PALAR (Pakuan Law Review)
https://journal.unpak.ac.id/index.php/palar

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

The Urgency Of Applying The Principle Of "Debt *Forgiveness*" For Individual Debtors Of Msme Owners In The Bankruptcy Process

***Ayzza Rachma Zahranisza*[1]; *Iwan Erar Joesoef*[2].**

Undergraduate Law Study Program Faculty of Law, Universitas Pembangunan Nasional Veteran Jakarta, Indonesia.[1.2]
Jl. R.S Fatmawati Raya, Pondok Labu, Cilandak, South Jakarta 12450
E-mail: 2210611212@mahasiswa.upnvj.ac.id, iwan.erar@upnvj.ac.id
Manuscripts received : 31/10/2025, Revision and Review : 03/12/2025, Approved 03/01/2026

Abstract

Individual debtors, especially MSME owners, are often trapped in bankruptcy situations that cannot be resolved due to insufficient assets to pay outstanding debts to creditors. Substantially, this debt burden persistently shackles individual debtors. Damage to their financial reputation, coupled with the possibility of future lawsuits, significantly limits their ability to regain a decent economic life after the bankruptcy process is completed. The purpose of this study is to analyze the urgency of applying the principle of "debt forgiveness" that can provide justice for debtors and creditors in the bankruptcy process, especially for individual debtors who own MSMEs. The research method used is normative juridical with a case approach and a regulatory approach using secondary data sources. The results of the study indicate that in order to achieve a balance between debtors and creditors, needs to be a mechanism for applying the principle of "debt forgiveness" that provides relief for debtors to be able to write off all or part of their remaining debt, which can be proven by good faith and the limited financial capacity of debtors who have remaining debt from the failure of their MSME. This will provide debtors with the opportunity to rebuild their economic lives without constantly being overshadowed by the demands of past outstanding debts.

Keywords: The Principle of "Debt Forgiveness", Individual Debtors, MSME Owners, Bankruptcy.

A. Introduction

Bankruptcy law in Indonesia is regulated in Law Number 37 of 2004 concerning Bankruptcy and Suspension of Debt Payment Obligations (KPPPU Law). The law enforces several principles, one of which is the principle of balance. The principle of balance adheres to provisions to prevent abuse by debtors or creditors in bad faith and ensure balanced protection between debtors and creditors. However, in its implementation, legal practice is not always guided by this principle because the KPKPU Law places priority only on settling debts against creditors, so it has the potential to obscure the true meaning of balance. The

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

bankruptcy process that occurs in field practice implies that often the rights owned by debtors are not paid attention to by the government, especially for individual debtors who own Micro, Small, and Medium Enterprises (MSMEs).

Based on data from the Ministry of Cooperatives and SMEs, the number of MSMEs in 2024 will reach 64.2 million with a contribution to GDP of 61.07%. The contribution of MSMEs to the Indonesian economy includes the ability to absorb approximately 117 million workers or 97% of the total existing workforce.[1] This shows that MSMEs have a strategic role as the backbone of the national economy and are the main source of income for most people and countries. However, the nature of MSMEs, such as limited capital and vulnerability to economic turmoil, causes individual debtors who own MSMEs to often face various obstacles. These obstacles include capital aspects, managerial unpreparedness, limited access to financing, and business sustainability. One of the most crucial problems is the inability to meet financial obligations that leads to bankruptcy proceedings.[2]

Bankruptcy experienced by individual debtors of MSME owners is caused by the inability to pay off debts to their creditors, such as individual creditors, agencies, companies, banks, and/or non-bank financial institutions. The bankruptcy that occurs is a process that must be taken to resolve financial conditions after the failure of debt restructuring so that all assets owned by individual debtors must be liquidated by the curator.[3] However, after the liquidation of the bankruptcy property is carried out, often the debt cannot be fully paid off due to the debtor's lack of assets. This condition causes the debt burden to continue to bind debtors and hinder them from resuming a viable economic life due to their damaged financial reputation and potential lawsuits later on, even though the formal bankruptcy process has been completed.[4]

This is where the fundamental difference lies between the bankruptcy system in Indonesia and the principle of "*debt forgiveness*" adopted in other countries. In the bankruptcy legal system in the United States, there is a concept of *debt discharge* that explicitly releases debtors from certain debt obligations after the bankruptcy process is completed, allowing them to get a "*financial fresh start*" and rebuild their economic life without continuing to be overshadowed by the demands of remaining debt.[5] In contrast, the KPKPU Law in Indonesia, although it regulates the settlement of bankruptcy assets, does not explicitly accommodate a full debt relief mechanism for individual debtors whose assets are insufficient to pay off all obligations. As a result, remaining unpaid debts after the liquidation of the bankruptcy property still have the potential to be a "perpetual burden" for debtors,

[1]https://djpb.kemenkeu.go.id/kppn/curup/id/data-publikasi/artikel/2885-umkm-hebat,-perekonomian-nasional meningkat.html accessed on May 19, 2025

[2] https://www.jentera.ac.id/publikasi/10188 accessed on May 19, 2025

[3] https://siplawfirm.id/kepailitan-perorangan/?lang=id accessed on May 20, 2025

[4] Arimba Rivaldo, Joko Sriwidodo, Maryano, 2022, *Legal Protection for Micro, Small, and Medium Enterprises (MSMEs) as Business Partners in the Event of Company Bankruptcy,* Journal of Legal Research, Vol.4

[5] Haris, Ahmad, Sihabudin, Ranitya Ganindha, 2023, *Formulation of New Financial Fresh Start Arrangements in the Bankruptcy and PKPU Law.* Bachelor thesis, Brawijaya University.

CC BY NC SA

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

preventing them from returning to actively participate in economic activities and creating a sustained cycle of financial downturn.

