



Comparison of Personal Guarantees and Collateral in Bank Credit Agreements and Leasing Financing

Ida Ayu Cintiya Kencana Dewi¹, I Made Aditya Mantara Putra²

¹Universitas Warmadewa, dewicintiya@yahoo.com

² Universitas Warmadewa, adityamantara@gmail.com

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Corresponding Author:

Ida Ayu Cintiya Kencana
Dewi, E-mail:

dewicintiya@yahoo.com

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Abstract

This study aims to analyse the effectiveness of guarantees in bank credit agreements and leasing financing, specifically comparing personal guarantees and collateral. Using a normative research method, this study investigates the regulations governing both types of guarantees from the perspective of Indonesian positive law. The objective of this study is to provide a better understanding of when and why each type of collateral should be used, as well as to identify challenges in its application. Through literature studies, analysis of legislation, and a review of court decisions, this study finds that collateral offers greater legal certainty and facilitates execution, especially when the collateral has a stable market value. Conversely, personal guarantees provide flexibility in collateralisation but are highly dependent on the guarantor's financial capacity and good faith. The results of this study are expected to provide recommendations for legal practice in the field of financing and assist creditors in selecting the optimal type of collateral for their situation.

1. Introduction

The development of the financial system and collateral law has undergone significant transformation, particularly in the way financial institutions, both banks and finance companies, manage and mitigate the risks inherent in lending activities.¹ The widespread digitalisation of the financial services sector, the emergence of financial technology innovations, and the increasing complexity of cross-sector business relationships and transactions require guarantee instruments that not only provide legal certainty but also ensure efficiency, transparency, and ease of execution in the event of default by the debtor.²

¹ I. Gusti Ayu Made Agung et al., *Ekonomi Keuangan dan Perbankan* (Jakarta: PT. Sonpedia Publishing Indonesia, 2025)

² Nurul Hidayati Indra Ningsih et al., *Hukum Ekonomi Digital: Regulasi Bisnis di Era Teknologi* (Jakarta: PT. Nawala Gama Education, 2025).

Along with these changes, there is an urgent need to update and adjust the legal instruments governing security interests in Indonesia. This update is not only intended to strengthen protection for creditors, but also to ensure that the national security interest legal system remains relevant to the increasingly digital and rapidly changing global economic dynamics. In this context, synchronisation between collateral, which in this case focuses on control and rights over certain objects, and personal guarantees, which in this case focus on the responsibility of third parties for the debtor's debts, has become very important.³ Both are regarded as two main pillars in a complementary financing risk mitigation system, whereby collateral provides strong legal certainty through preferential rights, while personal guarantees offer flexibility in contractual relationships.

From an academic perspective, various studies and recent legal literature show an increased interest in comparative studies between the two types of collateral, particularly in assessing their effectiveness in guaranteeing debt repayment and protection for creditors. One such study was conducted by Gentur Cahyo Setiono in an article entitled 'Collateral in the Banking Credit Agreement Process (A Legal Review of Intangible Movable Property as Collateral),' which focused more on the legal aspects of collateral, particularly movable property as collateral.

In Indonesia, the use of personal guarantees as a form of collateral in credit agreements is growing, especially among small and medium-sized enterprises (SMEs). Data from the Financial Services Authority (OJK) shows that around 30% of total loans granted to SMEs involve personal guarantees. This is due to limited access to collateral with stable market value. In addition, banking institutions are increasingly encouraging the use of personal guarantees due to their flexibility and ease of collateralisation. However, the effectiveness of personal guarantees is highly dependent on the financial capacity and reputation of the guarantor, which often poses challenges in the recognition and execution of such collateral. Further research is needed to understand the dynamics and challenges in the application of personal guarantees in Indonesia, as well as to find more effective approaches to protect the interests of creditors.⁴

Other research was also conducted by Rilisa Aldaba and Kholis Roisah, in an article entitled 'The Position of Personal Guarantees and Collateral in Debtor Bankruptcy,' which discusses the position of personal guarantees in relation to bankruptcy cases.⁵ These studies only highlight important aspects such as legal

³ Annisa Rizkika Chairiza Nst, Tan Kamello, and Suprayitno Suprayitno, "Kedudukan Personal Guarantee Dalam Memberikan Jaminan Kepada Kreditur Atas Fasilitas Kredit Yang Diperoleh Oleh Debitur Terkait Penundaan Kewajiban Pembayaran Utang," *Journal of Law and Nation* 3, no. 4 (2024): 1103-1111.

