

Legal Analysis of Bank Compliance in Implementing the Principle of Prudence in Credit with Trade Receivables Fiduciary Guarantee



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ABSTRACT: The prudential principle is a fundamental pillar in maintaining the stability and security of bank finances, especially in the distribution of credit with fiduciary guarantees for trade receivables. Credit secured by trade receivables has special characteristics that require a more in-depth risk evaluation, given the intangible nature of receivables and dependence on the ability of third parties to pay. This study discusses how the prudential principle is applied by banks in the process of creditworthiness analysis, assessing the quality of trade receivables as collateral, and managing related risks, including liquidity, default, and legal risks. In addition, this study highlights the importance of fiduciary registration and complete legal documentation to protect banks from potential legal disputes and ensure effective collateral execution in the event of default. By implementing strict prudential principles and comprehensive risk management, banks can minimize the risks associated with the distribution of credit guaranteed by fiduciary on trade receivables, thereby maintaining their financial and operational stability.

KEYWORDS: Prudential principle, bank credit, fiduciary, trade receivables, credit risk.

I. INTRODUCTION

Banking credit is one of the important economic activities in the modern financial system. As an intermediary institution, banks channel funds from parties with excess liquidity (savers) to parties in need of funds (debtors). In short, banks play a central role in channelling credit to the community and the business world. However, credit distribution is also high risk, especially related to credit risk, where debtors fail to fulfil their obligations, which can cause bank losses.

To mitigate this, banks must apply the principle of prudence to minimize credit risk. This principle is regulated by various regulations, including Law No. 10 of 1998 concerning banking and the regulations of the Financial Services Authority (OJK). Banks are required to conduct adequate credit risk analysis before providing loans, including an assessment of the collateral submitted by the debtor.¹

In general, banks ask for collateral from debtors. One form of collateral that is often used by debtors in obtaining credit is fiduciary, where ownership of an asset is transferred to the creditor (bank). In contrast, the debtor retains control of the asset. Fiduciary collateral offers flexibility because it allows the debtor to retain control of the collateralized assets as long as they fulfil their obligations to the bank.

In Indonesia, Law No. 42 of 1999 concerning Fiduciary Collateral regulates the mechanisms and procedures for fiduciary collateral, including the use of trade receivables as collateral objects. Trade receivables are the right to demand payment from a third party for the sale of goods or services. Trade receivables are the right to demand payment from a third party for the sale of goods or services. Although trade receivables are valuable assets, their dynamic nature and vulnerability to changes in economic conditions require strict supervision from the bank to ensure that the collateral has adequate value. Although trade receivables are valuable assets, their dynamic nature and vulnerability to changes in economic conditions require strict supervision from the bank to ensure that the collateral has adequate value.

¹ Jatmiko Winarno, "Perlindungan Hukum Bagi Kreditur Pada Perjanjian Jaminan Fidusia," *Jurnal Independent* 1, no. 1 (2013): 44.

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The prudential principle in credit distribution is a fundamental basis that must be adhered to by banks to reduce potential credit risk. This principle is expressly regulated in Law No. 10 of 1998 concerning Amendments to Law No. 7 of 1992 concerning Banking, as well as in a number of regulations of Bank Indonesia and the Financial Services Authority (OJK). This principle requires banks to conduct a careful assessment of the debtor's risk profile, the quality of the collateral, and the debtor's ability to repay the loan. One of the main challenges in credit distribution with trade receivables fiduciary collateral is its more dynamic nature compared to physical collateral such as land or buildings. Trade receivables can change along with economic conditions, the company's cash flow, and the debtor's business performance. Therefore, banks must conduct a proper assessment of the value of trade receivables and monitor them periodically to ensure that the collateral is always sufficient. Law No. 42 of 1999 concerning Fiduciary Guarantees regulates the mechanism for the transfer of ownership rights through fiduciary means. However, it does not specifically regulate how banks should handle trade receivables as collateral; moreover, the execution procedures are quite complicated and need to be more rigidly regulated by law. Bank Indonesia has established regulations through PBI No. 13/23/PBI/2011 concerning the Principle of Prudence in Credit Distribution, which requires banks to assess and monitor collateral submitted by debtors, including trade receivables. However, over time, problems have arisen related to bank compliance in implementing the principle of prudence in the use of trade receivables as fiduciary collateral. Banks often do not conduct an in-depth analysis of the quality of the trade receivables that are pledged, which has the potential to create risks when the value of the receivables decreases or there is a default by the debtor. This not only has an impact on the contractual relationship between the bank and the debtor but also violates the rules set by the regulator regarding the principle of prudence.²

Bank Indonesia and the Financial Services Authority have issued various regulations requiring banks to periodically assess and monitor the quality of collateral, including collateral in the form of trade receivables. However, in practice, there are still many cases where banks still need to fulfil this obligation. Weak supervision of trade receivables as collateral often results in a decrease in the value of the collateral, which ultimately leads to losses for the bank if the debtor defaults or fails to pay.

