

THE RELATIONSHIP BETWEEN THE VALUATION OF PRODUCTIVE ASSETS AND THE FORMATION OF PRODUCTIVE ASSET WRITTEN-OFF RESERVES (PPAP) WITH POJK 33 OF 2018 AT PT BPRS PUDUARTA INSANI PERIOD 2021-2023

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Abstract. Islamic Rural Banks (Bank Pembiayaan Rakyat Syariah or BPRS) play an essential role in maintaining financial stability by applying prudential principles in managing productive assets. One key aspect of this practice is the assessment of asset quality and the establishment of the Allowance for Earning Asset Losses (PPAP) to anticipate financing risks, as regulated in Financial Services Authority Regulation (POJK) NO. 33/pojk.03/2018. This study aims to analyze the conformity of productive asset assessment and PPAP formation with POJK 33/2018 at PT BPRS Puduarta Insani, and to examine its implementation based on the Productive Asset Assessment (SPA) theory. The analysis shows that the non-performing financing (NPF) ratio at pt bprs puduarta insani reached 37%, indicating a high level of financing risk that underscores the importance of proper PPAP formation and the application of prudential principles to preserve asset quality and financial stability.

Keyword: Productive Assets, PPAP, POJK 33/2018, BPRS, Spa Theory

I. INTRODUCTION

Islamic banking is an important part of the national financial system that plays a role in promoting economic growth based on justice and Sharia principles (Ilhamy, 2018)(Oktaviana, 2024). One of the main pillars in maintaining the stability and sustainability of Islamic banking is the quality of productive assets (istifadhoh, 2024). Productive assets reflect the bank's ability to effectively channel funds thru financing to customers. However, in practice, the risk of problematic financing (Non Performing Financing or NPF) remains a major challenge that can affect the bank's financial performance and health level (Pratama, 2021).

In order to maintain the quality of productive assets and strengthen financing risk management, the Financial Services Authority (OJK) issued OJK Regulation Number 33/POJK.03/2018 concerning the Quality of Productive Assets and the Establishment of Productive Asset Write-off Provisions (PPAP) for Islamic Rural Banks (BPRS) and Sharia Business Units (Financial Services Authority, 2019). This POJK requires banks to conduct an objective assessment of financing collectibility and to establish adequate PPAP in accordance with the risks faced (Finance, 2024). PPAP is divided into two types, namely General PPAP used for current productive assets, and Special PPAP used for problematic productive assets (collectibility 2–5) (Dayantri, Sri Ramadhani, 2024).

PT BPRS Puduarta Insani, as one of the sharia financial institutions in North Sumatra, has established PPAP

and conducted an assessment of productive assets in September 2025 (Finance, 2024). Based on internal financial data, the condition of productive assets and the formation of PPAP can be seen in the following table:

Table 1. Condition of Productive Assets and Formation of PPAP Based on Collectibility at PT BPRS Puduarta Insani as of September 2025

No	Collectibility	Description	Total (Rp)	Percentage of Total Productive Assets
1	Kol 2	In special attention (dpk)	3.594.810.787	63,01%
2	Kol 3	Problematic	731.248.300	12,82%
3	Kol 4	doubted	302.637.859	5,30%
4	Kol 5	Current	1.077.827.545	18,87%
-	Total Assets Productive	-	5.706.524.491	100%
-	PPAP general	Suggestions for current assets	100.417.732	1,76% of total assets
-	PPAP specific	Proposal for problematic assets	353.596.426	6,20% of total assets
-	Total PPAP	General + Specific	454.014.158	7,96% of total assets
				Productive

From the data in Table 1, it can be seen that the total problematic financing (collectibility 3–5) reached Rp2,111,713,704 or 37.01% of the total productive assets amounting to Rp5,706,524,491. The non-performing financing (NPF) ratio of 37.01% is considered very high, given that the NPF ratio limit set by the OJK to remain in the healthy category is below 5% (Finance, 2024). This condition indicates that there is a significant credit risk at PT BPRS Puduarta Insani, which has the potential to affect the bank's liquidity, profitability, and health level (Pratama, 2021).

