

Legal Protection Against Execution Dependent Rights In Conventional Banks

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Legal Protection Against Execution Dependent Rights In Conventional Banks

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Abstract. Legal Protection for the Implementation of Execution of Dependent Rights in Conventional Banks, which includes Research Objectives. For legal protection of the mechanism for the execution of the right of dependency in the return of debtors to the convention bank. Analyze the settlement of cases against bad debtors' assets to traditional banks and the execution of dependant rights in the process of loan repayment. How far studies on dependent rights execution in traditional banks have gone in terms of legal protections. Procedures for Conducting Studies The studies utilized are of a legal normative type. The study's findings Law 49/Prp of 1960, pertaining to the State Receivables Affairs Committee (PUPN Law), protects the right of dependents to the return of debts owed by government commercial banks. It is the responsibility of the State Receivables Affairs Committee ("PUPN"), established by law, to oversee the administration of all State Receivables. The execution of dependent rights in the return of debtors' assets to traditional banks and the settlement of bad credit cases were both inefficient and unsuccessful because, in reality, they could not recover the debts owed by the debtors. In summary Compared to the value of new bad credit cases submitted by traditional banks, the realization of receipts from the process of executing the right of dependency every year is significantly lower. As a result, the State Receivables and Auction Service Office (henceforth KP2LN) takes over the handling of receivables from traditional banks.

Keywords: Protection, Execution of Dependent Rights of Conventional Banks

1. INTRODUCTION

Background of Writing

New data from Indonesia's economy reveals a correlation between expanding bank lending and a thriving economy. According to Tony A. Prasetyantono, chief economist at BNI, the ratio of lending growth to GDP growth has been trending upwards over the last several years. Forecasts indicate that bank loans can only expand by 20%, which means they can only sustain 5% economic growth. This is because the banking sector is expected to rein in the expansion of non-performing loans (NPLs), which are expected to keep rising, and the number of companies having their performance disrupted by the global crisis is increasing

This is the legal arrangement that governs the relationship between the creditor, who is the money lender, and the debtor, who is the one receiving the loan. It is outlined in the *Burgherlijk Wetboek*, Book II¹⁸ of the Civil Code. Specifically, it is the legal arrangement that governs the Loan and Loan Agreement, which is governed by Article 1320 of the Civil Code and Articles 1754 to 1773 of the Civil Code¹⁸

The guarantee is subject to the provisions on Dependent Rights as stated in the Law on Ro. 4 of 1996 concerning Dependent Rights on Land and Land-Related Objects¹⁷ if, as part of the debt and receivables legal relationship, the debtor offers land or objects related to land as collateral. Furthermore, as it pertains to land rights and the recording of encumbrances on³

land rights through Dependent Rights at the Land Office, it is also connected to the provisions of Law No. 5 of 1960, which deals with the Fundamental Provisions of Agrarian Affairs

Thus, upon repayment or other termination of the principal agreement, the Dependent Rights shall be null and void. There are four factors that lead to the elimination of the Right of Dependency, as stated in Article 18 of the UUHT :

- a. Cancellation of debts that are amin with the Right of Dependency;
- b. Release of the Right of Dependency by the holder of the Right of Dependency;
- c. Clearing of Dependent Rights based on the determination of the rank by the Chief of the District Court;
- d. Abolition of land rights encumbered by Dependent Rights.

Related to the reality in the implementation of the No Law. 4 of 1996 concerning Dependent Rights on Land and Objects Related to Land which is contrary to the meaning of a Grosse Deed of Dependent Rights which has the executory force mentioned above, this study is expected to obtain conclusions to provide corrections or additions to the UUHT or to issue implementation provisions so that the public can obtain more legal certainty.

Problem Formulation

1. What is the legal protection of the mechanism for the execution of the right of dependency in the return of debtors to the convention bank?
2. How to resolve cases against bad loans and the implementation of the execution of dependent rights in the return of debtors' assets to conventional banks?

