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The Scope and Application of Business Law in Business Activities: A Normative Legal Review

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ABSTRACT

Business activities involve various legal relationships among business actors, consumers, business partners, companies, suppliers, and other parties. Consequently, business activities cannot be separated from legal rules governing rights, obligations, business entities, contracts, licensing, negotiable instruments, and electronic transactions. This study aims to examine the scope and application of business law in business activities through a normative legal approach. The study uses statutory, conceptual, and literature approaches by examining legal principles, regulations, and relevant legal literature concerning business activities. The analysis shows that business law has a broad scope covering business entities, business licensing and legality, contractual relationships, negotiable instruments, and electronic transactions. These legal aspects are interconnected and may arise simultaneously within a single business activity. The application of business law therefore requires an understanding of the legal position of the parties, the applicable legal basis, rights and obligations, and the legal consequences of business activities. The study concludes that business law functions as an integral framework for organizing business relationships and providing legal certainty in business activities.

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1. INTRODUCTION

Business activities are an important part of social and economic life. Business relationships involve various parties, including business actors, consumers, business partners, suppliers, service providers, and other parties. These relationships do not merely concern economic interests but may also create legal relationships that give rise to rights and obligations. Therefore, business activities take place within a legal framework that determines the rights, obligations, permissions, prohibitions, and legal consequences associated with the actions of the parties [1]-[4].

The relationship between law and business becomes increasingly important because business activities may take various forms. A business actor may operate individually or through a partnership, limited liability company, state-owned enterprise, regional-owned enterprise, or cooperative. Business activities may also involve contracts, business licensing, negotiable instruments,

and electronic transactions. Consequently, business law cannot be understood as a single body of rules governing only one type of business activity. Rather, it encompasses various legal aspects connected with the organization and implementation of business activities [5]-[10].

The scope of business law includes contractual relationships, forms of business entities, company legality and registration, negotiable instruments, and electronic transactions. Contractual relationships may arise between companies and suppliers, service providers and users, sellers and buyers, or business actors and other parties. Similarly, the choice of business entity has legal consequences concerning the position of the parties, organization, management, and the conduct of business activities. The legality of a business is also connected with administrative and legal requirements that must be fulfilled by business actors [11]-[15].

The development of information technology has further expanded the context in which business law operates. Business transactions can be conducted electronically without requiring the parties to meet physically. Electronic transactions may involve electronic agreements, electronic documents, electronic communications, and digital payment mechanisms. This development creates a need to understand how established legal principles apply to new forms of business relationships [16]-[18]. Recent normative studies similarly examine electronic contracts, digital signatures, consumer protection, and the evidentiary position of electronic transactions in Indonesia [19]-[20].

Based on these circumstances, this study examines the scope and application of business law in business activities. The central problem addressed in this study is how the various aspects of business law are connected and applied within business activities. This study offers a systematic normative examination of business law by relating its basic concepts to business entities, business legality, contracts, negotiable instruments, and electronic transactions.

2. LITERATURE REVIEW

2.1 Concept of Business Law

Business law may be understood as a field of legal study concerned with legal rules and relationships arising from business activities. Business activities do not merely involve the production or distribution of goods and services but also involve legal relationships among various parties. The legal relationship may establish rights, obligations, responsibilities, and legal consequences [2]-[3], [13], [21]-[22].

The concept of business law therefore begins with the relationship between law and business activities. Law provides a framework within which business actors conduct their activities. Through legal rules, the parties can identify what may be done, what must be done, and what actions may result in legal consequences [1], [23]-[24].

2.2 Scope of Business Law

The scope of business law is broad because business activities themselves involve various legal relationships. The principal areas examined in this study consist of business entities, business registration and licensing, business contracts, negotiable instruments, and electronic transactions [2], [5], [9], [25].

Business entities determine the organizational form through which business activities are conducted. Sole proprietorships, firms, limited partnerships, limited liability companies, state-owned enterprises, regional-owned enterprises, and cooperatives have different legal characteristics. Identification of the business entity is therefore an important initial step in analyzing a business relationship [6]-[8], [26].

Business legality constitutes another important aspect. Business activities involve administrative and legal requirements concerning establishment, registration, licensing, and compliance. Business legality connects the existence of a business with

the regulatory framework applicable to its activities [10], [12], [15].

