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The Implementation of PSAK 71 and Its Impact on the Quality of Financial Reporting and Financial Performance in Indonesia

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INFO ARTIKEL

Kata Kunci:
PSAK 71, Expected Credit Loss (ECL), Credit Loss Allowance (CKPN), Financial Reporting Quality, Profitability

ABSTRAK

Introduction/Objective: This paper is a literature review of several previous articles analyzing the impact of PSAK 71 on the quality of financial reporting by Indonesian companies. This standard replaces PSAK 55 to improve the classification, measurement, and impairment of financial assets using the Expected Credit Loss (ECL) model. Problem Background: This study examines how PSAK 71 affects credit loss reserves (CKPN) and key financial ratios in various sectors through the results of previous studies.
Method: This study reviewed 10 scientific articles on the topic of PSAK 71 implementation. Findings: PSAK 71 increases CKPN and affects profitability, liquidity, and capital adequacy while improving transparency and risk recognition. Conclusion: This implementation improves financial reliability but increases reserve costs, indicating the need for better risk management and accounting systems.

Pendahuluan/Tujuan: Makalah ini merupakan bentuk studi literature dari beberapa artikel terdahulu tentang menganalisis pengaruh pelaksanaan PSAK 71 terhadap kualitas pelaporan keuangan perusahaan Indonesia. Standar ini menggantikan PSAK 55 untuk meningkatkan klasifikasi, pengukuran, dan penurunan nilai aset keuangan menggunakan model Expected Credit Loss (ECL). Latar Belakang Masalah:Studi ini melihat bagaimana PSAK 71 memengaruhi cadangan kerugian kredit (CKPN) dan rasio keuangan utama di berbagai sector memalui hasil penelitian terdahulu. Metode Penelitian: Penelitian ini mengkaji 10 artikel limiah dengan topik penerapan PSAK 71. Temuan: PSAK 71 meningkatkan CKPN dan memengaruhi profitabilitas, likuiditas, serta kecukupan modal sekaligus meningkatkan transparansi dan pengakuan risiko. Kesimpulan: Pelaksanaan ini meningkatkan keandalan keuangan tetapi menaikkan biaya cadangan, menunjukkan kebutuhan akan manajemen risiko dan sistem akuntansi yang lebih baik.

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INTRODUCTION

The development of financial accounting standards in Indonesia continues to evolve in line with global standards, especially after convergence with International Financial Reporting Standards (IFRS). One of the most significant changes is the implementation of Financial Instruments PSAK 71, which came into effect on January 1, 2020, replacing PSAK 55. This change aims to ensure that financial statements provide more relevant, timely, and reliable information by introducing the Expected Credit Loss (ECL) model for recognizing impairment.

Prior to PSAK 71, the loss model in PSAK 55 recognized impairment only after objective evidence of default emerged, resulting in delayed recognition of financial risk. PSAK 71 shifts this approach by requiring earlier credit loss estimates, encouraging proactive financial risk management. This transformation has broad implications for companies in Indonesia, particularly in the banking and finance sectors where credit risk is a major component.

In addition to compliance requirements, the implementation of PSAK 71 also affects financial ratios, company profitability, and the level of transparency in financial reporting. Studies in various industries, including banking (Bank Jateng, BRI), telecommunications (PT Centratama Telekomunikasi Indonesia), and services (PT Pelabuhan Indonesia), show the challenges and benefits of this transition. The increase in CKPN reserves has reduced short-term profitability but improved the reliability and comparability of financial statements.

Therefore, this study aims to describe and analyze the impact of PSAK 71 implementation on financial performance and reporting quality. This report also seeks to identify changes in accounting treatment, risk measurement, and the implications of early recognition of impairment losses on corporate financial management in Indonesia.

