



LEGAL PROTECTION FOR MSMEs IN ONLINE TRANSACTIONS

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Article Info

Article history:

Received :
Acceptance :
Published :
Available online

<http://aspublisher.co.id/index.php/lexsocietas>

E-ISSN: 3089-5200

How to cite:

Naufal R, Dalimunthe A.N, Afhar R.O, Ananda R "Legal Protection For MSMEs In Online Transactions" Lex Societas: Journal of Law and Public Administration," *Lex Societas: Journal of Law and Public Administration*, vol. 3, no. 3, pp. 238-246 ,2025.



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ABSTRACT

The rapid advancement of digital technology has encouraged Micro, Small and Medium Enterprises (MSMEs) to shift to online-based commerce. This transformation offers greater market access and operational convenience, but also brings legal risks such as online fraud, contract disputes, and misuse of personal data. This research aims to examine the legal protections available to MSMEs in online transactions under Indonesian law and to identify the challenges faced in its implementation. This research uses a normative juridical method by analyzing relevant laws and legal literature. The findings show that legal protection for MSMEs is regulated in several legal frameworks, including the Electronic Information and Transaction Law (ITE Law), Consumer Protection Law, and regulations regarding MSMEs. However, its implementation is still hampered by several issues such as low legal literacy among MSME actors, limited access to legal aid, and weak supervision of digital platforms. Therefore, it is important to improve legal education, develop a more responsive legal framework, and encourage collaboration among stakeholders to build a safe and fair digital transaction ecosystem for MSMEs

Keywords: Legal Protection, MSMEs, Online Transactions, E-Commerce, Regulation

1. INTRODUCTION

Advances in information and communication technology in today's digital age have had a major impact on various aspects of society, especially in the trade sector. Electronic commerce (e-commerce), which enables online buying and selling through digital platforms, is one such rapidly growing phenomenon. For micro, small, and medium enterprises (MSMEs), this development creates tremendous potential to access global consumers and expand their markets. MSMEs, which are the foundation of the Indonesian economy, are increasingly encouraged to offer their products online (Arbani, 2025).

The development of information and communication technology has driven digitalization in various sectors of life, including economic activities. One of the most prominent forms of economic transformation is the emergence and growth of e-commerce or electronic commerce. This digital-based trade offers various conveniences such as wider market access, time and cost efficiency, and flexibility in transactions. These conditions encourage Micro, Small, and Medium Enterprises to participate in utilizing digital platforms to expand their businesses and increase competitiveness (Wardoyo, 2024).

MSMEs play a vital role in the national economy. Based on data from the Ministry of Cooperatives and SMEs, MSMEs contribute more than 60% of Indonesia's Gross Domestic Product and employ around 97% of the workforce. However, this dominance does not necessarily correspond to their capacity to access legal protection, especially in the context of online transactions. MSME actors do not fully understand their legal rights and obligations in digital transactions, whether as sellers, consumers, or business partners. Digital commerce also brings new and complex challenges, ranging from the validity of electronic contracts, personal data protection, consumer rights violations, to the risk of fraud or crime (Umkm et al., 2023).

This situation highlights the urgency of strong and adaptive legal protection for MSME players in facing the realities of digital business. Existing regulations, such as Law No. 8 of 1999 concerning Consumer Protection and Law No. 11 of 2008 concerning Electronic Information and Transactions, as well as Law No. 27 of 2022 concerning Personal Data Protection, have become the basic foundation for providing legal protection in online transactions (Republic of Indonesia, 2008). However, the implementation of these regulations still faces various obstacles, such as low legal literacy among MSME players, weak supervision and law enforcement, and the absence of a simple, fast, and affordable dispute resolution mechanism for MSMEs.

This study aims to analyze the forms of legal protection provided to MSMEs in online transactions based on the applicable regulatory framework, identify the obstacles faced in implementing such protection, and formulate strategic solutions that can encourage the formation of a fair and sustainable digital ecosystem for MSMEs.

RESEARCH METHODE

This study uses a normative legal research method with a library research approach. This method is carried out by reviewing and analyzing various secondary data sources related to legal protection for MSMEs in online transactions. Normative legal research focuses on legal norms written in legislation and relevant legal literature.

The data used in this study was sourced from primary legal materials such as laws governing consumer protection, electronic transactions, and personal data protection. In addition, this study also used secondary legal materials such as textbooks, scientific journal articles, and previous research results discussing the issue of legal protection in online transactions. To strengthen the analysis, tertiary legal materials such as legal dictionaries and legal encyclopedias were also used.

