Accounting Conservatism in the COVID-19 Period: Evidence from Indonesia's Conventional Commercial Banks

Atik Isniawati[1], Rahmawati[2], Ari Kuncara Widagdo[2], Agung Nur Probohudono[2], Jombrik[1]

[1]Universitas Darma Persada
Jl. Jl. Taman Malaka Selatan No. 8, Jakarta 13450, Indonesia
[2]Universitas Sebelas Maret Surakarta
Jl. Ir. Sutami No. 36 Surakarta, 57126, Indonesia

Article info	Abtract
Keywords: Conservatism; Credit restrucuturing; and Loan loss provisions.	*This study assesses the level of accounting conservatism in terms of the timeliness of loan loss provisions (LLP). We use a sample of Indonesia's conventional commercial banks over 2018Q1 – 2021Q4. The total sample was 1270 observations over 16 quarters. This study focuses on the impact of the implementation of credit restructuring policies during the COVID-19 pandemic on accounting conservatism in terms of the timeliness of LLP. Our findings of conventional commercial banks are not conservative, meaning that there is a delay in recognition of LLP, as evidenced by the positive and significant influence of ΔNPL_{t-1} and ΔNPL_t on LLP. However, the effect of ΔNPL_{t+1} on LLP is negative and significant. This result is thought to have happened because, in 2018, banks had begun to change their behaviour towards counter-cycles in accordance with PSAK71. However, the change was disrupted due to the issuance of credit restructuring policies during the COVID-19 pandemic. This study is expected to provide information regarding the effects of credit restructuring policies during the COVID-19 pandemic on banks' conservative behavior.*
✉Corresponding Author: Name: Atik Isniawati Tel. /Fax. No. E-mail: aisniawati@gmail.com	

1. Introduction

This study investigates the level of accounting conservatism in Indonesia's conventional commercial banks. We use terms of timeliness of loan provisions (LLP) to assess the level of accounting conservatism in banks. Timely recognition of LLP is essential because this account is the primary and fundamental accrual account for banks. Hence, its effect on profits is very significant and can minimize agency problems. (Kutubi et al., 2021; Curcio & Hasan, 2014). Timely recognition is beeficial for early corrective action so as

to mitigate potential bank losses (Bischof et al., 2021).

LLP is formed from 2 components: discretionary and non-discretionary components. Discretionary is a component that banks can control, while non-discretionary is a component that cannot be controlled by banks (Ozili, 2017). Credit risk and economic factors are non-discretionary components that greatly influence the stability and viability of banks (Bikker & Metzemakers, 2005; Ozili, 2018; Bikker & Vervliet, 2018; Al-Shboul et al., 2020; Djebali & Zaghdoudi, 2020; Danisman et al., 2021; and Trinh et al., 2023). The

non-discretionary component is the main factor shaping a bank's behaviour in response to business fluctuations. This behaviour affects the timeliness of LLP recognition. Meanwhile, the amount of LLP determination is closely related to the level of non-per-forming loans (NPL) and is a proxy for credit risk. The amount of NPLs reflects the level of cre-dit risk set by the bank (Lassoued, 2018; Putri et al., 2018; Haryanto et al., 2021; Priyadi et al., 2021; Siddique et al., 2022; and Pirgaip & Uysal, 2023). In contrast, the way the bank responds to changes in economic factors will shape the bank's LLP determination behaviour (pro-cyclical or counter-cyclical), which describes the timeliness of its determination.

Banks are intermediary institutions with a high level of leverage, making them vulnerable to volatility in the value of their assets (Brastama & Yadnya, 2020; Singh et al., 2021). This condition has the potential to encourage moral hazard behaviour of risk-shifting by bank managers (Adzis et al., 2016). Generally, the moral behaviour of bank hazards will lead to pro-cyclical behaviour. The pro-cyclical phenomenon is found in Indonesia's conventional commercial banks (Irawan & Kacaribu, 2017; Soelistianingsih, 2019; Warjiyo & Juhro, 2019; and Widodo, 2020; Santoso et al., 2023). Pro-cyclical behaviour resulted in the adoption of low lending standards during the booms, prompting banks to expand credit. Instead, they will withhold credit distribution when the economy busts in conditions where the people need funding assistance to improve their performance. This kind of behaviour will aggravate the economic crisis that occurs, and people and businesses desperately need financial assistance to improve their performance (Beatty & Liao, 2011). Bushman & Williams, 2012; and Soedarmono et al., 2016).

