Analysis of Bank Health Before and After the Implementation of *Pernyataan Standar Akuntansi Keuangan* (PSAK) 71

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ABSTRACT

The change in the implementation of PSAK 55 to PSAK 71 at the beginning of 2020 is an important event that has occurred in the banking industry, with this research aims to see whether there are differences in the soundness of banks before and after the application of PSAK 71 to Conventional Banks listed in the Indonesia Stock Exchange (IDX) in 2019-2020. Taking the sample of 31 banks was selected through purposive sampling. Using a non-parametric test namely, the Wilcoxon rank sign range test, assessed by the SPSS v.22. Bank soundness level is measured using Risk Profile, Good Corporate Governance, Earnings, and Capital (RGEC). Research gives the result that the level of bank soundness has an overall difference before and after the application of PSAK 71.

Keywords   :   Bank soundness; PSAK 71; Conventional Banks; Indonesia Stock Exchange (IDX); RGEC

ABSTRAK

Pergantian pemberlakuan PSAK 55 menjadi PSAK 71 pada awal tahun 2020 menjadi peristiwa penting yang terjadi pada industri perbankan, dengan ini penelitian bertujuan untuk melihat adakah perbedaan tingkat kesehatan bank sebelum dan sesudah penerapan PSAK 71 pada Bank Konvensional yang terdaftar di Bursa Efek Indonesia (BEI) tahun 2019 – 2020. Sampel sebanyak 31 Bank dengan teknik pengambilan sampel purposive sampling. Menggunakan uji non-parametrik yaitu uji wilcoxon sign rank test. Pengukuran tingkat kesehatan bank menggunakan Risk Profile, Good Corporate Governance, Earnings, dan Capital (RGEC). Penelitian memberikan hasil bahwa tingkat kesehatan bank memiliki perbedaan secara menyeluruh ketika sebelum dan sesudah penerapan PSAK 71.

Kata Kunci   :   Kesehatan Bank; PSAK 71; Bank Konvensional; Bursa Efek Indonesia (BEI); RGEC

INTRODUCTION

Banks are known as financial institutions whose main activities are receiving demand deposits, savings and time deposits, banks are also places to borrow money (credit) for people in need. Besides that, banks can also be a place to exchange money, transfer money, accept all forms of payment such as electricity, telephone, water, taxes, pay for school and others (Parashtiwi, 2021). To make the customer have trust about the bank, the bank must have a good and consistent level of soundness, the trust that has been given by the customer will build a good relationship between the bank and the customer, an important role for this to happen is the soundness of the bank itself(Diranti & Oktapriana, 2021). Not only does it have an important role for customers, but the soundness level of the bank is important for all parties, such as the bank's management. bank owner, as well as for Bank Indonesia as the bank supervisory authority(Suyatna & Mu'minin, 2021). Assessment of the level of soundness can be seen from the financial reports, financial reports are a form of communication tool to related parties(Diranti & Oktapriana, 2021), One of the objectives of financial reports is to provide information related to company finances, performance and also changes that occur each period(Maramis, 2019).

One way to see bank health signals is issued through financial reports with ratios on Risk Profile, Good Corporate Governance, Earnings and Capital, this component describes the health of a bank for one period so that it can be categorized as healthy or not (Merina et.al, 2022)
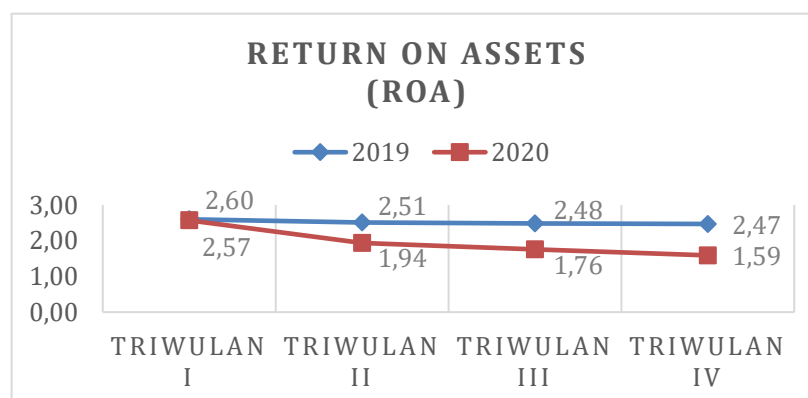
Source: Processed data, 2022

