

Legal Perspective on The Challenges and Roles of Consumer Protection in The Digital Economy Era

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Abstract

The development of the digital economy has brought significant changes to consumer interaction patterns in business transactions, simultaneously presenting new opportunities and challenges in consumer protection. This study aims to examine the role of law in ensuring the protection of consumer rights in the digital era, identify emerging legal challenges, and compare consumer protection systems in Indonesia, China, and Japan. The research method used is normative legal, examining regulations, including the Consumer Protection Law (UUPK), the Electronic Information and Transactions Law (UU ITE), and the Government Regulation on the Protection of Consumer Rights (PPSTE). The results show that regulations in Indonesia have not fully adapted to the characteristics of digital transactions, particularly regarding the protection of personal data and cross-border transactions. Key challenges include legal requirements, low consumer literacy, and weak law enforcement. Compared with China and Japan, Indonesia needs to strengthen regulations, increase the effectiveness of law enforcement, and encourage digital literacy. This study recommends the need for adaptive policies, technology-based supervision, and cross-sectoral collaboration to create a safe, fair, and sustainable digital economy ecosystem.

Keywords: Challenges and Role of Law, Consumer Protection, Digital Economy.

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Introduction

In the era of the digital economy, there has been a significant change in the way consumers interact in business. With the advent of e-commerce platforms and other digital technologies, consumers have wider access to the products and services offered. However, with this ease of access, of course, there are other risks that need to be addressed, such as online fraud, data privacy vulnerabilities, and unclear consumer rights in online transactions. Therefore, consumer protection in the digital economy is increasingly important to maintain consumer trust in online businesses and ensure the sustainability of a healthy digital economy. In this context, the definition of consumer protection includes not only consumer rights in conventional transactions but also in online transactions so that consumers feel safe and protected when shopping online in the digital economy era (Aji, 2021).

Consumer protection in the digital economy also involves strict regulation of online business practices that are detrimental to consumers, such as the sale of counterfeit goods or misleading information. In addition, consumer protection also includes the protection of consumers' personal data so that it is not misused by irresponsible parties. With clear regulations and strict law enforcement, consumers can feel more confident and comfortable in online transactions (Siregar, 2020).

For example, when a consumer purchases a product through an e-commerce platform, consumer protection in the digital age can help protect consumers from fraud or counterfeit goods. Additionally, in the event of a problem with an online transaction, such as a delay in delivery or a defective product, consumer protection can provide a guarantee that consumers will be compensated. There is a need for stricter regulations and stricter law enforcement against digital economy actors so that consumer protection is truly effective. Consumers also need to be more careful and thorough in online transactions in order to avoid problems that may arise. Nevertheless, consumer protection laws remain important in buying and selling activities to build consumer trust in the digital economy.

Indonesia, as one of the countries with rapid growth of internet users, also faces various challenges in realizing effective consumer protection. Although there have been various regulations such as Law No. 8 of 1999 concerning Consumer Protection (UUPK) and Law No. 11 of 2008 which was later amended to Law No. 19 of 2016 and finally amended again to Law Number 1 of 2024 concerning Information and Electronic Transactions (ITE Law), its implementation and supervision are still not optimal. Therefore, an in-depth study is needed to identify the legal problems that (APJII) announces the number of internet users, the soul of the Indonesian population (APJII) announces the number of internet users, the soul of the Indonesian population.

One of the main obstacles in providing consumer protection in the digital era is the misalignment between technological advances and existing legal regulatory capacity. This gap is increasingly complex due to the low legal literacy of the public regarding their rights as consumers, coupled with the limitations of effective dispute resolution mechanisms. Applicable regulations tend to be still general and have not accommodated new problems arising from the use of digital technology, such as the practice of misuse of personal data and cross-border transactions. The Consumer Protection Law (UUPK), which has been in force for more than two decades, has not explicitly regulated digital transactions, while the Electronic Information and Transaction Law (UU ITE), which is supposed to regulate the digital aspect, often faces the constraints of inconsistency in its implementation and enforcement (Nugroho, 2021).

A lack of transparency in online transactions can increase the risk of fraud and violations of consumer rights. Without clear and accurate information, consumers are vulnerable to becoming victims of unethical and harmful business practices. Therefore, consumer protection in the digital economy era must be immediately improved in order to provide effective and fair protection for all parties involved in online transactions.

