JRSSEM
JOURNAL RESEARCH OF SOCIAL SCIENCE, ECONOMICS, AND MANAGEMENT

Optimization of Artificial Intelligence to Address Injustice in Bankruptcy Requirements between State-Owned

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ABSTRACT: Injustice in bankruptcy requirements between State-Owned Enterprises and private companies creates legal uncertainty and unfair treatment in restructuring processes. State-Owned Enterprises often receive more protection compared to private companies, even though both are subject to Law No. 37 of 2004 on Bankruptcy and Suspension of Debt Payment Obligations. Article 2 paragraph (5) of this law stipulates that bankruptcy petitions against State-Owned Enterprises operating in the public interest can only be filed by the Minister of Finance, resulting in unequal legal treatment and raising questions about fairness in the bankruptcy system in Indonesia. This disparity negatively impacts business competition and public trust in the legal system. The purpose of this study is to analyze the injustice in bankruptcy requirements between State-Owned Enterprises and private companies, as well as to explore how artificial intelligence can be integrated to address these issues. The research method used is normative juridical, using a statutory approach and an analytical approach. The research findings indicate that the injustice in bankruptcy requirements is primarily caused by the differing legal treatment and policies that favor State-Owned Enterprises. The utilization of AI in bankruptcy data analysis and decision-making can assist in identifying patterns of injustice and provide more equitable and transparent recommendations. Artificial intelligence has the potential to address injustices in bankruptcy requirements between state-owned enterprises and private companies by enhancing transparency, accuracy, and fairness in legal processes. Its implementation requires clear regulatory support and collaboration among the government, legal institutions, and the private sector.

Keywords: Bankruptcy, State-Owned Enterprises (BUMN), Private Companies, Injustice, Artificial Intelligence

INTRODUCTION

The term 'bankruptcy' has its etymological roots in the Dutch word 'failliet'. The word "failliet" is derived from the French term "failite," which signifies the act of ceasing to pay. In French, the term 'faillir' is used to describe an individual who has ceased making payments or is otherwise unable to fulfil their financial obligations. The word 'faillir' itself is derived from the Latin 'fallere', which means 'to deceive'. In English, the word 'to fail' is used in a similar manner, denoting a state of inability to meet obligations. In countries where English is the primary language used in legal and financial contexts, the terms 'bankrupt' and 'bankruptcy' are used to describe the same state of being. In Indonesian, the terms 'bankruptcy' and 'insolvency' are used to describe a similar state of financial distress (Rusli, 2019).

Bankruptcy is defined as a situation in which the debtor is unable to meet the required payments towards the debts owed to creditors. The inability to meet financial obligations is typically attributable to the financial distress experienced by the debtor's business, which has undergone a decline. Conversely, bankruptcy is a court-ordered process that results in the general confiscation of all assets belonging to the bankrupt debtor, both existing and future. The management and administration of bankruptcy is conducted by the curator under the supervision of a supervisory judge, with the primary objective of utilising the proceeds from the sale of the assets to settle all debts of the bankrupt debtor in proportion (prorate parte) and in accordance with the creditor structure (Mulyadi, 2004). In the context of corporate entities, the government establishes limited liability companies, which can be categorised as either private companies or state-owned enterprises (BUMN). A private company is defined as an entity in which all shares are held by private parties, without any government involvement. Conversely, a state-owned enterprise (BUMN) is a company in which the government holds a portion of the shares.

The Constitution of the Republic of Indonesia (UUD 1945) sets out a number of stated goals, including the promotion of public welfare. In order to achieve the stated objectives of the State of Indonesia, State-Owned Enterprises (BUMN) were established. BUMN is a business entity established and managed by the state with the objective of carrying out national economic activities, as set forth in Article 33, paragraphs (2) and (3), of the 1945 Indonesian Constitution. It is evident that the establishment of BUMN is intended to facilitate economic advancement and prosperity for the Indonesian people and nation. State-owned enterprises (BUMN) were established as a result of the nationalisation of Dutch-era companies that were still operating in Indonesia at that time. In 2000, the management of BUMN was returned to the Minister of Finance. However, in 2001, the President formed the Ministry of BUMN, which in this case is the financier of BUMN (Zahruddin, 2017).

BUMN as a business entity can also be bankrupt, In such an instance, all assets of the bankrupt business entity are subject to general confiscation. The Persero SOE also has a relationship with the state. The bankruptcy of Persero BUMN has also been a topic of debate. Article 2, letter g of Law No. 17 of 2003 concerning State Finance (State Finance Law) states that the scope of state finances is not only derived from state revenues and expenses, but also from the assets of BUMN. However, the definition of BUMN assets as set forth in Law No. 19 of 2003 on State-Owned Enterprises (BUMN Law) is that they are separated state assets despite the existence of equity participation in state finances. Furthermore, the distinction between Perum and Persero with respect to equity participation gives rise to confusion regarding state assets, particularly in the context of the bankruptcy of BUMN Perum and Persero (Indonesia, n.d.). In the context of bankruptcy proceedings involving state-owned enterprises (BUMN), there are frequently discrepancies in the legal considerations applied.