This research is very important considering the increasingly complex economic developments, where trade receivables are one of the assets widely used as collateral in banking. Banks must have a strong supervision and monitoring system for fiduciary collateral in the form of trade receivables and ensure that the value of the receivables is sufficient to cover credit risk. Suppose the bank is negligent in implementing this prudential principle. In that case, it will not only harm the bank financially. However, it can also involve legal consequences, both in the context of civil and criminal law, if there is a violation of applicable regulations.

Furthermore, the Financial Services Authority (OJK), through POJK No. 40/POJK.03/2017, also emphasizes that banks must maintain a high level of compliance in mitigating credit risk with valid and monitored collateral. However, empirical data shows that there are a number of cases where banks fail to conduct adequate due diligence on collateralized trade receivables, resulting in non-performing loans and increasing the risk of default. Therefore, it is important to examine how banks comply with regulations and apply the principle of prudence in handling trade receivables as fiduciary collateral. This study aims to fill this gap by comprehensively reviewing the legal aspects related to bank compliance with the principle of prudence in distributing credit with fiduciary collateral in the form of trade receivables. This study will also review the effectiveness of existing regulations, as well as how banks should manage risk through the implementation of a stricter monitoring and evaluation system.

II. RESEARCH METHODS

The normative juridical approach is a method that analyzes ideas, conceptions, legal principles, and statutory rules pertaining to significant legal material in order to conduct research. This methodology is sometimes referred to as the bibliographic approach, which involves the examination of books, laws, regulations, and other relevant documents pertaining to the subject matter of the research. (Rony Hanitijo S, 1988)

Soerjono Soekanto and Sri Mamudji defined normative legal research or library legal research as the process of doing legal research solely by studying library materials or secondary data. (Soerjono Soekanto dan Sri Mamuji, 1985)

Furthermore, this study employs analytical descriptiveness, which entails doing research on legal principles for the purpose of describing normative juridical data obtained from library materials or library research. The utilization of normative approaches in the study of law involves the identification and conceptualization of law as a set of norms, rules, and regulations

² Nanang Tri Budiman and Supianto Supianto, "Penerapan Kebijakan Tentang Prinsip Kehati-Hatian Dalam Pemberian Kredit Perbankan," *Widya Yuridika* 3, no. 2 (2020): 327.

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that pertain to the sovereign authority of the State. The legal framework established by the State is deemed adequate in safeguarding the creator (novelist) of their creative work (novel) from actions that are perceived to pose a threat to their status as the rightful owner of moral and economic rights pertaining to the work. (Zainudin Ali, 2009)

III. LITERATURE REVIEW

1. Prudential Principle in Banking Credit Distribution

The prudential principle is a principle that must be applied by banks in every aspect of their operations, especially in credit distribution. This principle aims to ensure that the credit distributed does not pose uncontrolled risks and to maintain the stability of the bank and the financial system as a whole. In accordance with the provisions of Law No. 7 of 1992 concerning Banking, as amended by Law No. 10 of 1998, banks are required to apply the prudential principle in all aspects of their operations, especially in the credit provision process, in order to avoid the emergence of problematic loans (non-performing loans or NPLs).

