



Insolvency Period Limits in Cases of Bankruptcy Estate Sales by Separatist Creditors in Relation to Sustainable Economic Development

Bagus Wicaksono*, Isis Ikhwansyah, Nyulistiowati Suryanti

Universitas Padjadjaran, Indonesia

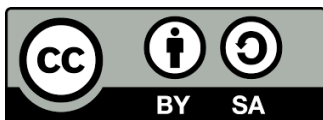
Email: bagus25003@mail.unpad.ac.id*

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Abstract

This study aims to analyze the legal framework governing insolvency period limits and their contribution to creditor protection within the broader framework of sustainable economic development in Indonesia. Under Article 2 paragraph (1) of Law Number 37 of 2004 concerning Bankruptcy and Suspension of Debt Payment Obligations (UU KPKPU), a debtor may be declared bankrupt upon satisfying relatively simple statutory requirements without undergoing a substantive insolvency test. This study employed a normative legal research method using statutory and conceptual approaches. Secondary data comprising primary, secondary, and tertiary legal materials were analyzed qualitatively to identify legal gaps and formulate a proposed reconstruction of insolvency regulation. The findings indicate that the absence of explicit insolvency tests, such as the balance sheet test or cash flow test, may create legal uncertainty, increase the risk of misuse of bankruptcy proceedings, and potentially expose solvent companies to bankruptcy, thereby affecting economic stability. Accordingly, this study proposes a legal reconstruction incorporating objective insolvency criteria into Indonesia's bankruptcy framework. The proposed framework is expected to strengthen creditor protection, enhance investor confidence, and promote the use of bankruptcy proceedings as a mechanism for addressing genuine financial distress rather than merely as a means of debt collection. Establishing clear insolvency criteria and legally defined time limits could strengthen financial market stability and contribute to long-term sustainable economic development through a more balanced and equitable bankruptcy framework for relevant business stakeholders.



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INTRODUCTION

Sustainable economic development is a key pillar of Indonesia's efforts to achieve national stability amid increasingly complex global dynamics (Rachmad, 2024b, 2024a, 2026; Ramesh, 2025). Within this framework, economic law serves as a supporting instrument that must provide legal certainty, justice, and efficiency for all business actors. One legal instrument crucial to maintaining a sound economic ecosystem is bankruptcy law, which provides a legal mechanism for addressing situations in which a business entity experiences financial distress (Celestin, 2024; Dirgantara et al., 2025; Fahdil et al., 2024; Fennassi & Bel-Amin, 2025; Waluyo et al., 2025).

The effectiveness of bankruptcy law in Indonesia is often constrained by regulatory provisions that do not yet fully support optimal creditor protection (Damajanti, 2026; Hendrawan et al., 2023; Lira, 2024; Nuryanto & Ahmed, 2026; Prabowo et al., 2024; Rahardja et al., 2026; Tan et al., n.d.). A central issue in the longstanding debate concerns the bankruptcy threshold, particularly the statutory requirements for filing a bankruptcy petition, which are considered relatively lenient. Such requirements may create opportunities for the misuse of

bankruptcy proceedings, potentially affecting the investment climate and economic growth.

Under Law Number 37 of 2004 concerning Bankruptcy and Suspension of Debt Payment Obligations (UU KPKPU), a bankruptcy petition generally requires the existence of two or more creditors and at least one debt that has become due and payable. These requirements do not require substantive proof that the debtor is insolvent, whether on a cash-flow or balance-sheet basis (Fahamsyah et al., 2024; MP, 2022; Pessoa, 2025; Rader, 2025; Viswanathan et al., 2025). Consequently, a company whose assets substantially exceed its liabilities may still be declared bankrupt when the statutory requirements for bankruptcy are satisfied, even when the unpaid debt is relatively small.

This situation may create legal uncertainty for creditors, particularly secured creditors with rights of separate execution (separatist creditors) and unsecured concurrent creditors who have a long-term interest in preserving the debtor's business value. When a company is declared bankrupt without a substantive insolvency assessment, its assets may lose value during liquidation. Such deterioration in asset value may reduce creditors' recovery rates and adversely affect the value of their financial interests.

