

## Civil Law Review of Business Contracts in Business Activities

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| KEYWORDS  | ABSTRACT  |
|---|---|
| Civil Code; Business Contract; Effectiveness; Business Activity | This research addresses the legal framework of business contracts under the Civil Code, focusing on the effectiveness of such contracts in business activities and the consequences of defaults by parties involved. The urgency of this study arises from the increasing complexity and frequency of legal disputes in business transactions, particularly regarding contract breaches. The primary objective is to analyze the legal effectiveness of the Civil Code in resolving defaults and protecting the rights of the involved parties, as well as to evaluate its role in enhancing legal certainty and business trust. The research employs a qualitative descriptive methodology, utilizing document analysis to assess relevant legal provisions and case studies. The findings reveal that the Civil Code provides clear guidelines for the interpretation of contracts, ensuring legal certainty and protection for parties. However, challenges such as cost and time limitations in dispute resolution are evident. In conclusion, the Civil Code plays a crucial role in business contract enforcement, although improvements in flexibility and efficiency are recommended to further support business growth and legal fairness. |

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### Introduction

Business activities in Indonesia are currently regulated by regulations that are considered to facilitate or simplify various laws (UU), government regulations (PP), related Ministerial regulations (Permen), Pergub, and so on. All of them are simplified by the government and comprehensively summarized to make it easier for the business world and the industrial world (DUDI) to carry out their business activities in Law Number 6 of 2023 concerning Job Creation as a substitute for Perpu Number 2 of 2022 concerning Job Creation.

In the business world, interactions often take the form of various business activities, including buying and selling, leasing, credit and debt agreements, collateral transactions, patent infringement disputes, and defaults (Manullang, 2002). These activities are governed by a set of legal frameworks that ensure the proper execution of contracts and the protection of all parties involved. For instance, sales agreements regulate the transfer of goods, while leasing agreements set the terms

for the use of property or assets over a specified period. Debt and credit contracts are fundamental to business operations, facilitating the flow of capital, yet they are subject to specific laws to safeguard the rights of both lenders and borrowers. Collateral agreements offer security for loans, ensuring that creditors can recover their funds in case of default. Additionally, the legal implications of patent infringement and defaults in business contracts highlight the importance of enforceable legal provisions to maintain fairness and legal certainty in the marketplace. According to Indrawanto (2024), these contracts are designed to prevent disputes and ensure that all parties fulfill their obligations, which is essential for fostering trust in business relationships.

A business agreement (contract) is a written agreement between two or more parties that has commercial value. Or in other words, a Business Contract is an agreement in written form in which the substance agreed upon by the parties bound in it has business content. The importance of the law of the parties' agreement when we are running a business. Its function is very important in order to provide legal certainty for the parties, both regulating the rights and obligations of the parties and securing business transactions and regulating the pattern of dispute resolution arising between the two parties in the future. If in the future the parties default so as to cause a legal dispute, then the choice for the parties to resolve the dispute can be through litigation, : Commercial Court, District Court, Arbitration Court.

There are 4 (four) conditions for the validity of an agreement according to the Civil Code, namely: (Muhtarom, 2014)

1. The agreement of those who bind themselves;
2. Capacity to enter into an agreement;
3. A specific subject matter;
4. A cause that is not prohibited.

This business activity is needed for business people with the main objectives of obtaining *income (income)* which is profitable, there is a guarantee that the business interaction will perpetuate its business, strong *trust* with its business relations, and so on. The process of creating business activities when viewed in civil law, usually there is always an agreement that is the basis for the implementation of these business activities. The presence of a written agreement in *business (business agreement)* as a *legal* basis for the implementation of business activities protects the parties in the eyes of the law.

Business agreements are often perceived as robust, particularly in providing proof during disputes, as the parties sign them under a stamp duty of Rp.10,000, which represents the government's oversight according to the Stamp Duty Law No.10 of 2020. Previous research has focused on the effectiveness of written contracts in ensuring legal certainty, particularly in cases involving default or breach of contract. For instance, studies by [Author, Year] have explored how stamp duty adds legal validity to contracts and its role in enforcing business agreements in Indonesia's legal system. However, these studies have mainly focused on the general effectiveness of business contracts without delving deeply into the specific legal framework provided by the Civil Code and how it impacts dispute resolution and the protection of rights. This research aims to expand on these studies by analyzing the validity and legal standing of business agreements

through a focused review of the Civil Code, particularly regarding contract defaults. By comparing the legal implications of business agreements in practice with theoretical frameworks, this study will highlight the strengths and weaknesses of the Civil Code in addressing business contract defaults. The novelty of this research lies in its comprehensive examination of the intersection between the Civil Code and business contracts, particularly in relation to legal enforcement mechanisms that protect both parties. The urgency of this research is clear: as business activities continue to grow, understanding how the legal system can better safeguard business contracts is crucial for fostering a stable and reliable business environment, especially in light of increasing legal disputes and the evolving nature of business transactions.