The high NPF serves as an indicator that the effectiveness of assessing productive assets and forming PPAP needs to be evaluated (istifadhoh, 2024) (Oktaviana, 2024). The formation of PPAP that does not comply with the provisions of POJK 33/2018 can lead to inadequate loss provisions and have a negative impact on financial statements as well as customer trust (Rahmawati, 2022). Conversely, the formation of PPAP in accordance with regulations will enhance the bank's ability to anticipate problematic financing risks and maintain financial stability (Susanti, 2023). Here is the Graph of the PPAP and NPF Condition Report of PT BPRS Puduarta Insani

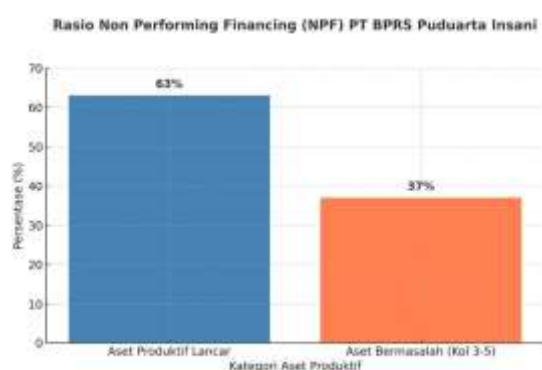


Figure 1. Non Performing Financing (NPF) Ratio

This graph shows the comparison between productive current assets and problematic assets (collectibility 3–5). Productive current assets account for 63%, while problematic assets account for 37%. The relatively high NPF value indicates the need for improved financing quality and handling of problematic credit to maintain financial stability.

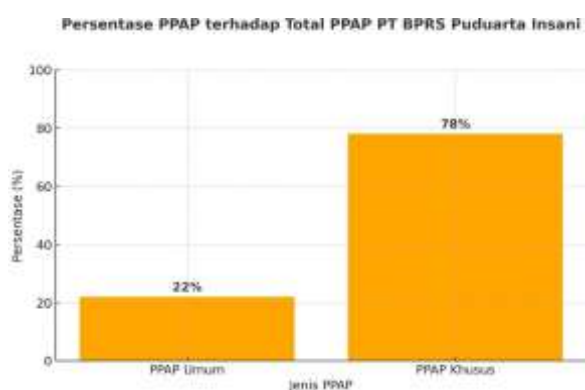


Figure 2. Percentage of PPAP Against Total PPAP

Graph 2 "Percentage of PPAP to Total PPAP of PT BPRS Puduarta Insani" shows that the composition of General PPAP is 22% and Special PPAP is 78%. Based on the provisions in POJK Number 33/POJK.03/2018 concerning the Quality of Productive Assets and the Formation of Productive Asset Write-Off Provisions (PPAP), Special PPAP is formed for productive assets classified as non-performing, which includes the categories of Substandard, Doubtful, and Loss. Meanwhile, General PPAP is formed for productive assets that are still classified as performing with a minimum requirement of 1% of the gross balance (Financial Services Authority, 2024). The large proportion of Special PPAP, which reaches 78%, indicates that most of PT BPRS Puduarta Insani's productive assets are at the level of Doubtful to Bad, no longer in the Special Mention (DPK) or Substandard stage (Financial Services Authority, 2018). This can be identified from the amount of reserves formed, where the DPK category only requires the formation of PPAP at 5% of the gross balance, and the Less Smooth category at 15%. The high ratio of Special PPAP indicates that the quality of the bank's productive assets has significantly declined, necessitating the formation of large reserves in accordance with the provisions of 50% for the Doubtful category and 100% for the Bad category. Thus, the 78% proportion of Special PPAP formed illustrates that the financing portfolio condition of PT BPRS Puduarta Insani is dominated by productive assets with Doubtful and Bad quality. This indicates a significant increase in financing risk and suggests that the bank has taken conservative steps in forming loss reserves to anticipate the potential non-repayment of financing. The measurement result of the NPF ratio at 37% indicates that the level of problematic financing is far above the tolerance limit set by the Financial Services Authority (maximum 5%). This NPF value reflects a serious level of financing risk and has the potential to reduce the company's profitability and financial stability (Khairiyah et al., 2023).