Therefore, the government, through Dewan Standar Akuntansi Keuangan Ikatan Akuntan Indonesia (DSAK IAI), ratified PSAK 55, which requires banks to form and set aside reserves to cover the risk of credit losses. However, PSAK 55 is considered less effective because it tends to encourage banks to behave pro-cyclically, so on July 26, 2017, DSAK IAI ratified PSAK 71, which became effective on January 1, 2020. The issuance of PSAK 71 aims to force banks to change their behaviour from pro-cyclical to contra-cyclical. PSAK 71 adopts International Financial Reporting Standards (IFRS) 9. The main difference between PSAK 71 and PSAK 55 is the calculation of LLP. PSAK 55 is based on the incurred loss method,

which is backward-looking. This model causes delays in recognition of LLP (Yaziz et al., 2015) because the determination of losses based on estimates of future events is not allowed (Morris et al., 2016; Adzis et al., 2016). Banks are only allowed to determine credit loss reserves on the basis of objective evidence that credit has not been realized. The rules require banks only to consider events that have occurred or backwards-looking focus (Curcio et al., 2014), and this is suspected of having a significant influence on pro-cyclical bank behaviour (Morris et al., 2016; Beatty & Liao, 2014).

Meanwhile, in PSAK 71, LLP is calculated using the expected loss method, which is forward-looking-based. The use of this model allows banks to recognize LLP in a timely manner and leads to counter-cyclical behaviour (Curcio et al., 2014; Yaziz et al., 2015; Morris et al., 2016). The expected loss method requires banks to estimate the estimated risk of financial instruments, and their recognition is carried out from the beginning of credit distribution using forward-looking information such as projections of economic growth, inflation, unemployment rate, and commodity price index on each reporting date (Indramawan, 2019). However, in March 2020, COVID-19 began to spread to Indonesia. The spread of COVID-19 has affected the performance of the banking sector due to disruption in the capacity of debtors to carry out their credit obligations (Heningtyas et al., 2021). Therefore, Otoritas Jasa Keuangan (OJK) issued a regulation: POJK No. 11/POJK.03/2020 concerning National Economic Stimulus. This policy directs banks to behave counter-cyclically with the aim of giving special treatment to debtors who have difficulty paying their loans due to the COVID-19 pandemic. Banks are required to restructure loans for all debtors affected by COVID-19 (Pernando, 2020). The existence of this credit restructuring policy resulted in a delay in the implementation of PSAK 71.

Several previous studies on accounting conservatism have shown inconsistent results. Some studies have found that banks apply accounting conservatism by recognizing LLP in a timely manner (Nichols., 2009; Curcio et al., 2014; Othman & Mersni, 2014; Morris et al., 2016; and Manganaris et al., 2016). However, others found the opposite results (Beatty & Liao, 2011; and Yaziz et al., 2015). However, most of these studies examine the timeliness of LLP that represents the

level of accounting conservatism in banks without relating it to the phenomenon of credit restructuring policies that are closely related to bank behaviour in determining LLP.

Furthermore, the data used in this study was sourced from www.ojk.go.id, consisting of 80 banks that were actively operating during the period 2018Q1 – 2021Q4. This research proves that Indonesia's conventional commercial banks do not recognize LLP in a timely manner, which is proven by the results of statistical tests that the influence of NPL_{t-1}, NPL_t, and NPL_{t+1} on LLP does not all have a positive effect on NPL. The result indicates that these banks are not conservative in determining LLP. Therefore, this study aims to examine the level of accounting conservatism in banks in terms of the timeliness of LLP recognition by focusing more deeply on the behaviour of LLP determination in banks and the impact of the issuance of credit restructuring policies during the COVID-19 pandemic.

2. Hyphotesis Development

Accounting conservatism can be defined from two points of view: "asymmetric verifiability" and "asymmetric timelines". Empirical literature states accounting conservatism as the tendency of accountants to apply "asymmetric verifiability" which requires a high level of verification for the recognition of "good news" and "bad news". As a result, the bank reported an understatement of net asset (Basu, 1997; Watts, 2008; Isniawati, 2018; and Krishnan & Zhang, 2022). Meanwhile, accounting conservatism can also be defined as the timeliness of recognition of losses rather than profits or "asymmetric timeliness" (Beaver & Ryan, 2005). Thus, the greater the difference in the level of verification between profit and loss, indicating the timely recognition of loss rather than profit and reflecting the higher level of accounting conservatism applied.

Most central banks in the world have consistently applied accounting conservatism in the terminology of timely recognition of LLP, especially during the economic "*boom*" (Manganaris, et al., 2016). Consistency of implementation accounting conservatism is done because banks have activities related to investment and credit distribution, so banks are industries with a high level of risk (Zunić et al., 2021). Basel II is a regulation emphasizes the need for increased risk sensitivity to limit risk-taking activities by bank managers (Soedarmono et al., 2016; and Elnahass et al., 2018).

