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Legal Frameworks, Transparency, and Oversight: Ensuring Public Confidence in Online Donation Platforms

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Abstract

The proliferation of digital technology has markedly accelerated the expansion of online donation platforms in Indonesia. Concurrently, with the rise in public engagement in online philanthropic endeavours, several challenges have surfaced, including the potential for fund misuse, lack of transparency, and inadequate oversight mechanisms. This study examines how legal frameworks, transparency, and oversight can collaboratively safeguard and enhance public trust in online donation systems. The methodology employed is a qualitative study with a normative approach involving the analysis of existing regulations, literature reviews, and case studies related to digital donation mismanagement. The findings reveal the lack of comprehensive legal regulations governing online donations, accountability mechanisms among platform providers, and limited public access to financial information. The study further emphasizes the importance of implementing principles of good governance, utilizing transparency-enhancing technologies such as blockchain, and strengthening independent reporting and auditing systems to prevent the misappropriation of funds. In conclusion, public trust in online donation systems can only be cultivated through reinforced legal frameworks, increased operational transparency, and oversight involving multiple stakeholders. The study recommends formulating national regulations that address digital donations, promoting the active involvement of independent supervisory institutions, and providing continuous public education to ensure the public is informed and aware, thereby establishing a secure, accountable, and sustainable online donation ecosystem.

Keywords

Online Donation Platforms, Legal Frameworks, Transparency, Public Trust, Regulatory Oversight



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Introduction

Digital technology has transformed the way society engages in social activities, particularly through the emergence of online donation platforms.¹ This innovation enables rapid, widespread, and efficient fundraising processes via the Internet, commonly referred to as donation-based crowdfunding. This phenomenon has grown not only in developed countries but also rapidly in Indonesia. Platforms like KitaBisa.com, Ayobantu.com, and SharingHappiness.org have become integral parts of the national digital philanthropy ecosystem. They enable the public to directly support various humanitarian issues, from medical aid to education and public facility development.

From January 1 to December 31, 2024, KitaBisa.com successfully collected donations amounting to IDR 812,712,352,805, with total fund distribution reaching IDR 589,019,866,404.² Besides KitaBisa.com, Ayobantu.com also actively initiates internal campaigns to respond to urgent humanitarian issues, such as natural disasters and medical aid. SharingHappiness.org, managed by Dompet Dhuafa, does the same, integrating humanitarian and Islamic values in its philanthropic activities. This impact has helped solidify Indonesia's position as the world's most generous country, according to the World Giving Index 2024 by the Charities Aid Foundation.³

However, as the popularity of these online donation platforms increases, various issues have emerged related to system integrity, transparency in fund distribution, oversight of organizers, and, most importantly, public trust. Cases of misuse of donation funds that have surfaced in the mass media, such as the Aksi Cepat Tanggap Foundation Case,⁴ the Agus Salim Case,⁵ the Cak Budi Case, and others, have raised significant questions about the reliability of this fundraising system and the state's role in ensuring the security and accountability of online fundraising. The emergence of these cases indicates that the urgency of strengthening the law in this sector can no longer be delayed. Indonesia currently lacks specific regulations that comprehensively govern online donation practices. Existing regulations are still partial and scattered across various legislations, such as Law Number 11 of 2008, last amended by Law Number 1 of 2024 on Electronic Information and Transactions (UU ITE), Law Number 9 of 1961 on the Collection of Money and Goods (UU PUB), and the Ministry of Social Affairs Regulations. This creates a legal vacuum that irresponsible parties can exploit. The lack of clear regulations also hinders the work of supervisory institutions and reduces public trust.

¹ Afif Noor et al., "Revolutionizing Indonesia's Financial Landscape: The Impact of Information Technology on the Growth of Financial Technology Start-Ups," *Multidisciplinary Reviews* 6, no. 4 (2023), <https://doi.org/10.31893/multirev.2023031>.

² KitaBisa.com, "Perkembangan Donasi Kitabisa 2024," 2024.

³ Charities Aid Foundation, "World Giving Index 2024: Global Trends in Generosity," *Charities Aid Foundation*, 2024, 1–19.

⁴ Adriana Khairunnisa, Anis Rifai, and Aris Machmud, "Analisis Pertanggungjawaban Hukum Pengurus Yayasan Dalam Kasus Penyalahgunaan Dana : Studi Kasus Yayasan Aksi Cepat Tanggap," *Binamulia Hukum* 13, no. 2 (2024): 407–19, <https://doi.org/10.37893/jbh.v13i2.937>.

⁵ Sandro Gatra, "Kasus Donasi Agus Salim Dan Pengkhianatan Kepercayaan," *kompas.com*, 2024.

Several studies have emphasized the importance of transparency and robust legal frameworks in fostering public trust in online donation platforms.⁶ Wu and Dai emphasize that financial transparency has a greater impact on donation intention than performance reporting.⁷ Bonang and Baihaqi emphasize the significance of trust, social religiosity, and brand awareness in shaping donation decisions.⁸ Laiya et al. reveal the weakness of law enforcement in this sector,⁹ Hussain even proposes using blockchain technology to ensure transparency and accountability in Islamic fundraising.¹⁰ While each study provides valuable insights, their approaches tend to be partial. This article adopts an integrative approach that combines positive legal analysis, ethical principles, and technology-based oversight to design a comprehensive regulatory framework to preserve public trust in online donation systems, particularly in the Indonesian context.

