

Civil Law Reform from the Perspective Of Economic Development: Improving Investor and Entrepreneur Protection

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Abstract

Civil law reform is an important topic in the context of today's global economic development. This study uses a qualitative method through a literature study to explore the relationship between civil law reform and investor and entrepreneur protection, focusing on Article 1313 of the Indonesian Civil Code (KUHPerdata). The article regulates "Recognition and Ratification of Agreements", becoming a relevant legal basis in strengthening the protection framework for investors and entrepreneurs. From the perspective of economic development, strong legal protection for business agreements is crucial in attracting investment and facilitating sustainable economic growth. Through a qualitative analysis of the legal literature, this study presents an in-depth understanding of how Article 1313 of the Civil Code and civil law reform as a whole can contribute to strengthening protection for investors and entrepreneurs. The findings of this study provide valuable insights for policymakers, legal practitioners, and academics to develop more effective legal reform strategies in supporting inclusive and sustainable economic development.

1. Introduction

Civil law reform is becoming an increasingly pressing issue in the context of today's global economic development. Amidst the rapid and complex dynamics of the economy, it is important for a country to have a solid and adaptive legal framework to support investment and business growth. In this regard, Indonesia as a developing country has unique challenges and opportunities related to civil law reform, especially in the context of investor and entrepreneur protection. (Pardede,

2023). One of the relevant legal bases in the discussion on investor and business protection is Article 1313 of the Indonesian Civil Code (KUHPPerdata). This article sets out the requirements that must be met for an agreement to be considered valid and binding. From an economic development perspective, legal protection for business agreements is crucial in attracting investment, facilitating economic growth, and creating a conducive business environment. (Minanda, 2023).

However, challenges in realizing effective protection for investors and entrepreneurs still exist. Starting from the complexity in enforcing contracts, legal uncertainty in property ownership and transfer, to limited access to efficient dispute resolution systems, all are factors that need to be considered in the context of civil law reform. (Sidiq, 2023). In addition, rapid global economic development and technological transformation also demand more dynamic legal adaptation. Civil law reform is not only about protecting investment and entrepreneurs, but also about creating a legal environment that facilitates innovation, the growth of new business sectors, and broader economic integration. (Meliala, 2019).

In Indonesia, efforts to reform civil law have been a major focus of the government in recent years. Steps such as simplifying licensing procedures, increasing transparency, and strengthening law enforcement have been taken to create a more conducive business environment. However, challenges remain in implementing these reforms effectively at all levels, including at the local level where implementation realities often differ. (Judge, 2018). Comparison with civil law practices in developed countries also provides valuable insights in evaluating the success and failure of the reforms that have been carried out and identifying potential for further improvements. An in-depth literature study of the experiences of other countries in dealing with similar issues can provide a broader and deeper perspective in designing civil law reform policies that are appropriate to the Indonesian context. (Istiawati, S., 2021).



Figure 1.Number of Capital Market Investors
Sourced from(Annur, 2022)

The number of investors in the capital market continues to increase rapidly, according to a report from the Indonesian Central Securities Depository (KSEI). The data shows that the number of retail capital market investors has reached 8.62 million in April 2022, up 15.11% compared to the end of December 2021. During 2021, the number of capital market investors reached 7.48 million people. This growth, according to the Chief Executive of Capital Market Supervision of the Financial Services Authority (OJK), Hoesen, occurred significantly during the pandemic, with most of the growth dominated by millennials, reaching 60.29% of the total number of investors. Meanwhile, the majority of domestic capital market investors come from the Java region, reaching 69.71% as of April 2022. However, OJK also reminded the public to be aware of fake or illegal investments that often promise unreasonable returns. In addition, the public is also asked to avoid illegal online lending platforms that have the potential to cause losses.

