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CONSTRAINTSOF E-COMMERCE IMPLEMENTATION IN THE MIDDLE OF THE COVID-19 PANDEMIC IN INDONESIA

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ABSTRACT

This paper aims to examine the implementation of e-commerce in Indonesia, especially on the obstacles faced in the midst of the Covid-19 pandemic. The study used a qualitative approach, with data collection techniques in the form of literature studies from journals, news, books, and other related research reports. The results of the study show that the obstacles to the implementation of e-commerce in Indonesia mainly include two things, namely technical constraints and non-technological constraints. Technical constraints such as the absence of standard standards regulating the quality of e-commerce, security and reliability of the system being built, bandwidth issues , and web server specifications, especially in dealing with network problems. Constraints in terms of non-technology among absence of government regulations that regulate the commercial transactions through e-commerce in the middle of the virus Covid19, the perception that e-commerce is unsafe and expensive, and the attitude of businesses are waiting for the condition of e-commerce become stable before participating participate. To anticipate these obstacles, the Indonesian government can take the experience of organizing e-commerce in the United States, which sees e-commerce activities as universal activities, which in its development planning include e-commerce business actors and make regulations and incentives for SME companies so that they can grow into large companies

KEYWORDS: Economic, E-Comerce, Covid-19

Introduction

The rapid development of information technology has resulted in the transformation of human life activities in various fields during the Covid-19 pandemic. The presence of technology is becoming increasingly important and forces us to always act quickly, practically, effectively and efficiently, especially in carrying out transaction processes. Companies and service providers respond to the need for a fast, practical, effective and efficient transaction process by providing easy access to information and connecting goods and services providers with their consumers through the application of modern information technology applications, such as *e-commerce* technology .

The facts show that the level of internet users in Indonesia from year to year has increased quite rapidly. From data released by an *e-marketer* survey institute in 2017, internet users in Indonesia are in sixth position in the world out of 25 countries surveyed by this institution (eMarketer, 2014). The predictive data for internet users in Indonesia in 2018 released by *e-marketers* is not much different from the data released by the Indonesian Internet Service Providers Association (APJII) which states that data on internet users in Indonesia in 2015 reached 88.1 million users, or an increase of 34.9% compared to 2013. With the increasing number of internet users in Indonesia, this could become a market opportunity for businesses to take advantage of cyberspace as a land to develop their business.

Don Tapscott sees that this revolutionary internet development phenomenon can change future business processes into an economic activity that is different in format from the traditional economy, or create a phenomenon known as the *digital economy* . Along with the increasing number of users the internet which indicates the greater the benefits that are felt by the presence of the internet, it is very possible that the development of the business world in the future will be increasingly colored by various digital economic activities. (Myilswamy, K., 2016: 14).

The traditional economy with conventional methods, where customers come to the store to make purchase transactions is felt less efficient during the Covid-19 pandemic, which requires us to do a lot of activities at home. In the future it will turn into a digital economy where customers do not have to bother to come to the store and queue when making a purchase transaction, simply by using a computer or *mobile phone* that is connected to the internet in any location so that buyers can easily and quickly make purchase transactions.

This is what then becomes the advantage of digital economic activity and becomes a big attraction for consumers to make *e-commerce* buying and selling transactions . Data released by *The Wall Street Journal* magazine in StartUpBisnis.com (2014) states that the development trend of Indonesian *e-commerce* from year to year will continue to increase. The number of *e-commerce* transactions *in* Indonesia with the type of *Business to Customer* (B2C) transaction in 2013 was US $ 1.79 million and continued to increase in the following years to US $ 2.60 million in 2014, 3.56 million US $ in 2015 and in 2016 it is estimated to reach 4.89 million US $. This sales transaction value can be said to be relatively small compared to China, Japan, South Korea and India. However, it still shows that the development of *e-commerce* transactions in Indonesia is quite significant from year to year. This is what can be an attraction for the business world to look at the *e-commerce business* . *E-commerce* business activities in Indonesia can be said to be relatively new. So that there are still many shortcomings found in its implementation. These deficiencies range from infrastructure and information technology as well as inadequate internet networks, regulations / regulations that are still not comprehensive enough, to the problem of tax collection on *e-commerce* transactions . On this basis, the authors are interested in conducting studies on the constraints of implementing *e-commerce* in Indonesia. This paper will also present a comparative study of the implementation of *e-commerce* in several countries which can be said to already have a good basis for the implementation of an *e-commerce business* .