Public trust is a vital element in the online donation ecosystem.¹¹ Without trust, people are reluctant to make voluntary financial contributions—even for noble social causes. This trust is built upon a robust legal framework, informational transparency, and effective oversight mechanisms. This article provides a comprehensive analysis of the role of law, transparency, and oversight in maintaining public trust within Indonesia's online donation systems. Employing a normative and policy-driven approach, it examines the current legal frameworks, evaluates the application of transparency and accountability principles in donation practices, and offers recommendations for an ideal regulatory model. The involvement of academics, policymakers, and practitioners in implementing these recommendations is essential and a collaborative effort. In the long term, efforts to enhance public trust through legal frameworks, transparency, and oversight will encourage greater public participation in philanthropic activities and strengthen the social foundation of an inclusive and equitable society. This aligns with the principles of digital democracy and good governance, positively impacting the online donation landscape and making everyone feel included and part of the solution.

⁶ Ignatius N. Hariwibowo, Chrissentia E. Wulandari, and Djoko B. Setyohadi, "Agency Relation in Online Charity Crowdfunding: The Role of Transparency to Attract Donation," *IBIMA Business Review* 2022 (2022), <https://doi.org/10.5171/2022.506046>.

⁷ Zhongsheng Wu & Yiming Dai, "Signal of Financial or Performance Transparency? The Impact and Mechanisms of Nonprofit Transparency on Donation Willingness," *Public Performance & Management Review* 48, no. 3 (2025), <https://doi.org/10.1080/15309576.2025.2465750>.

⁸ Dahlia Bonang and Muhammad Baihaqi, "The Effect of Trust, Brand Awareness, and Social Piety in Donation Decisions Through Digital Platforms," *ULUL ALBAB Jurnal Studi Islam* 23, no. 2 (2022): 306–26, <https://doi.org/10.18860/ua.v23i2.17596>.

⁹ Wandi Laiya, Zamroni Abdussamad, and Mellisa Towadi, "Legal Review of Donation-Based Crowdfunding System Arrangements in Indonesia," *Disruption Law Review* 1, no. 1 (2023): 16–31.

¹⁰ Zahid Hussain, "Enhancing Transparency and Accountability in Sadaqah Crowdfunding Platforms: Leveraging Blockchain Technology for Optimal User Experience," in *Sustainability and Financial Services in the Digital Age*, ed. Lorenzo M. Bujosa Vadell Nadia Mansour (Springer Cham, 1988), 351–367, <https://doi.org/10.1007/978-3-031-67511-9>.

¹¹ Rotem Shneor et al., "The Role of Social Trust in Reward Crowdfunding Campaigns' Design and Success," *Electronic Markets* 32, no. 3 (2022): 1103–18, <https://doi.org/10.1007/s12525-021-00456-5>.

Methods

This study employs a qualitative approach, utilizing normative juridical methods to examine relevant legislation and legal theories related to the subject matter. A comparative method is also employed to enrich the analytical perspective by examining how online donation systems are regulated in the United States, serving as a case study. The aim is to identify best practices that can be adopted or adapted within the Indonesian legal context, making the study directly relevant to the audience. The data used are secondary, comprising primary legal materials (laws and government regulations), secondary legal materials (scholarly journals, policy reports, case studies), and tertiary legal materials as supporting references.¹² Data analysis is conducted through a qualitative-descriptive approach involving the interpretation of legal norms and the identification of regulatory gaps. Through this approach, the research aims to generate comprehensive findings and provide applicable policy recommendations.

Results and Discussion

Legal and Regulatory Foundations for Ensuring Digital Donation Security

The security of digital donations in Indonesia has become a growing concern, particularly as technology continues to play a significant role in philanthropic activities.¹³ This phenomenon is marked by the rapid development of online fundraising platforms such as Kitabisa, BenihBaik, and Dompet Dhuafa Digital, which have not only successfully collected billions of rupiah from the public in recent years but also demonstrated the immense potential of digital donations. In this context, the urgency of establishing a strong legal and regulatory foundation is undeniable, as it is essential to protect donors' data, prevent fund misuse, and ensure transparency and accountability in donation management institutions.¹⁴

The primary legal basis governing digital transactions in Indonesia is Law No. 11 of 2008 on Electronic Information and Transactions (ITE Law), as last amended by Law No. 1 of 2024. This law provides a legal framework for electronic transactions, including digital donations, and requires business operators to maintain the confidentiality and integrity of personal data obtained from users. Article 26,

¹² Afif Noor, "Socio-Legal Research: Integration of Normative and Empirical Juridical Research in Legal Research," *Jurnal Ilmiah Dunia Hukum* 7, no. 2 (2023): 94–112.

¹³ Aina Nurdyanti and Karim Suryadi, "Digital Philanthropy in Indonesia: Strengthening Civic Virtue for Digital Citizens," in *1st International Conference on Progressive Civil Society (IConProCS 2019) Digital*, vol. 317, 2019, 139–43, <https://doi.org/10.2991/iconprocs-19.2019.28>.

¹⁴ Afif Noor et al., "Overcoming Regulatory Hurdles in the Indonesian Crowdfunding Landscape," *Volksgeist: Jurnal Ilmu Hukum Dan Konstitusi* 6, no. 2 (2023): 245–60, <https://doi.org/10.24090/volksgeist.v6i2.9447>.

paragraph (1) stipulates that information via electronic media involving personal data must be carried out with that person's consent.

To further strengthen personal data protection, the government has enacted Law Number 27 of 2022 concerning Personal Data Protection (PDP Law), which came into full effect on October 17, 2024. This law is crucial for digital donations because it explicitly regulates the rights of data owners, the obligations of data controllers, and sanctions for violations that may occur when collecting, storing, and processing personal data. The PDP Law provides a robust framework for data protection.¹⁵ It aligns with the European Union's General Data Protection Regulation (GDPR) principles, underscoring Indonesia's commitment to adopting global standards for digital data protection.

