

## Legal protection for consumers in electronic transactions in Indonesia

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### Abstract

This study examines legal protection for consumers in electronic transactions in Indonesia, focusing on the effectiveness of existing laws and the challenges faced by consumers in an ever-evolving digital environment. Using a literature review method, the research collects and analyzes data from various sources, including government reports, academic studies, and industry surveys. The findings reveal that although there is a legal framework designed to protect consumers, there are still deficiencies in complaint handling, high levels of fraud, privacy violations, and low consumer awareness of their rights. The study recommends regulatory reforms, enhanced consumer education, and strengthened law enforcement to create a safer and fairer e-commerce environment. The conclusions of this research are expected to provide insights to the government and other stakeholders in improving consumer protection in Indonesia.

**Keywords:** Consumer protection, electronic transactions, regulation, digital security, Indonesia

### Introduction

In the current digital era, electronic transactions have become an integral part of economic activities for society. The significant increase in the use of e-commerce and other digital platforms brings convenience in shopping and transacting from anywhere and at any time. However, this growth is also accompanied by a rise in various risks and legal issues faced by consumers. These issues include online fraud, data privacy breaches, and the failure of service providers to meet the promised standards of products or services <sup>[1]</sup>.

In this context, two main questions arise

1. What are the types of legal risks faced by consumers in electronic transactions?
2. How do existing regulations protect consumers in electronic transactions in Indonesia?

The objective of this research is to analyse the effectiveness of current legal protections for consumers in electronic transactions. This study aims to evaluate the extent to which existing laws and regulations can protect consumers' rights and ensure their safety in online transactions.

The results of this research are expected to provide valuable insights into the adequacy and weaknesses of existing regulations, as well as offer constructive recommendations for enhancing legal protection for consumers. Thus, this study will not only be beneficial to legal and policy stakeholders but also to e-commerce businesses and consumers in understanding their rights and obligations in electronic transactions.

### Research Method

This research employs a qualitative approach using the literature review method <sup>[2]</sup>. This approach was chosen because it allows the researcher to conduct an in-depth analysis of existing theories, legal frameworks, and research findings related to legal protection for consumers in electronic transactions.

The literature review research is conducted by collecting, examining, and analyzing relevant publications, including legal journals, articles, research reports, laws, and

government regulations related to consumer protection in e-commerce <sup>[3]</sup>. The aim is to understand the scope of current research and identify gaps in the existing literature.

The data used in this research primarily comes from: (1) Peer-reviewed journal articles published in the last decade; (2) Legal documents including laws, regulations, and court decisions related to e-commerce and consumer protection; (3). Reports from international organizations such as the WTO, OECD, and Consumer International, which relate to best practices and global policies in electronic consumer protection; (4) Media and industry publications that provide insights into practical issues and the implementation of laws in the context of the Indonesian market.

This research follows these steps in data collection <sup>[4]</sup>: (1) Identification of Sources: Determining relevant databases and literature sources; (2). Literature Selection: Using keywords such as "e-commerce consumer protection," "electronic transactions and law," and "e-commerce regulation in Indonesia" to filter and select literature; (3). Data Extraction: Recording important information from selected sources relevant to the research questions; (4). Categorization: Grouping information based on key themes such as types of risks, existing regulations, and the effectiveness of legal protections.

The collected data will be analyzed using content analysis methods to extract themes and patterns related to the effectiveness of consumer protection regulations in electronic transactions. This analysis will involve interpreting the existing legal perspectives and critically evaluating the strengths and weaknesses in the implementation of regulations <sup>[5]</sup>.

### Result and Discussion

#### Consumer Protection Theory

Consumer protection is a legal principle aimed at maintaining balance and fairness between consumers and producers or sellers of goods and services <sup>[6]</sup>. In the context of electronic transactions, the theory of consumer protection law becomes highly important considering the dynamics and inherent risks associated with digital commerce. The following is an in-depth exploration of the principles and

legal theories underlying consumer protection, especially in electronic transactions <sup>[7]</sup>.

