK 71 on capital, actual credit risk, equity-based profitability, and bank disbursement capacity did not show any significant shifts over the observed period.
- c) Overall, the impact of PSAK 71 is selective and focused on operating profit and expenses, and does not necessarily disrupt the structural stability of regional banks (BPDs) in terms of capital and liquidity.

This study contributes to the literature by providing empirical evidence on the asymmetric impact of PSAK 71 implementation on regional banking performance, particularly highlighting its stronger effect on profitability and efficiency compared to capital and liquidity indicators. From a practical perspective, the findings suggest that regulators and bank management should focus on strengthening risk modeling capabilities and data infrastructure to optimize the benefits of PSAK 71 implementation.

However, this study has several limitations. First, it focuses only on Regional Development Banks, which may limit the generalizability of the findings. Second, the observation period after implementation is relatively short, which may not fully capture long-term effects. Future research is encouraged to expand the sample to include other banking sectors and apply more advanced analytical methods such as panel regression or difference-in-differences approaches.

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