

The Effect of Impairment Losses on the Firm Value of Conventional Banking Companies Listed on the Indonesian Stock Exchange 2022-2023

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Abstract

Allowance for Impairment Losses (CKPN) is a predetermined amount that banks set aside in order to prepare for the possibility of failure. According to PSAK 71, the method of computation for CKPN has switched from the incurred loss model to the predicted credit loss approach. This change represents a significant change. It is the existence of certain rules regarding the calculation of CKPN that has an effect on the market value of the company. The purpose of this research is to investigate the impact that Allowance for Impairment Losses has on the value of a company. The Bank Group Based on Core Capital (KBMI) and Profitability, the latter of which is defined via Net Interest Margin, are the control variables that are used in this research. For the purpose of this research, 74 conventional banking businesses that were continually listed on the Indonesia Stock Exchange over the period of 2022-2023 are the subjects of investigation. A basic random sampling method was used to collect the sample, which consisted of a total of 37 separate businesses that were included in the investigation. In all, the observation period lasted for a period of two different years. The hypothesis was put to the test via the use of panel data regression analysis in this research. The results of the study indicate that the allowance for impairment losses contributes considerably to the enhancement of firm value. There is a positive correlation between the values of the business and the quantity of CKPN that is allocated by the corporation. It is quite probable that the value of the company will improve in conjunction with an increase in CKPN. This is because substantial provisions for impairment losses have been set in order to meet any future impairments. It is possible that this will contribute to an increase in investor trust in the firm, indicating that it has positive growth prospects.

Keywords: Allowance for Impairment Losses (CKPN), Firm Value, PSAK 71.



A. INTRODUCTION

PSAK 71 is a standard authorized by the Financial Accounting Standards Board (DSAK IAI), ratified on July 26, 2017. It stems from the implementation of IFRS 9 regarding Financial Instruments, which took effect in Indonesia on January 1, 2020, replacing PSAK 55. This change occurred due to shortcomings in the banking sector, as well as a proactive response to the potential economic crisis that emerged in 2008, marked by numerous credit payment defaults. Additionally, PSAK 55 exhibits several deficiencies. The guideline was considered overly complex and misaligned with the company's approach to business and risk management.

There were significant changes made between the revision of PSAK 55 and PSAK 71. With this adjustment, the classification and evaluation of financial assets are brought to the forefront, with the focus being placed on the contractual characteristics

of the entity's cash flows and its business model. The modification in the impairment model of financial assets is a substantial departure from PSAK 55. The model now employs the anticipated loss approach, which involves providing for credit losses from the moment they are recognized. This is in contrast to the incurred loss method, which only makes provisions for credit losses when they actually occur. In order to eliminate the need for efficacy testing, the regulations governing hedge accounting have been changed. In its place, simpler standards that are based on management judgment have been implemented.

In the banking sector, the allowance for impairment losses (CKPN) represents a reserve that banks are required to establish in response to the risk of impairment of financial assets, such as loans and securities. All banking financial assets are vulnerable to impairment losses due to the potential failure of the debtor to meet loan repayment obligations. Banks allocate a portion of their revenue to mitigate the risk of default.

Under PSAK 71, the evaluation of impairment or loss of financial assets, including the establishment of CKPN, is no longer postponed until objective evidence of incurred loss is present, as was the practice under PSAK 55. The risk associated with these assets will be continuously assessed and acknowledged from identification to maturity. The establishment of a larger CKPN is required, expected to improve the stability of banks in addressing potential future crises. As a result, banks are anticipated to adopt a more cautious approach in credit extension, given that the necessary CKPN reserves will rise alongside the increase in credit disbursement. The increase in CKPN resulted in a significant decrease in earnings. The decrease in profit does not necessarily reflect poor corporate performance; instead, it is a consequence of the implementation of the new standard. Investors may perceive the company's resilience in economic downturns, supported by loss provisions, as a viable investment opportunity (Rahayu, 2021).

