

What Are Online Payments?

There are several terms that are used almost interchangeably when describing online payments:

- **payment gateway**
- **payment processor**
- **payment provider**
- **payment service or payment system**
- **merchant account**

Though they are distinct, with subtle differences, they all refer to a company, service, or application that acts as a financial middleman between your website and your customer, and between both of you and your bank accounts. Each facilitates the completion of online transactions, and the processing of online payments.

Payment gateway

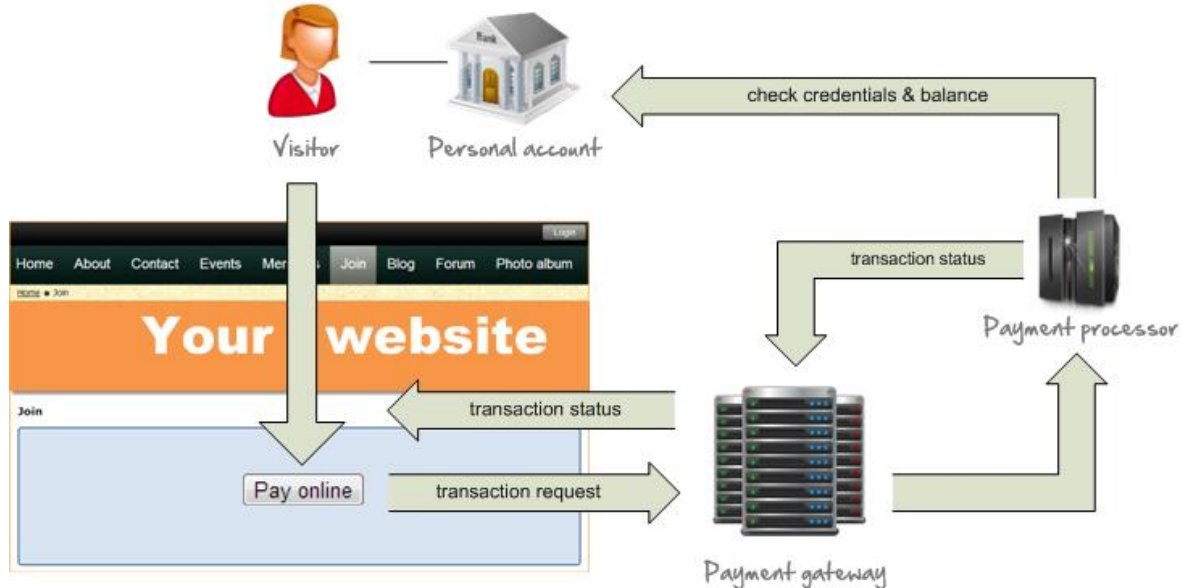
A *payment gateway* is a service that receives the online payment request from your website and directs it to the *payment processor*. You can imagine the payment gateway as the digital equivalent of the point-of-sale machines you did put your card in at the grocery store.

Payment processor

A *payment processor* is a service that validates the purchaser's credit card details (e.g., those of your member, donor, or supporter) and checks if they have sufficient funds in their account to cover the payment. If the customer has sufficient funds, the transaction is authorized, and the funds are transferred from the customer's account. The status of the transaction is transmitted back to the payment gateway which then sends a status message to your website. The payment processor company may also provide you with the equipment you need to accept in-person payments, such as a card swiper.

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Payment provider

A *payment provider* (or payment service provider) is the company that operates the payment gateway or payment processor services. Some will operate both.

