



RESEARCH ARTICLE

HOW TO BE RISK-FREE IN USING E-PAYMENT SYSTEMS

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Manuscript Info

Manuscript History

Received: 10 January 2020

Final Accepted: 12 February 2020

Published: March 2020

Keywords:-

Electronic Payment Systems, E-Commerce, E-Commerce Security

Abstract

With the increasing number of Filipinos using the cashless payment systems, this study aims to focus on how consumers can reduce the risks of doing cashless payments not only in online shopping platforms but also as payments to physical stores that allows to do such transactions. However, there is financial inclusion where only 42% Filipinos have access to banks, which triggered the need to have a more effective and efficient way of transmitting money. This spawned the cutting-edge innovation of cashless payments. For one thing, Filipinos are not afraid of technology, and are quick to adapt to changes brought about by technology once convinced that these solve a real need, easy and convenient to use and are secure.

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Introduction:-

Statement Of The Problem:

Research shows that Filipinos are open to present and future technologies to pay for their goods and services. Such technologies include card payments and digital payments. But even if there's rapid growth from a low base, digital payments have yet to be a significant portion, it is just a matter of time before critical mass of consumers and merchants conduct more of their business and everyday transactions through all manner of digital payment channels. Unbanked Filipinos, access to the internet, and the latecomer EMV technology are factors why we are still in the era of paying physical cash. Merchants know that by making the payment process simple and easy, more people will buy their products. And this benefit both parties: customers can also avoid long queues and complex steps just to make payments.

Research Methodology:-

This paper is essentially considering concepts and thusly, theory and testing can't be connected. In that capacity, the assessments communicated in this paper are the author's own opinions and that of some reputed authors.

Objectives:-

The core objectives of this study can be listed as follows:

1. To understand the reasons that hindered cashless technology in the Philippines
2. To highlight the benefits of going cashless
3. To know how to be risk-free in using E-payment systems.

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Introduction to E-Payment Systems:

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 growing spread of internet-based banking and shopping increased the use of electronic payment systems over the last decades. With the help of technology development, it is evident that electronic payment systems and payment processing devices are increasing, improving, and providing more secure online payment transactions and reducing the use of cash and check payments. Furthermore, the cashless transactions in the Philippines has been increasing because of the growing popularity of online shopping among young, urban Filipinos (Nair, 2016). For this reason, BSP had been very involved in the cashless transactions growth, where they worked with both private sector and government agencies for evolving the cashless solutions (Nair, 2016). And in 2015, the government announced its initiative on making the Philippines a cash lite society in 20-year timeframe, which includes the National Strategy for Financial Inclusion that focuses on the importance of technology to reach out to those who are financially excluded (BankoSentral ng Pilipinas, 2012; Nair, 2016). However, even with a strong top-down support from BSP, the Philippines is still dependent on cash and cheque mode of payments (Nair, 2016).

The Rise of Mobile Wallets and Cashless Payment

Technological developments are non-stop; so much so that it has paved the way for people across the globe to make payments without the need for hard cash. Cashless transactions have been around for a while in the form of credit and debit cards. Now, mobile wallets and credit apps are poised to take over.

Mobile payment apps allow you to maintain and access financial details and accounts. Through these apps, anyone can make payments through their smartphone. They also provide the convenience of not needing to have cash on hand and having digital records of all your transactions. Additionally, you can avail of different benefits like perks, rewards, and discounts.

Reasons that hindered cashless technology in the Philippines

There are three main reasons that hinder the adoption of cashless technology in our country:

Unbanked Filipinos

As reported by the World Bank in 2013, about 42% of Filipinos do not have bank accounts (Nair, 2016). For this reason, it had created a division among rural and urban provision of financial services (Nair, 2016). Due to the poor accessibility of Filipinos in rural areas denotes that there is a need to new means of sending money to be able for the families of the overseas workers to support their basic needs (Nair, 2016). And because of this, it has spawned a cutting-edge innovation known as the cashless payments. This innovation can help eliminate the financial barriers now that money transfers will be more accessible (Nair, 2016).

Access to the Internet

Internet in the Philippines can be described in two words: Expensive and slow. According to this study conducted by Akamai in their 2017 Global State of the Internet Report, the average connection speed in the Philippines is 5.5 Mbps—making us the country with the slowest internet speed in Asia Pacific. And it's not only slow, it's expensive. On a monthly average, we pay a lot more compared to folks living in Hong Kong and Singapore, yet the speeds they have are more than triple of what we have here. This not only hinders adoption of e-commerce from customers like you and me, but also from Small and Medium Enterprises who typically need to shell out more to avail of a more expensive "enterprise plan" suitable for their business.

