

(Research/Review) Article

Interpretation of Debt-to-Equity Conversion for Goods Purchase Transactions Under POJK 14/2019

Muhammad Rausyan Fikry^{1*}, Iwan Erar Joesoef², Diani Sadia Wati³

¹ Master of Law, UPN "Veteran" Jakarta, Indonesia; fikry.rausyan@yahoo.com

² Master of Law, UPN "Veteran" Jakarta, Indonesia; iwan.erar@upnvj.ac.id

³ Master of Law, UPN "Veteran" Jakarta, Indonesia; dianisadiawati@upnvj.ac.id

* Corresponding Author: Muhammad Rausyan Fikry

Abstract: Interpretation of debt-to-equity swap provisions for goods purchase transactions as stipulated in the Financial Services Authority Regulation (POJK) Number 14/POJK.04/2019 concerning Affiliated Transactions and Conflicts of Interest in Certain Transactions. The principle of openness and fairness in transactions between affiliated parties, including in the context of debt-to-equity swaps. However, this provision does not explicitly regulate the conversion of debt arising from goods purchase transactions, thus creating room for legal interpretation regarding whether business debt from operational activities can be converted into equity participation through the issuance of new shares. This study aims to analyze the implementation of debt-to-equity conversion as a financial restructuring strategy, with a focus on legal certainty and protection of public shareholders based on POJK 14/2019. The study uses a normative legal approach with the method of statutory regulations and case studies on PT SLJ Global Tbk. The results of the study indicate that PT SLJ Global Tbk has complied with the formal procedures of POJK 14/2019, including information disclosure, GMS approval, and unaffiliated creditor criteria. However, the conversion of business debt creates legal ambiguity due to the lack of clarity as to whether the debt meets the definition of "loan" in POJK 14/2019. In addition, the dilution of public shares by 34.32% without adequate protection mechanisms indicates a lack of legal certainty. The study recommends normative interpretation and strengthening of regulations to ensure fairness and legal certainty in the practice of debt conversion.

Keywords: Debt Conversion; Capital Increase Without Pre-Emptive Rights; Investor Protection; Legal Certainty; Shares.

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1. Introduction

Corporate restructuring has become an essential strategy for companies facing financial distress, with debt-to-equity swaps emerging as a significant mechanism to alleviate debt burdens and improve balance sheets. This financial restructuring process, wherein a company's debt obligations are exchanged for ownership interests in the form of equity shares, has gained prominence as a viable alternative to bankruptcy proceedings, particularly for publicly listed companies experiencing liquidity problems [1]. In Indonesia, the Financial Services Authority (Otoritas Jasa Keuangan or OJK) has established a regulatory framework through POJK 14/2019, which provides guidelines for public companies to implement debt-to-equity conversions as part of their financial recovery strategies. This regulation specifically addresses the conditions under which public companies can convert their debt into equity without pre-emptive rights, offering a pathway for companies to improve their financial position when facing severe financial constraints [2].

The case of PT SLJ Global Tbk (SULI) presents a compelling example of debt-to-equity conversion implementation under POJK 14/2019, particularly regarding the conversion of trade payables into equity shares. The company, facing significant financial difficulties and unable to meet its payment obligations to creditors, opted to convert trade payables worth



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approximately Rp 319.578 billion (approximately USD 20.23 million) into equity shares [3]. This strategic decision raises important legal questions regarding the interpretation and application of POJK 14/2019, especially concerning the nature of trade payables as opposed to loan-based debt in the context of debt-to-equity conversions.

Trade payables, which represent obligations arising from the purchase of goods or services received by a company in the course of its operational activities but not yet paid for, differ fundamentally from loan-based debt in terms of their origin and legal characteristics [4]. While POJK 14/2019 provides for debt-to-equity conversion as a mechanism for improving a company's financial position, the regulation specifically mentions in Article 3(c) that this applies to companies unable to meet financial obligations at maturity to unaffiliated lenders, provided these lenders agree to accept shares or convertible bonds to settle the debt. The interpretation of whether trade payables qualify under this provision becomes a critical legal question with significant implications for corporate restructuring practices in Indonesia.

