

THE PRINCIPLE OF NOTARY PRUDENCE IN LAND SALE AND PURCHASE BINDING AGREEMENTS (PPJB): BUILDING LEGAL CERTAINTY, TRANSACTION TRUST, AND ECONOMIC EFFICIENCY IN THE INDONESIAN LAND SECTOR

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ABSTRACT

Land represents a valuable economic asset with a strategic role in supporting national development. In addition to fulfilling the social needs of the community, land has increasingly functioned as an instrument for investment and capital accumulation. The growing economic significance of land has led to increasingly complex patterns of land transactions, which in turn have heightened the possibility of legal disputes arising from such activities. One of the legal mechanisms commonly used in land transactions is the Sale and Purchase Binding Agreement (Perjanjian Pengikatan Jual Beli/PPJB), executed before a Notary as a preliminary agreement prior to the signing of the Sale and Purchase Deed (Akta Jual Beli/AJB). Nevertheless, various disputes demonstrate that insufficient adherence to the prudential principle by Notaries in drafting PPJBs may result in legal uncertainty, financial losses, declining trust among the parties, and higher transaction costs. This study aims to examine the urgency of reconstructing the authority of Notaries based on the prudential principle in the preparation of land-related PPJBs and to assess its implications for legal protection and economic efficiency. The research employs a normative legal method using statutory, conceptual, and case approaches. The findings indicate that the current legal framework governing Notarial authority does not expressly mandate the conduct of land due diligence before the execution of a PPJB. This regulatory gap creates opportunities for disputes and increases economic burdens borne by the parties. Therefore, reconstructing Notarial authority is essential through strengthening obligations to verify land data, integrating digital land administration systems, and reinforcing professional prudential standards to enhance legal certainty, protect the interests of the parties, and promote a secure, efficient, and sustainable land transaction environment.

Keywords: economic efficiency, land transactions, legal certainty, notary authority, prudential principle

1. INTRODUCTION

Land occupies a fundamental position in the economic life of Indonesian society. Beyond serving as a place of residence, land also functions as a crucial factor of production that supports agricultural activities, industrial development, trade, investment, and the provision of public infrastructure. Consequently, land should not merely be viewed as a social asset attached to community life, but also as a capital asset possessing significant economic value. Within the framework of national development, legal certainty and stability in land transactions constitute essential prerequisites for fostering a conducive, healthy, and sustainable investment climate (Winarso, 2017).

As an agrarian country, Indonesia recognizes that land embodies not only economic interests but also complex social, cultural, and political dimensions. This multifaceted character necessitates a systematic and equitable approach to land regulation and administration to guarantee legal certainty and adequate protection for holders of land rights. Effective land administration requires reliable legal instruments, particularly through the implementation of land registration. Land registration enables the government to establish administrative order in the land sector, generate accurate data to support development planning, and ensure that land utilization remains consistent with its social function. Therefore, the registration of land rights serves not only to safeguard individual interests but also to promote legal order, justice, and sustainable development in the agrarian sector. Through this process, right holders acquire legal certainty regarding the status, boundaries, and location of their land, as evidenced by officially issued certificates (Ardiansyah & Darwati, 2026).

In essence, land registration constitutes a process of documenting legal and factual circumstances relating to the ownership of land. The information recorded encompasses events associated with an individual's acquisition and possession of a parcel of land, thereby creating a publicly accessible source of evidence concerning ownership rights. Such registration provides clarity regarding the procedures for obtaining land rights and the legal proof required to substantiate those rights whenever needed.

The obligation to undertake land registration is expressly stipulated in Article 19 paragraph (1) of Law Number 5 of 1960 concerning Basic Agrarian Principles (Undang-Undang Pokok Agraria/UUPA), which provides that:

"To ensure legal certainty, the Government shall conduct land registration throughout the territory of the Republic of Indonesia in accordance with the provisions regulated by Government Regulations."

The foregoing provision demonstrates that the principal objective of land registration is to provide legal certainty and legal protection to holders of land rights, encompassing certainty regarding the legal subject, the object of the right, and the applicable legal status. Furthermore, Article 3 of Government Regulation Number 24 of 1997 concerning Land Registration stipulates that land registration aims: (1) to provide legal certainty and legal protection to holders of rights over parcels of land, apartment units, and other registered rights so that they may readily prove their status as rights holders; and (2) to furnish information to interested parties, including the Government, enabling them to obtain the data necessary for carrying out legal acts relating to registered land and apartment units, thereby supporting the realization of

orderly land administration. Then in the context of the realization of further legal certainty, it is stipulated in paragraph (2) letter c that “the issuance of proof of rights that possesses the status of strong evidentiary value underscores the importance of public officials in ensuring the legality of land transactions. In this regard, Notaries occupy a strategic position in supervising and safeguarding the implementation of legal acts relating to land.”

Article 1 paragraph (1) of Law Number 2 of 2014 concerning the Amendment to Law Number 30 of 2004 on the Office of Notary defines a Notary as:

"A public official who is authorized to make authentic deeds and has other authorities as referred to in this Law or under any other law."

This provision reflects that the role of a Notary extends beyond merely drafting authentic deeds. As a public official vested with authority by the State, a Notary functions as a guarantor of legal certainty in civil legal relationships, including transactions involving the transfer of land rights. Consequently, the presence of a Notary becomes indispensable because deeds executed before or by a Notary carry the highest evidentiary value recognized by law.

The legal basis for the authenticity of a deed is stipulated in Article 1868 of the Civil Code, which provides that:

"An authentic deed is a deed made in the form prescribed by law by or in the presence of the public official authorized for it at the place where the deed was made."

Based on this provision, the authenticity of a deed depends upon the cumulative fulfillment of several requirements. First, the deed must be drafted in the form prescribed by statutory regulations. Second, it must be made by or before a competent public official. Third, the official concerned must possess authority both with respect to the type of deed executed and the territorial jurisdiction in which the deed is made.

Accordingly, an authentic deed must comply with all procedural formalities established by the applicable laws and regulations, including the Law on the Office of Notary. The public official involved may include a Notary, Land Deed Official (PPAT), or other authorized state officials, depending on the nature of the legal act concerned. Furthermore, the parties appearing before the official must possess legal capacity, meaning they are legally competent to perform legal acts, generally having attained the age of majority or being legally married.

An authentic deed possesses perfect and binding evidentiary force. The statements contained therein are presumed to be true and valid unless proven otherwise through lawful legal procedures. Therefore, the failure to satisfy any of the essential requirements stipulated under Article 1868 of the Civil Code may result in the degradation of the deed's status from an authentic deed to a private deed, thereby diminishing its evidentiary strength.

The increasing level of public education and legal awareness has also contributed to a greater appreciation of written documents as indispensable instruments of proof in legal relations. The demands for legal certainty, order, and protection in modern society require that legal transactions be supported by reliable documentary evidence capable of safeguarding the rights and interests of the parties involved. Through such evidence, members of society are able to obtain certainty regarding their legal status and ownership rights.

Within this framework, the existence of the Notarial institution arises from the community's need for authentic and trustworthy legal evidence. Notaries serve as public officials specifically entrusted with the authority to create authentic deeds that provide certainty and protection in legal relations. The authority of Notaries in producing legal instruments with evidentiary value is not derived merely from professional practice but is expressly conferred and regulated by statutory provisions enacted by the State (Ratnagung, 2024).

The obligation to present evidence in civil proceedings is fundamentally rooted in the principle that every party asserting a right or relying upon a particular event as the basis of a claim must be able to substantiate such assertion. This principle is expressly stipulated in Article 1865 of the Indonesian Civil Code, which provides that any person claiming a right, or referring to an event to establish that right or to refute the rights of another, bears the burden of proving the existence of the right or event relied upon.

To fulfil this burden of proof, Article 1866 of the Civil Code recognizes several forms of admissible evidence, namely documentary evidence, witness testimony, presumptions, confessions, and oaths. Among these evidentiary instruments, documentary evidence occupies a particularly significant position because it provides tangible proof of legal relationships. Pursuant to Article 1867 of the Civil Code, documentary evidence may take the form of either authentic deeds or private deeds.

