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The Urgency of Reforming Consumer Protection Law in Encountering to the Digital Business Ecosystem in Indonesia

Agus Panahatan Panjaitan[1*], Suartini[2], Aris Macmud[3]
[1]Universitas Al-Azhar Indonesia, Indonesia, agustpanahatan@gmail.com
[2]Universitas Al-Azhar Indonesia, Indonesia, suartini@uai.ac.id
[3]Universitas Al-Azhar Indonesia, Indonesia, aries_machmud@uai.ac.id

[*]Corresponding Author: agustpanahatan@gmail.com

Abstract: The digitalization of business in Indonesia has brought significant changes to transaction patterns and consumer–business relationships. However, this rapid growth has also raised several new consumer protection issues, including online fraud, violations of privacy rights, and unclear legal responsibilities for digital businesses. This study aims to analyze the importance of consumer protection in Indonesia's digital business landscape and identify issues and solutions to strengthen it. The research method applied is the normative juridical method through case studies, a review of related literature, and an examination of statutory regulations. The findings reveal that current consumer protection frameworks, such as the Law on Electronic Information and Transactions and Law Number 8 of 1999 on Consumer Protection, still contain many gaps in adapting to the evolving dynamics of online transactions. Regulatory reforms and the enhancement of consumer digital literacy are required to ensure legal protection is more effective and responsive to technological developments. In conclusion, collaboration among the government, businesses, and society is urgently needed to strengthen consumer protection in the digital era and to create a safe and equitable digital business environment.

Keyword: Indonesian Regulation, Business Digitalization, Consumer Protection

INTRODUCTION

The massive digital transformation in Indonesia has fundamentally changed the relationship between businesses and consumers. With the development of information technology, new digital-based business models have emerged, such as e-commerce, fintech, and various mobile application-based services (Stancu (Zamfir) & Dogaru, 2025). The increasing development of digital technology provides flexibility in access, efficiency, and transaction processes, as well as a market that is not bound by geographic reach. Consumers can now conduct various transactions quickly and conveniently using only an internet-connected electronic device, encouraging changes in consumer behavior and increasing familiarity with online transactions to meet various needs for goods and services (Ridha & Budiyanto, 2025).

Conversely, business digitalization also opens up opportunities for businesses to reach markets and leverage product and service innovation (Ayu Putriana Dewi & Agus Hermawan, 2025). However, this rapid progress is not without complex challenges, particularly in the area of consumer protection. One challenge is the increasing risk to the security of consumers' personal data when using digital technology (Catherine Wijaya et al., 2025). Cases of leaks or misuse of consumer personal data, both material and immaterial, are not impossible. The potential for disputes between consumers and digital businesses is also increasing, particularly in cases of transaction fraud, products received that do not match the specifications or attributes provided by the business, or even the termination of digital services, resulting in losses for consumers (Pendang, 2025).

The phenomenon of online fraudulent transactions, misuse of information or data, and confusion due to unclear dispute resolution mechanisms are among the increasingly pressing issues in the digital business ecosystem (Sari et al., 2026). Consumer protection that focuses more on this sector is increasingly necessary to champion and safeguard. Therefore, although it is regulated by the government through consumer protection laws in the form of Law No. 8 of 1999 concerning Consumer Protection and Law No. Despite Law No. 11 of 2008 concerning Electronic Information and Transactions, the implementation of regulations protecting the digital landscape still faces various obstacles, such as the enforcement mechanisms employed, obstacles in overseeing the dominant global business actors, and consumers' lack of digital literacy to better understand their rights and obligations (Handayani & Prabowo, 2025).

The increasing number of transactions through digital platforms, including marketplaces, digital payment applications, and on-demand services, has increased the risks faced by consumers (Liu, 2025). Despite this, consumers can enjoy the benefits of these three digital businesses, including convenience, speed, and a variety of choices. However, despite these numerous advantages, consumers also face several challenges, including the lack of or insufficient transparency of information provided by business actors, an imbalance in the bargaining position between consumers and digital companies, and consumers' lack of understanding of reliable legal protection mechanisms in the event of disputes (Prabowo, 2025).

