

# Implementation of Contract Law in Resolution of Business Contract Disputes in Indonesia

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This article discusses the implementation of obligations law in resolving business contract disputes in Indonesia using a normative juridical approach. The study highlights the role of the Civil Code (KUHPPerdata) in providing legal certainty regarding the rights and obligations of the parties as well as mechanisms for dispute resolution arising from default. The analysis includes basic principles of agreements, such as pacta sunt servanda, good faith, and freedom of contract, which serve as the foundation for contract interpretation and legal protection for the agreed party. The article examines dispute resolution through both litigation and non-litigation means, including mediation, arbitration, and consensual approaches, along with their advantages and limitations. The findings indicate that the application of obligations law is effective in enforcing contracts and regulating the rights and obligations of parties in business contracts, but it still requires consistent interpretative guidelines to reduce the risk of legal uncertainty. This research provides theoretical and practical insights for business practitioners, lawyers, and legal academics in understanding and implementing dispute resolution mechanisms for business contracts fairly and in accordance with the principles of Indonesian civil law.

**Keywords:** Law of obligations, business contract disputes, default, Indonesian civil code, dispute resolution.

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## 1. Introduction

In the era of globalization and rapid economic development, business contracts have become a vital instrument in commercial relations because they function as a legal basis that regulates the rights, obligations and responsibilities of the parties involved.(Darnia et al., 2023)Business contracts not only ensure legal certainty in transactions but also establish a transparent and professional framework, which can reduce the risk of future disputes. Given the complexities of cross-border trade, well-drafted contracts also adapt to various international regulations and differences in business culture, thereby strengthening trust between business partners.(Nugraha et al., 2024).

In Indonesia, business contracts or agreements play a very important role not only as a legal basis for every transaction, but also as an instrument to provide legal certainty and protection for all parties involved.(Darnia et al., 2023)Every contract is a form of mutual agreement that is legally binding, so that the rights and obligations of each party can be enforced in the event of a dispute. The Civil Code (KUHPPerdata) comprehensively regulates the law of contracts, which serves as the basis for the formation and implementation of contracts.(Lingga et al., 2025)In practice, these provisions cover various aspects such as the conditions for a valid contract, the responsibilities of the parties, and the settlement mechanism if the contract is violated.

However, the practice of implementing business contracts often faces various complex challenges, particularly regarding the interpretation of the contents of the contract, the occurrence of default, or non-compliance by one of the parties with the agreed provisions.(Juniar, 2025)Disputes often arise from misunderstandings between parties, the use of ambiguous contract language, or business actors' lack of understanding of the legal consequences of contractual clauses. Furthermore, the rapid dynamics of business and economic pressures can impact the parties' ability to fulfill their obligations in a timely manner.(Wulandari et al., 2024).

The effective application of the principles of contract law is crucial in ensuring smooth contractual relations and fair dispute resolution.(Lingga et al., 2025)The principle of *pacta sunt servanda*, which emphasizes that every agreement must be respected and implemented as agreed, provides a foundation for legal certainty and stability in business and social interactions. Furthermore, the application of good faith in carrying out agreements encourages parties to act honestly, respect each other, and prioritize justice, thereby reducing the risk of disputes arising from manipulative or fraudulent behavior.

The principle of freedom of contract also plays an important role, because it allows the parties to draft the contents of the agreement according to their respective needs and agreements, while remaining within the applicable legal framework.(Lingga et al., 2025)By consistently combining these three principles, dispute resolution not only becomes more effective and fair, but also provides legal certainty that can increase trust between parties and strengthen the legal system as a whole.

In addition, the development of business models involves international transactions that present foreign elements, thus requiring a combined understanding of national and international law.(Risky & Hendra, 2023)Dispute resolution forums have also developed beyond the courts, to include alternative dispute resolution (ADR/APS) mechanisms such as mediation and arbitration, which can expedite resolution and reduce litigation costs.

The importance of implementing contract law in Indonesian business contracts is also related to the aim of building trust between parties, minimizing the risk of default, and creating stability in business activities.(Juniar, 2025). By providing a clear normative basis, civil law helps maintain a balance between freedom of contract and legal certainty, while protecting the more vulnerable parties in contractual relationships.