Payment service or payment system

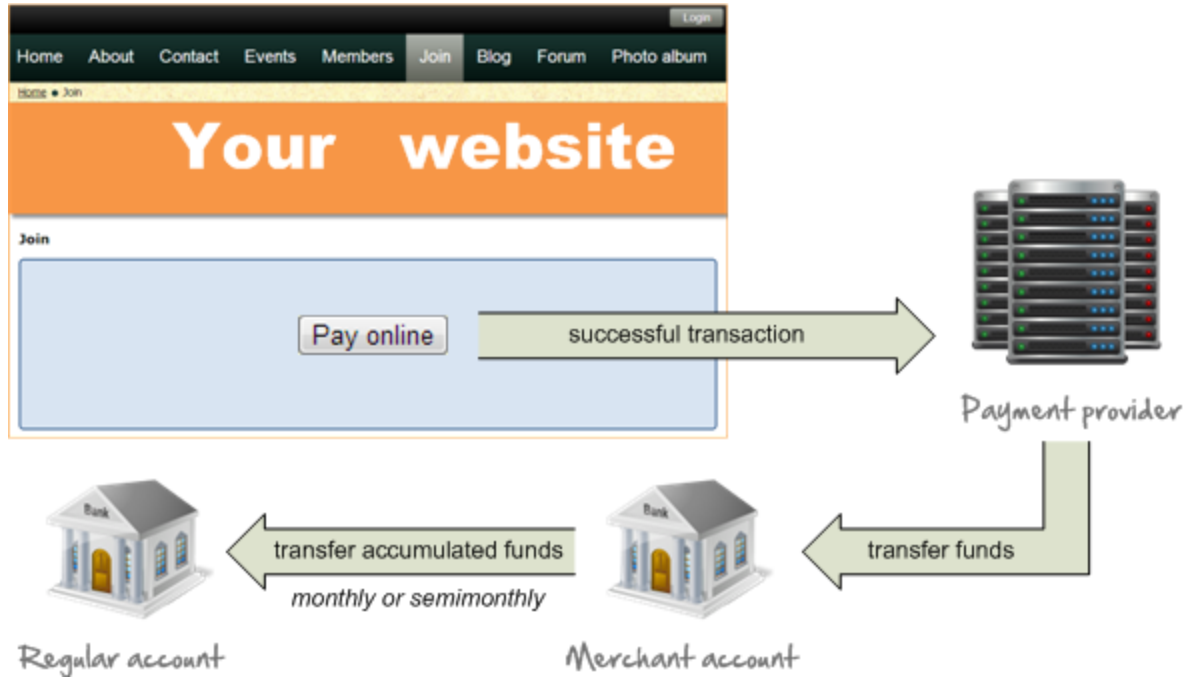
Where a payment provider offers multiple types of payment gateways – with different features and pricing – each type is referred to as a *payment service* or *payment system*. For example, PayPal is a payment service provider that offers a number of payment services or payment systems such as PayPal Payflow Pro and PayPal Express Checkout.

Merchant account

A *merchant account* is another important term to understand. When an online transaction is successfully completed, the funds are transferred from the purchaser's account to your merchant account, a special kind of bank account used exclusively to hold funds received from credit and debit card transactions. To accept online payments, you usually need to set up a merchant account with your payment provider. Funds accumulating in your merchant account are transferred to your organization's bank account on a regular basis.

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Payment gateway vs. payment processor

Although the terms payment gateway and payment processor are sometimes used interchangeably, they actually refer to different parts of the payments process.

In an online transaction, the payment gateway is what authenticates the customer's payment, whereas the payment processor is the mechanism that communicates the transaction between the bank and the merchant.

This distinction is important because, in a physical transaction, only the payment processor is needed. In a virtual transaction, however, an extra layer of authentication is necessary.

However, to make it even more confusing, the payment gateway and payment processor are sometimes combined into a single service known by either name. Some companies will manage both sides of the process, whereas others only handle one.

How the Online Payment Process Works

To fully understand how online payments work, let's follow a transaction from start to finish. In this way, you can see how your website, your member or donor, and your payment service provider all interact.

To get started with online payment processing, you typically need:

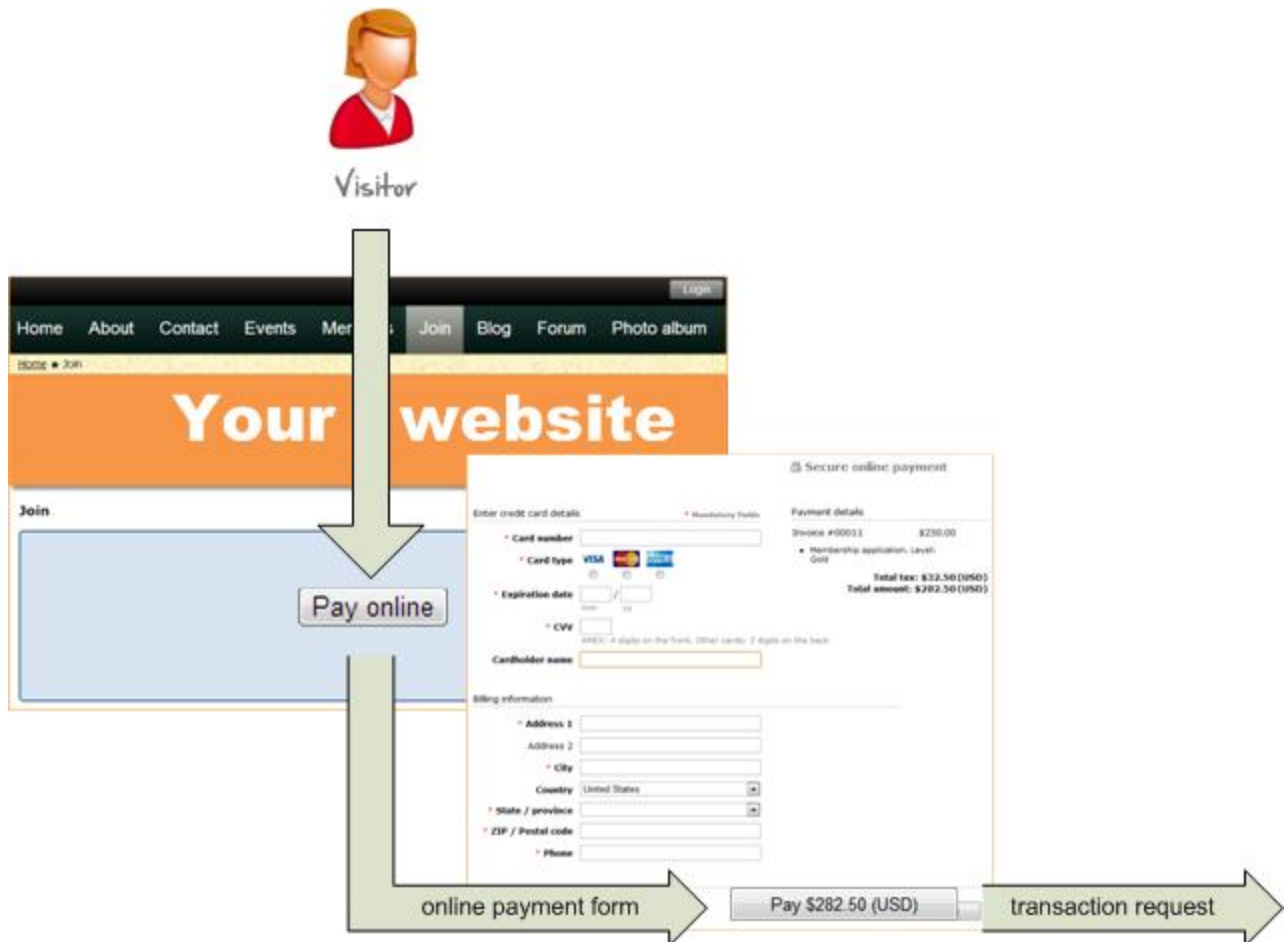
- a merchant account – though some payment systems (such as PayPal) do not require a merchant account or can provide you with one
- an account with a payment service provider
- a web page with a button (e.g. Join, Donate, Buy) that initiates the transaction process – you can use code provided by your service provider or specialized shopping cart software

Once you have set up your web page and connected it to an online payment system, visitors to your site will be able to pay online for products or services. The online payment process begins when the visitor clicks the button to pay online for membership fees or an event registration, or to make a donation or purchase something from your online store.

On the online payment form that appears, the visitor enters their credit card information and submits the transaction request. Depending on your online payment service provider, the form may appear on your website, or your purchaser may be redirected to a form on your service provider's website.

