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Electronic Cross-Border Business Contract Dispute Resolution Model for MSMEs from a Formal Law Perspective

Cicin Nurpasha[1], Ummi Maskanah [2]

[1,2]Department of Law, Faculty of Law, Universitas Pasundan, Bandung, Indonesia.
Email: 221000097@mail.unpas.ac.id ummimaskanah@mail.unpas.ac.id

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ABSTRACT
The development of globalization and digital technology has accelerated cross-border electronic commerce, creating broader market opportunities for MSMEs while increasing the risk of legal disputes arising from differences in jurisdictions and legal systems. This study aims to identify the most appropriate, adaptive, and legally feasible dispute resolution model for resolving cross-border electronic business contract disputes involving MSMEs from a formal legal perspective. This research employed a descriptive-analytical method using a normative legal approach supported by empirical data obtained through interviews. The study analyzed primary, secondary, and tertiary legal materials through qualitative legal analysis to examine the legal framework governing cross-border electronic contracts and dispute resolution mechanisms. The findings indicate that conventional litigation and existing alternative dispute resolution mechanisms remain inadequate for MSMEs due to high costs, lengthy procedures, limited access to justice, and jurisdictional challenges. In contrast, Online Dispute Resolution (ODR) offers a more effective model by providing greater efficiency, flexibility, and accessibility in resolving cross-border electronic business contract disputes. The implementation of ODR is legally supported by Law Number 1 of 2024 concerning Electronic Information and Transactions, particularly Article 5, which recognizes electronic documents as valid legal evidence, and Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution, particularly Article 4(3), which recognizes electronic communications in dispute resolution. However, Indonesia still requires a comprehensive legal framework governing ODR implementation, institutional authority, and enforcement to strengthen legal certainty and improve legal protection for MSMEs. This study contributes to the development of Indonesian commercial law by proposing a formal legal framework integrating ODR into cross-border electronic business contract dispute resolution and supporting future legal reform and digital commerce governance.

Keywords: ODR, MSMEs, Electronic Contracts, Cross-Border Disputes.

I. Introduction

Globalization and digital transformation have fundamentally reshaped international commerce, enabling Micro, Small, and Medium Enterprises (MSMEs) to participate in cross-border electronic trade through digital platforms. However, while digitalization expands market opportunities, it simultaneously

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exposes MSMEs to significant legal risks arising from differences in jurisdictions, applicable laws, contractual enforcement, and dispute resolution mechanisms. These challenges have become increasingly important as MSMEs often lack adequate legal resources and financial capacity to pursue cross-border legal remedies effectively. Essentially, a contract is understood as an agreement, or series of agreements, which, if breached (default), provides the law with the right to claim compensation. Fulfillment of a contract is also legally considered an obligation that must be fulfilled (Naja, 2006). In international trade, this understanding becomes even more crucial when contracts are executed across national borders (cross-border), namely trade activities involving parties from two countries, either through direct interaction or through electronic media. This term indicates that the transaction takes place across national sovereignty boundaries and involves legal subjects located in different jurisdictions(Simandalahi dkk., 2024). In modern legal developments, contracts no longer have to be drawn up on paper or signed with wet ink. Digital advancements have led many legal systems and jurisprudence in various countries to recognize the validity and binding force of contracts drawn up electronically and signed electronically (Kusumadara, 2013).

In international business practices, contracts play a crucial role, given the rapid growth of trade activities, which now transcend national borders (Ramadani & Nurliyantika, 2022). According to Willis Reese, an international contract is a form of agreement that contains elements of interconnectedness between two or more countries. Such contracts can occur between states, between states, between states and private parties, or between private businesses. Digital agreements are now replacing paper documents, with the use of digital data as a medium for agreements making the process much more efficient, especially for those conducting business online (Royani dkk., 2023). According to Lawrence, contract law functions as a legal instrument that regulates commercial activities and creates legal certainty. Similarly, Michael D. Bayles emphasizes that contract law ensures the fulfillment of agreements between contracting parties. These perspectives demonstrate that contract law is essential for maintaining certainty and fairness in commercial relationships (Atmoko & Handayani, 2023). Although the fundamental principles of contract law remain applicable, electronic commerce has transformed how contracts are formed, performed, and enforced through digital technologies. Consequently, these legal principles must be interpreted in a manner that accommodates cross-border electronic business while maintaining legal certainty and protecting the parties involved.

Despite these developments, MSMEs remain particularly vulnerable in cross-border electronic transactions. In practice, disputes frequently arise from delayed payments, unilateral order cancellations, rejection of delivered goods, breaches of contractual obligations, and difficulties in enforcing contractual rights against foreign business partners. Compared with large enterprises, MSMEs generally have limited financial resources, legal expertise, and access to international dispute resolution mechanisms, causing many of them to forgo legal remedies despite suffering commercial losses. In practice, business contracts do not always run smoothly. Although contracts are designed to provide legal certainty, their content often gives rise to differing perceptions of fairness and benefits for the parties. An imbalance of interests in a contract can trigger disputes when one party feels the implementation of the agreement does not reflect what was agreed upon. Furthermore, the process of drafting business contracts in Indonesia is generally still conducted in person through physical meetings, so the quality of the contract depends heavily on the parties' ability to negotiate their rights and obligations proportionally. Based on formal law, in Indonesia, the legal basis for electronic transactions is regulated by Law Number 1 of 2024 concerning the second amendment to Law Number 11 of 2008 concerning Electronic Information and Transactions. The ITE Law expressly recognizes that electronic documents have valid legal force, as stipulated in Article 5 paragraphs (1) and (2). Therefore, evidence prepared in the form of electronic information or documents, as well as the electronic information and documents themselves, is recognized as valid evidence under the provisions of the ITE Law (Sugeng, 2020).

