

The Role of E-Payment in E-commerce

1) Prof. Prashant Dupare

Assistant Professor

2) Trupti Bhivgade

Student

Institute Name:-Dr.Ambedkar Institute of management Studies and Research, Nagpur

Abstract:

Online payment gateway lets you accept credit and debit cards through any internet connection and no terminal is needed. The payment gateway then captures the credit card transaction, encrypts the transaction information, routes it to the credit card and then returns either an approval or decline notice. Usually in India, people mostly prefer cash payments because as per their mentality they think online payments are not safe enough to spend money. For many people there is still a lack of trust for E-payments. In a country like India there is a perception that having every transaction be tracked could invite trouble. Everyone from the neighbourhood vegetable vendor to the chai and bhelpuri-wala is embracing E-payment solutions to tide over the cash crunch. Many people don't have smart phones because of financial issues and lack of knowledge so online payment system is a big challenge in rural areas for financial issues.

Keywords: Debit/Credit cards, Trust issues, lack of knowledge.

Introduction

A payment gateway is an online application (typically used in e-Commerce) that conducts payment authorizations for merchants, electronically based businesses (e-businesses), merchants with both brick and mortar locations and online locations and merchants with traditional brick and mortar stores. As long as there is an internet connection, a payment gateway securely connects to an e-Commerce application or in-house payment application such as a credit card processing network or an online banking institution. Payment gateways are the "middle man," handling business between merchants and customers. Serving in a role that securely withdraws the funds for a transaction from customers and deposits them into merchant's bank account.

Different Types of Online E-payments access by the consumers

Below are the different modes of E-payments.

UPI apps

UPI or unified payment interface is a payment mode which is used to make fund transfers through the mobile app. You can transfer funds between two accounts using UPI apps. You will have to register for mobile banking to use UPI apps. There are too many good UPI apps available such as BHIM, SBI UPI app, HDFC UPI app, iMobile, PhonePe app etc. It is not mandatory to use the UPI app from your bank to enjoy UPI service. You can download and use any UPI app. UPI apps are a faster solution to send money using VPA or even IFSC and account number. But they have some

limitations also. If you do not have an android phone you cannot use UPI app, It is not for you. Lack of stable internet connection can also cause trouble for these apps.

AEPS

AEPS is an Aadhaar based E-payment mode. The term AEPS stands for Aadhaar Enabled Payment Service. Customer needs only his or her Aadhaar number to pay to any merchant. AEPS allows bank to bank transactions. It means the money you pay will be deducted from your account and credited to the payee's account directly. You need to link your Aadhaar number to your bank account to use AEPS. Unlike Debit cards and USSD, AEPS does not have any charges on transactions. You can use AEPS with the help of PoS (Point of sale) machines. You can withdraw or deposit cash, send money to another Aadhaar linked account with it. The good thing about AEPS is that it doesn't need your signature, bank account details or any password. It uses your fingerprint as a password. No one can forge your fingerprints, thus it is the most secure E-payment mode.

USSD

USSD banking is a mobile banking based E-payment mode. You do not need to have a smartphone or internet connection to use USSD banking. You can easily use it with any normal feature phone. USSD banking is as easy as checking your mobile balance. You can use this service for many financial and non-financial operations such as checking balance, sending money, changing MPIN and getting MMID.

Payment Cards

Cards are provided by banks to their account holders. These have been the most used E-payment modes till now. Many of us use cards for transferring funds and making E-payments. Credit cards, debit cards and prepaid cards are the main types of cards. You can also use Rupay debit card for E-payments.

E-Wallets

E-wallet or mobile wallet is the digital version of your physical wallet with more functionality. You can keep your money in an E-wallet and use it when needed. These E-Wallets also give additional cashback offers. Some of the most used E-wallets are State bank buddy, ICICI Pockets, Freecharge, Paytm, google pay, phone pay etc. E-Wallets are an easy and faster way to make payments but have some limitations.

Advantages of E-payments

Easy and convenient: E-payments are easy and convenient. You do not need to take loads of cash with you. All you need is your mobile phone or Aadhaar number or a card to pay. UPI apps and E-Wallets made E-payments easier.

Pay or send money from anywhere: With E-payment modes, you can pay from anywhere anytime. Suppose your close friend's mother fell ill at night. He called you at midnight and asked

some money. Don't worry, you can send money to your friend using E-payment modes such as UPI apps, USSD or E-Wallets.

Discounts from taxes: Government has announced many discounts to encourage E-payments. If you use digital modes to make a payment up to Rs. 2000, you get full exemption from service tax. You also get 0.75% discounts on fuels and 10% discount on insurance premiums of government insurers.

Less Risk: E-payments have less risk if you use them wisely. If you lose your mobile phone or debit/credit card or Aadhar card you don't have to worry a lot. No one can use your money without MPIN, PIN or your fingerprint in the case of Aadhar. But it is advised that you should get your card blocked if you lost it. Also call the helpline of your E-wallet to suspend the wallet account to prevent anyone from using your wallet money.

Drawbacks of E-payments:

Every coin has two sides so as the E-payments. Despite many advantages, E-payments have a few drawbacks also.

Difficult for a non-technical person: As most of the E-payment modes are based on mobile phone, the internet and cards. These modes are somewhat difficult for non-technical persons such as farmers, workers etc.

The risk of data theft: There is a big risk of data theft associated with the E-payment. Hackers can hack the servers of the bank or the E-Wallet you are using and easily get your personal information. They can use this information to steal money from your account.

Overspending: You keep limited cash in your physical wallet. Hence, you think twice before buying anything. But if you use E-payment modes, you have all your money with you always. This can result in overspending .

Future of E-payments:

There are many factors which are affecting the future of E-payments.

Digital revolution

Digital revolution has provided an easy way to go for E-payments. India has more than 100 crore active mobile connections and more than 22 crore smartphone users as of March 2016. This number is going to increase further with a faster internet speed. The reach of mobile network, Internet and electricity is also expanding E-payments to remote areas. This will surely increase the number of E-payments.

Government's support

A convenient way to pay

E-payments are more convenient than cash payments. You do not need to carry a lot of cash with you all the time. You can make E-payments in seconds. The change is not a concern with E-

payments when you can pay the exact amount. You will also have all your payments recorded automatically. We all love simplicity and ease. Hence, we can say that E-payments is the future of fund transfer and money transactions.

Conclusion:

66% Security (risk of identity theft),48% Poor Internet connectivity, 59% Merchant acceptance,28% Costs ,10% Lack of tech knowhow There are following reasons why people prefer COD over card payment when making online purchases. It could be either one of them or a combination of few of them.

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