



# E-Wallet Misuse in Online Child Prostitution Transactions; How Does Indonesian Law Respond?

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***Abstract.** Child sexual crimes in cyberspace are increasingly widespread with the advent of financial technology that does not restrict account ownership by age, including e-wallets such as OVO, Dana, and GoPay, which are often used for online child prostitution payment transactions. This study aims to examine how Indonesian law responds to the phenomenon of e-wallet misuse in online child prostitution transactions. The research method used is normative legal research with a legal inventory approach and legal comparisons. The focus of the analysis is on the response of Indonesian law to the misuse of e-wallets for online child prostitution transactions. The research results are expected to inform strategies for the prevention and legal protection of child victims of online prostitution in the future.*

***Keywords:** e-wallets, child prostitution, Indonesia and Australia legal system.*

## 1. Introduction

The development of digital technology has brought significant changes in various aspects of human life, including the way transactions are conducted. E-wallets, or electronic wallets, are one of the innovations that provide convenience and speed in conducting transactions. However, this technological advancement also brings new challenges, especially concerning misuse for illegal purposes. One disturbing form of misuse is the use of e-wallets in online child prostitution transactions. This phenomenon not only violates the law but also has serious impacts on the well-being and safety of children.

Digital technology facilitates the spread of child prostitution through the internet in a more concealed and hard-to-trace manner. E-wallets become a perfect tool for perpetrators of crime because they offer anonymity, ease of cross-border fund transfers, and lack stringent regulations. This phenomenon is becoming more concerning with the increasing use of the internet and mobile devices among children.

An e-wallet is a digital application that allows users to store money electronically and conduct various financial transactions online. E-wallets offer several advantages, such as ease of use, fast transactions, and often greater security compared to carrying cash. Some popular examples of e-wallets include PayPal, GoPay, OVO, and Dana. E-wallets are often integrated with credit cards, bank accounts, and even cryptocurrencies, adding to their flexibility and appeal for users.

The age of digital transformation has profound effects on businesses' operations and consumer behavior. Payment through an electronic wallet, which is one of the solutions to digitize consumer payables and corporate receivables, is increasingly popular globally. An electronic wallet (E-Wallet) is an electronic service that stores payment data such as cards and electronic payments (e-money), which can also be used as a means of payment. In Indonesia, it gives a big impact on the consumers' daily life because of ease of use by the so-called cashless payment method. Many E-Wallet applications in Indonesia offer many advantages, easy to use and guaranteed network security, and the availability of payment methods at various outlets [1]. The use of e-wallets enables criminals to transact without leaving easily traceable footprints for law enforcement. Security features designed to protect

user privacy are also exploited to hide the identity and location of the perpetrators. Additionally, regulations that do not fully govern the use of e-wallets in various countries create opportunities for criminals. The implementation of strong encryption technology and the lack of mandatory reporting of suspicious transactions by e-wallet service providers further exacerbate this problem.

Currently, e-wallets are being used as tools for online child prostitution transactions. Online child prostitution is a form of sexual exploitation where children are trafficked or forced to engage in sexual activities over the internet. Criminals often use digital platforms such as social media, websites, and messaging apps to contact and exploit victims. Online child prostitution often involves taking photos or videos that are then sold or shared on dark platforms. Victims are often entrapped or coerced through threats and psychological manipulation.

International laws such as the Optional Protocol to the Convention on the Rights of the Child on the Sale of Children, Child Prostitution, and Child Pornography (OPSC) provide a legal framework to protect children from sexual exploitation. In many countries, the use of e-wallets for illegal purposes like child prostitution is also regulated under laws concerning money laundering and terrorism financing. However, there are still many regulatory gaps that allow criminals to misuse e-wallets for illegal purposes. Many countries do not yet have specific regulations to monitor e-wallet transactions, especially those involving cryptocurrencies for the purpose of purchasing child prostitution.

In terms of transactions, the transactions themselves are not illegal, but the purpose and intent of the payments are illegal, specifically for the transaction of child prostitution. Thus, it appears that e-wallets are being used as a tool to legitimize the transactions of online child prostitution. Therefore, the issue examined in this paper is the misuse of e-wallets in online child prostitution transactions, how Indonesian law responds to this, as part of the overall child protection framework. The focus of the analysis is on the response of Indonesian law to the phenomenon of misuse of e-wallets in online child prostitution transactions. The results of the research are expected to be a strategy in the prevention and legal protection of child victims of online prostitution in the future.