In the context of private company insolvency in Indonesia, a considerable number of companies are confronted with a multitude of economic challenges that ultimately result in their insolvency. A number of cases of private companies experiencing unfairness in Indonesia's insolvency requirements are frequently associated with the procedures for filing for the postponement of debt payment obligations (PKPU) and bankruptcy. One of the most frequently encountered issues is the lack of clarity surrounding the debt value threshold that is a prerequisite for filing for PKPU, as stipulated in Article 222, paragraph 3 of the Bankruptcy Law. This results in creditors filing for PKPU with ease, even for relatively minor debt amounts, which places private companies in a challenging position (Pakpahan, 2024).

Inequities in the legal system regarding the insolvency of private companies and state-owned enterprises (BUMN) are a significant concern, largely due to an imbalance of power. In the Indonesian context, state-owned enterprises (BUMN) typically possess substantial financial resources and benefit from government policies that enhance their resilience to insolvency proceedings, in comparison to private companies that are more susceptible to market fluctuations. In practice, the bankruptcy of a state-owned enterprise (SOE) is frequently annulled on the grounds that the SOE can only be declared bankrupt by the Minister of Finance (Rizqy Fajrian & Sulistiyono, 2023). A pertinent case study is that of the bankruptcy of PT Istaka Karya (Persero), in which the coexistence of regulations pertaining to the insolvency of BUMN resulted in judicial decisions that were not always consistent. Initially, PT Istaka was declared bankrupt; however, at the subsequent judicial review stage, the decision was overturned. This indicates that BUMN are in a more advantageous position in the insolvency process than private companies, which frequently lack the resources to appeal or seek judicial review (Yustini, Aprita, & Al Fajri, 2023).

In numerous instances, private enterprises engaged in insolvency proceedings encounter constraints, including challenging access to fair debt restructuring, onerous administrative burdens, and a dearth of sufficient legal support. In contrast, BUMN, with their robust social and political capital, are often able to circumvent the detrimental consequences of insolvency, despite grappling with significant financial challenges. This gives rise to significant concerns regarding the fairness and equality of the legal framework governing insolvency proceedings in Indonesia. Despite the ostensible objective of impartiality and universal applicability, the reality is that the rules in question often result in differential treatment.

Technological advancements, particularly those pertaining to artificial intelligence (AI), present novel avenues for addressing this inequity. The application of AI has the potential to facilitate the creation of a more transparent, objective, and efficient system in the context of bankruptcy decision-making (Pohan, 2023). The deployment of AI in financial data analysis, bankruptcy prediction, and the formulation of more equitable debt restructuring schemes (Yusuf, Garusu, & Rauf, 2024), may represent an initial step towards reducing the disparity in treatment between state-owned enterprises (BUMN) and private companies. In systems powered by AI, decisions based on data and advanced algorithms can reduce human bias, improve accuracy, and provide more equal opportunities for all business entities (Judijanto et al., 2024).

The implementation of AI in the legal system, particularly in the context of bankruptcy proceedings, can facilitate a comprehensive examination of the financial position of each entity, encompassing both state-owned enterprises (BUMN) and private companies. This analysis is based on objective data and is not influenced by subjective interpretations. Additionally, AI can assist in the monitoring of debt restructuring processes, offering recommendations tailored to the specific needs of each business entity. It is therefore anticipated that the optimisation of artificial intelligence will serve to reduce the incidence of injustice in the insolvency process, and to guarantee that every company, whether state-owned or private, is treated in a fair and proportionate manner.

Furthermore, the integration of AI into the bankruptcy system can facilitate greater time and cost efficiency, which are frequently identified as significant challenges in the resolution of bankruptcy cases. The automation of bankruptcy proceedings and the performance of rapid analyses by AI have the potential to accelerate the resolution of these cases, which are often lengthy and costly. Such developments will prove beneficial not only to the litigating

companies themselves, but also to the legal system as a whole, which will become more responsive and adaptive to changing economic conditions.