In principle, dispute resolution in Indonesia is channeled through litigation mechanisms in the courts as the primary forum. However, the development of business activities, including cross-border electronic transactions, shows that court mechanisms are not always able to meet the needs of the parties. These limitations have encouraged the development of various forms of alternative dispute resolution recognized in the national legal system. One mechanism that is increasingly gaining legitimacy and relevance is non-litigation dispute resolution. Normatively, non-litigation dispute resolution mechanisms have gained legitimacy through Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution. Upon further review, the provisions of this law are also relevant to the research object concerning the use and utilization of digital technology. This is reflected in Article 4 paragraph (3), which stipulates that if the parties agree to resolve the dispute through arbitration using an exchange of letters, the delivery of telex, telegram,

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facsimile, electronic mail (e-mail), or other means of communication must be accompanied by proof of receipt by each party.

Transactions conducted through e-commerce and digital platforms have encouraged the emergence of Online Dispute Resolution (ODR) as an internet-based mechanism for resolving commercial disputes. In principle, ODR is implemented based on the agreement of the disputing parties and may take the form of online mediation, online arbitration, or other digital dispute resolution services provided by authorized institutions (R. Solikhin, 2023). Although Indonesia has recognized electronic documents and electronic communications through the ITE Law and Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution, the practical implementation of ODR remains limited. Indonesia has not yet established a comprehensive legal and institutional framework specifically governing ODR in cross-border electronic commerce disputes. Existing arbitration and mediation institutions have gradually adopted digital technologies; however, the absence of detailed procedural rules regarding online proceedings, digital evidence, institutional authority, and the recognition and enforcement of ODR decisions continues to create legal uncertainty. Consequently, these regulatory and institutional limitations reduce the effectiveness of ODR as an accessible dispute resolution mechanism for MSMEs engaged in international electronic business transactions.

Currently, cross-border electronic business disputes involving Indonesian MSMEs continue to rely primarily on conventional litigation or alternative dispute resolution mechanisms originally designed for offline commercial disputes. These mechanisms are often ineffective because they involve high litigation costs, lengthy procedures, jurisdictional complexities, and practical barriers to enforcing decisions across national borders. Consequently, MSMEs continue to face significant obstacles in obtaining effective legal protection despite their increasing participation in international electronic commerce. Micro, Small, and Medium Enterprises (MSMEs) play a vital role in Indonesia's national economy. This sector makes a substantial contribution to the country's Gross Domestic Product (GDP), accounting for approximately 60.3% in 2020, highlighting its position as one of the primary drivers of economic growth. Furthermore, MSMEs employ more than 97% of Indonesia's workforce, with the majority of workers engaged in the informal sector (harahap & Situngkir, 2025). The problem becomes even more apparent when viewed from the perspective of MSMEs, a key player in Indonesia's digital economy. This research is important because cross-border electronic business has made a significant contribution to Indonesia’s economy. As of April 2025, the export value of MSME products reached US$57.61 million or approximately IDR 947.4 billion, demonstrating the increasing involvement of MSMEs in international digital trade activities. This condition indicates that MSMEs require adequate legal protection and adaptive dispute resolution mechanisms in conducting cross-border electronic transactions (CNN Indonesia, 2025).

The increasing participation of MSMEs in international electronic commerce demonstrates that legal protection has become an equally important prerequisite for sustainable digital trade. Nevertheless, Indonesia has not yet established a comprehensive legal framework specifically regulating Online Dispute Resolution (ODR) for cross-border electronic business disputes. Consequently, uncertainty remains regarding procedural standards, institutional authority, and the enforceability of ODR outcomes, particularly in disputes involving foreign jurisdictions. In this research, the MSMEs examined are small and medium enterprises (SMEs) operating under the Cut-Make-Trim (CMT) garment production model, which provide sewing and finishing services for foreign clients through digital platforms. MSMEs with these characteristics are particularly vulnerable to cross-border contractual relationships that may lead to e-commerce disputes, making them relevant subjects for analyzing the effectiveness of Indonesian formal law in regulating international electronic transactions. Although broad access to the e-commerce market creates significant business opportunities for MSMEs, it simultaneously exposes them to various legal and commercial risks. To reduce uncertainty in business activities, risk analysis becomes an important measure to minimize the impact of potential disputes and other business-related problems (Saifuddin & Zulaeha, 2022) .

