

Implementation and Effectiveness of Online Dispute Resolution as an Alternative Mechanism for Resolving E-Commerce Consumer Disputes in Indonesia

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Abstract

The rapid growth of e-commerce in Indonesia has facilitated commercial transactions while simultaneously increasing the potential for consumer disputes, including non-conforming goods, delivery delays, personal data breaches, and breaches of contract by business actors. Resolving such disputes through litigation is often considered ineffective due to the significant costs, lengthy procedures, and time required. This study aims to analyze the implementation of Online Dispute Resolution (ODR) as an alternative mechanism for resolving e-commerce consumer disputes in Indonesia and to examine its effectiveness in providing legal protection and legal certainty for the parties involved. This research employs a normative juridical method using statutory, conceptual, comparative, and case approaches. Data were collected through library research involving primary, secondary, and tertiary legal materials and analyzed using a descriptive qualitative method. The findings indicate that ODR offers several advantages, including faster, simpler, more efficient, and lower-cost dispute resolution compared to conventional mechanisms. However, the implementation of ODR in Indonesia has not yet been supported by specific regulations governing its procedures, legal enforceability, and the execution of settlement outcomes. Therefore, comprehensive regulations, standardized ODR mechanisms, and stronger integration with the national dispute resolution system are necessary to ensure effective legal protection, enhance public confidence in electronic commerce, and support the development of a secure, fair, and sustainable digital economy.

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1. INTRODUCTION

The rapid advancement of information technology has transformed commercial activities from conventional transactions into electronic commerce (e-commerce). The increasing use of online transactions has provided significant benefits for both consumers and business actors, including greater efficiency, broader market access, and easier access to product information. Nevertheless, this development has also led to a growing number of consumer disputes, such as non-conforming goods, delayed deliveries, failed transactions, and misuse of personal data. Given the fast-paced and cross-border nature of electronic transactions, conventional dispute resolution mechanisms are often unable to provide

effective remedies. Consequently, more adaptive mechanisms that align with the characteristics of the digital economy are required (Shidarta, 2022).

Online Dispute Resolution (ODR) represents the evolution of Alternative Dispute Resolution (ADR) by utilizing information technology as a platform for resolving disputes electronically. ODR offers several advantages, including faster dispute resolution, lower costs, greater accessibility, and increased flexibility by enabling parties to participate without requiring physical attendance. In many countries, ODR has been successfully implemented to resolve consumer disputes arising from e-commerce transactions, particularly small claims disputes, and has been recognized for improving the efficiency of dispute resolution. In Indonesia, ODR has begun to develop through complaint-handling mechanisms provided by several e-commerce marketplaces. However, its implementation has yet to be supported by comprehensive regulations governing procedural standards and the legal enforceability of settlement outcomes (Cortés, 2018).

Previous studies have demonstrated the significant potential of ODR in supporting the resolution of electronic commerce disputes. Hanida (2023) argued that the implementation of ODR in Indonesia could enhance public access to justice but remains constrained by the absence of a specific legal framework regulating its operation. However, the study primarily focused on the urgency of adopting ODR within the Indonesian legal system without examining the effectiveness of its implementation in providing consumer protection in practical e-commerce transactions (Hanida, 2023).

Similarly, Aziz and Hidayah (2021) emphasized the necessity of establishing specific regulations governing ODR to ensure legal certainty for disputing parties. Their research focused on regulatory reform and strengthening the legal foundation of ODR as part of Indonesia's dispute resolution system. Nevertheless, the study did not comprehensively examine the relationship between the effectiveness of ODR, consumer protection, and its practical implementation in resolving disputes arising on e-commerce platforms in Indonesia (Aziz & Hidayah, 2021).

Based on the review of previous studies, a research gap can be identified. Existing literature has predominantly concentrated on the conceptual aspects of ODR and the urgency of establishing a legal framework. Studies evaluating the implementation of ODR as a consumer dispute resolution mechanism and its effectiveness in ensuring legal certainty and consumer protection in Indonesia remain relatively limited. Therefore, the novelty of this research lies in its analysis of the implementation of ODR in resolving e-commerce consumer disputes by emphasizing its effectiveness in terms of legal certainty, dispute resolution efficiency, access to justice, and consumer protection (Widaningsih, 2017).

