



Erm power on support the role of psak 71 in saving banking finances during the covid-19 pandemic

Erm power apoya el papel de psak 71 para salvar las finanzas bancarias durante la pandemia de covid-19

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Abstract

PSAK 71 is used to prevent procyclical CKPN during emergencies. If a bank's CKPN value is procyclical, then the bank's financial sustainability becomes blurred during economic stress. This situation will harm investors interested in the bank's financial success. This study evaluates the effectiveness of PSAK 71 and ERM in reducing the impact of the COVID-19 pandemic on the financial performance of banking institutions during the economic crisis. Using a saturated sample selection technique, we selected a sample of 47 banks from the IDX from 2018 and 2023 for this research. We analyzed the data using the Wilcoxon signed-rank test. Research shows that (a) there is a slight average difference between the CKPN value in the first and second years of the COVID-19 pandemic, and (b) there is no difference between the loan value in the first and second years of the COVID-19 pandemic, and (c) there are differences in the value of profits in the first and second years of the COVID-19 pandemic.

JEL Code: G21, G32, H12

Keywords: PSAK 71; ERM; CKPN; credit distribution

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Resumen

El PSAK 71 se utiliza para prevenir el CKPN procíclico durante las emergencias. Si el valor del CKPN de un banco es procíclico, la sostenibilidad financiera del banco se vuelve borrosa durante el estrés económico. Esta situación perjudicará a los inversores interesados en el éxito financiero del banco. Este estudio evalúa la eficacia del PSAK 71 y el ERM para reducir el impacto de la pandemia de COVID-19 en el desempeño financiero de las instituciones bancarias durante la crisis económica. Utilizando una técnica de selección de muestra saturada, seleccionamos una muestra de 47 bancos del IDX de 2018 y 2023 para esta investigación. Analizamos los datos utilizando la prueba de rangos con signo de Wilcoxon. La investigación muestra que (a) existe una ligera diferencia promedio entre el valor del CKPN en el primer y segundo año de la pandemia de COVID-19, y (b) no hay diferencia entre el valor del préstamo en el primer y segundo año de la pandemia de COVID-19, y (c) existen diferencias en el valor de las ganancias en el primer y segundo año de la pandemia de COVID-19.

Código JEL: G21, G32, H12

Palabras clave: PSAK 71; ERM; CKPN; distribución de crédito

Introduction

According to Article 4 of Law Number 10 of 1998, banks are "financial institutions that have a philosophical objective of supporting the implementation of national development to encourage economic growth and national stability towards improving people's welfare." All banks under the supervision of Bank Indonesia and the Financial Services Authority (OJK) must operate based on the principles of economic democracy and prudence. Because philosophically, banks have a macro and micro role in nation-building, this precautionary principle must be fully realized in banking operations.

Statements of Financial Accounting Standards (PSAK) relevant to banks continue to be reformed so that the financial reports produced can contribute to decision-making that can impact the financial health of banks because the principle of prudence is highly upheld in banking operations. The Financial Accounting Standards Board of the Indonesian Accountants Association (DSAK IAI) implemented reforms that increased the allowance for impairment losses (CKPN) or allowance for profit write-offs (PPAP) in banks, thereby impacting the principle of prudence in banking operations.

The latest PSAK guidance regarding impairment losses can be found in PSAK 71. Reserves are required under PSAK 71 and must be established at the beginning of the credit period by considering various factors, including economic forecasts, that may cause future credit losses (expected credit losses). The Loss Incurred Method (LIM) method for determining the CKPN value based on PSAK 55 has produced a smaller CKPN than the Expected Credit Loss (ECL) model method shown in PSAK 71. The results of research simulations published by Suroso (2017) confirm This claim, showing that the

implementation of PSAK 71 in one of the national private banks caused an increase in the formation of CKPN by 55.68 percent, compared to Table 1. The initial formation of CKPN based on PSAK 71 should warn banks to be more careful when providing credit.

Determination of CKPN based on PSAK 55 tends to be low when good economic conditions can encourage banks to continue distributing credit. This causes credit distribution to become excessive and impacts rapid economic growth. Problems arise when economic conditions are experiencing a crisis, which causes credit distribution to be hampered and slows economic growth. 2008, when the global financial crisis hit Indonesia, the banking system was reported to have slumped due to the CKPN value based on PSAK 55 used in banking economic and financial activities (Witjaksono, 2018). Because the CKPN value had increased significantly compared to when the economy was stable, the higher the NPL (Non-Performing Loan) or non-performing loan value during an economic crisis, the higher the loss value the bank will record. This event will significantly decrease profits, performance, and credit disbursement banks provide. The CKPN allocation tends to be low in good economic conditions and increases in unfavorable economic conditions or a crisis, which is a procyclical CKPN allocation model. These procyclicals can be avoided by implementing PSAK 71 because they cannot reflect sustainable banking financial performance, and this will undoubtedly be detrimental to parties interested in banking financial performance, especially investors.

Table 1
 Simulation of Allowance for Impairment Losses Using PSAK 55 and PSAK 71

Information	First Quarter	Second Quarter	Third quarter	Fourth quarter	V quarter
CKPN Results Using PSAK 55 Rules	15.20	17.20	18.78	21.36	18.14
CKPN Results Using PSAK 71 Rules	24.53	27.18	28.51	32.37	28.15
% rise	61.37	58.02	51.79	51.53	55.68

Source: (Suroso, 2017).

Based on this analysis, the ECL basis introduced in PSAK 71 seeks to accommodate dynamic provisions in the formation of CKPN. Implementing PSAK 71 in the banking industry aims to prevent banks from disbursing excessive credit, which could result in the bank's inability to help people who need funding during an economic crisis caused by many previous credit problems or defaults. This practice is supported by empirical evidence that countries outside Indonesia have implemented based on the research results of Ceruttiet et al. (2015) and Lim et al. (2011), which shows the effectiveness of implementing dynamic reserves in avoiding procyclicals, mitigating credit crunch, and limiting banking risk.

As the economic crisis continues due to the COVID-19 pandemic, the existence and usefulness of implementing PSAK 71 are being tested. Since January 1, 2020, PSAK 71 became law, and this year

marks the start of the economic crisis due to the Covid-19 pandemic. The implementation of PSAK 71 is considered to have a better impact in anticipating losses that occur due to various unexpected events, such as the COVID-19 phenomenon, compared to PSAK 55. When an unexpected situation occurs, the good impact of the ECL approach will be visible because the bank has a loan loss reserve reserved in advance. In implementing PSAK 71, banks provide allowances for loan losses for all credit or loan categories in the current situation so that the bank's CAR will decrease at the start of lending because it has less capital. This goal is good because banks have sufficient reserves to anticipate default during an economic crisis. Banks can also be more careful when providing loans by looking at the debtor's initial potential before providing credit. If the debtor's financial condition is quite bad initially, there will be negative impacts, mainly when phenomena such as COVID-19 occur.

According to Devi et al. (2021), the implementation of PSAK 71 can help in 1) minimizing the desire of banks to distribute excessive credit during the expansion period because the formation of CKPN must accompany each additional credit distribution; 2) declining economic conditions, the principle of presenting CKPN in PSAK 71 will be able to help banks' financial defense; 3) mitigating the occurrence of a credit crunch in declining economic conditions because banks still have the remaining capacity to continue channeling credit to the real sector, so that it can help maintain the economy or at least prevent slowing economic growth; and 4) streamline profits so that profit fluctuations can be minimized.

Specifically, this research examines the relevance of the benefits of implementing PSAK 71 in banking amidst the economic downturn due to the COVID-19 pandemic, which has rocked the economy in Indonesia and the world. Research related to PSAK 71 has been carried out by previous researchers, such as that carried out by Tungga et al. (2021), examines more qualitatively the application of PSAK 71 in general, while this research is devoted to quantitatively examining the impact or benefits of implementing PSAK 71 for the banking industry amid the COVID-19 pandemic situation. This research is essential to develop material for studying the effectiveness of implementing PSAK 71 quantitatively in terms of 1) avoiding the procyclical CKPN allocation model, 2) mitigating the occurrence of a credit crunch in declining economic conditions, and 3) smoothing profits so that profit fluctuations are minimal in amid an economic crisis such as during the COVID-19 pandemic. This test was carried out by 1) comparing the CKPN value in the first year of the COVID-19 pandemic, namely 2020, with the CKPN value in the second year of the COVID-19 pandemic, namely 2021; 2) Comparing the value of credit distribution in the first year of the COVID (19) pandemic, namely 2020, with the value of credit distribution determined in the second year of the COVID pandemic, namely 2021, 3) compare banking profits in the first year of the COVID-19 pandemic, namely 2020, with bank profits in the second year of the COVID-19 pandemic, namely 2021. This test was carried out to test the relevance and usefulness of PSAK 71 in dealing with the economic crisis.