The value of a firm is indicative of investor confidence, with stock price serving as the most accessible measure of market valuation. Investors and potential investors may use information about the capital market as a tool for making decisions; this information can act as an analytical tool. There is a possibility that investors will be more cautious about making investments in a company if the company's policies do not align with the expectations of investors or if the company does not provide sufficient risk mitigation plans in response to external conditions. According to Gitman and Zutter (2015), the responses of investors, which are represented in stock prices, may be an indication of the worth of a firm. This valuation is what causes investors to forego resources in order to acquire shares.

The decline in profits of the firm was a direct result of the rise in the value of CKPN that occurred after the adoption of PSAK 71. The computation of CKPN in PSAK 71, which is carried out by using the anticipated credit loss technique, necessitates that financial institutions evaluate the risk of financial instruments from the time that they are first recognized. This is in contrast to the previous PSAK 55, which estimated losses based on the amount of loss that had already been sustained

and relied entirely on historical data for the evaluation of impairment risk. Because of this, investors who find it difficult to evaluate the risks associated with a financial instrument are impacted. This is because they are only able to take into consideration the CKPN risk that has been witnessed in the current year, which makes it more difficult for them to foresee future investment risks.

In light of the background information that has been given and the study that has already been conducted on the implications of the implementation of PSAK 71, it is of the utmost importance to investigate how the standard modifications that have been reviewed via CKPN have an impact on the firm value of conventional banking institutions in Indonesia following the implementation of PSAK 71. It is important to investigate this research since there is a dearth of published material in Indonesia that deals with this particular problem.

B. LITERATURE REVIEW

1. PSAK 71

On the first of the year 2020, the Indonesian government put into effect PSAK 71, which was a regulation concerning financial instruments. The implementation of IFRS 9 has resulted in the creation of PSAK 71, which is a replacement for PSAK 55, which was initially based on IAS 39. Alterations in the classification and measurement of financial assets, the impairment technique for financial assets, and the practices of hedge accounting are some of the significant developments that have occurred between PSAK 55 and PSAK 71.

It is explained in the Bulletin of the Indonesian Bankers Association that the technique for calculating impairment in PSAK 71, which is associated with the formation of CKPN in banking, does not rely on the presence of objective proof of impairment (incurred loss). The process involves continuous monitoring of asset risk, which is amended and acknowledged from the time of first recognition all the way to maturity (to the point when credit loss is anticipated). It is possible to categorize the danger into three different levels: low, medium, and high. Examining all of the pertinent information that was available at the time of the financial reporting date, such as the current conditions, historical events, and economic forecasts, as well as objective evidence that indicates a notable rise in credit risk, is one way to determine whether or not there has been a significant increase in credit risk (Indramawan, 2019).

2. Allowance for Impairment Losses (CKPN)

In accordance with the norms of financial accounting, the CKPN is a regulation that has been established for the impairment of financial instruments, as stated in POJK Number 40/POJK.03/2019. Because each loan contains the possibility for depreciation or loss of value in the event that the borrower defaults on the loan, the CKPN is formed in the banking industry to limit the risk of impairment losses from assets such as credit loans and securities. During the process of carrying out its lending or credit duties, CKPN is very necessary in order to maintain the bank's stability and maintaining its reputation. As a consequence of this, authorities mandate

that banks maintain sufficient reserves in order to reduce the risk of losses that are expected (Ozili & Outa, 2017).

According to Suroso (2017), the computation of CKPN PSAK 71 makes use of the expected credit loss technique. This methodology creates a provision for the impairment of financial assets from the very beginning, with the goal of proactively reducing the risk of potential borrower failure. Changes in standards make it possible for firms to concentrate on doing a more comprehensive analysis of prospective losses (Devi et al., 2021), which in turn improves their preparedness for future economic downturns.

