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Law as a Function for Management and Economic Development Director in the Digitalization Era

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Abstract. *The digital era has brought significant transformations to various aspects of life, including the economic sector. Developments in information and communication technology have created a new, more dynamic, open, and globally integrated economic model. In this context, law plays a strategic role as a controlling and directing instrument for economic development, ensuring it remains within the corridors of certainty, justice, and sustainability. This article examines how law can serve as a normative foundation for regulating digital economic activities, preventing practices detrimental to the public interest, and encouraging healthy innovation and investment. The approach used is a juridical-normative one, analyzing various regulations related to the digital economy, data protection, intellectual property rights, and electronic transactions. The study's findings demonstrate that the existence of an adaptive and responsive legal system is key to creating an inclusive and competitive digital economic ecosystem. Therefore, progressive legal reform and institutional strengthening are strategic steps in optimizing the role of law as a driver of national economic development in the digital era.*

Keywords: *Economic Development; Digital; Law; Management Function.*

1. Introduction

Digital transformation has fundamentally transformed the global economic landscape. Advances in information technology have created new models for transactions, production, and market access. Economic digitalization has become a key driver of growth in various sectors, from finance and trade to logistics services. In this context, the law is required to be a system capable of adapting to the rapid pace of change. (Rifai, A; 2021). Legal issues Issues that have emerged with the growth of the digital economy include the validity of electronic transactions, online consumer protection, and the applicability of laws across jurisdictions. As the economy becomes increasingly data-driven, rigid and non-adaptive legal provisions can stifle innovation and create legal uncertainty. (Susanti, B., & Herlambang, W; 2019).

In Indonesia, legal instruments such asLaw Number 11 of 2008 concerning Electronic Information and Transactions (ITE)and its amendments (Law No. 19 of 2016 and Law No. 1 of 2024) have become the foundation of digital law. However, its implementation still faces various obstacles, such as multiple interpretations, weaknesses in digital legal infrastructure, and the digital literacy gap in society. (https://peraturan.bpk.go.id/). Economic developmentLegal certainty is needed to ensure investment stability and protect all parties. Without strong legal guarantees, businesses will hesitate to invest, and consumers will feel insecure in conducting transactions. In this regard, the law is a crucial instrument that not only regulates but also directs the direction of development. (Trubek, D. M. & Galanter, M; 1974).

The role of law as a directiveThis is evident in how the government uses regulations to encourage innovation, provide fiscal incentives, and develop a roadmap for digital economic development. Laws are tasked with directing development to align with national goals, including economic equality and protection for micro, small, and medium enterprises (MSMEs). One of the main challenges issectoral and unintegrated regulationsAn example is the overlapping regulations between the Financial Services Authority (OJK), Bank Indonesia (BI), and the Ministry of Communication and Informatics (Kominfo) regarding fintech and other digital services. This creates legal uncertainty for businesses. (Erni Yoesry; 2019). The law also plays a role ascontrolleragainst the potential negative impacts of the digital economy, such as digital platform monopolies, privacy violations, and user data exploitation. Without adequate oversight and legal intervention, economic development could be dominated by a handful of large players. (Zuboff, S; 2019). In the context of digital consumer protection, legal challenges arise due to the existence ofasymmetric informationbetween digital service providers and users. Many consumers don't understand the terms and conditions of service, including the legal implications of using their personal data. (Wahyudi, R; 2021).

