

THE IMPACT OF COVID-19 ON THE IMPLEMENTATION OF PSAK 71 FINANCIAL INSTRUMENTS : IS IT DIFFERENT FROM NORMAL ? (Study at BTN Ambon Branch)

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ABSTRACT

The banking credit restructuring policy is a strategic policy taken by the government amid covid-19 conditions that are still engulfing Indonesia. This research aims to determine the impact of covid-19 on the implementation of PSAK 71 financial instruments, namely the restructuring of banking credit at BTN bank Ambon branch and the difference in the implementation of PSAK 71 previous and during Covid. The method used is a qualitative scripted method with interview techniques supported by data triangulation by observing and tracing secondary data related to research issues. The results of this study prove that there are no changes and differences to the Implementation of PSAK 71 bank credit restructuring at BTN bank Ambon branch previous and during covid

Keywords: Implementation, PSAK 71, Restructuration, Credit, Banking, Covid-19

INTRODUCTION

The Indonesian government has designated the coronavirus pandemic as a national disaster because it has taken the death toll by 4,320 as of July 21, 2020 (Merdeka.com, 2020). This pandemic is spreading in Indonesia at a time when companies in Indonesia will publish their financial statements in 2019 (Audited). Economic instability due to pandemic is predicted to lower the economic growth rate to 0.4% according to the financial sector stability committee (KSKK). Several rules related to pandemic protocols such as large-scale social restrictions (PSBB), work from home (WFH) also help slow economic growth in Indonesia, requiring entrepreneurs to make adjustment reports for the survival of their entities. On the other hand, the ministry of economic coordinator predicts that Indonesia's economic growth will increase from 4.5% to 4.7% in quartile 1, April 2020.

This is incompatible with the fact that the covid-19 pandemic has resulted in many employees being housed and people's incomes declining. The condition of this uncertainty if it continues, then the company will be pessimistic in maintaining its survival so that it is possible for many companies to file for bankruptcy. The banking industry is a sufficient entity to feel the impact of this covid-19 pandemic. Banks are faced with a range of issues related to the threats that will occur and government policies that impact decision-making at a time when the pandemic is still being felt. The government needs to refer to accounting standards for the preparation of financial statements of entities during a pandemic. The Indonesian Institute of

Accountants (IAI) also assessed that the government's credit relaxation policy for debtors will greatly help the banking industry to exit the crisis due to the pandemic because the policy cannot be considered as a policy that can increase credit risk (Mucglobal.com).

PSAK 71, which is the focus of the current government, hints that each reporting date, the entity assesses whether or not credit risk increases significantly. Thus the financial services authority (OJK) as the supervisory body of financial institutions issued accounting treatment guidelines on the implementation of PSAK 71 regarding the circular letter POJK No 11/POJK 03/2020 on the impact of covid-19 on the implementation of PSAK 8 and PSAK 71. These guidelines indicate that banks are getting credit restructuring and there is no need for CKPN in the previous year or pre-pandemic covid-19 which requires banks to prepare CKPN for all credit categories (Kim,2020). The circular is positive for the banking industry because banks can control the potential of non-performing loans to maintain financial stability (Wiratmini,2020).

Some research related to the implementation of PSAK 71 conducted before the Covid-19 pandemic, among others, is a study that compares Credit accounting treatment according to PSAK 55 and PSAK 71 conducted by Witjaksono (2018) proves qualitatively that there are fundamental differences in credit treatment according to PSAK 55 and PSAK 71 were in terms of the establishment of CKPN. The results of the survey conducted by Deloitte (2015) show that the implementation of PSAK 71 requires high costs that will directly impact the risks of processes and infrastructure that will also greatly affect the banking capital in which there is a considerable level of CKPN before the pandemic.

Based on these studies, this study again raised the implementation of PSAK 71 as a revision of PSAK 55 and the adoption of IFRS 9 which was only enacted as of January 1, 2020, based on the ongoing pandemic phenomenon. Based on the phenomenon expressed above, Bank BTN Ambon branch which is a bank with a large credit score level also experienced pandemic impact so that government policy and OJK circular letter is the right policy for BTN in maintaining its presence in the Indonesian banking industry. This relaxation policy is an opportunity for banks to improve their credit quality. The implications of PSAK 71 published before the Corona issue were also applied by Bank BTN Ambon branch by preparing CKPN by 100% in 2020 (Tirto.id).

