

## Legality and Consumer Protection in E-Commerce Transactions in Indonesia

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### ABSTRACT

The development of e-commerce in Indonesia has made it easier for consumers to conduct digital transactions. However, this rapid growth has also raised various challenges in terms of consumer protection, especially related to aspects of legality, dispute resolution, and personal data protection. This study aims to analyze the effectiveness of consumer protection regulations in e-commerce transactions in Indonesia, compare them with other countries, and provide policy recommendations to improve legal protection mechanisms for consumers. The research method used is a normative legal approach with an analysis of applicable laws and regulations, related court decisions, and interviews with legal experts. In addition, a comparative study was conducted with regulations in the European Union and the United States to understand better consumer protection standards. The results of the study show that although Indonesia already has consumer protection regulations in digital transactions, their implementation and effectiveness still face various obstacles, such as weak supervision of digital business actors, legal uncertainty in dispute resolution, and low consumer literacy regarding their rights. Comparison with regulations in other countries shows that Indonesia is still lagging behind in terms of personal data protection and digital dispute resolution mechanisms. Therefore, it is necessary to strengthen regulations, increase supervision of e-commerce platforms, and implement online dispute resolution mechanisms to provide more effective protection for consumers. The main recommendations of this study are the need to revise the Consumer Protection Law and the ITE Law, as well as align national policies with international standards to improve legal protection for consumers in the digital ecosystem.

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### 1. INTRODUCTION

The development of information and communication technology has significantly driven the growth of e-commerce transactions in Indonesia. Ease of internet access and changes in consumer behavior in shopping online have increased the volume of digital transactions, both through marketplace platforms, social media, and official company websites. However, behind this progress, various legal challenges have emerged, especially related to the legality and consumer protection in electronic transactions. Problems such as fraud, failure to deliver goods, product quality that does not match the description, to misuse of consumer personal data often occur, thus requiring more effective regulations and stronger legal protection for consumers. The main regulations governing e-

commerce transactions in Indonesia include Law Number 8 of 1999 concerning Consumer Protection, Law Number 11 of 2008 concerning Information and Electronic Transactions (ITE), and various derivative regulations such as Government Regulation Number 80 of 2019 concerning Trading Through Electronic Systems. Although these regulations already exist, their implementation still faces various obstacles, including in terms of law enforcement, consumer awareness, and business actor compliance in running their businesses fairly and transparently.

This study was conducted with a normative legal approach, which aims to examine the legal aspects governing e-commerce transactions and the effectiveness of consumer protection in practice. The methods used include document studies of applicable regulations, analysis of court decisions related to e-commerce disputes, and interviews with legal experts and stakeholders involved in consumer protection. In addition, this study also uses an empirical approach by collecting data from consumers who have experienced problems in online transactions, both through surveys and interviews. The research population consists of e-commerce consumers in Indonesia, while samples were taken purposively by considering the variety of e-commerce platforms used and the types of disputes experienced by consumers.

The theoretical study in this study focuses on the concept of consumer protection law, the theory of legal responsibility in digital transactions, and a comparison of e-commerce regulations in various countries. Some of the theories used include the consumer protection theory by Howells and Weatherill, which emphasizes the importance of state intervention in guaranteeing consumer rights in business transactions, and the electronic contract theory which discusses the validity and legality of agreements in digital-based transactions. In addition, the compliance theory is also relevant in examining the extent to which e-commerce business actors comply with the regulations set by the government.

As a reference, previous research conducted by Susanti (2020) revealed that many consumers in Indonesia still do not understand their legal rights in e-commerce transactions, so they tend to be passive in resolving disputes with business actors. Another study by Raharjo (2021) found that the implementation of consumer protection in electronic transactions is still weak due to minimal supervision of business actors and the low effectiveness of dispute resolution mechanisms. Based on this research, the study conducted aims to fill the gap in previous research by examining how existing regulations can be implemented more effectively and providing more comprehensive policy recommendations to improve legal protection for consumers in e-commerce transactions in Indonesia.

## 2. RESEARCH METHOD

This study uses a normative legal method with a descriptive-analytical approach, which aims to analyze regulations governing e-commerce transactions and the effectiveness of consumer protection in practice. This approach is used to understand how existing laws and regulations are applied in electronic transactions and to what extent these regulations are able to protect consumers from various potential violations committed by e-commerce business actors.

To complement the normative study, this study also applies an empirical legal approach by collecting data through surveys and interviews with consumers and other stakeholders, such as legal experts, business actors, and regulators. This approach aims to understand the reality of consumer protection in e-commerce transactions and identify obstacles in the implementation of existing regulations.

