

# Legal protection of personal data in e-commerce transactions towards a safe and trusted digital economy

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## ARTICLE INFO

### Article history:

Received Apr 05, 2024

Revised Apr 12, 2024

Accepted Apr 25, 2024

### Keywords:

Legal Protection of Personal Data  
E-Commerce Transactions  
Digital Economy

## ABSTRACT

This research aims to analyze the legal protection of personal data in e-commerce transactions, which is an important aspect in maintaining security and trust in the digital economy. The author employs a normative legal research method. The results of the research indicate that in an era where electronic commerce increasingly dominates business activities, the protection of personal data becomes a primary foundation to ensure consumer trust and the sustainable development of the digital economy. Through appropriate policies and regulations, states and relevant stakeholders can establish a legal framework that effectively governs the collection, use, and protection of personal data in the context of e-commerce. These measures help create a safe and trusted business environment where consumers feel comfortable conducting online transactions without concerns about the misuse of their personal data. Thus, legal protection of personal data in e-commerce transactions not only secures individuals' interests in safeguarding their privacy but also supports national economic growth through the establishment of a secure and trustworthy digital economy.

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## 1. INTRODUCTION

In an era marked by rapid advancements in information and communication technology, information technology systems such as electronic commerce (e-commerce), electronic education (e-education), electronic health (e-health), electronic government (e-government), and other fields have opened up vast opportunities while also presenting new challenges. Despite offering benefits such as increased efficiency and accessibility of services, these advancements have also brought forth new issues, including privacy concerns arising from the collection and transfer of personal data without the data owner's consent. This poses a threat to individuals' constitutional rights regarding their privacy and underscores the necessity of effective personal data protection. Therefore, it is important to take appropriate measures in addressing these challenges, such as developing adequate regulations and enhancing awareness of the importance of data privacy within society.

Human rights encompass a set of rights considered universal and inherent to every individual, including political, social, economic, and cultural rights. In the context of personal data protection, there are several human rights that are relevant. One of them is the right to privacy, which empowers individuals to maintain confidentiality and control the use of their personal data. This right enables everyone to freely determine whether, how, and to whom their personal data will be disclosed. Effective personal data protection primarily aims to prevent unauthorized or unwanted access, use, and dissemination of individuals' personal data by others. Within the framework of human rights, this protection is crucial as it forms the foundation for the recognition of individuals' dignity and freedom, and it is a key element in maintaining freedom and justice in a society based on democratic values and respect for individual rights. Efforts to protect personal data are aligned with the principles of human rights that underlie individual freedoms and maintain a balance between personal and public interests. (Kusnadi & Wijaya, 2021)

Privacy is a complex concept first articulated by Samuel Warren and Louis Brandeis as the "Right to Privacy," formulating that privacy is the right to enjoy life and have personal space. With the development of law, recognition and protection of privacy have become increasingly important and inevitable. Legal protection for privacy is an urgent need and must be acknowledged. The right to privacy and the protection of personal data are two closely related concepts; personal data, as the property of each individual, needs to be protected as part of universally recognized human rights, as outlined in international and regional legal instruments such as the Universal Declaration of Human Rights (UDHR), the International Covenant on Civil and Political Rights (ICCPR), and the International Law Commission (ILC). (Haganta, 2020) Thus, a profound understanding of human rights, including privacy and the protection of personal data, is key to developing policies and regulations that are in line with technological advancements and the demands of the times, ensuring that individual rights are respected and protected in the ever-evolving digital era.

Although not explicitly mentioned in the 1945 Constitution, protection of individual privacy is clearly recognized in Article 28G paragraph (1) of the 1945 Constitution of the Republic of Indonesia. This article acknowledges the right of every citizen to privacy and the protection of personal data. Therefore, it is important for the government and relevant institutions to take steps in implementing policies and regulations that ensure adequate protection of personal data. This protection of personal data should be understood as an integral part of human rights that encompass fundamental individual rights. These efforts aim to achieve a proper balance between the development of information technology and individual rights, ensuring that data management is carried out ethically in accordance with applicable human rights standards, thereby preserving individual privacy rights in the ever-evolving digital era.