Overall, the financing structure of PT BPRS Puduarta Insani still requires comprehensive restructuring efforts to improve the quality of productive assets and reduce the level of non-performing financing (Khairiyah et al., 2023). Supervision of the financing portfolio on a regular basis, the implementation of comprehensive risk mitigation strategies, and the enforcement of prudential principles in the customer feasibility analysis process are important steps to maintain financial stability and strengthen the bank's capital. Thus, the results of this study emphasize the importance of consistent risk governance implementation to support the sustainability of performance and the health of Islamic banking institutions. This study aims to analyze the conformity of productive asset valuation and the formation of the Productive Asset Write-Off Provision (PPAP) at PT BPRS Puduarta Insani with the provisions of POJK Number 33/POJK.03/2018, as well as to analyze the extent to which the implementation of these provisions reflects the actual condition of the quality of productive assets and the level of bank financing risk. In addition, this research also aims to provide an empirical understanding of the implications of the PPAP and NPF ratios on the bank's health level, so that it can serve as a reference for improving the effectiveness of risk management and

formulating more prudent financing policies in the future.

1. Productive Assets

Productive assets are the assets owned by banks and used to generate income thru the distribution of funds to third parties in the form of financing, fund placements, investments, or other forms that align with the bank's business activities (Muhammad Syahbudi, 2016). According to the Financial Services Authority Regulation (POJK) Number 33/POJK.03/2018, productive assets include all assets that have the potential to generate income for the bank, whether based on buying and selling, profit-sharing, or leasing (OJK, 2018). The assessment of the quality of productive assets is an important aspect in evaluating the health of a bank (Finance, 2014). The quality of productive assets reflects the level of risk faced by the bank related to the possibility of default by financing customers (Istifadhoh, 2024). Dendawijaya (2009) states that the larger the proportion of problematic productive assets in the total productive assets, the higher the risk of loss that the bank must bear. Therefore, the assessment of productive assets is conducted periodically to ensure that the value of the assets recorded in the financial statements reflects the actual condition (Kasmir, 2014). In the context of Sharia People's Financing Banks (BPRS), productive assets include financing based on Sharia contracts such as murabahah, mudharabah, musyarakah, ijarah, and other contracts (Oktaviana, 2024). The quality of these productive assets must be assessed based on the principle of prudence so that the bank can maintain financial stability and customer trust (Kadek Widya Astutiningsih & I Gde Kajeng Baskara, 2019).

The assessment of the quality of productive assets is an important step in maintaining the bank's health level, as productive assets that experience a decline in quality have the potential to pose a risk of problematic financing (non-performing financing) (Pratama, 2021). Therefore, banks are required to classify productive assets based on their collectibility levels, namely smooth, Special Mention (DPK), Substandard, Doubtful, and Loss. The determination of asset quality is used as the basis for forming a financing loss reserve known as the Productive Asset Write-off Provision (PPAP) (Marbun, 2022).