Banks face risks from external factors such as the spread of the Covid-19 pandemic, which has caused an economic crisis. The complexity of risks arising from the external banking environment can disrupt bank profitability, so banks requiring better risk management (enterprise risk management) will experience difficulties maintaining business continuity. When helping businesses navigate the multitude of risks, uncertainties, threats, and opportunities, Enterprise Risk Management (ERM) is widely considered the gold standard (Puryantini et al., 2017). ERM aims to create a system or mechanism within an organization so that risks that could harm the organization or company can be anticipated and managed. Research conducted by Hoyt and Liebenberg (2011) and Rivandi (2018) found that implementing an ERM system can help maintain company performance and even encourage increased company performance.

Amid the crisis caused by the current COVID-19 pandemic, managers must be able to act based on efforts to safeguard the interests of stakeholders or, in other words, act to save stakeholders from significant losses. This effort is consistent with the concept of stakeholder theory. According to stakeholder theory, every activity carried out by company management must pay attention to and consider stakeholders' interests (Kriyantono, 2017). Stakeholder theory describes that a company is not an entity that only operates for its interests but must also benefit its stakeholders. Stakeholder theory can make managers aware of the importance of paying attention to stakeholders who can influence or be influenced by the achievement of company goals (Nurapriyanti, 2016). Implementing ERM is also a banking effort to save stakeholders from significant losses because using an ERM system can help maintain and even encourage improvements in company performance (Rivandi, 2018). ERM disclosures by banks show how complex risk management is. ERM disclosures by commercial banks can be seen in their annual reports, which are available on the official IDX website.

This research was also conducted to assess the effectiveness of the synergy in implementing PSAK 71 and ERM in stabilizing banking financial performance amidst the economic crisis due to the COVID-19 pandemic. The analysis was carried out by finding out whether there were differences in profit values in companies that used PSAK 71 and had different ERM index categories before and after the COVID-19 pandemic (the ERM index was in the low category compared to the ERM index in 2019). medium category, and also compared with the ERM index, which is in the high category).

This research aims to collect empirical evidence regarding the usefulness of PSAK 71 and the application of ERM for the business world during the economic crisis, especially during the current COVID-19 pandemic. The impact of the economic crisis during the COVID-19 pandemic on the CKPN value, credit distribution value, and financial performance through assessing the profits of all banks registered on the IDX will also be obtained through this research. Data generated from various ERM implementation tests carried out before and during the economic crisis caused by the COVID-19 pandemic will be used to assess banks' awareness of the importance of optimal ERM implementation. This research

may also support stakeholder theory, considering that the re-emergence of the COVID-19 pandemic has further complicated this issue. This theory is generally tested in specific economic situations. Little has been done to strengthen this theory amidst the economic crisis during the COVID-19 pandemic, so the urgency of this research to strengthen stakeholder theory, especially in the COVID-19 situation, is very high.

For example, this research proves that PSAK 71 and ERM are very helpful in maintaining banking continuity in times of crisis such as COVID-19. In this case, banking management is expected to improve the implementation of PSAK 71 and ERM. The findings of this research can be used as a guide for policymakers, in this case, the government, to make policy adjustments related to the implementation of PSAK 71 so that they are more effective in helping the continuity of banking financial performance amid the economic crisis. This research is also needed to determine which banks implement ERM optimally to survive and improve financial performance during COVID-19. Investors can also use this data to help them choose which banking sector companies to fund. The systematicity of writing this article is that it starts with an introduction that explains the background to which this research was created, next is a literature review which examines the theoretical basis and empirical studies used in this research, then continues with the formulation of hypotheses, the methodology used and then a discussion of the results obtained in this research and continued with conclusions.

Literature review

Stakeholder theory

The stakeholder theory used as the grand theory in this research describes management's obligation to fulfill all stakeholder rights, especially in providing information regarding company activities or activities involving the company's financial condition. Every action taken by company management must take into account the interests of stakeholders (Kriyantono, 2017). Stakeholder theory describes that a company is not an entity that only operates for its interests but must also benefit its stakeholders. Stakeholder theory can make managers aware of the importance of paying attention to stakeholders who can influence or be influenced by the achievement of company goals (Nurapriyanti, 2016). The social relationship between company management and stakeholders is related to the level of corporate responsibility and accountability. Therefore, organizations must uphold the values of accountability and responsibility toward their stakeholders (Nur & Priantinah, 2012). Disclosure of financial and non-financial reports is communication between the company and its stakeholders.

Decision utility theory

Chambers in Junaid (2020) proposed a theory of information use that states that a system must provide relevant information because of rational management assumptions. According to information usefulness theory, information that can be used and assists in making economic decisions is information that meets the components or principles of financial reporting as outlined in PSAK. A good and reasonable information system must be used as a basis for making decisions or recovering from the consequences of these decisions. Formally, the system presents information by two general propositions: 1) scientific discourse, in the sense that there are no rules or processes that can conflict with other rules or processes, and 2) the system must produce relevant information so that users can obtain relevant information. Accounting reports can use this information as a basis for decision-making.

According to Lestari and Dewi (2020), a number in an accounting report can have informational utility or value relevance if the information produced is useful for investors when evaluating a company compared to returns or share prices. Company profit information is the most commonly used or valuable information for investors or financial analysts when analyzing a company's financial condition or performance (Fanani, 2014). Companies with excellent performance can be shown by earnings or income commensurate with their performance and attract investor interest.

Signal theory (signaling theory)

Signaling Theory was first discovered by Spance in 1973. This theory explains that the owner of information provides a signal or sign in the form of information that reflects the condition of a company, which will be helpful for the recipient of the information. Investment decision-making by external parties to the company is influenced by information published by the company in the form of notes or descriptions relating to the company's performance. Signal theory is closely related to providing information on a company's financial reports through good or bad signals. This signal can minimize uncertainty about prospects and increase a company's success and credibility (Mediawati et al., 2018). Financial Reports are closely related to Signal Theory. The use of Signal Theory will provide information in the form of Return on Assets (ROA) or the rate of return on assets or also how much profit is obtained from the assets owned, Return on Equity (ROE), the rate of return of money to shareholders of a company. High ROA and ROE will be a good signal for external parties/customers because high ROA and ROE indicate good performance.

PSAK 71

According to Taruna and Harun (2017), the adoption of IFRS 9 can be seen in the publication of PSAK 71 by the Indonesian Accounting Standards Board (DSAI). All provisions of PSAK 71 are an elaboration of IFRS 9, adapted to Indonesian banking conditions. PSAK 71 by DSAI emphasizes the expected credit loss (ECL) model. In essence, the expected credit loss approach requires the banking sector to consider the potential future losses a company may experience. As a result, each bank's portfolio was reduced. According to Rizal and Shauki (2019), PSAK 71 stipulates that the requirements for assessing the credit risk of an entity's financial instruments using forward-looking information have increased significantly at each reporting date. According to Suroso (2017), the shift in the business model is a change in the classification of financial assets in PSAK 71 because management's intention is no longer to carry out financial classifications or instruments. The contractual characteristics of an entity's cash flows and business model will be its classification and financial instruments.

PSAK 71 was implemented to replace PSAK 55 on January 1, 2020, and this became DSAI's decision at the meeting on July 26, 2017 (Witjaksono, 2018). According to Devi et al. (2021), the application of the ECL model, also known as dynamic reserves, in implementing PSAK 71 is helpful for 1) reducing banks' desire to distribute excess credit during expansion because the formation of CKPN must accompany each additional credit distribution. , and 2) in economic conditions that reduce the principle of presenting CKPN in PSAK 71, it will be able to help maintain bank finances and avoid procyclical behavior, 3) mitigate the occurrence of a credit crunch in declining economic conditions because banks are still able to continue channeling credit to the real sector, which can help maintain the economy at a minimum and prevent slowing economic growth, and 4) smooth profits so that profit fluctuations can be minimized.

Reserve for impairment losses (CKPN)

Damayanti and Chaniago (2015) state that CKPN is the sum of all credits given to non-bank third parties whose profitability is questionable. The allowance for all estimated losses on loan balances is called CKPN by Syahid (2016). Suppose a bank cannot anticipate how significant a loss it will experience. In that case, the bank cannot set aside sufficient funds to cover its losses, which can cause a domino effect that threatens the entire financial system. According to Firmansyah et al. (2022), CKPN is formed or set aside by the bank based on the debtor's credit evaluation results. Banks must set aside funds to cover the debtor's credit if it can be proven that the debtor's creditworthiness has decreased (impairment).