Credit risk is the most important risk faced by banks (Hussain & Al-ajmi, 2012). This risk represents the failure of the debtor to fulfill its credit payment obligations in accordance with the agreed period. so, the level of credit risk reflects the number of bad loans (NPLs) faced by banks. the number of NPLs has 2 possibilities, namely collectible and uncollectible. the amount of uncollectible NPL will be a credit loss estimated as LLP. therefore, NPL is an important factor that affects LLP and becomes a determining factor ini bank stability, profitability, and credit performance if recognized a timely manner (Yaziz et al., 2015; and Pirgaip & Uysal, 2023).

Franco et al. (2023) stated that the main cause of bank failure is the large number of NPLs. This statement is supported by Manganaris et al. (2016) stated that the banking crisis was influenced by the level of transparency in punctuality and conservatism terminology applied in the banking industry, which was indicated by the massive number of NPLs and credit deposits that could hit the financial market. Therefore, the influence of NPLs on LLP controlled by credit write-te-offs guarantees the application of accounting conservatism in the terminology of timeliness in the banking industry (Nichols., 2009; and Manganaris et al., 2016).

The results of research by Nichols., (2009) prove the positive influence of NPL on LLP. Proving indicates the timeliness of LLP recognition, which is directly proportional to NPL and controlled by credit write-off (wo). That is, banks that recognize LLP timely and followed by the realization of credit losses (write-off) are more conservative banks. Forward-looking modelling represents the timeliness of LLP recognition with the formation of LLP before credit is disbursed and allows banks to have sufficient allowance during "good time". The results of the study were supported by Manganaris et al. (2016) by providing evidence of the timeliness of LLP recognition relative to NPLs in banks from 28 EU countries. Several other studies provide evidence that supports these results, namely the positive influence of NPL on LLP which reflects the timeliness of LLP recognition in banks in the USA (Morris et al., 2016), islamic and conventional banks in middle eastern countries (Othman & Mersni, 2014), and banks in China (Curcio et al., 2014).

However, Beatty & Liao, (2011) provide empirical evidence to the contrary, namely the negative and significant influence of NPL on LLP which reflects the delay (timeliness) of LLP recognition. the capital ratio of large banks has a higher sensitivity than that of small banks. This means banks that suspend LLP will focus more on increasing the capital adequacy ratio by forming a larger LLP during a recession. Wheeler, (2019) supports these findings but gives different reasons. according to him, banks' less conservative recognition of credit is due to pro-cyclical behaviour that causes banks to delay recognition of credit benefits at the beginning of the crisis so that they will form "unrecognized overhangs". However, as the crisis progressed, banks were forced to admit greater losses because banks could no longer afford to hide credit losses with their capital. This action is performed because they find it difficult to get capital from outside with the worsening of the crisis.

Jutasompakorn et al (2021) stated that the delay in recognition of LLP indicates an inaccurate determination of credit risk. The delay in acknowledging expected losses when an increase in NPL has occurred results in a higher risk of default. the negative impact of the model can exacerbate the pro-cyclical behaviour of banks (Morris et al., 2016).

H_1: Accounting conservatism is applied to Indonesia's conventional commercial banks.

3. Data and Methods

The sample of this study is Indonesia's conventional commercial banks that reported LLP during the period Q12018–Q42021. Bank financial statements are obtained from Otoritas Jasa Keuangan (DOJK) directory (http://www.ojk. go.id). The number of conventional commercial banks actively operating and registered with DOJK during the period Q12018–Q42021 is 80 banks. Thus, the total sample of this study was 1,270 observations.

The following is a research model to estimate accounting conservatism in terms of the timeliness of LLP recognition adopted from the research of Nichols. (2009) and Manganaris et al. (2016):

$$LLP_{i,t} = \alpha_0 + \alpha_1 \Delta NPL_{i,t-1} + \alpha_2 \Delta NPL_{i,t} + \alpha_3 \Delta NPL_{i,t+1} + \alpha_4 WO_{i,t} + \alpha_5 WO_{i,t+1} + \alpha_6 \Delta CRED_{i,t} + \alpha_7 SIZE_{i,t} + e$$

Where: LLP= Total loan loss provisions for bank i period t divided by total credit period t_{-1}; ΔNPL= Changes in non-performing loans t_{-1}, t, t_{+1} of bank i period t_{-1}, t, t_{+1} divided by total loans t_{-2}, t_{-1}, t; WO= Total credit write-offs t, t_{+1} of bank i period t, t+1 divided by total credit i period t, t_{+1}; $\Delta CRED$= Changes in credit t of bank i period t divided by total credit of bank i period t_{-1}; SIZE= Total assets of bank i period t divided by total credit of bank i period t_{-1}

Accounting conservatism in this study is reflected in the influence of NPLs on LLP controlled by credit write-off. This study uses LLP as the dependent variable, while the independent variables are NPL_{t-1}, NPL_t, and NPL_{t+1} and are controlled by WO_t and WO_{t+1}. Previous research stated that credit risk is the risk of loss suffered by banks due to the inability of debtors to pay their loan obligations, causing bad loans, which is reflected in their financial position reports (Chaibi & Ftiti, 2015).