Research Objectives

1. To find out and analyze and explain how the legal protection of the mechanism for the execution of the right of dependency in the return of debtors to the convention bank.
2. To find out and analyze how to resolve cases against bad loans and the implementation of the execution of dependent rights in the return of debtors' assets to Conventional Banks.

Theoretical and conceptual framework

The theory of natural law, or the flow of natural law, is where the theory of legal protection first emerged, according to Fitzgerald, as cited by Satjipto Raharjo. Zeno, a follower of Plato's, Aristotle, and Plato himself were the driving forces behind this school. There should be no distinction between law and morality, according to proponents of the natural law school, who hold that God, who is both everlasting and universal, is the source of all law. Law and morality, according to this school's supporters, are both an internal and an exterior reflection of and rule for human life.

Since protecting one set of interests in a traffic of interests requires restricting another set of interests, Fitzgerald outlined Salmond's theory of legal protection, which holds that the purpose of law is to integrate and coordinate society's varied interests. Human rights and interests are the primary focus of the legal system, which is why the rule of law is supreme in deciding which human interests require regulation and protection

A community's legal regulations are an agreement among its members to govern the conduct of individuals within the community and between those members and the government, which is seen as representing the community's interests. Legal protection must consider both of these stages.

Despite the fact that the Right of Dependency appears to offer creditors ideal legal protection (as stated earlier), the kreditor still faces numerous legal problems when putting these principles into practice in the community, specifically in the District Court. As a result, the Right of Dependency execution process, which was anticipated to be quick and efficient, ends up taking a long time and sometimes doesn't even happen.

Creditors typically favor material guarantee agreements over individual guarantee agreements. This is due to the fact that the former clearly outline the objects bound by the agreement, which serves to forestall future bad loans by providing a certainty of debt repayment. Creditors favor material assurances because they have the following features:

- a. Defensible to anyone;
- b. Following the object wherever it is located (droit de suite);
- c. Having the right of precedence (droit de preference);
- d. Transferable, and
- e. Contains the principle of specialization.

Article 20 of the Law on No. 4 In 1996, it has been clearly stated that the object of the Right of Dependency in the sale of the object of the Right of Dependency can be done by:

- a. The individual with the Right of Dependency can contact the Chief Justice of the District Court under Article 224 of the HIR to request the execution of the Memorandum of Dependent Rights, which is named "For Justice Based on the One Godhead" and has permanent legal effect.
- b. The property rights held by the bond's owner are sold by the dependent right's holder
- c. With the consent of both the Debtor (who grants the Right of Dependency) and the Creditor (who holds the Right of Dependency), the Debtor may sell the item of the Right of Dependency by hand rather than through a public auction.

According to Heru Soeprapto, the provisions of Article 20 mentioned above, provide certainty for the banking sector if the debtor is injured in the promise by providing the possibility and convenience for the implementation of the execution parate as stipulated in Article 224 of the HIR.

Through the title of execution as mentioned above, the issue of speed of time in executing the guarantee should no longer be an obstacle. This means that the holding of the Dependent Rights, especially banks, are given the right to auction the object of the Dependent Rights without going through complicated, convoluted and time-consuming procedures. This is a positive development in the execution of the collateralized object.

But it should also be remembered that the law in this case Law 4 of 1996 should not only pay attention to the interests of creditors. Protection is also given in a balanced manner to the Debtor, even to third parties whose interests can be affected by the way the debtors and debtors are settled, in the event that the debtor defaults on the promise, especially other Creditors and the party who buys the object used as collateral.

2. METHODS

Details of the Study This study is a descriptive analysis of normative legal research; that is, it details the current state of affairs regarding the execution of the Right of Dependents' credit guarantee in the District Court. The next section provides an overview of the topic by reviewing the relevant legislation, current theories about the Law of Guarantees and Alliances, and expert opinions with the goal of elucidating the key issues to be addressed in the following sections.