When individual debtors who own MSMEs are in bankruptcy, the settlement of bankruptcy assets based on the principle of "*debt forgiveness*" is urgently needed to be a solution for debtors who are experiencing bankruptcy. This principle comes from the law of the United States, which is outlined in the U.S. Bankruptcy Code, specifically for *individual bankruptcy cases*. The principle of "*debt forgiveness*" provides an opportunity for individual debtors who have had good faith but failed to carry out their business, to obtain debt relief after undergoing a certain bankruptcy process. Thus, the debtor can restart his economic life in a decent way, without continuing to be overshadowed by the burden of past debts.[6]

The idea of the need for post-bankruptcy debt relief, as part of a '*financial fresh start*', is strongly supported by the views of bankruptcy law experts in Indonesia. This is in line with the view of Sutan Remy (2010), in his book, debtors who have completed the entire bankruptcy process including liquidating all their assets must be given the opportunity to rise again without being burdened with past debts through the application of the principle of "*debt forgiveness*" so that this is considered as a "*financial fresh start"* for debtors in good faith.

The urgency of applying the principle of "*debt forgiveness*" is also driven by the increasing number of bankruptcy cases against individual debtors in recent years. Data from the Commercial Court shows that from year to year there is an increasing trend of bankruptcy applications filed against individuals. This phenomenon further strengthens the need for a legal mechanism that provides a permanent solution for debtors in good faith, namely through "*debt forgiveness*", so that they do not continue to fall into the burden of previous debts.

One concrete example of the existing problem is found in the case that will be analyzed in Decision No. 37/Pdt.Sus-Pailit/2023/PN. Niaga.Jkt.Pst. where there are bankrupt debtors affected by the *covid-19 pandemic.* This case clearly represents how the accumulated debts due to the increasing amount of fines, coupled with the absence of an effective debt relief mechanism in the KPPPU Law, cause individual debtors of MSME owners who have been declared bankrupt to suffer even more. This is certainly contrary to the spirit of the constitution which guarantees the right of every citizen to live a decent life and develop economically. Therefore, in the context of post-pandemic economic recovery and strengthening the MSME sector, the analysis of this case is very important to show the urgency of applying the principle of "*debt forgiveness*" for individual debtors who own MSMEs who are experiencing bankruptcy.

In one of the previous studies published by Surya Dharma Putra (2023) "Analysis of the Application of the Debt Collection Principle and the Absence of the Debt Forgiveness Principle in the Bankruptcy Law". In this study, it is explained that bankruptcy contains two

[6] Retnaningsih, Sony Endah and Ikwansyah, Isis, 2017, *LEGAL STATUS OF INDIVIDUAL BANKRUPT DEBTORS AFTER TERMINATION OF BANKRUPTCY AND REHABILITATION UNDER INDONESIAN BANKRUPTCY LAW*, Indonesia Law Review: Vol. 7: No. 1, Article 11.

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

main principles, namely Debt Collection, which regulates creditors' claims for debts' assets for debt repayment, and "*debt forgiveness*", which allows the debtor to be released from the remaining debt and resume his business activities. However, the principle of "*debt forgiveness*" has not been adopted in the KPKPU Law in force in Indonesia, thus showing the stagnation of the development of bankruptcy law because the government has not seen the urgency of its implementation.

Furthermore, there is a publication by Ketut Gde Swara Siddhi Yatna & Ni Putu Purwanti (2020) "Comparison of Indonesian State Law with Dutch State Law in Settlement of Bankruptcy Debtor Residual Debts" which describes the significant differences between Indonesian law and Dutch law regarding the settlement of the remaining debts of bankruptcy debtors, especially in terms of time. In Indonesia, based on the KPKPU Law, the remaining debt will remain attached to the debtor indefinitely until he is able to pay off all his obligations. In contrast, the Dutch *Bankruptcy Act* provides a time limit of 5 years; After this period, the bankruptcy proceedings can be stopped through a court decision if there is a logical reason for inability to pay, resulting in the release of the debtor from the remaining debt. There is also previous research by Andhika Nugraha Utama, et al. (2024) "The Implications of Bankruptcy Regulation Reform on Micro, Small and Medium Enterprises in Indonesia in the Context of Global Economic Change" which in this study emphasizes the importance of bankruptcy regulation reform in general by considering the global economic situation and the characteristics of MSMEs to help MSMEs develop and survive in the future and aims to support MSMEs, protect debtors, increase access to bankruptcy procedures, prohibit the encumberment of adverse assets.

This research has scientific novelty in offering a new legal construction in the form of an implementation model of the principle of "Debt Forgiveness" for individual debtors who own MSMEs in the Indonesian bankruptcy system. If previous studies are still descriptive and normative with a focus on the urgency or comparison of the legal system, then this study proposes a draft legal norm that can be directly integrated into Law Number 37 of 2004 concerning Bankruptcy and Delay of Debt Payment Obligations (KPKPU Law). The model is designed to answer the legal vacuum that has caused individual debtors of MSME owners to remain burdened with residual debts even though they have gone through all stages of bankruptcy. Thus, this research not only analyzes normatively, but also develops concrete solutions in the form of the design of legal mechanisms that are applicable and can be adopted through the renewal of bankruptcy regulations in Indonesia.

Thus, the principle of Debt Forgiveness is not only a mere moral concept, but is translated as a legal norm that is able to maintain a balance of interests between debtors and creditors in a proportionate manner. This new legal construction shows that this research makes an original contribution to the development of bankruptcy law in Indonesia through a restorative justice approach and economic protection for small business actors. By prioritizing the principle of *debt forgiveness,* the proposed model has the potential to be a conceptual basis for reforming the KPKPU Law towards a more humanistic, adaptive, and socially just system.

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

Based on the description of the problem and case above, the author is interested in raising the issue by formulating the problem regarding the debt status of individual debtors of MSME owners in Decision No. 37/Pdt.Sus-Pailit/2023/PN. Niaga.Jkt.Pst. as well as arrangements for the bankruptcy of individual debtors of MSME owners that provide justice for debtors and creditors.

B. Research Methods

This research uses a type of normative juridical research that is fundamentally based on the analysis of various legal norms or rules, legal principles, legal principles, and regulations of the legal system that are relevant and still valid today.[7] The approaches used in this study consist of a statute approach, a case approach, and a comparative legal approach.

The legislative approach is used to examine the provisions contained in Law Number 37 of 2004 concerning Bankruptcy and Postponement of Debt Payment Obligations (KPKPU Law), the Civil Code, and other regulations related to the protection of MSME debtors.

