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Consequences and Implications of Bankruptcy Decision of Semarang Commercial District Court Case No. 2/Pdt.Sus Homologasi/2024/PN Niaga Smg Against PT. Sri Rejeki Isman (Sritex) in Business Law Perspective

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Abstract

The purpose of this study is to provide views, explanations and perspectives on the consequences and impacts for legal entities (rechtspersoon or legal persoon) in the legal system in Indonesia, when a company or limited liability company is declared and decided bankrupt by the commercial court, at least this can provide a perspective of awareness for legal practitioners, business practitioners, academics and company stakeholders (GMS, Board of Commissioners and Board of Directors) when the business being managed is faced with an unfavorable situation and circumstances that cannot be controlled especially due to external environmental factors, and understand that at the end of the journey there is a threat or risk of bankruptcy that will be faced. Bankruptcy is currently still a new thing for many entrepreneurs or business actors because they consider the term bankruptcy something very "terrible" and "scary" when their company is declared bankrupt, questions also arise when someone whose company has been declared bankrupt can still carry out business activities again and other concerns are how a person's reputation and credibility still have the opportunity to be able to rise again and improve their reputation throughout the business environment or community.

Keywords: *Business Law; PKPU Company Law; Bankruptcy; Default*

Introduction

In an increasingly free, open and dynamic business world environment, the era of trade globalization can no longer be avoided and has even become a necessity for all countries in the world today, this has caused business competition at the global, regional and even national levels to become increasingly competitive because there are no more barriers and limitations so that changes become faster, unpredictable and uncontrollable.[1] Globalization has changed the world economic order, therefore in this era every country and company organization must have the ability to survive and continue to develop (growth) adaptively by mobilizing and optimizing all its potential and resources so that it can continue to adapt to the demands of economic globalization and free world trade.

[1]. Mbah Don. "Sarastya Magazine: Modern Organizational Transformation", Sarastya Agility Innovations, Volume 1 August, 2024, p. 6

The demands of globalization and economic liberalization make every country or corporate organization that wants to compete in the global economic market must be willing to open themselves up and of course this will have an impact on government policy instruments and strategic decision actions that will be taken, to adapt to the demands of the times, because the principle of trade globalization aims to eliminate barriers in global market trade, competition can actually be a positive value for business actors because it will encourage them to continue to innovate and develop so that they are always able to compete and survive in the midst of tight market competition that continues to experience changes and turmoil caused by many factors such as law, politics, nature, people's habits that are constantly changing and many other things.

In addition to the positive impacts of economic globalization and free world trade, all these conveniences will also have negative impacts and direct negative influences on a country and corporate organization, with changes that occur when not preparing seriously, the negative impacts experienced will continue to change from time to time as well as the risks and consequences.[2] To anticipate the negative impacts arising from the era of globalization, the government of each country must prepare and formulate adequate and reliable policies and strategies, one of which is by developing legal governance that can adapt and balance with changes in the world business environment.

The strong demands of globalization have caused trade to be closely related to legal factors. It is indeed very difficult to integrate legal and economic aspects linearly (simultaneously) even though both have a very close relationship and cannot be separated. Business will always be like a double-edged sword, namely in carrying out a business activity, it can experience profit or loss, grow or collapse, soar or go bankrupt, thus giving rise to legal consequences.

In reality, the influence of globalization does not always bring good news to society. In addition to providing benefits for increasing economic growth and per capita income in a country, globalization can ironically cause national economic turmoil and local business actors who experience difficulties due to the inability to compete, causing many local companies to experience difficulties leading to bankruptcy.

In Indonesia, the real impact of free trade globalization is so apparent and the irony is the destruction of the domestic textile industry sector due to the flood of imported textile products, especially those from China, with the existence of the ASEAN-China Free Trade Area (ACFTA) memorandum of understanding, namely a free trade cooperation agreement between ASEAN and China which was fully implemented for 6 ASEAN member countries in 2010, namely Indonesia, Thailand, Malaysia, Singapore, the Philippines and Brunei Darussalam, then in 2015 added Cambodia, Laos, Vietnam and Myanmar. The initial expectation of Indonesia joining ACFTA was that it could open up channels and opportunities for easy export market access for national products to the Chinese market with cheaper rates and increase investment from China to Indonesia.[3]

When the whole world in 2020 faced the Covid-19 pandemic, the situation and conditions of the textile industry sector worsened and slumped due to the decline in global, regional and global market demand so that many companies went bankrupt and eventually closed permanently and carried out mass layoffs, the slump in the economy will have an impact on many businesses that have fallen into a slump causing failure to fulfill their obligations to creditors.[4]

[2]. Fajar, Sugianto, "Economic Analysis of Law" Kencana Prenadamedia Group. 2nd printing. Jakarta, 2014.
[3].Ministry of Trade, R. ASEAN- China Free Trade Area (ACFTA). ASEAN- China http://ditjenppi.kemendag.go.id/index.php/asean/asean-1-fta/asean-china. (2018).
[4]. Salim HS, (2005), "Development of Guarantee Law in Indonesia". PT Raja Grafindo Persada, Jakarta. Page 60.

