

Bankruptcy Dynamics of PT Sri Rejeki Isman Tbk (Sritex): Legal Analysis, Causal Factors, and Implications for Creditors and Indonesia's Textile Industry

Irawan Malebra¹, Umar Farouk², Nur Rini³,
^{1,2,3}Politeknik Negeri Semarang, Jawa Tengah
email: Irawan.malebra@polines.ac.id

ABSTRACT

This article analyses the insolvency trajectory of PT Sri Rejeki Isman Tbk (Sritex) after the cancellation of a court-homologated PKPU composition and the affirmation of bankruptcy status at the cassation level. The research uses a doctrinal legal method, complemented by a case-study reconstruction grounded in publicly accessible court decisions and official corporate disclosures. The study clarifies (i) the normative conditions and procedural pathway for composition cancellation under Law No. 37 of 2004; (ii) the distributional consequences for secured (separatist), preferred, and concurrent creditors once bankruptcy is declared; and (iii) the wider industrial implications for Indonesia's textile and garment ecosystem, including labor vulnerability and supply-chain contagion. The article argues that composition cancellation cases expose structural weaknesses in feasibility testing and post-homologation monitoring: compositions may be approved on optimistic assumptions without sufficiently enforceable transparency and early-warning mechanisms. To strengthen legal certainty and value preservation, the paper proposes reforms at three levels: stricter feasibility scrutiny at the composition stage; mandatory, auditable post-homologation reporting with meaningful creditor committee participation; and clearer governance protocols for going-concern strategies and labor-claim coordination in large, labor-intensive bankruptcies.

Keywords: *bankruptcy; PKPU; homologation; composition cancellation; creditor protection; secured creditors; labor claims; textile industry; Indonesia.*

Dinamika Kebangkrutan PT Sri Rejeki Isman Tbk (Sritex): Analisis Hukum, Faktor Penyebab, dan Implikasi bagi Kreditur dan Industri Tekstil Indonesia

Abstrak

Artikel ini menganalisis lintasan insolvensi PT Sri Rejeki Isman Tbk (Sritex) setelah pembatalan komposisi PKPU yang telah disetujui pengadilan dan penegasan status kebangkrutan di tingkat kasasi. Penelitian ini menggunakan metode hukum doktrinal, dilengkapi dengan rekonstruksi studi kasus yang didasarkan pada keputusan pengadilan yang dapat diakses publik dan pengungkapan resmi perusahaan. Studi ini mengklarifikasi (i) kondisi normatif dan jalur prosedural untuk pembatalan komposisi berdasarkan Undang-Undang No. 37 Tahun 2004; (ii) konsekuensi distribusi bagi kreditur yang dijamin (separatis), kreditur preferensi, dan kreditur konkuren setelah kebangkrutan dinyatakan; dan (iii) implikasi industri yang lebih luas bagi ekosistem tekstil dan garmen Indonesia, termasuk kerentanan tenaga kerja dan penularan rantai pasokan. Artikel ini berpendapat bahwa kasus pembatalan komposisi mengungkap kelemahan struktural dalam pengujian kelayakan dan pemantauan pasca-homologasi: komposisi dapat disetujui berdasarkan asumsi optimis tanpa transparansi yang cukup dapat ditegakkan dan mekanisme peringatan dini. Untuk memperkuat kepastian hukum dan pelestarian nilai, makalah ini mengusulkan reformasi

pada tiga tingkatan: pengawasan kelayakan yang lebih ketat pada tahap komposisi; pelaporan pasca-homologasi yang wajib dan dapat diaudit dengan partisipasi komite kreditur yang bermakna; dan protokol tata kelola yang lebih jelas untuk strategi kelangsungan usaha dan koordinasi klaim tenaga kerja dalam kebangkrutan besar dan padat karya.

Kata kunci: kebangkrutan; PKPU; homologasi; pembatalan komposisi; perlindungan kreditur; kreditur terjamin; klaim tenaga kerja; industri tekstil; Indonesia.

INTRODUCTION

Indonesia's insolvency regime has long carried a dual ambition: to deliver predictable creditor protection through collective execution and, at the same time, to preserve economically valuable enterprises through restructuring. This duality is reflected in Law No. 37 of 2004 on Bankruptcy and Suspension of Debt Payment Obligations (Penundaan Kewajiban Pembayaran Utang, PKPU). Bankruptcy (kepailitan) is designed as a collective enforcement mechanism that centralises claims, freezes individual execution, and distributes the debtor's estate (boedel pailit) under court supervision. PKPU, in contrast, is a restructuring corridor, an institutional pause that allows debtors and creditors to negotiate a composition (perdamaian) that may be homologated by the court and become binding.

