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DESIGNING EQUITY CROWDFUNDING REGULATIONS FOR LEGAL CERTAINTY IN THE DIGITAL ERA

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ABSTRACT

Equity crowdfunding serves as an alternative financing mechanism for micro, small, and medium enterprises (MSMEs) in Indonesia, yet it faces challenges due to insufficient legal certainty for stakeholders. This lack of clarity hampers its growth as a viable financing option for MSMEs. This study employs normative legal research, analyzing existing legal frameworks governing equity crowdfunding through statutory, comparative, and conceptual approaches. The findings reveal three key points: First, current Indonesian regulations on equity crowdfunding fail to ensure legal certainty for involved parties, leaving gaps in protection and enforcement. Second, many countries have developed regulatory frameworks focused on investor protection, promoting transparency and legal clarity to foster crowdfunding growth. These frameworks often balance investor safeguards with market flexibility. Third, to address these shortcomings, the study proposes a co-regulation model for equity crowdfunding in Indonesia. This model emphasizes collaboration between government and private stakeholders to create adaptive, transparent regulations that enhance legal certainty. By strengthening regulatory substance and enforcement, this design aims to mitigate risks, ensure investor protection, and support the sustainable development of equity crowdfunding, aligning with the needs of Indonesia's digital economy and MSME sector.

***Keywords:** Equity Crowdfunding, Legal Certainty, Regulation*

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1. BACKGROUND

The rapid advancement of technology has significantly transformed the financial sector, giving rise to financial technology (fintech) innovations. Fintech leverages information technology to enhance financial services, offering new business models and technological advancements that improve the efficiency and accessibility of the financial industry (International Organization of Securities Commissions, 2017). Among the various fintech innovations, crowdfunding has emerged as a prominent mechanism, drawing significant attention due to its potential to revolutionize business financing. Crowdfunding is celebrated as a groundbreaking approach, enabling entrepreneurs to secure capital from a global pool of investors via internet platforms, thereby transforming ideas into viable projects or businesses (Dresner, 2014).

The emergence of crowdfunding gained momentum during the global financial crisis of 2007–2008, a period when traditional financing sources became scarce. This economic downturn highlighted the challenges businesses faced in accessing capital, and crowdfunding provided a viable solution by allowing entrepreneurs to tap into collective funding from a diverse group of individuals (Müllerleile et al., 2014). By facilitating access to financial resources, crowdfunding has not only supported the creation of new businesses but also fostered job creation and economic recovery, encouraging investment and innovation in challenging economic times.

Crowdfunding encompasses various forms, including donation-based, equity-based (Equity Crowdfunding or ECF), peer-to-peer lending, and reward-based models (Hossain & Oparaocha, 2017). These models are widely adopted in both developed and developing countries. In Indonesia, for instance, platforms like *Kitabisa.com* facilitate donation-based crowdfunding, while peer-to-peer lending has proliferated, and equity crowdfunding is gaining traction through platforms such as *Santara* and *Crowdana*. Equity crowdfunding, in particular, plays a critical role in enhancing financial inclusion by providing MSMEs with an alternative to traditional financing, which often requires collateral that many small businesses lack.

The development of equity crowdfunding in countries like South Korea illustrates its potential. Since its introduction in 2016, South Korean ECF platforms have raised USD 72 billion, involving 432 issuing companies (Cicchiello et al., 2020). In Europe, countries such as the United Kingdom, Germany, and France have implemented investor-protection-oriented regulations, fostering high investment volumes by prioritizing transparency and investor confidence. Conversely, countries like Spain and Italy adopt a restrictive approach, which, while protective, can deter investment due to excessive regulations (Cicchiello et al., 2020). These contrasting approaches highlight the importance of balancing investor protection with market accessibility to ensure the growth of the crowdfunding sector.

Globally, the rapid expansion of crowdfunding has prompted governments to develop regulatory frameworks that address the unique challenges of entrepreneurial finance. Effective regulations must promote market stability, enhance transparency, and protect investors while fostering a competitive environment conducive to crowdfunding growth (Cicchiello & Leone, 2020). In Indonesia, equity crowdfunding emerged in early 2018, initially without specific regulations. Platforms like *Santara* began operating using ECF-based tokens or coins rather than traditional shares. By late 2018, the Financial Services Authority (OJK) introduced Regulation No. 37/POJK.04/2018 on *Urun Dana* Services Through Information-Technology-Based Stock Offerings (POJK 37/2018), marking the first regulatory framework for ECF in Indonesia. This was later updated in December 2020 with Regulation No. 57/POJK.04/2020 on Securities Offerings through Information-Technology-Based *Urun Dana* Services (POJK No. 57/2020).

Under POJK No. 57/2020, three key parties are involved in *Urun Dana* services: the organizer, the issuer, and the financier. The organizer is an Indonesian legal entity responsible for providing, managing, and operating the *Urun Dana* platform. The issuer, typically a limited liability company, offers shares through the organizer, while the financier purchases these shares via the platform. As of May 2020, four OJK-licensed *Urun Dana* service providers operated in Indonesia: *Santara*, *Bizshare*, *Crowddana*, and *Landx*. *Santara*, managed by PT Santara Daya Insiparatama, was the first to receive OJK approval (Decree Number: KEP-59/D.04/2019) and had raised over IDR 45 billion for 41 issuers by May 2020. Similarly, *Bizshare* raised over IDR 26 billion for 26 issuers during the same period (Cicchiello et al., 2020).

Indonesia's economy heavily relies on MSMEs, with approximately 64 million such enterprises in 2020, of which 41 million had access to financing and banking institutions, while 23 million lacked such access. MSMEs face significant barriers to securing capital from traditional banking institutions due to collateral requirements and high interest rates, which are often burdensome. The conventional banking approach, which prioritizes collateral over project viability, limits MSMEs' ability to scale. Equity crowdfunding offers a promising solution by enabling MSMEs to access capital without collateral, leveraging digital platforms to connect with investors (Cicchiello & Leone, 2020).

The growth of *Urun Dana* services in Indonesia depends on OJK-licensed platforms to drive development and ensure investor confidence. These platforms must prioritize protection for all parties involved—organizers, issuers, and financiers. Issuers are typically Indonesian legal entities or other business entities offering securities, while financiers are individuals or entities purchasing these securities. The industry's relative novelty introduces various risks, necessitating robust protections. According to Article 66 of POJK No. 57/2020, all parties must mitigate risks, including business risks, investment losses, liquidity issues, dividend scarcity, and share ownership dilution.