Methodology Approach The approach that was used is known as the normative juridical method, and it involves researching based on secondary sources, specifically looking at laws and regulations that pertain to the implementation of credit guarantee for Tanggungan Rights in the District Court, and particularly positive legal principles derived from literature.

Primary legal materials consist of binding documents such as constitutional amendments and trademark laws, while secondary legal materials provide explanations and analysis, such as legal literature and journals. Tertiary legal materials provide additional guidance, such as dictionaries and legal reference materials (Mustomi et al., 2024).

3. RESULTS

Legal Protection Against the Execution of Dependent Rights

Banking Institutions' Legal Security in the Event That Dependent Rights' Purpose Is Not Realized In terms of community legal protection, there are two main approaches: the first is preventative, with the goal of avoiding disputes, and the second is repressive, with the goal of resolving disputes that have already arisen after the government has made a decision that some groups of people refuse to accept.

If the auction of the second-ranked item of dependent rights cannot be carried out, the author outlines many alternative efforts that banks, as holders of second-rank dependent rights, can make in the research detailed in the preceding sub-chapter. These efforts include:
a. Executive Orders After dealing with the business of selling under the hands or authority alone, one last option is to apply to the Chairman of the Court for the execution of the object of dependent rights.

Banks frequently employ this strategy, despite the fact that it is a last resort. Based on the executory title included in the certificate of dependent rights, the Bank (creditor) will typically approach the District Court to execute the Dependent Rights in the event that the debtor defaults on the promise.

One reason this approach is superior than litigation is that it saves time and money by eliminating the need to wait for that lengthy and costly procedure. After receiving authorization from the Chief of the District Court, the Auction Office can carry out fiat execution, which is one method of exercising the right of dependency.

This type of execution differs from execution by parate, which the creditor can initiate directly without seeking a decision or fiat execution from the District Court Chief. Therefore, the Chief Justice of the District Court must issue a specific permit for a Fiat execution to take place.

The District Court need only review the ascertained formal requirements with respect to the fiat execution application.¹⁰ The Auction Office holds an auction to sell the item in question, based on the fiat execution, after which an auction sales warrant is issued

By taking on the role of either an auctioneer or an applicant before the Auction Office, which represents creditors and determines auction terms, ⁵the Chief Justice of the District Court can participate in this process. The public sale (auction) cannot take place unless two separate announcements are made in the newspaper during a fifteen-day period (Article 200 paragraph (7) Herziene Indsland Reglement, H.I.R.). It is still possible for the debtor to pay off his debts, fees, and interest before the auction notification is made (Article 20, paragraph 5, of the Law on Dependent Rights and its Explanation).

By taking on the role of either an auctioneer or an applicant before the Auction Office, which represents creditors and determines auction terms, ⁵the Chief Justice of the District Court can participate in this process. The public sale (auction) cannot take place unless two separate announcements are made in the newspaper during a fifteen-day period (Article 200 paragraph (7) Herziene Indsland Reglement, H.I.R.). It is still possible for the debtor to pay off his debts, fees, and interest before the auction notification is made (Article 20, paragraph 5, of the Law on Dependent Rights and its Explanation), but the debtor's debt is still his obligation to be fulfilled. However, the fulfillment of the debt is no longer guaranteed by a special difference guarantee, but guaranteed by a general guarantee as referred to in the provisions of Article 1131 and Article 1132 BW. Fiat execution also has obstacles, namely relatively high cost constraints, in the process it sometimes takes a long time, often lawsuits/rebuttals are filed from debtors or third parties.

Furthermore, the District Court occasionally suspends the emptying, making it difficult for purchasers to remove ⁴the object of the Dependent Rights acquired at the public sale (auction). To sum up, the difficulty in finding an interested auction bidder or buyers is a common problem.¹³ Financial Reorganization The Bankruptcy Law, which provides for the ⁷"General confiscation of all assets of bankruptcy debtors whose management and settlement are carried out by the curator under the supervision of the supervising judge as regulated in this Law," states, as per Article 1 number 1, that "the Bankruptcy Law" (now abbreviated as the Bankruptcy Law) takes effect.

