

## Modes of Payments for Ecommerce in India



The term e-commerce is widely used today. It is an upcoming, fast-spreading way of doing business and extending to a larger audience base than traditional retail.

Ecommerce is the exchange of goods and services enabled through an electronic method. E-Commerce, comprises of various categories such as Business to Business, Business to Consumer, Consumer to Business and Consumer to Consumer. From advertising to paying, everything except delivery of physical products can technically be done through electronic means.

Consumers may choose different ways to pay for their ecommerce transactions based on their preference. This may be driven by convenience, availability, security or for other reasons.

There are various ways of making payments through electronic modes such as electronic wallets, smart cards, software wallets, credit cards, debit cards, netbanking and more. Online

stores that collect money from consumers in any other way than Cash need to rely on a service provider typically known as a Payment Gateway provider.

A payment gateway is an e-commerce application service provider that processes credit card payments for e-businesses and online retailers. It acts as the go between the consumer who is making purchases and the bank that is authorizing the bank issued payment instrument such as a credit card to be used for the payment. It is the equivalent of making a payment over the counter when one is physically purchasing something. These payment gateways are like the middlemen between the purchaser and the company providing the product. Payment gateways get their revenues from the merchants to whom they provide these services. In turn the Payment Gateway has to share some of its merchant fee with the banks and payment systems companies

Some time , such as in Cash on Delivery transactions, the payments are made directly from the consumer(Buyer) to the Merchant (Seller) that a product or service is being provided. Direct transactions between the buyer and seller do not involve the payment gateway and as such the payment gateway is not a party to the transaction nor does it get revenues from such transactions.

Amongst the several payment gateways in India, some well known payment gateways that are widely used include CCAvenue & Tech Process. Pay by Amazon has also recently launched its service.

Payment Gateways that act between the bank and the merchant are able to provide efficient services and for that reason the transaction cost is loaded with the additional costs of the Payment Gateway. Payment gateways, however, provide a safer platform for the money exchange to take place as there are lesser chances of being harmed by fraudsters as the Payment Gateway would usually have its own fraud protection system that protects merchants from such liability.

The various forms of payment for ecommerce are given in the following paragraphs:

**Credit cards** - The easiest form of electronic money that is available and most widely used today. There are several million credits cards that are being used to make online payments in India.

Many international sites and mobile commerce sites allow you to pre-store your credit card number securely so that you don't have to key in the number each time.

Currently, the largest user base in e-commerce uses credit cards for payments.

**Debit card** - The second largest e-commerce payment medium in India Debit Cards and Netbanking. Very often, for customers who want to stay within their spending capacity, paying for things online using a debit card proves to be a preferred choice. With the debit card, one can only pay for purchased goods with the money that already exists in the current or savings accounts as opposed to the credit card where the amounts that the buyer spends are

accumulated and have to be paid for as a bill at the end of the billing period.

**Cash on delivery** - CoD has emerged as one of the most sought after services for e-commerce entities and it is reported that in some cases as high as 50 per cent of orders are placed with various online retailers with this payment option, while the remaining opt for credit card or bank payments. In India, many customers tend to prefer CoD as the online payment modes are yet to catch up in many parts of the country.

**Netbanking** - Another easy way to make payments for online transactions. It uses a similar method to the debit card of paying from money that exists in the users current or savings account but netbanking does not require the user to have a card for the payment purposes. While completing the purchase the consumer needs to put in their netbanking id and pin.

**Mobile Money** - Out of India's 1.2 billion people, only a small percentage have bank accounts. Amongst that massive unbanked population, many hundreds of millions have mobile phones, and for them, mobile money is likely to be hugely beneficial. Even for smaller transactions, where credit cards are not accepted, it might be simpler to just hand over cash. But if you don't have sufficient cash, then mobile money becomes useful.

However, mobile money would be convenient to buy a movie ticket or pay your utility bills on your phone, where otherwise you might have to key in your entire credit card number, CVV number, etc, every time you make a payment. It's meant for transactions between Rs 50 – Rs 500 to buy things like games, music, ebooks, and virtual goods in games, and where people may not want to use credit or debit cards. In India, this is a developing payment option and still evolving in terms of regulations and guidelines. As on date the main method to pay for products using your mobile is still linked to your bank account. Payments using mobile carrier billing ie where your payments are deducted from your mobile prepaid balance or billed to your postpaid account are still restricted to services provided through the mobile operator eg for value added services. Mobile carrier billing has not yet started for ecommerce transactions though this is expected soon

**Reward Points** - Some other more indirect ways of online payments are rewards points. On certain things that are purchased by a person, a number of rewards points will be awarded which will get added to the buyers account. In the next transaction, the buyer can choose to pay for their next purchase using the accumulated rewards points, which will replace what they would otherwise be paying as money.

**Prepaid Cards** - this is a relatively new and fast growing payment method. Typically a consumer may buy or be gifted a prepaid card that can be used online. Usually this would be for a particular brand or for a retailer. Some online retailers have their own gift cards which are sold to their customers, who in turn may use it for themselves or as give them as gifts. Gift cards have their own authentication system and this may vary from issuer to issuer.

Summary

If you are a new online retail store or a brand planning to set up an online store, you should contact a reliable payment gateway partner to assist with getting your online store to accept

various forms of payment as above.

For Cash on Delivery and Bank Cheques, you would need to have a separate process and this would have to be reflected in your webstore software as an option for consumers to choose.

Select a good Payment Gateway provider who gives you the maximum options and is also constantly adding new options based on the evolving marketplace and methods of payment. In case companies like Net Distribution ([www.ndslindia.com](http://www.ndslindia.com)) are operating your online store, they will take care of selecting a good payment gateway that accepts all forms of payments that may be applicable in the ecommerce industry in India.

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