



Consistency in The Application of Prudential Banking Principles in the Provision of Banking Credit Facilities: Efforts to Prevent Potential Fraud at State-Owned Banks

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Abstract: State-owned banks play a strategic role in maintaining national economic stability by collecting and distributing public funds. However, lending activities often face the risk of fraud, which can erode public trust and compromise the institution's integrity. This study examines the consistency of applying the principle of prudence in the credit-granting process at state-owned banks and its relevance in preventing fraud. The main issues raised are the continued existence of credit procedure irregularities and weak internal supervision, despite the principle of prudence being clearly regulated in banking regulations. This study aims to analyze how the consistent application of prudential banking principles can prevent potential fraud in the credit-granting process at state-owned banks. The research method employed was a normative juridical approach with a qualitative orientation, involving the collection and analysis of literature reviews through library research, supplemented by interviews with state-owned banks to support the research. The study's results show that fraud often occurs due to weak internal controls, a low culture of compliance, and limited technological infrastructure. The application of prudential banking principles combined with a Good Corporate Governance (GCG) framework, ISO 31000-based risk management, and the support of digital monitoring innovations such as audit trails and early warning systems is intended to strengthen credit risk control. The integration of these policies not only highlights the potential for irregularities but also ensures that credit decisions for prospective borrowers are made in a transparent, accountable manner and in accordance with prudent banking principles.

Keywords: Prudential Banking Principles, Fraud, Bank BUMN

Abstrak: Bank BUMN memiliki peranan strategis dalam menjaga stabilitas ekonomi nasional dengan penghimpunan dan penyaluran dana masyarakat. Namun, aktivitas pemberian kredit kerap menghadapi risiko terjadinya fraud yang dapat merusak kepercayaan publik dan merusak integrasi institusi itu sendiri. Penelitian ini mengkaji konsistensi penerapan prinsip kehati-hatian dalam proses pemberian kredit pada bank BUMN dan relevansinya dalam mencegah terjadinya fraud. Permasalahan utama yang diangkat yaitu masih ditemukannya penyimpangan prosedur kredit beserta lemahnya pengawasan internal walaupun prinsip kehati-hatian telah diatur jelas dalam regulasi perbankan. Penelitian ini bertujuan untuk menganalisis bagaimana konsistensi penerapan prudential banking principle mampu mencegah potensi fraud dalam proses pemberian kredit pada bank BUMN. Metode penelitian yang digunakan adalah yuridis normatif dengan pendekatan kualitatif yang mengumpulkan dan mempelajari literatur review melalui riset studi kepustakaan, yang dielaborasi wawancara dengan pihak bank BUMN sebagai penunjang penelitian. Hasil penelitian menunjukkan bahwa praktik fraud kerap terjadi karena lemahnya pengawasan internal, rendahnya budaya kepatuhan, dan keterbatasan infrastruktur teknologi. Penerapan prudential banking principle yang dikombinasikan dengan kerangka Good Corporate Governance (GCG), manajemen risiko berbasis ISO 31000, serta adanya dukungan inovasi pemantauan digital seperti audit trail dan early warning sistem diupayakan memperkuat pengendalian risiko kredit. Integrasi kebijakan tersebut tidak hanya menekankan peluang penyimpangan, namun dapat memastikan keputusan pemberian kredit kepada calon penerima kredit dapat dilaksanakan secara transparan, akuntabel, dan sesuai dengan prudential banking principles.

Kata Kunci: Prinsip Kehati-hatian, Fraud, Bank BUMN

A. Introduction

A country's economy is essential, especially in developing countries. Indonesia is a developing country with a rapidly growing population that requires state budget support. For this reason, an institution is needed that can facilitate the availability of funds or capital. One ideal platform is a financial institution that serves as a means of storing funds, ensuring their security, and generating income for the community, while also offering opportunities for fund owners to indirectly contribute to driving economic development.¹

Banks play a crucial role in Indonesia's economic development by facilitating investment and promoting economic growth through lending. In terms of importance, banks play a crucial role in improving people's welfare by financing start-ups until they grow and expand. To date, there are four state-owned banks in Indonesia, namely Bank

¹Debidatta Das Mohapatra, "Bridging the Gap in Rural Market: A Study on Technology Use by Banking and Insurance Sector," *European Journal of Business and Management* *Www.Iiste.Org* ISSN 4, no. 7 (2012); Nikola Stefanović, Tamara Đalić, and Jovana Vesić, "Managing Credit And Card Fraud Phenomena In The Banking System Of The Republic Of Serbia," *International Journal for Quality Research* 18, no. 1 (2024); Quang Huy Ngo, "Do Environmental Management Practices Mediate Institutional Pressures-Environmental Performance Relationship? Evidence from Vietnamese SMEs," *Heliyon* 9, no. 7 (2023); S. Nurjannah and Bambang Setiaji, "Law Enforcement On Sharia Compliance: A Case Study On The Murabahah Consumptive Financing Agreement Of Bank A Syariah," *Jurnal IUS Kajian Hukum Dan Keadilan* 9, no. 2 (2021).

