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Legal Framework and Consumer Protection in Indonesia's Digital Economy: Challenges, Gaps, and Reform Directions

Muchammad Shidqon Prabowo[1] ✉ and Aris Yulia[2]

Universitas Wahid Hasyim, Semarang, Indonesia[1]; Universitas Sahid, Jakarta, Indonesia[2]

ABSTRACT

The rapid expansion of Indonesia's digital economy has increased consumer participation in electronic transactions while simultaneously creating legal challenges related to data protection, contractual fairness, and regulatory enforcement. This study aims to analyze the adequacy of Indonesia's legal framework in protecting digital consumers, identify the main challenges in its implementation, and formulate directions for legal reform. The analysis focuses on Law Number 8 of 1999 concerning Consumer Protection, the Personal Data Protection Act, the Electronic Information and Transactions Law, Government Regulation Number 80 of 2019 concerning Electronic Commerce, and sectoral regulations issued by the Financial Services Authority (*Otoritas Jasa Keuangan*/OJK) and Bank Indonesia. This research employs a normative juridical method using a qualitative approach through the examination of statutory regulations, legal doctrines, and relevant scholarly literature. The findings indicate that Indonesia has established an important legal foundation for digital consumer protection; however, fragmented regulations, overlapping institutional authority, weak enforcement mechanisms, complex online contractual practices, and recurring personal data breaches continue to reduce regulatory effectiveness. The study concludes that harmonizing legal provisions, strengthening institutional coordination, improving enforcement capacity, expanding online dispute resolution mechanisms, and integrating technological safeguards are essential to ensure effective consumer protection and support sustainable digital economic development in Indonesia.

Keywords: *Consumer Protection, Digital Economy, Digital Consumers, Legal Framework, Personal Data Protection.*

CORRESPONDING AUTHOR:
Muchammad Shidqon Prabowo
Universitas Wahid Hasyim, Semarang, Indonesia

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1. | INTRODUCTION

The rapid proliferation of digital technologies has profoundly reshaped economic and social activities in Indonesia. Traditional commercial interactions, which relied heavily on face-to-face engagement, are increasingly being replaced by online transactions facilitated through e-commerce platforms, digital banking, and mobile payment systems. While these innovations offer convenience, speed, and broader market access, they also introduce new challenges and risks for consumers. Digital transactions often require the disclosure of sensitive personal and financial information, making consumers vulnerable to data breaches, identity theft, and unfair business practices. Furthermore, the contractual mechanisms used in digital markets, such as click-wrap agreements, frequently contain complex, non-negotiable clauses that may limit consumers' ability to assert their rights. These developments underscore the urgent need for a legal and institutional framework capable of protecting consumers in the evolving digital landscape (Quach et al., 2022).

Indonesia's current consumer protection system is primarily anchored in Law Number 8 of 1999, which regulates business conduct and safeguards consumer rights (Nugraha, 2023). Complementary legal instruments, including the Personal Data Protection Act, Financial Services Authority Regulations, and Bank Indonesia Regulations, aim to address personal data protection, particularly in digital financial services (Kusudarmanto, 2024; Widiarty & Fahim, 2024). The government has also drafted a law specifically targeting personal data protection on digital platforms, aiming to serve as a lex specialis that fills the gaps left by existing sectoral regulations (Arifin et al., 2021). Despite these efforts, the regulatory landscape remains fragmented, outdated, and insufficient to address the complexities of modern digital transactions, leading to inconsistent enforcement and limited protection for consumers (Kumalasari & Syahyunan, 2024). The enforcement of consumer protection laws faces significant challenges. Although legal frameworks exist, practical application is hindered by limited institutional capacity, lack of consumer awareness, and procedural ambiguities. For instance, disputes arising from online transactions often fall under the jurisdiction of multiple laws, creating confusion about which provisions apply, while consumers are often unable to fully exercise their rights due to restrictive contract terms (Widiarty & Fahim, 2024). High-profile cases, such as the 2020 Tokopedia data breach affecting over 91 million users, highlight the limitations of Indonesia's current mechanisms for enforcing compensation and accountability, revealing serious gaps in institutional oversight and procedural clarity (Kusudarmanto, 2024).