Figure 1. Graph of Return On Assets growth for conventional banks in Indonesia

Figure 1 explains how the growth in the Return On Assets (ROA) value in 2019 had a value above 2.0 but when entering 2020 it decreased to 1.59. This illustrates that if the health of a bank is facing a decline arising from various conditions, it is known that the enactment of PSAK 71 which replaces PSAK 55 occurred when entering early 2020. The changes to PSAK that occurred discussed related to the expected credit loss method, which is a measurement of impairment losses on financial instruments that have not happened or are yet to come, this implementation is a big challenge for the banking industry(Chaniago & Hadiyati, 2021). Research that has been conducted regarding the implementation of PSAK 71 by Witjaksono (2017)has a significant impact on financial instruments in the aspect of presentation and measurement of the Bank's financial statements, other research regarding changes to PSAK 71 byTungga et.al, (2021),Sonoto (2021) yielded results with the existence of regulation changes to PSAK 71 which had a

good impact on overcoming the economic recovery in the Indonesian banking industry, which made the health of banks also have an effect because of these regulations.

Viewing the research results from (Devi et.al, 2021)and Parashtiwi (2021)which explains that Earnings is one of the components to determine the soundness of a bank that has no effect after or before the existence of PSAK 71. Thus, this research was conducted to see whether the soundness of the bank as a whole at Conventional Commercial Banks had differences before and after the implementation of PSAK 71.

A signal is an action taken by the company as a guide for interested parties regarding how the company's condition will be in the future (Brigham & Houston , 2014). The signals issued are in the form of important information about what actions have been taken by management to realize various company goals during that period.

Initially, the application of PSAK 71 was to take effect in January 2019, but due to several important reasons such as commitment and preparation from the banking industry, in the end the implementation was postponed until January 2020. PSAK 71 itself is the adoption of IFRS 9, which regulates changes in requirements relating to financial instruments such as impairment, hedge accounting, classification and measurement (Suroso, 2017).

The ability of a bank when it is able to fulfill its obligations and also carry out standard operational activities according to the policies that apply to banking, is an illustration of the health condition of the bank.(Umm, 2013). Bank soundness is determined based on the composite level stated in POJK No.4 of 2016, as shown in table 1.

Table 1. Bank Soundness (Health)

Composite Value	Predicate	Composite Rating
86% - 100%	Very healthy	1
71% - 85%	Healthy	2
61% - 70%	Healthy enough	3
41% - 60%	Unwell	4
≤ 40%	Not Healthy	5

Source: Bank Indonesia, 2004

The composite value for each ratio will rank as follows: [1] Rank 1 = each component multiplied by 5; [2] Rank 2 = each component multiplied by 4; [3] Rank 3 = each component multiplied by 3; [4] Rank 4 = each component multiplied by 2; [5] Rank 5 = each component multiplied by 1. Bank soundness level can be seen through the risk approach, consisting of Risk Profile, Good Corporate Governance, Earnings, and Capital.

Risk profile is an assessment of internal risk, an assessment of the risks inherent in the bank. This study measures liquidity risk, namely the Loan to Deposit Ratio (LDR) and the credit ratio, namely Non Performing Loans (NPL).

Identification of problems in banking that originate from credit so that they affect bank performance is the goal of looking at Non-Performing Loans (NPL)(Georgios, 2019). NPL is one of the roles to make regulators and banks aware of what risks may occur in the balance sheet, and when what kind of capitalization or higher reserves are needed.

$$\text{NPL} = \frac{credit\ problems}{\text{credit total}} \text{ X } \mathbf{100}\% \tag{1}$$

Table 2. NPL Composite

Ratio	Predicate	Composite Rating
NPL <2%	Very healthy	1
2% ≤ NPL ≤ 5%	Healthy	2
5% ≤ NPL ≤ 8%	Healthy enough	3
8% ≤ NPL ≤ 12%	Unwell	4
NPL ≥ 12%	Not Healthy	5