Within this framework, Article 15 paragraph (1) of Law Number 2 of 2014 concerning the Amendment to Law Number 30 of 2004 on the Office of Notary (UUJN) reaffirms the position of the Notary as a public official vested with the authority to prepare authentic deeds. The legal status and evidentiary value of authentic deeds are not only governed by Article 1868 of the Civil Code but are further reinforced by Article 1870 of the Civil Code and Article 1 number 7 of the UUJN.

Article 1870 of the Civil Code explicitly states that an authentic deed provides perfect evidentiary force between the parties, their heirs, and any persons deriving rights from them regarding the matters contained therein. Likewise, Article 1 number 7 of the UUJN defines a Notarial Deed as an authentic deed executed by or before a Notary in accordance with the form and procedures prescribed by law. These provisions collectively demonstrate that deeds drawn up by a Notary possess binding and conclusive evidentiary value, thereby contributing significantly to legal certainty in civil relations.

In practice, however, the public often assumes that the positions of Notary and Land Deed Official (Pejabat Pembuat Akta Tanah/PPAT) are identical. Although both offices share similarities as public officials authorized to produce authentic deeds, important distinctions exist concerning their legal foundations, functions, and scope of authority.

The existence of PPAT can be traced back to the enactment of Government Regulation Number 10 of 1961 concerning Land Registration, which served as an implementing regulation of Law Number 5 of 1960 concerning Basic Agrarian Principles (UUPA). Under this regulatory framework, PPAT was introduced as an official entrusted with the authority to prepare deeds relating to the transfer of land rights, the creation of new rights over land, and the imposition of encumbrances upon land rights.

The role of PPAT was subsequently strengthened through Law Number 4 of 1996 concerning Mortgage Rights over Land and Objects Related to Land, as well as Government Regulation Number 24 of 1997 concerning Land Registration, which replaced the previous regulation governing land registration. Under these provisions, PPAT is recognized as a public official authorized to prepare deeds relating to the transfer and encumbrance of land rights and other legal acts as stipulated by prevailing laws and regulations. In addition, PPAT assists the Head of the Land Office in carrying out land registration functions by preparing deeds that serve as the legal basis for recording changes in land registration data.

Accordingly, while both Notaries and PPAT contribute to ensuring legal certainty through the preparation of authentic deeds, their respective authorities are exercised within different legal contexts. Notaries primarily operate within the broader sphere of civil legal relations, whereas PPAT performs a more specialized role in administering legal acts associated with land registration and the transfer of rights over land. The distinction between these two offices reflects the complementary nature of their functions in supporting the orderly administration of law and providing legal protection within Indonesia's land law system.

The legal definition of the Land Deed Official (Pejabat Pembuat Akta Tanah/PPAT) is more explicitly regulated in Government Regulation Number 24 of 2016 concerning Amendments to Government Regulation Number 37 of 1998 on the Position of Land Deed Officials. Article 1 paragraph (1) of the regulation stipulates that PPAT is a public official vested with the authority to prepare authentic deeds relating to specific legal acts concerning land rights and ownership rights over apartment units. This provision confirms the strategic position of PPAT within Indonesia's land administration system, particularly in ensuring legal certainty in transactions involving rights over land.

The principal duties and authority of PPAT are further elaborated in Article 2 of Government Regulation Number 37 of 1998. The provision emphasizes that PPAT performs a portion of land registration activities through the preparation of deeds serving as evidence of the execution of particular legal acts involving land rights or ownership rights over apartment units. These deeds subsequently function as the legal basis for recording changes in land registration data arising from such legal acts.

The legal acts falling within the competence of PPAT include various forms of transactions and arrangements concerning land rights, namely sale and purchase transactions, exchanges, grants, capital contributions to companies (inbreng), the distribution of jointly owned rights, the granting of Building Use Rights (Hak Guna Bangunan) or Rights of Use (Hak Pakai) over freehold land, the establishment of Mortgage Rights (Hak Tanggungan), and the execution of powers of attorney authorizing the imposition of Mortgage Rights. Through these authorities, PPAT contributes significantly to maintaining administrative order and ensuring that every transfer or encumbrance of land rights is properly documented and registered.

Apart from PPAT, Notaries also possess authority in matters relating to land. This authority is expressly recognized in Article 15 paragraph (2) letter f of Law Number 2 of 2014 concerning Amendments to Law Number 30 of 2004 on the Office of Notary, which provides that Notaries are authorized to prepare deeds related to land affairs. The existence of such authority

demonstrates that the role of the Notary extends beyond the preparation of authentic deeds in general civil matters and encompasses legal acts associated with land transactions.

The institutional framework governing the office of Notary in Indonesia is largely influenced by the Dutch notarial system. Under this tradition, a Notary is regarded as an *openbare ambtenaar* or public official entrusted by the State with the authority to produce authentic deeds and to perform certain public functions within the sphere of private law. The adoption of this concept subsequently formed the philosophical and juridical foundation for the enactment of the Law on the Office of Notary in Indonesia.

Accordingly, although both PPAT and Notaries are public officials authorized to produce authentic deeds, each occupies a distinct yet complementary position within the legal system. PPAT exercises specialized authority in relation to land registration and legal acts directly affecting land rights, whereas Notaries perform broader functions in civil legal relations, including the preparation of land-related deeds authorized by law. The coexistence of these institutions reflects the State's effort to ensure legal certainty, administrative order, and legal protection in the implementation of land transactions and other civil legal activities.

Notaries independently exercise their authority in various legal matters relating to land, one of which is the preparation of the Sale and Purchase Binding Agreement (*Perjanjian Pengikatan Jual Beli* or PPJB). In practice, the PPJB is among the most frequently executed notarial deeds in land transactions. This agreement functions as a preliminary arrangement entered into by the parties before the execution of the Sale and Purchase Deed (*Akta Jual Beli* or AJB) before the Land Deed Official (*Pejabat Pembuat Akta Tanah* or PPAT).

Generally, a PPJB is employed when the substantive intention of the parties to transfer rights already exists, yet certain requirements necessary for the execution of the AJB have not been fulfilled. These outstanding requirements may involve administrative matters, incomplete documentation, unresolved licensing procedures, or financial obligations such as the settlement of the purchase price. Through the PPJB, the parties establish a binding legal relationship while awaiting the completion of the conditions required for the principal transaction. In this context, the Notary plays a crucial role in translating the parties' intentions into a written legal instrument that complies with the formal requirements prescribed by law, thereby granting the agreement the status of an authentic deed.

Both the PPJB and the AJB are classified as authentic deeds possessing perfect and binding evidentiary force under Article 1870 of the Civil Code. Nevertheless, the validity of a PPJB remains subject to the general principles of contract law. Accordingly, the agreement will only produce legal consequences if it satisfies the requirements stipulated in Article 1320 of the Civil Code, namely the existence of mutual consent, legal capacity of the parties, a clearly identifiable object, and a lawful cause. Once these requirements have been fulfilled, the agreement becomes legally binding upon the parties.

As public officials authorized to prepare authentic deeds, Notaries confer upon the PPJB a high degree of evidentiary value. The exercise of this authority is accompanied by territorial limitations regulated under Article 18 of the Law on the Office of Notary. The provision stipulates that a Notary must have a domicile within a regency or municipality, while the territorial scope of the office extends throughout the province in which the Notary is appointed.

This arrangement differs from the authority granted to PPAT. As public officials specifically entrusted with functions in the land administration sector, PPAT are authorized to prepare AJBs as evidence of the transfer of land rights only within their designated working areas. Article 12 of Government Regulation Number 37 of 1998 concerning the Position of PPAT provides that the PPAT working area corresponds to the jurisdiction of a single Regency or Municipal Land Office. Consequently, while Notaries may perform their duties throughout the province of their appointment, PPAT are subject to more restrictive territorial boundaries.

The distinction in territorial jurisdiction reflects the different sources and characteristics of authority attached to each office. Notaries primarily operate within the domain of private law and exercise general authority in preparing authentic deeds. Their competence is not determined by the location of the object of the agreement but rather by the administrative territory of their appointment. Conversely, PPAT perform specialized public functions within the framework of land administration, thereby necessitating stricter territorial limitations.