Rakyat Indonesia (BRI), Bank Negara Indonesia (BNI), Bank Mandiri, and Bank Tabungan Negara (BTN). Based on Law of the Republic of Indonesia Number 1 of 2025 concerning State-Owned Enterprises, hereinafter referred to as SOEs, are business entities whose capital is wholly or largely owned by the state through direct participation originating from separated state assets.²

Based on Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking in Article 1 paragraph (2), which explicitly states that a bank is a business entity that collects funds from the public in the form of deposits and distributes them to the public in the form of credit and/or other forms in order to improve the standard of living of the people.³ Distributing it to the public means that banks provide loans (or credit) to people who need them. Loans or credit provided by banks are categorized into several types according to the preferences of the prospective borrowers. Of course, before the credit is granted by the bank, an in-depth assessment and analysis is carried out to determine whether the credit is feasible or not, in order to avoid losses due to the inability to repay the loan granted by the bank for various reasons, and to prevent the risk of fraud in granting credit.⁴

Banks conduct their business activities based on public trust, which is their main capital, grounded in the application of sound banking principles (Prudential Banking). The application of these principles of prudence is closely related to the function of banks as agents of trust, meaning that banks are obliged to protect the interests and trust of the public in conducting their business activities, as most of their funds come from public deposits.⁵ This aims to protect customer deposits in banks by providing security and generating a return on investment.

As is known, based on State-Owned Enterprises Law No. 1 of 2025, which restores state-owned enterprises to purely corporate entities, this must be done in good faith, carefully, not for personal gain (but for the benefit of the corporation), in accordance with the aims and objectives of the corporation, without any conflict of interest, and measures must be taken to prevent the occurrence or continuation of

²Law Number 1 of 2025 concerning State-Owned Enterprises (State Gazette of the Republic of Indonesia 2025 Number 25, Supplement to the State Gazette of the Republic of Indonesia Number 7097).

³Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia 1998 Number 182, Supplement to the State Gazette of the Republic of Indonesia Number 3790)

⁴Lyudmila Petryakova, "Prevention of Fraud in the Banking Sector," *Russian Journal of Criminology* 17, no. 4 (2023); Mohd Afjal, Aidin Salamzadeh, and Léo Paul Dana, "Financial Fraud and Credit Risk: Illicit Practices and Their Impact on Banking Stability," *Journal of Risk and Financial Management*, 2023.

⁵Emad Mohammad Al-Amaren, Che Thalbi Bt Md Ismail, and Mohd Zakhiri bin Md Nor, "The Fraud Rules in the Letter of Credit under Jordanian Legal System," *Sriwijaya Law Review* 5, no. 2 (2021); Mustika Prabaningrum Kusumawati, Ari Nur Rahman, and Panzi Aulia Rahman, "Implementation of Regulatory and Supervisory Policy Authority in the Establishment of Internal SOP Against Credit Fraud in Indonesian Banking," *Asia Pacific Fraud Journal* 6, no. 2 (2021); Hari Sutra Disemadi and Paramita Prananingtyas, "Perlindungan Hukum Terhadap Nasabah Perbankan Pengguna CRM (Cash Recycling Machine)," *Jurnal Magister Hukum Udayana (Udayana Master Law Journal)* 8, no. 3 (2019): 7.

losses to the corporation. ⁶However, there are still many violations and even crimes in the banking sector. One of the crimes that is currently rampant is fraud in the banking sector. The term 'fraud' is a form of deviation, an expression of banking crime that has specific characteristics. According to POJK (Financial Services Authority Regulation) Number 12 of 2024 concerning the Implementation of Anti-Fraud Strategies for Financial Services Institutions (LJK), it is emphasized that fraud is a deviation and/or omission deliberately committed to deceive, cheat, or manipulate LJK, consumers, or other parties, which occurs within the FSI environment and/or uses FSI facilities, resulting in losses to the FSI, consumers, or other parties, and/or direct or indirect gains for the perpetrator of fraud and/or other parties. This regulation aims to control and prevent acts of fraud that could harm the financial services industry and the public. Types of acts classified as fraud based on POJK (Financial Services Authority Regulation) Number 12 of 2024 concerning the Implementation of Anti-Fraud Strategies for Financial Services Institutions (LJK) include corruption, misuse of assets, financial statement fraud, deception, disclosure of confidential information, and/or other acts that can be equated with fraud in accordance with the provisions of laws and regulations.⁷

Neither private nor government-managed banks are immune to the risk of fraud. This is evident in the rise of corruption cases involving officials of state-owned enterprises. Corruption is a very complex crime.⁸Corruption is a form of fraud committed with the intention of benefiting a party, either individually or jointly with other parties, by unlawfully abusing one's influence in a business transaction, or abusing one's position or authority in a manner that may benefit or harm consumers, financial institutions, and/or other parties, either directly or indirectly.⁹