Previous research used the Non-Performing Loan (NPL) ratio as a measure of the number of non-performing loans that determine the determination of credit risk (Yaziz et al., 2015; Soedarmono et al., 2016). The measurement of bad loans in the banking industry in Indonesia refers to PBI regulation no.19/6/PBI/2017 that the ratio of non-performing loans is measured based on the classification of credit quality, namely in special attention, substandard, doubtful and non-performing. This study uses the effect of changes in NPL_{t-1}, NPL_t and NPL_{t+1} on LLP_t to identify conservatism practices in banks. If the effect of changes in NPL_{t-1}, NPL_t and NPL_{t+1} on LLP_t is positive and significant, it means that the bank recognizes LLP in a timely or conservative manner.

4. Result

Table 1 shows a total sample of 1270 observations from 80 conventional commercial banks. The table 1 shows that Indonesia's conventional commercial banks make up the LLP of 0.039 or 3.9% of their total assets. This means the number of LLPs formed by banks is significant enough that changes in the amount are influential on the performance of their financial statements. The average number of LLP (0.039) tends to be closer to the minimum (0.000) than the maximum (0.694). This data indicates the low number of banks formed by most of Indonesia's conven-tional commercial banks, and this condition is diffe-

rent from the expectations of banking regulators in Indonesia.

Table 1. Descriptive Statistics

	Min	Maks	Mean	St. Dev
Accounting Conservatism				
LLP_{t-1}	0.000	0.694	0.039	0.042
ΔNPL_{t-1}	-0.122	0.156	0.000	0.0123
ΔNPL_t	-0.122	0.156	0.000	0.013
ΔNPL_{t+1}	-0.122	1.620	0.001	0.047
WO_t	-70.889	36.044	-0.315	4.234
WO_{t+1}	-71.265	33.964	-0.289	4.309
Bank characteristics:				
CRED	-0.944	18.684	0.038	0.548
SIZE	11.000	57049	2259.020	3461.970

Meanwhile, the average ΔNPL_{t-1} (0.0002), ΔNPL_t (0.000), and ΔNPL_{t+1} (0.0013) are between the minimum and maximum values by a considerable distance. However, the average WO_t and WO_{t+1} are relatively lower than the average llp, so it can be concluded that the LLP formed by the bank is able to cover the realization of credit losses that occur.

The four tests performed in Table 2 (models 1, 2, 3, and 4) showed no consistency in results. ΔNPL_{t-1} and ΔNPL_t showed significant positive results, while ΔNPL_{t+1}, WO_t, and WO_{t+1} showed significant adverse results. When there is no cred control variable, ΔNPL_{t+1} changes to be insignificant. This means that credit growth dramatically influences the formation of LLP in Indonesia's conventional commercial banks. These results do not support previous research that banks apply accounting conservativism in terms of timeliness of LLP recognition if ΔNPL_{t-1}, ΔNPL_t, ΔNPL_{t+1}, WO_t, and WO_{t+1} have a positive effect on LLP_t (Nichols., 2009; and Manganaris et al., 2016). Thus, hypothesis 1, which claims that there is accounting conservatism in Indonesia's conventional commercial banks, is rejected.

Table 2. Test Results of Accounting Conservatism in Banks

Variable	1	2	3	4
`	0.0385***	0.0372***	0.0300***	0.0331***
	(41.1692)	(48.5151)	(24.5171)	(31.9039)
ΔNPL_{t-1}	0.1905***	0.1964***	0.2341***	0.2172***
	(2.5734)	(3.2487)	(3.2923)	(3.6328)
ΔNPL_t	0.2921***	0.3429***	0.3318***	0.3588***
	(14.0424)	(5.8060)	(4.7808)	(6.1487)
ΔNPL_{t+1}	-0.0271	-0.0528***	-0.0289	-0.0520***
	(-1.3420)	(-3.1920)	(-1.4898)	(-3.1832)
WO_t	-0.0004***	-0.0005***	-0.0004**	-0.0004***
	(-2.1549)	(-2.8157)	(-1.9605)	(-2.6745)
WO_{t+1}	-0.0009***	-0.0010***	-0.0008***	-0.0010***
	(-3.9916)	(-5.7313)	(-4.0502)	(-5.6485)
$CRED_{it}$		0.0348***		0.0325***
		(24.3460)		(22.1856)
SIZE			3.79E-06***	1.84E-06***
			(10.2513)	(5.6947)
Adjusted R^2	0.3831	0.5885	0.4329	0.5992
F-statistic	10.3830	22.3579	12.3985	23.061on6
Prob (F-stat.)	0.0000	0.0000	0.0000	0.000