### Principles of Fairness and Transparency

Consumer protection law theory emphasizes the importance of fairness and transparency in transactions. This includes clarity of information about products or services, including prices, features, and potential risks. Consumers should be provided with sufficient information to make informed decisions, and this information should be communicated in an easily understandable manner.

### Rights to Security and Quality

Consumers have the right to receive goods or services that are safe and of quality according to the standards set by the law. In electronic transactions, this includes personal data security as well as the assurance that digital products meet the advertised specifications.

### Principle of Fairness in Contracts

This principle concerns the balance in terms and conditions set in contracts between consumers and service or product providers. Consumer protection laws often intervene to ensure that there are no unfair clauses that disadvantage consumers, especially in contracts unilaterally made by sellers or service providers.

### Right to Redress

This theory provides that consumers should be able to seek redress and claim compensation if they suffer losses due to defective products or services that do not meet promised standards. In the digital ecosystem, this includes the right to sue for data breaches or other losses related to technology use.

### Access to Dispute Resolution

Consumer protection also involves fair and effective access to dispute resolution mechanisms. This includes arbitration, mediation, and other legal avenues that can help consumers recover losses without burdensome costs or procedures.

### Protection Against Deceptive Sales Practices and Coercion

Consumer protection laws oppose deceptive sales practices and coercion. This is highly relevant in the online context, where marketing techniques can be highly persuasive and invasive. Laws are designed to prevent misleading advertisements and ensure that consumers are not coerced into making decisions.

### Presentation of Data

In this section, we'll examine data related to consumer protection in electronic transactions in Indonesia, obtained through various sources such as surveys, government reports, and academic studies. This data provides an overview of the prevalence of issues faced by consumers and the effectiveness of existing legal protection mechanisms.

### Frequency of Consumer Complaints

Data from the Indonesian Ministry of Trade shows a significant increase in the number of consumer complaints related to electronic transactions in the last five years. In 2020, there were approximately 10,000 complaints, marking a 50% increase from the previous year. These complaints

primarily revolve around issues such as delayed delivery, products not matching the description, and online fraud <sup>[8]</sup>.

### Types of Risks Faced by Consumers

Based on a survey conducted by the Indonesian E-commerce Association, the main risks identified by consumers include <sup>[9]</sup>:

- a. Fraud: 35% of respondents reported experiencing fraud or misleading offers.
- b. Data Privacy Violations: 25% of respondents are concerned about how their personal data is used and the potential for information leaks.
- c. Order Fulfillment Failures: 20% of respondents experienced issues with orders that were never delivered or products damaged during shipping.

### Response to Complaints

Analysis by the National Consumer Protection Agency (BPKN) indicates that only about 60% of all complaints are effectively handled by e-commerce players. The remaining 40% often end without satisfactory resolutions, often due to lack of information or inefficient dispute resolution processes <sup>[10]</sup>.

### Consumer Awareness of Their Rights

Data from a 2021 study by the University of Indonesia shows that only about 50% of consumers are aware of their rights in electronic transactions. Furthermore, only 30% understand the processes and channels they can use to file complaints or legal claims <sup>[11]</sup>.

### Effectiveness of Regulations

Research conducted by the Faculty of Law at Gadjah Mada University indicates that despite Indonesia having legal frameworks such as the ITE Law and Consumer Protection Law, there are still significant gaps in implementation. The study notes that regulations are often inconsistently applied, and law enforcement mechanisms are still ineffective in handling certain cases <sup>[12]</sup>.

### Data Analysis

Based on the data presented earlier, further analysis is needed to interpret the implications of these findings and assess the effectiveness of legal protection for consumers in electronic transactions in Indonesia.

### Evaluation of Responses to Consumer Complaints

Although there are mechanisms in place to handle consumer complaints, the effectiveness of resolution remains a major issue. Data indicates that only 60% of complaints are effectively addressed. Failures in handling the remaining 40% of complaints indicate shortcomings in dispute resolution systems, whether due to complex procedures, lack of transparency, or delayed responses. This suggests the need for improvements in legal infrastructure and procedures to ensure that all complaints are addressed promptly and fairly.