Previous studies have primarily discussed electronic contracts, alternative dispute resolution, or the general concept of Online Dispute Resolution (ODR). However, limited research has comprehensively examined how Indonesian formal law can accommodate ODR as a dispute resolution model specifically designed for MSMEs engaged in cross-border electronic business contracts. Accordingly, this study seeks to fill this gap by proposing a formal legal dispute resolution model that integrates Indonesian legal principles with the practical needs of MSMEs operating in international electronic commerce. Therefore, this study aims to examine and develop an appropriate dispute resolution model for cross-border electronic business contracts involving Micro, Small, and Medium Enterprises (MSMEs) from the perspective of Indonesian formal law. Furthermore, this study evaluates the adequacy of the existing legal framework governing Online Dispute

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Resolution (ODR) and proposes legal recommendations to strengthen legal certainty and protection for MSMEs engaged in cross-border electronic commerce.

II. Literature Review and Hypothesis Development

2.1 The Concept of Cross-Border Electronic Business Contracts

Advances in information technology have brought significant changes to international trade practices, particularly through the use of electronic contracts in cross-border business transactions. Electronic contracts are agreements made through electronic systems and have the same legal force as conventional contracts as long as they meet the requirements for a valid agreement as stipulated in Article 1320 of the Civil Code. According to Kusumadara (2013), modern legal developments indicate that contracts no longer need to be physically executed, as legal systems in various countries have recognized the validity of electronic contracts and electronic signatures as legally binding instruments. An agreement entered into by parties through an electronic system is an electronic contract, which is also valid evidence in the eyes of the law and complies with applicable laws and regulations in Indonesia (Darmayanti & Ginting, 2025).

In the context of international trade, cross-border business contracts have special characteristics because they involve parties located in different legal jurisdictions. Simandalahi et al. (2024) explain that cross-border transactions are trade activities involving legal entities from two or more countries, whether conducted directly or through electronic media. This situation creates legal complexities related to the choice of law and choice of forum in the event of a dispute. The existence of electronic contracts in Indonesia has been legitimized through Law Number 1 of 2024 concerning Electronic Information and Transactions (ITE Law). Article 5 of the ITE Law stipulates that electronic information and electronic documents, including their printouts, constitute valid legal evidence. Therefore, electronic contracts have the same evidentiary force as conventional documents in dispute resolution processes. These legal developments establish the normative foundation for cross-border electronic business contracts. Nevertheless, legal recognition of electronic contracts alone does not guarantee effective legal protection when contractual obligations are breached across different jurisdictions. Consequently, understanding the concept of contractual default becomes essential in explaining why disputes frequently arise in cross-border electronic commerce involving MSMEs.

2.2 Default in Electronic Business Contracts

In contractual relationships, violations of the terms of an agreement can give rise to legal disputes in the form of default. Yahman (2016) explains that default occurs when one party fails to fulfill its agreed obligations, either through failure to perform at all, late performance, or performance that does not comply with the agreement. In cross-border electronic business contracts, the potential for default becomes more complex due to differences in jurisdictions, legal systems, and limitations in cross-border law enforcement mechanisms. According to Parera (2022), default in commercial contracts can result in significant economic losses, necessitating a dispute resolution mechanism that is effective, expeditious, and provides legal certainty for the parties. In the context of MSMEs, the risk of default is often difficult to resolve through conventional litigation mechanisms due to limited costs, time, and access to legal assistance. Therefore, a dispute resolution model that is more adaptive to the needs of small business actors in international digital transactions is needed. Accordingly, resolving contractual default in cross-border electronic commerce requires dispute resolution mechanisms capable of addressing jurisdictional complexity while remaining accessible, efficient, and affordable for MSMEs engaged in international digital business activities.

2.3 Dispute Resolution in Cross-Border Business Contracts

In general, dispute resolution can be conducted through litigation or non-litigation. Litigation is the resolution of disputes through the courts, while non-litigation is conducted outside the courts through

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arbitration, mediation, negotiation, or conciliation. In international business transactions, non-litigation mechanisms are often chosen because they are considered more flexible and efficient. Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution provides the legal basis for out-of-court dispute resolution. Article 4 paragraph (3) of the law recognizes the use of electronic communication means such as electronic mail (e-mail) in arbitration agreements. This provision demonstrates that Indonesian law has opened up space for digital technology-based dispute resolution. Choice of law and choice of forum clauses play a crucial role in international business contracts. Anindya and Tri (2025) explain that these clauses provide certainty regarding the applicable law and the forum authorized to resolve disputes, thereby minimizing jurisdictional conflicts between countries. Although Indonesian law recognizes both litigation and alternative dispute resolution mechanisms, the rapid expansion of cross-border electronic commerce requires dispute resolution procedures that are more technology-oriented, efficient, and capable of overcoming geographical and jurisdictional barriers. This development has encouraged the emergence of Online Dispute Resolution (ODR) as a more adaptive mechanism for resolving disputes arising from international electronic business transactions.