If fraud occurs in the credit-granting process, creditors in positions of authority who fail to verify the debtor's collateral, falsify customer identities, or alter credit application documents may be liable to criminal prosecution. This type of fraud involves the abuse of authority for personal gain. The existence of fraud, abuse of position, and abuse of power is also highly susceptible to creating opportunities for criminal acts of corruption. The ups and downs of life prompt people to continually seek ways to maintain their well-being, ranging from lawful work to actions that are not commendable, such as corruption.¹⁰

⁶<https://www.hukumonline.com/berita/a/uu-bumn-terbaru--rekonstruksi-pola-pemidanaan-korporasi-lt680fb4915dfec/?page=1> accessed on April 10, 2025 at 10:21 pm.

⁷Financial Services Authority Regulation Number 12 of 2024 concerning the Implementation of Anti-Fraud Strategies for Financial Services Institutions (State Gazette of the Republic of Indonesia 2024 Number 19, Supplement to the State Gazette of the Republic of Indonesia Number 87).

⁸Yoserwan et al., "The Implementation of Ultimium Remedium Principle in Economic Criminal Law of Indonesia," *Journal of Legal, Ethical and Regulatory Issues* 22, no. 2 (2019); K. A.I. Ambos, "International Economic Criminal Law," *Criminal Law Forum* 29, no. 4 (2018); Edi Setiadi and Rena Yulia, *Hukum Pidana Ekonomi* (Yogyakarta: Graha Ilmu, 2010), 68.

⁹Article 2 letter a POJK Number 12 of 2024

¹⁰Suramin Suramin, "Indonesian Anti-Corruption Law Enforcement: Current Problems and Challenges," *Journal of Law and Legal Reform* 2, no. 2 (2021); Mohammad Hussien Al-Ahmad, "Criminal Liability for the Act of Others in Economic Crimes under Jordanian Legislation," *Pakistan Journal of*

As in the case of PT. TJM with Bank BRI's Account Officer regarding criminal acts of corruption involving the application for and use of working capital credit facilities. There was an agreement between the bank, as the lender, and the borrower that did not undergo a credit analysis. Thus, there were no prudential banking principles or principles of caution in the credit disbursement process, resulting in bad credit.¹¹ According to Supardi, the Director of Investigations at the Deputy Attorney General's Office for Special Crimes. Prosecutors will sort out cases of fictitious loans that have caused banks to default on their loans to determine whether they fall under criminal or civil law. Bank loan defaults fall under the category of criminal corruption if, in the process of granting and receiving credit, the parties involved did not adequately assess collateral, and a malicious agreement regarding fees for credit disbursement was made. If there was fraud in the process of granting credit and the bank's creditors did not pay attention to the bank's debtor collateral, then there are indications of criminal activity.¹²

Bank loans carry risks, including illegal activities, so banks must apply the principle of prudential banking when granting loans. The consistent application of the prudential banking principle is inseparable from good corporate governance, which encompasses the principles of transparency, accountability, responsibility, independence, and fairness. The application of Good Corporate Governance principles in the banking sector, especially among state-owned enterprises, is an obligation that must be fulfilled, as banks play a central role in finance that is crucial to the economy, advancing national development and welfare. For this reason, as a government-owned financial institution that also maintains national financial stability and increases company value amid global competition.¹³ This situation requires the application of prudential principles, comprehensive risk management, and the strengthening of good corporate governance so that the credit-granting process is transparent and accountable. Thus, the bank's main asset, which is public trust, must be maintained.¹⁴

Several studies also provide an important foundation for this research. Namely, the study by Maluw, Tampongangoy, and Korah, which confirms that the application of the principle of prudence in the credit-granting process is very decisive in determining risk quality.¹⁵ Auni and Sumriyah also show that Good Corporate Governance (GCG)

Criminology 16, no. 2 (2024); Bambang Waluyo, *Pemberantasan Tindak Pidana Korupsi: Strategi Dan Optimalisasi* (Jakarta: Sinar Grafika, 2022).

¹¹Decision of the Central Jakarta District Court Number 22/Pid.Sus-TPK/2023, dated March 15, 2023

¹²<https://kabar24.bisnis.com/read/20220324/16/1514610/kabar-baik-kredit-macet-bank-bumn-tak-langsung-masuk-korupsi> accessed on April 12, 2025 at 12:20 pm.

¹³Nurul Fadhillah, "Peran Bank Sentral Dalam Stabilitas Ekonomi Dan Pertumbuhan Keuangan Di Era Globalisasi," *Braz Dent J.* 33, no. 1 (2022).

¹⁴Susilo Leo and Karlen Simarmata, *Good Corporate Governance Pada Bank: Tanggung Jawab Direksi Dan Komisaris Dalam Melaksanakannya* (Bandung: Hikayat Dunia, 2007), 59.