This research examines the normative aspects of OJK regulations regarding debt-to-equity conversion for improving financial positions and the implementation of these regulations in publicly listed companies on the Indonesia Stock Exchange (IDX). The study specifically analyzes how the conversion of trade payables into equity shares in the case of SLJ Global aligns with or challenges the regulatory framework established by POJK 14/2019 [5]. Furthermore, it explores the impact of such conversions on public shareholders and creditors from the perspectives of stock market dynamics, Law Number 40 of 2007 concerning Limited Liability Companies, Law Number 8 of 1995 concerning Capital Markets, and POJK 14/2019 itself [7].

The debt-to-equity swap mechanism represents a strategic approach for companies facing financial distress, allowing them to restructure their obligations while potentially preserving operational continuity. When properly implemented, this mechanism can benefit both the debtor company by reducing its debt burden and improving its capital structure, and the creditors by providing them with an ownership stake and potential future returns through dividends or capital appreciation. However, the legal framework governing such conversions must be carefully interpreted to ensure compliance with regulatory requirements and protection of all stakeholders' interests [1].

The case of SLJ Global's conversion of trade payables into equity raises important questions about the scope and interpretation of POJK 14/2019, particularly regarding the types of debt that can be legitimately converted into equity under this regulation. By analyzing this case through a legal and regulatory lens, this research contributes to the academic discourse on corporate restructuring in Indonesia and provides insights into the practical application and potential limitations of the current regulatory framework governing debt-to-equity conversions.

2. Literature Review

2.1. Legal Certainty Theory

The theory of legal certainty, prominently developed by Gustav Radbruch, constitutes one of the three fundamental values of law alongside justice and expediency (purposiveness). Radbruch's theory posits that legal certainty requires laws to be formulated in a clear, definitive manner that allows individuals to regulate their conduct with predictable legal consequences. According to Radbruch's formula, positive law secured by legislation takes precedence even when its content may be unjust, unless the conflict between statute and justice reaches an intolerable degree that renders the law fundamentally flawed. Legal certainty manifests through four essential indicators: law must be positive (established through legislation), based on facts, formulated clearly to avoid misinterpretation, and not easily changed. This principle serves as a safeguard against arbitrary exercise of state power and provides a framework for individuals to predict institutional reactions to their behavior, thereby creating stability in legal relationships [6]. In contemporary legal systems, the principle of legal certainty has gained recognition at the international level as a fundamental requirement for ensuring the rule of law, with courts such as the European Court of Human Rights and constitutional courts emphasizing its importance in maintaining legitimate expectations and preventing retroactive application of unfavorable interpretations [7].

2.2. Economic Law Theory

Economic Law Theory, also known as Law and Economics, represents an interdisciplinary approach that applies economic principles to analyze legal phenomena and evaluate the efficiency of legal rules. Richard Posner, a pioneering figure in this field, introduced the economic analysis of law through his seminal work "Economic Analysis of Law" (1973), wherein he proposed that legal rules should be designed to maximize economic welfare and efficiency. Posner's theory suggests that judges, particularly in common law systems, often interpret and apply the law as if they were trying to maximize economic welfare, making the logic of law fundamentally economic in nature [8]. Ronald Coase, another influential theorist, developed the Coase Theorem, which posits that in the absence of transaction costs, the initial allocation of property rights does not affect economic efficiency as parties will bargain to reach an optimal outcome. Coase emphasized that transaction costs expenses associated with market exchanges such as search, negotiation, and enforcement costs are crucial for understanding legal institutions and regulations [9]. Friedrich Hayek contributed to economic law theory by emphasizing the importance of the rule of law as a prerequisite for economic liberty, arguing that legal rules must be general, non-arbitrary, and equally applied to all individuals to create a predictable legal environment that enables economic coordination [10]. These economic approaches to law have significantly influenced legal scholarship, particularly in areas such as antitrust, tort law, contract law, and property rights, by providing analytical frameworks for evaluating how legal rules affect behavior and social welfare [11].