Source: Bank Indonesia, 2004

The Loan to Deposit Ratio is an indication that illustrates how a bank's ability to meet or protect possible loan losses that will occur when market conditions are in a bad or normal position. Banks must have good bank management to continue to maintain business continuity, by looking at the condition of the bank's LDR ratio(Merina et.al, 2022)

$$LDR = \frac{credit\ given}{third\ party\ funds}\ X\ 100\% \tag{2}$$

Table 3. LDR Composite

Ratio	Predicate	Composite Rating
LDR >75%	Very healthy	1
75% < LDR ≤ 85%	Healthy	2
85 < NPL ≤ 100%	Healthy enough	3
100% < LDR ≤ 120%	Unwell	4
LDR > 120%	Not Healthy	5

Source: Bank Indonesia, 2004

Good Corporate Governance(GCG) is a Bank governance that applies the principles of transparency, responsibility, accountability, independence and fairness. This is stated inBank Indonesia RegulationsNo. 8/14/2006. GCG has certain assessment criteria, as shown in table 4.

Table 4. GCG Composite

Composite Value	Predicate	Composite Rating
Composite Value < 1,5	Very good	1
1,5 <= Composite Value < 2,5	Good	2
2,5 <= Composite Value < 3,5	Average	3
3,5 <= Composite Value <4,5	Poor	4
4,5 <= Composite Value < 5	Very poor	5

Source: Bank Indonesia, 2004

The bank's ability to generate profits in each period can be seen how the value of profitability or earnings at that bank (Dendawijaya, 2005). The ratio of Return on Assets (ROA) can be used to analyze learning

$$ROA = \frac{Net\ Income}{total\ assets}\ X\ 100\% \tag{3}$$

Table 6. ROA Composite

Ratio	Predicate	Composite Rating
ROA >1,5%	Very healthy	1
1,25% < ROA ≤ 1,5%	Healthy	2
0,5% < ROA ≤ 1,25%	Healthy enough	3
0% < ROA ≤ 0,5%	Unwell	4
ROA ≤ 0%	Not Healthy	5

Source: Bank Indonesia, 2004

Capital Adequacy Ratio(CAR) is a value that describes a bank's obligation to provide minimum capital, namely the ratio of capital to weighted assets according to the ratio. The Capital Adequacy Ratio describes all bank assets that have risks (participations, claims on other banks, loans, securities) with financing originating from their own capital, outside of bank external payments, such as public funds, loans, and others.(Fauzi et.al, 2020)

$$\text{CAR} = \frac{\text{modal bank}}{\text{total ATMR}} \text{ X } 100\% \tag{4}$$

Table 6. CAR Composite

Ratio	Predicate	Composite Rating
CAR >12%	Very healthy	1
9% ≤ CAR < 12%	Healthy	2
8% ≤ CAR < 9%	Healthy enough	3
6% ≤ CAR < 8%	Unwell	4
ROA < 6%	Not Healthy	5

Source: Bank Indonesia, 2004

RESEARCH METHOD

The research conducted was classified as descriptive comparative research, to see whether the soundness of banks had differences before and after PSAK 71 was introduced. The test used a non-parametric approach, namely the Wilcoxon sign rank test with SPSS v.22 software. This research took the banking population on the Indonesia Stock Exchange (IDX) in the 2019 and 2020 periods, taking samples using purposive sampling with submission of certain qualifications.

Table 7. Research Sample

No	Qualification	Total
1	Conventional Commercial Banks listed on the Indonesia Stock Exchange (IDX) for the 2019 - 2020 period	42
2	Conventional commercial banks that do not report financial reports on the IDX in a row for the 2019 – 2020 period	(3)
3	Conventional commercial banks that do not experience profits during the 2019 – 2020 period	(8)
	Total	**31**

Source: Processed data, 2022

RESULTS AND DISCUSSIONS

The bank soundness Ratio before and after the implementation of PSAK 71 is didplayed in table 8.