These challenges signal the necessity of comprehensive reforms that integrate regulatory, institutional, and technological approaches. Scholars argue that strengthening consumer protection requires not only updating legal provisions but also enhancing institutional coordination, online dispute resolution mechanisms, and digital literacy programs to empower consumers (Nugraha, 2023; Kumalasari & Syahyunan, 2024). Comparative studies indicate that neighboring countries, such as Malaysia and China, have implemented more integrated and enforceable regulatory frameworks that address personal data protection, platform liability, and dispute resolution, offering potential models for Indonesia (Aslam et al., 2022; Kumalasari & Syahyunan, 2024).

In particular, adopting a hybrid model that combines regulatory enforcement with technological solutions such as AI-driven compliance monitoring, mandatory registration, and periodic audits could improve transparency, accountability, and consumer protection in Indonesia's digital ecosystem, particularly for Micro, Small, and Medium Enterprises (Chung et al., 2023).

Despite the establishment of various legal instruments governing consumer protection in Indonesia's digital economy, important issues remain regarding the coherence of the existing regulatory framework and its effectiveness in addressing emerging challenges posed by digital transactions. Fragmented regulations, overlapping institutional authority, limited enforcement capacity, complex online contractual practices, and recurring personal data breaches continue to weaken legal certainty and consumer protection. These conditions indicate that the existence of legal provisions alone is insufficient to ensure effective protection without regulatory harmonization and stronger institutional implementation. Therefore, this study adopts a normative juridical approach to examine the adequacy of Indonesia's legal framework, evaluate the legal and institutional challenges affecting its implementation, and formulate legal reform directions capable of strengthening consumer protection within the evolving digital economy. Accordingly, this study addresses the following research questions:

1. How adequate is Indonesia's existing legal framework in protecting consumers within the digital economy?
2. What legal and institutional challenges hinder the effective implementation of digital consumer protection in Indonesia?
3. What legal reform strategies can strengthen consumer protection and improve regulatory effectiveness in Indonesia's digital economy?

2. | RESEARCH METHOD

This study employs a normative juridical research method to examine the adequacy of Indonesia's legal framework in protecting consumers within the digital economy. Normative juridical research emphasizes the analysis of legal norms, statutory regulations, legal principles, and legal doctrines governing consumer protection in digital transactions. Rather than relying on empirical data collected through surveys or interviews, this research focuses on evaluating the consistency, coherence, and effectiveness of legal instruments in addressing contemporary issues arising from digital economic activities.

The primary legal materials consist of Indonesian legislation regulating consumer protection and digital transactions, including Law Number 8 of 1999 concerning Consumer Protection, the Personal Data Protection Act, the Electronic Information and Transactions Law, Government Regulation Number 80 of 2019 concerning Electronic Commerce, as well as sectoral regulations issued by the Financial Services Authority (Otoritas Jasa Keuangan/OJK) and Bank Indonesia. These legal materials are complemented by secondary legal materials comprising scholarly journal articles, legal commentaries, policy papers, government publications, and other academic sources discussing digital consumer protection, personal data governance, electronic commerce, regulatory enforcement, and comparative legal developments.

The collected legal materials are analyzed using a qualitative descriptive approach through statutory, conceptual, and comparative approaches. The statutory approach is employed to examine the substance and interrelationship among applicable laws and regulations governing digital consumer protection. The conceptual approach is used to analyze legal principles relating to consumer rights, legal certainty, accountability, and data protection, while the comparative approach provides broader perspectives by examining regulatory practices adopted in other jurisdictions to identify potential improvements for Indonesia's legal framework.

The analysis is conducted by systematically identifying the strengths, weaknesses, and legal gaps within the existing regulatory framework, evaluating institutional and enforcement challenges, and assessing the extent to which current legal instruments are capable of responding to emerging issues in the digital economy. The findings are subsequently synthesized to formulate recommendations for strengthening legal protection through regulatory harmonization, enhanced institutional coordination, improved enforcement mechanisms, and adaptive legal reforms capable of supporting sustainable digital economic development in Indonesia.

3. | RESULTS

How Adequate is Indonesia's Existing Legal Framework in Protecting Consumers within the Digital Economy?