Conversely, safeguarding digital donations is inherently linked to financial oversight and the prevention of financial crimes. Law No. 8 of 2010, concerning the Prevention and Eradication of Money Laundering (TPPU Law), establishes a legal framework for financial institutions and nonprofit organizations to apply due diligence principles, identify fund recipients, and report suspicious transactions to the Financial Transaction Reports and Analysis Center (PPATK). According to PPATK's 2023 report, there is an increasing trend of donation entities being misused as channels for money laundering and terrorist financing, indicating that supervision in this sector still needs to be strengthened.

Supporting regulations have also been issued by the Financial Services Authority Regulation Number 8 of 2023 concerning the Implementation of Anti-Money Laundering, Terrorism Financing Prevention, and Weapons of Mass Destruction Proliferation Programs in the Financial Services Sector. This regulation requires financial institutions to have internal policies, provide staff training, and establish special compliance units to oversee adherence to anti-money laundering and terrorism financing prevention, as well as policies related to the prevention of weapons of mass destruction proliferation programs, including digital donation transactions managed by religious and social institutions.

Cybersecurity is also an integral part of digital donation security regulations.¹⁶ Based on Government Regulation No. 71 of 2019 on Implementing Electronic Systems and Transactions, every electronic system operator, including digital donation platforms, is required to implement an Information Security Management System (ISMS) and conduct regular security audits. In practice, this regulation is overseen by the National Cyber and Crypto Agency (BSSN), a key regulatory body responsible for ensuring the implementation and adherence to cybersecurity regulations. BSSN has also issued the National Cybersecurity Strategy 2020–2024, which prioritizes the protection of critical information infrastructure and promotes collaboration between

¹⁵ Arya Adhi Nugraha and Asyahri Hadi Nasyuha, "Integrating ISO 27001 and Indonesia's Personal Data Protection Law for Data Protection Requirement Model," *Journal of Information Systems and Informatics* 6, no. 2 (2024): 1052–69, <https://doi.org/10.51519/journalisi.v6i2.754>.

¹⁶ Assion Lawson-Body et al., "Cybersecurity and Social Media Networks for Donations: An Empirical Investigation of Triad of Trust, Commitment, and Loyalty," *Journal of Organizational and End User Computing* 35, no. 1 (2023): 1–26, <https://doi.org/10.4018/JOEUC.332062>.

the public and private sectors to counter increasingly sophisticated cyberattacks. According to the Indonesia Cyber Security Index (ICSI) 2022, published by BSSN, the country's digital security score remains in the moderate category, indicating that strengthening security systems on digital donation platforms remains a pressing agenda.

In addition, sectoral regulations further enhance oversight of digital fundraising. The Ministry of Social Affairs, through Regulation No. 14 of 2014 on the Implementation of Social Welfare, plays a crucial role in governing licensing procedures, reporting, and accountability for social organizations that collect public donations. This includes ensuring that institutions operating without an official license from the Ministry can be categorized as illegal and subject to legal sanctions. The applicable regulation for religious-based institutions managing *zakat* and *infaq* is Law No. 23 of 2011 on Zakat Management. Institutions such as BAZNAS and LAZ must prepare transparent financial reports that are auditable by the public and regulatory bodies. Law No. 8 of 1999 on Consumer Protection guarantees that the public, as donors, has the right to accurate, clear, and honest information. This regulation is reinforced by Financial Services Authority (OJK) Regulation Number 6/POJK.07/2022, concerning Consumer and Public Protection in the Financial Services Sector, which mandates that digital financial service providers apply the principles of transparency, fairness, and responsibility.

The current challenges include low digital literacy among the public, limited resources of small philanthropic institutions to comply with complex regulations, and regulatory lag in responding to technological advances such as blockchain and crypto assets.¹⁷ To address this, the government has launched the National Strategy for Financial Inclusion and digital literacy programs through the Ministry of Communication and Digital. OJK has also established a regulatory sandbox as a testing ground for financial technologies (fintech) within a safe and controlled environment.¹⁸

Indonesia has established a relatively comprehensive legal and regulatory framework designed to ensure the security of digital donations, encompassing personal data protection, oversight of financial transactions, cybersecurity, sector-specific regulations, and consumer protection.¹⁹ However, for this system to function effectively, it is essential to enhance enforcement capabilities, foster inter-agency collaboration, and, most importantly, promote active public participation. The public's

¹⁷ Giuseppe Ugazio and Milos Maricic, *The Routledge Handbook of Artificial Intelligence and Philanthropy*, *The Routledge Handbook of Artificial Intelligence and Philanthropy*, 2024, <https://doi.org/10.4324/9781003468615>.

¹⁸ Afif Noor et al., "Developing Inclusive Regulations for Muslim Disabled Entrepreneurs' Access to Sharia Fintech: Legal and Accessibility Perspectives," *Jurnal Ilmiah Al-Syir'ah* 23, no. 1 (2025): 70–86, <https://doi.org/10.30984/jis.v23i1.3194>.

¹⁹ Afif Noor et al., *Digital Economy Regulation and Consumer Rights Protection: Realizing Security in Financial Technology Transactions*, *Lex Scientia Law Review*, vol. 9, 2025, <https://doi.org/10.15294/lslr.v9i2.24927>.

role in maintaining a healthy and transparent digital donation ecosystem is vital, and their engagement is critical to the success of these regulations.²⁰

Transparency as a Pillar of Donation Platform Accountability

Transparency in digital donation platforms is a normative principle and a fundamental prerequisite for building an accountable, sustainable, and trustworthy philanthropic ecosystem.²¹ From the perspective of good governance theory, transparency is a key pillar that supports information openness, public participation, and accountability in the management of public resources.²² This is reinforced by accountability theory, which underscores the importance of reporting and oversight mechanisms as forms of both moral and legal responsibility in managing public funds, including voluntary donations.²³ It is essential to emphasize that effective regulation necessitates collaboration, underscoring the importance of collective efforts in governance. With the potential of digital technology to enhance accountability, there is hope for a more transparent and trustworthy digital philanthropic ecosystem.