In its application, the prudential principle includes an assessment of the debtor's risk profile, the quality of collateral, and periodic monitoring of credit that has been distributed. This principle aims to minimize the risk of loss arising from the debtor's inability to fulfil its obligations. Bank Indonesia, through PBI No. 13/23/PBI/2011 concerning the Principle of Prudence in Credit Distribution, stipulates that banks are required to conduct a comprehensive credit assessment of prospective debtors before providing loans, which includes an evaluation of the character, capacity, financial condition, collateral, and external economic conditions that may affect the debtor's ability to repay their debts. Banks are also required to conduct regular monitoring of credit that has been distributed to ensure debtor compliance with credit agreements and prevent problem loans. Cranston's (2002) research explains that the principle of prudence is an integral part of a bank's fiduciary obligations, which means that banks must act in good faith and in full compliance with regulations in protecting customer funds and the stability of the financial system. Hirtle (2007) emphasizes the importance of the principle of prudence in maintaining public trust in the banking system, which is one of the main factors in the sustainability of bank operations and macroeconomic stability. Violation of the principle of prudence can result in serious consequences, such as bank bankruptcy and financial crises, such as the subprime mortgage crisis in the United States in 2008.³

Theoretically, the principle of prudence in banking law is based on the concept of fiduciary duty, where banks, as institutions trusted by the public to manage third-party funds, are required to act carefully, thoroughly, and responsibly. This is in line with the view of Cranston (2002), who states that banking is an institution that must protect public trust by maintaining financial stability through the implementation of healthy and prudent credit policies. This principle also includes the obligation of banks to not only focus on profitability but also maintain systemic financial stability. In the context of Indonesia, Bank Indonesia, through Bank Indonesia Regulation No. 13/23/PBI/2011, establishes guidelines for banks to apply the principle of prudence in credit distribution. This regulation includes the credit assessment process, periodic monitoring of debtors, and the need for in-depth analysis of the guarantees provided by debtors, including trade receivables fiduciary. Mishkin and Eakins (2015) emphasize that one way to implement the principle of prudence is to minimize bank exposure to credit risk through credit diversification, the use of adequate collateral, and the careful assessment of the debtor's payment capacity.

2. Fiducia In Credit Guarantee

Fiduciary collateral is a popular form of banking collateral. In Indonesia, it is used to guarantee movable goods, including trade receivables.

According to Law No. 42 of 1999 concerning Fiduciary Collateral, fiduciary is the transfer of ownership rights of an object based on trust, where the object remains in the control of the debtor. Fiduciary collateral provides flexibility for debtors to maintain control of the collateralized assets because they can still manage and use the collateralized goods as long as their payment obligations to the bank are met. Meanwhile, creditors (banks) get priority rights to the assets in the event of default.

Research by Singarimbun (2020) revealed that fiduciary collateral has several advantages, including flexibility in asset management by debtors and efficiency in transferring rights to collateral. However, fiduciary collateral also has weaknesses, especially related to the lack of effective supervision by the bank of the collateralized assets, thus creating potential risks for creditors (banks) if the asset value decreases or the debtor fails to fulfil its obligations. This is supported by the findings of

³ HANI LISDIYANI, "IMPLEMENTASI JAMINAN FIDUSIA DALAM PEMBERIAN KREDIT DI BMT TAMZIS YOGYAKARTA," *Universitas Islam Negeri Sunan Kalijaga Yogyakarta* (Universitas Islam Negeri Sunan Kalijaga Yogyakarta, 2015).

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Harahap (2018), who highlighted that in many cases, the value of fiduciary collateral has decreased drastically because banks failed to conduct periodic assessments of the condition of the collateralized assets.⁴

Trade receivables as objects of fiduciary collateral have different characteristics compared to collateral in the form of fixed assets such as land or buildings. Trade receivables, as assets arising from debtor business transactions, are dynamic and are often vulnerable to changes in the economic and operational conditions of the debtor company. Therefore, banks must conduct in-depth due diligence to assess the quality of the collateralized trade receivables, as well as periodically monitor the financial condition of the debtor company to ensure that the receivables can be maintained in value.⁵

Fiduciary collateral is very important in banking, especially in terms of trade receivables, which are often used as collateral in credit transactions. Trade receivables have economic value because they represent the right to payment owned by the debtor for goods or services that have been provided. However, trade receivables have dynamic characteristics and depend on the debtor's business performance.⁶ This means that banks must be more careful in assessing and monitoring the quality of accounts receivable as collateral because their value can fluctuate and decrease along with the debtor's business conditions or general economic conditions.

The fiduciary system in Indonesia, as explained by Singarimbun (2020), needs to improve in terms of enforcing fiduciary rights because the supervision of collateralized assets is not carried out effectively by the bank. There are many cases where the value of collateralized assets has decreased drastically without strict supervision from the bank, which ultimately results in losses for the creditor. For this reason, stricter regulations and better supervision are needed to protect creditors' rights in the event of default by the debtor.

