



Department of Digital Business

Journal of Artificial Intelligence and Digital Business (RIGGS)

Homepage: <https://journal.ilmudata.co.id/index.php/RIGGS>

Vol. 5 No. 1 (2026) pp: 10092-10101

P-ISSN: 2963-9298, e-ISSN: 2963-914X

IFRS Convergence through PSAK 71: Constraining or Transforming Earnings Management?

Stevi Natasia Chandritike¹, Yusnaini²

^{1,2}Program Studi Akuntansi, Fakultas Ekonomi, Universitas Sriwijaya

¹101031282328050@student.unsri.ac.id, ²yusnaini@fe.unsri.ac.id

Abstract

The convergence of Financial Accounting Standards (SAK) with International Financial Reporting Standards (IFRS) in Indonesia, particularly through the implementation of PSAK 71, is intended to improve the quality, transparency, and reliability of financial reporting through the Expected Credit Loss (ECL) approach. This forward-looking model enhances the timeliness of credit loss recognition and provides more relevant and decision-useful information for stakeholders. However, as a principle-based standard, PSAK 71 introduces a high degree of managerial discretion in determining key estimation parameters, which may create significant opportunities for earnings management practices. This study aims to examine whether PSAK 71 effectively constrains earnings management or instead transforms its underlying mechanisms. The research employs a Systematic Literature Review (SLR) of 22 peer-reviewed articles published between 2022 and 2025. The findings reveal inconsistent empirical evidence across prior studies. While some studies indicate improved transparency and a reduction in accrual-based earnings management, the majority of findings suggest a shift toward more complex and less observable forms, including estimation-based adjustments and real earnings management. The subjectivity inherent in ECL components increases the difficulty of detecting manipulation. Furthermore, the effectiveness of PSAK 71 is strongly influenced by corporate governance, audit quality, and institutional conditions. This study concludes that PSAK 71 does not eliminate earnings management but instead reshapes its mechanisms within financial reporting practices.

Keywords: IFRS Convergence, Earnings Management, PSAK 71, IFRS 9

1. Introduction

Earnings management remains a major issue in financial reporting, particularly in the banking sector, which is characterized by complex transactions and high levels of uncertainty. Management has incentives to modify financial statements to meet performance targets or specific interests, which may reduce the quality of information provided to users. Various cases indicate that earnings management continues to occur despite ongoing developments in accounting standards. Prior research shows that earnings management persists in various forms even after the convergence of accounting standards with IFRS (Pranata et al., 2024). In addition, empirical studies indicate that IFRS adoption has not significantly reduced earnings management practices in Indonesia (Sinatra et al., 2022).

Indonesia has undertaken the convergence of Financial Accounting Standards (SAK) with International Financial Reporting Standards (IFRS) to improve the quality and transparency of financial reporting. One of the most recent implementations is PSAK 71, which adopts IFRS 9 related to financial instruments. This standard introduces the Expected Credit Loss (ECL) approach, a forward-looking model for recognizing credit losses, aimed at improving the timeliness of loss recognition and the quality of financial information. However, this approach also increases the complexity of accounting estimates required by management. Research shows that the ECL model provides high flexibility in determining estimation parameters such as probability of default and loss given default (Audika & Budiwitjaksono, 2022). This flexibility may increase managerial discretion in financial reporting (Haq, 2023).

The high level of discretion in PSAK 71 raises concerns about potential changes in earnings management practices. The forward-looking and estimation-based nature of the ECL model allows management to make adjustments that are difficult to verify objectively. Several studies indicate that discretionary accruals have increased after the implementation of PSAK 71 compared to previous periods (Jasman & Aminatunnaza, 2023). This suggests that the new standard does not necessarily reduce earnings management but may instead shift its form. This indicates that PSAK 71 may not function as a constraint on earnings management, but rather as a

mechanism that transforms it into more complex, estimation-based, and less observable forms. Other studies also show that IFRS 9 allows managers to use loan loss provisions as a tool for earnings management (Haq, 2023). This condition indicates a potential shift from accrual-based earnings management toward more complex forms.

Some studies find that PSAK 71 can reduce earnings management through improved transparency and financial reporting quality. Evidence shows that the implementation of PSAK 71 has a negative effect on earnings management in the banking sector (Lapian et al., 2025). In addition, the standard is considered to improve accounting information quality and the value relevance of financial statements. However, these findings are not universal and are influenced by institutional conditions and corporate governance mechanisms. Other studies also indicate that financial reporting quality remains affected by external factors such as economic conditions and global crises (Jasman & Aminatunnaza, 2023).

The variation in these findings indicates inconsistency in the literature regarding the impact of IFRS convergence and PSAK 71 on earnings management practices. This inconsistency suggests that factors beyond accounting standards influence managerial behavior, including audit quality, board effectiveness, and the level of compliance with standards. Several studies show that board characteristics and corporate governance mechanisms can moderate the relationship between IFRS adoption and earnings management (Nanang & Imelda, 2025). In addition, the level of compliance with IFRS in Indonesia remains a challenge affecting its effectiveness (Jumkhairiyah et al., 2024). Furthermore, PSAK 71 not only affects the level of earnings management but may also shift its pattern due to increased complexity in accounting estimates (Haq, 2023). Despite these findings, most existing studies focus primarily on whether earnings management increases or decreases, with limited attention given to how its underlying form evolves following the implementation of PSAK 71. This gap is critical, as changes in accounting standards may not eliminate opportunistic behavior, but instead reshape how it is conducted. This study examines the shift in earnings management practices following the implementation of PSAK 71 using a Systematic Literature Review (SLR).