## **2. Methodology**

The research method used is normative legal research with a statutory approach. This involves examining the misuse of e-wallets in the phenomenon of online child prostitution in Indonesia and analyzing how Indonesian law responds to this issue. Various laws and regulations related to e-wallets and their misuse, as well as protection for harmed parties, are reviewed.

## **3. Discussion And Findings**

### **3.1. E-Wallet and Its Misuse**

E-wallet, or digital wallet, is a tool that allows users to store and manage money electronically. Its definition can vary depending on the perspective of experts in the fields of technology, finance, or law. Digital wallets build on the traditional payment card network structure. Though digital wallets do not change the fundamental transaction, they instead may change the method and nature of the data communicated between consumers and merchants. A digital wallet is a computer software application that stores and transmits payment authorization data for one or more credit or deposit accounts. Once a consumer loads her payment account data into a digital wallet, the digital wallet can then be used as a payment device for that account, transmitting the data to merchants to authorize payment [2].

The study on virtual wallet development trends highlights its growing popularity and significance. It investigates customer behavior, adoption models, and how digital wallets like PayPal, Google Wallet, and Apple Pay reconstruct traditional finance systems. It also explores their potential for financial inclusion. Between 2008 and 2023, e-wallet research

and development increased significantly, focusing on technological implementation, security protocols, and encryption methods. Issues with user authentication, privacy, and data security were addressed, along with adoption barriers and usability. Research was conducted on perceived security, trust, convenience, and comfort with the technology. Improvements in mobile technology also enhanced e-wallet software adoption. Legality, regulations, and blockchain and crypto were among the matters covered with much practicability. The information includes security, technical implementation, usability, user acceptance, legal issues, and emergent technologies [3].

A computerized wallet could be a software-based framework that securely stores user payment information, such as credit card numbers, bank account details, and even cryptocurrency. It allows users to make electronic transactions, whether it's online purchases, in-store payments by means of NFC technology, or peer-to-peer transactions. Advanced wallets regularly offer convenience, security, and sometimes rewards or incentives for their use. Examples include Apple Pay, Google Pay, Samsung Pay, PayPal, and various cryptocurrency wallets like Coinbase or MetaMask [4].

Electronic payments (e-payments) arose in the early 1990s during the transition from traditional to cashless payments. These financial services allow consumers to make payments to multiple vendors in an electronic environment instantly. In the last two decades, many financial technology (fintech) providers have offered a new, advanced option—digital wallets (electronic wallets, e-wallets). A digital wallet is a financial management application (online payment software or mobile application) for storing funds, making transactions, and tracking payment history via a computer or mobile device. An e-wallet is a prepaid payment instrument because before a financial transaction can take place, the wallet must be linked to the user's bank account or funds must be deposited into it. In addition to financial transactions, a digital wallet can store personally identifiable data such as a driver's license, health card, and other identity data about its owner, loyalty cards, as well as a variety of discount or cashback options. Thus, it can authenticate the owner [5].

Bank Indonesia defines an e-wallet as "an information technology-based payment tool that allows users to store money in electronic form, make payment transactions, and transfer funds digitally." This is stated in Bank Indonesia Regulation No. 19/12/PBI/2017 concerning the Implementation of Financial Technology. This definition emphasizes the functionality and purpose of e-wallets as digital payment tools. The Financial Services Authority (OJK) defines an e-wallet in the context of financial services as "a platform that allows users to make payments and transfer money electronically through digital devices such as smartphones." This is mentioned in OJK Regulation No. 77/POJK.01/2016 concerning Information Technology-Based Lending and Borrowing Services. This definition focuses on the function of e-wallets within the financial ecosystem.

Thus, definitions of e-wallets from various experts and sources indicate that an e-wallet is a digital tool that stores money and payment information electronically, allowing users to perform financial transactions such as payments and money transfers through digital devices. This definition encompasses various technical and functional aspects of e-wallets, highlighting their important role in the digital financial ecosystem.