The regulation of insolvency criteria and applicable time limits therefore requires reconsideration to distinguish between debtors that are unwilling to pay and those that are genuinely unable to pay. International guidance, including the UNCITRAL Legislative Guide on Insolvency Law, emphasizes the importance of appropriate commencement standards for insolvency proceedings. Within this framework, liquidation should generally be used when rehabilitation or continued operation is no longer economically viable, while viable debtors should have access to appropriate restructuring mechanisms.

The absence of a substantive insolvency test in Indonesia may also contribute to bankruptcy petitions involving disputes that could potentially be addressed through ordinary civil proceedings or debt restructuring. This condition raises questions regarding the alignment of the existing bankruptcy framework with sustainable economic development, particularly the objective of preserving economically viable businesses. Productive companies experiencing temporary financial difficulties should not be subjected unnecessarily to premature liquidation.

From the perspective of creditor protection, clearly defined insolvency criteria and procedural time limits could provide greater certainty that liquidation proceedings are initiated on the basis of an objectively demonstrated financial condition. Creditors require confidence that bankruptcy proceedings appropriately reflect a debtor's capacity to meet its obligations. The absence of clear parameters may increase legal and credit risk, potentially affecting lending decisions and the cost of capital.

Sustainable economic development requires an appropriate balance between the debtor's interest in obtaining protection and the creditor's interest in recovering outstanding claims. Bankruptcy law should establish mechanisms capable of identifying financial distress at an appropriate stage and determining whether restructuring or liquidation is warranted. Clear insolvency criteria may contribute to economic stability by reducing unnecessary business failures and limiting the broader economic consequences of corporate distress.

In Indonesia, discussions concerning bankruptcy law reform have continued for years; however, the adoption of a substantive insolvency test as a requirement for bankruptcy remains unresolved. One concern is that establishing and proving insolvency could prolong proceedings that are intended to be expeditious. Nevertheless, reliable financial reporting, accounting

evidence, and appropriate expert assessment may facilitate a more objective evaluation of a debtor's financial condition without unnecessarily undermining procedural efficiency.

An appropriate legal framework for determining insolvency should consider both a cash-flow test, which assesses the debtor's ability to pay debts as they become due, and a balance-sheet test, which considers the relationship between the debtor's assets and liabilities. The appropriate application of these tests could help ensure that bankruptcy law functions not merely as a mechanism for compelling debt payment but as a framework for the orderly treatment of genuine financial distress and the equitable satisfaction of creditors' claims.

In addition to protecting creditors, an effective insolvency framework may support sustainable economic development by preserving businesses that retain economic value as a going concern. Companies with viable business prospects but experiencing temporary liquidity difficulties should, where legally and economically appropriate, be directed toward Suspension of Debt Payment Obligations (PKPU) proceedings or other restructuring mechanisms rather than immediately subjected to liquidation. Such an approach may help preserve employment, productive capacity, and broader economic value.

Theoretically, this reconstruction is consistent with the principles of legal certainty and economic utility. The law should not operate solely at a procedural level but should also generate meaningful benefits for society and the economy. In the bankruptcy context, these benefits may be achieved when the legal framework protects creditors against avoidable losses while providing appropriate mechanisms for preserving fundamentally viable businesses. Harmonizing legal certainty, creditor protection, and economic efficiency therefore represents an important challenge in reforming Indonesia's bankruptcy framework.

At the regional level, competition for investment in Southeast Asia increases the importance of a predictable and effective insolvency framework in Indonesia. Differences among jurisdictions in commencement standards, restructuring mechanisms, creditor protections, and insolvency procedures may influence perceptions of legal and investment risk. Accordingly, reform of Indonesia's bankruptcy framework should consider relevant comparative practices while remaining consistent with the characteristics of the national legal and economic system.

