IMPLEMENTATION OF PSAK 71 AND ITS IMPACT ON THE ALLOWANCE FOR IMPAIRMENT LOSSES (CKPN) IN THE BANKING SECTOR: A CASE STUDY OF PT BANK NEGARA INDONESIA (PERSERO) TBK.

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Abstract – *This paper analyzes the implementation of PSAK 71, which adopts the expected credit loss (ECL) model, and its impact on the calculation of Allowance for Impairment Losses (CKPN) in the banking sector, using PT Bank Negara Indonesia (Persero) Tbk. as a case study. The study compares the CKPN values before and after the adoption of PSAK 71 and examines the bank's strategies in adapting to the new standard. The results show a significant increase in CKPN post-implementation, reflecting a more forward-looking risk assessment. The study highlights the challenges and policy adjustments made by Bank BNI to maintain profitability and capital adequacy.*

Keywords: *PSAK 71, Expected Credit Loss (ECL), Allowance for Impairment Losses, CKPN, Bank BNI, Financial Instruments, Banking Sector, Financial Reporting, Risk Management, IFRS 9.*

I. INTRODUCTION

The implementation of new financial reporting standards plays a vital role in improving the quality of financial information, particularly in terms of transparency, comparability, and reliability. One of the significant milestones in the development of accounting standards in Indonesia is the adoption of PSAK 71: Financial Instruments, which came into effect in January 2020. PSAK 71 is based on IFRS 9 and officially replaces the previous standard, PSAK 55, which had been widely used for the recognition and reporting of financial instruments in Indonesia.

One of the most fundamental changes introduced by PSAK 71 is related to the impairment recognition model for financial assets. Under PSAK 55, impairment losses were recognized using the *incurred loss model*, meaning that losses were only recorded when there was objective evidence of a credit event or actual default. PSAK 71, however, shifts to an *expected credit loss (ECL)* model, requiring entities to proactively estimate potential future credit losses using forward-looking information, even in the absence of actual default indicators.

This change has a significant impact, especially on the banking sector, where credit portfolios constitute the core assets. By adopting the ECL model, banks are required to be more prudent and thorough in assessing credit risks that may materialize in the future. As a consequence, the balance of Allowance for Impairment Losses, known in Indonesia as Cadangan Kerugian Penurunan Nilai (CKPN), tends to increase since potential losses must be recognized earlier.

Furthermore, CKPN figures have become more volatile due to their heavy reliance on economic forecasts and market dynamics, which are inherently fluctuating.

The implications of this change are not limited to profit or loss statements—where higher impairment charges may suppress profitability—but also extend to key financial ratios such as Return on Assets (ROA), Return on Equity (ROE), and Capital Adequacy Ratio (CAR). A larger CKPN allocation can reduce a bank's profit and potentially affect its capital management strategy to ensure continued compliance with regulatory capital requirements.

In the Indonesian context, Bank Negara Indonesia (BNI), as one of the largest state-owned banks and a systemically important financial institution, presents a relevant case study for analyzing the practical impact of PSAK 71 implementation. Given its significant role in the national financial system, BNI's response to the new standard provides critical insights into how large-scale banks adjust their credit risk management policies, financial reporting processes, and internal procedures to align with PSAK 71 requirements.

Beyond technical calculations of CKPN, PSAK 71 implementation also demands adjustments in the bank's accounting information systems, the development of forward-looking credit risk models, and the formation of specialized teams tasked with monitoring and evaluating the impact of this transition. Major banks like BNI must also coordinate closely with regulators such as the Financial Services Authority (Otoritas Jasa Keuangan/OJK) to ensure that the transition does not disrupt operational stability or regulatory compliance.

The study will analyze BNI's strategic responses to the transition, including the development of internal policies, the strengthening of credit risk assessment systems, and the overall implications for financial reporting and capital management. By focusing on BNI's case, this research is expected to provide a comprehensive understanding of the challenges and adaptive measures taken by large banks in Indonesia in response to significant changes in accounting standards.

II. LITERATURE REVIEW

PSAK 71, which came into effect in Indonesia on January 1, 2020, is an adoption of IFRS 9 – Financial Instruments. One of its most significant changes lies in the shift from the incurred loss model (previously applied under PSAK 55) to the expected credit loss (ECL) model. This model requires entities to recognize impairment losses not only when a loss event occurs but also based on forward-looking information and potential future credit risk (IAI, 2017).

