

THE IMPORTANCE OF ETHICS AND LEGAL COMPLIANCE IN BUILDING TRUST IN DIGITAL BUSINESS

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Abstrak

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The digital era has brought about a major transformation in global business models, presenting both innovative opportunities and significant ethical challenges. Technological dynamics such as artificial intelligence, big data, and e-commerce platforms are expanding economic horizons, but also pose risks of data leaks, information manipulation, and privacy violations. Amid this complexity, ethics and legal compliance serve as key pillars in building public trust in digital business entities. This paper aims to systematically examine the importance of implementing ethical principles and legal compliance in strengthening trust in digital businesses, by reviewing seven recent literatures (2020–2025). The analysis shows that companies that integrate ethical values and regulatory compliance are able to gain social legitimacy, maintain their reputation, and build long-term relationships with consumers and partners. The study's findings emphasize that trust is not the result of legal compliance alone, but rather a balance between moral values, social responsibility, and transparent digital governance.

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INTRODUCTION

The development of digital technology over the past two decades has fundamentally changed the way humans interact, transact, and do business. Innovations such as artificial intelligence (*AI intelligence*), big data analytics , and e-commerce platforms (*platforms platforms*) have created a new form of economic ecosystem that is faster, more efficient, and without geographical boundaries. While bringing many opportunities, this dynamic also presents serious challenges in terms of ethics, privacy, and legal compliance (Fülöp, 2023) .

In the midst of global competition, digital trust has emerged as a determining factor for the success of technology-based businesses. This trust is not only related to transaction security or personal data protection, but also to moral commitment and corporate social responsibility in managing user data and interactions. According to



(Guenduez, 2025) , digital businesses that fail to maintain ethical integrity and regulatory compliance are likely to lose social legitimacy and face significant legal risks.

In Indonesia, trust in digital businesses still faces significant challenges. Several cases, such as the misuse of customer data, fictitious transactions, and a lack of transparency in information processing algorithms, have created a crisis of public trust. In this context, the application of the principles of digital governance is crucial. digital business ethics And legal compliance is the main foundation in building an organization's reputation and sustainability. In line with Becker's opinion (2022) , companies need to implement a digital code of ethics (*digital code of ethics*) . of ethics) to ensure that innovation runs within a clear corridor of moral and legal responsibility.

Furthermore, consumer trust in digital businesses cannot be built solely through formal legal compliance, but also through transparency, accountability, and fairness in daily business practices (Sadiq, 2024) . For example, in the context of e- commerce , clear product information, personal data protection, and fair return policies are key indicators of ethical behavior that enhance user trust.

Legal compliance on the other hand provides *formal guarantee* that the organization has complied with applicable regulations, such as the Personal Data Protection Law (PDP Law No. 27 of 2022) and the Financial Services Authority (OJK) Regulation regarding digital financial services. However, regulation alone is not enough. (Rychkova , 2023) emphasizes that good digital business architecture must incorporate ethical principles into system design from the early stages (*ethics*) by *design*).

Thus, Ethics and legal compliance are not two separate entities , but rather complement each other in building public trust in the digital ecosystem. Ethics provide a guiding moral standard, while legal compliance provides an objective framework to ensure behavior that meets societal and national standards.

RESEARCH METHODS

This research uses qualitative methods with the approach Literature review and case study analysis . This approach was chosen because the research focuses on an in-depth understanding of the concepts of ethics and legal compliance in building trust in digital businesses. Qualitative methods allow researchers to explore the meanings and values contained in organizational ethical practices and their implications for the legitimacy and reputation of digital companies. As stated by Firmansyah et al. (2021) , a qualitative approach is relevant when research aims to explore social phenomena contextually, rather than simply measuring the relationship between variables numerically.