2.4 Online Dispute Resolution (ODR)

Online Dispute Resolution (ODR) has transformed the way disputes are resolved by utilizing digital technologies to manage conflict resolution through online platforms. Unlike conventional Alternative Dispute Resolution (ADR), which generally depends on direct, face-to-face interactions, ODR enables parties to resolve disputes remotely without being limited by geographical distance or time. ODR includes various dispute resolution methods, such as online negotiation, mediation, and arbitration, all of which are adapted to digital environments (Rayón Ballesteros & González Ávila, 2024). Previous studies consistently demonstrate that Online Dispute Resolution (ODR) provides significant advantages for resolving disputes arising from cross-border electronic commerce. Karen Alboukrek (2003) emphasizes the efficiency and affordability of ODR for low-value international e-commerce disputes, while Made et al. (2023) highlight its ability to improve accessibility and procedural efficiency through digital technology. Similarly, Dian Hanida (2023) explains that ODR has been widely adopted in several international jurisdictions to facilitate cross-border commercial dispute resolution. These studies generally focus on the operational and technological benefits of ODR. In contrast, the present study extends the existing literature by examining ODR from the perspective of Indonesia's formal legal framework, particularly its adequacy in protecting MSMEs engaged in cross-border electronic business transactions. Accordingly, this research contributes by identifying the remaining regulatory and institutional gaps that continue to limit the effective implementation of ODR in Indonesia.

III. Research Method

This methodological framework is adopted because the primary objective of this study is to examine the adequacy of Indonesia's formal legal framework governing cross-border electronic business contract disputes provides the doctrinal foundation for analyzing legal norms through statutory and conceptual approaches (Muhaimin, 2020), while (Qamar & Rezah, 2020) advocate the integration of empirical data as contextual confirmation to evaluate how legal norms operate in practice. Thus, empirical interviews are not intended to replace normative legal analysis but rather to strengthen the contextual understanding of the legal challenges faced by MSMEs in cross-border e-commerce. Rather than evaluating legal norms in isolation, this research contextualizes the legal regulatory framework with the practical realities and legal vulnerabilities faced by Micro, Small, and Medium Enterprises (MSMEs) in the cross-border digital economy. To provide a structured and rigorous analysis, this research architecture is structured hierarchically through the following specific approaches:

Statutory Approach: Used to critically examine the consistency, sovereignty, and limits of the implementation of formal Indonesian law, particularly Law Number 1 of 2024 concerning Electronic

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Information and Transactions (UU ITE) and Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution.

Conceptual Approach: Applied to deconstruct and adapt traditional legal doctrines such as breach of contract under the Civil Code (KUHPerdata) to the framework of electronic contracts and cross-border digital commerce. One of the logistical functions of a conceptual approach is to present a picture and certain attributes regarding objects that are considered important, both from a practical and knowledge perspective (Efendi & Ibrahim, 2018). Comparative Legal Approach: Utilized to evaluate how advanced jurisdictions and international arbitration institutions specifically the European Union (EU) ODR framework and the China International Economic and Trade Arbitration Commission (CIETAC) have structured online dispute resolution mechanisms, serving as a benchmark for addressing regulatory gaps in Indonesia. These three approaches are applied in an integrated manner to address the research objectives. The statutory approach establishes the formal legal framework governing electronic contracts and dispute resolution in Indonesia. The conceptual approach provides the legal interpretation necessary to assess the application of contract law principles within cross-border electronic commerce. Meanwhile, the comparative legal approach examines international ODR practices to identify regulatory gaps and formulate recommendations for strengthening the legal protection of MSMEs. The integration of these approaches enables a comprehensive analysis of the adequacy of Indonesia's formal legal framework in responding to cross-border electronic business disputes.

To maintain methodological precision in normative legal research supported by an empirical context, this study categorizes research sources into two main groups: legal materials and supporting empirical data.

3.1. Legal Materials

Legal materials, as the primary source, were obtained through a comprehensive literature review of various authoritative legal sources. Primary legal materials include the Civil Code (KUHPerdata), Law Number 1 of 2024 concerning Amendments to the Electronic Information and Transactions Law, and Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution. In addition, this study also utilized secondary legal materials in the form of journal articles, academic law books, and the doctrines and opinions of legal experts discussing Online Dispute Resolution (ODR) and cross-border commercial dispute resolution. Tertiary legal materials include legal dictionaries, legal encyclopedias, and various other supporting references used to provide conceptual understanding and definitions of technical and jurisdictionally specific legal terms.

a. Data Collection Techniques

Sugiyono emphasized that data collection is the most important step in research, because the entire research process aims to obtain data (N. Solikhin, 2021). The data collection techniques in this study were conducted through:

1) Library Research

The literature study was conducted by reviewing various laws and regulations, books, scientific journals, and previous research findings related to cross-border e-commerce contracts and electronic dispute resolution.

2) Interviews

In-depth semi-structured interviews were conducted using a purposive sampling technique. The informant was selected based on predetermined criteria to ensure the relevance and credibility of the empirical data. The selection criteria included: (1) ownership or management of an MSME operating under the Cut-Make-Trim (CMT) garment production model; (2) direct involvement in cross-border electronic business transactions with foreign business partners; (3) practical experience in negotiating, implementing, or resolving issues arising from international electronic contracts; and (4) sufficient knowledge of the legal and

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operational challenges encountered in cross-border e-commerce activities. These criteria ensured that the informant possessed firsthand experience relevant to the objectives of this research.