Accordingly, this study aims to analyze the implementation of Online Dispute Resolution as an alternative mechanism for resolving e-commerce consumer disputes in Indonesia and to evaluate its effectiveness in providing legal certainty and legal protection for consumers. The findings are expected to contribute to the development of digital consumer protection law while providing recommendations for the establishment of a more comprehensive regulatory framework governing ODR in Indonesia (Dewinagara, 2020).

2. METHODS

This study employs a normative juridical (doctrinal legal) research method, focusing on the analysis of legal norms governing the resolution of consumer disputes arising from e-commerce transactions, particularly those related to the implementation of Online Dispute Resolution (ODR). This approach was selected because the study aims to

examine the compatibility between the existing legal framework and the practice of online dispute resolution in Indonesia. Normative legal research is conducted through an examination of statutory regulations, legal principles, legal doctrines, and judicial decisions relevant to the subject matter of the study (Marzuki, 2021).

The research applies several legal approaches, namely the statutory approach, conceptual approach, case approach, and comparative approach. The statutory approach is used to examine the provisions of Law Number 8 of 1999 concerning Consumer Protection, Law Number 1 of 2024 concerning Electronic Information and Transactions, and other regulations related to electronic commerce and alternative dispute resolution. The conceptual approach is employed to explore the theoretical foundations of ODR and the concept of effective dispute resolution. The case approach is utilized to analyze the practical implementation of consumer dispute resolution in e-commerce transactions, while the comparative approach compares the implementation of ODR in Indonesia with that of several countries where ODR has been more comprehensively developed (Soekanto & Mamudji, 2019).

The legal materials used in this research consist of primary, secondary, and tertiary legal materials. Primary legal materials include legislation and court decisions concerning consumer protection and electronic dispute resolution. Secondary legal materials comprise books, scholarly articles, academic journals, and previous research discussing ODR, e-commerce, and consumer protection. Tertiary legal materials include legal dictionaries, encyclopedias, and other reference sources that support the understanding of legal concepts relevant to this study (Ibrahim, 2020).

Data were collected through library research by identifying, classifying, and reviewing relevant legal materials. The collected data were subsequently analyzed using a descriptive qualitative method by interpreting applicable legal provisions, comparing them with the practical implementation of ODR in resolving e-commerce consumer disputes, and drawing systematic conclusions regarding the effectiveness of ODR in providing legal protection and legal certainty for consumers (Sugiyono, 2022).

The research process began with the identification of legal issues concerning consumer dispute resolution in e-commerce transactions. This was followed by the collection of primary, secondary, and tertiary legal materials through library research. The next stage involved analyzing the applicable legal framework, the concept of ODR, and its implementation in Indonesia, along with comparative practices from other jurisdictions. Finally, the findings were used to evaluate the effectiveness of ODR in resolving consumer disputes and to formulate recommendations for strengthening the regulatory framework and implementation of ODR in Indonesia.

3. RESULTS AND DISCUSSION

The rapid growth of electronic commerce (e-commerce) in Indonesia has transformed commercial transactions from conventional practices into digital systems that prioritize speed, convenience, and efficiency. While this transformation has significantly increased the volume of online transactions, it has also generated a wide range of disputes between consumers and business actors. Common issues include goods that do not conform to their descriptions, delayed deliveries, failed refund processes, misuse of personal data, and breaches of contractual obligations arising from electronic agreements. According to Katsh and Rifkin (2001), disputes arising within the digital environment possess unique characteristics that require dispute resolution mechanisms distinct from conventional

litigation. Consequently, Online Dispute Resolution (ODR) has emerged as an innovative approach that utilizes information technology to facilitate faster, more efficient, and accessible dispute resolution while maintaining the principles of fairness and justice for all parties (Rule, 2002).

