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CHALLENGES AND PRECAUTIONS IN USE OF ONLINE PAYMENTS

AUTHORED BY - SUBASH S

ABSTRACT:

The main motivation behind starting a business is to make money. Additionally, the idea of turning a profit is only feasible if your business accepts online payments from customers. Due to recent technology advancements in the e-commerce industry, online payments have become more significant. It makes natural that they wouldn't give the numerous benefits that come with using online payment systems. However, we encountered a number of difficulties when making payments online, including theft, fraud, and scams. This article discusses the difficulties people encounter while making payments online and offers some advice on how to avoid these difficulties. The numerous benefits and drawbacks of online payments were also thoroughly examined in this article.

KEYWORDS:

Technology, Credit/debit cards, Digital payments, Online payments, Mobile banking

INTRODUCTION:

Online payments are not a brand-new concept, but the COVID-19 outbreak has increased their popularity worldwide, particularly in India. Credit/debit cards, UPI, and mobile banking are some of these options. As more businesses incorporate online payment gateways into their portals, these e-payment services are becoming more and more important for both vendors and customers.

Making money is the entire reason a firm is established. And only if your company allows clients to make payments is the entire concept of profitability viable. Online payments have evolved with recent technical improvements to become an integral component of the e-commerce sector. And why wouldn't they, given the numerous advantages offered by online payment features.

DEFINITION OF DIGITAL PAYMENT:

A digital¹ payment is any transaction in which value (such as money) is electronically transferred from one account to another. Digital transfers are intangible, as opposed to conventional monetary payments.

With digital payment methods, cash, credit or debit cards, or checks are not required. When you use digital payment apps, everything passes through a processing mechanism on gadgets like smartphones and desktop computers.

The world is becoming more and more computerised, as everyone who has been paying attention over the past few decades has probably seen. Many businesses are making sure they are adapting to these changes because it appears that digital is the way to go. This was reinforced in 2020, at the height of the COVID-19 epidemic², when many industries were forced to go online in order to continue operating and producing. To keep up with their daily productivity, offices now use digital technologies. Digital services were crucial to people's capacity to stay connected. Online payments are collectively referred to as online payments. When using any services or making purchases of items, whether online or offline, these payments are made. Online purchases can be one-time transactions (like an Amazon purchase) or recurring transactions (like a Netflix subscription).

GUIDELINES TO CONSIDER WHILE MAKING ONLINE PAYMENTS:

Even while online payments appear to be quite secure and straightforward given the growth in fraudulent activities, there are a few things you should be aware of.

Don't store card information: The majority of us prefer to store our card information on our phones or other devices to prevent having to input it again. This is not advised, though, as it might be used incorrectly in cases of theft. Make careful to always remove your card information after each use.

Keep your passwords to yourself: As cliché as it may sound, it is important to heed this advice. So that you avoid becoming a target of hackers or other internet criminals, keep your passwords confidential and change them frequently. Use a strong password and use the OTP option for the highest level of security.

¹ <https://www.nttdatipay.com/blog/advantages-and-disadvantages-of-online-payments/>

² <https://www.javatpoint.com/advantages-and-disadvantages-of-online-payments>

Avoid the use of public Wi-Fi: You should never do business using Wi-Fi or public computers, regardless of how pressed for time you are, as there is a high danger of data theft and other threats.

Utilize private windows: Be cautious to conduct all of your transactions in private windows and avoid any dubious websites or applications that are not included among the top recommendations in the app store. You may discover more about these programmes by looking at reviews and download statistics.

Furthermore, the prevalence of digital transactions has grown as more people exchange goods and services online.

DIFFERENT TYPES OF DIGITAL PAYMENTS:

What are the many types of digital payments that you can face in your daily life or place of business?

Examples of electronic payment techniques include:

- Purchases made with a mobile wallet (smartwatches and cell phones)
- Money transfers through mobile payment apps (such as PayPal, Venmo, Zelle, etc.) and QR codes.
- Online purchases (such as for apps or browsers)
- Cryptocurrency payments

Online payments are not entirely new, but the COVID-19 pandemic has only expedited their growth.

ONLINE PAYMENTS:

Online payments are the broad term for payments done through the internet. These payments are made when using any services or making purchases of goods, whether online or offline. Online payments can be one-time payments (like an Amazon purchase) or ongoing payments (like a Netflix subscription). Bank transfers³ are one of the popular methods of online payment.

