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Research Article

Business Law as a Catalyst for Innovation and Entrepreneurship: Analysis and Approach

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ARTICLE INFO	ABSTRACT

This study explores the role of business law as a catalyst for innovation and entrepreneurship and underscores the urgent need for immediate policy reforms to enhance support for both. In both global and local contexts, business law is crucial in providing a secure legal framework for intellectual property protection, facilitating access to capital, and supporting corporate structures. The research method used is a qualitative approach with data collection through case studies, literature reviews, and in-depth interviews with stakeholders such as entrepreneurs, academics, and policymakers. The data collected includes concrete cases of business law implementation, related articles and reports, and interviews that provide practical insights into policy implementation. Data analysis was conducted thematically to identify patterns and trends in the influence of business law on innovation. The results show that sustainable policy reforms, effective intellectual property protection, and adequate capital support are key elements in strengthening the business ecosystem and driving inclusive and sustainable economic growth.

Keywords: Business Law, Innovation, Entrepreneurship, Policy Reform, Intellectual Property Protection.

A. INTRODUCTION

Innovation and entrepreneurship have become key pillars of economic growth both globally and locally. The transformative power of innovation, with its ability to drive technological developments that not only increase efficiency and productivity but also create new products and services that open new markets and expand existing ones globally, is truly inspiring. For instance, the digital revolution has transformed the industrial landscape with the emergence of technologies such as artificial intelligence, the Internet of Things, and blockchain, all driven by continuous innovation (Daniels et al., 2019; Rahman & Thelen, 2019), this transformative power of innovation inspires hope for a better future and enables companies to compete globally, offering better and faster solutions than their competitors.

Entrepreneurship is also a significant driver of job creation and local economic development. Entrepreneurs who start new businesses create jobs for their communities, increase household incomes, and reduce unemployment rates. Small and medium-sized enterprises (SMEs), often founded by entrepreneurs, play a vital role in local economies by providing needed goods and services to communities while contributing to economic growth through tax payments and local business spending. Entrepreneurship also drives economic diversification, which reduces dependence on a particular industry and increases the economy's resilience to external shocks (Frizzo-Barker et al., 2020; Ikhlayel, 2018).

The combination of innovation and entrepreneurship creates a dynamic ecosystem where new ideas can develop and be implemented quickly on a larger scale. This will enable countries to increase their competitiveness in the global arena and attract foreign investment, which in turn accelerates economic growth (Bahoo et al., 2020; Munawir, 2020). Innovation and entrepreneurship are not only the key to economic growth but also the foundation for sustainable development and improving the quality of life of people worldwide.

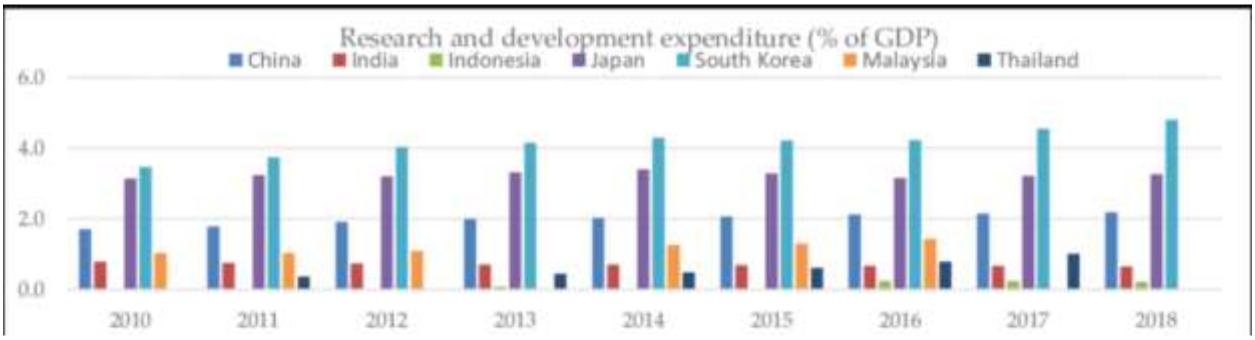

Figure 1. Research and Development Expenditure (% of GDP)
Source: Statista (2020)