⁸"Bankruptcy is a court decision that causes a general seizure of all assets of bankruptcy debtors, both existing and those that will exist in the future," adds M. Hadi Subhan. While the Bankruptcy Law's definition of bankruptcy does reveal the broad confiscation of the debtor's assets, it does not reveal the core of bankruptcy itself.

Characteristics and principles of bankruptcy reveal its status as an atypical collection endeavor (oneigenlijke incassoprocedures). Bankruptcy is unique, according to Wessels, who is cited once again by Legal Protection for 434 Hadi Subhan, because it is a tool to coerce the debtor into paying off their commitments.

Procedures for Granting Credit to Conventional Banks

In providing credit to debtors, Conventional Banks implement activity procedures that must be obeyed by debtors which include credit application until repayment. The procedure for granting credit to a Conventional Bank includes:

Credit analysis is a process of activities in order to determine the quality of credit provided and for this purpose the necessary facilities and data needed for sound credit decision-making must be prepared, the steps of Conventional Banks in implementing credit analysis are:

- a. Data Collection, including: (1) Preparing a data collection plan, (2) Carrying out data collection, (3) Conducting data selection
- b. Data Verification, including: (1) Conducting local checks on customers, (2) Requesting information from Bank Indonesia or other banks, (3) Checking with buyers, competitor suppliers.
- c. Financial Analysis and other aspects: (1) Ratio Analysis, (2) Capital and Fixed Asset Reconciliation Analysis, (3) Cash Procurement Statement Analysis, (4) Risk Analysis, (5) Other Aspects Analysis, including general, management, technical, purchasing, production, marketing and other aspects.
- d. Analysis of Financial Projections in the form of cash flow and working capital turnover methods, evaluation of financial needs for: (1) Investment Loans and Small Medium Loans (KMK) with a ceiling above Rp.500 million using cash flow, (2) KMK up to a ceiling of Rp.500 million using the work turnover method, (3) Construction Loans can use these two methods by taking into account the reasonable needs of the project stages outside of tax.
- e. Credit Facility Structure, including: (1) Determining the type of credit to be given, (2) Determining the collateral and its binding and insurance closure, (3) Determining the credit conditions.

f. Technical Credit Analysis

Every application that has met the requirements must be analyzed in writing, with the principle of:

1. the Credit BPP specifies the structure, format, and level of detail for handling credit reports,
2. Credit analysis needs to explain the idea of the whole connection between credit applications,
3. including borrowing from other financial institutions, For credit analysis to be done properly, accurately, and impartially, it must contain:
 - a. Discuss the company and applicant details in detail, including any findings from the analysis of the bad debt list,
 - b. Looking for signs of markup practices that could hurt the bank in relation to the amount of credit applications with projects or business operations that need funding
 - c. Give a fair evaluation free from bias, as no one has a vested interest in the outcome of the credit application. The purpose of a credit analysis should not be merely to complete the necessary paperwork for a loan.
 - d. Instead, it should involve evaluating the debtor's ²²character, ability, capital, collateral, and business prospects as well as the applicant's business results and the legal aspects of the loan to identify potential risks to the bank,
 - e. In providing syndicated credit, credit analysis divided by banks that are members of the syndicate must also include an assessment of the bank acting as the parent bank

Credit approval is given if it meets the following requirements:

- 1) Completeness of Documents Credit approval must at least pay attention to the following: (1) A written credit application is required before the bank will extend credit. Everything from requests for adjustments to credit standards to new credit, term extensions, more credit, and so on falls under this category. (2) Ensuring the correctness of the data and information supplied in the credit application is the bank's responsibility. (3) The credit application must be comprehensive and adhere to the bank's standards, including its credit history at other banks.