In practice, the system is continuously tested by macroeconomic shocks and by the strategic behaviour of debtors and creditors. Since the Covid-19 pandemic, multiple Indonesian firms, especially in labor-intensive manufacturing, have faced a combination of demand volatility, higher financing costs, and structural shifts in global supply chains. Under such conditions, PKPU often becomes the central forum for renegotiating capital structures. Yet, when a homologated composition is not performed, creditors may petition for cancellation of the composition. The cancellation mechanism is normatively intended as a safeguard: it prevents indefinite delay and protects creditors against non-performance or bad faith. At the same time, cancellation can abruptly convert a restructuring process into

liquidation/collective execution, with significant distributional and socio-economic consequences.

The bankruptcy dynamics of PT Sri Rejeki Isman Tbk (Sritex) are emblematic. Sritex is a large, vertically integrated textile and garment producer whose operations are embedded in local labor markets and in international supply chains. The case gained national prominence after a creditor petitioned for the cancellation of a prior PKPU composition due to non-performance, leading to a bankruptcy declaration in the Commercial Court and subsequent cassation. The Supreme Court's cassation decision (Case No. 1345 K/Pdt.Sus-Pailit/2024, decided on 18 December 2024) affirmed the bankruptcy status, placing the firm into a curator-managed process and triggering complex questions regarding secured collateral, labor entitlements, and the feasibility of going-concern value preservation.

This article addresses three research questions: (1) How does Indonesian law structure the pathway from PKPU composition to composition cancellation and bankruptcy, and how is that pathway reflected in the Sritex case? (2) What legal-economic factors help explain the failure to perform the composition, and what does that reveal about feasibility testing and monitoring in PKPU practice? (3) What are the implications for creditor protection and the broader textile industry, and what reforms can improve fairness, certainty, and value preservation? The contribution of this paper is twofold: it provides a doctrinally structured account of composition cancellation consequences across creditor classes, and it draws policy lessons relevant to large, labor-

intensive firms where insolvency outcomes carry systemic and social risk.

RESEARCH METHOD

This research uses a doctrinal (normative) legal method combined with a case-study reconstruction. The doctrinal component analyses the statutory framework of Law No. 37 of 2004, including provisions on bankruptcy declaration, creditor classification, PKPU, composition approval/homologation, and composition cancellation. Doctrinal interpretation is supplemented by insolvency concepts developed in Indonesian practice, such as the role of curators (*kurator*), supervisory judges (*hakim pengawas*), creditor committees, and avoidance actions (*actio pauliana*).

The case-study component reconstructs the procedural trajectory and practical issues in the Sritex proceedings using publicly accessible sources: Supreme Court decision directories, credible legal reporting, and official corporate disclosures. These materials are treated as contextual evidence to illuminate how legal rules operate in complex corporate distress. The analysis is structured through three lenses: (i) legal-doctrinal mapping of requirements and effects; (ii) distributional analysis of impacts on creditor classes (secured/separatist, preferred, concurrent); and (iii) policy analysis addressing industrial and labor implications.

This approach is appropriate because the core questions are normative and institutional: they concern legal standards, procedural governance, and the alignment (or mismatch) between legal design and economic reality. The study does not claim comprehensive access to confidential financial data; rather, it seeks to identify doctrinally robust and policy-relevant implications based on authoritative legal texts and publicly available case materials.

RESULTS AND DISCUSSION

Legal Architecture: Bankruptcy, PKPU, and the Logic of Composition Cancellation

Law No. 37 of 2004 frames bankruptcy as a collective and public-order mechanism. A bankruptcy declaration generally requires that the debtor has at least two creditors and has failed to pay at least one due and payable debt. Once declared bankrupt, the debtor loses the right to manage and dispose of its assets; authority shifts to a curator acting under a supervisory judge. Individual creditor executions are stayed, and claims are verified and ranked for distribution.