Method

The method used in this study is a qualitative approach. A qualitative approach in scientific terms will go through various stages of thinking, starting with thinking inductively (by capturing various facts or social phenomena). The next stage is to collect data to be analyzed and to theorize the data collection that has been done (Bungin, 2007: 6). The qualitative research style seeks to construct reality and understand its meaning. Thus, qualitative research is usually very concerned about processes, events and authenticity (Somantri, 2005: 58) The data collection technique in this review uses literature studies, meaning that it uses secondary data obtained from various scientific articles in the form of news articles, journals, and related research reports to be further processed and analyzed in relation to the problem being studied.

Result

The term '*digital economy* ' was first coined by Don Tapscott in 1995 in a best-selling book entitled *The Digital Economy: Promise and Peril in the Age of Networked Intelligence* . When he wrote the book 20 years ago, he declared that the internet would completely change the nature of business and government. Digital technology is rapidly changing business practices, economies and society.

The digital economy, sometimes also called "digital business" has become a philosophy for many teams of top executives as they seek a competitive advantage in a world that is moving rapidly with changing technology. When we talk about digital technology, we are not only talking about the internet, or just *ICT* (information and communication technology), but other concepts such as cellular telephony, telecommunications or content (Mochón, F. &

Gonzalvez, JC, 2015). A very big revolution in the field of business is how there is a significant change in the concept of the market. The big and fundamental changes offered by *e-commerce* make it a very potential economic activity for countries around the world. With its global reach, in the sense that traders or buyers can come from all over the world, universality aspects will be the basic foundation for the formation of this *e-commerce* activity . All countries around the world still have the same opportunity to become major players in this *e-commerce business* , it remains how these countries provide facilities with infrastructure devices and regulations that support the creation of conditions that are conducive to the development of activities and actors. *e-commerce* to get involved in it. The next question is what about the conditions of *e-commerce* activities in Indonesia.

E-Commerce **Implementation Constraints in Indonesia**

Julisar and Eka Miranda (2013) explain that *e-commerce* activities in Indonesia still have limitations. These limitations include limitations in terms of technology, including the absence of a standard standard regarding the quality, security and reliability of systems used in *e-commerce, bandwidth* issues , and requiring a *web, server* , especially for dealing with network problems. Other limitations are in terms of non-technology, including the absence of government regulations regarding trade transactions through *e-commerce* , the perception that *e-commerce* is unsafe and expensive, and many buyers and sellers are waiting for the *e-commerce* ecosystem to become stable for them to be able to. participate.

The role and concern of the government are essential to support the success of *these e-commerce* activities. Tit for tat, under the administration of Joko Widodo, he really cares about the development of the creative economy and sees this field as having great potential for future economic growth in Indonesia. Concern current administration has been shown to begin to catch up related to the problem *of bandwidth* by deploying broadband infrastructure (*broadband*), both *fixed broadband* and *mobile broadband* , including the implementation of a four-generation technology (4G). The target is quite ambitious, according to the RPI (Indonesia's Broadband Plan), as many as 135 cities and districts will be connected by 2019. (Hidranto, 2015) For now, the implementation of *e-commerce* activities in Indonesia refers to Law No. 11 of 2008 concerning Information and Electronics (UU ITE). One of the goals of the issuance of the ITE Law is to provide legal certainty and protection for players in the *e-commerce* sector . However, it seems that this law has not been able to achieve this goal.

This inability can be seen from the absence of a specific definition for *e-commerce* in the ITE Law, because electronic trading activities mentioned in the ITE Law are "electronic transactions". In fact, the definition of "electronic transactions" as stated in Article 1 paragraph (2) of the ITE Law is very broad, namely legal actions that are carried out using computers, computer networks, and / or electronic media other. In comparison, the Trade Law understands *e-commerce* as "trade through an electronic system", namely trade whose transaction process is carried out through a series of electronic devices and procedures (Article 1 Number 24 of Law no.7 of 2014 concerning Trade). (klikkonsul, 2016)

In addition, many provisions in the ITE Law are still "empty" and therefore require implementing regulations. Some of them are closely related to the development of *e-commerce* activities , such as provisions regarding the implementation of electronic transactions. Apart from other provisions regarding electronic transactions in Chapter V, the ITE Law still mandates the issuance of a Government Regulation to regulate the implementation of electronic transactions in the public or private sphere. However, the ITE Law does not explain the scope of the operational provisions that can be regulated in this Government Regulation (Article 17 and the explanation in the ITE Law). (klikkonsul, 2016)

