ABSTRACT

The emergence of IFRS 9 is a response for the previous standard of IAS 39 which is considered too small and late in recognized loan loss provisions. In IFRS 9, the establishment of loan loss provision is based on the expected credit loss method using forward looking scenarios. This research intends to provide empirical evidence of increasing loan loss provision and discretionary loan loss provisions after adoption of IFRS 9 in the banking industries in Southeast Asia.

Population in this study was banks listed on the stock exchange from several countries in Southeast Asia in the period 2017-2018. The selected countries were Indonesia, Malaysia, Singapore and Philippines. Banks that have implemented IFRS 9 in 2018 were selected as sample. A total of 38 observation data from 19 bank were used in analysis by using paired sample t-test.

Results of this research show that there is not an increase in loan loss provision after adoption of IFRS 9 in the banking industry in Southeast Asia. However, this study successfully proved that there is an increase in discretionary loan loss provision after adoption of IFRS 9 in the banking industry in Southeast Asia. This increase indicates the implementation of IFRS 9 that requires professional judgement in estimating loan loss provisions provides greater opportunities for bank manager to commit earnings management.

Keywords: loan loss provision, discretionary loan loss provision, IFRS 9, bank, Expected Credit Loss (ECL), Southeast Asia

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