EMV Technology Latecomer

BSP had mandated banks to migrate their stripe payment to Europay, MasterCard, and Visa (EMV) chip-enabled cards until 2017, which will help increase customer security in using these financial cards through reducing card fraud (Nair, 2016). Moreover, the National Retail Payment System (NRPS) aims to promote interoperability on electronic payment transactions, enhance transparency and accountability in financial transactions and allow provision of broader range of access in financial services that could fill in the gap in the Philippine's predicament on cashless transactions, which BSP hopes to help boost the electronic payments done per month from 1% to 20%, as reported by Rappler in 2015 (Nair, 2016).

Despite the relatively high awareness on the importance of EMV chip technology, the survey results also showed that only 43% of respondents have actually replaced their magnetic stripe cards with EMV chip cards, as reported by

Rappler in 2018. They said that they're not familiar with the process of switching to EMV cards or that they simply don't have the time to go to their banks, while some admitted they do not know about EMV technology yet, among other reasons (Alejandro Edoria). But for those who have made the switch, an overwhelming majority found the process of switching easy (87%), while only a few (13%) didn't, as reported by Rappler in 2018. The process of switching to EMV cards, however, may differ from bank to bank. But customers are free to contact or go to their respective banks for more information.

Salient features of Payments Bank:

The rise of E-commerce sites like Lazada, Zalora, Shopee, and pioneers like MetroDeal and CashCashPinoy proved that Filipinos' reluctance towards e-commerce is slowly dwindling and it's only a matter of time till we realize the full potential of it when we switch to digital and cashless payments.

1. Convenience
2. Safety
3. Access to more financial products

Convenience:

Mobile payments have been gaining traction amongst consumers globally. The world is seeing more and more cashless payments out of convenience, as well as the various features that these applications offer. So much, so that in-store mobile payments are anticipated to reach \$503 billion by 2020, demonstrating a compound annual growth rate (CAGR) of 80% between the years of 2015 and 2020. No need to visit the nearest bank or remittance outlet. Think of all the hours everyone can save. Precious hours that can be spent on more important stuff. It's costly to you, me, and our economy.

Cashless systems allow for payments without the use of physical cash. More typical examples include the use of debit or credit cards. Now, people have moved on from cards to mobile alternatives like e-wallets and credit apps.

The way it works is simple: a customer can make a purchase then transact their payment through their preferred apps, which are either pre-loaded with a certain amount or settled after a certain amount of time. This ease of use, as well as the perks of having transactions online—like, visible records, possible rewards and discounts—are convincing people to use mobile payments more.

Safety:

In the Philippines, even with a strong top-down support from BSP, it is still dependent on cash and cheque mode of payments (Nair, 2016). According to Better Than Cash Alliance (BTCA) (2015), out of the 2.5 billion (US\$ 74 million) payments made per month, only 1% are digital (Nair, 2016). As part of the initiatives of BSP to further improve the electronic payment systems in the Philippines, they have developed the National Strategy for Financial Inclusion that focuses on the importance of technology to reach out to those who are financially excluded (Nair, 2016). One of the reasons why this is the case is that there is poor banking access for the reason that it is predominantly confined in urban areas, but because of the online transactions are done through the use of financial cards, there are now fewer background checks when availing of debit cards and/or credit cards, which became widely used (Nair, 2016). Furthermore, BSP had mandated banks to migrate their stripe payment to Europay, MasterCard, and Visa (EMV) chip-enabled cards until 2017, which will help increase customer security in using these financial cards through reducing card fraud (Nair, 2016). Moreover, the National Retail Payment System (NRPS) aims to promote interoperability on electronic payment transactions, enhance transparency and accountability in financial transactions and allow provision of broader range of access in financial services that could fill in the gap in the Philippine's predicament on cashless transactions, which BSP hopes to help boost the electronic payments done per month from 1% to 20%, as reported by Rappler in 2015 (Nair, 2016).

Access to more financial products:

Most of these popular online stores require that you use credit cards or PayPal as method of payments. And it's not only international purchases that require them. Locally, hundreds of great products and services can be availed only using cards. In 2016, only 9 percent of transactions were made through debit and credit cards in the Philippines, which clearly shows we're way behind.

With clear credit history, banks will be more inclusive in their products marketing or approval. It will be easier to apply and qualify for banking products and services such as credit cards and loan – if you have a clean credit record.

However, this can work both ways, as your product application can also be easily rejected due to poor financial health. With the obvious demand for more outlets and resources for electronic payment, there's no other way to get around but for our country's payment system to adapt it.