In fact, the textile and textile product industry (TPT) sector is one of the labor-intensive industries that has a very important role and contribution, especially in absorbing human resources (labor) in large quantities so that it is able to open up employment opportunities, and is able to encourage national economic growth and state revenue, but with this reality, the textile industry is actually very vulnerable and worrying, especially regarding cost factors that are very uncompetitive or higher due to dependence on imported raw materials, exchange rates, labor wages, high production costs and electricity rates, and other factors, this complexity and complexity are the biggest and toughest challenges for the national textile industry to be able to compete in the global market, pressure from various sides makes it increasingly difficult to compete and compete and do not forget the policies issued by the government that are not yet on target.

The issuance and presence of the Minister of Trade Regulation Number 8 of 2024[5], which provides space for ease and opportunity for the entry of foreign textile imports, is suspected as the next factor that contributes to making the textile industry increasingly disrupted and finally increasingly depressed and depressed, including what happened to **PT. Sri Rejeki Isman Tbk (SRIL) or Sritex** which is better known to the public was finally declared bankrupt by the Semarang Commercial Court because it was no longer able to maintain and develop its operational business activities due to the amount of assets owned being smaller than its obligations (debts) to creditors.

Research Methods

The research method used is normative legal research (normative juridical) or also known as library legal research, using a conceptual approach by examining the principles, principles, doctrines, norms in the perspective of legal and economic sciences related to a company's bankruptcy case, while the statute approach is carried out by examining laws and regulations with an approach from the aspect of economic and business law (corporate law, bankruptcy law, contract law, banking law and employment law). The data used in this study is secondary data obtained by examining library materials in the form of primary and secondary legal sources.

Discussion

1. Business Law

a. Origins and history

Starting from the awareness of understanding the Indonesian legal system, it is important to know where the position of business law lies in the constellation of the Indonesian legal system, in substance business law is in the area of public law and private law although in its current development the separation cannot be fully maintained and followed anymore. In general, people understand that business law is closely related to commercial law which is traditionally determined by referring to the systematics of the Commercial Code (KUHD) or what in Dutch is called Wetboek van Koophandel (WvK). The KUHD itself is a special law compared to the Civil Code (KUHPerdata), so that if in the implementation there is a conflict between the two, the legal principle of "lex specialis derogat legi generali" (a special law overrides a general law) will apply.

The wide scope and discussion of business law will result in the birth of many sources of law that will become references and guidelines, so that each different form of business will be regulated in

[5]. https://www.metrotvnews.com/play/bzGCzq2P-mendag-bantah-permendag-8-2024-jadi-penyebab-tekstil-merugi.

different sources of law, but the awareness and initiation of business actors causes the normative system in business law to be very dynamic and flexible in line with changes in the business world that are so rapid, so that the lag in the legal system can be overcome by agreements made independently by the business actors themselves who create new habits, behaviors and patterns so that within a certain time they can be adopted to be regulated as positive law of a country (ius constitutum).[6]

In the legal system in Indonesia, the foundation of business law is the law of contracts and one of the sources of contract law is the law of contracts, because contracts are closely related to business activities that seek profit (profit oriented), therefore business law is included in the ecosystem environment (corporate law, bankruptcy law, banking law, employment law and other laws) that regulate and manage business activities (business), thus if referring to the literature of the Indonesian legal system inherited from colonial legal products, business law is a new genre or school in the treasury of Indonesian law.[7]

In accordance with the explanation that has been conveyed, business law can be interpreted as "the law applicable to business"[8] or as "the various laws that determine both the rights and the obligations or duties of persons taking part in business transactions".[9]

In the civil law system family, business law can be classified into neutral law because it can be accepted by all parties and groups of the population in line with the principle of diversity and in its development will continue to experience adjustments to the very fast and dynamic business environment without the need to feel worried and afraid of the unpreparedness of the existing legal regulations.

b.Company Legal Entity

Business actors in Indonesia are found to have many types, names and kinds according to their respective goals and specialties, although they have different goals and characteristics, they still have similarities, namely the existence of legal subjects (individuals and legal entities) either alone or together of their own will to carry out cooperation or agreements between them to achieve common goals in the economic sector.[10]

Explanation in microeconomics, economic actors are known or referred to as corporate organizations, while in legal science corporate organizations as economic actors can be categorized into two, namely corporate organizations that are legal entities, and corporate organizations that are not legal entities. Therefore, corporate law includes all laws and regulations regarding companies that apply in Indonesia, and the sources of corporate law used are listed among others in the Civil Code (KUHPerdata), Commercial Code (KUHD) or in Dutch called Wetboek van Koophandel (WvK) and Staatstblaad 1847, Law Number 1 of 1995 concerning Limited Liability Companies hereinafter abbreviated UUPT then the previous law was revoked and replaced by Law Number 40 of 2007 concerning Limited Liability Companies. Company law in Indonesia is part of civil law (private) which accommodates all business activities (business) related to the national economy.[11]