The case approach is used by examining Decision Number 37/Pdt.Sus-Parilit/2023/PN. Niaga.Jkt.Pst., as a real representation of the bankruptcy problems faced by individual debtors of MSME owners by examining the possibilities comprehensively and in-depth, and seeing how to analyze the judge's considerations and the relevance of the decision to existing legal theory.

A comparative legal approach is applied to compare the Indonesian bankruptcy legal system with the legal system in the United States and the Netherlands. The selection of the two countries is based on the academic grounds that the United States represents a common law system that has developed the principle *of financial fresh start* through the U.S. Bankruptcy Code, while the Netherlands represents a civil law system that has a similar legal tradition with Indonesia and has successfully implemented a debt cancellation mechanism through the Dutch Bankruptcy Act. Thus, this comparison provides a comprehensive perspective on the effectiveness of the The application of the principle of debt forgiveness in two different legal systems.

In the analysis process, this study uses qualitative legal analysis techniques by combining three main methods, namely:

1. The systematic interpretation method is to interpret the provisions of bankruptcy law by consistently linking them to general law principles, legal objectives, and a broader system of norms, including the principles of justice and protection of debtors.
2. The teleological or sociological interpretation method is to interpret legal norms based on the socio-economic goals to be achieved by the bankruptcy law, especially in the context of national economic recovery and MSME empowerment.

[7] Sigit Sapto Nugroho, Anik Tri Haryani, Farkhani, 2020, *Legal Research Methodology*, Surakarta: Oase Pustaka.

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

3. The comparative legal analysis method, which assesses the suitability, advantages, and shortcomings of the legal systems of other countries (the United States and the Netherlands) to the Indonesian legal system to find an ideal legal model that can be adapted.

The data source used in normative juridical research is a secondary data source, where data is obtained not directly from the source (research object) but through a third party.[8] There are several data sources used in this study, namely primary legal materials, secondary legal materials, and tertiary legal materials. This study uses the method of literature study as a way of collecting data by analyzing and understanding the provisions of laws and sciences relevant to the research material as a way to explain how the principle of "*debt forgiveness*" can be applied in the bankruptcy process for individual debtors who own MSMEs. The analysis was carried out in an evaluative and constructive manner, with the aim of finding new legal concepts regarding the application of the principle of Debt Forgiveness for individual debtors who own MSMEs in the Indonesian bankruptcy system. With this approach and analysis technique, this research is expected to be able to produce a legal model that is not only normatively relevant, but also applicable in national legal practice.

This study also uses qualitative juridical data analysis techniques by describing in detail and systematically to answer the urgency of applying the principle of "*debt forgiveness"* for individual debtors who own MSMEs in the bankruptcy process. To analyze through a qualitative approach, namely by explaining in detail and systematically the problem solving, starting with the stages of compiling data, analyzing the data, the results are abstracted, then new theories or assumptions emerge that can be presented and conclusions are drawn from the results.[9]

C. Results and Discussion

1. Debt Status of Individual Debtors of MSME Owners in Decision No. 37/Pdt.Sus-Pailit/2023/PN. Niaga.Jkt.Pst.

In the case that occurred in Decision No. 37/Pdt.Sus-Pailit/2023/PN. Niaga.Jkt.Pst. debtor is an individual owner of MSMEs engaged in the manufacture of concrete tiles and/or tiles. There are main creditors as those who cooperate as business capital lenders. There has been a legal relationship between the two parties in the form of a working capital loan which has been stated in the Working Capital Loan Agreement on October 17, 2019.

The agreement began with the main creditor who provided an additional capital of IDR 400,000,000 to the debtor, with a one-year capital return period until it matured

[8] Suteki & Galang Taufani, 2018, *Legal Research Methodology (Philosophy, Theory and Practice),* Raja Grafindo Perkasa, Depok, p. 215

[9] Joesoef, I. E., S. N., & Kn, M. (2021). *Legal Theory: Dogma-Theory-Philosophy*. Image of Aditya Bakti. Item 10.

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

on October 17, 2020. The return of capital is added with a profit of IDR 100,000,000,- and if the debtor does not carry out the refund according to the due date, then the debtor agrees to be charged an interest of 2% (two percent) of the principal loan amount of IDR 400,000,000 every month for the delay in repayment of payments to the main creditor.

Thus, there has been an engagement that was born due to the agreement or agreement of the parties by requiring the fulfillment of the terms of the agreement.[10] The agreement has been legally enforced for both parties in accordance with Article 1338 of the Civil Code. Based on the agreement, the debtor has the obligation to comply with and carry out all the agreed provisions in good faith and full of responsibility, including but not limited to the fulfillment and implementation of the provisions regarding payment procedures that must be made by the debtor no later than the due date.

As time goes by and the due date has been reached, the debtor is unable to fulfill the obligation in making debt payments to the creditor, then he has defaulted or injured the promise. Therefore, every month as long as they have not paid their obligations to creditors, the debtor gets the consequences of paying a fine of 2% of the principal loan. This applies until the creditor makes *a cut off* on August 17, 2024, so that the total interest from October 17, 2020 to August 17, 2024 is IDR 368,000,000,- the total debt that must be repaid by the debtor is IDR 868,000,000 if you want to get rid of the bondage of the working capital loan agreement with the creditor.

Furthermore, there are two creditors who are distributors and sellers of raw materials for the manufacture of tiles and/or concrete tiles. There has been a legal relationship between the two parties in the form of buying and selling. The agreement occurred because the debtor had ordered raw material products from the second creditor. The total bill that has not been paid to the second creditor is IDR 630,000,000 until the time has passed from the due date of the *debtor*'s invoice so that it is included in the outstanding payment obligation.

Creditors have the right to collect and demand payment of all debts, including filing for bankruptcy. This is in accordance with Article 1 number 2 of the KPKPU Law which reads "*Creditors are people who have receivables due to agreements or laws that can be collected before the court.*"With the non-payment obligation mentioned above until the time of filing the Bankruptcy Application by the creditor, the debtor as proven to be eligible to file for bankruptcy, namely has a debt that has matured and can be collected by the creditor. This is in accordance with Article 2 paragraph (1) which reads "*A debtor who has two or more creditors and does not pay in full at least one debt that has become due and can be collected, is declared bankrupt by the Court's decision, either at his own request or at the request of one or more of his creditors."*[11]

The debtor has indeed been given a period of time to pay off the payment obligation, but until the time of the deadline, he is still unable to give it to the second

[10] Joesoef, I. E. (2022). TREATY LAW (Fundamentals, Theory, & Practice). PT Citra Aditya Bakti. Item 7.

