

Simplification, Digitalization, And the Use of Artificial Intelligence in Insolvency Proceedings of Agricultural Business Entities

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Abstract

This article examines the legal and procedural features of simplified insolvency proceedings involving agricultural business entities in the context of digital transformation and the increasing use of artificial intelligence technologies. The study analyzes the specific characteristics of simplified insolvency procedures, their distinction from general insolvency proceedings, and the criteria determining their application. Particular attention is paid to existing problems in judicial practice, including the prevailing reliance on the absence of debtor assets as the principal criterion for applying simplified procedures, the limited procedural autonomy of applicants, and the lack of clearly defined mechanisms for terminating insolvency proceedings through withdrawal of an application or mediation. The article also evaluates the prospects for introducing artificial intelligence, automated registries, electronic case management, and integrated state information systems for assessing the debtor's financial and property status, analyzing creditors' claims, and supporting judicial decision-making. Based on the analysis, proposals are advanced to clarify the statutory grounds for simplified insolvency proceedings, recognize the absence of assets as an explicit criterion for their application, improve the legal status and remuneration of insolvency administrators, and further develop digital mechanisms within insolvency proceedings. The study concludes that digitalization and artificial intelligence can contribute to greater efficiency, transparency, legal certainty, and procedural economy in insolvency proceedings involving agricultural business entities.

Keywords: Insolvency, simplified insolvency procedure, agricultural business entities, artificial intelligence, digitalization, insolvency proceedings, debtor, creditors, insolvency administrator, electronic platform, judicial proceedings, procedural economy.

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1. Introduction

The processes of digital transformation taking place throughout the entire system of social relations in society are also having a significant impact on the legal sphere. In particular, the institution of insolvency, distinguished by its unique complexity, large volume of information flow, and multi-stage procedural structure, is currently emerging as one of the most promising legal fields for

the implementation of artificial intelligence technologies [1]. In this process, nearly all stages of proceedings — from filing applications to conducting financial analysis, settlements with creditors, and the adoption of final decisions — are being transferred into a digital environment.

The priority objectives defined in national development strategies are also directly connected with the processes

of transformation, digitalization, and improvement of the business environment. In particular, within the framework of the Digital Uzbekistan – 2030 Strategy [2], special emphasis is placed on the development of the digital economy and the introduction of modern information and communication technologies across various sectors. Furthermore, based on the Digital Court Concept [3], the gradual transition of court proceedings to a fully electronic format is envisaged. At the same time, the institutional reforms in the judicial and legal sphere established under the Uzbekistan – 2030 Strategy [4], including the task of reducing the average duration of court proceedings by 30 percent by January 1, 2028 [5], are functionally and substantively interconnected with the goals aimed at transformation, digitalization, and improving the business climate.

The primary purpose of introducing artificial intelligence and innovative technologies into the insolvency institution is, above all, to further simplify insolvency proceedings in this field [6]. The low level of digitalization in the agricultural sector increases the urgency of resolving the existing problems associated with insolvency proceedings [7]. In this regard, a legal approach aimed at simplifying insolvency proceedings of business entities in agriculture — by conducting them in an expedited and simplified manner without conventional complex procedural stages — appears as an objective necessity. This procedural approach is of significant importance in both general and simplified insolvency procedures, and its essence becomes particularly evident in practical application. First of all, it is reflected in the optimization of proceedings through the reduction of unnecessary procedural stages and time limits. In particular, the simplified insolvency procedure is manifested in resolving cases directly through liquidation procedures without applying rehabilitation-oriented stages such as санация (financial rehabilitation) and external administration, shortening procedural deadlines, and introducing mechanisms aimed at the prompt satisfaction of creditors' claims.

Indeed, within the institution of insolvency, issues related to the automated analysis of a debtor's financial condition through artificial intelligence and digital technologies, the integration of data and support for decision-making processes, as well as the necessity of digital solutions in dispute resolution, together with their legal and practical significance and possible positive and negative consequences, are currently regarded as highly

relevant from both scientific-theoretical and practical perspectives [8].

