

# Analysis of Cross-border Payment Regulation and its Impact on Consumers in Indonesia

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**ABSTRACT** – This research discusses the legal challenges in the regulation of cross-border electronic payments in Indonesia, with a focus on protecting the rights of users using foreign platforms. Although Law No. 11 Year 2008 on Indonesian Electronic Information and Transactions Law provides the legal basis for electronic transactions in Indonesia, it is still insufficient to protect consumers in cross-border transactions. The absence of specific regulations leads to legal uncertainty and increased risk of financial loss for users. In addition, limited supervision by Bank of Indonesia of foreign platforms operating in Indonesia adds to the challenge of creating a safe and reliable payment system. The research also highlights the importance of specific regulations that require foreign platforms to comply with data security and consumer protection standards, as well as the government's role in international collaboration to create better protections. The findings of this study provide policy recommendations to strengthen the regulation and supervision of cross-border payments in Indonesia.

Keywords: Electronic Payment Regulations, Cross-Border Transactions, Consumer Protection, Bank of Indonesia, Data Security, Fintech, International Regulations

## A. INTRODUCTION

In the last decade, the development of financial technology (fintech) in Indonesia has changed the way people conduct financial transactions, especially with the emergence of cross-border electronic payment systems that offer efficiency and convenience. Digital payment platforms, such as PayPal, Alipay and WeChat Pay, play an important role in international trade that requires cross-border transactions. However, the popularity of these services also poses significant challenges related to transaction security, legal jurisdiction and regulatory uncertainty.

Indonesia has until now faced major challenges in terms of cross-border electronic payment regulation. Foreign payment platforms such as Alipay and WeChat Pay often operate in Indonesia without complying with regulations set by the Bank of Indonesia. This has the potential to harm local users and threaten national economic stability, due to the reduction of foreign exchange reserves leaving the national financial system (Mulyawan & Latifah, 2019).

Unclear cross-border payment regulations can increase the risk of loss of funds for users (Setiawan, 2021). Cross-border electronic payments without adequate legal protection can cause financial losses and reduce the level of public trust in electronic payment systems. In this regard, Indonesia still needs an effective regulatory framework to guarantee the rights and security of cross-border payment service users (Tan & Disemadi, 2021).

Indonesia currently only has Law Number 11 of 2008 concerning Electronic Information and Transactions, which regulates digital transactions in general but does not specifically address cross-border electronic payment transactions. The lack of comprehensive regulation regarding cross-border payments creates uncertainty for users, highlighting the need for stricter legal frameworks to mitigate the risk of fund loss in international transactions (Sukardi, 2022).

The development of fintech and the presence of cross-border payments has contributed greatly to the Indonesian economy, especially for the trade sector. However, the presence of these payment technologies is not accompanied by corresponding regulations, potentially creating instability in the financial markets. The lack of regulation leads to uncertainty in terms of jurisdiction, choice of law, as well as the authority authorized to handle disputes. In the cross-border context, Indonesia faces the challenge of establishing a clear jurisdiction to protect local users from abuse by foreign payment service providers (Alif, 2008).

The urgency of this research is evident from the increasing need for legal protection of cross-border transactions and the importance of effective regulation. The existence of cross-border electronic payment systems without a strong legal umbrella can create risks for users, both in terms of data security and financial protection. Without clear regulations, foreign service providers may not be held accountable in the event of a dispute, especially if they do not have an official affiliate in Indonesia (Rodli, 2021).

This research aims to analyze and evaluate the regulation of cross-border e-payments in Indonesia, with a focus on protecting users' rights. This research will also identify the legal challenges faced by users in transacting through cross-border e-payment platforms. Although Indonesia already has regulations governing electronic transactions through Law Number 11 Year 2008 on the Indonesian Electronic Information and Transactions Law, as well as various other regulations, the implementation of these rules in cross-border transactions still faces various difficulties. One of the main challenges is how to ensure that foreign platforms operating in Indonesia comply with data security and consumer protection standards that are in line with domestic regulations.

