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Pkpu in Indonesia and its Comparison with the United Arab Emirates (Difc Insolvency Law)

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ABSTRACT

Debt restructuring is a key legal instrument to prevent liquidation and support debtor recovery. Indonesia applies the PKPU mechanism, while the DIFC uses the Insolvency Law No. 1 of 2019, reflecting different legal approaches that require comparative analysis. This research aims to analyze and compare the debt restructuring mechanism in the PKPU system in Indonesia and the Insolvency Law of DIFC, as well as assess its effectiveness in providing legal protection for debtors and creditors. This study uses normative legal methods with a statutory approach and a comparative approach. Data were obtained through literature studies and analyzed descriptively-analytically and comparatively. The results show that PKPU in Indonesia focuses on a peace mechanism through the approval of the majority of creditors with a certain time limit, while the DIFC Insolvency Law provides greater flexibility through a modern restructuring scheme with an international principles-based approach. The DIFC also provides stronger protection for creditors through transparency and more structured court oversight. In general, both systems have the same goal of saving the debtor's business and providing legal certainty for creditors. However, the restructuring mechanism in the DIFC tends to be more adaptive to international business practices, while PKPU in Indonesia still has some limitations in terms of efficiency and legal protection. Regulatory reform in Indonesia is needed to increase competitiveness and legal certainty in debt settlement.

INTRODUCTION

The bankruptcy and postponement of debt payment obligations (PKPU) legal system has a very important position in maintaining the economic stability of a country because it determines how a company or individual experiencing financial difficulties can restructure its obligations before being declared bankrupt. In an increasingly interconnected global context, insolvency-related regulations are no longer seen as mere domestic legal instruments, but rather as part of international economic governance that affects the investment climate, the credibility of business actors, and confidence in a country’s financial system. Indonesia, through Law Number 37 of 2004 concerning Bankruptcy and PKPU, has regulated debt restructuring procedures by focusing on protecting the interests of debtors and creditors and affirming the principles of justice, effectiveness, and legal certainty as the basis of its regulation. However, in practice, PKPU faces various challenges that raise questions about the effectiveness of the

mechanism in ensuring business sustainability (Hartini[1] et al., 2025; Nainggolan, 2022; Nurafifah et al., 2025).

Global developments show that several countries have undertaken significant reforms to their insolvency laws, including the United Arab Emirates through the Dubai International Financial Centre (DIFC Insolvency Law) (Al-Hussien[1] & Alzubi, 2026; Alhadhrami, 2026; Blanke, 2025; Chamorro-Courtland, 2023; Huang et al., 2025; Negm, 2025; Yeung & Al-Barashdi, 2022). The DIFC operates as a special legal zone that adopts common law principles to support certainty and flexibility in debt restructuring proceedings (Dol, 2026; Huang et al., 2025; Karthikeyan, 2025). This system has received international attention because it is considered more responsive to the needs of the modern business world, especially in addressing the complexity of cross-border transactions and the dynamics of global financial markets. The comparison between PKPU in Indonesia and the DIFC Insolvency Law is important because it provides an overview of how two different jurisdictions, legal systems, and economic contexts formulate similar business rescue instruments while applying different technical approaches.

The increasing number of PKPU applications in recent years reflects the unstable dynamics of the national economy and demonstrates how companies in Indonesia are becoming increasingly reliant on this legal mechanism as an effort to survive financial pressure (Alizia et al., 2026; Deviana & Gunadi, 2025; Kinanthi & Sukamulja, 2025; Nainggolan, 2022). On the one hand, this increase shows that PKPU has become an effective instrument for many business actors to obtain breathing space through debt restructuring, especially when companies face declining cash flows, defaults, or post-pandemic market uncertainty. On the other hand, the surge in PKPU applications also raises serious concerns about the potential misuse of the mechanism by debtors seeking to avoid payment obligations without demonstrating good faith in preparing a settlement plan. There have been numerous cases showing that PKPU applications were submitted not to substantially rescue the company, but rather as a strategy to delay obligations, buy time, or even as a litigation tactic to pressure opposing parties or manipulate bargaining positions in commercial disputes. Such conditions obscure the original spirit of PKPU as a restructuring mechanism oriented toward business rescue and the protection of creditors' interests. Furthermore, criticism regarding the integrity of the process, inconsistencies in judicial decisions, and the role of administrators and supervisory judges has become increasingly prominent, particularly where there are indications that PKPU is frequently used as a legal instrument driven by conflicting interests. In this context, the effectiveness of PKPU as a legal instrument for creating justice, efficiency, and a balance of interests between the parties is increasingly being questioned, thereby necessitating an in-depth evaluation of the institutional design and governance of the PKPU process in Indonesia.

The imbalance in the position between creditors and debtors in the PKPU process is a crucial issue that reinforces criticism of the effectiveness of this system. The decision-making mechanism in creditors' meetings is often dominated by majority groups, thereby creating opportunities for the approval of unrealistic settlement plans or plans that fail to provide payment certainty for minority creditors. The repeated extension of the PKPU period without significant progress in restructuring also demonstrates weak supervision and accountability. Various major cases in Indonesia show that PKPU proceedings often turn into arenas of multi-actor conflict with the potential for vote manipulation and conflicts of interest, causing the original purpose of PKPU as a fair business rescue mechanism to become distorted and even transformed into a tool for legal maneuvering.

In addition to the issue of voting dominance in creditors' meetings, inconsistent judicial interpretation of PKPU provisions also creates legal uncertainty. In a number of cases, there have been differing standards in assessing the requirements of "debts that have matured and are collectible," as well as polemics concerning the independence of appointed administrators. This condition has a broad impact on the business world because it reduces the predictability

of judicial decisions and undermines investor confidence in the Indonesian insolvency law system. These problems demonstrate that the weaknesses of PKPU are not merely technical, but also relate to institutional aspects, the quality of judicial decisions, and the professionalism of the officials involved, thereby necessitating harmonization of legal interpretation and strengthening judicial capacity.

In the post-COVID-19 pandemic context, the increase in PKPU applications reflects the complexity of national economic dynamics as well as weak internal governance within a number of companies. Many applications conclude without agreement because the restructuring plan is not based on adequate financial analysis or merely serves as a formality to delay obligations. Compared with modern insolvency systems such as the DIFC Insolvency Law, which is more structured, transparent, and professional, PKPU in Indonesia still faces challenges in terms of supervision, administrator integrity, and voting mechanisms. Therefore, a comprehensive evaluation through comparison with international best practices is necessary to formulate a more accountable, fair, and sustainable reform of the PKPU system.

Previous studies have shown that Indonesia's PKPU mechanism still faces significant legal and institutional challenges. Comparative research by Fatahillah and Winanti (2023) found that modern insolvency systems provide greater restructuring flexibility and stronger protection for viable businesses, while Ghazali Anwar et al. (2023) emphasized that the effectiveness of PKPU depends on the integrity of the process, the feasibility of the settlement plan, and the credibility of the actors involved. Khairunnisa and Nefi (2023) further highlighted that weaknesses in procedural safeguards and restructuring enforcement may reduce legal certainty after homologation, while Albab and Gultom (2025) noted that the voting mechanism does not always ensure fair protection for minority creditors. Amboro (2023) also demonstrated that stronger institutional support, professional standards, and responsive procedures improve the effectiveness of insolvency systems. These findings underline the urgency of evaluating PKPU in Indonesia, especially when compared with the DIFC Insolvency Law, which offers a more flexible, transparent, and professionally supervised restructuring framework, thereby providing useful insights for reforming Indonesian insolvency law to better meet contemporary business needs.