Particularly noteworthy is the fact that, in judicial practice, insolvency cases involving business entities operating in the agricultural sector are in most instances being considered under simplified procedures. This circumstance further increases the relevance of clarifying the procedural mechanisms of such proceedings and expanding their practical application. This is because existing traditional approaches are often characterized by excessive procedural stages and high expenditures of time and resources, which ultimately reduce the efficiency of economic relations. From this perspective, the introduction of automated registries, electronic case management systems, and data integration mechanisms based on digital solutions, as well as the establishment of short and clearly defined procedural deadlines for simplified proceedings (which are not expressly determined by legislation), is emerging as an objective necessity.

Legislation should support any form of simplification of case proceedings [9]. Indeed, during the observation procedure, that is, prior to the first meeting of creditors, the parties are granted the opportunity to resolve the dispute through a settlement agreement. However, the legislator does not provide for simpler methods of dispute resolution, particularly the possibility of terminating proceedings on the basis of the applicant's withdrawal of the application (withdrawal of the claim) or leaving the case without consideration on the basis of a mediation agreement. Judicial practice has developed in such a way that, even where the creditors' register has not yet been formed, if the applicant withdraws the claim after insolvency proceedings have been initiated against the debtor, the court nevertheless continues the insolvency case and forms the creditors' register on the basis of complaints or applications submitted by other creditors not yet included in the register. In our opinion, in such situations the procedural autonomy of the applicant is not sufficiently guaranteed, and this issue becomes particularly significant in relation to business entities operating in the agricultural sector.

Due to the seasonal nature of agricultural production and its dependence on natural factors, even when the parties reach an agreement during the production season, the limited possibility of terminating proceedings through withdrawal of the claim hinders the restoration of economic relations. Therefore, it appears appropriate to

provide in legislation the possibility for the applicant to terminate insolvency proceedings either by withdrawing the claim or on the basis of a mediation agreement.

In simplified insolvency proceedings involving business entities in agriculture, innovative technologies serve as an important tool for assessing the debtor's financial condition, analyzing creditors' claims, forecasting risks, and supporting decision-making processes. For this reason, the current stage of development of the insolvency institution is characterized by its evolutionary transition from a classical procedural model to a new conceptual model based on digital and intelligent governance [10].

Legislation provides that, in addition to the general procedure for conducting insolvency proceedings against agricultural business entities, simplified procedures are also envisaged, which are characterized by a specialized and limited legal nature. Although the legislation does not provide a separate legal definition of this concept of simplified procedure, its essence and specific features can be understood through its substantive content. First of all, it is not an independent procedure, but rather a simplified liquidation procedure for an enterprise declared insolvent (bankrupt), which excludes the application of the classical stages of insolvency proceedings such as supervision, financial rehabilitation (санация), and external administration. In such cases, the proceedings are conducted solely through a single final stage — direct liquidation of the debtor.

Another feature of the simplified procedure is that it is applied only to entities that meet clearly defined criteria established by law, meaning it is limited to debtors that are either non-operational or have no realistic prospect of financial recovery. This characteristic demonstrates that its scope of application is strictly restricted and that it does not have a universal nature. Accordingly, it is not a general mechanism applicable to all debtors, but rather a special legal instrument aimed primarily at the expedited liquidation of agricultural entities whose activities are economically inefficient or whose recovery is no longer feasible. In this regard, the statutory restrictive criteria make a clear distinction between debtors that may be rehabilitated and those that are unable to continue their activities. As a result, general insolvency procedures are applied to debtors requiring rehabilitation, while simplified procedures are applied to those entities for which recovery is not possible. This approach takes into account the specific features of the agricultural sector, in

particular the seasonal nature of production and the cyclical formation of income, thereby contributing to the optimal allocation of resources and the prevention of excessive procedural costs. At the same time, the clear definition of these criteria, their uniform interpretation, and consistent application in judicial practice are essential conditions for ensuring legal certainty and stability. From this perspective, the introduction of the simplified procedure facilitates the judicial handling of economically inefficient and legally inactive agricultural entities, ensures the expedited completion of insolvency cases, and reduces the procedural burden on courts and participants in the proceedings.

