
The Development of E-Commerce in Indonesia Reviewed from a Digital Economy Perspective

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Abstract

This research aims to explore the development of e-commerce in Indonesia. The research was conducted with a qualitative approach, using literature studies as a source of information about the development of e-commerce, both from books and scientific articles. Advances in information and communication technology in the era of globalization have brought significant changes in various areas of life, including the trade sector. One of the tangible manifestations of this change is the presence of electronic commerce (e-commerce), which allows buying and selling transactions to be carried out digitally via the internet. Based on the discussions that have been carried out, it can be concluded that the development of e-commerce in Indonesia is taking place very quickly, especially since the COVID-19 pandemic. This growth is triggered by the high adoption of digital technology, the increase in the number of internet users, and the increasing trend of online shopping which is increasingly accepted by the public.

Keywords: *The Development of E-Commerce in Indonesia, Digital Economy, Islamic Studies*

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INTRODUCTION

The growth of e-commerce in Indonesia shows a very positive trend. Various online shopping platforms offer convenience, product variety, competitive prices, and increasingly integrated payment and delivery systems. This condition makes e-commerce one of the digital economy sectors that makes a significant contribution to the national economy. In addition, the COVID-19 pandemic has also accelerated people's adaptation to online transactions, so that e-commerce is increasingly embedded in daily activities. (Septianingsih et al., 2024).

However, the growth of e-commerce in Indonesia faces a number of challenges, ranging from transaction security, consumer protection, logistics infrastructure, to competition between business actors. Therefore, the study of the development of e-commerce is important to understand the potential, opportunities, and obstacles that exist, so that it can be the basis for formulating policies and business strategies in the future. (Rosmayati, 2023)

RESEARCH METHODOLOGY

This study uses a qualitative approach with a literature study method, which utilizes a descriptive approach to various sources regarding the development of e-commerce in Indonesia, both in the form of books and scientific articles. The focus of this research is on a specific phenomenon to gain a deeper understanding of the development of e-commerce. With the application of qualitative methods, this research is expected to produce information that is relevant and useful for the development of science, and can be used to understand the development of e-commerce in Indonesia more comprehensively.

The research framework was built through interview techniques with e-commerce actors, including online sellers and consumers who make online purchases. In addition, the frame of mind is also strengthened by data from survey institutions published by trusted mass media, as well as data from related agencies that monitor e-commerce activities. Based on the results of the discussion, it can be concluded that the development of e-commerce in Indonesia is happening very rapidly, especially since the COVID-19 pandemic. This is influenced by the high level of adoption of digital technology, the increasing number of internet users, and the trend of online shopping that is increasingly accepted by the public.

RESULTS AND DISCUSSION

1. Definition of E-commerce

Laudon and Traver stated that e-commerce is the process of buying and selling products or services electronically through a computer network, especially the internet. The concept of e-commerce is not limited to buying and selling transactions, but also includes marketing activities, customer service, and business information exchange. (Pranyoto, 2021). In Indonesia, the Ministry of Trade defines e-commerce as trade that is carried out through an electronic system that includes transactions, promotions, distribution, and payment for goods and services (Mahran & Sebyar, 2023).

2. Types – types of E-commerce

Kotler and Keller, Philip Kotler and Kevin Lane Keller are two well-known marketing experts who have made great contributions in the field of marketing. Philip Kotler is a world-renowned professor of marketing. He has written many books on marketing, including "Marketing Management" which is one of the best-selling marketing books in the world. Kotler is known as the "Father of Modern Marketing" for his contributions to the development of

marketing theory and practice. Kevin Lane Keller is a well-known professor of marketing in the United States. He has written many books on marketing, including "Marketing Management" with Philip Kotler. Keller is known for his contributions in developing theories about brands and marketing (Rachmad et al., 2023).

Both have made great contributions in the field of marketing and have assisted many companies and organizations in developing effective marketing strategies. Their books have become an important reference for marketing professionals and academics around the world classifying e-commerce into several main types:

a. Business to Business (B2B)

Transactions between companies, is a business model that involves transactions between companies and other companies. In B2B, a company sells products or services to other companies, not to individual consumers, Examples and Characteristics of B2B:

Manufacturing companies sell products to distributors.

Wholesale companies sell products to retailers.

Consulting services companies sell services to other companies.

- 1) Tech companies sell software to other companies.
- 2) Transactions in bulk.
- 3) Complex purchasing process.
- 4) Long-term business relationships.
- 5) Focus on added value and efficiency.
- 6) B2B has an important role in supply chains and the global economy.