Theoretical Basis

Agency Theory

Agency Theory explains the relationship between principals and agents, where management, acting as the agent, possesses more information than the owners (principals), creating potential conflicts of interest (Jensen & Meckling, 1976). This information asymmetry encourages managers to engage in opportunistic behavior, including the manipulation of financial statements. In the context of financial reporting, managers have incentives to adjust accounting figures to meet specific targets or personal interests. This practice, known as earnings management, can reduce the quality of accounting information. Prior studies indicate that agency conflict is one of the main drivers of earnings management within firms (Haq, 2023). In addition, high levels of information asymmetry further increase managerial discretion in financial reporting (Lapian et al., 2025).

In the context of IFRS 9 and PSAK 71 implementation, Agency Theory provides an important framework for understanding how managers utilize the flexibility inherent in accounting standards. Principle-based standards such as IFRS allow greater managerial judgment in determining accounting estimates. While such flexibility can improve information quality when applied objectively, it may also be exploited for opportunistic purposes. Evidence suggests that flexibility in accounting estimates increases the likelihood of earnings management practices (Audika & Budiwitjaksono, 2022). Therefore, Agency Theory is relevant in explaining how managerial discretion under PSAK 71 can influence financial reporting behavior.

IFRS Convergence and the Quality of Accounting Information

The convergence of Financial Accounting Standards (SAK) with International Financial Reporting Standards (IFRS) aims to improve the quality of accounting information by enhancing transparency, relevance, and comparability of financial statements. The implementation of IFRS is expected to produce more informative financial reports to support users in economic decision-making. However, the effectiveness of IFRS convergence in improving accounting information quality remains debated. Empirical studies indicate that IFRS adoption has not significantly reduced earnings management practices in Indonesia (Sinatra et al., 2022). In addition, earnings management continues to persist despite the convergence of accounting standards (Pranata et al., 2024).

IFRS convergence also has the potential to enhance the value relevance of accounting information. Several studies suggest that IFRS improves financial reporting quality through increased transparency and disclosure (Sinatra et al., 2022). However, its effectiveness largely depends on institutional conditions and the level of corporate compliance with the standards. Evidence shows that low compliance with IFRS is one of the key factors contributing to the persistence of earnings management (Jumkhairiyah et al., 2024). IFRS convergence alone

cannot automatically guarantee improvements in accounting information quality without effective monitoring and enforcement mechanisms.

PSAK 71 and the Expected Credit Loss (ECL) Approach

PSAK 71 is the adoption of IFRS 9, which governs the recognition and measurement of financial instruments, particularly with regard to credit impairment. This standard introduces the Expected Credit Loss (ECL) approach, a forward-looking model for recognizing credit losses. The approach allows losses to be recognized earlier based on estimates of future conditions, thereby improving the timeliness and quality of financial information. Studies indicate that the ECL model provides a high degree of flexibility in determining estimation parameters such as probability of default and loss given default (Audika & Budiwitjaksono, 2022). This flexibility represents a key feature that distinguishes PSAK 71 from previous standards.

The ECL approach also increases the complexity and subjectivity of accounting estimates. Evidence shows that the implementation of IFRS 9 leads to higher loan loss provisions as a result of a more conservative approach (Ribeiro et al., 2024). At the same time, this flexibility creates opportunities for managerial discretion in financial reporting (Haq, 2023). The shift from an incurred loss to an expected loss model increases the sensitivity of financial statements to economic conditions (Khasanah & Komalasari, 2022). PSAK 71 not only enhances information quality but also expands the scope for managerial judgment.

Earnings Management

Earnings management refers to managerial actions aimed at modifying financial statements to achieve specific objectives without explicitly violating accounting standards. This practice can be carried out through both accrual-based methods and real activities manipulation. In the context of IFRS convergence, earnings management becomes a critical issue as it is closely related to the quality of accounting information. Empirical evidence indicates that IFRS adoption does not always reduce earnings management practices (Sinatra et al., 2022 & Maryati et al. 2024). Earnings management persists in various forms despite the convergence of accounting standards (Pranata et al., 2024). Empirical evidence also shows that internal financial conditions such as free cash flow significantly influence earnings management behavior, while financial distress does not always have a consistent effect (Maryati et al., 2023).

Earnings management is often conducted through the use of loan loss provisions as a tool for financial reporting manipulation in the banking sector. Studies show that managers may utilize credit loss reserves to manage reported earnings (Haq, 2023). Furthermore, earnings management practices are influenced by internal factors such as ownership structure and performance pressure. Empirical studies indicate that internal financial factors, particularly free cash flow, can significantly increase the likelihood of earnings management, as managers may use excess resources opportunistically, while financial distress does not consistently drive such behavior (Maryati et al., 2023). Other studies indicate that earnings management can affect the quality of financial reporting and investment decisions (Nanang & Imelda, 2025). Earnings management serves as an important indicator in assessing the quality of financial reporting.