*, **, *** indicates the level of significance at 10%,5%, and 1%, respectively;
1,2,3,4 consecutive model without controls, with cred, size, cred & size;
t-Statistic controls shown in parentheses

5. Discusssion

The results of this study indicate that Indonesia's conventional commercial banks are not conservative in determining LLP due to delays or punctuality in recognizing LLP, unlike the results of research by Manganris et al. (2017), which found a positive influence of ΔNPL_{t-1}, ΔNPL_t, ΔNPL_{t+1}, WO_t, and WO_{t+1} on LLP. This result is in accordance with the statement of Jutasompakorn et al., (2021) that the delay in recognizing LLP shows that banks are not suitable to determine their credit risk, namely by recognizing LLP when there has been an increase in NPLs. This condition increases the risk of credit default.

However, it is suspected that this result occurred because Indonesia's conventional commercial banks have responded well enough to the ratification of PSAK 71 by DSAK IAI on July 26, 2017, which will be effective on January 1, 2020.

After the ratification of PSAK 71 which is the adoption of IFRS 9, they began to change procyclical behaviour to counter-cyclical in the determination of LLP in the 2018 period. The change is evidenced by the results of this study, which shows that starting in 2018, Indonesia's conventional commercial banks have considered changes in bad loans in the previous year (ΔNPL_{t-1}), current year (ΔNPL_t), and future (ΔNPL_{t+1}) when determining LLP. It shows a significant effect of ΔNPL_{t-1}, ΔNPL_t, and ΔNPL_{t+1} on LLP. Espinosa & Penalva (2023) found the same results, there was an increase in the timeliness of LLP recognition after the implementation of IFRS 9 which was on a counter-cyclical basis.

This result is in accordance with PSAK 71, which requires the establishment of an LLP for all credit statuses, both performing, underperforming and non-performing, based on past, current and future economic conditions (Sugiarto, 2020). Banks are required to estimate credit risk estimates and recognition in a timely manner based not only on past information but also future information such as projections of economic growth, inflation, and others (Indramawan, 2019).

However, it turns out that the effect of ΔNPL_{t+1} on LLP is negative and significant; the conclusion is that Indonesia's conventional commercial banks are not conservative in determining LLP. Why did this happen? This study suspects that the issuance of credit restructuring policy by the government, as stated in POJK No. 11/POJK.03/2020, is the cause. In the 2018 period after the issuance of PSAK 71, Indonesia's conventional commercial banks began to change their LLP determination behaviour from pro-cyclical to counter-cyclical. Before the 2018 period, when economic conditions were relatively stable, they set the LLP at a relatively low without considering future information related to credit risk. Indonesia's conventional commercial banks only consider changes in bad loans that have occurred (Δnpl_{t-1}) and current period bad loans (ΔNPL_t) so that pro-cyclical behaviour is formed. However, at the beginning of 2018, these banks began to consider future information related to their credit addiction rates (ΔNPL_{t+1}). Thus, they began to increase the number of LLPs despite relatively stable economic conditions, and this led to counter-cyclical behaviour. Normatively, this condition will make banks behave conservatively, which will be supported by the test results of the positive and significant influence of ΔNPL_{t-1},

ΔNPL_t, and ΔNPL_{t+1} on LLP controlled by WO_t, and WO_{t+1} (Nichols., 2009; and Manganaris et al., 2016).

However, the behaviour of determining LLP deviated from the findings of previous studies due to the issuance of credit restructuring policies in anticipation of economic turmoil due to social distancing policies during the COVID-19 pandemic. Based on this policy, the government requires banks to carry out credit restructuring for all debtors affected by COVID-19 so that the amount that the debtor cannot pay cannot be classified as a bad credit or non-performing loan. Therefore, banks are forced not to increase the determination of LLPs but instead reduce the number of LLP determinations even though the estimated level of credit addiction will decrease sharply in the future. The results of this research are supported by Degryse & Huylebroek (2023) who found that economic stimulus policies during the COVID-19 pandemic in the form of government fiscal support for US banks will reduce LLP as a result of macroeconomic stabilization efforts.