2) Credit Approval Process

- a. Credit approval as a decision from the Credit Decision Group (KPK) to place funds in risky activities, and the credit has gone through a comprehensive analysis process guided by healthy prudential principles (prudential principles) in accordance with applicable provisions.
- b. Credit that has been approved is notified to the customer through a Credit Decision Letter (SKK) and then a credit agreement (credit agreement) is made. Total Relationship Concept Credit approval is not solely based when evaluating a single transaction or credit account application, but in the context of the credit analyst's evaluation of all credits extended to the applicant at the same time by the bank.

3) Credit Approval Authority Limits

- a. Credit granting limits must be through a decision of the Board of Directors or other provisions.
- b. Every credit grant must receive approval from an official who is authorized to decide on credit and must be done in writing.

4) Responsibilities of the Credit Decision Officer The Credit Decision Officer in the KPK member must have the following responsibilities:

- a. rejection that the credit given is in accordance with the principle of prudence and the principles of healthy credit and is guided by the Company's Book in the credit sector
- b. Credit granting is based on an honest, objective, careful and thorough assessment and the belief that the credit will be repaid on time.

5) Credit Approval Recommendations Credit approval recommendations must be prepared in writing based on the results of the credit analysis that has been carried out. And the contents of the recommendation must be clear with the conclusion of the credit analysis.

6) Credit Agreement

- a. Every credit that has been approved and approved by the applicant must be made in a written credit agreement (Credit Agreement) in accordance with the format applicable in the bank, by considering the following matters; fulfilling the validity and legal requirements that can protect the interests of the bank and containing the nominal credit, repayment period and other credit requirements.

- b. Every credit provision with the total amount of customers or per group is made by a notary deed and for more detailed provisions are made separately.
- 7) Disbursement or Withdrawal of Credit Disbursement/withdrawal of approved credit must be based on the principle of prudence that all requirements set out in the SKK and credit agreement have been met by the credit application between the binding of collateral must meet the legal requirements and interests of the bank and closing with credit insurance between the binding of collateral must meet the legal requirements and interests of the bank and closing with credit insurance banker clause, and must obtain the approval of the appointed official.

Credit Restructuring and Non-Restructuring Policies in Conventional Banks

Settlement of problematic credit and written-off credit, separates policies into two categories, specifically: First, there's the Credit Restructuring Policy, which is how traditional banks deal with groups of borrowers who are still intending to pay and have potential for future business. Members of Group II are subject to the Non-Credit Restructuring policy, which applies to debtors who fall into one of three categories: (1) still intend to pay but no business prospects exist; (2) not intend to pay but have business prospects; or (3) not intend to pay and no business prospects exist. Here we may see examples of both the credit restructuring and non-credit restructuring programs in action:

1. Credit Restructuring Policy Bank Indonesia's Credit Restructuring Policy is governed by Decree 31/150/KEP/DIR, dated November 12, 1998, issued by the Board of Directors of Bank Indonesia. Credit Restructuring is an effort by the Bank to help debtors fulfill their obligations. It involves a number of measures, including but not limited to: (a) lowering interest rates, (b) reducing arrears, (c) lowering principal arrears, (c) extending the credit term, (e) adding credit facilities, (f) taking over debtor assets as per relevant provisions, and (g) converting credit conventions into a temporary capital participation in the debtor company.

Participation is temporary capital participation in the debtor company to overcome the consequences of credit failure. Credit Restructuring can only be carried out on debtors who still have good business prospects and have or are expected to experience difficulties in paying principal and/or credit interest.

The classification of credit quality after Restructuring is determined as follows:

- a. The highest is less than smooth for credit that before restructuring was classified as doubtful or bad,
- b. The quality does not change for credit that before restructuring was classified as smooth, under special attention or less smooth.

The restructured credit can then be changed to:

- a. Current, if there are no arrears in principal and interest installments for 3 (three) payments and as soon as possible within 3 (three) months,
- b. Credit Quality before restructuring or actually worse, if it cannot meet the two criteria above and/or the terms and conditions in the credit restructuring agreement.