The findings of this study indicate that ODR has already begun to develop in Indonesia through internal dispute resolution mechanisms provided by various e-commerce marketplaces. Several platforms offer features such as resolution centers, consumer complaint services, online negotiations between buyers and sellers, and mediation facilitated by the platform provider. Abdel Wahab, Katsh, and Rainey (2012) argue that the integration of technology into dispute resolution aims to improve procedural efficiency while expanding public access to justice. The present study confirms that such practices have become increasingly common in Indonesia, although they have not yet been formally recognized as part of the national dispute resolution system. Through digital complaint mechanisms, consumers are no longer required to appear physically before dispute resolution institutions, enabling disputes to be resolved remotely wherever internet access is available (Schultz, 2002).

Despite these developments, the implementation of ODR in Indonesia continues to face significant challenges from both regulatory and institutional perspectives. To date, no specific legislation comprehensively regulates the definition, procedures, operational standards, institutional framework, or legal enforceability of dispute resolution conducted through ODR. As a result, each e-commerce platform applies its own dispute resolution procedures based on its respective terms and conditions. Perritt (2000) emphasized that the effectiveness of ODR largely depends on the existence of a clear legal framework governing its implementation. Furthermore, the absence of regulations concerning the enforceability of ODR settlement agreements creates legal uncertainty when one of the parties fails to comply with the agreed resolution (Cortés, 2018).

The research further reveals that ODR implementation in Indonesia remains fragmented and sector-specific, without integration into dispute resolution institutions formally recognized under the national legal system, such as the Consumer Dispute Settlement Agency (Badan Penyelesaian Sengketa Konsumen/BPSK) or arbitration institutions. Such integration is essential to ensure that dispute resolution outcomes possess stronger legal legitimacy and enforceability. Rainey (2015) argues that the success of ODR depends not only on technological innovation but also on institutional support capable of guaranteeing the implementation of settlement outcomes. In several jurisdictions, ODR has become an integral component of the modern justice system, where its decisions possess clear legal force and may be enforced if one of the parties fails to fulfill its obligations (Hodges & Creutzfeldt-Banda, 2013).

Based on these findings, the implementation of ODR in Indonesia demonstrates promising potential as an alternative mechanism for resolving consumer disputes arising from e-commerce transactions. Digital technology has created opportunities to establish dispute resolution processes that are faster, more accessible, and more cost-effective than conventional litigation. Nevertheless, the effectiveness of ODR has not yet been fully realized due to the absence of a comprehensive legal framework governing its procedures, institutional authority, and the legal enforceability of its outcomes. Rabinovich-Einy and Katsh (2021) emphasize that regulatory reinforcement constitutes a fundamental prerequisite for building public trust in technology-based dispute resolution systems. Accordingly, the establishment of a comprehensive legal framework has become an urgent

necessity to ensure that ODR provides legal certainty, strengthens consumer protection, and enhances public confidence in Indonesia's digital dispute resolution system (Westermann, Savelka, & Benyekhlef, 2023).

The effectiveness of Online Dispute Resolution (ODR) as an alternative mechanism for resolving e-commerce consumer disputes can be evaluated based on its ability to provide dispute resolution that is fast, simple, cost-effective, and capable of safeguarding consumers' rights. The findings of this study indicate that ODR significantly reduces the administrative procedures commonly associated with litigation and conventional dispute resolution mechanisms. All stages of the dispute resolution process including the submission of complaints, presentation of evidence, negotiation, mediation, and final settlement can be conducted electronically without requiring the parties to meet in person. Cortés (2018) argues that these characteristics enable ODR to expand access to justice, particularly for consumer disputes involving relatively small claims. Consequently, ODR has become a more efficient alternative to conventional dispute resolution mechanisms (Katsh, 2017).