### Fraud and Privacy Violations

High incidences of fraud and concerns about data privacy highlight the urgent need to enhance electronic transaction security and consumer data protection. While there are laws regulating data security and electronic transactions, on-the-ground realities show that regulatory implementation is still inadequate. This calls for stronger regulation and stricter

government oversight, as well as increased consumer awareness and education on how to protect their data and identities online.

### Consumer Awareness

Lack of awareness about consumer rights and available protection procedures underscores the crucial need for more intensive consumer education programs. Consumer education not only raises awareness about their rights but also empowers consumers to hold sellers or service providers accountable.

### Inconsistent Regulatory Implementation

Studies show a gap between existing regulations and their implementation, resulting in ineffective protection. To address this, there needs to be better synergy between regulatory bodies, law enforcement agencies, and e-commerce platforms to ensure that regulations are not just on paper but also effectively enforced.

### Recommendations for Improvement

Given the findings from this analysis, several recommendations can be proposed

- a. **Strengthening Regulatory Framework:** Updating and adapting regulations to include protection against emerging risks in e-commerce.
- b. **Simplification of Complaint Procedures:** Making the complaint resolution process more transparent and easily accessible to consumers.
- c. **Consumer Education Programs:** Initiating education initiatives aimed at increasing consumer awareness and understanding of their rights in electronic transactions.
- d. **Intersectoral Coordination:** Strengthening cooperation between regulators, industries, and consumer associations to improve compliance and law enforcement.

### Interpretation of Results

The data analysis results reveal several critical issues in consumer protection within the Indonesian e-commerce sector. Insufficient responsiveness to consumer complaints, the prevalence of fraud, privacy violations, and low consumer awareness are clear indicators that current consumer protection measures are not yet optimal. The interpretation of these results emphasizes the need for a more proactive response from the government and stakeholders to enhance security and trust in electronic transactions.

### Implementation of Law

The effectiveness of law enforcement in protecting e-commerce consumers in Indonesia still faces many obstacles, including weaknesses in supervision and enforcement, as well as gaps in existing regulations. Effective law enforcement requires not only revising existing laws to accommodate technological advancements but also enhancing the capacity of law enforcement agencies to handle e-commerce-related cases. This includes specialized training for law enforcement officers and the development of infrastructure supporting investigations and prosecution of violations in electronic transactions.

### Comparison with Other Studies

Previous studies indicate that many countries have introduced more adaptive and responsive legal frameworks to address challenges arising from e-commerce. For instance, the European Union has implemented GDPR to enhance consumer protection of personal data, and the United States has various consumer protection laws explicitly targeting deceptive and unfair e-commerce practices. Comparisons with other studies suggest that Indonesia may need to adopt some elements from these international legal frameworks to strengthen domestic consumer protection. Additionally, adopting international best practices, such as stricter law enforcement and effective consumer education campaigns, can help improve the situation in Indonesia.

### Conclusion

From the analysis conducted, several key points can be drawn as conclusions regarding legal protection for consumers in electronic transactions in Indonesia

1. **Deficiencies in Complaint Handling:** There are significant shortcomings in how consumer complaints are handled, with many cases left unresolved satisfactorily. This indicates an urgent need to improve dispute resolution mechanisms and make the process more transparent and accessible to consumers.
2. **Security and Fraud Issues:** High incidences of fraud and privacy violations signify the need for stricter and better regulations in electronic transaction security and personal data protection.
3. **Low Consumer Awareness:** Consumer awareness of their rights in electronic transactions remains low, impacting their ability to protect themselves from unfair practices. Comprehensive and continuous education programs need to be enhanced to address this issue.
4. **Supervision and Law Enforcement:** Inconsistent and ineffective law enforcement highlights the need to strengthen the capacity of supervisory institutions and enhance cooperation among agencies to ensure compliance with consumer protection laws.
5. **Regulatory Reform:** There is a need for more adaptive regulatory reforms to keep up with technological advancements and business practices in the digital era. This includes updating existing laws and adopting best practices from international legal frameworks to strengthen consumer protection.

The primary recommendation is for the government and relevant stakeholders to take concrete steps in reviewing the legal framework, enhancing consumer education, and strengthening law enforcement mechanisms. These actions will not only protect consumers but also support healthy and fair digital economic growth in Indonesia.

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