

# Electronic Payment System

## Meaning

An electronic payment system is a method of conducting transactions or paying for goods and services through an electronic broker without the use of checks or cash. It is also called electronic payment system or online payment system.

Today, many users make payments electronically rather than personally. Hundreds of electronic payment systems have been developed to provide secure online transactions. Electronic payment systems are generally classified into four categories: credit card and debit cards. Electronic cash payments systems; session-level protocols for secured communications.

Secure electronic financial transactions must meet the following four requirements: Ensure that the connections are private; verify that the connections have not changed in the transmission; Ensure that the client and the server are the ones that each claim to be; Ensure that the data to be transmitted was actually generated from Before the site author.

To achieve these goals, every electronic payment system that is developed relies on some type of encryption and / or use of digital certificates.

## Types of Electronic Payment System

One of the most popular online payment methods is credit and debit cards. In addition, there are also alternative payment methods, such as bank transfers, e-wallets, smart cards or bitcoin wallets (bitcoin is the most common crypto currency).

Electronic payment methods can be classified into two areas, credit payment systems and cash payment systems.

### 1. Credit Payment System

- **Credit Card** - A form of electronic payment system that requires the use of a card issued by the cardholder's financial institution to make payments online or through an electronic device, without the use of cash.

- **Electronic Wallet** - A form of prepaid account that stores a user's financial data, such as credit and debit card information, to facilitate online transactions.
- **Smart Card** - A plastic card that has a microprocessor that can be loaded with money for transactions; also known as a chip card.

## 2. Cash Payment System

- **Direct Debit** - A financial transaction in which the account holder directs the bank to collect a certain amount of money from its account electronically to pay for goods or services.
- **Electronic check** - digital copy of old paper check. It is an electronic transfer of funds from a bank account, and the account is usually examined, without the use of a paper check. Electronic cash is a form of electronic payment system, in which a certain amount of money is stored on the customer's machine and made available for online transactions.
- **Stored value card** - A card with a certain amount of money that can be used to perform the transaction in the source store. A typical template for stored value cards is gift cards.

## Advantages of electronic payment systems

E-commerce sites use the electronic payment system to facilitate payment for their customers and make it more convenient. It comes with several benefits, namely:

1. More effective and efficient transactions. This is because these are done in just minutes (even with one click), without wasting customer time.
2. It also reduces the entire transaction cost.
3. Today it's easy to add payments to your website, so even a non-tech person can implement them in minutes and start processing online payments.
4. Payment gateways and payment providers provide highly effective security and anti-fraud tools to make transactions reliable.

E-commerce, in addition to e-commerce, has become bigger and bigger, so an online payment system in your online store is a must. It is a simple, fast and convenient way for online shoppers.

One of the most common payment methods is still credit and debit card payments, but people also choose some local alternatives or payment methods. If you run an online business, know what your target audience needs, and provide the most relevant and convenient online payment system.

## **Disadvantages of electronic payment systems**

### **1. Password Threats**

In the case of electronic banking or financial transactions online, you must be a registered user of the respective website. Although most transactions involve the use of one-time passwords and thus largely safety, some parts of the transaction, or your personal details and bank account information, can be accessed through your portal credentials online. This results in the need for password protection when dealing with financial accounts over the Internet. Also, if you are dealing with multiple financial institutions or have accounts with multiple banks, the risk of privacy violation is doubled. For some, keeping multiple accounts online is boring.

### **2. Restrictions**

Each system has its limits in relation to the maximum amount in the account, the number of daily transactions, and the amount of outputs.

### **3. Penetration Risk**

If you follow the safety rules, the threat is minimal; it can be compared to the risk of something like theft. The worst situation is when the system of the processing company is broken, because it leads to leakage of personal data on the cards and their owners. Even if the electronic payment system does not release plastic cards, he may even be involved in identity theft scandals.

The problem of transferring money between different payment systems - most electronic payment systems usually do not cooperate with each other. In this case, you must use electronic currency exchange services, and it can take a long time if you do not have reliable service for this. Our article on how to choose the best e-currency exchanger greatly facilitates the search process.

### **4. Anonymity**

Information about all transactions, including the amount, time, and recipient is stored in the payment system database. This means that the intelligence agency has access to this information. You must decide whether it is bad or good.

#### **5. Necessity of access to the Internet**

If the internet connection fails, you cannot access your account online.

NotesGuru