Several studies have explored the disparities in bankruptcy proceedings between State-Owned Enterprises (SOEs) and private companies, particularly in Indonesia. For instance, research by Rizqy Fajrian and Sulistiyono (2023) highlighted the challenges faced by private companies in achieving equitable treatment under the current legal framework, noting that SOEs are often afforded preferential treatment due to their close ties with the government. Similarly, Setiawan (2023) emphasized the structural inequities in bankruptcy law, which disproportionately benefit SOEs, particularly in debt restructuring and asset management processes. However, limited studies have delved into the integration of artificial intelligence (AI) to address these disparities, creating an opportunity to investigate how AI can enhance fairness, transparency, and accountability in bankruptcy decision-making.

The legal disparity in bankruptcy proceedings creates significant inequities in business competition, undermines trust in the legal system, and negatively impacts economic stability in Indonesia. With the growing adoption of AI in various sectors, there is an urgent need to evaluate its potential in rectifying systemic biases and creating a level playing field for both SOEs and private companies, ensuring sustainable economic development and public confidence in legal institutions.

While previous studies have analyzed the inequities in bankruptcy laws and the preferential treatment of SOEs, there remains a lack of research on practical solutions to bridge this gap. Specifically, the application of AI in legal and financial decision-making remains underexplored as a viable method for addressing these systemic issues. This research fills the gap by examining how AI can be effectively utilized to mitigate legal inequities and enhance the transparency of insolvency proceedings.

This study introduces the innovative application of AI in the context of bankruptcy law in Indonesia, proposing a framework where AI serves as a tool to objectively analyze financial and legal data, minimizing human biases. Unlike previous studies, this research offers a comprehensive exploration of AI's role in promoting fairness, transparency, and efficiency, addressing not only the technical aspects but also the broader implications for legal reform and public trust.

The study aims to analyze the root causes of disparities in bankruptcy requirements between SOEs and private companies and to explore the potential of AI to address these issues. It seeks to propose actionable recommendations for integrating AI into Indonesia's legal system to ensure fairer and more transparent bankruptcy proceedings.

This research provides a dual benefit: enhancing the legal framework for bankruptcy proceedings in Indonesia and offering a model for other jurisdictions facing similar challenges. For policymakers, it offers insights into how AI can be leveraged to create equitable laws, while for businesses, it provides reassurance of a fairer competitive environment.

The findings of this study have significant implications for legal reform, economic stability, and technological integration. By demonstrating the effectiveness of AI in addressing systemic inequities, the research paves the way for a modernized legal system that aligns with global standards. Additionally, it fosters increased confidence among investors and stakeholders, contributing to a healthier economic ecosystem and more sustainable business practices.

RESEARCH METHODOLOGY

The approach method used is normative juridical research. The normative juridical research method is defined as library legal research conducted through the examination of library materials or secondary data alone (Sedarmayanti & Hidayat, 2011). Normative juridical research is a process for identifying legal rules, legal principles, and legal doctrines with the objective of addressing the legal issues at hand (Marzuki, 2006). The objective of this research is to examine the potential for artificial intelligence to address the inequities in bankruptcy requirements between state-owned enterprises (BUMN) and private companies.

The instrumentation employed in this research comprises a literature review and legal document analysis (Soekanto & Mamudji, 2015). The principal instruments employed are primary legal materials, specifically Law No. 17 of 2003 concerning State Finance and Law No. 37 of 2004 concerning Bankruptcy and Suspension of Debt Payment Obligations (PKPU). Secondary legal materials encompass legal doctrines, academic literature, and scientific articles. The aforementioned documents were employed for the purpose of exploring and analysing the legal issues under study. The research procedure commences with the identification of pertinent regulations and legal documents, which are then collected and analysed.

The data that has been obtained is then analysed through a qualitative analysis approach, namely by observing the data obtained and connecting each data obtained with the provisions and legal principles related to the problem under study (Lexy, 2002).The data collection technique used is to conduct legal research studies in the form of library research, namely by collecting and studying and analysing statutory provisions relating to health law. In this research, the scope of this research will be carried out by drawing legal principles, which are carried out on written and unwritten positive laws (Soekanto, 1996).

RESULT AND DISCUSSION

Unfairness in Bankruptcy Requirements Between BUMN and Private Companies

Debt according to Article 1 paragraph (6) of Law Number 37 Year 2004 on Bankruptcy and Suspension of Debt Payment Obligations (Bankruptcy and PKPU Law) is defined as:

> "Debt or liability that is expressed or can be expressed in money, either in Indonesian or foreign currency, arising from an agreement or law. If the debtor is unable to fulfil the obligation, the creditor has the right to obtain fulfilment from the debtor's assets."

Debt is not uncommon for businesses to engage in debt financing, whether on a small or large scale, as a means of supporting their growth and expansion. Furthermore, this debt reflects the relationship between the lender (creditor) and the recipient of the loan (debtor). The term "creditor" refers to any party that has a claim on receivables. This may be an individual or a legal entity, such as a bank, a financing institution, a pawnshop, or another guarantor institution. In this context, creditors are subject to a set of rights and obligations that must be fulfilled.

