

Regulatory Asymmetry and Media Sovereignty in Indonesia: Governing OTT Platforms in the Digital Era

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ABSTRACT

The presence of Over-the-Top (OTT) platforms such as Netflix, Disney Hot Star, Prime, and VIU has disrupted the traditional broadcasting ecosystem in Indonesia. These global platforms have not only changed media consumption patterns, but also caused regulatory asymmetry because they operate outside the national broadcasting legal framework. This study aims to analyze the impact of the regulatory vacuum surrounding OTT on Indonesia's media sovereignty, highlighting the forms of regulatory asymmetry that have emerged. The method used is a qualitative approach with a descriptive-exploratory design, through policy document analysis, semi-structured interviews with regulators, academics, and industry players, as well as an international literature review on digital media regulation. The results of the study show that there are three main forms of inequality: first, legal and fiscal inequality, because OTTs are not subject to the licensing and taxation obligations that apply to national media. Second, content standard inequality, because conventional broadcasting institutions are required to comply with P3SPS regulations while OTTs are relatively free. Third, economic inequality, as OTT's dominance in advertising and subscriptions is not balanced by its contribution to the domestic creative industry. These findings emphasize the urgency of technology-neutral regulatory reform and the principle of digital justice to ensure a level playing field among media players in Indonesia. Theoretically, this study expands the concept of regulatory asymmetry with an institutional fragmentation perspective and offers a digital justice framework as a normative approach in media sovereignty studies.

Keywords: Over the Top, Broadcasting Regulation, Digital Sovereignty, Digital Justice, Television, Indonesia

INTRODUCTION

In recent years, the presence of Over The Top (OTT) platforms such as Netflix, YouTube, Disney+, and Amazon Prime has disrupted traditional broadcasting systems globally. These platforms have revolutionized media consumption patterns by bypassing traditional channels and delivering content directly to consumers via the internet (Kalorth, 2024b). The rise of OTT has been influenced by several factors, ranging from an increase in the number of digital content users, the need for personalization, and the utilization of data (Hallur et al., 2023). OTT enables the direct distribution of audio-visual content to consumers without the involvement of local broadcasting

institutions. The existence of OTT platforms has shifted the traditional media model and introduced new business and revenue models (Kalorth, 2024a). (This entire process has been driven by the increasing adoption of advanced technologies that have changed consumer behavior (Arifin & Fadrian, 2019).

Studies in several countries show that the implementation of OTT-related regulations varies. The United Kingdom tends to adopt a liberal approach that emphasizes industry self-regulation. India, despite constitutionally guaranteeing freedom of expression, imposes restrictions through content classification and digital codes of conduct, while China displays a highly centralized regulatory model, with strict state supervision of all digital media activities (Kanojia, 2023).

In Indonesia, the popularity of OTT platforms such as Netflix has skyrocketed, driven by national digital transformation ambitions and increasing public demand for personalized content (Sutarman & Karim, 2025). With a large population and a growing number of digital consumers, Indonesia is one of the potential markets for OTT (Cahyadi et al., 2023). However, national broadcasting regulations are still based on an analogue legal framework and are therefore unable to accommodate the digital phenomenon. This situation has created legal uncertainty for OTT and regulatory asymmetry between conventional broadcasting, which is subject to strict obligations, and global OTT, which is relatively free. This means that there is a risk of erosion of media sovereignty, both economically and culturally.

This study aims to analyze how the regulatory vacuum surrounding OTT affects Indonesia's media sovereignty, highlighting forms of regulatory asymmetry and their implications for the sustainability of national media. This study fills a research gap because most previous studies have focused on developed countries, while the context of developing countries such as Indonesia has rarely been studied empirically.

Netflix, for example, has been expanding into Indonesia since 2016. Initially, the Indonesian government was protectionist, imposing a blockade. However, President Jokowi's digital transformation agenda through the concept of the Industrial Revolution 4.0 paved the way for the liberalization of OTT. The regulation that serves as the policy umbrella is Communication and Information of Republic of Indonesia (Kominfo) Regulation No. 13/2019. To gain policy support, Netflix built legitimacy through a partnership with the Indonesian Ministry of Education and Culture (Kemdikbud), which was positioned as a form of support for the development of the national creative industry (Sutarman & Karim, 2025). A number of studies also show how Netflix and other OTT services have transformed the entertainment industry in Indonesia, recommending the implementation of sophisticated algorithms and interactive features to increase user engagement (Mangruwa et al., 2024).