This government policy is believed to be able to move the wheels of the national economy again. Therefore, this study suspects that the impact of the issuance of PSAK 71 and the enactment of credit restructuring policies during the COVID-19 pandemic are the causes of the positive and significant influence of ΔNPL_{t-1}, ΔNPL_t on LLP and the negative and significant influence of ΔNPL_{t+1} on LLP controlled by WO_t, and WO_{t+1}. Research by Espinosa & Penalva (2023) states that the issuance of economic stimulus policies cannot anticipate truly unexpected shocks such as COVID-19 on LLP determination behavior and credit distribution. Therefore, this study is expected to provide information regarding the effects of credit restructuring policies during the COVID-19 pandemic on banks' conservative behavior.

6. Conclusion and Suggestion

Conclusion

The results show that Indonesia's conventional commercial banks are not conservative in setting up LLPs. This statement is evidenced by the results of the regression test, which shows that there is a positive and significant influence on changes in NPL_{t-1} and NPL_t on LLP. However, changes in NPL_{t+1} have a negative and significant

effect on LLP. In particular, it can be explained that at the beginning of the 2018 period, Indonesia's conventional commercial banks began to consider future information related to their credit addiction rate (NPL_{t+1}) to determine the amount of LLP. Thus, their behaviour in determining of LLP leds to counter-cyclical behaviour. However, in reality, there is a discrepancy with the theory (there is a negative and significant influence of changes in NPL_{t+1} on LLP) caused by the issuance of credit restructuring policies during the COVID-19 pandemic.

Suggestion

This research provides recommendations to OJK as a banking regulator in Indonesia to continuously supervise and evaluate the impact of credit restructuring policy implementation on credit growth rate. Meanwhile, the implication of this study for further research is to examine the level of accounting conservatism in terms of the timeliness of LLP recognition for all types of banks, both conventional commercial banks, Islamic commercial banks, and rural banks.

References

Adzis et al. (2016). Journal of Financial Economic Policy IAS 39 , income smoothing , and pro-cyclicality : evidence from Hong Kong banks. *Journal of Financial Economic Policy*, *8*(1). https://doi.org/http://dx.doi.org/10.1108/JFEP-05-2015-0026

Al-Shboul, M., Maghyereh, A., Hassan, A., & Molyneux, P. (2020). Political risk and bank stability in the Middle East and North Africa region. *Pacific Basin Finance Journal*, *60*, 101291. https://doi.org/10.1016/j.pacfin.2020.101291

Beatty, A., & Liao, S. (2011). *Do delays in expected loss recognition affect banks ' willingness to lend ?* *52*, 1–20. https://doi.org/10.1016/j.jacceco.2011.02.002

Beatty, A., & Liao, S. (2014). *Author ' s Accepted Manuscript*. https://doi.org/10.1016/j.jacceco.2014.08.009

Beaver, R. (2005). Conditional and Unconditional Conservatism: Concepts and Modeling. *Review of Accounting Studies*. 10: 269–309.

Bikker, J. A., & Metzemakers, P. A. J. (2005). Bank provisioning behaviour and procyclicality. *Journal of International Financial Markets, Institutions and Money*, *15*(2), 141–157. https://doi.org/10.1016/j.intfin.2004.03.004

Bikker, J. A., & Vervliet, T. M. (2018). Bank profitability and risk- taking under low interest rates. *International Journal of Finance & Economics*, *23*.

Bischof, J., Laux, C., & Leuz, C. (2021). Accounting for financial stability : Bank disclosure and loss recognition in the financial crisis ☆. *Journal of Financial Economics*, *xxxx*. https://doi.org/10.1016/j.jfineco.2021.05.016

Brastama, R. F., & Yadnya, I. P. (2020). *Open Access The Effect of Capital Adequacy Ratio and Non Performing Loan on Banking Stock Prices with Profitability as Intervening Variable*. *12*, 43–49.

Bushman, R. M., & Williams, C. D. (2012). *Accounting discretion , loan loss provisioning , and discipline*. *54*, 1–18. https://doi.org/10.1016/j.jacceco.2012.04.002

Chaibi, H., & Ftiti, Z. (2015). Research in International Business and Finance Credit risk determinants : Evidence from a cross-country study. *Research in International Business and Finance*, *33*, 1–16. https://doi.org/10.1016/j.ribaf.2014.06.001

Curcio, D., Dyer, D., Gallo, A., Gianfrancesco, I., & Dyer, D. (2014). *Determinants of banks ' provisioning policies during the crisis Evidence from the Chinese banking system*. https://doi.org/10.1108/MF-10-2013-0295