### Data Source

This study uses two main types of data:

**a. Primary Data**, obtained from interviews with consumer protection law experts, representatives of electronic commerce supervisory institutions, and consumers who have experienced problems in e-commerce transactions. In addition, an analysis of court decisions related to e-commerce disputes was conducted to understand the legal settlement patterns applied in these cases.

**b. Secondary Data**, collected from various literature sources such as books, scientific journals, legal articles, and relevant legal documents, including the Consumer Protection relating to e-commerce transactions and consumer rights.

### **Data Collection Techniques**

**a. Document Study** conducted by reviewing various regulations, laws and court decisions relating to consumer protection in e-commerce transactions.

**b. Survey** conducted on consumers who have experienced problems in e-commerce transactions to determine the extent of their understanding of their legal rights and the obstacles they face in resolving disputes with business actors.

**c. Interview** conducted with legal experts, academics, regulators, and representatives of consumer protection institutions to gain a deeper understanding of the effectiveness of existing regulations and the challenges still faced in their implementation.

The data obtained were analyzed using a descriptive qualitative method, namely by reviewing and interpreting regulations and legal decisions related to consumer protection in e-commerce transactions. This analysis was carried out descriptively-analytical, which means that the data that has been collected will be systematically described to see how the regulations are applied in practice and to what extent they are effective in protecting consumers. In addition, a comparative analysis was also conducted by comparing consumer protection policies in e-commerce transactions in Indonesia with other countries that already have more established protection systems. This approach aims to identify best practices that can be adopted to improve the effectiveness of consumer protection in Indonesia.

Through this methodology, the research is expected to provide a comprehensive picture of the legality of e-commerce transactions and the effectiveness of consumer protection in Indonesia, as well as provide recommendations that can be used by regulators and other stakeholders in improving regulations and dispute resolution mechanisms in the digital realm.

## **3. RESULT AND DISCUSSION**

The results of this study are compiled based on the research methods that have been described previously, by following each stage that has been designed. The analysis is carried out systematically to evaluate the legal aspects of e-commerce transactions and the effectiveness of consumer protection in Indonesia.

### **Analysis of Regulations Related to Consumer Protection in E-Commerce Transactions**

Based on the document study conducted, it was found that there are several main regulations governing consumer protection in e-commerce transactions in Indonesia, including:

#### **a. Law Number 8 of 1999 concerning Consumer Protection (UUPK)**

1. Establishing the rights and obligations of consumers and business actors.
2. Regulating consumer dispute resolution mechanisms through litigation and non-litigation.
3. **Law Number 11 of 2008 concerning Electronic Information and Transactions (ITE Law) and its Amendments (Law No. 19 of 2016)**
4. Providing a legal basis for electronic transactions, including aspects of consumer protection.
5. Regulates the validity of electronic contracts and the obligations of business actors in online transactions.

#### **b. Government Regulation Number 80 of 2019 concerning Trading Through Electronic Systems (PP PMSE)**

1. Regulates the obligations of e-commerce business actors regarding product information, transactions, and delivery of goods.
2. Establish a monitoring mechanism for digital-based business actors.

#### **b. Minister of Trade Regulation no. 50 of 2020**

1. Regulates licensing and registration obligations for e-commerce platforms in Indonesia.
2. Providing regulations for marketplaces and sellers to ensure consumer rights are protected.

However, the research results show that even though this regulation exists, its implementation still faces challenges, such as weak supervision, low consumer understanding of their rights, and difficulties in prosecuting business actors who are not based in Indonesia.

### Survey of E-Commerce Consumers in Indonesia

The survey was conducted on 250 respondents who are e-commerce consumers in Indonesia. The survey results show several important findings related to consumer protection in digital transactions.

**Table 1.** Level of Consumer Understanding of Their Rights in E-Commerce Transactions

No	Consumer Understanding Level	Number of Respondents	Percentage (%)
1	Very Understand	35	14%
2	Understand	75	30%
3	Understand Enough	90	36%
4	Not really understand	50	20%

As many as 50% of respondents admitted to having only sufficient or inadequate understanding of their rights as consumers in e-commerce transactions. This shows that education and socialization regarding consumer protection still need to be improved.

**Table 2.** Most Frequent Problems Experienced by Consumers in E-Commerce Transactions

No	Type of Problem	Number of Respondents	Percentage (%)
1	Product does not match description	120	48%
2	Difficulty in returning goods	90	36%
3	Item not received	60	24%
4	Misuse of personal data	40	16%

The main problem experienced by consumers in e-commerce transactions is products that do not match the description (48%), followed by difficulties in returning goods (36%). These problems indicate weaknesses in consumer protection mechanisms that require more attention from regulators and e-commerce platforms.