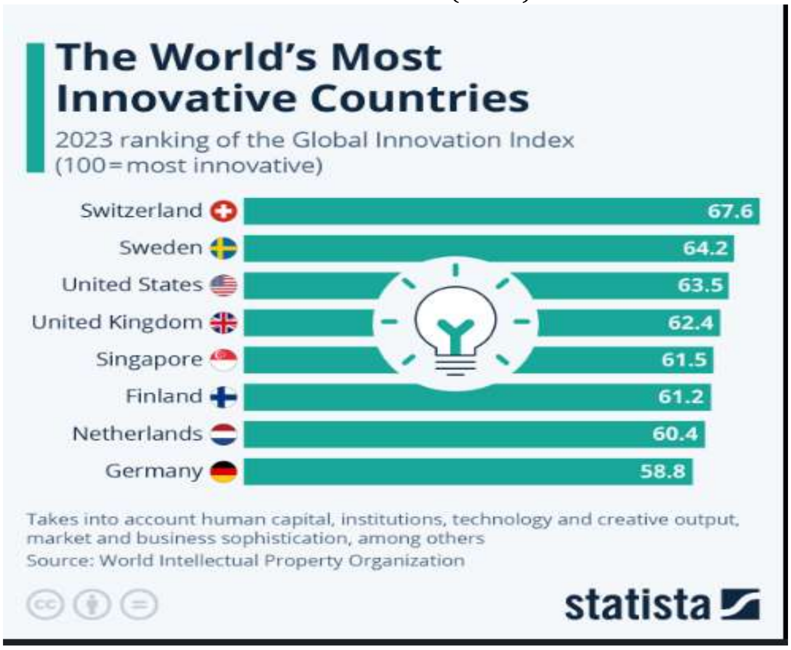

Figure 2. The World's Most Innovative Countries
Source: Statista (2023)

Recent statistics and trends show that innovation and entrepreneurship continue to play a vital role in driving global economic growth. According to the Global Innovation Index 2023 report, countries that invest in research and development (R&D) and support innovation ecosystems demonstrate better financial performance and higher global competitiveness. For example, countries such as Switzerland, Sweden and the United States continue to top the index, reflecting their commitment to innovation. The Global Entrepreneurship Monitor (GEM) 2023 revealed that levels of entrepreneurial activity are increasing in many countries, with significant increases seen in emerging economies such as India and Indonesia. This trend shows that more individuals are starting new businesses, driven by market opportunities and better government policy support. For example, many countries have implemented acceleration and incubation programs to support startups and provide easier access to financing.

The critical role of innovation and entrepreneurship in the economy is reflected in their contribution to job creation and economic growth. Data from the Organisation for Economic Co-operation and Development (OECD) shows that small and medium-sized enterprises (SMEs), founded mainly by entrepreneurs, account for more than 60% of total employment in many countries. Innovations from these enterprises often lead to increased productivity and efficiency, which drive overall economic growth. Recent trends show increasing investment in green technologies and sustainable innovation, reflecting the shift towards a more environmentally friendly economy. Innovations in renewable energy, sustainable mobility, and other environmentally friendly technologies are helping to address the challenges of climate change and creating new economic opportunities. Innovation and entrepreneurship are essential for current economic growth and the long-term sustainability of the global economy.

Business law encompasses the rules and regulations governing how businesses operate and interact with various stakeholders, including governments, employees, customers and business partners. Business law covers aspects such as company formation and structure, contracts, intellectual property rights, trade regulations, and employment and consumer protection laws, as each of these aspects plays a vital role in creating an environment that supports innovation and entrepreneurship (Ahlström, 2019; Opstad, 2018). Company formation regulations include determining how new businesses can be incorporated, the type of legal structure they can choose (such as a limited company, partnership or sole proprietorship), and the compliance

requirements that must be met, these regulations affect the ability of entrepreneurs to start and run their businesses efficiently. Intellectual property rights, including patents, trademarks and copyrights, provide legal protection for innovation and creativity, ensuring that innovators can monetise their ideas and protect them from theft or imitation (Martens et al., 2020; Zwartkruis & De Jong, 2020).
Contract law ensures that business deals are clearly and reasonably regulated, essential for building trust between the parties involved. Domestic and international trade regulations govern how goods and services are traded, including tariffs, customs duties and other compliance standards, which can affect a business's competitiveness and ability to expand. Employment and consumer protection laws also play a significant role (Djelic & Quack, 2018; Macaulay, 2018). Employment regulations ensure that workers' rights are protected and a safe and fair working environment is provided, contributing to employee productivity and satisfaction. Consumer protection ensures that products and services meet quality and safety standards, which is essential for building reputation and customer trust. A comprehensive and practical business law framework can create a stable and supportive framework, allowing innovators and entrepreneurs to operate confidently and focus on developing new ideas to drive economic growth.

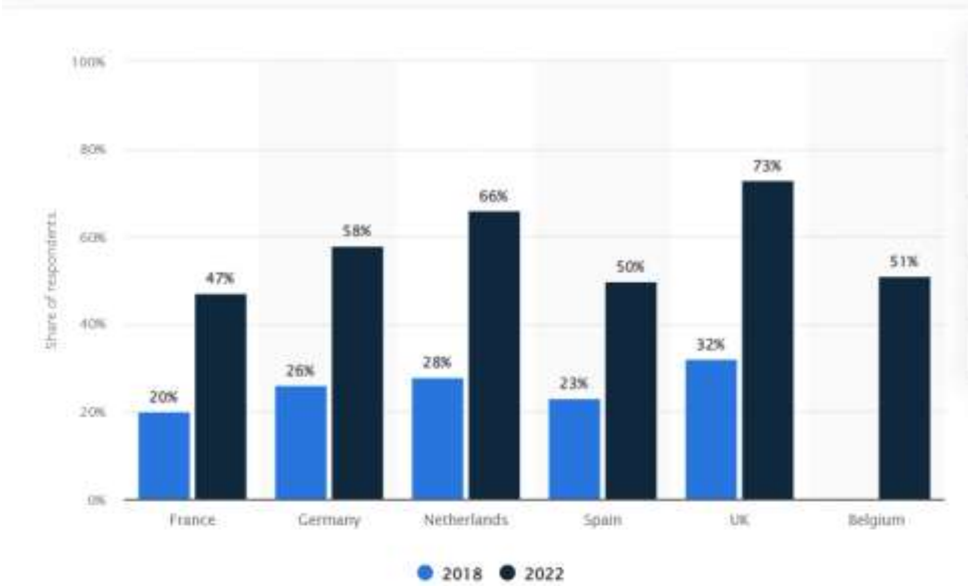

Figure 3. General Data Protection Regulation (GDPR) awareness for users in selected European countries in 2018 and 2022
Source: Statista (2023)