The high potential for fraud in online transactions is one of the factors that can hinder the development of the digital economy while reducing the level of consumer trust in the use of digital technology. To overcome this problem, comprehensive regulations are needed accompanied by consistent law enforcement to suppress business practices that are detrimental to consumers. In addition, increasing consumer literacy and awareness is also very important so that they are able to recognize various potential risks and take protective steps when making online transactions. Through collaboration and comprehensive efforts from the government, business actors, and the community, it is hoped that the digital economy ecosystem can grow more equitable, safe, and sustainable (Widiatuti, 2021).

Viewed from a policy perspective, regulatory reform that is adaptive to technological developments is an urgent need. Proactive and data-driven policies can help identify new trends and risks in the digital economy, so that consumer protection can be effectively improved. Learning from other countries such as the United States, Singapore, and the European Union can be a guideline in formulating relevant policies as the digital economy develops. Based on this background, several problem formulations can be formulated by conducting an assessment to answer the problem formulation of how the role of law in protecting consumer rights in the digital economy era and how legal challenges are in consumer protection in the digital economy era.

Literature Review

2.1 Economic changes and digital consumption

The development of information technology has had a significant impact on various sectors, including trade. E-commerce, particularly in digital product transactions, offers various conveniences for consumers, such as quick access to software, music, e-books, and streaming services. However, digital products have different characteristics than physical products, thus presenting new challenges in consumer protection.¹⁴ Digital products generally do not have a physical form and can easily be restricted by providers. This condition often results in consumers not having full control over the digital products they have purchased, as access can be deleted or restricted unilaterally. Although the Consumer Protection Law Number 8 of 1999 exists, this regulation does not specifically accommodate protection for digital products. To adapt to the needs of the digital era, Indonesia has introduced Government Regulation No. 71 of 2019 concerning the Implementation of Electronic Systems and Transactions, but its implementation is still considered ineffective in addressing digital consumer protection issues.¹⁹ Furthermore, the need to strengthen dispute resolution mechanisms, especially for consumers dealing with international platforms, is also crucial. Thus, regulatory revisions that better align with the characteristics of digital products and more effective dispute resolution mechanisms are crucial to protecting consumers in the *e-commerce* era.

Research Methodology

This research was prepared using a normative juridical research method, namely by researching and analyzing laws and regulations, and using legal comparisons by comparing the legal system between two or more countries to understand the differences and similarities in them. Some of the laws and regulations studied include the UUPK and the ITE Law. This study uses secondary data as well as primary data. Secondary data consists of primary legal materials and secondary legal materials. Primary legal materials are materials whose content is binding, such as laws and regulations related to consumer protection and electronic information and transactions. Meanwhile, secondary legal materials are legal materials that provide instructions and explanations of primary legal materials, such as books, and other literature related to consumer protection and electronic transaction information (Ibrahim, 2006).

Secondary data collection using literature studies. Literature study is a data collection technique by conducting a study of books, literature, records, which are related to problems related to problems. Data analysis is the most important process in a research because in this research the data obtained will be processed and used in such a way until a conclusion is obtained which will later be the final result of the research (Zed, 2008).

Results

4.1 The Role of Law in Protecting Consumer Rights in the Digital Economy Era

According to Black's Law Dictionary, consumer protection is understood as a rule of law that provides security guarantees for consumers in the use of goods or services. Meanwhile, consumers themselves are defined as parties who utilize goods and/or services both for personal interests and for the benefit of others. The term consumer protection is used to describe the legal protection provided to consumers to avoid being harmed. losses in the process of fulfilling their needs. This is in line with the definition of consumer protection as stated in Article 1 number 1 of Law Number 8 of 1999 concerning Consumer Protection, which emphasizes that consumer protection is any form of effort that ensures legal certainty for consumers (Shidharta, 2006).

The purpose of the planned implementation, development, and regulation of consumer protection is to improve consumer welfare. Legal protection is a way to protect consumers provided by law or law to prevent violations or things that may harm the interests of consumers. With a clear and strong legal framework, consumers will feel safer and more protected when transacting online. It will also encourage the sustainable growth of the digital economy and provide benefits to all parties involved. As users, it is important for us to understand our rights and obligations in transacting online so that we can be properly protected.