A key issue emerging amidst the global transition era, which reflects the shift toward digital business, is how to safeguard consumer interests, even as this sector experiences extreme and rapid change (Pattanayak et al., 2025). There is an urgent need for changes and updates to consumer protection regulations and policies, as well as increased digital literacy among the public. Synergy is crucial between the government, businesses, and the public to build a healthy, safe, and fair digital ecosystem for all parties (Harinawantara et al., 2025). Therefore, research on the urgency of consumer protection in the era of business digitalization in Indonesia is a relevant topic, not only to encourage inclusive digital economic growth but also to ensure consumer rights and security as a top priority in national development.

Previous Research

Various studies have highlighted the importance of consumer protection in digital transactions. Research by one researcher emphasized that consumer protection regulations in Indonesia have not fully addressed the dynamics of digital transactions, particularly in terms of law enforcement against online businesses (Ermini et al., 2026). Meanwhile, other researchers have highlighted the often under-handling of online fraud cases due to limited access to information and unclear legal processes (Destalia Amanda Sintasari et al., 2025).

Furthermore, other researchers, in their study examining the challenges of implementing consumer protection in the e-commerce realm, found that low consumer digital literacy is a factor hindering the creation of a safe digital business ecosystem (Satrio Pamungkas Wicaksono et al., 2025). Still other research highlights the need for regulatory reforms to accommodate technological developments, such as personal data protection and more adaptive dispute resolution mechanisms (Rizki et al., 2025).

In general, previous research agrees that consumer protection in the digital era requires policy updates, increased literacy, and synergy between the government, businesses, and the public.

Problem Formulation

Based on the description above, the research questions proposed in this study are:

1. What is the urgency of consumer protection in Indonesia in the face of business digitalization?
2. What are the main challenges in implementing consumer protection in the digital era?

Research Objectives

1. Analyze the urgency of consumer protection in Indonesia in the face of business digitalization.
2. Identify the main challenges in implementing consumer protection in the digital era.

METHOD

This research uses a qualitative approach with a normative juridical method. The approach was chosen because this research focuses on analyzing applicable legal regulations and policies related to consumer protection in Indonesia in the era of business digitalization. The normative juridical method is a legal research approach that examines library materials or secondary data, including primary, secondary, and tertiary legal materials (Soekanto & Mamudji, 2011).

The primary legal materials used in this study include Law Number 8 of 1999 concerning Consumer Protection, Law Number 11 of 2008 concerning Electronic Information and Transactions and its amendments, and other relevant implementing regulations, such as Financial Services Authority Regulations, Government Regulations, and Circulars relating to digital transactions and consumer protection. Secondary legal materials include scientific literature, journal articles, research findings, and other academic works addressing consumer protection issues and the development of business digitalization in Indonesia. Meanwhile, tertiary legal materials, including legal dictionaries, encyclopedias, and other supporting documents, were used to strengthen the understanding of the terminology and concepts used.

Data were collected through document analysis by reviewing various laws and regulations, official government documents, court decisions, and relevant previous studies. Literature review also included books, journals, articles, and scientific publications discussing consumer protection, digital transformation, and regulatory challenges in the era of business digitalization in Indonesia.

This study used a descriptive-analytical method to analyze the data. The data were systematically analyzed to describe the objective state of consumer protection in Indonesia, the challenges faced in implementing digital consumer protection, and possible efforts to strengthen consumers' positions. The analysis was conducted by identifying, reviewing, and comparing provisions in applicable laws and regulations, field practices, and findings from previous research. This approach enabled the researchers to provide a comprehensive overview of the urgency of consumer protection within the digital business ecosystem, while identifying regulatory weaknesses and offering recommendations for improvement.

Furthermore, this study conducted a comparative analysis of digital consumer protection policies in Indonesia with practices implemented in several other countries. The goal was to gain a broader perspective on the regulation and implementation of consumer protection in the digital realm, thereby identifying effective policies for adaptation or adoption in Indonesia.