This research will explore the role of the Bank of Indonesia and the government to strengthen regulations to create security and trust in cross-border transactions. The Bank of Indonesia, as the authority overseeing the payment system in Indonesia, has a great responsibility to ensure that regulations protect consumers and maintain the stability of the national financial system. This research will evaluate the extent to which the Bank of Indonesia has implemented oversight of cross-border payment platforms and what steps need to be taken to improve and strengthen existing regulations.

The results of this research are expected to provide concrete policy recommendations to strengthen legal protection for users in cross-border electronic payment transactions. These recommendations will be very important for regulators, especially to face new challenges that arise along with the rapid development of financial technology and the increasing number of cross-border transactions carried out by Indonesians. This research is also expected to provide an academic contribution to enrich the legal literature related to fintech and cross-border payment transactions, as well as a reference for designing policies that are more responsive to the needs of the global digital market.

## B. METHOD

This research uses a normative juridical approach with a conceptual method and a statutory approach to analyze the regulation of cross-border electronic payments in Indonesia. This approach emphasizes literature review related to cross-border payment regulations and challenges, using a theoretical framework based on positive law. Through the normative approach, this study aims to understand the impact of regulations on Indonesia's economic stability and consumer protection, especially regarding cross-border transactions involving foreign platforms such as WeChat Pay and Alipay.

The primary data sources in this study include relevant laws and regulations, including Law Number 11 Year 2008 on the Indonesian Electronic Information and Transactions Law, as well as various Bank of Indonesia Regulations related to cross-border electronic payment transactions. Secondary data sources were obtained from legal journals, scholarly articles, and research reports discussing the regulation of cross-border electronic payments, identifying gaps between Indonesian regulations and the practice of cross-border transactions conducted by foreign platforms.

Data was collected through a document study that involved analyzing relevant regulations and academic literature. This desk study method helped identify weaknesses and challenges in the regulation of cross-border transactions in Indonesia. This research highlights the importance of understanding the normative context that influences the regulation of cross-border transactions and the need for reforms in Indonesia's legal framework to improve protection for consumers.

In terms of data analysis, this research uses a descriptive qualitative approach with a deductive method to identify key issues in the regulation of cross-border payments. This method allows the evaluation of relevant government policies and provides a comprehensive view of how regulations can be strengthened to meet the needs of the global market, while considering consumer protection.

The research procedure begins with the collection of key regulations relating to electronic payment transactions, such as the Indonesian Electronic Information and Transactions Law and Bank of Indonesia regulations. Next, a normative analysis was conducted to identify the weaknesses of existing regulations related to cross-border transactions.

Finally, the results of the analysis are synthesized to formulate policy recommendations focusing on improving user protection and compliance of foreign platforms operating in Indonesia.

## C. RESULTS AND DISCUSSION

### Regulation of Cross-border Electronic Payments in Indonesia

The current regulation of cross-border electronic payments in Indonesia still faces a number of challenges to protect consumer rights, particularly in relation to transactions with foreign platforms. Although Law Number 11 Year 2008 on the Indonesian Electronic Information and Transactions Law has provided a legal basis for electronic transactions in Indonesia, it is not sufficient to address consumer protection issues in cross-border transactions. One of the main limitations of the Indonesian Electronic Information and Transactions Law is the lack of detailed rules governing electronic contracts involving foreign parties, potentially creating legal uncertainty for consumers.

Law Number 8 Year 1999 on Consumer Protection does regulate basic consumer rights in Indonesia, but it does not accommodate aspects related to digital transactions, especially those involving offshore platforms. In practice, consumers involved in cross-border transactions often lack a clear legal mechanism to resolve disputes, especially those involving foreign jurisdictions. This creates potential disadvantages for consumers involved in transactions with overseas platforms, as they cannot rely on the Indonesian legal system to effectively enforce their rights.

Agustin and Kurniawan (2017) state that the absence of specific regulations governing electronic contracts in cross-border transactions leads to legal uncertainty. Without clear regulations regarding the rights and obligations of parties involved in cross-border transactions, consumers face the risk of fraud, and the difficulty of asserting their rights in the event of a breach. This situation is further exacerbated by the lack of adequate regulation regarding the protection of personal data, which is a major issue in cross-border transactions in the digital world.