⁴ Aslan Noor, Yeti Setiawati, Melliana Wijaya, and Rodiah Rohmani, "Legal Analysis of the Position of Personal Guarantee Owners in the Bank Credit Agreement Structure," *Journal of Law, Politic, and Humanities* 4, no. 6 (September 2024)

⁵ Rilisa Aldaba and Kholis Roisah, "Kedudukan Personal Guarantee dan Benda yang Dijaminkan dalam Kepailitan Debitur," *JIHHP: Jurnal Ilmu Hukum, Humaniora dan Politik* 5, no. 3 (2025).

certainty and legal status. In practice, banking institutions and finance companies face different challenges in applying these two types of collateral, making comparative analysis relevant in determining the form of collateral that best suits the characteristics of a particular business activity.

Credit and financing agreements are important instruments in modern economic activities, whether conducted by banking institutions or financing companies (leasing). In practice, the provision of credit or financing always carries the risk of default by the debtor. Therefore, creditors require collateral to secure the repayment of the debtor's obligations, which can be in the form of a personal guarantee or a security interest. These two types of collateral have different legal characteristics, implementation mechanisms, and levels of effectiveness, both in terms of legal certainty and ease of execution.⁶

A personal guarantee is a form of agreement that places a third party (guarantor) responsible for the debtor's debt if the debtor fails to fulfil their obligations. This guarantee is regulated in Article 1820 of the Civil Code (KUHPerdara), which states that the guarantor's agreement is accessory to the principal agreement. In banking and leasing practices, personal guarantees are often used for corporate financing, where shareholders or directors become personal guarantors for the company's obligations. The advantage of this guarantee is its flexibility and the fact that it does not require the physical attachment of assets, but its disadvantage lies in the uncertainty of the execution value if the guarantor does not have sufficient assets.⁷

Meanwhile, collateral is a guarantee that gives creditors the right to obtain repayment of their debts from certain assets belonging to the debtor or a third party, which are legally bound by applicable provisions. Forms of collateral include pawn, fiduciary, mortgage, and lien rights. This security has the advantage of priority rights (*droit de préférence*) and rights of pursuit (*droit de suite*), thus providing stronger protection for creditors. However, in practice, the execution of collateral security often faces obstacles, such as objections from third parties, time-consuming auction processes, or auction values that are lower than market values.

Problems arise when comparing the effectiveness of these two types of collateral, particularly in the context of bank credit agreements and lease financing. Banks tend to prioritise collateral due to its higher level of legal certainty, while leasing often relies on personal guarantees to supplement the financing agreement. The effectiveness of both types of collateral is not only measured by how quickly and reliably creditors can obtain repayment of their receivables, but also by aspects

⁶ Maria Audy Vania Putri and Akhmad Budi Cahyono, "Analisis Efektivitas Jaminan Perorangan Sebagai Pemenuhan Hak Kreditur Dalam Penyelesaian Kredit Yang Wanprestasi Pada Bank X," *Lex Patrimonium* 3, no. 1 (2024)

⁷ Serlika Aprita et al., "Analisis Jaminan Perorangan (Personal Guarantor) Dalam Perkara Kepailitan Ditinjau Dari Perspektif Hukum Dan Hak Asasi Manusia," *Justicia Sains: Jurnal Ilmu Hukum* 8, no. 1 (2023): 54–66.

such as legal protection, enforcement costs, and socio-economic barriers that arise in the collection process.⁸ Thus, this study will focus on first, legal regulations governing personal guarantees and collateral in Indonesia. Second, a comparative analysis of the effectiveness of both in the practice of bank credit agreements and leasing financing. Third, factors affecting the success or failure of the execution of both types of collateral.