[11] Law Number 37 of 2004 concerning Bankruptcy and Postponement of Debt Payment Obligations. Pages 3-4.

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

creditor. However, this cannot necessarily be considered as bad faith of the debtor, because negligence and breach of promise in carrying out the obligation to pay outstanding debts cannot prove the absence of good faith in paying off obligations to creditors. This is because in this case, the debtor has tried to continue to admit negligence by responding to warnings sent by creditors by continuing to seek financial assistance from third parties in order to pay debts to creditors.

The debtor's argument is that he has difficulty in paying obligations to creditors due to the pandemic which has caused the debtor's business and economy to decline. Initially, the debtor was an individual who ran a business of making tiles and concrete tiles for the provision of households and other properties run jointly with her late husband. His business starts from a small scale to growing with the support of traditional factories that are the spearhead of business production. Debtors have gone through many economic ups and downs, but still try with all their abilities to survive their business in the hope of improving the economic conditions that support the family. Limited financial capital is a major obstacle for individual debtors who run businesses without investor support, especially because the production of goods according to consumer orders requires large working capital at the beginning and payments are only received after the goods are delivered. This condition makes it very difficult for the debtor's business cash flow to remain balanced, even worsened by the delay in payments from some consumers. Therefore, to overcome liquidity problems and meet working capital needs, the debtor decides to cooperate with other parties, namely the main creditors, for the provision of working capital.

In addition to these reasons, the Covid-19 pandemic that hit the whole world has also worsened the business conditions of debtors, especially in 2020 to 2022 which imposed restrictions on almost all community activities. The emergence of the Covid-19 Pandemic has been an unexpected blow that has worsened the situation, causing orders to decline sharply. Moreover, the debtor was also abandoned by her husband in 2022, until finally the majority of the business management that was previously handled by her husband was finally taken over by the debtor but could not be handled fully by the debtor.

2The accumulation of various previous events, especially the problem of limited capital and cash flow, finally brought the Bankruptcy Respondent to very severe financial difficulties. This unstable financial situation directly disrupted business operations, exacerbated by a drastic decrease in demand from customers. This difficult condition not only affects the business aspect, but also has a serious impact on human resources, as can be seen from the emergence of demands for salary payment by workers. In fact, some workers choose to quit due to declining production activities and the company's inability to meet salary payment obligations optimally. In the end, this condition triggers the emergence of various legal problems with parties who have a legal relationship with the Bankruptcy Respondent, especially related to the inability of the Bankruptcy Respondent to settle its business debts.

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

From the chronology and explanation of the debts and receivables cases experienced by the debtor, the position is not included in the category of banks, agencies, or companies, the debt status is active until finally a formal bankruptcy declaration is requested by the two creditors. The bankruptcy process has been running until finally the debtor is declared bankrupt because facts or circumstances that are simply proven related to the bankruptcy requirements have been met.

2. Critical Evaluation of Law No. 37/2004 and the Relevance of "*Debt Forgiveness*"

Indonesia's bankruptcy law adheres to the principle of "*debt collection*" or general confiscation, where after being declared bankrupt, all of the debtor's assets are confiscated and then managed by the curator for debt repayment through a liquidation process. After the bankruptcy process is completed, the debtor's bankruptcy status is revoked and the debtor is again authorized to manage his assets. However, the remaining unpaid debts will remain the debtor's liability, and the creditor will still be entitled to collect the remaining debt. Thus, there is no principle of automatic elimination of remaining debts for individual debtors after the bankruptcy ends. This shows that the Indonesian legal system has not fully supported the economic recovery of individual debtors who are in good faith but fail economically.[12]

For MSME owners, the debt status after bankruptcy remains attached unless all creditors agree to the cancellation or repayment of the debt. This has the potential to hinder business recovery and access to finance in the future, as there is no guarantee of the start of a new economic life as has been adopted in some other countries. The large number of literature and cases abroad that provide opportunities for business owners to bounce back after a slump in the economy encourages the need for legal reform to provide better protection for individual debtors, especially MSME owners who are unlucky in their businesses.

Debt collection *mechanism*, without providing adequate space for individual debtors to obtain financial rehabilitation. This shows that the regulation is more oriented towards confiscation and debt repayment than the economic recovery of debtors. The absence of fresh start norms in the KPKPU Law can be traced from the historical background of its formation which focused on the efficiency of debt payments and creditor protection in the context of economic stability after the 1998 crisis. Legislators at that time had not placed individual debtors, especially MSME actors, as legal subjects who needed economic protection after business failure.

This weakness has an impact on the violation of the principle of substantive justice and the principle of socio-economic usefulness in national economic law. Substantive justice demands that any legal norm must take into account the balance between the rights of creditors and the rights of the debtor, while the principle of utility demands that the law produce broader social benefits for society. In the context of

[12] Toha, K., & Retnaningsih, S. (2020). Legal Policy Granting Status of Fresh Start to the Individual Bankrupt Debtor in Developing the Bankruptcy Law in Indonesia. *Academic Journal of Interdisciplinary Studies*, 9, 157-157. https://doi.org/10.36941/ajis-2020-0033.

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

MSMEs, the legal orientation that only emphasizes the fulfillment of receivables without providing opportunities for recovery actually causes greater economic losses, such as an increase in the unemployment rate and a decrease in people's productive activities.

Therefore, the integration of the principle of *debt forgiveness* through the amendment of Law No. 37 of 2004 is a must. This mechanism can be realistically adopted through the addition of a special chapter on "Economic Rehabilitation of Individual Debtors," which regulates the conditions for the elimination of remaining debts for debtors in good faith after the settlement process is completed. Commercial judges, curators, and supervisory institutions can be mandated to assess the feasibility of implementing debt forgiveness by paying attention to the proportionality between creditors' rights and the debtor's economic survival. In this way, Indonesia's bankruptcy legal system not only fulfills the principle of legal certainty, but also realizes socio-economic justice that is the ideal of national law.