Organizers play a pivotal role in the *Urun Dana* ecosystem, acting as intermediaries that connect issuers and financiers through digital platforms. They are responsible for assessing and reviewing prospective issuers to ensure compliance and quality, applying the precautionary principle to safeguard investors. Organizers must provide accurate, transparent, and up-to-date information to guide financiers' investment decisions. Failure to do so can lead to misinformation, undermining trust in the platform (Cicchiello et al., 2020).

Financiers face significant risks, including investment losses, liquidity constraints, limited dividend distributions, and share dilution. These risks can be mitigated if organizers rigorously vet issuers to ensure the securities offered are of high quality and low risk. For issuers, primarily MSMEs, the primary risk is business sustainability. MSMEs often struggle with capital limitations, management challenges, and innovation, making it difficult to maintain ongoing operations. These vulnerabilities highlight the need for enhanced regulatory frameworks to protect all parties and ensure the sustainability of the fintech industry.

Despite the regulatory progress with POJK No. 57/2020, gaps remain in providing legal certainty and protection for stakeholders. The regulation lacks detailed provisions for risk mitigation and enforcement, leaving financiers particularly vulnerable. The OJK, as the regulatory authority, must strengthen these frameworks to address these shortcomings. Robust regulations are essential to fostering trust, promoting transparency, and ensuring the long-term viability of equity crowdfunding in Indonesia.

This study aims to address these gaps by examining the design of equity crowdfunding arrangements that can guarantee legal certainty in the digital age. By analyzing current regulations, comparing international practices, and proposing a co-regulatory model, the research seeks to enhance protections for organizers, issuers, and financiers, thereby supporting the growth of Indonesia's ECF industry and its role in empowering MSMEs.

2. PROBLEM FORMULATION

Based on the outlined issues, the study addresses three key questions:

1. First, do Indonesia's equity crowdfunding regulations ensure legal certainty in the digital era?
2. Second, how have other countries developed their equity crowdfunding frameworks in the digital age?
3. Third, what regulatory design can provide legal certainty for equity crowdfunding in Indonesia, enhancing protection and trust for all parties involved? Based on the outlined issues, the study addresses three key questions:
4. First, do Indonesia's equity crowdfunding regulations ensure legal certainty in the digital era?
5. Second, how have other countries developed their equity crowdfunding frameworks in the digital age?
6. Third, what regulatory design can provide legal certainty for equity crowdfunding in Indonesia, enhancing protection and trust for all parties involved?

3. LITERATURE REVIEW

Numerous studies have explored equity crowdfunding in Indonesia, focusing on its legal framework, challenges, and implications for stakeholders. This section synthesizes key findings from prior research, highlighting their contributions and identifying gaps that this study aims to address, particularly in relation to legal certainty and regulatory design for equity crowdfunding in the digital era.

One significant study, conducted by Husna (2020), titled "Urgency of Implementing Regulatory Sandbox by Financial Services Authority as an Effort to Protect Law for Equity Crowdfunding Financiers," was published in *Journal de Jure*, Volume 12, Number 1. This research examines equity crowdfunding practices in Indonesia and compares them with regulatory sandbox approaches in other countries. Husna (2020) concludes that existing regulations fail to adequately protect financiers, exposing them to potential losses due to inadequate oversight of organizers and issuers. The study proposes the adoption of a regulatory sandbox to test the readiness of equity crowdfunding platforms before they operate fully. This trial period would assess the viability of platforms, ensuring they meet standards that safeguard financiers and enhance legal protection. By implementing such a mechanism, regulators could better evaluate the operational and legal preparedness of crowdfunding companies, reducing risks for investors.

Another relevant study by Widodo and Kharisma (2020), titled "Problematical Legal Protection of the Parties in the Transaction of *Urun Dana* Services Approved the Information-Technology-Based Stock Offering (Equity-Based Crowdfunding)," was published in the *Journal of Private Law*, Volume VIII, Number 2. This research investigates the legal protections available to parties involved in equity crowdfunding and identifies challenges faced by the Financial Services Authority (OJK) in ensuring these protections. The authors highlight three primary issues: (1) deficiencies in legal substance, noting that the Capital Market Law and Financial Services Authority Act lack detailed provisions to support POJK Number 37/POJK.04/2018, which only broadly addresses public offerings and securities trading; (2) structural issues, such as the lack of clarity in platform operators' risk mitigation strategies, which can harm financiers or issuers; and (3) cultural barriers, where public awareness of legal protections in crowdfunding remains low. Widodo and Kharisma (2020) argue that these shortcomings result in suboptimal legal protections, undermining trust and participation in equity crowdfunding.

A third study by Suriyadi (2020), titled "Legal Protection of Users of *Urun Dana* Services Through Information-Technology-Based Stock Offering," published in *The Journal of Panorama Law*, Volume 5, Number 2, evaluates the extent to which OJK regulations—specifically POJK No. 1/POJK.07/2013 on consumer protection and POJK No. 37/2018—provide safeguards for *Urun Dana* service users. Suriyadi (2020) finds that these regulations hold organizers accountable for losses caused by errors from their directors, employees, or third parties, despite the Civil Code (Article 1365) stipulating that the party at fault should bear responsibility. The study critiques the lack of specificity in assigning liability, particularly when third parties collaborating with organizers cause losses. Suriyadi (2020) recommends more detailed regulations to clarify responsibility based on fault, ensuring that financiers are not unfairly burdened by losses resulting from third-party actions.

While these studies provide valuable insights into the legal challenges of equity crowdfunding in Indonesia, they primarily focus on identifying issues and assessing the effectiveness of existing regulations, particularly POJK No. 37/2018. However, this regulation has since been replaced by POJK No. 57/2020, amended by POJK No. 16/2021, rendering some findings outdated. Previous research tends to concentrate on the operational and legal problems faced by organizers, issuers, and financiers, emphasizing the need for stronger legal protections. For instance, Husna (2020) advocates for a regulatory sandbox to enhance platform reliability, while Widodo and Kharisma (2020) highlight gaps in legal substance, structure, and public awareness. Suriyadi (2020) focuses on liability allocation, pointing out the need for clearer rules to prevent financiers from bearing undue risks.

This study distinguishes itself by going beyond problem identification to propose a comprehensive regulatory design that ensures legal certainty in the digital age. Unlike prior research, which largely analyzes the implementation of equity crowdfunding and its legal shortcomings under POJK No. 37/2018, this study incorporates the updated framework of POJK No. 57/2020 and POJK No. 16/2021. It adopts a broader perspective, examining not only the operational challenges but also the potential for a co-regulatory model that integrates government and private-sector efforts. By drawing on comparative analyses of international practices and conceptual frameworks, this research aims to address the evolving needs of Indonesia's equity crowdfunding industry, ensuring robust protections and fostering sustainable growth for all stakeholders. Numerous studies have explored equity crowdfunding in Indonesia, focusing on its legal framework, challenges, and implications for stakeholders. This section synthesizes key findings from prior research, highlighting their contributions and identifying gaps that this study aims to address, particularly in relation to legal certainty and regulatory design for equity crowdfunding in the digital era.