The discussion of personal guarantees and collateral remains a crucial issue in the development of guarantee law in Indonesia. This study is not only important for strengthening the theory of security law in the academic realm, but also has practical implications for improving the stability of the national financial system. The synchronisation and modernisation of regulations related to security are expected to create a financing system that is safer, more efficient, and more responsive to the needs of the business world, while providing balanced legal protection for both creditors and debtors. This research is expected to contribute to the development of security law theory in Indonesia, while also providing practical input for banks, leasing companies, and policymakers in selecting and designing effective security systems. In addition, this research also aims to provide recommendations for improving regulations and security enforcement practices, thereby increasing trust and security in credit and financing transactions.

2. Research Methods

This research employs a normative legal research methodology, focusing on the analysis of positive legal norms governing personal guarantees and *fiducia* security rights, and a comparison of their effectiveness in bank credit agreements and leasing. While a socio-legal approach, involving empirical investigation into the real-world impact of these security instruments, could offer valuable insights, this study adopts a normative lens to first clarify the existing legal framework and identify potential areas of internal inconsistency. This approach is justified by the need for a clear understanding of the legal rules before assessing their social consequences.

The research is descriptive-analytical, aiming to elucidate the applicable legal framework and then analyze it systematically to obtain a comprehensive picture of the effectiveness of both types of guarantees. This analysis will, however, be informed by socio-legal sensibilities, critically assessing whether the legal requirements adequately protect vulnerable debtors and reflect real-world power dynamics.

⁸ Rachmat Arnanda et al., "Analisis Terhadap Risiko Hukum Pemberian Kredit Perbankan dengan Jaminan Personal Guarantee tanpa Penyertaan Agunan Fixed Asset," *Account: Jurnal Akuntansi, Keuangan dan Perbankan* 10, no. 1 (2023): 1836–45.

The approaches used include a statute approach, a conceptual approach, and a comparative approach.⁹ The statute approach examines relevant legal provisions, such as the Civil Code, Banking Law, *Fiducia* Security Law, Mortgage Law, OJK Regulations, and relevant court decisions. The conceptual approach delves into the legal doctrines and theories underpinning personal guarantees, *fiducia* security rights, and legal effectiveness. The comparative approach identifies similarities and differences between the two types of guarantees in terms of legal certainty, ease of execution, and creditor protection.

The legal materials consist of primary, secondary, and tertiary sources. Primary sources include relevant legislation and court decisions. Secondary sources encompass legal textbooks, scholarly articles in national and international law journals, prior research findings, and official publications from relevant institutions. Tertiary sources include legal dictionaries, legal encyclopedias, and other supporting sources obtained through official websites such as the Financial Services Authority (OJK), Bank Indonesia, the Supreme Court, banking associations, and leasing associations.

Legal materials are collected through library research, examining relevant literature and regulations, and through online research on reliable and accredited sources. All legal materials are then analyzed qualitatively using descriptive-analytical methods. This analysis involves elucidating the applicable legal framework, comparing the application of personal guarantees and *fiducia* security rights, and assessing the effectiveness of both based on legal theory and positive norms in Indonesia.

3. Result and Discussion

3.1. Legal Provisions on Personal Guarantees and Property Guarantees

In the Indonesian legal system, collateral is an important instrument used to protect creditors against the possibility of default by debtors. In general, collateral is divided into two main forms, namely personal guarantees and security interests.¹⁰ These two types of guarantees have different legal bases, characteristics, and enforcement mechanisms, so it is important to understand their regulations comprehensively.¹¹

⁹ Terry C. M. Hutchinson, *Researching and Writing in Law*, 3rd ed. (Sydney: Thomson Reuters/Lawbook Company, 2010)

¹⁰ Ioannis E. Linaritis, "Asset Protection-State Guarantee Schemes in Systemic European Non-Performing Loans Securitizations Contractual Structure, State Aid and Bank Corporate Law Issues," *Columbia Journal of European Law* 28 (2022): 134