The implementation greatly influenced the adjustment of bank profits so that banks need to prepare additional impairment losses (CKPN) reserves in the previous year and the next 12 months especially for non-performing loans that require a huge CKPN. This condition is inversely proportional to the current condition that based on government policy namely banking credit restructuring, BTN banks are given the opportunity and space to control credit so that there is no need to prepare CKPN. In other words, with the relaxation of credit, banks with high credit turnover rates, there is no need to prepare CKPN 100% as required in PSAK 71 before the Covid-19 pandemic. CKPN will be able to lower the level of banking performance and capital (Witjaksono,2018).

This research is considered interesting because banking is the driving sector of economic growth and is a sector that is quite impacted by the current covid-19 pandemic, and banking credit is also a product that is in demand even duringa pandemic. Banking credit is still a community needs particularly for SMEs affected by Corona. Moreover, there is still a lack of research which is related to the Covid-19 issue and accounting.

THEORETICAL FRAMEWORK

PSAK 71 Financial Instruments

PSAK 71 mandates that the corporation provide backups from the beginning of the credit period. Currently, the basis of backup is the expectation of future credit loss based on various factors; economic projectionsof the future. Based on this new accounting standard, that is, corporations must provide loss reserves for credit impairment (CKPN) for all categories of credit or loans, be it performing, underperforming, or non-performing. For current credit, for example, the corporation must provide CKPN based on the expectation of credit loss in the next 12 months. This revision of reporting standards comes in response to corporate failures, especially in the financial sector, anticipating a tsunami of credit defaults due to a sudden change in economic conditions in 2008. 'In the past, credit backups were considered the latest and smallest. As a result, there was no signal from the market that the bill was not billed from the beginning. (PWC.com,2020)

Credit Relaxation

The understanding of relaxation of banking credit legally, regarding Masayah and Grimble (2015) in Christiawan (2020) is the easing of credit terms, both financial and non-financial terms to provide convenience to banking customers. Indeed, the government does not give a clear reference to the direction of relaxation itself. As a result, financial institutions that also have commercial interests do not have the same reference regarding the easing of banking credit terms. In this case, with the Covid-19 pandemic causing economic sluggish that caused financial burdens for debtor customers, the government provided relaxation so that the debtor was able to complete his credit obligations. The government's goal is to provide relaxation so that non-performing loans (NPLs) occur on a massif that will ultimately have a systemic impact on the health of the banking itself. (Christiawan,2020).

METHOD

This research is a qualitative descriptive study in which data is obtained from observations and interviews with four informants, namely the head of the BTN bank branch, two credit section staff, and one of the employee representatives of BTN Ambon. Triangulation of data is also done to validate the data of the interview results.

DISCUSSION

Implications of The Implementation of PSAK 71 Previously and During Pandemic

According to the results of interviews with the head of the BTN Ambon branch shows that BTN Ambon branch to date has implemented PSAK 71 financial instruments in BTN operations before and during the pandemic. Before the pandemic credit collectivity was required 30 days but during the pandemic of non-performing loans or decreased payments with characteristics when more than 90 days affected the calculation of NPL (bad credit) therefore the PSAK 71 policy is very helpful for debtors and banks in running their business. PSAK 71 prevents banks from experiencing NPL (bad loans) and maintains credit quality. Banks should

also be careful in implementing PSAK 71 due to CKPN related as well. BTN also formed Covid Ranger which is in charge of overseeing all the company's operations to maintain BTN's performance.

This Informant's statement indicates that the credit relaxation policy may stabilize credit quality amid current uncertain conditions. This statement is following the results of Wessels et al ., (2020) which concluded that the decision to relax banking credit greatly affects credit stability. This condition also hints that there was no significant change during Covid and before Covid due to the implementation of PSAK 71 financial instruments that were implemented aimed at maintaining the stability of banking credit so that in this case the banks did not run into capital deficits.

Credit Relaxation Debtor Feasibility Analysis

The results of a second interview with the head of the credit section concluded that credit restructuring is applied to debtors who are in the category affected by Covid, so not all debtors get credit relaxation because it refers to the requirements of OJK and if all debtors are restructured, they will be audited first. Debtors who deserve relaxation are debtors who have assessed their ability before the pandemic and during the pandemic. If the debtor's income before the pandemic is greater than during the pandemic, then the debtor is the debtor affected by Covid-19 otherwise if the debtor's income data remains stable with good cash flow, BTN cannot provide credit restructuring. Therefore, basically the credit restructuring policy in PSAK 71 does not indicate that the policy applies to all debtors.