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4. THEORY OF LEGAL CERTAINTY

The concept of legal certainty is fundamental in any society where legal systems govern interactions, encapsulated by the Latin phrase *ubi societas, ibi ius*—where there is society, there is law. Law serves as an essential mechanism to maintain order, ensuring that societal members can anticipate how others will act under specific circumstances, thus fostering security (Wade, 1941). The primary objective of law is to establish public order that aligns with justice, encompassing two critical dimensions: legal stability and the provision of protection for all societal members. Legal justice, however, is not static; it is a dynamic concept tied to societal values at a given time. According to Wade (1941), justice in law reflects values that resonate with the prevailing public opinion, requiring clear and logical formulation to remain relevant and accepted within society.

The interplay between legal justice and legal certainty is intricate, as these two objectives are inherently interconnected. Legal certainty does not merely imply the existence of stable laws but also demands that these laws are socially acceptable and rationally justified. Aulis Aarnio and Alexander Peczenik distinguish between formal and substantive legal certainty to elaborate on this concept (Paunio, 2009). Formal legal certainty emphasizes predictability, requiring laws and judicial decisions to be clear and stable so that individuals can foresee the legal consequences of their actions and the outcomes of legal processes. Substantive legal certainty, on the other hand, goes beyond predictability to focus on the rational acceptability of legal decisions within the legal community. This dual requirement underscores that laws must not only be consistent and clear but also resonate with societal values, ensuring they are perceived as legitimate and fair (Paunio, 2009).

R. Lanneau further enriches this framework by outlining three dimensions of legal certainty (Al-Fatih & Aditya, 2019). First, legal certainty pertains to the content of the law itself, ensuring that legal provisions are clear and unambiguous. Second, it involves the transition from factual circumstances to legal outcomes, ensuring that the application of law to specific events is predictable. Third, legal certainty requires a cohesive relationship between laws, facts, and their practical implementation, ensuring that legal frameworks effectively translate into real-world outcomes. These dimensions highlight the multifaceted nature of legal certainty, which demands clarity, predictability, and practical efficacy.

However, achieving legal certainty is not without challenges, particularly when laws are interpreted or applied by individuals with varying levels of expertise. Inadequate legal standards can lead to uncertainty, as regulators may impose their own interpretations, creating ad hoc standards that may not align with legislative intent (ter Borg & Stoter, 2010). This practice can result in two significant issues: first, it generates uncertainty for those governed by the law, as they may face unforeseen standards applied retroactively; second, it undermines the legislative purpose by deviating from the intended regulatory framework. To mitigate these risks, legislative bodies must design regulations with specific characteristics that account for the needs of the affected groups, creating a “safety net” that ensures clarity and fairness (ter Borg & Stoter, 2010).

To enhance legal certainty, legislative bodies can impose obligations on supervisory authorities to establish clear policy rules detailing oversight mechanisms. These rules should be developed with public participation, allowing stakeholders to contribute their expertise and perspectives. Such an inclusive approach fosters transparency and accountability, enabling affected parties to understand and support the regulatory standards. By involving stakeholders in the rulemaking process, regulators can leverage collective knowledge, align standards with practical realities, and enhance compliance (ter Borg & Stoter, 2010). Furthermore, clear communication of these standards to the public is essential to advance legal certainty, ensuring that all parties are well-informed about their rights and obligations.

In the context of equity crowdfunding, the theory of legal certainty is particularly relevant. The digital nature of crowdfunding platforms introduces complexities that demand clear and predictable regulations to protect organizers, issuers, and financiers. The absence of robust legal frameworks can lead to uncertainties, such as unclear responsibilities or inadequate risk mitigation, which can erode trust in the system. By applying the principles of formal and substantive legal certainty, regulators can design frameworks that not only provide clear guidelines but also align with the expectations of Indonesia’s digital economy and its stakeholders. A co-regulatory approach, combining government oversight with industry self-regulation, can further enhance legal certainty by fostering collaboration and ensuring that regulations are both practical and adaptable to the evolving fintech landscape.

5. LEGAL THEORY AS A TOOL OF SOCIAL ENGINEERING

The concept of law as a tool for social engineering, pioneered by Roscoe Pound and embraced in Indonesia by scholars like Mochtar Kusumaatmadja and Satjipto Rahardjo, emphasizes the role of law in driving societal change. Referred to as the theory of development law in Indonesia, this perspective views law as a dynamic instrument that should adapt to modern societal needs rather than merely preserving existing norms (Martin, 1965). Pound's philosophy underscores the utility of law, advocating for "law in action" over "law in the books," positioning it as a mechanism to shape social behavior and achieve transformative goals (Gray, 1999).

Law, in this context, is deeply intertwined with social realities, fostering a reciprocal relationship where societal dynamics influence legal frameworks, and laws, in turn, shape societal behavior. Lawrence Stone, as cited by Shaham (1995), highlights this interplay, noting that laws are shaped by the values of the era in which they are created, often through legislators who reflect contemporary societal norms. Conversely, laws can mold public behavior, serving as a reflection of collective opinion. This bidirectional relationship manifests in two ways: bottom-up, where societal realities inform legal frameworks, and top-down, where laws impose structure on society (Ishak, 2013). The social engineering approach aligns with the top-down model, where the state uses law to direct societal development, prioritizing collective interests over individual ones.

In this framework, law is not merely a set of static rules but a proactive tool for political and social implementation, detached from traditional norms and focused on future-oriented goals. Rather than maintaining the status quo, law as social engineering seeks to drive progress by addressing emerging societal needs (Rosana, 2013). This approach is particularly relevant in the 20th century, where legal systems increasingly aimed to address modern challenges through deliberate policy interventions. By embedding social objectives within legal frameworks, laws become instruments for transformative change, aligning with the aspirations of a forward-looking society.

However, the application of law as social engineering is not without challenges. Obstacles often arise when laws fail to function as intended, whether due to enforcement issues, resistance from justice seekers, or societal misalignment (Soekanto, 2013). These challenges highlight the need for laws to be carefully designed to address specific social issues while remaining adaptable to changing contexts. In the context of equity crowdfunding, the social engineering approach is highly relevant. The rapid growth of fintech, particularly in Indonesia's digital economy, demands legal frameworks that can address emerging risks, protect stakeholders, and foster innovation. By applying the principles of social engineering, regulators can craft laws that not only mitigate risks but also promote financial inclusion and economic growth, particularly for MSMEs.