Transformation of Earnings Management Practices

The implementation of IFRS and PSAK 71 does not only affect the level of earnings management but also alters its underlying pattern. Increased scrutiny of accrual-based earnings management reduces the effectiveness of traditional discretionary accrual strategies and encourages managers to shift toward alternative forms that are more difficult to detect. Evidence shows that discretionary accruals may increase following the implementation of PSAK 71, indicating that the new standard does not necessarily constrain earnings management but instead reshapes its mechanism (Jasman & Aminatunnaza, 2023).

The Expected Credit Loss (ECL) model further expands the scope for managerial discretion through complex estimation parameters. This flexibility creates opportunities for earnings management through subjective adjustments in credit loss estimation (Haq, 2023). At the same time, stricter monitoring of accrual-based practices may drive managers toward real earnings management as an alternative strategy (Nanang & Imelda, 2025). These findings suggest that earnings management persists despite accounting convergence, but evolves into more complex and less observable forms (Pranata et al., 2024). Therefore, the implementation of PSAK 71 is better understood as shifting the pattern of earnings management rather than eliminating it.

2. Research Methods

This study adopts a qualitative approach using a Systematic Literature Review (SLR) to critically analyze prior research on IFRS convergence, particularly the implementation of PSAK 71 as the adoption of IFRS 9, and

its implications for earnings management practices. The SLR method is employed to ensure a systematic, transparent, and replicable process in identifying, selecting, and synthesizing relevant empirical evidence. Through this approach, the study aims to integrate existing findings, identify patterns of consistency and inconsistency in the literature, and examine whether PSAK 71 constrains earnings management or instead leads to a shift toward more complex forms.

The literature search was conducted using academic databases such as Google Scholar and other nationally and internationally indexed journal repositories, supported by the Publish or Perish application. The search was performed using keywords aligned with the research objectives, including “IFRS Convergence”, IFRS 9”, “PSAK 71”, “Expected Credit Loss”, and “Earnings Management”. The publication period was limited to 2022–2025 to capture studies conducted after the implementation of PSAK 71 in Indonesia, ensuring the relevance of the findings to current conditions.

To ensure the quality and relevance of the selected literature, this study applies inclusion and exclusion criteria. The inclusion criteria consist of: (a) peer-reviewed journal articles; (b) empirical or conceptual studies addressing IFRS 9 or PSAK 71; (c) studies examining earnings management, financial reporting quality, or credit loss estimation; and (d) articles written in English or Indonesian. The exclusion criteria include: (a) articles without full-text access; (b) studies not directly related to PSAK 71 or earnings management; (c) abstracts lacking sufficient methodological detail; and (d) duplicate articles across databases.

The identification stage produced a set of articles obtained from database searches. Duplicate and inaccessible records were then removed. The remaining articles were screened based on titles and abstracts to ensure alignment with the research focus, particularly the impact of PSAK 71 on earnings management. Irrelevant articles were excluded at this stage. The selected articles were subsequently examined through full-text review to assess methodological quality, relevance, and contribution to understanding changes and shifts in earnings management practices. The overall selection and screening process is presented in a flow diagram (Figure 1) to provide a clear overview of the sampling procedure.

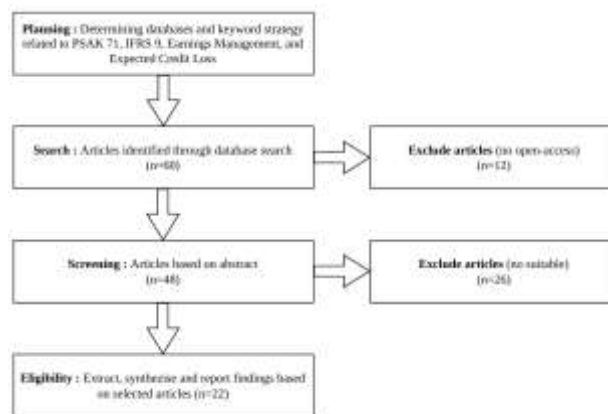


Figure 1. SLR Protocol Information Sources

The final selection consists of articles that explicitly examine the impact of IFRS 9 or PSAK 71 implementation on earnings management practices, financial reporting quality, and the use of Expected Credit Loss (ECL)-based credit loss estimation. The selected literature is then analyzed using a qualitative synthesis approach by grouping the findings into two main perspectives: (1) evidence indicating that PSAK 71 improves transparency and constrains earnings management, and (2) evidence suggesting that the changes reflect increased managerial discretion and a shift in earnings management toward more complex forms, without fully reducing opportunistic behavior.

Overall, the literature screening process in this study is conducted through four main stages: planning and database selection, article identification through keyword searches, screening and eligibility assessment based on inclusion and exclusion criteria, and final synthesis of the selected articles. This structured procedure aims to ensure methodological transparency and enhance the reliability of the findings in explaining whether the implementation of PSAK 71 effectively constrains earnings management or instead leads to a shift in its underlying practices in financial reporting.