[6]. Shidarta. "Legal Aspects of Economics and Business". 2019 Prenadamedia Group. 2nd printing. Jakarta, 2019.
[7]. Ibid., p.26.
[8]. Harold F. Lusk et al., Business Law and the Regulatory Environment Concepts and Cases, 5th Ed (Homewood: Richard D. Irwin Inc., 1982), p v.
[9]. Ronald A. Anderson & Walter A. Kumpf, Business Law, Ed. 9, (Cincinati: SouthWestern Publishing, 1972), p. 1
[10]. Sri Redjeki Hartono, "Selected Chapters on Economic Law", Bandung; Mandar Madju, 2000, p.1.
[11]. Soedjono Dirdjosiswono, "Corporate law concerning the forms of companies (business entities) in Indonesia", Bandung; Mandar Maju, 1997, p.1.

Then according to **Subekti**, the definition of a legal entity is a body or association that can have rights and obligations and can carry out actions like humans and has its own wealth and is independent and can be sued in court, therefore a legal entity as a legal subject includes the following:

1. Association of people (organization);
2. Can perform legal acts (rechtshandeling) in legal relations (rechtsbetrekking);
3. Has its own assets;
4. Has management;
5. Has rights and obligations;
6. Can be sued or sued in court.

Regarding the determination of which is a legal entity or not, this is an area of authority for positive legal issues, namely depending on the legal identity applicable in each country/region, which of course each country/region has different rules than in Indonesia.

In the legal system applicable in Indonesia, legal entities have characteristics that are their distinctive features, namely;[12]

1. Have Your Own Wealth

Namely, the wealth owned by a legal entity is separate from the wealth of its managers or founders, so that all its legal obligations are limited to being fulfilled from what it owns and if the wealth is insufficient to meet its obligations and the legal entity is threatened with bankruptcy (bankruptcy), then the wealth used to settle obligations to creditors is limited to that owned by the legal entity.

2. Articles of Association Ratified by the Minister

In the legal system in Indonesia, every legal entity that is legally established must obtain official approval from the minister as proof and justification that the articles of association of the legal entity that is established are not prohibited by law, do not conflict with public order and morality. For a Limited Liability Company, its articles of association are approved by the Minister of Justice (Article 7 paragraph (4) of Law Number 40 of 2007).

3. Represented by the Management

A legal entity is one of the legal subjects based on the laws in force in Indonesia, therefore in order to act according to the law a legal entity must be managed by a manager who is determined in its articles of association as the one authorized to represent the legal entity, meaning that the actions taken by the manager are the actions of the legal entity, not the personal actions of the manager and all obligations arising from the actions of the manager are the obligations of the legal entity which are charged to the assets of the legal entity. And conversely, all rights obtained from the actions of the manager are the rights of the legal entity which become the assets of the legal entity.

As has been explained, a legal entity is a legal subject that does not have a soul like a living creature (human) so that a legal entity cannot carry out legal acts on its own but is represented by people (humans), but these people do not act on their own behalf but for and on behalf of the legal entity.[13] People who act for and on behalf of this legal entity are called "organs", namely equipment such as administrators, directors, commissioners and so on.

[12]. Abdul Kadir Muhammad, “Indonesian Corporate Law”, Citra Aditya Bakti, Bandung, 1999.

[13]. Article 1 paragraph (2) of Law No. 40 of 2007: "The Company's organs are the General Meeting of Shareholders, the Board of Directors and the Board of Commissioners.

Thus, how the organs of a legal entity act and do what they are allowed to do and what they are not allowed to do must all be stated in the articles of association of the legal entity and other regulations, thus the organs of the legal entity cannot act arbitrarily and exceed their authority but are limited in such a way by the articles of association and internal regulations that have been made as instructions and guidelines for acting.

Characteristics of Legal Entities with Pictures[14]

c. Limited Liability Company (PT)

Limited Liability Company (PT) or naamloze vennootschap (N.V/Unnamed Partnership) which was first introduced during the colonial era of the Dutch East Indies government, but it turns out that NV is not the same as a Limited Liability Company (PT). According to HMN Purwosutjipto, the name Limited Liability Company (PT) is more appropriate than the name NV.[15] Limited Liability Company (PT) which has the term limited liability company, naamloze vennootschap is the most popular and well-known form of all types and forms of business, even in the Commercial Law Code (KUHD) which regulates Limited Liability Companies (PT) it has been more than a hundred years old.

[14]. Imaniyati Neni Sri and Adam Agus Putra, (2017), "Business Law". Refika Aditama, Bandung. Pg. 55.

[15]. Basic Understanding of Indonesian Commercial Law Volume 2 Forms of Companies, Jakarta, Djembatan, 1988, page 80. Ibrahim Lubis said that the law of Limited Liability Companies according to Islamic Law can be likened (equated) with Firms which are included in "ZAT" Companies. Limited Liability Companies are permitted according to Islamic Law. Ibrahim Lubis, Op.Cit., page 430.