¹⁵Sry Wulandari et al., "The Principle of Publicity in the Binding of Guarantees For Credit in the Distribution of Credit in Banking Institutions Linked to the Prudential Banking Principle," *Journal of Law and Sustainable Development* 12, no. 1 (2024); Sherly Maluw, Yolanda Tampongangoy, dan Debora Korah, *Penerapan Prinsip Kehati-hatian dalam Pemberian Kredit pada Bank Digital*, 2024.

plays a major role in preventing internal irregularities.¹⁶ Furthermore, Ansari reveals that credit fraud often occurs through the manipulation of collateral and the abuse of internal authority.¹⁷ Additionally, at the regional level, Nguyen found that a strong risk governance structure has a significant influence on the effectiveness of bank risk management in the ASEAN region.¹⁸ This finding reinforces the principle that risk governance cannot be separated from prudence. Furthermore, research by Apristiana and Utomo indicates that governance mechanisms are a crucial pillar in preventing fraud, although they are not independent of a culture of compliance and the quality of internal supervision.¹⁹ This research reveals that studies on the relationship between the consistent application of the principle of prudence and modes of fraud in the credit-granting process, particularly in state-owned banks, have not been comprehensively discussed. In fact, vulnerability to fraud in state-owned banks remains a serious issue that must be addressed.

Based on the grounds and factors that the author has explained, which indicate vulnerability to fraud practices in state-owned banks, this remains a serious problem. Examples include identity and document manipulation, failure to conduct in-depth credit analysis based on the principle of prudence, and methods such as advance fee fraud, which can cause significant losses in terms of morale, public trust, and material assets.²⁰ Whereas discussions related to the consistent application of the principle of prudence in lending at state-owned banks are crucial to examine, as the banking sector plays a vital role in maintaining national economic stability. The urgency of this research lies not only in the aspect of bank compliance with regulations, but also in how strengthening the principle of prudence can become a foundation for improving risk management and preventing fraud in state-owned banks.

The contribution to the development of economic law in Indonesia is evident in the efforts to provide a more comprehensive understanding of the relationship between the principle of prudence, GCG, and fraud prevention, which can strengthen the normative framework, encourage internal supervisory reform, and assist the government and regulators in building a more stable, accountable, and competitive banking system. This prompted the author to analyze the characteristics of fraud in the granting of credit at state-owned banks and to analyze whether the prudential banking principle is consistently implemented in practice, not only as a written rule, but also a

¹⁶Suwinto Johan and Lou Yuan, "Reform of the Limited Liability Company Law for the Enforcement of Good Corporate Governance," *Journal of Law and Legal Reform* 4, no. 2 (2023); Maria Fransiska Owa da Santo, Ernestha Uba Wohon, and Emiliana Martuti Lawalu, "Upaya Pemerintah Daerah Dalam Mewujudkan Prinsip Tata Kelola Perusahaan Daerah Yang Baik," *AL-MANHAJ: Jurnal Hukum Dan Pranata Sosial Islam* 4, no. 2 (2022).

¹⁷Miko Kamal, "Corporate Governance and State-Owned Enterprises: A Study of Indonesia's Code of Corporate Governance," *Journal of International Commercial Law and Technology* 5, no. 4 (2010).

¹⁸Quang Khai Nguyen and Van Cuong Dang, "The Impact of Risk Governance Structure on Bank Risk Management Effectiveness: Evidence from ASEAN Countries," *Heliyon* 8, no. 10 (2022).

¹⁹Adelia Ayu Apristiana and Dwi Cahyo Utomo, "Corporate Governance and Fraud: A Systematic Review," *Owner* 9, no. 2 (2025).

²⁰Michel Dion, "Letters Machiavellian / Narcissistic Narratives," *International Journal of Cyber Criminology* 4, no. July (2010).

work culture and system capable of preventing potential ongoing fraud in lending at state-owned banks, which is inseparable from Good Corporate Governance in order to consistently prevent the potential for fraud that is rampant in Indonesia, especially in the banking sector.

B. Characteristics of Common Fraud Modus Operandi in the Credit Granting Process at State-Owned Banks

In the practice of lending at state-owned banks, numerous potential irregularities often occur, posing significant challenges to effective risk management. Fraud in the banking sector not only indicates weak internal controls but also reveals loopholes that are often exploited by internal and external parties to obtain illegal profits. This shows that fraudsters are almost omnipresent in the state-owned banking sector. Fraud not only causes material losses but also has far-reaching effects, including damaging reputations, reducing public trust, and weakening financial institutions. On the other hand, fraud can be understood as a form of social injustice because it involves individuals or groups deliberately exploiting loopholes in the system to obtain personal gains illegally.²¹

