JURNAL LOCUS: Penelitian & Pengabdian
Volume 5 No. 2 February 2026
E-ISSN 2829-7334| P-ISSN 2829-5439
Hompage: https://locus.rivierapublishing.id/index.php/jl

The Broken Promise of Eco-Cities: A Socio-Legal Analysis of Institutional Decoupling in Indonesian Real Estate Projects

Bahori Ahoen
Universitas Krisnadwipayana, Indonesia
Email: orie_ahoen@yahoo.com

Abstract:
While global regulatory scrutiny of greenwashing has intensified in the energy sector, the real estate industry in emerging markets remains a critical "blind spot." This study investigates the systemic phenomenon of Institutional Decoupling in Indonesia, where property developers aggressively signal environmental virtues (Eco-Cities) to justify premium pricing, yet legally sever these promises from contractual obligations. Adopting a socio-legal multi-case study approach, this research analyzes three high-profile conflicts: Meikarta (Visionary Decoupling), Sentul City (Operational Decoupling), and the Pluit Commercial Area (Functional Decoupling). The findings reveal a Legal–Marketing Gap, in which developers exploit standard contracts (Perjanjian Baku) and exoneration clauses to render marketing signals non-binding. The study argues that without legal enforceability, green branding becomes a predatory mechanism that transfers business risk to consumers. The paper concludes by proposing a Binding Green Clause framework, recommending that environmental amenities be elevated from marketing illustrations to material contractual terms to restore trust and strategic legitimacy in the sector.

Keywords: Greenwashing; Institutional Decoupling; Real Estate Strategy; Consumer Protection Law; Indonesia; Strategic Management.

INTRODUCTION

The global crackdown on corporate greenwashing has reached an inflection point. In the energy sector, major entities such as Shell and TotalEnergies have faced aggressive regulatory scrutiny and litigation over misleading "net-zero" advertising campaigns (Bisnis.com, 2025; The Guardian, 2023). These cases signal a growing global intolerance for discrepancies between corporate environmental claims and actual operational impacts. However, while regulatory focus remains on the energy sector, a more tangible and financially damaging form of greenwashing is proliferating within the real estate industry of emerging markets, particularly in Indonesia (Ali et al., n.d.; Inkaew, 2025; Kharisma et al., 2026; Mulenga et al., 2025; Mulyanto Nugroho et al., 2025).

Amid the rapid urbanization of Southeast Asia, Eco-Living, Green Cities, and Sustainable Superblocks have become dominant marketing narratives used to justify premium pricing and attract middle-class investment (Avery, 2022; Boquet, 2024; Commers, 2022; Phelps et al., 2025; Weems, 2025). Theoretically, these narratives serve as "signals" of superior quality. However, this study argues that the Indonesian property sector currently exhibits a severe form of Institutional Decoupling—a strategic behavior in which organizations ceremonially adopt popular structures (green branding) while decoupling them from their actual core activities and legal obligations.

Nowhere is this phenomenon more critical than in the disconnect between marketing brochures and binding legal contracts (Perjanjian Pengikatan Jual Beli or PPJB). Unlike consumer goods, where greenwashing may result in minor dissatisfaction, deceptive environmental claims in real estate cause substantial financial losses and violate consumer rights. This study explores this legal void through three distinct typologies of failure observed in recent high-profile Indonesian cases: the Visionary Decoupling of the Meikarta project, the Operational Decoupling of Sentul City, and the Functional Decoupling seen in Pluit.

According to Signaling Theory (Spence, 1973), in markets characterized by high information asymmetry—such as pre-project real estate sales—sellers must send credible "signals" to demonstrate product quality. In modern property marketing, Green Attributes (e.g., eco-parks, flood-free guarantees) have become premium signals used to justify higher price points (Delmas & Burbano, 2011). However, a critical failure occurs when these signals become "cheap talk"—easily produced in marketing materials but costly or impossible to implement. In the Indonesian property sector, this asymmetry is worsened by the prevalence of pre-selling practices, where consumers purchase units based solely on conceptual images years before physical verification becomes possible (Abetini, 2020; Griffiths, 2018; Gupta, 2018; Paul et al., 2023; Xue, 2016).