However, in judicial practice, when considering simplified insolvency cases involving agricultural business entities, it is observed that instead of applying the comprehensive set of criteria provided by law, courts primarily rely on the absence of the debtor's property (movable or immovable assets) as the key determining factor. On the one hand, this approach is based on the legal provision stating that insolvency may be established where "the value of the legal entity's property is insufficient to satisfy creditors' claims." On the other hand, it is also justified by the clarifications contained in Plenum resolutions regarding the concept of the "absent debtor" [11].

In our view, it is difficult to regard this approach as fully justified. This is because the content of the legal norm is not limited solely to the insufficiency of the debtor's property value to satisfy creditors' claims, but also includes a number of other legally significant conditions, such as the financial status of the agricultural business entity, the fact of its actual economic activity, and the formation of its charter capital. Furthermore, although the interpretations provided in Plenum resolutions serve as a means of broad interpretation of legal norms, they cannot replace statutory criteria or establish new grounds in place of those defined by law. Therefore, in our opinion, there is a need to further clarify the grounds and criteria for applying simplified insolvency procedures in cases involving agricultural entities. From this perspective, it is proposed to expressly establish in legislation that the absence of property of an agricultural business entity may also serve as a basis for applying the simplified procedure. In this regard, the decision of the state enforcement officer on the return of an enforcement document without execution should be recognized as an important procedural piece of evidence confirming the absence of the debtor's assets. In the Decree of the

President of the Republic of Uzbekistan “On Measures to Further Improve the Insolvency Institution,” it is stipulated that the “Unified Electronic Platform for Conducting Insolvency Proceedings” will be launched on 1 December 2026.

This platform, based on integration with state information systems, will automatically generate data on agricultural debtor entities from sources such as the Unified State Register of Legal Entities, tax authorities’ databases, banking systems (open banking), real estate and vehicle registries, the address information bureau, and the database of court decisions. As a result, at the stage of preparing the case for consideration, the court will have access to reliable information regarding the debtor’s financial and property status through additional verification of the applicant’s claims.

According to the proposed mechanism, if the existence of assets of the debtor is established, the acceptance of the application will be refused; if such assets are identified during the proceedings, the simplified bankruptcy procedure will not be applied; and if assets are discovered at the liquidation stage, the simplified procedure will be terminated. Thus, this approach ensures that the simplified procedure is applied exclusively to assetless debtors.

According to the above, we believe it is appropriate to rename Chapter 16 of the Law as “Simplified Procedure of Insolvency.” This is because this chapter sets out a unified procedure for declaring a debtor bankrupt and liquidating it, i.e., a simplified procedural mechanism, which makes it scientifically justified to define it as a separate “simplified procedure.”

In addition, at the legislative level, it is considered appropriate to provide for measures such as dismissal of a court administrator in cases of non-performance or improper performance of assigned duties, appointment of a temporary administrator, and improvement of the remuneration mechanism. It is also proposed to establish the possibility of reducing the amount of remuneration paid to the court administrator upon application of persons participating in the case. Furthermore, it is suggested to rename the court administrator as a “debtor administrator,” as well as to introduce an automatic notification function in the Unified Interactive State Services Portal and the court’s “Adolat” information system indicating that a legal entity is in a “state of insolvency.” These proposals serve to streamline

insolvency proceedings in simplified procedures from both institutional and procedural perspectives, as well as to deepen the scientific-theoretical and methodological foundations for the introduction of digitalization and artificial intelligence technologies.

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