Examples of companies that use the B2B (Business to Business) system are:

- 1) PT. Indofood (a food manufacturing company) sells its products to PT. Alfamart (retail company).
- 2) PT. Microsoft (a technology company) sold software to PT. Bank Mandiri (banking company).
- 3) PT. Astra (an automotive company) sold spare parts to PT. Car Repair Shop (car repair service company).
- 4) PT. Unilever (a consumer product manufacturing company) sells its products to PT. Carrefour (retail company).
- 5) PT. Telkom (a telecommunications company) sells internet services to PT. Other companies (companies that need internet services for their operations).

In the example above, the transaction occurs between a company and another company, not between a company and an individual consumer.

b. Consumer to Business (C2B)

It is a business model that involves interaction between individual consumers and companies, where consumers provide specific products, services, or value to companies.

- 1) Content creator: individuals who create content such as videos, blogs, or photos and then sell them to companies for marketing purposes.
- 2) Influencer marketing: individuals with significant influence on social media who work with companies to promote products or services.
- 3) Review user: an individual who provides reviews of a product or service, which the company then leverages to improve the quality of their offerings.

- 4) Participation in surveys: individuals who take company surveys to provide information about consumer preferences and needs.
- 5) Product development: individuals who collaborate with companies in designing or developing new products or services.

C2B Characteristics:

- 1) Consumers provide value or contribution to the company.
- 2) Companies leverage the expertise, creativity, or influence of consumers.
- 3) The form of transaction can be money, products, or services.
- 4) Consumers have control over the value provided.

The development of digital technology and social media has driven C2B growth, allowing consumers to interact with companies more efficiently and providing significant value to businesses.

Consumer to Consumer (C2C) is a business model that involves transactions between individual consumers and other individual consumers. In C2C, consumers sell products or services to other consumers, not to companies.

C2C example:

- 1) OLX: an online platform that facilitates the sale of used products between consumers.
- 2) Facebook Marketplace: an online platform that allows consumers to offer products to others in the local community.
- 3) Instagram: a social media that provides a marketplace feature for product sales between consumers.
- 4) Garage sale: direct sale of used goods between individuals.
- 5) Online auctions, such as eBay, that allow consumers to sell products through auction mechanisms to other consumers.

C2C Characteristics:

- 1) Transactions occur between individual consumers.
- 2) Usually focus on selling second-hand items.
- 3) The company is not directly involved in the transaction process.
- 4) Consumers have full control over the transactions made.

C2C has grown rapidly with the advent of digital technology and online platforms, allowing consumers to sell products more easily and effectively.\

c. Business to Consumer (B2C)

Transactions between companies and end consumers, such as Tokopedia, Shopee, Lazada. The definition is a business model that involves direct transactions between companies and end consumers. In B2C, a company sells products or services directly to individual consumers, not to other companies, B2C example:

- 1) Tokopedia: an e-commerce platform that sells products to individual consumers.
- 2) Shopee: an e-commerce platform that sells products to individual consumers.
- 3) Lazada: an e-commerce platform that sells products to individual consumers.
- 4) Online stores: such as Zalora, Berrybenka, and others.
- 5) Online restaurants: such as GoFood, GrabFood, and others.

B2C Features:

- 1) Direct transactions between companies and individual consumers.
- 2) Focus on consumer satisfaction and shopping experience.

- 3) The products or services sold are usually for personal consumption.
- 4) Marketing that focuses more on promotions and advertising.

B2C has grown rapidly with the advent of digital technology and e-commerce, allowing companies to reach consumers more widely and effectively.

3. Factors Driving the Development of E-Commerce

The growth of e-commerce in Indonesia is driven by various factors, including increasing internet access and smartphone use, ease in digital payment systems, development of logistics infrastructure, and changes in people's lifestyles that increasingly prioritize speed and convenience. In addition, increasing consumer confidence through review and rating systems, the availability of various e-commerce platforms, and promotions and discounts have also strengthened this growth (Oktaviani et al., 2025).

The combination of these factors makes the online shopping experience easier, faster, and more practical. The existence of a flexible product return policy also increases consumer security and trust when transacting. Therefore, e-commerce in Indonesia continues to grow and is increasingly becoming the main choice of people in shopping.

Challenges of E-Commerce in Indonesia, Here are some explanations of some of the challenges faced by e-commerce in Indonesia:

- a. The level of digital literacy of people is still low in some areas: Many people in remote or rural areas are not familiar with digital technology, so they may not know how to use e-commerce platforms or are not confident to shop online. This can hinder the growth of e-commerce in the area.
- b. Data security and online fraud issues: Data security and online fraud are major threats to e-commerce. Many consumers are worried about the security of their personal and financial data when shopping online. Online fraud can also make consumers lose trust in the e-commerce platform.
- c. Fierce competition between e-commerce platforms: Competition between e-commerce platforms is fierce, so e-commerce platforms must constantly innovate and improve the quality of service to win the competition. This can make smaller or new e-commerce platforms difficult to compete.
- d. Inequality of digital infrastructure in remote areas: Uneven digital infrastructure across Indonesia can make e-commerce access uneven. Remote areas may not have stable internet access or adequate logistics networks, making it difficult for e-commerce to reach consumers in those areas (Aurellia et al., 2025).