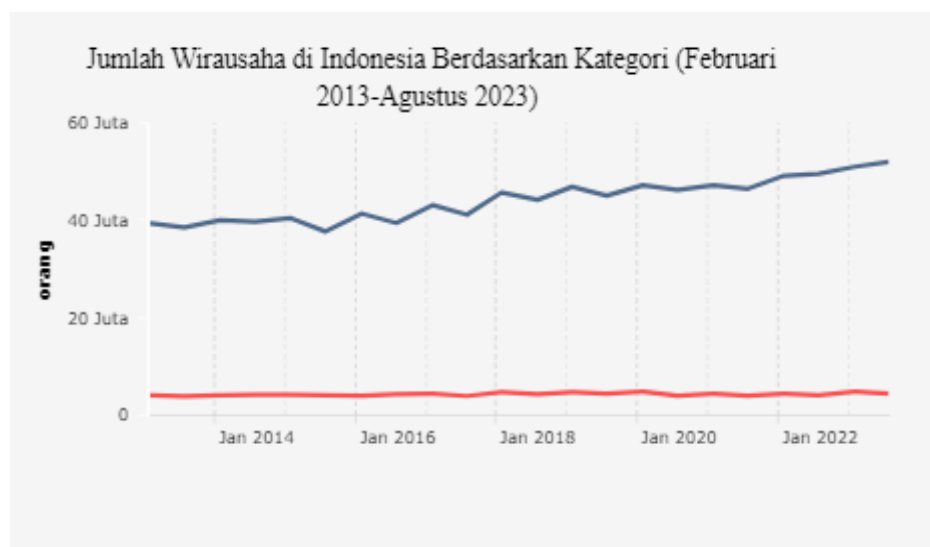


Figure 2.Number of Entrepreneurs in Indonesia Based on Category
Sourced from(Ahdiat, 2023)

Based on Presidential Regulation Number 2 of 2022, entrepreneurs are defined as individuals who manage, create, or develop a business. The regulation divides entrepreneurs into two categories, namely "start-up entrepreneurs" and "established entrepreneurs". "Start-up entrepreneurs" include individuals who manage their businesses independently, as well as those assisted by casual or unpaid workers. "Established entrepreneurs" are individuals who own businesses with the assistance of permanent or paid workers. In August 2023, the number of start-up entrepreneurs in Indonesia reached around 52 million people, consisting of 32.2 million individuals who operate independently and 19.8 million individuals assisted by casual or unpaid workers. Meanwhile, the number of established entrepreneurs is estimated to reach around 4.5 million people in the same period, consisting of individuals who own businesses with the assistance of permanent or paid workers. Thus, the ratio of start-up entrepreneurs in August 2023 reached 35.21%, while the ratio of established entrepreneurs was 3.04% of the total national workforce. Cumulatively over the past decade, from February 2013 to August 2023, the number of start-up entrepreneurs has increased by around 12.6 million people or grown by 31.8%. In the same period, the number of established entrepreneurs also increased by around 360.9 thousand people or grew by 8.7%.

The purpose of this study is to investigate the role and impact of civil law reform in the context of economic development, particularly in strengthening protection for investors and entrepreneurs. This study aims to analyze the implementation and effectiveness of civil law changes, as well as to identify the challenges and opportunities associated with such reforms in creating a conducive legal environment for investment and business. Thus, this study is expected to provide in-depth insights into how civil law reform can contribute to sustainable and inclusive economic growth, as well as provide relevant policy recommendations to strengthen legal protection for investors and entrepreneurs.

Related Research

Table 1.Related Research

Author Name	Journal	Title	Research result
Marulak Pardede	De Jure Legal Research Journal, Volume 23,	Investment Regulatory Reform in	Finding answers to the problem of the many laws and regulations related to

	Number 2, June 2023	Indonesia (An Effort to Improve Investment Competitiveness Climate)	investment (obesity, hyperregulation), as well as an analysis of the Indonesian government's policies in improving the competitive climate and legal certainty in investing.
Evy Flamboyan Minanda	National Law Magazine, Volume 53 Number 2 Year 2023	Certainty of Social Welfare Law Reform in Facing Economic Recession from the Perspective of the Principle of Justice	Analyzing the role of the Ministry of Social Affairs in facing the global economic recession and legal reform to improve the social welfare of the community.
The Greatest Showman	Muhammadiyah Law Review, Vol. 7 No. 2 (2023)	Intersection of Law and Economics: A Comprehensive Analysis of Regulatory Dynamics and Their Impact on Economic Growth	A comprehensive analysis of the relationship between law and economics and the impact of regulation on economic growth, with a focus on regulatory review, implementation and global relations.