3. Results and Discussions

3.1. Research Result

Journal Classification Based on Identity, Indexing, and Number of Articles

The journals used in this study are classified based on their identity, indexing status, and number of analyzed articles, as presented in Table 1, to ensure the academic credibility, validity, and relevance of the selected literature. The journal selection process was conducted systematically by prioritizing articles published in reputable and indexed journals, both at the national and international levels, to establish a strong theoretical and empirical foundation related to the implementation of PSAK 71 and earnings management practices. Through a rigorous screening process, a total of 22 peer-reviewed articles published between 2022 and 2025 were selected based on their relevance to the research topic. These articles were further analyzed according to their contribution to discussions on IFRS convergence, the Expected Credit Loss (ECL) approach, and their implications for changes and shifts in earnings management practices in financial reporting. This classification aims to provide a systematic overview of the characteristics of the literature sources while strengthening the validity of the study's analysis.

Table 1. Journal Identity and Number of Articles

No.	Journal Name	Index Journal	Total Article	Percentage
1	Sustainability	Q1	1	4,55%
2	Heliyon	Q1	1	4,55%
3	Contraduria y Administración	Q2	1	4,55%
4	Corporate Ownership & Control	Q3	1	4,55%
5	Reflexão Contábil	Q3	1	4,55%
6	JAKI (Jurnal Akuntansi dan Keuangan Indonesia)	Sinta 1	1	4,55%
7	Jurnal ASET (Akuntansi Riset)	Sinta 2	1	4,55%
8	Jurnal Informatika Ekonomi Bisnis (INFOTEKMES)	Sinta 2	1	4,55%
9	Reviu Akuntansi dan Bisnis Indonesia (RABI)	Sinta 3	1	4,55%
10	Owner: Riset & Jurnal Akuntansi	Sinta 3	1	4,55%
11	Jurnal Pajak dan Keuangan Negara (PKN)	Sinta 4	1	4,55%
12	Journal of Trends Economics and Accounting Research	Sinta 4	1	4,55%
13	Ekonomika45: Jurnal Ilmiah Manajemen, Ekonomi Bisnis, Kewirausahaan	Sinta 4	1	4,55%
14	Jurnal Valuasi: Jurnal Ilmiah Ilmu Manajemen dan Kewirausahaan	Sinta 4	1	4,55%
15	Jurnal Cahaya Mandalika	Sinta 5	1	4,55%
16	International Journal of Integrative Sciences (IJIS)	Copernicus	1	4,55%
17	International Journal of Application on Economics and Business (IJAEB)	Google Scholar	1	4,55%
18	Economics and Digital Business Review	Google Scholar	1	4,55%
19	E-journal Field of Economics, Business, and Entrepreneurship (EFEBE)	Google Scholar	1	4,55%
20	Proceeding of International Conference on Multidisciplinary Research for Sustainable Innovation	Conference Proceeding	1	4,55%
21	Proceedings of 5th International Conference of Economic, Business and Government Challenges	Conference Proceeding	1	4,55%
22	Proceeding of the International Conference on Economics, Accounting, and Taxation	Conference Proceeding	1	4,55%

Journal Index Identification

Based on Table 2, the articles used in this study are drawn from several journal index categories, including reputable international journals (Scopus Q1–Q3), nationally accredited journals (SINTA S1–S5), and other sources such as Google Scholar, Copernicus, and conference proceedings. This classification indicates that the selected literature represents a broad range of quality and coverage. In total, this study includes 22 peer-reviewed articles published between 2022 and 2025, which were selected based on their relevance to PSAK 71 and earnings management.

Table 2. Journal Index

No.	Index	Total	Percentage
1	Q1	2	9,09%
2	Q2	1	4,55%
3	Q3	2	9,09%
4	SINTA	10	45,45%
5	Google Scholar	3	13,64%
6	Copernicus	1	4,55%
7	Conference Proceedings	3	13,64%

Total	22	100%
-------	----	------

This distribution shows that the study does not rely on a single type of source but integrates international journals, national journals, and other academic publications. This combination provides a more comprehensive perspective in terms of both methodological quality and research context. With this composition, the analysis is expected to provide a clearer understanding of whether the implementation of PSAK 71 effectively constrains earnings management or instead leads to a shift in its underlying practices.

Dependent Variable

The dependent variable refers to a variable that is influenced by independent variables and is used to measure research outcomes. In this study, the distribution of dependent variables from the 22 analyzed articles is presented in Table 3. The results show that earnings management is the most dominant variable, appearing in 12 articles or 54.55% of the total sample. This indicates that most prior studies focus on how the implementation of PSAK 71 and IFRS 9 influences managerial discretion in financial reporting.

Table 3. Dependent Variable

No.	Dependent Variable	Number of Article	Percentage
1	Earnings Management	12	54,55%
2	Financial Reporting Quality	4	18,18%
3	Expected Credit Loss	3	13,64%
4	Value Relevance	2	9,09%
5	Financial Performance	1	4,55%
	Total	22	100%

Independent Variable

The independent variable refers to a variable that influences or causes changes in other variables. In the context of this study, the independent variables identified from the 22 analyzed articles primarily relate to the implementation of IFRS 9 and PSAK 71, as well as supporting factors such as the Expected Credit Loss (ECL) model, corporate governance mechanisms, firm characteristics, and economic factors. The distribution of these independent variables is presented in Table 4.