Despite these differences, the relationship between Notaries and PPAT constitutes an interconnected legal mechanism in the process of transferring land rights. The two offices complement one another, and Indonesian law permits a person to concurrently hold both positions, provided that all statutory requirements are fulfilled. Such interrelation is particularly evident in land sale and purchase transactions.

In practice, not every transfer of land rights can proceed directly to the execution of the AJB. Frequently, parties encounter circumstances in which certain prerequisites remain incomplete, such as pending certificate processes, unfinished administrative obligations, or outstanding payments. Under these conditions, the PPJB serves as an intermediary instrument capable of safeguarding the interests of both parties until the final transfer can be formalized.

This mechanism is consistent with Article 1464 of the Civil Code, which recognizes that a sale and purchase agreement may be accompanied by the payment of earnest money (*penjar*). The provision demonstrates that the validity of a sale and purchase transaction is not exclusively dependent upon the immediate fulfillment of all formal requirements. Rather, the law acknowledges the existence of a preliminary contractual relationship that binds the parties before the completion of the principal agreement.

Accordingly, through the execution of a PPJB, a Notary may establish a legally enforceable relationship between the seller and the buyer as evidence of their mutual intention to transfer rights over land or buildings. The PPJB functions not only as an instrument reflecting the commitment of the parties to complete the transaction but also as a form of legal protection during the interim period before the AJB is executed and the transfer of rights is formally perfected. In this sense, the PPJB plays a strategic role in ensuring legal certainty, maintaining transactional continuity, and protecting the legitimate interests of the parties involved in land transactions.

In the context of land transactions, the Sale and Purchase Binding Agreement (*Perjanjian Pengikatan Jual Beli* or PPJB) may be understood as an agreement that possesses characteristics of a real contract, in the sense that the fulfillment or delivery of the agreed performance becomes an essential aspect of the contractual relationship between the parties. The legal nature of PPJB can be examined through various classifications of agreements recognized in civil law. These

classifications include special agreements, reciprocal agreements, consensual and real agreements, specific and general agreements, gratuitous agreements, and obligatory agreements.

Viewed from these classifications, PPJB constitutes a binding preliminary agreement entered into before the parties proceed to the principal agreement, namely the execution of the Sale and Purchase Deed (*Akta Jual Beli* or AJB). Consequently, its validity remains subject to the essential elements and legal requirements governing contracts in general. Although PPJB does not directly transfer ownership rights over land, it gives rise to an obligatory legal relationship that creates reciprocal rights and obligations between the parties. In other words, the agreement establishes an engagement (*verbinten*) rather than effectuating the immediate transfer or assignment of rights.

Despite its obligatory nature, a PPJB executed in the form of a notarial deed possesses strong evidentiary value because it is embodied in an authentic instrument. The parties who voluntarily enter into such an agreement become legally bound by the commitments stipulated therein and are consequently required to perform the obligations agreed upon in the preliminary arrangement. Therefore, the existence of a PPJB provides legal certainty concerning the intention of the parties to complete the principal transaction at a later stage.

Based on practical observations, PPJB is commonly used as an intermediary instrument before the formal execution of the AJB before a Notary acting concurrently as PPAT or before a PPAT. The use of PPJB serves several important purposes. First, it binds the seller and buyer to ensure that the intended transaction will proceed to the stage of formal transfer of rights. Second, it provides the parties with sufficient time to complete outstanding requirements, such as the issuance of land certificates, settlement of the purchase price, fulfilment of licensing obligations, or other administrative matters. Third, it offers temporary legal protection to both parties in anticipation of potential default. Fourth, it regulates in detail the rights and obligations of each party, including the purchase price, payment mechanisms, schedules for handover, and sanctions applicable in the event of non-compliance.

From these objectives, PPJB may generally be categorized into two forms, namely PPJB that has not yet been fully paid and PPJB that has been fully paid (*PPJB Lunas*). A non-fully paid PPJB is usually executed when certain obligations remain outstanding, particularly those relating to payment or administrative completion. Conversely, a fully paid PPJB commonly incorporates an irrevocable power of attorney authorizing the buyer to proceed with the transfer process on behalf of the seller.

From the perspective of civil law, a valid agreement that has been fully performed by the parties gives rise to a strong and binding legal relationship in accordance with the principle of *pacta sunt servanda*, which holds that agreements lawfully made shall bind the parties as law. In the context of a fully paid PPJB, the economic substance of the transfer has essentially materialized because the parties have fulfilled their principal obligations. The formal transfer of title, however, remains incomplete until the AJB is executed before the competent authority.

Accordingly, once all stipulated requirements have been satisfied, the seller's physical presence is no longer necessary if the seller has previously granted an appropriate power of attorney within the PPJB. The Notary or PPAT may then proceed with the preparation of the

AJB, which subsequently serves as the basis for registering the transfer of rights and processing the amendment of the name recorded on the land certificate (Sitohang, 2025).

From a taxation perspective, particularly in relation to the imposition of the Duty on the Acquisition of Land and Building Rights (*Bea Perolehan Hak atas Tanah dan Bangunan* or BPHTB), the existence of a fully paid PPJB may reflect the purchaser's economic capacity arising from the acquisition of rights. Although juridically the obligation to pay BPHTB and income tax generally arises upon the formal transfer of rights through the AJB, in certain circumstances the economic transition may effectively occur earlier. This is particularly evident where the purchase price has been paid in full and control over the object has been transferred to the purchaser, notwithstanding the fact that the AJB has yet to be executed (Hutama & Priyono, 2023).

Furthermore, a fully paid PPJB containing a power of attorney to sell is often regarded as having an irrevocable character. The authority granted therein is intended to secure the completion of the principal transaction and therefore differs from an ordinary power of attorney that may be terminated under Article 1813 of the Civil Code. Article 1813 provides that a power of attorney ordinarily ends due to its revocation by the principal, resignation by the attorney-in-fact, or the occurrence of certain legal events affecting either party. However, in practice, the irrevocable power attached to a fully paid PPJB is designed to ensure legal certainty and to protect the interests of the parties by facilitating the completion of the transfer process once all substantive obligations have been fulfilled.

Thus, the PPJB should not merely be viewed as a preliminary contractual arrangement without legal significance. Rather, it constitutes an important legal instrument that bridges the period between the parties' agreement and the formal transfer of land rights. Through its binding force, evidentiary value, and protective function, the PPJB contributes to ensuring transactional certainty, safeguarding the interests of both parties, and supporting the orderly implementation of land transactions within the Indonesian legal system.

The obligation to pay the Duty on the Acquisition of Land and Building Rights (*Bea Perolehan Hak atas Tanah dan Bangunan*—BPHTB) at the stage of the Sale and Purchase Binding Agreement (*Perjanjian Pengikatan Jual Beli* or PPJB) indirectly reflects the necessity of applying a high standard of prudence in every transaction that potentially results in the transfer of land rights. In this regard, the role of the Notary extends beyond merely performing administrative functions. As a public official entrusted with safeguarding legal certainty, the Notary is expected to actively identify potential legal risks, provide adequate protection to the parties involved, and maintain legal order throughout the process of land transactions (Amirul et al., 2023).

The presence of Notaries within the legal system therefore becomes increasingly significant, particularly in transactions involving the transfer of land rights through PPJB. In drafting a PPJB, a Notary is required to uphold the prudential principle (*prudent principle*) to ensure that the transaction remains legally secure until the execution of the Sale and Purchase Deed (*Akta Jual Beli* or AJB) before the competent authority (Saputra, 2021).

The application of the prudential principle has normative foundations within the Law on the Office of Notary (UUJN). Article 16 paragraph (1) letter a mandates that, in carrying out

their duties, Notaries must act in a trustworthy, honest, meticulous, independent, and impartial manner while safeguarding the interests of all parties involved in the legal act. This provision demonstrates that prudence constitutes an inherent professional obligation rather than merely an ethical recommendation.

