

Q-4 Electronic Payment System:

Electronic commerce (or e-commerce) can be defined as any transaction involving some exchange of value over a communication network. This broad definition includes:

- (1) Business-to-business transactions, such as EDI (Electronic Data Interchange).
- (2) Customer-to-business transactions, such as online shops on the web.
- (3) Customer-to-customer transactions, such as transfer of value between electronic wallets.
- (4) Customer/business-to-public administration transactions, such as filing of electronic tax returns.

Electronic payment systems have evolved from traditional payments systems, and consequently of two types of system have much in common.

* Advantages of Smart Card :

(1) More Secure →

Smart cards offer more security and confidentiality than any other financial transaction card on the market.

(2) Safe to transport →

Another advantage to having a smart card is their use of banking industry. These cards give the holder the freedom to carry large sums of money stolen.

(3) Time Saving →

Making a payment with a smart card saves a lot of time because its chip contains details about the owner in a non-encrypted form the user doesn't have to explicitly provide details for verification.

* Disadvantages of Smart Card :-

(1) Easily Lost =>

Smart cards are small, light weight and can be easily lost if the person is inattentive.

(2) Security =>

Another drawback of using smart cards is their level of security. They are more secure than swipe cards. However, they are not as secure as some in the general public would believe.

(3) Slow Adoption =>

If used as a payment card, not every store or restaurant will have the hardware necessary to use these cards.

* The Risk involved in EPS are :-

(1) The Risk of Fraud ->

The system uses a particularly vulnerable protocol to establish the identity of the person authorizing a payment.

(2) The Risk of Tax Evasion ->

The law requires that businesses declare their financial transactions and provide paper records of them so that tax compliance can be verified.

(3) The Risk of Payment Conflicts ->

One of the idiosyncrasies of electronic payment systems is that the payment is handled by humans but by an automated electronic system.