3. Proposed Method

This research employs a normative juridical research methodology, which focuses on examining legal norms, principles, and regulations through a systematic analysis of legal materials including legislation, court decisions, and legal doctrines. The approach utilizes qualitative analysis of secondary data sources, primarily consisting of primary legal materials (laws and regulations), secondary legal materials (scholarly works and expert opinions), and tertiary legal materials (legal dictionaries and encyclopedias). The research process involves identifying the legal problem, collecting relevant legal materials through literature study, analyzing these materials using legal interpretation methods (grammatical, systematic, historical, and teleological), and formulating conclusions based on legal reasoning that connects legal facts (*das Sein*) with legal norms (*das Sollen*). This methodology is appropriate for this legal research as it enables a comprehensive examination of the legal framework, principles, and concepts relevant to the research question, allowing for the development of sound legal arguments and conclusions that contribute to legal knowledge and potential policy recommendations [12].

4. Results

4.1. OJK's Interpretation in Granting Permission for the Conversion of Business Debt into Shares in the Case of PT SLJ Global Tbk Regarding the Transaction of Goods Purchase Based on POJK 14/2019

The Financial Services Authority (OJK) holds the authority to issue Financial Services Authority Regulations (POJK), as stipulated under Article 9(c) of Law No. 21 of 2011 concerning the Financial Services Authority. In its administrative capacity, OJK may interpret these regulations through instruments such as OJK Circular Letters (SEOJK), official clarifications, or other technical guidelines. However, OJK's interpretations are not final; ultimate legal interpretation rests with judicial bodies such as the Supreme Court (MA), Constitutional Court (MK), or Administrative Court (PTUN), depending on their respective jurisdictions. Nevertheless, OJK's administrative interpretations are binding on financial industry participants unless overturned or amended by a final and binding court decision. Thus, POJK and their interpretations serve as binding operational guidelines for financial sector supervision, while remaining subject to checks and balances via judicial review [13].

The formation of debt-to-equity conversion agreements is fundamentally based on the principle of freedom of contract as enshrined in Article 1338 of the Indonesian Civil Code (KUHPerdata), which states that all legally made agreements bind the parties as law. The

phrase “all agreements” allows for the validity of any contract, whether or not it is specifically regulated by statute. However, the freedom of contract principle is limited by the validity requirements in Article 1320 of the Civil Code, namely: mutual consent, legal capacity, a specific object, and a lawful cause. Currently, there is no specific regulation governing debt-to-equity conversion agreements. Therefore, the main legal references for limited liability companies undertaking such agreements include Law No. 40 of 2007 on Limited Liability Companies (Company Law), POJK 14/2019, and the Civil Code as the general law of contract [14].

Law No. 40 of 2007 on Limited Liability Companies (Company Law) is the primary legal basis for companies to ensure that their actions comply with prevailing laws. The Company Law requires that certain corporate actions, such as pledging a substantial portion of company assets or restructuring debt through equity participation, must be approved by the General Meeting of Shareholders (GMS). Specifically, Article 35 of the Company Law and its implementing regulations stipulate that debt-to-equity swaps can only involve new shares issued by the company and require GMS approval [13].

Debt restructuring through debt-to-equity swaps is a strategic alternative for publicly listed companies facing financial distress. OJK Regulation No. 14/POJK.04/2019 explicitly regulates the mechanism for Capital Increase Without Pre-emptive Rights (PMTHMETD), allowing companies to strengthen their capital structure by converting liabilities into equity, provided all regulatory requirements are met. For example, PT SLJ Global Tbk implemented this scheme by converting trade payables (short-term debts to suppliers) into new shares issued from the company’s portfolio. Trade payables differ from bank loans as they are typically unsecured, interest-free, and arise from operational transactions. Converting such payables into equity not only addresses financial issues but also helps maintain supplier relationships and business continuity. While OJK’s interpretations and the POJK serve as binding operational references for the financial industry, their authority is subject to judicial review. The judiciary retains the final authority to interpret the law, ensuring a system of checks and balances.

4.1. Background of Business Debt

The Company is a business entity operating in the integrated wood processing and natural forest product utilization industry. Its operations rely heavily on the supply of raw materials such as logs and auxiliary materials like resin for the production of plywood. However, due to various external and internal pressures, the Company has experienced a significant decline in financial performance, particularly in operational cash flow and the ability to meet short-term obligations.