2. Research Method

This This study uses a qualitative approach with a focus on literature study. The qualitative approach was chosen because it allows for an in-depth analysis of the complex relationship between civil law reform, especially Article 1313 of the Civil Code (KUHPperdata), with economic development and investor and entrepreneur protection. Literature study is used to collect and analyze information from various sources, including official government documents, journal articles, books, research reports, and legal publications. First, the initial step in this research method is to identify relevant literature related to civil law reform, Article 1313 of the Civil Code, and other related topics such as economic development and investor and entrepreneur protection. After that, an analysis of the collected literature is carried out to understand the various aspects and implications of civil law reform in the desired context. (Yusuf, 2017).

Next, a synthesis and interpretation of the findings from the literature study

are conducted to evaluate the impact and effectiveness of Article 1313 of the Civil Code in strengthening protection for investors and entrepreneurs and its contribution to economic development. Data found from the literature will be systematically compiled and presented in the analysis to support the research findings. Finally, conclusions and recommendations will be prepared based on the results of the analysis from the literature study. This aims to provide a deeper understanding of the role of Article 1313 of the Civil Code in the context of economic development and protection of investors and entrepreneurs as well as provide relevant policy directions to strengthen the legal framework that supports sustainable economic growth in Indonesia. (Sugiyono, 2016).

3. Results and Discussion

Article 1313 of the Indonesian Civil Code (KUHPerdata) regulates the conditions that must be fulfilled for an agreement to be considered valid and binding. In the context of civil law, Article 1313 plays an important role in determining the validity and legal force of a contract or agreement between the parties involved. This article establishes the basic principles that must be adhered to in forming an agreement, such as agreement between the parties, the trustworthiness of the object of the agreement, and the existence of legitimate obstacles. (Simanjuntak, 2009). The relevance of Article 1313 of the Civil Code in the context of investor and entrepreneur protection lies in its role in creating legal certainty in business and investment transactions. With clear and firm provisions in Article 1313, investors and entrepreneurs can better understand their rights and obligations and obtain adequate legal protection in carrying out their business activities. (Ambarita, 2018).

The implementation of Article 1313 of the Civil Code in civil law practice in Indonesia is often the subject of in-depth analysis. A review of the implementation of Article 1313 involves understanding how the rule is applied by courts and other legal institutions in handling business and investment disputes. (Bararuallo, 2019). This analysis includes an evaluation of the extent to which the courts consider Article 1313 in their decisions, whether the principles contained in Article 1313 are truly respected, and how the courts interpret and apply Article 1313 in concrete cases. (Pratiwi & Santoso, 2023). In addition, the analysis of the implementation of Article 1313 also includes the identification of challenges and obstacles faced in implementing the regulation, both from a legal and practical perspective. By understanding the implementation of Article 1313 of the Civil Code, its effectiveness in strengthening protection for investors and entrepreneurs can be evaluated and providing direction for improvement or refinement in civil law

practices in Indonesia. (Raharjo, 2002).

Table 2. Weaknesses and Strengths in the Implementation of Article 1313 of the Civil Code

Aspects of Implementation of Article 1313 of the Civil Code	Strength	Weakness
Consistent Interpretation	The court provides a consistent interpretation of Article 1313, creating legal certainty for the parties.	There are variations in interpretation by the courts which can confuse the parties and harm their interests.
Protection of the Rights of the Parties	Article 1313 provides sufficient protection for the rights of parties in the formation and implementation of agreements	There are gaps in legal protection that can be exploited by dishonest or irresponsible parties
Facilitating Dispute Resolution	Article 1313 facilitates dispute resolution by providing a strong legal basis for resolving disputes.	The shift in focus to long and complex legal processes hinders effective and efficient dispute resolution.
Reducing Legal Uncertainty	Proper implementation of Article 1313 reduces legal uncertainty in contractual relations.	There is uncertainty in the application of Article 1313 which can affect legal certainty and justice in the judicial process.
Supporting Economic Development	By providing legal certainty, Article 1313 supports economic growth and investment.	Inconsistent or inappropriate implementation of Article 1313 may hinder investment and economic growth.