Curcio, D., & Hasan, I. (2014). The European Journal of Finance Earnings and capital management and signaling : the use of loan-loss provisions by European banks. *The European Journal of Finance*, *21*(December 2014), 26–50. https://doi.org/10.1080/1351847X.2012.762408

Danisman, G. O., Demir, E., & Ozili, P. (2021). Loan loss provisioning of US banks: Economic policy uncertainty and discretionary behavior. *International Review of Economics and Finance*, *71*, 923–935. https://doi.org/10.1016/j.iref.2020.10.016

Djebali, N., & Zaghdoudi, K. (2020). Threshold effects of liquidity risk and credit risk on

bank stability in the MENA region. *Journal of Policy Modeling*, *42*(5), 1049–1063. https://doi.org/10.1016/j.jpolmod.2020.01.013

Elnahass, M., Izzeldin, M., & Steele, G. (2018). Capital and Earnings Management: Evidence from Alternative Banking Business Models. *International Journal of Accounting*, *xxxx*, 1–13. https://doi.org/10.1016/j.intacc.2018.02.002

Haryanto, S., Aristanto, E., Assih, P., Aripin, Z., & Bachtiar, Y. (2021). Loan to Deposit Ratio , Risiko Kredit, Net Interest Margin dan Profitabilitas Bank. *AFRE Accounting and Financial Review*, *4*(1), 146–154.

Heningtyas, O. S., Isniawati, A., & Astuti, V. T. (2021). The Effect of Non Performing Loan, Capital Adequacy Ratio and Income Smoothing on Loan Loss Provision. *Financial: Jurnal Akuntansi*, *7*(2), 207–223.

Hussain, H. A., & Al-ajmi, J. (2012). *Risk management practices of conventional and Islamic banks in Bahrain*. *13*(3), 215–239. https://doi.org/10.1108/15265941211229244

Indramawan. (2019). *Implementasi psak 71 pada perbankan*. *31*.

Intermediation, J. F., Flannery, M. J., Kwan, S. H., & Nimalendran, M. (2013). *The 2007 – 2009 financial crisis and bank opaqueness*. *22*, 55–84. https://doi.org/10.1016/j.jfi.2012.08.001

Irawan, D., & Kacaribu, F. (2017). Tri-Cycles Analysis on Bank Performance: Panel Var Approach. *Buletin Ekonomi Moneter Dan Perbankan*, *19*(4), 403–442. https://doi.org/10.21098/bemp.v19i4.694

Isniawati, A. (2018). *Information asymmetry and accounting conservatism : Does analyst coverage moderate the results ?* *11*, 176–190. https://doi.org/10.14254/2071-8330.2018/11-3/15

Jutasompakorn, P., Lim, C. Y., Ranasinghe, T., & Yong, K. O. (2021). Journal of Contemporary Impact of Basel III on the discretion and timeliness of Banks ' loan loss provisions q. *Journal of Contemporary Accounting & Economics*, *17*(2), 100255. https://doi.org/10.1016/j.jcae.2021.100255

Kutubi, S. S., Ahmed, K., Khan, H., & Garg, M. (2021). Journal of Contemporary Multiple directorships and the extent of loan loss provisions : Evidence from banks in South Asia. *Journal of Contemporary Accounting &*

Economics, *17*(3), 100277. https://doi.org/10.1016/j.jcae.2021.100277

Lassoued, M. (2018). Comparative study on credit risk in Islamic banking institutions: The case of Malaysia. *Quarterly Review of Economics and Finance*, *70*, 267–278. https://doi.org/10.1016/j.qref.2018.05.009

Lin, M., Chin, C., & Lin, L. (2009). *Ownership Structures, Accounting Conservatism and Firm's Credit Ratings*.

Manganaris, P., Beccalli, E., & Dimitropoulos, P. (2016). *AC*. https://doi.org/10.1016/j.bar.2016.07.002

Manganaris, P., Spathis, C., & Dasilas, A. (2016). How institutional factors and IFRS affect the value relevance of conservative and non-conservative banks. *Journal of Applied Accounting Research*, *17*(2).