The next thing is the provisions regarding reliability certification bodies and electronic certification providers. The ITE Law regulates that every business actor conducting electronic transactions can be certified by a reliability certification body. The institution is an independent institution formed by professionals to audit and issue reliability certificates in electronic transactions, whose activities must be legalized and supervised by the government (Article 10 of the ITE Law). (klikkonsul, 2016) Reliability certificate is evidence that a business actor trading electronically is fit to do business, after going through an assessment and audit from an authorized body (explanation of Article 10 of the ITE Law). The existence of a reliability certificate institution is clearly important to provide a measure of the feasibility of business actors in the *e-commerce* sector and ultimately increase trust the public in transacting through electronic systems. (klikkonsul, 2016)

In line with the above provisions, the ITE Law also mandates the issuance of Government Regulations regarding electronic certification providers, namely legal entities that provide and audit electronic certificates. This certificate contains an electronic signature and identity that shows the legal subject status of the parties in electronic transactions. Same as with the certificate of reliability, the electronic certificate is also important to improve certainty in the transaction *e-commerce* and prevent the misuse of data from participants in electronic commerce activities. (klikkonsul, 2016). Meanwhile, a derivative Government Regulation that specifically talks about electronic transactions, namely Government Regulation (PP) Number 82 of 2012 concerning the Implementation of Electronic Systems and Transactions is also felt to be still not conducive to the growth and development of *e-commerce businesses* in Indonesia. PP Number 82 of 2012 is considered to be less convenient for small and medium enterprises (UKM) in organizing *e-commerce* . In addition, this regulation is also considered to make the adoption of *online* trading transactions difficult . The first problem with the drafting of this PP regulation is related to the balance between regulation and incentives. The government is expected to provide incentives to increase revenue for internet-based companies that are still pioneering. Regarding this, Indonesia can see the implementation in Singapore which is very focused on building a digital business ecosystem, through providing financial assistance to newly established digital-based companies (*startups*) in order to develop products. (Kompastekno, 2013). The second issue in the context of Government Regulation Number 82 Year 2012 and its relationship with *e-commerce* is the clarity of the definition of electronic transactions and public services in the PP. In the *e-commerce business* , there are several activities and business models related to electronic transactions, such as classifieds / forums, *marketplaces* , *online retail* , *daily deals* , and *price comparisons / aggregators* . So that the actors ask for clarity on which stages in *e-commerce* are considered electronic transactions. To respond to this issue, the Directorate General of Taxes (DGT) has prepared a formulation through the Director General of Taxes Circular No. 62 / PJ / 2013 which maps four *e-commerce* transaction models , namely: *online marketplaces* , *classified ads, daily deals* , and *online retail.*

The *online marketplace* model is an activity to provide a place for business activities in the form of an internet shop for *merchants* to sell goods / services. In this transaction model, there is a fee in the form of *rent fees* or registration fees, for providing a place and / or time to display advertisements for goods / services, as well as making sales at internet shops via internet malls. In addition, there is an amount of money paid by *merchants* to *marketplace* organizers as a commission for intermediary services for payments on sales of goods / services. *Classified ads* transaction model is the activity of providing a place and / or time to display advertisements of goods / services carried out by advertisers through sites provided by the *distribution* of *classified ads.* Advertisers will pay a sum of money as a transaction fee to the organizer which is the object of PPh and VAT. The third transaction model is *daily deals,* similar to a *marketplace* but the payment instrument used is in the form of *vouchers* . Meanwhile, the fourth transaction model, namely *online retail,* is an activity to sell goods / services directly by *online retail* operators to buyers on the organizers website. In the four models of *e-commerce* transactions , there is payment of rewards or income for buying and selling of goods / services which are the objects of Income Tax (PPh) and Value Added Tax (VAT) which will be taxed according to the applicable tax regulations.

The third issue that arises in the context of Government Regulation No. 82/2012 and its relationship with *e-commerce* is related to the use of *data centers* in Indonesia. Business people *online* say that taking *a data center* in Indonesia cost can be twice as expensive than the *data center* outside the country. The last issue to be highlighted is the obligation to use the Indonesian country code domain or .id (dot id). This is done to minimize cybercrime and reduce the number of fraud by fake *e-commerce* . However, not all *e-commerce* entrepreneurs agree with this plan. Tokopedia founder and CEO, William Tanuwijaya, argues that the use of local domains will make it difficult for *e-commerce* sites to compete at the global level.