In Indonesia, where digital technology adoption is skyrocketing, with internet users reaching 221.5 million by early 2024, transparency is a strategic factor in determining the success and legitimacy of online fundraising practices.²⁴ Nevertheless, this development is still hindered by institutional vulnerabilities, including weak technical regulations and inadequate oversight of platform operators,²⁵ as well as significant digital literacy gaps between urban and rural areas.²⁶ The absence of transparency in digital donation practices can lead to misuse, triggering public distrust and potentially damaging the philanthropic ecosystem. For instance, funds could be misallocated or misused without proper oversight, leading to a loss of public trust. Active information disclosure can significantly enhance public

²⁰ Luigi Reggi and Sharon Dawes, “Open Government Data Ecosystems: Linking Transparency for Innovation with Transparency for Participation and Accountability,” *Lecture Notes in Computer Science (Including Subseries Lecture Notes in Artificial Intelligence and Lecture Notes in Bioinformatics)* 9820 LNCS (2016): 74–86, https://doi.org/10.1007/978-3-319-44421-5_6.

²¹ Cristina Ortega-Rodríguez, Ana Licerán-Gutiérrez, and Antonio Luis Moreno-Albarracín, “Transparency as a Key Element in Accountability in Non-Profit Organizations: A Systematic Literature Review,” *Sustainability (Switzerland)* 12, no. 14 (2020), <https://doi.org/10.3390/su12145834>.

²² Juwita Sandy Sary et al., “Enhancing Good Governance through the Implementation of the Merit System in the Placement of State Civil Apparatus,” *Pakistan Journal of Life and Social Sciences* 22, no. 2 (2024): 5469–77, <https://doi.org/10.57239/PJLSS-2024-22.2.00407>.

²³ Alnoor Ebrahim, “Accountability in Practice: Mechanisms for NGOs,” *World Development* 31, no. 5 (2003): 813–29, [https://doi.org/10.1016/S0305-750X\(03\)00014-7](https://doi.org/10.1016/S0305-750X(03)00014-7).

²⁴ Jorge Mejia, Gloria Urrea, and Alfonso J. Pedraza-Martinez, “Operational Transparency on Crowdfunding Platforms: Effect on Donations for Emergency Response,” *Production and Operations Management* 28, no. 7 (2019): 1773–91, <https://doi.org/10.1111/poms.13014>.

²⁵ Doni Azhari and Asmuni, “A Comparison of the Concept of the Rule of Law in Indonesia and Islamic Law,” *Journal of Transcendental Law* 5, no. 1 (2023): 28–40, <https://doi.org/10.23917/jtl.v5i1.2061>.

²⁶ Asep Koswara et al., “Digitalisasi Ekonomi Di Pedesaan : Mengkaji Kesenjangan Infrastruktur Digital Di Indonesia,” *Jurnal Al Azhar Indonesia Seri Ilmu Sosial* 05 (2024).

trust in institutions, including nonprofits and digital platforms.²⁷ Therefore, transparency must be viewed not as a mere moral option but as a structural and operational necessity for the governance of digital platforms seeking long-term sustainability.

Theoretically, transparency is closely related to the theory of public accountability, which asserts that access to information is a critical prerequisite for the public to assess, monitor, and influence the behaviour of public and private institutions.²⁸ In this framework, transparency is not just a technical tool but reflects the ethical dimension of the power-trust relationship in a democratic order.²⁹ Transparency enables affected stakeholders to exercise their right to information and participate in evaluating the management of shared resources.

In digital philanthropy, transparency is both a moral imperative and a governance tool essential for cultivating and maintaining social trust.³⁰ Fukuyama argues that trust is a prerequisite for institutional productivity and economic efficiency.³¹ When institutions or digital platforms consistently demonstrate integrity and openness, they foster an environment conducive to collaboration, participation, and donor loyalty. Conversely, the absence of transparency leads to suspicion, social distance, and the breakdown of relationships between service providers and civil society.

Empirical data support this urgency, according to the Indonesia Philanthropy Outlook 2024, a comprehensive report on the state of philanthropy in Indonesia, data from 48 philanthropic organizations show fluctuations in donation collection from 2021 to 2023. In 2021, donations totalled IDR 3.048 trillion, which rose to IDR 3.435 trillion in 2022 but declined to IDR 2.824 trillion in 2023.³² On average, 95% of the funds collected have been allocated to various programs and activities. However, this growth does not align with enhancements in governance quality. Media reports and public scrutiny, which play a crucial role in exposing the shortcomings of early warning systems and internal accountability mechanisms, have indicated a rise in fraud, misuse of funds, and data privacy breaches within the digital donation ecosystem. These issues undermine public trust and reveal the need for more robust systems and mechanisms.

²⁷ Sulaiman et al., "Good and Sustainable Village Governance: Unpacking the Responsibilities of the Village Head," *Pakistan Journal of Life and Social Sciences* 22, no. 2 (2024): 8919–27, <https://doi.org/10.57239/PJLSS-2024-22.2.00674>.

²⁸ Mark Bovens, "Analysing and Assessing Accountability: A Conceptual Framework," *European Law Journal* 13, no. 4 (2007): 447–68, <https://doi.org/10.1093/acprof:oso/9780199465330.003.0009>.