## **Research Methods**

### **Nature and Type of Research**

This research employs a descriptive qualitative methodology, which is an approach used to understand and describe specific phenomena or situations in depth. The primary aim of this methodology is to provide a comprehensive and detailed picture of the research subject by examining it from various perspectives.

#### **a. Qualitative Data Collection**

In this study, qualitative data is gathered through document analysis. This includes textual sources, images, and other relevant materials, such as the views and perceptions of participants. Document analysis is particularly effective for exploring complex legal frameworks and understanding how they are applied in real-world situations.

#### **b. In-depth Analysis**

After collecting the data, the researcher conducts a thorough analysis to identify patterns, themes, and emerging meanings. This analysis is qualitative in nature, focusing on interpreting the data to uncover insights and describe the findings in a meaningful way. The goal is to extract deep understanding and insights from the data that would otherwise be difficult to achieve through quantitative methods alone.

#### **c. Use of Theories and Concepts**

Although descriptive qualitative methodology does not always rely on a specific theory, researchers often utilize theoretical or conceptual frameworks to guide their analysis and interpretation of the data. In this study, relevant legal theories and principles, such as those found in the Civil Code, serve as the foundation for analyzing business contracts and defaults.

#### **d. Research Objectives**

The main objective of using a descriptive qualitative approach is to provide an accurate and in-depth description of the phenomenon under study—specifically, the effectiveness and legal implications of business contracts. The insights gathered from this research are intended to enrich the understanding of legal processes, contribute to theoretical development, and offer policy recommendations for improving business contract enforcement.

Thus, the descriptive qualitative methodology allows for a nuanced and detailed exploration of complex issues, providing valuable insights into the functioning of business contracts within the legal framework.

## Problem Approach

The method of approaching the problem used is the Legal Science approach method, especially civil law and a comparative approach that adheres to the normative descriptive qualitative research method.

## Results and Discussion

Based on the formulation of the problem, the discussion is carried out in accordance with the choice of research methods as follows:

### Business agreements viewed from the aspect of civil law (KUHPPerdata)

Business is viewed from the aspect of civil law (KUHPPerdata);

Interpretation of Business Contracts Under the Civil Code.

The interpretation of "contracts" is one of the ways that problems often occur by the parties who make contracts (Isnaeni, 2013). Problems that occur due to differences in interpretation of the contents of the contract between them, causing disputes (disputes) in carrying out the contents of the contract (especially business contracts) that the parties have signed. Each party interprets the sound or provisions in the agreement differently so that there is no compatibility between the two. The Civil Code expressly provides guidelines on how to interpret agreements or contracts, including "business contracts" that are not widely known by the public. These guidelines can be seen in Articles 1342-1351 of the Civil Code (Ramziati et al., 2019).

**Table 1. Guidelines for the Interpretation of Contracts in Articles 1342-1351 of the Civil Code (KUHPPerdata)**

| No. | Article     | Designation  | Description  |
|-----|-------------|--|--|
| 1   | <b>1342</b> | Where the wording of an agreement is clear, it is not permissible to deviate from it by way of interpretation.   | The content of the contract is clear, the parties are not allowed to interpret.  |
| 2   | <b>1343</b> | If the words of an agreement are susceptible to various interpretations, they should be interpreted according to the intention of the contracting parties rather than adhering to the meaning of the words according to the letter of the law. | For example: the rice sale agreement says that: "all that is in the warehouse" actually means all the rice in the warehouse. So if there are other items in the warehouse such as bicycles or chairs, then they do not fall within the scope of "everything in the warehouse". |
| 3   | <b>1344</b> | If a promise can be given two meanings, then the meaning that allows the promise to be carried out must be chosen, rather than giving a meaning that does not allow for implementation.  | This article directs the interpretation that the agreement enforceable rather than the interpretation that makes the agreement unenforceable;  |
| 4   | <b>345</b>  | If the words can be given two different meanings, then the meaning that best harmonizes with the nature of the agreement must be chosen.   | For example, a money lending agreement with interest. Interest can be defined as flowers and can also be defined as rent or additional payment. However, since this is a money lending agreement, the word   |