This comparative analysis was conducted by reviewing international documents and publications related to digital consumer protection, such as guidelines from the United Nations Conference on Trade and Development (UNCTAD) and consumer protection practices in countries with advanced digital ecosystems, such as the European Union and Singapore (UNCTAD, 2020).

The validity of the data in this study was maintained through source triangulation, which involves comparing and testing the consistency of data obtained from various legal sources and literature. Thus, the research results are expected to provide an accurate, comprehensive, and scientifically accountable picture.

Using a qualitative, normative-juridical approach combined with comparative and descriptive-analytical analyses, this research aims to significantly contribute to the advancement of consumer protection theory and practice amid the digitalization of business in Indonesia.

RESULTS AND DISCUSSION

In-Depth Description of Research Findings

Digital transformation has brought significant changes to the business landscape in Indonesia, where online transactions through e-commerce, fintech, and various digital platforms have become an integral part of people's daily lives (Putri & Fasa, 2025). This research systematically identifies and analyzes important findings from a study focusing on regulatory documents, government agency reports, national survey results, and scientific literature related to digital consumer protection.

One key finding indicates a sharp surge in online transaction volume, particularly during the COVID-19 pandemic (Hidayat & Azzery, 2022). Data from the Indonesian Internet Service Providers Association (APJII, 2022) and Bank Indonesia record rapid growth in e-commerce transactions in Indonesia, reaching a value of over IDR 400 trillion in 2021 (Zakaria, 2024). The growth in transactions is accompanied by changes in consumer behavior, which increasingly relies on digital platforms to meet their needs for goods and services. The phenomenon marks a fundamental shift in consumer consumption patterns and expands the spectrum of risks faced by consumers.

Qualitative findings from literature analysis and reports from the National Consumer Protection Agency (BPKN, 2023) indicate that the main issues in digital consumer protection in Indonesia revolve around three important aspects: personal data security, product information transparency, and dispute resolution mechanisms (Wulandari, 2025) (Dwi Wijayanto et al., 2025) Many consumers complain about the rampant misuse of personal data by digital businesses, including unauthorized product offerings, identity theft, and data leaks due to weak platform security systems. A study by Jannah (2025) highlighted that 62% of digital consumers in Indonesia are concerned about the protection of their privacy and data security when transacting online, while only 37% feel sufficiently confident in the digital platforms they use (Jannah et al., 2025).

Regarding information transparency, research findings indicate that many businesses still do not provide complete and honest product or service information (Ahfadz et al., 2024). Often, detailed product specifications, return policies, or after-sales guarantees are not clearly communicated on digital platforms. As a result, consumers struggle to assert their rights when they receive products that do not match the description or experience losses due to inadequate digital services (Purnaningrum & Roisah, 2025). A case study analyzing several dispute reports at the Indonesian Consumer Dispute Arbitration Board (BPSK) and the BPKN revealed that 40% of digital consumer complaints related to product and service discrepancies, as well as difficulties in obtaining solutions from business actors (Pembayun & Gunawan, 2025).

Regarding dispute resolution mechanisms, this study found that most consumers are still unaware of or do not have access to available legal channels, whether through the BPSK, mediation by relevant ministries, or the courts (Yuwono & Saptomo, 2024). Contributing factors include low consumer legal literacy, complicated procedures, and a suboptimal online complaint handling system. Data from the National Consumer Protection Agency (BPKN) (2023) shows that of all digital consumer complaints received, only around 25% are successfully resolved through formal processes, with the remainder ending in unclear or informal resolutions that are less beneficial to consumers (Kharisma et al., 2025).

On the other hand, comparative studies indicate that consumer protection regulations in Indonesia, such as the Consumer Protection Law and the Electronic Information and Transactions Law, still face challenges in their implementation (Moeslim et al., 2025). Compared with other jurisdictions such as the European Union or Singapore, which have more comprehensive digital consumer protection mechanisms and more efficient online dispute resolution systems, regulations in Indonesia still require adjustments to keep up with the dynamics of digital business (Sinaga, 2025).