Based on data released by DataIndonesia.id, Netflix recorded significant revenue of US\$ 31.62 billion in 2022, showing a growth of 6.50% from the previous year, with the streaming segment being the main contributor. Netflix reached 230 million subscribers by the end of 2022, demonstrating continuous innovation in meeting customer needs, including price adjustments in Indonesia in 2023 (Januar et al., 2023).

Unfortunately, OTT is dominated by foreign players whose legal and regulatory positions in Indonesia were previously unclear. Regulations related to OTT have not yet shown effectiveness in addressing the challenges posed by OTT platforms. It is not yet clear how these regulations will impact society at large and their ability to adapt to social life in Indonesia. There is a gap in understanding the real impact of the regulations imposed on OTT platforms and the ability of these regulations to protect domestic operators (Nandhiya & Haryadi, 2016).

The Free to Air (FTA) industry in Indonesia is dominated by national private television stations that control advertising revenue. A criticism that still arises today is the lack of guarantees of equal access to information and cultural expression for all levels of society in Indonesia (Setiawan et al., 2021). In practice, there is a concentration of media ownership in Indonesia and a limitation in the diversity of content available to the public. After 2002, there was significant growth in the number of television companies in Indonesia, but their contribution to the economic growth of the industry remained small. This was due to political interests influencing regulatory policies, which protected the interests of large television companies at the expense of smaller players (Widyatama & Polereczki, 2021).

The Indonesian Broadcasting Commission (KPI) plays an important role in regulating and monitoring broadcasting in Indonesia. KPI is responsible for supervising broadcast content to ensure compliance with established standards. This includes monitoring television and radio programs for compliance with content regulations (Putri & Muslikhin, 2019). KPI also focuses on educating the public about media literacy to help them critically evaluate content. This includes the formation of a group of volunteers known as broadcast monitors, who assist in monitoring and reporting violations (Fardiah et al., 2020). Violations are assessed based on the Broadcasting Conduct Guidelines and Broadcast Program Standards (P3SPS), which regulate the boundaries, violations, and obligations for broadcasting institutions. (Putri & Muslikhin, 2019). The regulate restrictions, violations, and obligations for broadcasting institutions. This system allows the public to play an active role in maintaining broadcasting standards (Juhana, 2016).

However, local TV stations face challenges due to the limited broadcast range stipulated by law (Kaltum et al., 2016). Meanwhile, Free to Air (FTA) media in Indonesia are still required to comply with strict regulations,

including content censorship, broadcasting licenses, broadcast time restrictions, and the obligation to present local content and pay taxes. There should be a market jurisdiction approach to taxation, so that the profits generated by OTT platforms in Indonesia can be taxed fairly (Cahyadi et al., 2023).

To overcome the challenges posed by OTT platforms, fair regulations are needed that can balance the interests of users, operators, and service providers (Handayani & Hidayatno, 2019). KPI cannot supervise digital media because it faces legal and structural challenges in supervising digital media (Muhtar et al., 2022). KPI was established based on Law No. 32 of 2002 concerning Broadcasting, which still focuses on analogue broadcasting such as television and radio. Digital media, including OTT platforms or local streaming services, are not fully covered by these regulations. As a result, KPI often lacks a clear legal basis for monitoring digital content. The proposed solution is to revise the Broadcasting Law, a process that has been stalled to date.

This shift has significant implications for the survival of conventional media, especially television and newspapers, which previously served as the main channels for the distribution of information and entertainment. The loss of dependence on traditional broadcasting infrastructure has not only changed the way people access content, but has also disrupted the media business ecosystem.

This situation creates regulatory asymmetry that harms the national media industry and weakens state control over the distribution of information and cultural values. Broadcasting Law No. 32 of 2002 and its derivative regulatory framework do not specifically cover OTT platforms, allowing these transnational actors to operate outside the reach of state supervision. As a result, Indonesia faces a situation of regulatory evasion that leads to the erosion of media sovereignty.

This study aims to examine how the regulatory vacuum regarding OTT in Indonesia impacts national media sovereignty. Drawing on media policy literature, the concept of digital sovereignty, and platform regulation, this study fills a gap in research that has not been empirically discussed in the context of a developing democracy such as Indonesia.