LITERATURE REVIEW

PSAK 71 Financial Instruments is an adoption of IFRS 9, which replaces PSAK 55 and came into effect in Indonesia on January 1, 2020. This standard brings fundamental changes to the recognition, measurement, and impairment of financial assets. The objective is for financial statements to present information that is more relevant and reliable in assessing the amount, timing, and uncertainty of an entity's future cash flows (IAI, 2020). The main change in PSAK 71 lies in the replacement of credit losses indicated by expected credit losses (ECL). In the old demonstration (PSAK 55), losses were recognized only after there was evidence of default.

Meanwhile, in PSAK 71, entities are required to establish a Provision for Impairment Losses (CKPN) from the beginning of the credit period based on estimated future losses. This demonstration emphasizes a forward-looking approach that better reflects credit risk from an early stage. In addition, PSAK 71 regulates the classification and measurement of financial instruments into three main categories: Amortized Cost, Fair Value through Other Comprehensive Income (FVOCI), and Fair Value through Profit or Loss (FVTPL*). Empirical Studies A number of previous studies have shown mixed results regarding the impact of PSAK 71 implementation in Indonesia.

Kartin, Purnamasari, and Warastuti (2023) conducted research on 179 public companies from 11 industrial sectors. The results showed that the implementation of PSAK 71 caused significant differences in net income and other comprehensive income, while the components of the statement of financial position and cash flow did not experience significant changes. Steelyana and Prameswari (2024) analyzed PT Centratama Telekomunikasi Indonesia Tbk and found that PSAK 71 reduced liquidity but increased profitability and solvency ratios. Yunita and Indahwati (2022) studied PT Pelabuhan Indonesia (Territorial 1 Belawan) and found that CKPN increased by up to 219.6% after the implementation of PSAK 71, indicating conservatism in credit risk recording. Taqwiim et al. (2023) and Prajanto (2022) studied Bank BRI KC Manado and Bank Jateng, both of which found that PSAK 71 affected the capital adequacy ratio (CAR) due to an increase in CKPN expenses. Firmansyah and Kurniawan (2021) found that the implementation of PSAK 71 did not change the value of mutual fund investments but affected the classification of financial statement presentation in insurance companies. Indriani, Inapty, and Waskito (2023) examined the implementation of PSAK 71 in the Indonesian banking industry and concluded that the implementation of this standard had a positive effect on the quality of financial reporting and encouraged improved credit risk management.

Meanwhile, Esteem Pertinence of IFRS 9 Appropriation (2023), published in the Diary of Bookkeeping and Venture, shows that the implementation of PSAK 71/IFRS 9 increases the relevance (esteem pertinence) of financial statements, particularly in the banking sector, which faces significant changes in the valuation of financial assets. From these various results, it can be concluded that the implementation of PSAK 71 has an impact on increasing CKPN and changes in financial ratios, particularly in terms of profitability, liquidity, and solvency. Although reserve expenses have increased, PSAK 71 is considered to improve the quality of information and transparency of financial reporting.

In financial accounting theory and previous research related to the application of PSAK 71 – Financial Instruments in Indonesia. This standard is an application of IFRS 9, which introduces the Expected Credit Loss (ECL) model to replace the Incurred Loss model in PSAK 55. This approach emphasizes the recognition of impairment losses prospectively and based on risk expectations, not only after the loss has occurred. Theoretically, the application of ECL encourages increased transparency, accountability, and quality of financial reports, as the value of financial assets and liabilities becomes more realistic in relation to potential future credit risks. However, a consequence of this approach is an increase in Allowance for Impairment Losses (AIL), which can lead to a decline in a company's net profit, particularly in the financial and banking industries.

Relevance to Previous Research Previous studies have shown that the implementation of PSAK 71 has a significant impact on financial statements and company performance. Kartin, Purnamasari, and Warastuti (2023) revealed that the implementation of PSAK 71 had an impact on net income and other comprehensive income recorded by 179 public companies in Indonesia. Steelyana and Prameswari (2024) found that the implementation of PSAK 71 resulted in a decrease in liquidity but an increase in profitability and solvency in the telecommunications sector. Yunita and Indahwati (2022) noted a 219.6% increase in CKPN at PT Pelabuhan Indonesia (Persero) Regional 1 Belawan, indicating the application of stricter conservatism in credit risk recognition. Taqwiim et al. (2023) and Prajanto (2022) show that PSAK 71 has an impact on the decline in the capital adequacy ratio (CAR) in the banking sector due to an increase in CKPN expenses, but it also increases transparency and the quality of credit risk disclosure. Firmansyah and Kurniawan (2021) emphasize that in insurance companies, PSAK 71 affects changes in the classification and presentation of investments in financial statements without significantly changing the value of investments.