PKPU sits alongside bankruptcy as an alternative track oriented to restructuring. In PKPU, the court grants temporary protection from enforcement to allow the debtor to propose a composition, negotiate with creditors, and seek approval through creditor voting. If approved and homologated, the composition binds the debtor and the relevant creditors. The normative justification is value preservation: if a business remains viable, restructuring may maximise the long-term recovery for creditors compared to immediate liquidation.

Composition cancellation (*pembatalan perdamaian*) functions as a corrective mechanism. If the debtor does not perform the obligations under a homologated composition, a creditor may petition for cancellation. The doctrinal logic is that the legal system should not reward non-performance with indefinite protection. Yet, cancellation also introduces a high-stakes ‘cliff effect’: a restructuring arrangement, once cancelled, can trigger bankruptcy with immediate consequences for control, asset disposition, and stakeholder welfare.

This mechanism raises two institutional questions. First, what counts as sufficient non-performance to justify cancellation? In practice, courts examine material breach of payment schedules or other obligations specified in the composition. Second, how should the system balance creditor rights with the public interest in preserving employment and industrial capacity? Indonesian insolvency law prioritises legal certainty and collective execution, but the administration of large

estates often requires going-concern strategies that are not explicitly ‘industrial policy’ yet are crucial for value preservation.

Case Reconstruction: A Procedural Timeline of the Sritex Bankruptcy Pathway

To clarify the pathway from composition to bankruptcy, Table 1 summarises the publicly reported procedural milestones relevant to the Sritex case. The table is descriptive and focuses on the legal pathway rather than contested financial details.

Table 1. Procedural milestones (compiled from public sources).

Stage / Forum	Key Procedural Event	Indicative Date (Public Sources)
Commercial Court (Semarang)	Petition for composition cancellation (homologation) filed by a creditor due to alleged non-performance	Aug 2024 (reported)
Commercial Court (Semarang)	Decision granting cancellation and declaring the debtor bankrupt	Oct 2024 (reported)
Supreme Court (Cassation)	Cassation filed by debtors against the bankruptcy decision	Nov 2024 (reported)
Supreme Court (Cassation)	Cassation rejected; bankruptcy status affirmed (Case No. 1345 K/Pdt.Sus-Pailit/2024)	18 Dec 2024
Post-cassation	Estate administration: verification of claims, asset inventory, and evaluation of going-concern options	2024–2025 (ongoing)

Creditor Classes and Distributional Consequences After Bankruptcy

Once bankruptcy is declared, distributional consequences depend heavily on creditor classification and on the composition of the estate. Indonesian practice commonly distinguishes three broad categories: secured (separatist) creditors, preferred creditors, and concurrent creditors.

Secured (separatist) creditors are those holding in rem security rights such as mortgage (hak tanggungan), fiduciary security (fidusia), pledge, or other security interests that grant priority over specific collateral. Their expectation is that collateral can be enforced to satisfy the secured debt. In bankruptcy, however, enforcement is not purely private: it is coordinated within the

collective process. This coordination is normatively justified because collateral may be operationally essential for preserving going-concern value and because bankruptcy administration requires orderly valuation and sale.

Preferred creditors are those whose claims are granted statutory priority. In Indonesian corporate bankruptcies, labor claims and certain public claims can be legally privileged. The operational challenge is that preferred claims can be large in labor-intensive firms; if the estate’s liquid value is insufficient, tensions between secured enforcement and labor protection can intensify.

Concurrent creditors are unsecured creditors whose recovery depends on the residual estate after secured and preferred

claims are satisfied. This class often includes trade creditors and small and medium suppliers, who can be highly exposed to information asymmetry. In major industrial bankruptcies, concurrent creditors' losses can ripple through supply chains and local economies.

The Sritex case illustrates why governance is crucial. Where assets are complex and interdependent (factories, inventory, receivables, intellectual property, and contracts), the curator's strategy, whether to pursue a piecemeal liquidation, a going-concern sale, or a structured continuation will shape recoveries for all classes. The law provides the collective framework, but implementation capacity and transparency determine whether value is preserved or dissipated.

Composition Failure as a Feasibility and Monitoring Problem

At the doctrinal level, composition cancellation hinges on non-performance. Yet, from an institutional perspective, repeated composition failures signal feasibility and monitoring issues. Two stages matter: (i) feasibility scrutiny before homologation, and (ii) monitoring after homologation.