3. Trade Receivables as Fiduciary Collateral

Trade receivables are assets that are widely used as collateral in credit transactions because of their flexibility in collection. In Indonesian collateral law, trade receivables can be used as fiduciary objects because they are considered to have economic value. However, Harahap (2018) explains that trade receivables have weaknesses related to their fluctuating value, especially if the company experiences a decline in performance or there are economic problems that affect the company's ability to collect payments from third parties. Banks, as recipients of collateral, must carry out strict due diligence to assess the quality of trade receivables submitted as fiduciary collateral.

According to Handayani and Kurniawan (2021), the use of trade receivables as fiduciary collateral poses challenges for banks. This is due to fluctuations in the value of receivables, which can be influenced by market conditions, the smooth operation of the debtor company, and the ability of third parties to fulfill their obligations to the debtor. Therefore, the assessment of trade receivables as collateral must be carried out carefully, and banks need to periodically monitor changes in the condition of these receivables to ensure that the collateral value is always sufficient to cover the potential credit risk taken.⁷

Prasetyo's research (2019) shows that banks often face difficulties in evaluating and monitoring the quality of collateralized trade receivables, especially if the debtor has a broad and diverse portfolio of receivables.⁸ This requires banks to have a strong risk management system and an effective monitoring mechanism to manage the risks arising from the use of trade receivables as collateral. In addition, banks need to ensure that debtors have a good receivables management system, including clear procedures for collecting receivables from third parties. There needs to be a more effective strategy from banks in managing the risk of trade receivables as collateral, including by conducting regular monitoring and reassessment of the quality of collateralized receivables.

4. Legal Compliance in the Implementation of the Prudential Principle

Legal compliance in implementing the prudential principle is a key factor in maintaining the stability of the financial system and protecting creditors' rights. According to Prasetyo (2019), regulations governing the prudential principle have been quite

⁴ Muhammad Sabir and Rifka Tunnisa, "Jaminan Fidusia Dalam Transaksi Perbankan (Studi Komparatif Hukum Positif Dan Hukum Islam)," *Mazahibuna: Jurnal Perbandingan Mazhab* 2, no. 1 (2020): 80–97.

⁵ Ety Mulyati and Fajrina Aprilianti Dwiputri, "Prinsip Kehati-Hatian Dalam Menganalisis Jaminan Kebendaan Sebagai Pengaman Perjanjian Kredit Perbankan," *Acta Diurnal Jurnal Ilmu Hukum Kenotariatan dan ke-PPAT-an* 1, no. 2 (2018): 134.

⁶ Oktaria Travilta Eka, "Prinsip Mengenal Nasabah, Penerapan, Prinsip Kehati-Hatian, Lembaga Perbankan," *Perkembangan Hukum di Indonesia* (2018): 193.

⁷ Diah Pradhani Perwirasari and Zulfika Ikrardini, "Penerapan Prinsip Kehati-Hatian Dalam Penyaluran Kredit Usaha Rakyat Non Agunan Ditinjau Dari Sisi Hukum Perikatan," *Jurnal Dialektika Hukum* 2, no. 2 (2020): 148–172.

⁸ Fatma Paparang, "Implementasi Jaminan Fidusia Dalam Pemberian Kredit Di Indonesia," *Jurnal LPPM Bidang EkoSosBudKum* 1, no. 2 (2014): 56–70, <https://ejournal.unsrat.ac.id/index.php/lppmekosobudkum/article/view/7220>.

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adequate, but their implementation in the field still faces various challenges. Many banks do not comply with the provisions on periodic monitoring of collateral, including trade receivables, thereby increasing the risk of non-performing loans.

Bank Indonesia and the Financial Services Authority (OJK) have issued various regulations aimed at ensuring that banks implement the prudential principle in all their operational activities, including in the distribution of credit with fiduciary collateral. POJK No. 40/POJK.03/2017 emphasizes that banks are required to conduct adequate risk assessments of fiduciary collateral provided by debtors, including trade receivables, and ensure that the value of the collateral is always sufficient to cover potential losses that may arise from non-performing loans. Sari's research (2020) highlights that violations of the principle of prudence can result in legal problems, both in criminal and civil contexts, which can harm the bank financially and the reputation of the bank itself.