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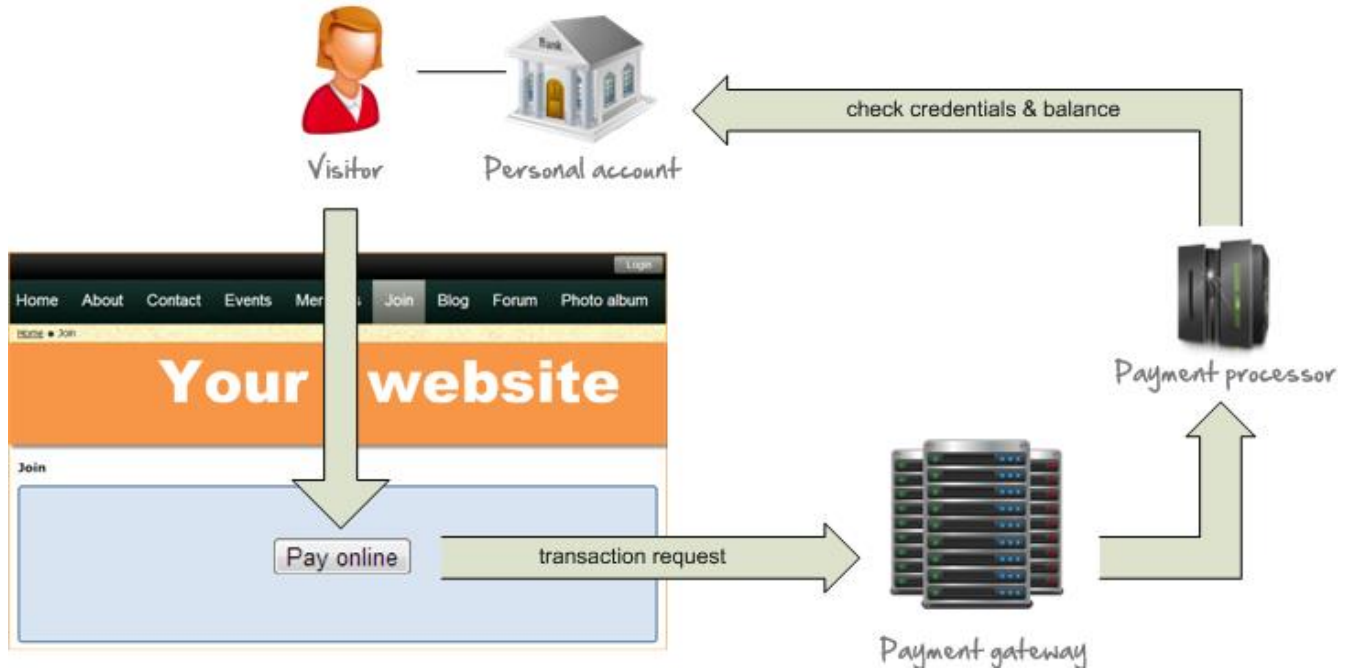


The transaction request, along with the credit card information entered by the purchaser, is securely transmitted to the payment gateway operated by your payment service provider. The information is encrypted so that no one – including you – can view the purchaser’s personal and financial information.

Your payment service provider will then use a secure payment processing service – either their own or one provided by another company – to verify the purchaser’s credit card details and confirm whether the purchaser has sufficient funds to complete the transaction.