The analysis technique used is qualitative descriptive analysis, which involves explaining and interpreting the content of various legal sources that have been studied. The purpose of this analysis is to provide a comprehensive overview of the forms of legal protection available to MSMEs in online transactions, while identifying legal gaps, implementation challenges, and alternative legal solutions that can support the creation of secure and fair digital transactions for MSMEs.

2. RESULT AND ANALYSIS

Legal Regulations Governing Electronic Transactions

Electronic transactions have become an important part of modern life as a result of the digital revolution. Advances in information and communication technology have created new opportunities in various fields, especially in the public and corporate sectors. One aspect of electronic transactions in Indonesia is e-commerce sales. Other examples include technology-based government management, electronic signatures, and electronic payment mechanisms. To ensure legal certainty, security, and protection of the rights of parties involved in electronic transactions, the government has passed comprehensive legislation using various legal measures.

The main law governing electronic transactions in Indonesia is Law No. 11/2008 on Electronic Information and Transactions (ITE), which was later amended by Law No. 19/2016. By recognizing the validity of electronic documents and information as legal evidence, the ITE Law makes digital transactions legally valid. This law also emphasizes the acceptance of electronic signatures, which have the same weight and legal consequences as traditional signatures. The ITE Law provides a legal basis for various digital interactions, but also limits their misuse. However, due to the complexity of electronic transaction processes, the ITE Law is not a stand-alone law (Yuyut Prayuti, 2024).

Other legal documents that regulate certain aspects of electronic transactions are supplemented by other legal documents that regulate specific aspects of electronic transactions. The legal framework for electronic commerce transactions is regulated by Law No. 11/2016, while the legal framework for electronic payment transactions is regulated by Law No. 12/2016. In addition to providing a legal basis for various forms of

transactions, the ITE Law also provides restrictions on the misuse of digital contacts. However, due to the complexity of electronic transaction processes, the ITE Law is not a stand-alone law.

As an implementing regulation of the ITE Law, the government issued Government Regulation No. 71 of 2019 concerning the Implementation of Electronic Systems and Transactions (PP PSTE). The duties of Electronic System Operators (PSE) in the public and private sectors are further regulated by this regulation. They must guarantee the reliability and uninterrupted operation of the system. In addition, they must ensure the security and privacy of user data and register with the Ministry of Communication and Information Technology. To maintain national data sovereignty, this regulation emphasizes that the systems and data used by certain companies must be located within Indonesian jurisdiction.

Legal Risks Faced by MSMEs in Online Transactions

Micro, Small, and Medium Enterprises (MSMEs) are very important to the Indonesian economy, especially in terms of creating jobs and driving regional economic expansion. To increase efficiency and reach a larger market, many MSME players are starting to switch to online sales systems in line with advances in digital technology. The legal risks that MSMEs may face when conducting online transactions are one of the many difficulties brought about by this digital transformation. MSMEs play a major role in national economic development and have been widely recognized in many countries. MSMEs have specific needs due to limited resources, both personal and financial, as well as knowledge related to management, commercialization, or information technology (Gultom et al., 2022).

Ignorance or non-compliance with relevant digital regulations is one of the main legal risks faced by MSMEs when conducting online transactions. Government Regulation No. 71/2019 concerning the Implementation of Electronic Systems and Transactions and other supporting regulations, as well as legal provisions in the Electronic Information and Transactions Law (ITE Law), are not fully understood by many MSME players. This lack of understanding can lead to violations such as using invalid electronic signatures, not providing an appropriate return policy, or not clearly listing product information. This can result in legal claims from consumers, revocation of business licenses, or administrative sanctions from the authorities.

In addition, the absence of legal protection for personal information collected from customers during the transaction process poses additional legal risks. Every company, including MSMEs, is required by the Personal Data Protection Law (PDP Law) to handle and maintain customer data responsibly. However, many MSMEs do not have adequate data security systems or are unaware of their responsibilities as data controllers (Arbani, 2025). MSMEs will undoubtedly suffer financially and in terms of market trust if this clause is violated, as it can lead to legal action and damage the company's reputation.