This research focuses on how the legal framework governing insolvency criteria and time limits should be formulated within Indonesia's future legal policy (*ius constituendum*). It proposes a transition from a predominantly liquidation-oriented approach toward a framework that provides greater opportunities for restructuring and the preservation of economically viable businesses. Such reform may support the broader objective of strengthening an inclusive and sustainable national economy.

Reforming insolvency criteria and applicable time limits is therefore not merely a technical legal issue but also an important component of economic governance. A bankruptcy framework that accurately reflects debtors' financial conditions may strengthen Indonesia's resilience in responding to future economic disruptions. This research is expected to contribute to the development of policy recommendations for amendments to the UU KPKPU that are more responsive to the requirements of sustainable economic development.

The objectives of this study are (1) to examine the weaknesses of the current legal framework governing the threshold for bankruptcy and (2) to formulate an appropriate legal framework for insolvency criteria and applicable time limits within Indonesia's bankruptcy

system.

METHOD

This study employed normative legal research to examine regulatory gaps and inconsistencies concerning insolvency criteria and applicable time limits under Indonesia's bankruptcy law. The study used statutory and conceptual approaches to formulate an appropriate legal framework that could strengthen creditor protection while supporting sustainable economic development.

The statutory approach involved examining Law Number 37 of 2004 concerning Bankruptcy and Suspension of Debt Payment Obligations (PKPU), relevant implementing regulations, and related legal provisions to identify inconsistencies in the regulation of bankruptcy thresholds and insolvency requirements. The conceptual approach was used to develop legal arguments based on relevant legal doctrines, scholarly perspectives, and theories concerning creditor protection, insolvency, and economic law.

The study relied on secondary data comprising primary, secondary, and tertiary legal materials. Primary legal materials included relevant legislation and court decisions concerning bankruptcy disputes. Secondary legal materials consisted of legal textbooks, scholarly journal articles, and previous studies on bankruptcy and insolvency law. Tertiary legal materials, including legal dictionaries and encyclopedias, were used when necessary to clarify specialized legal terminology.

Legal materials were collected through document and library research and were systematically classified according to the research questions. The collected materials were analyzed qualitatively using legal interpretation and deductive reasoning to identify regulatory weaknesses, evaluate relevant legal principles, and formulate recommendations for reconstructing insolvency criteria and applicable time limits within Indonesia's bankruptcy framework

RESULTS AND DISCUSSION

Juridical Analysis of the Bankruptcy Threshold and the Problem of Insolvency in Indonesia

The analysis of the effectiveness of bankruptcy law in Indonesia leads to sharp criticism of Article 2 paragraph (1) of Law Number 37 of 2004 concerning Bankruptcy and Suspension of Debt Payment Obligations (UU KPKPU). The provision states that a debtor who has two or more creditors and fails to pay in full at least one debt that has fallen due and is payable shall be declared bankrupt by a Court decision. Juridically, this formulation relies solely on the fact of a payment default of an administrative nature, without examining the debtor's actual financial condition.

The fundamental weakness of this article is that no insolvency test mechanism has been adopted in the process of proving bankruptcy. In international legal discourse, bankruptcy should be an institution for debtors who genuinely experience financial failure, not merely for unwillingness to pay debts. However, because our UU KPKPU adopts a system of simple proof as regulated in Article 8 paragraph (4), judges are often bound to declare bankruptcy as long as the formal requirements are met, without considering the debtor's solvency. The absence of an insolvency test creates room for creditors' abuse of rights (abuse of right). A creditor with a

very small receivable can easily threaten the existence of a large company through a bankruptcy petition. This gives rise to injustice for debtors that are fundamentally still healthy and have assets far exceeding their obligations. Companies that are still productive are forced to cease operations merely because of a debt dispute that could have been resolved through the ordinary civil route.