This study aims to analyze and compare debt restructuring mechanisms under the PKPU system in Indonesia and the DIFC Insolvency Law in the United Arab Emirates, particularly in terms of procedures, creditor protection, debtor rehabilitation, court supervision, and legal certainty, as well as to assess the effectiveness of both systems in providing fair legal protection and identifying their respective strengths and weaknesses in supporting business rescue and sustainable debt settlement. Theoretically, this research is expected to contribute to the development of comparative insolvency law by explaining how civil law and common law traditions influence the design and effectiveness of restructuring mechanisms, while also enriching the application of the Creditor–Debtor Balance Theory in evaluating insolvency systems. Practically, this study is expected to provide recommendations for policymakers, judges, legal practitioners, and business actors in Indonesia regarding the need for PKPU reform, particularly through the adoption of best practices from the DIFC Insolvency Law to enhance procedural safeguards, strengthen creditor protection, improve financial transparency, and develop more credible restructuring governance, thereby supporting the creation of a more modern, fair, and internationally competitive debt restructuring system in Indonesia.

METHOD

This research used a normative legal research method (doctrinal legal research) with both statutory and comparative approaches. The statutory approach was conducted by analyzing the provisions on debt restructuring under Law Number 37 of 2004 concerning Bankruptcy and PKPU in Indonesia and the DIFC Insolvency Law No. 1 of 2019 in the Dubai International

Financial Centre (DIFC). Meanwhile, the comparative approach was used to identify similarities and differences in debt restructuring mechanisms, especially regarding procedures, creditor protection, the role of the court, and the effectiveness of debt settlement. The legal materials used consisted of primary legal materials in the form of laws, regulations, and related regulatory instruments; secondary legal materials in the form of literature, scientific journals, and legal doctrines; and tertiary legal materials in the form of legal dictionaries and other supporting sources. The collection of legal materials was conducted through library research. The analysis was carried out qualitatively using descriptive-analytical and comparative methods to draw conclusions regarding the effectiveness and advantages of each system in providing legal certainty and protection for the parties involved.

RESULT AND DISCUSSION

Definition of Debt Payment Obligation Suspension (PKPU)

Debt Payment Obligation Suspension (PKPU) is basically a legal mechanism designed to provide an opportunity for debtors who experience financial difficulties to reorganize their debt obligations without having to immediately declare bankruptcy. In the context of Indonesian law, PKPU is explicitly regulated in Law Number 37 of 2004 concerning Bankruptcy and Suspension of Debt Payment Obligations, which places it as one of the important instruments in the debt-receivables settlement system. In simple terms, PKPU can be understood as a delay given by the court to the debtor against the obligation to pay his debt to creditors, with the main purpose of providing time for the debtor to prepare and submit a restructuring plan that contains a way to pay off the debt in stages, cut the debt (haircut), reschedule, or other forms of restructuring that are agreed. Thus, the definition of PKPU does not stop at the meaning of "temporary delay", but includes a whole series of legal processes that are structured, procedural, and supervised by the court in order to achieve a fair business rescue solution for debtors and creditors.

If drawn from a dogmatic point of view, PKPU law is part of the bankruptcy legal regime that functions as a preventive mechanism before falling into the stage of full liquidation in the form of bankruptcy. In bankruptcy, the debtor's position is considered to be no longer able to pay its debts permanently, so the debtor's assets must be sold and distributed to creditors based on a certain priority scale. In contrast, PKPU is intended to provide a "legal pause" before reaching that point. Debtors who still have viable business prospects and potential future cash flows are given the opportunity to improve their financial structure through a peace plan. Therefore, conceptually, the definition of PKPU contains elements of protection for the debtor's business continuity, protection against the expectation of repayment for creditors, and reduction of negative economic and social impacts that may arise if the debtor is immediately placed in bankruptcy. PKPU can thus be referred to as a form of moratorium and legal reorganization of debt-receivables relations that experience congestion. From a juridical perspective, PKPU has several important elements inherent in its definition:

1. There are debtors who have debt obligations to one or more creditors, where the obligation is due and collectible, but the debtor faces difficulties in meeting all payments on time.
2. There is an application to the commercial court, either submitted by the debtor or by one or more creditors, to be granted a postponement of debt payment obligations.
3. There is a court determination that grants a temporary PKPU, which can then be extended to a permanent PKPU if it is deemed to meet the requirements.
4. There is an obligation for the debtor to draw up and submit a peace plan to the creditors within the period specified by law.
5. There is a decision-making process by creditors through a creditor meeting mechanism and voting to accept or reject the peace plan.

These elements show that the definition of PKPU does not simply refer to the financial condition of the debtor, but to the existence of a formal procedure involving the court, administrators, debtors, and creditors as the main actors in a series of highly structured processes. PKPU is not only a legal status, but a mechanism that regulates how all actors interact in a strictly supervised legal space, starting from submitting applications, determining provisional PKPU, appointing administrators, to drafting and voting on peace plans. In this process, the court plays a central role as an institution that ensures that procedures run correctly and are not abused, while the management becomes an independent figure in charge of verifying receivables, supervising debtors, and facilitating communication between interested parties. On the other hand, the debtor is obliged to show good faith and realistic ability in designing the restructuring scheme, while the creditor is given the full right to assess, criticize, and decide whether the plan is acceptable. Thus, PKPU is a collective system that requires a high level of legal, ethical, and professional coordination, because its success is not only determined by the debtor's financial condition, but also by the compliance of all parties with applicable legal procedures, transparency of information, and maintaining a balance of interests according to the principles of the Creditor-Debtor Balance Theory.

The definition of PKPU also contains a functional dimension. In terms of function, PKPU can be defined as a legal means to bridge the difference in bargaining position between debtors and creditors in a financial crisis. Under normal conditions, creditors are in a relatively stronger position because they have the right to collect, execute collateral, or file lawsuits. However, when the debtor experiences systemic or situational financial pressure, this relationship can turn unproductive because forced collection efforts may actually result in the company's economic value collapsing, so that the creditor ultimately does not get optimal repayment. PKPU is here to change the pattern of this conflict relationship into a negotiated relationship through a peace plan that is negotiated collectively in the creditors' meeting forum. Therefore, the definition of PKPU also contains a meaning as a forum for reconciliation of interests between debtors and creditors, where the ultimate goal is not just the distribution of assets, but the saving of business economic value (going concern value).

In modern bankruptcy law literature, PKPU is often associated with the concept of reorganization or business rescue, which is essentially directed to maintain the sustainability of the business that is still prospective. If the company that can actually still be saved is bankrupt and liquidated, then what is lost is not only shareholder capital, but also jobs, business networks, market trust, and contribution to the national economy. Therefore, in a broader definition, PKPU can be understood as a legal instrument that internalizes macroeconomic considerations into debt settlement mechanisms. Through PKPU, the state seeks to balance private interests (between debtors and creditors) with broader public interests. This context is what makes PKPU have a strategic position in the economic legal system, because it is at the intersection between individual interests and systemic interests.

The definition of PKPU also cannot be separated from the role of the commercial court as an authority that supervises and ratifies the entire series of debt settlement processes. The court functions to ensure that the delay in debt payment obligations is not abused as a tool to simply buy time without good faith, as well as ensure that the basic rights of creditors are respected. In this sense, PKPU is defined as a legal procedure that is court-driven and court-supervised. Each phase in PKPU starting from the submission of an application, the appointment of administrators, the ratification of the receivables list, the meeting of creditors, to the ratification of the peace plan is all attached to the decision or determination of the court. This means that PKPU is not just a private agreement, but a legal process that raises the debt-receivables relationship to the public level in the judicial realm.