Table 4. Independent Variable

No.	Independent Variable	Number of Article	Percentage
1	IFRS 9/PSAK 71 Implementation	10	45,45%
2	Expected Credit Loss (ECL)	4	18,18%
3	Corporate Governance	3	13,64%
4	Firm Characteristics	3	13,64%
5	Competitive Advantage	1	4,55%
6	External Factors	1	4,55%
	Total	22	100%

Table 5. Research Results

Author and Year	Results
(Amer et al., 2025), (Argarinjani, 2023), (Audika & Budiwitjaksono, 2022), (Marsalino & Septiyanti, 2024), (Jasman & Aminatunnaza, 2023), (Jumkhairiyah et al., 2024), (Khasanah & Komalasari, 2022), (Lapian et al., 2025), (Sinatra et al., 2022), (Yusuf et al., 2025)	(+)
(Amer et al., 2024), (Aufa et al., 2024), (Haq, 2023), (Husni et al., 2022), (Kristin & Yandari, 2025), (Nanang & Imelda, 2025), (Nurchayono & Harto, 2025), (Pranata et al., 2024), (Ribeiro et al., 2024), (Ricapito, 2024), (Ulfah & Diyanty, 2024)	(-)
(Rizky et al., 2022)	(TB)
(+): Positive; (-): Negative; (TB): No Effect	

3.2. Discussions

The implementation of PSAK 71 as part of IFRS convergence in Indonesia introduces a significant transformation in financial reporting, particularly through the adoption of the Expected Credit Loss (ECL) model. This approach is intended to enhance the timeliness and relevance of credit loss recognition by incorporating forward-looking information. Empirical evidence suggests that PSAK 71 can improve financial reporting quality

by reducing delayed recognition of losses (Lapian et al., 2025). Additional findings indicate that earlier loss recognition contributes to higher earnings quality and transparency (Khasanah & Komalasari, 2022). However, other studies demonstrate that these improvements are not consistently observed across different contexts (Sinatra et al., 2022). Similar patterns are also observed in other IFRS-based standards, where improvements in transparency are often accompanied by increased reporting complexity and greater reliance on managerial judgment (Ananta et al., 2026). Further evidence confirms that the impact of PSAK 71 varies depending on institutional and organizational conditions (Yusuf et al., 2025).

From a theoretical perspective, PSAK 71 reflects the characteristics of principle-based accounting standards, which rely heavily on managerial judgment. In environments with strong governance, this flexibility can improve the accuracy of financial reporting and reduce opportunistic behavior (Amer et al., 2025). Supporting evidence shows that enhanced estimation processes under IFRS 9 contribute to improved reporting outcomes (Jasman & Aminatunnaza, 2023). However, this same flexibility also creates significant discretion that may be exploited by management (Argarinjani, 2023). This condition is consistent with evidence from other principle-based standards, where managerial flexibility in determining key assumptions creates agency conflicts and increases the risk of earnings management through subjective estimation processes (Rindhyanti et al., 2026). Additional studies highlight that weak regulatory enforcement further increases the risk of opportunistic reporting (Jumkhairiyah et al., 2024). Therefore, PSAK 71 simultaneously functions as both a mechanism for improving reporting quality and a potential source of manipulation.

The majority of empirical findings suggest that PSAK 71 does not eliminate earnings management but instead changes its underlying structure. The ECL model allows managers to adjust key assumptions such as probability of default and loss given default, which are inherently subjective (Haq, 2023). Additional research indicates that IFRS 9 increases the complexity of credit risk estimation, making manipulation more difficult to detect (Ribeiro et al., 2024). Evidence also shows that managerial discretion tends to increase following IFRS adoption (Ulfa & Diyanty, 2024). Other studies confirm that earnings management persists despite IFRS convergence, particularly in emerging markets (Amer et al., 2024). This suggests that PSAK 71 transforms rather than reduces opportunistic financial reporting behavior.

A critical shift identified in the literature is the transition from accrual-based earnings management to estimation-based and real earnings management. Traditional discretionary accruals are increasingly constrained due to enhanced transparency and stricter monitoring (Jasman & Aminatunnaza, 2023). However, managers respond strategically by shifting toward less observable mechanisms, such as manipulating loan loss provisions (Nurchayono & Harto, 2025). Additional studies indicate that the flexibility in ECL models creates opportunities for earnings manipulation through subjective estimates (Haq, 2023). Further evidence suggests that earnings management continues to exist in alternative forms even after IFRS convergence (Pranata et al., 2024). This shift demonstrates that managerial opportunism adapts to regulatory changes rather than being eliminated.