LITERATURE REVIEW

Disruptive Innovation

Disruptive innovation has been documented in various industries, ranging from fintech and manufacturing to mobility and digital platforms, with impacts on the economy, consumers, and society (Tabbah & Maritz, 2019). The emergence of OTT services represents a form of disruption because, from the outset, they offer services that are more flexible, personalized, and algorithm-based compared to conventional broadcasting models, which are mass-oriented, linear, and subject to strict regulations. This innovation initially targeted market segments that were underserved by national television, such as urban youth who wanted content tailored to their preferences, free of advertisements, and accessible anytime via mobile devices. In the view of disruptive innovation theory, simpler, more affordable, and initially lower-performing products or services can enter the market, gain appeal from neglected segments, and ultimately transform or even replace established competitors (Zazzerini, 2021). The uniqueness of this concept lies in its focus on market dynamics, actor behavior, and the interaction between technology, business models, and the evolution of industrial systems. OTTs such as Netflix not only provide new services but also create an innovation ecosystem that changes the way content is produced, distributed, and monetized.

The literature on disruptive innovation not only discusses market and technology mechanisms but also emphasizes the role of actors involved in the disruption process. Small and independent companies often succeed in disruption because of their flexibility and lack of legacy constraints, such as regulatory obligations, old business models, or rigid cost structures. This flexibility allows them to offer innovative, simple products or services that meet the needs of market segments neglected by established players.

Conversely, large companies have an ambiguous position when facing disruption. On the one hand, they are often caught in the innovator's dilemma of maintaining profitable business models, causing them to respond late to change. On the other hand, they also have dynamic resources and capabilities that can be utilized to respond to or even trigger new disruptions. These capabilities include financial strength, distribution networks, relationships with regulators, and the ability to acquire or collaborate with small innovators. These large players should be able to leverage their dynamic capabilities to respond to or even initiate disruption (Walsh & Kirchhoff, 2000).

Regulatory Asymmetry

Regulatory asymmetry refers to the uneven application or enforcement of regulations among various entities, industries, or regions, which often has different impacts on market dynamics, social welfare, and compliance behavior. Asymmetric regulation can encourage new entrants to the market and increase social welfare for newcomers, particularly in markets where low-cost companies would likely dominate without intervention

(Correa, 2019). This shows that asymmetric regulation can be an instrument for balancing competitive dynamics and improving overall market health.

Regulatory asymmetry can have cross-industry implications, where regulations in one industry affect adjacent industries. This can create incentives for regulatory replication and demand flexible, cross-industry enforcement mechanisms to optimize welfare outcomes (Villamayor, 2007). In practice, regulatory asymmetry often benefits industrialized countries and certain sectors, while limiting opportunities for developing countries. This is due to historical layers of regulation that tend to favour powerful countries and global business interests (Tussie & Saguier, 2016).

International literature shows that regulatory asymmetry often arises due to information asymmetry between regulators and companies, which then leads to adverse selection and moral hazard, allowing large entities to exploit legal loopholes (Nicholson et al., 2011). This can actually be overcome through signalling mechanisms, screening, and optimal contract design, which are crucial for regulatory effectiveness. Signalling and screening are two important efforts to mitigate adverse selection. Signalling is carried out by parties who have credible information to parties who are less knowledgeable. In the context of OTT, the signalling mechanism can be seen when global OTTs display their commitment or partnership with the government. This step sends a signal of credibility to be accepted by regulators and the public.

Conversely, screening is carried out by parties with less knowledge through efforts to seek and select information, enabling them to distinguish between high-quality and low-quality entities. Media regulators in Indonesia conduct screening through the registration process for Electronic System Operators (PSE), content supervision, and platform compliance evaluations. This screening is important to distinguish between OTTs that comply with regulations and those that have the potential to violate them.

Optimal contract design is applied with the aim of overcoming moral hazard by aligning incentives between parties. Contracts can be designed in such a way that the parties involved act in accordance with mutual interests, thereby reducing the risk of one party exploiting the other (Brown, 2018). This can be applied in the form of a cooperation agreement between the government and global OTTs, which aligns the interests of both parties. For example, contracts that require OTTs to contribute to local content production, pay cross-border taxes, and provide content classification in accordance with national standards. In this way, exploitation of the domestic market by OTTs without balanced contributions can be minimized, and incentives between countries and platforms become more aligned.

Regulatory misalignment and information asymmetry can lead to conflict and opportunistic behavior from private sector entities (Bu et al., 2025). An effective regulatory framework must consider the specific conditions and information asymmetry that exist in various sectors. Emphasis on the design of an optimal regulatory system and its efficient implementation is crucial (Kashani, 2006). Collaborative governance can be built by involving third parties and social media, which can help mitigate the impact of regulatory asymmetry by increasing transparency and stakeholder engagement.