²⁹ Andrew K. Schnackenberg, Edward Tomlinson, and Corinne Coen, *The Dimensional Structure of Transparency: A Construct Validation of Transparency as Disclosure, Clarity, and Accuracy in Organizations, Human Relations*, vol. 74, 2021, <https://doi.org/10.1177/0018726720933317>.

³⁰ Samuel Tang and Colin Higgins, "Do Not Forget the 'How' along with the 'What': Improving the Transparency of Sustainability Reports," *California Management Review* 65, no. 1 (2022): 44–63, <https://doi.org/10.1177/00081256221094876>.

³¹ Francis Fukuyama, *Trust : The Social Virtues and the Creation of Prosperity* (New York: Free Press, 1995).

³² Tim Ipsos Indonesia, "Indonesia Philanthropy Outlook 2024," 2024.

Although Indonesia has a relatively comprehensive regulatory framework to support digital governance, such as Law No. 27 of 2022 on Personal Data Protection (PDP Law) and Law No. 8 of 2010 on the Prevention and Eradication of Money Laundering Crimes (TPPU Law), the effectiveness of their implementation remains suboptimal. The gap between legal norms and technical execution highlights the fragility of Indonesia's digital governance. First, the PDP Law requires data controllers to protect personal information, including donor data. However, by mid-2024, most of the 11 implementing regulations mandated by the PDP Law had yet to be issued, creating a legal vacuum at the operational level and leaving businesses and digital platforms without clear technical guidance.³³

Second, the absence of an independent supervisory authority stipulated by the PDP Law poses a significant barrier to enforcement. Public accountability cannot be effectively realized without a technically capable and authoritative body, leaving citizens without adequate mechanisms for filing complaints or resolving disputes.³⁴ Third, its implementation is also weak regarding the TPPU Law, which regulates suspicious transaction reporting and the Know Your Customer (KYC) principles. A study by the National Law Development Agency (BPHN) found that suspicious transaction reporting among non-bank entities, including digital philanthropy organizations, remains limited in quantity and quality. Many organizations lack early detection systems and robust internal audits, leaving digital donation platforms vulnerable to money laundering risks.³⁵

From an institutional theory perspective, the effectiveness of regulations depends not only on the clarity of formal rules but also on enforcement capacity and institutional norms that shape compliance behaviour.³⁶ Although laws like the PDP Law and TPPU Law incorporate key digital governance principles, the absence of an independent data protection authority and delayed implementation regulations weaken the institutional effect of these laws.³⁷

In practice, many digital philanthropy platforms in Indonesia lack internal audit systems or automated financial risk reporting mechanisms.³⁸ This reflects the absence of uniform and measurable national governance standards. The 2022 ACT (Aksi Cepat Tanggap) Foundation fund misuse scandal highlights the weaknesses in oversight and the lack of transparency in public fund management.³⁹ Principal-agent theory helps

³³ Mediodecci Lustarini, "Kepastian Hukum Pelindungan Data Pribadi Pasca Pengesahan UU Nomor 27 Tahun 2022," *Jurnal Hukum*, 2022, 1–15.

³⁴ Arif Perdana, "Agar Aturan Pelindungan Data Pribadi Efektif," *Tempo.Com*, 2024.

³⁵ Raida L. Tobing, "Efektivitas Undang-Undang Money Laundering," 2009.

³⁶ Douglass Cecil North, *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Press., 1990).

³⁷ Adinova Faur, "Penguatan Kerangka Perlindungan Data Pribadi Indonesia," 2023.

³⁸ Mulyaning Wulan, Hera Khairunnisa, and Efri Syamsul Bahri, "Internal Audit Role in Digital Zakat Finance (Case Study at a Zakat Institution in Indonesia)," in *International Conference of Zakat 2018 Proceedings*, 2020.

³⁹ Dwi Putro, "Kemana Arah Filantropi Indonesia Pasca-Kasus ACT?," *nasional.kompas.com*, 2022.

explain the tension between donors (principals) and platform operators (agents)⁴⁰. In situations of information asymmetry, donors often struggle to understand how their funds are utilized, creating opportunities for moral hazard and adverse selection. Thus, operational transparency is an ethical demand and a crucial risk control mechanism. Platforms must provide accurate and regular information on fund usage, project status, and program impact.⁴¹ However, the potential solution to strengthen this mechanism is digital internal auditing, which enhances efficiency, security, and early detection of irregularities. The emergence of digital audit technologies offers real-time visibility into financial transactions, strengthening internal governance and enhancing institutional credibility, providing a hopeful outlook for the future of digital philanthropy.⁴²

In public fund management through digital platforms, audited financial statements serve as the gold standard for accountability, helping to reinforce public trust.⁴³ According to agency theory, the separation between donors and platform operators necessitates robust oversight systems to prevent moral hazard.⁴⁴ Unfortunately, a study by Badiul Hadi found that only a few civil society organizations in Indonesia regularly and publicly publish their financial reports, and even fewer present them in formats accessible to the public.⁴⁵ This underscores the urgent need for policy interventions, such as mandatory external audits for platforms that exceed a certain transaction threshold, to ensure financial integrity and transparency. Immediate action is needed to ensure the financial integrity of digital philanthropy platforms.

Regarding data security, the risks of breaches increase with the number of users. According to Surfshark, Indonesia ranks 13th globally in terms of data breaches, with 156.8 million compromised records from 2004 to April 2024.⁴⁶ Donor information, including identity, address, and donation history, requires maximum protection. The principles of "privacy by design" and "privacy by default," as embedded in the EU's

⁴⁰ Michael Jensen and William Meckling, "Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure," *The Economic Nature of the Firm: A Reader, Third Edition*, 2012, 283–303, <https://doi.org/10.1017/CBO9780511817410.023>.