Habib Adjie interprets the concept of prudence as requiring Notaries to exercise thoroughness in every stage of deed preparation. The notion of acting "meticulously" entails conducting careful examinations and verification processes to ensure that the deed being executed does not generate legal disputes in the future. Accordingly, the prudential principle serves not only to protect the parties bound by the PPJB but also to preserve the integrity of the notarial institution itself.

Legal protection arising from the implementation of this principle may take both preventive and repressive forms. Preventive protection is manifested through the obligation of the Notary to verify the authenticity and completeness of supporting documents, explain the contents and legal consequences of the agreement to the parties, and ensure that the deed does not conflict with prevailing laws and regulations. Repressive protection, on the other hand, is reflected in the status of the authentic deed as evidence possessing strong legal force before the courts when disputes arise (Hilmiafami & Dewi, 2024).

Consequently, the preparation of PPJBs concerning land should be preceded by a comprehensive due diligence process. Such examination should not be limited to merely reviewing documents submitted by the parties but must encompass verification of legal, administrative, and factual aspects relating to the land object. This obligation represents an essential component of professional responsibility and ethical standards in notarial practice (Susanthi et al., 2026).

Although the PPJB functions as a temporary agreement prior to the formal transfer of rights, Notaries remain responsible for ensuring the validity of the data concerning the land object involved in the transaction. As part of implementing the prudential principle, verification should ideally be conducted through the National Land Agency (*Badan Pertanahan Nasional* or BPN). Nevertheless, existing regulations place greater emphasis on certificate verification during the preparation of the AJB rather than at the PPJB stage (Azhar, 2019).

In practice, independent verification of land certificates through the BPN electronic system is generally accessible only to PPAT, who possess official partner accounts within the BPN network. Notaries who concurrently hold the position of PPAT can therefore more easily conduct such examinations, particularly when the land object is situated within their territorial jurisdiction. Different challenges arise when the PPJB concerns land located outside the PPAT's working area. Under these circumstances, verification should ideally be facilitated through cooperation with PPAT having authority over the location of the land concerned.

The importance of conducting land verification prior to the execution of PPJB cannot be overstated. Such verification embodies the implementation of the prudential principle, safeguards the interests of prospective buyers, prevents legal defects in the deed, facilitates a smoother transition to the AJB stage, and ensures that the parties possess the authority to undertake the intended legal acts. This is particularly important considering that a PPJB

executed before a Notary constitutes an authentic deed possessing perfect and binding evidentiary force under Article 1870 of the Civil Code (Angraeni et al., 2018).

Despite its significance, the practice of conducting comprehensive verification before drafting PPJB remains inconsistent. In reality, many Notaries execute PPJBs involving land located both within and outside their domicile without first undertaking adequate verification. One of the principal reasons for this situation is the absence of explicit legal norms imposing a mandatory due diligence obligation upon Notaries at the PPJB stage. Consequently, some Notaries rely solely on documents presented by the parties and regard cross-regional verification as falling beyond the scope of their authority.

The absence of clear regulatory provisions governing due diligence obligations, coupled with disparities in the digitalization of land administration services across regions, has generated various legal controversies and practical difficulties (Simanjuntak et al., 2025). This regulatory gap creates uncertainty regarding the extent of the Notary's responsibility in preventing future disputes arising from problematic land transactions.

From a broader perspective, land occupies a strategic position in supporting both societal welfare and national development. In addition to serving as a place of residence, land constitutes a vital factor of production influencing sectors such as agriculture, industry, trade, and investment. Its significance lies not only in its social function but also in its economic value as a capital asset capable of stimulating economic growth and sustainable infrastructure development (Oktaviah & Tjempaka, 2019).

Within the framework of national development, legal certainty in land administration represents one of the primary determinants of a conducive investment climate. Such certainty encompasses protection of ownership rights, transparency and fairness in land governance, as well as efficiency in land transaction procedures. Therefore, land should be viewed not merely as a resource requiring prudent management but also as a strategic instrument for promoting inclusive and sustainable economic development while balancing social and economic interests.

The expansion of economic activities has inevitably increased the frequency and complexity of land transactions. One legal instrument that has become widely utilized in practice is the PPJB. This agreement functions as a preliminary arrangement prior to the execution of the AJB, particularly when administrative requirements or financial obligations have yet to be fully satisfied. Through the PPJB, the parties obtain temporary legal certainty concerning their respective rights and obligations while preparing for the completion of the principal transaction.

Accordingly, the PPJB should not be regarded solely as a procedural formality preceding the AJB. Rather, it serves as an essential legal mechanism that bridges the interests of the parties during the transition toward the formal transfer of rights. In this context, the application of the prudential principle by Notaries becomes indispensable to ensuring legal certainty, preventing disputes, protecting the parties involved, and maintaining public trust in the Indonesian land law system.

Preliminary observations reveal that a number of legal disputes involving Sale and Purchase Binding Agreements (*Perjanjian Pengikatan Jual Beli* or PPJB) are closely associated with the failure to apply the prudential principle in notarial practice. The absence of adequate

verification and due diligence in the preparation of PPJBs has, in several instances, resulted in legal uncertainty, financial losses, and even the imposition of liability upon Notaries. Several judicial decisions illustrate the serious consequences arising from the neglect of this principle.

First, Criminal Case Number 73/Pid/2023/PT.BDG demonstrates the risks associated with the execution of PPJBs involving problematic land objects. In this case, the Notary prepared a PPJB concerning land that was already legally encumbered, while the certificate used in the transaction was either unregistered or allegedly falsified. The absence of proper verification of the legal status of the land object became a significant factor contributing to the dispute. As a consequence, the Notary was exposed not only to criminal liability but also to administrative sanctions and civil claims for compensation. This case represents an extreme example of the legal repercussions that may arise when a Notary fails to conduct adequate examination of the object of the transaction, including verification through the relevant land administration authorities.

Second, Supreme Court Decision Number 130 K/Pdt/2017 further highlights the importance of prudence in the preparation of PPJBs. The dispute concerned a PPJB executed over land whose legal status was uncertain and subject to dispute. The Court found that sufficient verification of the land object had not been carried out, particularly with respect to confirmation through the National Land Agency (*Badan Pertanahan Nasional* or BPN). Situations of this nature frequently arise when the land object is located outside the territorial jurisdiction of the Notary or PPAT, resulting in the omission of cross-regional verification. The legal consequence was the annulment of the PPJB, thereby eliminating the legal basis of the transaction and causing losses to the parties involved.

Third, the Decision of the Bekasi District Court Number 113/PDT.G/2008/PN.Bks illustrates that a notarial deed may be declared null and void when it fails to satisfy the objective requirements necessary for the validity of an agreement. In this case, the Panel of Judges annulled the Sale and Purchase Deed Number 1189/63.BKS.U/1994 after determining that the material requirements of the deed had not been fulfilled. The Court concluded that the transfer of rights over the land contained legal defects and that the conduct of the defendant constituted an unlawful act. Consequently, the notarial deed was deemed to have no legal force and was considered null and void.

This decision reinforces the principle that the authority granted to Notaries to prepare authentic deeds carries substantial legal responsibility. The role of the Notary extends beyond merely recording the intentions of the parties; it includes ensuring that every legal requirement, both formal and material, has been satisfied before the deed is executed. Failure to exercise such diligence may result in the degradation or invalidation of the deed and expose the Notary to civil liability in the form of reimbursement of expenses, compensation for damages, and payment of interest suffered by the injured parties.

These judicial precedents collectively demonstrate that the neglect of the prudential principle in the preparation of PPJBs cannot be regarded as a minor administrative oversight. Rather, it constitutes a serious deficiency that may trigger extensive legal consequences, including criminal sanctions, administrative penalties, civil liability, annulment of deeds, and the loss of legal protection for the parties to the transaction. Accordingly, the implementation

of comprehensive due diligence and careful verification by Notaries should be regarded as an indispensable component of professional responsibility aimed at preserving legal certainty, protecting the interests of the parties, and maintaining public confidence in the integrity of the land law system.