3) Field Data

The empirical component involved one owner of an MSME operating under the Cut-Make-Trim (CMT) garment production model in Jakarta, Indonesia. The informant was selected purposively because of direct experience in conducting cross-border electronic business transactions. A semi-structured interview was conducted via Google Meet and lasted approximately 60 minutes. With the informant's consent, the interview responses were documented through written notes and audio recording, which were subsequently transcribed to support the qualitative analysis.

b. Data Analysis Techniques

Legal materials were analyzed through statutory interpretation, doctrinal analysis, and comparative legal analysis to examine the adequacy of Indonesia's legal framework governing cross-border electronic business contracts and Online Dispute Resolution (ODR). Interview data were analyzed using a thematic qualitative approach. The interview responses were first reviewed and organized according to the research objectives, followed by the identification of recurring legal and practical issues, including contractual disputes, legal protection, access to dispute resolution, and regulatory challenges. These issues were subsequently grouped into thematic categories and interpreted in conjunction with the applicable legal norms. Rather than serving as independent empirical findings, the interview data were used as contextual evidence to rather than serving as independent empirical findings, the interview themes were used to support and contextualize the normative legal analysis by illustrating how the existing legal framework operates in practice. The empirical findings were interpreted alongside statutory provisions and legal doctrines to confirm the practical relevance of the legal analysis and identify regulatory limitations affecting MSMEs engaged in cross-border electronic commerce. To ensure the credibility and consistency of the findings, the empirical interview data were not treated as independent evidence but were used as contextual confirmation of the normative legal analysis. The interview findings were systematically compared with statutory provisions, legal doctrines, and relevant scholarly literature to verify their consistency with the applicable legal framework. The interpretation of empirical data was conducted alongside statutory interpretation and comparative legal analysis to maintain analytical consistency and enhance the reliability of the study's conclusions.

IV. Result and Discussion

In electronic-based international trade practices, contractual relationships between parties are often conducted without physical meetings and utilize digital technology. Advances in information technology have driven significant changes in contractual practices in international trade. Agreements or contracts previously made through physical documents can now be executed electronically using various digital communication tools such as email, bold communication platforms, and internet-based trading systems. Electronic contracts are frequently used in cross-border business transactions. Electronic cross-border business contracts are agreements made between parties located in different countries using electronic means as the transaction medium. The existence of electronic contracts in cross-border business activities provides various conveniences for business actors, particularly Micro, Small, and Medium Enterprises (MSMEs). Through digital technology, MSMEs can market their products widely, even to international markets, without requiring a large distribution network.

This research found that Indonesian law essentially recognizes the validity of electronic contracts through Law Number 1 of 2024 concerning Electronic Information and Transactions (ITE Law). However, these regulations still focus on formal recognition of electronic documents and do not specifically provide protection procedures for MSMEs in the settlement of cross-border e-business contracts. This situation means that MSMEs still face legal threats when involving foreign parties and fraudsters. Based on an analysis of Article

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1320 of the Civil Code, this study found that cross-border electronic contracts, in principle, still meet the requirements for a valid agreement as long as there is agreement, capacity, a specific object, and a lawful cause. However, in the practice of international electronic transactions, the absence of an agreement often creates problems because contracts are concluded without physical meetings and generally use standard digital contracts drafted unilaterally by business actors who have a stronger bargaining position than MSMEs.

Online Dispute Resolution (ODR) is essentially a development of the Alternative Dispute Resolution (ADR) mechanism, with the main difference being the use of electronic media or online tools in its implementation. ODR can be understood as a dispute resolution method that utilizes advances in information technology. According to Karen Alboukrek (2003), disputes arising from international e-commerce transactions, particularly those involving relatively low transaction values, can be resolved through Online Dispute Resolution (ODR). This mechanism offers consumers a practical, affordable, and efficient solution while reducing their reliance on legal proceedings in foreign jurisdictions. Although ODR is conceptually similar to Alternative Dispute Settlement (ADS) in conventional dispute resolution, it utilizes the internet as the primary medium for settlement. In the context of electronic arbitration, all stages of the process from case registration, arbitrator selection, document submission, and arbitral deliberation to the issuance of the award and notification of the decision are conducted online through internet networks (Yonata, 2025).

An agreement can also be called an agreement, meaning that the parties have reached an agreement on a particular matter. This term is removed from the word "consensus," which means agreement. Essentially, the principle of consensualism is an agreement and obligation that arises from the conclusion of the agreement. The definition of "a certain thing" as referred to in Article 1320 of the Civil Code refers to the requirement that the agreement must have a clear, specific, and definable object. An agreement must clearly state the type of agreement being agreed upon, such as an employment agreement, a sale and purchase agreement, a lease, or a loan, to avoid any uncertainty regarding its legal nature. Furthermore, the object or subject matter of the agreement must also be clearly formulated to ensure the rights and obligations of the parties. Therefore, an agreement or contract is considered valid if the parties have agreed to the essential terms, without requiring any specific formalities.

