

Adaptation of Bank Perekonomian Rakyat in the Implementation of Allowance for Impairment Losses Based on Private Entity Financial Accounting Standards

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ABSTRACT

This study analyzes the adaptation process and obstacles faced by Bank Perekonomian Rakyat in implementing allowance for impairment losses based on expected credit losses in accordance with private entity financial accounting standards. This research uses a qualitative approach with a multiple case study method. This method is considered relevant and powerful for exploring in-depth the adaptation process and managerial dynamics experienced by Bank Perekonomian Rakyat in facing the transition of accounting regulations from SAK ETAP to private entity financial accounting standards. This research was conducted at two Bank Perekonomian Rakyat that play a strategic role in strengthening the regional economy in Kalimantan are Bank Perekonomian Rakyat Bank Bulungan Perseroda in North Kalimantan and Bank Perekonomian Rakyat Sampuraga Cemerlang in Central Kalimantan. This research uses two main types of data primary and secondary data. Data analysis techniques were conducted interactively and simultaneously from the data collection stage, throughout the interview and observation process, until conclusions were drawn. The study results

indicate that the adaptation process to the implementation of allowance for impairment losses based on expected credit losses in private entity financial accounting standards indicates that Bank Perekonomian Rakyat is still in the partial phase in five main aspects, each of which is moving at a different level of progress are policy adaptation, method and system adaptation, human resource adaptation, operational adaptation, and supervisory adaptation. Barriers emerging in the implementation of allowance for impairment losses based on expected credit losses reflect interrelated structural and operational unpreparedness, both technical and non-technical.

Keywords: Adaptation, Bank Perekonomian Rakyat, Impairment Losses, Private Entity Financial Accounting Standards

INTRODUCTION

Financial reporting in the banking industry, particularly Bank Perekonomian Rakyat, continues to experience significant developments in line with increasing demands for transparency, accountability, and integrity of financial reports. Changes in the nomenclature and role of Bank Perekonomian Rakyat are expressly stipulated in Law Number 4 of 2023

concerning the Development and Strengthening of the Financial Sector (P2SK) and further regulated through Article 2 of the Financial Services Authority Regulation (POJK) Number 7 of 2024, which states: "Business licenses for Rural Banks and Sharia Rural Banks issued by the Financial Services Authority remain valid until the expiration of the business licenses, and nomenclature adjustments are required." This change aligns with international practice, where International Financial Reporting Standards (IFRS) 9 has been shown to increase banking resilience through earlier and risk-based provisioning (Kund and Rugilo, 2023; Ribeiro et al., 2024). The urgency of this research lies in the process of adapting Bank Perekonomian Rakyat to fundamental aspects of Chapter 11 of private entity financial accounting standards, namely regarding the recognition and measurement of allowances for impairment losses. The paradigm shift in recognizing allowances for impairment losses is now proactive and forward-looking, substantially shifting the old pattern of being reactive after losses occur. In this context, allowances for impairment losses are a crucial indicator in assessing financial asset quality, particularly at Bank Perekonomian Rakyat, which disburses significant financing to the high-risk micro, small, and medium-sized enterprises. Accurately measuring allowances for impairment losses significantly impacts the institution's financial health, credibility with auditors and regulators, and strengthens the risk management system. The relevance of allowances for impairment losses in the current economic climate is crucial for strengthening capital and operational resilience, as stipulated in Financial Services Authority Circular Letter Number 21/SEOJK.03/2024 concerning Banking Accounting Guidelines for Bank Perekonomian Rakyat, specifically in Part Five, point 26a, which mandates the establishment of allowances for impairment losses as a risk mitigation measure.