However, in reality, e-wallets can be misused for illegal purposes. The misuse of e-wallets or digital wallets can result in significant losses for users and the financial system as a whole. Types of e-wallet misuse include various forms of fraud, crime, and security breaches. One such misuse is for sexual crimes. An example is Grooming for Sexual Crimes, where e-wallets are used to facilitate sexual crimes, such as transferring funds for illegal services. The use of e-wallets to pay for exploitative content or harmful services.

Patterns of e-wallet misuse involve:

- (a) Use of Fake Identities: Perpetrators use fake identities or someone else's identity to create e-wallet accounts. This makes it difficult to track the real identity of the perpetrators.

- (b) Small but Frequent Transactions: Funds are transferred in small amounts but frequently to avoid suspicion. This makes detection by financial transaction monitoring systems more difficult.
- (c) Use of Organized Networks: Perpetrators work within organized networks that have access to many e-wallet accounts and use various methods to hide transaction trails.
- (d) Combination with Cryptocurrency: Cryptocurrencies are used to increase anonymity and complicate the tracking of transactions by financial authorities.

The misuse of e-wallets as a tool to facilitate sexual crimes, including transferring funds for illegal service payments, is a serious and complex form of crime. E-wallets can be used to pay for commercial sexual services involving exploitation or extortion. These services often operate under the radar or on platforms that are difficult to trace. The use of e-wallets to transfer money to individuals or groups providing illegal sexual services, either directly or through intermediaries managing online transactions, can also occur in online child prostitution transactions.

E-wallets are often used in sexual trafficking networks where individuals or groups sell sexual services or exploitation using e-wallets as a payment method. International sexual trafficking networks use e-wallets to facilitate transactions between perpetrators and clients, often to hide their identities and avoid detection. The misuse of e-wallets in the context of sexual crimes such as online child prostitution, where e-wallets are used as a tool for payment and illegal transactions, necessitates law enforcement, strict regulations, and public education as important steps in preventing and addressing this misuse. Authorities and financial institutions must work together to ensure that e-wallets are used ethically and not for illegal activities that harm society.

### **3.2. How Does Indonesian Law Respond?**

To date, specific cases regarding the use of e-wallets for sexual crime services in Indonesia have not been widely publicized in detail. However, based on global trends and broader cybersecurity issues, there is potential for the misuse of e-wallets in the context of sexual crimes in Indonesia. The Indonesian Child Protection Commission (KPAI) noted that child prostitution practices are becoming increasingly varied. One of them, KPAI highlights the 'prostitution transactions' using e-wallets (electronic money) and even cryptocurrency. The practice of 'sex transactions,' which no longer purely involves cash payments or conventional bank transfers, but uses electronic money, was highlighted by KPAI Chair Ai Maryati. She believes this is happening due to the rapid development of technology. She also hopes that prostitution cases, especially those involving children as victims, will be seriously uncovered. They should be stopped by those in authority, for example through the blocking of accounts and digital money by the Financial Transaction Reports and Analysis Center (PPATK). Children do not carry out transactions, but their e-wallets are topped up by certain phone numbers and can use bitcoin or other variants [6].

The Financial Transaction Reports and Analysis Center (PPATK) revealed data related to cases of child pornography. The PPATK Chair disclosed that pornography transactions have reached a total value of IDR 4.9 billion. Over the past two years, PPATK has provided the results of its analysis to law enforcement agencies. There were four analytical reports related to pornography, with transactions amounting to IDR 4.9 billion, or almost IDR 5 billion in transaction turnover. It may appear small, but if you look at the size, it's incredibly large, said PPATK Head Ivan Yustiavandana when met by the media at the KPAI headquarters in Gondangdia, Central Jakarta, on Friday, July 26, 2024. Ivan further revealed the trend of using transaction proceeds from the sale and exploitation of child pornography/Child Sexual Abuse Material through financial service providers using digital money such as e-wallets and even crypto assets.

On the other hand, Ivan also explained that based on the data, his party continued to analyze cases of child prostitution. From this analysis, PPATK found that more than 24,000 children aged 10-18 years were victims, with transaction values exceeding IDR 127 billion.