The Impact of Civil Law Reform on Investor and Entrepreneur Protection

Civil law reform has a significant impact on the protection of investors and entrepreneurs in the context of business and investment activities. One important aspect of this reform is the implementation of Article 1313 of the Civil Code (KUHPerdata), which establishes the basic principles in the formation of agreements between the parties involved. (Officer, Handayani, & Karjoko, 2023). Within the framework of this reform, the implementation of Article 1313 plays a key role in creating legal certainty for investors and entrepreneurs. By providing a clear legal basis for the valid conditions of an agreement, Article 1313 helps

protect the rights and interests of the parties in business and investment transactions. (Ningrum, 2020). In addition, civil law reform also has an impact on the process of forming and implementing contracts between investors and entrepreneurs. With improvements in civil law regulations, investors and entrepreneurs are more assisted in designing agreements that suit their needs and implementing them more smoothly. Proper implementation of Article 1313 provides clarity on what is expected and regulated by law, thereby reducing the risk of disputes and legal uncertainty that can hinder business activities. (Sari, 2023).

However, it is important to acknowledge that the implementation of civil law reform, including Article 1313 of the Civil Code, does not always go smoothly. Challenges may arise in the interpretation and application of Article 1313 by the courts, as well as in the process of adapting to new legal changes. Although civil law reform aims to increase protection for investors and entrepreneurs, these legal changes may also create initial uncertainty in the short term. (Nadhifa, Abubakar, & Handayani, 2022). While evaluating the impact of civil law reform, it is also necessary to pay attention to efforts to minimize risks and improve the implementation of the law for the benefit of business and investment actors. Civil law reform can also provide a positive boost to the investment and business climate as a whole (Putri & Widyaningsih, 2023). With more modern, responsive, and up-to-date regulations, investors and entrepreneurs tend to feel more confident in making long-term investments and planning business expansion. Effective implementation of civil law reforms, including Article 1313 of the Civil Code, can also attract foreign investors to invest in Indonesia, as it shows the government's commitment to creating a conducive and reliable legal environment. (Rahmawati, 2015).

Effectiveness of Article 1313 of the Civil Code in Defending the Rights and Interests of the Parties

The effectiveness of Article 1313 of the Civil Code (KUHPperdata) in defending the rights and interests of investors and entrepreneurs is a major concern in the context of ongoing economic and legal changes. Article 1313 is an important legal basis that regulates the conditions for the validity of an agreement, thus playing a central role in protecting the rights and interests of parties involved in business and investment transactions. (Prananingtyas, 2018). As a guide for the courts and parties involved in dispute resolution, Article 1313 directly determines the validity of an agreement and the rights and obligations arising from the

agreement. However, the evaluation of the effectiveness of Article 1313 of the Civil Code also faces several considerations. One of them is the ability of Article 1313 to accommodate the dynamics of rapid economic and legal changes (Saputro, 2019). In the era of globalization and ever-evolving information technology, the emergence of various new business models and changes in legal paradigms require rapid and responsive adaptation of legal regulations, including Article 1313. In this context, the sustainability and relevance of Article 1313 in maintaining legal certainty and protecting the rights of parties is a critical question that needs to be continuously evaluated. (Suhardini, 2021).

It is important to evaluate the extent to which Article 1313 of the Civil Code is implemented in practice. Although Article 1313 provides a clear legal basis, its effectiveness depends on consistent interpretation and application by the courts. Challenges may arise when courts face complex or controversial cases, where the interpretation of Article 1313 may vary and give rise to legal uncertainty. (Salim, 2003). Evaluation of the effectiveness of Article 1313 of the Civil Code in upholding the rights and interests of parties requires a holistic approach, which takes into account not only legal aspects, but also social, economic and technological dynamics. Thus, the necessary corrective measures can be identified to improve legal protection for investors and entrepreneurs and ensure the sustainability of Article 1313 as a relevant and effective instrument in facing future challenges. (Rosadi, 2019).

4. Conclusion

This Civil law reform, including the implementation of Article 1313 of the Civil Code, has had a significant impact on the protection of investors and entrepreneurs in the context of business and investment activities. Although this reform provides a clearer legal basis and is responsive to rapidly changing economic and legal dynamics, challenges remain in its implementation. Consistent interpretation, adaptation to change, and effectiveness in law enforcement are key to ensuring that Article 1313 can fulfill its purpose in defending the rights and interests of parties. Therefore, continuous evaluation is needed to identify improvements needed to enhance legal protection for investors and entrepreneurs, as well as to ensure the sustainability of Article 1313 as a relevant and effective instrument in facing future challenges.

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