If associated with the Creditor-Debtor Balance Theory as a theoretical foundation, the definition of PKPU contains a very clear dimension of balance. On the one hand, debtors are

given protection in the form of temporary suspension of execution and collection actions, as well as the opportunity to draw up a business rescue plan. On the other hand, creditors are still given the right to test the feasibility of the plan, submit objections, and vote to accept or reject in creditors' meetings. Thus, the PKPU cannot be defined only as a pro-debtor instrument, but as a mechanism ideally designed to balance the interests of two opposing parties. Within the framework of this theory, PKPU can be understood as a normative effort to prevent inequality in legal protection, both in the direction of over-pampering debtors and over-sacrificing the interests of creditors.

Even though it is normatively defined as such, the meaning of PKPU in practice often shifts. In a number of cases, PKPU is understood by some debtors not as an opportunity to improve their business, but as an instrument to shelter from creditor pressure without a serious restructuring commitment. On the other hand, some creditors view PKPU as merely a procedural obstacle that prevents them from getting quick repayment, thus creating resistance to any PKPU application. This phenomenon shows that the ideal definition of PKPU often clashes with the reality of implementation. However, academically, the discussion of the definition of PKPU still needs to refer to the ideal concept contained in the law and legal theory, while practice deviations are actually the material for evaluating the effectiveness of the normative apparatus.

From the perspective of the PKPU classification, it can also be defined as part of a collective proceeding, which is a legal process that involves all creditors in a common forum, not partial collection by one creditor only. When the PKPU was filed and granted, the position of the creditors legally changed: they no longer acted alone, but were bound in a collective process controlled by the management and supervised by the courts. This shows that the definition of PKPU also contains elements of the transformation of legal relations: from a bilateral relationship between certain debtors and creditors to a structured multilateral relationship. This collective character is an important characteristic of PKPU that distinguishes it from ordinary civil lawsuits, and therefore must always be included in the conceptual meaning of PKPU.

The definition of PKPU also includes the temporal aspect, namely the existence of a clear time limit regarding the length of delay in debt payment obligations. PKPU is not intended as a permanent state, but rather as a temporary phase that must end with one of two possibilities: the success of the peace plan or the failure that leads to bankruptcy. In other words, PKPU is defined as a temporary legal shelter that cannot be made a permanent condition. This temporary aspect is important because it is the basis for the regulation of the PKPU period in the law, which aims to prevent prolonged delays that harm creditors and create uncertainty in the business world.

If all of the above descriptions are summarized, PKPU can be defined comprehensively as follows: a mechanism for settling debts regulated by law, submitted through an application to the commercial court, which provides a temporary postponement of the debtor's debt payment obligations to creditors, with the aim of allowing the debtor to prepare and propose a peace plan containing realistic restructuring of obligations, and decided through a collective process and voting creditors under the supervision of the management and the court, in order to achieve a balance of legal protection between creditors and debtors, as well as maintain the sustainability of the business that is still prospective. This definition combines normative, functional, procedural, and theoretical dimensions, so that it can be a strong basis for further analysis of the weaknesses or potential for strengthening PKPU in the context of comparison with the DIFC Insolvency Law.

Definition of Insolvency Law and DIFC Insolvency Law

Insolvency Law or bankruptcy law is one of the branches of economic law that has a strategic role in maintaining the stability of the financial system and business climate of a country. In its basic concept, the Insolvency Law regulates the mechanism for settling debts when the debtor is no longer able to fulfill his financial obligations normally. Debtors in this context include not only individuals, but also legal entities such as limited liability companies, multinational companies, and modern business structures that have complex transaction networks. The definition of Insolvency Law cannot be separated from the economic mechanism that underlies the creditor-debtor relationship, because the debt settlement process is essentially an effort to maintain legal certainty in financial transactions. In general, the Insolvency Law includes various provisions regarding bankruptcy proceedings, business rescue, debt restructuring, and equitable distribution of the debtor's remaining assets to creditors. Thus, the definition of Insolvency Law not only includes procedural rules, but also reflects a country's public policy regarding how the balance between creditor protection and debtor rehabilitation should be conducted.

Insolvency Law is no longer understood as a mechanism of punishment for debtors who fail to pay debts, as was the case in the Middle Ages when debtors were imprisoned or all their property confiscated. The development of economic law theory shows that business failures can occur due to various external factors, such as global crises, exchange rate instability, technological changes, or drastic changes in the market. Therefore, the modern insolvency system is more directed to provide opportunities for debtors who still have business prospects to bounce back through the reorganization mechanism. This view is supported by legal theories such as the Creditor–Debtor Balance Theory, the Fresh Start Theory, and the Creditors' Bargain Theory, which assert that the insolvency system should be a means of maintaining a balance between creditors' rights and the debtor's opportunities to improve their financial situation. Thus, the Insolvency Law functions not only as a debt settlement mechanism, but also as a tool to maintain the continuity of economic activities more broadly. In its normative definition, Insolvency Law encompasses a number of fundamental concepts that are the main pillars in the debt settlement process:

1. The concept of insolvency, which is a situation when the debtor is unable to pay his debts on time (cash-flow insolvency) or when the value of the debtor's assets is smaller than the total liability (balance-sheet insolvency).
2. The concept of collective proceeding, namely that the bankruptcy or reorganization process is a mechanism that involves all creditors in the same forum so as to prevent certain creditors from taking unilateral actions that harm other creditors.
3. The concept of automatic stay or temporary suspension of execution actions, which aims to provide space for debtors to prepare a restructuring plan regularly without the pressure of individual litigation.
4. The concept of priority rules, which is a rule about the order of debt repayment to creditors based on certain categories. Fifth, the concept of court supervision, where every insolvency process is supervised by the court to ensure the integrity, fairness, and accountability of the process.

However, the definition of Insolvency Law cannot be separated from the framework of the legal system adopted by a country, for example civil law such as Indonesia or common law such as the United States, the United Kingdom, and the Dubai International Financial Centre (DIFC). The civil law system tends to emphasize written regulations, strict procedures, and limited interpretation. In contrast, the common law system emphasizes flexibility, precedent, professionalism of insolvency actors, and the active role of the courts in establishing responsive law enforcement principles. This difference is very significant because it affects the operational definition of Insolvency Law in practice. Indonesia, through Law 37/2004, is still very

procedural and formalistic, while the DIFC Insolvency Law offers a more adaptive, fast, and professional process.

The DIFC (Dubai International Financial Centre) itself is a special common law-based jurisdiction located within the geographical area of the United Arab Emirates (UAE), but has a legal system and courts that are independent of the UAE federal legal system. DIFC was formed in 2004 with the aim of becoming a competitive international financial center and on par with global jurisdictions such as London, New York, Hong Kong, and Singapore. To achieve this goal, DIFC develops a modern commercial legal system that complies with international standards, including in the field of Insolvency Law. The definition of the DIFC Insolvency Law basically covers all rules governing bankruptcy, restructuring, and business rescue within the DIFC, and is very modern because it uses the UK Insolvency Act, US Chapter 11, and the UNCITRAL Model Law on Cross-Border Insolvency as references.

The DIFC Insolvency Law regulates several highly structured and flexible debt settlement mechanisms. One of them is the Company Voluntary Arrangement (CVA), which is a mechanism in which the debtor voluntarily proposes a restructuring plan to the creditor which is then assessed by a licensed insolvency practitioner and then supervised by the court. This mechanism allows debtors who are still solvent but experiencing cash flow difficulties to get a quick settlement without having to enter the full insolvency process. In addition, there is an Administration mechanism, where the company is placed under the control of an independent administrator to maintain operational continuity while carrying out the restructuring. There is also a Receivership mechanism, which is used when the company has certain assets that must be secured or run by professionals to protect the interests of creditors.