2. Productive Asset Write-off Provision (PPAP)

The Productive Asset Write-off Provision, hereinafter referred to as PPAP, is a reserve that must be established by banks as a form of anticipation against potential losses due to the decline in the quality of productive assets (Susanti, 2023) (Rahmawati, 2022). PPAP functions as a financial protection instrument for banks to maintain resilience against problematic financing risks and ensure that the financial statements presented reflect a fair and reliable financial condition (Rahmawati, 2022). In the context of Islamic banking, the establishment of PPAP is also an implementation of the prudential banking principle regulated by the Financial Services Authority (OJK) as the supervisory authority of financial institutions (Kadek Widya Astutiningsih & I Gde Kajeng Baskara, 2019). According to OJK regulations, PPAP is divided into two main types, namely General PPAP and Special PPAP. General PPAP is formed against productive assets with good quality as a basic reserve to protect the bank from general risks of potential future losses (Meutia Sari et al.,

2020). Meanwhile, Special PPAP is formed against productive assets that have experienced a decline in quality or are categorized as problematic, which includes categories of Special Attention (DPK), Substandard, Doubtful, and Loss (Hani, 2021).

The size of the PPAP formed reflects the level of risk contained in the bank's financing portfolio. The higher the proportion of specific PPAP to total PPAP, the greater the indication of high financing risk within the structure of productive assets. In practice, the formation of adequate PPAP plays an important role in maintaining the financial stability of the bank (Dayantri, Sri Ramadhani, 2024). Properly formed PPAP not only demonstrates compliance with regulations but also reflects the bank's readiness to face potential defaults from customers (Susanti et al., 2024). For sharia banks like PT BPRS Puduarta Insani, PPAP becomes an integral part of risk management, as it helps maintain a balance between financing growth and a healthy portfolio quality (Siregar & Rokan, 2023).

Number 33/POJK.03/2018 Regarding the Quality of Productive Assets and the Formation of PPAP The Financial Services Authority Regulation Number 33/POJK.03/2018 is a regulation that governs the procedures for assessing the quality of productive assets and the formation of the Productive Asset Write-off Provision (PPAP) for all banking institutions, including Sharia People's Financing Banks (BPRS) (keuangan, 2024). This regulation was issued with the aim of strengthening financing risk management and enhancing the resilience of the banking sector against potential losses due to problematic productive assets (Safitri & Atmadja, 2022). In the regulation, the OJK emphasizes that every bank is required to classify productive assets based on their collectibility level (financial services authority, 2019). The classification includes five main categories, namely Current, Special Mention (DPK), Substandard, Doubtful, and Loss (Ichsan et al., 2024). This classification is based on the debtor's ability to meet payment obligations, financial condition, and business prospects. The purpose of assessing the quality of productive assets is so that banks can take anticipatory steps to maintain the stability of the financing portfolio and reduce the level of problematic financing (financial services authority, 2019). As a form of risk control, POJK 33/2018 explicitly regulates the minimum proportion of PPAP formation that must be applied by each bank (financial, 2024). For the category of productive assets classified as Current, banks are required to form PPAP amounting to 1% of the gross financing balance (Alfida Amilah, 2022). For productive assets in the Special Mention (DPK) category, banks are required to form PPAP amounting to 5% of the gross financing balance. Furthermore, productive assets in the Substandard category are subject to a PPAP formation obligation of 15% of the gross financing balance. For productive assets that fall into the Doubtful category, PPAP must be formed at 50% of the gross financing balance, and for the Loss category, PPAP formation must be done fully at 100% of the gross financing balance (Trianto, 2018). The standard proportions serve to ensure that provisions are made proportionally according to the risk levels of each financing category (Khairiyah et al., 2023). This provision serves as the main control tool that ensures the bank's readiness

to face losses due to defaults (Syahbudi, 2018). Thus, the lower the quality of productive assets, the larger the reserves that must be formed to fully cover the potential losses (Nurul Iman, 2015).

In the context of this research, the provisions of POJK Number 33/POJK.03/2018 have direct relevance to the practice of forming PPAP at PT Bprs Puduarta Insani. Based on the data shown in the graph, the proportion of Special PPAP reached 78% of the total PPAP formed (Financial Services Authority, 2018). The magnitude indicates that the majority of the bank's productive assets have experienced a decline in quality, falling into the Doubtful and Loss categories. This condition illustrates that BPRS Puduarta Insani has formed PPAP in accordance with the provisions set forth in POJK, as the amount of reserves allocated reflects a high level of financing risk.

