

Flexibility and Adaptation of Contract Law (Comparative Study Between Indonesia's Civil Law System and Singapore's Common Law)

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ABSTRACT

This study aims to explore the differences in the flexibility and adaptation of contract law in Indonesia which adheres to the civil law system and Singapore which is based on common law, as well as its implications for modern business. Contract law in Indonesia is still heavily dependent on the Civil Code (KUHPPerdata), which dates back to the colonial era and has not undergone significant updates. This has led to stiffness in the implementation of contracts, especially in fast-growing business sectors such as digital technology. In contrast, Singapore has adopted a common law system, which is more flexible and able to adapt to changes in the economy and international business dynamics through the use of precedents. In a business context, flexibility and legal adaptation are essential because contracts often have to adapt to new emerging needs, including changes in technology, regulations, and market conditions. This study uses a normative juridical approach with a comparative method, examining laws, court decisions, and related academic literature. The case study of business contracts between Indonesian and Singaporean companies in the technology sector is also used as a study material to provide a practical view of the effectiveness of each country's legal system in facing contemporary business challenges. The results show that Singapore excels in contract flexibility due to the use of precedents that allow for legal adjustments without the need for formal legislative changes. On the other hand, contract law in Indonesia is often unable to keep up with rapid developments due to rigid and outdated regulatory limitations. This difference has an impact on the speed and efficiency of contract dispute resolution in both countries, with Singapore being able to resolve disputes more quickly through a more responsive system. This study concludes that to increase competitiveness in the global economy, Indonesia needs to reform the Civil Code to be more flexible and adaptive like the one implemented in Singapore. These recommendations are important to ensure that Indonesia can create a more competitive business environment and support innovation, especially in the ever-evolving digital era.

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1. INTRODUCTION

Contracts are an essential element in the business world, especially in an era of globalization that is increasingly complex and dynamic. In this context, contracts function as a legal basis that binds the parties, regulates their rights and obligations, and provides legal certainty to ensure the continuity of business transactions. In the midst of a global trend characterized by technological advancements and the digital economy, contracts increasingly need high flexibility to accommodate rapid and unexpected changes in the business environment. This is where the role of the legal system underlying the contract becomes very crucial, because the flexibility of contract law is highly dependent on the legal structure that supports it [1].

Indonesia, as a country adhering to the civil law system, has contract law regulated by the Civil Code (KUHPerdata), which is a legacy of the Dutch colonial era. The Civil Code, although once relevant, is now beginning to lag behind in facing the times, especially in the digital business sector. Since it was first implemented, the Civil Code has not undergone significant updates, which has impacted its inability to adapt to modern business needs. Rigid norms in the Civil Code are often an obstacle in responding to rapidly evolving global business dynamics, especially in the technology and digital economy sectors, where changes in regulations and business practices occur very quickly [2].

In contrast, Singapore adopts a common law legal system, which is more flexible and dynamic. One of the main features of common law is the use of precedents or precedents, where previous court decisions are the basis for future decisions. This system allows Singaporeans to quickly adapt their contract laws to changes occurring in business practices without the need for formal revisions to the law whenever there are new developments. This capability provides significant advantages for the business world in Singapore, which is increasingly dynamic and technology-based, allowing contracts to be more responsive to unexpected changes such as new

technologies, innovative business practices, and evolving international regulations [3].

The fundamental differences between Indonesia and Singapore in the context of contractual law flexibility can be observed in the way both countries handle technological and regulatory changes in business. Singapore, with a more adaptive common law system, has positioned itself as a global business hub with a legal system that can quickly respond to the needs of modern industries, especially in the technology, startup, and e-commerce sectors [3]. This allows Singapore to create a competitive and innovative business environment [2]. On the other hand, Indonesia faces a major challenge in modernizing its laws, where contracts are still often governed by norms that are considered irrelevant to the times. As a result, businesses in Indonesia are often hampered by limitations in responding to the rapid changes that occur in modern business [1].

Therefore, the purpose of this study is to examine the comparison between contract law in Indonesia which is based on civil law and Singapore which is based on common law, with a focus on flexibility and adaptation to business changes. This study also aims to evaluate the extent to which the two legal systems are able to support the development of modern and global business. By identifying the strengths and weaknesses of each system, this study is expected to provide recommendations on contract law reform in Indonesia to be more relevant and competitive in facing global economic challenges.

This study seeks to answer how the level of flexibility of contract law in Indonesia compared to Singapore in the face of modern business developments, whether the common law system in Singapore provides significant advantages in terms of adapting to economic and technological changes compared to Indonesian civil law, and how these differences affect the competitiveness of international business. The hypothesis of this study is that the common law system implemented in Singapore is more flexible and adaptive in accommodating modern business needs compared to Indonesia's civil

law system which is still rigid and requires massive reforms.

This research is very significant in the context of globalization, where business contracts are an important foundation for various cross-border transactions. With the rapid change of technology and global regulations, flexibility and adaptation of contract law are key elements in supporting the growth of international business. The results of this study are expected to provide clear insights into efforts to improve the contract law system in Indonesia to be more relevant and able to compete in the global business arena, while adopting flexible elements of common law that have proven effective in Singapore.