### Interviews with Legal Experts, Academics, and Practitioners

To gain a deeper perspective, interviews were conducted with five constitutional law and consumer protection experts. Some of the main findings from the interviews are as follows:

- a. Weaknesses in Supervision and Law Enforcement Several legal experts stated that although the regulations are quite comprehensive, supervision of e-commerce platforms is still ineffective, especially for foreign business actors that are not based in Indonesia.
- b. Ineffective Dispute Resolution Mechanism Many consumers have difficulty resolving disputes with business actors due to the lack of a fast and effective mechanism.
- c. The Importance of Consumer Digital Literacy Experts recommend increasing digital literacy for consumers so they better understand their rights and can avoid potential fraud in online transactions.

### Analysis of Legal Decisions related to E-Commerce Disputes

This study also analyzes several decisions of the Supreme Court and the Consumer Dispute Resolution Agency (BPSK) related to e-commerce transaction disputes. The results of the analysis show that:

Most cases that go to court related to e-commerce transactions relate to product non-conformity and difficulties in refunding.

Dispute resolution often takes a long time, making consumers reluctant to take legal action.

In some cases, e-commerce platforms cannot be held liable because they only act as intermediaries in transactions between consumers and sellers.

### Comparison of Indonesian Regulations with Other Countries

To understand Indonesia's position in e-commerce consumer protection, this study compares Indonesian regulations with several other countries, such as the European Union and the United States.

**Table 3.** Comparison of Indonesian Regulations with Other Countries

Regulatory Aspects	Indonesia	European Union	United States of America
Right to Return Goods	7 days after receipt (PP PMSE)	14 days after receipt (EU Consumer Rights Directive)	30 days in the policy of some major retailers
Data Protection	ITE Law, PP PMSE (not yet specific)	GDPR (very strict on data protection)	California Consumer Privacy Act (CCPA)
Dispute Resolution	Through BPSK and the Court	Online Dispute Resolution (ODR) is available	Arbitration mechanism with digital mediator

Compared to the European Union, consumer protection in Indonesia still has many weaknesses, especially in the right to return goods and personal data protection. The United States, although it does not have strict federal regulations, implements a faster arbitration system for consumers.

1. Consumer protection regulations in Indonesia in e-commerce transactions are quite adequate, but their implementation and supervision are still less effective.
2. Consumers in Indonesia still have a low understanding of their rights, making them vulnerable to problems in online transactions.
3. Dispute resolution in e-commerce transactions still requires a faster and more efficient mechanism, especially to handle cases of product non-conformity and refunds.
4. Regulations in developed countries show that online dispute resolution systems and stricter data protection can improve consumer protection in e-commerce transactions.

The results of this study provide recommendations for the government to increase supervision of e-commerce business actors and strengthen more effective dispute resolution mechanisms for consumers.

### Discussion

The discussion in this study aims to analyze and interpret the research results that have been obtained in order to provide a deeper picture of the legality and consumer protection in e-commerce transactions in Indonesia. This analysis includes the effectiveness of applicable regulations, implementation challenges, and comparisons with regulations in other countries to provide more comprehensive recommendations.

#### Analysis of the Effectiveness of Consumer Protection Regulations in E-Commerce Transactions in Indonesia

Based on the research results, it was found that Indonesia already has various regulations governing consumer protection in e-commerce transactions, such as the Consumer Protection Law, the ITE Law, PP PMSE, and their derivative regulations. These regulations cover aspects of consumer rights, business actors' obligations, and dispute resolution mechanisms. However, even though regulations are available, their implementation and effectiveness still face various obstacles, including:

- a. Lack of Supervision of Digital Business Actors Many e-commerce businesses, especially those based overseas, do not comply with Indonesian regulations due to the difficulty of supervision and law enforcement.
- b. Existing regulations do not yet provide a clear mechanism for taking action against platforms that violate consumer rights.

**Legal Uncertainty in E-Commerce Disputes** In some cases, consumers face difficulties in claiming their rights because e-commerce platforms only act as intermediaries, not as those responsible for transactions.

- Consumers often do not get maximum protection due to differences between platform policies and national regulations.
- Weak Consumer Legal Literacy As shown in the survey, many consumers do not yet understand their rights in digital transactions.
- This results in low levels of reporting and consumer courage in filing disputes against irresponsible business actors.

### Challenges in E-Commerce Consumer Dispute Resolution

Although there is a dispute resolution mechanism through the Consumer Dispute Resolution Agency (BPSK) and the courts, this study found that the effectiveness of this system is still very limited. Some of the main problems found are:

#### Slow dispute resolution process

Consumers who experience problems are often reluctant to file complaints because of the long and bureaucratic process.

