



BUSINESS LAW AND ETHICS IN INDONESIA: THE IMPACT OF ECONOMIC PRACTICES ON NATURAL RESOURCES

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Abstract: This article examines the complex relationship between morality and business ethics in the context of Indonesian law. Taking a normative approach and using conceptual and comparative research methods, this study explores the impact of business law on ethical practices that are increasingly important amid rapid economic growth and intense business competition. An understanding of business ethics is closely related to moral conduct in business activities, which is important for maintaining corporate reputation and consumer trust. In addition, this article explores the challenges faced by companies in implementing effective ethical and legal practices, as well as the negative impacts of unethical business practices, such as environmental damage and human rights violations. This research underscores the importance of integrating ethics in business strategy to support sustainable economic growth and societal well-being.

Keywords: Business Ethics; Business in Law; Sustainable Economic Development

1. Introduction

The complex relationship between religion and morality, and the associated issues and arguments, arises when we evaluate the validity of divine ethical theories.¹ In the era of globalization and increasingly fierce business competition, business ethics and law have become increasingly important and relevant issues in the business world. In Indonesia, as a country with rapid economic growth, understanding the impact of business law on ethical practices is crucial for achieving sustainable economic development.²

Business ethics are related to moral actions in business activities, which are necessary to maintain the company's reputation and consumer trust in the long term. In this context, business ethics encompass the principles underlying a company's decisions and behavior, such as honesty, integrity, and social responsibility. Additionally, the implementation of good ethics can enhance customer loyalty, attract investors who align with those values, and create a positive work environment for employees. Therefore, companies that consistently apply business ethics are not only able to avoid scandals or reputational crises but also contribute to the development of a better and more sustainable society, this creating more substantial long-term benefits.³

However, business activities can also have negative effects, such as environmental damage, consumer fraud, and human rights violations. Research shows that companies must implement business practices that prioritize good and ethical standards. Business ethics and business law are interrelated and have a significant impact in the business world. In the current context, the importance of ethical and responsible business practices is increasingly rising, especially amidst the global challenges faced by

¹ Muhammad Djakfar, *Etika Bisnis* (Jakarta: Penebar Plus, 2012), 52.

² Muslim, *Urgensi Etika Bisnis Di Era Global* (Jakarta: Institut Bisnis Nusantara, 2017), 2.

³ Joseph Teguh Santoso, "Peranan Etika Bisnis Bagi Perusahaan," [stekom.ac.id](https://stekom.ac.id/artikel/peranan-etika-bisnis-bagi-perusahaan), 2022, <https://stekom.ac.id/artikel/peranan-etika-bisnis-bagi-perusahaan>.



many industries. Business ethics involve moral considerations in decision-making, such as fairness, transparency, and honesty, all of which play a crucial role in building mutually beneficial relationships between companies and stakeholders. Meanwhile, business law provides a framework of rules governing various business activities, ensuring that all parties operate within the legal boundaries set forth. The application of sound business law and ethical business practices is key to achieving sustainable business goals and supporting healthy economic development in Indonesia. By integrating ethics into business strategies, companies can not only avoid legal risks but also create a positive image that attracts customers and business partners. Ultimately, this will contribute to sustainable economic growth and improve the overall well-being of society.⁴

One approach to addressing unethical and illegal business practices is by implementing regulations through business law. Business law serves as a guideline and set of rules for business actors, assisting them in conducting their activities in accordance with ethical standards and responsibilities. Additionally, business law imposes consequences for individuals or companies that violate existing regulations, thereby reducing unethical and illegal behavior.⁵

One of the main factors contributing to various environmental issues we face today is industrialization and irresponsible business practices. The impact of this situation is global, affecting all segments of society, from the highest to the lowest. This situation has become a priority for world leaders to reduce the negative effects of industrial processes. Therefore, business actors, who are among the causes of environmental problems, must take responsibility and start making improvements. Sustainable business pertains to a company's approach to minimizing the negative environmental effects arising from its operations. The sustainable practices that organizations adopt typically focus on environmental, social, and governance factors. This idea of sustainable business emerged as a response to the dangers posed by climate change, which threatens the survival of humanity. The environmental damage affecting the planet will undoubtedly trigger a ripple effect throughout the global societal system. Such circumstances create both pressures and opportunities for business stakeholders. In general, the adoption of sustainable business practices is aligned with the goals of achieving the Sustainable Development Goals (SDGs), which seek to eliminate poverty, reduce inequality, and combat environmental degradation and climate change. As a result, a sustainable business model has emerged, emphasizing environmental and social welfare aspects, commonly referred to as sustainable business.⁶