ERM disclosure

Risk is uncertainty regarding outcomes, profits or losses (Institute of Chartered Accountants in England and Wales, 2002). Proper risk management is critical to protect the company from the negative impacts of existing risks while benefiting from insights from uncertain economic conditions. Risk management refers to how a business handles the dangers it faces. Corporate risk management processes and methodologies are used to control threats to achieve corporate goals (Baxter et al., 2013). Although businesses in the same industry may face similar risks, they typically do not employ the same risk management strategies. Therefore, investors should pay attention to the company's key business risks and risk management practices, as different management teams will employ different management strategies, risk tolerances and objectives.

Disclosures in the context of corporate risk management (ERM) can be read as disclosure of risks managed by the company or as disclosure of the company's efforts to control risk. Analysts, investors, and stakeholders can benefit from more ERM disclosures (Amran et al., 2009). According to the ERM framework issued by COSO, 108 ERM disclosure items cover eight dimensions. These dimensions include (1) internal environment, (2) goal setting, (3) event identification, (4) risk assessment, (5) risk response, (6) monitoring activities, (7) information and communication, and (8) monitoring (Tahir & Razali, 2011).

Business risks need to receive in-depth attention since modern business management often faces challenges and uncertainty. To help manage risk, ERM can be a solid framework reference in dealing with the dynamics of this uncertainty, allowing companies to adapt more to unplanned changes. On the other hand, by setting priorities on risks that have the highest potential impact, companies can allocate resources more effectively to reduce risks and anticipate potential disruptions. Through proactive management, companies can reduce poor decision-making, improve operational performance, and build consistent business stability. Therefore, ERM is a risk management tool and an integral strategy supporting the company's long-term sustainability and growth in a dynamic business context. This stable business development also indirectly helps increase the trust of various relevant stakeholders because it reflects the company's ability to manage risks wisely and responsibly.

Financial crisis banking during the economic crisis

When the government has difficulty financing development or financial difficulties due to the economic crisis, the banking sector plays a vital role in Indonesia's economic development (Fadly & Dias Setianingsih, 2020). According to Kaufman in Jati and Murni (2012), banking is one of the industries in

Indonesia that requires special attention. Several economists have stated this, explaining that banks are vulnerable to external banking factors but are integral to the functioning of the payment system. For example, the banking sector in Indonesia is experiencing a financial crisis. In this case, the impact will be more negative on national economic conditions than the financial crisis in other industrial sectors because of the nature of banking, which is part of the payment system. According to Farlane in Putra and Nuzula (2017), various risks related to the financial system triggered a banking crisis. A successful financial system includes a secure payment system, efficient financial markets, well-managed financial institutions, strict regulatory oversight, and a stable macroeconomic environment.

Fisher, quoted in Sutawijaya (2012), stated that banking crises can be divided into two categories: internal factors and external factors. One of the internal causes of banking financial crises is the failure to keep up with the ever-changing nature of financial markets. It is because, as the market develops, so do the types of financial products available, some of which are very risky. Most banks in various countries experience problems when the government implements deregulation policies, especially if banks cannot accommodate demands for deregulation, which is one of the external factors that can cause a financial crisis in banking. Another external factor is the government's decision to liberalize the financial sector without first assessing the health and stability of the domestic financial system and the effectiveness of macroeconomic policies.

Bank health

Bank health is the ability of a bank to carry out regular banking operational activities and fulfill all its obligations according to applicable banking regulations (Al-Arif et al., 2018). Banks must be able to carry out business activities, including collecting funds from the community or other institutions, managing funds, distributing funds to the community, fulfilling obligations to the community, employees, capital owners and other parties, and fulfilling applicable banking regulations. A bank's health is essential for all parties, be it bank owners, management, public or supervisory authorities, because bank health will be used to evaluate bank performance. The level of bank health and performance will reflect the bank's internal conditions. The level of bank health results from a qualitative assessment of several aspects that influence the bank's condition through assessing capital factors, asset quality, management, profitability, liquidity and sensitivity to market risk (Al-Arif et al., 2018). The assessment of bank health levels, in general, was first implemented in 1999, starting with Bank Indonesia Circular Letter (SEBI) No 30/3/UPPB/1997, namely with the CAMEL method, which is an abbreviation for Capital Assets, Management (Management), Earnings (Profitability), and Liquidity (Liquidity). In 2004, Bank Indonesia issued Bank Indonesia Regulation (PBI) no. 6/10/PBI/2004, to perfect the previous method, namely the

CAMELS method, this method adds one factor, namely Sensitivity to Market Risks (Bank Indonesia, 2004). Seeing the rapid development of banking, Bank Indonesia issued Bank Indonesia Regulation (PBI) NO. 13/1/PBI/2011, the RGEC method requires banks to individually assess the Bank's Soundness Level using a risk approach (Risk-based Bank Rating) (Bank Indonesia, 2011).

Good corporate governance

The Good Corporate Governance (GCG) factor assessment is an assessment of the quality of bank management regarding the implementation of GCG principles, which is guided by Bank Indonesia regulations regarding the implementation of GCG for commercial banks by taking into account the characteristics and complexity of the bank's business. The bank considers the impact of the company's GCG on the bank's GCG performance by considering the significance and materiality of the subsidiary company and/or the significance of the subsidiary company's GCG weaknesses. GCG is analyzed based on Bank Indonesia regulation No.13/1/PBI/2011 by looking for published annual reports and determining the assessment carried out by the bank based on a self-assessment system. Self-assessment is a self-assessment of each bank with the board of directors' approval, referring to the composite rating in SE BI No. 15/15/DPNP 2013. In order to ensure the implementation of the five basic principles of GCG (transparency, accountability, responsibility, independence and fairness), a self-assessment of GCG implementation is carried out on 11 (eleven) GCG Implementation Assessment Factors, namely: 1. Implementation of the duties and responsibilities of the Board of Commissioners 2. Implementation of the duties and responsibilities of the Board of Directors 3. Completeness and implementation of Committee duties 4. Handling conflicts of interest 5. Implementation of the compliance function 6. Implementation of the internal audit function 7. Implementation of the external audit function 8. Implementation of management risks, including the internal control system 9. Provision of funds to related parties and provision of significant funds (large exposures) 10. Transparency of the bank's financial and non-financial conditions, GCG implementation reports and internal reporting 11. Bank strategic plans. Apart from these eleven factors, paying attention to other information related to implementing the Bank's GCG is also necessary. The lower the composite score for the bank, the healthier it is.

Profit

Profit is the excess of income over costs during an accounting period (Harahap, 2008). Operating profit is the excess of operating income over the cost of goods sold plus operating expenses during a specific period (Dwimulyani & Shirley, 2018). According to Nafarin (2007), profit is the difference between income,

costs and expenses in a certain period. Kuswadi (2005) also states that profit calculations are obtained from income minus total costs. The company's ultimate goal is to make a profit. High profits can attract capital owners (investors) to increase their investment in the company. The profit value used is net profit.

Hypothesis development

The procyclical nature of CKPN, which was identified as a weakness of PSAK 55, led to its revision to become PSAK 71. PSAK 55 procyclical CKPN has a low value when the economy is good but has a high value when the economy is in decline due to increasing non-performing loans. (Witjaksono, 2018) . By implementing PSAK 71, it is hoped that CKPN will not experience significant or unexpected shifts when the country is experiencing an economic crisis. Therefore, PSAK 71 is implemented.

Procyclical CKPN, when implementing PSAK 55, will cause banks to no longer be able to distribute credit when an economic crisis occurs; this is caused by the high NPL value due to excessive expansion of credit distribution even though there is no crisis. Because an increase in the value of credit distribution will cause higher CKPN and can affect all components of financial performance, the implementation of PSAK 71, which causes high CKPN to be formed at the start, will influence the emergence of the principle of prudence in the banking industry in distributing credit. It will prevent the formation of procyclical CKPN so that banks can continue to distribute credit even though the economy is sluggish. In implementing PSAK 71, banks provide allowances for loan losses for all credit or loan categories in the current situation. The bank's CAR will decrease because it has less capital at the start of lending. This goal is good because banks have sufficient reserves to anticipate default during an economic crisis. Banks can also be more careful when providing loans by looking at the debtor's initial potential before providing credit. If the debtor's financial condition is quite bad initially, there will be negative impacts, mainly when phenomena such as COVID-19 occur.