According to the prior method of computation, a greater CKPN ratio, which is achieved by dividing CKPN by productive assets, implies that the CKPN amount that is established corresponds with the losses that are incurred from non-performing loans or financing (Sholikhah, 2018). Companies are required to establish loss provisions from the beginning of the credit term for all types of loans and credits, including those that are labeled as current, doubtful, and non-performing, as part of the unique methodology that is being used in the implementation of PSAK 71 addressing projected credit loss. As a result of the establishment of a provision for the occurrence of credit risk, this demonstrates that the improvement in CKPN inside a firm is making progress (Pramestika & Muchlis, 2022).

3. Firm Value

It is possible to evaluate the public's impression of the value of a firm by determining the worth of the company being reviewed. The value of a company is an essential factor that stakeholders must take into account when making decisions about whether or not to invest. In Hery (2017), the term "firm value" refers to the evaluation that the general public gives to a business after it has participated in a variety of activities for an extended period of time. The method in which a company earns the confidence of the general public is a significant factor in determining the worth of business. The authors Dewi and Dewi (2016) argue that the value of a business is a reflection of the health and performance of the company; hence, a growth in the value of the company is beneficial for shareholders. In accordance with Abbas et al.'s 2020 research, organizations that have high values have higher work quality and favorable long-term prospects, both of which contribute to increased investor confidence.

In the case of publicly listed corporations, Harahap et al. (2022) argue that the stock price is the best indicator of the firm's worth. A reflection of the capital market's evaluation of the company is reflected in the market price. According to Indarini (2019), the market price is the primary factor that determines the value of the firm. This price is a reflection of the investors' judgments about the management of the company's resources or the acquisition of its assets. Tobin's Q is the approach that is used in the process of accomplishing the value of a company. The efficacy of management in making use of the resources available to the organization is evaluated using the Tobin's Q technique. According to Yudanti and Wardoyo (2021), this

indicator shows the possibility for future development of the firm or chances for investment. Tobin's Q is a useful indicator for determining how efficiently a firm generates market value since it incorporates information on debt, equity, and assets (Fauzi & Suransi, 2016). This makes it an essential tool for analyzing the operational efficiency of a business.

4. The Effect of Impairment for Allowance Losses on Firm Value

For the purpose of making decisions, investors make use of data from the capital market as an analytical tool. According to Dissanayake and Wickramasinghe (2016), the stock price of a business is a reflection of the reactions of investors while they are evaluating a company. When it comes to protecting their money, investors often choose purchasing shares of organizations that have shown either stability or growth. The policies that have been adopted by the organization are anticipated to be in accordance with their expectations. Additionally, according to Gitman and Zutter (2015), insufficient risk mitigation techniques that are undertaken by enterprises as a response to external situations may enhance investor concern towards these organizations.

The computation of CKPN is based on the anticipated credit loss technique, which requires banks to evaluate the risk associated with financial instruments from the moment of first recognition by making use of macroeconomic data that is expected to be available in the future. Investors contend that a growth in CKPN will not result in an increase in the risk associated with the operations of the bank; rather, this circumstance may serve as a motivating factor for businesses to enhance their future performance in line with the expectations of shareholders. It is possible for businesses to reduce the risks that are linked with their financial assets via the application of PSAK 71, which ultimately results in an improvement of risk management procedures in banking institutions (Firmansyah, et al., 2023).

Following the implementation of PSAK 71, Firmansyah et al. (2023) indicated that CKPN has a beneficial influence on the value of banking enterprises which is a good impact. This makes it possible for investors in the capital market to use information about financial assets and CKPN in order to evaluate the investment risk of a firm, which therefore makes it easier for them to make estimates about future investments in banking institutions. According to Rizky et al. (2022), despite the fact that the value of CKPN increased with the introduction of PSAK 71, investors say that PSAK 71 has the potential to reduce the information gap that exists between shareholders and management. According to Matoviany and Firmansyah (2021), modifications to the CKPN technique are made in response to a variety of hazards that are encountered by companies, particularly in the financial sector. One of these risks is the possibility of debtor corporations defaulting on their credit obligations. An investigation was conducted with the purpose of determining whether or not the adoption of PSAK 71, which altered the computation of the provision for impairment losses (CKPN), had an impact on the value of the firm.

