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Enhancing Consumer Protection in Electronic Commerce Transactions

Dijan Widiowati^{1,*}

¹ Universitas Bhayangkara Jakarta Raya, Jakarta, Indonesia

* Corresponding author:

Email:
dijanwidiowati.ubharajaya@gmail.com

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Abstract

Consumer protection in electronic commerce transactions is a critical aspect of fostering trust and ensuring the safety of consumers in the digital marketplace. The rapid growth of e-commerce in Indonesia has presented new challenges in safeguarding consumer rights and interests. This paper examines the existing legal framework for consumer protection in electronic transactions in Indonesia and highlights the need for effective measures to address risks related to data security, privacy, fraud, and consumer trust. The study utilizes a comprehensive methodology combining normative juridical and empirical juridical approaches to analyze relevant legal texts and secondary data sources. The research emphasizes the importance of upholding consumer rights, promoting fair business practices, and providing avenues for resolving disputes in order to nurture trust, responsibility, and fair commerce practices in the online marketplace.

Keywords

Consumer protection, E-commerce, Consumer rights, Legal framework

1. Introduction

In today's interconnected world, the advent of e-commerce has fundamentally transformed the way we engage in commercial transactions (Ferrera & Kessedjian, 2019; Pan et al, 2021). With the rise of online platforms, consumers now have unprecedented convenience and accessibility, allowing them to browse and purchase a vast array of products and services from the comfort of their own homes. This shift in consumer behavior has revolutionized traditional

marketplaces and expanded the choices available to consumers, empowering them with the ability to make informed purchasing decisions (Azizah et al, 2022).

The survey conducted by the Association of Internet Service Providers in Indonesia (APJII) highlights the staggering growth of internet users in Indonesia, reaching a remarkable 215.63 million people during the 2022-2023 period. This significant increase of 2.67% compared to the previous period underscores the widespread adoption and integration of the internet into the daily lives of Indonesians. As the number of internet users continues to rise, it creates a fertile ground for the flourishing e-commerce industry, facilitating greater participation in online transactions and driving economic growth.

Simultaneously, the e-commerce sector in Indonesia has experienced a phenomenal expansion, as reflected in the impressive value and volume of transactions reported by Bank Indonesia (BI). The total value of e-commerce transactions surged to a staggering Rp476.3 trillion in 2022, demonstrating the significant economic impact of online commerce. Moreover, the volume of e-commerce transactions reached an impressive 3.49 billion instances, illustrating the scale and frequency at which online transactions are being conducted. These figures reflect the strong embrace of the e-commerce business model by the Indonesian population, as online shopping becomes increasingly trusted and ingrained in their daily routines.

However, with the rapid surge in internet usage and e-commerce transactions, new challenges have emerged, particularly in safeguarding consumer rights and interests. The scale and speed of digital transactions have brought forth risks related to data security, privacy, fraud, and consumer trust (Khan, 2019). It is imperative to address these challenges promptly and implement robust measures to ensure a safe and trustworthy e-commerce environment. The preservation of consumer trust is crucial for the sustainable growth of the e-commerce industry, as it fosters continued engagement and participation from consumers.

The statement issued by the Indonesian Consumer Foundation (YLKI) throughout the year 2021, draws attention to the shortcomings of e-commerce in fully benefiting consumers (Pahlevi, n.d.). It identifies several key issues, including the inadequate sectoral regulations that fail to adequately protect consumer rights, the lack of genuine intentions from e-commerce producers and application providers in conducting transactions, the absence of comprehensive protection for consumers' personal data, the insertion of incomprehensible standard agreements by providers, and the prevailing low levels of consumer literacy and empowerment. These factors have contributed to a notable increase in consumer complaints related to e-commerce, highlighting the urgent need for effective consumer protection measures in the digital marketplace.