According to IFRS 9, the ECL model consists of a three-stage approach:

- Stage 1: 12-month ECL for instruments with no significant increase in credit risk.
- Stage 2: Lifetime ECL for instruments that have experienced a significant increase in credit risk (SICR).
- Stage 3: Lifetime ECL for credit-impaired financial assets.

The application of this model leads to earlier recognition of credit losses and demands robust credit risk modeling, including the integration of macroeconomic factors (EY, 2019).

CKPN, or Allowance for Impairment Losses, is a reserve established by banks to cover potential losses resulting from credit defaults. Prior to the implementation of PSAK 71, the determination of CKPN was based on incurred losses, meaning losses that had already occurred. However, following the adoption of PSAK 71, banks are required to calculate CKPN based on expected future losses.

According to the Financial Services Authority (OJK) through Circular Letter No. 6/SEOJK.03/2020, financial institutions are required to adjust their credit risk measurement models to align with the Expected Credit Loss (ECL) approach. The implementation of PSAK 71 may have a significant impact on the following aspects: The amount of CKPN recognized, The bank's net profit, Profitability ratios (ROA, ROE), Capital Adequacy Ratio (CAR).

Several previous studies have examined the impact of IFRS 9/PSAK 71 implementation on the banking sector, Sari and Wibowo (2021) found that the adoption of PSAK 71 significantly increased the CKPN levels in several major Indonesian banks. This indicates a paradigm shift in credit risk management towards a more conservative and forward-looking approach.

Gunawan and Lestari (2020), in a comparative study, concluded that CKPN calculated using the ECL model is generally higher than that under the incurred loss model, especially during periods of economic downturn.

The World Bank (2018) stated that the transition to the ECL model may lead to greater volatility in financial statements and requires well-prepared information systems and strong risk management capabilities.

The BNI Annual Reports (2020–2022) show a significant increase in CKPN following the implementation of PSAK 71, although the bank's capital adequacy ratio (CAR) remained stable through adjustments in credit portfolio composition and risk exposure management.

In the context of banking, the implementation of PSAK 71 aligns with prudential banking theory, which emphasizes the importance of prudence in credit risk management and financial reporting. Through a more proactive approach using the Expected Credit Loss (ECL) model, banks are better positioned to mitigate potential systemic risks at an earlier stage and to strengthen the confidence of both investors and regulators.

III. METHODS

This study adopts a qualitative descriptive research design with a case study approach. The research focuses on Bank BNI as the unit of analysis to investigate the practical implications of PSAK 71 implementation on the calculation and reporting of Allowance for Impairment Losses (CKPN). The descriptive method is used to present an in-depth analysis of the changes in accounting treatment, financial impact, and risk management strategies.

The study uses secondary data collected from the following sources:

- Annual Reports and Financial Statements of Bank BNI from 2018 to 2022.
- Notes to Financial Statements, particularly sections on financial instruments and impairment losses.
- Regulatory documents, including PSAK 71 guidelines and Circular Letter SE OJK No. 6/SEOJK.03/2020.
- Published academic literature, industry reports, and white papers discussing

IFRS 9/PSAK 71 and its implementation in the banking sector.

The selection of the 2018–2022 period allows for a comparative analysis of financial results before and after PSAK 71 adoption, which officially became effective in Indonesia in January 2020.

IV. RESULTS AND DISCUSSION

1. Impact of PSAK 71 Implementation on CKPN at Bank BNI

The implementation of PSAK 71: Financial Instruments has had a profound impact on the calculation and recognition of Allowance for Impairment Losses (Cadangan Kerugian Penurunan Nilai or CKPN) at PT Bank Negara Indonesia (Persero) Tbk (Bank BNI). PSAK 71, which became effective in Indonesia in January 2020, mandates a shift from the incurred loss model under PSAK 55 to the expected credit loss (ECL) model, aligning with international standards set by IFRS 9.

A review of Bank BNI's annual financial statements from 2018 to 2022 clearly illustrates the significant changes in the CKPN figures as a direct result of this transition. Prior to the adoption of PSAK 71, CKPN was calculated based on credit events that had already occurred, meaning losses were only recognized when there was objective evidence of impairment. This approach often led to a delayed recognition of credit risk and potential underestimation of future losses.

In 2019, the year immediately preceding PSAK 71 implementation, Bank BNI recorded CKPN at approximately IDR 17 trillion. This figure was consistent with the prevailing methodology under PSAK 55, which focused on historical data and incurred losses. However, starting in 2020, after PSAK 71 came into force, Bank BNI transitioned to the ECL model, which requires banks to estimate and recognize potential credit losses earlier by incorporating forward-looking information, such as macroeconomic indicators and scenario-based risk assessments.