H₁: The impairment losses (CKPN) have a significant positive effect on the firm value

of conventional banking companies.

C. METHOD

In addition to being descriptive in nature, the study that was carried out used a quantitative technique. Through the use of Impairment Losses (CKPN) as an independent variable (X) and firm value as a dependent variable (Y), this research investigates the relationship between the two variables. Over the course of the years 2022 and 2023, this study was carried out at traditional banking organizations that were listed on the Indonesia Stock Exchange. Secondary data are used in this research. These secondary data include financial information that was gathered from the company's annual reports and financial statements. Additionally, the stock prices of all conventional banking institutions that are listed on the Indonesia Stock Exchange (IDX) for the years 2022-2023 are also included.

1. Population and Sample

During the years 2022 and 2023, the sample is made up of a publicly traded company that is active in the traditional banking industry and is listed on the Indonesia Stock Exchange. This inquiry takes use of a random sampling method that is considered to be basic. This technique is included within the framework of the methodology that is often referred to as probability sampling.

A sample method was used by using simple random sampling via the Slovin formula with a margin of error of 5%. The study population consisted of 42 conventional banking organizations that were listed on the Indonesia Stock Exchange (IDX) throughout the period of 2022-2023. The sampling approach was utilized in order to collect data from the study population. Following are the calculations that were produced as a consequence of this:

$$n = \frac{42}{1 + 42(0,05)^2} = 37,188 \text{ or } 37$$

This study studied samples from 37 conventional banking institutions over the course of two years, from 2022 to 2023. The investigation was conducted in the United States. Within the scope of this inquiry, a total of 74 samples were collected.

2. Dependent Variable

Tobin's Q is a metric that was developed by Professor James Tobin in 1967. Within the context of this research, the dependent variable is the value of the company, which is quantified by means of Tobin's Q. Both the stock price at the end of the trading day and the total number of shares that are currently in circulation are taken into account. The next step is to tally up all of the liabilities, and then the last step is to divide the total assets by the total liabilities.

$$Tobin's Q = \frac{MVE + Total Liabilities}{Total Assets}$$

Interpretations of Tobin's Q value encompass:

- a. A Tobin's Q value greater than 1 signifies effective asset management by the

company and suggests a strong potential for growth.

- b. Tobin’s Q value less than 1 suggests that management is ineffective in utilizing the company’s assets, which may hinder potential growth opportunities.
- c. Tobin’s Q value of 1 suggests that management is not effectively managing the company’s assets, indicating limited potential for growth.

3. Independent Variable

The Allowance for Impairment Losses, also known as the CKPN, is a provision that was developed in line with the rules of financial accounting for the purpose of determining the impairment of financial instruments (POJK, 2019). According to Damayanti and Suprayogi’s 2019 study, the CKPN ratio was taken into consideration in order to ascertain the percentage of CKPN that was assigned by the company in relation to the overall productive assets.

$$CKPN = \frac{\text{Allowance for Impairment Losses}}{\text{Total Financial Assets}}$$

The more the increase or the amount of CKPN in a bank the better for the bank because it already has reserves in the event of credit risk (Pramestika & Muchlis, 2022)

4. Control Variables

Researchers use control variables to mitigate bias and eliminate the impact of extraneous factors outside those under investigation. This research employs control variables of Bank Group Based on Core Capital (KBMI) and Profitability, quantified by Net Interest Margin (NIM).

Table 1. Variable Operationalization

Variable	Definition	Indicator
Allowance for Impairment Losses (X)	Provision to be made when the bank is faced with the risk of impairment of financial assets	CKPN Ratio
Firm Value (Y)	Investors' assessment of the company's success reflected through share price	Tobin’s Q
Group Bank by Core Capital (Control)	Capital owned by banks.	KBMI Rating
Profitability (Control)	How the company manages financial assets for generating net income for interests.	Net Interest Margin