Morris, R. D., Kang, H., & Jie, J. (2016). Journal of Contemporary Accounting & Economics The determinants and value relevance of banks ' discretionary loan loss provisions during the financial crisis. *Journal of Contemporary Accounting & Economics*, *12*(2), 176–190. https://doi.org/10.1016/j.jcae.2016.07.001

Nichols., D. C. (2009). *Publicly traded versus privately held : implications for conditional conservatism in bank accounting*. 88–122. https://doi.org/10.1007/s11142-008-9082-3

Othman, H. Ben, & Mersni, H. (2014). The use of discretionary loan loss provisions by Islamic banks and conventional banks in the Middle East region A comparative study. *Studies in Economics and Finance Vol.*, *31*(1), 106–128. https://doi.org/10.1108/SEF-02-2013-0017

Ozili, P. K. (2017). Discretionary provisioning practices among Western European banks. *Journal of Financial Economic Policy*, *9*(1), 109–118. https://doi.org/10.1108/JFEP-07-2016-0049

Ozili, P. K. (2018). Munich Personal RePEc Archive Banking Stability Determinants in Africa. *International Journal of Managerial Finance*, *14*(101825). https://mpra.ub.uni-muenchen.de/101825/1/MPRA_paper_101825.pdf

Pernando. (2020). *Restrukturisasi Kredit, Ini 4 Hal yang Mesti Dipertimbangkan Sebelum Minta Keringanan Cicilan*. 3–4.

Priyadi, U., Utami, K. D. S., Muhammad, R., & Nugraheni, P. (2021). Determinants of credit risk of Indonesian Sharīʿah rural banks.

ISRA International Journal of Islamic Finance, *13*(3), 284–301. https://doi.org/10.1108/IJIF-09-2019-0134

Putri, E. L., Haryanto, S., & Firdaus, R. M. (2018). Mampukah Good Corporate Governance dan Risiko Kredit Sebagai Prediktor Financial Distress? *AFRE (Accounting and Financial Review)*, *1*(1), 26–35. https://doi.org/10.26905/afr.v1i1.2291

Santoso, T., Firmansyah, E. A., Sapulette, M. S., & Setiawan, M. (2023). The Impact of Industry Concentration on Stability: The Case of Indonesian Islamic-Commercial Banks. *International Journal of Islamic Economics and Finance (IJIEF)*, *6*(2), 201–224. https://doi.org/10.18196/ijief.v6i2.17892

Siddique, A., Khan, M. A., & Khan, Z. (2022). The effect of credit risk management and bank-specific factors on the financial performance of the South Asian commercial banks. *Asian Journal of Accounting Research*, *7*(2), 182–194. https://doi.org/10.1108/AJAR-08-2020-0071

Singh, S. K., Basuki, B., Setiawan, R., Finance, A., No, B. V., Basuki, B., Setiawan, R., & Singh, S. K. (2021). *Pengaruh Non Performing Loan terhadap Profitabilitas: Bukti Empiris dari Bank Komersial Nepal Machine Translated by Google*. *8*(4), 709–716. https://doi.org/10.13106/jafeb.2021.vol8.no4.0709

Soedarmono, W., Pramono, S. E., & Tarazi, A. (2016). The procyclicality of loan loss provisions in Islamic banks. *Research in International Business and Finance*. https://doi.org/10.1016/j.ribaf.2016.05.003

Soelistianingsih, L. (2019). *Perspektif: Bank Jalankan Kontra Siklus di Tengah Perang Dagang*.

Sugiarto, S. (2020). *Innovation of impairment loss allowance model of Indonesian financial accounting standards 71*. *27*(3), 267–283. https://doi.org/10.1108/JABES-11-2019-0114

Trinh, V. Q., Cao, N. D., & Elnahass, M. (2023). Financial stability: a 'vaccine' for tail risk of the global banking sector in the shadow of the pandemic. *European Journal of Finance*, *29*(7), 726–753. https://doi.org/10.1080/1351847X.2022.2081091

Warjiyo, P., & Juhro, S. M. (2019). Macroprudential Policy and Financial System Stability. In *Central Bank Policy: Theory and Practice*. https://doi.org/10.1108/978-1-78973-751-620191020

Watts, L. (2008). *The Information Role of Conservatism*.

Wheeler, P. B. (2019). Loan loss accounting and procyclical bank lending: The role of direct regulatory actions ☆. *Journal of Accounting and Economics*, *67*(2–3), 463–495. https://doi.org/10.1016/j.jacceco.2019.01.003

Widodo, A. (2020). Measuring Cyclical Behavior of Islamic and Conventional Financing: Evidence from Indonesian Dual Banking System. *Journal of King Abdulaziz University, Islamic Economics*, *33*(2), 173–192. https://doi.org/10.4197/Islec.33-2.13

Yaziz, M., Isa, M., Choong, Y. V., Yong, D., Fie, G., Hj, Z., & Rashid, A. (2015). *Article information: Determinants of loan loss provisions of commercial banks in Malaysia*.

Zunić, A., Kozarić, K., & Dzelihodzić, E. Z. (2021). Non-Performing Loan Determinants and Impact of COVID-19: Case of Bosnia and Herzegovina. *Journal of Central Banking Theory and Practice*, *10*(3), 5–22. https://doi.org/10.2478/jcbtp-2021-0021