As of the proforma financial statements dated June 30, 2023, the Company’s short-term liabilities amounted to USD 40,488,917, primarily from trade payables overdue by more than 180 days. These debts have remained unpaid since the previous year, increasing the risk of default and directly threatening the Company’s going concern. Four supplier entities, acting as trade creditors, have agreed to convert their debts into shares as follows:

No	Supplier	Goods Supplied	Debt Amount (IDR)	Debt Status (Overdue)
1	PT Borneo Karya Persada	Resin (adhesive)	43,000,000,000	>180 days
2	PT Sani Mardani Resources	Logs	12,676,444,182	>180 days
3	PT Pelayaran Sentra Arung Makmur	Logs (via assignment from CV SAM)	44,479,303,595	>180 days
4	PT Putra Buana Indonesia Wood Industry	Logs	49,077,384,630	>180 days

All debts are principal, non-interest bearing, arising from long-term business relationships and recorded as short-term liabilities. This overdue situation forms the basis for the Company to propose settlement via the issuance of new shares through a Private Placement without Pre-emptive Rights (PMTHMETD).

The conversion process began with individual restructuring requests to each creditor, including an explanation of the Company’s financial inability to make cash payments. The Company offered a debt-to-equity swap as a final, fair, and voluntary solution. Following negotiations, the parties agreed on a conversion value in Rupiah and a new share price of IDR

150 per share, using an exchange rate of IDR 15,710 per USD as disclosed. All agreements were signed on October 13, 2023, with the following details:

No	Creditor Name	Type of Debt	Debt Amount (IDR)	Agreement No.	New Shares Issued	Remarks
1	PT Borneo Karya Persada	Resin purchase	43,000,000,000	03/SLJ/CL/JKT/2023	286,666,667	Chemical supplier for plywood adhesive; >180d
2	PT Sani Mardani Resources	Log purchase	12,676,444,182	04/SLJ/CL/JKT/2023	84,509,628	Log supplier; unpaid since end 2022
3	PT Pelayaran Sentra Arung Makmur	Log purchase (via assignment)	44,479,303,595	06/SLJ/CL/JKT/2023	296,528,691	Receivable assigned from CV SAM; >180d
4	PT Putra Buana Indonesia Wood Industry	Log purchase	49,077,384,630	05/SLJ/CL/JKT/2023	327,182,564	Main supplier, largest debt in conversion; >180d

All creditors involved are non-affiliated parties, ensuring no conflict of interest as stipulated under OJK Regulation 42/2020 on Affiliated Transactions and Conflict of Interest. Following the signing of all debt-to-equity conversion agreements on October 13, 2023, the Company scheduled an Extraordinary General Meeting of Shareholders (EGMS) for November 30, 2023, to obtain official approval for the PMTHMETD plan. Shareholder approval is a mandatory prerequisite as regulated in Article 8A of OJK Regulation No. 14/2019.

A total of 994,887,550 new shares are planned to be issued as a result of the trade payable conversion, part of the 2,130,520,260 shares planned for the overall restructuring scheme, including other debt types. The agreed conversion price is IDR 150 per share, with a nominal value of IDR 100 per share. If approved and implemented, this corporate action is expected to positively impact the Company's financial position, including:

- Increasing the current ratio from 53.6% to 106.2%
- Reducing the debt to equity ratio from 221.13% to 62.98%
- Increasing total equity from USD 19.14 million to USD 39.37 million

A debt-to-equity swap is a financial restructuring mechanism where a creditor's receivable is converted into an equity stake in the debtor company. This is commonly used in corporate restructurings to improve financial stability, reduce debt, and avoid insolvency. The process involves negotiation, valuation, agreement on the conversion ratio, shareholder approval, and regulatory compliance, particularly with OJK regulations in Indonesia.

4.2. Provisions on Debt-to-Equity Conversion in OJK Regulation No. 14/2019

Financial Services Authority Regulation Number 14/POJK.04/2019 amends POJK 32/POJK.04/2015 and governs capital increases without pre-emptive rights (PMTHMETD). This regulation is designed to adapt to dynamic corporate practices, particularly as a response to financial distress faced by listed companies. It allows issuers to increase capital without pre-emptive rights, especially for debt restructuring through debt-to-equity conversion. Such conversion is a restructuring solution that helps companies avoid default by eliminating debt burdens and strengthening capital structure. POJK 14/2019 provides the legal basis for these corporate actions to be conducted lawfully, transparently, and with investor protection.

