



## Solid Business Contracts: Understanding the Legal Aspects of a Deal

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### Abstract

**Introduction:** The development of an increasingly complex business world makes contracts function as the main tool to regulate the rights and obligations of the parties involved in an agreement. Therefore, understanding and skills in drafting business contracts are very important as a foundation in helping the parties bound by the contract.

**Purposes of The Devotion:** To educate the public on the legal aspects of the agreement as a solid business contract.

**Method of The Devotion:** The devotion method used is the method of counseling and mentoring the community of Jambi city with the Pranata Iustitia Jambi Legal Aid Institute.

**Results Main Findings of the Devotion:** A strong contract does more than just help minimize the risk of conflict, it also ensures that the deal is legally enforceable.

**Keywords:** Business Contract; Legal Aspect; Agreement.

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## INTRODUCTION

The business world today is growing in line with the developments that occur in society. Various activities can be carried out by a person in order to develop his business. Every business person sees the prospect of progress in the future, with the hope that the business carried out can run smoothly according to the desire to be achieved.<sup>1</sup> The development of the increasingly complex business world makes contracts function as the main tool to regulate the rights and obligations of the parties involved in an agreement.

A solid contract not only helps minimize the risk of conflict, but also ensures that the deal made can be legally enforced. Therefore, understanding and skills in drafting business contracts are very important to support business activities, especially in providing certainty and legal protection in the event of a dispute between business partners or consumers in the future. Business contracts made and agreed upon by the parties can also be used as a means of proof for resolving business disputes that have the potential to arise from one party or even another party trying to be involved in the agreement. This very important agreement requires a good understanding and is based on the rule of law, especially in the Civil Code Book III regarding the agreement to avoid the settlement of legal problems which can sometimes cause new legal problems.<sup>2</sup>

<sup>1</sup> Dhyan Andika Irawan, "Keabsahanperjanjian Bisnis Yang Dibuat Oleh Para Pihak Belum Cakap Hukum", JUMBA: Jurnal Manajemen, Bisnis, Dan Akuntansi, 02 no. 02 (2023): 141-149.

<sup>2</sup> Artadi, I Ketut, *Hukum Perjanjian Kedalam Perancangan Kontrak*, (Denpasar: Udayana University Press, 2010), p. 27.

The agreement made by the parties in making a solid business contract must also be based on the existence of good faith to be bound by each other in the agreement without any specific intention that can harm one of the parties. That is why in making an agreement that must meet the 4 conditions contained in Article 1320 of the Civil Code, by fulfilling these four conditions, the parties are bound to carry out their achievements with full responsibility. Based on this description, the author is interested in doing community service through the material on legal aspects in the agreement for a solid business contract implemented in Jambi City, Jambi Province.

## **METHOD OF THE DEVOTION**

The implementation method used in the realization of the Public Discussion on Solid Business Contracts: Understanding the Legal Aspects in Agreements held with the Legal Aid Institute of the Jambi Iustitia Institution in Jambi City, Jambi Province is legal discussion, training and mentoring, which includes: 1). Discussion on a Solid Business Contract by understanding the legal aspects in the agreement. 2). The Training method includes several forms of activities, namely in the form of lectures, brainstorming. 3). Assistance in the form of activities that aim to strengthen the capacity of the public's knowledge on how to understand the legal aspects of the agreement in order to form a solid business contract.

## **RESULTS AND DISCUSSION**

### **A. Understanding the Legal Aspects of Agreements to Strengthen Business Contracts**

Legal Aspects in Understanding business agreements is crucial to strengthen contracts and ensure that they can be enforced effectively and fairly. A business contract is an agreement between the parties involved in a transaction. The term contract has the same meaning as the term agreement.<sup>3</sup> While the definition of an agreement is contained in Article 1313 of the Civil Code, namely "An agreement is an act in which one or more people bind themselves to one or more other people", to ensure the success and compliance of the business contract that has been made, there are several legal aspects that need to be considered; First, each contract must comply with and comply with existing laws and regulations, including the Civil Code (KUHP) and other related regulations. For example, the legal conditions in an agreement are regulated in the Civil Code which contains the subjective and objective conditions of an agreement and its legal consequences if one of the elements of the agreement is not met. This rule provides a strong legal basis for the contract. Therefore, it is important for the parties to the contract to understand and ensure that their agreement does not conflict with applicable regulations. In addition, clarity and legal certainty in the contract are also very important. A good contract must be clear and balanced regarding the rights and obligations of each party, as well as the applicable provisions. Ambiguity in the contract can lead to disputes and conflicts later on. For example, if there is ambiguity in the clause regarding the timing of the performance or obligations of each party, this may lead to differences in interpretation and disputes. This has also been regulated in the principles of the agreement, one of which states that an agreement must be made in good faith and then the agreement will be binding like a law for the parties who make it.