In Indonesia, although there are various laws and regulations governing aspects of business law and ethics, significant challenges remain in terms of effective implementation and oversight. Several factors contribute to business practices in Indonesia, including dynamic government policies, the complexity of regulations, diverse organizational cultures, high consumer demands, and increasingly fierce business competition. The country has a number of regulations and legal frameworks that govern business activities, such as Law No. 40 of 2007 on Limited Liability Companies, Law No. 8 of 1999 on Consumer Protection, and Law No. 32 of 2009 on Environmental Protection and Management. Nevertheless, unethical and illegal business practices continue to occur in Indonesia, highlighting the need for stronger efforts to enforce laws and promote ethics in the business world.⁷

⁴ Panggabean, *Penerapan Etika Hukum Bisnis Dalam Sistem Peradilan Indonesia* (Bekasi: Jala Permata Aksara, 2019).

⁵ Munir, *Hukum Bisnis Dalam Teori Dan Praktek* (Bandung: PT Citra Aditya Bakti, 1994).

⁶ Fadhilah Ummah, "Sustainable Business: Peran Pelaku Bisnis Dalam Mewujudkan SDGs," www.marketeers.com, 2023, <https://www.marketeers.com/sustainable-business-peran-pelaku-bisnis-dalam-mewujudkan-sdgs/>.

⁷ Agustina, *Regulasi Kebijakan Bisnis Di Indonesia* (Jawa Tengah: Eureka Media Aksara, 2022).

2. Research Method

The research method used in this study is library research. This approach involves collecting data and information from various literature sources, such as books, journals, articles, and other relevant documents related to the research topic. By utilizing a conceptual and comparative framework, the collected data and information are analyzed and compiled into a research report. This study aims to explore the application of law and Ethics in Indonesia, focusing on the impact of economic practices on Natural Resources. Business ethics and law can have both positive and negative effects on business practices in Indonesia. Therefore, this research is essential for understanding the relationship between business law and business ethics in Indonesia, as well as their implications for ethical and responsible business practices.

3. Discussion

In Indonesia, this economic crisis has developed into a complex, multidimensional issue, where political crises and various other domestic problems also play a role. The situation has been exacerbated by the weakness of the institutions that should support the country's economic system. Conditions have worsened due to the low level of law enforcement, which is expected to be the last line of defense to ensure compliance with regulations and the smooth functioning of the existing system. Additionally, the significant outflow of capital from the country (capital flight) has reached substantial amounts, technically leading to Indonesia being considered bankrupt. In such circumstances, it is not surprising that the world's largest financial institution, the IMF, has come forward to offer economic rescue programs to Indonesia. This institution requires improvements and enhancements in corporate governance practices in Indonesia (Kurniawan & Indriantoro, 2000). The letter of intent signed by the Indonesian government and this institution marks the beginning of a formal legal reform of the national corporate governance system. This was realized through the establishment of the "National Committee on Corporate Governance Policy" based on the decision of the Coordinating Minister for Economic Affairs in 1999.⁸

The concept of management has been around for a long time, applied widely, and has experienced rapid development. In recent years, various management techniques have become increasingly sophisticated and diverse. However, this concept is seen as inadequate in explaining why leading companies like Enron could face bankruptcy despite implementing advanced management practices. One of the shortcomings of this concept is the uncertainty in distinguishing between what is "right" and what is "wrong" before actions are taken (do) in a "correct" manner. This indicates that even though something is done "correctly" or according to procedure, it may not necessarily be "right" or "wrong."

In contrast, corporate governance (CG) emphasizes the importance of determining the right things before taking actions correctly. In this context, the most fundamental aspect is to consider whether a decision or action is "right" (right) or "wrong" (wrong) before it is executed in a "correct" manner. Therefore, the concept of CG does not contradict management; rather,

⁸ Niki Lukviarman, "Etika Bisnis Tak Berjalan Di Indonesia: Ada Apa Dalam Corporate Governance?," *Jurnal Siasat Bisnis* 2, no. 9 (2004): 139–56, <https://doi.org/10.20885/jsb.vol2.iss9.art2>.

they complement each other. In other words, while doing "something correctly" is important, determining whether what is to be done is "something right" is far more significant.