In its journey, the Commercial Code (KUHD) has become very irrelevant and in accordance with national and international business developments that are changing very quickly and dynamically, to answer and fulfill the legal needs that are appropriate and in line with the demands of national economic development and development, the Indonesian Government made a breakthrough with the renewal in the field of law on Limited Liability Companies (PT), namely the issuance of Law Number 1 of 1995 concerning Limited Liability Companies, hereinafter abbreviated as UUPT, then to fulfill and answer the demands of the community's needs for fast and brief services, legal certainty and the challenges of a good business world (good corporate governance), the Indonesian Government then issued Law Number 40 of 2007 concerning Limited Liability Companies, hereinafter abbreviated as UUPT, as a replacement for Law Number 1 of 1995.

The definition and term "Company" refers to the method of determining capital divided into shares according to the nominal value owned and "Limited" refers to the limits of shareholder liability, according to the applicable legal basis, namely the Limited Liability Company (PT) Law Number 40 of 2007, Article 1 paragraph (1), namely; "*A legal entity which is a capital association, established based on an agreement, carries out business activities with authorized capital which is entirely divided into shares and meets the requirements stipulated in this Law and its Implementing Regulations*".

Based on the previous understanding and explanation, it is very clear that Law Number 40 of 2007 concerning Limited Liability Companies is a written law and is one of the formal sources of law which expressly states that a limited liability company is a "legal entity" and refers to Article 7 paragraph (4) a limited liability company formally has the status of a legal entity when the limited liability company obtains approval from the Minister of Law and Human Rights in the form of a deed as authentic evidence, so that the existence of a Limited Liability Company (PT) as a legal entity is a legal subject whose rights and obligations must be recognized.[16]

Dengan statusnya sebagai badan hukum, Perseroan Terbatas (PT) memiliki ciri dan karakteristik, sebagai berikut;

1. Company Legal Entity

Every company is a legal entity, meaning it has rights and obligations. In the Commercial Code there is no article that states that a company is a legal entity, however, Article 1 paragraph (1) of the Limited Liability Company Law (UUPT) expressly states that a company is a legal entity which has the interests of a group of people who form a unit to form economic activities.

2. Established Based on an Agreement

Every company that is established is based on an agreement, meaning that there must be at least two parties, especially the founders, who make an agreement to establish the company, which is then stated in written evidence in the form of articles of association, then included in the deed of establishment made before a notary.

3. Have Your Own Wealth

The Company has its own assets in the form of authorized capital consisting of and divided into the total value of shares in accordance with Article 32 of the UUPT, authorized capital is the assets of the Company as a legal entity, which is separate from the personal assets of the founders, company organs and shareholders, then for authorized capital of at least 50 (fifty) million rupiah.

16. Gunawan Widjaja, (2008), "150 Questions and Answers about Limited Liability Companies". Friends Forum, Jakarta.

4. Having a Regular Organizational Structure

As a legal entity organization, a Limited Liability Company (PT) has organs consisting of a General Meeting of Shareholders (GMS), directors and commissioners in accordance with Article 1 paragraph (2) of Law Number 40 of 2007 concerning Limited Liability Companies, the Company's articles of association and bylaws and GMS decisions.

5. Ownership Is Not Limited

The Company as a legal entity, its ownership is no longer dependent on individuals who are its founders or shareholders, therefore each share of the Company can be transferred to anyone according to the applicable articles of association and the Law in accordance with Article 56 of the UUPT which regulates the principle that shares can be transferred unless otherwise specified in the articles of association. The transfer of rights to shares is carried out by a deed made privately or an authentic deed, then registered.

6. Limited Liability

The Company as a legal entity, no longer imposes its responsibilities on the founders or shareholders, but in carrying out legal relations the Company will be represented by the board of directors, in accordance with the provisions of Article 82 of the UUPT, the board of directors is fully responsible for the management of the Company and represents the Company both in and out of court.

7. Have a Goal

The Company as a legal entity, namely a company that carries out business activities, has the aim of seeking profit or gain in accordance with the provisions in the Company's articles of association and Article 12 point (b) of the UUPT, so that the business activity is legal, it must obtain a business permit from the authorized party and be registered in the applicable regulations.

8. Unlimited Time

The existence of a limited liability company as a legal entity is not limited by a time period and is no longer linked to the existence of its founders or shareholders, meaning that a limited liability company can be established for an unlimited period of time as long as this is regulated and stated in the Company's Articles of Association.

From the description and explanation above, a Limited Liability Company as a legal entity has the most distinctive characteristic and is currently the most sought after by business actors because of the existence of "limited liability", however, sometimes the limited liability of shareholders can be removed and lost. According to Article 3 paragraph (2) of the UUPT, the limited liability of shareholders is removed or does not apply if;

1. The requirements of a Limited Liability Company as a legal entity have not been or are not met;
2. Shareholders, either directly or indirectly, in bad faith, use the Company solely for personal interests;
3. The shareholders concerned are involved in unlawful acts committed by the Company; or
4. Shareholders, either directly or indirectly, unlawfully use the Company's assets, resulting in the Company's assets being insufficient to pay off the Company's/Limited Liability Company's (PT) debts.