Logical Arguments Based on financial reporting theory and previous research, it is believed that the implementation of PSAK 71 affects the quality of financial statements through stronger conservatism and earlier risk recognition. In addition, an increase in CKPN has an impact on company profitability, while changes in the classification of financial assets affect the financial structure and capital stability.

RESEARCH METHOD

This research is a literature review study. Its main objective is to evaluate the impact of PSAK 71 implementation on the quality of financial reporting in several sectors in Indonesia. The main data sources are from a literature review based on academic journals and publications from 2021 to 2024.

The main categories discussed in this study are changes in the ratios of CKPN, profitability, solvency, and liquidity before and after the implementation of PSAK 71. The studies selected to obtain data were screened for relevance, credibility, and year of publication—less than ten years in this case. The constructs in this study originate from widely recognized theories.

Table 1. Research Construction and Sources

No.	Construct	Sources
1	Implementation of PSAK 71 (Financial Instruments)	Kartin, Purnamasari & Warastuti(2023)
2	Credit Loss Allowance (CKPN)	Yunita & Indahwati (2022); Taqwiim et al. (2023)
3	Quality of Financial Reporting	Steelyana & Prameswari (2024)
4	Profitability and Solvency Ratios	Prajanto (2022); Firmansyah & Kurniawan (2021)
5	Cross-Sector Comparison (Banking, Services, and Telecommunications)	Steelyana & Prameswari (2024); Kartin et al. (2023)

Source: Synthesized from several empirical studies of PSAK 71 (2021–2024)

Research Design

This study uses a quantitative descriptive approach supported by secondary data obtained from scientific articles published from 2021 to 2025 on the implementation of PSAK 71 in Indonesia. This study aims to identify how the doption of PSAK 71 affects credit loss reserves (CKPN), financial reporting quality, and company performance in various sectors.

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Data Analysis Procedures

Identification of variables and indicators related to the implementation of PSAK 71 (ECL model, changes in CKPN, financial ratios, and reporting transparency). Compilation and synthesis of empirical findings from previous studies in various industries (banking, telecommunications, and services). Comparative analysis of the impact of PSAK 71 on profitability, solvency, liquidity, and capital adequacy. Interpretation and conclusions on how PSAK 71 improves the quality of reporting and its level of influence across industries.

This study ensures reproducibility by clearly explaining its conceptual framework and analytical steps. Other researchers can replicate this study by using the same constructs, reviewing updated company reports following the implementation of PSAK 71, and applying the same analytical model to evaluate the financial impact and report the improvements resulting from the ECL approach.

RESULTS

The results are presented in a logical, clear, and concise manner to address the hypotheses proposed in this study. The findings summarize the empirical impact of PSAK 71 implementation on credit loss reserves (CKPN), financial reporting quality, and company performance across various industries.

Table 1. Empirical Results of PSAK 71 Implementation

Variables (Head Table)	Financial Impact (Sub-Head Column)	Supporting Sources (Sub-Head Column)
Implementation of PSAK 71	Significant changes in the classification and recognition of financial instruments using the Expected Credit Loss (ECL) model. Increased risk transparency and early loss recognition.	Kartin, Purnamasari & Warastuti (2023)
Credit Loss Allowance (CKPN)	Substantial increase after the adoption of PSAK 71 (e.g., +219.6% at PT Pelabuhan Indonesia Regional 1 Belawan). Reflects stronger credit risk conservatism.	Yunita & Indahwati (2022); Taqwiim et al. (2023)
Quality of Financial Reporting	Improved accuracy, transparency, and comparability of cross-sector financial reporting.	Steelyana & Prameswari (2024); Kartin et al. (2023)
Profitability and Solvency Ratios	Profitability declined temporarily due to higher CKPN, while solvency and capital adequacy increased.	Prajanto (2022); Steelyana & Prameswari (2024)
Cross-Sectoral Impact	The banking sector was most affected; telecommunications and services were moderately affected but benefited from transparency in reporting.	Firmansyah & Kurniawan (2021); Taqwiim et al. (2023)

Source: Synthesized from empirical studies of PSAK 71 (2021–2024).

