

## Evaluation of the Legal Framework for Digital Business in Indonesia in Addressing Technological Developments and Regulatory Challenges

Ridwan Anthony Taufan<sup>1</sup>, Rineke Sara<sup>2</sup>

Universitas Borobudur, Indonesia<sup>1,2</sup>

Email: ranthony.taufan@gmail.com<sup>1</sup>, rineke\_sara@borobudur.ac.id<sup>2</sup>

### Keywords

Digital business law; consumer protection; technology; digital transformation

### ABSTRACT

*The development of digital technology has driven the growth of digital-based businesses in Indonesia, creating new challenges in legal aspects. Digital businesses cover various sectors, such as e-commerce, financial technology (fintech), and other digital platform-based services. Along with these developments, various legal issues have emerged, including consumer protection, personal data protection, electronic transactions, and dispute resolution in digital businesses. Therefore, a comprehensive legal review is needed to understand the applicable regulations and mechanisms for handling digital business legal cases in Indonesia. This study aims to analyze the legal framework governing digital businesses in Indonesia, examine the dispute resolution mechanisms in digital businesses, and identify challenges in implementing existing regulations. This study uses a normative legal research method, which focuses on the analysis of laws and regulations, legal doctrines, and relevant literature. The approaches used include a statute approach to examine regulations related to digital businesses, as well as a conceptual approach to understand the legal theory that supports legal protection and certainty in this sector. The analysis results are expected to contribute to more effective digital business development regulations and encourage the creation of a legal system that is adaptive to technological developments. Additionally, this study aims to provide recommendations for the government, regulators, and business actors in increasing legal certainty and protection for parties involved in digital business in Indonesia. Thus, it is expected that digital business legal regulations can further support a safe, transparent, and sustainable business ecosystem in the digital era.*

## INTRODUCTION

The development of digital business in Indonesia has experienced rapid growth along with advances in information and communication technology (Aprilia, 2021). Digitalization in various sectors, such as e-commerce, financial technology (fintech), and online service-based platforms, has created significant changes in the way business transactions are carried out (Dhyanasaridewi, 2020). This growth not only provides convenience for business actors and consumers but also raises new challenges in terms of law. Digital business often involves cross-border transactions, online data processing, and the use of ever-evolving technology, which requires legal certainty to ensure sustainability and fairness in its ecosystem (Lase, 2024).

In the context of digital business, legal challenges become increasingly complex because business transactions and activities are carried out in a virtual space that is not limited by geographical boundaries (*Rosmayati, 2023*). The existence of regulations governing digital business activities is crucial to protect various interests, both in terms of business actors, consumers, and other third parties. Without legal certainty, digital businesses can experience various risks, including uncertainty in dispute resolution, data misuse, and the potential for unfair business practices. Therefore, the role of law is very important in regulating and providing protection for all parties involved in digital business (*Prayuti, 2024*).

Conceptually, digital business law can be understood as a set of rules that regulate various aspects of digital-based economic activities (*Barkatullah, 2019*). The main characteristics of digital business are its dependence on technology, transactions carried out online, and the involvement of various actors who can come from various jurisdictions (*Sartono, 2021*). Digital business law functions to ensure that all transactions and interactions in the digital ecosystem take place legally, fairly, and accountably. In practice, this law also strives to create a balance between technological innovation and the protection of the legal interests of the various parties involved (*Irfansyah, 2024*).

The role of law in digital business is very broad and covers various aspects, ranging from protecting consumer rights, the validity of electronic contracts, and transaction security, to aspects of legal responsibility for digital service providers (*Marpi, 2020*). Without legal certainty, business actors will face difficulties in running their businesses sustainably due to the ambiguity in the applicable regulations. In addition, legal certainty also functions as an instrument to build trust between business actors and consumers, so that it can increase the stability and growth of the digital business sector as a whole (*Dermawan, 2021*).