Source: Data processed

5. Data Analysis Technique

The objective of this investigation is to investigate the impact that CKPN, which is a variable that is independent, and firm value, which is a variable that is dependent, will have on conventional banking companies throughout the course of the period of 2022-2023. Panel data regression analysis is used in research that

combines data from time series with data from a large number of objects at a single instant (cross-section) in order to objectively disclose the relationship between variables (Sekaran and Bougie, 2016). The objective of this research was to evaluate the link between the factors that were being studied. Detailed below is a description of the regression equation model that will be used in order to accurately reflect the variables that will be evaluated:

$$TOB_{it} = \alpha_{it} + \beta_1 * CKPN_{it} + \beta_2 * KBMI_{it} + \beta_3 * NIM_{it} + \epsilon_{it}$$

Description:

TOB_{it}	=	Firm Value (<i>Tobin's Q</i>)
α	=	Constant
$\beta_{1,2,3}$	=	Regression coefficient
$CKPN_{it}$	=	Allowance for Impairment Losses (CKPN)
$KBMI_{it}$	=	Bank Group based on Core Capital
NIM_{it}	=	Profitability
ϵ	=	Error coefficient

D. RESULTS AND DISCUSSION

At each level of the data analysis process, the independent variable known as Allowance for Impairment Losses (CKPN) is investigated to identify the degree to which it has an impact on the dependent variable known as Firm's Value. This is accomplished by going through a series of phases. In order to complete this investigation, there are many steps that must be completed. These phases include a descriptive statistical analysis, a test of the classical assumption, a test of the estimate model, and a panel data regression analysis using Eviews.

1. Descriptive Statistical Analysis

Table 2. Descriptive Statistics Results

	CKPN	KBMI	NIM	TOB
Mean	2.96%	2	4.69%	1.01
Max.	11.63%	4	20.2%	1.65
Min.	0.4%	1	-2.3%	0.74
Std. Dev.	2.36%	1.08	2.86%	0.17

Source: Data processed

Table 2 displays the following information: the average value (mean), the greatest value, the lowest value, and the standard deviation for 37 conventional banking firms over the duration of seven years of research. The study was conducted over the course of seven years. The dependent variable known as Firm Value, which was assessed using Tobin's Q, had a mean value of 1.011 and a standard deviation of 0.173 during the duration of the two years that were subjected to the investigation. The research was conducted over the period of two years. The Bank QNB Indonesia Tbk was the financial institution that was responsible for the lowest reported number, which was 0.741, for the year 2023. A maximum value of 1.650 is anticipated to be

reached by Bank Central Asia in the year 2023, according to predicted projections.

During the course of the research project that ran for a period of two years, the independent variable that was referred to as Allowance for Impairment Losses (CKPN) had a mean value of 2.96% and a standard deviation of 2.36%. In the year 2022, the minimal ownership value is calculated to be comparable to 0.4% of the total, as stated by Bank Maspion Indonesia Tbk. It is anticipated, Bank Amar Indonesia Tbk would maintain a maximum value of 11.6% in the year 2023 with this particular value.

2. Classical Assumption Test

It is necessary to conduct a regression analysis of the research hypothesis in order to examine the fundamental assumptions of the data that will be processed. This is necessary in order to analyze the fundamental assumptions. There are a number of tests that are carried out, some of which include the Normality Test, the Multicollinearity Test, the Autocorrelation Test, and the Heteroscedasticity Test. Before moving on to the next phase, it is necessary to conduct this analysis.

3. Normality Test

The Jarque-Bera (JB) approach, which includes calculating the probability value, is used in order to carry out the normalcy test. When the p-value is higher than the significance threshold of 0.05, the data from the research are often considered to be those of a regularly distributed distribution. If the p-value is lower than the significance threshold of 0.05, this suggests that the data from the research does not follow a normal distribution. This report provides an overview of the Normality test that was performed on the data that was employed in this study:

Table 3. Normality Test Result

	J-B	Prob.	Decision
Jarque-Bera	0,5336	0,069	Normal

Source: Data processed

When the results of the Normality test, which are generated from the table, are taken into account, it is feasible to arrive at the conclusion that the data that were used in this inquiry adhere to a normal distribution system. It is possible to take this conclusion from the fact that the probability value is larger. This is due to the fact that the probability value is higher than the significance value, namely because 0.069 is more than 0.05.