- Online credit/debit cards,
- PayPal,
- Google Pay,
- QR codes, and
- BNPL

³ <https://www.linkedin.com/pulse/advantages-disadvantages-digital-payments-paystudio/>

are all examples of digital wallets.

HOW DO ONLINE PAYMENTS WORK?

Here's a very basic and also the most common model of how online payments usually work:

- A customer places an order on the merchant's website
- The payment gateway collects all the necessary data and information for the transaction to take place
- The data is then sent to the bank or credit card company⁴
- This is further forwarded to the customer's card company
- The bank then confirms the transaction and notifies the merchant
- Finally, the merchant sends a message to the customer confirming they have received their order.⁵ These e-payment services are becoming more and more essential for both vendors and customers as more companies integrate online payment gateways into their websites.

TIPS TO FOLLOW WHILE MAKING ONLINE PAYMENTS:

Despite the convenience and safety of online payments, there are a few things to watch out for given the rise in fraud.⁶

- **Don't save card information:** To avoid having to enter our card information again, the majority of us prefer to save it on our cell phones or other devices. However, this is not advised because it might be misapplied in cases of theft. After each use, make sure to always delete your card information.
- **As cliché as it may sound, never share your passwords:** It is crucial to heed this advice. Keep your passwords private and change them frequently so that you don't become a target of hackers or other online criminals. For best security, use a strong password and turn on the OTP option.
- **No matter how hurried you are, you should always avoid utilising public WIFI networks or laptops to conduct business** because there is a considerable risk of data theft and other cyberattacks.

⁴ <https://www.ntdatapay.com/blog/advantages-and-disadvantages-of-online-payments/>

⁵ <https://www.javatpoint.com/advantages-and-disadvantages-of-online-payments>

⁶ <https://www.financialexpress.com/money/behind-the-scene-the-pros-and-cons-of-digital-payment-apps/490257/>

- Use private windows: Be careful to conduct all of your transactions through private windows and stay away from any questionable websites or apps that are not listed in the app store's top recommendations. By checking reviews and the number of downloads, you may learn more about these apps.

ADVANTAGES OF ONLINE PAYMENTS:

1. Speed of transactions

Online payments save a tonne of time for the buyer and the vendor. There is no need for people to stand in line, write checks, or wait for paper bills. They can get the money immediately; they don't need to wait for banks to process their checks.

Since they don't have to waste time printing and mailing bills, merchants save a tonne of time. The likelihood of late payments is also lower with online payments. People won't forget about or put off a transaction because it only takes a little while to finish it.

2. Convenience

Any time of day, from any location in the world, anyone can make payments for goods and services. It is simpler to use a smartphone feature than to gather the appropriate amount of cash for your buy. You don't need to worry about carrying a lot of cash, getting robbed, or getting imperfect change. With online payment methods, all you have to do is remember a certain pin to complete your transaction! Just like that.

3. Reaching global audience

The ability of businesses to operate internationally and have a clientele unrestricted by geography is one of the main benefits of having online payment gateways. Over 56% of internet shoppers, it has been found, prefer to shop internationally. Because you will be serving a global audience, adding online payment alternatives to your e-commerce site will definitely boost sales.

4. Low transaction costs

Businesses must employ front-desk staff or cashiers to handle sales and payments under a typical payment system. However, transactions involving internet payments happen in an automated setting. Online payment gateways are easy to set up for businesses and have lower transaction costs.

5. Quick and easy setup

You may quickly and easily integrate online payment gateways for your business instead of taking the time to set up a comprehensive payment procedure that requires specific hardware and additional staff. However, you can compare the many possibilities before selecting the services of a specific vendor in order to select the best one.

6. Variety of payment choices

You may give your consumers a wide range of payment options with the help of online payment services. People have their own preferences, therefore providing them with that choice when making a purchase from you definitely increases the likelihood that they will actually complete the deal.

7. Availability of more distribution channels

Having online payment choices as a business can greatly improve your distribution methods. If you're prepared to take payments online, you can join the affiliate market and expand your sales by having your goods or services advertised on other websites. It is a fantastic technique to boost sales.

8. Easy management

Your money and other financial information are simpler to manage and store when you use online payments. There are numerous tools on the internet that can assist with transactions for both customers and sellers. You can let the tools manage your funds instead of having to keep track of them yourself. Since you don't need to carry cash or credit cards, things just grow simpler.