PPATK suspects that the transactions related to child prostitution involved 24,049 children aged 10-18 years, and the transaction values are strongly suspected to be related to prostitution. There is also pornography involved. The transactions involving 24,000 children reached a total of around IDR 127 billion. This is something that needs to be addressed together, and it is indeed very difficult to handle without collective support [7].

Considering the various phenomena mentioned above, Indonesia needs regulations that can tackle child prostitution associated with the misuse of e-wallets. Are there any regulations that can address this phenomenon? A study of various laws and regulations is necessary to see how far Indonesian law provides a framework for protecting children involved in online prostitution. Furthermore, there is Bank Indonesia Regulation No. 19/12/PBI/2017 concerning the Implementation of Financial Technology, which regulates the provision and operation of financial technology services, including e-wallets, and Bank Indonesia Regulation No. 20/6/PBI/2018 concerning the Implementation of Electronic Transaction Management, which regulates the security and protection of electronic transactions, including the use of e-wallets.

These regulations govern the management of electronic transactions related to security and protection in transactions. However, they are limited to the transaction processes only and cannot detect transactions with other purposes, such as payments for online sex. Because the purpose of the transaction cannot be seen, as long as the transactions are conducted according to the functioning system, they are considered lawful. Additionally, there is the Financial Services Authority (OJK) Regulation No. 77/POJK.01/2016 concerning Information Technology-Based Lending Services (fintech lending), which also covers aspects of e-wallets if involved in providing technology-based financial services. All of these regulations only govern the use of e-wallets under normal, regular conditions or according to their intended use. In other words, they regulate financial transactions regarding the transaction mechanism using the system; if the transactions violate this system or engage in fraud, there are sanctions that have been stipulated.

For example, online fraud involving the use of e-wallets for deceptive transactions, such as selling non-existent or misrepresented goods. Perpetrators can be penalized under the Electronic Information and Transactions Law (UU ITE) and the Indonesian Criminal Code (KUHP) concerning fraud (Article 378 KUHP). Then, identity theft involving illegal access: accessing someone else's e-wallet information without permission, either through hacking or social engineering methods. This can be sanctioned under the UU ITE (Articles 30-33) concerning illegal access and data theft. Additionally, forgery involves making fake transactions or altering transaction data on e-wallets with the intent to deceive or harm others. This can be regulated under the UU ITE and the KUHP concerning forgery (Article 263 KUHP).

A new development is included in the amendments to the Electronic Information and Transactions Law (UU ITE). Law No. 11 of 2008 on Electronic Information and Transactions (ITE), amended by Law No. 19 of 2016, and further amended by Law No. 1 of 2024 on the Second Amendment to Law No. 11 of 2008 on Electronic Information and Transactions, regulates various aspects related to electronic information and digital transactions. In this regulatory amendment, there are new provisions regarding child protection contained in Article 16A, as follows:

- (1) Electronic System Providers are required to provide protection for children who use or access Electronic Systems.
- (2) The protection referred to in paragraph (1) includes the protection of children's rights as stipulated in the legislation regarding the use of products, services, and features developed and provided by Electronic System Providers.
- (3) In providing products, services, and features for children, Electronic System Providers are required to implement technology and operational technical measures to provide the protection referred to in paragraph (1) from the development stage to the implementation of the Electronic System.

- (4) In providing the protection referred to in paragraph (1), Electronic System Providers are required to provide:
- information regarding the minimum age limits for children who can use their products or services;
  - mechanisms for verifying child users; and
  - mechanisms for reporting the misuse of products, services, and features that violate or potentially violate children's rights.

In the amendment to the Electronic Information and Transactions Law (UU ITE), there is an addition regarding the obligation of electronic system providers to provide protection for children who use or access electronic systems. In the following article, it is stated that this protection includes implementing technology and technical measures. For example, information on the minimum age limits for children to use certain products or services is required. There are also mechanisms for verifying child users and reporting the misuse of products, services, and features that violate or potentially violate children's rights. In reality, many products, services, and features are not child-friendly and tend to trap children into getting involved in online prostitution. The minimum age limits for children using these services are expected to be an anticipatory measure to prevent child prostitution online. Given the above provisions, children will be well-protected and shielded from online prostitution if these regulations are implemented properly. Further provisions regarding the protection as referred to in paragraphs (1) to (4) are regulated in Government Regulations.