4. Multicollinearity Test

For the purpose of determining whether or not there is multicollinearity, the examination of the Tolerance value and the Variance Inflation Factor (VIF) is what is carried out. When the VIF number is less than 10 or when the tolerance value is more than 0.01, this indicates that there are no multicollinearity symptoms present. Otherwise, the tolerance value is greater than 0.01. When the value of the variance inflation factor (VIF) is more than 10 or when the tolerance value is less than 0.01,

respectively, multicollinearity is present in the data. next this, the findings of the multicollinearity test that was performed on the data with which this inquiry was conducted are shown in the next section:

Table 4. Multicollinearity Test Result

Variable	Centered VIF
CKPN (X)	1,177
KBMI (C1)	1,057
NIM (C2)	1,190

Source: Data processed

Consequently, the outputs of the multicollinearity test reveal that every independent variable in this inquiry has a VIF value that is less than 10 and a tolerance value that is higher than 0.01, which substantiates the fact that there are no concerns with multicollinearity.

5. Autocorrelation Test

The Durbin-Watson (DW) test is used in order to effectively carry out the Autocorrelation test. The findings of the autocorrelation test that was performed on the data are shown in the next section.

Table 5. Autocorrelation Test Result

	k	dU	Durbin-Watson	$4-dU$	Conclusion
DW Test	3	1,709	1,969	2,291	No Autocorrelation

Source: Data processed

According to the data shown in the table, the dw value is found to be within the range of the du and 4-du values, namely between 1.709 and 2.2991. This demonstrates that there are no issues with autocorrelation inside the model, which is evidence that the model satisfies the requirements for the regression test.

6. Heteroscedasticity Test

The procedure known as the Breusch-Pagan-Godfrey test is used specifically for the purpose of carrying out the heteroscedasticity test. A regression analysis is performed on the independent variables versus the squared residual value in order to conduct this test. The model is regarded to be free from heteroscedasticity problems when the value of the probability chi square (χ^2) is more than the significance value of 0.05. This is the case in situations when the significant value is greater than 0.05. The following is an example of the heteroscedasticity test that was carried out on both sets of data:

Table 6. Heteroscedasticity Test Result

	Obs*R-squared	Prob. Chi-Sq	Conclusion
Breusch-Pagan-Godfrey	3,293	0,348	Homoskedasticity

Source: Data processed

The fact that the residual variance is homoscedastic is shown by the table, which demonstrates this for us. As a result of the fact that the value of the probability

chi square is 0.348, which is more than the significance value of 0.05, it can be deduced that the data do not include any heteroscedasticity problems.

7. Panel Data Regression Analysis

It has been decided that the Random Effect Model (REM) would be used for the panel data in this inquiry. This decision was made based on the results of the model selection procedure, which included the Chow test and the Hausman test. For the purpose of this study, a representative sample of 37 conventional financial institutions was used during the course of a period of two years, namely from 2022 to 2023.

Table 7. Panel Data Regression Analysis Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.182448	0.035315	-5.166326	0.0000
CKPN (X)	3.151596	0.545265	5.779933	0.0000
KBMI (C1)	0.002866	0.012738	0.224970	0.8227
NIM (C2)	1.749376	0.599256	2.919246	0.0047

Source: Data processed

The regression equation formed is as follows: $Y = -0,182 + 3,151 X + 0,002 C1 + 1,749 C2$. In the event that the values of the other control variables remain intact and the value of the independent variable CKPN grows, the value of the business, which functions as the dependent variable, will increase by 3.151 because of the combination of these two factors. One may reach this conclusion based on the findings of the regression equation, which indicates that the value of the beta coefficient for the independent variable CKPN is 3.151. This is the conclusion that can be taken.