¹¹ Putri Avi Avivah and Eddie Imanuel Doloksaribu, "Analisis Yuridis Penggunaan Aset Personal Guarantee Dalam Melunasi Utang Pailit," *Gloria Justitia* 1, no. 2 (2021): 134–54

Personal guarantees are regulated in Book III of the Civil Code (KUHPerdara), specifically Articles 1820 to 1850.¹² Based on these provisions, a personal guarantee is an agreement whereby a third party (guarantor) declares their willingness to bear and settle the debtor's debt to the creditor if the debtor fails to fulfil their obligations. The legal nature of a personal guarantee is accessory, meaning that its existence depends on the principal agreement between the creditor and the debtor. If the principal debt is extinguished, the personal guarantee is also extinguished.¹³

In banking and leasing practices, personal guarantees are often used as a form of additional collateral to strengthen creditors' confidence in the debtor's ability to pay. Usually, the guarantor is a shareholder, director, or affiliated party who has a close relationship with the debtor.¹⁴ Personal guarantees are executed in the form of written deeds, either underhand or in notarial deeds, depending on the creditor's desired level of proof and enforceability. However, the fundamental weakness of personal guarantees is their dependence on the guarantor's financial capacity. If the guarantor does not have sufficient assets, the enforcement process can be difficult and time-consuming, even if the creditor obtains a final and binding court decision.¹⁵

Unlike a personal guarantee, collateral is a guarantee that gives the creditor the right to obtain repayment of their debt from certain assets belonging to the debtor or a third party that have been pledged as collateral. This right of ownership has two main characteristics, namely *droit de préférence* (the right of priority over other creditors) and *droit de suite* (the right to follow the collateral wherever it may be). In Indonesia, forms of collateral are regulated separately according to the type of object.¹⁶

Land collateral is regulated in Law No. 4 of 1996 concerning Mortgage Rights, which provides executory power through mortgage certificates that have legal

¹² Merry Arfiani, "Eksekusi Objek Jaminan Fidusia Pasca Keluarnya Putusan Mahkamah Konstitusi Nomor 18/PUU-XVII/2019," *Ilmu Dan Budaya* 43, no. 2 (2022): 202–28.

¹³ Nur Intan Yuniarti and Ambar Budhisulistiyawati, "Efektivitas Jaminan Perorangan (Personal Guarantee) dalam Menunjang Penyelesaian Kredit Bermasalah di Bank BRI Cabang Surakarta dan Bank BNI Syariah Cabang Surakarta," *Jurnal Privat Law* 8, no. 1 (2020): 111–16.

¹⁴ Dr. Cicilia Julyani Tondy Cicilia et al., "Eksistensi Personal Guarantee dalam Hal Kepailitan Debitor," *Jurnal Nuansa Kenotariatan* 6, no. 1 (2020): 13–22.

¹⁵ Annisa Rizkika Chairiza Nst et al., "Kedudukan Personal Guarantee Dalam Memberikan Jaminan Kepada Kreditur Atas Fasilitas Kredit yang Diperoleh oleh Debitur Terkait Penundaan Kewajiban Pembayaran Utang," *Journal of Law and Nation* 3, no. 4 (2024): 1103–11.

¹⁶ Jessica Vallencia Semboeng et al., "Jaminan Perorangan (Personal Guarantee) Dalam Perkara Kepailitan Perseroan Terbatas," *Innovative: Journal of Social Science Research* 4, no. 5 (2024): 1222–43.

force equivalent to a court decision.¹⁷ Collateral in the form of tangible or intangible movable property, which remains in the possession of the fiduciary, is regulated in Law No. 42 of 1999 concerning Fiduciary Guarantees. In addition, pledges are regulated in Articles 1150 to 1160 of the Civil Code for movable property whose control is transferred to the creditor, while mortgages are regulated in Article 1162 of the Civil Code for certain immovable property such as ships.