Thus, the debt status of individual debtors of MSME owners in Indonesia remains attached after bankruptcy, unless all creditors forgive all remaining debts so that they are considered paid off. The current legal system does not provide automatic debt cancellation with certain conditions, so legal reform is needed to support the economic recovery of individual debtors who have been in good faith.[13]

3. Arrangements for the Bankruptcy of Individual Debtors of MSME Owners that Provide Justice for Debtors and Creditors

The principle of justice in the relationship between debtors and creditors in Indonesia demands a balance of rights and obligations of both parties which requires the implementation of the agreement in good faith and demands a balance in the content of the agreement. In the context of bankruptcy, the principle of justice is regulated in the KPKPU Law which emphasizes proportional legal protection for debtors and creditors through the principles of *distributive justice* and *corrective justice*, although in practice there is often an imbalance due to the ease of bankruptcy application requirements that tend to benefit creditors.[14] In addition, the principle *of pari passu pro rata parte* in Articles 1131 and 1132 of the Civil Code and Article 176 jo. 189 of the Bankruptcy Law guarantees that all creditors have the same rights to the debtor's property, unless there is a certain priority reason. Thus, the principle of justice in Indonesian law demands balanced, transparent, and proportionate protection for debtors and creditors.[15]

In the context of MSMEs, the liquidation of total business assets not only cuts off the debtor's livelihood, but also eliminates the potential for economic recovery. With the absence of a differentiation mechanism between individual debtors of MSME

[13] Amalia, T. R. (2023). Analysis of the legal relationship between guarantors and lenders in small and medium businesses. *JOURNAL FINDINGS*, 1(01), 70-79.

[14] Devi, R., Simbolon, N., Sinaga, L., & Yasid, M. (2022). The Bankruptcy Legal Politics in Indonesia based on Justice Value. *Jurnal Akta*.

[15] Toha, K., & Retnaningsih, S. (2020). Legal Policy Granting Status of Fresh Start to the Individual Bankrupt Debtor in Developing the Bankruptcy Law in Indonesia. *Academic Journal of Interdisciplinary Studies*, 9, 157-157.

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

owners and large corporate debtors, bankruptcy has become a rigid and inhumane legal instrument. In fact, MSMEs often experience business failures not because of bad faith, but due to external conditions such as economic crises, pandemics, or market fluctuations.

Micro, Small, and Medium Enterprises (MSMEs) have a strategic position in the structure of the Indonesian economy. MSME actors, most of whom are individual debtors, often have a high dependence on financing facilities from financial institutions or other creditors to maintain their businesses. However, in practice, the risk of business failure makes them vulnerable to facing inability to pay or leading to bankruptcy applications. At this point, the problem becomes complex because bankruptcy in individual debtors who own MSMEs is not just a problem of debt restitution, but is directly related to the sustainability of the business and the economic welfare of the family.[16]

The principle of justice that is expected to be present in the Bankruptcy Law has also become distorted. Creditors do have the right to collect debts, but these rights should be exercised within a framework of proportionate justice. When the law only facilitates the interests of creditors without providing adequate space for the recovery of the debtor's business, then the essence of substantive justice is not achieved. This condition can ultimately reduce people's interest in entrepreneurship because of the fear of the risk of bankruptcy that can completely destroy economic life. This situation shows the need for more progressive reform in the bankruptcy system, namely providing protection for debtors who play a role as the foundation of the national economy.[17]

This is where the urgency is to include the principle of "*debt forgiveness*" as a restorative justice approach in bankruptcy law."*Debt forgiveness*" is a principle that allows the provision of relief in the form of the elimination or deduction of part of the debtor who is proven to have limited ability to make full repayment for debts that he is really unable to repay after going through the entire bankruptcy process. This principle views business failure as an inherent risk in entrepreneurship and places the protection of the economic sustainability of MSME actors as part of the legal objective. The principle of "*debt forgiveness*" is also in line with the principle of balance in bankruptcy which demands equal protection for creditors and debtors. Creditors still get legal certainty for payments within the debtor's ability. On the other hand, the debtor gets the opportunity to restart the business without the burden of debt that ensnares him throughout his life. In addition, macroeconomically, the implementation of "*debt forgiveness*" contributes to maintaining the number of active business units so as to

[16] Suyanto, D. R. H., SH, M., Kn, M., Sundari, M. D. A., Kom, S., SM, M., ... & SE, M. (2024). *Legal Aspects in the Economy*.

[17] Aprita, S. A. S. (2021). The Role of Peer To Peer Lending in Distributing Funding to Small and Medium Businesses. *Journal of Justice Ocean Law*, 16(1), 37-61.V

CC BY NC SA

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

strengthen the national economy.[18] This principle has not been applied in Indonesia until now. In fact, in its application in several countries in the world, this principle is very helpful for debtors who have made their best efforts to carry out debt payment obligations to their creditors in all conditions.

However, the implementation of "*debt forgiveness*" in Indonesia's bankruptcy system requires clear limits so that it is not abused. It is necessary to prove that the debtor is really in a state of inability to pay and still has good faith in carrying out its obligations to creditors. The right regulatory framework can be a tool for equitable distribution of justice and maintain creditors' trust in the MSME financing system. Thus, the urgency of applying the principle of "*debt forgiveness*" in the bankruptcy of individual debtors of MSME owners is not just an alternative policy, but a demand for justice and economic protection of the community. He is here to ensure that the bankruptcy process does not end in systemic poverty, but rather becomes the door to a decent and sustainable economic recovery.[19]

The principle of "*debt forgiveness*" has been applied in various countries in response to the financial crisis. In the Netherlands, the principle of "*debt forgiveness*" is regulated in the Dutch Bankruptcy Act, in particular in debt repayment schemes for individuals (Title III), where debtors are given a maximum period of five years to pay off debts, if during that period the debtor is still unable to pay, the court can release the remaining debt so that the debtor is relieved of the obligation (Article 349a paragraph 2 of the Dutch Bankruptcy Act).[20] Similar principles apply in the United States through Chapter 7 and Chapter 13 of the U.S. Bankruptcy Code, where courts can discharge the remaining debts after the bankruptcy proceedings are completed, provided the debtor meets certain conditions and does not commit fraud. In general, the application of this principle aims to provide a "*fresh start*" opportunity for debtors who are in good faith but unable to pay debts, as well as to encourage economic stability and social justice. Of course, the implementation of "*debt forgiveness*" is often accompanied by certain conditions, such as economic reform programs or good governance, in accordance with creditor policies and the applicable legal framework.[21]

The principle of "*debt forgiveness*" comes as a more humane solution to debtors who are in a state of default not because of bad intentions, but because of unavoidable economic circumstances. In the context of MSMEs, the application of this principle is very relevant because the existence of small business units is also related to family

[18] Syahla, R., Satriawan, D. M., & Kurniawan, S. (2024). Minimum Urgency of Debt as a Requirement for Bankruptcy Application (Comparison of Minimum Debt Arrangements with United States Bankruptcy Law). *Lex Renaissance*, 9(1), 41-61.