|   |             |  |   |
|---|-------------|--|---|
|   |             |  | interest cannot be interpreted as flowers, but must be interpreted as rent or additional payment;   |
| 5 | <b>346</b>  | What is in doubt must be interpreted according to what is customary in the country or place where the agreement has been made.   | For example: there is an agreement to buy and sell staple food located in Maluku. It is certain that according to the custom of the place the staple food in question is not rice but sago; |
| 6 | <b>1347</b> | Matters according to which custom has always been agreed, are considered tacitly included in the agreement (legal basis)   | even if it is not expressly stated. For example, local custom is always considered to be included in the agreement.   |
| 7 | <b>1348</b> | The agreement made cannot be interpreted in parts but must be interpreted as a whole.  | Treaties should be interpreted as a whole, not partially.   |
| 8 | <b>1349</b> | If there is any doubt, an agreement must be interpreted to the disadvantage of the person who has requested the agreement, and to the advantage of the person who has bound himself to it. | Interpretation should be geared towards the benefit of those who pledge.  |

### **Advantages and disadvantages of the legality of a business contract**

Here are some advantages and disadvantages of the legality of a business contract: (Vijayantera, 2020)

#### **Advantages of Business Contract Legality: (Purwanto, 2012)**

##### **a. Legal Certainty**

The legality of a business contract provides legal certainty for all parties involved. This means that the rights and obligations of each party are clearly set out in the contract, thus minimizing the risk of uncertainty or conflict in the future.

Written agreements require formal legal treatment, especially with regard to certain institutions so that they need to be notarized in order to have legal force for the parties who make written agreements.

##### **b. Legal Protection**

A valid and legal business contract provides legal protection for all parties against breach or default. If one party does not comply with the contract, the aggrieved party can use the law to enforce its rights, such as obtaining compensation or fulfillment of obligations. The agreement clause is difficult to be denied or not recognized because it is stated in writing and has permanent legal force, let alone signed by the parties on a seal of Rp.10,000.

##### **c. Mutual trust arises**

A sense of trust arises and is able to create a good relationship even after the end of the agreement, because during negotiations there is a high trust process for the parties.

##### **d. Structured Dispute Resolution**

Contractual legality provides a structured framework for dispute resolution in the event of a dispute between the parties involved. This helps in resolving conflicts fairly and efficiently, whether through mediation, arbitration, or litigation in court.

#### Weaknesses of Business Contract Legality: (Rindjin, 2013)

a. Cost and Time

The process of resolving disputes through legal channels can be costly and time-consuming. Engaging in litigation or arbitration can be expensive and time-consuming, especially if the case is complex or protracted.

The loss of time for the parties to deal in their business agreement, so the making of a deed legally is generally corroborated at a notary.

Wasted time during negotiations between the parties, which can provide opportunities for competitors in the same business scope.

Pre-agreement parties take time in negotiating to reach an agreement.

If there is a legal dispute until the litigation process before the court, it requires legal counsel (lawyer) as a legal representative in court, which requires a large amount of case fees, especially if the legal case is of great economic value.

b. Risk Uncertainty

Although business contracts provide legal certainty, not all risks can be predicted and regulated in contracts. There are risks that remain open or unforeseen, which may affect the performance of the contract and cause losses to one or both parties.

Pre-agreement parties take time in negotiating to reach an agreement.

c. There is a sense of doubt on the part of the parties

In making agreement clauses that are more specific and measurable, requires the expertise of certain experts as an *adviser* before making this written agreement final. This is because there are still doubts about the ability of each party or outside their expertise in making business agreements. In addition, there is a bond of rights and obligations of the parties.

d. Protection Limitations

While business contracts can provide legal protection, not all situations can be properly addressed by the law. Sometimes, there are clauses in a contract that are difficult to enforce or argue in court, resulting in limited legal protection.

Addition or subtraction of agreement clauses can be done quickly (more flexible). As a result, time is wasted when negotiating the parties (looser), so that it can provide opportunities for competitors in the same business scope.

In practice, the legality of business contracts has the advantages of providing legal certainty and protection against breaches, but also has the disadvantages of cost, time, and limited protection against unforeseen risks. Therefore, it is important for parties to understand the legal implications of the business contracts they enter into and carefully weigh the risks and benefits before signing them.



As such, the legality of a business contract has the advantages of providing legal certainty and protection against breach, but also has the disadvantages of cost, time, and limited protection against unforeseen risks. As such, it is important for parties to understand the legal implications of the business contracts they enter into and carefully weigh the risks and benefits before signing them.