According to Devi et al. (2021), the application of PSAK 71 can help in terms of 1) minimizing the desire of banks to distribute excessive credit during the expansion period because the formation of CKPN must accompany each additional credit distribution, 2) economic conditions are declining, the principle of presenting CKPN in PSAK 71 will be able to help banking financial defense, 3) mitigating the occurrence of a credit crunch in declining economic conditions, because banks still have remaining capacity to continue channeling credit to the real sector, so that it can help with defense. The economy can at least withstand the slowdown in economic growth, and 4) smooth profits to minimize profit fluctuations. The hypothesis formulation based on this explanation is:

H1. At a low average rate of change, the allowance for impairment losses in the year before the COVID-19 pandemic differs from the value of impairment losses in the year after the COVID-19

pandemic.

H2. The value of credit distribution in the year before the COVID-19 pandemic differs from the value of credit distribution in the year after the COVID-19 pandemic.

H3. The profit value in the year before the COVID-19 pandemic differs from the profit value in the year after the COVID-19 pandemic.

H4. The ERM index value is different between before and during the COVID-19 pandemic.

Methodology

The data collection method used in this research is non-participant observation, meaning that the researcher is not involved and only reads, observes, notes, analyzes and then draws conclusions as an independent observer (Sugiyono, 2013). Data was collected by observing annual and annual financial reports and downloading data and information from the official BEI website (<https://www.idx.co.id/>). Table 2 is displayed data on banks registered on the IDX for the period 2018 – 2023.

Table 2
Names of banks registered on the IDX for the 2018 - 2023 period

1. AGRO (PT Bank Raya Indonesia Tbk)	29. BNII (PT Bank Maybank Indonesia Tbk)
2. AGRS (PT Bank IBK Indonesia Tbk)	30. BNLI (PT Bank Permata Tbk)
3. AMAR (PT Bank Amar Indonesia Tbk)	31. BRIS (PT Bank Syariah Indonesia Tbk)
4. ARTO (PT Bank Jago Tbk)	32. BSIM (PT Bank Sinarmas Tbk)
5. BAPP (PT Bank MNC Internasional Tbk)	33. BSWD (PT Bank of India Indonesia Tbk)
6. READ (PT Bank Capital Indonesia Tbk)	34. BTPN (PT Bank BTPN Tbk)
7. BANK (PT Bank Aladin Syariah Tbk)	35. BTPS (PT Bank BTPN Syariah Tbk)
8. BBKA (PT Bank Central Asia Tbk)	36. BVIC (PT Bank Victoria International Tbk)
9. BBHI (PT Allo Bank Indonesia Tbk)	37. DNAR (PT Bank Oke Indonesia Tbk)
10. BBKP (PT Bank KB Bukopin Tbk)	38. INPC (PT Bank Artha Graha Internasional Tbk)
11. BBMD (PT Bank Mestika Dharma Tbk)	39. MASB (PT Bank Multiarta Sentosa Tbk)
12. BBNI (PT Bank Negara Indonesia (Persero) Tbk)	40. MAYA (PT Bank Mayapada Internasional Tbk)
13. BBRI (PT Bank Rakyat Indonesia (Persero) Tbk)	41. MCOR (PT Bank China Construction Bank Indonesia Tbk)
14. BBSI (PT Krom Bank Indonesia Tbk)	42. MEGA (PT Bank Mega Tbk)
15. BBTN (PT Bank Tabungan Negara (Persero) Tbk)	43. NISP (PT Bank OCBC NISP Tbk)
16. BBYB (PT Bank Neo Commerce Tbk)	44. NOBU (PT Bank Nationalnubu Tbk)
17. BCIC (PT Bank Jtrust Indonesia Tbk)	45. PNBK (PT Bank Pan Indonesia Tbk)
18. BDMN (PT Bank Danamon Indonesia Tbk)	46. PNBS (PT Bank Panin Dubai Syariah Tbk)
19. BEKS (PT Banten Regional Development Bank)	47. SDRA (PT Bank Woori Saudara Indonesia 1906 Tbk)

Based on the source, the data used in this research is secondary data, which was first processed and collected by an organization or other party. Secondary data in this research is in the form of bank financial reports registered on the IDX. Secondary data, in the form of financial reports from 2018 – 2023,

is used to obtain information regarding the value of impairment losses, the value of credit distribution, and the value of profits. Testing of changes in CKPN, loan disbursement value, and profit value is used to assess the relevance of the use of PSAK 71 in avoiding the formation of procyclical CKPN, avoiding credit crunch in declining economic conditions, and smoothing profits so that they do not fluctuate and profits are minimized.

The data collection method used to analyze ERM disclosures is content analysis. This method was chosen because this research focuses on the extent and number of disclosures to determine each company's category of ERM implementation. Content analysis is a research method that uses procedures to make valid conclusions based on text (Weber, 1990 in Baxter et al., 2013).

Research population and sample

The research population is the entire banking industry in Indonesia, which has been registered on the BEI since 2018 and will remain registered until 2023. Based on determining the research population, 47 banks have been registered on the BEI since 2018 and will remain registered until 2023. Criteria The sampling used in this research is a saturated sample, meaning that all population members who provide data in data analysis can be used as sample members. Based on these criteria, the number of research samples was 47.

Operational definition of variables

The subjects of this research are banks registered on the IDX starting in 2018 and remaining registered until 2023. The objectives of this research consist of:

1) CKPN

The estimated potential loss, denoted by CKPN, is calculated as a percentage of the loan balance (Syahid, 2016). Banks use CKPN, a risk protection reserve, to keep their finances liquid. To form or set aside CKPN funds, you can look at the results of debtor credit evaluations carried out by each bank (Fitriana, 2015). The CKPN value used in the analysis is the CKPN value listed in the bank's financial report with the general formula: Probability of Default \times Loss, Giving Default \times Amortized Cost.

2) Credit Distribution

The profits obtained by banks come from the large amount of credit disbursed. If banks can channel credit and funds collected from large deposits, this will prevent the bank from suffering losses (Shen, 2020). It can be concluded that the meaning of lending is how banks manage credit distribution, starting from the time the credit is given until the credit is repaid (Kasmir, 2008). Banks must follow the principle of prudence when providing credit because credit carries a significant risk. These risks include

non-collection of loans and delays in receiving loans from schedule, causing bad credit (Meilasari et al., 2020). The measurement variable for credit distribution is the amount of credit distributed.

3) Profit

According to Sun et al. (2020), profit is the difference between income, costs and expenses during a specific period. Matahari et al. (2020) also state that profit calculations are obtained from income minus total costs. The company's ultimate goal is to make a profit. High profits can attract capital owners (investors) to increase their investment in the company. The profit value used is net profit.

4) ERM Disclosure

ERM disclosure is defined as the level of risk disclosure that the company has managed. Based on the ERM framework issued by COSO, 8 ERM disclosure items cover eight dimensions. The eight dimensions include: 1) internal environment, 2) goal setting, 3) event identification, 4) risk assessment, 5) risk response, 6) monitoring activities, 7) information and communication, and 8) monitoring (Meizaroh & Lucyanda, 2011). The proxy used to measure ERM disclosure is the ERM disclosure index, with the formula:

$$ERMDI = \frac{\sum_{ij} Ditem}{\sum_{ij} ADItem} \quad (1)$$

Information:

ERMDI: ERM Disclosure Index

$\sum_{ij} Ditem$: Total Disclosed ERM Item Score

$\sum_{ij} ADItem$: Total ERM Items That Must Be Disclosed

This proxy is based on the proxy used by Meizaroh and Lucyanda (2011), which explains the calculation of disclosure items using a dichotomous approach. Each ERM item disclosed is given a value of 1 and 0 if not disclosed.

Data analysis technique

In the initial stage, a data normality test will be carried out to determine the statistical test used in the differential test. The data normality test is an absolute requirement in parametric statistical tests. If the data is not normally distributed, then the only difference test that can be carried out is non-parametric statistics, such as the Wilcoxon Signed-Rank test. Data will be analyzed using SPSS version 25. Data analysis in this research is divided into five test models, which include:

1. To answer the first problem formulation, descriptive statistics and analysis of different

tests were used to compare the CKPN value in the year before the COVID-19 pandemic with the CKPN value in the year after the COVID-19 pandemic.

2. The data analysis used to answer the second problem formulation is descriptive statistics and analysis of different tests which compare the value of credit distribution in the year before the COVID-19 pandemic with the value of credit distribution in the year after the COVID-19 pandemic.

3. The data analysis used to answer the third problem formulation is descriptive statistics and analysis of difference tests, which compare the profit value in the year before the COVID-19 pandemic with the profit value in the year after the COVID-19 pandemic.

4. The data analysis used to answer the fourth problem formulation is descriptive statistics and analysis of different tests on each bank's ERM disclosures before and during the economic crisis due to the COVID-19 pandemic.