Significant differences in credit risk profiles require further examination. This contrast clearly indicates that the reactive incurred loss accounting framework has fundamental limitations in ensuring risk stability across all Bank Perekonomian Rakyat operations. Therefore, this diversity of cases provides a relevant basis for analyzing Bank Perekonomian Rakyat's adaptation process to prediction-based private entity financial accounting standards to strengthen the sector as a whole. This fact indicates that although PPAP has been maximally met in accordance with the incurred loss approach, this reactive approach has proven insufficiently effective in addressing future credit risk (Hartanto and Setijaningsih, 2023; Financial Services Authority, 2024). The effectiveness of the expected credit loss model is highly dependent on the accuracy of calculating key parameters such as probability of default and loss given default. Probability of default is the probability or likelihood that a debtor will fail to meet loan repayment obligations within a certain period, while loss given default is the estimated loss the bank will incur if the debtor actually defaults. Furthermore, the readiness of human resources and information technology systems is crucial in performing these calculations, and aligns with previous research highlighting the importance of data integration and strengthening organizational capacity (Hartanto and Setijaningsih, 2023). Therefore, a more responsive and adaptive adjustment of the reserve policy is needed so that the People's Economic Bank is able to face the challenges of continuously developing credit risks. This study analyzes the adaptation process and obstacles faced by Bank Perekonomian Rakyat in implementing allowance for impairment losses based on expected credit losses in accordance with private entity financial accounting standards.

RESEARCH METHODS

This research uses a qualitative approach with a multiple case study method. This

method is considered relevant and powerful for exploring in-depth the adaptation process and managerial dynamics experienced by Bank Perekonomian Rakyat in facing the transition of accounting regulations from SAK ETAP to private entity financial accounting standards. The primary focus on the "how" question in the problem formulation, namely how three theoretical frameworks interact in the field, makes the case study method the most appropriate choice for capturing contemporary phenomena and the dynamics of organizational change amidst the demands of new standards. This multiple case study approach is oriented towards understanding the perceptions, managerial practices, and workflows of the participants. This effort aims to deeply capture the essence of the organizational adaptation process (Nasir et al., 2023). This is crucial because the regulatory adaptation process is heavily influenced by the interpretations and practices formed in the field by actors at Bank Perekonomian Rakyat (Nurhayati, 2025). Hartanto and Setijaningsih (2023) also emphasize that financial regulatory transitions can impact institutional stability, making a deep understanding of the managerial responses revealed by case studies crucial.

This research was conducted at two Bank Perekonomian Rakyat that play a strategic role in strengthening the regional economy in Kalimantan are Bank Perekonomian Rakyat Bank Bulungan Perseroda in North Kalimantan and Bank Perekonomian Rakyat Sampuraga Cemerlang in Central Kalimantan. These two Bank Perekonomian Rakyat represent micro-banking institutions that significantly contribute to increasing financial inclusion and strengthening the regional economy by facilitating financing for micro, small, and medium enterprises and productive economic actors in their respective regions.

This research uses two main types of data primary and secondary data. The use of these two types of data allows the study to obtain a comprehensive and valid picture in

answering the research problem formulation related to the adaptation of the application of allowances for impairment losses based on private entity financial accounting standards.

Data analysis in this study was conducted qualitatively using a case study approach, referring to an interpretive strategy that emphasizes in-depth understanding of the phenomenon of organizational adaptation within the context of Bank Perekonomian Rakyat. Data analysis techniques were conducted interactively and simultaneously from the data collection stage, throughout the interview and observation process, until conclusions were drawn.

RESULT AND DISCUSSION

General Overview

The object of this research is Bank Perekonomian Rakyat, a microfinance institution that plays a vital role in expanding banking access to the public, particularly in the micro, small, and medium enterprise sector. Bank Perekonomian Rakyat plays a strategic role in supporting financial inclusion, particularly in areas not yet fully covered by commercial banks. With closer reach to the community, Bank Perekonomian Rakyat serves as a driving force for local economic activity and a vital financial intermediation instrument for regional economic growth (Edward, 2025; Wijoyo, 2021). In the context of accounting regulations, Bank Perekonomian Rakyat faces significant challenges with the implementation of private entity financial accounting standards, replacing SAK ETAP. This standard change has direct consequences for financial governance, particularly regarding the recognition and measurement of allowances for impairment losses. The new regulations require Bank Perekonomian Rakyat to adopt an expected credit losses approach, which is proactive and forward-looking, in contrast to the IL approach in the previous standard.