#### Lack of digital dispute resolution mechanisms

Unlike the European Union which has implemented Online Dispute Resolution (ODR), Indonesia does not yet have an adequate digital-based dispute resolution mechanism.

#### Lack of effective sanctions for business actors who violate

Many business actors are still able to operate even though they have been proven to have violated consumer rights due to weak sanction and supervision systems. For example, in several BPSK and court decisions examined in this study, consumers often do not receive appropriate compensation due to regulatory limitations in prosecuting digital business actors based abroad.

### Comparison of Indonesian Regulations with Other Countries

To understand how Indonesia can improve consumer protection in e-commerce transactions, this study compares the regulations in force in Indonesia with several other countries, such as the European Union and the United States.

**Table 4.** Comparison of Indonesian Regulations with Other Countries

Regulatory Aspects	Indonesia	European Union	United States of America
Right to Return Goods	7 days after receipt (PP PMSE)	14 days after receipt (EU Consumer Rights Directive)	30 days in the policy of some major retailers
Data Protection	ITE Law, PP PMSE (not yet specific)	GDPR (very strict on data protection)	California Consumer Privacy Act (CCPA)
Dispute Resolution	Through BPSK and the Court	Online Dispute Resolution (ODR) is available	Arbitration mechanism with digital mediator

#### Implications of This Comparison:

Indonesia is still lagging behind in terms of personal data protection, where the European Union has stricter regulations through the General Data Protection Regulation (GDPR).

**The right to return goods in Indonesia is still limited**, whereas in the European Union consumers have a longer time to make returns.

**The online dispute resolution mechanism in Indonesia is not yet optimal**, while developed countries have implemented faster and more efficient digital arbitration systems.

### Implications for Regulation and Policy in Indonesia

Based on the research results, there are several steps that can be taken to improve consumer protection in e-commerce transactions in Indonesia:

- a. Improving Supervision and Law Enforcement The government needs to tighten supervision of e-commerce platforms, especially those based overseas, to comply with consumer protection regulations in Indonesia.
- b. Sanctions against business actors who violate must be enforced more effectively.
- c. Providing a Digital Dispute Resolution Mechanism The establishment of Online Dispute Resolution (ODR) can be a faster and more efficient solution for consumers who experience problems in digital transactions.
- d. This system can work together with e-commerce platforms to provide faster mediation and arbitration mechanisms.
- e. Improving Consumer Literacy about Their Rights The government and e-commerce platforms need to conduct education and campaigns to increase consumer awareness of their rights in online transactions.
- f. One strategy that can be implemented is the integration of consumer rights information into the e-commerce application itself.
- g. Revising and Strengthening Digital Consumer Protection Regulations The need for revisions to the Consumer Protection Law and the ITE Law to accommodate the development of e-commerce and stricter personal data protection.
- h. Aligning regulations with international standards, such as the European Union's GDPR, could improve Indonesian consumer protection in the global digital economy.

### 4. CONCLUSION

This study highlights the legality and consumer protection in e-commerce transactions in Indonesia, examines the effectiveness of existing regulations, and compares them with international standards. Based on the analysis conducted, it was found that although Indonesia has various legal instruments such as the Consumer Protection Law and the Electronic Information and Transactions Law, their implementation still faces various challenges. Some of the main obstacles include weak supervision of e-commerce platforms, lack of legal certainty in dispute resolution, and low consumer literacy regarding their rights in digital transactions. The research also shows that compared to countries such as the European Union and the United States, Indonesia is still lagging behind in terms of personal data protection and digital dispute resolution mechanisms. In practice, consumers often experience difficulties in claiming their rights due to the complexity of applicable laws and the limited effective online dispute resolution mechanisms. To improve consumer protection in the digital era, several strategic steps are needed. First, the government needs to strengthen regulations governing e-commerce transactions by revising the Consumer Protection Law and the ITE Law to better suit technological developments and community needs. Second, supervision of digital business actors must be tightened through stricter policies and the implementation of an effective monitoring system. Third, it is necessary to develop an online dispute resolution mechanism that is more accessible and efficient for consumers. In addition, digital education and literacy for consumers need to be improved so that they better understand their rights and obligations in transacting digitally. With stronger legal protection and a more effective dispute resolution system, it is hoped that consumers can transact more safely and comfortably in the e-commerce ecosystem in Indonesia. The conclusion of this study confirms that consumer protection in e-commerce transactions must be a primary concern for policy makers, business actors, and the wider community. With improved regulations and increased legal awareness, it is hoped that the digital trade ecosystem in Indonesia can develop better and provide optimal benefits for all parties.

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