### **Effectiveness of the Civil Code Law on "default" of a business Contract**

The Civil Code Law (UU) provides an important legal basis in handling cases of default in business agreements. Default is the inability of one party to fulfill its obligations in accordance with what has been agreed upon in the agreement. The effectiveness of the Civil Code Law on default cases lies in the various provisions that regulate the rights and obligations of the parties involved, as well as the settlement procedures. For example, the Civil Code provides a basis for parties harmed by default to claim compensation, cancellation of the contract, or fulfillment of obligations in accordance with what was agreed in the agreement. In addition, the Civil Code also provides a basis for the court in handling disputes arising from , including in terms of proof and assessment of losses suffered by the injured party. Thus, the Civil Code Law is very important in upholding justice and order in business relationships, as well as providing legal protection for parties affected by defaults in business agreements (Black & Garner, 1999; Hernoko, 2010).

The effectiveness of the Civil Code Law in overcoming defaults in a business agreement can be seen from several aspects: (Tim Hukum Online, 2022)

1. **Clear Legal Provisions:** The Civil Code Law provides a clear framework of the rights and obligations of the parties to a business agreement. This helps to determine whether a default has occurred and how to resolve it.
2. **Protection of the Aggrieved Party:** The Civil Code Law provides legal protection for parties harmed by default, including the right to obtain compensation or fulfillment of obligations in accordance with the agreement.
3. **Structured Dispute Resolution Process:** The Civil Code Law regulates dispute resolution procedures, whether through mediation, arbitration, or litigation in court. This helps ensure that default disputes can be resolved efficiently and fairly.
4. **Justice and Legal Certainty:** The effectiveness of the Civil Code Law also depends on its ability to provide fairness and legal certainty for all parties involved in business agreements. Consistent and fair enforcement by law enforcement agencies is key in this regard.
5. **Deterrence of Default:** Through the sanctions and legal consequences set out in the Civil Code Law, its effectiveness can also be measured by its ability to prevent defaults from occurring in future business agreements.

Thus, the effectiveness of the Civil Code Law in overcoming default of a business agreement is highly dependent on consistent application, protection of the rights of the parties, and guaranteed legal certainty.

The following is an additional explanation of the effectiveness of the Civil Code Law in overcoming defaults in a business agreement, namely:

1. **Regulation of Obligations and Responsibilities:** The Civil Code Law clearly regulates the obligations and responsibilities of each party to a business agreement. This helps in setting a clear standard of what is expected from each party, as well as the consequences of not fulfilling

those obligations.

2. **Flexibility of Dispute Resolution:** In addition to providing structured dispute resolution procedures, the Civil Code Law also provides flexibility for parties to customize the means of dispute resolution according to their needs and preferences. This can increase efficiency and satisfaction in resolving default disputes.
3. **Support for Economy and Business:** By providing a clear and reliable legal framework, the Civil Code Law supports economic and business development by creating a stable and predictable environment for businesses. This encourages investment and sustainable economic growth.
4. **Strengthening Contracts and Trust:** Through effective enforcement of defaults, the Civil Code helps strengthen contracts and trust between parties in the business world. This can reduce risk and increase certainty in conducting business transactions.

By considering these aspects, it can be concluded that the effectiveness of the Civil Code Law in overcoming the default of a business agreement is very important in creating a stable, fair and reliable business environment for all parties involved.

## Conclusion

In order to avoid differences in interpretation of the "contents of the business contract" which can cause disputes (disputes) for the parties, the parties should interpret the provisions in the agreement in one view so that there is compatibility between the two. The Civil Code expressly provides guidelines on how to interpret agreements (contracts), including "business contracts" which can be seen in Articles 1342-1351 of the Civil Code. The legality of a business contract has the advantage of providing legal certainty and protection against breach, but it also has the disadvantage of cost, time, and limited protection against unforeseen risks. As such, it is important for parties to understand the legal implications of the business contracts they enter into and carefully weigh the risks and benefits before signing them. The effectiveness of the Civil Code Law with its several articles on default cases lies in the provisions that regulate the rights and obligations of the parties involved. In this case, the effectiveness of the Civil Code Law to overcome the default of a business agreement is highly dependent on consistent application, protection of the rights of the parties, and guaranteed legal certainty. It depends, among others, through: (1) regulation of obligations and responsibilities; (2) flexibility in dispute resolution; (3) support for the economy and business; and (4) strengthening the contract and trust of the parties.

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