In examining the role of law in digital business, several legal theories can be used to provide a deeper understanding. One relevant theory is the theory of legal certainty, which emphasizes the importance of clear, consistent, and predictable legal rules in every aspect of digital business. This theory argues that the law must provide clear guidance so that business actors and the public can know their rights and obligations in transacting digitally. Legal certainty is essential so that there is no uncertainty in resolving disputes and implementing the rights and obligations of all parties involved (*Tomia, 2024*).

In addition, the theory of legal protection is also important in the context of digital business, because this business involves various parties with different interests, including consumers, business actors, and digital service providers. This theory emphasizes that the law must be able to protect the more vulnerable parties in a transaction or legal relationship, such as consumers who may not understand the risks of digital business (*Darnia, 2023*). With adequate legal protection, it is hoped that every transaction in digital business can take place fairly and not harm either party.

Another relevant theory is the theory of legal effectiveness, which highlights the extent to which a regulation can be implemented effectively in practice. In the context of digital business, although there are various rules governing business activities, the challenge that often arises is how to ensure that these regulations can be implemented optimally and fulfill the needs of the ever-growing industry. The effectiveness of law in digital business is greatly influenced by factors such as the legal awareness of business actors, the availability of supporting

infrastructure, and the capacity of institutions responsible for enforcing the law in this sector (Ratnadewi, 2019).

By understanding the concept of digital business law and relevant legal theories, it can be concluded that the role of law in digital business not only functions as a tool to regulate transactions, but also as an instrument that guarantees legal certainty, legal protection, and effectiveness in implementing regulations. Strong legal certainty will create a more stable digital business environment, increase public trust, and encourage sustainable digital economic growth (Sutadji, 2024). The development and refinement of laws in digital business must continue to be carried out to accommodate the dynamics and complexity of increasingly rapid technological developments.

This study aims to analyze the legal framework governing digital businesses in Indonesia, focusing on regulations designed to safeguard digital transactions, consumer rights, and data protection. A comprehensive review of relevant literature reveals that while there is substantial legal discourse on digital transactions, the rapid pace of technological innovation has outpaced regulatory development (Rosmayati, 2023). Existing regulations such as the Electronic Information and Transactions Law (UU ITE) and the Consumer Protection Law provide foundational protection but lack sufficient mechanisms to address emerging technological risks (Marpi, 2020). Furthermore, despite the growing literature on digital law, little research has specifically focused on bridging the gap between technological advancements and regulatory effectiveness in Indonesia's digital economy.

The urgency of this research stems from the increasing need for legal certainty in the digital business ecosystem. Without robust legal frameworks, businesses and consumers may face significant risks, including data breaches, fraud, and disputes that cannot be effectively resolved due to unclear legal guidelines. The novelty of this research lies in its approach to evaluating the effectiveness of current regulations and proposing a more adaptive legal system that accommodates the continuously evolving nature of digital business. The findings will not only contribute to regulatory reforms but will also guide policymakers, business leaders, and consumers in navigating the complexities of digital commerce with greater legal confidence and protection.

## **METHOD**

This research method uses a normative juridical method, namely a legal research approach that focuses on the study of legal norms that apply in the legal system and relevant legal doctrines. This method is carried out by examining various laws and regulations relating to digital business in Indonesia, such as the Electronic Information and Transactions Law (UU ITE), the Consumer Protection Law, and regulations related to the protection of personal data and electronic transactions. In addition, this study also examines relevant legal theories, such as the theory of *legal certainty*, the theory of *legal protection*, and the theory of *legal effectiveness*, to deliver a deeper understanding of the role of law in regulating digital business.

The approach used in this study includes a *statutory approach*, which aims to analyze various regulations governing digital business and see the extent to which these regulations provide legal certainty for business actors and consumers. In addition, a *conceptual approach* is used, which functions to understand the legal concepts underlying digital business

regulations and how legal principles can be applied in resolving problems that arise. This study focuses on a normative analysis of applicable regulations and how these regulations are implemented in the digital business ecosystem. By using a normative legal method, this study aims to identify challenges in the implementation of digital business regulations in Indonesia and provide recommendations for strengthening regulations to create a safer, more transparent, and more sustainable digital business ecosystem.