Implementation of PSAK 71 (Financial Instruments)

↓

Expected Credit Loss (ECL) Model Implementation

↓

Increase in Credit Loss Allowance (CKPN)

↓

Changes in Financial Ratios:
(Profitability ↓, Solvency ↑, Liquidity ↓)

↓

Improvement in Financial Reporting Quality
(Transparency, Reliability, and Relevance)

Figure 1. Conceptual Framework of the Impact of PSAK 71 Implementation

Description

The conceptual framework describes the logical relationship between the application of PSAK 71 and its impact on financial reporting and company performance. PSAK 71, which adopts the Expected Credit Loss (ECL) model, requires entities to recognize impairment losses earlier. This approach increases the Credit Loss Allowance (CKPN), which affects key financial ratios such as profitability, solvency, and liquidity.

Over time, this adjustment leads to improved financial reporting quality, as companies produce more transparent, accurate, and forward-looking financial statements. This model shows that while the immediate financial effect may reduce short-term profits, it increases long-term reliability and investor confidence.

DISCUSSION

The findings of this study are consistent with previous literature examining the impact of the implementation of PSAK 71 in Indonesia. Compared to previous studies, these findings reaffirm that the transition from the Incurred Loss model to the Expected Credit Loss (ECL) model has a significant impact on companies' financial statements, particularly in recognizing impairment losses and presenting more conservative yet transparent reporting results.

The increase in impairment losses (CKPN) identified in this study is in line with Yunita and Indahwati (2022), who reported a 219.6% increase in CKPN at PT Pelabuhan Indonesia Regional 1 Belawan after the adoption of PSAK 71. Similarly, Kartin, Purnamasari, and Warastuti (2023) observed that the implementation of PSAK 71 caused significant differences in net income and other comprehensive income in 179 public companies. These findings reinforce the conclusion that PSAK 71 encourages conservative accounting through earlier recognition of potential losses.

The decline in short-term profitability found in this study also supports the findings of Steelyana and Prameswari (2024), which show that although PSAK 71 temporarily reduces liquidity, it improves solvency and profit stability in the long term. Furthermore, Prajanto (2022) and Taqwiim et al. (2023) found similar results in the banking sector, where an increase in provisions under the ECL model reduces the capital adequacy ratio (CAR) but improves reporting transparency and risk disclosure accuracy.

Conversely, Firmansyah and Kurniawan (2021) revealed that in the insurance sector, PSAK 71 did not significantly change investment valuations but did affect presentation classifications. This shows that the impact of PSAK 71 varies between industries, depending on credit risk exposure and financial asset composition.

From a business perspective, the implementation of PSAK 71 requires companies to strengthen their risk management systems and internal control processes. Financial institutions, especially banks, must develop more sophisticated credit risk assessment tools to accurately estimate expected losses. This shift ensures that financial statements better reflect actual risk exposure and promotes early corrective action in credit management.

For non-financial entities, such as telecommunications and service companies, PSAK 71 improves the quality of financial information and enhances credibility with investors and regulators. Transparent reporting in accordance with the ECL model increases stakeholder confidence in management's prudence and the company's financial resilience.

In practical terms, this study emphasizes that the adoption of PSAK 71 supports sustainable business practices by promoting financial prudence, long-term stability, and transparent disclosure. Although it temporarily reduces profits through higher impairment costs, it strengthens trust among investors, lenders, and regulatory bodies, thereby contributing to improved financial governance in Indonesia.