In carrying out and driving the activities of a Limited Liability Company (PT), in Indonesia there are three (3) types of organs known in a Limited Liability Company (PT), because this is expressly stated in Article 1 paragraph (2) of Law Number 40 of 2007 concerning Limited Liability Companies or referred to as UUPT, namely the General Meeting of Shareholders (RUPS), directors and commissioners[17] who have their respective functions, duties, roles and authorities.

1. General Meeting of Shareholders (GMS)

The GMS as a company organ has authority that is not given to the board of directors or commissioners within the limits specified in Article 1 paragraph (4) of the Limited Liability Company Law Number 40 of 2007 (UUPT) or the Articles of Association. The GMS is a forum for shareholders to make important decisions related to capital invested in the Company in accordance with the provisions of the articles of association and statutory regulations.

All decisions taken in the GMS must be based on the long-term business interests of the company, the GMS and/or shareholders cannot intervene in the duties, functions and authorities of the board of commissioners and directors without reducing the authority of the GMS, in addition in the GMS forum shareholders have the right to obtain information relating to the company from the directors and/or commissioners, as long as it is related to the meeting agenda and does not conflict with the interests of the company.

The Law determines several authorities held by the GMS, which are listed in several articles in the UUPT, including;

a. Appointing and dismissing members of the board of directors and commissioners;
b. Approving mergers, amalgamations, takeovers, or separations;
c. Approving the submission of an application for the company to be declared bankrupt;
d. Approving the extension of the company's term of existence;
e. Changing the articles of association;
f. Dissolving the company;
g. Announcing the distribution of profits or dividends.

2. Board of Directors (BoD)

Meanwhile, according to Law Number 40 of 2007 concerning Limited Liability Companies (UUPT) Article 1 paragraph (5), the board of directors is the organ of the company which has the authority and full responsibility for managing the company for the interests of the company, in accordance with the aims and objectives of the company and representing the company, both in and out of court in accordance with the provisions of the Articles of Association.[18] As with the limited liability of shareholders of a limited liability company, this limitation also applies to members of the board of directors even though it is not expressly stated in the articles of the UUPT.
Then there are two main functions of the company's board of directors, namely;[19]

a. *Management Function*, namely the board of directors carries out the task of leading the company.
b. *Representation Function*, namely the board of directors represents the company in and out of court.

[17]. Article 1 paragraph (2) of Law No. 40 of 2007: "The Company's organs are the General Meeting of Shareholders, the Board of Directors and the Board of Commissioners.
[18]. Law Number 40 of 2007 concerning Limited Liability Companies. Op.cit., Article 1 paragraph (5).
[19]. Munir Fuady, "Modern Doctrines in Corporate Law and Their Existence in Indonesian Law", (Bandung, PT. Citra Aditya Bakti, 2002), p.32.

Meanwhile, in the principle of fiduciary duties, directors carry out their duties in the two functions and tasks above, then there are three types of director obligations, including:[20]

a. *Duty of Care*, is the director's obligation to pay attention and try to make good and right decisions;
b. *Duty to Disclosure*, is the director's obligation to provide certainty of access to information by all interested parties, with information transparency so that information is easily obtained;
c. *Duty to Monitor*, a supervisory function that is more emphasized on the company's commissioners.

Meanwhile, according to ***Henry R. Cheeseman***, the roles and functions of the board of directors are:

"The board of directors in a company is responsible for formulating policies that regulate the management, supervision and operational control of the company which is directly elected by the shareholders and the board of directors is also responsible for formulating company policies and hiring high-ranking officials in the company, as well as making recommendations regarding actions to be taken by the shareholders".[21]

Furthermore, according to Henry R. Cheeseman, the board of directors is also burdened with obligations consisting of;[22]

"***Compliance***, is a duty that must be carried out by the directors and officers of the company within the authority given to them by law, the articles of association and the company's bylaws."
"***Care***, is a duty that must be upheld by directors and company officers with caution and care when acting on behalf of the company."

Directors may not use their position in the company to gain personal gain or for the benefit of another party. Meanwhile, the obligations of the board of directors in the Limited Liability Company Law Number 40 of 2007 include:

a. Obligations Related to the Company's Activities

The obligation of the board of directors in a company is to carry out the company's activities in the interests of the company and in accordance with the company's aims and objectives.[23]

b. Obligations Related to the GMS/Shareholders

The obligation of the board of directors to request the approval of the GMS in relation to the transfer of the company's assets or to make the company's assets a guarantee for debt exceeding 50 percent in one or more transactions, whether related or not.[24]

c. Obligations Related to and Connected with the Interests of Creditors/Stakeholders/the Community

I. Making a list of shareholders, special list, minutes of GMS, minutes of board of directors meeting;
II. Making annual reports and financial documents of the company;
III. Maintaining all lists, minutes, and financial documents of the company.[25]