Insolvency or bankruptcy is defined as a condition in which a company's financial position experiences a significant decline, which subsequently impacts the company's performance over an extended period of time. Consequently, the company is deprived of its resources and funds. In financial theory, this financial distress condition is divided into several categories (Amelia & Rohman, 2021):

a. Economic failure occurs when a company's funding is insufficient to cover its costs, including the cost of capital. Business entities that experience economic failure can only continue their activities for so long as creditors are willing to provide additional capital and owners are prepared to accept a rate of return below the market interest rate.

b. Business failure occurs when a company ceases operations, resulting in losses to creditors. It is possible for a business to be classified as a failure even in the absence of a formal insolvency process. Indeed, some businesses are closed without being considered failures.

c. Technical insolvency refers to a situation in which a company is declared bankrupt due to its inability to fulfil its obligation to pay matured debts. This may be attributed to a transient deficiency in liquidity, wherein the enterprise retains the capacity to procure the requisite capital and thereby evade a definitive cessation of operations. However, if technical insolvency is a symptom of a larger economic problem, it could be indicative of a financial crisis.

d. Insolvency in bankruptcy occurs when a company's total liabilities, at book value, exceed the value of its assets. This condition is more severe than technical insolvency and may result in liquidation.

Bankruptcy is defined as a situation in which an individual is unable to repay debts owed to creditors (M. Hadi Shubhan, 2009). A creditor is a party who has a claim on assets or income based on an agreement or statutory provision, which can be enforced through the courts. In contrast, a debtor is a party that has incurred a debt in accordance with an agreement or legal obligation, and the repayment of which can also be demanded through the court. A number of experts have offered their definitions of bankruptcy from a variety of perspectives. Purwosutjipto, for instance, defines bankruptcy as a situation in which an individual or entity is no longer capable of fulfilling their financial obligations (Purwosutjipto, n.d.). Subekti, meanwhile, posits that bankruptcy represents a concerted effort to ensure that all creditors receive fair compensation for their receivables (R. Subekti, 1995).

The definition of bankruptcy, as set forth in Article 1, paragraph (1) of Law Number 37 Year 2004, is a "general confiscation of all assets of a bankrupt debtor whose management and settlement is carried out by a curator under the supervision of a supervisory judge." In essence, bankruptcy represents a situation in which an individual or entity (the debtor) is unable to meet their financial obligations to creditors. Such inability is typically precipitated by the debtor's financial distress. A bankruptcy proceeding results in a court-ordered confiscation of the debtor's assets, both existing and future.

The discrepancy in insolvency requirements between state-owned enterprises (BUMN) and private companies is a significant concern in Indonesia, particularly in the context of a developing economy. State-owned enterprises frequently possess more robust legal status, largely due to the sustained backing they receive from the government. In circumstances of financial crisis, the enhanced legal protection afforded to BUMN confers considerable advantages, with the objective of maintaining national economic stability. Nevertheless, this approach gives rise to concerns regarding the fairness of the application of bankruptcy legislation, which should be founded upon the principle of equality before the law. This is where issues of inequity emerge, as disparate treatment can engender unfairness in the market (Wibowo, 2020). The issue of SOE bankruptcy is a complex one, particularly in relation to the legal status of assets subject to public confiscation. In the event of an SOE being declared bankrupt, all of its assets will be seized in order to repay outstanding debts. However, the protection afforded to these assets is frequently more rigorous than that which is provided to assets belonging to private companies. The question of whether the management of state

assets by BUMN is consistent with the principles of justice has been a topic of debate. These assets are often considered to be part of the public good, raising questions about the fairness of their treatment. The bankruptcy of a state-owned enterprise (SOE) has implications that extend beyond the immediate creditors. It also involves the state, which may have a significant impact on the broader economy (Nasution, 2021).

In essence, the fundamental tenet of bankruptcy law stipulates that any entity, including state-owned enterprises (BUMN), that is burdened with financial obligations may pursue the avenue of bankruptcy. Nevertheless, in practice, the process of bankrupting a state-owned enterprise is considerably more challenging than that of a private company. BUMN that operate in the public interest and are not divided into shares are frequently safeguarded by government policies that offer supplementary assistance in the event of financial challenges. This creates a climate of heightened pressure and diminished agency for private companies, particularly when they are compelled to compete in the same market without sufficient safeguards (D. Setiawan, 2023a). This inequity has ramifications that extend beyond the companies themselves, influencing investor confidence in the private sector as well. The observation that state-owned enterprises (BUMN) are afforded greater protection may act as a deterrent to investment in the private sector. Investors are more likely to invest in BUMN that are perceived as more stable, which creates an imbalance in the market. This situation has the potential to diminish the competitiveness of private companies and inflict economic harm on the broader market. Should this injustice persist, it will further erode public trust in Indonesia's legal and economic systems (Rakhmat, 2019).