The legal strength of collateral lies in the certainty of enforcement, which is clearer than that of personal guarantees. For example, in the case of mortgages and fiduciary rights, creditors can carry out separate enforcement based on collateral certificates without having to go through court proceedings. This provides advantages in terms of time and cost, although in practice there are often administrative obstacles or objections from third parties that can slow down the process.¹⁸

Thus, the fundamental difference between personal guarantees and collateral lies in the nature of the rights granted to creditors. A personal guarantee provides individual rights that can only be enforced against the guarantor through ordinary civil mechanisms, whereas collateral provides absolute rights over specific assets that can be enforced through mechanisms specifically regulated by law. A thorough understanding of the legal provisions governing these two types of collateral is essential for assessing their effectiveness in bank loan agreements and leasing financing.

3.2. Legal Comparison between Personal Guarantees and Property Guarantees

A personal guarantee is an instrument often used by financing institutions to ensure repayment of a credit or loan. In practice, a personal guarantee gives the creditor the legal power to demand repayment from the personal guarantor if the principal debtor fails to meet their obligations. This makes a personal guarantee not merely a moral statement, but a legally enforceable commitment.¹⁹ The effectiveness of a personal guarantee depends heavily on the clarity of the agreement clauses, the strength of the evidence, and the legal position of the guarantor in the eyes of the law. A personal guarantee that is clearly drafted, containing the guarantor's full identity, the amount of the guaranteed obligation, and a strict collection mechanism, will minimise the possibility of disputes arising in the future.

¹⁷ Agatha Putri Gracia Uliana Purba et al., "Kepastian Hukum Ahli Waris Personal Guarantee Yang Turut Dipailitkan Akibat Pailitnya Debitor Prinsipal," *ARMADA: Jurnal Penelitian Multidisiplin* 2, no. 1 (2024): 94-102.

¹⁸ Thalia Grizella Jovanka et al., "Kepastian Hukum Eksekusi Jaminan Perorangan (Personal Guarantee) atas Penyelesaian Kredit Macet Bank Melalui Perangkat Kepailitan," *Sentri: Jurnal Riset Ilmiah* 2, no. 11 (2023): 4603-13.

¹⁹ Bahri Bahri et al., "Kepastian Hukum Personal Guarantee Sebagai Penjamin Kredit Bank yang Juga Menjadi Penjamin untuk Debitur Lain di Bank Lain," *ARMADA: Jurnal Penelitian Multidisiplin* 2, no. 1 (2024): 103-13.

On the other hand, vague or unspecific personal guarantees often weaken the creditor's position when pursuing legal action.²⁰ In addition, its effectiveness is also determined by the financial capacity of the guarantor. Theoretically, a personal guarantee can be requested for full repayment, but if the guarantor does not have sufficient assets, the practical value of this instrument is reduced. Therefore, financing institutions usually conduct a thorough analysis of the guarantor's profile and financial capacity before approving the agreement. In the context of enforcement, personal guarantees based on authentic deeds, such as notarial deeds, have stronger evidentiary power and can be directly enforced through the courts without the need for lengthy litigation. This is in contrast to personal guarantees made under hand, which, although still valid, require a more complicated evidentiary process.

Thus, an optimal personal guarantee is one that fulfils the elements of clarity, legal compliance, the guarantor's financial capacity, and sufficient evidentiary strength. If these four elements are fulfilled, a personal guarantee can serve as a reliable credit security tool while reducing the risk of loss for the creditor.

Collateral in the context of banking and financing law is a crucial aspect that determines the extent to which collateral can provide legal protection and certainty for creditors regarding the repayment of debtors' debts. In practice, collateral is expected to function as both a preventive and repressive measure. Its preventive function is evident when the existence of collateral itself fosters creditor confidence to provide loans, as there are assets or objects that can legally be used as a source of repayment in the event of default. Meanwhile, its repressive function arises when the debtor fails to fulfil their obligations, allowing the creditor to execute the collateral to cover their losses.²¹