In the context of digital economic development in Indonesia, the protection of personal data becomes a highly significant issue considering the rapid growth of the digital economy market in this country. Indonesia promises to be an attractive location for the digital economy, as evidenced by the fact that out of a total population of 265.4 million people, 50 percent, or approximately 132.7 million people, have been using the internet. Among this number, mobile device users reach 177.9 million people, and active mobile social media users reach 120 million people. Based on research by Google and Temasek in 2018, it is predicted that the size of the Indonesian Digital Economy Market will reach USD 100 billion by 2025. (Ayu et al., 2019) E-commerce transactions make the largest contribution to Indonesia's digital economy, with a value reaching US\$53 billion in 2021. Projections indicate that the value of these transactions is expected to continue increasing in 2025 with a growth rate of 18%. (Kementerian Koordinator Bidang Perekonomian Republik Indonesia, 2022) Therefore, the protection of personal data becomes increasingly crucial in ensuring that the rapid growth of the digital economy does not compromise individual privacy and remains in line with ethical principles and consumer rights protection.

The Indonesian government has issued several regulations related to e-commerce to support the growth of the digital economy and meet the need for fast, easy, and accurate access to data and information. These regulations cover various aspects, such as the 14th Economic Policy Package regulating electronic-based economy, Presidential Regulation No. 74 of 2017 on the Roadmap for the National Electronic-Based Trading System (SPNBE), Government Regulation No. 80 of 2019 on Trading Through Electronic Systems (PMSE), and Minister of Trade Regulation No.

50 of 2020 on Business Licensing and Supervision of Business Actors in Trading Through Electronic Systems. The expectations from these regulations are to enhance the availability of more comprehensive data related to e-commerce, enabling the government to have a better understanding of the e-commerce landscape in Indonesia.

On the other hand, the government has also taken steps to protect the dissemination and usage of personal data within the e-commerce environment to reduce the risk of personal data misuse. One of the latest regulations issued is Law Number 27 of 2022 concerning Personal Data Protection, specifically. Although this regulation emphasizes the importance of personal data protection, some violations still occur, either due to unreliable personal data management systems or the failure of electronic system providers to secure their systems. This can lead to data theft cases that threaten individual privacy and overall data security. Therefore, continuous monitoring and law enforcement are necessary to ensure compliance with personal data protection regulations, thereby creating a safe and trustworthy e-commerce ecosystem for users.

## 2. RESEARCH METHOD

The author employs the normative legal research method, also known as the library research method, to address the issues under investigation. This method involves researching existing literature to gain a deeper understanding of the discussed issue. (Soekanto & Mamudji, 2015) After applying the normative legal research method, the author then utilizes the statute approach, case approach, and conceptual approach to obtain information and answers to the formulated problems. The type of data used in this research is secondary data, consisting of primary legal materials, secondary legal materials, and relevant tertiary legal materials related to the object of study. With the appropriate approach and type of data, it is hoped that this research can provide a comprehensive understanding and sustainable solutions to the investigated issues.

## 3. RESULTS AND DISCUSSIONS

### Legal Protection and Personal Data

The laws existing within a country have the primary objective of protecting human rights, without distinguishing one from another. These human rights provide individuals with the opportunity to develop themselves, play an active role, and contribute to the overall well-being of human life. The basis for formulating principles of legal protection in Indonesia refers to Pancasila as the state's philosophical ideology. The principles of legal protection in this country encompass the protection of human dignity and dignity, rooted in Pancasila. (Atmadja & Budiarta, 2018) According to Soetjipto Rahardjo, legal protection refers to efforts to safeguard the interests of individuals by empowering them to act according to their desires. Therefore, it is crucial for legal protection of society to be ensured through the establishment of clear and definite legal rules. (Muin, 2023)

The means to obtain legal protection can be divided into two categories, namely preventive legal protection and repressive legal protection. Preventive legal protection involves efforts made before legal violations occur, such as legal counseling, legal education, and providing legal information and awareness to the public. Meanwhile, repressive legal protection involves law enforcement against existing violations, such as prosecution, trials, and punishment of legal offenders. (Aminuddin, 2021) With these two means of legal protection, it is hoped that society can obtain better protection of their rights and ensure justice within a country's legal system. This is an integral part of efforts to build a fair, civilized, and cultured society as envisioned in Pancasila, the philosophical foundation of Indonesia.