Based on this description, this study aims to examine the implementation of contract law in resolving business contract disputes in Indonesia, reviewing the effectiveness of contract law principles, dispute resolution instruments, and the challenges that arise in business practice. The research is expected to provide theoretical and practical contributions for business actors and legal entities in increasing certainty and fairness in commercial transactions.

## 2. Theoretical Review

### Theory of Contract Law

Contract law or contract law is an important branch of civil law which specifically regulates legal relations between parties who enter into an agreement.(Stevani et al., 2024)In this context, an agreement is not merely a formal agreement, but also creates legally binding rights and obligations for each party involved. The legal basis for agreements in Indonesia is contained in the Civil Code (KUHPerdata), specifically Book III, which comprehensively details various provisions related to the formation of an agreement, legally valid conditions, and legal consequences if one party fails to fulfill its obligations.(Hasanudin et al., 2025).

An agreement is a form of legal obligation, namely a legal relationship that legally gives rise to certain legal consequences (*rechtsgevolg*) for the parties involved. (Hasanudin et al., 2025). In a contract, there is a party with rights, namely the creditor, and a party with an obligation to fulfill a certain obligation, namely the debtor. The obligations that the debtor must fulfill can take various forms, including: (Stevani et al., 2024):

1. First, the debtor may be required to provide something, such as handing over goods, money, or other objects to the creditor.
2. Second, the debtor may be required to perform a certain act or action, for example completing work, providing services, or carrying out other contractual obligations.
3. Third, the debtor may be required not to do something, which is also called an obligation to refrain, for example not to interfere with the use of certain rights by the creditor or not to sell an item to another party.

In general, an agreement is not just a formal relationship between two parties, but is a legal mechanism that regulates rights and obligations clearly, so that legal certainty and protection are created for the parties involved in the relationship. (Rohmah et al., 2025). In addition, obligations can arise based on agreements or laws, and the implementation of the debtor's performance is the basis for the protection and enforcement of creditor rights in legal practice. (Hasanudin et al., 2025).

Failure to fulfill obligations under a legal contract is known as breach of contract. This breach can take various forms, including delays in fulfilling obligations, performance that does not conform to the agreed terms, or failure to perform at all. (Hertanto & Djajaputra, 2024) The impact of this breach of contract can be detrimental to other parties, so the law provides a mechanism for demanding compensation or other settlement in accordance with the principles of contract. (Widiasari et al., 2023) On the other hand, the performance of obligations under an agreement is sometimes hampered by circumstances beyond the control of the parties, known as *force majeure*. These circumstances include situations such as natural disasters, war, fire, or other unforeseen events that objectively prevent one party from fulfilling its obligations.

### Legal Elements of Contracts

In forming a contract, there are several basic elements that must be met for the contract or agreement to be valid and legally enforceable. These include: (Raynee et al., 2024):

1. The parties  
The first element in an agreement is the parties involved, which includes the identity of each party, their legal standing, and their legal capacity to enter into an agreement. (Raynee et al., 2024) This means emphasizing that identity information includes not only the full name, but also the address, identity number, and legal entity that oversees the party if the party is a corporate entity or organization.
2. Object of the Agreement  
The second element in a contract is the object of the agreement, which refers to the specific goods, services, or performance that is the primary focus of the agreement. This object must be formulated clearly and specifically to avoid ambiguity in its implementation. (Raynee et al., 2024) In legal practice, clarity of the object of the contract is crucial because it determines the rights and obligations of the parties involved, and facilitates the process of enforcing the contract in the event of a dispute.
3. Rights and Obligations of Each Party  
The third element is the rights and obligations of each party in a legal relationship or agreement. These rights and obligations include the debtor's obligation to fulfill agreed-upon obligations, as well as the creditor's right to receive such fulfillment in accordance with the agreement. (Raynee et al., 2024) Clear

regulations regarding these rights and obligations are very important because they serve as guidelines for both parties in carrying out their responsibilities.