[20]. Robert Prayoko, "Business Judgment Rule Doctrine", Its Application in Modern Corporate Law, Yogyakarta: Graha Ilmu, 2015, pp. 56-70.
[21]. Cheeseman, Henry R., (2001), "Business Law: Ethical, International and E-Commerce Environment" Fourth Edition, Prentice Hall Inc., New Jersey. Pg 754.
[22]. Ibid, pp. 754-759.
[23]. Law Number 40 of 2007 "Concerning Limited Liability Companies". Op.cit., Article 92 paragraph (1).
[24]. Ibid., Article 102 paragraph (2)

Meanwhile, the rights held by the board of directors are;

a. The right to receive salary and other allowances in accordance with the Articles of Association/Bylaws of the Deed of Establishment;
b. The right to defend oneself in the GMS forum, if the directors have been temporarily dismissed by the GMS/Commissioners.

And there are still other provisions/articles related to the duties and functions of the board of directors regulated in Law Number 40 of 2007, including:

Article 94

1) Members of the board of directors are appointed by the GMS.
2) For the first time, the appointment of members of the board of directors is carried out by the founder in the deed of establishment as referred to in Article 8 paragraph (2) letter b.
3) Members of the board of directors are appointed for a certain period and may be reappointed.

Article 97

1) The Board of Directors is responsible for the management of the Company as referred to in Article 92 paragraph (1).
2) The management as referred to in paragraph (1) must be carried out by each member of the Board of Directors in good faith and with full responsibility.
3) Each member of the Board of Directors is personally fully responsible for the Company's losses if the person concerned is guilty or negligent in carrying out his duties in accordance with the provisions referred to in paragraph (2).
4) If the Board of Directors consists of 2 (two) or more members of the Board of Directors, the responsibility as referred to in paragraph (3) applies jointly and severally to each member of the Board of Directors.
5) Members of the Board of Directors cannot be held responsible for losses as referred to in paragraph (3) if they can prove:

    a. The loss is not due to his/her fault or negligence;
    b. Has carried out management in good faith and with caution for the benefit and in accordance with the intent and purpose of the Company;
    c. Has no conflict of interest, either directly or indirectly, regarding management actions that result in losses; or
    d. Has taken action to prevent the occurrence or continuation of such losses.

Article 104

Members of the Board of Directors are not responsible for the bankruptcy of the Company as referred to in paragraph (2) if they can prove:

a. The bankruptcy is not due to his/her fault or negligence;
b. Has carried out management in good faith, with caution, and with full responsibility for the interests of the Company and in accordance with the intent and purpose of the Company;
c. Has no conflict of interest either directly or indirectly regarding the management actions taken; and
d. Has taken action to prevent bankruptcy from occurring.

[25]. Ibid., Article 100

Article 97 paragraph (5) and Article 104 paragraph (4) of Law Number 40 of 2007 are forms of the principles and principles of caution that must be carried out by the company's organs, namely the board of directors, that every step, action and decision-making by the board of directors must be based on considerations and the interests and progress of the Company.

3. Board of Commissioners (BoC)

As stated in Law Number 40 of 2007 concerning Limited Liability Companies (UUPT), the Board of Commissioners is an organ in a company that has the task and responsibility to supervise the company's policies and management carried out by the Board of Directors. The Board of Commissioners is not directly involved in the company's daily operations, but rather more on the function of supervision, providing advice, and ensuring that the company runs in accordance with applicable provisions.[26]

a. Article 1 Paragraph 5 (UUPT) - Regulates the definition of "Board of Commissioners" as a company organ tasked with supervising the management of the company by the Board of Directors.
b. Article 1 Paragraph 6 (UUPT) - The Board of Commissioners is responsible to the General Meeting of Shareholders (GMS), which has the authority to appoint and dismiss members of the Board of Commissioners.
c. Article 108 (UUPT) - States that the Board of Commissioners is tasked with supervising the company's management policies by the Board of Directors and providing advice to the Board of Directors.
d. Article 114 (UUPT) - States that the Board of Commissioners can appoint and dismiss Directors, who must also consider the decision in the interests of the company and shareholders.
e. Article 113 (UUPT) - Regulates that meetings of the Board of Commissioners can be held with the Board of Directors to discuss company management and provide reports on the results of supervision.