The success of collateral in protecting creditors is highly dependent on the legal certainty attached to it. This legal certainty is determined by several important factors, such as the validity of the collateral agreement in accordance with the provisions of the law, the clarity of the object used as collateral, and the fulfilment of the registration or publication procedures required by law. Without fulfilling these aspects, the enforceability of collateral will be significantly reduced and may potentially lead to disputes between interested parties. In addition, the effectiveness of collateral is also influenced by the economic value of the collateral itself. The value of the collateral must be sufficient to cover the amount of the secured debt, including interest and other costs that may arise in the settlement process. If the value of the collateral is significantly lower than the amount of the debtor's obligations, the protection for the creditor becomes weak, even though the

²⁰ Aslan Noor et al., "Legal Analysis of the Position of Personal Guarantee Owners in the Bank Credit Agreement Structure," *Journal of Law, Politic and Humanities* 4, no. 6 (2024): 1946-57.

²¹ Yusup Hidayat, "Paradox Pegadaian sebagai Lembaga Jaminan dalam Pemberian KUR kepada UMKM," *Jurnal Magister Ilmu Hukum: Hukum dan Kesejahteraan* 9, no. 1 (2025): 92-109.

collateral is formally valid under the law. Therefore, an accurate assessment or appraisal of the collateral is an important step in ensuring its effectiveness.

The enforcement process is also a key aspect that determines the extent to which collateral is effective. In Indonesian law, there are several enforcement mechanisms such as *parate executie*, *executory title*, and *sale by public auction*. Each mechanism has its own advantages and challenges, but in general, the faster and simpler the enforcement process, the higher the effectiveness of the collateral. Conversely, procedural obstacles, resistance from debtors, or overlapping claims from third parties can reduce the practical value of collateral.²² The aspect of protection for *bona fide* third parties is very important in property security law. This law must be able to balance the interests of creditors in exercising their rights and the interests of other parties who may have legal relationships or interests in the object of security. If not clearly regulated, this situation can cause uncertainty and prolong the dispute resolution process.

Thus, security interests must essentially provide certainty and protection for creditors from the initial stage of the agreement to the execution of enforcement. Legal factors, economic value, and ease of enforcement must work in harmony so that security interests can perform their main function as a safeguard in debt-credit relationships. Without a balance between these three aspects, the existence of collateral will only be a legal formality that is difficult to provide real benefits to creditors in the event of default.

The comparison between personal guarantees and collateral must be viewed from various dimensions; both need to be assessed based on aspects of legal certainty, speed of recovery, costs and complexity of execution, as well as the risks inherent to creditors and debtors. In the context of bank credit agreements and leasing financing, the fundamental difference lies in the resources that underpin the creditor's rights: personal guarantees depend on the financial capacity of the individual or entity providing the guarantee, while collateral depends on the value and legal status of the object that can be traded or auctioned.²³

From a legal certainty perspective, collateral security typically provides a more solid basis because it is public and registered, giving priority to creditors over other creditors. A valid certificate of encumbrance, fiduciary register, or pawn deed serves as formal evidence, which can reduce the possibility of disputes over who has the first right to the collateral. In contrast, a personal guarantee is a personal obligation that is accessory to the principal debt, and its legal certainty is highly dependent on the strength of the evidence in the agreement, the formality of the signing, and the financial condition of the guarantor. Personal guarantees

²² Apriliana Mart Siregar, "Penyelesaian Kredit Macet dengan Jaminan Personal Guarantee yang Meninggal Dunia Sebelum Pelunasan Kredit," *Jurnal Wawasan Yuridika* 4, no. 2 (2020): 194–212.

²³ Sh* Sukmawati, "Personal Guarante terhadap Perjanjian Kredit dengan Jaminan Hak Tanggungan," *Airlangga Development Journal* 3, no. 1 (2019): 62–79.

set out in authentic deeds have a higher level of evidence, but still depend on the existence and availability of the guarantor's assets for execution.