#### 4. Implementation Period

Fourth, the term of the contract is a very important element because it provides certainty for all parties regarding the duration of the obligations that must be fulfilled. (Raynee et al., 2024) By setting clear deadlines, each party can develop a strategy for implementing their obligations in a planned manner and minimize the risk of delays or non-compliance with the agreement.

#### 5. Consequences of Broken Promises

Fifth, in an agreement or contract, it is important to expressly regulate the consequences of breaking a promise or default. (Raynee et al., 2024) This includes establishing the rights and obligations of each party if one party fails to fulfill its obligations as agreed. Furthermore, a clear dispute resolution mechanism, such as mediation, arbitration, or litigation, should be included to ensure the resolution process is fair and efficient.

#### 6. Signatures of all Parties

The signatures of the parties involved in an agreement have a very crucial function in ensuring that all parties agree to and understand the contents of the agreement made. (Raynee et al., 2024) This signing is not merely an administrative formality, but rather authentic proof that consent has been given voluntarily and without coercion, fraud, or error.

If all these elements are fulfilled, the agreement becomes valid, can be implemented clearly, and has a strong legal basis in relation to the rights and obligations of the parties.

### Principles of Contract Law

Contract law in the Indonesian Civil Code is designed based on a number of fundamental principles which are the main basis for the formation and implementation of agreements, including those explained by Fitnawati et al., (2025) is:

#### 1. Principle of Freedom of Contract

The principle of freedom of contract, enshrined in Article 1338 of the Civil Code, is a fundamental principle in Indonesian civil law. This principle affirms that each party to an agreement has the right to determine the content, form, and terms of the agreement as they wish, thus creating flexibility in contractual legal relations. This freedom allows the parties to adapt the agreement to their individual needs and interests, as long as it does not violate the boundaries established by law, public order, and moral norms.

#### 2. Principle of Consensuality

The principle of consensuality is one of the fundamental principles in contract law which confirms that the agreement or consent of the parties is sufficient to give rise to legal consequences. This principle emphasizes the importance of good faith and freedom of contract, where each party is responsible for the promises that have been agreed. This principle offers flexibility and simplicity in forming agreements, but also requires clarity regarding the rights, obligations and objectives of the agreement so that it can be enforced effectively in court if a dispute occurs.

#### 3. The Principle of Pacta Sunt Servanda

The principle of pacta sunt servanda is a fundamental principle in contract law, affirming that every agreement or agreement made by the parties involved has legal force and must be complied with. This principle emphasizes the importance of consistency and responsibility in legal relationships, so that neither party can arbitrarily renege on a voluntarily agreed-upon agreement.

#### 4. The Principle of Good Faith

In addition, the principle of good faith demands that the implementation of the agreement be carried out with full honesty and responsibility, including a subjective dimension that assesses the intentions of the parties as well as an objective dimension that emphasizes behavior that is reasonable and acceptable to society.

#### 5. Personality Principles

The principle of personality provides a limitation that the obligations or rights and obligations arising from an agreement are for the benefit of the individual who is bound by the agreement, and cannot be freely transferred to an unrelated third party.

#### 6. Principle of Exceptio Non Adimpleti Contractus

Meanwhile, the principle of *exceptio non adimpleti contractus* provides protection for debtors by allowing defense if obligations are not fulfilled as a result of creditor negligence, thus balancing rights and obligations in contractual relationships and preventing injustice. (Fitnawati et al., 2025).

All of these principles integrally regulate legal interactions between parties to an agreement, ensuring that each contract is implemented fairly, consistently and in harmony with applicable legal norms and human values.

### Theory of Legal Obligations in Contract Law

The theory of obligations is an important conceptual framework for understanding rights and obligations in a contract, especially in the context of business contracts. This theory distinguishes between various types of obligations, including those described by Irawan, (2025) is:

1. Principal obligation (*obligatio principale*), namely the main obligation which is the core of the contract and determines the goals that the parties wish to achieve.
2. Furthermore, there are additional obligations (*obligatio accessoria*), namely complementary or conditional obligations that support the smooth implementation of the main obligations.
3. Conditional obligations refer to obligations that only arise if certain conditions are met, so that there are conditions that influence the implementation of these obligations.
4. In addition, there are alternative obligations, where the debtor is given a choice in determining the performance to be carried out, providing flexibility in the implementation of the contract.
5. Undivided obligations emphasize that the implementation of obligations must be carried out in full without being able to be divided, ensuring that the rights of the related parties are fulfilled in full. (Irawan, 2025).

