

The Relationship Between Consumer Behavior and The High Rate of COD Payment Default in E-Commerce Among The People of Surabaya

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ABSTRACT

Objective: This study aims to examine the relationship between consumer behavior and the high rate of payment default in Cash on Delivery (COD) transactions within e-commerce in Surabaya. **Method:** A descriptive qualitative approach was employed, with data collected through interviews and direct observations involving consumers, business owners, and couriers in Surabaya. **Results:** The results indicate that consumer behavior significantly influences the prevalence of COD payment defaults. The main factors contributing to these defaults include impulsive buying behavior, low levels of digital and financial literacy, a lack of transactional responsibility, and the absence of strict sanctions within e-commerce systems. **Novelty:** This study is expected to serve as a reference for business actors and e-commerce platforms in formulating strategies to enhance consumer literacy and improve risk management policies related to COD transactions.

INTRODUCTION

The rapid advancement of digital technology has significantly accelerated the growth of the e-commerce sector in Indonesia. According to reports from the Indonesian Internet Service Providers Association (APJII) and various market research studies, the number of internet users in Indonesia continues to increase each year. This development has transformed consumer shopping behavior, shifting from conventional shopping methods to online shopping. In general, Electronic Commerce (E-commerce) refers to commercial transactions involving goods and services conducted through electronic media. As reported by We Are Social and Hootsuite, the number of internet users in Indonesia reached more than 202.6 million people, or 73.7% of the total population of 274.9 million as of January 2023 [1].

In e-commerce transactions in Indonesia, there are several payment methods available to consumers, one of which is Cash on Delivery (COD), commonly referred to as payment upon delivery [2], [3]. This payment method is among the most frequently used for digital transactions across various regions of Indonesia, particularly among communities that are not yet accustomed to online payments or do not have access to banking services. Consumer behavior in choosing the COD payment method is considered to provide positive impacts because it offers a sense of security and convenience, allowing consumers to make payments after receiving their goods. However, behind this convenience, the method also gives rise to new issues in online

shopping, such as uncertainty in consumer payment commitments, which leads to an increase in the rate of payment defaults that disadvantage sellers.

The phenomenon of COD payment default occurs when consumers refuse to accept or pay for their ordered goods upon delivery. Several common reasons include consumers forgetting that they made online purchases using the COD method, dissatisfaction with products that do not meet expectations, a lack of cash on hand at the time of delivery, or a change of mind after placing an order. This condition results in financial losses for business owners, especially In Indonesia, *UMKM (Usaha Mikro, Kecil, dan Menengah)* refers to Micro, Small, and Medium Enterprises (MSMEs), which play a vital role in the national economy who must bear the costs of shipping and product returns without completing successful transactions.

“The Consumer Protection Law No. 8 of 1999 contains regulations on supervision and proportional sanctions for parties who violate consumer rights, issued by the Indonesian government with the aim of protecting consumers. However, in practice, many business actors are instead disadvantaged by irresponsible consumer behavior [4]. In large cities such as Surabaya, the high volume of online transactions has contributed to an increase in COD payment failures at the point of delivery, making this issue an important concern in the context of the digital economy. Previous studies have examined the COD payment method and the factors influencing consumers' decisions to use it, such as promotions, service quality, and trust [5]. However, research that specifically analyzes the relationship between consumer behavior and the high rate of COD payment defaults, particularly among the Surabaya population, remains limited.

Therefore, this study aims to analyze the relationship between consumer behavior and the high rate of COD payment defaults in e-commerce transactions among the Surabaya community, and to identify consumer behavioral factors that influence revenue for Micro, Small, and Medium Enterprises (MSMEs) operating in e-commerce. The findings of this study are expected to assist sellers and e-commerce platform providers in developing effective strategies to reduce financial losses and enhance business sustainability in the digital era.

Concept of Consumer Behavior

Consumer behavior refers to the actions displayed by individuals in searching for, purchasing, using, evaluating, and disposing of products and services that are expected to satisfy their needs. This behavior encompasses the study of purchasing units and the exchange processes involved in the acquisition, consumption, and formation of goods, services, experiences, and ideas [4].

In the context of Cash on Delivery (COD) payment, consumer behavior plays an important role because the consumer must make a final decision to pay for the product that has been ordered. This means that the consumer's attitude and sense of responsibility are crucial in determining the success of the transaction.

Cash On Delivery (COD)

Cash on Delivery (COD) is a payment method in which the buyer pays for the product when the order is delivered to the recipient's address. According to Ni Luh Ketut Ayu Sudha Sucandrawati et al, the COD system has become popular because it provides a sense of security for consumers, especially those who are not familiar with digital payment methods such as bank transfers or e-wallets [6].