The inconsistency of empirical findings can be largely explained by differences in institutional environments and governance structures. Strong governance systems are associated with lower levels of earnings management under PSAK 71 (Amer et al., 2024). Evidence also shows that board characteristics play a significant role in moderating managerial discretion (Nanang & Imelda, 2025). In contrast, weak compliance and enforcement environments increase the likelihood of opportunistic behavior (Jumkhairiyah et al., 2024). Additional research highlights that inadequate regulatory oversight enables managers to exploit accounting flexibility (Aufa et al., 2024). These findings suggest that accounting standards alone are insufficient without strong institutional support

Firm-specific characteristics also play a crucial role in shaping earnings management behavior under PSAK 71. This is consistent with empirical evidence showing that earnings management is more strongly driven by internal financial conditions such as free cash flow rather than financial distress, indicating that managerial incentives are not solely determined by financial pressure but also by resource availability (Maryati et al., 2023). External economic signals may influence managerial decisions and investor responses, which indirectly affect financial reporting behavior (Irsyadillah et al., 2024). Companies with higher leverage or financial pressure are more likely to engage in opportunistic reporting (Kristin & Yandari, 2025). Other studies indicate that competitive pressures and performance expectations influence managerial decisions (Marsalino & Septiyanti, 2024). Additionally, internal governance structures affect how accounting standards are implemented in practice (Nanang & Imelda, 2025). Evidence also suggests that firm heterogeneity contributes to variations in empirical findings (Pranata et al., 2024). Therefore, earnings management behavior is influenced by both internal incentives and external constraints.

Some studies find that PSAK 71 does not produce a statistically significant impact on earnings management, suggesting that accounting changes alone may not alter managerial behavior. Evidence shows no significant

difference in earnings management before and after PSAK 71 implementation (Rizky et al., 2022). Similar findings indicate that firms may have already adapted to similar frameworks prior to formal adoption (Husni et al., 2022). Other research highlights that macroeconomic conditions influence financial reporting behavior (Ricapito, 2024). Additionally, regulatory flexibility during economic uncertainty may reduce the observable effects of new standards (Aufa et al., 2024). This suggests that structural inertia limits the effectiveness of accounting reforms.

These findings collectively indicate that PSAK 71 reshapes the dynamics of earnings management rather than eliminating it. While the standard enhances transparency and introduces forward-looking measurement, it also expands managerial discretion in estimation processes (Haq, 2023). Additional studies confirm that earnings management shifts toward more complex and less observable forms (Nurcahyono & Harto, 2025). Evidence also suggests that IFRS convergence alters the mechanisms of opportunistic behavior without removing underlying incentives (Amer et al., 2024). Other research highlights that governance quality remains a key determinant of reporting outcomes (Jumkhairiyah et al., 2024). Therefore, PSAK 71 represents a transformation mechanism rather than a definitive solution.

From a theoretical standpoint, these findings highlight the limitations of principle-based accounting standards in controlling opportunistic behavior. Agency theory suggests that managers will continue to exploit available discretion under conditions of information asymmetry (Haq, 2023). Additional research supports that increased flexibility in accounting standards may lead to regulatory arbitrage (Ribeiro et al., 2024). This implies that improving accounting standards alone is insufficient to address earnings management without strengthening institutional frameworks. Evidence also suggests that managerial incentives remain the primary driver of reporting behavior regardless of regulatory changes (Amer et al., 2024). Therefore, PSAK 71 reinforces the need to integrate accounting standards with governance mechanisms.

From a practical perspective, these findings have important implications for regulators, auditors, and financial statement users. Regulators should focus not only on compliance with PSAK 71 but also on validating the assumptions and models used in ECL estimation (Jumkhairiyah et al., 2024). Auditors need to enhance their evaluation of estimation processes, particularly in assessing macroeconomic assumptions and credit risk models (Haq, 2023). Investors should also consider the quality of earnings rather than relying solely on reported profit figures (Nurcahyono & Harto, 2025). Additional evidence suggests that improved oversight mechanisms can mitigate opportunistic reporting behavior (Nanang & Imelda, 2025). Therefore, effective implementation of PSAK 71 requires a comprehensive approach that integrates technical standards with strong governance and monitoring systems.

4. Conclusion

The convergence of SAK–IFRS through the implementation of PSAK 71 does not produce a consistent impact on earnings management practices. PSAK 71 is designed to improve transparency and financial reporting quality through the Expected Credit Loss (ECL) approach, which enables earlier recognition of credit risk and incorporates forward-looking information. Empirical findings, however, show mixed results across different studies. Some research indicates a reduction in earnings management due to improved transparency and earlier loss recognition, while most findings suggest that earnings management persists despite the implementation of the standard. The flexibility in accounting estimates, particularly in determining parameters such as probability of default and loss given default, increases managerial discretion. This condition allows managers to adjust assumptions in ways that are difficult to verify, resulting in earnings management that becomes more complex, less observable, and embedded within estimation processes. PSAK 71 does not eliminate earnings management but changes its pattern and mechanism. The limitation of accrual-based manipulation reduces the effectiveness of traditional discretionary accrual strategies and encourages managers to shift toward estimation-based techniques and real earnings management. These forms of manipulation are inherently more difficult to detect because they rely on judgment, assumptions, and operational decisions rather than explicit accounting adjustments. This shift reflects the adaptive behavior of managers under principle-based accounting standards, where regulatory changes do not remove incentives but instead lead to adjustments in reporting strategies. As a result, earnings management continues to exist, but in forms that are more subtle and integrated into financial reporting processes. This indicates that changes in accounting standards alone are not sufficient to eliminate opportunistic behavior, but instead reshape how such behavior is carried out. The effectiveness of PSAK 71 is strongly influenced by governance quality, audit effectiveness, regulatory enforcement, and firm-specific conditions. Strong governance structures, active board oversight, and high audit quality are associated with more reliable financial reporting and lower levels of earnings management. In contrast, weak monitoring and low compliance allow managerial discretion to be exercised more aggressively, increasing the likelihood of opportunistic reporting. Firm characteristics such as financial pressure, leverage, and performance targets also play a significant role in shaping managerial incentives