Table 8. Bank Soundness Ratio Composite Tabulation

Bank	RGEC 2019		RGEC 2020	
AGRO	68%	Healthy Enough	76%	Healthy
BABP	68%	Healthy Enough	72%	Healthy
BACA	80%	Healthy	88%	Very healthy
BBCA	92%	Very healthy	100%	Very healthy
BBMD	84%	Healthy	96%	Very healthy
BBNI	88%	Very healthy	72%	Healthy
BBRI	84%	Healthy	88%	Very healthy
BBTN	64%	Healthy Enough	80%	Healthy
BBYB	68%	Healthy Enough	72%	Healthy
BDMN	84%	Healthy	72%	Healthy
BGTG	79%	Healthy	72%	Healthy
BINA	80%	Healthy	84%	Healthy
BJBR	88%	Very healthy	80%	Healthy
BJTM	92%	Very healthy	92%	Very healthy
BKSW	76%	Healthy	76%	Healthy
BMAS	76%	Healthy	84%	Healthy
BMRI	92%	Very healthy	92%	Very healthy
BNBA	72%	Healthy	80%	Healthy
BNGA	84%	Healthy	80%	Healthy
BNII	72%	Healthy	80%	Healthy
BNLI	76%	Healthy	80%	Healthy
BSIM	72%	Healthy	80%	Healthy
BSWD	72%	Healthy	76%	Healthy
BTPN	72%	Healthy	80%	Healthy
MAYA	76%	Healthy	80%	Healthy
MCOR	72%	Healthy	76%	Healthy
MEGA	92%	Very healthy	96%	Very healthy
NISP	88%	Very healthy	92%	Very healthy
NOBU	84%	Healthy	84%	Healthy
PNBN	76%	Healthy	88%	Very healthy
SDRA	76%	Healthy	76%	Healthy

Source: Processed data, 2022

Based on table 8, in 2019, before PSAK 71, there were 7 banks that were in the very healthy category, including: PT Bank Central Asia Tbk, PT Bank Pembangunan Daerah Jawa Barat Bank Banten Tbk, PT Bank Mandiri (Persero) Tbk, PT Bank Negara Indonesia Tbk, PT Pembangunan Daerah Jawa Timur Tbk, PT Bank Mega Tbk and PT Bank OCBC NISP Tbk. Whereas at the time of implementing PSAK 71 in 2020 it was categorized as very healthy, a number of 9 banks including: PT Bank Capital Indonesia Tbk, PT Pembangunan Daerah Jawa Timur Tbk, PT Bank Central Asia Tbk, PT Bank Mestika Dharma Tbk, PT Bank Pan Indonesia Tbk, PT. Bank Rakyat Indonesia Tbk, PT Bank Mandiri (Persero) Tbk, PT Bank Mega Tbk and PT Bank OCBC NISP Tbk, explained that a number of banks had increased which were in the very healthy category.

In 2019, prior to PSAK 71, there were 20 banks in the healthy category including: PT Bank QNB Indonesia Tbk, PT Bank Danamon Indonesia Tbk, PT Bank Mestika Dharma Tbk, PT Bank Bank Pembangunan Daerah Jawa Barat Tbk, PT Bank Ina Perdana Tbk, PT Bank Woori Indonesian Brothers 1906 Tbk, PT. Bank Rakyat Indonesia Tbk, PT Bank Ganesha Tbk, PT Bank Maybank Indonesia Tbk, PT Bank Mayapada Internasional Tbk, PT Bank Maspion Indonesia Tbk, PT Bank Bumi Arta Tbk, PT Bank Cimb Niaga Tbk, PT Bank Permata Tbk, PT Bank Sinarmas Tbk, PT Bank of Indonesia Tbk, PT Bank BTPN Tbk, PT Bank Nationalnobu Tbk, PT Bank China Construction Bank Indonesia Tbk, and PT Bank

Pan Indonesia Tbk. The soundness level of the Bank in 2020 after PSAK 71, there are 22 of them: PT Bank Ina Perdana Tbk, PT. Bank Raya Indonesia Tbk, PT Bank MNC International Tbk.