Contracts constitute another central aspect of business law. Business relationships frequently arise from agreements between the parties. A contract may regulate the rights and obligations of the parties, the object of the transaction, performance requirements, and consequences of non-performance [11], [14], [27]-[29].

Negotiable instruments may also be used in particular business transactions. Their use involves legal relationships concerning issuance, transfer, function, and position of the instrument in business activities [5], [9], [13].

Finally, technological development has expanded business law into electronic transactions. Electronic business relationships may involve electronic agreements and documents and may create legal questions concerning the formation of agreements, rights and obligations, evidence, and dispute resolution [16]-[18].

2.3 Legal Function in Business Activities

Law has an important role in establishing an orderly framework for business relationships. In business activities, law may function as a basis for determining rights and obligations, providing legal certainty, establishing boundaries for business conduct, and providing mechanisms for resolving legal problems [1], [4], [24].

The legal function is therefore not separate from business activity. Instead, law is attached to the relationships formed during the conduct of business. Understanding this relationship enables business actors to recognize the legal consequences of their actions and to conduct business activities within the applicable legal framework.

3. METHODS

This study employs a normative legal research method. The research focuses on legal norms, legal principles, statutory provisions, and legal literature relevant to business activities. The study does not use empirical surveys, interviews, or statistical measurements.

The research applies statutory and conceptual approaches. The statutory approach is used to examine legal provisions relevant to business activities, while the conceptual approach is used to clarify the concepts of business law, business entities, contracts, business legality, negotiable instruments, and electronic transactions. The choice of normative method is consistent with established legal research methodology [18].

The legal materials consist of primary and secondary legal materials. Primary legal materials include relevant legislation and other legal instruments governing business activities. Secondary legal materials include books, scholarly articles, and other academic literature concerning business law and related legal fields. The legal materials are examined through literature study and analyzed qualitatively using a descriptive-analytical method.

The analysis is conducted by identifying the relevant legal concepts and rules, examining their relationship with business activities, and synthesizing the findings into an integrated description of the scope and application of business law.

4. RESULTS AND DISCUSSION

4.1 Business Law as a Legal Framework for Business Activities

The analysis indicates that business law constitutes an integral part of business activities because business relationships inherently involve legal relationships. Business actors interact with consumers, suppliers, partners, employees, service providers, financial institutions, and other parties. These interactions may establish legal rights and obligations [1]-[3], [13].

Business law consequently provides a framework for understanding these relationships. Its role is not limited to resolving disputes after a problem occurs. Legal considerations may also be

relevant before a business relationship is established, during the performance of the relationship, and after the relationship ends [4], [24].

4.2 Business Entities and Their Legal Position

The choice of business entity is one of the fundamental legal aspects of business activity. A business may be conducted individually or through a partnership or corporate form. The different forms of business entities have consequences for organizational structure, management, ownership, and the legal position of the parties involved [6]-[8], [26].

A sole proprietorship places business activities under an individual business actor. A firm and a limited partnership involve relationships among partners with different legal positions and responsibilities. A limited liability company has a separate organizational structure and legal characteristics. State-owned enterprises, regional-owned enterprises, and cooperatives likewise have distinctive legal characteristics. The relevant statutory framework includes company, state-owned enterprise, and cooperative legislation [30]-[32].

Therefore, determining the form of a business entity is an important step in legal analysis. The legal form affects how the business is organized, who may act on behalf of the business, how responsibilities arise, and how legal relationships with third parties are established [5]-[8].

4.3 Business Registration and Legality

Business activities are not limited to economic operations. They also involve administrative and legal requirements concerning the existence and operation of the business. Business registration and licensing connect business activities with the legal and administrative system established by the state [10], [12].

The legality aspect is important because a business actor must understand the requirements applicable to the particular business activity. The applicable risk-based licensing framework has developed since the adoption of the Job Creation regulatory framework, and the current framework must be read together with subsequent regulations. PP No. 5 of 2021, for example, was later replaced by PP No. 28 of 2025, so current legal analysis should not rely on the former regulation as if it were still in force [33]-[34].

From a normative perspective, business legality demonstrates that business activity operates within a regulatory structure. Legal compliance therefore forms part of the broader application of business law and cannot be separated from the operation of the business itself [10], [12], [33]-[34].