The data collection techniques in this research involve a comprehensive review of existing legal documents, such as the Electronic Information and Transactions Law (UU ITE), the Consumer Protection Law, and the Personal Data Protection Law, which provide the foundation for understanding how digital businesses are regulated in Indonesia. Additionally, the study includes an analysis of academic literature, government regulations, and policy reports. The *statutory approach* is employed to examine the existing statutes and assess how well current laws address key digital business concerns, particularly in areas like consumer protection, electronic transactions, and personal data security. Furthermore, the *conceptual approach* is used to analyze legal theories such as *legal certainty*, *legal protection*, and *legal effectiveness*, which help provide insights into how these principles are integrated into digital business regulations. This approach also aims to frame how legal principles can mitigate challenges faced by digital businesses, such as cross-jurisdictional issues and technological innovation gaps.

The data analysis techniques used in this study include legal analysis, comparative analysis, and case study review. The collected data is first analyzed through a legal interpretative framework, focusing on how laws and regulations are applied to digital business transactions. This legal analysis examines the compatibility of these laws with the evolving nature of technology, identifying potential legal gaps or ambiguities that might hinder the growth of digital businesses. Additionally, a comparative analysis is conducted by comparing existing regulations in Indonesia with international best practices and frameworks. This comparison helps to assess how Indonesia's legal system aligns with other countries' approaches to digital business law, identifying areas where improvements can be made to better support digital businesses. Furthermore, the research includes a case study review, exploring real-world examples to illustrate the practical application of digital business laws. These case studies help evaluate the effectiveness of these laws in resolving disputes, ensuring consumer protection, and facilitating secure transactions.

## RESULT AND DISCUSSION

### A. Regulations and Mechanisms for Handling Digital Business Legal Cases

Legal regulations in digital business in Indonesia play an important role in providing legal certainty for business actors, consumers, and other related parties. One of the key regulations governing digital business is Law Number 11 of 2008 concerning Electronic Information and Transactions (ITE Law), as amended by Law Number 19 of 2016. The ITE Law is the legal basis for electronic activities, including digital business transactions. Article 1 number 2 of the ITE Law defines electronic transactions as legal acts carried out using computers, computer networks, and/or other electronic media. Besides, Article 5 paragraph (1) emphasizes that electronic documents have the same legal force as written documents, thus providing legality to transactions carried out digitally.

In addition to the ITE Law, the protection of consumer rights in digital business is also regulated in Law Number 8 of 1999 concerning Consumer Protection (Consumer Protection Law). Article 4 of the Consumer Protection Law regulates basic consumer rights, including the right to comfort, security, and safety in consuming goods and/or services. In the context of digital business, this regulation provides consumers with a guarantee to obtain services following the agreement and avoid detrimental trade practices. In addition, Article 7 of the Consumer Protection Law also stipulates the obligation of business actors to provide correct, obvious, and honest information regarding the products offered, including in transactions conducted online.

Another regulation related to digital business is Law Number 27 of 2022 concerning Personal Data Protection (UU PDP). In the digital era, personal data protection is a crucial aspect, especially in electronic transactions that often involve the collection, storage, and processing of user data. Article 4 of the PDP Law regulates the rights of data owners, including the right to obtain information regarding the management of their data and the right to file objections to unauthorized data processing. Article 55 and 56 also stipulate administrative and criminal sanctions for parties who misuse personal data, thus providing legal protection for consumers in digital business.

In addition to personal data protection, digital business is governed by electronic commerce (e-commerce) and financial technology (fintech) regulations. The government has issued Government Regulation Number 80 of 2019 concerning Electronic System Trading (PP PMSE), which regulates the obligations of business actors in electronic transactions, including electronic contracts, consumer rights, and dispute resolution mechanisms in digital transactions. Article 5 of the PP PMSE emphasizes that agreements in electronic transactions have binding legal force if they meet the elements of the agreement, the capacity of the parties, legitimate objects, and causes that do not conflict with the law (Rongiyati, 2019). Meanwhile, in the fintech sector, the Financial Services Authority Regulation (POJK) Number 77/POJK.01/2016 regulates information technology-based lending services, including requirements for fintech organizers and protection mechanisms for users of digital financial services (Financial Services Authority, 2016).