The theory of law as social engineering supports the development of a co-regulatory model for equity crowdfunding, where government and private stakeholders collaborate to create adaptive regulations. Such a model can address the unique challenges of the digital age, ensuring that laws are responsive to technological advancements and societal needs. By prioritizing stakeholder protection and market stability, this approach aligns with the broader goal of using law to drive sustainable economic development and social progress.

6. REGULATION AND THE INTERNET

The globalization of economic activities has catalyzed the globalization of legal frameworks, a process significantly accelerated by the widespread adoption of information technology, particularly the Internet. This technological advancement has reshaped human interactions—whether individual, organizational, or governmental—introducing novel legal phenomena and characteristics. The Internet enables legal relationships to transcend physical and territorial boundaries, allowing transactions to occur instantaneously across jurisdictions, thus presenting new regulatory challenges (Lucchi, n.d.).

These challenges stem from the Internet's unique nature as a global, multi-layered communication platform where information and communication technologies converge. Lawrence Lessig's seminal work, *Code and Other Laws of Cyberspace* (1999), conceptualizes Internet regulation as a domain governed by a combination of corporate-driven technological code, software logic, and legal frameworks. The code—comprising programming and protocols—serves as the foundational regulatory unit, controlling functions such as protecting users from harmful content or standardizing technologies like HTML and peer-to-peer file-sharing systems (Eko, 2013). This technological infrastructure, designed by hardware and software creators, embeds specific values and ethics, shaping user behavior on a global scale. Regulators worldwide leverage these technological solutions to address issues like cybercrime, network security, privacy, and intellectual property protection.

Beyond code, ethical considerations, such as netiquette, play a crucial role in Internet governance. Netiquette refers to the informal ethical and moral guidelines that encourage respectful and responsible online behavior, fostering a safe and harmonious digital environment (Fahrimal, 2018). These unwritten rules complement formal regulations by promoting a culture of accountability among Internet users.

Market dynamics also contribute to Internet regulation. Digital service reviews and user feedback influence service providers to maintain high standards, as poor performance can damage reputations and competitiveness. This market-driven accountability encourages providers to prioritize user satisfaction and security, reducing the risk of misuse that could harm consumers.

Despite these mechanisms, effective Internet regulation heavily relies on government-enacted laws. Since the 1990s, when the Internet became a global communication medium, countries have introduced legislation to govern various aspects of online activity, from infrastructure to social media platforms like Facebook and Twitter (Eko, 2013). These laws aim to bring digital activities within national legal jurisdictions, addressing issues such as data protection, cybersecurity, and online transactions. However, government regulation is not the sole approach. Self-regulation, where Internet users and service providers establish their own rules—such as terms and conditions agreed upon by platform users—has emerged as a complementary strategy.

This form of governance allows for flexibility and rapid adaptation to the fast-evolving digital landscape.

In the context of equity crowdfunding, Internet regulation is critical due to the digital nature of crowdfunding platforms. These platforms operate across borders, necessitating clear and adaptable legal frameworks to protect organizers, issuers, and financiers. The Internet's extraterritorial reach complicates enforcement, as transactions may involve parties in different jurisdictions with varying legal standards. Robust regulations must address risks such as fraud, data breaches, and misinformation, ensuring transparency and accountability. For instance, regulations should mandate that platform operators provide accurate issuer information and implement risk mitigation strategies to safeguard financiers.

The interplay of code, netiquette, market forces, and formal laws creates a complex regulatory ecosystem for the Internet. In Indonesia, where equity crowdfunding is regulated under Financial Services Authority (OJK) frameworks like POJK No. 57/2020 and POJK No. 16/2021, aligning these regulations with the Internet's global and dynamic nature is essential. A co-regulatory approach, combining government oversight with industry self-regulation, can enhance legal certainty by fostering collaboration between regulators and private stakeholders. This model ensures that regulations remain responsive to technological advancements and market needs, supporting the sustainable growth of equity crowdfunding while protecting all parties involved.

7. METHOD

This study employs normative legal research, focusing on analyzing legal provisions related to equity crowdfunding as a regulatory framework (Abdurrahman, 2009). It utilizes secondary data and deductive reasoning to examine the subject matter. The research adopts three approaches: statutory, conceptual, and comparative, to provide a comprehensive analysis. Data analysis involves qualitative descriptive methods, including collecting, classifying, and editing legal materials to ensure clarity, logical coherence, and effectiveness in presentation (Asikin, 2006). The process entails organizing data systematically, presenting findings in narrative form, and drawing precise conclusions to address the research questions effectively.

8. INDONESIA'S EQUITY CROWDFUNDING FRAMEWORK AND ITS ASSURANCE OF LEGAL CERTAINTY IN THE DIGITAL ERA

The term "crowdfunding" originates from "crowdsourcing," which refers to outsourcing tasks to a broad online community to leverage their collective resources, knowledge, or expertise. In contrast, crowdfunding, as conceptualized by Hemer (2011), is specifically designed to raise funds for diverse purposes, such as project completion, humanitarian initiatives, or business development (Josua et al., 2019). Unlike traditional financing methods, crowdfunding offers an alternative by enabling individuals, businesses, or groups to secure funding through small or large contributions from a wide pool of investors, primarily via digital platforms. This approach democratizes access to capital, making it particularly appealing for micro, small, and medium enterprises (MSMEs) that often struggle with conventional financing barriers.

Crowdfunding is categorized into four main types: donation-based, reward-based, lending-based, and equity-based crowdfunding (Gabison, 2015). Equity-based crowdfunding (ECF), or *Urun Dana* in Indonesia, has garnered significant regulatory attention globally due to its involvement in selling company shares to the public, akin to capital market activities. This has prompted many countries to develop tailored regulations. For example, the United Kingdom introduced ECF regulations in March 2014 (Financial Conduct Authority Policy Statement, n.d.), while the United States enacted the JOBS Act in 2012 to govern crowdfunding (De Moor & Kim, 2016). These frameworks aim to balance investor protection with market accessibility, ensuring legal certainty and fostering industry growth.

In Indonesia, the equity crowdfunding industry began to take shape with the issuance of Financial Services Authority (OJK) Regulation No. 37/POJK.04/2018 on *Urun Dana* Services Through Information-Technology-Based Stock Offerings (POJK 37/2018). This regulation marked the initial legal framework for ECF, identifying three primary stakeholders: organizers, issuers, and financiers. Organizers are Indonesian legal entities that manage and operate *Urun Dana* platforms. Issuers, typically limited liability companies, offer shares through these platforms, while financiers purchase the shares. However, POJK 37/2018 was deemed insufficient to fully support the evolving needs of the ECF industry, particularly for MSMEs and startups with diverse legal structures (Hartanto, 2020).