The difference between the definition of Insolvency Law Indonesia and the DIFC is very striking in the aspect of the role of insolvency professionals. In the DIFC, Insolvency Law is explicitly defined as a legal system that requires the involvement of licensed insolvency practitioners who have met international standards in the realm of auditing, accounting, finance, and dispute resolution. This professional is not only in charge of verifying receivables, but also assessing the feasibility of the restructuring plan, managing the company's assets, and supervising the entire restructuring process. Thus, the definition of the DIFC Insolvency Law does not simply refer to the rule of law, but also includes the institutional structure and standards of professionalism as an integral part of the definition of insolvency itself.

The definition of the DIFC Insolvency Law also includes stricter creditor protection mechanisms through cross-class voting, creditor committees, as well as court-sanctioned restructuring mechanisms that ensure that restructuring decisions rely not only on the majority vote, but also on the principles of fairness and reasonableness assessed by the courts. Thus, the DIFC Insolvency Law inherently incorporates the concept of checks and balances into its definition. This is in stark contrast to Indonesia's PKPU, where the ratification of the peace plan is entirely dependent on voting mechanisms that can often be influenced by affiliated creditors or other interested parties.

Another aspect that shows the modernity of the definition of the DIFC Insolvency Law is its application to cross-border insolvency, or cross-jurisdictional insolvency. The DIFC adopts the principles of the UNCITRAL Model Law so as to enable the recognition and enforcement of foreign judgments, coordination with foreign courts, and restructuring involving assets and creditors from various countries. Thus, the definition of insolvency in the DIFC is not only limited to debt settlement within the local scope, but also includes a very crucial global aspect in the modern business world. Meanwhile, Indonesia has not yet adopted the Model Law, so the insolvency process involving foreign parties often encounters obstacles.

IFRS and international accounting standards play a crucial role in defining how insolvency is understood and evaluated in the context of the DIFC Insolvency Law. As DIFC is a global financial center operating in an international economic network, each entity under

this jurisdiction is required to prepare financial statements based on International Financial Reporting Standards (IFRS) in order to provide a transparent, accurate, and cross-country comparability of financial conditions. The use of IFRS allows insolvency practitioners, administrators, and judges to objectively assess whether a company is experiencing cash-flow insolvency or balance-sheet insolvency, which are two key indicators in determining whether restructuring, liquidation, or other legal interventions need to be carried out. Because IFRS governs the recognition of assets, liabilities, fair value, impairment, and cash flow in detail, this standard creates a very strong foundation for assessing the debtor's business worthiness and creditworthiness. Within the framework of the DIFC, the financial aspects of a company cannot be manipulated through reports that are local or less transparent, as all forms of financial valuation must be subject to strict global standards and professionally audited. The use of IFRS is what ultimately makes the definition of insolvency in the DIFC a concept that combines the legal dimension and the economic dimension in an integrated manner, so that decisions on insolvency are not only normative, but based on measurable financial data and analysis.

The implementation of IFRS in the DIFC not only simplifies the insolvency assessment process at a technical level, but also strengthens the integrity, credibility, and accountability of the insolvency system itself. In many jurisdictions that still rely on domestic accounting standards, financial information often does not reflect the real condition of the company due to differences in measurement methods, flexibility of interpretation, or even management intervention in the presentation of financial statements. However, in the DIFC, IFRS reduces the space for subjectivity through strict disclosure requirements, independent audit procedures, and fair value standards that ensure the valuation of assets and liabilities is conducted objectively. This provides a solid basis for the court to make an accurate decision as to whether the debtor is indeed fit to enter insolvency proceedings, requires restructuring, or is still able to operate in business. In addition, IFRS ensures that creditors, both domestic and international—gain certainty and confidence that debtors' financial data are in line with global standards so that they can conduct appropriate risk assessments. In the context of the Creditor-Debtor Balance Theory, the application of IFRS plays a role in creating a balance of information between debtors and creditors, as well as preventing the practice of manipulating financial statements that can harm one party. Thus, the existence of IFRS as an operational foundation in the DIFC Insolvency Law confirms that the definition of insolvency in this jurisdiction is not only a formal juridical concept, but a multidimensional concept based on financial transparency, accuracy of economic data, and the principle of fairness in debtor-creditor relations.

Overall, when viewed from the perspective of the Creditor-Debtor Balance Theory, the definition of DIFC Insolvency Law seems more mature and consistent than the definition of Indonesian Insolvency Law. The DIFC system is explicitly designed to maintain a balance between creditor protection and restructuring opportunities for debtors through a transparent, professional, and predictable process. In this case, the definition of the DIFC Insolvency Law emphasizes fairness, efficiency, predictability, and accountability as basic principles, while the definition of the Indonesian Insolvency Law still focuses on formal procedures and has not maximized the aspects of professionalism and court supervision.

Thus, the discussion of the definition of Insolvency Law and DIFC Insolvency Law shows that the insolvency system is not just a collection of legal rules, but is a legal-economic ecosystem that involves the judicial structure, the professionalism of legal actors, financial reporting standards, the principle of substantive justice, and legal protection mechanisms for stakeholders. An in-depth understanding of this definition is very important as the basis for a comparative analysis between PKPU Indonesia and the DIFC Insolvency Law, as well as as the basis for the preparation of recommendations for insolvency law reform in Indonesia to be more adaptive to the needs of the modern economy.

Legal Basis of PKPU in Indonesia and DIFC Insolvency Law

The legal basis that governs the mechanism for the Suspension of Debt Payment Obligations (PKPU) in Indonesia and the insolvency legal framework in the DIFC (Dubai International Financial Centre) basically both function as legal instruments to deal with situations where debtors experience temporary or permanent inability to meet their financial obligations. However, both systems are built on very different normative foundations and institutional structures, reflecting the evolving legal orientation, economic philosophy, and business practices in each region. Indonesia regulates PKPU through a codification-oriented civil law system through Law Number 37 of 2004 concerning Bankruptcy and PKPU, while the DIFC Insolvency Law is built on the common law tradition with a high level of adoption of international principles, court precedents, and professionalism of insolvency practitioners. These differences not only affect debt settlement methods, but also determine the quality of legal protection for creditors and debtors, the efficiency of the procedure, and the level of predictability of the debt settlement system in each jurisdiction.

Historically, the birth of Law Number 37 of 2004 replaced the Faillissements-Verordening of the Dutch colonial legacy (1905–1906) which was considered no longer relevant to the development of modern economic activities. Law 37/2004 not only regulates bankruptcy, but also regulates PKPU as a more preventive and rehabilitative instrument. The main juridical basis of PKPU in this Law is found in Chapter III, especially the articles that regulate the application requirements, the procedures for determining temporary and permanent PKPU, and the voting mechanism for the peace plan. The arrangement shows that PKPU is considered an important legal instrument that allows debtors, either voluntarily or at the request of creditors, to obtain a deferral of debt payments in order to prepare a restructuring plan (composition plan). The characteristics of PKPU in Law 37/2004 contain principles that are typical of the civil law system, such as the principle of legality, the principle of legal certainty, and the principle of equality among creditors, as reflected in the concept of collective proceeding and the principle of parity.

However, normatively Law 37/2004 still leaves a number of problems, especially in terms of the firmness of the standards of professionalism of the management, the independence of the supervisory judge, and the ambiguity of a number of technical provisions such as the minimum requirement to prove debt to apply for PKPU. The "two creditors and one due, collectible debt" provision, which is a condition of the application—although seemingly simple—often gives rise to different interpretations between the panel of judges, thus influencing the inconsistency of the verdict. From the perspective of Creditor-Debtor Balance Theory, this weak standard of legal interpretation has the potential to create an imbalance between creditors and debtors, especially when debtors use PKPU as a tool to disproportionately hinder creditor execution. Therefore, the normative foundation of PKPU in Indonesia still needs harmonization both at the legal level and the court's technical guidelines.

