Trading Digitalization: Legal Awareness in the Disruption Era

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Abstract

The digitalization of trading is developing rapidly, but legal awareness has not been well developed. Although digital trading is fairly new in the world of economics in this country, it has been able to attract the attention of many people, especially business people, to become traders. Digital trading refers to trading activities using applications on smartphones or trading software commonly called trading robots. But unfortunately, the rise of digital trading activities is not accompanied by regulations that guarantee the safety of novice traders. Together with the inhabitants of Pekalongan's ignorance of the rules and laws pertaining to trading activities on the capital market. The purpose of this study is to examine the factors that prevent Pekalongan citizens from being aware of the legal implications of digital trading and know the implications of the lack of legal awareness of the people of Pekalongan regarding digital trading. This study employs both statutory and conceptual approaches and is grounded in empirical legal research. Techniques for descriptive qualitative data analysis. The population of Pekalongan served as the sample for this study, which used a random sampling technique. The findings of this study indicate that low literacy rates and a lack of interest in commodities trade are the main causes of the lack of legal awareness among Pekalongan residents (trading). The consequences of the people of Pekalongan's lack of legal awareness with regard to digital trading are: 1) They lack legal protection in transactions involving digital trading, and 2) They are vulnerable to fraud and losses in such transactions.

Keywords: *Trading, Digitalization, Legal Awareness*

A. Introduction

The global economy is experiencing the digitalization of production, exchange, and consumption of goods and services. The internet and cross-border data flows are becoming important channels of trade as more products are traded through the web or integrate features that rely on digital connectivity.(Azmeh et al., 2020) Contrary to what occurred in Indonesia, the director of the Indonesia Stock Exchange said on December 29, 2021, there were 7.48 million investors, a 92.7 percent rise from the previous year. As of December 2020, there were 3.88 million investors in the Indonesian stock market. Compared to 2017, this number has climbed by almost 7 times. (Sidik, 2021) Unfortunately, however, flexing influencers who deceive the public by promising trading success using digital applications that do not even have a license from the Financial Services Authority (OJK) and the Commodities

Futures Trading Regulatory Agency (BAPPETI) have recently hurt digital investment. The lack of public understanding of digital trading or online trading regulations, as well as a lack of awareness of the law so that they are unable to distinguish between legal online trading and illegal trading, both in the form of trading robots and online gambling (binary options) under the guise of trading, are the main factors that novice traders fall into in illegal trading which lead to losses of up to billions of rupiah.

The phenomenon mentioned above should be of more concern to the government, especially in preparing regulations regarding the use of digital trading and providing supervision, including transaction patterns. As existing trade rules are in many ways ill-equipped to address the regulatory challenges posed by digitalization.(Jones & Adam, 2023) At the beginning of 2022 in Indonesia, the public was shocked by cases of illegal trading, which caused hundreds of thousands of people to become victims, with losses reaching billions of rupiah. In addition to the need for regulations to provide legal certainty, it is felt that there is a need for prevention efforts through socialization education to the community which must be carried out by various groups from elements of society; this is not only the task of the government alone, but also requires the role of culture in general.

The Pekalongan resident community has several trading communities. According to data from the Radar Pekalongan newspaper, at least 10,000 Pekalongan residents have joined in trading robot investments that do not have legality. (Junaedi, 2022) Unfortunately, however, the results of a brief survey of 64 Pekalongan residents covering Batang, Pekalongan City, Pekalongan Regency, Pemalang, Tegal City, Tegal Regency, and Brebes showed that more than 45% of Pekalongan residents did not know what digital trading meant, 67 % of residents are not aware of the legal rules governing digital trading even though they are aware of the importance of legal awareness regarding digital trading for digital trading users. Minimal legal understanding regarding digital trading leads to the extent of carrying out this research to explain why the Pekalongan resident community has a low legal awareness value and analyze the impact of the Pekalongan community's low legal awareness value.