5. Profit values between before and during the COVID-19 period were analyzed using descriptive statistics and analysis of difference tests in companies that implemented PSAK 71 and had various ERM index categories (the ERM index was in the low category compared to the medium category ERM index. and also compared to the index high category ERM).

Results and discussion

Descriptive analysis and data normality test

The results of the descriptive analysis in Table 3 show fluctuations in the average allowance for impairment losses from 2018 to 2023, but the fluctuations were not striking; only in 2019, when the peak of the COVID-19 pandemic occurred, was there a decrease in CKPN. The average CKPN fluctuation of only 0.20 shows that the implementation of PSAK 71 has proven capable of suppressing procyclical CKPN amid a prolonged economic crisis due to COVID-19.

Average value of credit distribution from 2018 to 2023. The average decline in credit distribution was only 0.04; only in 2019 was there a significant decline due to the peak of the COVID-19 pandemic. It shows that implementing PSAK 71 has been proven to reduce the credit crunch in declining economic conditions due to the prolonged COVID-19 pandemic. This decline also shows that banking policy during the crisis due to the COVID-19 pandemic was to reduce the value of credit disbursed to implement the precautionary principle.

If we look at the company's net profit from 2018 to 2023, it reflects the entity's financial performance during that period. Changes in net income from year to year can provide insight into a company's profitability and the impact of external factors, such as the COVID-19 pandemic, on financial

performance. Before the pandemic, net profit tended to be stable, with an average value of around 10.50. However, after the pandemic's emergence in 2019, net profit experienced fluctuations, with some years increasing and decreasing.

The company's risk management (ERM) level at the beginning of the year from 2018 to 2023 reflects the company's approach to managing risk during that period. Changes in ERM levels from year to year provide an overview of the evolution of a company's risk management strategy and response to changing external and internal conditions. Previously, ERM levels tended to be stable, with an average value of around 0.60 in 2018. However, with the emergence of the COVID-19 pandemic, there were fluctuations in ERM levels, with some years showing an increase or decrease.

Table 3
 Descriptive analysis results

	N	Minimal	Max	Mean	Std. Deviation
CKPN_Year1_2018	47	9.20	18.40	13.60	2.25
CKPN_Covid 2019	47	8.50	17.90	12.80	2.10
CKPN_CovidYear2020	47	7.90	18.02	13.51	2.45
CKPN_Covid 2021	47	8.77	18.29	13.71	2.39
CKPN_CovidYear1_2022	47	9.00	17.80	13.20	2.15
CKPN_2023	47	9,10	18.00	13.40	2.20
Credit Distribution_Year1_2018	47	14.00	21.00	17.50	2.15
Credit Distribution_CovidYear2019	47	12.50	20.00	16.30	1.86
Credit Distribution_CovidYear2020	47	13.72	20.66	17.04	1.86
Credit Distribution_CovidYear2021	47	12.29	20.77	17.00	1.99
Credit Distribution_CovidYear2022	47	13.20	21.50	18.10	2.20
Credit Distribution_Year2023	47	14.50	22.00	18.75	2.10
Net Profit_Year1_2018	47	6.00	15.00	10.50	2.50
Net Profit_CovidYear2019	47	8.00	17.00	12.00	2.54
Net Profit_CovidYear1_2020	47	4.85	17.12	12.53	2.54
Net Profit_CovidYear2021	47	9.29	17.26	13.07	2.11
Net Profit_CovidYear2022	47	8.50	16.90	12.80	2.25
Net Profit_Year2023	47	7.20	15.70	11.80	2.30
ERM_TW1_2018	47	0.45	0.75	0.60	0.10
ERM_CovidTW1_2019	47	0.35	0.80	0.55	0.12
ERM_CovidTW1_2020	47	0.30	0.87	0.57	0.17
ERM_CovidTW1_2021	47	0.30	0.90	0.59	0.17
ERM_CovidTW1_2022	47	0.40	0.85	0.62	0.15
ERM_TW1_2023	47	0.50	0.70	0.65	0.08
Valid N (list)	47				

Source: Processed data (2023)

Table 4
 Normality test results

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistics	Df	Sig.	Statistics	Df	Sig.
CKPN_Year1_2018	0.080	47	0.200*	0.976	47	0.758
CKPN_Covid 2019	0.082	47	0.200*	0.968	47	0.654
CKPN_CovidYear2020	0.077	47	0.200*	0.986	47	0.887
CKPN_Covid 2021	0.088	47	0.200*	0.978	47	0.614
CKPN_CovidYear1_2022	0.085	47	0.200*	0.982	47	0.726
CKPN_Year 2023	0.083	47	0.200*	0.977	47	0.692
Credit Distribution_Year1_2018	0.090	47	0.200*	0.972	47	0.534
Credit Distribution_CovidYear2019	0.085	47	0.200*	0.978	47	0.614
Credit Distribution_CovidYear2020	0.112	47	0.200*	0.964	47	0.229
Credit Distribution_CovidYear2021	0.118	47	0.172	0.974	47	0.470
Credit Distribution_CovidYear2022	0.115	47	0.185	0.967	47	0.345
Credit Distribution_Year2023	0.120	47	0.167	0.972	47	0.512
Net Profit_Year1_2018	0.085	47	0.200*	0.981	47	0.748
Net Profit_CovidYear2019	0.080	47	0.200*	0.988	47	0.890
Net Profit_CovidYear1_2020	0.089	47	0.200*	0.965	47	0.249
Net Profit_CovidYear2021	0.153	47	0.019	0.949	47	0.068
Net Profit_CovidYear2022	0.086	47	0.200*	0.972	47	0.530
Net Profit_Year2023	0.087	47	0.200*	0.975	47	0.589
ERM_TW1_2018	0.085	47	0.200*	0.979	47	0.684
ERM_CovidTW1_2019	0.080	47	0.200*	0.984	47	0.781
ERM_CovidTW1_2020	0.131	47	0.082	0.941	47	0.037
ERM_CovidTW1_2021	0.134	47	0.069	0.949	47	0.070
ERM_CovidTW1_2022	0.129	47	0.094	0.935	47	0.020
ERM_TW1_2023	0.125	47	0.105	0.945	47	0.029

Source: Processed data (2023).

From the results of the normality test carried out using the Kolmogorov-Smirnov (KS) and Shapiro-Wilk (SW) methods on the data provided, several variables show signs of not being normally distributed. Variables that show abnormalities are Net Profit_Covid Year2021, ERM CovidTW12020, ERM CovidTW12022, and ERM TW12023. It can be seen from the p-value (Sig.) produced by the Shapiro-Wilk (SW) normality test, which is less than 0.05, indicating sufficient evidence to reject the null hypothesis that the data comes from a normal distribution. Thus, two of the four variables may not be normally distributed, as shown in Table 4. The normality test shows that the research data is not normally distributed, which means that parametric statistical tests cannot be used to test the data, so the Wilcoxon test is used. For normally distributed samples, the paired sample t-test is used.

Data categorization

Observation data on CKPN, credit distribution, net profit and ERM from 2018 to 2023 will be grouped into three categories: high, medium and low. Data categorization was done to determine differences in CKPN, credit distribution, net profit and ERM from 2018 to 2023. Data was divided into three categories using the formula in Table 4 below.

Table 5
 Data categorization formula

Classification	Hose
Tall	$X > M + 1 \text{ SD}$
Currently	$M - 1 \text{ SD} < X < M + 1 \text{ SD}$
Low	$X < M - 1 \text{ SD}$

Source: Statistics (Riwidikdo, 2009).

The results of CKPN data categorization from 2018 to 2023 based on the calculation formula in Table 5 are presented in Table 6. Based on the data categorization in Table 5, from the analysis of CKPN data for the COVID-19 stage from 2018 to 2023, there have been significant changes in the distribution of CKPN score categories from year to year. In 2018, the proportion of credits with a high score (>15.96) was the highest, followed by credits with a medium score (11.05 - 15.96) and low (<7). However, in 2019, there was a decrease in the proportion of loans with high scores, while the proportion of credits with medium scores increased significantly. This change continues in 2020 and 2021, where the proportion of credits with medium scores dominates, while the proportion of credits with high and low scores tends to stabilize. In 2022, there will be an increase in the proportion of credit with a high score, while in 2023, there will be a decrease in the proportion of credit with a medium score and an increase in the proportion with a low score. It indicates that there are fluctuations in the quality of the credit portfolio from year to year, which can influence the credit risk faced by financial institutions during that period.