The research findings further demonstrate that the effectiveness of ODR is reflected in its ability to reduce the costs associated with dispute resolution. Under conventional litigation, disputing parties are generally required to bear transportation expenses, administrative fees, and legal representation costs. In contrast, ODR allows most procedures to be conducted online, thereby substantially minimizing these expenditures. Besides reducing costs, electronic dispute resolution also accelerates the achievement of settlements because communication between the parties can occur directly through digital platforms. Rule (2002) explains that the use of technology in dispute resolution not only enhances procedural efficiency but also promotes more cooperative outcomes by facilitating flexible communication. These findings indicate that ODR benefits not only consumers but also business actors by preserving long-term commercial relationships and encouraging amicable dispute resolution (Abdel Wahab, Katsh, & Rainey, 2012).

Despite these advantages, the findings reveal that the effectiveness of ODR in Indonesia has not yet reached its full potential. The primary challenge lies in the absence of specific legislation governing the implementation of ODR and the legal consequences of its settlement outcomes. As a result, dispute resolution mechanisms provided by e-commerce platforms remain dependent on the internal policies of individual service providers, resulting in the absence of standardized procedures across platforms. Perritt (2000) emphasizes that legal certainty is a critical factor determining the successful implementation of technology-based dispute resolution systems. Furthermore, limited levels of digital literacy among consumers prevent many individuals from fully understanding ODR procedures and their rights as participants in electronic commerce (Schultz, 2002).

The study also finds that effective consumer protection through ODR depends not only on technological innovation but also on institutional support and governmental oversight. Although dispute resolution mechanisms established by online marketplaces have simplified the complaint process for consumers, the resulting settlement agreements do not always possess binding legal force when one of the parties refuses to comply with the agreed terms. Hodges and Creutzfeldt-Banda (2013) argue that the effectiveness of ODR systems increases substantially when supported by institutions possessing clear legal authority and legitimacy. Therefore, integrating ODR with officially recognized dispute resolution institutions within Indonesia's legal system is essential to strengthen consumer protection and ensure the enforceability of settlement outcomes (Rainey, 2015).

Based on the foregoing analysis, this study concludes that ODR demonstrates a high degree of effectiveness as an alternative mechanism for resolving e-commerce consumer disputes because it offers a dispute resolution process that is faster, more efficient, more accessible, and less costly than conventional mechanisms. Nevertheless, its effectiveness has not yet been fully realized due to several challenges, including the absence of a comprehensive regulatory framework, the lack of nationally standardized ODR procedures, and limited legal certainty regarding the enforceability of dispute resolution outcomes. Rabinovich-Einy and Katsh (2021) maintain that the success of ODR depends upon achieving an appropriate balance between technological innovation and adequate legal regulation. Accordingly, the Indonesian government should establish comprehensive legislation, strengthen the institutional framework governing ODR, and enhance public digital literacy to enable ODR to develop into an effective, fair, and legally reliable dispute resolution mechanism capable of providing optimal consumer protection within Indonesia's rapidly expanding digital economy (Westermann, Savelka, & Benyekhleif, 2023).

The findings of this study indicate that the implementation of Online Dispute Resolution (ODR) has significant potential to support the resolution of e-commerce consumer disputes in Indonesia. These findings reinforce previous studies suggesting that ODR represents an innovative dispute resolution mechanism capable of expanding access to justice through the effective use of information technology. Cortés (2016) explains that ODR offers several advantages over conventional litigation, including faster, simpler, and more cost-effective dispute resolution procedures. This study found that various e-commerce platforms in Indonesia have already adopted ODR principles by providing online complaint handling, negotiation, and mediation services. However, these mechanisms remain limited to the internal dispute resolution systems of individual platforms and have not yet been fully integrated into the national dispute resolution framework (Katsh, 2017).

Compared with previous studies, this research offers a different perspective by examining not only the urgency of adopting ODR but also evaluating the effectiveness of its implementation from the viewpoints of consumer protection and legal certainty. Earlier research generally focused on the conceptual development of ODR as an innovative dispute resolution mechanism or emphasized the necessity of establishing a specific legal framework. In contrast, this study analyzes the relationship between ODR implementation, the effectiveness of dispute resolution, and the normative obstacles that have prevented ODR from functioning optimally in Indonesia. Rainey (2015) argues that the success of ODR depends not only on technological sophistication but also on the existence of appropriate regulations, institutional support, and governance capable of ensuring the legitimacy of dispute resolution outcomes. These observations are consistent with the findings of this study, which identify the absence of a comprehensive legal framework as the principal factor limiting the optimal implementation of ODR in Indonesia (Hodges & Creutzfeldt-Banda, 2013).