This research gap is significant because the Indonesian real estate market presents unique characteristics that intensify the potential for decoupling. The widespread use of pre-selling, combined with a legal framework that grants broad freedom of contract (Article 1338 of the Civil Code) and permits standard contracts with exoneration clauses, creates a permissive environment for developers to make extravagant green promises without legally binding themselves. The urgency of this research is underscored by the growing number of consumer grievances and legal disputes—as seen in cases such as Meikarta and Sentul City—which demonstrate the real financial and social harm resulting from this practice.

The persistence of greenwashing in Indonesia is structurally reinforced by a conflict between statutory consumer protection and the practice of contract law. Law No. 8 of 1999 on Consumer Protection (UUPK) theoretically prohibits misleading representations, with Article 8 explicitly forbidding businesses from trading goods that do not align with the promises stated in labels or advertisements. However, these protections are frequently undermined by the Civil Code (KUHPerdata) regime, particularly through the principle of Freedom of Contract (Asas Kebebasan Berkontrak, Article 1338). Developers exploit this principle to draft one-sided standard contracts (Perjanjian Baku). A crucial mechanism of Institutional Decoupling observed in this study is the pervasive use of exoneration clauses. Although theoretically prohibited, developers insert disclaimers such as "Images are for illustration purposes only" or "Site plans are subject to change without prior notice," effectively severing the marketing "signal" (the brochure) from its contractual obligation.

The primary purpose of this research is to investigate the systemic phenomenon of Institutional Decoupling in Indonesian eco-city projects. Its contributions are threefold: first, to provide empirical evidence of this practice through detailed case studies; second, to develop a theoretical typology of decoupling types within the real estate context; and third, to propose a concrete, actionable legal framework—the Binding Green Clause—to bridge the gap between marketing signals and legal obligations. The objectives of this study are to analyze how developers decouple green marketing from legal realities, identify the legal loopholes that enable such practices, and propose recommendations for legal and policy reform. The benefits of this research extend to consumers, who will gain a clearer understanding of their rights; to developers, who can adopt more legitimate and sustainable business models; and to policymakers, who can strengthen consumer protection and spatial planning laws based on these findings.

RESEARCH METHOD

Research Design:

A Socio-Legal Approach This study employs a qualitative socio-legal methodology, utilizing a multi-case study design to investigate the phenomenon of "Institutional Decoupling." This approach is particularly suitable for exploring complex "how" and "why" questions regarding the gap between corporate marketing strategies and legal accountability.

Data Selection: Purposive Sampling

Given the opacity of internal corporate decision-making, this study utilizes purposive sampling to select "Extreme Cases" based on three criteria: (1) High-Profile Green Branding, (2) Documented Legal Conflict, and (3) Verification by Tier-1 National Media (*Kompas, Tempo, Bisnis Indonesia*). The selected cases are: Meikarta (Visionary Decoupling), Sentul City (Operational Decoupling), and Pluit Commercial Area (Functional Decoupling).

Data Collection and Analysis

Data was collected through Triangulation of three distinct sources:

- **Marketing Artifacts:** Digital brochures and advertisements from the launch period (The "Signal").
- **Legal Instruments:** Analysis of standard contracts (PPJB), relevant statutes (Spatial Planning Law), and court decisions (The "Binding Obligation").
- **Investigative Reports:** News archives detailing the physical reality and consumer grievances (The "Actual Execution").

RESULT AND DISCUSSION

Case Study 1: Meikarta Mega-Project – Visionary Decoupling

The Signal: Launched in 2017, Meikarta was positioned as the “Shenzhen of Indonesia,” promising a futuristic eco-city featuring a 100-hectare central park. The developer adopted an aggressive Pre-Project Selling strategy through the Nomor Urut Pemesanan (NUP) mechanism.

The Decoupling: The project experienced severe stagnation and entered Debt Payment Suspension (PKPU) proceedings. Investigations revealed that at the time of the extensive sales launch, the project lacked complete environmental and building permits (Kompas.com, 2023).

Analysis: This case exemplifies Visionary Decoupling—where the vision sold to consumers is legally detached from the developer’s actual capacity. The NUP mechanism enabled the developer to collect public funds without meeting the strict construction progress requirements mandated by the Housing Law (UU No. 1/2011), effectively transferring development risk to consumers.

Case Study 2: Sentul City – Operational Decoupling

The Signal: Sentul City markets itself as a "City of Nature" and "Eco-City," leveraging its mountainous location to promise a sustainable lifestyle.