First, feasibility scrutiny. Creditors vote on compositions based on expected recovery and on credibility of the debtor's cash-flow plan. In practice, creditors may approve a composition for strategic reasons (e.g., to avoid immediate liquidation or to preserve commercial relationships) even when feasibility is uncertain. If voting is dominated by large creditors, smaller creditors may accept feasibility risks without full information.

Second, post-homologation monitoring. Once a composition is homologated, the debtor is expected to perform instalments or other obligations. However, monitoring mechanisms may be weak: reporting may be infrequent, unaudited, or difficult to interpret; creditor committees may lack enforcement tools; and there may be limited early-warning

systems for emerging arrears. By the time cancellation petitions are filed, non-performance may already be extensive, reducing the chance of salvage.

In Sritex's case, public reporting and disclosure point to the creditor's petition for cancellation due to alleged failure to meet payment obligations under the composition. While public sources cannot substitute for detailed internal financial records, the case is consistent with a pattern observed in many large restructurings: operating cash is pulled in competing directions—toward production continuity, wage obligations, supplier payments, and debt service. When financing constraints tighten, instalments under a composition can become unperformable unless the plan includes robust buffers, refinancing commitments, or operational transformation.

Thus, composition failure should be analysed not only as a breach but also as a governance problem: if feasibility is not realistically tested and if monitoring lacks transparency and enforceability, PKPU risks becoming a temporary delay mechanism rather than a credible restructuring instrument.

Legal-Economic Drivers in Large Textile Insolvency

The textile and garment sector is structurally exposed to global competition, price compression, and volatility in input costs. Several legal-economic drivers are relevant for understanding why a large textile firm may fail to perform a composition.

1. Margin compression and buyer power. Global buyers often exert significant bargaining power, pushing prices down and demanding rapid delivery. Even if revenues remain large, operating margins may narrow sharply. In such circumstances, compositions that require substantial and rapid debt repayments may be misaligned with industry cash-flow realities.
2. Working-capital intensity. Textile production requires significant working capital for raw materials, inventory, and

receivables. When financing lines tighten, working-capital shortfalls can disrupt production, leading to delayed deliveries and revenue losses—further undermining the ability to meet composition instalments.

3. Currency and interest-rate exposure. If debt structures include foreign-currency components or are priced with variable interest rates, macroeconomic shifts can rapidly increase debt service burdens. Exchange-rate swings can also increase input costs where imported materials are significant.
4. Supply-chain disruptions and post-pandemic restructuring. Global logistics disruptions and shifts in demand can alter the timing and volume of orders. Firms may face sudden order cancellations or delayed payments. This volatility reduces the reliability of cash-flow projections used in restructuring plans.
5. Governance and group complexity. Large firms may operate through multiple subsidiaries and intercompany transactions. If governance is weak, asset transfers and intra-group arrangements can complicate estate boundaries. In bankruptcy, this can trigger disputes over asset ownership and encourage avoidance actions to protect the estate.

These drivers support a key claim: feasibility of a composition must be evaluated with industry-specific realism, including stress-testing for downside scenarios. Without such stress-testing, compositions can become legally binding but economically fragile agreements, increasing the probability of subsequent cancellation and value-destructive bankruptcy.

Governance Challenges: Curator Strategy, Going-Concern Value, and Labor Claims

Large industrial bankruptcies pose governance challenges that are not fully captured by basic doctrinal categories. Three governance domains are especially important.

First, curator strategy and valuation. The curator must inventory assets, verify claims, and design a sale or recovery strategy. Where assets are interdependent, a going-concern strategy may preserve higher value than piecemeal liquidation. But going-concern approaches require transparent valuation, credible bidding procedures, and careful handling of secured rights. If procedures are opaque, stakeholders may suspect insider dealings, eroding trust and slowing resolution.

Second, coordination with secured creditors. Secured creditors' rights must be respected, yet uncoordinated enforcement can destroy enterprise value. In practice, courts and curators often mediate temporary arrangements that allow production to continue while collateral valuation or sale is prepared. Clearer legal guidance on such coordination—especially for factories and operational collateral—would reduce uncertainty.

Third, labor claims and socio-economic safeguards. In labor-intensive firms, bankruptcy can precipitate mass layoffs and delayed payment of entitlements. Although Indonesian law affords priority to certain labor claims, practical enforcement depends on estate liquidity and on administrative efficiency. Mechanisms to protect workers, such as early verification of labor claims, transparent timelines, coordination with social security agencies, and, where possible, continuation of operations to fund obligations—are crucial.