In terms of resolving disputes that arise in digital business, the litigation mechanism through the courts is one option that can be taken. Article 1365 of the Civil Code (KUHPdata) stipulates that every act that violates the law and causes losses to others must provide compensation. In the context of digital business, if there is a breach of contract or an action that is detrimental to one of the parties, then a lawsuit can be filed in court. In addition, Article 38 of the ITE Law also states that dispute resolution related to electronic transactions can be carried out through applicable legal mechanisms, either in the form of court or outside the court (Setyawati, 2017).

Along with settlement through the courts, disputes in digital business can also be resolved through arbitration and mediation mechanisms. Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution provides a legal basis for dispute resolution outside the courts, including in digital business transactions. Article 1 paragraph (1) of the Arbitration Law defines arbitration as a method of resolving civil

disputes outside the courts based on an arbitration agreement made by the parties. If in a digital transaction, there is an agreement that agrees to arbitration as a forum for dispute resolution, then the settlement must be carried out through an arbitration institution such as the Indonesian National Arbitration Board (BANI) or another agreed institution (Salami, 2013).

Apart from arbitration, digital business dispute resolution can also be done through mediation, which is a process of dispute resolution with the assistance of a neutral third party. Supreme Court Regulation Number 1 of 2016 concerning Mediation Procedures in Court stipulates that every civil case submitted must go through a mediation process. In digital business, mediation can be a more efficient and faster solution than the litigation process in court. If the parties agree with the results of the mediation, the resulting agreement can be the basis for legal dispute resolution (Delfina, 2025).

In addition to courts, arbitration, and mediation, there are alternative dispute resolution institutions (LAPS) that play a role in handling disputes in the digital business sector. One institution that has the authority to resolve digital business disputes is the Consumer Dispute Resolution Agency (BPSK), which is regulated by the Consumer Protection Law. Article 49 of the Consumer Protection Law states that BPSK has the task of handling and resolving consumer disputes outside the court through mediation, conciliation, or arbitration. In addition, in the fintech sector, the Financial Services Authority (OJK) has established an Alternative Institution for the Resolution of Financial Services Sector Disputes (LAPS SJK) based on POJK Number 61/POJK.07/2020, which functions as a forum for resolving disputes between consumers and providers of digital-based financial services (Wijaya, 2023).

With the various regulations and dispute resolution mechanisms available, digital business law in Indonesia has provided a fairly clear framework for business actors and consumers to perform transactions digitally. The existing regulations aim to create legal certainty and protect all parties involved in the digital business ecosystem. The available dispute resolution mechanisms, whether through courts, arbitration, or mediation, allow the resolution of digital business legal cases to be carried out in an efficient manner and by the principles of justice.

## **B. Analysis of Challenges and Constraints in the Implementation of Digital Business Law**

The implementation of digital business law in Indonesia faces various challenges that arise due to the rapid development of technology that often exceeds the speed of regulatory adaptation. One of the main challenges in law enforcement is the gap between existing regulations and the dynamics of digital technology innovation. Regulations that have been issued are often unable to accommodate new business models that emerge, such as platform-based economies, artificial intelligence in business transactions, and the use of blockchain technology in digital contracts. As a result, there is legal uncertainty in the implementation of digital business, which can impact the slowing innovation and increase legal risks for business actors and consumers.

In addition to regulatory gaps, another challenge encountered in enforcing digital business law is the difficulty in establishing and enforcing the law in the digital world. Transactions conducted online often involve parties from various jurisdictions, making it difficult for law enforcement to collect evidence, identify perpetrators, and enforce the

rules effectively. Proving subjects involving violations of digital contracts, data theft, or internet-based fraud requires a more sophisticated digital forensic approach, while the capacity and supporting infrastructure in this field are still limited.

