

## The Impact of Pernyataan Standar Akuntansi Keuangan 68 Application Guidelines for Banking Sector Issued by Otoritas Jasa Keuangan (OJK)

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### ARTICLE INFORMATION

#### Publication information

#### Research article

#### HOW TO CITE

Ernanda, M. D. B, Chairunnisa, A. T., & Ardani, S. P. (2022). The Impact of Pernyataan Standar Akuntansi Keuangan 68 Application Guidelines for Banking Sector Issued by Otoritas Jasa Keuangan (OJK). *Journal of International Conference Proceedings*, 5(3), 88-96.

#### DOI:

<https://doi.org/10.32535/jicp.v5i3.1784>

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Received: 08 August 2022  
Accepted: 25 August 2022  
Published: 20 September 2022

### ABSTRACT

This study will discuss the impact of PSAK 68 application guidelines in banking sectors related to fair value measurement in Indonesia. Otoritas Jasa Keuangan (OJK) issued the Pernyataan Standar Akuntansi Keuangan (PSAK) 68 application guidelines for the banking sector during the COVID-19 pandemic in order to support the implementation of PSAK 68 from Ikatan Akuntan Indonesia (IAI) regarding fair value measurement. The PSAK 68 application guidelines encourage banks to present financial statements that accurately represent the company's actual financial position and financial performance by measuring the fair value based on facts. This study uses qualitative methods by evaluating the application of fair value disclosure with the asset valuation of banking sector companies in Indonesia. This study concluded that the guidelines issued by OJK have an impact on banking entities in maintaining the company's financial position during the pandemic and can encourage the growth of the banking sector in a sustainable manner.

**Keywords:** Banking Sector, Fair Value Measurement, Financial Performance, Financial Position, PSAK 68

## INTRODUCTION

In the preparation of financial statements, an accounting standard is needed that generally describes the guidelines in preparing the report. One of the accounting standards used is the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). As a member of the G20 forum, the Indonesian government agreed to an IFRS convergence agreement in 2008 which can provide benefits in financial reporting in Indonesia by adopting IFRS into Pernyataan Standar Akuntansi (PSAK) in Indonesia. These benefits include comparability of financial statements and an increase in transparency in the financial reporting of companies in Indonesia which can then be compared with the financial statements of companies from other countries (IAI, 2008). In Marisi (2010), the IFRS convergence proposal released by IAI has 3 adoption processes, namely:

1. Adoption Phase (2008-2010), where all of the last IFRS standards were adopted into PSAK.
2. Preparation Phase (2011), prepares supporting infrastructure to implement PSAK which has adopted all IFRS standards.
3. Implementation Phase (2012), where PSAK which has adopted IFRS standards is applied to companies whose accountability is public.

The Covid-19 pandemic has had a significant impact on the economic life of the community and all corporate sectors, including the banking sector. Reported by the (BPS 2022), Indonesia's Gross Domestic Product (GDP) has decreased in its growth during the Covid-19 pandemic which can be seen in the following table:

**Table 1.** Indonesia's GDP Growth in 2017-2021

Year	of GDP Growth (in percent)
2017	5.07
2018	5.17
2019	5.02
2020	-2.07
2021	3.69

Source: Badan Pusat Statistik Indonesia

The table above shows that there was a significant decline in the Indonesian economy in GDP growth of -2.07% caused by Covid-19 in 2020. The year 2021 can see an increase of 3.69% which shows the Indonesian economy is starting to recover but has not returned to the trend a few years ago which was in the range of 5% growth. In addition to the decline in the Indonesian economy, there are also global-scale economic uncertainties that affect the company's considerations in preparing the company's financial statements. One of the steps taken by the Ikatan Akuntan Indonesia (IAI) is to issue a press release of instructions for the application of PSAK 68 regarding fair value measurement. This manual was released to assist companies in resolving accounting problems that may arise due to the Covid-19 pandemic that affects the company's considerations in making financial statements, especially in determining the fair value of a financial instrument.

PSAK 68 is the result of the adoption of IFRS 13 regarding Fair Value Measurement which has become effective on January 1, 2015. The definition of fair value according to PSAK 68 and IFRS 13 is the price that will be received in selling an asset or the price that will be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement using fair value can provide

financial information that is in accordance with market conditions according to the reporting period. According to (Kluever, 2012) , the measurement of fair value has a weakness because it is less reliable and can be manipulated. Likewise with (Laux & Leuz, 2009) who say that the use of fair value can cause volatility in financial statements when there is no need for immediate action (normal time) and can have a bad influence during a crisis.