Business laws can support or hinder innovation in different industries, depending on how they are implemented and interpreted. In the rapidly evolving technology industry, data protection and privacy laws such as the European Union's General Data Protection Regulation (GDPR) have pushed companies to innovate how they manage and protect user data. These regulations have forced companies to develop more sophisticated security technologies and efficient data management systems, increasing consumer trust and digital security. Compliance with these stringent regulations can also be a barrier for smaller companies or startups that may not have the resources to meet these legal requirements (Bernstein, 2022; Davies, 2020).
Business law in the pharmaceutical industry related to patents strongly supports innovation. Patent protection incentivises companies to invest significant resources in the research and development of new drugs, with the assurance that they will have exclusive rights to sell the product for a specified period. This allows companies to recover high R&D costs and earn the profits needed to fund further innovation; patent policies that are too restrictive can also stifle innovation, mainly when patents are used to block new competitors or extend market monopolies through additional patents on minor improvements (Law et al., 2020; Stypińska et al., 2019).
Regulations related to online transactions and consumer protection play a critical role in supporting innovation in the e-commerce sector. Laws governing digital payments, transaction security and consumer data protection, create a safe and trusted environment for consumers to make online purchases, and this drives innovation in payment methods, security technologies and user experiences. Overly complex or inconsistent regulations across jurisdictions can hinder e-commerce companies looking to expand their operations into international markets, as they must adapt to various legal requirements (Leonidou et al., 2020; Mansour et al., 2018). These examples show that business law can be a double-edged sword in enabling or inhibiting innovation. Well-designed regulations can create an environment conducive to developing new technologies and innovative solutions, while excessive or disproportionate regulations can act as a barrier to companies innovating and growing.
Business law must adapt quickly to changing technologies and market needs because the dynamic business environment requires responsive and relevant regulation. Rapid technological developments such as artificial intelligence, blockchain technology, and digital platforms have transformed how businesses operate,

communicate, and transact. Without rapid adaptation of business law, there is a risk that existing regulations will not be able to accommodate new business practices or adequately protect consumers in this new context; changes in market needs, such as increased demand for data security or environmental protection, are driving the need for stricter or new regulations to address these new challenges (Bauweraerts et al., 2022; Igwe et al., 2020).

Significant changes in business law, such as regulatory reform or the introduction of new rules, can substantially impact innovation and entrepreneurship. Progressive regulatory reform can facilitate a more open and innovative business environment by reducing excessive bureaucracy or introducing fiscal incentives for R&D (Othman et al., 2021; Scaringella & Radziwon, 2018). Conversely, excessive or inconsistent regulation can stifle innovation by complicating licensing processes or limiting flexibility in adopting new technologies. Introducing new laws governing specific aspects such as data protection or cybersecurity can also impact how companies innovate and operate, requiring additional investments in compliance and technology development.

Rapid and timely adaptation of business law is not only essential to maintain regulatory relevance to technological and market developments but also to create an environment that supports sustainable economic growth and continuous innovation, and this allows companies to remain competitive in the ever-changing global market and provides the necessary protection to all stakeholders while promoting entrepreneurship and investment in research and development (Sagar et al., 2023; Shkabatur et al., 2022).

This study aims to analyse and evaluate the role of business law as a catalyst in encouraging innovation and entrepreneurship. This study also aims to identify how various aspects of business law, including regulations and policies, can support or hinder the process of innovation and new venture development. This study also aims to evaluate the effectiveness of existing legal policies in creating a conducive environment for innovators and entrepreneurs and to propose concrete recommendations for policy reform or adjustment to increase support for innovation and entrepreneurship. This study seeks comprehensive and practical insights for policymakers, legal practitioners, and the business community on leveraging business law to spur sustainable economic growth and value creation through innovation and entrepreneurship through in-depth analysis of case studies, relevant literature, and empirical data.

B. LITERATURE REVIEW

1. Innovation and Entrepreneurship

Innovation and entrepreneurship are interrelated concepts that have immense relevance in modern business. Innovation can be defined as the process of creating new ideas, products, or methods that bring about positive change and improve efficiency or effectiveness. Innovation often means the introduction of new technologies, business models, or services that can meet market needs in a better way. On the other hand, entrepreneurship refers to starting and running a new venture to achieve growth and profits. Entrepreneurship involves taking risks, identifying market opportunities, and mobilising resources to develop a sustainable business (Guerrero & Urbano, 2019; Yunis et al., 2018). The relevance of innovation and entrepreneurship in business lies in their ability to drive economic growth, increase competitiveness, and create added value for customers and society.