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<sup>3</sup> Isdian Anggraeny, Tongat, Wardah Dinnar Rahmadanti, "Urgensi Pelaksanaan Tahapan Persiapan Penyusunan Kontrak Oleh Pelaku Bisnis Dalam Mengkontruksi Hubungan Bisnis", *Yurisprudensi* 3 no. 1 (2020): 1-11

The legal consequences of contract arise mainly from the legal relationship of the contract in the form of rights and obligations. The fulfillment of these rights and obligations is a form of legal consequences of a contract, in this case rights and obligations are only a mutual relationship between the parties. Therefore, the legal consequence is none other than the fulfillment of the contract itself.<sup>4</sup> According to Article 1339 of the Civil Code, a contract is binding not only on the things expressly stated in the contract, but also on all the things stated in the contract. Each contract contains rules contained in laws, customs (in certain places and in certain circles), which must also be observed by the obligations required by manners and decency.

Balance and fairness in contracts are another aspect that is no less important as contained in one of the principles of the agreement, namely the principle of freedom of contract. A fair contract must consider the interests of all parties involved, and must avoid provisions that give a disproportionate advantage to one party. Unfairness in a contract may result in a claim that the contract is invalid or unenforceable. For example, if a contract sets conditions that are too onerous or unfair for one party, then that party may be able to file a lawsuit to cancel the contract. All parties involved in the contract must have the legal capacity to enter into an agreement. This means that the parties must be legally mature, not in circumstances that limit their legal capabilities, and have the legal authority to represent the entity they represent. The age of consent in performing a contract is then determined according to the law according to the needs of the legal act performed. According to Article 1330 of the Civil Code, those who are not old enough (adult) are those who have not reached the age of 21 (twenty-one) years and have not been married before. If you are not yet 21 years old but are married, you are considered to be of civil maturity and can enter into an agreement. In addition, consent and agreement obtained without elements of coercion, fraud, or mistake are fundamental. All parties to the contract must give their consent voluntarily and without any pressure or fraud, in order to strengthen the business contract, understanding the aspects of the agreement in order to prepare a thorough draft contract is a very important first step. This can be realized by adding insights related to business contracts or it can be one of them by using the services of legal advisors to ensure that all legal elements are fulfilled and that the contract is written properly can help avoid problems in the future.

## **B. Implementation of Community Service Activities in Jambi City, Jambi Province**

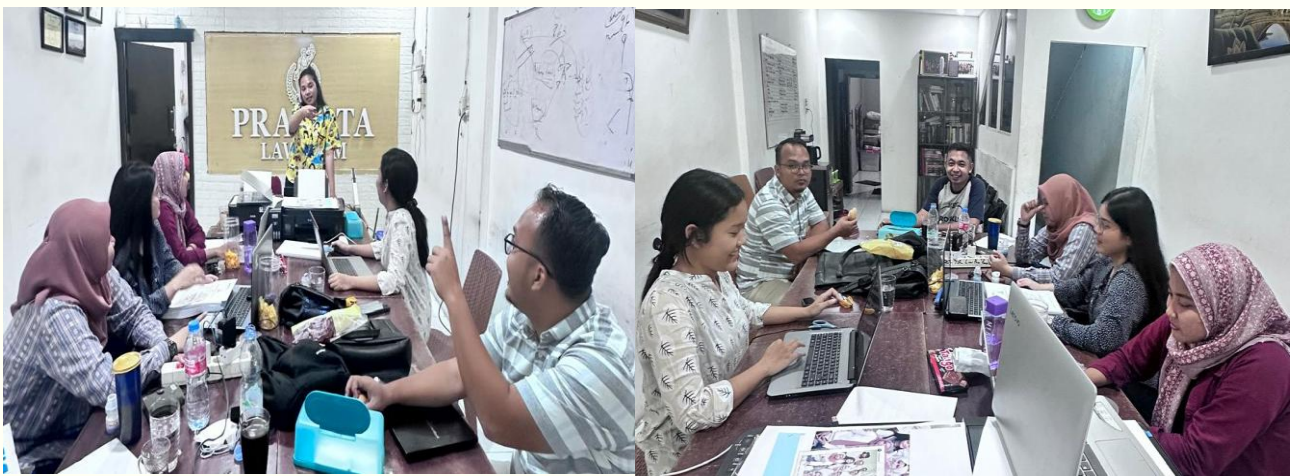
Jambi City is within the administrative area of Jambi province. The people of Jambi City are people who do many business contracts as part of business and work activities to support their careers and daily lives. However, the number of business people in Jambi City is not accompanied by an equal understanding of the legal aspects in the agreement made in a business contract so that often the business contract made causes a legal problem between the parties. Therefore, increasing the understanding of the community in the city of Jambi, especially for discussion participants who participate in public discussions, is very important to find out the extent of the understanding received and how to anticipate the existence of a problem that arises in a business contract that has been made. This legal discussion activity was carried out with the presentation of material followed by two-way communication between participants and resource persons.