Inconsistencies in regulations and policies are also obstacles to the implementation of digital business law. Several regulations governing digital businesses come from various sectors with different approaches, sometimes creating overlapping rules or legal loopholes that can be misused. For example, differences in the interpretation of regulations related to electronic transactions, personal data protection, and tax obligations for digital business actors can create legal uncertainty for stakeholders. Therefore, efforts are needed to harmonize various regulations so as not to cause contradictions in their implementation.

In terms of consumer protection, digital business law must be able to provide stronger guarantees for consumer rights in electronic transactions. One of the challenges faced is the weak understanding of consumers regarding their rights in digital businesses, especially regarding transparency of product information, return policies, and protection from unfair trade practices. On the other hand, many digital platforms apply long and complex terms and conditions, making it difficult for consumers to fully understand their rights. It can lead to inequality in the legal relationship between business actors and consumers.

Another crucial challenge in digital businesses is the protection of personal data and transaction security. Although there are regulations regarding data protection, the threat of personal information leaks and data misuse is still a problem that has not been fully resolved. Cyber-attacks targeting digital businesses, such as customer data hacking, financial transaction skimming, and digital identity abuse, are increasing along with the increasing number of internet users in Indonesia. It indicates the need to strengthen the monitoring mechanism and apply more effective sanctions against cybersecurity violations.

In encountering the challenges of digital business law, the government has a central function in harmonizing regulations to better suit technological developments and industry needs. These harmonization efforts include simplifying overlapping regulations, updating regulations to be more flexible towards digital innovation, and increasing coordination between institutions responsible for regulating digital businesses. In addition, the involvement of stakeholders, including industry associations and digital business actors, is essential to ensure that the policies implemented do not hinder the growth of the digital economy sector.

In addition to regulatory harmonization, strengthening institutions in supervising and enforcing digital business law is an aspect that needs to be considered. The government needs to increase the capacity of authorized institutions to handle digital business cases, both in terms of human resources and the technology used in supervision and investigation. Policy reform in digital business law must be directed at establishing a legal framework that is more responsive to technological changes, as well as increasing digital legal literacy for the public and business actors. With a more comprehensive approach, it is desired that the implementation of digital business law can run more effectively and provide legal certainty for all parties.

## CONCLUSION

From the discussion that has been outlined, it can be concluded that digital business legal regulations in Indonesia are still in the development stage and require adjustments to be more adaptive to technological dynamics. Although there are various regulations governing electronic transactions, consumer protection, and personal data protection, the challenges in their implementation are still a major problem. One of the factors contributing to this challenge is the gap between technological developments and the formation of regulations, which tend to be slower. In addition, digital business dispute resolution mechanisms have been available through courts, arbitration, and mediation, but in practice, law enforcement still faces obstacles, such as difficulties in digital evidence, differences in jurisdiction, and suboptimal protection for consumers in digital transactions. Therefore, strengthening policies and coordination between institutions is a strategic step to ensure that digital business law can be implemented effectively and provide legal certainty for all parties involved.

To increase the effectiveness of digital business law in Indonesia, several strategic recommendations are needed. First, regulatory harmonization needs to be carried out to avoid overlapping regulations and create legal certainty for business actors and consumers. The government must formulate policies that are more flexible and oriented towards technological developments to accommodate various digital business models that continue to develop. Second, increasing the capacity of law enforcement officers is crucial in handling digital business cases, especially in the aspects of *digital forensic* investigations, evidence in electronic transactions, and the protection of consumers and personal data owners. Third, increasing legal literacy for digital business actors so the public can understand their rights and obligations in the digital ecosystem. Socialization regarding applicable regulations and education related to legal protection in digital transactions must continue to be encouraged so that the public is more aware and able to participate in creating a digital business ecosystem that is safer, more transparent, and in line with applicable legal principles.

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