Regulatory asymmetry is a multifaceted issue that has different impacts on each sector. Efforts to overcome this require a deep understanding of information asymmetry, the specific dynamics of each sector, and stakeholder engagement. By strengthening transparency, increasing stakeholder engagement, and applying a contextual regulatory approach, policymakers can mitigate the negative impacts of regulatory asymmetry while promoting overall market and social welfare.

Media Sovereignty dan Platform Governance

Media sovereignty refers to the control and regulation of media content and platforms by the government or other authorized institutions. This concept is important for understanding how media influences governance and social norms (Antonopoulou, 2022). Media sovereignty is a concept that emphasizes that the state or authorized authorities have control over media content and distribution platforms. This control can take the form of regulation, censorship, broadcasting licenses, local content requirements, or taxes on global platforms.

Platform governance includes regulation and oversight of digital platforms, such as social media and video services, to ensure that they operate within legal and ethical boundaries. This governance is important because digital platforms pose significant political and economic risks, while often operating independently of traditional legal norms. Currently, OTT platforms have gained significant power in cyberspace through data dominance that impacts national governance and state sovereignty (Ran & Liu, 2024). Platforms such as Netflix, for example, have extraordinary control because they control massive amounts of user data. This data gives them economic power (for advertising and subscriptions) as well as political power (influencing public opinion, voting behavior, and even state policy). National governance also affects data sovereignty. National governance also affects data sovereignty.

When more of a country's citizens' data is controlled by global companies than by the state, the government's ability to regulate, protect, and use that data for the national interest is weakened.

RESEARCH METHOD

This research uses a qualitative approach with a descriptive-exploratory design. Data analysis is conducted thematically, emphasizing patterns of regulatory inequality and their impact on state control in the digital media sphere.

Data collection techniques included:

1. Analysis of policy documents, including the Broadcasting Law, Ministry of Communication and Information of Republic of Indonesia (Kominfo) regulations, KPI, and public reports from the government and media industry institutions.
2. Semi-structured interviews with 12 key informants representing regulators (Kominfo, KPI), academics in the fields of communication and media law, and national broadcasting industry players.
3. The literature review consists of an analysis of digital platform regulations, the concept of media sovereignty, and media policy studies from reputable journals.

The informant profiles reflect a multi-actor perspective. Regulators play a role in policy implementation, academics represent analytical-critical views, while industry practitioners provide an overview of conditions in the field.

RESULTS

Overall, the interviews revealed a consistent pattern. All actors agreed that the old regulations were inadequate and that revising the law was an urgent necessity. However, different points of emphasis emerged: regulators emphasized aspects of legal compliance and digital security, academics focused on the principles of press freedom and regulatory fairness, while the industry highlighted economic challenges and business sustainability. Despite their different perspectives, all three agreed on the need for new regulations that are inclusive, function-based, fair across platforms, and audience data-driven. Informants agreed that the absence of binding regulations has caused the state to lose control over the quality and values of the content consumed by the public. Thus, this study shows the urgency of reforming Indonesian broadcasting regulations towards a more adaptive and evidence-based legal framework in the digital era.

The research findings identify three main forms of regulatory inequality:

1. Legal and fiscal inequality, as OTTs are not required to have local broadcasting licenses, are not subject to censorship obligations, and do not pay income or content taxes to the state.
2. Content standard inequality, where FTAs are required to comply with local content rules and child-friendly broadcasting hours, while OTTs are free to broadcast adult content without time restrictions or age classifications verified by national institutions.
3. Economic and ecosystem inequality, where OTT dominates the advertising and subscription market share without contributing to the local creative industry. This increases the risk of disruption to the national media economy. To minimize these inequalities, there should be measures to encourage collaboration between OTT platforms and local media to help align OTT objectives while still supporting the local media ecosystem.

Regulatory Fragmentation

The broadcasting regulatory framework in Indonesia is based on Law No. 32 of 2002 concerning broadcasting. This law stipulates that broadcasting licenses are issued through a Broadcasting License (IPP) mechanism, which is processed jointly by the Indonesian Broadcasting Commission (KPI) and the government. This regulation also governs broadcasting content requirements, such as the stipulation that at least 60% of television programs must be domestically produced, the use of Indonesian language, and the prohibition of content that violates moral norms, child protection, and neutrality in reporting. In addition, the Broadcasting Law regulates advertising duration limits—a maximum of 20% of total broadcast time for private broadcasters and 15% for public broadcasters. As a derivative, KPI is mandated to develop Broadcasting Code of Conduct (P3) and Broadcast Program Standards (SPS) which serve as ethical and technical references in regulating broadcast content.