Prasetyo (2019) revealed that although the regulations governing the principle of prudence in banking have been quite comprehensive, their implementation in the field still needs to overcome various obstacles. Many banks do not fully comply with the provisions on periodic monitoring of fiduciary guarantees, including trade receivables, thus increasing the risk of non-performing loans. In addition, Sari (2020) stated that the lack of legal awareness among banks about the importance of periodic monitoring and evaluation of fiduciary guarantees is often the main cause of legal problems and non-performing loans.

Violations of the principle of prudence can not only cause financial losses for banks but also have the potential to cause serious legal consequences, both in civil and criminal contexts. Research by Nugroho (2022) shows that violations of the principle of prudence can be categorized as negligence or default, which can lead to lawsuits from debtors or customers. Therefore, banks need to ensure that all credit distribution procedures with fiduciary guarantees, including trade receivables, are in accordance with applicable legal provisions.⁹

IV. DISCUSSION

1. Prudential Principle in Credit Distribution

The prudential principle is one of the main pillars of the banking system, which regulates how banks manage risk when distributing credit. In bank credit distribution, this principle aims to ensure that banks have a mechanism to identify, measure, manage, and mitigate risks that may arise. The prudential principle has been regulated in various regulations, such as Banking Law Number 10 of 1998 and POJK Number 18/POJK.03/2016 concerning the Implementation of Risk Management for Commercial Banks. The application of this principle is very important in maintaining the financial stability of banks, especially when facing the risk of default that can affect the bank's liquidity and solvency.

The prudential principle becomes increasingly relevant when providing credit with fiduciary guarantees for trade receivables. This is due to the nature of trade receivables as intangible collateral and fluctuations in value that depend on the financial condition of the third party (debtor of receivables). Unlike collateral in the form of physical assets, trade receivables require special handling and more in-depth evaluation to assess the risks.

2. Creditworthiness Analysis

One of the most important aspects of implementing the principle of prudence is conducting a comprehensive creditworthiness analysis. In providing credit with fiduciary collateral for trade receivables, banks not only assess the ability of the main debtor to repay the loan but must also assess the quality of the trade receivables used as collateral. This analysis process involves several stages, including:¹⁰

a) Evaluation of the Debtor's Financial Capacity

The bank must ensure that the debtor has adequate capacity to repay the credit. This is done by examining the debtor's financial statements, cash flow, and future income projections. This process aims to identify potential risks that may arise if the debtor's financial condition worsens. As part of the feasibility analysis, the bank must also consider the debtor's track record in making previous credit payments.

b) Assessment of the Quality of Trade Receivables as Collateral

Trade receivables used as fiduciary collateral must be assessed in depth for quality. The bank must evaluate whether the receivables are collectible, come from a debtor with good financial capacity, and have a clear maturity date. Accounts receivable are accounts receivable that originate from legitimate transactions, are recorded in valid documents, and have a trustworthy

⁹ HANI LISDIYANI, "IMPLEMENTASI JAMINAN FIDUSIA DALAM PEMBERIAN KREDIT DI BMT TAMZIS YOGYAKARTA."

¹⁰ Lastuti; Tri Handayani Abubakar, "Implementasi Prinsip Kehati-Hatian Melalui Kewajiban Penyusunan Dan Pelaksanaan Kebijakan Perkreditasi Atau Pembiayaan Bank," *Rechtidee* 13, no. 1 (2018): 62–81.

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third party. Banks must ensure that the accounts receivable are still active and have not matured in the near future. Unworthy accounts receivable or accounts receivable whose value is difficult to measure can increase the bank's credit risk.

c) Documentation and Legality of Accounts Receivable

As part of the application of the principle of prudence, banks must verify the validity of the documents supporting the accounts receivable. This documentation usually includes trade contracts, sales invoices, and proof of receipt of goods or services by third parties. If these documents are incomplete or invalid, the bank could face legal risks if the accounts receivable are disputed in the future. Therefore, the completeness of documents is one of the crucial elements in distributing credit with fiduciary guarantees.

d) Fiduciary Registration

As part of the principle of prudence, banks must also ensure that fiduciary guarantees for accounts receivable are registered at the Fiduciary Registration Office in accordance with the provisions of Law Number 42 of 1999 concerning Fiduciary Guarantees. This registration provides strong legal protection to the bank and makes it a preferred creditor in the event of default by the debtor. If the collateral is not registered, the bank could potentially lose its right to execute the trade receivables used as collateral.