The table below presents the CKPN figures from Bank BNI's annual reports, indicating the shift before and after PSAK 71 implementation:

Year	Method Applied	CKPN (IDR Billion)
2018	PSAK 55 (Incurred Loss)	±15,000
2019	PSAK 55 (Incurred Loss)	±17,000
2020	PSAK 71 (ECL)	±24,000
2021	PSAK 71 (ECL)	±26,000
2022	PSAK 71 (ECL)	±28,000

The increase in Allowance for Impairment Losses (CKPN) at Bank BNI following the implementation of PSAK 71 was not solely driven by the methodological shift from the incurred loss model to the expected credit loss (ECL) model. It was also significantly influenced by macroeconomic factors, particularly the widespread impact of the COVID-19 pandemic, which triggered substantial economic disruptions both domestically and globally.

Starting in early 2020, the outbreak of COVID-19 introduced heightened levels of economic uncertainty. Governments and financial authorities, including the banking sector, were compelled to revise various macroeconomic assumptions due to the drastic slowdown in economic activity. These revisions included sharp downward adjustments to GDP growth projections, reflecting contraction in economic output, especially during the peak of the pandemic. Moreover, the unemployment rate surged as numerous businesses experienced severe revenue declines, leading to layoffs, downsizing, or even permanent closure of operations.

Several specific sectors were disproportionately affected by the pandemic, particularly the Micro, Small, and Medium Enterprises (MSME) segment, which forms a critical part of Indonesia's economic structure but remains highly vulnerable to economic shocks. In addition, the transportation and tourism industries faced unprecedented setbacks due to mobility restrictions, travel bans, and the general decline in consumer spending on non-essential services. The heightened risk of default across these sectors directly impacted the credit portfolios of banks, including Bank BNI, resulting in a significant reassessment of expected credit losses.

Under the PSAK 71 framework, banks are required to integrate forward-looking information into their credit risk assessments. The deteriorating macroeconomic conditions compelled Bank BNI to adjust its risk projections, not only by evaluating the current financial condition of its borrowers but also by considering potential future credit deterioration. The ECL model mandates the recognition of potential credit losses even on loans that are still classified as performing, by incorporating variables such as GDP growth forecasts, sectoral risk outlooks, and various stress scenarios.

As a result, the CKPN balance increased considerably, reflecting both the new accounting methodology and the bank's prudent approach to risk management in response to the elevated uncertainty caused by the pandemic. This proactive stance is consistent with prudential

banking principles, ensuring that the bank remains resilient amid adverse economic conditions while complying with regulatory expectations regarding credit risk provisioning.
In summary, the rise in CKPN at Bank BNI post-PSAK 71 was a consequence of both the technical shift in accounting standards and the broader economic challenges posed by COVID-19, which necessitated a more conservative and comprehensive approach to credit loss estimation.

2. Impact on Net Profit and Financial Ratios

The implementation of PSAK 71, particularly the shift to an Expected Credit Loss (ECL) model for calculating Allowance for Impairment Losses (CKPN), has had a direct and measurable impact on Bank BNI's financial performance. The most immediate effects can be seen in the bank's net profit and key financial ratios, reflecting how accounting standard changes extend beyond technical adjustments to influence the bank's overall financial health and performance indicators.

a. Impact on Net Profit

One of the most prominent consequences of the PSAK 71 adoption is the increase in impairment expenses, which are recognized in the bank's income statement. The ECL model requires banks to make provisions for potential credit losses earlier, even when borrowers have not yet defaulted, by considering possible future risks. This proactive risk recognition leads to a higher level of CKPN, resulting in a direct increase in credit loss expense.

In 2020, the first year of PSAK 71 implementation, Bank BNI experienced a significant decline in net profit, primarily due to the sharp increase in CKPN. Based on financial reports, Bank BNI's CKPN rose from approximately IDR 17 trillion in 2019 (under PSAK 55) to around IDR 24 trillion in 2020 under PSAK 71. This adjustment was necessary to account for both the shift in accounting methodology and the heightened credit risk environment caused by the COVID-19 pandemic.