Table 6
 Categorization results of CKPN data for COVID-19 phase 2018 - 2023

	Category	Score	Amount	%
2018	Tall	>15.96	15	31.9
	Currently	11.05 – 15.96	25	53.2
	Low	< 7	7	14.9
	Total		47	100
2019	Tall	>15.96	8	17
	Currently	11.05 – 15.96	30	63.8
	Low	<11.05	9	19.2

2020	Total		47	100
	Tall	> 15.96	11	23.4
	Currently	11.05 – 15.96	29	61.7
2021	Low	< 11.05	7	14.9
	Total		47	100
	Tall	> 16.10	8	17
2022	Currently	11.32 – 16.10	29	61.7
	Low	< 11.32	10	21.3
	Total		47	100
2023	Tall	>16.20	10	21.3
	Currently	11.40 – 16.20	30	63.8
	Low	<11.40	7	14.9
2023	Total		47	100
	Tall	16.15	9	61.7
	Currently	11.45 – 16.15	29	19.2
	Low	<11.45	9	19.2
	Total		47	100

Source: Processed data (2023).

Table 7
 Categorization results of credit distribution data Covid-19 for 2018 – 2023

	Category	Score	Amount	%
2018	Tall	>15.96	7	14.9
	Currently	11.05 – 15.96	30	63.8
	Low	<11.05	10	21.3
2019	Total		47	100
	Tall	>15.96	8	17.00
	Currently	11.05 – 15.96	30	63.8
2020	Low	<11.05	9	19.2
	Total		47	100
	Tall	>18.90	7	14.9
2021	Currently	15.18–18.90	30	63.8
	Low	< 15.18	10	19.2
	Total		47	100
2022	Tall	> 18.99	8	17.0
	Currently	15.01–18.99	28	59.6
	Low	< 15.01	11	23.4
2023	Total		47	100
	Tall	>19.05	9	19.1
	Currently	15.25 – 19.05	29	61.7
	Low	<15.25	9	19.2
	Total		47	100
	Tall	>16.15	9	19.1

Currently	11.45 – 16.15	29	61.7
Low	<11.45	9	19.1
Total		47	100

Source: Processed data (2023).

The results of the categorization of credit distribution data from 2018 before the Covid 19 pandemic to the COVID-19 pandemic phase and after the COVID-19 pandemic in the first year phase of the COVID-19 pandemic based on the calculation formula in Table 5 are presented in Table 7. In 2018, most credit distribution was within the "Medium" category, with a score between 11.05 and 15.96. The percentage of credit disbursement in this category reached 63.8%, which shows that most credit was given to debtors with a moderate level of risk. The amount of credit disbursement in the "High" (>15.96) and "Low" (<11.05) categories is relatively low, at 14.9% and 21.3% respectively. 2019, the credit distribution pattern was relatively similar to the previous year. The majority of credits remain in the "Medium" category, while the number of credits in the "High" and "Low" categories has a lower percentage. However, there was a slight increase in the number of credits in the "High" category from the previous year. In 2020, there was a slight shift in credit distribution. The percentage of credit distribution in the "Medium" category remains high (63.8%). However, there has been an increase in the number of loans in the "High" category and a slight decrease in the "Low" category. In 2021, credit distribution will experience significant changes. The number of credits in the "Low" category increased to 23.4%, while the "High" category decreased. It may signal a tendency to extend more credit to lower-risk debtors. In 2022, credit distribution this year shows a similar pattern to the previous year. The majority of credits are still in the "Medium" category, but there has been an increase in the number of credits in the "High" category. In 2023 we will again see a relatively stable distribution pattern, with most loans in the "Medium" category. However, there was a decrease in the number of credits in the "High" category and an increase in the "Low" category.

This data shows variations in the distribution of credit from year to year, which can be influenced by factors such as internal policies of financial institutions, economic conditions, and regulation changes. In the context of PSAK 71, this changing credit distribution can affect the calculation of allowance for impairment losses because different credit risks will affect the estimated expected credit losses. Therefore, understanding credit distribution per year is very important in risk management and financial reporting. These results also show that banks can still maintain their position in lending activities even amid the crisis caused by COVID-19.

Table 8
 Results of Covid-19 net profit data categorization for 2018 – 2023

	Category	Score	Amount	%
2018	Tall	>15.07	8	17.0
	Currently	12.98 – 15.07	30	63.8
	Low	<12.98	9	19.2
	Total		47	100
2019	Tall	>16.50	10	21.3
	Currently	12.50 – 16.50	28	59.6
	Low	<12.50	9	19.1
	Total		47	100
2020	Tall	> 15.07	7	14.9
	Currently	9.98 – 15.07	29	61.7
	Low	< 9.98	11	23.4
	Total		47	100
2021	Tall	>15.18	9	19.1
	Currently	10.96 – 15.18	28	59.6
	Low	< 10.96	10	21.3
	Total		47	100
2022	Tall	>16.90	8	17.0
	Currently	13.30 – 16.90	29	61.7
	Low	<13.30	10	21.3
	Total		47	100
2023	Tall	> 17.10	9	19.1
	Currently	13.40 – 17.10	28	59.6
	Low	<13.40	10	21.3
	Total		47	100

Source: Processed data (2023).

The results of net profit categorization from 2018 before the Covid 19 pandemic to the COVID-19 pandemic phase and after the COVID-19 pandemic period based on the calculation formula in Table 5 are presented in Table 8. In 2018, most net profits were in the medium category, with scores between 12.98 and 15.07. The percentage of net profit in this category reached 63.8%, followed by the low category with a percentage of 19.2%. Only a small portion of net profit is in the high category, with a percentage of 17.0%. 2019 showed changes in the distribution of net profit, with an increase in the amount of net profit in the high category. The percentage of high net profit increased to 21.3%, while medium and low net profit decreased to 59.6% and 19.1%, respectively. In 2020, there was a significant decline in net profit in the medium category, with the percentage falling to 61.7%. On the other hand, the percentage of high and low net profits increased to 14.9% and 23.4%, respectively. 2021 shows a similar trend to the previous year, where the percentage of high net profit rose to 19.1%, while the percentage of medium net profit fell

to 59.6%. The low net profit percentage remained relatively stable at 21.3%. In 2022, net profit will increase, which is in the high category, with a percentage reaching 17.0%. Medium and low net profit percentages were relatively stable compared to the previous year. Finally, 2023 shows significant changes in net profit distribution, where the percentage of high and medium net profit falls to 19.1% and 59.6%, respectively, while the percentage of low net profit rises to 21.3%.

Regarding Covid-19 Credit Distribution, changes in net profit categorization can indicate the company's financial health and its potential impact on its ability to repay loans or credits. Therefore, this categorization analysis is essential to identify trends and patterns in company financial behavior from year to year. In the context of PSAK 71, this analysis can also help assess the adequacy of reserves for impairment losses to anticipate potential losses due to a decrease in asset value.

Table 9
 Categorization results of Pre-COVID-19 ERM data 2018 – 2023

	Category	Score	Amount	%
2018	Tall	>0.81	9	19.1
	Currently	0.55 – 0.81	29	61.7
	Low	<0.55	9	19.1
	Total		47	100
2019	Tall	>0.73	12	25.5
	Currently	0.40 – 0.73	22	46.8
	Low	<0.40	13	27.7
	Total		47	100
2020	Tall	>0.85	12	25.5
	Currently	0.60 – 0.85	25	53.2
	Low	<0.40	10	21.3
	Total		47	100
2021	Tall	>0.75	11	27.5
	Currently	0.41 – 0.75	29	72.5
	Low	< 0.41	7	17.5
	Total		40	100
2022	Tall	>0.73	11	23.4
	Currently	0.40 – 0.73	29	61.7
	Low	<0.40	7	14.9
	Total		47	100
2023	Tall	>0.79	9	19.1
	Currently	0.53 – 0.79	30	63.8
	Low	<0.53	8	17.0
	Total		47	100

Source: Processed data (2023).

The results of ERM data categorization from 2018 before the Covid 19 pandemic to the COVID-19 pandemic phase and after the COVID-19 pandemic based on the calculation formula in Table 5 are presented in Table 9. Results of ERM data categorization: In 2018, most companies were in the "Medium"

category, with ERM scores ranging from 0.55 to 0.81, covering 61.7% of the total sample. It shows that most companies have a good level of readiness in managing risk. However, companies also belong to the "High" and "Low" categories, each accounting for 19.1% of the total sample. In 2019, there was a variation in category distribution. Although most companies are still in the "Medium" category, there is a significant increase in the "Low" category, which reaches 27.7% of the total sample. It shows a decline in the company's readiness to face risks that year. 2020 showed a different distribution, where the number of companies in the "Medium" and "Low" categories was almost equal. It indicates significant variation in companies' readiness levels. In 2021, there was a significant increase in the "Medium" category, reaching 72.5% of the total sample. It shows an increase in the company's readiness to face risks that year. In 2022, the category distribution is again similar to the previous year, but there is a slight increase in the "Low" category. It indicates a change in the company's readiness to face risks. Finally, in 2023, the category distribution returns to similar to previous years, with most companies in the "Medium" category. However, there was a slight decline in the "High" category, indicating a decline in the company's readiness to manage risk that year.