However, Law 32/2002 was enacted during the analogue broadcasting era and therefore faces limitations in addressing new phenomena such as Over the Top (OTT). To respond to the needs of the digital era, the Ministry of Communication and Information (Kominfo) issued a number of derivative regulations, including Government Regulation No. 46 of 2021 concerning Post, Telecommunications, and Broadcasting and Minister of

Communication and Information Technology Regulation No. 6 of 2021 to 11 of 2021 which regulates the transition to digital broadcasting. These regulations introduce a multiplexing scheme in digital television, a mechanism for leasing broadcast slots, and the Analog Switch-Off (ASO) stages, which are targeted for completion on November 2, 2022. The licensing system has also been integrated into the Online Single Submission-Risk Based Approach (OSS-RBA) so that the Broadcasting Operating License (IPP) process is now directly linked to the national business licensing system. In the realm of broadcast content, KPI enforces standards through P3SPS with a tiered sanction mechanism ranging from written warnings, duration restrictions, to program termination. However, KPI's supervision is limited to terrestrial broadcasting.

As the digital ecosystem develops, discussions on revising the Broadcasting Law have emerged. Informants emphasized the urgency of revising the Broadcasting Law to adapt to the digital era and encourage regulatory harmonization between institutions. *"It is important to revise the broadcasting law to include regulations on the digital content platforms. This is considered important to ensure fairness in broadcasting and maintain the quality and relevance of content in line with local cultural values."*

The 2025 Broadcasting Bill is on the DPR's priority legislative agenda and is aimed at updating the definition of broadcasting to be more inclusive of multi-platforms. However, this bill has sparked public debate, particularly regarding the space for investigative journalism, press independence, and criminal regulations that are considered to have the potential to erode freedom of expression.

Indonesia began its transition from analogue to digital broadcasting in 2018 and is targeted for completion in 2024 (Larasati et al., 2024). This transition is expected to improve the reach and quality of FTA broadcasting. In addition, the implementation of digital technology is seen as capable of bringing spectrum efficiency, expanding content diversity, and providing equitable services to the public. However, due to ownership concentration and the absence of clear regulations regarding content diversity, program variety has not increased significantly (Pamungkas et al., 2025).

OTT and digital platforms in Indonesia are governed by the framework of the Minister of Communication and Information Technology Regulation No. 5 of 2020 concerning Private Electronic Broadcasting Operators (PSE). This regulation requires the registration of digital platforms, gives the government the authority to block content, and stipulates the obligation to remove problematic content within 24 hours (or 4 hours for urgent cases). Although effective in platform governance, this regulation does not regulate aspects of classic broadcasting such as local content quotas, advertising standards, or broadcasting licenses.

Several regulations are considered the legal umbrella for OTT in Indonesia, including the Minister of Communication and Information Technology Circular Letter No. 3/2016, which was the initial regulation introducing the definition of OTT and the obligations of service providers. This circular letter contains the obligation to use a national payment gateway and prohibits negative content. As an appeal, this circular letter does not have permanent legal force. The second regulation is Government Regulation No. 17/2019, which regulates the Implementation of Electronic Systems and Transactions (PSTE). This regulation governs public and private economic system operators, including foreign OTTs. This regulation also permits the storage/processing of data abroad, which has led to criticism regarding data security and digital sovereignty. In 2021, the Indonesian government issued PP No. 46/2021 on Post, Telecommunications, and Broadcasting (Postelsiar). This regulation governs the obligation of cooperation between domestic operators and OTTs, both foreign and local. Its main objective is to maintain service quality and overcome economic losses for domestic operators. Another regulation is Permenkominfo No. 5/2021 on Telecommunications Implementation. This regulation sets out the criteria for "significant presence" of OTTs ($\geq 1\%$ domestic traffic or ≥ 1 million daily active users). This legal framework is considered to provide legal certainty for cooperation between OTTs and national operators, as well as room for traffic management (Ramli & Hutaaruk, n.d.). The existence of this regulation provides legal protection for domestic operators from revenue erosion caused by OTT services while regulating the obligations of OTTs (Nandhiasa & Haryadi, 2016), but it has not fully resolved the issues of taxation and digital sovereignty.

In addition to formal legal instruments, a number of public reports also enrich our understanding of industry dynamics. The Indonesian Internet Service Providers Association (APJII) noted that internet users in 2025 will reach 229.4 million or 80.66% of the population, signalling a shift in media consumption to online and mobile platforms. Nielsen Ad Intel has also expanded its advertising expenditure measurement coverage to include CTV, indicating a shift in advertisers' orientation towards digital platforms. On the other hand, KPI, through its Television Broadcast Quality Index (IKPSTV) research, continues to monitor the quality of broadcast content, while industry associations such as the Indonesian Private Television Association (ATVSI) advocate for the interests of their members in facing the challenges of digitalization and piracy.