4.4 Business Contracts as Instruments of Legal Relationships

Contracts occupy an important position in business activities because many business relationships are established through agreements. A contract may regulate the subject matter of the transaction, rights and obligations, methods of performance, payment, responsibilities, and consequences of breach [11], [14], [27]-[29].

The existence of a contract also provides a framework for the parties to determine their respective legal positions. In a business relationship, the parties need to understand not only the content of an agreement but also the legal principles underlying the agreement [11], [28]-[29].

When a party fails to perform an obligation, the legal issue may involve non-performance or breach of contract. Therefore, business contract analysis requires identification of the parties, the agreement, the obligations established, the performance required, and the legal consequences arising from non-performance [14], [27], [29]. Recent normative literature continues to discuss the validity of agreements, contractual language, standard clauses, and legal

certainty in Indonesian business contracts [19], [35]-[40].

4.5 Negotiable Instruments in Business Transactions

Negotiable instruments constitute another component of business law. Their use in business transactions creates legal relationships concerning the issuance, transfer, and exercise of rights embodied in the instrument. Their legal position is connected with commercial law and the legal relationship underlying the transaction [5], [9], [13].

The legal significance of negotiable instruments cannot be separated from the underlying business relationship. The parties must understand the function and legal position of the instrument used in a transaction, including the consequences of its issuance and transfer.

4.6 Electronic Transactions and the Development of Business Law

Technological development has transformed the manner in which business relationships are established and performed. Transactions may be conducted through electronic systems, allowing parties to communicate and enter into agreements without meeting physically. Indonesian electronic commerce is regulated through a combination of electronic transaction, consumer protection, and electronic commerce regulations [41]-[45].

Electronic transactions may involve electronic contracts and electronic documents. The legal analysis of such transactions must nevertheless remain connected with fundamental principles of contract law. The electronic form does not eliminate the need to identify the parties, determine the object of the transaction, establish consent, and examine the legal consequences of the agreement [16]-[18].

Recent studies examine electronic contract validity, digital signatures, standard clauses, smart contracts, consumer protection, and evidentiary issues. These studies generally use normative approaches and demonstrate that the development of digital transactions requires the application of established legal principles together with specific electronic-commerce rules [19]-[20], [36]-[40], [46]-[50].

4.7 Interrelationship Among Business Law Components

The various components of business law should not be analyzed independently in every situation. A single business activity may simultaneously involve a business entity, licensing requirements, a contract, a payment instrument, and an electronic transaction [2]-[3], [13].

For example, a company conducting an online sale may first need an appropriate legal form and business legality. The transaction may then be established through an electronic contract, followed by payment and delivery. If a dispute occurs, the legal analysis may require examination of the entity's legal position, the applicable contract, the electronic records, and the rights and obligations of the parties [20], [41]-[50].

This interrelationship demonstrates the comprehensive nature of business law. The legal analysis of a business activity should therefore begin with identification of the relevant facts and legal relationships rather than immediately focusing on a single legal provision.

4.8 Application of Business Law in Legal Analysis

The application of business law requires a systematic analytical process. First, the parties involved in the business activity must be identified. Second, the relevant business relationship must be determined. Third, the legal form and applicable legal basis must be identified. Fourth, the rights and obligations of each party must be examined. Finally, the legal consequences of the parties' actions must be determined [4], [18].

This approach is particularly relevant when business activities involve more than one legal aspect. The identification of facts and legal relationships prevents an analysis from being based solely on assumptions or isolated legal provisions. Accordingly, the application of business law requires an integrated understanding of legal concepts, legal rules, and the factual structure of the business relationship.

5. CONCLUSION

The scope of business law encompasses various legal aspects that are directly connected with business activities, including business entities, business legality, contractual relationships, negotiable instruments, and electronic transactions. These aspects are not necessarily separate because a single business activity may involve several legal relationships simultaneously. Business law therefore functions as an integrated legal framework for determining the legal position of the parties, their rights and obligations, and the legal consequences of business activities. The application of business law requires a systematic normative analysis beginning with identification of the parties and legal relationships, followed by identification of the applicable legal basis and examination of the rights, obligations, and consequences arising from the business activity.

Future legal studies concerning business activities should continue to examine the application of established legal principles in response to developments in business practices, particularly electronic and technology-based transactions. Further normative research may also examine specific sectors or particular forms of business activity to provide a more detailed understanding of the application of business law.

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