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Payment in the Fintech World

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Payment in the Fintech World

Advancements in technology have changed the way payment systems work because the traditional banking system is changing, and people are now working on the easiest and more simple methods. ¹ Fintech is the utilization of technology progression to offer financial services to individuals and businesses. Puschmann (2017) stated that people use modern payment methods such as buying and selling cryptocurrency and verifying electronic payments. Fintech helps develop new opportunities for companies to manage their finances more efficiently, hence bringing effectiveness, easiness, and correctness to the traditional payments that are intricate.

The payment system plays a critical role in business because it ensures all the transactions are done and the deals are complete. Chiu (2017) defined a payment system as a method utilized to settle monetary transactions through the transmission of economic value. For instance, an operational network is one of the payment systems that connects bank accounts and offers financial exchange utilizing bank deposits. Furthermore, ecommerce payment processing is a current requirement because many people currently purchase online and will need to pay while at the comfort of their home.

Payment processing work through the following three parts. For instance, when using the web payment processing platform, there are always merchant account, payment gateway and payment processor. Chiu (2017) approves that the merchant account allows online payment processing of online dealings. Individuals can get a merchant account through payment processing firm, a sovereign worker, or a large bank. Therefore, when an individual does not have this account, they will be unable to keep the finances their clients pay them.

Moreover, the second part is the payment processor, which facilitates the transaction from the client's account to the business account. Payment processors are responsible for handling credit card validity, card restrictions, and existing funds (Oo, 2019). Also, security plays a critical role in Fintech because money is processed online and thus can be very susceptible when not secured well. Therefore, the payment processor is responsible for security enhancement by evaluating the card information, ensuring it is correct, and safeguarding users from fraudulent events. Besides, this part also deals with several errors, inappropriate charges, and unintentional transactions.

The last part of the web payment processing is a payment gateway. Oo (2019) claimed that the payment gateway is similar to the online point of sale because it is the intermediary of all the site and payment processor transactions. Also, gateway links trading account with credit as well as debit card issuers such as visas. Although there are different types of gateways such as PayPal and SecurePay, they all work to encrypt sensitive credit card information, certifying that details are approved securely from the clients to the acquiring bank through the merchant. Furthermore, the gateway is essential since security measures prohibit individuals from transferring data straight from one bank to another, making it vital in the online payment processing system.

Fintech has caused significant competition to traditional banking. Puschmann (2017) stated that conventional banks concentrate on their shareholders' interests while Fintech encourages the necessities of its end users. However, several banks have partnered with the collaborators to enhance their performance and the collaborators to utilize the existing bank customer base. Fintech is likely to disrupt the operations of the traditional banking sector in different processes such as lending, savings, and other services. The disruption is caused by the

new and better methods of servicing the consumers and business operators because of the data security.

On the other hand, banks that partner with the collaborators can improve their services in diverse ways, such as using the channels such as social media to deliver services that will enhance customer experience immensely (Puschmann, 2017). This partnership makes all the parties benefit because of the extent of the possible chance from product design and development to allocation and infrastructure capacities by banks. Nonetheless, various obstacles prevent business associations between banks and FinTechs. First, based on the bank's view, FinTech does not have a suitable information technology security and supervisory inevitability. At the same time, FinTech is inevitable that banks can have the challenge of working with the payment system because of the variations in management and culture and operational processes. Second, the banks are controlled by government regulations, which are essential in safeguarding the citizens from being exploited. Therefore, Fintech is also regulated, and the concerns are based on investment deception, cryptocurrency security, money laundering, and taxation. Third, artificial intelligence continues to advance, and fraudsters can make fraudulent intelligent systems that can make money through deception.

Multiple question;

Payment Gateways are used for:

- A) Delivery Process
- B) Interbank
- C) Purchase
- D) None of the above

The answer is (B)

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