Understanding of consumer rights when experiencing losses and consumer awareness has an important role in creating a healthy business climate. High consumer awareness not only provides protection for themselves, but also encourages business actors to carry out business activities responsibly and with integrity. This condition ultimately fosters motivation for business actors to present quality products and services, so as to create a harmonious relationship between consumers and business actors. Furthermore, consumers' understanding of their rights also functions as a resolution instrument when disputes occur in online transactions, so that consumers continue to receive proper legal protection. Thus, the active participation of consumers is an important factor in supporting the growth of a healthy, fair, and sustainable digital economy.

Consumer protection arrangements can be done in several ways as follows:

- 1) Creating a consumer protection system that contains access and information, as well as ensuring legal certainty;
- 2) Protecting the interests of consumers in particular and the interests of all business actors in general;
- 3) Improving the quality of goods and services;
- 4) Provide protection to consumers from deceptive and misleading business practices; and
- 5) Combining the implementation, development, and regulation of consumer protection with the fields of protection in other fields.

If consumers feel that the quantity and quality of goods and/or services they consume are not in accordance with the exchange rate they provide, they are entitled to appropriate compensation in accordance with consumer protection laws. Therefore, it is important for consumers to understand their rights so that they can take legal action if necessary. Thus, the growth of the digital economy will be further maintained because consumers feel safer and more protected in online transactions. Smart and active consumers will encourage business

actors to improve the quality of products and services for the sake of overall consumer satisfaction.

The purpose of consumer protection is regulated in Article 3 of the UUPK, namely:

- 1) Increase consumer awareness, ability and independence to protect themselves;
- 2) Raising the dignity and dignity of consumers by preventing them from negative excesses in the use of goods and/or services;
- 3) Increasing consumer empowerment in voting, determining, and demanding their rights as consumers;
- 4) Creating a consumer protection system that contains elements of legal certainty and information disclosure as well as access to information;
- 5) Fostering awareness of business actors about the importance of consumer protection so that they grow an honest and responsible attitude in doing business; and
- 6) Improving the quality of goods and/or services that ensure the continuity of the production business of goods and/or services, health, comfort, security, and consumer safety.

The digital economy is a complex thing and will explain the development and growth of the economy in the coming decades. Digital economy refers to economic activities based on digital technology, such as e-commerce, financial technology (fintech), and sharing platforms (Sharing Economy). By Organization for Economic Cooperation and Development (OECD), the digital economy has key characteristics such as globalization, automation, and the use of big data.

Development E-commerce in Indonesia has implications for the fulfillment of consumer rights and welfare through increased legal awareness, consumer protection regulations, and emphasis on the quality of products and services. In the context of transactions E-commerce In the era of the digital economy, the law plays an important role as an instrument of consumer protection, as seen through the regulation of digital transactions in the Electronic Information and Transaction Law (UU ITE). The regulation provides a legal framework that includes electronic contract standards, clarity of information, and the consumer's right to cancel transactions if there are hidden defects in electronic contracts.

E-commerce practices in Indonesia include dynamic pricing, where product prices can change automatically based on demand, availability, or other factors. Flashsale or cashback programs provided by e-commerce encourage consumers to increase their transactions because they get exclusive offers. This of course adds to the transactions that occur in e-commerce.

The Electronic Information and Transaction Law (ITE Law) also contains provisions regarding dispute resolution mechanisms that arise in e-commerce transactions between business actors and consumers. The dispute resolution can be done through litigation in court or through alternative dispute resolution (ADR) such as mediation and arbitration by design. This arrangement is important to ensure a sense of security for consumers in digital transactions, while ensuring that their rights can be fought for through more effective and efficient procedures (Subekti, 2020).

Personal data protection is an important aspect of e-commerce transactions. As the digital economy develops rapidly, the risk of privacy violations in online transaction activities is also getting higher. Therefore, the existence of regulations related to personal data protection is very crucial. In Indonesia, the Personal Data Protection Bill was drafted as a legal instrument to provide more comprehensive protection for consumers in the digital realm.

By being able to implement stricter regulations in e-commerce transactions, as well as ensuring that every transaction is carried out honestly and transparently, it will also help increase consumer trust in e-commerce platforms. In addition, education to consumers about their rights as online buyers must also be improved so that consumers are more aware of the existing protections.