Personal data as an economic assethas become a contested object in the digital ecosystem. Therefore, the presence ofLaw Number 27 of 2022 concerning Personal Data Protection (PDP Law). This is an important step in regulating digital data governance. However, the effectiveness of this law depends on the institutional readiness and national legal technology infrastructure. (https://peraturan.bpk.go.id/). The development of the digital economy is also closely related tolaw enforcement against violations of intellectual property rights (IPR)In the digital space, IPR violations are becoming more widespread and difficult to track, necessitating legal reform and international cooperation. (WIPO; 2021). The global digital economy demands harmonization of laws between countries. When businesses and consumers reside in different jurisdictions, challenges arise in terms of dispute resolution, legal recognition, and enforcement of decisions. Therefore, strengthening international legal cooperation is crucial. (OECD; 2020). In conclusion, law in the digital age can no longer remain static. It must be able to adapt to social, economic, and technological changes. As an instrument for controlling and directing digital economic development, law needs to be continuously updated through an interdisciplinary, participatory, and data-driven approach. (Rahardjo, Satjipto; 2006).

2. Research Methods

The approach used in this research is a normative juridical approach, as the focus of the study is on identifying problems from a legal perspective. This research emphasizes the analysis of legal norms or rules as the primary object of study.

Normative legal research seeks to understand legal regulations as a system interconnected with specific legal events. The purpose of this research is to provide a legal argumentative basis that can determine whether an action or event is in accordance with or contrary to the law, as well as how the event should be viewed according to applicable legal provisions. (Mukti Fajar and Yulianto Achmad; 2017).

3. Results and Discussion

The Role of Law in Regulating and Directing Economic Development in the Digital EraThe development of digital technology has drastically transformed the global economy, with nearly every industrial sector undergoing digitalization. The digital economy creates significant opportunities for growth, but also presents complex regulatory challenges. Law is strategically positioned to act as a guiding and controlling instrument to ensure that digital economic development adheres to principles of justice and sustainability. (Rifai, A; 2021).

Law plays an important role as an instrument to regulate, direct, and simultaneously encourage the growth of the digital economy.Without law, the digital market will tend to be freewheeling without adequate controls, potentially leading to inequality, consumer rights violations, and unfair business practices. Constitutionally, the role of law in economic development is reflected in Article 33 of the 1945 Constitution, which states that the economy is structured as a joint venture based on the principle of family. (The 1945 Constitution of the Republic of Indonesia). In the digital context, this principle demands the presence of regulations that are inclusive and in favor of the interests of the wider public.

The role of law in this context is not only as a regulator, but also as a facilitator of economic development. Law encourages the creation of a conducive business climate by providing legal certainty, protection for business actors, and guarantees of consumer rights. (Trubek, D. M., & Galanter, M; 1974).

The Indonesian government has issued several regulations, such as the Electronic Information and Transactions Law (UU ITE), the Personal Data Protection Law, and regulations on the digital financial sector by the Financial Services Authority (OJK). The Indonesian government has formulated various regulations to respond to the development of the digital economy. Among these is Law No. 11 of 2008 concerning Electronic Information and Transactions (UU ITE), which provides the legal basis for digital transactions and electronic data protection. This law was updated through Law No. 19 of 2016 in conjunction with Law No. 19 of 2016.Law No. 1 of 2024to adapt to technological dynamics. However, implementation in the field still faces obstacles in enforcement and public understanding. (www.kominfo.go.id).

On the side of personal data protection, the presence ofLaw No. 27 of 2022 concerning Personal Data Protection (PDP Law) is an important milestone.This law regulates the rights of data subjects, the obligations of data controllers, and administrative and criminal sanctions for data breaches. This regulation also aims to align Indonesia with global standards such as the European Union's GDPR.

Besides regulations, laws also provide the basis for the development of digital infrastructure.For example, in the development of data centers, fiber optic networks, and strengthening cloud computing, a legal umbrella is needed that guarantees data security and long-term investment sustainability.

However, the implementation of the regulation still faces a number of challenges.One of these is the limited legal understanding of the public and digital businesses. Many digital users don't understand their legal rights and obligations, which results in low legal awareness in the online realm.