The implementation of PPAP provisions in accordance with POJK 33/2018 not only demonstrates compliance with regulations but also reflects the application of the principle of prudence in the management of sharia financing. By making provisions according to the established proportions, banks can maintain financial stability and uphold public trust in the integrity of Islamic banking institutions.

4. Write-Off of Problematic Financing

Definition and Concept of Write-Off of Financing
Write-off of financing refers to an accounting step to remove problematic financing from the bank's balance sheet when it is realistically considered difficult to collect, after various collection efforts, restructuring, or collateral execution have been made. This action does not eliminate the bank's right to collect from the customer, but rather acknowledges that the asset is no longer considered a productive asset on the balance sheet. In the context of Islamic banking, including BPRS, write-off is closely related to the prudential principle in risk management, which requires that high-risk assets be separated from healthy assets to reflect a fair financial position.

Legal Basis and Regulations in BPRS The important regulation related to the write-off of financing in BPRS is the Financial Services Authority Regulation (POJK) on the quality of productive assets and the provision for the write-off of productive assets. This POJK requires BPRS to: a. Periodically assess the quality of financing into categories of smooth, under special attention, less smooth, doubtful, and non-performing. b. Establish a Provision for Productive Asset Write-Off (PPAP) based on the quality of the financing. c. Form a special 100% PPAP for financing that has been declared non-performing before it can be written off. These provisions are outlined in the OJK Regulation specifically governing the quality of productive assets of BPRS, namely OJK Regulation No. 29/POJK.03/2019 (as well as other relevant BPR OJK Regulations).

Conditions to Be Met Before Write-Off The write-off of financing in BPRS can be carried out if it meets the following criteria: a. The financing status has entered the non-performing category based on the bank's asset quality standards according to POJK. b. PPAP has been formed at 100% of the outstanding balance of the problematic financing. PPAP is a reserve allocated to cover potential losses due to problematic financing. c. Various recovery efforts have been made such as intensive collection, restructuring, or collateral execution.

Additionally, the write-off practice must be meticulously recorded in the internal risk management documentation as part of the bank's written policy and comply with applicable accounting regulations.

Accounting Treatment of Financing Write-offs In accounting, financing write-offs are carried out after the impairment loss reserve (PPAP) has been fully established. When the write-off is performed: - The uncollectible financing is removed from the bank's balance sheet, thereby reducing the asset amount. - The loss from the financing has technically been anticipated beforehand thru the reserve established in the financial statements. This is in line with the impairment accounting principle, which involves recognizing the potential loss in value of financing in accordance with PSAK 71: Financial Instruments, implemented in Indonesia since 2020. PSAK 71 encourages the recognition of potential losses as early as possible (expected credit losses) in banking financial statements.

The Difference Between Write-Off and Waiver In BPRS practice, two different terms are found: - Write-Off: non-performing financing is removed from the balance sheet as an asset, but the bank retains the right to collect from the customer. - Waiver: financing is considered legally settled, and the claim against the customer is completely stopped. In bank accounting, write-off is common, whereas waiver/forgiveness is rarer and requires broader decisions from internal policies as well as legal considerations.

The Role of Write-Offs in Bank Risk Management
Loan write-offs are an important part of banking risk management because: a. They help present financial statements that reflect the actual condition of asset quality. b. They encourage the formation of adequate reserves to cover potential losses from problematic loans. c. They enhance the transparency of information to stakeholders about the risks of financing assets faced. Several case studies show that a write-off strategy combined with collective efforts such as restructuring and collection can help banks reduce NPF risk in the long term.