The requirements related to the debtor's criteria depend on the bank's policy because the government and OJK do not provide the requirements related to the debtor's criteria so that the bank has the authority to determine which debtors have a prospect in each type of credit issued. Bank BTN Ambon branch itself is very thorough and observant in considering and analyzing prospective debtors let alone amid the current pandemic conditions. The level of debtor's ability takes precedence to avoid non-performing loans.

Credit Growth Previously and During Covid

The statement of two staff of BTN credit section Ambon branch proves that there is a significant change. The most impactful change is KUR type credit which has decreased consequently during the pandemic, BTN has not served new debtors due to the collectivity process of KUR credit. BTN is more focused on this type of housing credit called KPR before corona and during corona. This type of credit did not have much impact precisely housing credit increased due to the increase of new housing credit products that are attractive to debtors for instance the latest is mortgage credit BTN Solusi.

Based on the exposure, BTN is currently more focused on type credit in the housing and fisheries sectors given that these sectors have good prospects in the future. For KUR credit growth itself before Covid-19 according to BTN bank data from October 2019 to October 2020 experienced growth of 3.51%. Total debtors during Covid amounted to 7 debtors from March to October 2020 increased by 2 people since January and February only 2 KUR debtors. The condition of the decrease in the number of debtors or debtors is minimal during covid, explaining the framework of this study that the implementation of PSAK 71 bank credit restructuring affects the number of debtors thus BTN bank does not feel significantly impact or does not occur bad

credit so that this condition can be likened to the conditions before Covid-19. Relaxation imposed by BTN bank on all types of credit is very helpful for debtors to continue to run their business during the pandemic conditions. For KUR type credit based on BTN bank data still increased even though not as big as before Covid. The loosening and suspension of 1 year of payments are enough to relieve the debtor and stabilize the bank's capital. If the condition of this pandemic ends, then the accumulation of such looseness will be paid at the time specified by the bank or under the credit agreement. At the time the condition has started to improve, the debtor will be required to pay the credit installment by the bank's specified loan interest. The slack or in this case the decrease in interest rates and the suspension of the time of the period when pandemic conditions will be calculated and adjusted to the conditions after the pandemic because the debtor business will return to its original so that the credit relaxation policy will not be enforced.

BTN Operational Performance During Pandemic

The last informant was an employee representative of the bank BTN Ambon branch which stated that employee performance before covid and during covid did not undergo significant changes because BTN continued to carry out its operational activities amid the pandemic period. The maximum work from home policy is applied by employees so that their performance can still be monitored and measured. Besides, shift work strategies are also implemented to keep employees running their duties during pandemics. This shift rule is regulated by head office and work from home is more applied to employees over 45 years due to the assumption of age susceptible to Covid-19.

A company's operational performance will depend on the targets and objectives achieved. If its operations do not reach the target, then the company is categorized as unhealthy due to poor management performance. The current state of uncertainty due to the coronavirus threatens the company in this case the banking industry related to performance. How banks survive during the pandemic conditions is urgent homework for management and government in terms of the policy. Companies that are often and accustomed to being hit by erratic conditions like this will automatically be able to solve the problem. This is following the results of Huang et al.,(2018) which proves that companies are often seen as strong in capital structure policies because they often respond to macroeconomic shocks. This indicates that the company has equipped itself to deal with both predictable and unpredictable conditions. The government's policy on the relaxation of banking credit and work from home has been able to show that the condition of BTN bank Ambon branch is still stable so that the bank's operations are still running and the target is still reached so that the operational performance of BTN bank continues to improve before and even during covid-19.

CONCLUSIONS

According to the results of interviews and data searches on the BTN Ambon branch, it can be summed up into several important points such as:

1. Implementation of PSAK 71 financial instruments on banking credit restructuring at BTN Ambon branch has been well realized. BTN bank has implemented a relaxation policy to maintain the stability of BTN bank credit products during Covid-19

2. There has been a decrease in the number of debtors for KUR products at BTN bank Ambon branch during covid thus not significantly impact on the credit growth of BTN bank Ambon branch because, in addition to KUR products, BTN Ambon branch also has a stable flagship credit product namely mortgage credit
3. Implementation of banking restructuring at BTN Ambon branch before covid does not result in changes during Covid. This indicates that there is no difference in the implementation of PSAK 71 financial instruments before covid and during Covid.

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