Based on Law No. 10 of 1998 concerning Amendments to Law No. 7 of 1992 concerning Banking, Articles 46 to 53 regulate prohibited acts and impose strict sanctions. However, in reality, there are still many cases of banking fraud involving misappropriation of credit.²² Prominent credit distribution cases in the Indonesian banking sector in 2025 were characterized by several instances of fraud that resulted in substantial losses. For example, in the case of fictitious loans and corruption at PT Bank Rakyat Indonesia (BRI), with losses amounting to approximately Rp 8.9 billion, the modus operandi involved falsifying loan application data, conducting fictitious location surveys, and granting loans to debtors who did not actually have a business.²³ At a state-owned bank in Bulukumba Regency, South Sulawesi, a marketing staff member was arrested for corruption involving Rp 3.8 billion in fictitious loans. The case involves the distribution of People's Business Credit (KUR) by using the identities of previously identified customers, who then apply for credit using the same names and data. The installment funds that should have gone into the bank's income were instead used for personal gain.²⁴

According to Edwin H. Sutherland, economic crime is a type of white-collar crime, which is committed by individuals who are respected and hold high social

²¹Petryakova, "Prevention of Fraud in the Banking Sector."; Santoso and Rachmat Agus, *Fraud: Definisi, Strategi, Dan Tren Masa Depan* (Azzia Karya Bersama, 2024).

²²Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia 1998 Number 182, Supplement to the State Gazette of the Republic of Indonesia Number 3790)

²³<https://www.tempo.co/ekonomi/respons-bri-soal-kasus-korupsi-penyalaran-kredit-fiktif-di-kantor-unit-kebon-baru-1724979> accessed on August 5 at 1:10 PM

²⁴<https://makassar.kompas.com/read/2025/09/03/053032478/staf-marketing-bank-bumn-di-sulsel-ditangkap-kasus-korupsi-kredit-fiktif-rp> accessed on August 8 at 9:03 pm.

status in their work, often within the upper socioeconomic class, in relation to their work activities or positions. These individuals possess high intellectual levels and hold prominent positions in both government and the private sector.²⁵ This means that fraud can be committed by anyone, anywhere, including frontline staff such as customer service representatives, tellers, loan officers, branch managers, and even members of the board of directors. The situation can be exacerbated when superiors or officials abuse their positions to commit fraud within the state-owned bank itself. This is because subordinates with minimal experience and knowledge tend to be reluctant to be thorough in their assessments or even follow their superiors' instructions. This phenomenon reveals that there are weaknesses in individual capacity that are not adequately addressed by individual monitoring systems. If this is not immediately followed up with strict monitoring and a strong, effective culture of compliance, it could open up opportunities for increasingly biased and fraudulent actions.

Essentially, state-owned enterprises are part of corporations, as they are legally limited liability companies, including banking companies that operate to generate profits and contribute to state revenue. However, in achieving their goal of maximizing profits, corporations can easily commit fraud, engage in market monopolies, and commit other criminal acts. Corporate crimes or offenses can be categorized as transnational crimes that are organized in nature. This is because these crimes or offenses involve individuals who form a network or system that is interconnected and inseparable from one another. Additionally, individuals involved in corporate crimes often have their own duties, functions, and roles, making them difficult to identify, prosecute, and eradicate.²⁶

Banking crimes can occur according to Donald Ray Cressey's theory related to the Triangle Fraud, which states that there are three causes of fraud that are interrelated: pressure, opportunity, and rationalization.²⁷ Pressure refers to the intention, urge, or motivation within a person to commit a crime. Additionally, it can take the form of financial motivation, pressure from superiors, or the pressure of meeting work targets.²⁸

Essentially, fraudulent practices often begin at the early stages of the financing application and approval process. Forms of fraud in lending that have been identified include document manipulation, markup of collateral value, fictitious financing, display credit where the bank initiates actions in conjunction with the customer, and the sharing of profits from the fraud. Additionally, the use of another

²⁵Dian Ekawaty Ismail, "The White Collar Crime (Suatu Tinjauan Kriminologis)," *Jurnal Inovasi* 9, no. 2 (2012).

²⁶Kristian, *Hukum Pidana Korporasi: Kebijakan Integral (Integral Policy) Formulasi Pertanggungjawaban Pidana Korporasi Di Indonesia* (Bandung: Nuansa Aulia, 2013), 45.

²⁷A. A.G.S. Utama and Basuki Basuki, "Exploration of Themes Based Twitter Data in Fraud-Forensic Accounting Studies," *Cogent Business and Management* 9, no. 1 (2022).