In terms of speed and recovery of funds in the event of default, collateral generally offers a more direct route because certain laws provide for rapid enforcement mechanisms, such as *parate executie* or *executory titles* that allow the sale of objects through auction. However, this speed can be hampered if there are disputes over ownership, registration defects, or objections from third parties claiming rights to the object. The process of executing against the guarantor's assets often requires litigation, but if the guarantor has sufficient liquid assets and the agreement includes clauses that allow for rapid execution (e.g., a strong acknowledgement of debt deed), recovery through a personal guarantee can proceed more smoothly. Thus, the speed of recovery is greatly influenced by the quality of the documents and the economic condition of the guarantor or the market situation related to the collateral.

From a recovery value perspective, collateral provides the ability to immediately realise assets as a source of payment, but their realisation value is often discounted in the auction or liquidation process, resulting in a recovery rate that may be lower than the book value or theoretical market value. A personal guarantee can provide recovery far exceeding the value of a single asset if the guarantor has significant net worth, but the main risk is the possibility that the guarantor is not sufficiently solvent or has assets that are difficult to execute. Therefore, the reliability of recovery is not only a matter of the type of guarantee, but also the quality of the guarantee—both the quality of the guaranteed assets and the financial profile of the guarantor.²⁴

In terms of cost and complexity, collateral security requires administrative procedures such as registration, appraisal, and auction management; these initial and enforcement costs can be significant but are often predictable and can be charged as collection costs. A personal guarantee may save on initial registration costs, but if litigation is ultimately required to execute the guarantor's assets, legal fees, asset tracing processes, and execution processes can be more expensive and time-consuming. Therefore, pragmatically speaking, collateral often offers a trade-off between upfront administrative costs and certainty of the collection process later on, while personal guarantees offer lower upfront costs but higher potential litigation costs.

Legal risks and practical challenges also differ. Collateral guarantees face risks such as imperfect registration, overlapping third-party claims, or changes in legal conditions that affect the enforcement mechanism. Personal guarantees are vulnerable to legal defences by the guarantor, such as claims that the guarantor did not understand the scope of responsibility, the existence of coercion, or excess guarantees beyond the agreed capacity. Strong due diligence practices at the credit

²⁴ Ole-Kristian Hope and Dushyantkumar Vyas, "Private Company Finance and Financial Reporting," *Accounting and Business Research* 47, no. 5 (2017): 506–37,

granting stage are significant for both forms of collateral: document examination, asset ownership verification, analysis of the guarantor's solvency ratio, and protective clauses in the agreement.

In financial institution practice, the choice between the two forms of collateral is often combinative. Banks and leasing companies generally rely more on collateral as the main foundation due to its nature being tied to assets and the public, but almost always require a personal guarantee from the main shareholder or directors as an additional layer of protection. This strategy combines the advantages of certainty of rights over the object and the potential for additional recovery from the guarantor's assets. For large corporate loans, this combination often strengthens the creditor's position, while for micro or consumer loans, lenders may rely on simple collateral or personal guarantees tailored to the debtor's capacity.

In terms of risk management policy and practice, it is important for creditors to draft clear and balanced contracts, ensure that collateral is registered in accordance with applicable regulations, that the value of collateral is assessed by an independent appraiser, and that personal guarantees are formulated in such a way as to reduce the scope for legal defence by the guarantor. Administrative reforms that expedite the registration and enforcement processes and increase transparency in the collateral registration system can enhance the effectiveness of collateral. Similarly, ethical standards and consumer protection need to be considered when imposing personal guarantees on individuals who may not fully understand the implications.

The pragmatic conclusion from this comparison is that no single form of security is absolutely superior in all situations. Collateral security excels in terms of legal certainty and formal enforcement mechanisms, while personal guarantees can provide significant added value if the guarantor has strong financial capacity. In practice, countries with similar legal systems, such as Malaysia and the Philippines, apply a similar mixed approach. For example, in Malaysia, an extensive hybrid guarantee system is often used, in which both collateral and personal guarantees are considered in the context of the debtor's ability to pay and the value of the assets. This provides a higher level of protection for creditors without neglecting the interests of debtors.