Structurally, PKPU in Indonesia is regulated as a court-driven process, where all procedures, from the application to the ratification of the peace plan, are under the supervision of the Commercial Court. Article 222 of Law 37/2004 emphasizes that PKPU applications can be submitted by debtors or creditors, and the court is obliged to decide on the provisional PKPU application no later than 3 days after the application is registered. This strict regulation of deadlines demonstrates the efforts of lawmakers to ensure the efficiency of the process. However, in practice, the advanced stages often experience repeated extensions due to the debtor's request or management's consideration, resulting in delays in the settlement of cases and increased costs for creditors. This shows that although normatively Law 37/2004 seems to

be strictly time-bound, the effectiveness of its implementation depends on the quality of case management and the integrity of the legal actors involved.

Law 37/2004 is also the legal basis for voting on the peace plan through the mechanism of two groups of creditors, namely concurrent creditors and preferred/separatist creditors, with the provision that the peace plan is considered acceptable if it is approved by more than 1/2 of the number of creditors present and represents at least 2/3 of the bill value. This voting provision aims to maintain the principle of fairness and representation of creditors, but in practice it opens up opportunities for dominance by certain creditors, especially affiliated creditors, which strategically affects the voting results. This normative gap shows that the legal basis of PKPU in Indonesia does not fully reflect the principle of balance in the Creditor-Debtor Balance Theory. When one group of creditors can control collective decisions, the potential for distortion of justice becomes enormous.

In contrast to Indonesia, the legal basis for insolvency in DIFC is much more structured, comprehensive, and modern. The latest DIFC Insolvency Law, DIFC Law No. 1 of 2019 (as amended 2021), replaces DIFC Law No. 7 of 2004, and reflects the widespread adoption of the UK Insolvency Act, US Chapter 11, and the UNCITRAL Model Law on Cross-Border Insolvency. This regulation not only regulates bankruptcy, but also includes modern corporate restructuring mechanisms such as Company Voluntary Arrangement (CVA), Administration, Receivership, Reorganization, and Cross-Border Insolvency Proceedings. Thus, the legal basis of the DIFC Insolvency Law is not only oriented to domestic procedures, but also provides legal certainty for companies that have creditors and assets across countries.

The advantages of DIFC lie in its principle-based approach in which the law establishes the basic principles, while the technical guidelines are developed through the regulation of the court authority and insolvency practitioners. Thus, the DIFC Insolvency Law is more flexible, responsive, and can adapt to the global economic situation without having to change the law massively. This approach is in stark contrast to Law 37/2004 which is rigid in nature and does not provide ample space for precedent formation.

Institutionally, the legal basis of the DIFC Insolvency Law places the DIFC Courts as an independent judicial institution based on common law with international judges from the United Kingdom, Singapore, Hong Kong, and other countries. This independence provides a high level of credibility to the insolvency settlement process, as the judge who decides the case has long experience in restructuring international companies. This is in contrast to the situation in Indonesia, where judges' knowledge of corporate restructuring is often limited to domestic cases and has not fully followed global standards. This difference in institutional quality shows that the legal basis of insolvency in the DIFC is more in line with the needs of the global economy.

The DIFC Insolvency Law requires that all insolvency settlements involve licensed insolvency practitioners who are professionally certified and subject to international codes of conduct. This condition provides a guarantee that the assessment of the debtor's financial condition is carried out objectively and technically. This is different from the Indonesian PKPU system which does not have international certification standards for administrators, so the integrity and professionalism of administrators often receive criticism. From the perspective of Creditor-Debtor Balance Theory, strengthening professionalism is very important because insolvency practitioners play the role of balancing the interests of debtors and creditors through verification of receivables, assessment of peace plans, and supervision of company operations.

Fundamental differences can also be seen in the aspect of financial information governance. The DIFC legally requires companies to prepare financial statements based on International Financial Reporting Standards (IFRS) so that the condition of insolvency can be evaluated objectively, measurably, and consistently. IFRS provides a clear assessment framework regarding fair value assets, impairment, cash flows, and liabilities, thereby

minimizing the risk of manipulation of financial statements by debtors. Meanwhile, Indonesia still refers to PSAK which is not yet fully compatible with IFRS in the context of debt restructuring assessment. In addition, Law 37/2004 does not expressly require the submission of audited financial statements before PKPU, so it is vulnerable to concealment of misleading information or financial statements. This causes creditors to have unbalanced information in the process of creditor meetings and voting. Theoretically, this kind of condition is contrary to the principle of information balance in the Creditor–Debtor Balance Theory.

From the perspective of legal protection, creditors, the legal basis of the DIFC Insolvency Law is much more progressive. The DIFC regulates the cross-class cram down mechanism, which is the court's authority to approve a restructuring plan even if it is rejected by a group of creditors, as long as the court considers the plan to be fair and does not disproportionately harm creditors. This mechanism is very effective in preventing certain groups of creditors from engaging in manipulative voting. Meanwhile, in PKPU, the court does not have the authority to impose a peace plan if the vote does not meet the formal requirements. The absence of a cram down mechanism makes PKPU vulnerable to being played by affiliated creditors or groups who want to obstruct restructuring.

From all these descriptions, it is clear that the difference in the legal basis of the Indonesian PKPU and the DIFC Insolvency Law does not only lie in the differences in the legal system, but also reflects fundamental differences in the regulatory orientation, technical standards, institutional structure, and level of professionalism expected in a modern insolvency system. Indonesia is still in the stage of consolidating insolvency law, where legal norms are not yet fully aligned with global practice. Meanwhile, the DIFC has become a model of modern insolvency law that integrates international principles, global accounting standards, as well as a more balanced mechanism for creditor protection and debtor rehabilitation.

The Problem of PKPU Implementation in Indonesia Reviewed from the Creditor–Debtor Balance Theory

The Debt Payment Obligation Suspension Mechanism (PKPU) is basically designed as a business rescue instrument that provides space for structured negotiations between debtors and their creditors when the company is in a financial crisis situation that has the potential to lead to bankruptcy. Conceptually, PKPU is intended as a legal "pause" that temporarily stops individual execution actions so that the debtor-creditor relationship that was originally confrontational can be transferred to a negotiated relationship through the preparation of a realistic, measurable, and debtor-based peace plan. In this framework, the Creditor–Debtor Balance Theory is a very important normative foundation, because it emphasizes that any insolvency mechanism should not only protect one party, but must strive for a balanced proportion of protection: on the one hand it provides opportunities for debtors who are still prospective to be rehabilitated, and on the other hand ensures that creditors' rights to debt repayment are not disproportionately sacrificed. However, the ideals of this design often clash with the reality of practice in Indonesia, where PKPU does not always function as a credible business rescue instrument, but in many cases shifts into a tactical strategy to delay obligations, avoid execution, or rearrange the bargaining position of the parties in commercial disputes. These deviations point to a serious gap between the normative objectives of the PKPU and its implementing practices, so it is important to examine further where the weak points that lead to mechanisms that are actually designed to maintain a balance actually contribute to the birth of new imbalances in the relationship between debtors and creditors.