In Sritex's case, public commentary has focused on whether a going-concern approach could preserve jobs and supply-chain relationships while meeting legal requirements. From a legal-institutional standpoint, the key is governance: going-concern strategies should be treated as value-preservation tools within bankruptcy administration, not as exceptional political interventions. Strengthening professional standards and transparency in curator practice is therefore central to improving outcomes.

Policy and Reform Proposals

The Sritex case suggests several reforms that can strengthen the credibility and fairness of Indonesia's insolvency system.

1. Stronger feasibility testing at the composition stage. Courts could require clearer disclosure of cash-flow assumptions, sensitivity analyses, and financing commitments. Independent review mechanisms—such as requiring a professionally prepared feasibility report—could reduce optimistic bias.
2. Mandatory, auditable post-homologation reporting. The law or implementing practice could require periodic reporting (e.g., quarterly) on composition performance, audited where appropriate, with standardised formats accessible to creditor committees. Early-warning indicators (missed instalments, material covenant breaches, significant order declines) should trigger enhanced supervision.
3. Enhanced creditor committee functions. Creditor committees should have meaningful rights to request information, commission independent reviews, and recommend protective actions when non-performance risks emerge. This is particularly important for protecting concurrent creditors.
4. Clear protocols for going-concern strategies. For large, labor-intensive firms, courts could develop practice guidelines for going-concern sales or temporary continuation, including valuation standards, conflict-of-interest safeguards, and transparent bidding procedures.
5. Labor-claim coordination mechanisms. Bankruptcy administration should include explicit workflows for labor claim verification and communication, coordination with relevant government agencies, and clear timelines for priority payments. Such protocols reduce uncertainty and mitigate socio-economic harm.

6. Robust avoidance and investigation capacity. Where group complexity raises risks of value leakage, curators should have resources and support to pursue avoidance actions and investigate intercompany transactions. Timely action is essential to prevent irreversible asset dissipation.

These reforms aim to strengthen three normative goals simultaneously: legal certainty, fair creditor treatment, and value preservation. Importantly, the goal is not to weaken creditor rights, but to ensure that restructuring and bankruptcy processes operate transparently and realistically in complex industrial settings.

Comparative Perspective and International Benchmarks

A comparative lens helps clarify why feasibility testing, transparency, and governance are central to successful restructuring. The UNCITRAL Legislative Guide on Insolvency Law emphasises that insolvency proceedings should maximise value for the collective body of creditors through timely information, predictable processes, and effective supervision. Similarly, the World Bank Principles for Effective Insolvency and Creditor/Debtor Regimes highlight the importance of professional competence of insolvency practitioners, predictable priority rules, and balanced options between liquidation and reorganisation.

While Indonesia's PKPU model has its own doctrinal structure, these international benchmarks suggest two practical lessons. First, a restructuring agreement is only as strong as its informational foundations. If creditors vote on a plan without stress-tested projections or without credible commitments for funding, the probability of non-performance increases. Second, post-approval supervision should function as an early-warning system. A plan that begins to fail

should trigger transparent reporting and rapid corrective action before arrears accumulate.

In mature restructuring systems, feasibility review is often supported by independent experts, and debtor reporting obligations are standardised. These tools do not eliminate failure, but they reduce opportunistic delay and improve the quality of creditor consent. The Sritex experience suggests that Indonesia would benefit from institutionalising similar safeguards without undermining the speed that makes PKPU attractive.

Capital Market Governance and Listed-Company Disclosure in Insolvency

Sritex's status as a publicly listed company adds another layer to insolvency governance. Insolvency proceedings can materially affect investor decisions, credit availability, and supplier confidence. Public companies therefore face heightened expectations of timely and accurate disclosure of material events, including litigation milestones, enforcement risks, and changes to operational continuity.

In large corporate bankruptcies, information asymmetry can widen. Secured creditors and major lenders may have direct access to restructuring updates, while retail investors, small suppliers, and even workers may rely on fragmented information. This information gap can fuel speculation and precipitate self-fulfilling collapses: suppliers may stop deliveries, buyers may suspend orders, and workers may exit, reducing the enterprise's residual value.