To address these limitations, OJK issued Regulation No. 57/POJK.04/2020 on Securities Offerings through Information-Technology-Based *Urun Dana* Services (POJK 57/2020) in December 2020, which replaced POJK 37/2018. This updated regulation expanded the scope of securities offered beyond shares to include debt instruments, bonds, and other derivatives, thereby accommodating a broader range of issuers and investment opportunities. In 2021, OJK further refined this framework with Regulation No. 16/POJK.04/2021, amending specific provisions of POJK 57/2020 to harmonize licensing requirements and address discrepancies in electronic system regulations (Hartanto, 2020). These amendments aimed to enhance operational clarity and regulatory alignment, particularly regarding private scope electronic system registration with the Ministry of Communication and Informatics.

POJK 57/2020, as amended by POJK 16/2021, comprehensively regulates *Urun Dana* services, covering general provisions, organizer requirements, service operations, user agreements, risk mitigation, customer education, and administrative sanctions. Despite these advancements, the extent to which these regulations provide legal certainty for organizers, issuers, and financiers remains a critical question. Legal certainty, encompassing both formal predictability and substantive acceptability, is essential to ensure trust and stability in the ECF ecosystem (Paunio, 2009).

Stakeholders in *Urun Dana* Services

1. **Issuers** Issuers are Indonesian legal entities, primarily limited liability companies, that offer securities through *Urun Dana* platforms. Only limited liability companies can issue shares under Indonesian law, and issuers must not qualify as public companies under Law No. 8 of 1995 on Capital Markets, which applies to entities with more than 300 shareholders or paid-up capital exceeding IDR 30 billion (Hartanto, 2020). By December 2020, 176 MSME issuers had registered across four *Urun Dana* platforms, raising IDR 362 billion. While significant, this figure is modest compared to Indonesia's 64 million MSMEs, indicating substantial untapped potential (Cicchiello et al., 2020).
2. **Organizers** Organizers are legal entities, either limited liability companies or cooperatives, responsible for operating *Urun Dana* platforms. Limited liability companies must be securities firms approved by OJK, while cooperatives are restricted to service cooperatives. Organizers require a minimum paid-up capital of IDR 2.5 billion and an OJK business license (Hartanto, 2020). As of October 2021, seven organizers were licensed: PT Santara Daya Inspiratama (*Santara*), PT Investasi Digital Nusantara (*Bizhare*), PT Crowddana Teknologi Indonusa (*CrowdDana*), PT Numex Teknologi Indonesia (*LandX*), PT Dana Saham Bersama (*Dana Saham*), PT Dana Investasi Bersama (*FundEx*), and PT Syafiq Digital Indonesia (*Shafiq*). These entities have formed the *Urun Dana* Indonesia Service Association (ALUDI), recognized by the Ministry of Law and Human Rights in November 2020.
3. **Financiers** Financiers are individuals or entities purchasing issuers' securities through *Urun Dana* platforms. For individual financiers lacking two years of capital market investment experience, POJK 37/2018 imposes investment limits: those with annual incomes up to IDR 500 million can invest up to 5% of their income, while those earning above IDR 500 million can invest up to 10% (Hartanto, 2020). By October 2021, the number of financiers had grown from 22,341 in December 2020 to 34,674, reflecting increasing public participation (Cicchiello et al., 2020).

Challenges in Achieving Legal Certainty

The evolution of OJK regulations demonstrates a commitment to refining the ECF framework, yet several challenges persist in ensuring legal certainty. The industry faces issues in regulatory substance, enforcement, and stakeholder trust, which collectively impact its growth and stability.

1. **Regulatory Substance** POJK 57/2020 and POJK 16/2021 provide a broader scope for securities and issuers, but they lack detailed provisions for critical aspects such as risk mitigation and liability allocation. For instance, the regulations do not mandate independent financial and legal assessments of issuers by qualified professionals, relying instead on organizers' internal

capabilities. This gap can lead to inaccuracies in issuer prospectuses, undermining financier confidence (Cicchiello & Leone, 2020).

2. **Enforcement and Oversight** The OJK's enforcement mechanisms are relatively weak, particularly regarding sanctions for non-compliance. For example, issuers failing to disclose information transparently to financiers face no clear penalties, which erodes trust. Additionally, the absence of robust oversight for platform operators' due diligence processes increases risks for financiers (Widodo & Kharisma, 2020).
3. **Stakeholder Challenges**
   - **Organizers**: Organizers must ensure high-quality issuers, requiring competent human resources for due diligence. Without regulatory mandates for independent audits, the reliability of issuer data depends on organizers' internal expertise, which may vary.
   - **Issuers**: MSMEs, as primary issuers, face challenges in maintaining business sustainability, exacerbated by limited capital, management expertise, and innovation capacity. Economic downturns, such as those caused by the pandemic, further complicate their ability to deliver on investment promises.
   - **Financiers**: Financiers encounter high risks, including business failure, investment loss, liquidity issues, dividend scarcity, and share dilution. The expanded scope of securities under POJK 57/2020 introduces additional complexities, requiring financiers to carefully assess investment instruments and align them with their risk profiles (Cicchiello et al., 2020).

Potential and Opportunities

Despite these challenges, Indonesia's ECF industry holds immense potential, driven by the country's vast MSME sector, which contributes 61% to GDP. As of December 2020, only 129 issuers had utilized ECF, raising IDR 191.2 billion—a fraction compared to peer-to-peer lending volumes (Cicchiello & Leone, 2020). This disparity underscores significant growth opportunities, particularly as ECF can address MSMEs' financing constraints, which are often hindered by banking institutions' collateral-based lending practices.

To realize this potential, regulations must evolve to provide robust legal certainty. The current framework, while progressive, requires enhancements to address gaps in risk mitigation, enforcement, and stakeholder protections. A co-regulatory model, integrating government oversight with industry self-regulation, could strengthen legal certainty by fostering collaboration, ensuring transparency, and aligning regulations with the dynamic needs of the digital economy.

9. THE EVOLUTION OF EQUITY CROWDFUNDING FRAMEWORKS IN THE DIGITAL ERA

Equity crowdfunding (ECF) has emerged as a transformative financing mechanism, particularly for micro, small, and medium enterprises (MSMEs) seeking alternatives to traditional funding sources. Its global adoption has prompted diverse regulatory approaches, each tailored to balance investor protection with market growth. This section examines the development of ECF arrangements in various countries, highlighting their regulatory strategies and drawing lessons for Indonesia's *Urun Dana* framework to enhance legal certainty in the digital age.