From these various policy frameworks and public reports, it can be concluded that the Indonesian broadcasting system is still characterized by regulatory fragmentation between KPI and Kominfo. This fragmentation creates legal loopholes for OTTs and causes overlapping authorities. The digital transition through multiplexing raises new issues regarding slot tariff transparency and equal access for local television. In addition,

harmonizing content and advertising standards across platforms is an urgent need so that content supervision is relevant to people's media consumption patterns without sacrificing the principle of press freedom. Therefore, rewriting technology-neutral regulations and integrating audience data indicators (IKPSTV, Nielsen, APJII) are prerequisites for an adaptive, inclusive, and equitable broadcasting ecosystem in the digital era.

Semi-structured interviews with regulators, academics, and industry players reveal that current broadcasting regulations in Indonesia face significant limitations in addressing the dynamics of media convergence. Law No. 32 of 2002 is no longer adequate because it was created in an analogue context. The regulation governs licensing, local content quotas, and advertising, but fails to address the realities of digital media and Over the Top (OTT) services. The KPI itself acknowledges overlapping authority between the KPI and Kominfo in the licensing process and broadcast content oversight. This lack of clarity in the division of roles between institutions is seen as reducing the effectiveness of law enforcement in the broadcasting sector.

KPI assesses that *"the current regulatory landscape in Indonesia with the Cipta Kerja Law has actually removed KPI's licensing authority. This shift could affect the quality of and access to information, as regulatory oversight is a key factor in maintaining broadcasting standards."*

In fact, the right policies can determine the sustainability of FTAs. *"Government support through appropriate regulations and policies is important to ensure healthy competition in the broadcasting industry. This support is crucial for the industry to adapt and thrive amid the ongoing digital transformation."*

Regulatory Asymmetry with OTT

A similar theme emerges when discussing OTT. Regulators emphasize that services such as Netflix and Vidio are only treated as Private Electronic System Operators (PSE), not broadcasting institutions. As a consequence, OTT is not bound by local content quotas, advertising regulations, or censorship that apply to conventional television. This situation has given rise to what industry players refer to as "regulatory asymmetry," as national television is burdened with heavier obligations while OTTs are free to operate with minimal regulations. The industry believes that this imbalance worsens the competitiveness of domestic television amid the shift of audiences to online platforms.

"It's like a boxing match, we enter the same ring as OTT. However, our hands and feet are tied with various regulations, while foreign OTT has no restrictions. Many studies show that television broadcasting (FTA) loses out to OTT because its quality is below that of OTT content. If only the government had fair regulations, terrestrial broadcasting could certainly improve its quality and compete with OTT". This condition reveals a structural imbalance that weakens the competitiveness of television. OTTs are free to broadcast global content without any obligation to contribute to the national creative ecosystem, while domestic television is restricted.

From a public protection perspective, KPI states that the Broadcasting Code of Conduct (P3) and Broadcast Program Standards (SPS) are still the main instruments for ensuring content quality. However, these two normative instruments only apply to terrestrial broadcasting. OTT digital content is not covered by KPI sanctions, so supervision relies more on the Ministry of Communication and Information Technology's reactive take-down policy. This regulation is considered insufficient to prevent the circulation of problematic content, including violence and pornography in the digital space.

Meanwhile, media academics highlight the conceptual issue. They consider the definition of "broadcasting" in Law 32/2003 to be outdated because it is still based on distribution technology, rather than function and impact. For academics, technology-neutral regulations are far more relevant so as not to be left behind by technological developments. Another criticism is directed at the planned revision of the Broadcasting Law, which is considered to have the potential to threaten investigative journalism and press freedom. Academics emphasize that ideal regulations must be able to balance public protection, content diversity, and freedom of expression.

Disruption is not only competitive in nature, but also involves forms of co-opetition, such as cooperation between OTT and telecommunications operators or local television stations. At the same time, this phenomenon shows the dynamics of creative destruction, where old business models (advertising-based television) are being eroded by algorithm-based, subscription-based, and data-based models. Thus, placing OTT within the framework of expanded disruptive innovation provides a deeper understanding of how technology, regulation, and culture interact in shaping the new broadcasting industry structure. This also reinforces the argument that media disruption is not only an economic issue but also relates to issues of digital sovereignty, regulatory justice, and the sustainability of the national information ecosystem.