Key Provisions

- Article 3(a) explicitly states that the obligation to grant pre-emptive rights does not apply if the capital increase aims to improve the company's financial position,

including through debt conversion. Thus, PMTHMETD becomes a legal channel for recapitalization without complex public offering procedures.

- Article 8B stipulates that debt conversion is only permitted if:
 - 1) The company is unable to meet its financial obligations to non-affiliated lenders,
 - 2) The lender is independent,
 - 3) The creditor voluntarily agrees to accept shares as repayment.
 These three conditions are cumulative and must all be met for lawful conversion.
- Although exempt from pre-emptive rights, PMTHMETD must be approved by the General Meeting of Shareholders (GMS) as per Article 8A(1), ensuring shareholder oversight and protection from potential dilution.
- Disclosure Requirements: Article 15(1b) requires public disclosure of debt history, fund usage, share price, creditor identity, capital structure before and after conversion, and dilution risk. This information must be announced at the latest simultaneously with the GMS notice to ensure full and fair disclosure.
- For capital increases not aimed at improving financial position, the regulation sets a maximum limit of 10% of paid-up capital (Article 8C). However, this limit does not apply to debt conversions for financial restructuring, demonstrating regulatory flexibility in emergencies.

Comparison Table: PMTHMETD for Financial Improvement vs. Other Purposes

Aspect	PMTHMETD for Financial Improvement (Art. 3 POJK 38/2014 & Art. 8B POJK 14/2019)	PMTHMETD for Other Purposes (Art. 4 POJK 38/2014 & Art. 8C POJK 14/2019)
Permitted Conditions	a) Bank: loans >100% of capital b) Non-bank: liabilities >80% of assets and negative working capital c) Inability to pay non-affiliated creditors	No specific financial condition required
Maximum Capital Increase	No limit	Max 10% of paid-up capital
Non-Cash Contribution	Not allowed (Art. 9(1) POJK 14/2019)	Allowed, must use independent appraiser (Art. 9(2) POJK 14/2019)
Independent Appraiser Requirement	Not explicitly required	Required if contribution is not cash
GMS Approval	Required, with quorum as per POJK 15/2020	Required, with quorum and limits as per POJK 15/2020 and Art. 8C
Additional Disclosure	Must disclose: creditor identity, restructuring terms, cause of financial crisis, execution price (Art. 7 POJK 38/2014)	Must disclose: purpose, dilution risk, share structure, fund use plan (Art. 6 POJK 38/2014)
Dilution Potential	No limit	Must be minimized, especially for minority shareholders
Implementation Period	No limit	Max 2 years (except for share ownership programs), max 5 years for share ownership programs

The regulatory framework for debt-to-equity conversions in Indonesia emphasizes transparency, stakeholder protection, and lawful restructuring. Affiliated lenders must be explicitly disclosed under Article 15(1c), with detailed justifications for conversions involving them, while transactions with non-affiliated creditors are exempt from strict affiliated-party regulations under Bapepam-LK IX.E.1 (Article 44B), ensuring voluntary and conflict-free processes. Shareholder oversight is institutionalized through mandatory General Meeting of Shareholders (GMS) approval, reinforcing collective decision-making. The OJK (Financial Services Authority) enforces four key principles: (1) fairness, requiring converted shares to reflect debt value, validated by independent assessments; (2) shareholder protection, preventing coercion of minorities in affiliated deals; (3) restructuring integrity, ensuring conversions genuinely aim to sustain business viability; and (4) full disclosure, mandating public transparency via the Indonesia Stock Exchange and OJK platforms. This framework

balances corporate flexibility with rigorous safeguards to uphold stakeholder interests and market confidence.