Global Perspectives on Equity Crowdfunding Regulation

1. **United States** The United States has been a pioneer in regulating ECF through the Jumpstart Our Business Startups (JOBS) Act of 2012, specifically Title III, which legalized crowdfunding for securities (Fleming & Sorenson, 2016). Implemented in 2016 by the Securities and Exchange Commission (SEC), Regulation Crowdfunding sets clear guidelines for issuers, intermediaries, and investors. Issuers can raise up to USD 5 million annually, with mandatory disclosures on financial conditions, business plans, and risk factors (Gabison, 2015). Intermediaries, such as funding portals or broker-dealers, must register with the SEC and ensure compliance with investor education and due diligence requirements. Investors face income-based investment caps to mitigate risks. By 2020, over USD 1 billion had been raised through ECF, demonstrating the framework's success in fostering startup growth while safeguarding investors (Cicchiello et al., 2020).
2. **United Kingdom** The UK introduced ECF regulations in 2014 under the Financial Conduct Authority (FCA), adopting a principles-based approach that emphasizes investor protection and market integrity (Financial Conduct Authority Policy Statement, n.d.). Platforms must be FCA-authorized, adhere to stringent due diligence, and provide transparent issuer information. Investors are categorized as retail or sophisticated, with retail investors subject to investment limits (10% of net investable assets) to prevent overexposure (De Moor & Kim, 2016). The UK's framework encourages innovation by allowing platforms flexibility in operations while enforcing robust compliance standards. By 2020, the UK ECF market had facilitated over GBP 1.5 billion in investments, making it a global leader (Cicchiello & Leone, 2020).
3. **European Union** The EU implemented the European Crowdfunding Service Providers Regulation (ECSPR) in November 2020, harmonizing ECF rules across member states to create a unified market (Cicchiello et al., 2020). The ECSPR allows platforms to operate under a single license, reducing regulatory fragmentation. Issuers can raise up to EUR 5 million, with mandatory disclosures on risks and financials. Platforms must conduct suitability assessments for investors and maintain risk management systems. The

regulation balances flexibility for startups with investor safeguards, such as a 14-day withdrawal period for retail investors. By fostering cross-border crowdfunding, the ECSPR has enhanced market access, particularly for SMEs (Gabison, 2015).

4. **South Korea** South Korea introduced ECF in 2016 under the Financial Investment Services and Capital Markets Act, focusing on investor protection and market development (Cicchiello et al., 2020). Issuers are limited to raising KRW 1.5 billion (approximately USD 1.3 million) annually, with platforms required to verify issuer credibility and provide risk disclosures. Investors are capped based on income or net assets, and platforms must register with the Financial Services Commission. By 2020, South Korean ECF platforms had raised USD 72 billion, supporting 432 issuers, largely due to clear regulations and government support for fintech innovation (Cicchiello et al., 2020).
5. **Australia** Australia's ECF framework, established under the Corporations Amendment (Crowd-sourced Funding) Act 2017, allows eligible companies to raise up to AUD 5 million annually (De Moor & Kim, 2016). Platforms must hold an Australian Financial Services License and perform due diligence on issuers. Retail investors face investment limits of AUD 10,000 per issuer annually, while sophisticated investors have fewer restrictions. The regime emphasizes transparency, requiring issuers to provide offering documents and risk warnings. Australia's approach has supported SME financing, with over AUD 100 million raised by 2020 (Cicchiello & Leone, 2020).

Key Regulatory Principles from Global Frameworks

Global ECF regulations share common principles that ensure legal certainty and market stability:

- **Investor Protection**: Most countries impose investment caps, mandatory disclosures, and suitability assessments to safeguard investors, particularly retail participants, from high-risk investments (Fleming & Sorenson, 2016).
- **Platform Accountability**: Platforms are required to register with regulators, conduct due diligence, and provide transparent information, ensuring trust and compliance (Gabison, 2015).
- **Market Flexibility**: Regulations balance strict oversight with operational flexibility, allowing platforms and issuers to innovate while adhering to legal standards (Cicchiello et al., 2020).
- **Risk Mitigation**: Frameworks mandate risk disclosures and management systems to address investment losses, liquidity issues, and fraud (De Moor & Kim, 2016).

These principles highlight the importance of clear, adaptable regulations that protect stakeholders while fostering industry growth. However, approaches vary: the US and UK adopt investor-centric models with flexible platforms, while the EU and South Korea emphasize harmonized rules and strict oversight. Australia's framework prioritizes SME access with moderate restrictions, illustrating a tailored approach to local needs.

Indonesia's *Urun Dana* Framework: Progress and Gaps

Indonesia's ECF framework, governed by Financial Services Authority (OJK) Regulation No. 57/POJK.04/2020 and amended by POJK No. 16/POJK.04/2021, represents a significant step toward regulating *Urun Dana* services. Replacing POJK No. 37/POJK.04/2018, these regulations expand the scope of securities to include shares, bonds, and derivatives, and broaden issuer eligibility to include non-limited liability entities under specific conditions (Hartanto, 2020). Key provisions include:

- **Organizer Requirements**: Platforms must be OJK-licensed, with a minimum paid-up capital of IDR 2.5 billion, and conduct due diligence on issuers.
- **Issuer Obligations**: Issuers must disclose financial and operational details, ensuring transparency for financiers.
- **Financier Protections**: Investment limits are imposed for retail investors (5–10% of annual income, depending on earnings), and platforms must educate users on risks (Hartanto, 2020).
- **Risk Mitigation**: Article 66 of POJK 57/2020 mandates risk management for business failures, liquidity issues, and share dilution, though specifics are limited.

As of October 2021, seven OJK-licensed platforms operated, raising IDR 362 billion for 176 MSME issuers, with 34,674 financiers participating (Cicchiello et al., 2020). Despite this progress, Indonesia's framework faces challenges in ensuring legal certainty:

1. **Regulatory Substance**: POJK 57/2020 lacks detailed provisions for independent issuer audits, relying on organizers' internal capabilities, which may lead to inconsistent due diligence (Widodo & Kharisma, 2020). The absence of clear liability allocation for non-compliance further undermines trust.
2. **Enforcement Weaknesses**: Enforcement mechanisms are inadequate, with no specific penalties for issuers or organizers failing to meet disclosure or risk mitigation standards (Cicchiello & Leone, 2020).
3. **Stakeholder Risks**: Organizers face challenges in maintaining competent due diligence teams, issuers struggle with business sustainability, and financiers are exposed to high risks, including investment losses and liquidity constraints (Hartanto, 2020).

Lessons for Indonesia

Global ECF frameworks offer valuable lessons for enhancing Indonesia's *Urun Dana* regulations:

- **Strengthening Investor Protections**: Adopting US-style investment caps and UK-style investor categorization could better protect retail financiers while allowing sophisticated investors greater flexibility (Fleming & Sorenson, 2016).