8. Hypothesis Test

Table 8. Coefficient of Determination Test Result

Model	R Square	Adjust R- squared
CKPN (X), KBMI (C1), NIM (C2) → TOB (Y)	0,535	0,515

Source: Data processed

The results of the investigation indicate that the value of the Adjusted R-Squared is 0.515. This is in support with the conclusions. Based on this information, it is possible to draw the conclusion that the independent variables Allowance for Impairment Losses (CKPN), Bank Group based on Core Capital (KBMI), and Net Interest Margin (NIM) are accountable for 51.5% of the value of the dependent variable Firm's Value. A other variable, on the other hand, which is not accounted for in the regression model, is responsible for 48.5% of the total.

For the purpose of determining the degree to which the independent variable Allowance for Impairment Losses (CKPN) has an effect on the dependent variable Firm's Value, the T test is used. The t distribution table is used to establish that the critical value for the subsequent hypothesis test is 1.666. This value is determined from the table. Using the formula $n - (k + 1) = 70$, the degrees of freedom (df) are calculated.

Additionally, the significance level (α) is established at 5% for a test with one tail. An explanation of the theory may be found in the following formulation:

H0: $\beta \leq 0$: Allowance for Impairment Losses (CKPN) does not have a significant positive effect on Firm Value

Ha: $\beta > 0$: Allowance for Impairment Losses (CKPN) has a significant positive effect on Firm Value

The following is a list of the criteria for making decisions using the right (positive) side one tail structure:

- a. If the t-count is more than the t-table or the probability t-statistic (p-value) is less than or equal to α , then the null hypothesis (H0) is rejected.
- b. 2. If the t-count is less than the t-table or the probability t-statistic (p-value) is greater than the significance level α , then the null hypothesis (H0) is accepted.

Table 9. Partial Significant Test (T Test)

Model	tcount	ttable	α	p	Decision
$X \rightarrow Y$	5,779	1,666	0,05	0,000	Ha accepted

Source: Data processed

The table reveals that the t-count value is 5.779, and the significance value is exactly 0.000. This information may be viewed by looking at the table. It is possible to draw the conclusion that the coefficient is statistically significant with a confidence level of 95%. This is because the t-count value of 5.779 is more than the t-table value of 1.666, which indicates that the t-count value is exceeding the t-table value. In light of the evidence presented here, it would seem that the Allowance for Impairment Losses (CKPN) has a considerable impact, both positively and significantly, on the value of the firm. The results of this study, which are in accordance with the findings of Firmansyah et al. (2023), demonstrate that Allowance for Impairment Losses has been found to have a good influence on Firm Value following the adoption of PSAK 71. This is shown by the fact that the impact has been shown to be positive.

Even though CKPN rose following the implementation of the revised PSAK 71 strategy for projected credit loss, the findings of this study indicate that the information that the firm disclosed in its financial statements is in line with the expectations of investors. This is the case despite the fact that the PSAK 71 strategy was updated. As a result of the fact that investors and prospective investors are of the opinion that the calculation of CKPN using the new technique is more trustworthy, they have made the decision to reject the hypothesis H0 and instead accept the hypothesis Ha. This is due to the fact that the business conducts a forward-looking appraisal of losses, which includes the implementation of risk mitigation strategies.

In accordance with the results of the partial significance test, which is often referred to as the T test, it has been determined that the Allowance for Impairment Losses (CKPN) has a substantial and favorable impact on Firm Value. It may be deduced from this that an increase in the Allowance for Impairment Losses (CKPN) will lead to a significant rise in the value of the company.

9. The Effect of Allowance for Impairment Losses on Firm Value

Based on the findings of the statistical analysis, it can be concluded that the independent variable CKPN has a favorable influence on the dependent variable identified as Firm Value. Consequently, this leads to a growth in the productive or financial assets of the business (Firmansyah et al., 2023) as well as a decrease in the risks that are linked with default. In accordance with what Rahayu (2021) has indicated, it is anticipated that the establishment of a more extensive CKPN after the passing of PSAK 71 would result in an improvement in the stability of banks in the face of any possible crises that may occur in the future.