In the context of broadcasting in Indonesia, in line with Christensen's characterization of disruption, OTT has grown from a "small entrant" to a dominant actor in the digital entertainment ecosystem. This is reflected in the increasing internet penetration in Indonesia (more than 80% of the population) and the surge in paying subscribers. As a result, Free to Air (FTA) television, which previously dominated advertising and information distribution, is now facing revenue erosion, declining audiences, and a weakening bargaining position in the media market. The

presence of OTT shows how the interaction of technology, algorithm-based business models and subscription, as well as the weakness of national regulations, creates a more complex dynamic of disruption.

In the context of media in Indonesia, the roles of these actors are clear. Global OTT platforms act as flexible disruptive. They are able to deliver algorithm-based, subscription-based, and data-based business models that are more in line with the digital consumption behavior of the public. Meanwhile, national television as the incumbent faces limitations due to strict regulations such as the Broadcasting Law, P3SPS, and local content quota requirements. However, some incumbents are trying to adapt by launching their own streaming services, such as RCTI through Vidio.

The gap between the flexibility of new players and the reluctance of old players shows the typical dynamics of disruptive innovation. OTT successfully entered through a neglected market niche—young digital native viewers—and then grew into a dominant actor, while national television tried to leverage its vast resources. However, regulatory asymmetry weakens the bargaining position of incumbents, raising questions about market fairness (level playing field) and national media sovereignty.

From an industry perspective, the transition to digital broadcasting through multiplexing is seen as incurring additional costs, especially for local television stations that have to rent mux slots from operators. At the same time, the obligation to meet local content quotas is considered burdensome because production costs are increasing, while advertising revenue is declining due to the migration of advertising spending to digital platforms. Industry players emphasize that government support is essential, whether in the form of cost incentives or fairer tax policies, to ensure the sustainability of the national broadcasting business. This support is a form of protection for broadcasting in Indonesia.

Economic and Cultural Impact

The presence of OTT platforms has had a significant economic impact on the media industry in Indonesia. In terms of revenue, free-to-air television has lost market share due to the shift in advertising spending to digital platforms. OTT not only offers a more measurable audience base through analytical data, but also provides a subscription-based revenue model. This creates economic inequality because local television, which still depends on advertising, faces declining profitability. *"The significant shift towards OTT erodes conventional TV revenues due to the migration of advertising spending to digital platforms"*. Meanwhile, foreign OTTs dominate the market without equivalent fiscal contribution obligations. This condition has the potential to weaken the sustainability of the national media ecosystem.

Additionally, OTT dominance deepens the risk of dependence on global technology companies. Although it presents new job opportunities in the digital content production sector, part of the economic added value flows out of the country because OTT ownership and operational centers are located outside Indonesia. As a result, contributions to the local industry are relatively limited, except through limited partnerships in film or series production. According to (Cahyadi et al., 2023) this imbalance reinforces the argument for the need for fiscal policy (market jurisdiction).

On the cultural side, OTT has changed people's consumption preferences from local content to global content. The popularity of Korean dramas and American series on OTT platforms shows the strong penetration of foreign culture. This phenomenon creates cultural homogenization, namely the standardization of tastes and cultural orientations that have the potential to erode local identities. While national television is burdened with the obligation to broadcast local content, OTT is free to offer more varied and higher quality foreign content, thereby further marginalizing the appeal of domestic content (Setiawan et al., 2021).

Furthermore, the cultural impact is also evident in changes in people's media consumption patterns. OTT presents an algorithm-based individual viewing culture, replacing the tradition of communal viewing, which was previously an important part of social life in Indonesia. This shift not only affects family interaction patterns but also weakens the function of television as a shared public space that strengthens social cohesion.

Thus, the economic and cultural impacts of OTT are paradoxical. On the one hand, OTT encourages innovation, access to global content, and digital economic growth. However, on the other hand, OTT weakens the local media industry, erodes cultural identity, and poses the risk of information sovereignty erosion. Ultimately, this study expands the theory of disruptive innovation by showing that regulatory asymmetry creates risks to media sovereignty, not just economic issues. Therefore, a policy strategy is needed that can balance openness to digital globalization with the protection of local creative industries and the strengthening of national culture.

DISCUSSION

The condition of OTT, which is dominated by foreign players, poses a policy dilemma. On the one hand, the government wants to encourage digital innovation and attract global investment, but on the other hand, it faces challenges in maintaining digital sovereignty and protecting the local industry ecosystem. The dominance of foreign

OTT shows a dependence on global content, while the contribution to the domestic creative industry and state revenue is still minimal. In addition, there is a regulatory gap that has the potential to harm the state and society. Therefore, there is an urgent need for the Indonesian government to formulate more adaptive and comprehensive regulations that not only accommodate the needs of digital consumers but also ensure a level playing field between foreign OTT providers and the national broadcasting industry.