Discussion

Comparison of *e-commerce* implementation in several countries

Regarding the problem with the absence of government regulations regarding trade

transactions through *e-commerce* , the government can learn this from the United States or China which already have *e-commerce* rules. Reflecting on the United States of America, the government takes a fundamental policy which is the reference in designing and building *e-commerce* activities in that country. On July 1, 1997, the Clinton Administration submitted a proposal entitled " *A Framework for Global Electronic Commerce* " which outlines 5 (five) basic principles which are expected to become the main guidelines (*core principles*) for establishing *e-commerce* policies in America. In general, the five policy principles are as follows (Thierer, 2012).

The first principle is " *the private sector should lead* " (Thierer, 2012). This principle is built on the assumption that it is the private sector (the community) who must stand at the front and lead various things related to *e-commerce* business). The government is not a business entity because its main objective is to maximize welfare, so that the role of government is only as a driving force for the growth and development of *e-commerce* activities .

The second principle is “ *governments should avoid undue restrictions on electronic commerce* ”. (Thierer, 2012) This principle is built by looking at the similarity between the objectives of free trade (market globalization) and the characteristics of the internet, namely its tendency to form the most optimum and efficient trading mechanism. The limitation of the *e-commerce* mechanism with too many regulations by the government will actually backfire in the form of not achieving the effectiveness and efficiency offered by *e-commerce* .

The third principle is " *where governmental involvement is needed* , *its aim should be to support and enforce a predictable, minimalist, consistent and simple legal environment for commerce* ." (Thierer, 2012). This third principle would like to say that when one day the private sector feels the need to get "assistance" from the government because of the fundamental losses due to various new phenomena that arise at a later date, the government will get involved by adhering to the principle of establishing an electronic business environment. which is conducive; so that principles such as consistency and simplicity of regulations are put forward. The fourth principle is " *governments should recognize the unique qualities of the Internet and appreciate its decentralized nature and tradition of bottom-up governance* ." (Thierer, 2012). The understanding of this fourth principle is that once again the government must be able to better understand the characteristics of the internet and cyberspace. The government must design and build rules that are *bottom up planning* that involves the private sector (entrepreneurs) therein to build *e-commerce* regulatory designs .

The fifth principle is " *electronic commerce on the Internet should be facilitated on a global basis because the Internet is a global marketplace and the legal framework supporting commercial transactions should be consistent and predictable regardless of the jurisdiction in which a particular buyer and seller reside* ". (Thierer, 2012). The understanding of this fifth principle is that the internet is a global and virtual trade arena, so it is a fatal mistake to try to facilitate an *e-commerce business* using a local or regional approach.

Related to the basic principles that underpin the main grip for setting policy *e-commerc* e in America and given the conditions of the activities *of e-commerce* the main grip is still relevant today. This is because many large companies that were originally *start-up* companies can grow and develop after engaging in *e-commerce* activities . An *e-commerce* company from China, Alibaba Group, for example, can be an example of how this company was originally an *e-commerce start-up company* that later grew into a giant company supported by a conducive business climate. The same thing also happens in Indonesia, many *start-up* companies , especially SMEs, are taking advantage of *e-commerce* activities as a forum to market their products so as to gain benefits, namely a wide marketing reach In addition, China implements that internet content materials are controlled by local players. However, local authorities do not require websites to use local domains, with the intention that they can compete with global players using the .com domain. (Kompastekno, 2013).

Conclusion

The potential for the development of *e-commerce* in Indonesia is enormous. This can be seen from the development of buying and selling transactions through *e-commerce* which has increased from year to year. With the increasing volume of transactions in *e-commerce,* it will affect the Indonesian economy, both directly and indirectly. Judging from the large potential contribution of the *e-commerce* sector to the country's economy, the government should pay more attention to building and developing its ecosystem.

Several obstacles related to the implementation of *e-commerce* which are still relatively new in Indonesia include technical and non-technological problems. Technical problems such as the absence of a standard regulating the quality of *e-commerce* , security and reliability of the system being built, *bandwidth* issues , and *web server* specification criteria . Limitations in terms of non-technology include the absence of government regulations regarding the mechanism of trade transactions through *e-commerce* , the perception that *e-commerce* is unsafe and expensive, and many business people waiting for *e-commerce* to stabilize before participating. These constraints are the duty and responsibility of the Indonesian government to be addressed if it wants to advance the *e-commerce* sector and increase its contribution to the country's economy .

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