Various factors influence the success of innovation and entrepreneurship. One of the main factors is a conducive regulatory environment, where business laws and government policies provide adequate support for developing new businesses and adopting innovative technologies. Access to financial resources, such as venture capital and financing, is also critical to fostering innovative activities and supporting the growth of startups. The availability and quality of human resources, including technical skills and knowledge, greatly influence a company's ability to innovate and compete in the market (Herrera et al., 2018; Kickul et al., 2018). An organisational culture supporting creativity, collaboration, and risk-taking fosters innovation and entrepreneurship. Strong business networks and ecosystems, including relationships with industry partners, universities, and research institutions, can provide additional support and accelerate the process of innovation and business development. These definitions and factors demonstrate the importance of innovation and entrepreneurship in business and how various elements can influence their success in creating positive change and sustainable economic growth (Daraojimba et al., 2023; Huggins et al., 2018).

2. The Relationship between Business Law and Innovation

The relationship between business law and innovation has been the subject of numerous studies highlighting how regulation and policy can influence innovative activities in various industries. Previous studies have shown that well-designed business laws can be a crucial driver of innovation. For example, a study by (Jebali & Meschitti, 2021) found that strong patent protection in the US semiconductor industry encouraged firms to increase investment in research and development (R&D). A study by (Alon-Beck, 2018) suggests that overly rigid or bureaucratic regulation can hinder innovation by increasing compliance costs and reducing firms' flexibility in adapting to new technologies.

Analysis of relevant theories and existing frameworks also provides essential insights into the relationship between business law and innovation. For example, the Schumpeterian Economics of Innovation Theory emphasises the role of entrepreneurship and "creative destruction" in driving economic development (Khyareh et al., 2019). This theory suggests that innovation often arises from small, new businesses that challenge established firms with the latest technologies and business models. Business laws supporting the ease of starting a business and protecting intellectual property rights are essential to enable innovation to flourish. The Triple Helix framework introduced by Etzkowitz and Leydesdorff in (Burns, 2020) emphasises the importance of collaboration between universities, industry, and government in creating an environment that supports innovation. Business law serves as a tool that regulates and facilitates the interaction between these three elements, aiming to ensure that each party has clear incentives and adequate protection to contribute to the innovative process.

The relationship between business law and innovation is complex and multifaceted. Existing studies and theory suggest that effective regulation can foster innovation by providing legal protection, reducing bureaucratic barriers, and encouraging collaboration between actors in the innovation ecosystem. Inappropriate or excessive regulation can hinder innovative development and reduce economic competitiveness, and understanding and optimising this relationship is critical to maximising the potential for innovation and economic growth (Hall, 2021).

3. Previous Research

Research by (Sutrisno et al., 2023) on the global entrepreneurial ecosystem found that government policy support, including supportive business laws, is critical to creating an environment conducive to entrepreneurship. They highlighted that access to finance, intellectual property protection, and regulations that facilitate the formation of new companies are key factors supporting entrepreneurial activity.

Research by (Evers et al., 2020) also shows the importance of business law in supporting innovation through collaboration between various actors in the innovation ecosystem. They developed the concept of "brokering knowledge," where companies act as intermediaries connecting knowledge from multiple sources to create innovative solutions. Business laws that support information protection and collaboration between companies are essential to fostering knowledge exchange and innovation. Previous research has shown that well-designed business laws can drive innovation and entrepreneurship significantly by providing necessary protections, reducing bureaucratic barriers, and encouraging collaboration. Still, inappropriate or excessive regulation can hinder innovative development and reduce economic competitiveness.

In addition to the studies above, several other studies provide insights into the relationship between business law, innovation, and entrepreneurship. (Sharma, 2019) study on the economics of intellectual property rights highlights that an effective patent system can act as a catalyst for innovation by providing clear economic incentives for firms to invest in R&D. This study shows that good patent regulation not only protects intellectual property rights but also leads to economic growth through the creation and commercialisation of new technologies.

Research by Teece (1986) in (Sedera et al., 2022) developed the "Dynamic Capabilities" concept, which describes how firms manage their resources to respond to market and technological changes. In business law, this concept emphasises the importance of adapting organisations and business strategies in the face of new regulations or changes in legal policies that affect a firm's ability to innovate and compete. A study by (Kraus et al., 2021) on the effects of contract law in transition economies suggests that legal uncertainty can be a significant barrier to new venture development and investment in emerging economies, this study highlights the importance of legal clarity and certainty in creating a stable and predictable business environment. Another study by (Reid, 2019) examined the effects of public policy on technological innovation across countries. They found that differences in legal and regulatory policies can explain much of the difference in innovation rates between countries, emphasising smart regulation's importance in encouraging technological development.

Research by (Kuksa et al., 2019) on venture investment highlights that a conducive regulatory climate and legal predictability are critical to attracting the venture capital investment needed for startups to grow and thrive. This study shows that differences in financial regulation and investor protection can significantly affect new firms' access to capital and their ability to innovate. These studies provide rich perspectives on how business law, regulation, and public policy affect innovation and entrepreneurship.