II. RESEARCH METHODS

This research uses a descriptive qualitative approach, with the data sourced from secondary data such as annual financial statements for the period 2021-2023, financing reports, and official documents issued by the Financial Services Authority (OJK). This research was conducted at PT BPRS Puduarta Insani located on Jl. Besar Tembung, North Sumatra, Medan, from October 1, 2025, until completion. The data collection technique was carried out thru a documentation study of relevant reports and regulations, while the data analysis technique used descriptive analysis to factually illustrate the extent to which the policy on the assessment of productive assets and the formation of PPAP has complied with the POJK standards set by OJK.

III. RESULT AND DISCUSSION

Based on the research results regarding the Compliance of Productive Asset Valuation and the Formation of the

Productive Asset Write-off Provision (PPAP) with POJK 33/2018 at PT BPRS Puduarta Insani, it can be concluded that the bank has conducted a valuation of productive assets and the formation of the Productive Asset Write-off Provision (PPAP) as a form of implementing the principle of prudence in financing activities. The productive assets owned by BPRS consist of financing classified as smooth, less smooth, doubtful, and non-performing. The total recorded productive assets amount to Rp 5,706,524,491, with details of smooth assets at Rp 3,594,810,787 (64.88%), while problematic assets (less smooth, doubtful, and non-performing) amount to Rp 2,111,713,704 (37%) of the total productive assets. The Non-Performing Financing (NPF) ratio, which reaches 37%, indicates that the level of problematic financing at BPRS Puduarta Insani is still high. This condition requires the bank to form sufficient loss reserves thru General PPAP and Special PPAP, so that the potential losses from problematic financing can be covered. Based on 2023 data, the General PPAP formed amounted to Rp 100,417,732, while the Special PPAP amounted to Rp 353,596,426. To see its historical development, here is the trend graph of the formation of General PPAP and Special PPAP over the past three years (2021–2023).



Figure 3. Trend of General PPAP and Special PPAP of PT BPRS Puduarta Insani (2021-2023)

The image above shows that over the past three years, both General PPAP and Special PPAP have increased each year. In 2021, the General PPAP was Rp 85 million and the Special PPAP was Rp 290 million. Then in 2022, it increased to Rp 92 million and Rp 320 million, and in 2023, it rose again to Rp 100.4 million and Rp 353.6 million. The increase indicates that the management of PT BPRS Puduarta Insani consistently strengthens loss reserves in line with the development of productive assets and the rising financing risk. The increase in general PPAP reflects the growth of total productive assets, as this reserve must be formed against all financing, both performing and non-performing. Meanwhile, the increase in special PPAP is caused by the rise in non-performing financing, which requires a larger provision to avoid negatively impacting the bank's profit and capital. If we observe the slope of the line on the graph, the increase in Special PPAP appears steeper compared to General PPAP. This illustrates that the risk of problematic financing is increasing faster than the growth of productive assets. This means that although BPRS Puduarta Insani has expanded its financing activities, the increase in risk remains a major challenge. Therefore, the increase in Special PPAP becomes a

form of the bank's responsibility in complying with the provisions of POJK No. 33/2018, while also maintaining financial stability to remain healthy. Substantially, the formation of PPAP at PT BPRS Puduarta Insani is already in accordance with the provisions of POJK 33/2018, both in the classification of productive assets and in the calculation of reserve percentages. The POJK stipulates that General PPAP is formed for all productive assets with a certain percentage, while Special PPAP is formed based on the level of financing risk — the higher the collectibility level (from less smooth to non-performing), the larger the provision that must be made. The condition of increasing PPAP each year can be interpreted as a form of implementing the prudential banking principle by the bank. Although the formation of a large PPAP can reduce short-term profits, this step actually strengthens long-term financial health. This is important for BPRS facing high financing risks, to remain able to maintain capital levels and customer trust.