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<sup>4</sup> Sidauruk, Alvaro Deleon, Bonaraja Purba, Jesaya Kemalamenta Karo-Karo, Syaila Azzahraini Siregar, and Tuti Yani. "Analisis Hukum Atas Perjanjian Bisnis Dalam Era Digital". *Innovative: Journal Of Social Science Research*, 4 no. 3 (2024): 16608-16. <https://doi.org/10.31004/innovative.v4i3.12564>.



The material presented is related to the legal aspects that should be known in making an agreement which of course cannot be separated from the validity of an agreement or agreement as stipulated in Article 1320 of the Civil Code and how to design a good and balanced contract for both parties in accordance with the principles of the agreement. This discussion presentation activity was followed with great enthusiasm by the participants who incidentally often found problems related to business contracts at the Legal Aid Institute of the Iustitia Jambi Institution. The discussion participants also raised a number of legal issues to the speakers related to legal issues that are often experienced in business contracts. In addition to legal questions, the participants also submitted proposals, opinions and experiences related to legal issues that became material in this legal discussion. The process of delivering material and discussion between the resource persons and discussion participants is presented in the following picture:



**Figure 1. The Resource Person Delivered the Discussion Material to the Participants.**

Overall, this legal discussion activity has been carried out well. This is due to several factors as follows: 1) Openness from the Organizer, namely the Legal Aid Institute of the Iustitia Jambi Institution and the community as participants in the discussion in accepting resource persons and supporting the implementation of activities, including by facilitating the distribution of activity invitations to discussion participants; 2) Quite high enthusiasm from the participants in participating in discussion activities, starting from the material delivery session to a very interactive discussion session between the community and resource persons. Discussion participants showed enthusiasm in participating in activities by actively participating in discussion sessions related to daily problems related to business contracts and sharing experiences related to agreements that are commonly carried out and problems that are often encountered related to agreements that have been made; 3) The location of the Public Discussion which was taken by plane from Ambon City to Jambi City which although it took a relatively long time, did not dampen the Team's enthusiasm to coordinate with each other for the success of this discussion activity. The results of Community Service activities were obtained The Target Audience Participation Rate The Target Community's Participation Level in participating in activities was high. This can be seen from the fulfillment of the target of approximately 15 discussion participants. (2) The enthusiasm of the discussion participants the enthusiasm of the discussion participants is quite high. This can be seen from the seriousness of the participants in participating in the discussion activities, namely by not leaving the activities ranging from the opening to the

closing activities. In addition, it can also be seen from the activeness of the participants in raising various legal issues in the dialogue session. (3) The issues presented by the discussion participants are in accordance with the questions asked in the dialogue session. A number of problems raised by the community in the discussion session were: a) what if in carrying out a business contract, one of the parties committed a breach of promise or default. According to its definition, default can be interpreted as the failure to perform achievements due to the debtor's fault either due to intentionality or negligence.<sup>5</sup> There are 3 elements of a person that can be said to be in default: 1) Not carrying out the contents of the contract at all; 2) carry out the contents of the contract but not at the agreed time; 3) carry out the contents of the contract but are inappropriate or wrong. The next question that became the topic of discussion was: b) What if the business contract that was carried out turned out to be made only orally and then a legal problem occurred? In principle, the Civil Code does not define that an agreement in general is a written agreement only, but an agreement made by the parties as contained in Article 1313 of the Civil Code regarding the meaning of an agreement. So that the violation committed by this oral agreement is also a default that can be demanded to be fulfilled in the agreement to the extent that the aggrieved party can prove the transaction made and the existence of losses due to the unpaid transaction.<sup>6</sup> In addition, the discussion of this discussion also concerns c) what are the conditions in carrying out a contract. Basically, the conditions for the validity of a contract are based on Article 1320 of the Civil Code, namely the existence of an agreement, the parties are legally capable, the existence of the agreed object and *causa* are *halal*, in the sense that the agreement must not contradict the applicable rules and do not contradict the norms of morality. Agreements in contracts that have been agreed upon with each other must be made in good faith which will then be valid and binding as a law as explained in Article 1338 of the Civil Code.

## CONCLUSION

Understanding the legal aspects of a business agreement is key to strengthening and maintaining the validity of a contract. Compliance with the law, clarity, balance, and consent are important elements that must be considered to ensure that the contract is not only valid but also effective in protecting the interests of all parties involved.

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