Wilcoxon signed rank test and paired sample t-test

Differences in CKPN, credit distribution, net profit and ERM in the pre-COVID-19 phase 2018 – 2023 after COVID-19

The results of the signed Wilcoxon rank test are shown in Table 10, with the acquisition of 9 companies experiencing a decrease in the value of impairment losses and 38 companies experiencing an increase in the value of the allowance for impairment losses after the year of the COVID-19 pandemic. These findings are based on a negative rating value of $N = 9$ and a positive value of $N = 38$. A total of 20 companies experienced a decrease in the value of credit distribution, and 27 companies experienced an increase in the value of credit distribution in the year before COVID-19 and after COVID-19 2021. phase of the year before COVID-19. 19, the year after COVID-19, is indicated by the opposite ranking of a negative value of 20 and a positive ranking of 27. For the net profit value, the results were that ten companies experienced a decrease in net profit, and 37 companies experienced an increase in net profit in the phase years before and after COVID-19. These results are based on a negative rating value of N equal to 10 and a positive value of 37. Meanwhile, the results show that three companies experienced a decrease in ERM value, and 21 companies experienced an increase in ERM value in the phases of the year before and after COVID-. The ranking for the N value is 7, and the positive ranking for the N value is 24.

The value of credit distribution ties and net profit is 0 in the transition phase from the year before and after the COVID-19 pandemic, which means that no value of credit distribution and net profit is the same between the phases of the year before and after the COVID-19 pandemic. Meanwhile, CKPN has a tie value of 1, which means only one company has the same CKPN value between the phases of the year before and after the COVID-19 pandemic. The tie value for ERM is 16, which means 16 companies have the same allowance for impairment losses phases of the year before and after the COVID-19 pandemic.

The Wilcoxon signed rank test results, as listed in Table 11, show differences in the CKPN, net profit and ERM values for the phases of the year before and after the COVID-19 pandemic phases the year before and after COVID-19 pandemic as seen from the amp value, signature (2-tailed) values are 0.011, 0.008, and $0.002 < 0.05$. At the same time, for credit distribution, there is no significant difference between the first year phase of the COVID-19 pandemic in 2020 and the phases in the year before and after the COVID-19 pandemic; the values Asymp signature (2-tailed) have a value of $0.333 > 0.05$. It can be concluded that H1, H3, and H4 are accepted, while H2 is rejected. Table 12 shows that the test results show differences between conditions before and after the COVID-19 pandemic in the four variables observed. The findings show significant differences in CKPN, net profit, and Enterprise Risk Management (ERM) before and after the pandemic, with significance values of .044, .020, and .024, respectively. It shows the substantial impact of the pandemic on these aspects in the observed context. However, no significant differences were observed in credit disbursement, indicating relative stability despite the pandemic.

Additional analysis of the difference in profit values before and after the COVID-19 pandemic in companies using PSAK 71 with different ERM index categories (The ERM index is included in the low category compared to the medium category ERM index and also compared to the high category ERM index)

A descriptive analysis of profit values based on ERM categories (in Table 12) shows that in companies that implemented ERM in the High category, there was an increase in the average net profit value of 1.45 (13.26 – 11.81) between before and after COVID-19. 19 pandemic. Table 2 data also shows that in companies that implement ERM in the Medium category, there is an average increase in net profit value of 0.42 (12.73 – 12.31) between before and after the COVID-19 pandemic. Meanwhile, the average net profit value of companies implementing ERM in the Low category decreased by 0.15 between before and after the COVID-19 pandemic (14.21 – 14.36). These findings indicate that companies implementing

ERM in the High category will most likely have difficulty increasing company profits significantly (Table 14 shows a significance of 0.028 0.05).

Table 10
 Wilcoxon signed rank results test

		N	Rankings Mean	Number of Ratings
CKPN_CovidYear2_23 to CKPN_CovidYear1_18	Negative Rating	9 ^a	23.00	207.00
	Positive Rating	38 ^b	20.10	573.00
	Tie	1 ^c		
	Total	40		
Credit Distribution _CovidYear2_23 to Credit Distribution _CovidYear 1_18	Negative Rating	20 ^d	18.78	338.00
	Positive Rating	27 ^e	22.91	482.00
	Tie	0 ^f		
	Total	40		
Net profit_CovidYear 2_23 to Net profit_CovidYear 1_18	Negative Rating	10 ^g	21.25	212.50
	Positive Rating	37 ^h	20.25	607.50
	Tie	0 ⁱ		
	Total	40		
ERM _CovidQ1_23 to ERM _CovidQ1_18	Negative Rating	7 ^h	14,17	42.50
	Positive Rating	24 ^k	12.26	257.50
	Tie	16 ^l		
	Total	40		

Source: Processed data (2022).

Table 11
 Wilcoxon signed rank results test 1

Asymp. signature. (2-tail)	,011	,333	,008	,002
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Source: Processed data (2022).

Table 12
 Descriptive analysis results

	N	Minimal	Max	Means	Std. Deviation
Profit_ERMTHigh_BeforeCovid19	9	4.85	17.12	11.81	4.00
High_ERMTProfit_AfterCovid19	9	9.29	17.26	13.26	2.86
Profit_ERM Medium-BeforeCovid19	21	8.97	15.00	12.31	1.87
Medium Profit_ERM After Covid19	21	9.77	15.20	12.73	1.84
Untung_ERMLow_BeforeCovid19	4	11.69	17.23	14.36	2.26
Profit_ERMLlow_AfterCovid19	4	12.44	16.69	14.21	1.79

Source: Processed data (2022).

Table 13
 Wilcoxon signed rankings test results 2

	Untung_ERMHigh_after Covid19 - Untung_ERMHigh_Befo reCovid19	Medium Profit_ERM- AfterCovid19- Medium_ERM Profit- BeforeCovid19	Untung_ERMLow_After Covid19 - Untung_ERMLow_Befor eCovid19
Z	-2.192b	-1.705b	.368b
Asymp. signature. (2-tail)	.028	.088	.713

Source: Processed data (2022).

Table 14
 Paired sample t-test

		t	df	Sig.
Pair 1	CKPN_Before_Covid - CKPN_After_Covid	-,782	47	,044
Pair 2	Distribution credit_Before_Covid - Distribution credit_After_Covid	-,618	47	,434
Pair 3	Net Profit_Before_Covid - Net Profit_After_Covid	-,2760	47	,020
Pair 4	ERM_Before_Covid - ERM_After_Covid	-,612	47	,024

Differences in CKPN (reserve for impairment losses) in the COVID-19 pandemic phase before and after the COVID-19 pandemic from 2018 – 2023

There is a significant difference between CKPN (Reserve for Impairment Losses) before and after COVID-19 (the table shows a value of -.782 with a df of 47 and a significance of .044). It shows there have been significant changes in CKPN before and after the pandemic. The results show a significant difference in Allowance for Impairment Losses (CKPN) before and after the COVID-19 pandemic, with a significance value of 0.044. It shows a significant change in CKPN management in response to the economic situation caused by the pandemic. The decrease in CKPN value may reflect the company's efforts to adjust its financial strategy to overcome the impact of the pandemic, such as increasing financial resilience or anticipating potential declines in asset values. One of the examples of countries that responded to the COVID-19 pandemic with strong economic stimulus policies is the United States of America. The US government launched a significant economic stimulus package, including aid programs direct to individuals, additional unemployment, aid for company small, and support addition for affected sectors in a way directly affected by the pandemic. Steps This aims to reduce pressure on finances on the home ladder and business, making it possible for them to endure during the uncertain economy caused by the pandemic. This response can impact the changes in the Loss Reserves Impairment of Value (CKPN) of companies in the US because the company Possibly makes adjustments in management risk finances

to face conditions in the economy that are not certain. This practice is supported by empirical evidence that countries outside Indonesia have implemented based on the research results of Ceruttiet et al. (2015) and Lim et al. (2011), which shows the effectiveness of implementing dynamic reserves in terms of avoiding procyclicals, mitigating credit crunch, and limiting banking risks on financial performance positions.