Thus, the research results indicate that the assessment of productive assets and the formation of PPAP at PT BPRS Puduarta Insani are in accordance with the provisions of POJK 33/2018. The bank has conducted asset quality assessments accurately and formed both general and specific PPAP proportionally to the condition of its assets. However, the high NPF ratio indicates that financing risk management still needs to be improved, particularly in terms of feasibility analysis, collection, and financing restructuring. The improvement in the quality of management is expected to reduce the NPF ratio in the coming years and make the need for PPAP more efficient without compromising the prudential aspects mandated by regulations.

Table 2. Comparison of POJK 33/2018 Provisions with Actual Conditions at PT BPRS Puduarta Insani

Collectibility categories	Provisions of POJK 33/2018 (minimum PPAP percentage)	Value of productive assets	PPap that should be (rp)
smooth	1%	(not recorded) because the PPAP is for the formation of customers who are in arrears	-
	5%	3.594.810.787	179.740.539
In special attention (dpk)			
problematic	15%	731.248.300	109.687.245
		1.077.827.545	1.077.827.545
Current	100%		
Total	-	5.706.524.491	≈1.518.574.258 (minimum PPAP percentage)
			454.014.158 (PPAP Aktual)

Source: iman & adityawarman (2015) and financial report data of PT BPRS Puduarta Insani (2021-2023).

Based on the research results, the implementation of productive asset assessment and the formation of the Productive Asset Write-off Provision (PPAP) at PT BPRS Puduarta Insani shows a level of compliance with the provisions of POJK No. 33/POJK.03/2018 and the Productive Asset Assessment System (SPA) theory proposed by Iman and

Adityawarman (2015). These findings indicate that, in terms of regulation, the bank has implemented the principle of prudence in the management of productive assets. However, the Non-Performing Financing (NPF) ratio of 37% indicates that the effectiveness of the theory's application has not yet been optimal. This is in line with the views of Susanti et al. (2023) who state that PPAP functions as a shock absorber against problematic financing risks, as well as Rahmawati (2022) who emphasizes that the increase in PPAP affects the decline in bank profitability. Therefore, the following discussion will elaborate more deeply on the conformity of the implementation of productive asset assessment and the formation of PPAP at PT BPRS Puduarta Insani with applicable theories and regulations.

1. Compliance of Productive Asset Valuation

SPA Theory and POJK No. 33/POJK.03/2018 PT BPRS Puduarta Insani has conducted an assessment of productive assets in accordance with the classifications regulated by OJK, namely performing, underperforming, doubtful, and non-performing. The proportion of current assets at 64.88% indicates that management has implemented the principle of prudence in financing (Dayantri, Sri Ramadhani, 2024). This conformity aligns with the SPA (System for Productive Asset Assessment) theory, which emphasizes that asset quality reflects the bank's ability to manage credit risk. This theory explains that the better the evaluation and monitoring of productive assets, the lower the potential losses arising from problematic financing (Nurul Iman, 2015). However, despite the assessment procedures being in accordance at PT BPRS Puduarta Insani, the high NPF ratio of 37% indicates that the implementation of the prudential principle has not been fully effective. This condition does not align practically with the substance of the SPA theory, as the theory demands tangible results in the form of asset quality improvement. The main cause of this inconsistency is the still weak customer supervision system and the suboptimal financing feasibility analysis. So, the assessment is technically correct, but not yet effective managerially.

2. Compliance with the Formation of General and Special PPAP

SPA Theory and POJK No. 33/2018 The obligation to form General PPAP and Special PPAP has been carried out by PT BPRS Puduarta Insani as regulated in POJK 33/2018. The value of General PPAP increased from Rp 85 million (2021) to Rp 100.4 million (2023), and Special PPAP rose from Rp 290 million to Rp 353.6 million. This increase is in line with the SPA theory, as the theory asserts that the formation of PPAP must reflect the risk level of productive assets; the higher the problematic financing, the larger the reserve that must be formed (Nurul Iman, 2015). Thus, the trend of increasing PPAP is a logical reaction to the rising NPF and a form of applying the principle of prudence. Moreover, these results are also in line with the view of Susanti et al. (2023) that PPAP functions as a shock absorber for bank stability. In other words, although the formation of PPAP reduces profits, this step strengthens the capital position and maintains public confidence in the bank's financial health.