2. Non-Restructuring Credit Policy

This policy is regulated based on the Decree of the Board of Directors of Conventional Banks Number 90 of 2003 concerning the Company Guidelines for Settlement of Non-Restructuring Credit. The scope of the Non-Restructuring Credit policy is to settle the obligations of debtors listed in group II and other debtors consisting of: (a) Problematic credit (on balance sheet) that is not approved for restructuring, (b) Problematic credit (on balance sheet) that fails after being restructured.

Implementation of credit settlement through the Non-Credit Restructuring policy is carried out in two ways:

- a) Settlement by internal banks carried out by: (1) collection through a summons process, and negotiations accompanied by complementary data based on local reviews, (2) sale of collateral with the consent of the debtor and/or collateral owner, and, (3) through novation.
- b) Settlement by external banks through submission to the Directorate General of State Receivables and Auctions (Dirjen PLN) cq State Receivables and Auction Service Office (KP2LN), settlement through the courts, settlement through the Arbitration Board or using the services of other parties that do not violate legal provisions.

The various settlement alternatives in the Non-Credit Restructuring policy are explained as follows:

a. Collection

Collection is carried out through a summons process, and negotiations accompanied by complementary data based on local reviews. Through this collection process, it is expected that debtors will settle their liabilities to Conventional Banks.

b. Sale/Auction of Collateral.

If in a non-credit restructuring program, the sale of collateral is chosen as an alternative, the procedure is relatively simple. The creditor, in this case a Conventional Bank, with the debtor's consent, appoints a buyer and if there is an agreement on the price, the collateral sales process can be carried out.

c. Novation (Debt Renewal)

Novation is a debt renewal policy, in particular, a revised policy that does away with the previous agreement while simultaneously drafting a new one to take its place. Credit rescue's novation policy is based on Articles 1423–1424 of the Civil Code (KUHPperdata), which govern three distinct forms of novation: objective novation, active subjective novation, and passive subjective novation.

Objective novation is a debt renewal where the position of the creditor and debtor remains/does not change, but the creditor and debtor only agree to change the contents or object of the agreement. For example, a debtor who is required to pay debt with money is replaced by paying the debt by handing over to the debtor the credit collateral goods/objects or non-collateral goods in the form of a house or office building or building or other objects.

Active subjective novation is debt renewal by replacing old creditors with new creditors. Old creditors as the party who owns receivables can transfer their receivables to new creditors so that new creditors have the right to collect their receivables from debtors along with existing collateral rights.

Passive Subjective Novation, namely debt renewal by replacing old debtors with new debtors. Old debtors as the party who owes on the debtor's own initiative or the initiative of their creditors can transfer to investors as new debtors. By replacing old debtors with new debtors, it means freeing old debtors

from the obligation to pay their debts to creditors. Passive Subjective Novation is also called debtor transfer.

3. Execution of Mortgage Rights Through External Institutions of the State Receivables and Auction Service Office (KP2LN) ²³

⁶ The external Non-Credit Restructuring Policy is based on Law No. 49 1 Prp. 1960 Concerning the Committee for State Receivables Affairs, where Conventional Banks handed over the problem loans they faced to KP2LN IV Jakarta for Execution of their Mortgage Rights. The settlement procedure via KP2LN is:

- a. The Receivables Submitter (PP), in this case a Conventional Bank, submits the problematic credit it handles to KP2LN.
- b. KP2LN issues a State Receivables Management Acceptance Letter (SP3N) stating the acceptance of the transfer of State Receivables management from the Receivables Submitter.
- c. KP2LN takes the following steps: (a) Summoning the debtor starting from the 1st and 2nd summons, (b) examining the Collateral, (c) Blocking the Collateral/Assets of the Debt Guarantor (PH) or Debt Guarantor (PjH), (d) Preventing the Debtor from traveling abroad.
- d. If the debtor does not comply or refuses the summons, meaning refusing to make a Joint Statement (PB), then KP2LN issues a State Receivables Amount Determination Letter (PJPN), namely a determination letter containing the amount of debt that must be paid by the Debt Guarantor. This letter is a letter of compulsion or a letter of seizure containing an order to sell confiscated goods to be auctioned against the collateral. If the auction proceeds are sufficient to repay the debt, then the debtor's liability is paid off. If the auction sale of the collateral is not sufficient for the debt that is borne by them, then the debtor is faced with two PSBDT alternatives or being held hostage.
- e. If the debtor complies with the summons, a Joint Statement (PB) is made, namely an agreement between the chairman of the Branch Committee and the Debt Insurer regarding the amount of debt that must be repaid, methods of settlement and sanctions. If PH complies with PB, it means that it has paid off its debt. However, if PH does not comply with the PB, then KP2LN issues a forced letter or confiscation letter containing an

order to sell the confiscated goods for auction of the collateral. If the auction proceeds are sufficient to repay the debt, then the debtor's liability is paid off. If the auction sale of the collateral is not sufficient for the debt that is borne by them, then the debtor is faced with two alternatives: PSBDT or being held hostage.

The administration costs (BIAD) for managing problem loans through KP2LN are:

- a. Debt repayment prior to the issuance of SP3N and the return of State Receivables Management to creditors are not subject to BIAD;
- b. Debt repayment less than 3 (three) months from the issuance of SP3N is subject to a BIAD of 1% of the amount of debt that must be repaid;
- c. Debt repayment more than 3 (three) months from the issuance of SP3N is subject to a BIAD of 10% of the amount of debt that must be repaid;
- d. Withdrawals from processing State Receivables are subject to a BIAD of 2.5% of the remaining debt that must be repaid.

If a problem credit is to be withdrawn from KP2LN, the Receivables Submitter goes through the following procedure:

- a. The Receivables Submitter submits a withdrawal request letter,
- b. KP2LN submits a letter of approval for the withdrawal/rejection letter;
- c. Payment of administration fees for the withdrawal of State Receivables Management within 14 (fourteen) days after the approval letter for the withdrawal of State Receivables processing is issued.
- d. SPPNS (completed State Receivables statement letter)

The liquidation of collateral by KP2LN is carried out in three ways, namely: (1) Auction Sale, (2) Non-Auction Sale, (3) Redemption. The process of selling collateral through auction as stated above, namely must go through a series of announcements to the public first.

The sale of collateral without auction is stated as follows:

1. The application is submitted by the PH (debt guarantor) in writing no later than 14 (fourteen) days before the auction is held;
2. If the PH dies, the application is submitted by the heir;
3. Approval is determined with the following provisions: (a) based on the valid appraisal report, (b) the value of the agreement is greater than or equal to the market value, (c) the market value is greater than or equal to the binding value.

4. If the market value is below the binding value of the sale, it can be implemented after obtaining approval from the debtor;
5. The value of the non-auction sale agreement that is determined includes the administrative costs of managing state receivables.

The sale of collateral through redemption is divided into two provisions. First, the mechanism for redemption of collateral whose value is equal to the binding value. Second, the mechanism for redemption of collateral whose value is below the binding value. The procedure for redemption whose value is equal to the binding value is:

1. Request for redemption is submitted by a Third Party as Debt Guarantor;
2. Applications can be submitted at all levels of management;
3. The determined redemption value plus administrative costs for managing state receivables;
4. Approval for redemption in the amount of the binding value is determined ³no later than 7 days after the redemption request letter is received;
5. Redemption payments can be made in cash or in installments.