The history of the establishment of Bank Perekonomian Rakyat Bank Bulungan Perseroda began with the commitment of

the Bulungan Regency Government to develop micro, small, and medium enterprises in its region. This commitment was legally formalized through the issuance of Bulungan Regency Regional Regulation Number 05 of 2009 concerning PD Bank Perekonomian Rakyat Bulungan Regency, dated May 28, 2009, which served as the foundation for the institution's initial establishment. The Bank Perekonomian Rakyat operational licensing process continued with the issuance of Bank Indonesia Jakarta Letter No. 13/207/DKBU

concerning Approval in Principle for the Establishment of PD Bank Perekonomian Rakyat in Bulungan Regency on April 19, 2011. In line with operational developments and increasingly stringent governance demands, the Regional Regulation underlying the institution's establishment underwent three amendments to adjust internal regulations and strengthen the legal foundation. The organizational structure of Bank Perekonomian Rakyat in Bulungan is as follows:

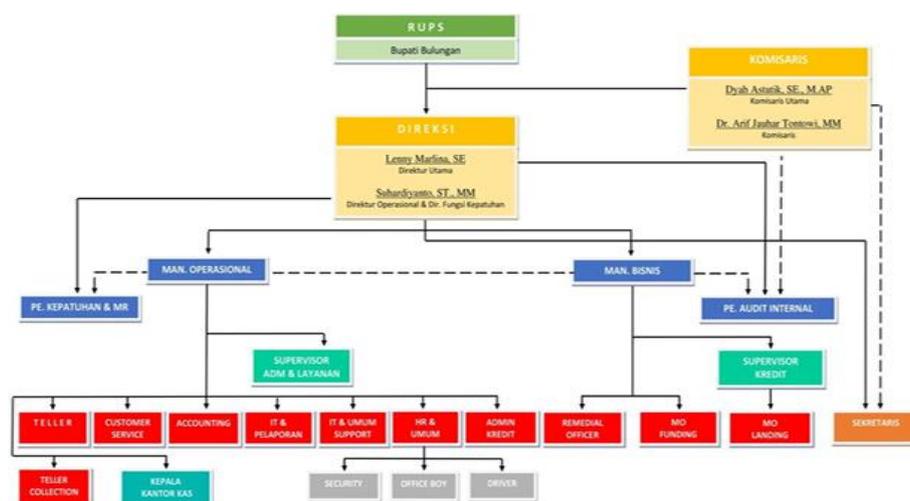


Figure 1. Organizational Structure of Bank Perekonomian Rakyat Bank Bulungan Perseroda

Bank Perekonomian Rakyat Sampuraga Cemerlang is a financial institution owned by the Lamandau Regency Government and plays a vital role in strengthening the regional financial system and encouraging community economic growth. As a public trust institution, Bank Perekonomian Rakyat Sampuraga Cemerlang serves as a place to collect funds from the public in the form of savings and deposits, and redistributes these funds through credit activities for productive sectors in Lamandau Regency. The existence of this institution demonstrates the regional government's commitment to expanding access to inclusive and sustainable financial services at the local level. Since its inception, Bank

Perekonomian Rakyat Sampuraga Cemerlang has made public trust the primary foundation of its business operations. As a trusted institution, Bank Perekonomian Rakyat has a moral and professional responsibility to maintain integrity and transparency in its financial reporting. Therefore, the institution regularly submits financial reports that objectively reflect performance growth and decline, in accordance with accounting standards and applicable supervisory provisions under the Financial Services Authority. This transparency is part of the institution's strategy to maintain a positive image and strengthen customer loyalty.

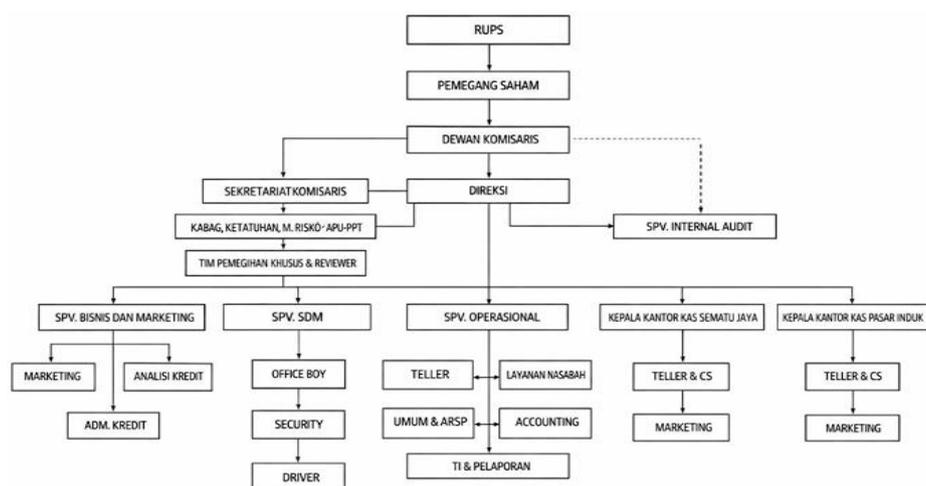


Figure 2. Organizational Structure of Bank Perekonomian Rakyat Sampuraga Cemerlang