Looking back at the global economic crisis that occurred in 2008-2009, there are several debates regarding the use of fair value measurement. The 2008-2009 global economic crisis was initiated by the bankruptcy of Lehman Brothers, an investment bank in the United States of America (USA), which caused the US financial system to collapse. The fall in the US financial system, which is the world's financial center, caused the global financial market crash to spread. During the economic crisis, the question arises whether the use of Fair Value Accounting in Financial Accounting Standards (FAS) 157 issued by the Financial Accounting Standards Board in 2006 contributed to the financial crisis in America? Sampaio also raised this question about whether Fair Value Accounting contributed to the 2008-2009 financial crisis (Sampaio, Farinha, Sebastião, & Régio, 2022). Laux and Leuz say that fair value accounting does not contribute to problems in US banks and plays little role in bank income statements and regulatory capital ratios unless banks have large trading positions (Laux & Leuz, 2010). In addition, Masoud and Daas stated that Fair Value Accounting is a necessary part of economic recovery and with the revision of existing standards, mark-to-market can be proven as a valuable tool in preventing similar crises in the future (Masoud & Daas, 2014).

The current Covid-19 pandemic is an event that affects various aspects, including economic aspects on a global scale. One of the important components in national economic development is the banking sector. Banking plays a role in collecting and distributing public funds to finance economic activities and support the economic structure of a country. The recovery of a country in an economic crisis can be done by starting a recovery in the banking sector as an important role in supporting the economy. In this Covid-19 pandemic, one of the steps that have been taken to restore the banking sector is the issuance of "Guidelines for the Implementation of PSAK 71 and PSAK 68 for Banking in the Time of the Covid-19 Pandemic" by the (OJK, 2020). This guide is carried out by OJK with reference to POJK No. 11/POJK.03/2020 and guidelines issued by the Dewan Standar Akuntansi Keuangan–Ikatan Akuntan Indonesia (IAI, 2020). These guidelines were issued due to the significant decline in transaction volume on the stock exchange and the high level of volatility that will affect consideration of the bank to determine the fair value of a security.

The role of the banking sector in economic recovery can be considered significant, especially in the post-pandemic economic recovery that affects various aspects without exception of the economy. This study focuses on the guidelines for the application of PSAK 68 to the banking sector issued by the OJK and whether the guidelines issued indicate the development and financial recovery of the banking sector in Indonesia. Because of the background presented, this study aims to determine the impact of the application of PSAK 68 as written in the implementation guide for the banking sector issued by the OJK.

## **LITERATURE REVIEW**

### **Fair Value Measurement**

In Indonesia, fair value measurement is based on PSAK 68 which is an adoption of IFRS 13. Fair value in PSAK 68 is defined as the price that will be received when selling an asset or the price that will be paid in the transfer of a liability in a transaction between actors. market at the measurement date (IAI, 2008). In PSAK 68, the determination of fair value is based on the price at the time of disposal of an asset or liability or the exit price.

For fair value measurement, PSAK 68 determines the fair value determination hierarchy in order to improve consistency in fair value measurement and disclosure of financial instruments, namely:

1. Input Level 1 uses quoted prices for assets or liabilities without adjustment if there are identical quoted prices for assets or liabilities in an active market.
2. Level 2 inputs use quoted prices for similar assets, quoted prices for identical assets in an inactive market, or use inputs other than quoted prices if the asset or liability is observable.
3. Level 3 input uses assumptions or valuation techniques if the asset or liability is not observable.

### **Measurement of the Fair Value of the Banking Sector during the Covid-19 Pandemic**

During the Covid-19 pandemic, IAI issued a press release regarding the "Impact of the Covid-19 Pandemic on the Implementation of PSAK 68 Fair Value Measurement" which was released as a guide for companies in compiling company financial reports using SAK as a guideline for its preparation. The PSAK 68 guidance by IAI provides guidance on fair value measurement during a pandemic with significant volatility. In response to this, OJK issued Guidelines for the Implementation of PSAK 68 for Banking in the Covid-19 Pandemic Period, which is an adjustment to IAI guidelines for the banking sector, especially in the valuation of securities.