Mokodompit et al further explain that COD offers advantages such as transaction efficiency, assurance that the product will be received as ordered, and increased consumer trust in online stores. However, this method also poses a high risk of payment default for sellers due to the potential for unilateral cancellation by *consumers* [7].

Payment Default

Based on data from the Indonesian E-Commerce Association (idEA), the rate of payment default in COD transactions in Indonesia ranges from 10 to 15 percent of the total orders. The causes include buyers not having sufficient cash at the time of delivery, buyers changing their minds, as well as low financial literacy and lack of awareness regarding transactional responsibility.

COD payment default refers to a condition in which a buyer who has placed an order on an e-commerce platform using the Cash on Delivery method fails to fulfill the obligation to pay and complete the transaction to the courier or seller when the goods arrive at the delivery address. This act is considered as a breach of contract, originating from the Dutch term "wanprestatie", which refers to the failure to fulfill obligations agreed upon by the parties within a contractual relationship, either arising from an agreement or statutory regulations [8].

E - Commerce

E-commerce is the activity of buying and selling goods or services through an internet network, allowing transactions to occur without direct face-to-face interaction [9].

According to Dermawan and Mulyanti, the development of e-commerce not only increases economic efficiency but also presents new challenges related to transaction security and trust between sellers and buyers.

Previous Studies, several previous studies indicate that there are consumers who report not having sufficient funds when the Cash on Delivery (COD) package arrives [10]

According to Nufaisa et al, the principles of accountability, transparency, and responsibility in public institution governance also apply in the context of digital consumer behavior, emphasizing the importance of ethical conduct and responsibility when engaging in online transactions [11].

Research by Ramadian et al titled Navigating the Risks of the Cash on Delivery (COD) Payment Method in E-Commerce: A Case Study on Shopee in Indonesia explains that the study evaluates the risks of COD order cancellations on the Shopee platform [12]. The causes identified include ordering errors, insufficient funds on the part of the buyer, product damage, and lack of communication with the seller. These factors negatively

impact the sales process and cause losses for sellers in terms of time, effort, and financial resources.

Another study by Haryudi Anas, Determinant Factor on the Decision to Use the COD Payment Method: Case of Millennial Generation in Indonesia, found that promotion, service quality, and trust influence the millennial generation's decision to use the COD payment method [5]. In contrast, several international studies tend to focus more on non-COD payment behavior, which means that they do not specifically represent the context in Indonesia, particularly in Surabaya.

This indicates that there has not yet been comprehensive research examining the influence of consumer behavior and technological factors on the phenomenon of COD payment default in the Surabaya region. Therefore, this research is important to analyze behavioral factors that contribute to the occurrence of COD payment default at the local level.

RESEARCH METHOD

Research Approach and Type

According to Sugiyono, qualitative research is used to understand the meaning behind human behavior based on natural contexts [13], [14], [15]. In this study, the data were collected using a descriptive qualitative approach, which aims to provide a specific understanding of how consumer behavior in Surabaya influences the high rate of payment default in Cash on Delivery (COD) transactions on e-commerce platforms. This approach was used to explain the motives and perceptions of consumers and business actors regarding COD transaction practices that are considered detrimental.

Research Location and Time

This research was conducted in Surabaya, as it is one of the regions with the highest digital transaction activity in Indonesia and has a notably high rate of COD payment default.

The research was carried out over a period of one month, covering the initial observation stage, in-depth interviews, and data analysis.

Research Subjects and Object

The object of this research is the phenomenon of payment default in COD transactions within e-commerce. The research subjects include:

1. Consumers who have conducted COD transactions in Surabaya.
2. Business actors (Micro, Small, and Medium Enterprises or MSMEs) who use the COD payment method on e-commerce platforms.
3. Logistics couriers who directly interact with the delivery and COD payment process.

The criteria for selecting participants were determined using purposive sampling, which refers to the selection of informants based on the research objectives and their relevance to the topic studied.

Types and Sources of Data

The data used in this research consist of two types::

- **Primary Data**, obtained directly from interviews with consumers, business actors, and couriers.
- **Secondary Data**, obtained from supporting sources such as scientific journals, reports from the Indonesian E-Commerce Association (idEA), digital economy news, and other official publications related to the COD payment default phenomenon.

Data Collection Technique

The data collection technique in this study was carried out through semi-structured interviews, which were used to understand the experiences, reasons, and perspectives of the community regarding the use of the Cash on Delivery (COD) payment method and the causes of payment default. In addition, direct observation was conducted to observe how consumers and business actors behaved during COD transactions in online shopping activities.