The development of the digital economy has a positive impact in the form of creating a safer, more orderly, and more efficient business ecosystem. Through a legal framework that

always adjusts to the dynamics of the digital economy, business activities can run in a more targeted manner while providing certainty for business actors and consumers.

To ensure consumer protection, efforts are needed that are oriented towards instilling a sense of security in meeting the needs of life, based on the value of justice and impartiality. The legal basis for consumer protection is listed in Article 2 of the Consumer Protection Law (UUPK), which affirms a number of main principles. The principle of benefits ensures that consumers, business actors, and producers obtain profits proportionately without causing imbalances. The principle of justice ensures equality of rights and obligations between consumers and business actors. The principle of balance emphasizes the importance of a balanced relationship in the implementation of the rights and obligations of both parties as stipulated in the UUPK. The principles of security and safety provide protection so that consumers can use the product without threatening their personal safety or property. Meanwhile, the principle of legal certainty emphasizes the existence of legal guarantees for consumers and business actors in fulfilling their rights and obligations, where the state plays a role in ensuring this legal certainty (Effendy, 2018).

The law is considered to have a significant role in directing social change if it is able to respond quickly to the dynamics that occur in society. This is important considering the complexity of the problems that arise and the nature of changes in society that tend to take place quickly following a lifestyle that continues to develop. However, if the law is slow to respond to these changes, the role of the law in society becomes limited. In such conditions, social transformation occurs more naturally because of the encouragement of society itself, not as a result of the effectiveness of the applicable law.

4.2 Legal Challenges in Consumer Protection in the Digital Economy Era

Digitalization has a significant influence on various aspects of economic law, especially in supporting sustainable economic development through the acceleration of business activities. This development opens up great opportunities for the creation of faster and more inclusive economic growth. The transformation towards a digital economy has changed trading patterns that were previously done manually to be based on automation, one of which is through technological advances that increase transaction efficiency. In this context, the urgency of strengthening legal protection in electronic transactions is increasingly important so that legal certainty and security for the parties can be guaranteed (Ramli, 2004).

Along with the rapid development of the digital economy, the law is required to be able to respond to the challenges that arise, especially in e-commerce transactions that often involve parties from different jurisdictions, causing uncertainty about the applicable law. To answer these problems, Government Regulation Number 71 of 2019 concerning the Implementation of Electronic Systems and Transactions (PP PSTE) is present as a legal instrument that affirms jurisdiction applies to every person who commits legal actions as stipulated in these provisions (what article), both inside and outside the territory of Indonesia, as long as the act has legal consequences in Indonesian territory or is detrimental to Indonesia's interests. However, the scope of this provision is still limited to foreign e-commerce operators that have representatives or branch offices in Indonesia, so legal protection for consumers in cross-border transactions still needs further strengthening (Subekti, 2020).

The definition of digital economy is an economic sector that consists of many goods and services during development and production, as well as sales that depend on digital technology. Such as the ease of making online transactions using mobile phones.

In the context of cross-border transactions, consumers are required to be more careful by carefully examining electronic contracts enforced by e-commerce platforms, as each service provider usually has different dispute resolution mechanisms and policies. The clauses in the contract must be ensured not to cause harm or negate the rights of the consumer. Law Number 8 of 1999 concerning Consumer Protection (UUPK) is actually designed to provide protection

against business practices that are detrimental to consumers, but its substance is still not able to answer the special characteristics of digital products, especially related to aspects of ownership and access rights. This is different from the regulation of physical products in the UUPK, where transactions are carried out face-to-face between sellers and buyers. The absence of special norms regarding consumers' rights to long-term access to digital products creates a legal loophole that can be exploited by service providers to limit or even remove consumer access to digital products that have previously been obtained (Dewi, 2010).

Consumers in digital transactions are often in a weak position due to limited information related to products, services, and risks that may arise. This condition is often used by irresponsible business actors, for example by committing fraud in the form of selling goods that are not in accordance with the agreement or providing product quality that is different from what was promised. Therefore, consumers need to be careful and ensure that the business actors involved in online transactions are truly trustworthy and able to fulfill their obligations in accordance with the agreement. In this regard, the responsibility of business actors has been regulated in Article 19 and Article 28 of Law Number 8 of 1999 concerning Consumer Protection (UUPK), which regulates the obligations of business actors if they commit acts that are detrimental to consumers (Effendy, 2018).