To address these challenges, the existing legal framework in Indonesia comprises the Consumer Protection Law No. 8 of 1999, which primarily focuses on consumer rights and responsibilities in conventional or traditional transactions. However, it does not comprehensively cover consumer protection in electronic transactions. The Information and Electronic Transactions Law No. 11 of 2008, as amended by Law No. 19 of 2016, specifically governs electronic transactions. This law defines electronic transactions as legal actions conducted through computers, computer networks, and other electronic media. Additionally, it outlines the obligations of business actors to provide accurate and complete information regarding contract terms, manufacturers, and products offered (Siregar & Lubis, 2021).

Acknowledging the necessity for specific regulations within the e-commerce landscape, Chapter VIII of the Trade Law No. 7 of 2014 is dedicated to governing e-commerce transactions. This research focuses on elucidating the obligations and restrictions imposed on businesses involved in e-commerce, establishing dispute resolution mechanisms for consumer-business conflicts, and outlining penalties for non-compliance. Moreover, this research aims to analyze the legal safeguards in place for consumers engaged in e-commerce and examine the resolution of disputes between consumers and business entities. By doing so, it contributes to the field of economic law, particularly in the areas of consumer protection and the resolution of e-commerce disputes. The practical implications of this study provide valuable insights that can inform policymakers and legal professionals involved in addressing issues related to e-commerce transactions.

2. Methods

This research paper utilizes a comprehensive methodology combining normative juridical and empirical juridical approaches to examine the effectiveness of legal measures in safeguarding consumer rights in e-commerce transactions. The study follows a qualitative and descriptive research design, relying on secondary data sources.

The normative juridical approach involves analyzing relevant legal texts such as legislation, regulations, and case law pertaining to consumer protection in e-commerce. These legal sources are examined to identify the key principles and regulations governing online buying and selling transactions. The empirical juridical approach includes conducting a thorough literature review and utilizing the documentary study method to gather secondary data from academic journals, government publications, industry reports, and reputable online databases. The collected data is subjected to thematic analysis to identify patterns and trends related to consumer protection in e-commerce.

The research paper aims to provide a comprehensive examination of legal measures and their impact on consumer rights in the digital marketplace. By combining the normative and empirical juridical approaches, the study contributes to the understanding of consumer protection in e-commerce and offers insights for enhancing the legal framework in this domain. It is important to note that this study relies on existing information and does not involve primary data collection. The methodology focuses on analyzing and synthesizing secondary data from various reliable sources to gain a comprehensive understanding of consumer protection in e-commerce.

3. Results and Discussion

3.1 Safeguarding Consumer Trust and Rights in Online Buying and Selling Transactions

Consumer protection plays a pivotal role in fostering trust and ensuring the safety of consumers engaged in online buying and selling transactions through e-commerce platforms. The existence of laws and regulations governing consumer rights provides a vital legal framework aimed at shielding consumers from unfair business practices that may cause harm or disadvantage (Kwilinski et al, 2019).

One such highly relevant legislation in this context is Law No. 8 of 1999 on Consumer Protection. This law empowers consumers with fundamental rights, including the right to

transparent and accurate information pertaining to the products or services being offered. Consumers are entitled to comprehensive details encompassing pricing, specifications, product conditions, shipping policies, and return procedures. Armed with precise and complete information, consumers are better equipped to make well-informed and prudent transactional decisions (Mehmood, 2021).

Moreover, safeguarding consumer privacy and security stands as a critical imperative. Law No. 11 of 2008 on Electronic Information and Transactions specifically addresses security aspects concerning online transactions. It encompasses the protection of consumers' personal data, as well as endeavors to prevent fraud and information breaches. It is incumbent upon businesses to create an environment wherein consumers feel secure and protected throughout their online transactions. This entails respecting the confidentiality of consumer data and establishing secure transactional platforms.

In the event of product defects or discrepancies, consumers possess the inherent right to lodge claims or request returns. Consumer protection laws dictate the procedures and conditions governing such return policies or reimbursement protocols. Consumers have a justifiable expectation of receiving fair compensation when the products they receive fail to meet their expectations. In this regard, businesses bear the responsibility of providing clarity and transparency concerning the processes involved in returning or replacing goods (Liao & Sundar, 2022). By doing so, businesses demonstrate respect for consumers' rights and ensure that their needs are met.