Indonesia has gradually developed a comprehensive legal framework intended to protect consumers participating in the rapidly expanding digital economy. The acceleration of electronic commerce, financial technology services, digital marketplaces, and platform-based transactions has transformed the relationship between consumers and business actors, creating legal issues that differ substantially from those found in conventional commercial activities. Consequently, consumer protection has become an increasingly important component of digital economic governance. Indonesia addresses these challenges through a combination of general consumer protection legislation and sector-specific regulations that collectively seek to safeguard consumer rights while promoting confidence in digital markets.

The principal legal foundation remains Law Number 8 of 1999 concerning Consumer Protection, which establishes fundamental consumer rights and the general obligations of business actors. The law guarantees consumers the right to obtain accurate and complete information regarding goods and services, the right to receive products that meet safety and quality standards, the right to be treated fairly and honestly, and the right to obtain compensation for losses resulting from unlawful or negligent business practices (Nugraha, 2023). Although this legislation was enacted before the emergence of large-scale electronic commerce and digital platforms, its broad principles continue to provide an important normative basis for protecting consumers involved in online transactions. The flexibility of these principles enables courts and regulatory authorities to interpret consumer rights within new technological contexts despite the absence of explicit provisions governing many contemporary digital business models.

Indonesia's legal framework has subsequently evolved to address legal issues arising specifically from digital transactions. The enactment of the Personal Data Protection Act represents a significant milestone in strengthening digital consumer protection because personal information has become one of the most valuable commercial assets within the digital economy. Digital platforms routinely collect, process, analyze, and monetize consumer data to improve services, conduct targeted marketing, and develop artificial intelligence systems. Consequently, protecting personal information has become inseparable from protecting consumers themselves. The Personal Data Protection Act establishes legal obligations regarding lawful data collection, consumer consent, data processing, security safeguards, retention periods, breach notification, and sanctions for unlawful processing. These provisions enhance consumers' control over their personal information while imposing greater accountability upon business actors handling digital data.

Additional legal protection is provided through the Electronic Information and Transactions Law (ITE Law) and Government Regulation Number 80 of 2019 concerning Electronic Commerce, both of which regulate the validity of electronic contracts, electronic signatures, online business obligations, digital evidence, and responsibilities of electronic system operators. These regulations provide legal certainty regarding electronic transactions by recognizing digital contracts as legally binding while requiring business actors to disclose accurate product information, maintain secure electronic systems, and protect consumers from misleading commercial practices. Furthermore, regulations issued by the Financial Services Authority (OJK) and Bank Indonesia govern digital payment systems, financial technology services, electronic money, peer-to-peer lending, and digital banking activities, thereby extending consumer protection into the rapidly growing digital financial sector (Kusudarmanto, 2024; Widiarty & Fahim, 2024).

Collectively, these legal instruments demonstrate that Indonesia possesses a relatively comprehensive normative framework governing consumer protection across various dimensions of the digital economy. Rather than relying on a single statute, Indonesia has adopted a layered regulatory approach in which general consumer protection principles are complemented by specialized legislation addressing personal data, electronic commerce, financial technology, cybersecurity, and digital payment systems. This regulatory architecture reflects governmental recognition that digital consumer protection requires multidimensional legal governance encompassing transparency, accountability, privacy, cybersecurity, contractual fairness, and institutional supervision (Saeed et al., 2023). The integration of these regulatory domains also indicates Indonesia's commitment to adapting its legal system to technological developments while maintaining consumer trust in digital economic activities.

Nevertheless, assessing the adequacy of Indonesia's legal framework requires consideration not only of the existence of numerous regulations but also of their coherence, consistency, and practical applicability. Several core legal provisions continue to rely on concepts originally designed for traditional commercial transactions, where interactions occurred directly between buyers and sellers. Digital marketplaces, however, involve multiple interconnected actors, including platform operators, payment providers, logistics companies, cloud service providers, advertisers, and third-party merchants operating across different jurisdictions. This complexity often creates legal uncertainty regarding the allocation of liability when consumer losses occur. Questions concerning whether responsibility lies with the platform operator, the independent seller, the payment intermediary, or another digital service provider frequently require interpretation across multiple overlapping legal instruments.