In 2019, before the implementation of PSAK 71, the soundness level of banks was in the category of quite healthy at 4 conventional commercial banks, including: PT Bank Tabungan Negara (persero) Tbk, PT. Bank Raya Indonesia, Tbk, PT Bank Neo Commerce Tbk and PT Bank MNC International Tbk. After PSAK 71 of 2020 was implemented, it was quite effective because it increased the soundness value of a bank from a fairly healthy condition to a healthy condition. The result of Normality Test can be seen in table 9.

Table 9. Normality Test

		Unstandardized Residual
N		31
Normal Parameters	Mean	.0000000
	Std. Deviation	.41856995
Most Extreme Differences	Absolute	.301
	Positive	.183
	Negative	-.301
Test Statistic		-.301
Asymp. Sig. (2-tailed)		.000

Source: Processed data, 2022

The results of the normality test in table 9 obtained a significance value of 0.000 <0.05, which indicates that the data is not normally distributed. If there are data that are not normally distributed, then the use of the Wilcoxon test is required in the difference or comparison test. The ranks of bank soundness before and after the implementation of PSAK 71 is displayed in table 10.

Table 10. Ranks

		N	Mean Rank	Sum of Ranks
Before PSAK 71 -	Negative Ranks	2	6.0	12.00
After PSAK 71	Positive Ranks	9	6.0	54.00
	Ties	20		
	Total	31		

Source: Processed data, 2022

It is known that the soundness level of the bank in Table 10 has Negative Ranks with a value of 2, meaning that the composite value of the soundness of the bank before and after PSAK 71 has decreased in 2 companies, with an average decrease of 6.00, the number of negative ratings is 12.00. Then Positive Ranks has an N value of 9, meaning that the composite value of the soundness of the bank has 9 companies that have increased before the implementation of PSAK 71 and after the implementation of PSAK 71, with an average increase of 6.00 and the number of positive ratings of 54.00. There are 20 companies with the same bank rating before and after applying PSAK 71, shown in the Ties value. The Wilcoxon Test is displayed in table 11.

Table 11. Wilcoxon Test

	Tingkat Kesehatan Sebelum PSAK 71 – Tingkat Kesehatan Bank Setelah PSAK 71
Z	-2.111
Asymp. Sig, (2-tailde)	.035

Source: Processed data, 2022

The results of table 11 related to the Wilcoxon test produce Asymp. Sig (2-tailed) has a value of 0.035 <0.05, which indicates a significance value that is smaller than the significance requirement. So it can be concluded that in Conventional Commercial Banks there are significant differences in the soundness of banks before and after PSAK 71. The change in PSAK 55 to PSAK 71 in measurement and presentation has an impact on bank soundness, as shown in table 8 where there are differences in the level of soundness in many of the banks studied . The implementation of PSAK 71 has had a positive impact on bank health, based on table 8 stating that in 2019 where PSAK 71 had not been implemented, there were 4 banks in the fairly healthy category, then when PSAK 71 was implemented in 2020 the soundness level of banks entered the healthy category.

Even though from 2019 and 2020 there was a decrease in the value of Return on Assets, which coincided with the implementation of new regulations regarding changes to the credit loss method, this does not illustrate that the health condition of banks in Indonesia has decreased. This research gives the opposite result, the bank's health condition in 2020 is no longer a bank that is in the quite healthy category like in 2019, but is already in the healthy and very healthy category. This is an indication that the regulatory changes have had a good effect on the recovery of the banking economy in Indonesia, as research conducted byTungga et.al, (2021)and Sonoto (2021).

CONCLUSION

Research on the soundness of banks using the Risk Profile, Good Corporate Governance, Earnings and Capital (RGEC) at 31 conventional commercial banks listed on the Indonesia Stock Exchange in 2019 and 2020 obtained the result that there were significant differences in bank health before and after the implementation PSAK 71 namely 2019 and 2020.

RECOMMENDATION

The next researcher's suggestion is to include Islamic banks in their research, so that they can find out whether the financial reporting instruments of Islamic banks have an impact when PSAK 71 is applied. With the inclusion of Islamic banks, they can look more broadly at all banks in Indonesia whether they have differences before and after the implementation of PSAK 7, so that they are not only conventional banks.

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