Due to their dependence on third-party platforms (such as social media or marketplaces), MSMEs are also exposed to legal risks when conducting business online. Unilateral terms and policies from platform providers, such as account blocking, fund

freezing, or intellectual property disputes, can jeopardize businesses. MSMEs risk losing their rights or not being adequately protected by law if they do not understand the user agreement or electronic contract with the platform. To properly manage these risks and achieve success in the e-commerce era, MSME players must improve their level of digital legal literacy.

The Role of E-Commerce Platforms in Ensuring Legal Protection

The foundation of the current digital trading ecosystem is e-commerce platforms, which are driven by a surge in internet users and shifts in consumer behavior. E-commerce continues to grow in Indonesia. These e-commerce platforms function as custodians under a legal system that does not violate the integrity of the online trading system with its transaction methods. As a country governed by the rule of law, Indonesia guarantees the protection of its citizens' rights, including in transactions conducted both conventionally and online (Wibisana et al., 2023). Millions of transactions are processed every day, and you must have legal protection and regulations from these platforms; otherwise, businesses and consumers will lose their benefits and rights.

The role of e-commerce platforms in ensuring legal protection is becoming increasingly important as digital transactions in Indonesia increase. One form of responsibility carried out by platforms is to develop internal policies that comply with national laws. Large platforms generally provide features that protect consumers, such as escrow systems where payments are only forwarded to sellers after buyers receive their goods, refund policies, and dispute resolution services. These features are designed to prevent fraud and build user confidence that their rights will be protected.

More than just a marketplace, e-commerce platforms also actively collaborate with government agencies to support law enforcement. This collaboration includes verifying seller data, reporting suspicious activity, and even blocking accounts if legal violations are found. In some cases, data recorded in e-commerce systems can be used as evidence by law enforcement agencies in handling digital crimes, such as transaction fraud or intellectual property rights violations. Thus, platforms have a dual role in protecting consumers while also being part of the legal oversight system in the digital world.

The legal responsibility attached to e-commerce platforms is still often debated, especially when violations are committed by third parties such as sellers or buyers. This is where government regulations become very important. Regulations such as the Electronic Information and Transaction Law (ITE Law), Government Regulation on Electronic System and Transaction Implementation (PP PSTE), and Minister of Trade Regulation No. 50 of 2020 explicitly stipulate that electronic system operators are required to maintain user data security and ensure information transparency. These provisions form the legal basis that clarifies the limits of platform responsibility in every digital transaction (Wardoyo, 2024).

With platforms becoming more active in enforcing legal policies and supported by clear regulations from the government, the digital transaction ecosystem can grow in a healthier and safer manner. Legal protection is no longer the burden of one party, but the result of complementary cooperation between regulators, platform providers, and users.

The hope is that interactions between consumers and businesses in the e-commerce realm can continue to be fair, transparent, and secure in the long term. Growth in Indonesia is also accompanied by various challenges. One of the main challenges is increasing competition among platforms seeking to gain a larger market share (Izazi et al., 2024).

Solutions and Recommendations for Strengthening Legal Protection

Efforts to strengthen legal protection in various sectors, particularly in the context of digital and electronic commerce, need to be comprehensive and not merely reactive. The most fundamental step that can be taken is to regularly update regulations so that they remain relevant to the times and technological developments. The digital world continues to change, from transaction patterns and business models to the types of legal violations that arise. Therefore, laws such as the Electronic Information and Transactions Law, the Consumer Protection Law, and the Personal Data Protection Law need to be dynamically adjusted to provide more comprehensive legal protection that meets the needs of society (Rambe et al., 2023; Rambe & Sihombing., 2024).

Improving legal literacy among the public is also a key solution that must be promoted immediately. Many legal issues arise not solely because of malicious intent, but because of a lack of understanding of legal rights and obligations, both on the part of perpetrators and victims. Accessible legal education needs to be targeted specifically at MSME entrepreneurs, internet users, and young people. In this regard, the role of the government is very important, but cooperation with educational institutions, digital communities, and technology industry players is also crucial. Various training programs, seminars, and digital campaigns on legal rights can be a way to create a more legally aware society.

Institutional and technical aspects also need serious attention. Many cases of legal violations in the digital realm are not handled optimally due to infrastructure limitations, a lack of experts, or slow reporting systems. Therefore, institutions such as the cyber police, the Ministry of Communication and Information Technology, the Financial Services Authority, and judicial institutions that handle digital cases must be strengthened. This can be achieved by providing adequate technology, intensive training for law enforcement officials, and developing a fast and user-friendly online reporting system for the public. Support from cutting-edge technology, such as artificial intelligence and big data analysis, can also be highly effective tools in preventing and addressing digital law violations at an early stage (Yuyut Prayuti, 2024).