Role and Function of the Board of Commissioners

The Board of Commissioners has a very strategic role in the managerial structure of a company, especially related to the supervision and protection of shareholder interests. The Board of Commissioners works with a higher supervisory role, while the Board of Directors focuses on the management of the company's daily operations.

a. Supervision

The main role of the Board of Commissioners is to supervise the company's management policies implemented by the Board of Directors. The Board of Commissioners is responsible for ensuring that the Board of Directors manages the company in accordance with the correct principles, complies with applicable laws, and does not act in a way that is detrimental to the company and shareholders. Supervision of policy implementation: The Board of Commissioners ensures that policies set by the Board of Directors can be implemented properly.

b. Providing Advice and Recommendations

The Board of Commissioners also has the function of providing strategic advice and recommendations to the Board of Directors. Although the Board of Commissioners is not directly involved in the day-to-day operations of the company, they can provide input based on their experience

[26]. Law Number 40 of 2007 concerning Limited Liability Companies.

and expertise to help the Board of Directors make better strategic decisions, as well as provide guidance or advice regarding the direction of the company's policies and strategies, including in terms of growth, expansion, and investment, as well as provide views on important issues that can affect the sustainability and stability of the company.

c. Protecting Shareholder Interests

One of the main tasks of the Board of Commissioners is to protect the interests of shareholders, both majority and minority shareholders. The Board of Commissioners is tasked with ensuring that decisions taken by the Board of Directors do not harm shareholders and the interests of the company as a whole.

I. Transparency and accountability: The Board of Commissioners ensures that the Board of Directors provides honest, transparent, and accountable reports to shareholders through the General Meeting of Shareholders (GMS).
II. Preventing abuse of authority: The Board of Commissioners plays a role in supervising so that there is no abuse of power or conflict of interest that is detrimental to the company or shareholders.

d.Ensuring Compliance with Laws and Regulations

The Board of Commissioners has an obligation to ensure that the company complies with all applicable laws and regulations, both at the national and international levels (where relevant). This includes compliance with taxation, employment, environmental protection regulations, as well as regulations governing the industrial sector in which the company operates.

I. Legal compliance supervision: The Board of Commissioners ensures that all operational activities of the company comply with applicable laws, as well as regulations set by supervisory authorities such as Taxation.
II. Good Corporate Governance: The Board of Commissioners is also responsible for the implementation of good governance principles, which include transparency, accountability, responsibility, independence, and fairness.

e. General Meeting of Shareholders (GMS)

The Board of Commissioners is responsible for facilitating the GMS process and submitting reports on the company's condition and the performance of the Board of Directors. They also play a role in assessing decisions taken by the Board of Directors to be approved or decided in the GMS.

I. Facilitating the GMS: The Board of Commissioners plays a role in planning and organizing the annual or extraordinary GMS to determine the direction of the company.
II. Reporting to shareholders: Submitting reports on the results of supervision and company performance to shareholders through the GMS.

f. Ensuring Business Sustainability

The Board of Commissioners is also responsible for ensuring that the company is running in a sustainable and long-term direction. This includes attention to environmental, social, and governance (ESG) aspects that are increasingly important in today's business world.

I. Sustainability strategy: Overseeing the implementation of sustainability policies and ensuring the company fulfills its social and environmental responsibilities.

II. Risk management: The Board of Commissioners participates in risk management, to maintain business continuity and protect the company from potential losses that could damage its reputation or finances.

2.Law of Contracts

Hubungan Perikatan Dengan Perjanjian

An agreement is a relationship based on law that is mutually binding between two people/two parties, where one party has the right to demand something from another party, and the other party is obliged to fulfill it, the party who demands it is called the creditor (the debtor) and the other party. Those who are obliged to fulfill it are called debtors (debtors), the parties are guaranteed by law and statute.[27]

An agreement is an event in which someone promises to another person and promises each other to carry out something that has been agreed upon, approved and agreed to, in this event a legal relationship arises between two parties which is called an obligation, therefore the relationship between an obligation and an agreement is that the agreement gives rise to an obligation, because the agreement is a source of an obligation besides other sources.

The Agreement (Obligatio Ex Contractu) in Article 1313 of the Civil Code Explains That

"*Agreement is an act in which one or more people commit themselves to one or more people*"

Next agreement[28] is a translation of "*oveereenkomst*" while agreement is a translation of "*toestemming*" which is interpreted as "*wilsovereenstemming*", while the widely held opinion is that an agreement is a legal act based on an agreement to give rise to a law. Meanwhile, according to **Sudikno**[29], an agreement is a legal relationship between two or more parties based on an agreement to cause a legal consequence. Meanwhile, according to **Subekti**[30], an agreement is an event in which someone promises to another person, or where two people promise each other to do something.

Meanwhile, according to **R. Setiawan**[31], an agreement is a legal act in which one or more parties bind themselves to one or more parties.

Meanwhile, the valid conditions for an agreement as regulated in **Article 1320 of the Civil Code** consist of four conditions:

1. There is an agreement between the parties;
2. The capacity to perform legal acts;
3. The existence of a certain thing;
4. The existence of a lawful cause.

The first two conditions are subjective conditions because they concern the subject of the agreement, while the next two conditions are objective conditions because they concern the object of an agreement.

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27. Subekti, Contract Law, (Jakarta: Intermasa, 2002), p.1.

28. In the Great Dictionary of the Indonesian Language, an agreement is "a written or oral agreement made by two or more parties, each of whom agrees to obey what is stated in the agreement. See Department of National Education. Great Dictionary of the Indonesian Language, Third Edition, (Jakarta: Balai Pustaka, 2005), p. 458.