Business ethics is a segment of applied ethics that seeks to regulate and evaluate the moral and ethical standards of companies. It also examines how well or poorly organizations address moral and ethical issues and identifies errors in their operational processes. Business ethics encompasses all aspects of business, from production to administration, finance, and marketing. It applies across various industries and can be descriptive or normative within the discipline. The role of business ethics in a company is crucial, as it aims to build a strong, competitive organization capable of creating high value. To achieve this, a solid foundation is necessary, typically starting with strategic planning, effective organizational structure, transparent procedural systems, supported by a robust corporate culture, and the consistent and sustained implementation of corporate ethics.

Business is an economic activity that involves interactions between producers or companies and workers, between producers and consumers, and between producers in an organization. This human activity aims to achieve profit, so it is considered an economic activity. The search for profit in business is not only individual, but occurs through interactions involving various parties. From an economic perspective, a good business is one that is not only profitable, but also has ethical qualities. The economic responsibility of an organization includes its contribution to the economy. From the outset, a business should be able to provide benefits, generating profits for shareholders and owners, which in turn will promote broader economic growth. Businesses that do not fulfill their economic responsibilities can hinder economic growth and reduce investment opportunities from foreign companies.

In the business world, being profit-oriented is very common and natural. However, it is important to remember that profits should not come at the expense of others. In running a business, we need to not only focus on achieving financial targets, but also consider the impact of our actions on the environment, society and other stakeholders. Not everything we might do in order to make a profit should be done without careful consideration. We must respect the interests and rights of others, including consumers, employees, business partners and the communities in which we operate. Ignoring this can have negative consequences, not only for the aggrieved party, but also for the business itself. It is important to remember that by respecting the interests and rights of others, we are also protecting our own business interests. Ethical and responsible actions will enhance a business's reputation and build trust with stakeholders. As such, creating mutually beneficial and sustainable relationships is not only morally advantageous, but also strategic.

Therefore, building a business culture that values ethics and social responsibility is essential. It is not just about achieving short-term profits, but also about creating a positive impact that will support business sustainability and growth in the long run. With this approach, we can achieve success that is not only financially rewarding, but also makes a positive contribution to society and the environment around us.

Business is an activity that is closely linked to the environment. Business activities involve managing economic resources provided by nature. Therefore, the relationship between ethics,

business and the environment is very strong. This relationship is seen in the use of raw materials, waste disposal, industrial processes and production output. This shows that businesses depend on raw materials from nature, which must be treated properly without destroying their habitat. Maintaining the habitat means maintaining nature conservation, as well as a form of respect for nature that has provided the necessities of life for humans. It is the responsibility of companies (businesses) to contribute socially and work to improve and protect the environment for the common good.⁹

As the environment improves, it will ultimately benefit the company. Damage to the environment results in the disruption of the supply of raw materials, which in turn harms humans in meeting their needs. Therefore, there are some more concrete aspects to explain the relationship between ethics, business and the environment, which we know better as the green economy, as follows:¹⁰ First, the use of raw materials becomes very important. The need for natural raw materials, especially for large companies on an industrial scale, is a matter of great concern. Otherwise, they may face a shortage of raw material supply, which could disrupt the smooth production that must continue in order for the company to survive and thrive. With the depletion of non-renewable natural raw material supplies, especially in the future, this will certainly be a problem that continues to threaten them. One solution is for companies to look for substitute (synthetic) materials, although they are not easy to obtain, so most companies still rely on the use of natural materials that are more accessible.

Second, the disposal of industrial process waste. Another equally serious problem experienced by large companies is the disposal of waste as a cause of ecosystem damage in various parts of the world. The waste (residue) whether in the form of solid, liquid or air will potentially pollute the land where all living things carry out life activities in it. In addition, it also has the potential to pollute the waters that are the foundation of human life such as rivers, lakes, and the sea. If the water area has its ecosystem disrupted, it is not impossible that it will have an impact on the fulfillment of vital human needs.

Third, the problem of manufactured goods. To overcome or at least minimize the impact of production results, companies often do not realize whether the goods produced have the potential to damage the environment or not. The results of production, both regarding ready-to-use finished goods and the packaging used, both are not impossible to be the cause of the deterioration of the ecosystem. Therefore, the use of production materials that are difficult to dissolve in water and destroyed in the soil, for example those made from plastic raw materials, it is time to find environmentally friendly replacement materials. If the replacement material is not found, it is not impossible that environmental damage will increasingly disturb all parties.