Research on legal awareness has been around for a while. Some of them are research conducted by Anajeng Esri Edhi Mahanani, entitled "Strengthening Legal Awareness in Society Against Consumer Protection Laws Through Utilization of Information Technology." (Mahanani, 2020) and research conducted by Ahmad Sobari with the title "Information Technology and Legal Awareness in Social Media" (Sobari, 2022). However, research that examines the legal knowledge of digital trade is yet unique.

B. Methodology

The research design used in this study is qualitative descriptive research with the type of socio-legal research, namely a legal research approach that uses a social science perspective (Fuad, 2021). The process of gathering data using the interview method, specifically through interviewing the residents of

Pekalongan and observing the research object, is then examined to create the data that is the outcome of the study. The data analysis approach makes use of an interactive Miles and Huberman model. (Silalahi, 2009). This model consists of three main things: data reduction, data presentation, and conclusion/verification. In the process of this analysis, after the researcher has obtained data from the field regarding the level of legal awareness, the factors that influence legal awareness, and efforts that can be made to increase legal awareness of the people of Pekalongan, the data is then sorted between data that is relevant to research and data that is not relevant to study. Then the data is presented in narrative form, and conclusions are obtained from the research.

C. Results and Discussion
1. Existing Digital Trading Conditions in Indonesia

The digital economy in Indonesia is overgrowing through the abundance of internet users, which has reached 201.8 million people. The value of e-money transactions in Indonesia has also increased, as stated by Bank Indonesia, which reached IDR 530 trillion. In the digital financial sector, the Ministry of Trade, through the Commodity Futures Trading Supervisory Agency (BAPPEBTI), established regulation number 7 of 2020 concerning crypto assets that can be traded on the Physical Crypto Asset market and have granted permission to 229 crypto assets to be traded. Indonesia itself has been ranked first in the Southeast Asian crypto market with a capitalization value of around IDR 900 trillion with 11 million investors (Soesatyo, 2022).

The growing use of trading robots, also known as Expert Advisors (EA), which automatically aid traders in performing the duties of futures advisers (trading advisors), is another indicator of the digitization of trading. Trading robots are used to execute trades more effectively and rapidly, execute stop losses or cut losses to reduce the risk of loss, and adapt and change tactics in response to market movements. (Abouloula & Krit, 2018). Before entering and acting as participants in the digital financial market, the community has the problem of developing digital literacy and a complete understanding of digital trade. Therefore, understanding illegal trading and trading robots is becoming increasingly important, considering that robot trading applications are popular in Indonesia.(Widjaja, 2022) There are numerous fraudulent investment opportunities disguising themselves as trading robots with alluringly high profit projections, putting those who are unfamiliar with the business procedures of the trading robot and crypto asset industries in a susceptible position to fraud. (Naibaho, 2022).

The development of digitization in Futures Trading requires traders to move quickly in making transaction decisions. Digital technology can easily help the process of executing a trader's transactions. Investments in the digital trading industry can also lead to losses if no legal instruments protect them. So, the government, through the Ministry of Trade, has issued CoFTRA Regulation (PERBA) no 12 of 2022 concerning the Implementation of Information Technology-Based Advice in the Form of Expert Advisors. The purpose of

issuing this regulation is to safeguard the interests of all parties and to give those who engage in futures trading legal clarity. However, a futures advisor who has received approval from the head of BAPPEBTI and has transaction records from the previous five years as a futures advisor must support the usage of this EA. Futures Advisor Suggestions are unable to make forced suggestions. (Manggala, 2022).

Futures advisors or trading advisors guide the digital trading activities of the Pekalongan people through trader communities formed by individuals and securities companies. The securities companies that are active in fostering the trader community include Henan Putihrai Sekuritas, which collaborates with the Pekalongan region's Islamic Economic Community community. Apart from that, there are also several other communities founded by individuals where each member of the community shares information and knowledge related to digital trading.