[19] Disemadi, H. S., & Gomes, D. (2021). Legal Protection of Concurrent Creditors in the Perspective of Bankruptcy Law in Indonesia. *Journal of Civic Education Undiksha*, 9(1), 123-134.

[20] Simaremare, S., Nasution, B., & Yunara, E. (2021). Reviewing the Comparison of the Legal Bankruptcy System Between Indonesia and the Netherlands. , 12, 2290-2296.

[21] Fatahillah, F., & Winanti, A. (2023). Comparison of the concept of American Bankruptcy Law (Chapter 11) and Indonesian Bankruptcy Law. *Journal of Usm Law Review*, *6*(3), 1262-1278.

CC BY NC SA

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

survival, labor absorption, and national economic contribution. "*Debt forgiveness*" positions the debtor not only as a party who must bear all the financial consequences of his failure, but as an economic subject who must still be given the opportunity to bounce back.

4. Model Debt Forgiveness Nasional

This concept can be applied through two main approaches. The first is the elimination of part of the debt based on the debtor's real ability to repay. Creditors continue to receive payments proportionately to the value of the debtor's assets or future income, while debtors are exempt from liabilities that exceed their capacity. The second approach is to restructure the debt structure through a restructuring scheme that provides space for debtors to maintain their productive assets. Assets that support business activities can be maintained so that the wheels of the economy keep moving, instead of being stopped due to complete liquidation. The model of implementing "*debt forgiveness*" can also be integrated into the PKPU process as part of the peace plan.

For creditors, the existence of "*debt forgiveness*" does not mean eliminating the right to total recovery, but rather ensuring realistic payments and avoiding greater losses due to the liquidation of undervalued assets. In addition, creditors can reap long-term benefits in the form of the continuation of business relationships after the debtor recovers. Such a settlement model reflects a balance: creditors obtain a guarantee of return even if they are not in full, while debtors are protected from permanent economic collapse.[22]

The concept of the "Debt Forgiveness" model regulates the mechanisms, criteria, and procedures for debt cancellation in a measurable manner. In the model offered, debt cancellation can only be granted to individual debtors who meet the elements: (1) good faith and transparency in the bankruptcy process; (2) proven to have experienced business failure due to external factors, not intentionality; and (3) have handed over all their assets for settlement in accordance with the provisions of the law. Furthermore, the commercial judge and the curator are given the authority to assess the solvency condition and moral feasibility of the debtor before issuing a determination of debt exemption. The decision is final and provides a fresh start legal effect for the debtor to restart economic activities without being overshadowed by past debt obligations.

In addition, the establishment of a special supervisory institution under the coordination of the Ministry of Cooperatives and SMEs and the Financial Services Authority (OJK) to ensure transparency and prevent moral hazards in the implementation of Debt Forgiveness. This institution plays a role in conducting administrative and factual verification of debtors who apply for debt cancellation and evaluating the socio-economic impact after the decision.

[22] Anggraini, R. (2024). Legal Protection of Creditors and Holders of Dependent Rights Against the Distribution of Bankruptcy Assets from the Perspective of Legal Certainty and Justice (Doctoral dissertation, Doctor of Law).

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

In addition to providing economic benefits, "*debt forgiveness*" also has a significant social dimension. When MSMEs remain alive, the surrounding environment benefits in the form of employment and the continuity of the distribution of goods or services. The state does not need to allocate additional budget burdens due to the increase in unemployment and poverty rates. This concept is in line with the national development goals that emphasize the empowerment of the people's economy. Therefore, bankruptcy reform by adopting the principle of "*debt forgiveness*" is able to present restorative justice that pays attention to the human *dignity* aspect in resolving debt disputes.

Thus, if it is related to the case that occurred and was experienced by the parties in Decision Number 37/Pdt.Sus-Pailit/2023/PN. Niaga.Jkt.Pst. must of course apply the principle of justice that is appropriate for debtors and creditors according to the discussion that has been explained above. The reasons mentioned show the urgency of applying the principle of "*debt forgiveness*" in Indonesia for individual debtors, especially for MSME owners. Regarding the case that has occurred, the debtor can make an effort to appeal or review to provide a more humane scheme so that in the future, the debtor's economic level will not be destroyed in such a way because the liquidation carried out by the curator through his assets is considered too low, but still leaves debts that remain binding because the assets are smaller than the value of the debt.

In the future, the concept of "*debt forgiveness*" in bankruptcy will not be effective without the support of comprehensive regulatory reform. Law No. 37 of 2004 is time to be updated to be able to answer the reality of the modern economy which is supported by the dominance of MSMEs. Legal reform must ensure that bankruptcy is not a dead end for individual debtors who own MSMEs, but a mechanism that provides opportunities for economic recovery. The principle of "*debt forgiveness*" is the key to bringing a more humane sense of justice through the protection of business continuity and social welfare.[23]

In the settlement of cases that occur related to bankruptcy faced by individual debtors, there is a special draft update that can be concretely implemented by debtors who are petitioned for bankruptcy to be considered by the judge to alleviate the debtor's liability that can be carried out in the future.

Current regulations have not differentiated the treatment between MSME debtors and large corporations. Even though both have very different risk profiles, capital capacity, and economic impacts. Reform needs to add a special legal category that provides legal recognition for MSME debtors so that the bankruptcy process is not evenly hit. When the identity of MSMEs is recognized as a subject that requires different protections, judges can consider the impact of liquidation on the economic sustainability of debtors and the working communities that depend on the business.