Meanwhile, the United Nations Environment Program (UNEP) defines green economy as economic activities that can improve welfare and social justice on the one hand, and on the other hand reduce the negative impact of economic growth on the environment and overcome

⁹ Chay Asdak, *Kajian Lingkungan Hidup Strategis: Jalan Menuju Pembangunan Berkelanjutan* (Yogyakarta: Gadjah Mada Press, 2012).

¹⁰ Akhmad Fauzi, "Ekonomi Hijau Untuk Bumi," Kompas.com, 2012, <https://nasional.kompas.com/read/2012/07/07/02433372/ekonomi-hijau-untuk-bumi?page=all>.

the scarcity of natural resources. According to UNEP, a green economy is an economic activity that has low carbon emissions, does not rely on fossil fuels, conserves natural resources, and is oriented towards social justice.¹¹ The Green Growth Program has begun to be implemented in Indonesia, aiming to foster a favorable investment climate in the current era of industrialization. This initiative is particularly significant as Indonesia navigates the challenges of balancing economic development with environmental sustainability. The increase in investment is expected to positively influence economic growth, but achieving this requires overcoming various hurdles.

Sustainable development is crucial for Indonesia, an archipelagic nation rich in biodiversity yet facing significant environmental challenges. Deforestation, pollution, and climate change threaten the country's natural resources and, by extension, its economic stability. The Green Growth Program seeks to address these issues by promoting practices that align economic growth with environmental preservation.

In recent years, Indonesia has made strides in recognizing the importance of sustainable practices. The government has set ambitious targets for reducing greenhouse gas emissions and has committed to increasing the share of renewable energy in its energy mix. However, translating these commitments into actionable policies remains a complex task. Despite its potential, the implementation of the Green Growth Program is not without obstacles. One of the primary challenges is the lack of recognition and appreciation for natural resources. Many stakeholders still prioritize short-term economic gains over long-term sustainability, which can lead to the exploitation of natural resources and environmental degradation. This mindset must change if the Green Growth Program is to succeed.

Another significant challenge is the prevailing conventional investment patterns. Many investors are still accustomed to traditional methods that do not prioritize sustainability. Transitioning to green investment models requires a shift in mindset and practices, which can be a slow and complex process. This shift is essential for fostering sustainable development and ensuring that investments contribute to both economic growth and environmental health.

Institutional design also presents challenges. Effective implementation of the Green Growth Program requires well-coordinated efforts among various governmental and non-governmental entities. However, the existing institutional frameworks may not be adequately equipped to facilitate such coordination. This issue necessitates a reevaluation of current structures and processes to ensure they are conducive to achieving the program's objectives.

Trade-offs between economic growth and environmental preservation are another critical concern. Policymakers often face difficult decisions when trying to balance these competing interests. For instance, certain economic activities may provide immediate benefits but can lead to long-term environmental harm. Finding a balance that allows for sustainable economic growth while protecting the environment is crucial for the success of the Green Growth Program.

¹¹ GreenEconomics, "What Is Green Economics?," www.greeneconomics.net, 2024, <https://www.greeneconomics.net/what2f.htm>.

Furthermore, allocative efficiency in government budgets for research and development (R&D) is vital. The government must prioritize funding for innovative technologies that can support sustainable practices and improve productivity. Without sufficient investment in R&D, the progress towards green technologies may be hampered, limiting the overall effectiveness of the Green Growth Program. The Green Growth Program emphasizes two main components: capacity building and green investment. Capacity building involves enhancing the skills, knowledge, and resources of individuals and organizations to promote sustainable practices. This aspect is crucial, as it empowers stakeholders to implement green initiatives effectively.

Training programs, workshops, and seminars can be organized to educate various sectors about sustainable practices and the importance of the Green Growth Program. This education should not only target businesses and government officials but also extend to local communities. By fostering a culture of sustainability, stakeholders will be more inclined to adopt practices that align with the program's objectives. Green investment focuses on directing financial resources towards environmentally sustainable projects. This includes investments in renewable energy, sustainable agriculture, and eco-friendly infrastructure. By encouraging green investments, the government can stimulate economic growth while simultaneously addressing environmental concerns.