The application of the theory of obligations in legal practice provides a number of benefits: ensuring legal certainty and justice in contractual interactions, clearly determining the rights and obligations of each party, and providing systematic guidance in resolving default issues. (Widiasari et al., 2023). Thus, the theory of obligations not only strengthens the legal basis of contracts, but also becomes an important tool for legal practitioners and business people to ensure that contracts can be enforced effectively and fairly.

### Contract Dispute Resolution

In the context of contract law, one very important aspect is the mechanism for resolving disputes arising from default. (Stevani et al., 2024). This mechanism is as explained by Lingga et al., (2025) includes several alternatives that allow for problem solving while taking into account efficiency, justice and legal certainty;

#### 1. Litigation

First, litigation through the courts is a formal forum where legal decisions are final and binding on the parties. The courts evaluate the evidence, apply substantive rules, and decide the rights and obligations of each party in accordance with contract law.

#### 2. Alternative Dispute Resolution (ADR)

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In addition, there are alternative dispute resolutions outside the courts known as Alternative Dispute Resolution (ADR), including mediation and arbitration, which emphasize peaceful, flexible, and often faster resolutions than formal litigation.

### 3. Compensation

In the event of losses due to default, the creditor has the right to receive compensation in accordance with Article 1243 of the Civil Code, which includes compensation for material and immaterial losses arising as a result of the debtor's default.

### 4. Contract Cancellation

In certain scenarios, contract cancellation may occur if the default is substantial or in extreme force majeure conditions that make the performance of the contract impossible.

### 5. Application of the Principles of Contract Law

In line with this, judges in interpreting and applying contracts are guided by fundamental legal principles, such as the principle of *pacta sunt servanda* which emphasizes that agreements must be implemented, the principle of good faith, and the principle of justice. (Lingga et al., 2025).

The application of these principles ensures that the interpretation of contracts is not only based on formal provisions, but also takes into account the balance of interests of the parties and substantive justice, so that contract law is able to provide fair and proportional solutions to any disputes that arise.

## Practical and Business Implications

In the context of modern business, contract law plays a central role in not only ensuring smooth transactions, but also creating certainty and trust between contracting parties. (Raynee et al., 2024) This legal framework provides the basis for the enforcement of agreements, ensuring that each contract has legal legitimacy and can be effectively enforced. Furthermore, contract law allows companies to manage risk through specific clauses in contracts, such as penalty provisions, quality assurance, or dispute resolution mechanisms, so that potential losses can be minimized. (Rohmah et al., 2025).

Legal protection for injured parties is also an important aspect, because it provides the right to demand compensation or appropriate recovery, encouraging the creation of justice in business relationships. (Hertanto & Djajaputra, 2024). Furthermore, contract law serves as a foundation for facilitating regulatory compliance and building long-term relationships between parties, as legal certainty and clarity of rights and obligations encourage openness, trust, and sustainable partnerships in the dynamic business world. (Darnia et al., 2023).

## 3. Research Methods

This research adopts a normative juridical approach, which emphasizes an in-depth study of applicable legal regulations, legal doctrine, and their implementation in the practice of resolving business contract disputes in Indonesia. This approach aims not only to provide a theoretical understanding of the legal mechanisms of obligations in business contracts, but also to examine how the principles of obligation law, such as *pacta sunt servanda* (agreements must be kept), good faith, and freedom of contract, are applied in real-life cases. (Hasanudin et al., 2025). Moreover, this research is aimed at identifying gaps or obstacles in legal practice, so that it can provide constructive recommendations for strengthening the effectiveness of contract dispute resolution in Indonesia, including suggestions related to legal procedures, harmonization of regulations, and more responsive and fair settlement mechanisms for the parties involved.

The analysis used in this study includes several complementary approaches to gain a comprehensive understanding of contract disputes and their resolution mechanisms.

