



# THE ROLE OF THE GOVERNMENT IN CONSUMER PROTECTION IN E-COMMERCE TRANSACTIONS IN INDONESIA: A LEGAL AND POLICY ANALYSIS

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**Abstract.** *This study analyses pertinent legislative rules in Indonesia to determine the extent to which customers are protected during online purchases. This study aims to investigate the difficulties encountered by the Indonesian government in enforcing consumer protection legislation in the e-commerce industry and to assess the role of the government in this area. This study employs a normative juridical approach by examining the roles and rules of the government in safeguarding consumer rights. According to the study's results, consumer protection laws in Indonesia are adequate to keep consumers well-off, but there's room for improvement in areas like consumer education, law enforcement, and the ease with which consumers can exercise their rights. Consumer protection laws are still far from perfect, according to this study's findings. The government should modify and raise knowledge about consumer protection in online transactions. Furthermore, consumer rights must be protected by more stringent government oversight.*

**Keywords:** *Legal Protection, E-commerce.*

## 1. INTRODUCTION

Increasingly sophisticated technological advances have impacted many areas of life, including the economy. The rapid growth of the economic sector through online businesses, with various e-commerce platforms available, has made online shopping simpler and more convenient for consumers. An explanation of the legal protection provided to online shoppers in Indonesia can be found in Law Number 8 of 1999 concerning Consumer Protection and the Electronic Commerce (E-Commerce) Legislation. The purpose of this article is to protect consumers from various potentially harmful company activities and to affirm their rights as consumers. One of the goals of legal protection is to empower people to defend their beliefs and defend themselves from harm (Satjipto Rahardjo, 2021).

In this digital era, online shopping is increasingly popular due to the shift to e-commerce platforms. According to Kusumaningsih (2021), a marketplace is a digital platform that bridges sellers and buyers to conduct buying and selling activities. This

growth is driven by ease of access, technological innovation, and changes in consumer behavior. The advantages of online shopping include ease of access, allowing us to shop flexibly, without having to go to a store. Digital marketplaces offer a wide selection of products from various sellers, making it easy for consumers to compare prices and product quality between stores. There are also challenges to online shopping, such as the risk of fraud and personal data theft, which are major concerns for consumers.

Indonesia is one of the fastest-growing online shopping sites in Southeast Asia. Various local and international digital marketplaces operate in Indonesia, such as Shopee, Bukalapak, Lazada, and Tokopedia. The presence of e-commerce has created new patterns in the business world and can also change people's transaction patterns (Salsabilla & Ardhiyansyah, 2021). The Indonesian government also supports the development of e-commerce through regulations and initiatives to improve digital infrastructure. Consumer protection has become crucial with the increase in online shopping. Consumers need to be protected from defective products, fraudulent practices, and privacy violations.

Consumers in Indonesia are protected by regulations such as the Electronic Information and Transactions (ITE) Law and the Consumer Protection Law when they transact online. For example, in the case of online fraud experienced by a journalist identified as PIS, PIS suffered losses of approximately IDR 66.3 million due to online fraud under the pretext of selling clothes. An online transaction to purchase imported clothing for Rp. 400,000 was the start of it all.

She purchased clothes through the Instagram account *fashion\_women.id* by transferring money through a bank account. The account owner, or online clothing seller, then stated that there were licensing issues because the clothes were imported. The victim then contacted the seller through the online store's admin to request a refund because the items hadn't arrived as per the contract. The seller eventually agreed, but the store's treasurer proposed a refund according to their system. The victim was given a random number to enter into their mobile banking account, but the victim didn't realize it was the transfer amount.

After entering all the random numbers, the victim realized she had been scammed by transferring Rp 66.3 million (Mulia Budi, 2024). The seller couldn't be contacted again after receiving the transfer, and the victim has not received any goods but has also lost a

substantial amount of money. This case highlights the lack of protection for consumers who shop for imported goods online. The government must be more prudent in protecting buyers in e-commerce by promoting literacy and understanding so they are less easily deceived by individuals who violate the law. In a previous study by Muhammad Khadafi entitled "Consumer Protection in Online Transactions (Through Instagram Social Media)," there were similarities and differences with this study. The findings from the previous study indicated that sellers involved in online fraud can be asked to refund or provide a replacement item. Unlike the previous study, this study has a different focus, objectives, and objectives. This study focuses more on the government's role in protecting consumers during online purchases. The previous study focused more on specific marketplaces such as Instagram and Shopee.

This study shares similarities with the previous studies in that both analyze legal protection for consumers in online transactions. However, what distinguishes this study is its emphasis on the government's role in protecting consumers and the adequacy of existing regulations in protecting online consumers. Based on the contextual explanation presented, this study defines the following research questions: "How effective is the Indonesian consumer protection law in regulating e-commerce? What are the obstacles to enforcing consumer protection laws in the e-commerce sector?"