29. Sudikno Mertokusumo, Indonesian Civil Procedure Law, (Yogyakarta: Liberty, 1985), p. 97.

30. Subekti, Principles of Civil Law, (Jakarta: PT. Intermasa, 2001), p. 36.

31. R. Setiawan, Law of Contracts in General, (Bandung: Bina Cipta, 1987), p. 49.

Conclusion

Based on the results of the analysis that has been carried out in this study, it can be concluded that the bankruptcy decision handed down by the Semarang Commercial Court against PT. Sri Rejeki Isman (Sritex) has a significant impact, not only on the continuity of the company's operations, but also on the stakeholders involved, such as creditors, employees, shareholders, and the community connected to the company. In general, this bankruptcy highlights the importance of careful risk management in the business world, especially in the context of large-scale corporate finance.

1. The Impact of Bankruptcy on Companies

The bankruptcy decision against PT. Sritex has a very large direct impact on the continuity of the company's operations. As one of the largest textile companies in Indonesia, PT. Sritex, which is experiencing financial difficulties, shows that even large companies can be entangled in bankruptcy problems if they do not manage debt and financial risks wisely. This bankruptcy leads to the temporary suspension of the company's operational activities and requires the management of the company's assets in the debt settlement process. This also has an impact on the company's reputation which can affect its ability to gain the trust of investors and business partners in the future.

2. Impact on Creditors and Stakeholders

Bankruptcy of a company not only affects the company itself, but also all parties involved as stakeholders, especially creditors. In this case, creditors who previously hoped to receive debt payments from the company, often have to face the fact that they will not receive full payment. This can lead to major financial losses. In addition, the company's employees are also negatively impacted, such as the threat of termination of employment (PHK) and uncertainty about the future of their jobs. Shareholders also have to face the possibility of major losses due to a decrease in stock value and loss of dividends. Therefore, this bankruptcy decision creates great uncertainty for all parties related to the company.

3. The Role of Business Law in Handling Bankruptcy

Business law plays a very important role in providing a protection mechanism 21 for the parties involved in a bankruptcy case. In the case of PT. Sritex, the bankruptcy decision taken by the Semarang Commercial Court indicates the importance of implementing fair and transparent laws in resolving the company's financial problems. The bankruptcy process is not only about paying debts, but also involves aspects of regulating the company's obligations and distributing assets to creditors based on priorities set by law. This process must be carried out carefully to ensure that the decisions taken provide protection for creditor rights and provide an opportunity for the company to recover through mechanisms provided by law, such as the debt restructuring process.

4. Lessons for the Business World in Indonesia

The bankruptcy case of PT. Sritex provides a very important lesson for the business world in Indonesia, especially for companies involved in capital-intensive industries. One of the most valuable lessons is the need for mature financial planning and better risk management. Companies must be more aware of potential risks that may arise, especially those related to debt management and cash flow. With increasingly tight business competition in the global market, companies that cannot manage risk well are at risk of facing bankruptcy or other financial difficulties. Therefore, companies must have a solid strategy for managing finances, as well as transparent policies in dealing with third parties, such as creditors and investors.

5. Relevance of Bankruptcy in the Context of the Indonesian Economy

The bankruptcy of PT. Sritex also provides an overview of the economic challenges faced by Indonesia in facing global dynamics full of uncertainty. Economic fluctuations, interest rate hikes, changes in government policies, and global market instability can affect the survival of large companies in Indonesia. The bankruptcy decision against a large company like Sritex reminds us of the importance of adaptation and flexibility in facing rapid and unexpected changes in economic conditions. Therefore, the government and business actors in Indonesia must work together to create a more stable business climate and reduce the potential for bankruptcy problems in the future.

6. Social and Economic Impact on Society

The bankruptcy of a large company, such as PT. Sritex, not only has a financial impact on direct stakeholders, but also has a broader social impact on the surrounding community and related industries. PT. Sritex is a company with thousands of employees, and its operational activities support many other parties, including raw material suppliers and distributors. With the cessation of company activities due to bankruptcy, many parties will be affected socially and economically, which can lead to increased unemployment and economic instability in the surrounding area. This emphasizes the importance for large companies to not only focus on profits, but also pay attention to the social impacts resulting from their business decisions.

Closing

Recommendations for Future Business Management To prevent similar problems from occurring in the future, companies need to strengthen their financial monitoring systems, improve their capital structure, and pay attention to healthy debt management. In addition, companies must develop business diversification strategies to reduce dependence on one particular sector or market, thereby reducing financial risks due to changes in market conditions. The government can also play an important role in creating policies that support wiser debt management and fairer bankruptcy resolution, by providing debt restructuring programs and easy access to financing. Overall, this study shows that bankruptcy is not only a legal problem that must be resolved through the courts, but also a major challenge for the business world and the economy of a country. In the case of PT. Sritex, bankruptcy provides important lessons regarding the need for mature risk management, wise financial management, and policies that support all stakeholders involved. In the future, to maintain business sustainability and economic stability, companies must be ready to face change and uncertainty, and prepare themselves for risks that may arise.

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