The guidelines for the implementation of PSAK 68 by the OJK given to banks are:

1. Postponing the assessment at market prices (mark to market) for Government Securities and other securities issued by the government, including securities issued by Bank Indonesia, for 6 (six) month.
2. Postponing the assessment that refers to the market price (mark to market) for other securities for 6 (six) months as long as the banks believe that the performance of the issuer of these securities is considered good according to certain criteria set.
3. Make disclosures that explain the difference in accounting treatment that refers to OJK guidelines with SAK as required in PSAK 68.

Previous research conducted by (Aurelia, Ramadhan, Fiqar, Reyhan, & Putri, 2022) stated that only 11 out of 33 banking companies listed on the Indonesia Stock Exchange (IDX) have implemented PSAK 68 in their financial statements in the financial statements of the banking sector in 2020. This shows that Covid-19 has had an impact on the disclosure of company valuations in compiling company financial reports.

## RESEARCH METHOD

In this study, to explain an event, it is collected based on words, pictures, and not numbers by applying qualitative methods. In qualitative research, the quality of research is highly dependent on the quality and completeness of the data (Iryana & Kawasati, 2011). Qualitative method is the collection of data that contains words, pictures, and non-numbers. The qualitative method will assign a weighted value with the aim of providing an initial description of the disclosure of the application of fair value with asset valuation in the financial statements of the banking sector companies that are the object of research (Wilestari & Afriani, 2019). The population of this study takes data from the financial statements of state-owned banks (State-Owned Enterprises) and national private banks listed on the Indonesia Stock Exchange (IDX) for the period 2019-2021. The data collection technique used *purposive sampling method*. The criteria used for determining the sample are as follows:

1. Banking sector companies that have reported financial statements
2. Banking sector companies that apply PSAK 68 rules
3. Banking sector companies that did not start implementing PSAK 68 years before the Covid-19 pandemic

Below are the sample selection criteria:

**Table 2.** Sample Selection Criteria

Description		Number
Population	Number of banking sector companies consecutively listed on the IDX during the 2019-2021 period.	68
Criteria	Banking sector companies that do not report financial statements	(34)
	Banking sector companies that do not apply PSAK 68	(17)
	Banking sector companies that start implementing PSAK 68 starting from 2019	(8)
Number of samples per year		9
Number of years of observation		3
Total number sample during observation		27

Source: <http://www.idx.co.id> which has been processed

### Data Validity

To guarantee the validity of a data, validity testing is needed so that researchers can be held accountable for the truth of the research results that have been obtained. The validity of the data for researchers to prove that the research was done actually. The validity test of the data carried out is triangulation, which is a credibility test as checking data based on various existing sources with various time classifications (Moleong, 2007).

### Data Analysis Methods

The data analysis model in this study follows the concept that activities in qualitative data analysis are carried out interactively and continuously (Miles & Huberman, 1984).

In this study, the data analysis stage is to compare the application and rules of PSAK 68 issued during the pandemic by looking at the assets in the financial statements of the banking sector companies in the 2019-2021 period. This is an important process to analyze in detail and draw conclusions and presentations that are more detailed and detailed. Credibility in this research will be achieved by applying source triangulation such as:

- a. Comparing financial statement information related to fair value in accordance with applicable PSAK rules.
- b. Analyzing the fair value in the company's financial statements and whether the company's accounting policy procedures are implemented consistently with the PSAK rules issued.

The technical results above will be analyzed, combined, and conclusions will be drawn.

## RESULTS

Data collection of state-owned banks and national private banks listed on the Indonesia Stock Exchange from 2019 to 2021 shows that there are 9 banking companies that have used PSAK 68 in the disclosure of fair value in the company's financial statements. Observations are made by observing the increase or decrease in the assets of banking companies that apply PSAK 68 in measuring the fair value of company's assets.

**Table 3.** Entities Assets per Year in Rupiah (2019-2021)

Name of Bank	Entities Assets per Year (in Rupiah)		
	2019	2020	2021
PT Bank Tabungan Negara (Persero) Tbk	311,776,828,000,000	361,208,406,000,000	371,868,311,000,000
PT Bank Central Asia Tbk	918,989,312,000,000	1,075,570,256,000,000	1,228,344,680,000,000
PT Bank CIMB Niaga Tbk	274,467,227,000,000	280,943,605,000,000	310,786,960,000,000
PT Bank Ganesha Tbk	4,809,743,000,000	5,365,456,000,000	8,575,950,000,000
PT Bank Woori Saudara Indonesia 1906 Tbk	36,940,436,000,000	38,053,939,000,000	43,801,571,000,000
PT Bank KB Bukopin Tbk	100,264,248,000,000	79,938,578,000,000	89,215,674,000,000
PT Bank Capital	18,959,622,000,000	20,223,558,000,000	22,325,883,000,000