Cross-sector collaboration is key to strengthening sustainable legal protection. The government needs to work together with the private sector, especially digital industry players such as e-commerce platforms and technology companies. This collaboration is not only for enforcing regulations, but also for developing policies that are responsive to market and community needs. Civil society participation is also important to ensure that the policies made truly represent the common interest. Through the active involvement of all parties, legal protection is not only the responsibility of the government, but also becomes a collective culture that guarantees security and justice in our daily digital lives.

In the context of consumer protection, the principle of good faith is very important to prevent harmful business practices. Sugeng and Fitria highlight the importance of personal

data protection in e-commerce, which is a crucial aspect for consumers to feel safe in providing their personal data (Atmoko, 2024).

Barriers to the Implementation of Legal Protection Regulations for MSMEs

Although Indonesia has various regulations governing legal protection in online transactions, such as the Electronic Information and Transactions Law (ITE Law), the Consumer Protection Law, and the Personal Data Protection Law, the implementation of these regulations still faces various obstacles in the field, especially for MSMEs. The first obstacle is low legal literacy among MSMEs. Many micro and small business owners are unaware of their legal rights and obligations when conducting digital transactions. This lack of awareness leaves them vulnerable to fraud, contract manipulation, or personal data breaches.

The second obstacle is limited access to legal aid. MSMEs in remote areas often lack access to legal consultants or legal aid institutions that can provide assistance in resolving digital disputes. Expensive and complicated legal processes also serve as a disincentive for MSMEs to pursue legal action when facing problems.

Furthermore, weak oversight of digital platforms and the lack of effective dispute resolution mechanisms also hamper legal protection. Many violations go unaddressed due to the lack of official reports or the absence of a dedicated complaint-handling body. As a result, many legal violations in digital transactions remain unrecorded and are likely to recur.

Another issue is the technological and infrastructure gap. Not all regions in Indonesia have adequate internet access or digital facilities that support secure online transactions. This situation creates inequities in the application of regulations and increases the vulnerability of MSMEs to legal violations in the digital realm.

The implementation of legal protection for MSMEs in online transactions faces serious challenges, including low legal literacy, limited access to legal aid, weak oversight of digital platforms, and technological disparities. Overcoming these obstacles requires a holistic approach involving legal education, strengthening supporting institutions, and collaboration across sectors. Legal protection will be ineffective if it exists solely in the form of written regulations without concrete implementation efforts and support from the entire digital ecosystem, including the government, platforms, and civil society (Pohan & Nasution, 2023).

CONCLUSION

Digital transformation has opened up significant opportunities for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia to grow through e-commerce platforms and online transactions. However, behind these opportunities lie various legal risks that can be detrimental to MSMEs, such as digital fraud, breach of contract, personal data leaks, and unclear legal responsibilities in relationships with digital platforms.

Legal protection for MSMEs in online transactions is regulated by various laws and regulations, including:

Law Number 8 of 1999 concerning Consumer Protection, which guarantees the rights of consumers and businesses to security, information, and dispute resolution;

Law Number 11 of 2008 concerning Electronic Information and Transactions (ITE Law) and its amendments, which recognize the validity of electronic transactions and regulate provisions regarding electronic signatures, the validity of digital documents, and protection from misuse of information technology;

Law Number 27 of 2022 concerning Personal Data Protection, which regulates the obligations of businesses to maintain the confidentiality and security of consumers' personal data;

Government Regulation Number 71 of 2019 concerning the Implementation of Electronic Systems and Transactions (PP PSTE), which regulates the obligations of electronic system providers (including digital platforms) to ensure system reliability and user data protection.

E-commerce platforms play a crucial role in ensuring security and legal certainty in online transactions, including by providing escrow systems, complaint features, and return policies. However, the legal responsibilities of platforms remain a matter of debate, necessitating strengthened regulations and clearer boundaries of responsibility.

Therefore, legal protection for MSMEs in online transactions requires a collaborative approach involving the government, business actors, digital platform providers, and the public. Solutions offered include improving legal literacy, strengthening supervisory and law enforcement agencies, providing inclusive access to legal aid, and updating regulations to be more adaptive to technological developments.

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