²⁸Monica Malva Cakra Dewa and Agus Maulana, "Hexagon Fraud: Exploration of Academic Fraud in Accounting Students at Universities in Java, Indonesia," *Jurnal Riset Akuntansi Dan Keuangan* 12, no. 2 (2024).

party's identity (masquerading) or a fictitious identity is also a form of fraud. Although Bank Indonesia and the Financial Services Authority (OJK) have established strict regulations and supervisory mechanisms, the reality on the ground indicates that fraudulent practices persist in the banking sector. This reveals the characteristics of fraud modes that violate the prudential banking principle and indicate weaknesses in internal supervision.²⁹

Furthermore, during the data analysis stage, the potential for fraud increases because fraudulent practices already exist during the application process. This raises questions about the validity of the analysis results. At this stage, Account Officers (AOs) and marketing departments often try to ensure that all proposed debtors obtain financing approval by ignoring the validity of the attached documents. Furthermore, the lack of experience and technical understanding among new employees at state-owned banks often creates loopholes in the credit analysis process. This situation becomes even more risky when the assessment process is only carried out as a formality or even just to meet targets, so that credit decisions can be made without undergoing an in-depth credit analysis. This attitude indicates a lack of care in analyzing debtor documents, which opens the door to data manipulation and weakens the effectiveness of the financing procedure.³⁰ Financing documents are often prepared as if they comply with bank regulations, when in fact this is not the case.

One of the common characteristics of fraud modes that frequently occur in the provision of credit in state-owned banks (BUMN) is Advance Fee Fraud, which refers to a scam that exploits fee or upfront-payment mechanisms by promising a credit facility that does not exist. This scheme is perpetrated by bank employees who request prospective borrowers to pay a certain amount in advance, allegedly as administrative fees or fees intended to expedite the process before credit approval is continued. However, once the payment is made, the perpetrator typically disappears or provides various excuses, resulting in the promised credit facility never being realized.³¹

One of the characteristics of fraud that often occurs in the granting of credit at state-owned banks is Advance Fee Fraud, a type of fraud that exploits the fee or down payment mechanism by promising credit facilities that do not actually exist. This scheme is carried out by bank employees, who ask prospective loan recipients to pay a certain amount of money in advance. This amount will later be claimed as administrative fees or fees to expedite the process before the loan approval is finalized. However, after the money is handed over, the perpetrators usually

²⁹Purwanto Purwanto and Andriani Kusuma, "Pola Modus Operandi Fraud Pembiayaan Serta Upaya Meminimalisir Kecurangan Pada Bank Perkreditan Rakyat Syariah X," *Aktiva: Jurnal Akuntansi Dan Investasi* 4, no. 1 (2019).

³⁰Purwanto and Kusuma.

³¹Disemadi and Prananingtyas, "Perlindungan Hukum Terhadap Nasabah Perbankan Pengguna CRM (Cash Recycling Machine)."

disappear or provide various excuses, so that the loan is never repaid.³² Thus, in the final stage, based on the information and documents provided by the Account Officer and the Marketing department, the credit financing input process continues, despite its questionable validity.

This situation confirms that fraudulent practices in the distribution of credit at state-owned banks are not merely incidental but are deeply ingrained in a work pattern considered normal by some internal parties within the bank. The characteristics of fraud in lending at state-owned banks are not only due to weak supervision, but also conflicts of interest, pressure to meet targets, and even rationalizations constructed by the perpetrators of fraud in lending at state-owned banks.

C. Consistency in the Application of Prudential Banking Principles for Fraud Prevention in Credit Granting at State-Owned Banks

As a financial institution, banks play a very important role in the economy. Almost all economic activities require banks and their credit facilities. Based on Article 14 of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector, it is emphasized that credit is the provision of funds or bills that can be equated with it, based on an agreement or loan agreement between a bank and another party that requires the borrower to repay the debt after a certain period of time with the provision of interest. To obtain bank credit, a debtor must go through several stages, beginning with the credit application stage and proceeding to the credit acceptance stage. These stages are a standard process that applies to every debtor who needs bank credit.³³ Based on Article 8 of Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking, which stipulates that in granting credit, banks must have confidence based on in-depth analysis of the debtor's intention, ability, and willingness to repay their debt or return the financing in accordance with the agreement.³⁴

To prevent fraud in lending, banks must apply the principle of prudence, also known as the prudential banking principle, as outlined in Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking. This guideline serves as a basis for granting credit, utilizing the 4P formula and the 5C formula.³⁵ The 4P formula consists of Product, Price, Place, and Promotion. In terms of Personality, the bank is required to collect complete data related to the loan applicant's personality. This

³²Purwanto and Kusuma, "Pola Modus Operandi Fraud Pembiayaan Serta Upaya Meminimalisir Kecurangan Pada Bank Perkreditan Rakyat Syariah X."

³³Hermansyah, *Hukum Perbankan Nasional Indonesia* (Prenada Media Group, 2020).