1. First, the analysis of statutory regulations is carried out by referring to the Civil Code (KUHPerdata), which is the main legal basis for contractual obligations and obligations, as well as the Arbitration and Mediation Law (Law 30/1999) which provides an alternative legal framework for dispute resolution outside the courts.
2. Second, doctrinal analysis is applied through a study of contractual principles, including theories of obligation, encompassing primary, subsidiary, conditional, alternative, and undivided obligations. This approach allows for a thorough understanding of the rights and obligations of the parties to a contract, the forms of default, and the expected resolution mechanisms.
3. Third, a jurisprudential analysis is conducted by examining the patterns of judicial decisions in previous contract disputes, including how obligation clauses are interpreted, the principle of good faith is upheld, and freedom of contract is limited for the sake of justice and legal certainty. This approach provides an empirical context that strengthens understanding of actual legal practice and identifies interpretive trends and the principles prioritized by the courts.

By integrating these three analyses of legislation, doctrine, and jurisprudence, the research is able to present a holistic legal review, bridging theory and practice, and providing a strong basis for recommendations for resolving contract disputes in accordance with national legal principles.

## 4. Results and Discussion

### Findings

#### Application of Contract Law in Business Contracts

This study shows that contract law in Indonesia not only provides a clear legal framework for resolving business contract disputes, but also creates a protection mechanism that ensures fairness for all parties involved.(Rohmah et al., 2025). The provisions in the Civil Code (KUHPerdata) emphasize the importance of legal certainty, by providing clear guidelines regarding the rights and obligations of each party in an agreement.(Fitnawati et al., 2025). In practice, the basic principles of agreements such as *pacta sunt servanda*, which emphasizes that every agreement has the binding force of law for the parties, are the main foundation in enforcing contracts.

Furthermore, the application of good faith encourages parties to act honestly, fairly, and not abuse their rights, thereby minimizing conflict and the potential for abuse of agreements. The principle of freedom of contract also provides flexibility for parties to design agreements that suit their interests, as long as they do not conflict with law and public order.(Stevani et al., 2024).

Thus, the combination of legal certainty, the principle of good faith and freedom of contract makes the contract law system in Indonesia a strong and effective basis for resolving business contract disputes, as well as supporting stability and trust in the business world.

#### The Concept of Engagement

An agreement is a legal relationship that arises from an agreement between two or more parties, which gives rise to rights and obligations that must be fulfilled by each party.(Rohmah et al., 2025)A thorough understanding of the elements of a contract, namely *essentialia*, *naturalia*, and *accidentalia*, plays a crucial role in preventing future conflicts or disputes. In the context of a property sale and purchase contract, *essentialia* includes core elements that must be met, such as a legally valid object and an agreed-upon price, ensuring that the transaction has a strong and valid legal basis.(Hertanto & Djajaputra, 2024).

Meanwhile, *naturalia* relates to additional rights and obligations that are automatically inherent in a contract, such as responsibility for maintenance or risk until the handover of property, which facilitates the smooth

execution of the contract without needing to be stated explicitly. *Accidental*ia, on the other hand, includes additional terms or conditions that accompany the agreement according to the wishes of the parties, such as payment deadlines or dispute resolution mechanisms, which provide flexibility and legal protection for both parties. (Rohmah et al., 2025).

By understanding and designing these three elements comprehensively, the parties involved can ensure that the property sale and purchase contract is executed fairly, transparently, and in accordance with applicable legal provisions, so that the potential for disputes can be minimized.

### **Contract Types and Structures**

Business contracts can be made either in writing or verbally, but written contracts are highly recommended because they provide a stronger legal basis and minimize the risk of disputes in the future. (Dewi et al., 2024). A well-drafted contract usually includes several important elements, including the identity of the parties involved, the object of the agreement which is the subject of the collaboration, the rights and obligations of each party, and the period for which the agreement is valid.

In addition, the contract should also contain provisions regarding default, namely the consequences if one party does not fulfill its obligations, as well as a *force majeure* clause which regulates conditions beyond the control of the parties. (Widiasari et al., 2023). To effectively address potential conflicts, the contract needs to include a dispute resolution mechanism, whether through negotiation, mediation, arbitration, or court proceedings.