⁴¹ Ziyi Yin et al., "Information Disclosure and Funding Success of Green Crowdfunding Campaigns: A Study on GoFundMe," *Financial Innovation* 10, no. 1 (2024), <https://doi.org/10.1186/s40854-024-00666-8>.

⁴² Rula Almadadha, "Blockchain Technology in Financial Accounting: Enhancing Transparency, Security, and ESG Reporting," *Blockchains* 2, no. 3 (2024): 312–33, <https://doi.org/10.3390/blockchains2030015>.

⁴³ Titilope Tosin Adewale, Titilayo Deborah Olorunyomi, and Theodore Narku Odonkor, "Blockchain-Enhanced Financial Transparency : A Conceptual Approach to Reporting and Compliance Blockchain-Enhanced Financial Transparency : A Conceptual Approach to Reporting and Compliance," *International Journal of Frontiers in Science and Technology Research* 2, no. January (2022), <https://doi.org/10.53294/ijfstr.2022.2.1.0027>.

⁴⁴ Silvio Vismara and Peter Wirtz, "Fundraising, Governance and Environmental Ethics: Evidence from Equity Crowdfunding," *Journal of Business Ethics*, no. 0123456789 (2025), <https://doi.org/10.1007/s10551-024-05917-3>.

⁴⁵ Badiul Hadi, "Laporan Asesmen Organisasi Kemasyarakatan 2023," 2023.

⁴⁶ Nur Rachmi Latifa, "Krisis Kebocoran Data Pribadi: Tata Kelola Yang Buruk Di Indonesia," sibermate.com, 2025.

General Data Protection Regulation (GDPR) and partially adopted in the PDP Law, should ideally be integrated into the technical architecture of donation platforms.

In addition to safeguarding donor and recipient data, effective financial governance must be managed to ensure financial transparency.⁴⁷ Robust governance requires not only financial accountability but also structural transparency.⁴⁸ According to stakeholder governance theory, institutional legitimacy is established through the involvement of stakeholders, including donors and beneficiaries, in decision-making processes.⁴⁹ Therefore, making organizational structures, the composition of independent oversight boards, and anti-corruption policies publicly available are vital indicators of institutional transparency.

To address reporting accountability challenges, technology can serve as a transformative tool. With its immutable record-keeping properties, blockchain provides transparent and real-time fund-tracking solutions. Kunhibava et al. found that blockchain enhances trust and efficiency in social fund management, although challenges remain, including high initial costs and the need for technical training.⁵⁰ Hence, the government cannot act alone. Synergy with the private sector, academia, and civil society is essential to building national standards for digital philanthropy transparency.⁵¹ Notable models include the U.S.-based Charity Navigator, which ranks nonprofit performance and transparency, and GiveWell, which analyzes global program effectiveness.⁵²

In Indonesia, transparency in digital donation platforms must be understood as a multifaceted and layered process, encompassing regulation, technological innovation, institutional strengthening, public literacy, and a culture of sound governance. Indonesia holds great potential to become a digital philanthropy leader in Southeast Asia, but success hinges on its ability to build a truly accountable ecosystem. If transparency becomes the foundational pillar, public trust, organizational sustainability, and broader social impact can be achieved optimally.

Strengthening Oversight Mechanisms to Prevent Misuse of Funds

⁴⁷ Maya Forstater, *Beneficial Openness? Weighing the Costs and Benefits of Financial Transparency*, Working Paper - Chr. Michelsen Institute, vol. 2017, 2017.

⁴⁸ Md. Mukitul Hoque, "Crowdfunding for Innovation: A Comprehensive Empirical Review," *Future Business Journal* 10, no. 1 (2024): 1–19, <https://doi.org/10.1186/s43093-024-00387-5>.

⁴⁹ Yue Li et al., "Stakeholder Involvement and Preferences in Landscape Protection Decision-Making: A Systematic Literature Review," *Frontiers in Communication* 9, no. July (2024): 1–21, <https://doi.org/10.3389/fcomm.2024.1340026>.

⁵⁰ Sherin Kunhibava et al., "Blockchain Use Case in Islamic Social Finance," *ISRA International Journal of Islamic Finance* 16, no. 1 (2024): 93–110, <https://doi.org/10.55188/ijif.v16i1.659>.

⁵¹ Caroline Hartnell, "Philanthropy In Indonesia A Working Paper," 2020.

⁵² Evelina Godecki and Nicolas Duquette, "Evaluating the Evaluators: What Do Nonprofit Evaluation Platforms Actually Bring to the Giving Space," *SSRN Electronic Journal*, 2019, <https://doi.org/10.2139/ssrn.3387597>.

The urgency of strengthening oversight mechanisms in online donations cannot be overstated.⁵³ With the rapid growth of the popularity of digital fundraising platforms and transaction volume, the need for action is pressing. While these platforms offer convenience, efficiency, and broad outreach in mobilizing social solidarity, the digital space also presents significant vulnerabilities to misuse, misappropriation of funds, and fraud. The data on digital philanthropy in Indonesia is alarming, with a significant increase in donation amounts from 2021 to 2022, but a sharp decline in 2023, indicating a strong signal of erosion in public trust.⁵⁴ This decline was not solely driven by economic factors but also stemmed from incidents of fund misappropriation and the low accountability standards applied by specific platforms or individual fundraisers.