2.   Obstacles to Legal Awareness

There are many aspects of interpreting legal awareness, for example obeying and obeying the law. The word legal awareness linguistically comes from the word "aware," which means to know and understand, and as a whole, means to know and understand the law. According to Ewick and Silbey, legal awareness refers to how people understand laws and legal institutions, namely the understandings that give meaning to people's experiences and actions. He added that legal awareness is formed in action and, therefore, it is a matter of practice to be studied empirically, which means that legal awareness is a matter of "law as behavior" and not "law as rules, norms or principles." Meanwhile, Sudikno Mertokusumo, in his book Bunga Rampai Ilmu Hukum, explains that legal awareness is knowing what we ought to or ought not to do, particularly with regard to other people. Legal knowledge includes a tolerant mindset.(Kenedi, 2015)

Several variables continue to have an impact on and even directly contribute to individuals becoming less aware of the law, less obedient to it, or both. According to Soerjono Soekanto, there are five elements that affect legal awareness: (Soekanto, 2002)

a. The legal factor itself,
b. Law enforcement factors, namely the parties that form or apply the law;
c. Facilities that support law enforcement;
d. Community factors, namely the environment in which the law applies or is applied;
e. Cultural factors, namely as a result of work, creativity, and taste, based on human initiative in social life.

In the perspective of the legal awareness indicators, which serve as the study's reference theory, it seems that three out of the four legal awareness indicators display a low and minimal (weak) level, indicating that the general degree of legal knowledge among the Pekalongan people is low. Legal knowledge and legal comprehension are two of these indicators' three

components that are connected to literacy. Since these two factors are weak, it may be deduced that a cultural factor, which is influenced by two factors, namely literacy and environmental factors are the causes of the residents of Pekalongan's lack of legal awareness.

a. **Literacy Aspect.**

Lack of literacy has an impact on the lack of legal knowledge and legal understanding. In Sudikno Mertokusumo's opinion (Mertokusumo, 2003) that there are two methods to increase public legal awareness: through action and through education. Increasing the fear of penalty, tightening the scrutiny of how well residents follow the law, and training law enforcement to set an example for the community are all ways to raise community legal awareness. Education, particularly on the legal facets of Indonesia's capital market, which serves as the legal foundation for trading transactions and online trading, is the second method for raising legal knowledge.

According to the research's findings, residents learn about trading and digital trading through social media information and television news; 133 out of 211 people are aware of these activities because of social media, and 20 are aware because of seminars, workshops, and news. Only 10 out of 211 residents get literacy related to digital trading in lectures. This data becomes input and evaluation material related to legal education carried out in lectures at tertiary institutions in Pekalongan, where literacy related to legal aspects does not seem to have had a significant impact on capital market legal knowledge for students and the general public, especially concerning trading activities using digital media in the 4.0 era as it is today.

Survey data shows that the Pekalongan population lacks a basic understanding of the law since they are unaware of the rules governing the capital market, trade, and online trading. This claim is supported by the data showing that 134 out of 211 residents admitted they were unaware of the penalties for illegal trading practices, 119 out of 211 residents gave incorrect responses regarding the criminal penalties for users of illegal trading, while 83 others stated they were ignorant of these penalties, and students who correctly understood the legal sanctions in the form of criminal penalties for users of illegal trading performed better academically.

b. **Environmental Aspects.**

The Pekalongan people's lack of interest in trading and digital trading activities is influenced by the local community and cultural norms, thus they do not feel the need to study and comprehend the legal standards linked to the capital market, trading activities, and particularly digital trading.

The findings of a survey of 211 Pekalongan residents conducted for this study show that the people of Pekalongan have little interest in trading activities, particularly digital trading, as shown by the finding that 185 out of 211 residents said they had never traded using digital media such as trading robots and trading applications. When trading is not an essential

part of the life of the people of the Pekalongan residency, the need to know and understand the regulations also becomes unimportant. However, the number of traders in the Pekalongan residency continues to increase yearly, as evidenced by the establishment of trader communities on local and national social media in the Pekalongan area and its surroundings.