Nainggolan (2021) suggests that legal protection for consumers in cross-border transactions requires a harmonized international approach. Without effective cross-border cooperation, Indonesia struggles to

enforce the rights of consumers who transact with foreign platforms. This leads to low levels of legal certainty and inadequate enforcement, which in turn increases the burden on consumers to deal with legal issues arising from cross-border transactions (Budianto, 2022).

The importance of a harmonized international approach in the regulation of cross-border transactions is becoming increasingly clear in the face of the rapid development of fintech and international payment platforms that are increasingly used in Indonesia. Indonesia needs to strengthen international cooperation with other countries in order to create a more unified legal system and reduce legal uncertainty for consumers transacting with foreign platforms. Without such cooperation, Indonesian consumers will continue to be in a weak position to deal with disputes involving foreign parties.

Overall, while Indonesia has some basic laws related to electronic transactions, the current regulations do not adequately protect consumer rights in cross-border transactions. Further development in regulation and enforcement involving international cooperation is needed to provide stronger protection to consumers, as well as to create a legal system that can respond to global challenges in digital transactions.

### Regulatory Challenges of Cross-Border Electronic Payments in Indonesia

Users of cross-border e-payment platforms in Indonesia face significant legal challenges, particularly in the absence of specific regulations to protect them in transactions using foreign platforms such as WeChat Pay and Alipay. Mulyawan and Latifah (2019) noted that the presence of foreign platforms without a full operating license in Indonesia has led to economic instability, particularly in relation to the outflow of foreign exchange from the country. It also threatens legal certainty for local users, as they are not protected by the Indonesian legal system in the event of disputes or violations that occur during cross-border transactions.

One of the main challenges is the lack of legal provisions governing registration obligations for foreign service providers in Indonesia. Without clear rules on registration obligations or operating licenses, foreign payment platforms may operate without adequate supervision from local authorities, such as the Bank of Indonesia. Tan and Disemadi (2021) point out that the absence of these rules creates its vulnerability

to potential data security risks, where personal data of users transacting through foreign platforms is at risk of being misused, or even exposed without adequate protection.

The lack of oversight of foreign platforms operating in Indonesia adds to concerns over potential financial losses experienced by users. Without clear protections, consumers using cross-border payment services risk losing their funds in the event of technical issues or fraud. In some cases, Indonesian consumers may find it difficult to file claims or obtain legal remedies if the foreign platform does not have a representative or registered entity in Indonesia to take care of any disputes.

These legal challenges also relate to the lack of transparency in fee and transaction arrangements. Many foreign platforms do not provide sufficient information about additional fees, payment terms, or potential risks that may occur during cross-border transactions. Without regulations governing this transparency, local users do not have the opportunity to make fully informed decisions regarding their financial and data risks when using foreign payment platforms.

Legal vagueness also hampers law enforcement efforts to deal with disputes between Indonesian users and foreign platforms. Without binding rules, users cannot easily assert their rights or obtain compensation for their losses. This points to the importance of regulations governing cross-border dispute resolution, so that users can more easily seek justice in cases involving foreign service providers.

Overall, the legal challenges faced by users in transactions through cross-border e-payment platforms in Indonesia are strongly related to legal uncertainty and the lack of regulations governing the obligations of foreign service providers. To overcome these challenges, there is a need for the development of more comprehensive regulations, as well as stricter supervision from relevant authorities, so that users can be well protected and can access cross-border payment services with a sense of security.

### **Bank of Indonesia's Role and Supervision in Cross-border Transaction**

Bank of Indonesia has a very important role in regulating and supervising cross-border transactions, especially those involving the use of electronic money and electronic payment systems. As the institution responsible for the stability of Indonesia's financial system, Bank of

Indonesia has an obligation to ensure that financial transactions, both domestic and cross-border, are conducted safely and in accordance with applicable regulations. Supervision of these transactions involves the application of preventive regulations aimed at preventing violations or abuse, as well as repressive regulations aimed at taking action against violations that have occurred (Hartono, 2023).