Indonesia Tbk			
PT Bank Neo Commerce Tbk	5,123,734,649,117	5,421,324,398,438	11,337,808,648,383
PT Bank Oke Indonesia Tbk	5,108,848,026,690	6,275,182,366,166	7,721,344,206,381

Source: <http://www.idx.co.id> which has been processed

## DISCUSSION

Focusing on entities' assets, financial asset fair value measurements in active market are based on quoted market price as written in PSAK 68. The application guide of PSAK 68 issued by the OJK focuses on the valuation of securities because it is assessed that the valuation is affected by high volatility and a decrease in transaction volume on the stock exchange. Companies listed in Table 3. as banking companies, both state-owned banks and national private banks, have only implemented PSAK 68 in 2020 and/or 2021 which is in line with the guidelines for implementing PSAK 68 by the OJK issued on April 15, 2020.

The table below presents the percentage growth of company assets of state-owned banks and national private banks listed on the IDX that have just implemented PSAK 68 in 2020 and/or 2021.

**Table 4.** Bank Entities Asset Growth per Year (in Percent)

Name of Bank	Asset Growth per Year (in percent)	
	2020	2021
PT Bank Tabungan Negara (Persero) Tbk	16%	3%
PT Bank Central Asia Tbk	17%	14%
PT Bank CIMB Niaga Tbk	2%	12%
PT Bank Ganesha Tbk	12%	60%
PT Bank Woori Saudara Indonesia 1906 Tbk	3%	15%
PT Bank KB Bukopin Tbk	-20%	12%
PT Bank Capital Indonesia Tbk	7 %	10%
PT Bank Neo Commerce Tbk	6%	109%
PT Bank Oke Indonesia Tbk	23%	23%
AVERAGE	7%	29%

Source: <http://www.idx.co.id> which has been processed

Out of the 9 banking companies that have implemented PSAK 68 starting in 2020 and/or 2021 as written in the guidelines for its implementation by OJK, it is seen that the company's financial security increases after adjusting the fair value measurement of assets, especially the fair value of marketable securities.

One of the companies with the largest increase is PT Bank Ganesha Tbk (BGTG) seen to have another high growth increase of 60% in 2021. Looking at the 2021 financial statements of Bank Ganesha, the steps taken by Bank Ganesha are to comply with the provisions set by the OJK and Bank Indonesia for the valuation of securities in the entity's supporting business activities at its own risk or for the interests and orders of customers. Market risk is monitored by the entity on a daily basis by observing the mark-to-market and cut loss limits of securities to avoid touching the risk appetite limits.

There is an increase in the financial growth of banking companies in Indonesia due to the guidance on the application of PSAK 68 for banking by the OJK shows a positive influence on the financial recovery of the banking sector. As stated by (Masoud & Daas, 2014) in their research, Fair Value Accounting (FVA) is an important part of economic recovery and mark-to-market can be useful in preventing a similar crisis that occurred in 2008-2009. With the guidance for the application of PSAK 68 for the banking sector by OJK which has taken into account many aspects of fair value measurement, especially securities, the banking sector has proven to have increased during the Covid-19 pandemic.

## **CONCLUSION**

This study aims to determine the impact of the application of PSAK 68 as written in the implementation guide for the banking sector issued by the OJK on April 15, 2020. Based on observations on the growth of banking company assets, both state-owned and national private banks that have implemented PSAK 68 from 2020 and / or 2021, there is an increase in the entity's asset position because the guidelines for the application of PSAK 68 by the OJK provide instructions for measuring the fair value of securities. With high volatility and a decrease in transaction volume on the stock exchange, the determination of the fair value hierarchy of securities still poses problems because it is carried out irregularly but is actually a regular transaction that was affected by the economic downturn during the Covid-19 pandemic.

In accordance with (Masoud & Daas, 2014) research in their research, Fair Value Accounting (FVA) is an important part of economic recovery and mark-to-market can be useful in preventing a similar crisis that occurred in 2008-2009. With the guidance for the application of PSAK 68 for the banking sector by OJK which has taken into account many aspects of fair value measurement, especially securities, the banking sector has proven to have increased during the Covid-19 pandemic.

## **ACKNOWLEDGMENT**

N/A

## **DECLARATION OF CONFLICTING INTERESTS**

We have declared no potential conflicts of interest concerning the study, authorship, and/or publication of this article.



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