Legal awareness in a digital society is shaped by people's view of the digital space and their use of digital technologies. The existing system of sources of law, including laws and by-laws, must regulate public relations, taking into account the interests of all participants. Law-making - like any other creative process of the human mind -should be guided by people's needs.(Vasily & Vladimir, 2020) The community, as the basis for growing legal awareness, must always strive to participate in upholding law and justice. Indonesia is social control, so in the process of law enforcement, norms and applicable laws and regulations in order to create and develop public legal awareness so as to create a legal culture in an orderly form and obey, it is not only the duty of law enforcement officers but also the duty of the community to deal with all forms of efforts that are detrimental to society.(Fauzia et al., 2021) However, it must be acknowledged that the Indonesian people still need a higher level of awareness. This is an implication of the low law enforcement culture. Indonesian people think that law can be interpreted as officials, officials, government, regulations, or standards of proper behavior, but it is optional to be enforced when it is difficult.

Legal understanding is essential to creating a society that upholds the law.(Buvabaevna, 2022) Obedience or legal compliance is good legal knowledge. In other words, disobedience to or disregard for the law is considered good lawlessness. As a cause and effect of knowledge and obedience or legal compliance, the statement of obedience or compliance with the law must be placed side by side. Turning the palm is easier than obeying or abiding by the law in Indonesia. There still needs to be a way to spread awareness of the law despite the numerous efforts that have been undertaken. The founding fathers and philosophers of this nation have much to work for, especially if it is noted that adherence or obedience to the law is different from other social observances. Law-related obedience is a duty that must be fulfilled, and if it isn't, there will be consequences. In contrast, social obedience or compliance is not a duty that must be fulfilled; if it is, then society's judges will be held accountable.

Similarly, compliance and legal compliance when engaging in capital market activities, including both traditional and digital trading. The community should be protected from various losses in transactions by having a strong legal awareness. In this sense, the need for Pekalongan residents to be legally aware of the legal requirements of digital commerce is not based on disobedience or breaking the law. Although they can yield large gains, such trading on the capital market, residents in the regency area are hesitant to engage in these activities due to cultural reasons. This is also

because there is a greater demand for public education on capital market investments. As a result, there needs to be more interest in trading activities, particularly digital trading, which makes it difficult to learn and comprehend the legal requirements for digital trading because the local community does not see them as being important.

3.   **Implications of the Legal System's Ignorance of Trading Digitalization**
      Even while people's lack of legal knowledge cannot be pushed or caused by drastic incidental actions, the implications or impact of it must be felt by the community, whether directly or indirectly. After learning about the level of legal knowledge in modern society, it becomes clear that the goal is to promote rather than simply enhance community legal awareness. As was previously established, while the law is a product of culture, legal knowledge is directly tied to the law. Education is the main strategy for growth and development that is both effective and efficient. The synergy of government agencies, the private sector, and other stakeholders is needed to increase public awareness increasing education/dissemination.(Marune & Hartanto, 2021) Education is a continual, intensive action rather than a "einmalig" or incidental deed. This will take a long period, particularly in the case of legal awareness education.
      People's declining legal knowledge is a sign of a larger societal change in society. One of the reasons for societal transformation, in Arnold M. Rose's opinion is contact or conflict between cultures. The large influx of tourists flowing into Indonesia has had no small effect on stimulating social changes. The influence of films, especially foreign films, as well as television, magazines, or other readings with scenes or stories that are sadistic, inhuman, or immoral, has an essential role in helping to reduce public awareness of the law.(Rose, 1964)
      The two concepts of legal culture and legal awareness are related. the legal culture is closely connected with legal awareness and even relies on it.(Kozhukhova & Zhiyenbayev, 2018) This implies that cognitive and emotional variables, which are frequently thought of as influencing factors in the relationship between law and societal patterns of human conduct, have a lot to do with legal knowledge. Legal awareness, which is viewed as a mediator between the law and human behavior, both individually and collectively, is increasingly focused on in the teachings of legal awareness. Hence, societal values are given more attention in the teaching of legal awareness. The value system will result in norms for psychological processes, such as thought patterns that influence mental attitudes in humans and mental attitudes, which are simply dispositions to behave and create patterns of behavior and regulations.
      The amount of legal awareness and the effects of legal awareness are determined by a person's attitudes and behavior patterns based on the indications of legal awareness. The absence of signs of legal knowledge and comprehension has various ramifications, implications, and impacts in respect to the people of Pekalongan. These effects can be divided into two primary

categories, namely: 1) No legal protection in transactions involving digital trading; and 2) Exposed to fraud and incurring losses when engaging in transactions involving digital trading.