Therefore, reform and strengthening oversight for online donation service providers are essential. From an agency theory perspective, the relationship between the principal (donor) and the agent (donation manager) inherently involves potential conflicts of interest due to information asymmetry. Donors, as principals, lack direct control over how funds are utilized by the agent, which creates opportunities for moral hazard. A robust oversight system serves as a tool to mitigate these risks by ensuring that fund managers act in the best interest of the public.⁵⁵ This public interest must be a central concern for donation managers, as legitimacy theory dictates that all organizations, including digital donation platforms, must maintain legitimacy in the eyes of the public. This legitimacy is contingent on the public perception that fundraising is conducted ethically, transparently, and responsibly. Organizational legitimacy is disrupted when violations or abuse occur, leading to a withdrawal of trust and a decrease in donor participation, as reflected in the fluctuating donation trends mentioned earlier.

To restore public trust, it is essential to implement optimal oversight by relevant institutions and apply good governance principles.⁵⁶ This normative framework for managing public donations encompasses key principles, including transparency, accountability, participation, effectiveness, and the rule of law. In the digital realm, these principles can be implemented through measures such as open financial reporting, periodic independent audits, robust complaint-handling systems, and the active involvement of civil society in monitoring philanthropic practices. Oversight

⁵³ Rebecca Lee, "Rethinking the State Regulation of Charities: A Hong Kong Perspective," *Governance and Regulation of Charities: International and Comparative Perspectives* 10, no. 2000 (2023): 134–57, <https://doi.org/10.4337/9781035310746.00013>.

⁵⁴ Tim Ipsos Indonesia, "Indonesia Philanthropy Outlook 2024."

⁵⁵ Francesco Fasano et al., "Why SMEs Go to Crowdfunding? The Role of Financial Constraints and Agency Issues," *Small Business Economics*, no. 0123456789 (2025), <https://doi.org/10.1007/s11187-025-01046-x>.

⁵⁶ Shifa Mohd Nor and Noor Azuan Hashim, "Trust Motivates Funders to Participate in Shari'ah Crowdfunding," *Malaysian Journal of Society and Space* 16, no. 2 (2020), <https://doi.org/10.17576/geo-2020-1602-18>.

mechanisms for online donation platforms can be classified into three primary approaches: self-regulation, co-regulation, and state regulation.⁵⁷

Self-regulation involves internal monitoring by the platforms themselves, where they establish and enforce operational standards, codes of ethics, and internal reporting systems.⁵⁸ Some platforms have developed transparency dashboards that allow donors to monitor fund usage directly. However, self-regulation is limited if not accompanied by external oversight, as it presents high risks of conflict of interest. The absence of firm sanctions in this model also weakens the ability to prevent major violations.

Co-regulation supplements this by fostering collaboration between private entities (such as platforms) and regulators or civil society organizations.⁵⁹ This model allows flexibility in rule implementation while ensuring legitimacy and accountability through the involvement of independent actors. A practical example of co-regulation involves collaborations among donation platforms, fintech associations, and relevant ministries in developing digital security standards and fundraising verification procedures. Co-regulation also supports the implementation of whistleblower systems and integrated cross-platform reporting mechanisms.

The most formal model is state regulation, in which oversight is entirely under the state's authority through legal instruments. The government acts as the rule-maker, monitor, and enforcer in donation collection and usage practices. In Indonesia, public fundraising is regulated by the Ministry of Social Affairs Regulation No. 8 of 2021 on the Organization of Money and Goods Collection, in conjunction with the ITE Law, which addresses digital violations. However, this approach suffers from bureaucratic delays and a lack of adaptability to fast-evolving technologies. In contrast, countries like the United States and the United Kingdom have successfully implemented state regulation with agile oversight bodies that adapt to technological changes, providing a model for other countries to follow.⁶⁰ In the United States, state attorneys general have the authority to oversee charitable fundraising activities in their respective states. This agency also has the authority to prosecute fraud, misrepresentation, and violations of transparency obligations. Furthermore, online fundraising and crowdfunding are also overseen by the Federal Trade Commission and the Internal Revenue Service, which monitor for unfair or misleading business practices and ensure compliance with tax and financial reporting requirements.⁶¹

⁵⁷ Hans J. Kleinsteuber, Christopher T. Marsden, and Yaman Akdeniz, "Self-Regulation, Co-Regulation, State Regulation," *The Media Freedom Internet Cookbook*, 2004, 61–75.

⁵⁸ Eva E Aldrich, B Breen, and Alexander Carter, "Principles for Statutory Regulation and Self-Regulation of Fundraising," 2020.

⁵⁹ Michèle Finck, "Digital Regulation : Designing a Supranational Legal Framework for the Platform Economy Digital Regulation : Designing a Supranational Legal Framework for the Platform Economy," 2017.

⁶⁰ Ines Mergel, Yiwei Gong, and John Bertot, "Agile Government: Systematic Literature Review and Future Research," *Government Information Quarterly* 35, no. 2 (2018): 291–98, <https://doi.org/10.1016/j.giq.2018.04.003>.

⁶¹ Philip Hackney, "Keep Charitable Oversight in the IRS" 130 (2024).

