

**SETH ANANDRAM JAIPURIA COLLEGE (DAY),B.COM,SEMESTER-II**

**SUBJECT - E-COMMERCE & BUSINESS COMMUNICATION**

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**Module – I**

**E-COMMERCE**

**UNIT – 3 : Digital Payment (Marks Allotted – 8)**

**Meaning of digital payment**

Digital payment is a way of payment which is made through digital modes. In digital payments, payer and payee both use digital modes to send and receive money. It is also called electronic payment. It is any kind of non-cash payment that doesn't involve a paper check. Methods of electronic payments include credit cards, debit cards and the ACH (Automated Clearing House) network. The ACH system comprises direct deposit, direct debit and electronic checks (e-checks).

**Common electronic payment methods**

E-Commerce or Electronics Commerce sites use electronic payment where electronic payment refers to paperless monetary transactions. Electronic payment has revolutionized the business processing by reducing paper work, transaction costs, labour cost. Being user friendly and less time consuming than manual processing, helps business organization to expand its market reach / expansion. Some of the methods of electronic payments are as follows :

- Credit Card
- Debit Card
- Smart Card
- E-Money

**Credit Card**

Payment using credit card is one of most common mode of electronic payment. 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. It is usually credit card monthly payment cycle.

**Debit Card**

Debit card, like credit card is a small plastic card with a unique number mapped with the bank account number. It is required to have a bank account before getting a debit card from the bank. The major difference between debit card and credit card is that in case of payment through debit card, amount gets deducted from card's bank account immediately and there should be sufficient balance in bank account for the transaction to get completed. Whereas in case of credit card there is no such compulsion.

Debit cards free customer to carry cash, cheques and even merchants accepts debit card more readily. Having restriction on amount being in bank account also helps customer to keep a check on his/her spendings.

**Smart Card**

Smart card is again similar to credit card and debit card in appearance but it has a small microprocessor chip embedded in it. It has the capacity to store customer work related/personal information. Smart card is also used to store money which is reduced as per usage.

Smart card can be accessed only using a PIN of customer. Smart cards are secure as they store information in encrypted format and are less expensive/provide faster processing. Mondex and Visa Cash cards are examples of smart cards.

### **E-Money**

E-Money transactions refer to a situation where payment is done over the network and the amount gets transferred from one financial body to another financial body without any involvement of a middleman. E-money transactions are faster, convenient and save a lot of time.

Online payments done via credit card, debit card or smart card are examples of e-money transactions. Another popular example is e-cash. In case of e-cash, both customer and merchant both have to sign up with the bank or company issuing e-cash.

## **Electronic or Digital Wallet**

### **Meaning**

A digital wallet, sometimes called an e-wallet, is a service that allows you to pay for things, usually through a mobile phone app. It also stores a number of other items a traditional wallet would hold, such as a driver's license, gift cards, tickets for entertainment events, and transportation passes. Digital wallets are not only easier to use in some cases but are also generally considered to be more secure than a traditional wallet.

### **Advantages of a Digital Wallet**

- Convenience
- Time saving
- Security
- Track the expenditure
- Additional bonuses and rewards.

### **Disadvantages of a Digital Wallet**

- International restrictions
- Dependent on the devices
- Threat of losing one's money.

## **Digital signature**

### **Meaning**

The use of Digital signatures has continued to grow as a means of meeting the need for faster and more secure authentication that cannot be easily forged or compromised.

Consider how important and time-sensitive documents have been signed in the past. The user would first need to obtain the documents to be signed by means of receiving a paper document by mail or printing the document from a designated online source. The document would need to be physically signed and then returned to its originator. This caused the user to complete the process offline, which would involve other physical processes that could be considered time-consuming and costly in returning the signed document and then the additional steps that were needed to verify the signature. However, with the use of digital signatures, the user can now securely access, view and sign documents online, thus eliminating the need for most offline steps. It allows us to verify the author, date and time of signatures, authenticate the message contents. It also includes authentication functions for additional capabilities.

### **Advantages of a Digital Signature**

- Authentication
- Security
- Imposter prevention
- Non-repudiation
- Time-stamp

### **Disadvantages of a Digital Signature**

- Expiry life
- Existing laws
- Software requirements

### **Payment gateway**

Payment Gateway is a tunnel that connects your bank account to the platform where you need to transfer your money. It is a software that authorises you to conduct an online transaction through different payment modes like net banking, credit card, debit card, UPI or the many online wallets that are available these days. A Payment Gateway plays the role of a third party that securely transfers your money from the bank account to the merchant's payment portal.

### **Core Banking Solution**

#### **Meaning**

Core Banking Solution (CBS) is the networking of bank branches, which allows customers to manage their accounts, and use various banking facilities from any part of the world. You can enjoy banking services from any branch of the bank which is on CBS network regardless of the branch you have opened your account.