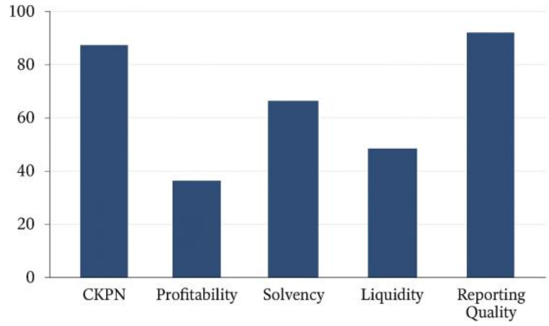

Figure 2. The Comparative Impact of PSAK 71 Implementation on Key Financial Indicators

CONCLUSION

The main conclusion of this study shows that the implementation of PSAK 71 – Financial Instruments, as an application of IFRS 9, has brought significant changes to the recognition, measurement, and impairment of financial assets in Indonesia. The shift from the Incurred Loss model to the Expected Credit Loss (ECL) model requires earlier recognition of potential credit losses, which has increased the Credit Loss Allowance (CKPN) across all sectors.

The findings reveal that the implementation of PSAK 71 has led to a decline in short-term profitability and liquidity, but has contributed to an increase in solvency, transparency, and the quality of financial reporting. This confirms that the new standard strengthens prudence and improves the reliability of financial reports in reflecting future risks.

From a business practice perspective, PSAK 71 encourages companies to adopt more comprehensive risk management strategies and improve internal controls related to credit risk estimates. Although the initial impact reduces reported income, it ultimately supports sustainable financial stability and investor confidence in the long term.

Overall, PSAK 71 has successfully aligned Indonesia's financial reporting framework with international standards, improving the relevance, comparability, and accountability of financial information across various industries.

MANAGERIAL IMPLICATION

The findings of this study have several important implications for managers, chief financial officers, and decision makers in companies that apply PSAK 71. The transition from the Incurred Loss model to the Expected Credit Loss (ECL) model not only changes accounting procedures but also fundamentally changes the way managers assess, monitor, and respond to financial risk. Managers must now adopt a more proactive and data-driven approach to anticipate potential losses rather than wait for them to occur.

From a financial management perspective, the increase in Credit Loss Allowance (CKPN) following the implementation of PSAK 71 highlights the need for a stronger credit risk assessment system. Managers, especially in the banking and finance sectors, must invest in predictive analytics tools, credit assessment models, and historical loss data analysis to accurately estimate expected losses. This ensures that impairment recognition is based on objective, forward-looking indicators rather than reactive accounting assessments.

At the same time, the decline in short-term profitability observed after the adoption of PSAK 71 requires managerial adjustments in performance evaluation metrics. Traditional profit-based assessments may no longer fully reflect the true financial health of the company, as higher loss provisions reduce accounting income but increase long-term stability. Managers are encouraged to clearly communicate this shift to stakeholders, emphasizing that increased provisions reflect prudence and financial resilience, not inefficiency.

For non-financial sectors, such as telecommunications and services, the main implication lies in improving internal financial reporting systems. Managers must ensure consistency in the classification and measurement of financial instruments, strengthen internal audit functions, and maintain detailed documentation to support compliance with PSAK 71 requirements. Improving transparency and reliability in financial disclosures will increase investor confidence and reduce regulatory risk.

From a strategic perspective, PSAK 71 compels top management to integrate risk management, accounting policies, and business planning into a unified framework. Financial decisions such as credit granting, capital allocation, and investment planning must now consider the potential cost of impairment calculated based on the ECL model. This integration helps companies maintain optimal liquidity and solvency while upholding compliance with international reporting standards.

In short, there are two managerial implications of PSAK 71: operational and strategic. Operationally, managers must improve financial monitoring, provisioning policies, and data governance. Strategically, they must align financial management with ongoing risk control and transparent reporting. In this way, companies not only meet regulatory expectations but also strengthen investor confidence, corporate reputation, and long-term competitiveness in Indonesia's increasingly regulated financial environment.

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