One particularly striking aspect of this injustice is the discrepancy in the legal treatment afforded to state-owned enterprises (BUMN) and private companies. In numerous instances, state-owned enterprises (BUMN) are afforded superior facilities and protection compared to their private sector counterparts. To illustrate, in the context of debt restructuring, BUMN frequently benefit from more favourable policies, whereas private companies are confronted with more rigorous procedures and are at a greater risk of insolvency. Article 2, paragraph (5) of the Bankruptcy Law establishes a specific exception for State-Owned Enterprises (BUMN), stipulating that bankruptcy applications can only be initiated by the Minister of Finance ("Persoalan Likuidasi dan Kepailitan BUMN", 2021). The article itself elucidates that for an SOE to be categorised as operating in the public interest, it must fulfil two important conditions. The first of these is that the entire capital of the SOE must be wholly owned by the state, and the second is that the capital must not be divided into shares. This results in BUMN being afforded a distinct legal protection compared to private companies in general.

This inequity has ramifications that extend beyond the companies involved, influencing investor confidence as a whole. When private companies observe that state-owned enterprises (BUMN) are more effectively safeguarded in the event of insolvency, this may act as a deterrent to investment in the private sector. Investors are inclined to allocate their capital to BUMN, which are perceived to offer greater stability and security due to the government support they receive. This imbalance gives rise to an unfair market environment and may impede the competitiveness of private companies that seek to innovate and grow (R. Hidayat, 2022). In the event of financial difficulties experienced by BUMN, the government frequently offers financial assistance, commonly referred to as bailouts, to assist in alleviating the challenges faced. This is justified on the grounds that BUMN have a responsibility to the public interest and the national economy. However, private companies are not afforded the same degree of access to this type of government support, which forces them to assume greater risks in the absence of assistance. This inequality in access to government support gives rise to a profound

injustice in the economic system, whereby private companies perceive themselves to be marginalised and more susceptible to the risk of bankruptcy (D. Setiawan, 2023b).

Furthermore, the application of bankruptcy law demonstrates notable disparities. Insolvency proceedings for state-owned enterprises (BUMN) tend to be conducted with greater alacrity and efficiency, frequently with government intervention to accelerate the restructuring process. In contrast, private companies frequently become enmeshed in lengthy and complex procedures, which can ultimately result in further financial losses. This indicates a potential bias in a legal system that is designed to be impartial and fair to all parties. The unfairness of insolvency requirements has a broader economic impact, affecting not only the companies involved but also the growth of the economy as a whole. A reduction in investment interest in the private sector will have an adverse effect on the potential for innovation and job creation. Furthermore, this condition may engender uncertainty in the broader market, thereby affecting long-term economic stability (H. Prabowo, 2024). It is therefore imperative that efforts are made to create a fairer and more balanced legal environment, in order that all business entities, both state-owned and private, may contribute optimally to national economic growth.

The rationale behind public policies that favour state-owned enterprises (BUMN) is frequently the objective of maintaining national economic stability. However, this policy may result in inequity if it is not complemented by the provision of equal protection for private companies. In addition to their role in the broader economic ecosystem, private companies also play a significant part in job creation and the generation of state revenues. Furthermore, existing regulations can also result in injustices. In certain instances, legislation pertaining to insolvency lacks sufficient clarity with regard to the rights and obligations of state-owned enterprises (BUMN) and private companies. This results in disparate interpretations, with BUMN often benefiting from a more favourable disposition, whereas private companies are compelled to assert their rights. In order to establish a more equitable system, it is necessary to implement comprehensive legal reform (Raharjo, 2024). It is imperative that bankruptcy regulations are designed with due consideration for the needs of all types of companies, including both state-owned enterprises (BUMN) and private companies. This would ensure that all parties have equal access to legal protection and opportunities for fair restructuring.

It is incumbent upon civil society to play an active role in advocacy and awareness campaigns that seek to highlight the inequities in insolvency requirements between state-owned enterprises (BUMN) and private companies. By fostering public consciousness, communities can draw attention to issues that are frequently disregarded by governmental and other pertinent entities. Such advocacy may be conducted through a variety of platforms, including social media, seminars, and discussion forums (Fathoni, 2022). It is of the utmost importance that the voices of private companies are heard and heeded, and this can only be achieved through the involvement of the community in the decision-making processes. Civil society can serve as an intermediary between private companies and the government, offering insights into the challenges confronting the private sector. Through the utilisation of participatory forums, communities are able to provide invaluable insights and promote transparency within the decision-making process. Consequently, the resulting policies will be more inclusive and reflect the needs of the entire economic ecosystem (Nugroho, 2023).