4.3. The Implementation of the Extraordinary General Meeting of Shareholders (EGMS) in the Context of Debt-to-Equity Conversion

The first agenda item in the Summary Minutes of the Extraordinary General Meeting of Shareholders (EGMS) of PT SLJ Global Tbk dated November 30, 2023, included several key resolutions: approval of the option to convert debt into shares, implementation of a Capital Increase Without Pre-Emptive Rights (PMTHMETD), amendment of Article 4 paragraph (2) of the Articles of Association regarding issued and paid-up capital, and authorization of the Board of Directors to take all necessary actions related to these resolutions. The legal basis for these decisions refers to the Financial Services Authority Regulation (POJK) No. 32/POJK.04/2015 concerning Capital Increase Without Pre-Emptive Rights and its amendment in POJK No. 14/POJK.04/2019. PMTHMETD is a capital increase scheme that does not grant pre-emptive rights to existing shareholders. In this case, PMTHMETD is used as an instrument to convert debt obligations to third parties into equity participation in the form of shares.

Pursuant to POJK 14/2019, PMTHMETD for debt conversion is permitted if it aims to improve the company's financial position, is not conducted with affiliated parties, and has obtained approval from the lender. In addition, the implementation of PMTHMETD must comply with the principles of transparency to the public and investors, and must be approved through the General Meeting of Shareholders. The debt-to-equity swap is intended to strengthen the company's capital structure and reduce leverage. Furthermore, this conversion provides legal certainty regarding the termination of the creditor-debtor relationship, which is replaced by a shareholder-company relationship. Accordingly, the rights and risks previously attached to the creditor are transformed into those of a shareholder, including voting rights and dividend entitlements, but also the potential for dilution.

The amendment to Article 4 paragraph (2) of the Articles of Association, as approved in the meeting, directly relates to the increase in issued and paid-up capital resulting from the issuance of new shares through conversion. This amendment is a normative procedure required to ensure that the company's capital structure as stated in its Articles of Association reflects the post-conversion factual condition. The EGMS also approved the granting of authority to the Board of Directors to follow up on the implementation of these resolutions without the need for further approval from the General Meeting of Shareholders. The actions of the Board of Directors in this regard remain subject to the supervision of the Board of Commissioners, in line with the principles of division of authority in public company governance and the fulfillment of fiduciary duties.

According to the attendance data recorded in the minutes, the agenda was attended by shareholders representing 86.521% of the total shares with valid voting rights. For the second agenda, independent shares present reached 58.817%. These percentages indicate a high level of participation in corporate decision-making, including those with dilutive effects such as PMTHMETD.

5. Discussion

5.1. Interpretation of the Proper Conversion of Debt into Shares in Goods Purchase Transactions that Provide Benefits for Public Shareholders, Creditors, and Debtors

Based on the submitted documents, PT SLJ Global Tbk (the "Company") plans to conduct a Capital Increase Without Pre-emptive Rights (PMTHMETD) to restructure its debts to seven creditors through a debt-to-equity conversion, as regulated under the Financial Services Authority Regulation (OJK) Number 14/2019. The focus of the discussion is whether the Company's trade payables, which arise from sale and purchase transactions, can be categorized as debts from a "lender" as referred to in POJK 14/2019, considering the different legal principles between sale and purchase and lending agreements. The following is an explanation regarding the principles of sale and purchase and lending:

5.1.1. Principle of Sale and Purchase

The principles of sale and purchase are regulated in the Indonesian Civil Code (KUHPerdata), Book Three, Chapter V. Sale and purchase is defined as an agreement in which the seller transfers ownership rights over goods to the buyer, and the buyer pays the agreed price. The main principles include:

In civil law, several academic legal principles govern sale and purchase agreements. The Consensual Principle establishes that such agreements are valid once the parties reach consensus on the goods and price, without requiring immediate delivery or payment, highlighting their non-formal nature. The Freedom of Contract Principle allows parties to freely determine the agreement's content such as price, payment method, and special terms as long as these do not violate law, public order, or morality, ensuring flexibility to accommodate their needs. The Binding Force Principle, or *pacta sunt servanda*, means that once valid, the agreement legally binds both parties like a law, obliging the seller to deliver the goods and the buyer to pay the price, thus providing legal certainty. The Delivery Principle requires the seller to deliver the goods and transfer ownership rights to the buyer, covering both physical and legal aspects to ensure the buyer obtains full rights. The Warranty Principle obliges the seller to guarantee that the goods are free from legal and physical defects, entitling the buyer to cancellation or compensation if hidden defects are found. The Risk Principle states that the risk of loss or damage passes to the buyer upon delivery, unless otherwise agreed, but the seller remains liable if loss occurs before delivery due to their negligence. Finally, the Good Faith Principle requires that the agreement be performed honestly, with the seller disclosing the goods' condition and the buyer making timely payments, thereby upholding ethical contractual relations.