From the creditor's point of view, the absence of a limit on the insolvency period also creates problems of its own. Creditors who act in good faith and wish to see their debtors recover often have to face other creditors who aggressively use bankruptcy as a debt collection tool. This damages the fair distribution of assets, because hasty liquidation typically causes asset values to fall sharply. In the end, the majority of creditors receive far lower repayment of their receivables than if the company had kept operating. Theoretically, the threshold in Article 2 paragraph (1) of the UU KPKPU is regarded as too low (too low threshold) for the context of a modern economy. The requirement of "two creditors and one due debt" is very easily met by almost all business actors who actively engage in transactions.

Without an obligation to prove that the debtor is already in a state of insolvency, bankruptcy law in Indonesia fails to function as an instrument for selecting business entities that are still viable. This problem is aggravated by the absence of a clear definition of a "debt" that is payable, which often becomes a long-running point of contention in court proceedings. This uncertainty harms creditors because they have no definite parameter for when a bankruptcy effort is considered legally valid and when it is considered premature. Legal certainty, which is the soul of sustainable economic development, becomes distorted by the ease of this insubstantial procedure.

In addition, commercial court practice shows that simple proof often disregards the aspect of business continuity (going concern). When a debtor is declared bankrupt, the court does not evaluate whether the company still has economic value for society, such as employment absorption or tax contributions. The sudden loss of a solvent business unit due to the absence of an insolvency test constitutes a loss to the national economic structure at the macro level.

Criticism of Article 2 paragraph (1) also points to the protection of concurrent creditors, who are often the most disadvantaged party. Under conditions of forced bankruptcy without an insolvency test, bankruptcy costs and curators' fees will erode the debtor's remaining assets. If the company is in fact solvent, this action is a waste of economic resources that could otherwise be allocated to fulfilling obligations to all creditors proportionally.

Comparatively, many countries have tightened bankruptcy requirements by mandating a cash flow test or balance sheet test. These tests aim to ensure that the debtor's liabilities have indeed exceeded all of its wealth or that the debtor truly no longer has the cash flow to continue operations. In Indonesia, because proof focuses only on "one debt", the overall aspect of financial health is neglected in judges' legal considerations. Injustice also arises when a debtor acting in good faith to restructure its debts through PKPU is nonetheless declared bankrupt at the instigation of an uncooperative creditor.

Without a clear insolvency period limit, the debtor's bargaining position becomes very weak vis-à-vis creditors who wield the threat of bankruptcy. This hinders the creation of a healthy restructuring culture in Indonesia's business world. The broader impact of the weaknesses of this article is a decline in investor confidence in business certainty in Indonesia.

Investors view the legal risk of bankruptcy in Indonesia as too high because their companies can be shut down easily through court mechanisms.

This is certainly contrary to the spirit of sustainable economic development, which requires legal stability as the foundation of long-term investment. This juridical analysis finds that Article 2 paragraph (1) is often used to resolve disputes that are not insolvency problems but rather matters of pure breach of contract (*wanprestasi*). The diversion of bankruptcy's function into an ordinary debt collection tool lowers the dignity of the commercial court, which should handle complex business failures. Creditors are trapped in costly and exhausting litigation merely because of a threshold that is not selective.

The lack of insolvency criteria also results in injustice for the debtor's shareholders. Paid-in capital and company value built up over many years can vanish overnight because of a bankruptcy decision based on just one unpaid debt. This shows that our law does not yet sufficiently protect property rights guaranteed by the constitution through an objective financial test mechanism.

The problem of insolvency in Indonesia is also closely tied to the transparency of debtors' financial statements. Without an obligation to conduct an insolvency test, debtors do not feel the need to be open about their actual financial condition before the court. Creditors also find it difficult to obtain an accurate picture of the debtor's ability to pay, so that filing for bankruptcy often becomes a speculative step that is risky for both parties.

Reconstruction of this article is a necessity in order to align national law with global economic developments. Tightening the threshold by adding insolvency criteria will ensure that only companies that have truly failed enter bankruptcy proceedings. This will provide more genuine protection for creditors because liquidation will be carried out on the basis of real economic need, not merely legal formality. Furthermore, the absence of an insolvency test hinders the efficiency of asset allocation in the market. Companies that are still solvent but bankrupt will experience unproductive asset fragmentation, while companies that are truly insolvent may be declared bankrupt too late because creditors hesitate in the face of the existing legal uncertainty.