According to norms and definitions stated in several regulations as well as the Data Protection Directive, personal data is described as any information related to an individual that can identify that individual, either directly or indirectly, whether through electronic or non-electronic systems. In the Data Protection Directive, the concept of "personal data" refers to any information related to identified or identifiable individuals (data subjects); identifiable individuals are those who can be identified, directly or indirectly, particularly by reference to an identification number or one or more specific factors related to their physical, physiological, mental, economic, cultural, or social identity. Therefore, data is classified as personal data when it pertains to a specific individual, enabling the identification of the data owner. (European Union Agency for Fundamental Rights, 2014)

This underscores the importance of personal data protection as an inseparable part of individuals' privacy rights and the protection of their personal interests.

In Law Number 19 of 2016 regarding Amendments to Law Number 11 of 2008 concerning Electronic Information and Transactions, it is explained that the use of information through electronic media or systems related to someone's personal data must obtain consent from the individual concerned. Therefore, strong privacy protection is crucial to ensure that every Electronic System Provider has mechanisms enabling the deletion of irrelevant Electronic Information and/or Electronic Documents under their control, in accordance with legitimate requests from the relevant individuals and consistent with court orders. Privacy and information security reflect two main aspects, at the individual and societal levels. Both are interconnected and mutually influential. Information leaks at the societal level can result in losses to individuals to some extent. The concept of "personal data" refers to objective material records inherent in the carrier of electronic information systems, while "information" refers to the meaning given to data after processing. Data only becomes information when it impacts entity behavior. I believe that personal information is a legal object that must be independently protected, as evidenced by the data carrier, and data privacy is directly related to the protection of personal information privacy.

Personal data refers to information that accurately describes individuals and enables their identification. Protecting personal data is important to ensure that information collected about someone is used for the purposes it was collected for, thus preventing its misuse. In an era where information technology allows for rapid and extensive collection and use of data, protecting personal data becomes a crucial foundation to ensure individuals' security and privacy and to prevent potential misuse of data that could harm them.

### **Legal Protection of Personal Data in E-Commerce Transactions Towards a Safe and Trusted Digital Economy**

The legal protection of personal data in e-commerce transactions towards a safe and trusted digital economy is crucial in facing the challenges and opportunities presented by digital transformation. In an era where electronic commerce increasingly dominates business activities, the protection of personal data becomes a primary foundation to ensure consumer trust and the sustainability of a stable digital economy. Legal protection of personal data in e-commerce transactions also plays a role in building a sustainable digital economic ecosystem. By providing legal certainty regarding the use of personal data, e-commerce platforms can enhance consumer trust and promote online business growth. Strong protection of personal data can also drive innovation and investment in the digital economy sector, as businesses and consumers feel more confident to participate in online activities. Thus, legal protection of personal data in e-commerce transactions not only secures individuals' interests in safeguarding their privacy but also supports national economic growth through the development of a secure and trustworthy digital economy.

Economic development is a process involving an increase in total income and income per capita within a country. This process not only considers population growth but is also supported by fundamental changes in the economic structure and efforts to reduce income disparities among the population. The relationship between economic development and economic growth is very close; economic development drives economic growth, while economic growth facilitates the process of economic development. Economic growth, in this context, refers to the increase in the production capacity of the economy reflected in the increase in real national income. Meanwhile, economic development is more qualitative in nature, encompassing changes in the production structure and allocation of inputs in various economic sectors, including institutions, knowledge, social, and technological aspects. (Rapanna & Sukarno, 2017) Thus, while economic growth focuses more on increasing income standards and production levels quantitatively, economic development involves deeper changes in the qualitative aspects of a country's economic structure.

The use of e-commerce platforms has opened up new opportunities for individuals to engage in entrepreneurship, which in turn has the potential to create additional job opportunities and enhance national economic growth. E-commerce provides convenience for both consumers and entrepreneurs to conduct buying and selling transactions of products and services over the internet, with entrepreneurs only needing internet access to connect to online platforms. Statistical data shows

that the majority of businesses have utilized online sales, either through instant messaging applications or social media, although only a small portion utilize marketplaces or digital platforms as sales channels. To harness the greater potential of e-commerce, the government is making efforts to encourage more e-commerce businesses to switch to digital platforms, especially amid the high number of businesses that have yet to utilize them.