- **Enhancing Platform Accountability**: Mandating independent audits, as seen in the EU, would improve issuer data reliability, reducing risks for financiers (Cicchiello et al., 2020).
- **Improving Enforcement**: South Korea's clear sanction mechanisms could inform stronger OJK oversight, ensuring compliance and deterring misconduct (De Moor & Kim, 2016).
- **Fostering Market Growth**: Australia's SME-focused approach highlights the need for tailored regulations that address MSME financing barriers, such as simplified issuer requirements (Cicchiello & Leone, 2020).

Proposed Co-Regulatory Model for Indonesia

To address these gaps, a co-regulatory model is proposed, combining government oversight with industry self-regulation. This approach aligns with the principles of legal certainty and social engineering, ensuring adaptability to the digital economy's needs. Key components include:

1. **Government Role**: The OJK should strengthen regulatory substance by mandating independent financial and legal audits for issuers, specifying liability for non-compliance, and enhancing enforcement through clear sanctions (Paunio, 2009). Regular audits of platforms would ensure consistent due diligence standards.
2. **Industry Self-Regulation**: The *Urun Dana* Indonesia Service Association (ALUDI) could establish industry standards for due diligence, risk management, and investor education, complementing OJK regulations. Platforms could collaborate to develop best practices, fostering trust and innovation (Hartanto, 2020).
3. **Stakeholder Collaboration**: Public participation in rulemaking, as suggested by ter Borg and Stoter (2010), would ensure regulations reflect stakeholder needs, enhancing compliance and legitimacy.
4. **Technology Integration**: Leveraging blockchain or AI for transparent record-keeping and risk assessment could enhance platform reliability, aligning with global trends in fintech regulation (Eko, 2013).

This co-regulatory model would address Indonesia's ECF challenges by ensuring clear, predictable regulations (formal legal certainty) and socially acceptable frameworks (substantive legal certainty). By fostering collaboration, it would mitigate risks, protect stakeholders, and unlock the potential of Indonesia's 64 million MSMEs, which contribute 61% to GDP (Cicchiello & Leone, 2020). Enhanced legal certainty would also attract more financiers, driving sustainable growth in the digital economy.

10. PROPOSED DESIGN FOR INDONESIA'S EQUITY CROWDFUNDING FRAMEWORK TO ENSURE LEGAL CERTAINTY IN THE DIGITAL ERA

The rapid expansion of equity crowdfunding (ECF) in Indonesia, known as *Urun Dana*, has highlighted the need for a robust regulatory framework that guarantees legal certainty for all stakeholders—organizers, issuers, and financiers. While Financial Services Authority (OJK) Regulations No. 57/POJK.04/2020 and No. 16/POJK.04/2021 have advanced the regulatory landscape, gaps in legal substance, enforcement, and stakeholder protections persist. To address these challenges, this study proposes a co-regulatory model that integrates government oversight with industry self-regulation, drawing on global best practices and aligning with the principles of legal certainty and social engineering. This design aims to foster trust, mitigate risks, and support the sustainable growth of Indonesia's ECF industry in the digital age.

Rationale for a Co-Regulatory Model

Legal certainty, encompassing formal predictability and substantive acceptability, is critical for the success of ECF (Paunio, 2009). Formal legal certainty ensures that regulations are clear and predictable, allowing stakeholders to understand their rights and obligations. Substantive legal certainty requires regulations to align with societal values, ensuring legitimacy and acceptance. The current *Urun Dana* framework, while progressive, lacks detailed provisions for risk mitigation, independent audits, and enforcement, undermining trust and exposing stakeholders to risks such as investment losses and fraud (Widodo & Kharisma, 2020).

A co-regulatory model addresses these shortcomings by combining the strengths of government regulation and industry self-regulation. Government oversight provides a clear legal framework and enforcement mechanisms, while industry self-regulation allows for flexibility and rapid adaptation to technological and market changes (ter Borg & Stoter, 2010). This approach is particularly suited to the digital economy, where fintech innovations like ECF evolve quickly, requiring regulations that are both robust and responsive.

Components of the Proposed Co-Regulatory Model

The proposed model integrates four key components: enhanced government regulations, industry-led standards, stakeholder collaboration, and technology integration. Each component is designed to address specific challenges in the *Urun Dana* ecosystem, ensuring legal certainty and stakeholder protection.

1. **Enhanced Government Regulations** The OJK should strengthen the regulatory substance of POJK 57/2020 and POJK 16/2021 to address gaps in risk mitigation, liability allocation, and enforcement. Key enhancements include:
   a) **Mandatory Independent Audits**: Require issuers to undergo independent financial and legal audits by qualified professionals before listing on *Urun Dana* platforms. This aligns with EU practices under the European Crowdfunding Service Providers Regulation (ECSPR), which mandates rigorous due diligence to ensure issuer credibility (Cicchiello et al., 2020). Independent audits would enhance the reliability of issuer prospectuses, reducing risks for financiers.

  b) **Clear Liability Allocation**: Specify liability for non-compliance, such as inaccurate disclosures or failure to mitigate risks. For example, organizers should be held accountable for due diligence failures, while issuers should face penalties for providing misleading information. This mirrors South Korea's clear sanction mechanisms, which deter misconduct (De Moor & Kim, 2016).
  c) **Robust Enforcement Mechanisms**: Introduce specific penalties, such as fines or license revocation, for organizers and issuers violating regulatory standards. Regular OJK audits of platforms would ensure consistent compliance, drawing on the UK's Financial Conduct Authority (FCA) model (Financial Conduct Authority Policy Statement, n.d.).
  d) **Investor Protection Measures**: Adopt US-style investment caps and UK-style investor categorization (retail vs. sophisticated) to protect retail financiers while allowing flexibility for experienced investors (Fleming & Sorenson, 2016). For instance, retail investors could be limited to 5–10% of their annual income, as currently stipulated, with additional suitability assessments to ensure informed decision-making.
2. **Industry-Led Standards** The *Urun Dana* Indonesia Service Association (ALUDI), representing licensed platforms, should develop industry standards to complement OJK regulations. These standards would address operational and ethical aspects of ECF, fostering trust and innovation. Key initiatives include:
    a) **Due Diligence Guidelines**: Establish standardized protocols for issuer vetting, including financial health, business viability, and legal compliance. These guidelines would ensure consistency across platforms, reducing the risk of low-quality issuers (Hartanto, 2020).
    b) **Risk Management Frameworks**: Develop industry-wide risk management systems to address investment losses, liquidity issues, and share dilution. Platforms could share best practices, such as stress-testing issuer business models, to enhance financier protections (Cicchiello & Leone, 2020).
    c) **Investor Education Programs**: Mandate platforms to provide comprehensive educational resources on ECF risks and opportunities, similar to SEC requirements in the US (Gabison, 2015). This would empower financiers to make informed investment decisions, increasing market participation.
    d) **Ethical Guidelines (Netiquette)**: Promote ethical behavior through platform-specific codes of conduct, aligning with global netiquette principles (Fahrimal, 2018). For example, platforms should ensure transparent communication and prohibit misleading marketing practices.
3. **Stakeholder Collaboration** Public participation in rulemaking is essential to ensure regulations reflect stakeholder needs and enhance compliance (ter Borg