This imbalance damages the business ecosystem and hinders capital optimization in economic development. Viewed from the perspective of distributive justice, the current regulation does not yet reflect a fair distribution of burdens between debtors and creditors. Debtors bear the risk of losing their entire business, while creditors bear the risk of non-payment of their receivables due to inefficient processes. The insolvency test acts as a bridge that balances these interests by providing rational parameters for both parties.

In the context of law enforcement, judges often find themselves in a dilemma because of the very rigid formulation of Article 2 paragraph (1). Judges do not have sufficient discretion to reject a bankruptcy petition against a debtor who is clearly still solvent but meets the formal requirements. Reform of bankruptcy law must give judges room to assess the aspect of insolvency in order to realize substantive justice over procedural justice. This analysis concludes that structural weaknesses in the UU KPKPU have created a climate that is less conducive to creditor protection. An insolvency period limit that is not clearly regulated results in uncertainty as to when a creditor can effectively claim their rights without damaging the broader economic order. This constitutes a serious obstacle to Indonesia's efforts to create stable and sustainable economic growth. Therefore, as part of the results of this discussion, it

is emphasized that without changes to the bankruptcy threshold and the application of an insolvency test, the legal problems of bankruptcy in Indonesia will continue to recur. Justice for creditors and debtors can only be achieved if the law is able to clearly distinguish the financial conditions that form the basis of bankruptcy action. This step is the initial foundation for a larger legal reconstruction in support of sustainable economic development in Indonesia.

The New Construction of the Insolvency Period: An Effort to Realize Creditor Protection

The idea of a new construction in regulating the insolvency period in Indonesia is rooted in the urgent need to strengthen creditor protection through more objective parameters. This legal reform is directed at shifting the bankruptcy paradigm from a mere debt collection mechanism into an instrument for rescuing economic value. The core of this idea is to introduce an insolvency threshold that requires actual proof of the debtor's financial condition, so that bankruptcy proceedings can no longer be filed arbitrarily on the basis of an administrative payment failure alone.

One of the main proposals in this reconstruction is the application of the Balance Sheet Test as the primary criterion for determining insolvency. Through this balance sheet examination, a company can be declared to be in an insolvency period only if the total of all its liabilities has exceeded the fair value of its total assets. Applying this test would protect creditors because it prevents the early liquidation of companies that in fact still have a positive net worth, so that the value of creditors' future recovery of receivables is preserved through the continuity of the debtor's business.

In addition to the balance sheet examination, this reform idea also proposes the application of the Cash Flow Test to assess the debtor's ability to meet its obligations now and in the future. This cash flow test serves to detect whether the debtor's inability to pay its debts is permanent or merely a short-term liquidity constraint. With this test, creditors are given legal certainty that bankruptcy action will be taken only if the debtor's cash flow is truly no longer able to sustain its operations and financial obligations on an ongoing basis.

The integration of the Balance Sheet Test and the Cash Flow Test would create a standard of "genuine insolvency" within Indonesia's commercial court system. This new construction requires courts to look not merely at a single due debt but at the big picture of the debtor's financial health holistically. This is crucial for creditor protection, because they would be spared the legal risk of a bankruptcy decision being annulled at a higher level if it is later proven that the debtor was in fact still solvent.

Applying both tests would also encourage better transparency of financial information between debtors and creditors. In a well-constructed insolvency period, debtors are required to present accurate financial data to prove their position, which in turn makes it easier for creditors to carry out risk assessment. Creditor protection is realized when they have access to valid information to determine whether bankruptcy or restructuring through PKPU is more beneficial for recovering their receivables.