Based on the conclusions and research questions presented above, this study aims to analyze the government's role in protecting consumers in e-commerce, as well as the difficulties faced by the government in providing protection to e-commerce users and identifying seller responsibilities and consumer rights in online transactions.

The purpose of this study is to encourage the government to be wise, firm, and fair regarding consumer safety when shopping online. It is hoped that the government will be more assertive in carrying out its role in protecting consumers, both in terms of personal data and in ensuring fairness for consumers in the event of misconduct, such as online fraud. Furthermore, this study serves as a reference for the public to gain more insight into online buying and selling practices and consumer rights.

## **2. METHODOLOGY**

This study uses a normative legal methodology by examining applicable laws and regulations and the state's role in protecting consumer rights. Normative legal studies examine legal rules, frameworks, and principles. This approach examines the applicable legal framework and how it is enforced. The laws and regulations that form the basis of this research are Law Number 8 of 1999 concerning Consumer Protection, Law Number 11 of 2008 concerning Electronic Information and Transactions, and Government Regulation Number 80 of 2019 concerning Electronic Commerce. Secondary data used in this study comes from various sources, such as relevant literature reviews, news articles containing actual cases, and legal texts containing consumer protection regulations. One law that encourages compliance is Law Number 11 of 2008 concerning Electronic Information and Transactions. Another law, Law Number 8 of 1999 concerning Consumer Protection, provides a legal basis for protecting consumers from cyber fraud. These primary legal documents form part of the secondary data used in this study. Safe online transactions and consumer protection are regulated by laws and regulations such as Government Regulation Number 80 of 2019 concerning Electronic Commerce and Government Regulation Number 82 of 2012 concerning the Implementation of Electronic Systems and Transactions. Another relevant law is Article 62 Paragraph 1 of the Consumer Protection Law. Secondary legal materials come from sources such as books and academic articles that discuss basic legal concepts and relevant case examples, including online fraud cases that emerged in 2024. Then, interpretations are provided based on legal regulations, definitions, and legal theories. And analyze the government's efforts to protect consumers and whether regulations in Indonesia are sufficient..

### **3. RESULTS AND DISCUSSION .**

English: To build confidence and security when shopping online, consumer legal protection is crucial. Securing sensitive customer data and the integrity of financial transactions is part of the government-mandated security policy for online purchases. Law No. 11 of 2008 on Information Technology and Electronic Transactions regulates this. The government is responsible for monitoring and controlling the flow of electronic transactions, and for imposing consequences for violations such as fraud or data misuse. C. Scott Hemphill argues that to keep consumers safe when they shop online, there must

be clear rules and strong enforcement. Consumer protection will not be effective unless violations are severely punished. Based on Article 7 of Law No. 8 of 1999, business actors involved in online transactions are obliged to: engage in business activities honestly and with full integrity; provide accurate and clear information to customers about the goods or services they purchase; explain how to use and care for the goods or services; treat customers fairly and without discrimination; ensure that the goods or services are produced according to standards; provide consumers with the opportunity to try the goods or services and warranties; compensate for losses or damage caused by the use of the goods or services sold; and replace goods or services that do not meet agreed standards. According to Article 5 of Law Number 8 of 1999, buyers also have obligations in online transactions. These obligations include knowing and following safety instructions for the goods or services purchased, being honest and transparent in all transactions, paying the agreed amount and at the agreed time, and in the event of a dispute, following fair resolution procedures. Business actors have certain rights guaranteed by Law Number 8 of 1999 concerning Sales and Purchase Transactions, as outlined in Article 6. These rights include receiving payment according to agreed terms, being protected from inappropriate consumer behavior, being able to defend themselves in disputes with consumers in court, regaining their good name if they can prove that the goods or services purchased did not harm the consumer, and protecting their good name if they can prove that the products or services purchased did not cause harm to the consumer. Consumers have certain rights as stated in Article 4 of the Consumer Protection Law. These rights include: receiving protection from security and safety risks when using goods or services, being able to choose and obtain goods or services that meet the promised requirements, obtaining access to accurate and clear information regarding traded products or services, being able to file complaints about goods or services that do not meet expectations, receiving fair and appropriate treatment in legal disputes involving sales or purchases, receiving equal treatment and professional and impartial services, and receiving compensation for losses caused by goods or services that do not comply with provisions.