The issue of inequity in insolvency requirements is a complex one that requires serious attention if a fairer and more transparent legal system is to be achieved. By grasping the discrepancies in legal treatment, the repercussions on investors, and the necessity for reform, civil society can spearhead substantial transformation. A balanced business environment is

beneficial to all parties, including private companies and state-owned enterprises (BUMN), and contributes to sustainable economic growth. The implementation of appropriate reforms can facilitate the creation of an ecosystem that fosters innovation and competitiveness, thereby exerting a beneficial influence on the economy as a whole (Rahman, 2024).

Integration of Artificial Intelligence in Addressing Inequity in Bankruptcy Requirements Between BUMN and Private Companies

Artificial Intelligence (AI) has precipitated substantial shifts in the legal domain, including within the Indonesian context. One of the most significant challenges is the inequity in bankruptcy requirements between state-owned enterprises (BUMN) and private companies. This inequality arises because BUMN frequently receive preferential treatment in comparison to private companies, both in the process of filing and handling bankruptcy cases. BUMN are often regarded as part of the state, and therefore court decisions regarding their insolvency are more flexible and less stringent than those applied to private companies. This creates an impression of unfairness and has the potential to undermine the principle of fair business competition (A. Hidayat, 2020).

The integration of AI is anticipated to enhance the fairness and transparency of the judicial system in addressing bankruptcy cases. Artificial intelligence can assist in the objective analysis of financial and legal data, thereby eliminating the potential for bias or political intervention in decision-making processes and ensuring that decisions are based on facts and data that can be accounted for. Furthermore, AI can facilitate the processing of large-scale information in a more expeditious manner, thereby accelerating the decision-making process. The utilisation of AI in this process will enhance transparency and accountability, thereby reducing the probability of preferential treatment of state-owned enterprises (BUMN) over private companies (Sutrisno, 2022).

It is not uncommon for there to be discrepancies in the insolvency requirements imposed on BUMN and private companies in Indonesia. State-owned enterprises (BUMN) are frequently afforded preferential treatment, both in the bankruptcy filing process and in the subsequent case management. To illustrate, state-owned enterprises (BUMN) are typically afforded greater protection from rigorous bankruptcy proceedings, reflecting the state's inherent interest in maintaining their business continuity. Conversely, private companies lack the same degree of protection and are subject to more stringent regulations, including minimum asset requirements and accelerated debt settlement obligations. Consequently, private companies perceive a lack of parity in the bankruptcy legal system (Mahendra, 2019).

This inequality has the effect of undermining the conditions necessary for fair competition. The conferral of greater discretion upon state-owned enterprises (BUMN) in the context of insolvency arrangements has the effect of denying private companies a fair opportunity to compete in the market. This has the additional consequence of affecting businesses' confidence in the legal system and hindering the creation of a competitive business climate in Indonesia. It is therefore evident that reforms are required to ensure that the treatment of BUMN and private companies in insolvency requirements is equalised, thus enabling both entities to compete on a fair basis under the same regulations (Sihombing, 2018). Artificial intelligence (AI) has an important role to play in legal reform, particularly in addressing injustices such as those observed in bankruptcy cases. Artificial intelligence (AI) is capable of analysing vast quantities of data with remarkable speed and objectivity. The application of AI algorithms can assist in the reduction of biases that frequently occur in legal decision-making processes, such as the preferential treatment of BUMN over private companies. The utilisation of AI enables the objective analysis of decision patterns derived

from previous bankruptcy cases, thereby facilitating a more impartial assessment of the financial condition and debt of both types of companies, free from the influence of political intervention or external factors (B. Setiawan, 2020).

Furthermore, AI has the potential to enhance transparency in the legal process by offering quantifiable and fact-based data. Artificial intelligence (AI) has the potential to identify instances of systemic bias or unfairness in the insolvency process by providing an accurate and objective representation of the outcomes of similar cases. In this way, AI can serve as an objective tool for judges, lawyers, and policymakers in ensuring that decisions are not influenced by political forces or particular interests, but are based on valid data and transparent analyses (Widyantoro, 2019). The utilisation of artificial intelligence (AI) in the insolvency process has the potential to expedite and elucidate the evaluation of a company's financial condition. Artificial intelligence is capable of analysing a comprehensive array of financial data, encompassing financial statements, transaction history, liabilities, and assets, in addition to market conditions that may impact the company. The capacity of AI to process data on a large scale enables a more accurate and objective evaluation of whether a company is genuinely insolvent or still has the potential to recover through restructuring. This is a significant consideration, given that the bankruptcy process frequently gives rise to debates regarding the actual condition of the company, particularly between state-owned enterprises (BUMN) and private companies (Soemardi, 2021).