The coexistence of numerous sector-specific regulations also creates challenges in regulatory harmonization. Different supervisory institutions possess overlapping mandates concerning digital transactions, consumer protection, financial services, telecommunications, competition law, and personal data governance. Although such specialization enhances regulatory expertise, fragmented legal authority may produce inconsistent enforcement, duplicative compliance requirements, and uncertainty for both consumers and business actors. Consequently, legal interpretation frequently depends upon institutional coordination rather than clear statutory allocation of responsibilities (Arifin et al., 2021). These governance challenges suggest that legal adequacy depends not only upon regulatory quantity but also upon regulatory integration and institutional effectiveness.

Overall, Indonesia's existing legal framework provides a strong normative foundation for protecting consumers within the digital economy. The legal system increasingly recognizes consumer rights extending beyond traditional commercial relationships to include personal data protection, electronic transactions, digital financial services, and platform accountability. However, the continuous evolution of digital technologies, business models, artificial intelligence applications, and cross-border electronic commerce requires ongoing legal adaptation. Greater harmonization among legal instruments, clearer institutional responsibilities, and more consistent regulatory implementation remain necessary to ensure that legal protection remains effective, coherent, and responsive to technological innovation.

What Legal and Institutional Challenges Hinder the Effective Implementation of Digital Consumer Protection in Indonesia?

Despite the existence of multiple legal instruments, significant legal and institutional challenges continue to constrain the effective implementation of digital consumer protection in Indonesia. One of the most persistent obstacles is regulatory fragmentation. Consumer protection within the digital economy is governed by numerous statutes, government regulations, ministerial regulations, and sector-specific supervisory policies issued by different governmental institutions. While this diversity enables regulation of specialized sectors, it simultaneously generates overlapping authority, inconsistent legal interpretation, and uncertainty regarding which regulatory framework should apply in complex digital transactions involving multiple service providers (Kumalasari & Syahyunan, 2024; Cauffman & Goanta, 2021).

Institutional enforcement also remains uneven. Indonesia has established several institutions responsible for protecting consumer rights, including the National Consumer Protection Agency (BPKN), the Consumer Dispute Resolution Agency (BPSK), sectoral regulators, and law enforcement authorities. However, practical enforcement frequently encounters limitations related to administrative capacity, insufficient human resources, procedural complexity, and inadequate coordination among supervisory agencies. Consumers often experience difficulties identifying the appropriate institution responsible for resolving specific disputes, particularly when transactions involve financial technology platforms, cross-border electronic commerce, or multinational digital companies (Widiarty & Fahim, 2024). These institutional constraints reduce both the accessibility and effectiveness of legal remedies.

Digital contractual practices further complicate consumer protection. Most online transactions rely upon standardized click-wrap or browse-wrap agreements that consumers accept without negotiation. These contracts typically contain lengthy legal provisions, limitation-of-liability clauses, mandatory arbitration requirements, and extensive consent for personal data processing. Given the imbalance in bargaining power between digital platforms and individual consumers, meaningful consent is often questionable because consumers rarely read or fully understand contractual terms before accepting them (Kozinets et al., 2021). Consequently, contractual freedom in digital commerce may inadvertently weaken substantive consumer protection.

Another critical challenge concerns the protection of personal data. Although Indonesia has enacted comprehensive legislation governing personal data protection, repeated incidents involving large-scale data breaches continue to expose weaknesses in regulatory compliance, cybersecurity standards, institutional supervision, and enforcement mechanisms. Unauthorized disclosure of consumer information increases risks of identity theft, online fraud, financial crime, and misuse of personal information while simultaneously reducing public confidence in digital platforms (Kusudarmanto, 2024). Effective implementation therefore requires not only statutory obligations but also continuous monitoring, technological safeguards, and meaningful sanctions for non-compliance.

Consumer awareness likewise remains relatively limited. Many consumers are unfamiliar with their legal rights, complaint procedures, available dispute resolution mechanisms, and digital security practices. This information gap reduces the practical effectiveness of legal protection because rights that are unknown or poorly understood cannot easily be exercised. Consequently, strengthening digital consumer protection requires not only legal reform but also public education, institutional strengthening, and greater cooperation between regulators, industry, and civil society (Talesh, 2015).