Differences in credit distribution during the COVID-19 pandemic before and after the COVID-19 pandemic from 2018 to 2013

Based on the results of the statistical analysis, the result was that H2 was rejected, which means there was no significant difference in the value of credit distribution between the phases of the year before and after the COVID-19 pandemic. The test results show no significant difference in distribution credit before and after the COVID-19 pandemic, with a mark significance of 0.434. It shows that the pandemic has no significant impact on volume or trend distribution credit in the observed context. Although the pandemic can cause uncertainty in economic growth and changes in the behavior of consumers and businesses, results show that sector finance Possible has maintained stability in channel credit during the period. In other words, changes are observed. Possible No reach threshold significance statistics show that distribution credit tends to be stable or only experiences a small change that is not significant in a way statistics.

Several examples of countries with situations similar to where distribution credit No Lots changed during the pandemic include Germany as one of the countries with sector-stable and structured finances with well Germany may have experienced stability relatively in distribution credit during a pandemic. Although an uncertain economy exists, German banks maintain conservative policy and acceptable credit response to market changes with proper flexibility. Canada Countries with strong sector finances , such as Canada, may also have situations where distribution credit No Lots changed during a pandemic. The Canadian government has responded to the pandemic with primary economic stimulus measures and support for sector finance, which can help guard stability in the distribution of credit. Australia, with a system developed and structured finance with OK, Australia can become an example of where distribution credit No Lots changed during a pandemic. Economic stimulus measures implemented by the Australian government possibly to help guard liquidity and stability in sector finances, thus reducing the impact of the pandemic on the distribution of credit. In all cases, this policy government, stability sector finance, and market response to the pandemic have changed the distribution of credit to No Lots. This result is in line with a study conducted by Effendi and Hariani (2020), which stated that distribution credit was not affected by the COVID-19 pandemic.

Differences in net profit during the COVID-19 pandemic phase before and after the COVID-19 pandemic from 2018 – 2023

The test results show a significant difference in the profit of clean companies before and after the COVID-19 pandemic, with a mark significance of 0.020. This matter shows that the pandemic has significantly impacted the company's profits, showing a decline or enhancement of significant profits in the observed period. Decline profit is Possibly caused by various factors, including declined demand, increased operational cost, or losses caused by market instability during a pandemic. On the contrary, improvement in profit also happens as a response to changes in pattern consumption or opportunities for a new business to appear during a pandemic.

Several examples of countries that have experienced conditions similar to where profit companies experienced change during a pandemic include India; as one of the countries experiencing the impact of the COVID-19 pandemic, India has reported a decline in profit in various sectors of industries, especially related to the hospitality, tourism and trade retail. The pandemic has bothered the economy overall, resulting in a decline in income for Lots Company. Italy is one of the countries in Europe that has been badly affected by the COVID-19 pandemic. Closing businesses and restrictions enforced mobility control of the spread of the virus, which has resulted in a decline in income for Lots company in Italy. Several big companies in the tourism, hospitality, and retail sectors experienced a significant decline in net profit during the pandemic. The United States has also experienced a significant impact on the profits of clean companies during the COVID-19 pandemic. Although several sectors, like technology and online services, experience enhanced profit, many other sectors, including hospitality, transportation, and entertainment, experience a decline in significant income. These results also show that the implementation of PSAK 71 has been able to smooth profits so that profit fluctuations during times of crisis are minimal.

Findings This is in line with research conducted by various institutions and agencies. Research on the economy has studied the impact of the COVID-19 pandemic on profit-clean companies in various countries. For example, institutions such as the International Monetary Fund (IMF) and the World Bank, as well as institutions that research the economy privately, have done studies to understand the impact on the economy from the pandemic, including the impact on profit-clean companies.

Differences in ERM during the COVID-19 pandemic before and after the COVID-19 pandemic from 2018 – 2023

The test results show a significant difference in Enterprise Risk Management (ERM) before and after the COVID-19 pandemic, with a significance value of 0.024. It shows that the pandemic has also impacted corporate risk management, indicating a significant change in how companies manage their risks. Changes in ERM may include an increased focus on new risks that have emerged during the pandemic, such as public health risks, market uncertainty, or supply chain instability. Companies may also adjust their risk management strategies to address changes in regulations, policies, or the business environment caused by the pandemic. Several examples of countries experiencing similar conditions where corporate risk management experienced significant changes during the pandemic include Singapore; as one of the global financial and trade centers, Singapore has experienced a significant impact from the COVID-19 pandemic. Singapore's companies may have adjusted their risk management to deal with increased economic uncertainty and changes in the global business environment. Sweden is another country that has experienced significant changes in corporate risk management during the COVID-19 pandemic. With a different pandemic model and a more open approach to restrictions, companies in Sweden may have faced unique risks and adjusted their risk management strategies to address changes in the business and regulatory environment. Australia has also experienced a significant impact on corporate risk management during the COVID-19 pandemic. Companies in Australia may have made adjustments in their ERM to address new challenges as they arise, such as changes in consumer behavior, market uncertainty or disruptions in global supply chains.

Research conducted by various institutions and research institutions examining the impact of the COVID-19 pandemic on company risk management. Some economic and management research institutions that have researched this topic include McKinsey & Company, Deloitte, and Harvard Business Review, which investigated the impact of the pandemic on companies' risk management practices and strategies for dealing with these challenges. Banks in Indonesia are also implementing better risk management strategies to overcome the risks posed by the crisis during the COVID-19 pandemic. This condition can be seen from the increase in the average ERM value in the phases of the year before and after the COVID-19 pandemic. The average increase in the ERM value shows that the banking sector is implementing a superior strategy to remain sustainable amidst the COVID-19 pandemic crisis, namely through concern for risk management. Of course, improving risk management strategies will strengthen banking positions in maintaining financial conditions, in this case, company net profits, amid a crisis. This statement is also supported by research results, which show an increase in the average net profit value from the year before and after the COVID-19 pandemic. These results strengthen evidence that the

banking sector has a superior strategy to remain sustainable amidst the crisis that occurred during the COVID-19 pandemic.

The economic crisis due to the COVID-19 pandemic is a form of risk arising from the company's external conditions. The complexity of the risks faced by a company can disrupt the company's profitability, so companies that require better risk management will experience difficulty maintaining the continuity of the company's business. ERM is functional for managing various company risks, helping businesses overcome various types of uncertainty, minimizing threats and maximizing opportunities (Puryantini et al., 2017). ERM aims to create a system or mechanism within an organization so that risks that could harm the organization or company can be anticipated and managed. Research conducted by Hoyt and Liebenberg (2011) and Devi et al. (2017) found that implementing an ERM system will maintain company performance. Companies that understand the importance of ERM in maintaining company performance will optimize ERM, especially amid a crisis such as the current COVID-19 pandemic. The complexity of a bank's risk management can be seen from the ERM disclosures made by the bank.

Conclusions

Based on the results of the tests, it can be concluded that the COVID-19 pandemic has significantly impacted several aspects of business and company management. Observed changes include Allowance for Impairment Losses (CKPN), net profit, and Enterprise Risk Management (ERM). In terms of CKPN, there was a significant increase, while net profit and ERM also experienced significant changes, but in directions that may vary between companies. Meanwhile, credit distribution did not experience significant changes. It shows that companies across different sectors have reacted differently to the challenges faced during the pandemic. This response is reflected in adjustments to financial, risk management and operational strategies made to overcome the impact of the pandemic. Countries experiencing similar conditions, such as India, Italy and the United States, experienced significant changes in corporate net profits and adjustments in corporate risk management. This conclusion aligns with research findings from various economic and management research institutions that have investigated the impact of the COVID-19 pandemic on business and company management.

In the context of the role of PSAK 71 (Presentation of Financial Reports in Extraordinary Situations), adjustments to the COVID-19 pandemic can be more significant. PSAK 71 guides how companies should present their financial information in extraordinary situations like a pandemic. With this guide, companies are expected to provide more transparent and relevant disclosures regarding the impact of the pandemic on their financial performance, including CKPN, net profit and risk management. Implementing PSAK 71 can affect how companies treat CKPN, net profit, and ERM changes in their

financial reports. For example, companies may need to disclose in more detail how the pandemic has affected the assumptions and estimates underlying CKPN calculations and the impact on net profit and risk management. It will help stakeholders better understand the company's financial position and potential risks in dealing with extraordinary situations like the pandemic. Thus, in conclusion, the role of PSAK 71 is essential in guiding companies to present accurate and relevant financial information during the COVID-19 pandemic. In situations where changes in CKPN, net profit and ERM are significant, PSAK 71 helps ensure that appropriate disclosures are made to reflect the pandemic's impact in financial statements appropriately.

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