Quantitative findings from surveys by the BPKN and several national research institutions reinforce this picture. Approximately 45% of digital consumers in Indonesia have experienced problems in online transactions, including fraud, defective products, or inappropriate services (Chairus Suriyat et al., 2025). Of these, only 18% reported the problem to the relevant authorities, and most chose to resolve it informally or let it go because they considered the reporting process too complicated and convoluted (Jannah et al., 2025).

In general, this study highlights that while business digitalization brings numerous benefits and conveniences for consumers, challenges in consumer protection have also increased significantly. The most crucial aspects requiring attention are personal data protection, information transparency, and access to easy and effective dispute resolution mechanisms. The lack of digital and legal literacy among consumers, along with suboptimal regulatory enforcement, are key obstacles to realizing a fair and safe digital business ecosystem for consumers in Indonesia.

Therefore, the results of this study underscore the need for policy strengthening, increased consumer education, and innovation in dispute resolution mechanisms to ensure effective consumer protection in the digital era and adapt to technological developments.

Analysis of Consumer Protection, Challenges, Case Studies, and Relevance of Regulation

Consumer protection in Indonesia faces significant challenges along with the rapid digitalization of business. Law Number 8 of 1999 concerning Consumer Protection (UUPK) and Law Number 11 of 2008 concerning Electronic Information and Transactions (UU ITE) are two key pillars of consumer protection in the digital realm. However, the effectiveness of these two regulations in addressing the complexities of digital transactions remains questionable. The UUPK regulates the rights and obligations of consumers and businesses, including compensation mechanisms, dispute resolution, and information protection. However, these regulations are more oriented toward conventional transactions and do not fully accommodate the characteristics of digital transactions involving technology and cross-border businesses (Fitriani & Prasetyo, 2020).

Meanwhile, the ITE Law attempts to address the challenges of the digital era by regulating the legal aspects of electronic transactions, the validity of digital documents, and data protection. However, practice in the field shows that many digital consumer disputes remain unresolved fairly and efficiently. It is largely due to limitations in law enforcement, low public digital literacy, and limited access to effective complaint mechanisms. A study by Kusumawati (2021) revealed that consumers often struggle to prove losses resulting from digital transactions, especially if the business operator is located outside of Indonesian jurisdiction.

One frequently encountered case study concerns fraud in e-commerce transactions, where consumers receive products that are not as expected or no product at all. While consumers can file complaints with the Consumer Dispute Resolution Agency (BPSK) or through legal channels, the process is often time-consuming, expensive, and labor-intensive, disproportionate to the losses incurred. Furthermore, the existing legal framework has not been able to anticipate rapid technological developments, such as personal data protection and cybersecurity.

In the context of regulatory relevance, updating and harmonizing regulations is an urgent need. The government needs to strengthen the implementation of the Consumer Protection Law (UUPK) and the Electronic Information and Transactions Law (UU ITE) by adopting international best practices, such as those concerning personal data protection, which is currently awaiting the enactment of a specific law. Collaboration between the government, businesses, and the public is crucial to building a digital ecosystem that optimally guarantees consumer rights. Therefore, consumer protection in the digital era is not solely the responsibility of the state but also requires the active participation of all stakeholders.

Analysis of consumer protection, challenges, case studies, and regulatory relevance

The massive digital transformation of the last decade has brought fundamental changes to Indonesia's business ecosystem. This phenomenon is reflected in the rapid growth of online transactions through e-commerce, fintech, and other digital services. This study reveals several key findings regarding the urgency of consumer protection in the digital era. Based on a literature review and analysis of legal documents, it was found that digital consumers in Indonesia face more complex challenges than in the era of conventional transactions.

Quantitatively, data from the Indonesian Internet Service Providers Association (APJII, 2022) shows that in 2021, internet user penetration in Indonesia reached 77% of the population, with e-commerce transaction values exceeding IDR 400 trillion. This rapid growth has also been accompanied by increasing reports of online fraud, personal data breaches, and disputes between consumers and digital businesses. A report from the National Consumer Protection Agency (BPKN, 2023) stated that 45% of digital consumers have experienced problems in online transactions, ranging from product defects to late delivery and identity fraud.