Overall, consumer protection in online buying and selling transactions constitutes an indispensable component of the digital marketplace. Upholding consumer trust and safeguarding their rights necessitates the enforcement of laws and regulations, thereby creating an environment where consumers can confidently engage in e-commerce transactions, free from detrimental practices. By recognizing the importance of consumer protection, businesses can cultivate lasting relationships with their clientele, foster loyalty, and contribute to the growth and sustainability of the online marketplace.

3.2 Nurturing Trust, Responsibility, and Fair Business Practices for Enhanced Consumer Protection in Online Transactions

In the realm of online buying and selling, it is imperative to uphold consumer protection measures that deter dishonest business practices and prioritize the welfare of consumers. Businesses must steer clear of manipulation, fraud, and the sale of counterfeit goods, recognizing that consumers have an inherent right to receive products and services that align with the descriptions provided by the sellers. Consumer protection laws serve as a shield against practices that unfairly disadvantage consumers and impose appropriate penalties for violations.

Furthermore, the utilization of customer reviews and feedback systems serves as an invaluable additional layer of consumer protection (Qasaimeh, 2022). These systems allow consumers to gain insights from the experiences of fellow buyers who have previously engaged with the same product or service. Such transparent reviews provide valuable information about product quality, the reliability of sellers, and other consumers' transactional encounters. Businesses bear the responsibility of fairly and transparently moderating these reviews, fostering an environment where consumers can place their trust in the shared information.

Collaborative efforts between businesses, government bodies, and consumers play a pivotal role in enhancing consumer protection in online transactions (Rahayuab et al, 2020). Businesses, in addition to their pursuit of profits, are obligated to embrace their social responsibility by delivering products and services of impeccable quality that adhere to established standards. Governments, on their part, are entrusted with the responsibility of bolstering oversight mechanisms to safeguard consumers from detrimental business practices and enforcing stringent penalties for non-compliance. Consumers themselves have an active role to play in self-protection by cultivating their knowledge base, understanding their rights, and promptly reporting any unscrupulous business conduct they encounter.

Heightening consumer awareness constitutes a vital component of bolstering consumer protection in online transactions. Equipping consumers with comprehensive knowledge regarding their rights, the steps to be taken in case of grievances, and the means to protect their privacy and security while engaging in online transactions is essential. Educational initiatives and awareness campaigns can effectively bridge the information gap and empower consumers to navigate the online marketplace confidently (Arifin et al, 2021).

To summarize, consumer protection in online transactions remains pivotal in fostering consumer trust and security. The existence of consumer rights laws and regulations provides a solid foundation, yet the collective efforts of businesses, governments, and consumers are paramount. By embracing fair business practices, leveraging transparent customer feedback, promoting consumer awareness, and embracing shared responsibility, we can enhance consumer protection in online transactions and nurture a digital marketplace that thrives on trust and integrity.

3.3 Resolving Disputes Between Consumers and Businesses in Electronic Commerce Transactions

In terms of electronic commerce, disputes can arise between consumers and businesses, stemming from breach of contract or legal violations. As electronic commerce transactions involve parties entering into agreements through digital systems, they fall under the purview of civil law (Lumaris & Paulus, 2021). Consequently, the resolution of disputes arising from electronic commerce transactions is subject to civil law provisions, offering both litigation and non-litigation avenues for resolution.

According to Article 18(1) of the Information and Electronic Transactions Law (ITE Law), the agreements made in electronic contracts are legally binding on the parties involved. Electronic contracts, as defined in Article 1(17) of the ITE Law, refer to agreements formed through digital systems. In cases involving international electronic transactions or parties from different countries, the parties can determine the choice of law to govern the resolution of disputes. However, in the absence of a choice of law, the principles of international civil law apply (Article 18(2) and (3) of the ITE Law).