Adaptation Overview and Degree of Achievement

The study results indicate that the adaptation process to the implementation of allowance for impairment losses based on expected credit losses in private entity financial accounting standards indicates that Bank Perekonomian Rakyat is still in the partial phase in five main aspects, each of which is moving at a different level of progress are:

1. Policy Adaptation

The organization has begun adjusting its internal guidelines to align with the provisions of private entity financial accounting standards, although the policies have not been fully internalized in the work culture and still require regular updates.

2. Method and System Adaptation

Adjustments have been made through the use of expected credit losses formulations and information system updates. However, limited analytical capabilities of the system have prevented optimal implementation, which still relies on manual processes.

3. Human Resource Adaptation

Employee understanding is developing but is not yet evenly distributed across all related functional units. Therefore, further training is needed to ensure comprehensive judgment, analytical, and risk accounting competencies are developed.

4. Operational Adaptation

Integration between functional units has improved through the restructuring of work procedures. However, data synchronization

and disciplined credit monitoring remain weak points that need to be strengthened to ensure consistent expected credit losses.

5. Supervisory Adaptation

Internal controls are beginning to focus on monitoring data quality, calculation accuracy, and method compliance. However, the supervisory mechanism is not yet fully capable of quickly identifying weaknesses due to limited audit trails and verification capacity.

These five aspects demonstrate that adaptation has taken place and indicate improvement, but more structured and sustainable improvements are still needed to achieve a mature implementation of expected credit losses that aligns with the requirements of private entity financial accounting standards.

Bank Perekonomian Rakyat's management needs to strengthen coordination between business units, accounting, risk management, and internal audit to ensure a consistent process for calculating allowances for impairment losses. Collaborative governance theory explains that successful regulatory implementation is highly dependent on cross-functional coordination. This is relevant considering that the expected credit losses process requires data and input from various operational units. At the change stage of Lewin's model, the organization begins the transition process. Human resources must be

guided to understand that expected credit losses are a model that uses historical information, current conditions, and economic projections. Research by Maurida (2022) shows that the main challenges for financial institutions in implementing expected credit losses are a lack of historical data and the unpreparedness of human resources in interpreting risk parameters.

Furthermore, management adaptation is also related to the technology acceptance model theory. Core banking systems that do not fully support expected credit losses require some employees to perform calculations manually. Perceived usability and ease of use of the system are key factors in determining the extent to which human resources accept and adopt this technological adaptation. Training and capacity building for human resources in the transition to allowances for impairment losses are key organizational needs. According to the theory of continuous professional development, ongoing learning is essential, especially in the financial services industry, where regulations are dynamic. Research by Sismiati and Sulaiman (2024) also confirms that strengthening human resource competencies is the most crucial factor in the successful implementation of new accounting standards.

Theoretically, the findings of this study expand our understanding of the dynamics of adopting new accounting standards in small-scale financial institutions, particularly regarding how technical and non-technical barriers influence the transition process from a historical credit loss approach to one based on future expectations. Specifically, the results indicate that the effectiveness of implementing expected credit losses is influenced not only by the availability of systems and methodologies, but also by human factors, cross-functional unit coordination, and organizational readiness to build an adaptive risk culture. The contribution of these findings is to confirm that Bank Perekonomian Rakyat's failure to

comprehensively integrate technical and non-technical aspects is the primary cause of the implementation of expected credit losses only reaching the formal or administrative compliance stage, and failing to achieve the expected substantive quality in risk management.