Trade begins with an agreement between a seller and a buyer in the form of a contract, which is regulated by civil law in Chapter III of the Civil Code on contracts. Guaranteeing consumer rights in all contexts, including online commerce, is the responsibility of the National Consumer Protection Agency, which is responsible for overseeing consumer

protection efforts and educating the public on the topic. The Ministry of Trade is responsible for overseeing and regulating all forms of commerce, including online commerce, to ensure that companies comply with the rules. If a company violates the rules intended to protect online consumers, the government will intervene by imposing sanctions. Violators of the rules in the Consumer Protection Law can be subject to a fine of up to IDR 2,000,000,000.00 or a maximum of 5 years in prison, as stipulated in Article 62 paragraph 1. Security and protection of consumer rights in online transactions are stipulated in Government Regulation No. 82 of 2012, which also regulates the implementation of electronic systems and transactions. Business actors are required to provide accurate information to consumers to protect their legal rights in online transactions in accordance with Law No. 11 of 2008 concerning Electronic Information and Transactions. All information provided, including but not limited to product information, pricing, and terms of sale, must be accurate and reliable. Consumers have the right to cancel a purchase within a certain timeframe, especially if the goods or services received do not meet the agreed standards. Businesses are responsible for ensuring the security of the electronic transaction systems they use to prevent misuse of consumers' personal data. Furthermore, consumers who experience financial losses due to misinformation can hold businesses accountable.

Businesses face civil and criminal sanctions for violations of consumer rights and non-compliance with consumer protection laws. Consumers now have options other than court action to resolve their disputes thanks to laws permitting mediation. Law Number 11 of 2008 encourages businesses to conduct their business activities with integrity, responsibility, transparency, and accountability and provides a legal basis for protecting consumers in online transactions. To encourage the growth of e-commerce in Indonesia, particularly to protect consumer interests in online purchases, Government Regulation Number 80 of 2019 regulates e-commerce and outlines several basic principles..

Businesses using digital platforms for online commerce are supervised by the government. These regulations also regulate the handling of problems with electronic systems for online transactions. It can be argued that the Indonesian government protects consumer rights in online purchasing arrangements by referring to various existing laws and institutions. For online commerce to thrive, the government must ensure equality

between buyers and sellers. Furthermore, researchers can achieve their objectives of evaluating the government's role in e-commerce consumer protection, the duties of business actors, and consumer rights in online transactions through this research. Legal protection for consumers against losses in digital transactions is regulated by Law Number 8 of 1999 concerning Consumer Protection (UUPK), one of several consumer protection regulations in force in Indonesia that effectively regulates online commerce. To accommodate changes in digital commerce, the government has revised the regulations to reflect current trends in the PP PSTE (Regulation of Trade Through Electronic Systems No. 80 of 2019). The Law on Electronic Information and Transactions (UU ITE) was passed in 2008 and regulates trustworthy online commerce. Equally protected are the rights of business actors and consumers. The right to security assurance when using services or goods. The legal right to receive products or services commensurate with the value, guarantees, and terms offered in return. The right to guarantee high-quality goods and services, as well as the right to accurate information and an explanation of all relevant terms and conditions.

The right to have one's opinion heard regarding products or services if there is a complaint that does not comply with the agreement. Challenges in implementing Law No. 11 of 2008 include consistent law enforcement, which remains a challenge in implementing e-commerce consumer protection regulations. The rapid growth of e-commerce requires collaboration between government authorities, digital trading platforms, and consumers to ensure the effective protection of consumer rights.

The main challenges the government faces in consumer protection in the online buying and selling sector in e-commerce are as follows:

- a. Rapid technological developments mean the government must continue to update regulations to ensure they remain relevant and effective in protecting consumers.. With the increasing number of new platforms, law enforcement is becoming more complex and difficult.
- b. International transactions involving businesses and buyers from different countries can complicate law enforcement and consumer protection. Each country has different regulations, making it difficult for governments to protect consumers transacting with foreign businesses.

- c. Consumer knowledge levels vary; not all consumers have an adequate understanding of their rights and safe transaction techniques. This requires the government to make greater efforts to increase consumer awareness and understanding. Consumers who are less educated or unfamiliar with technology may be more vulnerable to fraud.
- d. With the increase in online transactions, the risk of data breaches will increase. The government must ensure that there are strict regulations in place to safeguard the security of users' personal data..
- e. e. Law enforcement in the e-commerce sector requires adequate resources, both in terms of budget and workforce capacity. These limitations can hamper the effectiveness of oversight and law enforcement.

This challenge requires a comprehensive approach and collaboration between government agencies, businesses, and the public to create a safe and transparent online platform ecosystem. The government must continuously adapt and create new policies and regulations to protect consumers in the rapidly evolving digital world. Although various government regulations exist, such as consumer protection regulations and information technology regulations, they may not specifically address all aspects of e-commerce, such as cross-border transactions, personal data protection, and cybersecurity.

Regulations often fail to keep pace with technological developments and new business models in e-commerce, creating regulatory gaps that can be exploited by unaccountable businesses. Effective law enforcement requires sufficient capacity, both in terms of funding and human resources. These limitations can hinder the government's ability to consistently enforce laws. The sheer number of e-commerce platforms and businesses makes it difficult for the government to identify and prosecute violations, especially if the businesses operate from abroad.