C. METHOD

This research is designed to provide a comprehensive analysis of the role of business law in driving innovation and entrepreneurship using a qualitative analysis approach. The qualitative approach will be used to explore specific cases and relevant literature studies in depth. The data sources used in this research include several key elements. First, case studies and interviews will be selected to provide in-depth insights into how business law affects companies in various industries, such as technology, pharmaceuticals, and e-commerce. These case studies will give real-life examples of successes and challenges faced by companies related to legal regulations. The second data source, relevant literature, including journal articles, books, and policy reports, will be reviewed to identify theories and concepts developed regarding the relationship between business law and innovation.

Qualitative data analysis methods will be used to explore in depth how business law impacts innovation and entrepreneurship. This method involves several key steps: 1) Qualitative Data Collection: Qualitative data will be collected through case studies, in-depth interviews, and literature reviews. Case studies will provide concrete insights from various industries on the impact of business law on innovation and entrepreneurship.

Interviews with legal practitioners, entrepreneurs, and other stakeholders will provide first-hand perspectives on the challenges and opportunities faced. The literature review will include relevant academic articles, books, and policy reports; 2) Thematic Analysis: Thematic analysis will be used to identify and analyse patterns or themes that emerge from the qualitative data; 3) Data Triangulation: To increase the validity and reliability of the findings, data triangulation will be conducted by comparing results from various data sources, such as case studies, interviews, and literature reviews. This triangulation helps ensure that the findings are consistent and accountable; and 4) Interpretation and Conclusion Drawing: After the thematic analysis, the researcher will interpret the results to understand how business law impacts innovation and entrepreneurship. This qualitative data analysis method allows researchers to gain a deep and nuanced understanding of the relationship between business law and innovation and to identify patterns and insights that are not always apparent in quantitative analysis.

D. RESULT AND DISCUSSION

1. The Role of Business Law in Supporting Innovation

An analysis of policies and regulations supporting innovation shows that the proper framework can significantly boost technological development and entrepreneurship. Regulations supporting the protection of intellectual property rights have proven effective in incentivising companies to invest in research and development. One example of a successful policy is the R&D tax incentive, which provides fiscal benefits to companies that invest funds in innovative activities. A legal practitioner from Law Firm X said,

"Tax incentives for research and development help companies take greater risks in developing new technologies because they know that some of the costs will be compensated."

Policies that support access to finance, such as government funding programs and easy access to venture capital, are also crucial in driving innovation. An entrepreneur from a tech startup interviewed said, "Support from government funding programs such as Micro Business Financing Assistance helped us to test our products and enter the market faster." These policies provide the necessary capital and non-financial support, such as mentorship and networking, that can increase the chances of a startup's success. Regulations that ensure data security and privacy are also critical in sectors that rely on digital transactions. For example, laws such as the General Data Protection Regulation (GDPR) in the European Union have set high standards for data protection, which helps increase consumer confidence in online transactions. An official from the E-commerce Regulatory Agency stated,

"With the implementation of GDPR, consumers feel safer shopping online, encouraging companies to innovate their digital services and products."

Policies and regulations that support innovation create a stable and conducive environment for companies to innovate. Through intellectual property protection, fiscal incentives, financing support, and data security, these regulations provide a strong foundation for innovation-based economic growth. Stakeholders interviewed, ranging from legal practitioners to entrepreneurs, underscored the importance of adaptive and proactive regulations in fostering a sustainable, innovative climate. Case studies of policies that have successfully driven innovation in various sectors demonstrate the critical role of appropriate rules in creating an environment conducive to technological growth and development. In the technology sector, US government policies such as tax breaks for investment in research and development have led to a surge in innovation in Silicon Valley. Government support in the form of tax incentives and research funding has enabled technology companies to invest more in developing new products and technologies. It has also created an ecosystem that supports collaboration between technology companies, universities, and research institutions, all of which contribute to accelerating innovation (Filser et al., 2019; Mahaputra & Saputra, 2021).

In the pharmaceutical sector, the Orphan Drug Act, introduced in the United States in 1983, has provided significant incentives for pharmaceutical companies to develop drugs for rare diseases. Before this act, the pharmaceutical industry often overlooked rare diseases due to limited markets and a lack of economic incentives. Pharmaceutical companies received various incentives, including tax credits, development assistance, and exclusive marketing rights, which made developing drugs for rare diseases more financially attractive. As a result, many new drugs for rare diseases have been successfully developed and approved that would otherwise have never been possible (Rahman & Thelen, 2019).

Consumer protection and data security policies in e-commerce have driven significant growth. Implementing the General Data Protection Regulation (GDPR) in the European Union is an example of a policy that has successfully driven innovation by increasing consumer trust. The GDPR provides vital protection for consumers' data, ensuring that e-commerce companies adhere to high data privacy and security standards. As a result, consumers feel more secure and confident in shopping online, encouraging companies to innovate and provide better and more secure digital services and products. This case study shows that well-designed policies can significantly drive innovation across sectors. These policies have successfully created an environment conducive to innovation and economic growth through fiscal incentives, development support, and regulations that ensure consumer security and protection.