The data sources used in this research are Secondary data , obtained from various academic literature, scientific articles, organizational reports, and relevant digital company case studies. The literature reviewed includes articles from reputable journals such as *ScienceDirect* , *ResearchGate* , *CEUR Workshop Proceedings* , as well as open archives such as *arXiv.org* , which focuses on the topics of digital ethics, consumer trust, and legal compliance. The literature selection is limited to publications published between 2009 and 2010. 2020 to 2025 , to ensure the analysis remains in line with the latest developments in digital business. Some of the main references used include the work of Fülöp et al. (2023) on the ethical dilemmas of digital business,

Becker et al. (2022) regarding the digital ethics framework, Guenduez et al. (2025) on global trends in technology ethics, and Mokander et al. (2021) regarding ethical audits of automated systems.

Data collection was carried out using systematic steps through literature searches using keywords such as *digital ethics*, *legal compliance*, *corporate governance*, and *digital trust*. From an initial search of approximately 60 publications, researchers selected 15 relevant sources and then narrowed them down to seven primary sources based on their relevance, validity, and academic credibility. Each source was analyzed to identify key ideas related to the relationship between ethics, legal compliance, and public trust in digital business. The analysis process was conducted using the thematic content analysis content analysis) as developed by Braun and Clarke (2006), which includes the initial coding stage, theme categorization, and interpretation of results. Through this approach, researchers can group information from each literature into main themes such as *digital ethics and consumer trust*, *legal governance and organizational transparency*, as well as *ethical audit and social legitimacy*.

In addition, the analysis case study The findings were also reinforced with real-life examples of companies consistently implementing ethics and legal compliance. Case studies were selected based on several criteria, such as the company's ethical reputation, level of transparency in data management, and the organization's ability to recover from a crisis of public trust. This approach provides an empirical context that complements the conceptual analysis of the academic literature and demonstrates the practical application of digital ethics theory in business practice.

To ensure validity and reliability of data, researchers use techniques source triangulation And Theory triangulation. Source triangulation is conducted by comparing findings from literature in the fields of management, law, and information technology to ensure consistency between the results. Meanwhile, theory triangulation is conducted by linking research findings to the organizational trust theory proposed by Mayer, Davis, and Schoorman (1995), as well as the model *Digital Ethics Framework* by Becker et al. (2022). This process helps strengthen conclusions and reduce the researcher's subjective bias in interpreting data.

Overall, this qualitative method, using a literature-based approach and case studies, is expected to yield a comprehensive understanding of the strategic role of ethics and legal compliance in building trust in digital businesses. By synthesizing previous research findings, this study not only makes a theoretical contribution to the development of digital business ethics literature but also provides practical recommendations for companies in designing transparent, ethical, and legally compliant governance as the primary foundation of trust in the digital era.

RESULTS AND DISCUSSION

Results

The results of the analysis show that ethics and legal compliance are two elements that interact with each other and play an important role in building and maintaining Public trust in digital business. Based on a review of seven key literatures, it was found that the consistent application of ethical principles and legal regulations has a direct impact on consumer perceptions, corporate legitimacy, and the stability of an organization's reputation in the digital ecosystem.

The first finding comes from research by Fülöp , Ionescu , and Topor (2023), which identified that digital companies often face ethical dilemmas when balancing economic interests with social responsibility. They emphasized that digital ethics is not only about formal compliance with the law, but also about moral awareness in managing technology, data, and relationships with users. Ethics internalized in organizational culture has been shown to increase user trust and reduce reputational risk.

In line with that, Becker et al. (2022) through *Code of Digital Ethics* emphasizes that organizations need to develop a digital code of ethics that serves as a guide in strategic decision-making. The implementation of this code of ethics serves as an instrument of moral governance (*ethical governance*). *Corporate governance (GCG)* ensures a balance between innovation and responsibility. Ethics are not just rules of conduct, but rather a reflection of corporate values translated into daily business practices. In this context, companies like Merck Group and Microsoft have demonstrated that ethical digital governance can strengthen customer loyalty while minimizing future legal risks.

Similar results were also found in Guenduez's study. et al. (2025), who examined global trends in digital ethics across jurisdictions. The study showed that regulatory differences between developed and developing countries often create ethical gaps (*gaps*) that have the potential to undermine public trust in cross-border businesses. Therefore, they emphasize the importance of harmonizing universal ethics and local regulations to create a globally trustworthy digital ecosystem. In the Indonesian context, this principle aligns with the direction of Indonesia's policy. *The Personal Data Protection Law (PDP Law No. 27 of 2022)* , which is a milestone for legal compliance with digital data management practices.