In addition, AI has the potential to mitigate the potential for bias and unfairness that can arise in bankruptcy decisions. In certain instances, state-owned enterprises (BUMN) are frequently afforded preferential treatment that is not consistently extended to private companies. The application of AI ensures that each company is assessed based on the same objective data, thereby reducing the scope for political intervention or unfair preferences. Furthermore, AI can assist the court in formulating the optimal solution, such as debt restructuring or asset sales, by considering all pertinent information, thereby enhancing fairness and equity in the insolvency process (Wibisono, 2018). The utilisation of artificial intelligence (AI) in legal proceedings has the potential to markedly enhance transparency. In the context of insolvency, AI enables the entire process, from the filing of a case to the making of a decision, to be monitored in real time. The utilisation of AI enables the comprehensive documentation of each stage of the legal process, facilitating the tracing of decisions back to their underlying data or facts. This reduces the probability of errors or irregularities being committed in secrecy. Furthermore, the utilisation of AI facilitates the equitable accessibility of pertinent information to all parties involved, including creditors, debtors, and authorities. This enhances the public's confidence in the integrity of the justice system (Setiyono, B., & Firmansyah, 2020).

The application of AI offers the possibility of conducting an automated audit of all decisions, thereby facilitating the prompt detection of any potential instances of fraud or unfairness. This transparent process engenders a more open and accessible legal environment for all parties, thereby reducing the opportunity for certain political or economic interests to exert influence on the outcome of insolvency cases, whether involving state-owned enterprises (BUMN) or private companies. One of the most pervasive issues in the judicial system, including in bankruptcy cases, is the presence of bias in decision-making. Such bias may manifest in both conscious and unconscious forms and may originate from a multitude of sources, including political pressure, personal preferences, or the influence of stereotypes. The deployment of AI in legal proceedings offers significant promise for the mitigation of bias. The design of AI algorithms is based on data and legal rules, which results in the generation of

more objective decisions. In the context of insolvency, AI can provide data analysis that is free from bias, whether it is for BUMN or private companies, thus ensuring fair treatment for all parties (Suryani, R., & Fajar, 2019) The application of AI enables the comprehensive analysis of data and facts pertaining to a bankruptcy case, with the objective identification of patterns. As a result, factors external to the case, such as the ownership status of the company (state-owned or private), will not affect the decision. The use of AI in this context entails the exclusive focus on financial, legal, and market condition data, thereby precluding the potential for subjectivity or superfluous intervention to exert influence on the decision-making process.

The process of bankruptcy, particularly in cases involving significant entities such as state-owned enterprises (BUMN), is frequently protracted and financially burdensome. One of the principal benefits of utilising AI in the context of insolvency proceedings is enhanced efficiency. Artificial intelligence has the capacity to process and analyse vast quantities of data in a relatively short period of time, which can significantly accelerate the assessment of the financial condition of the companies involved. This implies that procedures that typically span months or even years can be accomplished in a shorter timeframe (Pratama, Y., & Widodo, 2020). Furthermore, AI has the potential to reduce the financial burden associated with insolvency proceedings. By automating certain elements of the analytical and decision-making processes, the financial burden on the court, claimants, and defendants can be reduced. This efficiency is particularly advantageous for small or private companies that may lack the substantial resources of state-owned enterprises to withstand protracted legal proceedings. Furthermore, AI facilitates the enhancement of the fairness and accountability aspects associated with the administration of bankruptcy proceedings. The entire data set and the decisions reached by the AI system can be subjected to straightforward auditing procedures, given that all processes are recorded automatically. Consequently, the accountability of decision-making processes is enhanced. The application of AI in the court system allows for the avoidance of decisions based on human error or political interference, particularly in cases involving BUMN that are often complex and large in scale.

The utilisation of AI as an analytical instrument serves to diminish the potential for the manipulation of information or the abuse of power in the context of decision-making processes. This results in a greater degree of fairness in the context of insolvency proceedings, irrespective of whether the entity in question is a private company or a state-owned enterprise. By guaranteeing that each resolution is founded upon precise and impartial information, AI can serve as a pivotal instrument in the construction of a more equitable legal system (Handoko, 2020).