3. Credit Risk Management

When distributing credit with fiduciary guarantees on trade receivables, banks face several main risks, namely liquidity risk, default risk, and legal risk. Effective credit risk management is crucial in managing these risks. OJK Regulation Number 18/POJK.03/2016 requires banks to implement comprehensive and systematic credit risk management, including for credit guaranteed by fiduciaries.¹¹

a) Trade Receivables Liquidity Risk

Trade receivables are intangible and illiquid. These receivables depend on the ability of the debtor (third party) to make timely payments. If the debtor fails to fulfill their obligations, the bank may have difficulty converting the receivables into cash. Therefore, banks need to periodically monitor the receivables used as collateral, ensuring that the receivables are still collectible and in a safe condition.

b) Risk of Default of the Main Debtor

The risk of default from the main debtor is always present in every credit distribution. In this scenario, fiduciary guarantees on trade receivables serve as an additional protection mechanism for the bank. However, the bank must be careful in assessing whether the value of the trade receivables is sufficient to cover the amount of credit provided in the event of default.

c) Legal Risk

Legal risk can arise if there is a dispute regarding the validity of the receivables or if the fiduciary registration process needs to be carried out properly. Therefore, the bank must ensure that all legal documents related to trade receivables have met the requirements stipulated in the legislation. In addition, the bank needs to comply with every provision stipulated in the Fiduciary Guarantee Law to strengthen its position as a fiduciary recipient.

4. Execution of Fiduciary Guarantee

If a default occurs, the bank, as the fiduciary recipient, has the right to execute the trade receivables used as collateral. This execution process is regulated in Article 15 of Law Number 42 of 1999 concerning Fiduciary Guarantees, which gives the fiduciary recipient the right to collect or sell the trade receivables that are used as collateral. Execution can be done through:

a) Direct Collection from the Debtor of Accounts Receivable

If the main debtor fails to pay off his credit, the bank has the right to collect directly from the debtor of the accounts receivable used as collateral. In this case, the bank will replace the position of the main debtor as the party that has the rights to the accounts receivable. However, the bank must ensure that the accounts receivable debtor has the financial ability to pay the accounts receivable.

b) Sale of Accounts Receivable

If direct collection is not possible, the bank can sell accounts receivable to a third party. This sale can be done through auction or private negotiation. The proceeds from the sale of accounts receivable will be used to pay off the credit that has been given to the main debtor. However, the sale of accounts receivable often faces challenges, especially if the value of the accounts receivable is difficult to determine or if there is a risk that the accounts receivable cannot be collected in full.

The main obstacle in executing fiduciary guarantees on accounts receivable is related to the validity of the accounts receivable and the legal process that must be followed. If the accounts receivable do not have valid supporting documents, the

¹¹ Budiman and Supianto, "Penerapan Kebijakan Tentang Prinsip Kehati-Hatian Dalam Pemberian Kredit Perbankan."

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bank can face lawsuits from third parties who claim rights to the accounts receivable. Therefore, fiduciary registration and the completeness of legal documents are key factors in ensuring that the execution process runs seamlessly.

V. CONCLUSION

The principle of prudence in distributing bank credit with fiduciary collateral for trade receivables is an important foundation in maintaining the operational stability and financial security of banks. Trade receivables, as intangible collateral, require a more careful approach in the credit analysis and risk management process. In this case, banks must conduct a comprehensive evaluation of the debtor's creditworthiness, the quality of trade receivables, and compliance with applicable legal regulations, including registration of fiduciary collateral.

The main risks faced in distributing credit with fiduciary collateral for trade receivables include liquidity risk, default risk, and legal risk. Therefore, banks need to implement systematic and sustainable credit risk management. Banks must also periodically monitor the trade receivables used as collateral to ensure that the receivables are still collectible and in good condition.

Fiduciary registration, as one of the legal requirements, provides strong legal protection to banks and ensures that banks have priority in terms of executing receivables in the event of default by the debtor. In addition, the completeness of legal documents supporting trade receivables is very important to avoid disputes in the future, which can result in financial and legal losses for the bank. By consistently applying the principle of prudence, conducting a comprehensive creditworthiness analysis, and complying with all applicable legal provisions, banks can minimize the credit risks that arise. This will not only increase the trust of debtors and shareholders but will also strengthen the overall financial health of the bank, ensuring that the bank is able to overcome various challenges in a dynamic and risky business environment.

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