and behavior. In addition, differences in institutional environments and economic conditions contribute to variations in empirical findings. The presence of studies showing no significant impact of PSAK 71 further suggests that accounting changes alone are insufficient to alter entrenched managerial practices. Overall, the impact of PSAK 71 depends on how the standard is implemented, monitored, and enforced in practice, rather than on its technical design alone. Greater attention is needed on the evaluation of estimation processes, particularly in the implementation of the ECL model. Monitoring should not be limited to compliance with accounting standards but should also focus on the assumptions, models, and judgments used in determining credit loss estimates. Audit procedures need to be strengthened to assess the reasonableness of key parameters and to identify potential manipulation embedded in estimation processes. Improvements in governance mechanisms, especially the role of the board of commissioners and audit committees, are necessary to ensure effective oversight of financial reporting. Users of financial statements are also encouraged to consider earnings quality rather than relying solely on reported profit figures. Future research can extend the analysis by incorporating longer observation periods, additional variables such as audit quality and firm characteristics, and different institutional settings to better understand the development and transformation of earnings management under PSAK 71.

Reference

1. Amer, A. M. M., Azimli, A., & Adedokun, M. W. (2024). Can IFRS adoption mitigate earnings management in an emerging market? *Heliyon*, 10(19). <https://doi.org/10.1016/j.heliyon.2024.e38226>
2. Amer, A. M. M., Azimli, A., & Adedokun, M. W. (2025). Earnings Management and IFRS Adoption Influence on Corporate Sustainability Performance: The Moderating Roles of Institutional Ownership and Board Independence. *Sustainability (Switzerland)*, 17(17). <https://doi.org/10.3390/su17177981>
3. Ananta, G., Chandritike, S. N., & Yusnaini, Y. (2026). PSAK 73 and Changes to the Structure of Financial Statements: Is Transparency Increasing or Just a Reclassification? *Jurnal Ilmiah Ekonomi Dan Manajemen (JIEM)*, 4(3), 844–856. <https://doi.org/10.61722/jiem.v4i3.9180>
4. Argarinjani, R. (2023). Konvergensi IFRS Terhadap Manajemen Laba (Studi Konseptual). *EKONOMIKA45: Jurnal Ilmiah Manajemen, Ekonomi Bisnis, Kewirausahaan*, 10(2). <https://doi.org/10.30640/ekonomika45.v10i2.878>
5. Audika, B., & Budiwitjaksono, G. S. (2022). Expected Credit Loss Based on PSAK 71: A Systematic Literature Review. *Proceedings of 5th International Conference of Economic, Business and Government Challenges*, 1(1), 240–244. <https://doi.org/https://doi.org/10.33005/ic-ebgc.v1i1.25>
6. Aufa, W., Hidayah, R., & Oktavia, F. (2024). Determinant of Earnings Management Pre and Post PSAK 109 in Indonesian Banks. *Jurnal Informatika Ekonomi Bisnis*, 759–764. <https://doi.org/10.37034/infec.v6i4.993>
7. Haq, Q. F. (2023). Earnings and Capital Management Through Loan Loss Provisions in Indonesian Banks After IFRS 9 Implementation. *Jurnal Akuntansi Dan Keuangan Indonesia*, 20(1), 66–86. <https://doi.org/10.21002/jaki.2023.04>
8. Husni, M., Apriliani, W. A., & Idayu, R. (2022). Analisis Penerapan PSAK 71 Terkait Cadangan Kerugian Penurunan Nilai pada Perusahaan Sektor Perbankan BUMN yang Terdaftar di BEI. *Jurnal Valuasi: Jurnal Ilmiah Ilmu Manajemen Dan Kewirausahaan*. <https://doi.org/10.46306/vls.v2i1.69>
9. Irsyadillah, M. F., Yusnaini, Y., & Ferina, I. S. (2024). The Impact of Macroeconomic Factors and Financial Performance on Stock Prices: Evidence from Indonesia. *Bulgarian Journal of International Economics and Politics*, 4(2), 55–75. <https://doi.org/10.37075/bjiep.2024.2.04>
10. Jasman, J., & Aminatunnaza, A. (2023). The Quality of Banking Financial Reporting Information Before and After IFRS 9 Implementation. *Jurnal ASET (Akuntansi Riset)*. <https://doi.org/10.17509/jaset.v15i2>
11. Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
12. Jumkhairiyah, Miqdad, M., & Ika Wahyuni, N. (2024). Dampak Adopsi IFRS Terhadap Manajemen Laba di Indonesia. *Jurnal Cahaya Mandalika*, 5(2). <https://doi.org/10.36312/jcm.v5i2.2422>
13. Khasanah, S. K., & Komalasari, A. (2022). Analisis Perbandingan Kualitas Laba Sebelum dan Sesudah Implementasi Psak 71 pada Perbankan yang Terdaftar Di Bursa Efek Indonesia. *E-Journal Field of Economics, Business and Entrepreneurship*, 1(4), 391–399. <https://doi.org/10.23960/efeb.v1i4.54>
14. Kristin, D., & Yandari, A. D. (2025). Intellectual Capital, Leverage, Competitive Advantage, Earnings Management Terhadap Implementasi Adopsi IFRS 9 di Perbankan. *Reviu Akuntansi Dan Bisnis Indonesia*, 9(3), 452–467. <https://doi.org/10.18196/rabin.v9i3.27694>
15. Lopian, I. A., Sucipto, T. N., & Arnita, V. (2025). The Effect of Implementing Financial Accounting Standards Statement No. 71 on Earnings Management and Financial Instruments in Banking Companies Listed on the IDX. *Proceeding of the International Conference on Economics, Accounting, and Taxation*, 2(2), 01–07. <https://doi.org/10.61132/iceat.v2i2.131>
16. Marsalino, N. G., & Septiyanti, R. (2024). Pengaruh Implementasi PSAK 71 Terhadap Manajemen Laba. *Economics and Digital Business Review*, 5, 543–549. <https://doi.org/10.37531/ecotal.v5i1.1437>
17. Maryati, S., Fitriani, D., & Yusnaini, Y. (2023). Financial Distress, Free Cash Flow, Employee Diff, and Earnings Management. *Jurnal Akuntansi Bisnis*, 21(2), 173–184. <https://doi.org/10.24167/jab.v21i2.10863>
18. Nanang, S. E., & Imelda, E. (2025). The Effect of IFRS Adoption on Real Earnings Management With The Moderating Role of Board Characteristics. *International Journal of Application on Economics and Business*, 3(2), 1061–1072. <https://doi.org/10.24912/ijaeb.v3i2.1061-1072>
19. Nurcahyono, N., & Harto, P. (2025). Impact of ifrs 9 applications and earnings management; The new expected loss models. *Contaduria y Administracion*, 71(1). <https://doi.org/10.22201/fca.24488410e.2026.5664>
20. Pranata, N. F. R., Aroyo, R., & Pratama, E. A. (2024). Systematic Literature Review: Impact Adopt IFRS Approach Earnings Management and Value Relevance. *International Journal of Integrative Sciences*, 3(3), 309–322. <https://doi.org/10.55927/ijis.v3i3.7435>