The problem of implementing PKPU in Indonesia cannot be seen as a single phenomenon, but as an accumulation of various intertwined weaknesses ranging from normative, institutional, to ethical-professional aspects of the actors involved. Regulatory weaknesses such as application requirements that are too minimal, the absence of strict

regulations regarding affiliated creditors, and loose restrictions on the extension of the PKPU period open up wide space for abuse of procedures by debtors and certain creditors who are interested. On the other hand, judicial practices that have not been consistent in interpreting the element of "debts that have matured and can be collected", as well as variations in standards in assessing the good faith of debtors, create legal uncertainty that interferes with the confidence of business actors in the PKPU system itself. The integrity and independence of PKPU management that has not been fully guaranteed, coupled with the design of a voting mechanism that is vulnerable to being dominated by affiliated creditors, also strengthens the distortion of the balance of protection idealized by the Creditor-Debtor Balance Theory. Not to mention, information inequality due to the lack of transparent and standardized financial statements puts creditors in a weak position in evaluating the peace plan, so decisions taken at creditors' meetings are often not based on a comprehensive analysis of the feasibility of restructuring. Thus, the discussion of the implementation of PKPU requires a directed thematic approach, so that every dimension of the problem ranging from regulations, judicial practices, the role of management, to institutional design can be analyzed in depth and associated consistently with the basic principle of the debtor-creditor balance, so that it is clear where PKPU is still in harmony with the theory and where it deviates from the spirit of justice that is the foundation conceptually.

1. PKPU Application Requirements That Are Too Minimal and Vulnerable to Abuse

The provision that PKPU can be filed only with two creditors and one debt that has matured and can be collectible is basically intended to provide quick access for debtors in need of restructuring. But in practice, this very minimal requirement actually opens up room for abuse. PKPU applications are often submitted on the basis of bills that are still disputed or of relatively small value, without an in-depth examination of the substance of the debt. As a result, debtors can easily obtain temporary protection from the courts and delay payment obligations, including avoiding the execution of the guarantee. This situation creates inequality because creditors do not have enough space to test the validity of claims before PKPU status is granted.

2. Integrity and Independence of Administrators Who Have Not Been Standardized

The management has a strategic role in overseeing the PKPU process, starting from bill verification, supervision of debtors' business activities, to facilitating creditor meetings. However, in practice, there is still a variation in the quality of professionalism and independence of the management. The absence of a nationally and internationally standardized insolvency practitioner certification system causes the competence and ethics of management to be not uniform. In some cases, allegations of partiality or conflicts of interest arise that can affect the objectivity of receivables verification and the presentation of financial statements. When the management is not completely neutral, the balance between the interests of the debtor and the creditor becomes disturbed.

3. Creditor Voting Mechanism That Is Vulnerable to Manipulation

The vote of creditors is a crucial stage in determining whether or not the peace plan is accepted. Ideally, voting reflects the objective evaluation of creditors on the feasibility of restructuring. But in practice, the dominance of affiliated creditors often affects voting results. Debtors can include creditors who have a direct or indirect relationship to artificially form a majority of votes. The lack of strict regulation regarding the voting restrictions on affiliated creditors makes the voting mechanism more of a quantitative formality than a substantive assessment. As a result, independent creditors lose influence and the principle of collective justice is reduced.

4. Inconsistency of Court Decisions and Legal Uncertainty

Differences in the interpretation of commercial judges related to the elements of maturing debts, the assessment of the debtor's good faith, and the granting of the PKPU extension of time cause legal uncertainty. In some cases, applications with minimal evidence are still

granted, while in other cases, applications that appear to meet the elements are rejected. This inconsistency creates uncertainty for business actors and investors, because the outcome of the legal process is difficult to predict. The unstable legal environment ultimately reduces the effectiveness of PKPU as an instrument to save businesses.

5. Repeated PKPU Extension Without Substantive Progress

PKPU is designed as a temporary mechanism with a certain time limit so that restructuring is carried out quickly and efficiently. In practice, however, the extension of the PKPU often occurs without significant progress in the preparation of a peace plan. Debtors can take advantage of the PKPU period to postpone obligations or avoid other legal pressures. Meanwhile, creditors will have to wait in uncertainty, with the risk of depreciating the debtor's assets over time. This time usage imbalance indicates a lack of control over process effectiveness.

6. Information Asymmetry and Weak Financial Transparency

The success of the restructuring is highly dependent on the disclosure of the debtor's financial information. But in many cases, financial statements are not audited, cash flow projections are unrealistic, or asset valuations are not based on objective standards. This creates information asymmetry, where the debtor has control over strategic information while the creditor has to make decisions with limited data. Without equality of information, voting decisions and peace agreements could potentially not reflect the real state of the company.

7. Weak Substantive Supervision by the Court

Normatively, the commercial court plays the role of supervisor of the PKPU process. But in practice, supervision is often more administrative than substantive. The supervisory judge does not always critically evaluate the management's report, the feasibility of the peace plan, or the debtor's good faith. This lack of substantive control makes the PKPU process run according to formal procedures without guaranteeing the quality of the restructuring. As a result, the mechanism that should be a means of saving businesses has the potential to become an unequal and less accountable negotiation arena.

Overall, the seven issues show a structural imbalance in the implementation of PKPU. Comprehensive reform that includes regulatory aspects, institutional strengthening, improving the professionalism of administrators, and affirming transparency and supervision standards is an urgent need for PKPU to function fairly, credibly, and sustainably.

Comparison of Indonesian PKPU and DIFC Insolvency Law (United Arab Emirates)

The comparison between PKPU in Indonesia and the DIFC Insolvency Law in the United Arab Emirates is one of the most relevant analytical approaches in understanding how two legal systems operating in different economic contexts and regulatory frameworks deal with insolvency and debt restructuring issues. Indonesia regulates the PKPU mechanism through Law Number 37 of 2004 which is oriented towards the civil law system, while the DIFC Insolvency Law operates in a common law tradition that is more flexible and adaptive to global business dynamics. Although both have the same goal, which is to provide an opportunity for debtors to restructure their debts through a peace plan, the normative and institutional approaches used by both show very significant differences. On the one hand, PKPU in Indonesia still faces complex implementation challenges, such as inconsistency of decisions, dominance of affiliated creditors, and management integrity issues. On the other hand, the DIFC Insolvency Law seeks to build a modern, professional, and legal precedent-based insolvency ecosystem by emphasizing high standards for insolvency practitioners, the use of IFRS in the presentation of financial statements, and cross-jurisdictional restructuring mechanisms. This difference reflects how a country's basic legal philosophy can shape the effectiveness of the insolvency system in ensuring a balance of interests between debtors and creditors.

PKPU in Indonesia is still strongly influenced by the logic of civil law which is very procedural and emphasizes certainty through written laws. This can be seen from the very detailed arrangements regarding the application requirements, PKPU deadlines, voting mechanisms, and other formal stages that must be passed to achieve a peace plan. While this approach provides formal certainty, it often comes at the expense of flexibility in solving highly complex and dynamic issues such as corporate restructuring. In contrast, the DIFC which is under special jurisdiction within the United Arab Emirates adopts the British common law tradition that places more emphasis on general principles such as fairness, predictability, and proportionality in the debt settlement process. The common law system provides greater room for judges to establish precedents through judgments that are responsive to economic conditions and the needs of the parties, so that the law not only runs on text, but also evolves through empirical experience and international business practice. This philosophical difference is often the source of inequality between the effectiveness of PKPU and the DIFC Insolvency Law, because flexibility is one of the fundamental aspects in the modern insolvency system.

From the institutional aspect, PKPU Indonesia is carried out under the authority of the commercial court which is administratively in the structure of the Supreme Court. This structure makes the independence of commercial courts often questionable, especially in major cases involving many economic and political interests. Not only that, the appointment of PKPU administrators is often carried out without clear professional certification standards, so the competence of administrators varies greatly from one case to another. On the other hand, the DIFC Courts have an institutional structure that is completely independent of the federal courts of the United Arab Emirates. Its judges are recruited from countries such as the United Kingdom, Singapore, Hong Kong, and Australia who have long experience in international commercial law. With this structure, DIFC is able to guarantee stronger judicial independence and provide confidence to investors that the restructuring process in the region will run according to international standards. This difference in quality and institutional independence is an important factor why many business actors trust the common law system such as the DIFC rather than the procedural system that is too rigid such as the Indonesian PKPU.