One example frequently encountered in judicial practice involves disputes arising from the preparation of a Sale and Purchase Binding Agreement (*Perjanjian Pengikatan Jual Beli* or PPJB) without adequate verification by the Notary. In a case adjudicated before the District Court, a Notary proceeded with the execution of a PPJB without first confirming the authenticity of the land certificate and verifying the identity of the individual claiming to be the lawful owner of the property. Subsequent proceedings revealed that the purported seller had falsified both identity documents and ownership records in order to transfer the land unlawfully.

The dispute arose because the Notary failed to exercise the required standard of care by neglecting to examine the history and legal status of the land and by omitting verification of the parties' identities through the relevant authorities. Despite these deficiencies, the PPJB was nevertheless executed. The court ultimately concluded that the deed suffered from legal defects and declared it invalid. As a consequence, the purchaser incurred substantial financial losses through the loss of payments already made, while the Notary was deemed negligent in performing professional duties and became subject to a civil lawsuit based on Article 1365 of the Civil Code concerning unlawful acts for the damages suffered by the parties.

Cases of this nature demonstrate that the absence of explicit and stringent norms governing the implementation of prudential standards by Notaries in drafting PPJBs, including transactions involving land located outside their immediate territorial area, should not be regarded merely as an administrative shortcoming. Rather, such deficiencies may give rise to far-reaching legal consequences. These include the annulment of authentic deeds, the emergence of legal uncertainty, the collapse of transactions that have already generated economic expectations, substantial material losses for the parties involved, and the possibility of civil, administrative, or even criminal liability being imposed upon the Notary concerned.

Indeed, a considerable number of disputes involving PPJBs that are subsequently declared null and void can be traced to the failure to implement the prudential principle adequately, particularly the omission of certificate verification through the National Land Agency (*Badan Pertanahan Nasional* or BPN). This recurring pattern illustrates that inadequate due diligence remains a persistent issue within notarial practice.

A comparative perspective further highlights this concern. In the Netherlands, the notarial system has evolved to incorporate substantive due diligence obligations supported by electronic verification mechanisms in virtually every land transaction. Indonesian notarial practice, however, continues to place greater emphasis on formal administrative examination, often limiting the Notary's role to reviewing documents presented by the parties without imposing a clear obligation to conduct more comprehensive verification. This regulatory approach has contributed to various legal complications in the execution of PPJBs involving land transactions.

Accordingly, there is a pressing need to reconstruct the scope of Notarial authority by integrating a more comprehensive prudential framework into the preparation of PPJBs. Such

reconstruction should emphasize the Notary's proactive responsibility in identifying potential legal risks and ensuring that the legal and factual circumstances surrounding the transaction have been adequately examined before the deed is executed.

Furthermore, numerous disputes concerning land transactions indicate that PPJBs inherently carry legal risks when prepared without sufficient precautionary measures. Judicial practice has revealed instances involving disputed land, forged certificates, and ownership conflicts that ultimately resulted in the cancellation of deeds, economic losses for the parties, and a decline in public confidence in the integrity of the land law system.

From the perspective of institutional economics, legal uncertainty constitutes a significant source of transaction costs. When parties are compelled to incur additional expenses for verification, litigation, and dispute resolution, the efficiency of the land market is inevitably reduced. High transaction costs discourage investment, undermine confidence among market participants, and weaken the effectiveness of legal institutions in facilitating economic activity.

For this reason, the role of the Notary should no longer be perceived solely as that of an official responsible for drafting authentic deeds. More fundamentally, the Notary must be recognized as an institution of public trust whose functions extend to safeguarding legal certainty, fostering confidence in transactions, minimizing avoidable risks, and contributing to economic stability and the sustainability of asset exchanges within society.

Based on these considerations, this study seeks to examine the urgency of reconstructing Notarial authority through the incorporation of a strengthened prudential principle in the preparation of PPJBs concerning land. Such reconstruction is expected to reinforce legal certainty, enhance the confidence of parties engaging in land transactions, provide more effective legal protection, and ultimately promote greater economic efficiency within Indonesia's land sector.

2. LITERATURE REVIEW

2.1 Legal Certainty Theory

Legal certainty constitutes one of the fundamental pillars underlying the operation of a state governed by the rule of law. Within the sphere of land transactions, the existence of legal certainty is indispensable to ensure that the parties involved, the land object concerned, and the legal relationships arising from the transaction possess legitimacy that is legally recognizable and accountable (Evangelina Nikolaevna, 2023). In this regard, land registration and the preparation of authentic deeds by Notaries function as essential instruments for establishing and safeguarding such certainty.

The significance of legal certainty extends beyond the protection of individual rights, as it also contributes to the development of a transparent, orderly, and reliable land administration system. In the context of land transactions, legal certainty guarantees that ownership rights and every legal act relating to land receive formal recognition and protection under the law. This protection is crucial in minimizing the occurrence of disputes that may disrupt the utilization of land resources and hinder investment activities within the land sector.

One of the principal mechanisms designed to realize this objective is land registration. Through the registration process, the status of ownership and the rights attached to a parcel of land are formally recorded and recognized by the State. Consequently, land registration provides legal assurance to the parties involved by clarifying the existence, scope, and legitimacy of rights over the land concerned. Such certainty not only protects private interests but also supports the creation of an orderly system of land administration.

In addition to land registration, authentic deeds executed before a Notary play a strategic role in strengthening legal certainty. As legal instruments possessing perfect evidentiary value, authentic deeds provide written proof of the legal acts undertaken by the parties and bind them in accordance with the provisions of the applicable laws. In the event of a dispute, these deeds serve as authoritative evidence before the courts, thereby facilitating the resolution of legal conflicts and reducing uncertainty regarding the rights and obligations of the parties.

The synergy between land registration and authentic deeds ultimately contributes to the establishment of a more efficient and credible land law system. A legal environment characterized by certainty and predictability enhances public confidence, including that of investors and other economic actors, in conducting transactions involving land. Increased trust, in turn, promotes economic activity, encourages investment, and supports the sustainable development of the land sector.

Accordingly, land registration and authentic notarial deeds should not merely be viewed as administrative requirements. Rather, they represent fundamental legal instruments that underpin the realization of stable, transparent, and sustainable legal certainty. Their effective implementation is essential not only for protecting the rights of individuals but also for fostering economic growth and maintaining the integrity of Indonesia's land governance system.

2.2 Prudential Principle Theory

The prudential principle constitutes one of the fundamental principles that must underlie every legal action undertaken by legal professionals. This principle requires that each legal act be preceded by a careful, comprehensive, and objective verification process to ensure the validity, legitimacy, and security of the transaction concerned. Through the implementation of such due diligence, potential legal defects and future disputes can be anticipated and minimized from the outset (Ayu Amiluhur Priaji, 2022).

Within the context of notarial practice, the prudential principle is reflected in the professional obligations imposed upon Notaries to perform their duties with integrity, meticulousness, honesty, independence, and impartiality while safeguarding the interests of all parties involved in the legal act. Accordingly, a Notary is expected not merely to document the intentions expressed by the parties but also to exercise professional judgment in examining the legal and factual circumstances surrounding the transaction. This responsibility is intended to

ensure that every deed executed before a Notary complies with the applicable legal requirements and does not give rise to adverse legal consequences in the future.

The application of the prudential principle therefore extends beyond the realm of professional ethics. Although it functions as an ethical guideline governing the conduct of Notaries, it simultaneously serves as an important legal instrument for mitigating risks that may arise from negligence, inaccuracy, or procedural errors during the preparation of authentic deeds and other legal documents. By adhering to this principle, Notaries contribute to the prevention of disputes and strengthen public confidence in the integrity of notarial services.

Furthermore, the consistent implementation of prudence reinforces the position of the Notary as a public official entrusted with preserving the authenticity and reliability of legal documents. Prior to the execution and authentication of a deed, the Notary is required to ensure that all legal procedures, administrative requirements, and supporting evidence have been thoroughly verified and properly fulfilled. Such diligence is essential to guarantee that the deed accurately reflects the legal intentions of the parties and is capable of providing effective legal protection.