[23] Wine, T. (2021). Transformation of the principles of bankruptcy publicity and PKPU to reduce bankruptcy costs and ease of access to information in support of Indonesia's economic recovery. *Journal of Rechtsvinding: National Legal Development Media*, 10(3), 479-497.

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

This policy helps ensure that debt settlement runs fairly without sacrificing the contribution of MSMEs to the national economy.

In addition, legal reform is required to establish the standard of good faith as the main condition for obtaining "*debt forgiveness*". This principle ensures that legal convenience does not become an opportunity for fraud or willful negligence. Debtors need to show an honest business track record, transparency of financial statements, and a willingness to cooperate in the debt settlement process. The implementation of "*debt forgiveness*" must also be accompanied by strict supervision mechanisms such as independent assessment of business prospects, financial audits by qualified parties, and strict sanctions for abuse. This step will maintain creditors' confidence in the effectiveness of regulations while ensuring that policies do not become a source of legal uncertainty.

The application of "*debt forgiveness*" also has the potential to create a positive chain effect for the national economy. MSMEs that succeed in getting back on their feet will increase labor absorption, expand the distribution of goods and services, and increase regional revenue through taxes and productive economic activities. Creditors ultimately receive greater benefits in the long run because the debtor's business continuity opens up opportunities for healthier business relationships. Such restorative settlements are much more profitable than instant repayment which often costs both parties due to the sale of assets with a value well below the market price. From a legal development perspective, bankruptcy reform that is in line with the principle of "*debt forgiveness*" reflects the modernization of Indonesia's economic justice system to be on par with global practices.[24]

Ultimately, the implementation of "*debt forgiveness*" is a strategic step to create a more fair, inclusive, and economic recovery-oriented bankruptcy system. This policy can be the foundation for the transformation of Indonesia's bankruptcy law towards a more equitable MSME protection paradigm. By placing "*debt forgiveness*" as part of bankruptcy settlement, the state is ensuring that the law plays the role of a facilitator of recovery, not an instrument that exacerbates individual or national crises. Substantive justice for MSME owners not only maintains business sustainability, but also fosters the nation's economic resilience as a whole.

D. Kesimpulan dan Rekomendasi

Law Number 37 of 2004 concerning Bankruptcy and Postponement of Debt Payment Obligations (KPKPU Law) in Indonesia has not fully accommodated the principle of balance and tends to prioritize debt settlement to creditors. This can be clearly seen from the debt status of individual debtors who own MSMEs (Micro, Small, and Medium Enterprises) which remains attached ('eternal burden') after the entire asset liquidation process is

[24] Sari, Y. M., & S. H., M. (2025). *Introduction to Business Law: Concepts, Instruments and Practices*, 55.

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

completed (Articles 1131 and 1132 of the Civil Code), as reflected in Decision No. 37/Pdt.Sus-Pailit/2023/PN. Niaga.Jkt.Pst.

The current bankruptcy legal system in Indonesia adheres to the principle *of Debt Collection* without adopting the principle of "*Debt Forgiveness*" (*debt discharge*) which allows a "financial fresh start" for individual debtors who are in good faith, even though they have liquidated all their assets. The absence of this "*debt forgiveness*" mechanism, which is different from the laws in developed countries (such as the United States and the Netherlands), hinders the economic recovery of individual debtors who own MSMEs, whose notabene is the backbone of the national economy, and has the potential to create systemic poverty. Therefore, bankruptcy regulation reform is very urgent to provide fairer and proportionate legal protection for individual debtors who own MSMEs.

Based on the analysis and urgency of protection for individual debtors who own MSMEs, there are relevant matters that can be applied related to the need to apply the principle of "*debt forgiveness*" for individual debtors who own MSMEs who have been declared bankrupt.

Reform of the KPKPU Law and the Adoption of the Principle of "*Debt Forgiveness*": Urge the renewal of Law No. 37 of 2004 by including the principle of "*debt forgiveness*" or the elimination of remaining debts for individual debtors (especially MSME owners) who have undergone the entire bankruptcy process and are proven to be in good faith but whose assets are insufficient to pay off all obligations. This principle should be accompanied by clear limits and conditions to prevent abuse.

Creation of a Special Classification of MSME Bankruptcy: Regulations are needed that explicitly distinguish the process and treatment of bankruptcy law between individual debtors of MSME owners and large corporate debtors. This special classification must allow the protection of productive assets that are vital for the continuity of MSME businesses, so that total liquidation whose valuation is often *undervalued* does not necessarily kill businesses and livelihoods.

Integration of the Restorative Justice Scheme: Integrating the "*debt forgiveness*" scheme in the PKPU process and the bankruptcy process. Judges and Curators should be given greater authority to assess the real condition and good faith of debtors and draw up a peace plan that takes into account going *concern* before making a decision on total liquidation.

Legal Education and Assistance: The government and related institutions need to provide adequate legal education and assistance for MSME debtors, so that they have a sufficient understanding of legal rights, obligations, and procedures in dealing with potential default or bankruptcy.

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

References

A. Laws and Regulations

Faillissementswet (Dutch Bankruptcy Act)

Central Jakarta Commercial Court. Decision No. 37/Pdt.Sus-Pailit/2023/PN. Niaga.Jkt.Pst. 2023.

Indonesia. *Law Number 37 of 2004 concerning Bankruptcy and Postponement of Debt Payment Obligations*. LN. No. 131 of 2004.

United States. *Bankruptcy Code*. (2023).

B. Journal

Amalia, T. R. 2023. "Analysis of the Legal Relationship Between Guarantors and Lenders in Small and Medium Enterprises." *JOURNAL FINDINGS* 1, no. 1: 70–79.

Anggara, R. H. 2020. "The Urgency of the Implementation of the "Financial Fresh Start" Regulation for Individual Debtors and Business Actors, Micro, Small, and Medium Enterprises (MSMEs) in Bankruptcy Law in Indonesia."

Anggoro, T. 2021. "Transformation of the Principles of Bankruptcy Publicity and PKPU to Reduce Bankruptcy Costs and Ease of Access to Information in Supporting Indonesia's Economic Recovery." *Journal of Rechtsvinding: Media of National Legal Development* 10, no. 3: 479–97.