2. METHODS

2.1 Research Approach

This study uses a normative juridical approach with a comparative method, which aims to compare the contract legal systems in Indonesia (civil law-based) and Singapore (common law-based). The normative juridical approach was chosen because the main focus of the research is the written legal rules that apply in each jurisdiction as well as the underlying legal doctrines. In this context, the comparative method allows a critical analysis of the flexibility and adaptation of both legal systems in the face of dynamic changes in the modern business world, especially in the technology sector and the digital economy [4].

2.2 Data Source

This study uses secondary data, which is collected from legal literature, laws, scientific journals, and related court decisions. Some of the main data sources used in this study include:

- a. The Civil Code (KUHPerdata) as the basis of contract law in Indonesia, which is still rooted in the Dutch colonial legal system [5],
- b. *The Singapore Contract Act* and Singapore court rulings related to business contracts, especially in the field of technology and e-commerce [6],

- c. Recent scientific journals that discuss the evolution of contract law in the context of the digital economy in both countries, such as an article from the *Asian Business Law Review* that reviews Singapore's adaptation to technology in business contracts [7].

2.3 Data Collection Process

Data is collected through document research by conducting an in-depth study of relevant laws and regulations, court decisions, and academic literature. One of the main literatures used is research by Simarmata [5], which discusses the development and stagnation of contract law in Indonesia. From Singapore's side, Tan [7] provides in-depth insights into how precedents in Singapore's common law system allow for greater flexibility in adapting to economic and technological changes.

2.4 Data Analysis

The data were analyzed using a comparative descriptive approach, which focused on the comparison between the flexibility and adaptation of the contract legal system in Indonesia and Singapore. This analysis includes:

- a. The process of forming contracts in each country,
- b. The second way the legal system adapts to technological changes,
- c. Contract dispute resolution,
- d. The impact of law on the competitiveness of international business.

The results of this analysis are presented in the form of comparison tables and graphs that illustrate the differences in contract dispute resolution between Indonesia and Singapore [6]. With this method, the research is able to provide a more comprehensive understanding of the effectiveness of each legal system in supporting the development of modern business.

2.5 Research Sample

The research sample includes several court decisions related to business contract disputes in the technology and digital sectors. In Indonesia, the sample was taken from cases

decided by the Supreme Court involving technology contracts, while in Singapore, the sample included High Court rulings related to contracts in the technology and e-commerce sectors [7].

2.6 Measurement and Validity

Validity measurements are carried out by comparing research results from various academic sources and credible court decisions, ensuring that the findings of this research are consistent and accurate [4]. The validity of the data was strengthened through triangulation, comparing analyses of several relevant legal cases to see patterns of adaptation and flexibility in each country.

3. DISCUSSION

3.1 The Level of Flexibility of Contract Law in Indonesia Compared to Singapore.

A comparison between the flexibility of contract law in Indonesia and Singapore shows a striking difference. In Indonesia, the contract law system is based on the Civil Code, which is rigid and less responsive to modern changes. The Civil Code as the basis of contract law in Indonesia comes from the Dutch colonial legal system which, until now, has not undergone significant updates. The legal system, which prioritizes written laws, is often difficult to adapt to the rapid development of technology and business, especially in the digital economy and technology-based startups [8].

As a result of reliance on written laws that take a long time to update, contract law in Indonesia is less flexible in dealing with dynamic business situations. This is especially seen in the technology sector, where rapid developments such as e-commerce, financial technology (fintech), and digital contracts are often faced with outdated regulations [9].

On the other hand, Singapore, with its common law system, offers much greater flexibility. In this system, court decisions (or precedents) become an integral part of the formation of the law. This allows the law to evolve in line with the needs of society and the

business world without having to wait for a lengthy legislative process. In terms of technology and digital contracts, Singapore is able to adapt faster as courts can leverage precedents to tailor their rulings in line with the latest developments in the sector [10].

3.2 Significant Advantages of Singapore's Common Law System in Adapting to Economic and Technological Changes

The main advantage of Singapore's common law system is its ability to quickly adapt to changes in the technology sector and the digital economy. For example, in cases involving contracts in the digital technology sector, courts in Singapore can refer to relevant previous precedents, allowing for more flexible interpretation of the law and in accordance with the needs of modern businesses. This helps overcome regulatory barriers that may occur when new technologies are introduced, such as in the case of fintech or blockchain [11].

In contrast, in Indonesia, adaptation to new technologies and economic changes is often hampered by rigid regulations. Every regulatory change has to go through a lengthy legislative process, making it difficult to respond to the rapid changes that occur in the technology and digital business sectors. For example, Indonesia still does not have a legal framework that can fully accommodate digital contracts or smart contracts based on blockchain technology, while Singapore has begun to implement regulations that support the use of this technology in business contracts [12].

