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CREATING POSSIBILITIES

A BEGINNER'S GUIDE TO ECOMMERCE PAYMENT PROCESSING FOR SMALL BUSINESSES

Article from [Revalsys Technologies](#)

This article explains about
ecommerce payment processing
for small businesses

India witnessed a digital revolution with the introduction of Demonetization in November 2016. The Indian government introduced several incentives to promote digital payments. The response of the people of India has been commendable and there has been a great spurt in the digital payments vs payments by cash. This movement took further fillip with the outbreak of the ongoing global COVID-19 pandemic last year, which forced people to limit human contact. There is a greater effort from everyone for shopping and paying online. This has made it important for businesses of all sizes to adopt the newer methods of technologies including making and receiving online payments.

Here is everything small businesses must know about e-commerce payment processing, in order to set up smooth and secure online payment methods:

E-commerce Payment Processing Companies

An e-commerce payment processing company (e-com) is a very important financial intermediary in the current scheme of things that mediates transactions between sellers, buyers, and their respective banks. E-com companies provide ease of doing business to all the stakeholders and ensure a clear flow of payments and maintenance of records.

Online Payment Processing Modes

Digital payments can be made through different modes which are briefly described below:

- **Credit Cards** – Credit cards allow their holders to borrow limited amounts of money from their banks to make payments, on the condition that cardholders pay the borrowed money back within prescribed time limits.
- **Debit Cards** – Debit cards eliminate the need for customers to withdraw and carry physical money to make payments. Money is deducted directly from customers' bank accounts for transactions.
- **Net Banking/Mobile Banking** – Customers also can make payments for all goods and services through their bank accounts directly to merchants/service providers by directly accessing their bank accounts through net banking/mobile banking.
- **Payment Gateways** – Payments can also be made using payment gateways which act as mediators for credit/debit card transactions. Examples of a few payment gateway companies are:
 - **PayU** – The fintech company with headquarters in The Netherlands allows processing of payments from mobile and web apps.
 - **PayPal** – A payment processor for commercial users like online vendors and auction sites. It offers benefits like password memory and one-click transactions for a fee.
 - **Amazon Pay** – Amazon's payment processing service which allows its customers to use their Amazon accounts to make payments on external merchant websites.

- **Digital Wallets** – Digital payment wallets can be used on computers or mobile devices to make and receive payments. By storing money in a digital wallet, users can make payments directly from the wallet without using credit/debit cards. Some examples of digital wallets are:
 - **Paytm** – Established in 2010, Paytm is one of India’s most used and fastest-growing digital wallets, and is used for making purchases including gold, bill payments, recharges, booking tickets, etc. It was the first payment app to cross 100 million downloads.
 - **Mobikwik** – Founded in 2009, Mobikwik facilitates making bill payments and purchases and also provides small loans. Its Expense Manager feature allows its users to keep track of all their spending. A Lite version of the app was designed in 2016 to work in areas with poor connectivity.
 - **PhonePe** – UPI-based PhonePe was founded in 2015. Apart from providing the above-mentioned services, PhonePe also facilitates users to invest in liquid funds and tax-saving funds, and buy mutual and insurance funds along with gold.

What An Enterprise Should Do To Accept Such Payments

Any enterprise which is wanting to accept any of the above-mentioned modes of payments needs to tie up with a bank and a service provider to enable the flow of payments. The process is simple and seamless and a direct correlation has already been seen in the increase in the volumes of business when these additional channels are opened.

Payment Processing Glossary

- **Credit Card** – A card issued by banks to their customers to make purchases within a limited amount
- **Customer** – A person who purchases goods and services from merchants
- **Customer Bank** – A bank that issues credit cards to its customers on card network companies’ behalf and pays transaction amounts to merchant/acquiring banks. Also called an issuer/issuing bank.
- **Debit Card** – A card that is used by customers to make purchases from merchants. It deducts money directly from customers’ bank accounts for transactions
- **Digital Payment Wallets** – Mobile applications used by customers to save money and make payments
- **eCommerce** – Purchasing and selling of goods and services over the internet
- **Merchant** – A person or an entity that sells good and services to customers
- **Merchant Account** – An account owned by merchants into which approved credit card transaction amounts are deposited.
- **Merchant Bank** – A bank that accepts and processes card payments on behalf of merchants. Also called an acquiring bank.
- **Payment Gateway** – An electronic platform that authenticates customer and payment details, and authorizes and processes payments.



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