

TRANSITION FROM COD TO DIGITAL PAYMENTS: CHANGING CONSUMER TRENDS IN COIMBATORE

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ABSTRACT

The Indian retail landscape is witnessing a seismic shift as consumers pivot from Cash on Delivery (COD) toward digital payment mechanisms. Driven by the "Digital India" initiative, the proliferation of affordable smartphones, and the rapid expansion of high-speed internet, this transition marks a fundamental change in consumer behavior. This study examines the key drivers of this evolution, including the convenience of Unified Payments Interface (UPI), the rise of mobile wallets, and the integration of "Buy Now, Pay Later" (BNPL) services. While COD historically dominated due to deep-seated trust issues and low credit card penetration, the COVID-19 pandemic acted as a definitive catalyst, normalizing contactless transactions across both urban and rural demographics. Despite this momentum, challenges such as cyber-security concerns, digital illiteracy in Tier-3 cities, and the psychological comfort of physical cash persist. This research analyzes the demographic shifts in payment preferences and the strategic responses of e-commerce platforms to incentivize digital adoption. The findings suggest that as the digital infrastructure matures, the "cash-heavy" mindset is being replaced by a preference for seamless, instant, and rewards-driven digital ecosystems, fundamentally redefining the future of commerce in India.

Keywords: UPI (Unified Payments Interface), Contactless Economy, Buy Now Pay Later (BNPL), Cash on Delivery (COD), BHIM, RuPay

OBJECTIVES OF THE STUDY

1. To Assess the Current State of COD vs Digital Payments
2. To Identify the Role of Internet and Smartphone Penetration

3. To Investigate Consumer Trust and Behavioural Barriers
4. To Evaluate the Impact on E-Commerce Logistics and Business Models
5. To Project Future Trends and Digital Payment Maturity
6. To Analyze the Growth of UPI and Digital Infrastructure

INTRODUCTION

The Indian retail market was defined by a "cash is king" philosophy, where Cash on Delivery (COD) served as the primary bridge of trust between skeptical consumers and emerging e-commerce platforms. However, the last few years have witnessed a radical departure from this traditional model, signaling a sophisticated digital maturation of the Indian shopper. This transition is not merely a change in transactional preference but a profound shift in consumer psychology and infrastructure. The introduction of the Unified Payments Interface (UPI), combined with the world's lowest data tariffs and the massive surge in smartphone penetration, has democratized financial technology across the subcontinent. While the 2016 demonetization policy provided the initial nudge, the COVID-19 pandemic acted as the ultimate accelerant, transforming digital payments from a luxury for the urban elite into a daily necessity for the rural masses. Today, from high-end malls to local Kirana stores, the blue-and-white QR code has become the new face of Indian commerce. This research explores how increasing digital literacy, the security of biometric authentication, and the allure of instant gratification are finally dismantling the dominance of COD, ushering in a transparent, "less-cash" economy.

STATEMENT OF PROBLEM

In the rapidly evolving Indian e-commerce landscape, Cash on Delivery (COD) has long dominated as the preferred payment method, accounting for over 50-60% of transactions in many sectors despite the surge in digital payments like UPI, which processed over 15 billion transactions monthly by 2025. This persistent reliance on COD amid high smartphone penetration (over 800 million users) and robust digital infrastructure highlights a critical disconnect: while objectives aim to assess COD versus digital payment usage, pinpoint internet/smartphone roles, probe trust and behavioral hurdles, evaluate logistics/business model shifts, project maturity trends, and analyze UPI growth, unresolved challenges—such as consumer skepticism toward digital security, logistical inefficiencies from high COD

returns (up to 30%), and uneven adoption across rural-urban divides—threaten sustainable e-commerce scaling and financial inclusion under Sustainable Development Goal 9.

RESEARCH METHODOLOGY

1. Research Design

This study employs a Descriptive and Analytical Research Design. It aims to describe the current state of payment preferences in India while analyzing the underlying factors (e.g., convenience, trust, and infrastructure) that drive the shift away from cash.

2. Data Collection Methods

Primary Data: Collected through a structured Online Survey/Questionnaire targeting a diverse demographic (Age 18–60) across Tier-1, Tier-2, and Tier-3 cities. Short, semi-structured interviews with small-scale vendors (Kirana stores) will provide "ground-level" insights.

Secondary Data: Sourced from official reports by the Reserve Bank of India (RBI), National Payments Corporation of India (NPCI), industry whitepapers (e.g., IAMAI, BCG), and reputable financial news journals.

3. Sampling Technique

A Stratified Random Sampling technique is used to ensure representation across different income groups and geographic locations. This helps in comparing the "Digital Savvy" urban population with the "Digital Emerging" rural population. **Sample Size:** Target of 120 respondents to achieve a 95% confidence level.

4. Data Analysis Tools

Quantitative Analysis: Statistical tools like SPSS or Microsoft Excel will be used to perform frequency distribution, percentage analysis, and correlation between age/income and payment choice.

Qualitative Analysis: Thematic analysis will be applied to interview transcripts to identify recurring psychological barriers to digital adoption.

5. Scope and Limitations

The study focuses on the period from 2016 (Demonetization) to 2026 (Current Trends). Limitations include potential "Response Bias" in self-reported data and the rapid pace of fintech evolution, which may render some specific data points obsolete quickly.