Additionally, AI plays a significant role in the post-bankruptcy supervision process. In instances of corporate bankruptcy, the process of corporate restructuring frequently represents a key component of the solution. Artificial intelligence (AI) can be employed to oversee the implementation of the restructuring process, thereby guaranteeing that the bankrupt company adheres to the approved restructuring plan. Artificial intelligence systems can monitor a company's financial performance in real time following the decision, thus assisting courts or regulators in ensuring that the restructuring process is proceeding as intended (Kusuma, 2019). The utilisation of AI facilitates the monitoring process, rendering it more straightforward and efficient. This is achieved by enabling the automated analysis of the company's financial data, negating the necessity for extensive human intervention. This represents a significant advantage in terms of ensuring that the company does not deviate from the approved plan and does not take any actions that could potentially harm creditors.

The incorporation of artificial intelligence (AI) into the legal process, particularly in the context of bankruptcy proceedings, necessitates the implementation of comprehensive regulatory adjustments. It is imperative that existing regulations be updated to accommodate the utilisation of novel technologies, such as artificial intelligence (AI), thereby ensuring that the deployment of these technologies adheres to the tenets of fairness and does not engender new forms of discrimination. In order to achieve this, it is essential that there is collaboration between policymakers, legal experts and technology experts. It is incumbent upon policymakers to give due consideration to the ethical implications, data security concerns and the need for appropriate supervision when formulating regulations governing the use of AI. It is imperative that the deployment of AI does not result in a deviation from the fundamental principles of justice and equality enshrined in the law. It is imperative that AI be regulated by clearly defined standards to prevent its abuse or manipulation in the legal process. To illustrate, the algorithms employed in the determination of legal decisions must be transparent and auditable, and the decision-making process must remain within the applicable legal framework. In the context of bankruptcy, new regulations must ensure that the utilisation of AI in the analysis of financial data and company conditions does not result in the detriment of any particular parties, whether state-owned enterprises or private companies (Nugraha, 2021).

One of the principal obstacles to the implementation of AI in the legal domain is the establishment of public confidence. The general public tends to be sceptical of decisions generated by machines, particularly in the context of the law, which is often subjective and based on human principles of justice. It is therefore crucial to persuade the public that AI can offer more objective and impartial legal solutions than traditional legal systems, which are frequently influenced by human biases. It is incumbent upon the government and related institutions to take a proactive stance in educating the public about the benefits of AI, as well as being transparent about how this technology will be used in the justice system, especially in sensitive cases such as bankruptcy (D. Prabowo, 2019).

It is also imperative that public education emphasizes the inherent limitations of AI, in order to prevent the public from anticipating absolute perfection from this technology. By recognizing that AI operates based on data and algorithms developed by humans, the public will be more amenable to the utilization of AI as a tool that enhances the existing legal system, rather than supplanting the role of judges or legal authorities entirely.

The formulation of regulations that facilitate the integration of AI in the legal system necessitates interdisciplinary collaboration, involving the input of policymakers, legal practitioners, and technology experts. Such complexities arise in the application of AI in the legal field, including the protection of personal data, the safeguarding of human rights, and the risk of technology misuse. Technologists can contribute to the formulation of technical standards and the development of ethical algorithms, while legal experts can assess the impact of the application of these technologies on existing legal principles. The responsibility for formulating policies that ensure the fair and measured use of AI falls to policymakers. Furthermore, input from civil society organisations and academics who assess the potential social impact of applying AI in law should be sought. By engaging a diverse range of stakeholders, the resulting regulations are anticipated to be capable of addressing the needs of the community and upholding the principles of justice in the legal process, particularly in matters pertaining to bankruptcy (Handoko, 2020)

CONCLUSION

The incorporation of artificial intelligence (AI) into the resolution of the inequities in insolvency requirements between state-owned enterprises (BUMN) and private companies represents an efficacious solution to the creation of a fairer and more transparent legal system. It is imperative that the disparity in legal treatment, which is currently in favour of BUMN, is addressed through the implementation of reforms that utilise AI technology. The capacity of AI to analyse data in an objective and expedient manner can mitigate the influence of bias and discrimination in legal decision-making, thereby guaranteeing that all companies, irrespective of their ownership status, are evaluated in a manner that is impartial and equitable. Furthermore, the transparency afforded by AI can enhance accountability, mitigate manipulation, and facilitate post-decision oversight.

The discrepancy in insolvency requirements between state-owned enterprises (BUMN) and private companies is clearly evident from the stark contrast in legal treatment. BUMN frequently receive more favourable protection and facilities, particularly in the areas of debt restructuring and accelerated insolvency processes. Such discrepancies create an unfair market environment and may ultimately diminish investor confidence in the private sector. The provision of financial support to BUMN without ensuring equal access for private companies results in an unequal burden on the economic system. It is therefore evident that comprehensive reforms are required in order to achieve fairness and transparency in insolvency law, with the objective of ensuring that all business entities, both BUMN and private companies, are afforded equal rights and obligations.

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