Pros and Cons of Using an E-payment System:

E-payment systems are made to facilitate the acceptance of electronic payments for online transactions. With the growing popularity of online shopping, e-payment systems became a must for online consumers — to make shopping and banking more convenient. It comes with many benefits, such as:

Pros:

1. Reaching more clients from all over the world, which results in more sales.
2. More effective and efficient transactions — It's because transactions are made in seconds (with one-click), without wasting customer's time. It comes with speed and simplicity.
3. Convenience. Customers can pay for items on an e-commerce website at anytime and anywhere. They just need an internet connected device. As simple as that!
4. Lower transaction cost and decreased technology costs.
5. Expenses control for customers, as they can always check their virtual account where they can find the transaction history.
6. Today it's easy to add payments to a website, so even a non-technical person may implement it in minutes and start processing online payments.
7. Payment gateways and payment providers offer highly effective security and anti-fraud tools to make transactions reliable.

Cons:

1. E-commerce fraud is growing at 30% per year. If you follow the security rules, there shouldn't be such problems, but when a merchant chooses a payment system which is not highly secure, there is a risk of sensitive data breach which may cause identity theft.
2. The lack of anonymity — For most, it's not a problem at all, but you need to remember that some of your personal data is stored in the database of the payment system.
3. The need for internet access — As you may guess, if the internet connection fails, it's impossible to complete a transaction, get to your online account, etc.

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Major Differences Between Online and Offline Payments

The most important difference between the two types of payments is the user experience. Everyone knows that when you want to pay in a brick and mortar store, you need to give the seller cash, a debit or credit card, or e.g. use your smartphone. When you buy something online, you don't need actual money, but have to enter the payment information into the payment form. This could be the credit or debit card number, CVV, expiration date and any other information needed to authenticate the purchase.

When you pay in a physical store by card, the backend process looks similar to an online payment process. The data is transferred through a payment gateway. Then the payment processor or acquirer processes the data and communicates with the issuing bank to make sure the transaction can be completed. When the payment is authorized, the transaction can be completed successfully.

Security tips for users of cashless payment instruments**Be responsible**

1. Your card is strictly personal: never lend it to anyone, including to family members.
2. Check regularly that it is still in your possession.
3. If your card has a PIN code, keep it secret. Never give it to anyone. memorize it and avoid writing it down. Never keep it in the same place as your card.
4. When entering your PIN code, make sure you shield it from onlookers. Use your other hand to cover the keypad on the cash machine or payment terminal.
5. Check your account statements regularly and carefully.

Be vigilant**When paying a merchant:**

1. Watch what the shopkeeper does with your card. Never let it out of your sight.
2. Check the amount displayed on the payment terminal before confirming the transaction.

When withdrawing money from an ATM:

1. Check the appearance of the ATM. Try not to use machines that you think have been tampered with.
2. Follow the instructions displayed on the ATM screen: do not let strangers distract you, even if they are offering their help.
3. If the ATM swallows your card and you cannot retrieve it immediately from the bank branch, report it right away.

When making internet payments:

1. Protect your card number: never store it on your computer or send it by email, and check that the website is secure (e.g. a padlock at the bottom of the screen, website address beginning with https).
2. Check that the retailer is reputable and that you are on the right website. Read the seller's terms and conditions carefully.
3. Protect your computer by installing all security updates proposed by software publishers (these are generally free of charge) and by installing antivirus and firewall software.

When travelling abroad:

1. Find out what security precautions you need to take and contact your card issuer before leaving to ask what card protection systems can be put in place.
2. Remember to take the international telephone numbers for reporting lost or stolen cards.

Conclusion:-

It is important for anyone to first know whatever it is he/she is getting into before taking any action. This paper has just only discussed some of the E-payment systems that has security protocols that ensures the safety of its customers' personal information. As a customer, it is vital to assess if these E-payment systems or site you are dealing with is protected to avoid risk of fraud and other threats one may come across with.

Also, provision of user friendly applications and systems will help encourage more Filipinos in adopting E-payment systems because the current devices that we have for connecting in the Internet helps in the adoption of the electronic payment systems, such as for mobile, there are applications that caters fund transfers and/or bills payments, which makes it easier for Filipinos to execute. And the kind of electronic payment systems affect the kind of online transactions that Filipinos use, where having diverse payment schemes will encourage more Filipinos in doing online transaction using their preferred method based on their general, privacy, security, and trust perceptions. With these, the Philippine Government is on the right track on providing channels on improving the use of electronic payment systems thru their National Strategy for Financial Inclusion (Banko Sentral ng Pilipinas, 2012).

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