Thus, these challenges need to be overcome to increase the growth of e-commerce in Indonesia and make it more inclusive and safe for all consumers.

4. E-Commerce Opportunities in Indonesia

The following is an explanation of some of the opportunities faced by e-commerce in Indonesia:

- a. Large population with a growing middle class: Indonesia has a large population and a growing middle class. This means that there is great market potential for e-commerce, as the middle class tends to have higher incomes and is more open to digital technology.
- b. The potential of digitizing MSMEs: Micro, Small, and Medium Enterprises (MSMEs) are an important economic sector in Indonesia. Digitization of MSMEs can help increase

efficiency, productivity, and market access for MSMEs, so that they can increase economic growth and improve people's welfare.

- c. Increasing shopping trend through social media (social commerce): Social commerce is an online shopping trend that uses social media as a platform to buy and sell products. The increasing use of social media in Indonesia makes social commerce a great opportunity for e-commerce.
- d. There are opportunities to export local products through global e-commerce platforms: Global e-commerce platforms can help Indonesian local products reach the international market. This can increase income and improve the welfare of the Indonesian people, as well as improve the reputation of Indonesian products in the global market.
- e. Thus, these opportunities can be used to increase the growth of e-commerce in Indonesia and improve people's welfare.
- f. The Impact of E-Commerce on the Indonesian Economy

E-commerce has a positive impact on the Indonesian economy. One of the impacts is to encourage the growth of the logistics, digital banking, and fintech sectors. E-commerce requires efficient logistics services to deliver products to consumers, so the logistics sector is growing rapidly. In addition, e-commerce also requires a secure and efficient digital payment system, so digital banking and fintech are growing rapidly.

E-commerce also opens up new jobs, both directly and indirectly. Examples of direct jobs are couriers, online store admins, and customer service. Meanwhile, indirect employment includes influencers, digital marketers, and product photographers. Thus, e-commerce can help increase people's income and welfare.

E-commerce also makes a major contribution to Indonesia's digital Gross Domestic Product (GDP). With the development of e-commerce, the contribution to GDP has also increased. This shows that e-commerce has an important role in Indonesia's digital economy and can help boost the country's economic growth.

6. The role of the government in the development of E-commerce

The government has an important role in the development of e-commerce in Indonesia, not only in terms of economy and infrastructure, but also in terms of laws and regulations. Some examples of the government's role in terms of law and the Consumer Protection Law: The government has issued Law No. 8 of 1999 concerning Consumer Protection, which regulates consumer rights and the obligations of business actors in conducting online transactions. The Government has issued Law No. 11 of 2008 concerning Information and Electronic Transactions (ITE), which regulates electronic transactions, including online transactions. Regulation on Data Security, The Government has issued Government Regulation No. 82 of 2012 concerning the Implementation of Electronic Systems and Transactions, which regulates data and information security in electronic transactions. Regulation on E-Commerce, The Government has issued Regulation of the Minister of Trade No. 50 of 2020 concerning Provisions for Trade Through Electronic Systems, which regulates the provisions for trade through electronic systems, including e-commerce (Prayuti et al., 2024).

With these regulations and laws, the government can ensure that online transactions are carried out safely, transparently, and fairly, as well as protect the rights of consumers and business actors. The government can also increase public trust in online transactions and increase the growth of the digital economy in Indonesia (Izazi et al., 2024).

Laws on e-commerce in Indonesia have advantages such as consumer protection, clarification of rules, and increased security. However, there are still shortcomings such as suboptimal implementation, limited resources, and rapid technological development. To increase the effectiveness of the law, it is necessary to increase public awareness, tighter supervision, and update the law regularly. Thus, the effectiveness of the law can be improved and online transactions can be carried out more safely and transparently.

CONCLUSION

In addition, the growth and e-commerce transactions are projected to continue to increase every year, with Indonesia becoming one of the fastest-growing e-commerce markets in the world. And for users, the increase in smartphone, internet, and social media users are the main supporting factors for the development of e-commerce in Indonesia. In the next few years, e-commerce in Indonesia is expected to mature more with strategies such as (link not available) and direct-to-consumer (DTC) becoming more popular. The use of omni-channel and multi-fulfillment networks is also a strategic solution for brands to reach a wider market with cost efficiency. However, there are challenges, fierce competition, low consumer trust in online transactions, information security problems, and a lack of supporting infrastructure such as internet quality and cybersecurity. In a trendy world, omni-channel strategies, the use of AI and big data technology, live streaming commerce, and community resellers are the keys to success in e-commerce.

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