From this perspective, the prudential principle functions as a preventive mechanism aimed at safeguarding both the Notary and the parties from potential legal risks. The careful verification of identities, supporting documents, legal capacity, and the status of the object involved in the transaction enables the early detection of irregularities that could undermine the validity of the deed. Consequently, the likelihood of future disputes, claims for damages, or litigation may be substantially reduced.

Ultimately, the application of the prudential principle should be regarded as an inseparable component of professional responsibility in notarial practice. It not only reflects the ethical commitment of Notaries to perform their duties with due care and good faith but also constitutes a strategic instrument for ensuring legal certainty, protecting the legitimate interests of the parties, and maintaining the credibility of the notarial institution within the broader legal system. Through the consistent observance of this principle, Notaries are better positioned to fulfil their role as guardians of legal certainty and providers of reliable legal protection in civil transactions.

2.3 Transaction Cost Economics Theory

From the perspective of *Transaction Cost Economics* (TCE), transaction costs emerge as a consequence of uncertainty, information asymmetry, and the possibility of opportunistic behaviour among the parties involved in an exchange relationship. Oliver Williamson explains that economic actors do not always possess complete information and may pursue their own interests in ways that potentially disadvantage others. Under such circumstances, parties are required to incur additional costs to obtain information, monitor compliance, and resolve disputes that may arise during the course of a transaction (McManus, 2019).

In the context of land transactions, these challenges become increasingly significant due to the complexity of legal relationships attached to land rights. Inadequate or superficial due

diligence processes often result in incomplete and inaccurate information concerning the legal status of land, the validity of ownership documents, the exact boundaries of the property, and the existence of potential disputes or encumbrances. As a consequence, parties involved in the transaction must expend greater resources to search for reliable information and to verify the legitimacy of the land object concerned.

Furthermore, uncertainty surrounding the legal condition of the land inevitably increases monitoring costs. Additional supervision becomes necessary to ensure that all contractual obligations and administrative requirements are properly fulfilled, while also reducing the likelihood of fraud, misrepresentation, or other forms of opportunistic conduct. Where disputes subsequently arise, the parties must also bear substantial litigation and dispute-resolution expenses, thereby increasing the overall economic burden associated with the transaction.

Within this framework, the role of the Notary assumes strategic importance as an institution capable of minimizing transaction costs through the implementation of the prudential principle. By exercising due care, Notaries function not merely as officials who formalize agreements into authentic deeds, but also as gatekeepers responsible for conducting comprehensive verification of legal documents, examining the status and history of land rights, and ensuring that every stage of the transaction complies with the applicable legal framework.

The application of prudential standards by Notaries contributes to reducing uncertainty and mitigating information asymmetry between the parties. Through careful verification and legal examination, the possibility of opportunistic behaviour can be detected and prevented at an early stage. This preventive function simultaneously lowers the probability of future disputes and decreases the costs associated with litigation, compensation claims, and other forms of legal conflict.

Consequently, the presence of a Notary who consistently applies the prudential principle represents an effective governance mechanism for enhancing efficiency in land transactions. The Notary's involvement fosters trust among the parties, strengthens legal certainty, and creates a more predictable transactional environment. In turn, these conditions support the reduction of transaction costs and encourage the development of a more efficient and reliable land market.

Therefore, from the perspective of Transaction Cost Economics, the prudential role of the Notary should not be viewed solely as an ethical obligation inherent in the notarial profession. Rather, it constitutes an important institutional mechanism capable of generating economic value by reducing uncertainty, minimizing opportunism, lowering transaction costs, and promoting stability and sustainability in the administration of land transactions. Through this function, Notaries contribute not only to legal protection but also to the realization of greater economic efficiency within Indonesia's land sector.

2.4 *State of The Art*

Existing studies on land transactions and notarial practice have predominantly concentrated on issues relating to the liability of Notaries, the legal validity of the Sale and Purchase Binding Agreement (*Perjanjian Pengikatan Jual Beli* or PPJB), and the forms of legal protection available to the parties involved. Although these studies have enriched the discourse within notarial law, their analyses have generally remained within the boundaries of formal legal doctrine and the protection of individual interests. Consequently, limited attention has been devoted to examining the broader economic implications arising from the implementation of the prudential principle in notarial practice.

In fact, the prudential principle exercised by Notaries extends beyond the objective of ensuring procedural compliance with statutory requirements. Its application also possesses substantial economic significance, particularly in preventing legal uncertainty that may give rise to disputes, increasing public confidence in legal transactions, and reducing inefficiencies within the land market. The failure to apply adequate prudential standards may lead to higher verification costs, prolonged dispute resolution processes, and diminished trust among market participants, all of which ultimately impose additional burdens on economic actors.

Against this background, the present study offers a distinct perspective by integrating the analytical framework of notarial law with the theoretical approach of institutional economics. Such an interdisciplinary approach enables a more comprehensive understanding of how the prudential principle implemented by Notaries may influence not only legal certainty but also the efficiency and stability of land transactions. Through this perspective, the role of the Notary is no longer viewed merely as that of a public official responsible for producing authentic deeds, but also as an institutional actor capable of shaping transactional behaviour and strengthening market governance.

Furthermore, this study argues that the consistent application of prudential standards by Notaries can contribute to enhancing trust among parties engaged in land transactions, reducing information asymmetry, minimizing opportunities for opportunistic conduct, and lowering the costs associated with supervision, litigation, and dispute settlement. In this sense, the Notary performs a dual function: safeguarding the legality of transactions while simultaneously facilitating a more efficient allocation of resources within the land market.

By linking legal analysis with the principles of institutional economics, this research seeks to address a gap that has received limited scholarly attention. The study therefore contributes not only to the development of notarial legal theory but also to the enrichment of institutional economic discourse by demonstrating that legal institutions play a crucial role in promoting market efficiency and stability. It is expected that this integrated approach will provide new insights for policymakers, legal practitioners, and academics in reconstructing the authority and responsibilities of Notaries in response to the increasingly complex dynamics of land transactions in Indonesia.

3. METHODS

This study employs a normative legal research method supported by a multidisciplinary perspective to obtain a more comprehensive understanding of the legal issues under examination. The use of a multidisciplinary approach is intended to broaden the analytical framework by integrating legal analysis with insights derived from other relevant fields, particularly institutional economics, in order to explain the practical implications of the application of the prudential principle in land transactions.

Several approaches are utilized in this research. First, the statutory approach (*statute approach*) is applied by examining various laws and regulations governing notarial practice, land administration, and the implementation of land transactions. Second, the conceptual approach (*conceptual approach*) is employed to analyze legal doctrines, principles, and theories relating to the prudential principle, legal certainty, legal protection, and transaction cost economics. Third, the case approach (*case approach*) is used through the examination of judicial decisions concerning disputes arising from Sale and Purchase Binding Agreements (*Perjanjian Pengikatan Jual Beli* or PPJB) in order to identify patterns of legal reasoning and practical issues encountered in notarial practice. Finally, the law and economics approach is adopted to assess the relationship between legal norms and their impact on efficiency, particularly regarding transaction costs in the land sector.

The primary legal materials used in this research consist of the 1945 Constitution of the Republic of Indonesia, Law Number 5 of 1960 concerning Basic Agrarian Principles, the Law on the Office of Notary, Government Regulation Number 24 of 1997 concerning Land Registration, Government Regulation Number 37 of 1998 concerning the Position of Land Deed Officials, and a number of judicial decisions relating to disputes involving PPJBs. In addition, secondary legal materials are derived from scholarly books, academic literature on land law and notarial studies, institutional economics references, and relevant scientific journal articles that support the analysis of the issues examined.

The collected legal materials are subsequently analyzed using a qualitative-descriptive method. This analytical technique is directed at exploring and interpreting the interrelationship between the prudential principle applied by Notaries, the forms of legal protection afforded to the parties, and the implications of such principles for the economic efficiency of land transactions. Through this approach, the study seeks to provide a comprehensive explanation of how strengthening prudential standards in notarial practice may contribute not only to enhancing legal certainty but also to promoting a more efficient and sustainable land transaction system.