In line with Christensen's characterization of disruption, OTT has grown from a "small entrant" to a dominant player in the entertainment ecosystem. OTT started as a newcomer targeting young audiences who are digital natives, then grew to become a dominant player in the entertainment ecosystem. This is reflected in the increasing internet penetration in Indonesia (more than 80% of the population) and the surge in paying subscribers. As a result, Free to Air (FTA) television, which previously dominated advertising and information distribution, is now facing revenue erosion, declining audiences, and a weakening bargaining position in the media market.

However, this study expands the theory of disruptive innovation by showing that in the context of a country like Indonesia, the impact of disruption is not only economic in nature, in the form of lost advertising share and the weakening of conventional television, but is also closely related to issues of media and cultural sovereignty. Thus, disruptive innovation in the broadcasting sector needs to be understood not only as a business transformation, but also as a challenge for the state in maintaining digital sovereignty. The theory of disruptive innovation explains why national broadcasting regulations (Law 32/2002 and its derivatives) have become obsolete. These regulations were created for a stable analogue ecosystem, while OTTs are disruptive innovations that are not bound by local rules, thus creating regulatory asymmetry. This is where the policy gap lies: the state is faced with local entities that are structurally difficult to control, but which have a significant economic and cultural influence on society.

The regulatory imbalance between domestic broadcasting institutions and foreign digital platforms demonstrates the phenomenon of digital exceptionalism, which is a permissive attitude towards global entities that escape national regulatory control. In the Indonesian context, this has implications for the weakening of media sovereignty, as the state does not have adequate legal instruments to demand equal obligations from global OTTs as those imposed on conventional broadcasting. As a result, there is a structural dependence on foreign content, both economically and culturally, through the penetration of values, narratives, and viewing preferences that are not always in line with Indonesia's national cultural development agenda. This situation deepens the risk of erosion of local identity and weakens the competitiveness of the national broadcasting industry, thus emphasizing the urgency of technology-neutral regulatory reform that can balance the protection of public interests with the dynamics of digital globalization.

These findings underscore the importance of revising the media regulatory approach, which has been based on technology and physical entities. In the context of OTT, regulation needs to shift to a platform governance approach, where the legal responsibilities and socioeconomic contributions of global platforms can still be enforced without hindering innovation.

This study emphasizes that media in the OTT era is not only an economic or industrial issue, but also directly relates to the state's right to protect the national information and cultural ecosystem. This phenomenon shows that the dominance of global digital platforms not only challenges the business models of domestic media, but also tests the capacity of the state to ensure information sovereignty, content diversity, and the protection of cultural identity. Thus, broadcasting regulations in the digital era need to be viewed as a strategic instrument in building national resilience in the realm of information and communication.

Therefore, a new policy framework that is inclusive and based on the principle of digital justice is needed. This principle emphasizes equal treatment for all media actors—both local and global—with a focus on the public interest as the center of policy. The implementation of this framework can cover three main aspects. First, international cooperation to reduce regulatory gaps across countries, particularly regarding content distribution and user data protection. Second, cross-border tax regulations that are capable of correcting economic asymmetries resulting from the dominance of global technology companies in the digital advertising market. Third, increasing domestic regulatory capacity, both in terms of institutions and technological literacy. The goal is for countries to not merely be recipients of the impact, but to be able to become directors and controllers of the digital media ecosystem.

CONCLUSION

Indonesia is facing a regulatory crisis in dealing with OTT disruption. The imbalance between FTA media and OTT not only creates economic injustice but also erodes state control over the flow of information and cultural values. Therefore, it is necessary to design media regulatory policies that are adaptive, collaborative, and based on the principle of digital sovereignty. This situation creates a policy dilemma. On the one hand, the Indonesian government wants to encourage digital innovation and attract global investment, but on the other hand, it faces

challenges in maintaining sovereignty and protecting the local industry ecosystem. The dominance of foreign OTT's shows a significant dependence on global content, while their contribution to the domestic creative industry and state revenue is still minimal. In addition, the absence of clear regulations regarding censorship obligations, content classification, and taxation creates a regulatory gap that has the potential to harm the state and society. Therefore, there is an urgent need for the Indonesian government to formulate more adaptive and comprehensive regulations that not only accommodate the needs of digital consumers but also ensure a level playing field between OTT providers and the national broadcasting industry.

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