In the context of civil law, a comparison between the legal framework for collateral in Indonesia and other countries reveals differences in regulation and implementation. In many countries, procedures for registering collateral tend to be more structured and stringent, enabling faster execution and reducing the risk of disputes. For example, the Philippines has a transparent registration system that allows creditors to easily access key information about the status of collateral.

The best approach in banking and leasing practices is a mixed strategy that considers the quality of the collateral, the capacity of the guarantor, the clarity of legal documents, as well as strict registration and assessment procedures. This allows for the optimisation of credit security without neglecting aspects of fairness and legal compliance. Thus, combining principles from various legal systems can

improve the effectiveness of collateral practices in Indonesia, as well as provide a broader perspective in understanding the advantages and limitations of each type of collateral.

3.3. Factors Affecting the Strength of Personal Guarantees and Property Guarantees

The strength of a policy, programme, or oversight mechanism is greatly influenced by various interrelated factors. One key factor is the clarity of the objectives to be achieved. Objectives that are formulated in a specific, measurable, and realistic manner will make it easier for the implementing parties to determine strategic steps, while also serving as a benchmark for evaluating success or failure. Conversely, vague or overly general objectives will result in unfocused implementation and potentially lead to different interpretations in the field.²⁵

The availability of resources is also an important factor that influences the strength of a policy. These resources include not only financial aspects, but also competent human resources and adequate technological support. Without sufficient budgetary support and trained personnel, even well-designed policies or programmes will find it difficult to achieve optimal results.

In addition, coordination between institutions plays a significant role. Policies involving multiple parties require effective coordination mechanisms so that each actor understands their respective roles, avoids overlapping authorities, and minimises conflicts of interest. Open and transparent communication between stakeholders will help build strong synergies.

Political support and legal legitimacy cannot be ignored either. A policy will be easier to implement if it has a clear legal framework and support from leaders and policymakers at the strategic level. This legitimacy provides a strong foundation for implementation in the field and increases compliance from the parties involved.

The social, cultural and economic environment of the community also influences the successful implementation of a policy. Programmes that do not take into account the social values and norms that apply in the community risk facing resistance, even if they have been well designed from a technical perspective. A deep understanding of the local context can help tailor approaches to make them more acceptable to the target community.²⁶

²⁵ Marek Dubovec and Shogo Owada, "Secured Lending Stimulants: The Role and Effects of Public Credit Guarantees in Japan," *University of Pennsylvania Asian Law Review* 16 (2021): 374.

²⁶ Rahmi Ayunda and Muhammad Ariq Fadhillah, "Tanggung Jawab Personal Guarantee Terhadap Penanganan Kredit Bermasalah dalam Perspektif KUH Perdata," *Jurnal Pendidikan Kewarganegaraan Undiksha* 9, no. 3 (2021): 612-19.

Equally important, a continuous monitoring and evaluation system is key to maintaining the strength of a policy. Monitoring allows implementers to identify obstacles early on and make adjustments before problems escalate. Regular evaluations also provide an objective picture of achievements and shortcomings, which can serve as a basis for future policy improvements. Ultimately, the strength of a policy is not determined by a single factor, but is the result of the integration of various aspects, ranging from careful planning, disciplined implementation, adequate support, to the ability to adapt to changes and challenges that arise.

4. Conclusion

The results of the study show that collateral is superior to personal guarantees because it provides greater legal certainty, ease of execution, and a high rate of debt recovery through parate execution mechanisms. In contrast, personal guarantees offer flexibility without requiring specific assets, but depend on the guarantor's financial capacity and good faith. Obstacles such as a lack of liquid assets can reduce certainty for creditors, especially in high-value financing. Both types of collateral are influenced by legal, economic, and social factors. Regulatory clarity and legal consistency are important for successful enforcement, while asset value and the reputation of the parties influence the settlement of obligations. The selection of the type of collateral in a credit agreement must be based on risk analysis. For large and high-risk financing, collateral is more advisable, while personal guarantees can be used for small to medium financing, creating a balance between flexibility and legal certainty. This approach is expected to provide optimal protection for creditors and maintain fairness for debtors.

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