This research identifies that disputes in cross-border e-commerce transactions experienced by MSMEs are generally more accurately classified as breaches of contract rather than unlawful acts. This is because the legal relationship between the parties arises from an electronic contract that explicitly regulates their respective rights and obligations. In practice, the most common forms of breaches include late payments, unilateral order cancellations, rejection of products after delivery, and failure to fulfill payment obligations by foreign buyers. Thus, if a violation of the agreed-upon provisions of a contract occurs, the violation is more accurately classified as a breach of contract, namely, the failure to fulfill the agreed-upon performance, either through failure to perform at all, late performance, or performance that does not meet the agreed-upon standards. This approach aligns with civil law doctrine, which places breach of contract as the basis for liability when the relationship between the parties arises from an agreement.

According to Marthalena Pohan, breach of contract can occur in several forms: when there is no performance at all, when performance is performed but not according to the agreed-upon time or is delayed, and when performance is performed but does not meet the provisions or does not meet the agreed-upon standards (niet behoorlijk presteren) (Yahman, 2016). The term "wanprestsi" comes from the Dutch language, meaning "poor performance." Other terms include failure to fulfill obligations, breach of promise, and broken promises (Parera, 2022). In the context of electronically resolving cross-border business contract disputes for Micro, Small, and Medium Enterprises (MSMEs), Indonesian legal regulations prioritize contract clauses as the primary instrument in determining the dispute resolution mechanism. This is reflected in Article 31 paragraph (2) letter n and Article 32 paragraph (2) letter m of the Financial Services Authority Regulation (POJK), which requires every electronic contract or electronic document to explicitly contain a dispute resolution mechanism.

This study also found that the need for an ODR mechanism is more pressing for MSMEs than for large companies. This is because MSMEs generally have limited legal resources, financial capacity, and access to

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international legal assistance. Furthermore, the high cost of cross-border litigation and the complexity of international jurisdictions cause most MSMEs to choose not to pursue dispute resolution even if they experience losses in international electronic transactions. According to Satjipto Rahardjo, law must return to its fundamental principle that law is created for human beings. Therefore, humans become the central orientation, while law functions to serve and realize social welfare. In this context, progressive law emphasizes justice and public interest, so that legal mechanisms should not merely focus on procedural formalities but also on providing effective and accessible dispute resolution for MSMEs engaged in cross-border electronic commerce (Siregar, 2024).

These provisions indicate that the parties must agree from the outset on a dispute resolution forum, either through litigation or non-litigation channels such as arbitration or alternative dispute resolution. In the context of cross-border transactions, the existence of this clause is crucial because it relates to determining the choice of law and choice of forum, thereby minimizing potential jurisdictional conflicts. This study found that the existence of choice of law and choice of forum clauses plays a crucial role in providing legal certainty for MSMEs in cross-border electronic transactions. However, most MSMEs lack an adequate understanding of the legal implications of these clauses, often leaving them in a weaker position when disputes must be resolved under foreign law or dispute resolution forums outside Indonesia. Similarly, the choice of forum clause serves to explicitly determine the institution or venue for dispute resolution agreed upon by the parties. This is crucial to minimize procedural differences and inconsistencies between legal systems in various countries. Thus, the existence of these two clauses not only provides legal certainty but also increases the effectiveness and efficiency of resolving international contract disputes (Anindya & Tri, 2025).

Furthermore, from the aspect of proof and legal recognition, the validity of electronic contracts in dispute resolution is supported by Law Number 1 of 2024 concerning the second amendment to Law Number 11 of 2008 concerning Electronic Information and Transactions (ITE Law). Article 5 of the law confirms that electronic information and/or electronic documents and their printouts constitute valid legal evidence. This provides legal certainty that electronic contracts used by MSMEs, including in cross-border transactions, have the same evidentiary force as conventional written documents. Strengthening the validity of this clause can also be linked to the provisions of Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution, particularly in Article 4 paragraph (3), which in principle recognizes that arbitration agreements can be made in the form of an exchange of documents, including through electronic communication means. This provision indicates that the parties' agreement regarding the dispute resolution forum, including in the form of an arbitration clause in an electronic contract, still has valid and binding legal force. Thus, in the context of digital-based cross-border business contracts, choice-of-forum clauses designating arbitration can be enforced even if agreed electronically. Arbitration is generally viewed as a primary form of alternative dispute resolution, particularly given its judicial character, relatively flexible requirements and procedures, the binding nature of its decisions, and the ease of enforcement, supported by the court's role in the enforcement phase. These advantages make arbitration an effective mechanism for resolving disputes, particularly in commercial and cross-border legal relationships.