In the context of PT SLJ Global Tbk, business debts to creditors such as PT Borneo Karya Persada, PT Sani Mardani Resources, PT Pelayaran Sentra Arung Makmur, and PT Putra Buana Indonesia Wood Industry arise from sale and purchase transactions of raw materials (resin and logs) for plywood production. These debts result from the company's inability to pay, creating receivables for suppliers. The legal relationship is a sale and purchase, where suppliers deliver goods and the company must pay the price.

5.1.2. Principle of Consumptive Loans

The academic legal principles governing lending and borrowing can be summarized as follows: The Principle of Return of Fungible Goods requires that the borrower returns goods of the same quantity and quality, rather than the exact same physical items, reflecting the fungible nature of consumable goods such as money. The Principle of Interest (Optional) allows for interest to be charged only if expressly agreed upon in the contract; otherwise, the loan remains interest-free, providing flexibility in financial arrangements. The Principle of Return Period states that if the return period is not specified, the court may determine it based on the circumstances, and the borrower must comply with the set timeframe. The Principle of Borrower's Responsibility holds the borrower liable for any losses resulting from negligence in returning the loan or fulfilling other obligations, including the payment of agreed interest. Finally, the Principle of Good Faith mandates that both lender and borrower act honestly and transparently, such as by accurately disclosing the loan amount and the intended use of funds, upholding mutual trust and fairness throughout the transaction.

Table: Differences Between Sale-Purchase and Consumptive Loan Principles

Aspect	Sale-Purchase	Loan (Consumptive)
Object of Transaction	Transfer of ownership rights over goods (e.g., merchandise)	Delivery of consumable goods (obligation to return equivalent goods)
Transaction Purpose	To acquire goods in exchange for payment	To provide temporary liquidity return
Legal Relationship	Creates a seller-buyer relationship, with payment obligation arising from delivery of goods	Creates a creditor-debtor relationship to return funds as per loan agreement
Basis of Receivables	Receivables arise from failure to pay for delivered goods	Receivables arise from provision under the agreement

5.1.3. Relevance of POJK 14/2019: Lender vs. Trade Payables from Sales and Purchases

Article 8B(c) of POJK 14/2019 exempts public companies from HMETD obligations in debt-to-equity conversions when they default on financial obligations to non-affiliated creditors who consent to debt conversion. While the regulation doesn't explicitly define "lender," contextual interpretation suggests creditors providing funds or financial facilities through formal credit agreements, such as banks or financial institutions. PT SLJ Global Tbk's creditors are divided into loan creditors (Mataram Limited Pte. Ltd., Mr. Hui Pak Kong, and Joshua Tree Investment) with formal loan agreements bearing interest rates of 16.5%-18%, and trade creditors (PT Borneo Karya Persada, PT Sani Mardani Resources, etc.) arising from unpaid raw material purchases under sale-purchase agreements.

The legal distinction hinges on whether trade creditors qualify as "lenders" under POJK 14/2019. Trade debts originate from civil law sale-purchase obligations rather than consumptive loan agreements, yet PT SLJ's restructuring demonstrates functional equivalence through:

- Maturity Status: Trade debts exceeding 180 days' aging meet default criteria
- Creditor Consent: Suppliers executed Debt-to-Equity Conversion Agreements (e.g., No. 03/SL/CL/JKT/2023) at Rp150/share
- Financial Recognition: Classified as current liabilities in financial statements, analogous to short-term loans

Jurisprudential arguments for inclusion emphasize:

- Economic Substance: Both loan and trade debts impair liquidity. Conversion reduced PT SLJ's current liabilities from USD 40.488M to USD 22.955M, improving current ratio from 53.6% to 106.2% and debt-to-equity ratio from 221.13% to 62.98%
- Regulatory Purpose: POJK 14/2019 aims to facilitate financial recovery through debt restructuring, irrespective of debt origin
- Interpretative Flexibility: OJK tends toward broad interpretation of "lender" in restructuring contexts, provided debts are matured and creditors non-affiliated

This analysis suggests trade creditors may be treated as lenders under POJK 14/2019 when conversion agreements align with regulatory objectives and financial rehabilitation needs.