The study further reveals substantial differences between the implementation of ODR in Indonesia and its application in several jurisdictions where it has been more comprehensively developed. In many countries, ODR has been integrated into formal dispute resolution institutions and judicial systems, ensuring that settlement outcomes possess clear legal authority and enforceability. By contrast, ODR implementation in Indonesia remains dependent upon the internal policies of individual e-commerce platforms, resulting in non-uniform procedures and inconsistent legal effects of dispute resolution outcomes. Perritt (2000) emphasizes that legal certainty constitutes a fundamental element

in establishing an effective technology-based dispute resolution system. Consequently, without a robust legal framework providing explicit legal recognition and enforceability, ODR will encounter significant obstacles in developing into a dispute resolution mechanism capable of delivering optimal legal protection to consumers (Schultz, 2002).

The implications of these findings suggest that the further development of ODR in Indonesia requires strong collaboration among the government, business actors, e-commerce platform providers, and existing dispute resolution institutions. The government should establish comprehensive legislation governing ODR procedures, operational standards, enforcement mechanisms, and the legal status of ODR institutions. Furthermore, ODR should be integrated with the Consumer Dispute Settlement Agency (Badan Penyelesaian Sengketa Konsumen/BPSK), arbitration institutions, and other recognized alternative dispute resolution bodies to ensure that settlement outcomes possess greater legal legitimacy and certainty. Abdel Wahab, Katsh, and Rainey (2012) emphasize that the successful implementation of ODR depends on a country's ability to integrate technological innovation with its existing legal system. Such integration would enable ODR to become an effective instrument for strengthening consumer protection within the rapidly expanding digital economy (Rule, 2002).

In conclusion, ODR possesses considerable potential to be further developed as an effective mechanism for resolving e-commerce consumer disputes in Indonesia. The novelty of this research lies in its comprehensive analysis of ODR implementation in relation to consumer protection effectiveness and the need for regulatory reform within Indonesia's legal system. Rabinovich-Einy and Katsh (2021) argue that the future of dispute resolution will increasingly rely on technological innovation supported by adaptive and responsive legal regulation. Therefore, the development of ODR in Indonesia should be directed toward establishing a comprehensive legal framework, strengthening institutional capacity, and enhancing public digital literacy. These measures will enable ODR to evolve into a dispute resolution mechanism that is efficient, accessible, cost-effective, legally certain, and capable of increasing public confidence in Indonesia's national e-commerce ecosystem (Westermann, Savelka, & Benyekhlef, 2023).

4. CONCLUSION

This study concludes that Online Dispute Resolution (ODR) has considerable potential to be developed as an alternative mechanism for resolving e-commerce consumer disputes in Indonesia. ODR has already begun to be implemented through dispute resolution mechanisms provided by various online marketplace platforms, enabling disputes to be resolved more quickly, efficiently, conveniently, and at a lower cost than conventional dispute resolution mechanisms. Nevertheless, the implementation of ODR has not yet reached its full potential because Indonesia still lacks a comprehensive legal framework specifically governing ODR procedures, the legal status of ODR institutions, and the binding and enforceable nature of online dispute resolution outcomes.

The findings further demonstrate that the effectiveness of ODR depends not only on the utilization of information technology but also on the existence of legal certainty, institutional readiness, and an adequate level of digital literacy among consumers and business actors. Accordingly, the future development of ODR in Indonesia requires the enactment of comprehensive legislation, stronger integration with dispute resolution institutions formally recognized under the national legal system, and enhanced governmental supervision and public education regarding digital dispute resolution

mechanisms. By fulfilling these requirements, ODR has the potential to become an effective dispute resolution mechanism that strengthens consumer protection, enhances legal certainty, and supports the development of a secure, fair, and sustainable e-commerce ecosystem in Indonesia.

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