Since the redemption request is received by KP2LN, a moratorium on legal action applies to the collateral to be redeemed

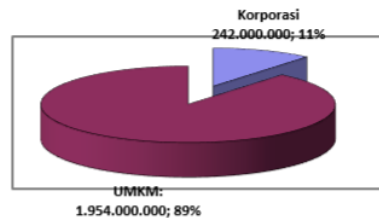
Handling Bad Loans in Conventional Banks

1. Realization of Conventional Bank Credit Distribution

Conventional Bank credit disbursements are allocated to two business scale categories, namely corporations and Micro, Small and Medium Enterprises (MSMEs). ⁶As a form of commitment to the development of the people's economy, and generally on a small-medium business scale, the largest percentage of Conventional Bank credit disbursements is allocated to Micro, Small and Medium Enterprises (MSMEs). This can be seen from the percentage of credit disbursements to the two categories in 2021 and 2022. In 2020, 89% (eighty-nine percent) of Conventional Bank credit disbursements with a value of IDR 1,954,000,000,000,- (one trillion nine hundred and fifty-four billion rupiah), from the total credit disbursed worth IDR 2,196,000,000,000, - (two trillion one hundred and ninety-six billion rupiah), was allocated to MSMEs. Meanwhile, for the corporate business scale, only 11% (eleven percent) was allocated, or IDR. 242,000,000,000,- (two hundred and forty two billion).

Figure 1
Comparison of Conventional Bank Credit Allocation between
Corporations and MSMEs in 2022

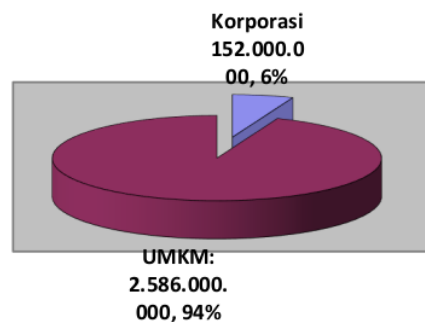
Credit Allocation in Conventional Banks in 2022



Sumber: Annual Report Bank Konvensional, diolah, 2022

The commitment to disburse credit to the MSME business group has increased in percentage in 2022, to 94% (ninety four percent) with a value of Rp. 2,586,000,000,000,- (two trillion five hundred eighty six billion rupiah), from the total credit disbursed of Rp. 2,738,000,000,000,- (two trillion seven hundred thirty eight billion rupiah). Meanwhile, the corporate business group only received 6% (six percent) with a value of Rp. 152,000,000,000,- (one hundred fifty two billion rupiah). See Figure 2

Figure 2
Comparison of Conventional Bank Credit Allocation Between Corporations and
MSMEs in 2022



Source: Annual Report of Conventional Banks, processed, 2012

The large percentage of credit allocation to MSMEs not only shows the commitment of Conventional Banks to micro and medium business groups. However, it also indicates the resilience of micro-medium business groups to various economic

turmoil, so that banks believe they will be able to repay their credit on time, if they are assisted in developing their businesses with capital.

The commitment of Conventional Banks in distributing credit to Micro, Small and Medium Business groups is more clearly seen in Figure 3. Over the past five years, credit distribution to MSME groups has shown an increasing graph. Meanwhile, credit distribution to corporate businesses has fluctuated, where in 2021 it actually decreased when compared to 2022.

4. CONCLUSION

These findings are derived from the preceding chapters' talks, data analysis, and examinations of the specified subject matter:

1. Law Number 49/Prp of 1960 concerning the Committee for State Receivables Affairs (PUPN) provides legal protection against the execution of the right of dependency in the repayment of debts of creditors of government/local government commercial banks. According to Yang Law, "state receivables" or "debts to the state" refer to the sum of money that, for whatever reason, must be paid to the state or entities controlled by the state, whether directly or indirectly.
2. In practice, PUPN/KP2LN was unable to return the debtor to the Conventional Bank through the Execution of the Right of Dependency mechanism in the optimal amount, thus rendering the settlement of bad credit cases and implementation of the execution of the right of dependency in the return of the debtor's assets ineffective and inefficient. In comparison to the value of new bad credit cases submitted by conventional banks to PUPN/KP2LN, the revenue realization from the implementation of the Right of Dependency each year is significantly lower.

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