a. Lack of Legal Protection

Good legal attitudes and behavior patterns cannot materialize if they are not supported by sufficient legal knowledge and comprehension, according to a set of four indisputable indications of legal awareness. As the opinion of H.L.A Hart (Hart, 1997) that the moral essence of people generally includes a propensity for good deeds. When they do awful things that hurt other people but cannot be prevented, they also frequently experience shame. Hart's statement has a correlation with the data obtained, which shows that the community basically has good character in legal behavior and attitudes. Good legal awareness has a significant influence on legal protection for the community by law enforcers through the law itself. In reality, those who break the law because they are ignorant of it hurt no one except themselves. In other words, legal ignorance or a lack of legal understanding affects society in terms of the level of legal protection that the community as a whole receives. Since the goal of forming legislation is to control and manage a nation's existence in order for those who are subject to the law to benefit from, enjoy, and be treated fairly in both the state's and society's affairs.(Indarti, 2007)

b. **Vulnerable to Losses and Fraud in Digital Trading Transactions**

Unfavourable legal behavior has an impact on legal protection that is carried out in a preventive or repressive manner. Legal awareness affects the behavior of people with the rule of law, along with them, and sometimes in spite of them.(Actoty & Muratbaevna, 2015) The indifference and indifference from the community affects the legal awareness of the community. In addition, public apathy towards law enforcement officers is also a determining factor; the public does not trust law enforcers or has negative thoughts towards law enforcement officers. Therefore, to restore the enforcement and image of the judiciary, it is necessary to reflect more deeply on the meaning of social life in a rule-of-law state. When people's trust in law enforcement officials decreases, the level of legal awareness also decreases, and even so, the general public who act as consumers or traders are the ones who are harmed by their unawareness of the legal instruments made by the government in the form of laws – in this is the Capital Market Law, to protect the interests of the public as shareholders in trading and digital trading activities.

Modern legal and conceptual aspects of the essence of legal consciousness in conjunction with legal culture, presented in the form of traditions, customs, legal customs, morality, values, ideas of justice, collectivism, respect, mutual assistance, the priority of social interests, respect for law and the state, which should be inherent to every nation.(Drozdova et al., 2019) The majority of residents of the town are aware of how important the law is and accept it as a rule that must be

followed, whether out of instinct or with consideration. This consciousness, though, is not experienced in real life or practice. People are impacted by it because traders are caught in fraud that results in material losses because there is no legal protection for them due to its relation to capital market transactions and the use of digital trading applications, public awareness of the law, and the legality of digital trading applications..

D. Conclusions

The findings of this research include:

1. Cultural characteristics, which are influenced by literacy and environmental variables, are the main causes of the Pekalongan people's lack of legal knowledge. The level of legal awareness is negatively impacted by poor literacy and the influence of a culture that disregards the law. There are two strategies to raise public legal awareness in the area of literacy: instruction and exemplary behavior. On the other hand, in terms of the environment, the government must keep up its sustainable efforts to foster a culture of legal awareness through legal socialization and a dedication to the seriousness of law enforcement officers, particularly in relation to digital commerce. Also, the government ought to keep coming up with new ideas and revising existing regulations to shield the populace from unauthorized traders online. A legal culture is not created overnight; rather, it develops through time as a result of a deeply ingrained legal mindset.

2. Whether directly or indirectly, the public is affected by the implications or effects of a lack of legal knowledge. Because laws are created and upheld for the benefit of society, a lack of legal knowledge is actually harmful to society. The negative effects of a lack of legal knowledge on digital trading operations include the following: a) no legal protection; b) vulnerability to losses and fraud in digital trading transactions.

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