As a result, Bank BNI's net profit declined by over 30% in 2020 compared to the previous year. While such a substantial drop in profitability could be perceived as negative in the short term, it actually reflects a more transparent, forward-looking, and risk-sensitive approach to credit loss provisioning. By recognizing potential credit risks early, BNI aims to enhance the reliability of its financial statements and align its reporting with global best practices, thus strengthening market and investor confidence in the long run.

b. Impact on Financial Ratios

Beyond affecting net profit, the increase in CKPN under PSAK 71 has also impacted several key financial ratios that are critical for assessing the bank's performance and financial resilience. These include:

- Return on Assets (ROA)
  The decline in net profit led to a corresponding reduction in ROA, as the bank's earnings became lower relative to the total assets it manages. Since ROA is a measure of how effectively a bank uses its assets to generate profit, the decrease reflects the

short-term profitability pressure resulting from higher impairment costs.

- Return on Equity (ROE)
  Similar to ROA, ROE also experienced a decline due to lower net income available to shareholders. ROE measures the efficiency of equity utilization in generating returns, and the reduction indicates the short-term financial impact borne by the bank's shareholders following the increase in credit loss provisioning.
- Capital Adequacy Ratio (CAR)
  Despite the pressure on profitability and earnings ratios, Bank BNI successfully maintained a healthy Capital Adequacy Ratio (CAR) in the range of approximately 19% to 20%. This resilience was achieved through prudent credit portfolio management, internal capital reinforcement, and strategic balance sheet adjustments. CAR is a crucial indicator of a bank's ability to absorb losses while continuing to operate soundly. Maintaining a strong CAR amid higher provisioning expenses demonstrates BNI's commitment to preserving financial stability.

3. BNI's Strategic Response to PSAK 71 Implementation

The adoption of PSAK 71—particularly the shift to the Expected Credit Loss (ECL) model—necessitated substantial changes in accounting systems, risk management processes, and data infrastructure. As a systemically important state-owned bank, BNI recognized that effective implementation required not only regulatory compliance but also organizational readiness to manage technical and operational complexities.

BNI adopted the following key adaptation strategies:

a. Strengthening Data Infrastructure and IT Systems
   BNI enhanced its IT systems to support real-time data processing for ECL calculations. This included:
   - Integration of historical credit, repayment, and borrower eligibility data.
   - Implementation of an automated risk engine to compute Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD).
   - Integration of macroeconomic forecasting into scenario simulation (*forward-looking information*).

b. Revising Credit Risk Policies and Portfolio Composition
   BNI updated its credit risk policies to align with the *Significant Increase in Credit Risk (SICR)* framework. In addition, the bank shifted its credit portfolio towards lower-risk sectors to minimize CKPN volatility.

c. Capacity Building and Staff Training
   Technical training was provided to accounting, internal audit, and risk management personnel on:
   - PSAK 71 principles and applications.
   - ECL calculation and financial reporting.
   - Model validation and backtesting techniques.

d. Formation of a Dedicated Implementation Task Force
   A cross-functional task force—comprising finance, risk, credit, and IT units—was established to oversee PSAK 71 implementation. The team was responsible for ensuring integration, evaluating progress, and coordinating with external auditors and regulators.

e. Transparent Communication with Regulators and Stakeholders
BNI actively disclosed key changes to the Financial Services Authority (OJK) and explained the implications of PSAK 71 in its annual reports. This transparency helped build stakeholder trust and clarified the rationale behind CKPN increases and profit adjustments.

These strategies illustrate BNI's commitment to not only comply with PSAK 71, but also to strengthen long-term risk governance and reporting credibility.

V. CONCLUSION

The implementation of PSAK 71 in Indonesia's banking sector—through the shift from the incurred loss model to the Expected Credit Loss (ECL) framework—has significantly influenced the calculation and recognition of Allowance for Impairment Losses (CKPN). This case study of Bank BNI reveals a substantial increase in CKPN following the adoption of PSAK 71 in 2020, reflecting a more forward-looking and conservative approach to credit risk.

The rise in CKPN directly impacted the bank's net profit, particularly during the transition period, while also exerting pressure on key financial ratios such as ROA and ROE. Nevertheless, BNI demonstrated resilience by maintaining its Capital Adequacy Ratio (CAR) and implementing a series of strategic measures—including IT infrastructure upgrades, credit policy revisions, and capacity building—to adapt to the new standard.

These findings highlight that while PSAK 71 presents short-term challenges—such as reduced profitability and operational complexity—it enhances the quality of financial reporting, improves credit risk transparency, and strengthens stakeholder confidence in the long term. BNI's experience may serve as a valuable reference for other financial institutions navigating similar transitions.

Thus, the implementation of PSAK 71 extends beyond technical accounting compliance, driving structural transformation in risk management and business processes across the banking industry.

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