In addition, Singapore also has the Singapore International Commercial Court (SICC) which serves as a fast and efficient international dispute resolution mechanism. This provides global companies with legal certainty and shorter dispute resolution times compared to Indonesia, where dispute resolution often takes more than a year due to lengthy bureaucratic processes (Teo, 2022:190). This system adds to Singapore's attractiveness as a flexible and innovative global business hub.

Table. 1. Differences between the Indonesian Legal System (Civil Law) and Singapore (Common Law)

	Aspects	Indonesia (Civil Law)	Singapore (Common Law)
1	Legal System	Civil Law (KUHPerdata)	Common Law (Precedents)
2	Flexibility	Limited, rigid, requiring change	Highly flexible, precedent allows for quick adaptation
3	Adaptation Speed	Slow, subject to changes in laws	Fast, using precedents for adaptation without law revision
4	Dispute Resolution Time	> 12 months, long process	< 6 months, efficient with Singapore International Commercial Court (SICC)
5	Response to Technology	Slow, regulations have not yet supported new technologies such as blockchain	Fast, regulation supports technological innovations such as blockchain, fintech, and smart contracts
6	Appeal to Investors	Low, especially in the technology sector	High, attractive to foreign investors due to legal certainty
7	Special Courts	No special commercial courts, dispute resolution	Singapore International Commercial Court (SICC), fast and efficient dispute resolution

3.3 The Impact of These Differences on International Business Competitiveness

The difference in the flexibility of contract law in Indonesia and Singapore has a major impact on the international business competitiveness of both countries. Singapore, with its flexible and responsive common law system, has become a global business hub. This flexibility allows Singapore to attract international companies and foreign investors as they can be sure that contract law will be able to keep up with rapid technological developments. This provides great benefits for sectors such as technology, startups, and e-commerce, which require fast and effective legal certainty [7].

On the other hand, Indonesia faces a major challenge in attracting foreign investment because its civil law system tends to be slow to adapt to changes. This limited flexibility makes international companies reluctant to choose Indonesia as their main jurisdiction, especially in the technology sector. The slow dispute resolution process is also one of the major obstacles for investors, as the resolution of contract disputes in Indonesia can take a long time, causing prolonged legal uncertainty [13].

To increase international competitiveness, Indonesia needs to carry out

major reforms in its contract law, both through updating the Civil Code to be more responsive to the needs of modern businesses and by introducing faster and more efficient dispute resolution mechanisms. This step is important to ensure that Indonesia can compete in the digital era and attract more foreign investment.

3.4 Useful Legal Findings for Indonesian People

a. Updates to the Civil Code Relevant to Technological Developments:

These findings show that Indonesia needs to immediately update the Civil Code to be more relevant to modern business developments. Updates should include digital contract arrangements, e-commerce, as well as new technologies such as smart contracts and blockchain. Thus, legal certainty can be guaranteed, and digital businesses can thrive without being hampered by outdated regulations.

b. Introducing the Special Commercial Court:

The Singapore International Commercial Court (SICC) is an effective model for international contract dispute resolution. Indonesia can adopt a similar system by introducing specialized commercial courts that deal with

international business disputes quickly and efficiently, thus speeding up the dispute resolution process that is often time-consuming in the current system.

c. Encouraging the Use of Alternative Dispute Resolution:

Indonesia needs to strengthen alternative dispute resolution mechanisms such as arbitration and mediation to resolve contract disputes more quickly and efficiently. The system has proven successful in Singapore and provides greater legal certainty for international companies, especially those operating in the technology and digital business sectors.

Thus, the Indonesian people, especially business people and investors, can benefit from a more flexible, fast, and responsive legal system. A comprehensive contract law reform in Indonesia will not only improve global competitiveness, but also encourage the growth of the technology sector and digital business in the country.

4. CONCLUSION

This study highlights significant differences between *the civil law* system in Indonesia and *common law* in Singapore in the context of flexibility, adaptation to technological changes, and international business competitiveness. Indonesia, with a legal system based on the Civil Code, faces great challenges in keeping up with modern technological and economic developments. Contract law in Indonesia tends to be rigid

and slow to adapt due to the long and bureaucratic legislation process, creating uncertainty for business people, especially in the technology and startup sectors. Contract dispute resolution in Indonesia also often takes longer, even exceeding 12 months, which negatively impacts international business competitiveness.

In contrast, Singapore, with its *common law* system, offers much greater flexibility thanks to the use of *precedents*, which allows the law to evolve quickly and be responsive to changes. Courts in Singapore can quickly adapt the interpretation of contracts to the latest technological developments without having to wait for formal changes to the law. This provides a huge advantage for international businesses operating in Singapore, especially in the technology sector such as *blockchain*, *fintech*, and *smart contracts*. In addition, the existence of *the Singapore International Commercial Court (SICC)* provides a fast and efficient dispute resolution mechanism, further increasing Singapore's attractiveness as a global business hub.

Overall, Indonesia needs to make significant reforms in its contract law to be more flexible and responsive. These reforms will support the growth of the digital economy and attract more foreign investment, especially in the fast-growing technology sector. With these measures, Indonesia can increase its global competitiveness and create a more competitive business climate.

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