Furthermore, Article 16B of Law No. 1/2024 states:

- Violations of the provisions referred to in Article 16A are subject to administrative sanctions.
- The administrative sanctions referred to in paragraph (1) can be in the form of:
  - written warnings;
  - administrative fines;
  - temporary suspension; and/or
  - access termination.
- Further provisions regarding the imposition of administrative sanctions as referred to in paragraphs (1) and (2) are regulated in Government Regulations.

The next article discusses that violations of Article 16A will be subject to administrative sanctions. These administrative sanctions aim to prevent recurrence by closing or temporarily suspending or terminating the access to these services. Administrative sanctions are intended for service providers but do not yet involve recovering or taking action for children who have been involved and become victims. Therefore, further actions are needed regarding the protection of children who have become victims of violations of these services. Thus, concrete steps are needed in law enforcement in Indonesia. Among other things, Indonesia needs to update and strengthen regulations governing the use of e-wallets to ensure that service providers are obligated to report suspicious transactions and cooperate with law enforcement authorities. Child protection regulations should be refined with government regulations that stipulate technical measures in providing services for children and protecting children from violations of their rights in cyberspace. The following table briefly illustrates what has been described above:

**Figure 1.** Regulation in Indonesia to respond to the e-wallet misuse

<b>Regulation</b>	<b>Respond to the e-wallet misuse in online child prostitution</b>
Bank Indonesia Regulation No. 19/12/PBI/2107 concerning the Implementation of Financial Technology	Regulating the organization and operation of financial technology services, including e-wallets. But it does not regulate crimes that may occur using financial technology.

Regulation	Respond to the e-wallet misuse in online child prostitution
Bank Indonesia Regulation No.20/6/PBI/2018 on the Implementation of Electronic Transaction Management Law No. 4 of 2023 on Financial Sector Development and Strengthening	Regulating the security and protection of electronic transactions, including the use of e-wallets. But excludes suspicious transactions as payment for online child prostitution Regulating the financial system, but there is no regulation of the financial system used for crime (prostitution)
Law No.1 of 2024 on Electronic Information and Transactions	Regulating the prohibition to create/distribute content of decency and age restrictions on children accessing services and user verification mechanisms
Law No. 44/2008 on Pornography	Regulating the prohibition of using internet media for child pornography
Law No. 35 of 2014 on Child Protection	There is no specific regulation on buying child prostitution is illegal activities but what is prohibited is sexual abuse, sexual violence, sexual intercourse with children.
Financial Services Authority (OJK) Regulation No. 77/POJK.01/2016 on Information Technology-Based Money Lending and Borrowing Services	Provision of technology-based financial services. Does not regulate the use of technology services for child prostitution.
Penal Code Indonesia (recent penal code) and new penal code (Law No. 1/2023)	Forbidding a person from profiting from prostitution
Law No. 21/2007 on anti-trafficking in persons	Trafficking anyone including children for the purpose of prostitution is a crime.

**4. Conclusion**

There are no specific regulations that require e-wallets to create policies to monitor suspicious transactions, especially for the purpose of online child prostitution exploitation. There is no policy from the e-wallet application to recognize, identify misuse of e-wallet for child prostitution purposes. There is no reporting and mitigation mechanism if there are cases of child prostitution using e-wallets. Law No. 1 of 2024 on amendments to Electronic Transaction Information is limited to setting age restrictions on children accessing services and user verification mechanisms, thus unable to respond in protecting children from transactions that misuse e-wallets for online child prostitution. Similarly, other regulations are still unable to prevent the misuse of e-wallets for child prostitution purposes. Therefore, steps are needed to prevent and tackle this issue, which includes: cooperation between financial service providers, the private sector, law enforcement, and academic organizations in protecting children from online prostitution, incorporated in the new Institute. Restrictions on transactions in one e-wallet account. If there is a suspicious transaction, it can be reported to the institution. There needs to be an age limit on digital wallet ownership so that children do not easily have a digital wallet account. Specific regulations are needed on the prevention and protection of children from online sexual exploitation, including from the impact of financial services.

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