The Decoupling: Conflicts emerged concerning the developer's management of the Environmental Maintenance Fee (Biaya Pemeliharaan Lingkungan) and clean water supply. Residents faced threats of water disconnection after disputing fees, leading to Supreme Court litigation (Tempo.co, 2021).

Analysis: This case illustrates Operational Decoupling—where green branding exists only superficially, while the underlying operational governance remains extractive. Legally, the monetization of basic water rights violates the principle that essential public utilities should not be leveraged for private debt collection, contradicting the "harmonious living" brand promise (Supreme Court Decision No. 3415 K/Pdt/2018).

Case Study 3: Pluit and Sukapura Commercial Areas – Functional Decoupling

The Signal: These commercial developments implied spatial order and compliance with city planning regulations.

The Decoupling: Investigations revealed that dozens of commercial units (ruko) had illegally extended their building footprints over public drainage channels and sidewalks, effectively annexing public assets (fasos/fasum) for private commercial gain (Kompas TV, 2023).

Analysis: This case represents Functional Decoupling—where the intended social function of the land (drainage and pedestrian access) is undermined by its economic function (retail space). This reflects Regulatory Dormancy, in which spatial planning laws (UU No. 26/2007) are ignored until public viral pressure compels enforcement.

To restore trust and avoid the "Decoupling Trap," real estate executives must adopt three strategic shifts:

1. **The "Binding Green Clause" Strategy:** Move environmental promises from the brochure to the contract. Developers should explicitly list "Green Amenities" (e.g., exact size of parks, water management systems) as *Material Specifications* in the Sales Agreement (PPJB).
2. **Integrated Legal-Marketing Audit:** The Legal Department must have veto power over marketing materials. Before a "Green City" campaign is launched, Legal must verify that permits and land ownership are secured to prevent "Visionary Decoupling."
3. **Proactive Asset Handover:** Developers should accelerate the handover of Public Facilities (*Serah Terima Fasos/Fasum*) to the local government immediately upon completion to avoid conflicts over monopolistic management.

Discussion and Practical Implications

The "Binding Green Clause" framework directly addresses the core problem of decoupling. By elevating environmental promises to the level of material contractual terms, it transforms them from "cheap talk" into costly signals (Spence, 1973), which are credible because the sender risks legal sanction for non-compliance. This creates a powerful economic and legal incentive for developers to only make promises they can genuinely fulfill.

For developers who are genuinely committed to sustainable development, this framework offers a path to differentiate themselves in a market plagued by distrust. By voluntarily adopting binding green clauses, they can send a credible signal of quality that attracts discerning and value-conscious consumers, fostering long-term loyalty and enhancing their strategic legitimacy. As Lyon and Montgomery (2015) argue, substantive environmental actions, backed by credible commitments, build resilient stakeholder relationships.

For consumers, the framework provides a clear, actionable set of rights and expectations. It empowers them with legal standing to challenge broken promises, shifting the balance of power in the developer-consumer relationship. This can transform them from passive risk-bearers into active stakeholders in the creation of genuinely sustainable communities.

For policymakers, the framework provides a clear direction for legal reform. It highlights the need to reconcile the Consumer Protection Law with the Civil Code's freedom of contract principle, specifically regarding standard contracts in high-value, long-term purchases like real estate. Regulators could mandate that specific categories of green claims, if made in marketing, must be included in the PPJB. This would close the "Legal-Marketing Gap" and significantly reduce the structural incentive for institutional decoupling.

CONCLUSION

This study reveals that greenwashing in the Indonesian real estate sector is not merely a marketing issue, but a systemic "Institutional Decoupling" problem supported by legal loopholes. Through the analysis of Meikarta, Sentul City, and Pluit, we demonstrated how developers decouple their "Green Signals" from legal reality. The findings suggest that without stronger enforcement of Consumer Protection Laws and a shift in judicial interpretation—specifically, treating marketing brochures as binding contractual evidence—the promise of "Eco-Cities" in emerging markets will remain a broken one. For the industry to mature, the legal framework must evolve to ensure that the "Green" label carries the weight of a legal guarantee, not just a marketing gimmick.

REFERENCES

Abetini, M. (2020). *The crowdfunding as a solution to credit crunch on Italian SMEs and to the lack of funds for public projects: A case study*.