In digital transactions, electronic contracts are generally drafted in advance by business actors, so they are unilateral. The contract usually contains standard clauses, namely provisions or conditions that have been prepared in advance by the business actor and are outlined in a document or agreement. This clause is binding and must be complied with by the consumer without any room for negotiation.

Article 1320 of the Civil Code regulates the conditions for the validity of an agreement, namely the existence of an agreement between those who bind themselves, the ability of the parties to make an agreement, a certain object, the object of the agreement must be clear and enforceable, and a permissible cause (not violating the law). These conditions of course apply in the digital transaction sale and purchase agreement. This is expressly stated in Article 46 of the PP PSTE:

- 1) Electronic transactions can be carried out based on electronic contracts or other contractual forms as a form of agreement made by the parties;
- 2) An electronic contract is considered valid when:
 - a. There is an agreement between the parties;
 - b. Carried out by a capable legal subject or authorized to represent in accordance with the provisions of laws and regulations;
 - c. There are certain things;
 - d. The object of the transaction must not be contrary to laws and regulations, decency, and public order.

Provisions regarding a person's legal competence in conducting transactions have the potential to cause obstacles in electronic trading practices, considering that the parties do not meet in person. Therefore, business actors should set a certain age limit for consumers in conducting digital transactions to ensure legal certainty while protecting vulnerable parties.

Many consumers usually ignore the standard clauses listed in the electronic contract, resulting in the consumer's position being weak and disadvantaged if there is misinformation about the transaction that occurs. Both business actors and consumers have voiced concerns about the quality and authenticity of products in electronic transactions. With so many sellers on the platform, ensuring consumer safety and satisfaction is a considerable challenge, and leads to legal disputes and business implications. There are difficulties in law enforcement against violations committed by business actors, although there are provisions of the law that regulate law enforcement against violations in online buying and selling transactions are still limited. This is due to obstacles in collecting evidence and limited resources owned by law enforcement agencies.

One of the strategic steps in facing legal challenges in the digital economy era is to continuously monitor regulatory developments, as well as ensure that consumer protection remains the government's top priority. In addition, increasing people's digital literacy also has an important role, especially in equipping consumers with the ability to control themselves when making online transactions. The active role of supervisory agencies and law enforcement officials is needed to ensure security and legal certainty for consumers. Digital literacy must be accompanied by a strong legal framework, so that consumers obtain effective protection guarantees. With collaboration between the government, business actors, and consumers, it is hoped that a healthier, fairer, and more sustainable digital economy ecosystem will be created (Zulham, 2013).

Conclusion

1. Existing regulations in Indonesia, such as the UUPK, UU ITE, PP PSTE, and PDP Law, have provided a legal basis to provide consumer protection. However, implementation and supervision that are not optimal make consumer protection in the digital economy era still far from ideal. The regulations still need to be strengthened to answer the specific challenges that arise in digital transactions. On the other hand, the potential for digital technology to strengthen consumer protection remains large. With technology-based supervision, online dispute resolution mechanisms, and cross-sector collaboration, consumers can be protected more effectively. Therefore, strengthening the legal and policy framework, as well as improving people's digital literacy, is an important step forward.
2. The UUPK, which was originally designed for physical transactions, has not fully accommodated the unique characteristics of digital products, especially related to long-term ownership and access. This legal loophole allows service providers to restrict or even remove access to digital products that consumers have purchased. In addition, consumers are often in a disadvantaged position due to the lack of information and the existence of standard clauses in electronic contracts prepared unilaterally by business actors, thereby weakening the position of consumers. Overcoming these challenges requires collective efforts, including monitoring legal developments, improving people's digital literacy, and strengthening the role of supervisory and law enforcement agencies. Good digital literacy will help consumers control themselves in online transactions and understand their rights. On the other hand, governments, business actors, and consumers need to collaborate to create a healthy and sustainable digital economy ecosystem. Consumer protection must be a priority, so that transactions in *e-commerce* can take place comfortably, safely, and full of legal certainty.

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