5.1. Potential Conflicts in Debt-to-Equity Conversion under Article 9 of OJK Regulation No. 14/2019

The conversion of debt into equity serves as a critical financial restructuring strategy for Indonesian public companies to address liquidity pressures and strengthen capital structures. POJK 14/2019 regulates Capital Increases Without Pre-emptive Rights (PMTHMETD), but creates legal ambiguity due to conflicting provisions: Article 8B(c) explicitly permits debt-to-equity conversions for non-affiliated creditors to settle matured obligations with creditor consent, while Article 9(1) prohibits non-cash contributions in PMTHMETD aimed at financial rehabilitation. PT SLJ Global Tbk's November 23, 2023 disclosure illustrates this contradiction, detailing plans to convert USD 14.375 million debt (USD 8 million loan from Mataram Limited Pte. Ltd. and USD 6.375 million trade payables) through a November 30, 2023 EGM-approved PMTHMETD.

Textual analysis reveals Article 9(1)'s broader prohibition on non-cash contributions for financial rehabilitation could supersede Article 8B(c)'s specific allowance, though OJK practice treats Article 8B(c) as an exception, evidenced by its non-objection to PT SLJ's transaction despite apparent non-compliance with Article 9(1). This regulatory contradiction creates legal uncertainty, particularly given alignment with Company Law (Law 40/2007) which permits non-cash capital contributions through independent valuations and shareholder approval. PT SLJ's case satisfies Law 40/2007 requirements through EGM ratification, but exposes governance risks from absent independent valuation documentation in its disclosure.

To resolve this conflict, regulatory clarification is needed through OJK guidelines or POJK amendments explicitly recognizing debt conversions under Article 8B(c) as exceptions to Article 9(1). Companies should enhance transparency by documenting independent valuations per Law 40/2007 Article 34(2), while harmonizing POJK provisions with statutory corporate law frameworks would strengthen legal certainty for financial restructuring initiatives.

6. Conclusions

In conclusion, the conversion of debt into equity, as implemented by PT SLJ Global Tbk through a Capital Increase Without Pre-emptive Rights (PMTHMETD) based on the disclosure dated November 23, 2023, represents a significant financial restructuring strategy with positive impacts on the company's financial position. However, legal ambiguity arises due to internal inconsistencies within POJK 14/2019, where Article 8B letter c explicitly permits debt conversion as a non-cash contribution, yet Article 9(1) prohibits non-cash contributions for PMTHMETD aimed at improving financial standing. This contradiction leads to legal uncertainty and may undermine transparency and corporate governance compliance. While the regulation aims to provide flexibility in addressing financial crises, regulatory clarification is essential to ensure legal certainty. The case of PT SLJ Global Tbk illustrates the complexity of debt-to-equity conversion under Indonesian law, highlighting both the benefits for the company, creditors, and public shareholders, and the challenges arising from regulatory ambiguity and potential share dilution.

To address these legal and practical challenges, several recommendations are proposed for regulators, public companies, and stakeholders. The Financial Services Authority (OJK) should issue official interpretive guidelines or amend POJK 14/2019 to clarify the relationship between Article 8B letter c and Article 9(1), explicitly positioning Article 8B letter c as a *lex specialis* exception for financial restructuring contexts. Public companies must enhance transparency in information disclosure, particularly regarding independent valuation documentation for non-cash contributions, as mandated by Article 34(2) of the Company Law. OJK should also strengthen oversight of compliance with independent valuation requirements to protect shareholders' interests. Furthermore, public companies should educate shareholders and creditors about the benefits and risks of debt-to-equity conversion, including potential share dilution and changes in legal status. Finally, harmonization between POJK 14/2019 and the Company Law is crucial to eliminate regulatory ambiguity, while further academic research is encouraged to explore best practices and comparative approaches in other jurisdictions.

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