In line with advances in information technology, the emergence of disputes stemming from electronic transactions demands a resolution mechanism that can also be conducted digitally. Therefore, non-litigation dispute resolution has evolved toward the use of online media, allowing the resolution process to be conducted without the physical presence of the parties. This mechanism offers various advantages, including time and cost efficiency, as well as ease of access for parties located in different jurisdictions or regions. This online dispute resolution practice is known as Online Dispute Resolution (ODR), which is a modern adaptation of alternative dispute resolution in the digital era. This study found that Online Dispute Resolution (ODR) is the most relevant mechanism for MSMEs to implement in resolving cross-border e-commerce contract disputes. This is because ODR is able to overcome various major obstacles faced by MSMEs, such as the high cost of international litigation, limited access to foreign courts, and geographical constraints in resolving cross-border disputes. Compared with conventional litigation, ODR offers several procedural advantages that are particularly relevant for MSMEs engaged in cross-border electronic commerce.

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Conventional court proceedings generally require higher litigation costs, longer procedural timelines, physical attendance, and involve jurisdictional complexities when disputes arise between parties located in different countries. In contrast, ODR enables electronic submission of documents, remote participation, digital communication, and more flexible procedures. These characteristics reduce procedural burdens and improve access to dispute resolution for MSMEs with limited financial and legal resources. Therefore, this study considers ODR more appropriate for resolving cross-border electronic business disputes involving MSMEs rather than suggesting that it is universally superior to all conventional dispute resolution mechanisms. Online Dispute Resolution (ODR) is essentially a development of the Alternative Dispute Resolution (ADR) mechanism, with the main difference being the use of electronic media or online tools in its implementation. ODR can be understood as a dispute resolution method that utilizes advances in information technology to facilitate the dispute resolution process between disputing parties (Made dkk., 2023). Although not yet widely developed in Indonesia, Online Dispute Resolution (ODR) has been implemented in various countries and international institutions, such as the European Union (EU), the American Arbitration Association (AAA), and the China International Economic and Trade Arbitration Commission (CIETAC). The application of ODR is generally aimed at resolving disputes arising from cross-border electronic transactions(Dian Hanida, 2023).

Compared with these jurisdictions, Indonesia has recognized electronic documents and electronic communications through the ITE Law and Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution. However, Indonesia has not yet established a comprehensive legal and institutional framework specifically regulating ODR for cross-border electronic commerce disputes. Consequently, procedural standards, institutional authority, and the legal enforceability of ODR outcomes remain uncertain. This comparison demonstrates that, while Indonesia possesses a normative legal foundation, further regulatory and institutional reforms are required to achieve a level of implementation comparable to international best practices. These findings indicate that adopting ODR in Indonesia requires more than the formal recognition of electronic communications. It also necessitates the establishment of comprehensive procedural rules governing online hearings, standards for electronic evidence, institutional authority, and the recognition and enforcement of ODR outcomes. Such reforms would strengthen legal certainty, harmonize the ITE Law with Law Number 30 of 1999, and support the modernization of Indonesia's commercial dispute resolution system.

According to Van Den Heuvel, Online Dispute Resolution (ODR) encompasses several mechanisms, including online settlement, online arbitration, online consumer complaint resolution, and online mediation. Although each mechanism differs in its procedures and scope of application, they share the common objective of resolving disputes through digital communication technologies without requiring the physical presence of the parties. Online settlement is commonly used for financial disputes, online arbitration is suitable for contractual and business-to-business (B2B) disputes, online consumer complaint resolution facilitates the handling of consumer claims through electronic platforms, while online mediation enables disputing parties in different jurisdictions to reach mutually acceptable solutions with the assistance of a neutral mediator. These mechanisms demonstrate that ODR extends the principles of Alternative Dispute Resolution (ADR) by utilizing digital technologies to provide more efficient, flexible, and accessible dispute resolution, particularly for cross-border electronic commerce involving MSMEs. In its implementation, ODR is supported by various technologies, such as email, feedback systems, video conferencing applications (e.g., Zoom or Google Meet), chat features, and the use of artificial intelligence, all of which serve to increase the effectiveness and efficiency of the online dispute resolution process (Solikhin, 2023).

This research shows that Indonesia already has a legal basis that can support the implementation of ODR through the Electronic Information and Transactions Law (ITE) and the Arbitration and Alternative Dispute Resolution Law. However, these regulations are still general in nature and do not specifically regulate ODR mechanisms for cross-border e-commerce disputes. As a result, the implementation of ODR in Indonesia still faces legal uncertainty, particularly regarding the validity of procedures, the authority of online dispute resolution institutions, and the enforcement of decisions across jurisdictions. From a legal perspective, these regulatory limitations create uncertainty regarding the legal status of online proceedings, the authority of

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institutions administering ODR, and the enforceability of ODR decisions involving foreign parties. Consequently, MSMEs remain exposed to legal risks despite the availability of electronic dispute resolution technologies.