To mitigate these dynamics, best practice suggests that listed companies and their insolvency administrators provide structured public communications: summaries of court milestones, clarification of the estate-administration strategy (liquidation versus going concern), and clear statements about how core operations will be stabilised during claim verification. Stronger disclosure discipline helps protect market integrity and supports a more orderly restructuring or sale

process, ultimately benefiting creditors and stakeholders.

Stakeholder Risk Map and Value-Preservation Priorities

A practical way to connect doctrinal analysis with industrial consequences is to map stakeholder risks and value-preservation priorities in a large manufacturing bankruptcy.

For secured creditors, the key risk is collateral value erosion due to operational shutdown or uncoordinated asset sales; the priority is coordinated valuation and transparent sale mechanisms. For preferred claimants, especially workers, the central risk is delay and uncertainty in payment of statutory entitlements; the priority is early verification, clear timelines, and coordination with social security agencies. For concurrent creditors, the risk is severe haircut due to low residual estate value and information gaps; the priority is transparency, committee oversight, and timely claims administration.

For the industrial ecosystem—suppliers, subcontractors, and regional economies—the risk is contagion through unpaid invoices and order cancellations; the priority is stabilising core operations where feasible, or executing a fast and credible sale process that preserves supply-chain relationships. This stakeholder mapping reinforces the central argument of the paper: bankruptcy outcomes in systemically relevant firms are shaped not only by legal classification, but also by the governance capacity of the insolvency process to preserve value under stress.

Implementing Reform: A Practical Roadmap for Courts and Insolvency Practitioners

Reform proposals become meaningful only when translated into implementable routines. For Indonesia's insolvency ecosystem, improvements can be staged across the lifecycle of PKPU and bankruptcy without requiring a complete statutory overhaul.

At the pre-homologation stage, courts can standardise feasibility documentation. For

example, debtors could be required to submit a cash-flow forecast with explicit assumptions, sensitivity analyses, and a disclosure of funding sources (committed versus aspirational). Where the firm is systemically important or highly leveraged, the court may direct that an independent professional opinion be filed (e.g., by an auditor or restructuring advisor), not to replace creditor voting but to reduce informational asymmetry.

At the post-homologation stage, the focus should shift to compliance infrastructure. A simple but powerful intervention is periodic reporting with a standard template: instalment schedules versus actual payments, material operational indicators (orders, production volume, inventory), and a narrative on risks and mitigations. Reports should be shared to the creditor committee and—where a listed company is involved—summarised for public disclosure to protect market integrity. Missing an instalment, or a material deterioration of indicators, should automatically trigger enhanced supervision, including a creditor meeting to consider corrective measures.

At the bankruptcy stage, value preservation requires procedural legitimacy. Curators can publish a clear estate strategy document: inventory milestones, claim verification schedule, and the chosen value-realisation route (piecemeal liquidation, going-concern sale, or structured continuation). If a going-concern route is pursued, curators should articulate valuation methods, conflict-of-interest safeguards, and an open bidding timeline. For labor-intensive firms, the strategy should include a dedicated labor-claim workstream, with clear points of contact and timelines for verification and payment priority.

Finally, capacity building matters. Courts, curators, and supervisors benefit from shared practice guidance and training—particularly on valuation, communications, and the management of operational collateral. These steps collectively strengthen predictability and reduce the risk that the insolvency process itself becomes a driver of value destruction.

CONCLUSION

The insolvency trajectory of PT Sri Rejeki Isman Tbk (Sritex) illustrates the doctrinal pathway from PKPU composition to composition cancellation and bankruptcy, and it highlights institutional tensions that become acute in large, labor-intensive manufacturing firms. Composition cancellation protects creditors against non-performance and prevents indefinite delay, but it can also precipitate value-destructive outcomes when feasibility testing and post-homologation monitoring are weak.

The case carries three core lessons. First, the credibility of PKPU depends on realistic feasibility scrutiny and stress-tested restructuring assumptions. Second, transparency and monitoring after homologation are essential to prevent the accumulation of arrears that make salvage difficult. Third, bankruptcy administration in systemically significant manufacturing firms requires governance capacity—especially for going-concern strategies and labor claim coordination—to preserve value and reduce socio-economic harm.

Strengthening these dimensions would improve creditor confidence, reduce opportunistic use of PKPU, and enhance Indonesia's capacity to manage corporate distress in a manner consistent with fairness, efficiency, and social stability.

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