Qualitatively, previous studies support these findings. Fitriani and Prasetyo (2020) highlighted that consumer protection regulations in Indonesia, particularly Law Number 8 of 1999 concerning Consumer Protection (UUPK) and Law Number 11 of 2008 concerning Information and Electronic Transactions (UU ITE), still face several limitations in accommodating the dynamics of digital transactions. The UUPK focuses more on conventional transactions, while the ITE Law does contain provisions regarding electronic transactions and data protection, but these have not been optimally implemented in practice. It has resulted in many digital consumer disputes not being resolved fairly, both due to weak law enforcement and consumers' difficulty in accessing effective complaint mechanisms (Kusumawati, 2021).

The main challenges identified in this study include: (1) minimal information transparency from digital business actors, (2) weak protection of consumers' personal data, (3) limited access to fast and affordable dispute resolution, and (4) low consumer digital literacy. Case studies of fraud in e-commerce transactions illustrate the complexity of the claims process, where consumers must prove losses and face a convoluted process in the Consumer Dispute Resolution Agency (BPSK) or the courts. Often, digital businesses are domiciled overseas, complicating the process of law enforcement and protecting Indonesian consumer rights.

Regulatory analysis demonstrates the urgent need for policy reform and harmonization to address the challenges of the digital era. The government has attempted to strengthen consumer protection through revisions to the ITE Law and the drafting of the Personal Data

Protection Bill (RUU PDP). However, implementation on the ground remains suboptimal. Stricter law enforcement, oversight of cross-border digital businesses, and extensive education to raise consumer awareness of their rights are needed.

Furthermore, regulatory practices in other countries can serve as a reference for Indonesia. The European Union, for example, has adopted the General Data Protection Regulation (GDPR), which provides comprehensive protection for digital consumers, including the right to access, correct, and delete personal data. Adapting similar policies in Indonesia could strengthen consumers' positions amidst the inevitable pace of business digitalization.

Overall, the findings of this study confirm that consumer protection in the digital era requires not only regulatory reform but also collaboration between the government, businesses, and the public. Responsible technology implementation, effective law enforcement, and adequate digital literacy are key prerequisites for creating a safe, fair, and sustainable digital business ecosystem for consumers in Indonesia.

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Altogether, this study's findings confirm that consumer protection in the digital era requires not only regulatory reforms but also collaboration between the government, businesses, and the public. Responsible technology implementation, effective law enforcement, and adequate digital literacy are key prerequisites for realizing a safe, fair, and sustainable digital business ecosystem for consumers in Indonesia.

Discussion of Current Problems and Solutions

The development of the digital era in business in Indonesia has created significant opportunities for economic growth, but has also brought with it some pressing issues that require serious attention in the context of consumer protection. These issues relate not only to the technical aspects of electronic transactions but also encompass legal protection, personal data governance, and public digital literacy. These dynamics demonstrate the persistent imbalance between the speed of technological innovation, regulatory adaptation, and consumers' capacity to respond to these changes.

One of the most prominent pressing issues is the rise of online fraud in e-commerce transactions. Consumers often fall victim to offers of fictitious products or services, price manipulation, misleading promotions, and the delivery of goods that do not match the description. According to data from the National Consumer Protection Agency (BPKN, 2023), complaints related to digital fraud have increased significantly in the past five years, particularly during the COVID-19 pandemic, which has driven a surge in online transactions. This demonstrates that the oversight and law enforcement system for digital businesses still faces various obstacles, including identifying perpetrators, limited jurisdiction, and weak sanctions against irresponsible actors.

A second, equally important issue is the protection of consumer personal data. Amidst the rapid use of technology, consumers' personal data is often collected, processed, and distributed without the consent or adequate understanding of the data owners. Numerous cases of data leaks, misuse of data for unauthorized promotions, and consumer profiling practices for commercial gain that disregard the right to privacy are prevalent. Despite the government's initiation of the Personal Data Protection Bill (PDP Bill), implementing it still faces challenges, particularly regarding oversight and enforcement of penalties against business violators.