To attract investors, it is essential to create a supportive regulatory environment that incentivizes green investments. This can be achieved through tax breaks, subsidies, and grants for projects that align with the goals of the Green Growth Program. By making green investments financially attractive, the government can foster a shift towards more sustainable economic practices. Technological innovation plays a crucial role in the success of the Green Growth Program. Advancements in technology can enhance productivity and reduce environmental impacts. For example, the development of clean energy technologies, such as solar and wind power, can significantly reduce reliance on fossil fuels and lower greenhouse gas emissions.

Investment in research and development (R&D) is essential to foster innovation in green technologies. The government must allocate sufficient resources to support R&D initiatives that focus on sustainable practices. Collaboration with universities, research institutions, and private sectors can lead to breakthroughs that benefit both the economy and the environment. Moreover, promoting technology transfer from developed countries can accelerate the adoption of sustainable practices in Indonesia. This includes not only the transfer of technology but also knowledge and expertise that can empower local stakeholders to implement innovative solutions.

Implementing the Program Across Regions. For the Green Growth Program to be effective, its implementation must extend to all regions of Indonesia, encompassing all 34 provinces. Each province has unique challenges and opportunities regarding sustainability, making localized implementation essential. The central government should work closely with regional governments to tailor the program to meet the specific needs of each area.

Regional regulations and policies must support the overarching goals of the Green Growth Program. Local governments play a crucial role in promoting sustainable practices within their

jurisdictions. By empowering local authorities and providing them with the necessary resources and training, the program can gain traction at the grassroots level. Public awareness campaigns are also vital for educating the population about the importance of the Green Growth Program. Engaging the community through outreach initiatives can help foster a culture of sustainability, encouraging individuals and businesses to adopt eco-friendly practices. When the public understands the significance of the program, they are more likely to support and participate in its initiatives.

The Role of Private Sector and Community Engagement. The involvement of the private sector is critical for the success of the Green Growth Program. Businesses can contribute by adopting sustainable practices, investing in green technologies, and supporting local communities. Corporate social responsibility (CSR) initiatives can align with the goals of the Green Growth Program, fostering partnerships that benefit both the economy and the environment.

Moreover, engaging local communities in the program is essential. Communities often have valuable knowledge about their local environments and can contribute to sustainable practices. Involving them in decision-making processes can lead to more effective and culturally appropriate solutions. This participatory approach can enhance the program's acceptance and effectiveness at the local level. The principles of good governance are essential for the successful execution of the Green Growth Program. Transparency, accountability, and stakeholder participation are critical components that must be integrated into the program's framework. Good governance ensures that resources are allocated effectively and that the program remains aligned with its goals.

Effective communication between stakeholders is also vital. The government must engage with various sectors, including businesses, NGOs, and local communities, to gather input and feedback on the program's implementation. This collaborative approach fosters a sense of ownership among stakeholders, increasing the likelihood of success. Monitoring and evaluation mechanisms should be established to assess the program's progress and impact. Regular reporting and feedback loops can help identify areas for improvement and ensure that the program remains on track. By holding stakeholders accountable and providing opportunities for continuous learning, the Green Growth Program can adapt to emerging challenges and opportunities.

4. Conclusion

In the Indonesian context, while there are various regulations governing business ethics and law, challenges in implementation and oversight remain significant. The importance of business ethics and law are interconnected and have a major impact on business practices in the country. Companies that integrate ethics into their strategy can not only avoid legal risks, but also build a positive image that appeals to consumers and business partners. From an environmental perspective, the adoption of responsible business practices is critical to reducing negative impacts on the environment. By focusing on sustainability and social responsibility, companies can contribute to sustainable economic growth and improve the overall well-being of society. The Green Growth Program presents a promising pathway for Indonesia to achieve sustainable development in the face of industrialization. While challenges exist, a concerted effort focused on capacity building, green investment, and effective

governance can drive the program's success. By fostering a culture of sustainability and engaging stakeholders at all levels, Indonesia can create a favorable investment climate that balances economic growth with environmental preservation. As the program is rolled out across the nation, it is crucial to ensure that local contexts are taken into account and that public awareness is raised. The commitment to green growth must be embraced by all segments of society to realize its full potential. Ultimately, the Green Growth Program is not just an environmental initiative; it is a comprehensive approach to securing a sustainable and prosperous future for Indonesia. In summary, the journey towards green growth will require collaboration, innovation, and a shift in mindset from all sectors of society. By recognizing the interdependence of economic development and environmental sustainability, Indonesia can pave the way for a more resilient and sustainable future.

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