Ali, M., Wahjuni, E., Wardhana, R. W., Haryani, I., & Prakoso, B. (n.d.). *Protection policy strategy for green bond investors against the risk of greenwashing practices in the capital market*.

Avery, E. (2022). *Speculative fictions and green fantasies: Constructing Forest City, Malaysia as a model eco-city from scratch* [Doctoral dissertation, McGill University (Canada)].

Bisnis.com. (2025, April 9). Iklan TotalEnergies dan Shell jadi sorotan karena dianggap greenwashing [TotalEnergies and Shell ads highlighted for greenwashing]. *Hijau Bisnis*. https://hijau.bisnis.com/read/20250409/652/1867778/iklan-totalenergies-dan-shell-jadi-sorotan-karena-dianggap-greenwashing

Boquet, Y. (2024). Sustainable urbanization in Southeast Asian megacities: The contrasting cases of Singapore and Manila. In *Urban dynamics, environment and health: An international perspective* (pp. 81–106). Springer.

Commers, G. (2022). *State-driven new cities in Southeast Asia: Eco-cities as urban solutions*.

Griffiths, M. (2018). *Modern welfare and traditions of reciprocity*.

Gupta, R. (2018). *Reward and donation crowdfunding: A complete guide for emerging startups*. Notion Press.

Inkaew, S. (2025). *Green promises, dirty practices: A political ecology of sustainability, capitalism, and greenwashing in PTT's ESG strategy*.

Kharisma, D. B., Sudarwanto, A. S., Hernoko, A. Y., & Cahyaningsih, D. T. (2026). Green disclosure regulations: Navigating greenwashing in Islamic finance services. *International Journal of Law and Management*, 1–21.

Kompas TV. (2023, May 24). Satpol PP bongkar ruko yang caplok bahu jalan di Pluit [Public order agency dismantles shophouses encroaching on public roads in Pluit]. https://megapolitan.kompas.com/read/2023/05/24/09423521/satpol-pp-bongkar-ruko-yang-caplok-bahu-jalan-di-pluit

Kompas.com. (2023, February 14). Kisruh Meikarta dan urgensi pemerintah hadir lindungi konsumen [The Meikarta chaos and the urgency of government protection for consumers]. https://www.kompas.com/properti/read/2023/02/14/060000321/kisruh-meikarta-dan-urgensi-pemerintah-hadir-lindungi-konsumen

Lyon, T. P., & Montgomery, A. W. (2015). The means and end of greenwash. *Organization & Environment, 28*(2), 223–249.

Mulenga, R., Phiri, C., & Matongo, C. (2025). Mitigating greenwashing across world regions: An integrated behavioral and regulatory approach. *American Journal of Environment and Climate, 4*(1), 119–134.

Mulyanto Nugroho, M. M., Agustono, D. O. S., & Nekky Rahmiyati, M. M. (2025). *Eksplorasi nilai perusahaan dengan earnings management: Green investment, risiko financial, dan ekonomi makro*. Thalibul Ilmi Publishing & Education.

Paul, S. G., Saha, A., Arefin, M. S., Bhuiyan, T., Biswas, A. A., Reza, A. W., Alotaibi, N. M., Alyami, S. A., & Moni, M. A. (2023). A comprehensive review of green computing: Past, present, and future research. *IEEE Access, 11*, 87445–87494.

Phelps, N. A., Keil, R., & Maginn, P. J. (2025). *Peripheral centralities: Instances of anticipatory urbanism*. Jovis.

Tempo.co. (2021, August 14). Warga Sentul City menangkan gugatan hak atas air di Mahkamah Agung [Sentul City residents win water rights lawsuit at the Supreme Court]. https://metro.tempo.co/read/1494483/warga-sentul-city-menangkan-gugatan-hak-atas-air-di-mahkamah-agung

The Guardian. (2023, June 7). Watchdog bans ads from Shell, Repsol and Petronas over misleading climate claims. https://www.theguardian.com/media/2023/jun/07/watchdog-bans-ads-from-shell-repsol-and-petronas-over-misleading-climate-claims

Weems, L. (2025). *Perceptions of high-rise living amidst rapid urban population growth: A case study of Houston, Texas* [Doctoral dissertation, Jackson State University].

Xue, C. Q. (2016). *Hong Kong architecture 1945–2015: From colonial to global*. Springer.