9. Better customer experience

If customers feel it is convenient to purchase from you while also being able to save money and time, then that automatically translates to a positive customer experience. And as a business, you must put customer experience above everything else. Implementing online payment options for your business is a great way to achieve it, as many people nowadays prefer online payments over cash or card transactions.

10. Recurring payment capabilities

Subscription markets are now easily operational because to online payments. People used to regularly make cash or credit card payments in the past. Nowadays, consumers don't need to actually remember to pay or make the effort to travel far to the actual place of business to make their payments because those processes are automated. Due to this, it is now simpler for both the merchant and the client to accept and receive payments.

DISADVANTAGES OF ONLINE PAYMENTS:

1⁷. Technical problems

Like any other technology-dependent⁸ software, online payments are susceptible to technical issues or ⁹downtime. Even though tech maintenance operations are scheduled in advance and typically occur at night, it can occasionally annoy online buyers. Many organisations encounter high bounce rates, particularly when it occurs unexpectedly.

2. Password threats

There is a good risk that an online portal can access your personal data or bank account information if you are a registered user and often utilise online payments. Even if one-time passwords (OTPs) are used for the majority of transactions, some circumstances call for password protection. You could be at danger for a privacy violation, especially if you work with several institutions.

3. Cost of fraud

Cybercriminals are adopting online payments as a preferred method of payment, just as more and more consumers are doing. Database exploits, phishing scams, and identity theft are all on the rise. Businesses install numerous payment-security software programmes, at great cost, in an effort to stop these and boost security.

4. Security Concerns

There is numerous security dangers associated with using online payments, as was covered in the previous point. Important financial data and information can be readily hacked by thieves

⁷ <https://www.financialexpress.com/money/behind-the-scene-the-pros-and-cons-of-digital-payment-apps/490257/>

⁸ <https://www.nttdatipay.com/blog/advantages-and-disadvantages-of-online-payments/>

⁹ <https://www.linkedin.com/pulse/advantages-disadvantages-digital-payments-paystudio/>

if suitable security measures aren't taken. Criminals can also easily evade capture because there are no verification mechanisms like facial recognition or fingerprints.

5. Technological illiteracy

The fact that many people, especially the older population, lack basic computer literacy is one of the biggest drawbacks of online payments. They avoid using online payment methods because they lack sufficient knowledge of how to use technology and devices. Many of them continue to use traditional payment methods because they are afraid of the difficulties involved. This is a significant disadvantage for emerging nations like India.

6. Limitations on amount and time

Some banks place a cap on the number of transactions or the daily maximum amount that can be transferred. The majority of online transactions also include a deadline by which you must finish them (like accepting and receiving OTPs). For some people, all these restrictions may prove to be quite inconvenient.

7. Service fees and other additional costs

Some firms may charge setup fees or even processing fees for consumers using those facilities when deploying online payment gateways. It goes without saying that having access to the internet and other related services is necessary in order to set up online payment options. Both the sellers and the buyers may find this to be irritating since it frequently results in incurred additional charges.

8. Disputed transactions

You can complain to your bank or the company that handles your online payments if you discover someone using your electronic funds. However, you cannot make a complaint or request a refund if you cannot locate the person's personal information or, for that matter, any information about them. In such cases, it becomes challenging.

9. Loss of smart cards

The majority of internet purchases are made via credit/debit cards, ATM cards, or identity cards. Therefore, if you misplace any of these, your linked online payment accounts will also

be at danger. Of course, you can block your cards after notifying the bank, but the interim period between losing your card and restricting it may prove to be dangerous due to the possibility of numerous fraudulent transactions.

10. False identity

There is no way to tell if the person making an online payment is the one they say they are, unlike with physical transactions. The majority of online payments are made anonymously because there are no verification techniques like photos or signatures. This has the potential to significantly increase forgeries and identity theft.

CONCLUSION:

The e-commerce sector is changing in a number of different ways thanks to digital payments. It is pretty much expected of you to offer online payment alternatives as a business owner and a client.

Online payments have their own set of drawbacks that you need to be aware of, despite the fact that they are generally thought to be favourable for many obvious reasons.¹⁰ After all, in the modern digital environment, every useful function carries a small amount of risk. Most of these drawbacks are manageable with the right care and management.¹¹

¹⁰ <https://www.linkedin.com/pulse/advantages-disadvantages-digital-payments-paystudioo>

¹¹ <https://www.nttdatipay.com/blog/advantages-and-disadvantages-of-online-payments/>