Another obstacle is the public's lack of digital literacy. Many consumers still lack an understanding of their rights and obligations in digital transactions, fail to verify the legitimacy of websites or applications, and ignore the terms and conditions of services offered. This creates an opening for unscrupulous business actors to engage in practices detrimental to consumers, ranging from deceptive marketing, hidden charges, non-transparent refund and warranty policies, to numerous consumer disputes that are difficult to resolve.

Addressing the above problems will undoubtedly require a series of solutions. First, there is the need for more responsive and harmonized regulations across various sectors to technological developments. The government needs to pay special attention to the registration and ratification of the PDP Bill. Next, there is a need for firm and comprehensive implementing regulations. The government can leverage the creation of this regulation to incorporate established universal data protection principles, like those found in the European Union's

General Data Protection Regulation (GDPR). By performing this, it would enhance the protection of consumers' personal data.

Second, strengthening oversight and law enforcement against digital businesses needs to be carried out more consistently. The roles of the government, supervisory authorities, and law enforcement agencies need to be strengthened in detecting, prosecuting, and monitoring violations in the digital sphere. The development of online dispute resolution (ODR) mechanisms can be a faster, cheaper, and more effective alternative for consumers to resolve disputes.

Third, the government, businesses, and civil society organizations need to collaborate in managing education programs and improving public digital literacy. In the long term, these education programs must become a consistent national priority that is easily accessible to the public. Education in this context is not limited to providing consumers with information on how to conduct transactions safely and wisely, but also encompasses understanding their rights as consumers, how to read terms and conditions, and guidance on complaint and resolution steps if consumers feel disadvantaged or a consumer dispute arises.

Finally, collaborative cooperation between parties is needed to find solutions to create a healthier and fairer digital ecosystem in Indonesia. Greater synergy between the government, the private sector, and the public is key to creating more responsive policies and regulations, strengthening oversight, and building a more ethical and responsible transaction culture in the digital realm. Therefore, the challenges of consumer protection in the era of business digitalization in Indonesia are not easy and quick to solve, but everything will be better and more successful if resolved with a more integrated approach and participation that involves many parties.

CONCLUSION

The digitalization of business in Indonesia has brought about a significant transformation in the way consumers and businesses interact, while expanding the scope of economic transactions into the online realm. The urgency of consumer protection against business digitalization is particularly high because changes in the digital business ecosystem not only offer convenience and speed but also create new risks not present in conventional transactions. Consumer protection is a key foundation for ensuring public trust in the digital market, maintaining a balance between consumer rights and business obligations, and encouraging healthy and sustainable digital economic growth. Without adequate protection, consumers are vulnerable to fraud, data misuse, and unfair business practices, which can undermine public trust in the digitalization of the national economy.

In line with this urgency, this study identifies several key challenges in implementing consumer protection in the digital era. These challenges include a lack of consumer digital literacy, weak legal infrastructure and effective law enforcement, and limited regulations that are not adaptable to technological developments. Furthermore, the transnational nature of digital business practices also complicates oversight and law enforcement, particularly in terms of dispute resolution and personal data protection. Numerous cases of online fraud, data misuse, and differing understandings of rights and obligations between consumers and businesses further reinforce the need for regulatory reform and improved legal education for the public.

Strengthening consumer protection in Indonesia's digital business ecosystem requires systematic and integrated efforts from various parties. The government needs to reform regulations to be more responsive to the dynamics of business digitalization, including accelerating the enactment and implementation of personal data protection laws. Additionally, it is crucial to strengthen the role of supervisory institutions, enhance international cooperation in addressing cross-border businesses, and optimize online dispute resolution mechanisms.

Digital education and literacy for consumers are crucial strategies to help the public better understand their rights and protections in digital transactions. Synergy between the government, businesses, and civil society must continue to be strengthened to create a fair, safe, and sustainable digital business ecosystem. Thus, the urgency of consumer protection in the digital era is not merely a normative necessity but a primary requirement for achieving trust and sustainability in Indonesia's digital economy.

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