Practically, this research demonstrates that the successful implementation of the expected credit loss-based allowance for impairment losses depends heavily on strengthening Bank Perekonomian's internal capabilities through procedural improvements, enhancing human resource competency, and optimizing information systems. In practice, Bank Perekonomian Rakyat needs to improve its historical data collection and processing processes, expand its system's analytical features, and establish a more consistent documentation mechanism to ensure accurate and accountable calculations of the allowance for impairment losses. Strengthening human resource capacity is a strategic step, particularly through practical training, direct mentoring, and developing judgmental skills in assessing credit risk. Furthermore, the research findings provide management with the insight that cross-functional unit coordination must be restructured to align with the needs of the expected credit loss risk information flow.

From a policy perspective, the findings of this study provide important input for regulators and standard setters regarding the need for a more contextual and proportional approach to support the implementation of private entity financial accounting standards, particularly at Bank Perekonomian Rakyat, which has limited infrastructure and human resources. Regulators can consider developing more operational technical guidelines, simplifying parameters for small Bank Perekonomian Rakyat, and providing standard risk analysis templates to minimize misinterpretations. Supervisory policies also need to be strengthened by encouraging Bank Perekonomian Rakyat to develop data governance, audit trails, and more

transparent reporting mechanisms, which are prerequisites for substantive implementation.

Dynamics of Barriers and Impact on Implementation Quality

Barriers emerging in the implementation of allowance for impairment losses based on expected credit losses reflect interrelated structural and operational unpreparedness, both technical and non-technical. These barriers reinforce each other, creating multiple challenges that slow the adaptation process and hinder the achievement of ideal implementation.

1. Technical Barriers

These are primarily evident in the limitations of information systems that are unable to provide adequate analytical features, data integration, and process automation to support the needs of more complex expected credit loss calculations. Furthermore, incomplete historical data quality and reliance on manual processes pose a risk of calculation inaccuracy and inconsistencies between periods.

2. Non-Technical Barriers

These arise from limited employee understanding of the concept of expected credit losses, resistance to change, and difficulties in translating new procedures into daily practice. Coordination between functional units has also not been running optimally due to differences in work orientation, so that the flow of information needed for risk assessment is not always conveyed synchronously.

CONCLUSION AND SUGGESTION

The study results indicate that the adaptation process to the implementation of allowance for impairment losses based on expected credit losses in private entity financial accounting standards indicates that Bank Perekonomian Rakyat is still in the partial phase in five main aspects, each of which is moving at a different level of progress are policy adaptation, method and system adaptation, human resource adaptation, operational adaptation, and supervisory

adaptation. Barriers emerging in the implementation of allowance for impairment losses based on expected credit losses reflect interrelated structural and operational unpreparedness, both technical and non-technical.

Based on the research findings above, the following recommendations are made:

1. For Bank Perekonomian Rakyat Management

Bank Perekonomian Rakyat management is advised to strengthen its internal structure by improving credit data quality, updating information systems, and ensuring consistent documentation in the calculation of allowances for impairment losses based on expected credit losses. To achieve this, management needs to prioritize human resource capacity building through regular training, direct mentoring, and competency evaluations so that all employees thoroughly understand the concept of expected credit losses and are able to apply it in practice. Furthermore, coordination across functional units must be restructured to ensure smoother credit quality information flows and supports accurate calculation of allowances for impairment losses. Management also needs to allocate adequate resources to improve reporting processes, strengthen internal controls, and ensure that operational policies are fully aligned with the requirements of private entity financial accounting standards.

2. For Regulators

Regulators are advised to provide more applicable and easily implemented operational guidelines for Bank Perekonomian Rakyat, particularly regarding the methodology for calculating expected credit losses that aligns with the capacity and scale of Bank Perekonomian Rakyat operations. To strengthen the implementation of private entity financial accounting standards, regulators can also develop structured capacity building programs, including national training, online modules, and technical assistance accessible to all Bank Perekonomian Rakyat. Furthermore, regulators need to strengthen

supervision with a more efficient reporting system, a clearer audit trail, and data integration that allows for more timely oversight.

3. For Further Researchers

Further researchers are advised to expand the scope of their research by examining additional variables such as organizational culture, digital capabilities, or governance factors that may influence the successful implementation of expected credit losses. Research could also be conducted across different types of financial institutions to compare adaptation readiness, thus gaining a more comprehensive picture of the challenges of implementing the new standard in various contexts. Researchers could also consider using quantitative approaches to assess the impact of data quality, human resource competency, or system effectiveness on the accuracy of impairment allowances.

Declaration by Authors

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