ABSTRACT

The implementation of the Financial Accounting Standards for Private Entities was established by the Indonesian Institute of Accountants (IAI) on June 30, 2021, and will be effective as of January 1, 2025. Opposition from the industry, particularly rural banks (BPRs) engaged in banking services, has been quite strong and intense. This is because they believe that the calculation of allowances for impairment losses will no longer use a specific rate without distinguishing between financial asset groups. BPR practitioners believe that this calculation of allowances for impairment losses will impact the influence of soundness variables on profit or profitability.

Our research targeted a sample of 122 conventional rural banks in Central Java that are required to apply SAK EP in calculating allowances for impairment losses. Meanwhile, the soundness indicator is proxied by the ratios of NPL, LDR, CR, NIM, GCG, and Capital to ROA, after being moderated by the allowances for impairment losses established in accordance with the Financial Accounting Standards for Private Entities (SAK-EP).

Based on the results, health level indicators are proxied in the ratio NPL, LDR, CR, NIM, GCG, and Capitalization on ROAinfluence. GCG and Capitalization have a significant influence on ROA, while NPL, LDR, CR, and Capitalization have a moderate influence on ROA. After the implementation of CKPN, it turns out that it does not become a moderating variable that strengthens the relationship between these variables. In relation to the results of this study, BPRs that implement CKPN based on new accounting standards do not become a moderating variable on the variable NPL, LDR, CR, NIM, GCG, and Capitalization on ROA. BPRs only need to calculate the CKPN (Cash Allowance for Loans) based on PD and LGD, which truly reflect their credit risk, thus achieving true profitability.

Keywords:* *Health level indicators, Bank Perekonomian Rakyat (BPR), Profitability