Building international cooperation to address violations involving foreign businesses is a particular challenge. Not all businesses comply with existing regulations, and enforcing this compliance can be a significant challenge. Some businesses may engage in unethical business activities, such as fraud or the trade in counterfeit goods, which are difficult to regulate and monitor. The government needs to effectively disseminate

information about consumer protection and e-commerce laws so that consumers can understand and exercise their rights.

Although regulations regarding personal information protection and data security exist, their implementation is often inadequate, and many businesses violate these regulations. Changes in policies and regulations often create confusion for both consumers and businesses. The government needs to ensure that these changes are well-communicated and understood by all parties. Given the numerous obstacles faced, the government needs to issue new regulations on consumer protection in e-commerce transactions as a crucial and strategic step to address the challenges of the digital era.

With the rise of online transactions, securing consumers' personal information has become increasingly crucial. New laws could regulate in more detail the process of information collection, data security, and use of personal data. E-commerce often involves international transactions. New laws could regulate consumer protection in the context of cross-border transactions and provide a framework for international cooperation. The increasing number of online transactions also increases the risk of fraud and unprofessional business conduct.

Updated legal provisions could introduce stricter sanctions for businesses that violate them. These new regulations could include norms to improve consumer education and understanding of their rights when shopping online. Regulations on personal data protection would detail consumer rights regarding personal data, including the right to access, modify, and delete user data, as well as businesses' responsibilities in maintaining the security of that data. Develop specific provisions for e-commerce, including transparency of product information, return policies, and protection against online fraud. The case of online fraud experienced by a journalist with the initials PIS while shopping for fashion online, resulting in costs of approximately IDR 66.3 million, demonstrates a lack of adequate education regarding cross-border online buying and selling practices. In this case, the victim was defrauded by an unscrupulous seller selling imported clothing. The seller's reason for not being able to ship the goods was a lack of an import business permit. Despite the victim's request for accountability through the seller's admin, the victim was required to return the money.

However, instead of receiving a refund, the victim was required to transfer tens of millions of rupiah to the seller's account. The store's treasurer claimed to have shop rules regarding refunds. The victim fell into this fraudulent trap due to a lack of evidence, and the seller blocked the victim's phone number. Therefore, the government must increase its efforts to protect consumer rights and interests. Companies should face harsher penalties for violating consumer protection laws, including fines, license revocation, and other legal action.

Companies should be required to educate customers about their rights and safe shopping practices in an easy-to-understand manner. To enhance consumer protection in cross-border transactions and address violations involving foreign corporations, international cooperation should be established.

#### **4. CONCLUSION**

Based on the results of the research conducted by the researcher, it can be concluded that legal protection for consumers is still inadequate. This study shows that Indonesian policies are quite effective in protecting consumers, but several issues need improvement, such as law enforcement, consumer education, and limited access for consumers to their rights, which pose challenges to consumer protection in Indonesia.

Several relevant regulations have served as guidelines for the Indonesian government's efforts to ensure legal protection for consumers in online transactions. These include Law Number 8 of 1999 concerning Consumer Protection, Law Number 11 of 2008 concerning Electronic Information and Transactions, Government Regulation Number 82 of 2012 concerning the Implementation of Electronic Systems and Transactions, and Government Policy Number 71 of 2019 concerning the Implementation of Electronic Systems and Transactions. However, protecting online shoppers also poses a burden for the government.

Rapid technological developments require governments to continually update regulations to remain relevant and effective in protecting consumers. With the proliferation of new platforms, law enforcement becomes more complex and difficult. International transactions involving businesses and users of global products can complicate law enforcement and consumer protection. Each country has different

regulations, making it difficult for governments to protect consumers transacting with businesses from abroad.

Here are some strategic suggestions for governments to address the challenges of consumer protection in e-commerce transactions: Increasing digital literacy and consumer awareness by conducting extensive educational campaigns on consumer rights, the risks of online fraud, and how to protect personal data. Strengthening regulations and law enforcement by revising consumer protection regulations in e-commerce to make them more adaptive and in line with technological developments, consistently enforcing the law against businesses that violate consumer rights, and coordinating with other countries to ensure equal consumer protection in cross-border transactions. Furthermore, providing effective dispute resolution mechanisms by providing easy, fast, and affordable ADR facilities and mechanisms to resolve disputes between customers and sellers of goods or services; providing complaints procedures that are effectively accessible and understandable to buyers; Developing an efficient and effective online dispute resolution system.

Researchers also advise the public to be more cautious when purchasing online, encouraging buyers to be more selective in their online purchases, paying attention to guarantees regarding the accuracy of seller data and payment transaction protection. Consumers should also gain insight into legal provisions and consumer rights when shopping online.

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