4. RESULTS AND DISCUSSION

4.1 Limitations of the Existing Framework Governing Notarial Authority

The findings of this study indicate that the existing regulatory framework governing notarial practice in Indonesia does not explicitly impose an obligation upon Notaries to undertake land due diligence prior to the execution of a Sale and Purchase Binding Agreement

(*Perjanjian Pengikatan Jual Beli* or PPJB). The absence of a clear normative mandate has led to a practice in which many Notaries primarily rely on documents submitted by the parties without conducting a more substantive examination of the legal status of the land object involved in the transaction (Fursa, 2025).

This regulatory gap demonstrates that the current arrangement of Notarial authority has yet to comprehensively accommodate preventive measures aimed at minimizing legal risks in land transactions. In practice, the preparation of PPJBs frequently depends on the presumption that the documents presented by the parties accurately reflect the actual legal circumstances. Consequently, verification of crucial aspects, such as the authenticity of certificates, the existence of encumbrances, the status of ownership rights, and the potential presence of ongoing disputes, is often not carried out thoroughly. Such conditions increase the possibility of ownership conflicts, administrative irregularities, and other legal complications that may ultimately prejudice the interests of the parties involved (Simanjuntak et al., 2025).

The implications of these regulatory shortcomings extend beyond the legal sphere and also affect the economic efficiency of land transactions. Inadequate substantive verification may prolong the completion of transactions, generate additional administrative and legal expenses, and create uncertainty within the property market. The absence of legal clarity can undermine public confidence, reduce transactional efficiency, and impede the smooth functioning of economic activities associated with the transfer of land rights.

Furthermore, the lack of explicit due diligence obligations creates opportunities for the emergence of moral hazard. Weak supervision and limited verification mechanisms may encourage irresponsible behaviour by parties seeking to exploit gaps within the regulatory system. This situation increases the risk of transactions involving forged certificates, disputed land objects, or the use of fictitious identities, all of which threaten the integrity and credibility of the land administration system.

For this reason, strengthening the legal framework governing Notarial obligations in conducting land due diligence is of considerable importance. The implementation of a more rigorous verification process would not only enhance legal protection for the parties but also serve as a preventive mechanism against fraudulent practices and other forms of abuse. Through comprehensive due diligence, Notaries would be better positioned to identify irregularities at an early stage, thereby reducing the likelihood of disputes arising after the execution of the PPJB.

In addition, reinforcing these obligations would contribute significantly to improving efficiency and predictability within the property market. Legal uncertainty resulting from insufficient verification procedures often increases transaction costs, delays the transfer process, and imposes additional burdens on economic actors. Conversely, a transparent and well-regulated due diligence mechanism would reduce information asymmetry, facilitate smoother transactions, and strengthen confidence among market participants.

Accordingly, optimizing regulations concerning the due diligence responsibilities of Notaries should be regarded as a strategic necessity. A clearer and more comprehensive regulatory framework would not only enhance legal certainty and provide stronger protection for parties engaging in land transactions but would also support the development of a healthier, more efficient, and sustainable property market. In this regard, the reconstruction of Notarial authority based on the prudential principle represents an essential step toward reinforcing both the integrity of the legal system and the efficiency of Indonesia's land transaction framework.

4.2 The Prudential Principle as a Mechanism for Social Protection in Land Transactions

From the perspective of social science, social trust constitutes a form of social capital that plays a fundamental role in supporting sustainable economic development. The existence of trust within society encourages cooperation, reduces uncertainty, and facilitates more efficient economic interactions. In the context of land transactions, the level of public confidence in the legal system is strongly influenced by the quality and integrity of legal services provided by Notaries as public officials entrusted with safeguarding legal certainty (Allahyarahmadi, 2017).

One of the challenges frequently encountered in land transactions is the emergence of moral hazard. This phenomenon occurs when certain parties exploit weaknesses in regulatory frameworks and supervisory mechanisms for their own benefit. Such practices may manifest through the use of forged certificates, the transfer of land that is subject to ongoing disputes, or the use of fictitious identities to conceal the true legal status of the parties involved. The consequences extend beyond increasing legal and financial risks for individual parties; they also undermine the credibility of the land administration system and erode public trust in legal institutions.

Under these circumstances, the application of the prudential principle becomes increasingly important as a preventive instrument aimed at minimizing such risks while simultaneously providing broader social protection. The prudential principle requires that every legal act be preceded by a thorough verification process to ensure that the transaction is conducted transparently, lawfully, and in good faith.

Within this framework, the role of the Notary extends beyond merely witnessing and formalizing agreements through authentic deeds. Notaries also function as custodians of transactional integrity by ensuring that the legal requirements governing the transaction have been properly fulfilled. Through the consistent implementation of prudential standards, Notaries contribute to strengthening transparency, accountability, and reliability within the legal process. These qualities are essential for fostering public confidence and creating a social environment conducive to economic activity and institutional stability.

The practical application of the prudential principle may be observed through various preventive measures undertaken by Notaries, including the verification of the parties' identities, examination of the authenticity of certificates, confirmation of the legal status and history of the land, and clarification of the authority of the parties to perform the intended legal acts. By conducting these examinations meticulously, the likelihood of future disputes can be significantly reduced. Consequently, the parties involved obtain greater legal protection and certainty regarding the validity of the transaction.

Conversely, the failure to apply adequate prudential standards may generate serious implications. Weak verification processes increase the probability of legal disputes, expose parties to financial losses, and create uncertainty in land transactions. More importantly, such negligence may weaken the legitimacy and public credibility of legal institutions that are expected to function as guarantors of justice and legal certainty.

Therefore, the prudential principle should not merely be understood as a professional obligation imposed upon Notaries. Rather, it represents an important mechanism for preserving public trust, strengthening institutional legitimacy, and ensuring the proper functioning of the land transaction system. By upholding transparency, accountability, and due diligence in the

performance of their duties, Notaries contribute not only to the protection of individual interests but also to the creation of a stable social order, the enhancement of sustainable economic growth, and the maintenance of public confidence in the rule of law. In this sense, prudence in notarial practice constitutes both a legal necessity and a form of social responsibility that supports the broader objectives of justice, economic efficiency, and institutional resilience.

4.3 Economic Implications of Implementing the Prudential Principle

The implementation of the prudential principle in notarial practice generates substantial economic implications that extend beyond its conventional function of ensuring legal compliance. The consistent application of this principle contributes to reducing transaction costs, strengthening investor confidence in the property and land sectors, minimizing the likelihood of costly litigation, improving the efficiency of land asset circulation as an investment instrument, and reinforcing legal certainty as an essential prerequisite for sustainable economic development. Within this broader framework, Notaries function not merely as public officials authorized to prepare authentic deeds, but also as institutional gatekeepers responsible for safeguarding the quality, reliability, and security of transactions involving land assets.

One of the most tangible economic benefits arising from the application of prudential standards is the reduction of transaction costs. Through careful verification of documents, examination of legal requirements, and early identification of potential legal risks, Notaries help prevent unnecessary expenditures associated with repeated administrative procedures, prolonged negotiations, and dispute resolution processes. The reduction of these costs creates a more efficient transactional environment, thereby facilitating the smooth operation of property and land markets.

Lower transaction costs also enhance the attractiveness of the property sector to investors. A market characterized by predictability and legal certainty provides stronger incentives for economic actors to allocate resources toward land-based investments. As confidence in the integrity of legal processes increases, the circulation of land assets becomes more dynamic, enabling such assets to function more effectively as instruments of investment and drivers of economic growth. In this regard, the prudential role of Notaries indirectly contributes to improving market efficiency and supporting broader economic activities.

Moreover, the involvement of Notaries in ensuring the legality and validity of transactions plays a crucial role in strengthening investor trust. By maintaining the authenticity of documents, verifying the legitimacy of the parties and land objects involved, and ensuring compliance with applicable legal procedures, Notaries reduce uncertainty and the risk of opportunistic conduct. This preventive function diminishes the probability of disputes that may escalate into litigation, thereby protecting parties from substantial legal expenses and lengthy judicial proceedings.