When viewed from the aspect of professionalism standards, the DIFC Insolvency Law clearly goes far beyond the Indonesian PKPU. The DIFC requires that any restructuring or insolvency management process must be led by licensed insolvency practitioners who have international professional certifications and are subject to a strict code of conduct. They come from global auditing and restructuring firms such as KPMG, PwC, Deloitte, or other leading insolvency firms. With this kind of professionalism, every restructuring plan submitted by the debtor is objectively assessed based on verified financial data and realistic cash flow projections. In contrast to that, PKPU administrators in Indonesia can come from various backgrounds with non-uniform competency standards. Many managers do not have in-depth expertise in financial accounting, restructuring, risk management, or corporate finance. This irregularity has led to many peace plans being drafted unprofessionally, full of optimistic assumptions, and not supported by credible financial data. This difference in professionalism standards is also the main factor why the success rate of restructuring in PKPU is much lower than in insolvency regimes in countries based on common law.

Another aspect that distinguishes PKPU Indonesia from the DIFC Insolvency Law is the creditor voting mechanism. In Indonesia, the vote on a peace plan relies heavily on a quantitative majority, i.e. the approval of more than 1/2 of the concurrent creditors present and representing at least 2/3 of the debt value. Although in theory this mechanism appears to be democratic, in practice it is very easy to manipulate through the presence of affiliated creditors. Many debtors strategically include creditors who have an ownership or controlling relationship with the company, so the composition of votes can be directed to win the peace plan even if it is substantially unrealistic or potentially detrimental to independent creditors. In contrast, the

DIFC Insolvency Law implements a much stricter mechanism of cross-class voting and allows for a court-supervised cram down, i.e. the court's authority to approve a restructuring plan even if certain groups of creditors disagree. The cram down mechanism ensures that the restructuring can continue as long as the plan is fair, feasible, and does not provide a disproportionate benefit to one group of creditors. This approach provides more balanced protection for the entire class of creditors and prevents the dominance of certain groups in the restructuring process.

The next comparison can be seen from the aspect of information transparency and financial reporting standards. DIFC requires all companies within its jurisdiction to prepare financial statements in accordance with IFRS (International Financial Reporting Standards). IFRS ensures that financial statements are prepared based on global standards that can be verified by independent auditors and can be compared to other companies around the world. Thus, the courts and creditors have accurate data to assess whether the debtor is truly insolvent and whether the peace plan is feasible. On the other hand, PKPU Indonesia does not have strict regulations that require IFRS standard financial statements or special audits for PKPU purposes. As a result, many debtors apply for PKPU with financial statements that are not transparent, unaudited, or even do not reflect their actual financial condition. The information imbalance between debtors and creditors causes the negotiation process to run biased, and voting decisions are often based on inaccurate data. This critical point shows how far the PKPU transparency standard is compared to the DIFC Insolvency Law.

The DIFC applies a much more concise and structured procedure, so that the insolvency process is not protracted and does not create uncertainty for the parties. The courts at the DIFC are mandated to ensure that the process runs within the deadline, and any delays may result in administrative sanctions or re-evaluation of the insolvency practitioner. In contrast, PKPU in Indonesia often undergoes repeated extensions without significant progress in the restructuring process. Many debtors take advantage of the extension gap to delay obligations or avoid the execution of guarantees, so that PKPU turns into a survival strategy and not a business rescue mechanism. This difference in effectiveness is not only due to the legal culture, but also to the weak supervision of Indonesia's commercial courts that are supposed to act as a control of the process. The slow and protracted PKPU process not only harms creditors, but also lowers investor confidence in the integrity of Indonesia's insolvency system as a whole.

Another important difference lies in the ability to handle cross-border insolvency. The DIFC Insolvency Law has adopted the UNCITRAL Model Law on Cross-Border Insolvency, thus enabling this legal system to recognize foreign court judgments, coordinate with insolvency proceedings in other countries, and protect the assets of companies located outside the territory of the DIFC. Thus, DIFC has become one of the regional restructuring centers that is able to handle multinational companies or companies with assets and creditors spread across various countries. Indonesia does not have a cross-border insolvency regulation in Law 37/2004, so when companies that have cross-border assets or liabilities undergo PKPU, the settlement process becomes hampered and complicated. The absence of this regulation makes PKPU incompatible with the needs of the highly integrated global market, so that Indonesia lags behind modern jurisdictions such as DIFC, Singapore, or Hong Kong in terms of its ability to facilitate the restructuring of multinational companies.

When analyzed from the aspect of the success of the DIFC restructuring, it shows a much higher success rate than PKPU Indonesia. This is due to several main factors such as the professionalism of insolvency practitioners, the strictness of the verification process, the clarity of the voting structure, and the independence of the judiciary. In Indonesia, the success rate of PKPU tends to be low because many peace plans fail in implementation, there is no supervision after the implementation of homologation, or because the plan is unrealistic from the beginning. Many debtors only use PKPU as a tactic to postpone bankruptcy without a mature restructuring plan. As a result, most PKPU ends up in bankruptcy after spending a lot of time, effort, and

processing costs. The failure of PKPU not only harms creditors but also damages public trust in Indonesia's economic legal system.

If the two systems are compared within the framework of the Creditor-Debtor Balance Theory, it can be seen that the DIFC Insolvency Law is much more consistent in maintaining the proportionality of legal protection between creditors and debtors than PKPU Indonesia. The DIFC places the elements of independence, transparency, and objectivity as the main foundation of the restructuring process, so that no one party is in a position to be too dominant. The courts at DIFC play an active role as a substantive supervisor, not just an administrative one, so that each restructuring plan is rigorously tested based on financial feasibility, operational sustainability, and fairness for all creditors. On the other hand, in PKPU Indonesia, this balance is often disturbed due to regulations that are too loose, such as low application requirements, the absence of strict restrictions on the votes of affiliated creditors, and weak financial statement transparency obligations. This condition creates a wide space for debtors to utilize the PKPU mechanism as a defensive strategy, not as a sincere effort to save businesses. When the debtor has excessive privilege in the negotiation process, while the creditor does not have full access to accurate information, the restructuring process loses the substantive equality that is at the heart of the creditor–debtor balance theory.

Another difference can be seen from the quality and independence of the professionals involved in the debt settlement process. The DIFC requires that every insolvency process be handled by licensed insolvency practitioners with international competency standards, who are tasked with assessing the feasibility of restructuring based on verified data. They have full authority to assess whether the debtor is acting in good faith as well as evaluate whether the restructuring plan is realistic and feasible. Such a model creates a "professional buffer" that maintains a balance between creditors' rights and debtors' rehabilitation opportunities. In contrast, PKPU Indonesia does not have a standard insolvency practitioner licensing system, so administrators can come from various backgrounds without guaranteed expertise in the fields of restructuring, financial analysis, or risk management. The number of administrators who are less competent or not fully independent causes the PKPU process to often be vulnerable to being influenced by certain interests. Creditors are in a weak position because the quality of the management's recommendations does not always reflect an objective analysis. When the management does not function as a balancer, the creditor-debtor balance collapses and PKPU becomes easier to manipulate by parties who have control over the composition of the vote or the flow of the legal process.