This research was also supported by documentation in the form of transaction reports, e-commerce data, and findings from previous studies.

Data Analysis Technique

The data analysis in this study was carried out using a method that focused on understanding the reasons behind the behavior of the informants. All information obtained from interviews, observations, and written documentation was processed by:

- Grouping the data into categories such as behavior before, during, and after the COD transaction.
- Relating each category to consumer decision-making theories in order to identify the underlying reasons for payment default.
- Drawing conclusions in the form of a detailed description of how consumer attitudes and decision-making influence the frequency of COD payment default in the city of Surabaya.

This analytical approach enabled the researcher to understand the situation directly from the actual behavior of consumers involved in online transactions.

RESULTS AND DISCUSSION

A. Overview of the COD Payment Default Phenomenon in Surabaya

Based on the data collected in this study, the Cash on Delivery (COD) payment system remains one of the most frequently used methods among e-commerce consumers in Surabaya. From 12 informants who are active e-commerce users aged 18 to 31 years and participated in direct interviews, 8 consumers reported choosing the COD method because of its practicality, trust in sellers and couriers, and habitual patterns in online shopping.

This finding is consistent with Ni Luh Ketut Ayu Sudha Sucandrawati et al, who state that the COD system is popular among communities that are not yet familiar with

digital financial services. However, several informants also mentioned that the Cash on Delivery (COD) method often leads to issues such as unilateral order cancellations or refusal to accept the product upon delivery [6].

Data obtained from interviews with business actors indicate that the rate of COD payment default at the point of delivery can reach 10 to 15 percent of total monthly transactions.

This phenomenon indicates an imbalance in transactional responsibility between consumers and sellers. Consumers often feel that they are not obligated to make payment before receiving the product, while sellers must bear the entire risk of the transaction.

B. Consumer Behavior Patterns in Surabaya

Based on interviews and observations conducted with 12 informants consisting of consumers, business actors, and couriers, the researcher identified four main consumer behavior patterns related to the high rate of COD payment default in e-commerce transactions in Surabaya.

- **Impulsive Consumer Behavior**

Consumers are often influenced by social media promotions that highlight product discounts or visual appeal without considering their actual needs and financial capacity. This impulsive buying pattern reflects a lack of careful consideration in purchase decision-making. According to Maria Oktarina and Iva Khoiril Mala, spontaneous purchasing decisions should be evaluated in terms of differentiating between needs and wants in order to prevent transaction failure in digital shopping [4].

- **Irresponsible Consumer Behavior**

Some consumers do not consider the consequences when canceling an order unilaterally. They assume that COD transactions do not have legal or social implications.

This behavior demonstrates low digital literacy, poor purchase planning, and weak ethics in online shopping, as well as a failure to recognize that canceling an order may cause financial losses for sellers.

- **Lack of Regulation and Oversight in the COD System**

Consumers who frequently use the COD system tend to misunderstand their transactional responsibilities and therefore perceive order cancellation as a minor issue.

E-commerce platforms also have not fully implemented strong penalty systems for buyers who repeatedly refuse deliveries. As a result, consumers face no direct consequences when canceling transactions. This indicates that the element of trust, which is highlighted in Haryudi Anas, has not been fully established between sellers and buyers [5].

- **Rational and Responsible Behavior**

Some informants exhibited rational behavior by carefully reading product descriptions and preparing cash before the product arrived.

This behavior reflects a good understanding of digital transactions and indicates consumers with high levels of digital literacy.

C. The Impact of COD Payment Default on MSME Business Actors and Couriers

The impact of payment default in the Cash on Delivery (COD) system not only reflects irresponsible consumer behavior but also creates significant economic and social consequences for business actors, particularly Micro, Small, and Medium Enterprises (MSMEs), as well as logistics couriers who act as intermediaries in the transaction process.

Based on interviews and observations conducted, digital business actors in Surabaya reported that COD payment default results in financial losses due to shipping and return (retur) costs that must be fully borne by the seller. On a monthly basis, the payment default rate was reported to reach 10 to 15 percent of total transactions, with an average loss of Rp 100,000 to Rp 300,000 per week, particularly for products with low selling value but high transaction volume, such as accessories, clothing, and beauty products.

In this situation, the COD payment system creates a risk transfer from consumers to sellers, as losses resulting from unilateral cancellations are fully borne by the seller. In the context of consumer behavior, this reflects an imbalance of responsibility between sellers and buyers in digital transactions.

In addition to financial losses, business actors also experience a decline in trust toward the COD system. Many MSMEs in Surabaya have begun to limit the use of COD payments or only allow it for repeat customers. However, this decision also carries the risk of reduced sales, since some consumers still rely on COD as a trusted payment method.