Furthermore, this new construction would strengthen the creditor's position in debt restructuring negotiations. When the insolvency threshold is set strictly, debtors cannot easily use bankruptcy as a pretext for writing off debts, and conversely, creditors cannot use the threat of bankruptcy to coerce debtors that are still healthy. This balance of bargaining positions is a key element in realizing economic legal justice, which is the foundation for sustainable economic development.

From the perspective of economic efficiency, a clear limit on the insolvency period helps mitigate *bankruptcy costs*, which are often very high and burden the debtor's assets. With bankruptcy petitions filtered through an insolvency test, the assets of a still-solvent debtor would not be eroded by unnecessary curator fees and court costs. This directly benefits concurrent creditors, who rank lowest in the distribution of the bankruptcy estate, because the remaining assets available for distribution become more optimal.

This legal reconstruction also aims to align Indonesian bankruptcy law with international best practices. Many developed countries have demonstrated that effective creditor protection is achieved not by making it easy to declare bankruptcy, but by ensuring that bankruptcy proceedings take place at the right time and against the right subject. This harmonization would increase the credibility of Indonesia's legal system in the eyes of international creditors, which is very important for the stability of capital inflows.

Implementing this idea in future amendments to the UU KPKPU must be accompanied by improving commercial judges' competence in understanding financial statement analysis. Judges would no longer play merely the role of a "mouthpiece of the law" who counts the number of creditors and debts, but also that of an economic evaluator capable of determining the point of insolvency. This transformation of roles is the highest form of legal protection for creditors, in which court decisions are based on the material truth of economic conditions.

The new construction of the insolvency period through the application of objective financial tests is a strategic step for strengthening the pillars of national economic law. Creditor protection does not mean making it easier to punish debtors, but ensuring that creditors' rights are fulfilled within a stable and transparent business ecosystem. Thus, this legal reform becomes a tangible contribution to supporting the agenda of sustainable economic development that is just for all stakeholders in Indonesia.

Legal Implications for Sustainable Economic Development

The legal implications of certainty in the insolvency period limit correlate directly with strengthening the foundation of a sustainable national economy. Economic development cannot be separated from the role of law as infrastructure that guarantees predictability for business actors. When a bankruptcy law regime is able to establish objective insolvency parameters through an insolvency test, it creates a healthy business ecosystem in which the risk of financial failure can be mitigated in a measurable way, so as not to cause massive shocks to the macroeconomic structure.

Investor confidence, both domestic and foreign, depends heavily on the extent to which the law protects the capital they invest. From an investment perspective, uncertainty over the bankruptcy threshold in Indonesia is often regarded as a high legal risk. By reconstructing a transparent insolvency period, Indonesia sends a positive signal to the global market that every act of corporate asset liquidation is carried out on the basis of sound economic considerations, which in turn will increase national investment competitiveness.

The stability of the national financial market is also greatly influenced by the quality of fair bankruptcy law enforcement. Banking institutions and other credit providers need certainty that the value of their debt collateral will not depreciate as a result of premature or unnecessary bankruptcy proceedings. A definite regulation of the insolvency period limit enables financial institutions to assess credit risk more accurately, resulting in lower capital costs and greater access to financing for the real sector.

In the long term, legal certainty regarding insolvency conditions contributes to the preservation of business units of significant economic value (economic value preservation). Companies that are still productive but experience temporary liquidity constraints can be protected from the threat of a fatal bankruptcy. This supports the principle of sustainability because it safeguards employment, industrial supply chains, and state tax revenue that would otherwise be lost if such companies were recklessly declared bankrupt.

The relationship between insolvency and sustainable development is also seen in the law's ability to prevent the domino effect of the failure of a single business entity. Without a clear insolvency period limit, a small payment default can trigger mass bankruptcies that should not occur, potentially causing systemic instability in the financial market. The new legal construction acts as a safety valve that filters out which failures are operational and which are fundamental.

In addition, certainty about the insolvency period encourages a debt restructuring culture that prioritizes negotiation over litigation. Sustainable economic development demands efficient business dispute resolution that does not consume large amounts of resources. With an insolvency test, the parties are encouraged to be more honest about their financial condition, so that the Suspension of Debt Payment Obligations (PKPU) process can run more effectively as a means of rescuing companies.