Intellectual property rights (IPR) protection is essential for innovators because it provides an economic incentive that allows them to reap the rewards of their hard work and creativity. Without this protection, innovators face a high risk that their ideas and inventions will be copied or used without permission, which reduces the innovation's economic value and the incentive to invest further in research and development. IPR protection ensures that innovators have the exclusive right to control and monetise their work, which encourages the creation of more innovations.

Legal mechanisms available to protect IPR include patents, trademarks and copyrights, each providing different forms of protection. Patents give inventors exclusive rights to their technical inventions for a specified period, usually 20 years. During this time, the patent holder has the right to prevent others from making, using or selling the invention without permission. Patents encourage innovation by allowing inventors to recoup their investment in research and development through licensing or selling patented products. Trademarks protect symbols, names, logos and other marks used to identify and distinguish the products or services of one company from those of another. Trademark protection ensures that consumers can quickly identify the origin of a product or service, which helps build brand reputation and loyalty. Trademarks also protect their owners from imitation or unauthorised use that could confuse consumers and damage the brand's reputation.

Copyright protects works of art, literature, and other creations, such as books, music, films, and software. Copyright gives creators the exclusive right to control the reproduction, distribution, and public display of their work for a period that usually lasts for the creator's life plus 70 years after their death. Copyright allows creators to gain financial benefits from using and distributing their work, which encourages more creative content creation. In addition to these three main mechanisms, industrial design rights protect the aesthetic aspects of a product, and geographical indications protect products originating from a particular geographic location with a unique reputation, quality, or characteristics. These IPR protections ensure that innovators and creators have the right to control the use of their work and receive appropriate compensation, encouraging more innovation and creativity in various fields.

Intellectual property rights (IPR) protection is central to encouraging innovation and creativity by providing critical economic incentives for creators and innovators. For innovators, IPR protection is crucial because it assures that the results of their efforts to create and develop something new will be protected from unauthorised use or copying by others. This makes legal certainty and provides the economic incentive necessary to invest time, resources, and energy in research and development. The legal mechanisms available in Indonesia to protect IPR include several primary laws:

a. Patent Act: Law Number 13 of 2016 on Patents in Indonesia protects inventors for their technical inventions. This law grants exclusive rights to patent holders to prevent others from making, using, or selling the invention without permission.

b. Trademark Act: Law Number 20 of 2016 on Trademarks and Geographical Indications regulates trademark protection in Indonesia. This law grants exclusive rights to trademark owners to use their trademarks exclusively and prohibits others from using the trademark without permission.

c. Copyright Act: Copyright protection in Indonesia is regulated by Law Number 28 of 2014 on Copyright. This law protects creators for the reproduction, distribution, and public display of their artistic, literary, and scientific works.

This IPR protection protects creators and encourages economic growth by creating a conducive environment for innovation and investment in research and development. With a solid legal basis as regulated in the law, innovators in Indonesia are assured of being able to utilise their work and inventions economically, which in turn benefits the broader community by improving the quality of the products, services, and technologies they offer.

Facilitating access to capital is vital in supporting the growth and development of innovation and business. Legally, there are several ways in which rules and regulations can facilitate access to capital for innovators and entrepreneurs in Indonesia. Regulations related to funding and investment play a vital role in providing legal certainty and incentives for investors to invest in innovative projects. Law Number 25 of 2007 concerning Investment regulates foreign and domestic investment, providing a clear framework for investors to invest. The Financial Services Authority (OJK) regulates the capital market through various regulations that support corporate funding, including innovators, through stock offerings and other financial instruments. Further rules regarding crowdfunding are also increasingly developing as an alternative way to obtain capital. Crowdfunding allows entrepreneurs to raise funds from many individuals through online platforms. In Indonesia, OJK has issued regulations regarding crowdfunding through OJK Regulation Number 37/POJK.04/2018 concerning Information Technology-Based Money Lending Services, which includes rules for crowdfunding platforms. This regulation provides a clear framework for startups and innovative companies to raise funds from individual investors in a legal and structured manner. In interviews with relevant stakeholders, they highlighted the importance of clear and innovation-friendly regulations in facilitating access to capital. A representative from the startup or financial industry said that:

"*The crowdfunding regulation issued by OJK has provided much-needed legal certainty for us in raising funds to support our innovation. This increases investor confidence and allows us to access wider sources of capital to develop new technologies.*"

Innovators and entrepreneurs in Indonesia can be more confident in running their businesses and obtain the financial support needed to turn their innovative ideas into products and services that benefit society and the economy with supportive regulations.

2. Business Law as a Driver of Entrepreneurship

Corporate structures that support entrepreneurship include various forms of legal entities that provide flexibility, legal protection, and financial incentives for entrepreneurs. Some common corporate structures in Indonesia include Limited Liability Company (PT), Commanditaire Vennootschap (CV), and Firma. A Limited Liability Company (PT) is one of the most popular forms of corporate structure because it provides a clear separation between the owner's and the company's assets and facilitates access to capital through the sale of shares.

The regulations governing the formation and operation of companies in Indonesia are designed to provide a clear and supportive legal framework for entrepreneurs. The formation of a Limited Liability Company (PT) is regulated by Law Number 40 of 2007 concerning Limited Liability Companies. This law covers various essential aspects, from the establishment of a company, organisational structure, rights and obligations of shareholders to the company's liquidation. Law No. 40 of 2007 provides comprehensive guidance on how companies should be formed and managed and offers legal protection for shareholders and creditors.