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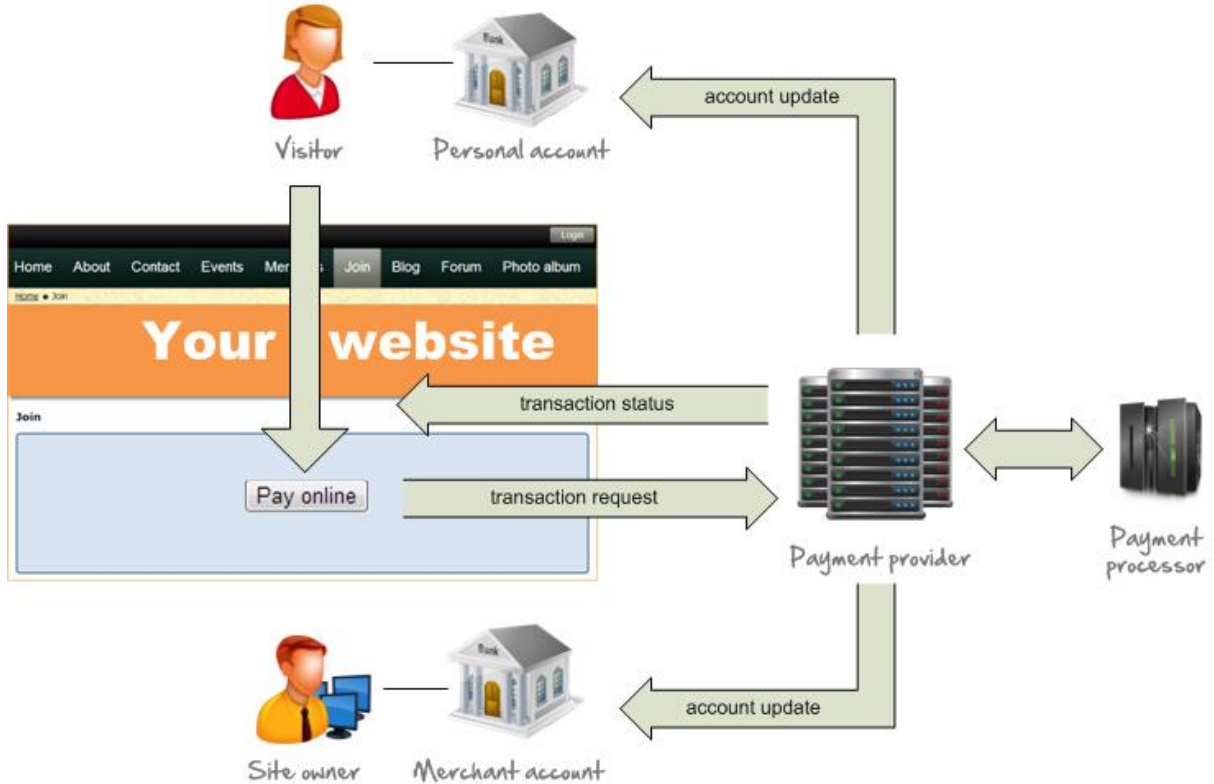
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If the purchaser's credentials are valid and there are sufficient funds to complete the transaction, your payment service provider will initiate a transfer of funds from the purchaser's bank account to the merchant account associated with your website, and notify your website that the transaction has been approved. Depending on how your website is set up, that information can be used to automatically update records on your site (e.g., update your membership management or event registration database).

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If the transaction is declined for any reason – such as invalid credentials or insufficient funds – no funds will be transferred, but status information will still be sent to your website.

Why is Online Payment Services Necessary?

If you're like many small organizations, you collect payments mainly through cash or checks. While this might be working for you at the moment, adding online payments provides a number of advantages to you and your supporters.

Meet expectations

People are increasingly comfortable paying online. When members, customers or supporters are ready to sign up, register for an event, or make a donation, they want to do it quickly and easily. In fact, websites that don't support online payment can be seen as being out of step.

Speed up the process

Online payments are faster than manual payments, since you don't have to wait for the check to arrive or for it to clear. The whole process – from submitting an online payment to updating your bank account – can take a matter of seconds. The end result is improved cash flow for your

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organization, and almost immediate confirmation of transactions. Prospective members won't have to wait to join your organization, and participants will know right away whether they have successfully registered for an event.

In addition, the online payment service lets you know right away if the person making the online payment has sufficient funds to cover the transaction – rather than finding out a week later when the check bounces.

Save you lots of trouble...

Automated payments also save you the trouble of depositing the check and recording the payment manually. Once you set up online payments for your website, they are automatically processed. You don't handle or store any credit card information. Any updates to member records are handled automatically.

...But at a price

Of course, anything of value comes with a cost, and in this case, your payment provider will charge you a fee per transaction, and some charge other fees as well – such as setup fees or monthly fees. But if online payment helps you grow your membership, your fundraising, or your online business, they'll be taking a slice out of your much larger pie.

Excellent online payment systems

1. Authorize.Net
2. PayPal
3. Google Checkout
4. Amazon Payments
5. Dwolla
6. Stripe
7. Braintree
8. Samurai by FeeFighters.

Popular online payment apps or payment apps or e wallet list in India

- Paytm.
- Google Pay.
- Amazon Pay.
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- Freecharge.
- Yono SBI.
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- Payzapp.