21. Ribeiro, C. W. L., Júnior, J. L. D. S., Pimentel, R. C., & Salotti, B. M. (2024). IFRS 9 adoption and its impacts on banks' credit impairment: an international perspective. *Enfoque: Reflexão Contábil*, 43(3), 1–19. <https://doi.org/10.4025/enfoque.v43i3.64183>
22. Ricapito, F. P. (2024). The impact of IFRS 9 on credit risk and profitability in the European banking sector. *Corporate Ownership and Control*, 21(4), 41. <https://doi.org/10.22495/cocv21i4art4>
23. Rindhyanti, L. S., Damayanti, M., Winarto, T. A., & Yusnaini, Y. (2026). PSAK 74 Implementation and Conflict of Interest in the Digital Insurance Era. *Journal of Artificial Intelligence and Digital Business (RIGGS)*, 5(1), 7459–7467. <https://doi.org/10.31004/riggs.v5i1.7154>
24. Rizky, M., Qodarina, N., & Firmansyah, A. (2022). Manajemen Laba Sebelum dan Setelah Penerapan PSAK 71 pada Perusahaan Subsektor Perbankan di Indonesia. *Owner*, 6(2), 1363–1372. <https://doi.org/10.33395/owner.v6i2.706>
25. Sinatra, J. A., Manik, V. A., & Firmansyah, A. (2022). Dampak Adopsi International Financial Reporting Standards (IFRS) di Pendekatan Manajemen Laba dan Relevansi Nilai. *Jurnal Pajak Dan Keuangan Negara*. <https://doi.org/10.31092/jpkn.v3i2.1531>
26. Ulfah, A., & Diyanty, V. (2024). Impact of IFRS 9 Implementation and Audit Committee Effectiveness on Earnings Management in The Indonesian Banking Sector. *Proceeding of International Conference on Multidisciplinary Research for Sustainable Innovation*, 1(1). <https://doi.org/10.31098/icmrsi.v1i.788>
27. Yusuf, M. F. M., Garusu, I. A., & Rauf, D. M. (2025). Konvergensi IFRS di Indonesia: Analisis Dampak terhadap Manajemen Laba dan Transparansi Laporan Keuangan. *Journal of Trends Economics and Accounting Research*, 5(3), 246–251. <https://doi.org/10.47065/jtear.v5i3.1836>