Furthermore, the importance of MSMEs in the national economy is further strengthened by the adoption of digital technology, which has become the focus of government policy to support economic growth. The Indonesian MSME sector has significant potential to boost GDP and create employment, but still faces several challenges, such as innovation and technology, digital literacy, and legality issues. With the increasing utilization of digital technology, the government is also responding by designing tax policies that streamline administration and enhance compliance for e-commerce business operators, without imposing new specific tax rates. Therefore, government support for the use of digital technology, especially in the MSME sector, is expected to drive sustainable and inclusive economic growth, and make a positive contribution to national economic development.

In the rapidly evolving digital era, online trading platforms or e-commerce have become crucial avenues in opening up new economic opportunities for individuals to become entrepreneurs. E-commerce enables business operators to sell products and services online through the internet, providing convenience for consumers in conducting buying and selling transactions. With just internet access, entrepreneurs can connect to websites or online media to sell their goods. (Maria, 2023) However, despite the increasing prevalence of e-commerce, there are still numerous businesses that have not fully utilized it. Data indicates that the majority of businesses prefer selling through instant messaging applications and social media rather than using marketplaces or digital platforms. This has caught the attention of the government, which aims to encourage more e-commerce businesses to switch to digital platforms to support national economic growth. Additionally, the government is also responding to the development of e-commerce by issuing tax policies aimed at ensuring that e-commerce transactions are treated fairly and consistently with conventional trade transactions.

The increased utilization of e-commerce in Indonesia also provides an opportunity for the government to optimize tax revenue. However, besides taxation issues, other challenges that need to be addressed include the security of personal data. Data breaches can result from weaknesses in the management of personal data systems or attacks from irresponsible parties, such as hackers. Therefore, it is important for the government and electronic system operators to ensure the security of their systems to protect users' personal data. With steps taken to enhance the use of digital technology in Micro, Small, and Medium Enterprises (MSMEs), including through e-commerce platforms, it is hoped that the cottage industry in Indonesia will continue to thrive and make a significant contribution to the national economic growth in the future (Agitha et al., 2023).

The leakage of personal data in the context of e-commerce platforms has significant impacts on the national economic development. One of them is the loss of consumer trust in the platform and businesses. Consumer trust is a crucial aspect of business growth and often serves as a measure of a company's sustainability. Violations of individual privacy also pose a serious threat, disrupting not only trust but also human rights. Disruptions in business activities, especially in the e-commerce sector, can occur due to data leaks, resulting in financial losses and serious reputational damage to companies. Furthermore, a decline in foreign investment may also occur due to distrust in the security of data in that country.

However, with the adoption of legal frameworks regulating the protection of personal data in e-commerce digital platforms, these negative impacts can be mitigated. Personal data protection is not only crucial for safeguarding individuals' security but also has positive impacts on national economic growth. Consumer trust can be restored, thereby boosting consumer participation, sales volume, and overall economic growth. The adoption of legal frameworks such as the Personal Data Protection Act provides assurance that consumers' personal data will be processed securely and in compliance with applicable regulations, thus enhancing businesses' trust and compliance with established data protection standards. Personal data protection in e-commerce platforms also fosters business innovation. With the assurance that consumers' personal data is protected, companies can analyze data deeply to understand consumer preferences and develop more effective business

strategies. Additionally, the adoption of big data technology can lead to new innovations in data-driven business management and marketing. Thus, personal data protection not only impacts consumer security and trust but also drives economic growth through business innovation and the use of new technologies.

#### 4. CONCLUSION

The protection of personal data in e-commerce platforms has significant implications for enhancing national economic development. This is achieved through increasing consumer trust, driving business innovation, and enhancing security and protection for businesses. However, challenges such as lack of awareness and understanding about the importance of personal data security, data misuse, data breaches, privacy violations, and technical challenges in platform security can hinder the potential for enhancing national economic development through personal data protection in e-commerce platforms. In the context of legal protection and personal data, it is crucial for a country to have a clear and robust legal framework to protect individuals' rights and promote sustainable economic growth. With the adoption of appropriate policies and regulations, including the Personal Data Protection Act in e-commerce transactions, a country can ensure the security and privacy of individual data, build consumer trust, and drive business innovation. Effective protection of personal data not only safeguards human rights and consumer trust but also serves as a foundation for inclusive and sustainable economic growth through the development of a secure and reliable digital economy. Thus, cooperation between the government, businesses, and society is key to creating an enabling environment for economic growth and the protection of individual rights.

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