The Indonesian government has also issued supporting regulations for companies that want to operate in the small and medium business sectors. Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises (MSMEs) provides a legal framework that supports the development and growth of MSMEs. This law includes various incentives and facilities offered by the government, including easy access to permits, financing support, and training programs to improve the capacity and competitiveness of MSMEs. Regulations regarding corporate governance also play an essential role in supporting entrepreneurship. Financial Services Authority (OJK) Regulation Number 21/POJK.04/2015 concerning the Implementation of Good Corporate Governance Guidelines for Public Companies regulates the principles of good governance that public companies must implement. This regulation covers transparency, accountability, responsibility, independence, and fairness, aiming to increase investor confidence and business sustainability.

Fair and transparent contractual arrangements are essential to support entrepreneurship, as contracts are the basis of many business transactions. Excellent and clear contracts ensure that all parties understand their rights and obligations and provide a fair dispute resolution mechanism in the event of a dispute. This creates a stable and predictable environment for entrepreneurs to operate, which ultimately encourages investment and innovation. Contractual arrangements are governed by the Civil Code (KUHPerdata), specifically Book III, which discusses obligations. This law provides general guidance on creating, implementing and settling contracts. The articles in the KUHPerdata explain the basic principles of contracts, such as the parties' agreement, the object of the agreement and the lawful cause. The law also regulates special contracts, such as sale and purchase, rental and employment agreements.

Case studies of successful contracts can be found in various industries. For example, in the technology industry, startups often rely on investment contracts to raise capital from investors. These contracts usually include provisions on the amount of investment, voting rights, dividend distribution, and exit strategy. A successful case study is when a technology startup in Indonesia attracted significant investments from venture capital through a well-designed contract that covers all essential aspects and protects both parties; this contract allows the startup to grow and develop while providing significant benefits to its investors.

Challenges often arise in the form of disagreements between the parties regarding the interpretation of the contract, changes in economic conditions, or failure of one party to fulfil its obligations. For example, in the construction industry, large project contracts often face challenges related to changes in specifications, delays, and additional costs. Suitable contract arrangements with clear dispute resolution clauses, such as arbitration or mediation, are essential to avoid lengthy and costly disputes.

Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution provides a legal framework for out-of-court dispute resolution, often used in business contracts to avoid lengthy and complicated litigation processes. This law allows parties to choose arbitration to resolve disputes quickly and effectively. Fair and transparent contract arrangements play an important role in supporting entrepreneurship by providing legal certainty and protection for entrepreneurs. Existing regulations, such as the Civil Code and the Arbitration Law, provide a solid legal basis to ensure business contracts run smoothly, encouraging economic growth and innovation. The government is crucial in supporting entrepreneurship through various policies and programs designed to create an environment conducive to innovation and business growth. Multiple policies have been implemented to encourage entrepreneurship in Indonesia, including providing incentives, facilitating access to capital, and providing training and mentoring for entrepreneurs (Ikhlayel, 2018).

One of the central policies supporting entrepreneurship is Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises (MSMEs). This law provides various incentives and support for MSMEs, including easy access to permits, financing facilities, and training programs to increase the capacity and competitiveness of MSMEs. This law also encourages the central and regional governments to provide mentoring and development programs for MSMEs. The Indonesian government has launched various incubation and acceleration programs aimed at helping startups and young entrepreneurs develop their businesses. The Creative Economy Agency (BEKRAF), now under the Ministry of Tourism and Creative Economy, plays a vital role in supporting entrepreneurship in the creative economy sector through various incubation and acceleration programs. These programs offer multiple forms of support, ranging from business guidance access to mentors and industry networks to facilities and initial capital.

An example of a successful incubation program is the Digital Startup Incubation Program (Startup Studio Indonesia), launched by the Ministry of Communication and Information. This program provides intensive guidance, training, and mentoring for technology startups to help them overcome early business challenges and prepare them for sustainable growth. The program is designed to provide holistic support to entrepreneurs, from product development to marketing strategy. Further analysis shows that regulations also play a significant role in driving the success of these programs. Presidential Regulation Number 74 of 2017 concerning the Roadmap for the National Electronic-Based Trading System (e-Commerce Roadmap) is one of the regulations that encourage the growth of e-commerce and digital startups in Indonesia. This regulation covers various aspects, including consumer protection, the development of technological infrastructure, and incentives for e-commerce and digital startup entrepreneurs. These policies and incubation programs demonstrate the government's commitment to supporting entrepreneurship and innovation. The support provided helps entrepreneurs start and grow their businesses and drives inclusive and sustainable economic growth.