It is feasible for investors and prospective investors to use information about the capital market as a tool for making judgments with analytical skills. This is something that is conceivable. As far as investors are concerned, the value of the company is comprised of a number of factors, including the state of the company's operations, its performance, and its prospects for the future. The stock price is a measure of the worth of the whole firm when it comes to publicly traded corporations when it comes to publicly traded enterprises. It has been stated by Harahap et al. (2022) that the market price is a measurement of how the capital market values the firm that is presently operating. Changes in CKPN may serve as a foundation for establishing the worth of a firm. This is due to the fact that changes in CKPN have the potential to influence how the market looks at a certain company. Modifications to the CKPN are used by management as a means of communicating in the business world. This is as a result of the fact that the value of CKPN is comprised of a significant amount of information that is seen as being indicative of alterations in the viewpoint of the bank. It is simpler for the administration of the bank to convey internal data regarding the number and quality of loans that are issued by the institution, as stated by Joyce and Woehrle (2001). This is because the information that is included in CKPN makes it easier for the administration to communicate internally.

As shown by the investors' estimations of the value of the company itself, the findings of this study suggest that the computation of CKPN, which is influenced by the implementation of policies or new standards by companies, may have an effect on investor confidence. This is demonstrated by the fact that new rules or standards are adopted by businesses.

Additionally, profitability, which was assessed using Net Interest Margin (NIM) as the control variable in this study, has been demonstrated to have a considerable positive influence on Firm Value, which is in accordance with the findings that were reported by Priharta et al. (2023). This research further demonstrates that profitability has a significant impact on Firm Value. Therefore, a higher net interest margin (NIM) indicates that the bank is more profitable, which sends a favorable signal to the market and ultimately results in a rise in the value of the firm. As a result of the fact that it indicates how well the bank is carrying out its intermediate duty, this research illustrates that NIM contributes significantly to the enhancement of Firm Value. Therefore, a higher NIM implies that the bank is effectively carrying out its role as an intermediary within the financial system.

For the purpose of this investigation, the Bank Group based on Core Capital (KBMI) serves as a control variable and has a positive influence on Firm Value, which is the dependent variable. This impact, on the other hand, is not large enough to be called significant. In light of this advantageous result, it is clear that bigger banking groups have a greater control over core capital, which in turn strengthens their capacity for credit risk management via the building of CKPN that is more complete. It is possible that this may result in a rise in the value of the company, since it serves as a favorable signal for the market. It seems from the statistics that KBMI does not have a substantial influence on the value of the company, despite the fact that this is the case. This is due to the fact that the CKPN difference test, which employs the Kruskal-Wallis non-parametric test for differences between KBMI, is used. As a result of this, there is not a significant difference in the provisioning of CKPN across bank groups that originate from various KBMI.

E. CONCLUSION

In traditional banking businesses that are listed on the Indonesia Stock Exchange (IDX), the objective of this research is to assess the impact that Impairment Losses (CKPN) have on Firm Value—as defined by Tobin's Q—in order to determine the extent of the effect that these losses have. Based on the results of statistical tests and data analysis, it seems that the Allowance for Impairment Losses (CKPN) significantly boosts the firm value of traditional banking organizations. The results allow for this to be the conclusion that can be formed from them. The measurement of business value, which is influenced by market views that are represented in stock prices, might result in legislation or the introduction of new criteria that have an effect on the worth of a company. The introduction of the new PSAK 71 rule, which brings about major changes in the computation of the Allowance for Impairment Losses (CKPN), results in a movement toward expected credit loss. This shift is brought about as a consequence of the fact that the regulation brings about considerable changes. As a result of the fact that this modification encourages enterprises to examine losses with a forward-looking perspective, taking into consideration risk mitigation of productive assets, investors believe it to be more reliable. This is one of the reasons why investors regard it to be more reliable. It also offers firms with an incentive to enhance their risk management in connection to debtor defaults, which in turn gives managers with ways to handle any future losses in a more effective manner. In addition, it provides organizations with a way to improve their risk management.

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