### **Advantages of core banking**

- Substantial discount of operation charges
- Easier advent of recent merchandise
- Faster customer support
- Integration of all services and products, leading to advanced chance control
- Real-time transaction processing
- Scaling up of operations
- Availability of e-exchange options to financial institution customers
- Efficient and smooth transactions which can be conducted 24/7.

### **Disadvantages of core banking**

- Excessive reliance on era
- Any failure in pc structures can cause whole community to head down
- If records isn't included nicely and if right care isn't always taken , hackers can advantage get admission to the data.

## **Mobile Payments**

### **Meaning**

Mobile payments are defined as making digital monetary transactions using a mobile device. You can pay for goods and services digitally by linking your credit or debit card to a mobile app. You're able to pay for anything without using physical cards or money.

### **Advantages of Mobile Payments**

- Customer Convenience
- Reduces Expenses
- Improves Cash Flow
- Integrates Loyalty Programs
- Access to Actionable Data
- Watch Security

### **Disadvantages of Mobile Payments**

- Device Failure
- Risk of phone theft
- Difficult to Read Terms and Conditions
- Device Failure
- Payment errors

## **Unified Payments Interface (UPI)**

### **Meaning**

It is an instant real-time payment system developed by National Payments Corporation of India facilitating inter-bank transactions. The interface is regulated by the Reserve Bank of India and works by instantly transferring funds between two bank accounts on a mobile platform.

### **Advantages of UPI**

- Minimal Charges and Instant
- No Need to Fill Details
- No need for Registration and always Available
- Real-time payment
- Easy to use

### **Disadvantages of UPI**

- Transaction Limit
- Requirement of Internet and Smartphone
- Difficult to Convince the Customers

## **National Payments Corporation of India (NPCI)**

### **Meaning**

NPCI is an umbrella organization for all retail payments in India. It was set up with the guidance and support of the Reserve Bank of India (RBI) and Indian Banks Association (IBA).

RuPay Card, a product of National Payments Corporation of India (NPCI), is an Indian version of credit and debit cards and has been designed to address the needs of Indian consumers, merchants and banks. As per NPCI, the benefits of RuPay card are the flexibility of the product platform, high levels of acceptance and the strength of the RuPay brand.

### **Advantages of RuPay Card**

- Lower cost and affordability
- Customized product offering
- Protection of information related to consumers
- Electronic product options to untapped/unexplored consumer segment
- Inter-operability between payment channels and products.

### **International Payments**

#### **Meaning**

When money is transferred from one party to another due to any economic transaction it is called the process of payment. Payments are of two types. One is local, the other is international. When payment is made in the same country it is called local payment. On the other hand, when the payer and receiver are of two different countries, it is called international payment.

#### **Advantages of International Payments**

- Instant payment
- Credit card payments
- Quick and easy setup
- Influences buyers
- Recurring payments

#### **Disadvantages of International Payments**

- Different Currencies
- Exchange Rate
- Exchange Control
- Banking System
- Risk Factor
- Difficulties in Payment of Scarce Currencies

### **Online banking**

#### **Meaning**

It refers to banking services where depositors can manage more aspects of their accounts over the Internet, rather than visiting a branch or using the telephone. Online banking typically is comprised of a secure connection to banking information through the depositor's home computer or another device. The automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels.

#### **Advantages of Online Banking**

- Convenience
- Fast and efficient
- Service available: 24x7

- Online purchases
- Pay bills online by saving postal services
- Anytime and anywhere banking.

### **Electronic Funds Transfer (EFT)**

An Electronic Funds Transfer (EFT) is a transaction that takes place over a computerized network, either among accounts at the same bank or to different accounts at separate financial institutions.

### **Automated Clearing House (ACH)**

An Automated Clearing House (ACH), or automated clearinghouse, is an electronic network for financial transactions, generally domestic low value payments. An ACH is a computer-based clearing house and settlement facility established to process the exchange of electronic transactions between participating financial institutions. It is a form of clearing house that is specifically for payments and may support both credit transfers and direct debits.

ACHs are designed for high-volume, low-value payments, and charge fees low enough to encourage the transfer of low-value payments. The system is designed to accept payment batches, so that large numbers of payments can be made at once.

### **Automated Ledger Posting**

The repetitive and cumbersome task of ledger maintenance has been simplified with the emergence of Automated Ledger Posting. A server at every branch contained the entire database and it was soon realized that it would be more fruitful to have the total database at a central location and create a wide area network. This type of system required a lot of redundancy to ensure 24x7 availability to the customers.

### **Risks involved in E-Payments**

- Fraud
- Impulse Buying
- Tax Evasion
- Payment Conflict