Practical analysis shows that the clarity and regularity of the contract structure greatly facilitates the implementation of the principles of contract law, because each party has a comprehensive understanding of their rights and responsibilities, so that the possibility of misunderstandings and disputes can be minimized. (Dewi et al., 2024). Thus, drafting a well-thought-out contract is not only preventive but also serves as the foundation for a smooth, sustainable and professional business relationship.

### **Dispute Resolution**

Business contract dispute resolution can be achieved through several mechanisms, each of which has its own characteristics and legal implications. (Lingga et al., 2025) Litigation is an official process where the court issues a legally binding decision, guaranteeing legal certainty for the parties. However, the litigation process is often time-consuming and expensive, which can be burdensome for companies, especially in complex or large-scale disputes. As an alternative, there are Alternative Dispute Resolution (ADR) mechanisms such as mediation and arbitration, which offer faster and more flexible resolution pathways.

In ADR, the role of a neutral third party is crucial to facilitate dialogue and help the parties reach a fair agreement without having to go through a formal trial process. (Juniar, 2025) However, decisions made through ADR are only legally binding if agreed to by all parties involved, so the success of ADR depends heavily on the good faith and cooperation of the participants. This approach is often chosen because it can save time, reduce conflict, and maintain ongoing business relationships between the disputing parties.

### **Key Principles in Dispute Resolution**

The main principles in resolving contract disputes reflect the basics of civil law that regulate the relationship between the parties to ensure legal certainty and justice. (Lingga et al., 2025) The principle of *pacta sunt servanda* affirms that all parties involved in a valid agreement have an obligation to fulfill their commitments, thus creating stability and trust in contractual interactions. In line with this, the principle of good faith emphasizes that contract implementation must be carried out honestly, fairly, and without harm to the other

party, thus minimizing the potential for conflict and ensuring openness and transparency in all contractual actions. (Juniar, 2025).

Meanwhile, freedom of contract provides flexibility for the parties to draft and negotiate the terms of the contract according to their respective needs, as long as they do not conflict with applicable law, public order, and moral norms. (Jatmiko, 2025) These three principles together form an integral ethical and legal framework for dispute resolution, promoting proportionate, fair, and sustainable resolutions, and strengthening harmonious legal relations between parties.

## Discussion

### Implementation of Legal Principles

The implementation of the principle of *pacta sunt servanda* not only confirms legal certainty in contractual relationships, but also forms an ethical foundation that encourages the parties to consistently honor their commitments. (Bachsin et al., 2025) By ensuring that every agreement is legally enforceable, this principle prevents default and reduces the risk of disputes in the business world. Furthermore, implementing this principle strengthens trust between the parties involved, fostering a more transparent and stable transaction climate.

However, a relatively subjective aspect of implementation arises when the principle of good faith becomes a parameter of interpretation. (Rohmah et al., 2025). Differing views on what constitutes good faith can create uncertainty, as judges' or arbitrators' decisions are often influenced by individual assessments of the parties' intentions and conduct. This has given rise to debate about the limits of the good faith doctrine and the need for more concrete legal guidelines or standards to ensure consistency in the application of this principle.

### Contract Drafting Challenges

Errors or omissions in drafting contracts can be a significant source of disputes due to several key factors, including those explained by Juniar, (2025):

1. First, the lack of clarity regarding the object and price that are the subject of the agreement often gives rise to uncertainty and differences in interpretation between the parties.
2. Second, different understandings of the rights and obligations of each party can trigger disagreements, especially if the contract clauses are not drafted in clear and specific language.
3. Third, contracts often do not include detailed dispute resolution mechanisms, so that when disputes arise, the parties have no formal guidelines for handling them, which can prolong the conflict and increase the risk of litigation.

Various case studies show that contractual disputes often arise due to inaccuracies in the interpretation of clauses, whether related to the quality, quantity, or schedule of fulfillment of obligations. (Innolita & Mediawati, 2024) Therefore, careful contract drafting, including clear definitions, detailed rights and obligations, and clear dispute resolution procedures, is crucial to minimizing the possibility of future disputes.

