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Topic: ELECTRONIC PAYMENT SYSTEM

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## **ELECTRONIC PAYMENT SYSTEM**

An e-payment system is a way of making transactions or paying for goods and services through an electronic medium, without the use of checks or cash. It's also called an electronic payment system or online payment system.

The electronic payment 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, we can see the rise of electronic payment systems and payment processing devices. As this increase, improve, and provide ever more secure online payment transactions the percentage of check and cash transactions will decrease.

### **Electronic payment methods**

One of the most popular payment forms online are credit and debit cards. Besides them, there are also alternative payment methods, such as bank transfers, electronic wallets, smart cards or bitcoin wallet (bitcoin is the most popular crypto currency).

E-payment methods could be classified into two areas, credit payment systems and cash payment systems.

## 1. **Credit Payment System**

- Credit Card — A form of the e-payment system which requires the use of the card issued by a financial institute to the cardholder for making payments online or through an electronic device, without the use of cash.
- E-wallet — A form of prepaid account that stores user's financial data, like debit and credit card information to make an online transaction easier.
- Smart card — A plastic card with a microprocessor that can be loaded with funds to make transactions; also known as a chip card.

## 2. **Cash Payment System**

- Direct debit — A financial transaction in which the account holder instructs the bank to collect a specific amount of money from his account electronically to pay for goods or services.
- E-check — A digital version of an old paper check. It's an electronic transfer of money from a bank account, usually checking account, without the use of the paper check. 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.
- Stored-value card — A card with a certain amount of money that can be used to perform the transaction in the issuer store. A typical example of stored-value cards are gift cards.

## **Advantages of electronic payment systems-**

- Time savings- Money transfer between virtual accounts usually takes a few minutes, while a wire transfer or a postal one may take several days. Also, you will not waste your time waiting in lines at a bank or post office.
- Expenses control- Even if someone is eager to bring his disbursements under control, it is necessary to be patient enough to write down all the petty expenses, which often takes a large part of the total amount of disbursements. The virtual account contains the history of all transactions indicating the store and the amount you spent. And you can check it anytime you want. This advantage of electronic payment system is pretty important in this case.
- Reduced risk of loss and theft- You can not forget your virtual wallet somewhere and it can not be taken away by robbers. Although in cyberspace there are many scammers, in one of the previous articles we described in detail how to make your e-currency account secure.
- Low commissions- If you pay for internet service provider or a mobile account replenishment through the UPT (unattended payment terminal), you will encounter high fees. As for the electronic payment system: a fee of this kind of operations consists of 1% of the total amount, and this is a considerable advantage.
- User-friendly- Usually every service is designed to reach the widest possible audience, so it has the intuitively understandable user interface. In addition, there is always the opportunity to submit a

question to a support team, which often works 24/7. Anyway you can always get an answer using the forums on the subject.

- Convenience- All the transfers can be performed at any time, anywhere. It's enough to have an access to the Internet.

### **Disadvantages of electronic payment systems-**

1. Restrictions- Each payment system has its limits regarding the maximum amount in the account, the number of transactions per day and the amount of output.
2. The risk of being hacked- If you follow the security rules the threat is minimal, it can be compared to the risk of something like a robbery. The worse situation when the system of processing company has been broken, because it leads to the leak of personal data on cards and its owners. Even if the electronic payment system does not launch plastic cards, it can be involved in scandals regarding the Identity theft.
3. The problem of transferring money between different payment systems- Usually the majority of electronic payment systems do not cooperate with each other. In this case, you have to use the services of e-currency exchange, and it can be time-consuming if you still do not have a trusted service for this purpose. Our article on how to choose the best e-currency exchanger greatly facilitates the search process.

5. The lack of anonymity- The information about all the transactions, including the amount, time and recipient are stored in the database of the payment system. And it means the intelligence agency has an access to this information. You should decide whether it's bad or good.
6. The necessity of Internet access- If Internet connection fails, you can not get to your online account.