& Stoter, 2010). The OJK and ALUDI should engage organizers, issuers, financiers, and civil society in the regulatory design process through:

- **Public Consultations**: Hold regular consultations to gather input on proposed regulations, ensuring they address practical challenges faced by MSMEs and financiers (Hartanto, 2020).
- **Advisory Committees**: Form stakeholder advisory committees to provide ongoing feedback on regulatory implementation, drawing on Australia's collaborative approach to SME financing (Cicchiello & Leone, 2020).
- **Transparency Mechanisms**: Publish regulatory updates and compliance reports to keep stakeholders informed, fostering accountability and trust (Paunio, 2009).

This collaborative approach would align regulations with societal values, enhancing substantive legal certainty and ensuring the framework's legitimacy.

4. **Technology Integration** Leveraging technology is critical to enhancing platform reliability and transparency in the digital age. The proposed model incorporates advanced technologies to strengthen the *Urun Dana* ecosystem:
   a) **Blockchain for Transparency**: Use blockchain to create immutable records of transactions and issuer disclosures, ensuring transparency and reducing fraud risks. This aligns with global trends in fintech regulation, where blockchain enhances trust (Eko, 2013).
   b) **AI for Risk Assessment**: Implement AI-driven tools to analyze issuer financials and predict business viability, improving due diligence accuracy. AI could also assess financier risk profiles, ensuring investments align with their financial capacity (Cicchiello et al., 2020).
   c) **Secure Data Management**: Mandate platforms to adopt robust cybersecurity measures, such as encryption and multi-factor authentication, to protect user data and prevent breaches, drawing on EU data protection standards (Lucchi, n.d.).

Benefits of the Co-Regulatory Model

The proposed model offers several benefits that address the challenges of Indonesia's ECF industry:

a) **Enhanced Legal Certainty**: Clear regulations, independent audits, and robust enforcement ensure formal predictability, while stakeholder collaboration and ethical guidelines promote substantive acceptability (Paunio, 2009).
b) **Stakeholder Protection**: Mandatory audits, risk management frameworks, and investor education reduce risks for financiers, while simplified requirements support MSME issuers (Hartanto, 2020).
c) **Market Growth**: By fostering trust and transparency, the model attracts more financiers and issuers, unlocking the potential of Indonesia's 64 million MSMEs, which contribute 61% to GDP (Cicchiello & Leone, 2020).

d) **Adaptability**: Industry self-regulation and technology integration ensure the framework remains responsive to technological advancements and market dynamics (Eko, 2013).
e) **Alignment with Social Engineering**: The model uses law as a tool to drive economic inclusion and innovation, supporting Indonesia's digital economy goals (Gray, 1999).

Implementation Considerations

Implementing the co-regulatory model requires careful planning to ensure effectiveness:

a) **Phased Rollout**: Introduce enhancements incrementally, starting with mandatory audits and enforcement mechanisms, followed by industry standards and technology integration.
b) **Capacity Building**: Provide training for organizers on due diligence and risk management, and support MSMEs with resources to meet issuer requirements (Cicchiello & Leone, 2020).
c) **Monitoring and Evaluation**: Establish a monitoring framework to assess the model's impact on legal certainty, stakeholder trust, and market growth, with periodic reviews to address emerging challenges (ter Borg & Stoter, 2010).
d) **International Collaboration**: Engage with global regulators, such as the FCA or SEC, to share best practices and align Indonesia's framework with international standards (Fleming & Sorenson, 2016).

Conclusion

The proposed co-regulatory model for Indonesia's *Urun Dana* framework addresses the limitations of current regulations by integrating enhanced government oversight, industry-led standards, stakeholder collaboration, and technology. By drawing on global best practices from the US, UK, EU, South Korea, and Australia, the model ensures formal and substantive legal certainty, protecting organizers, issuers, and financiers while fostering sustainable growth. This approach aligns with the principles of legal certainty and social engineering, positioning Indonesia's ECF industry as a key driver of financial inclusion and economic development in the digital era.

11. CONCLUSIONS

This study examines the regulatory framework for equity crowdfunding (*Urun Dana*) in Indonesia, assessing its ability to provide legal certainty in the digital era and proposing enhancements to strengthen stakeholder protections. Three key findings emerge from the analysis. First, Indonesia's current regulations, primarily POJK No. 57/POJK.04/2020 and POJK No. 16/POJK.04/2021, fall short of ensuring legal certainty due to deficiencies in regulatory substance, enforcement mechanisms, and risk mitigation provisions. These gaps expose organizers, issuers, and financiers to risks such as investment losses, fraud, and lack of transparency, undermining trust in the *Urun Dana* ecosystem.

Second, global approaches to equity crowdfunding offer valuable insights. Countries like the United States, United Kingdom, European Union, South Korea, and Australia have developed robust frameworks that prioritize investor protection, platform accountability, and market flexibility. For instance, the US JOBS Act mandates independent audits and investor caps, while the UK's FCA emphasizes due diligence and transparency. These models balance innovation with safeguards, achieving legal certainty through clear, enforceable regulations and stakeholder collaboration.

Third, to address Indonesia's regulatory shortcomings, a co-regulatory model is proposed, integrating government oversight with industry self-regulation. This model strengthens legal certainty by mandating independent audits, specifying liability for non-compliance, and enhancing enforcement through clear sanctions. Industry standards, developed by the *Urun Dana* Indonesia Service Association (ALUDI), would ensure consistent due diligence and risk management, while stakeholder consultations would align regulations with societal needs. Technology, such as blockchain for transparency and AI for risk assessment, would further enhance platform reliability. This approach fosters trust, protects stakeholders, and unlocks the potential of Indonesia's 64 million MSMEs, which contribute significantly to GDP.

By adopting this co-regulatory framework, Indonesia can align its *Urun Dana* ecosystem with global best practices, ensuring formal and substantive legal certainty. This would drive financial inclusion, support MSME growth, and position equity crowdfunding as a cornerstone of the digital economy.

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