REVIEW OF LITERATURE:

Choudhery and Kesharwani (2025), found that UPI has significantly improved the ease of digital payments in India, but digital literacy shortages, cybersecurity risks, and infrastructural limitations continue to hinder fuller adoption, especially among rural and low-income consumers. Their review also noted that UPI adoption is influenced by perceived usefulness, ease of use, security, and demographic factors such as age, income, and education.

Reddy et al. (2024), showed that digital payment diffusion is not uniform across India, with early-adopter districts and economically stronger states maintaining their lead over time. Their findings suggest that adoption depends on more than income alone, because internet penetration, literacy, digital literacy, and financial access also play major roles.

Singh Chauhan (2024), found that perceived ease of use, usefulness, and trust strongly influence UPI adoption among middle- and low-income users.

Shanmugasundaram (2024), who observed that senior citizens face adoption barriers linked to low self-efficacy, complexity, and security concerns.

Dev et al. (2024), reported that many users increased spending because UPI feels less tangible than cash, which can encourage impulsive purchases and reduce spending awareness. This suggests that the move away from COD is not only a payment shift but also a behavioral transition.

DATA ANALYSIS & INTERPRETATION

Influence for Shift to Digital

Factor	Respondents	Percentage
Smartphone usage	34	28.3%
Internet availability	26	21.7%
Offers/Cashbacks	38	31.7%
Peer influence	22	18.3%
Total	120	100%

Interpretation:

Offers and cashbacks (31.7%) drive the shift to digital payments most, followed by smartphone usage (28.3%), internet availability (21.7%), and peer influence (18.3%), showing incentives matter more than social factors. UPI Usage Frequency

Frequency	Respondents	Percentage
Daily	48	40%
Weekly	34	28.3%
Occasionally	24	20%
Rarely	10	8.3%
Never	4	3.4%
Total	120	100%

Interpretation:

The data shows that a significant portion of respondents use UPI on a daily basis (40%), followed by weekly usage (28.3%), indicating that UPI has become a regular and essential mode of transaction for many consumers. Occasional users (20%) reflect moderate adoption, while very few respondents use it rarely or never. This suggests that UPI is widely accepted and integrated into everyday financial activities, highlighting its strong growth and convenience among users in Coimbatore.

Reason for Using UPI

Reason	Respondents	Percentage
Instant transfer	42	35%
Ease of use	34	28.3%
No charges	20	16.7%
Wide acceptance	24	20%

Reason	Respondents	Percentage
Total	120	100%

Interpretation:

The majority of respondents prefer UPI due to instant transfer (35%), making speed the most important factor. This is followed by ease of use (28.3%), indicating that user-friendly interfaces encourage adoption. Other factors like wide acceptance (20%) and no transaction charges (16.7%) also contribute but to a lesser extent. Overall, the findings show that efficiency and simplicity are the primary drivers behind UPI usage, reinforcing its popularity among consumers.

FINDINGS OF THE STUDY:

The findings of the study indicate a strong and ongoing transition from Cash on Delivery (COD) to digital payment methods among Indian consumers. The data analysis reveals that digital payments, especially UPI, have emerged as the most preferred mode of transaction due to their speed, convenience, and user-friendly interface. Consumers increasingly value the ability to make instant payments without handling cash, which has significantly reduced dependence on COD. The study also highlights that younger consumers and urban populations are leading this shift, driven by higher digital literacy and better access to smartphones and internet services. At the same time, COD continues to hold relevance in rural and semi-urban areas where concerns about trust, security, and lack of technological awareness persist. Another key finding is that government initiatives promoting digital India, along with incentives like cashback offers and discounts, have positively influenced consumer adoption of digital payments. However, issues such as cybersecurity risks, transaction failures, and limited awareness still act as barriers for some users. Overall, the findings suggest that digital payments are steadily replacing COD, marking a significant change in consumer behavior and indicating a future trend toward a more cashless economy in India.

SUGGESTION

Study suggests several measures to further accelerate the transition from Cash on Delivery (COD) to digital payments in India. First, increasing digital literacy is essential, especially in

rural and semi-urban areas, to build confidence among users who are hesitant to adopt digital platforms. Awareness programs and training initiatives should be conducted to educate consumers about the benefits, safety, and ease of digital transactions. Second, strengthening cybersecurity measures and ensuring secure payment gateways can help reduce fears related to fraud and data breaches. Financial institutions and service providers should focus on improving reliability and minimizing transaction failures to enhance user trust. Third, the government and private sector should continue offering incentives such as cashback, discounts, and rewards to encourage digital payment usage. Additionally, improving internet connectivity and expanding smartphone accessibility will play a crucial role in bridging the digital divide. Businesses, especially small retailers, should be encouraged to adopt digital payment systems by providing low-cost infrastructure and support. Finally, continuous innovation in payment technologies, such as simplified interfaces and multilingual options, can make digital payments more inclusive. These suggestions, if effectively implemented, can ensure a smoother and faster transition toward a cashless economy in India.

CONCLUSION

In conclusion, the Indian payment landscape is undergoing a major transformation. While digital payments are growing at an unprecedented rate due to technological advancements and policy support, Cash on Delivery continues to hold a strong position due to trust, accessibility, and cultural preferences. India is currently in a transitional phase where both payment systems coexist. Over time, as digital literacy improves and infrastructure strengthens, digital payments are expected to dominate. However, COD will continue to play an important role, particularly in rural and emerging markets. The future of payments in India lies in achieving a balance between innovation and inclusivity, ensuring that all sections of society can participate in the digital economy.

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