³⁴Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia 1998 Number 182, Supplement to the State Gazette of the Republic of Indonesia Number 3790)

³⁵Hermansyah, *Hukum Perbankan Nasional Indonesia*.

is crucial in determining the approval of the loan submitted by the loan applicant.³⁶In addition, in banking, there is a term called Know Your Customer (KYC), which is also related to requiring banks to correctly and clearly identify their customers, including the source of funds used. Furthermore, in relation to the Purpose formula, banks must also seek data on the purpose of credit use in accordance with the bank's line of business. Then, the Prospect formula in banks must conduct a careful and in-depth analysis of the type of business to be carried out by the credit applicant, as well as the Payment formula, which states that in disbursing credit, banks must clearly understand the credit applicant's ability to repay the credit debt in the specified amount and time period.³⁷

Furthermore, the 5C formula in banking for analyzing creditworthiness consists of Character, which assesses the personality, character, and track record of the credit applicant; Capacity, which measures the prospective credit recipient's ability to generate income to pay credit installments, as seen from their job or business; then Capital, related to how much capital or wealth the loan applicant has as tangible evidence of financial capability, and Condition, which looks at the economic conditions, business prospects of the prospective loan recipient, as well as political stability and policies that affect repayment ability. This analysis must be conducted to screen relationship managers as credit decision-makers, ensuring that credit is granted to eligible parties in accordance with prudent banking principles.³⁸

To ensure consistent application of prudential banking principles and prevent opportunities for fraud, state-owned banks must develop a risk management system that is integrated with the principles of good corporate governance (GCG). The application of GCG principles requires the banking sector to be transparent in the credit analysis process, both in in-depth examinations and credit distribution, as well as to maintain accountability and integrity, with strict sanctions applied against fraudulent acts in state-owned banks. This ensures that every decision can be accounted for legally and ethically. In addition, the application of GCG principles is an important pillar for institutions, as it relates to their responsibility to the public for the running of the bank's operations, which are expected to comply with the provisions of Law No. 40 of 2007 concerning Limited Liability Companies.³⁹ In this case, bankers are required to consistently apply the principle of prudence when providing financial services,

³⁶Henry Donald Lbn. Toruan, "Implikasi Hukum Pemberian Kredit Bank Menjadi Tindak Pidana Korupsi (Legal Implications of Bank Loans Turn into Corruption)," *Jurnal Penelitian Hukum De Jure* 16, no. 1 (2016).

³⁷Ahmad Dahlan, Mawardi, and Shaifurrokhman Mahfudz, "The Crucial History of Sharia Banking Law Development in Indonesia," *Al-Manahij: Jurnal Kajian Hukum Islam* 17, no. 1 (2023).

³⁸Ulya Atsani, "Purification of Sharia Banking Law in the National Banking System," *Juris: Jurnal Ilmiah Syariah* 21, no. 1 (2022).

³⁹Law Number 40 of 2007 concerning Limited Liability Companies (State Gazette of the Republic of Indonesia 2007 Number 106, Supplement to the State Gazette of the Republic of Indonesia Number 4756).

particularly in granting credit to customers.⁴⁰ These efforts can be supported by the development and consistent enforcement of clear Standard Operating Procedures (SOP) in each banking sector. In addition, regular socialization and training for all employees to instill a culture of compliance, as well as reminders of the strengthening of internal control functions, including internal audits, risk management, and external supervision in general, which are centered on both the Financial Services Authority (OJK) and the Supreme Audit Agency (BPK).

The application of prudential banking principles is not only based on technical procedures. However, it requires the establishment of an effective compliance culture throughout the organization. This culture provides a strong foundation for morale and operations, ensuring that every bank employee, from management to credit analysis staff, understands that compliance with prudential banking principles is an integral part of risk management, not just a routine obligation. In a culture of legal compliance in the banking sector, this encourages every individual to reject all forms of fraud, including fraudulent acts such as manipulating credit data, disguised credit, and violations in in-depth credit analysis.⁴¹

Given that banking activities are closely associated with the risk of fraud, any regulations created for the banking industry will always be linked to risk management. This means that banks must be run in accordance with the principle of prudence to avoid the risk of fraud. To that end, risk management must be implemented through systematic risk identification, monitoring, and control, combined with in-depth audits. In addition, effective implementation must be accompanied by periodic evaluations through monthly reports, so that all deposits and activities within the bank, especially credit distribution, can be detected as early as possible.⁴² Related to structured, measurable, and continuous risk management. ISO 31000:2018 is an international risk management standard that provides a framework emphasizing the effective and systematic identification, analysis, evaluation, and control of risks.

The integration of ISO 31000 into banking risk policy enables state-owned banks to prevent potential fraud risk.⁴³ Strengthening the obligation to apply prudential banking principles that will ensure the security of public funds and the financial health of banks with the ISO 13000 national standard, which requires a documented process of analyzing the risks of lending by state-owned banks, every decision in lending, management of prospective borrower documents, and internal supervision through a

⁴⁰Ahmad Dahlan et al., "Ethno-Political Dynamism and Its Role in the Development of Indonesian Islamic Banking Law," *Volksgeist: Jurnal Ilmu Hukum Dan Konstitusi* 7, no. 2 (2024); Indah Halimah Putri, "Penerapan Prinsip Good Corporate Governance (GCG) Dalam Upaya Mewujudkan Visi Pada PT. Bank BNI Syari'ah Cabang Palembang," *Jurnal Intelektualita: Keislaman, Sosial Dan Sains* 7, no. 2 (2019).