The ability to minimize litigation risk is particularly important because legal disputes often generate significant economic and social costs. Litigation not only imposes direct financial burdens on the parties but also creates delays, disrupts investment decisions, and undermines confidence in legal institutions. Consequently, the application of prudential standards by Notaries contributes to the creation of a more stable and predictable legal environment, which is indispensable for the efficient functioning of markets.

Legal certainty itself constitutes a fundamental condition for sustainable economic development. Clear and enforceable legal arrangements provide assurance that rights and obligations arising from transactions will be recognized and protected by the legal system. In the context of land transactions, such certainty encourages broader participation by investors and market actors because they are able to assess risks more accurately and conduct transactions with greater confidence.

In addition, by ensuring adherence to legal procedures and maintaining the integrity of authentic deeds, Notaries help establish a framework in which the interests of all parties receive balanced protection. Their role extends beyond the formalization of agreements to encompass the preservation of transactional security and the prevention of avoidable disputes. This function reinforces the credibility of legal institutions and contributes to the formation of a trustworthy property market.

From a broader institutional perspective, the prudential principle enables Notaries to act as mechanisms of governance that bridge legal objectives and economic interests. The quality of legal services provided by Notaries directly influences the efficiency of market transactions, the reduction of information asymmetry, and the development of social trust among economic actors. Accordingly, the contribution of Notaries should be understood not only in terms of legal protection but also in relation to their capacity to foster economic stability and institutional resilience.

Ultimately, the consistent application of the prudential principle by Notaries creates conditions conducive to long-term economic progress. By reducing transaction costs, increasing investor confidence, minimizing litigation risks, facilitating the efficient circulation of land assets, and strengthening legal certainty, Notaries contribute to the development of a transparent, efficient, and sustainable land market. Such conditions provide a solid foundation for inclusive economic growth and encourage sustained participation by investors within the property sector.

4.4 Reconstructing Notarial Authority Through the Prudential Principle

The reconstruction proposed in this study is designed to strengthen the role of Notaries in land transactions through the establishment of a more comprehensive prudential framework. The model seeks to address existing regulatory gaps by repositioning Notaries from merely serving as drafters of authentic deeds to becoming strategic actors within Indonesia's national land governance system.

The first component of this reconstruction involves the imposition of a mandatory land due diligence process prior to the execution of a Sale and Purchase Binding Agreement (*Perjanjian Pengikatan Jual Beli* or PPJB). Under this mechanism, Notaries would be required to undertake substantive verification of the legal status of the land object before formalizing the agreement. Such verification would include the examination of ownership status, the existence of encumbrances, ongoing disputes, and the authenticity of supporting documents. The objective is to ensure that the PPJB is executed on a sound legal basis and to minimize the risk of future disputes.

Second, this model advocates the integration of Notarial access with the digital infrastructure of the National Land Agency (*Badan Pertanahan Nasional* or BPN). Direct and secure access to land administration databases would enable Notaries to obtain up-to-date information concerning the legal condition of land objects in a more efficient and transparent

manner. The integration of digital systems would not only improve the accuracy of verification processes but also support the modernization of land administration services through the utilization of technology-based governance.

Third, the proposed framework emphasizes the necessity of cross-regional verification for land objects located outside the territorial area of the Notary or the PPAT concerned. The absence of an explicit obligation to conduct verification across jurisdictions has often contributed to legal disputes involving problematic land. Accordingly, a standardized mechanism enabling interregional verification should be developed to ensure that all land transactions are subject to the same level of scrutiny, regardless of the location of the land object.

Fourth, the study proposes the standardization of certificate examination procedures. The establishment of uniform verification standards would provide clear operational guidance for Notaries and reduce disparities in professional practice. Through such standardization, the process of examining land certificates would become more consistent, accountable, and capable of preventing the acceptance of invalid or fraudulent documents.

Fifth, the reconstruction model calls for strengthening the administrative, civil, and ethical responsibilities of Notaries in relation to the preparation of PPJBs. The enhancement of accountability mechanisms is intended to encourage greater professional diligence and to ensure that negligence in conducting verification processes gives rise to proportionate legal consequences. Such measures would reinforce public confidence in the notarial institution while simultaneously promoting higher standards of professional conduct.

Another significant feature of this model is the development of an early warning system capable of detecting land objects that exhibit indicators of legal risk. This system would function proactively by identifying potential irregularities, including overlapping claims, disputed ownership, forged certificates, and other circumstances that may jeopardize the validity of transactions. Through early detection, preventive measures could be implemented before disputes materialize, thereby reducing legal uncertainty and the costs associated with litigation.

The proposed reconstruction further underscores the importance of redefining the institutional role of Notaries. Rather than being perceived solely as officials responsible for formalizing agreements into authentic deeds, Notaries should be recognized as guardians of transactional integrity who actively contribute to maintaining the reliability of land administration data. Their responsibilities would therefore encompass not only document authentication but also the preservation of transparency, accountability, and legal certainty within the land sector.

The implementation of this model is expected to generate broader institutional benefits. By strengthening verification mechanisms and enhancing professional accountability, opportunities for fraud, administrative irregularities, and opportunistic conduct may be significantly reduced. At the same time, greater legal certainty would encourage public trust, improve the efficiency of land transactions, and support the creation of a more stable and predictable property market.

Ultimately, this reconstruction represents a shift from a predominantly formalistic approach toward a more substantive model of notarial practice. Through mandatory due diligence, digital integration, cross-regional verification, standardized procedures, enhanced

accountability, and the establishment of an early warning mechanism, Notaries would assume a more strategic role in promoting good land governance. Such transformation is expected to improve the integrity and efficiency of Indonesia's land administration system while advancing the broader objectives of sustainable development, equitable resource management, and legal protection for all parties engaged in land transactions.

5. CONCLUSION

The prudential principle constitutes a fundamental element in the exercise of Notarial authority, particularly in the preparation of Sale and Purchase Binding Agreements (*Perjanjian Pengikatan Jual Beli* or PPJB) involving land transactions. The findings of this study demonstrate that the absence of explicit regulatory provisions requiring substantive verification of land objects has contributed to the emergence of numerous disputes, many of which have resulted in significant legal and economic consequences for the parties involved. The limited emphasis placed on comprehensive due diligence at the PPJB stage has created vulnerabilities within the land transaction system, thereby increasing the potential for disputes relating to forged documents, problematic certificates, disputed ownership, and other legal irregularities.

From both economic and social perspectives, the implementation of the prudential principle extends beyond its conventional role as an instrument of legal protection. The consistent application of this principle contributes to strengthening public confidence in land transactions, reducing the economic burden associated with litigation and dispute resolution, and enhancing the efficiency and credibility of the land market. By minimizing uncertainty and mitigating the risks arising from information asymmetry and opportunistic behaviour, prudential notarial practices foster a more stable transactional environment that supports broader economic activities.

These findings indicate that the role of the Notary should no longer be confined to the formal preparation of authentic deeds. Rather, Notaries should be recognized as strategic institutional actors entrusted with preserving legal certainty, maintaining the integrity of land transactions, and promoting public trust in the legal system. Such a transformation requires a shift from a predominantly formalistic approach toward a more substantive model of professional responsibility, in which preventive verification becomes an integral part of the notarial function.

Accordingly, this study underscores the urgency of reconstructing the existing framework of Notarial authority by introducing mandatory and comprehensive land due diligence obligations prior to the execution of PPJBs. This reconstruction should be supported by the integration of Notarial services with the national digital land administration system, thereby enabling more effective access to land information and facilitating accurate verification processes across jurisdictions. Strengthening these mechanisms is expected to enhance legal certainty, provide greater protection for the community, improve the quality and reliability of land transactions, and contribute to the realization of sustainable economic development.

As a recommendation, future research may further explore the development of digital land governance models and examine their implications for the efficiency and stability of the national property market. In particular, subsequent studies may investigate how technological innovation, inter-agency integration, and data-driven verification mechanisms can be optimized to strengthen land administration, reduce transaction costs, and support the creation of a transparent, accountable, and resilient property market ecosystem in Indonesia.

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