

E-PAYMENT SYSTEM - AN DESCRIPTIVE OUTLINE

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Abstract — An e-payment system is a way of making transactions or paying for goods and services through an electronic medium, without the use of cash. It's also called an electronic payment system or online payment system. This system has grown increasingly over the last decades due to the growing spread of internet-based banking and shopping. As the world advances more with technology development, the rise of electronic payment systems and payment processing devices is increasing. This is made to facilitate the acceptance of electronic payments for online transactions. With the growing popularity of online shopping, e-payment systems became a must for online consumers to make shopping and banking more convenient. Being user friendly and less time-consuming than manual processing, it helps business organization to expand its market reach/expansion. Some of the modes of electronic payments are Credit Card, Debit Card, Smart Card, E-Money, Electronic Fund Transfer (EFT). In general e-payments are currently more viable in developed countries, which have the Internet Infrastructure and penetration that emerging markets lack. This has accelerated growth, in particular online retail purchases.

Keywords: E-Payment, Credit Card, Debit card, Paperless work

1.INTRODUCTION

Electronic Payment is a financial exchange that takes place in online between buyers and sellers. The content of this exchange is usually some form of digital financial instrument (such as encrypted credit card numbers, electronic cheques or digital cash) that is backed by a bank or an intermediary, or by a legal tender. The spread of e-payment usage vary unevenly between countries partly due to differences in factors such as quality of regulatory framework and readiness of telecommunication infrastructure. The history of the internet starts in 1969 with ARPANET, the military network which was intended to be communication network in the Vietnam War era. But the main turning point happened in 1989 when Tim Berners-Lee presented the solution of making information easier to publish and access on the internet by using the so-called “sites” or “pages”. Today In 2019, we are in development of a payment system revolution where the cash and cheques payment replacing by cards and electronic payments. The tipping point of the revolution occurred in 2003 were the electronic systems surpassed the use of cash and cheques in stores. By 2005,its accounted for 55% of in store payment.

EPS's enable a customer to pay for the goods and services online by using integrated hardware and

software systems. The main objectives of EPS are to increase efficiency, improve security, and enhance customer convenience and ease of use. Although these systems are in their immaturity, some significant development has been made. There are several methods and tools that can be used to enable EPS implementation.

2.OBJECTIVES OF THE STUDY

- To know the types of E-Payment.
- To know the factors involved in revolution of payment system.
- To identify the pros & cons of E-Payment system
- To make online payments safe and secure.

2.1 TYPES OF E-PAYMENT.

With increasing technology, the range of devices and processes used to transact electronically continues to increase while the use of cash and cheque transactions is decreasing. This is mainly because it is much easier to carry cards or use cell phones to pay for purchases compared to cash. The following are some commonly used E-Payment types:

- **Credit Card**

Credit card is small plastic card with a unique number attached with an account. It has also a magnetic strip embedded in it which is used to read credit card via card readers. When a customer purchases a product via credit card, credit card issuer bank pays on behalf of the customer and customer has a certain time period after which he/she can pay the credit card bill.

- **Debit Card**

Debit card, like credit card, is a small plastic card with a unique number mapped with the bank account number. The major difference between a debit card and a credit card is that in case of payment through debit card, the amount gets deducted from the card's

bank account immediately and there should be sufficient balance in the bank account for the transaction to get completed; whereas in case of a credit card transaction, there is no such compulsion.

- **Smart card**

A plastic card with a microprocessor that can be loaded with funds to make transactions also known as a chip card. Smart cards may provide strong security authentication for single sign-on (SSO) Smart cards are broadly classified into two groups:

Contact: This type of smart card must be inserted into a special card reader to be read and updated.

Contact-less: This type of smart card can be read from a short distance using radio frequency.

- **E-Cash & E-Cheque:**

E-cash is a form of an electronic payment system, where a certain amount of money is stored on a client's device and made accessible for online transactions. **E-Cheque** is a digital version of an old paper cheque. It's an electronic transfer of money from a bank account, usually checking account, without the use of the paper check.

- **Electronic wallets**

Electronic wallets being very useful for frequent online shoppers are commercially available for pocket, palm-sized, handheld, and desktop PCs. They offer a secure, convenient, and portable tool for online shopping. They store personal and financial information such as credit cards, passwords, PINs, and much more.

- **A peer-to-peer payment**

This service allows the transfer of digital cash (e-Cash) via e-mail between two people who have accounts at e-Cash-enabled banks. Peer-to-peer transactions allow online financial transfers between consumers. eg. PayPal.

2.2 PAYMENT REVOLUTION:

The short history of e-payments is littered with remains of companies that tried to introduce new payment systems. It may take time to make a payment system to be accepted widely. When planning or evaluating a new payment system, a span of factors must be taken into consideration.

- Interoperability and portability
- Security
- Anonymity
- Divisibility
- Ease of use
- Transaction fees
- International support
- Regulations

2.3 PROS & CONS OF E-PAYMENT SYSTEM:

In the Age of High Technology cash strives to endure the competition with electronic money, because more and more people prefer to have virtual wallets. Here are some of the top advantages for using online payments.

Pros of E-Payment System:

- Time savings
- Expenses control
- Reduced risk of loss and theft
- Low commissions
- User-friendly
- Convenience

Cons of E-Payment System:

While most people prefer the convenience in transactions that electronic payment systems offer, some dislike the idea or are not very comfortable with it. Some privacy and security concerns will be raised & cannot be ignored like:

- Service fees
- Technical problems
- Restrictions

- The risk of being hacked
- The problem of transferring money between different payment systems
- The lack of anonymity
- The necessity of Internet access

2.4 TO OVERCOME PROBLEMS IN ELECTRONIC PAYMENT SYSTEMS

Malicious applications targeting online banking transactions have also increased dramatically. All this malicious activity has lead to unauthorized access, theft and fraud. Information security is an essential requirement for any efficient and effective E-Payment system. Below is the list of measures to overcome the problems during E-Payment.

- Encryption
- Digital Signatures
- Firewalls
- Request more identification in case of doubts
- Contact the service provider immediately for queries.

3. CONCLUSION

Electronic payment system is a mode of payments over an electronic network such as the internet. Both consumers and service providers can benefit from e-payment systems leading to increase national competitiveness in the long run. The successful implementations of electronic payment systems depends on how the security and privacy dimensions perceived by consumers as well as sellers are popularly managed , in turn would improve the market confidence in the system.

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