### Effectiveness of ADR Paths

Mediation and arbitration are gaining popularity in dispute resolution because they offer a number of advantages over traditional court proceedings. (Ritonga et al., 2024) This process tends to be faster, allowing disputing parties to reach an agreement without lengthy waiting periods, while the costs are relatively lower due to simpler procedures and the minimal need for lengthy court appearances. Furthermore, ADR (Alternative Dispute Resolution) is flexible, allowing for resolution tailored to the specific needs of the

parties, including meeting schedules and a more personalized approach.(Ardhiyaningrum & Setiawati, 2024).

However, although ADR provides flexibility and efficiency, the results of mediation and arbitration do not automatically have legally binding force; the decision is only valid if it is accepted and agreed to by both parties involved.(Ritonga et al., 2024)This differs from court decisions, which are final and must be complied with without requiring additional approval, thus providing stronger legal certainty. Therefore, ADR is an effective alternative dispute resolution method to reduce the procedural burden of the courts, but still requires active agreement from all parties for the decision to be officially enforced.(Risky & Hendra, 2023).

### **Protection of the Weak Party**

Contract law plays an important role in creating a balance between the parties involved in a contract, especially to protect the weaker party, such as the buyer in a property sale and purchase agreement.(Stevani et al., 2024)With clear legal regulations regarding the rights and obligations of each party, buyers have legal certainty to claim compensation if the seller fails to fulfill the agreed promises or commits a breach of contract.

In addition, the law of obligations also provides the right for buyers to legally cancel the contract if a substantial breach occurs, thus preventing them from further losses.(Rohmah et al., 2025)This protection not only strengthens the position of the weaker party, but also increases trust and certainty in transactions, encourages fair and transparent business practices, and emphasizes that every obligation arising from a contract has legal consequences that must be respected by all parties.

### **Balance of Flexibility and Legal Certainty**

The principle of freedom of contract is an important foundation in civil law practice, because it gives the parties the freedom to design and determine the contents of the contract according to their interests and business needs.(Darnia et al., 2023)This flexibility allows for the creation of specific, innovative agreements that can adapt to market dynamics or specific business characteristics. However, this freedom is not absolute.

To maintain justice, order and legal certainty, every contract must be subject to the limits of applicable legal norms, including provisions regarding the prohibition of unlawful acts, the principle of good faith and protection for weak parties.(Dewi et al., 2024). Thus, this principle balances efficiency and creativity in contracting with legal certainty and protection of the rights of the parties, so that contractual relationships remain harmonious, predictable, and based on the principle of justice.

## **5. Conclusion**

Based on the findings and literature review above, several points can be concluded below:

1. Contract law in Indonesia provides a comprehensive and structured normative framework for drafting contracts and resolving disputes arising in business relationships.
2. The principle of *pacta sunt servanda* emphasizes the importance of adhering to the terms of an agreed contract, while good faith encourages parties to transact honestly and cooperatively, avoiding actions that harm the other party. Freedom of contract provides flexibility for parties to formulate provisions as needed, while still observing legal and statutory constraints.
3. Dispute resolution can be achieved through litigation, which offers legal certainty through the courts, or Alternative Dispute Resolution (ADR), such as mediation and arbitration, which are faster, more efficient, and maintain confidentiality.

4. A thorough understanding of contract law, contract principles, and dispute resolution mechanisms is crucial, particularly in protecting the interests of more vulnerable parties, preventing breaches of contract, and ensuring that business relationships are fair, transparent, and sustainable.

The results of this study emphasize the need for practical and consistent guidelines for the application of contract law so that business dispute resolution in Indonesia can be fair, efficient, and in accordance with applicable legal principles. Therefore, systematic steps are needed, including the development of more detailed and comprehensive regulations, capacity building for law enforcement through specialized training, and the establishment of transparent mediation and arbitration mechanisms.

This approach will not only expedite the dispute resolution process but also increase legal certainty for businesses, strengthen investor confidence, and foster a healthy business climate. Furthermore, harmonization between national regulations and international practices is essential to ensure Indonesia's ability to compete globally while maintaining fairness and protecting the rights of contracting parties.

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