To address these challenges, a national digital legal literacy strategy is needed.The government, educational institutions, and digital communities need to work together to develop digital law education modules that are applicable and easily understood by the general public. The law also plays a crucial role in addressing the issue of digital monopoly. Large platforms such as marketplaces and app providers tend to monopolize markets, reducing market access for new businesses. In this context, Law No. 5 of 1999 concerning the Prohibition of Monopolistic Practices serves as a foundation for maintaining healthy business competition.

On the other hand, consumer protection is an important aspect of digital law.Digital consumers are vulnerable to fraud, counterfeit products, and misleading information. Law No. 8 of 1999 concerning Consumer Protection must be expanded to address the complexities of digital transactions. Conventional legal approaches to digital dispute resolution are often slow and inefficient. Therefore, it is necessary to develop an online dispute resolution (ODR) mechanism. This will expedite the process of justice for consumers and businesses. (OECD; 2020).

Cross-border digital transactions also pose legal jurisdictional challenges.This is where international cooperation is crucial in developing a global legal framework for digital taxation, cybersecurity, and data misuse. Indonesia can emulate the approach of the Digital Economy Partnership Agreement (DEPA), which is based on cross-border collaboration. The issue of digital taxation has become a key topic of discussion in the legal realm of the digital economy. Global technology companies often avoid taxes in the countries where they generate profits. Through Minister of Finance Regulation No. 48/PMK.03/2020, the government began collecting taxes from global digital services such as Google and Netflix operating in Indonesia. (Kurniawan, B; 2021).

Laws must also be responsive to new technological innovations.One emerging legal issue is the weak regulation of digital-based economic activities such as e-commerce, fintech services, digital marketplaces, blockchain, AI, and cryptocurrency. This lack of legal certainty can lead to consumer rights violations and unfair business practices. (Susanti, B., & Herlambang, W; 2019). Each sector requires a unique legal approach. For example, the Financial Services Authority (OJK) has issued Regulation No. 77/POJK.01/2016 to regulate information technology-based money lending services (fintech lending), to protect consumers from illegal lending practices. While this technology holds great potential, without adaptive regulations, the risk of fraud and financial system instability will increase. Bank Indonesia and the OJK have issued various regulations, although these need to be continually updated as technology advances.

Law as a guide for economic development also encompasses the formulation of fiscal policies and legal incentives that encourage technological innovation and the digitalization of MSMEs. Without regulatory support, MSMEs will struggle to compete in a competitive digital ecosystem. (OJK; 2023).

Personal data protection is a major concern in the digital age. Many companies collect, manage, and monetize user data without transparency. The law plays a role in ensuring that data management is carried out in accordance with human rights principles and privacy protection. (Law Number 27 of 2022 concerning Personal Data Protection).

In international law, the challenges of cross-border jurisdiction in digital transactions are a serious issue. The role of national law must be integrated with international cooperation to address global issues such as digital taxation and cybersecurity. (OECD; 2021).

4. Conclusion

The digital era has created extraordinary opportunities for national economic growth, but it also demands adaptive and progressive laws. Law should be positioned not only as a regulator but also as a guide for development, ensuring the digital economy grows within the right corridor. The existence of responsive laws is key to balancing the interests of the state, businesses, and consumers. Without legal certainty, the digital economy will be vulnerable to monopolistic practices, privacy violations, and the risk of unfairness in digital transactions. Legal challenges such as cross-border jurisdiction, personal data protection, and digital business competition must be addressed through multi-stakeholder collaboration, both nationally and internationally. Legal policy reform is imperative. The government and legislative bodies need to continuously update regulations to reflect technological dynamics and the needs of the digital society. A research-based approach and public participation will strengthen the legitimacy and effectiveness of the laws in place. The world of education and the legal profession are also required to transform to produce legal human resources who understand the aspects of the digital economy and are able to respond to the complexities of information technology wisely and visionarily. Therefore, it is recommended that the government strengthen digital legal institutions, expand legal literacy for the public, and encourage harmonization of regulations with international standards so that digital economic development can proceed in a just, sustainable, and inclusive manner.

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