Meanwhile, Rychkova's (2023) research underlines the importance of a digital business architecture built on a foundation of trust (*trust-based architecture*). According to him, modern digital systems must be designed with the principles of transparency and accountability from the early stages of product development, or known as the concept *ethics by design*. This approach ensures that moral values and legal compliance are not only implemented after a product is launched, but become an inherent part of the structure of the digital system itself. Thus, ethics serves as an architectural foundation , not simply an administrative attribute .

In addition to system design factors, trust is also greatly influenced by ethical digital marketing practices. Sadiq, Sundar , and Devi (2024) in their research on *ethical branding* Studies have shown that consumers tend to be more loyal to brands that operate ethically and transparently. This study demonstrated that companies that are honest in their product communications and comply with consumer protection regulations have a 30–40% higher customer retention rate than their unethical competitors. These results reinforce the view that ethical behavior in digital interactions is not only a moral obligation but also an effective business strategy for building long-term trust.

Findings that focus on legal and audit aspects were found in Mokander's research. et al. (2021), who introduced the concept of *ethics-based auditing* for automated decision-making *systems decision-making systems*). They emphasize that ethical audits are not simply legal examinations, but rather comprehensive evaluations of the social and moral impacts of digital systems. This approach is crucial amidst the

increasing use of artificial intelligence (AI) in business decision-making, which often raises ethical questions about fairness, bias, and accountability. Thus, ethical audits serve as a control mechanism to ensure that digital systems comply with applicable moral values and legal standards.

Study (Kwan et al., 2021) adding that transparency and ethics are key prerequisites for building digital trust. They proposed a framework *Transparency-Ethics Model (TEM)* which places transparency and social responsibility as non-functional elements in software development. Their research shows that users tend to trust systems that can explain the rationale behind algorithmic decisions, thereby increasing perceptions of reliability and security.

From the overall analysis, it can be concluded that synergy between ethics and legal compliance Establishing a sustainable digital governance system. Ethics provide flexible and adaptive moral guidance, while law provides formal boundaries that guarantee public protection. When these two aspects are harmoniously integrated, trust in digital businesses will increase significantly. In other words, Ethics and law are not merely control tools, but strategic elements that are sources of organizational value and legitimacy in the era of digital transformation.

Discussion

Based on the results of the literature review, it can be concluded that the implementation of ethics and legal compliance has a significant impact on the level of public trust and a company's digital reputation. Digital businesses that prioritize ethical values and compliance tend to have stronger relationships with consumers, regulators, and other stakeholders. In this context, ethics serves as a moral guide that shapes organizational behavior, while legal compliance provides formal structure and legitimacy for those actions (Guenduez et al. , 2025).

The importance of the relationship between ethics and trust is also emphasized by Rychkova (2023), who states that digital systems built without moral principles and legal regulations have the potential to create a “pseudo - trust ecosystem”. *ecosystem*). This phenomenon occurs when companies focus solely on administrative compliance while neglecting their moral responsibility for data protection and algorithmic fairness. This creates a crisis of public trust because the transparency provided is formal, not substantial.

In the context of digital business in Indonesia, this issue is increasingly relevant. Cases of customer data leaks on several online platforms, such as e-commerce, fintech, and digital healthcare, demonstrate the weak implementation of digital ethics at the operational level. Many companies only comply with minimal regulations, without integrating ethics as part of *their core business*. *business* This condition emphasizes that legal compliance alone is not enough to build sustainable public trust. Companies need to internalize ethical values such as honesty, responsibility, and transparency into their organizational culture and system design (Becker et al. , 2022).