⁴¹Sarah Kuzankah Ewuga et al., "Iso 27001 In Banking: An Evaluation Of Its Implementation And Effectiveness In Enhancing Information Security," *Finance & Accounting Research Journal* 5, no. 12 (2024).

⁴²Usanti, Trisadini P, and Abd Shomad, *Hukum Perbankan* (Jakarta: Kencana, n.d.).

⁴³Paul Hopkin, *Fundamentals of Risk Management: Understanding, Evaluating and Implementing Effective Risk Management, Sustainability* (Switzerland), vol. 11, 2019.

documented and auditable risk management cycle. Thus, the consistency of prudential banking principles can be monitored and maintained.⁴⁴

In applying the prudential banking principle to banking, particularly in lending, banks must implement internal control practices to ensure that financial decisions are safer and more transparent, utilizing the 'four eyes' principle. This principle is one of the pillars supporting the prudential banking principle, ensuring that business activities in banking are healthy, accountable, and transparent. This means that every important decision, such as credit approval, large transactions outside the state-owned bank itself, and changes to customer data, can be reviewed and approved by at least two different people, such as equivalent officials or superiors. The aim is to prevent errors in analysis and reduce the opportunity for fraud. Transparency in the GCG culture related to the credit-granting process must be documented and accessible to internal and external supervisory parties, so that every decision can be accounted for.⁴⁵ Banks here are also required to comply with all regulations related to risk management and prudence, including participation in the formulation of effective credit policies.

However, in banking, there is still no technological system capable of monitoring the credit analysis process in real-time, creating a space that is highly vulnerable to irregularities in the credit-granting procedure due to fraudulent practices in banking. Due to significant changes in the digital world, modern banking practices no longer rely solely on human oversight for credit analysis but require the support of digital infrastructure capable of detecting anomalies. Without technological support, internal control and oversight depend on the subjective judgment of employees or limited manual mechanisms for accuracy and transparency. This loophole can be exploited by both internal and external actors in the banking sector to facilitate lending fraud. To close this fraud loophole, state-owned banks need to develop a digital technology monitoring system that can be integrated with their lending operations.

For example, an early warning system based on data analytics can help flag any deviations from risk management standards. Additionally, automatic scoring with machine learning algorithms can help objectively and effectively assess the eligibility of prospective credit recipients. Thus, the credit distribution process, aided by a digital system, can be linked to a monitoring dashboard that provides a digital audit trail, serving as a recorder, data access log, and record of information changes and credit transactions.⁴⁶ The combination of technology and bank management in the credit distribution process can minimize the potential for manipulation, enable real-time monitoring, and strengthen prudential banking principles.

⁴⁴Nitha Pricillia, "Comparison of Indonesian Banking Regulation for Integrated Governance, Risk Management, Compliance with Its ISO Counterparts," *RSF Conference Series: Business, Management and Social Sciences* 1, no. 5 (2021).

⁴⁵Niccolò Abriani and Armando Catania, "Corporate Governance and the So-Called 'Four-Eyes Principle,'" in *AIDA Europe Research Series on Insurance Law and Regulation*, vol. 6, 2022.

⁴⁶Jacky Angelo et al., "Kajian Literatur Terhadap Audit Sistem Informasi Pada Perusahaan Perbankan," *JDMIS: Journal of Data Mining and Information Systems* 2, no. 2 (2024): 82–89.

D. Conclusion

The consistent application of prudential banking principles is crucial for maintaining the operational health of state-owned banks, safeguarding public funds, and minimizing the risk of fraud in the lending process. These principles not only require compliance with national banking regulations but also the internalization of integrity values throughout the banking organization, ensuring that every business decision is made carefully, transparently, and accountably. In addition, the application of prudential principles is also a long-term business strategy. State-owned banks have a role to seek profits while maintaining national financial stability. When the credit-granting process is not carefully and thoroughly monitored, and fraud is found, not only does the risk of financial loss arise, but it also has implications for reputational risk, which can undermine public trust. This reputation is an invaluable asset that significantly impacts the bank's ability to attract third-party funds, establish international partnerships, and generate profits for the state.

This study reveals that the risk of fraud is not only caused by weak regulations, but also by a low culture of compliance, inadequate internal supervision, and limited control technology in the credit monitoring and distribution processes of state-owned banks. Preventing fraud in credit granting at state-owned banks cannot rely solely on formal rules, but requires the consistent and effective implementation of prudential banking principles. To achieve this consistency, state-owned banks need to foster a culture of legal compliance, strengthen good corporate governance through Good Corporate Governance (GCG), and utilize technology-based monitoring systems such as real-time monitoring and digital audit trails, as well as implement ISO 31000, which can help banks systematically identify and mitigate risks so that potential fraud can be detected early in the credit process. The combination of ethical awareness, effective risk management with international standards, and technological support is expected to close opportunities for fraudulent practices and increase public confidence in the stability and integrity of state-owned banks.

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