Conventional alternative dispute resolution mechanisms generally involve only three parties: the disputing parties and a neutral third party, such as a mediator or arbitrator. In contrast, the Online Dispute Resolution (ODR) method includes the additional element of using information technology as a fourth party. Thus, ODR involves the disputing parties, a neutral third party, and technology as a supporting instrument in the dispute resolution process. The presence of a fourth party in the ODR system enables the process of organizing dispute resolution and managing information to be more effective and efficient. This role includes categorizing dispute types before conducting online interaction sessions, such as through video conferencing, and assisting with the verification and identification of the parties involved through online meetings. Thus, technology serves not only as a tool but also as an active contributing element in improving the quality of the dispute resolution process(Sari dkk., 2022). Based on the analysis, the effectiveness of ODR for MSMEs lies not only in its time and cost efficiency, but also in its ability to provide simpler and more flexible access to cross-border dispute resolution compared to conventional litigation mechanisms. However, this study also found that Indonesia still faces regulatory weaknesses related to the procedures for implementing, recognizing, and executing ODR-based dispute resolution outcomes, particularly for disputes involving international jurisdictions. Second, from an efficiency perspective, ODR has been proven to simplify various stages that in conventional practice tend to be time-consuming and resource-intensive. The entire process, from document submission and evidence exchange to legal argumentation, can be conducted electronically through an integrated system. This avoids lengthy bureaucratic processes and allows parties to focus on resolving the underlying dispute quickly and accurately. This reflects the optimization of the use of available time and resources.

Third, in terms of funding, ODR offers a more economical alternative to dispute resolution compared to litigation or face-to-face meetings. Parties are no longer burdened with additional expenses such as travel, accommodation, or other administrative costs typically incurred in conventional processes. Furthermore, the relatively shorter resolution timeframe contributes to reduced total costs, making ODR a more cost-effective dispute resolution mechanism, particularly for MSMEs. Fourth, ODR also facilitates overcoming geographical constraints, particularly in disputes involving parties from different jurisdictions. By utilizing an online-based system, the entire process can be carried out without the need for physical presence in a specific location. This effectively eliminates territorial boundaries that previously hindered cross-border dispute resolution and expands access to justice for parties across regions (cross-border dispute resolution without territorial constraints). Fifth, in terms of speed of resolution, ODR offers advantages in terms of time flexibility and simplified procedures. The absence of reliance on a physical court schedule allows the process to be more dynamic and adaptable to the parties availability. Thus, dispute resolution can be achieved in a shorter time without reducing the quality of the examination, so that legal certainty can be obtained more quickly (expedited dispute resolution process).

From a practical perspective, the adoption of ODR may substantially improve access to justice for MSMEs by reducing litigation expenses, minimizing procedural delays, and eliminating geographical barriers that frequently discourage cross-border dispute resolution. Nevertheless, its effectiveness depends on adequate digital infrastructure, institutional readiness, cybersecurity safeguards, and the digital legal literacy of MSME actors. Therefore, successful implementation requires not only technological innovation but also coordinated legal and institutional reform. The findings of this study demonstrate that adopting ODR should be viewed as part of Indonesia's broader legal reform agenda rather than merely as the digitalization of existing dispute resolution mechanisms. Future legal development should focus on establishing comprehensive regulations governing procedural standards, accreditation of ODR providers, recognition of electronic proceedings, and cross-border enforcement of ODR outcomes. Such reforms would strengthen legal certainty, improve investor confidence, and enhance legal protection for MSMEs participating in international electronic commerce.

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The findings of this study support the classical principles of contract law advanced by Lawrence and Michael D. Bayles, particularly regarding the importance of legal certainty and the enforcement of contractual obligations in commercial relationships. However, this study also demonstrates that the application of these principles must evolve alongside technological developments. In the context of cross-border electronic commerce, legal certainty can no longer be achieved solely through the formal validity of electronic contracts. Effective legal protection also depends on the availability of dispute resolution mechanisms that are accessible, efficient, and capable of addressing jurisdictional complexities. Accordingly, this study extends the existing legal theories by demonstrating that Online Dispute Resolution (ODR) constitutes a practical instrument for implementing traditional principles of contract law within the contemporary digital business environment.

V. Conclusion

Based on the research results and discussion, it can be concluded that the development of cross-border e-commerce transactions has significantly transformed legal relationships in international business, particularly for MSMEs. Although digital technology has expanded global market opportunities, it has also increased legal risks arising from differences in jurisdictions, legal systems, and applicable laws. While Indonesian law recognizes the validity of electronic contracts, conventional litigation and alternative dispute resolution mechanisms remain insufficient to address the practical needs of MSMEs because they involve high costs, lengthy procedures, and jurisdictional barriers. Accordingly, Online Dispute Resolution (ODR) represents the most relevant and adaptive dispute resolution model for cross-border electronic business contracts by providing greater efficiency, flexibility, and accessibility. Nevertheless, its implementation in Indonesia remains constrained by the absence of a comprehensive legal and institutional framework. This study contributes to the development of Indonesian business law by providing a formal legal analysis of ODR as an appropriate dispute resolution model for MSMEs engaged in cross-border electronic commerce. The findings also have practical implications for policymakers by highlighting the need to strengthen regulations governing ODR procedures, institutional authority, and the recognition and enforcement of ODR outcomes. For MSMEs, the study provides legal guidance in selecting dispute resolution mechanisms that are more efficient, accessible, and responsive to the challenges of international electronic commerce. Future research should further investigate the institutional readiness, technological capacity, and comparative implementation of ODR across different jurisdictions, particularly within ASEAN, through empirical studies involving MSMEs, legal practitioners, and dispute resolution institutions.

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