In addition, the results of the analysis show that the application of the principles *of ethics by design* and *accountability by default* is an important strategy for increasing digital trust. The concept of *ethics by design* means that every business process, from system design to communication with customers, must take into account moral and social implications. While *accountability by Default* requires companies to not only comply with the law, but also be open to public audits and their social responsibility

(Mokander et al., 2021)

In the realm of digital marketing, ethics has also been shown to have a direct influence on consumer loyalty and purchase intentions. According to Sadiq, Sundar , and Devi (2024), honesty and transparency of information create stronger perceptions of reliability among digital customers. When consumers perceive a company as being honest and responsible, levels of trust and customer retention increase significantly. Thus, ethical behavior has not only moral value but also tangible economic value for companies.

Theoretically, the findings of this study strengthen the *Digital Trust Framework model* , which connects three key pillars of digital trust: ethics, legal compliance, and organizational transparency. These three elements support each other and form a virtuous cycle: ethics fosters honesty; honesty strengthens transparency; and transparency generates trust. If any of these components is neglected, the stability of the digital trust system will be compromised.

From a practical perspective, the findings of this study provide a basis for digital companies to develop more integrative governance policies. Companies are advised to:

1. Develop an internal digital code of ethics that is specific to the technology and market context in which it operates;
2. Implementing periodic ethical audits and legal audits as external accountability mechanisms;
3. Collaborate with regulators and independent certification bodies to strengthen *digital compliance* ;
4. Build a transparent reporting system so consumers can monitor how their data is used.

This strategy is not only about complying with the law, but also a proactive step in building public trust and increasing competitiveness in the global marketplace. In the long term, companies with strong ethical integrity and regulatory compliance will more easily earn investor trust and consumer loyalty.

Furthermore, these findings also have relevance for policymakers. The government needs to strengthen the synergy between positive legal regulations and national digital ethics guidelines, for example by establishing an independent technology ethics oversight body. This is crucial so that digital policies are not solely focused on data security but also ensure social justice and the moral responsibility of digital business actors.

Thus, the results of this study confirm that ethics and law are not merely instruments of control, but rather instruments of empowerment. Ethics guide business behavior toward human values, while law provides legitimacy and a formal structure so that these values can be implemented consistently and responsibly.

CONCLUSION AND SUGGESTIONS

Conclusion

Based on the results of the literature review and thematic analysis of seven main studies, it can be concluded that Ethics and legal compliance are two complementary elements in building trust in digital business . Ethics serve as a moral compass that guides organizational behavior to be fair, transparent, and responsible towards stakeholders, while legal compliance ensures that business activities operate within a legal and accountable regulatory framework.

Consistent implementation of digital ethics, coupled with compliance with applicable laws, has been shown to increase an organization's legitimacy and strengthen its positive image among consumers. Public trust in digital businesses is built not only through administrative compliance but also through moral integrity, which translates into concrete practices such as information transparency, personal data protection, and ethical audits of digital systems.

In addition, this study found that transparency, social responsibility, and algorithmic fairness become a key pillar in building long-term trust. Digital businesses that are able to integrate these principles into their operational strategies will gain a sustainable competitive advantage. In a national context, the implementation of *Personal Data Protection Act* This is an important milestone in strengthening the digital trust of the Indonesian people in online platforms and technology services.

Overall, the integration of ethics and legal compliance not only prevents legal and reputational risks but also strengthens business competitiveness in facing global challenges. Thus, ethics and law are inseparable both are the foundations that foster public trust and ensure the future sustainability of digital businesses.

Suggestion

Based on the results of the study, several recommendations that can be given are as follows:

1. For digital companies , it is important to make ethics an integral part of business strategy. This can be done through the formation of *Digital Ethics Committee* , drafting *Code of Conduct* , as well as conducting regular ethics audits to ensure compliance with moral and legal principles.
2. For governments and regulators , strengthening the legal framework in line with global standards, along with national ethical guidelines for technology governance, is essential. The government can encourage digital ethics certification to increase business accountability.
3. For academics and researchers , further research needs to develop quantitative empirical studies on the influence of digital ethics on consumer trust and loyalty, as well as cross-cultural exploration to understand how social context influences perceptions of digital trust.
4. For digital communities , increasing technological ethics literacy is important so that users are able to assess the reliability, security, and social responsibility of a digital platform before giving full trust.

By implementing these recommendations, it is hoped that the digital business ecosystem can develop ethically, transparently, and reliably.

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