Furthermore, in line with the characteristics of civil law, the parties have the authority to select a dispute resolution institution as an alternative means of settling their disputes, including courts, arbitration, or other authorized alternative dispute resolution bodies, specifically for potential disputes arising from international electronic transactions made by the parties (Article 18(4) of the ITE Law). However, if the electronic contract does not specify a forum or dispute resolution

institution, disputes arising from such international electronic transactions are resolved based on the principles of international civil law (Article 18(5) of the ITE Law).

In conjunction with the ITE Law, the Consumer Protection Law also provides alternatives for dispute resolution, both through litigation and non-litigation methods based on the voluntary choice of the disputing parties (Article 23 and Article 45 of the Consumer Protection Law). Thus, dispute resolution in electronic commerce transactions can be pursued through various channels.

One prominent non-litigation method for resolving disputes in electronic commerce transactions is arbitration. Arbitration is an extrajudicial dispute resolution mechanism involving a neutral third party known as an arbitrator. The disputing parties agree to seek a binding decision from the arbitrator to settle their dispute (Abedi et al, 2021).

In the context of electronic commerce transactions, arbitrators can be appointed through agreements made between the parties before the dispute arises. The selection of an arbitrator can be based on the parties' agreement or through internationally recognized arbitration institutions. Arbitration decisions hold the same legal force as court judgments and can be enforced by countries that are party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (Forneris & Mocheva 2019).

Choosing arbitration as a method of dispute resolution offers several advantages (Datla, 2021). It typically offers a faster and more flexible process compared to litigation in court. Moreover, appointed arbitrators often possess specialized expertise relevant to the dispute at hand, resulting in decisions that are more understanding and accurate.

However, while arbitration can be an effective alternative for resolving disputes in electronic commerce transactions, several considerations should be taken into account. Arbitration costs may be higher than litigation expenses in court. Additionally, enforcing arbitration decisions in certain countries may prove challenging due to significant legal and regulatory differences (Datla, 2021).

Apart from litigation and arbitration, there are other dispute resolution institutions that parties to electronic commerce transactions can choose from. Mediation is one such example, where the disputing parties work together with a neutral mediator to reach a mutually beneficial settlement (Hussain et al, 2020).

When faced with disputes in electronic commerce transactions, it is crucial for the parties to carefully consider the most suitable dispute resolution option for their needs. Each method of resolution offers specific advantages and limitations, and selecting the right approach can facilitate a fair and efficient resolution. While the information provided aims to be accurate and up-to-date, it is advisable to seek legal counsel or refer to the latest laws and regulations in your jurisdiction.

4. Conclusion

Safeguarding consumer trust and rights in online buying and selling transactions is of paramount importance in the digital marketplace. The enforcement of consumer protection laws and regulations serves as a crucial foundation for ensuring fair business practices, protecting consumer privacy and security, and providing avenues for resolving disputes. Businesses must prioritize consumer welfare and adhere to transparency and accountability in their operations. Governments play a vital role in bolstering oversight mechanisms and imposing penalties for

non-compliance. Consumers themselves must be proactive in understanding their rights, reporting any misconduct, and participating in the development of a secure and trustworthy online marketplace.

To enhance consumer protection, businesses should leverage customer reviews and feedback systems to foster transparency and trust. Collaborative efforts among businesses, governments, and consumers are essential to create an environment that prioritizes fair business practices, responsible behavior, and the dissemination of accurate information. Heightening consumer awareness through educational initiatives and awareness campaigns can empower consumers to make informed decisions and protect their interests.

In resolving disputes arising from electronic commerce transactions, both litigation and non-litigation methods are available. Parties can rely on civil law provisions, choose alternative dispute resolution mechanisms such as arbitration or mediation, or seek resolution through authorized institutions. Each method offers distinct advantages and limitations, and careful consideration should be given to selecting the most appropriate approach based on the specific circumstances.

Ultimately, by upholding consumer protection measures, promoting transparency, and embracing shared responsibility, we can cultivate a digital marketplace that thrives on trust, integrity, and fairness. Nurturing consumer trust and rights not only benefits individual consumers but also contributes to the growth and sustainability of the online marketplace as a whole.

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