However, a significant increase in PPAP also brings consequences. From a profitability perspective, this is not in

line with the theory of financial efficiency (Rahmawati, 2022) which emphasizes that the addition of reserves must consider the balance between risk and profit. In the context of BPRS Puduarta Insani, the significant increase in PPAP indicates a good level of prudence, but on the other hand, it reduces the bank's ability to generate profit. This difference occurs due to the bank's real condition, which is faced with a high NPF ratio, thus prioritizing stability over short-term profitability.

3. Impact and Implications of the Implementation of Asset Valuation and PPAP

The implementation of POJK 33/2018 principles and SPA theory has two sides of impact for PT BPRS Puduarta Insani.

First, positively, the increased formation of PPAP demonstrates a commitment to risk management; adequate loss reserves strengthen liquidity and reduce the potential for future defaults. Second, negatively, the large allocation of funds to PPAP compresses operational profits and decreases financial efficiency. This impact illustrates the trade-off between prudence and profitability, which is also explained in risk management theory (Susanti et al., 2023). Thus, the results at BPRS Puduarta Insani are in line with the regulatory aspects of the SPA and POJK theories, but not in line with the profitability efficiency theory, as the bank's priority is more focused on maintaining stability rather than short-term profit increase.

4. Efforts to Improve Asset Quality and PPAP Effectiveness

To optimize the implementation of the SPA theory and POJK 33/2018, PT BPRS Puduarta Insani needs to:

- Improve the financing feasibility analysis process to reduce NPF;
 - Strengthen financing monitoring and restructuring;
 - Balance the formation of PPAP and profitability by utilizing more accurate risk analysis;
- #### 4. Conduct employee training

To enhance the ability to assess productive asset risks. These efforts will ensure that the implementation of the SPA theory is not only procedurally compliant but also effective in terms of results.

IV. CONCLUSION

Based on the analysis results in the document "Compliance of Productive Asset Valuation and Formation of PPAP with POJK 33/2018 at PT BPRS Puduarta Insani," it can be concluded that the implementation of productive asset valuation and the formation of the Productive Asset Write-off Provision (PPAP) at PT BPRS Puduarta Insani are generally in accordance with the provisions regulated in POJK No. 33/POJK.03/2018 and the principles in the theory of the Productive Asset Valuation System (SPA). Bank BPRS Puduarta Insani has classified assets based on their collectibility levels, namely performing, special mention, substandard, doubtful, and loss, as stipulated by OJK. This demonstrates adherence to the prudential banking principle in managing productive assets. However, the research findings also revealed that the Non Performing Financing (NPF) ratio reached 37%, far above the healthy limit set by OJK, which is 5%. This figure indicates that the implementation of the prudential banking principle has not been fully effective in

practice, as there are still weaknesses in the financing feasibility analysis process and customer supervision, leading to a high level of problematic financing. From the perspective of reserve policy, PT BPRS Puduarta Insani has consistently formed general and specific PPAP and has seen an increase each year. The increase reflects the proactive steps taken by management to strengthen capital resilience and anticipate potential losses due to problematic financing. This is in line with the SPA theory, which emphasizes the importance of risk reserves to maintain the financial stability of the bank. However, the formation of large PPAPs also impacts profitability because most of the profits are allocated to loss reserves. This condition illustrates a dilemma between maintaining stability and pursuing financial efficiency. Overall, this research emphasizes that PT BPRS Puduarta Insani has implemented the provisions of POJK 33/2018 well in formal and administrative terms, but the effectiveness of the implementation in the field still needs to be improved through enhancements in the financing analysis system, risk supervision, and financing restructuring strategies so that the quality of productive assets and the bank's financial performance can be more optimal in the future.

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