Theoretically, this phenomenon demonstrates that although the development of e-commerce supports economic efficiency, it also introduces trust-related risks that can weaken the stability of the relationship between sellers and buyers. In this case, consumers who do not consistently fulfill their payment obligations contribute to decreasing seller confidence in the digital trading ecosystem.

In addition to business actors, logistics couriers are directly affected by COD payment default. Couriers play a crucial role as intermediaries between sellers and buyers, yet they often encounter situations where buyers refuse the order without providing clear reasons.

This condition creates additional workload, emotional strain, and physical pressure for couriers, especially those who work based on target or commission per delivery. Each refusal not only wastes their time but also reduces their opportunity to earn delivery incentives. This is consistent with the findings of Ramadian et al, who explain that the COD payment method increases risk for logistics companies because buyer cancellations affect distribution efficiency and return costs [12].

From the perspective of consumer behavior theory, refusing a package without responsibility reflects a low level of social awareness in the exchange process. According to Maria Oktarina and Iva Khoiril Mala, consumers who neglect their transactional

obligations demonstrate a lack of ethical consumption values, which should prioritize fairness for all parties involved in the trade chain [4].

D. The Relationship Between Consumer Behavior and the Rate of COD Payment Default

Based on field observations and literature review, it can be concluded that there is a strong and direct relationship between consumer behavior and the occurrence of payment default in COD transactions. Consumers who tend to exhibit impulsive behavior, have low financial literacy, and lack a sense of responsibility are more likely to cancel their orders. In contrast, consumers who are more rational and careful in selecting products demonstrate better payment commitment in COD transactions.

This finding supports the consumer behavior theory proposed by Pratiwi (n.d.), which explains that purchasing decisions are influenced by internal factors (such as attitudes, perceptions, and values) as well as external factors (such as social environment and transaction systems).

In the Surabaya area, the high rate of COD payment default is not merely a technical issue, but is primarily the result of consumer behavioral patterns..

E. Efforts and Mitigation Strategies

Based on field research and interviews, several strategic measures can be taken by business actors, consumers, and platform providers to address the high rate of COD payment defaults, including:

- **Enhancing Digital Literacy and Consumer Responsibility**

Continuous education is needed regarding online shopping ethics, consumer rights and obligations, and the economic consequences of unilateral order cancellation. This effort may be carried out through digital campaigns supported by e-commerce platforms and consumer protection institutions.

- **Implementation of Penalties for Violating Buyers**

E-commerce platforms should establish a penalty system or restrict access for buyers who frequently refuse orders without valid reasons. This step is important to encourage responsibility and ensure fairness for business actors.

- **Transparency of Product Information**

Business actors should ensure that product descriptions and images accurately reflect the items being sold in order to reduce discrepancies between consumer expectations and the actual product received. Transparency can help strengthen trust between buyers and sellers.

With the implementation of these efforts, it is expected that the e-commerce ecosystem can create a balance between consumer convenience and seller security, thereby maintaining trust in the COD payment system.

CONCLUSION

Fundamental Finding : Based on the results of this study, it can be concluded that there is a significant relationship between consumer behavior and the high rate of Cash

on Delivery (COD) payment default within the e-commerce community in Surabaya. Impulsive behavior, low financial literacy, and a lack of responsibility are the main factors that trigger transaction cancellations. These findings reinforce consumer behavior theory, which indicates that purchasing decisions and actions are influenced by cognitive, affective, and conative aspects that interact with the social environment and digital systems. **Implication** : The impact of this issue is directly experienced by business owners in the form of financial losses and decreased trust in the COD system, as well as by couriers who face work pressure and loss of delivery incentives. Therefore, efforts to improve digital literacy, impose sanctions on irresponsible buyers, and strengthen payment system policies are essential measures to reduce the risk of payment default and create a sustainable e-commerce ecosystem in Surabaya. **Limitation** : This study focuses specifically on the e-commerce community in Surabaya, which may limit the generalizability of the findings to other regions with different consumer characteristics, economic conditions, or digital infrastructure. Additionally, the qualitative nature of the study may not fully capture the quantitative magnitude of the COD default problem across Indonesia's broader e-commerce landscape. **Future Research** : Future studies are encouraged to expand the geographical scope and incorporate mixed methods by combining quantitative surveys with qualitative insights to better understand consumer motivations and behavioral patterns. Further research could also explore the role of digital literacy programs, financial education, and technological innovations such as AI-based risk prediction systems to minimize COD payment defaults in emerging e-commerce markets.

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