From the dimensions of transparency and information governance, DIFC once again shows significant advantages that guarantee a balance of positions of the parties. The DIFC expressly requires the use of IFRS (International Financial Reporting Standards) and independent audits as basic requirements for assessing the financial condition of debtors. Accurate financial information allows creditors to make an objective assessment of the feasibility of restructuring. This is very different from Indonesia, where the financial statements in PKPU are not always audited and are often presented minimally. This information inequality benefits debtors and harms creditors because they make voting decisions based on incomplete or inaccurate data. This kind of information asymmetry is clearly contrary to the principle of the Creditor–Debtor Balance Theory, which requires that restructuring negotiations can only take place fairly if both parties are at an equal level of knowledge. When PKPU regulations fail to create information equity, while the DIFC systematically ensures transparency through international standards, it becomes clear that Indonesia's PKPU system is in urgent need of reform. This comparison not only shows the difference in institutional quality, but also an indicator that Indonesia needs to reorganize its insolvency law structure in order to be able to create a stable, credible restructuring ecosystem that is able to strengthen investor confidence in the long term.

Opportunities for the Application of DIFC Insolvency Law Principles for PKPU Reform in Indonesia

The opportunity to apply the principles of the DIFC Insolvency Law in PKPU reform in Indonesia is basically not only related to the technical adoption of modern insolvency norms, but also touches on philosophical, institutional, and practical aspects that have been the weak points of the PKPU system. The DIFC Insolvency Law was built to serve the needs of international financial centers that demand high legal certainty, process speed, information transparency, and balanced protection for debtors and creditors. This characteristic is in line with the challenges faced by Indonesia as a country with a large economy that is increasingly integrated into the global financial system. Therefore, when talking about the opportunities for the application of the DIFC principles, the main issue is not simply to copy the common law structure into the Indonesian civil law system, but how to extract key values such as fairness, independence of actors, transparency, and accountability to then translate them into a PKPU framework that is more adaptive, modern, and responsive to the needs of practice.

One of the most strategic opportunities is to strengthen the professionalism regime of PKPU administrators by emulating the licensed insolvency practitioners model as applied at DIFC. So far, one of the critical points of PKPU in Indonesia is the absence of strict certification and accreditation standards for administrators, so their quality, integrity, and technical capacity vary greatly. The DIFC shows that the existence of certified insolvency practitioners who are subject to the international professional code of ethics is able to be an effective balance between the interests of debtors and creditors, as they act as independent analysts on the company's financial condition, negotiation facilitators, as well as technical advisors to the courts. Indonesia has a great opportunity to form a similar system through cooperation between the Supreme Court, the Financial Services Authority, professional associations of accountants and curators, and certified training institutions, so that PKPU administrators in the future are not just "administrative appointments", but are specialized professions with clear qualifications, competency standards, disciplinary mechanisms, and ethical supervision. Reforms at this level will have a direct impact on improving the quality of the peace plan, the objectivity of receivables verification, and creditors' trust in the integrity of the PKPU process.

Another very important opportunity is the application of the principle of transparency and standardization of financial information, which is one of the main pillars of the DIFC Insolvency Law. The DIFC requires financial statements to be prepared based on international standards and independently audited, so that any decision regarding debt restructuring is based on robust, accurate, and testable data. PKPU in Indonesia has often run with limited information; Debtors often submit peace plans without up-to-date financial statements, without realistic cash flow projections, or without a post-restructuring business feasibility analysis. If the DIFC principles are adopted, Indonesia may require debtors in PKPU to submit audited financial statements, independent assessments of assets, and short-term and long-term financial projections prepared with a clear methodology. This obligation can be affirmed in the revision of Law 37/2004 or in the form of a Supreme Court Regulation or the technical guidelines of the Commercial Court. Thus, creditors no longer make voting decisions "blindly", but based on information equivalent to international standards of practice, so that the principle of creditor-debtor balance is more likely to be achieved substantively.

The principle of active and substantive court supervision as applied in DIFC practice opens up important reform space for PKPU in Indonesia. In the DIFC system, the court not only approves the restructuring plan based on the fulfilment of the formal voting requirements, but also examines in depth the aspects of fairness, economic viability, and business sustainability. The court has the authority to reject plans that are deemed unrealistic or

detrimental to certain groups of creditors, even if they have been numerically approved. This model is relevant to strengthen the role of supervisory judges and panel of judges in PKPU, so that they not only focus on procedures, but also conduct substance tests on the rationality of payment schedules, sources of financing, and protection of minority creditors, thereby preventing the practice of abusing PKPU as a mere instrument of delaying obligations.

In addition, the regulation of affiliated creditors and voting structures are strategic aspects that can be adapted from the DIFC. In many common law jurisdictions, the votes of related creditors may be restricted or grouped separately to prevent majority distortion. On the other hand, in the practice of PKPU in Indonesia, there are no strict restrictions on affiliated creditors, so it has the potential to create a "pseudo-majority" that benefits the debtor. Reform can be directed at the affirmation of the definition of affiliated creditors, the obligation to disclose relationships transparently, as well as the mechanism for classifying creditors in voting. In addition, the introduction of the cram down mechanism—the court's authority to pass a fair plan even if rejected by a particular class—can be a corrective instrument so that voting outcomes are not determined solely by numerical power, but by the principles of substantive justice and economic feasibility.

The aspect of time discipline and process certainty is also an important lesson from DIFC. The system emphasizes strict deadlines and clear consequences if the restructuring stage does not run effectively. In Indonesia, even though the law has regulated the term of PKPU, the practice of repeated extensions without significant achievement still occurs frequently. Reform can be carried out by tightening the conditions for extension, requiring concrete progress indicators at each stage, and implementing performance-based evaluation mechanisms such as the length of the process to homologation and the success rate of plan implementation. With this approach, PKPU is no longer seen as a "waiting room without certainty", but rather as a measurable and accountable legal process.

Furthermore, reform opportunities also include strengthening institutional capacity and adapting to cross-border insolvency regimes. The DIFC has adopted the principle of cross-border insolvency so that it is able to coordinate cases with other jurisdictions and recognize foreign judgments. Indonesia, with its increasing level of global economic integration, needs similar arrangements to be able to handle restructuring involving international creditors and assets. However, the adoption of the DIFC principle cannot be done raw, but must be adjusted to the character of the civil law system and Indonesia's institutional conditions. PKPU reform needs to be understood as part of the big agenda for economic law reform, which involves improving the professionalism of judges and administrators, transparency of financial information, and political commitment to build a modern, credible, and business-oriented debt restructuring system.

CONCLUSION

The Postponement of Debt Payment Obligations (PKPU) mechanism in Indonesia still faces significant normative, institutional, and practical challenges that hinder its ability to effectively and fairly fulfill its business rescue function. Weak regulatory frameworks, inadequate standardization and supervision of administrators, insufficient restrictions on affiliated creditors, and inconsistencies in judicial decisions have prevented the optimal realization of the balance between debtors and creditors as emphasized in the Creditor–Debtor Balance Theory. A comparison with the DIFC Insolvency Law demonstrates that Indonesia has substantial opportunities for reform through strengthening the professionalism of insolvency practitioners, enhancing financial transparency, increasing the active role of courts in assessing restructuring plans, and adopting modern mechanisms such as restrictions on affiliated creditors' voting rights and fair cram-down procedures. Therefore, comprehensive PKPU reform is necessary to establish a more transparent, professional, and globally aligned

insolvency system capable of improving legal certainty, protecting stakeholders, and increasing investor confidence in Indonesia's business climate. Future research is recommended to examine the practical implementation of proposed reforms, particularly the effectiveness of cram-down mechanisms, judicial supervision models, and professional certification systems for insolvency administrators within the Indonesian legal framework.

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