3. Approaches to Enhancing the Role of Business Law

Policy reform and development that focuses on the needs of the times and market dynamics is essential to enhance the role of business law in supporting innovation and entrepreneurship. Business law policy reform can play a crucial role in creating a more conducive environment for the growth of innovation and entrepreneurship by updating existing rules and implementing new, more relevant policies. The following is a table on Policy Reform and Development to support innovation and entrepreneurship:

Table 1. Policy Reform and Development to Support Innovation and Entrepreneurship

Aspect	Explanation	Related Laws	Implementation Example
Policy Reform Suggestions	1. Simplification of licensing and administration processes. 2. Updates to intellectual property regulations to reflect the latest technological developments.	1. Law No. 11 of 2020 concerning Job Creation 2. Law No. 13 of 2016 concerning Patents 3. Law No. 20 of 2016 concerning Trademarks and Geographical Indications	1. Increased efficiency of the licensing process. 2. Update patent and trademark regulations.
Data-Driven Approach	1. Collect and analyse data on entrepreneurs' obstacles to designing more targeted policies. 2. Monitor and evaluate existing policies.		1. Surveys and case studies to identify needs. 2. Periodic evaluation of policies.
Need for Reform	1. Improve the implementation of the Job Creation Law to ensure benefits are felt widely. 2. Update intellectual property regulations to address new challenges.	1. Law No. 11 of 2020 concerning Job Creation 2. Law No. 13 of 2016 concerning Patents 3. Law No. 20 of 2016 concerning Trademarks and Geographical Indications	Strengthening policy implementation and adjusting regulations to global trends.

Source: data proceed

Suggestions for business law policy reform cover several vital areas. First, there is a need to simplify licensing and administrative processes that are often a barrier for new entrepreneurs. Law Number 11 of 2020 on Job Creation is a significant step in reducing bureaucracy and simplifying the process of establishing and operating a company. However, further reforms may be needed to improve the implementation of this law and ensure that entrepreneurs widely feel its benefits. Second, it is essential to update regulations related to intellectual property protection to reflect the latest technological developments and global market trends. Law Number 13 of 2016 on Patents and Law Number 20 of 2016 on Trademarks and Geographical Indications must be updated regularly to ensure that the protection provided remains relevant and effective in facing new challenges and opportunities in the digital era.

A data-driven approach to identifying reform needs is critical to designing effective policies. Collecting and analysing in-depth data on the barriers entrepreneurs face, such as difficulties in accessing capital, complicated licensing processes, or legal uncertainties, can provide valuable insights. For example, surveys and case studies conducted by government agencies or research institutions can help identify areas that require special attention, and policymakers can design more targeted reforms that align with real needs on the ground with accurate data. The implementation of a data-driven approach also includes monitoring and evaluation of policies that have been implemented. Policymakers can assess the effectiveness of reforms that have been implemented and make adjustments if necessary through regular assessment, which ensures that policies remain relevant and effective in supporting innovation and entrepreneurship.

Collaboration between the government and the private sector is critical in creating a legal environment that supports innovation and entrepreneurship. This synergy not only helps align policies with market needs but also accelerates the implementation of initiatives that can benefit both parties. When the public and private sectors work together, they can identify and address common challenges and create policies and regulations that are more effective and responsive to technological and market changes. The importance of this collaboration is reflected in the various policies and programs designed to support the business ecosystem. For example, Law Number 25 of 2007 concerning Investment regulates cooperation between the government and private investors in facilitating investment in Indonesia. This law incentivises foreign and domestic investment and ensures that the government and the private sector can work together to create a better investment environment.

A case study of successful collaboration can be seen in the 100 Smart Cities Program initiative, which is an initiative of the Indonesian Ministry of Communication and Informatics. This program aims to develop smart cities by utilising information and communication technology. In this program, the government collaborates with technology companies and digital solution providers to design and implement solutions that improve the quality of life in these cities. This collaboration has resulted in various innovations in city management, such as more efficient transportation systems and public service platforms that are more accessible to the public. Another example of successful collaboration is the Public-Private Partnership (PPP) Program in infrastructure development. This PPP program, regulated in Law Number 38 of 2014 concerning roads, allows cooperation between the government and the private sector to build and manage road infrastructure through financing, construction, and operation involving both parties. This collaboration accelerates infrastructure development and brings private sector expertise and efficiency to project management. This kind of collaboration shows that integrating public policy and private sector innovation can create better and faster solutions to the challenges faced. The government can benefit from the knowledge and practical experience of the industry. At the same time, the private sector can gain the legal certainty and support needed to invest and innovate by involving the private sector in the policy and program development process. The active involvement of both parties in creating and implementing supportive legal policies will ensure a dynamic and sustainable business environment.

E. CONCLUSION

The conclusion of this study confirms that business law plays a crucial role as a catalyst for innovation and entrepreneurship by providing a clear legal framework, protecting intellectual property rights, and facilitating access to capital and supportive corporate structures. Policy reforms are needed to simplify licensing processes, update intellectual property regulations, and ensure policy relevance to the latest market and technological developments. A data-driven approach is essential in designing effective policies. As stipulated in the Investment Law and the Road Law, collaboration between the government and the private sector has successfully created an environment supporting innovation. Intellectual property protection through laws such as the Patent Law and the Trademark Law protects the results of creativity. At the same time, regulations related to access to capital and corporate structures facilitate business development. Coordinated policy reform, rights protection, and capital support efforts can strengthen the business ecosystem and drive inclusive and sustainable economic growth.

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