What Legal Reform Strategies Can Strengthen Consumer Protection and Improve Regulatory Effectiveness in Indonesia's Digital Economy?

Addressing these challenges requires comprehensive legal reform that combines regulatory harmonization, institutional strengthening, technological innovation, and consumer empowerment. Harmonizing the Consumer Protection Law with the Personal Data Protection Act, the Electronic Information and Transactions Law, Government Regulation Number 80 of 2019, and sector-specific financial regulations would reduce legal fragmentation, clarify institutional responsibilities, and improve legal certainty for consumers and businesses alike (Nugraha, 2023; Kumalasari & Syahyunan, 2024).

Institutional coordination should also be strengthened through integrated supervisory mechanisms involving consumer protection agencies, financial regulators, data protection authorities, and electronic commerce regulators. Enhanced information sharing, joint investigations, standardized enforcement procedures, and coordinated regulatory responses would improve consistency while reducing duplication of regulatory functions.

Furthermore, Indonesia should adopt a hybrid regulatory model integrating conventional legal supervision with digital technologies such as artificial intelligence-based compliance monitoring, automated risk assessment, real-time transaction monitoring, and periodic cybersecurity audits. Technology-assisted supervision enables regulators to identify violations more rapidly while improving transparency, accountability, and regulatory efficiency (Sari, 2024; Chung et al., 2023).

Strengthening online dispute resolution mechanisms should become another reform priority. Digital complaint systems can reduce procedural barriers, lower litigation costs, accelerate dispute settlement, and improve access to justice for consumers throughout Indonesia, particularly those residing outside major urban centers. Simultaneously, increasing institutional resources, technical expertise, and administrative capacity within consumer protection agencies would significantly improve enforcement quality and dispute resolution effectiveness (Bahri, 2024).

Finally, consumer empowerment through digital literacy programs should complement regulatory reform. Educating consumers regarding contractual rights, personal data protection, cybersecurity risks, fraud prevention, and complaint procedures enables individuals to participate more safely and confidently in digital markets. Comparative experiences from jurisdictions such as Malaysia and China further demonstrate that effective consumer protection depends upon an integrated regulatory framework supported by coordinated institutional supervision, advanced technological oversight, and high levels of public legal awareness (Kusudarmanto, 2024; Kumalasari & Syahyunan, 2024).

Strengthening digital consumer protection requires a multidimensional reform agenda that integrates legal harmonization, institutional coordination, technological innovation, effective dispute resolution, and consumer education. Through these complementary reforms, Indonesia can develop a more adaptive, coherent, and effective legal framework capable of safeguarding consumer rights while supporting sustainable growth within the increasingly complex digital economy.

4. | CONCLUSION

Despite notable progress in developing a legal framework to protect consumers in Indonesia's digital economy, significant gaps and challenges continue to hinder the full effectiveness of these protections. Existing laws, such as the Consumer Protection Law, the Personal Data Protection Act, and various financial regulations, provide a foundation for safeguarding consumer rights, but their practical implementation often falls short. Fragmented regulations, limited enforcement capacity, complex click-wrap agreements, and frequent data breaches highlight the difficulties consumers face in asserting their rights and obtaining remedies. These challenges indicate that legal provisions alone are insufficient without complementary measures to ensure compliance, oversight, and accountability.

To address these issues, comprehensive regulatory reform is essential. Revising and harmonizing existing laws to reflect the unique risks of digital transactions, clarify business obligations, and strengthen consumer rights would create a more coherent legal landscape. In parallel, adopting hybrid models that integrate technological solutions with regulatory oversight can enhance transparency, prevent misuse of data, and facilitate compliance monitoring. Strengthening legal mechanisms, including dispute resolution agencies, online complaint systems, and digital consumer education, is also critical to bridge the gap between law and practice. By combining these approaches, Indonesia can move toward a digital consumer protection system that is more effective, equitable, and capable of responding to the evolving challenges of the digital economy.

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Data Disclosure Statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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