In practice, strengthening oversight mechanisms requires more than just regulations; it requires technological innovation. Real-time monitoring systems powered by artificial intelligence (AI) and big data analytics can be utilized by supervisors to detect suspicious transaction patterns early on, showcasing the potential for innovation in this field. These technologies can map unusual activities, such as sudden surges in fundraising or large withdrawals, without accompanying program reports. Moreover, implementing blockchain can ensure that transactions are immutable, transparent, and traceable. Each donation and disbursement is permanently recorded on a digital ledger, enabling the public to track the use of funds as is done in Western Balkan countries.⁶²

However, technological reinforcement must also be accompanied by public education initiatives.⁶³ Low levels of digital literacy make people vulnerable to emotionally manipulative or misleading fundraising campaigns. Therefore, platforms should proactively provide educational content and safe donation guides, promoting a culture of prudence among potential donors. This aligns with risk management theory, which emphasizes the importance of comprehensive risk identification and mitigation⁶⁴—both technically and behaviourally. Public education is crucial to ensure that potential donors know the risks and can make informed decisions.⁶⁵

These mechanisms should be rooted in regular effectiveness evaluations from a governance standpoint. Independent external audits are crucial for evaluating compliance with fund management standards. The findings of these audits should be made publicly available to ensure accountability. Additionally, responsive and efficient complaint-handling systems are crucial for user safety and serve as corrective channels for any identified discrepancies.

Developing policies on restrictions and verification in the fund withdrawal process is also important.⁶⁶ For instance, large withdrawals could be subject to multi-layered verification involving internal approvals and third-party oversight. In addition, involving civil society in community-based monitoring is a core component of good governance, whereby the public acts as both passive donors and active watchdogs. Such efforts are not without challenges—blockchain implementation requires substantial investment, and multi-layered verification may slow fund

⁶² Nikola Milinković and Marko Galjak, “A Case Study on AI Usage for Collecting Philanthropy Data in the Western Balkans,” in *The Routledge Handbook of Artificial Intelligence and Philanthropy*, 2024, 240–56, <https://doi.org/10.4324/9781003468615-18>.

⁶³ Md Abdul Halim, “Does Crowdfunding Contribute to Digital Financial Inclusion?,” *Research in Globalization* 9, no. November 2023 (2024): 100238, <https://doi.org/10.1016/j.resglo.2024.100238>.

⁶⁴ Ignacio Cienfuegos Spikin, “Risk Management Theory: The Integrated Perspective and Its Application in the Public Sector,” *Revista Estado, Gobierno y Gestión Pública* 0, no. 21 (2013): 89–126, <https://doi.org/10.5354/0717-6759.2013.29402>.

⁶⁵ Piotr Zaborek et al., “Understanding Charitable Consumer Behavior on Digital Crowdfunding Platforms: Exploring the Influence of Cultural Values, Motivations, and Platform Attitudes,” *Journal of Nonprofit and Public Sector Marketing* 00, no. 00 (2024): 1–40, <https://doi.org/10.1080/10495142.2024.2416202>.

⁶⁶ Muhammad Iqmal Hisham Kamaruddin et al., “Financial Management Practices in Islamic Donation-Based Crowdfunding (DCF) Platforms in Malaysia,” *Future Business Journal* 9, no. 1 (2023): 1–14, <https://doi.org/10.1186/s43093-023-00210-7>.

disbursement during emergencies. Thus, a balance must be maintained between service speed and security controls to preserve efficiency. This highlights the need for an oversight system that is both adaptive and flexible while prioritizing integrity. By discussing these challenges and trade-offs, the audience can gain a deeper understanding of the complexities involved in implementing oversight mechanisms and make informed decisions about their design and implementation.

Ultimately, strengthening online donation oversight mechanisms is not merely an administrative task, it is a strategic foundation for ensuring the sustainability and legitimacy of the digital philanthropy sector. Amid fluctuating public trust triggered by various cases of fund misuse, strong oversight is a non-negotiable prerequisite for building a credible and accountable system. A holistic approach, integrating good governance principles, advanced technologies such as blockchain and AI, adaptive yet firm regulatory frameworks, and empowering society as participatory watchdogs, offers a more effective response to the complexities of the digital philanthropy landscape. Integrating these elements closes gaps for potential misconduct and builds a proactive and sustainable oversight ecosystem. In this framework, oversight is no longer merely a reactive tool against violations but a strategic instrument for cultivating a transparent, socially just, and trustworthy online donation ecosystem.

Conclusion

In an increasingly interconnected digital era, online donation systems have emerged as powerful tools to foster philanthropic activities and social solidarity. However, their rapid growth has also brought serious challenges like fund misuse, data breaches, and a lack of accountability. Addressing these issues requires a holistic approach that involves three key elements: a strong legal framework, comprehensive financial transparency, and effective adaptive oversight mechanisms. A strong legal framework provides a critical foundation for the ethical and responsible operation of online donation systems. Clear regulations and consistent law enforcement can prevent fund misappropriation, protect donors' interests, and enhance public trust in digital donation platforms. Financial transparency is a crucial and powerful tool for building and maintaining public trust. This includes openness in fundraising and distribution, which should be accessible and understandable to the public. Transparent and comprehensive financial reporting empowers donors to monitor the use of their contributions, thereby increasing the accountability of donation platforms. The third equally important element is an effective and adaptive oversight mechanism. Integrated supervision involving government authorities, the private sector, and civil society can create a system of controls that detects and prevents misconduct early. With its expertise in technology and finance, the private sector can play a significant role in developing and implementing practical oversight tools. Independent oversight also contributes to the early detection of potential violations, reinforcing the integrity of the overall system. The synergistic integration of these three elements can significantly enhance public confidence in digital donations, promote greater

community engagement in philanthropic efforts, and ensure the efficient allocation of resources towards social objectives. Consequently, online donation systems function as vehicles for mutual aid and embody models of ethical, trustworthy, and sustainable digital governance. Further research presents an exciting opportunity to develop governance frameworks that respond to technological advancements and the evolving social landscape of online donations. Such initiatives will help ensure that digital donation systems continue to evolve in response to societal needs and uphold high ethical standards, underscoring the importance of active participation in these endeavours.

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