Anggraini, R. 2024. "Legal Protection of Creditors of Dependent Rights Holders Against the Distribution of Bankruptcy Assets from the Perspective of Legal Certainty and Justice." Doctoral Dissertation, Doctor of Law.

Aprita, S. A. S. 2021. "The Role of Peer to Peer Lending in Distributing Funding to Small and Medium Enterprises." *Journal of Justice Ocean Law*, 16, no. 1: 37–61.

Curniawaty, T., & Ichsan, R. A. 2024. "Bankruptcy of Individual Companies." *Media Legal Indonesia* 2 no. 4.

Devi, R., Simbolon, N., Sinaga, L., & Yasid, M. 2022. "The Bankruptcy Legal Politics in Indonesia based on Justice Value." *Jurnal Akta.*

Disemadi, H. S., & Gomes, D. 2021. "Legal Protection of Concurrent Creditors in the Perspective of Bankruptcy Law in Indonesia." *Journal of Civic Education Undiksha,* no. 1: 123–34.

Fatahillah, F., & Winanti, A. 2023. "Comparison of the Concept of American Bankruptcy Law (Chapter 11) and Indonesian Bankruptcy Law." *Journal of Usm Law Review* 6, no. 3: 1262–78.

Hakim, L., & Istiyanti, E. 2024. "Legal Implications for Cooperative Legal Entities That Have Been Declared Bankrupt by the Commercial Court." *Sanskara Hukum dan HAM* 2, no. 3: 144–52.

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

Putra, S. D. 2023. "ANALYSIS OF THE APPLICATION OF THE DEBT COLLECTION PRINCIPLE AND THE ABSENCE OF THE DEBT FORGIVENESS PRINCIPLE IN BANKRUPTCY LAW" *Serina* Journal 1 no. 2.

Rivaldo, A., Sriwidodo, J., & Maryano, M. 2022. "Legal Protection for Micro, Small and Medium Enterprises (MSMEs) as Business Partners in the Event of Company Bankruptcy." *JOURNAL of LEGAL RESEARCH* 4, no. 1: 65–74.

Robert, R., Agustina, R., & Nasution, B. 2022. "The Rationalization of Debt Discharge Policy for Individual Debtors in Indonesian Bankruptcy Regime." *Sriwijaya Law Review*

Simaremare, S., Nasution, B., & Yunara, E. 2021. "Reviewing the Comparison of the Legal Bankruptcy System Between Indonesia and the Netherlands." , 12, 2290-2296.

Syahla, R., Satriawan, D. M., & Kurniawan, S. 2024. "Minimum Urgency of Debt as a Requirement for Bankruptcy Petition (Comparison of Minimum Debt Arrangements with United States Bankruptcy Law)." *Lex Renaissance* 9, no. 1: 41–61.

Toha, K., & Retnaningsih, S. 2020. "Legal Policy Granting Status of Fresh Start to the Individual Bankrupt Debtor in Developing the Bankruptcy Law in Indonesia." *Academic Journal of Interdisciplinary Studies* 9: 157.

Utama, A. N. 2024. "IMPLICATIONS OF BANKRUPTCY REGULATION REFORM FOR MICRO, SMALL AND MEDIUM ENTERPRISES IN INDONESIA IN THE CONTEXT OF GLOBAL ECONOMIC CHANGES." *Causa: Journal of Law and Citizenship* 6, no. 1: 81–90.

Yatna, K. G. S. S., & Purwanti, N. P. 2020. "Comparison of Indonesian state law with Dutch state law in settling the remaining debts of bankruptcy debtors" Doctoral Dissertation, Udayana University.

Yulinda, K., Tiara, D., & Mene, M. 2023. "THE DELAY IN FULFILLING DEBTORS' OBLIGATIONS IN CREDIT AGREEMENTS FOR MSME ACTORS DUE TO THE COVID-19 PANDEMIC IS IN ACCORDANCE WITH THE REGULATION OF THE FINANCIAL SERVICES AUTHORITY NUMBER 48/POJK. 03/2020." *Encyclopedia of Journal* 5, no. 3: 607–13.

C. Buku

Ginting, E. R. 2019. *Bankruptcy Law: Management and Settlement of Bankruptcy Assets (Bankruptcy Law Book 3)*. Graphic Rays.

Hamdani, S. E. 2020. *Get to know Micro, Small and Medium Enterprises (MSMEs) more closely.* Uwais is inspired by Indonesia.

Joesoef, I. E. 2022. *TREATY LAW (Principles, Theory, & Practice).* PT Citra Aditya Bakti.

Joesoef, I. E. 2021. *Legal Theory: Dogma-Theory-Philosophy*. Image of Aditya Bakti.

Nugroho, S. S., Haryani, A. T., & Farkhani, F. 2020. *Legal Research Methodology*. Lakeisha, Klaten.

Peter, M. M. 2014. *Legal Research revised edition*. Jakarta. Medium Pregnancy.

Hart, R. 2020. *Bankruptcy law*. UMM Press.

Ruslan, D. A. R. 2024. *Bankruptcy Law in Companies. Business Law in the Digital Era.*

Sari, Y. M. 2025. *Introduction to Business Law: Concepts, Instruments and Practices*.

Sjahdeini, S. R. 2010. *Bankruptcy Law understands Law No. 37 of 2004 concerning Bankruptcy.* Jakarta: Pustaka Utama Grafiti.

Suteki, G. T., & Taufani, G. 2018. *Legal research methodology (philosophy, theory and practice).* Depok: Rajawali Press.

D. Others

Ministry of Finance, 2024, GREAT MSMES, NATIONAL ECONOMY INCREASES, Directorate

Volume 12, Number 01, January-March 2026, Pages 16-33
e-ISSN:2614-1485
p-ISSN:2716-0440
Doi: https://doi.org/10.33751/palar.v12i1
Sinta 3; decree No. 0173/C3/DT.0500/2025

General of Treasury of the Ministry of Finance of the Republic of Indonesia accessed on May 19, 2025
https://www.jentera.ac.id/publikasi/10188 accessed on May 19, 2025
https://siplawfirm.id/kepailitan-perorangan/?lang=id accessed on May 20, 2025