However, Bank of Indonesia's supervision of cross-border transactions is still limited. While domestic transactions can be closely monitored through existing authorities, cross-border transactions are often not fully regulated effectively. This is due to the fact that many foreign payments service providers do not have representation in Indonesia, making it difficult for the Bank of Indonesia to apply adequate supervision. Without physical representation or clear registration in Indonesia, foreign payment service providers such as WeChat Pay or Alipay are not directly bound by Bank of Indonesia regulations, even though they provide services used by Indonesian consumers.

Another issue is the lack of regulations that require foreign payment platforms to register or comply with strict supervision standards from Indonesian authorities. Without this obligation, it is difficult for the Bank of Indonesia to supervise cross-border transactions using foreign platform services (Wibowo, 2020). This may increase data and financial security risks for Indonesian users who use such platforms for cross-border transactions. Thus, while the Bank of Indonesia has an important role to play in creating a secure payment system, limited oversight of foreign service providers is a major obstacle to achieving this.

To improve the effectiveness of supervision and consumer protection, the role of the government is also indispensable. The government should work with Bank of Indonesia to formulate clearer regulations on foreign payment service providers. These regulations should regulate the obligation of foreign platforms to operate in accordance with national security standards, including the protection of users' personal data, transaction supervision, and dispute handling between consumers and service providers. The regulation should also set clear sanctions for foreign service providers that do not comply with the regulations set by the Bank of Indonesia (Sukardi, 2022).

The role of the Bank of Indonesia and the government to strengthen regulations to create security and trust in cross-border transactions also involves harmonization with international regulations. As a country connected to the global market, Indonesia needs to collaborate with other countries to formulate cross-border regulations that will ensure effective consumer protection. A harmonized international approach will provide better protection for Indonesian users engaging in cross-border transactions with foreign service providers, as well as reduce potential legal uncertainty that could harm consumers.

In addition to legal protection, cross-border payment regulation also impacts the economy and social aspects of society. The use of foreign platforms in cross-border transactions, without adequate supervision, can harm domestic businesses. The negative impact of foreign platforms on the local economy can reduce state revenues from foreign exchange, which should support the national economy. Therefore, strong regulation can also help create healthy competition between domestic and foreign services (Rosita, 2019).

Overall, the role of Bank of Indonesia and the government to create a secure regulatory system for cross-border transactions is crucial to increase consumer confidence in electronic payment systems. Without clear regulations and effective supervision, risks to transaction security and consumer protection will increase. Therefore, closer collaboration between Bank of Indonesia, the government, and international parties is needed to create a transparent, secure, and reliable cross-border payment system for Indonesian consumers.

## D. CONCLUSIONS

This research concludes that the regulation of cross-border electronic payments in Indonesia still faces major challenges, particularly in the protection of the rights of consumers using payment services from foreign platforms. Although Law Number 11 Year 2008 on the Indonesian Electronic Information and Transactions Law provides a legal basis for electronic transactions, it is not yet strong enough to address cross-border transaction issues. The absence of specific regulations creates legal uncertainty for Indonesian consumers using foreign payment services.

Bank of Indonesia's role in overseeing cross-border electronic payment systems is also limited. Stricter supervision of foreign payment services is essential to protect national financial stability and consumer data security. Therefore, the Bank of Indonesia needs to expand supervision to include mechanisms that can crack down on violations committed by foreign platforms operating in Indonesia.

It is important for the Indonesian government to draft specific regulations governing cross-border transactions. These regulations should require foreign platforms to register and meet data security standards applicable in Indonesia, and provide strict sanctions for violators. Collaboration with ASEAN countries on regulatory harmonization is necessary to ensure better cross-border consumer protection and provide a legal basis for dispute resolution.

The government and Bank of Indonesia also need to increase public education on the risks associated with cross-border payments, so that consumers can be more wary of using services that do not meet national security standards. The policy implications of this research are crucial for the establishment of strong regulations, which will create public trust in Indonesia's digital payment system and strengthen Indonesia's position in international trade.

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