At the macro level, this legal reform would strengthen Indonesia's position in the Ease of Doing Business (EoDB) index, particularly on the pillar of resolving bankruptcy cases. This ranking improvement is not merely an administrative achievement but tangible evidence of a sustainable improvement in the business climate. High legal certainty will attract more stable long-term capital, which is greatly needed to finance strategic development projects across Indonesia's regions.

These legal implications also touch on the protection of minority or concurrent creditors, who are often powerless in the current bankruptcy process. A new construction that emphasizes actual asset value ensures that the distribution of liquidation proceeds is carried out fairly and proportionally. This distributive justice is part of the social pillar of economic sustainability, in which every party receives their rights in accordance with universally applicable legal principles.

Furthermore, financial market stability will be maintained if there is synchronization among monetary policy, fiscal policy, and economic law. Certainty in the insolvency period limit is a form of the law's contribution to supporting monetary stability by preventing surges in Non-Performing Loans caused by administrative bankruptcy. A responsive bankruptcy law will become an instrument that strengthens national economic resilience in the face of future global economic fluctuations.

Reconstruction of the insolvency period limit is not merely a technical legal need but an absolute prerequisite for sustainable economic development. By linking legal certainty, investor confidence, and market stability, Indonesia can build an economic foundation that not only grows quantitatively but is also resilient qualitatively. This step is a long-term legal investment to realize justice and prosperity for all Indonesian people through a modern and trustworthy economic legal system.

CONCLUSION

Based on the analysis presented, it can be concluded that reconstructing the legal framework governing insolvency criteria and applicable time limits in Indonesia is an important juridical measure for addressing the weaknesses of Article 2 paragraph (1) of the UU KPKPU. The current framework, which relies primarily on the statutory requirements of “two or more creditors” and “at least one debt that has become due and payable,” does not require a substantive assessment of the debtor’s financial condition. Without an appropriate insolvency test, bankruptcy proceedings may be used primarily as a debt collection mechanism, potentially resulting in premature liquidation, deterioration in asset value, and reduced recovery for creditors.

Furthermore, legal reform incorporating the balance-sheet test and cash-flow test could provide a more objective framework for strengthening creditor protection. Such a framework would help distinguish business entities experiencing genuine insolvency from those facing temporary liquidity difficulties. The application of objective financial criteria could enhance legal certainty for the parties and facilitate a more equitable and efficient administration and distribution of the bankruptcy estate, thereby supporting improved recovery for creditors.

More broadly, greater certainty regarding insolvency criteria and applicable procedural time limits may contribute to financial market stability and long-term investor confidence. A bankruptcy framework that responds appropriately to a debtor’s actual financial condition can serve as legal infrastructure supporting the resilience of the national business sector. By reducing the risk of unnecessary or premature bankruptcy proceedings, Indonesia could strengthen the predictability of its investment environment and promote a legal framework consistent with sustainable economic development, while maintaining an appropriate balance between debtor protection and creditors’ rights.

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CONFLICT OF INTEREST

The authors declare that this research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

AUTHOR CONTRIBUTION

The authors contributed fully to formulating the main ideas, collected library data (library research), analyzed and interpreted the primary texts of the figures, and prepared the manuscript. All authors have approved the final version of the manuscript.

GENERATIVE ARTIFICIAL INTELLIGENCE USAGE STATEMENT

The authors declare that generative artificial intelligence (AI) was used in preparing this manuscript. The authors acknowledge the use of generative AI to help improve the clarity of language and correct the grammatical structure of the manuscript. Such use was carried out in compliance with the applicable ethical guidelines on the use and disclosure of generative AI in scholarly research. Each author has made a substantial intellectual contribution to this work.

The entire contents of the manuscript have been carefully reviewed to ensure their accuracy, and the authors take full responsibility for the integrity and final content of the manuscript.

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