

# **Comparison and Risk Research of Small Online Payment Methods in Cross - border E - commerce Retail**

Zongying Zhang

Female, Shandong Foreign Trade Vocational College, Post Code 266100

**Keywords:** cross-border e-commerce; retail; small online payment; risk

**Abstract:** With the continuous rise of China's economy, consumer spending power is also on the rise. This has led to the development of cross-border e-commerce. At present, the relationship between ordinary consumers and cross-border retail e-commerce in China is getting closer and closer. After a variety of new cross-border e-commerce platforms appear, people's cross-border consumption channels are also more convenient and they can use small amounts online payment. However, there are also some risks of the small online payment methods. Based on the background of cross-border e-commerce retailing, this paper makes a comparative analysis of the small online payment methods of cross-border transactions, and then discusses the risks which exist on them and puts forward some suggestions of / for how to carry out risk prevention and control.

## **1. Introduction**

Cross-border e-commerce was born in the basis of the development of Internet technology and has now become a new growth point of foreign trade. Cross-border e-commerce payment is an important part of cross-border e-commerce. As can be seen from the payment data onto cross-border e-commerce, the growth rate of cross-border e-commerce in 2011-2015 is above 25%. The transaction value increased by 5.4 trillion yuan. These data show that cross-border e-commerce in our country has become a strong growth part of foreign trade. In an internationalized context, online payment services for cross-border e-commerce retailers have also been upgraded and improved.

## **2. Small Online Payment Methods in the Context of Cross-Border E-Commerce Retail**

There are many ways for cross-border e-commerce payment. Apart from bank cross-border wires transfers applicable to large-sum transaction payments and Western Union remittance applicable to medium-sized transactions, there are mainly three types of payment methods applicable to micro-payments: the first are MoneyGram International Remittance, the second is third-party payment, the third is international credit card payment. The three methods have their own advantages and disadvantages, the following is the comparative analysis for three methods.

### **2.1 MoneyGram International Remittance**

MoneyGram International Remittance is a transactional payment method of remittance transactions between individuals. It is more suitable for cross-border e-commerce retailing businesses with transaction volume below U.S. \$ 50,000. The transaction relies on the remittance channel of MoneyGram and does not need to be traded with for the bank. The advantages are : the first remittance is extremely fast , as long as the gold outlet's to ensure the normal operation of the gold agent , remittances can enter the receiving account after ten minutes ; the second remittance fee is not high and only the remitter needs to pay , as long as business fees and commissions paid , without additional costs ; the third remittance procedures is relatively simple , it do not require the receiver to open a bank account in advance , do not need the remitter to fill in a complex remittance path . The disadvantage is that firstly the remitter is limited to the individual, that is, the enterprise can not pay for the transaction through the cash withdrawal channel. Secondly, the method still belongs to the more traditional payment method and does not belong to the category of online payment. In addition, on working days, if it is cash remittance, an additional fee will be charged,

which is not conducive to the development of online businesses of cross-border e-commerce retailers.

## **2.2 Third Party Payment**

With the cross-border development of e-commerce retail business model such as B2B, C2C and other modes, offline cross-border payment methods can no longer meet the needs of cross-border e-commerce business development. In order to meet the needs of small online payment of cross-border e-commerce, third-party payment such as Paypel, Payoneer and Alibaba Secure Payment appear and are widely used in cross-border e-commerce micro-transactions. The advantages of third-party payment methods are: First, all the advantages of online payment, that is, do not go out as long as the use of the network can be completed cross-border transaction payment, and will not be space-time constraints; second, the third payment costs more low, and the parties do not have to worry about the transaction will not operate, anyone who can access the Internet can use third-party trading platform, the transaction can also achieve the function of credit certification, to ensure that both information is valid; Finally, both parties to the transaction you can choose the appropriate payment method. The disadvantage is: the first cash withdrawal fees higher; the second cashier restricted funds flow caused by precipitation, affecting the safety of funds. Finally, after a transaction dispute occurs, the general third-party payment platform is more inclined to protect the interests of customers, so the receiver has the greater risk.

## **2.3 International Credit Card**

International Credit Card is also an online payment method for small payments, applicable to independent B2C platforms and platforms for cross-border e-commerce retail transactions, such as Visa and MsterCard. The applicable amount is under 1000 U.S. dollars. The advantages are: the first buyer's payment process is quick and easy, usually within 5 seconds; the second credit card is a bank-to-bank model, so there are few instances of malicious refusals because it affects the payer's credit. Third, in the event of a transaction dispute, the bank froze only the amount of the transaction without freezing the entire account, which is relatively fair. Lastly, in cross-border e-commerce, international credit cards are also designed to take advantage of advanced consumption in Europe and the United States Psychological, it is conducive to domestic cross-border electricity supplier business. The disadvantages are: firstly, the opening of an international credit card requires an account opening fee, in addition, the annual fee needs to be paid; secondly, the credit limit of each credit card may be limited for each transaction; furthermore, the credit card penetration rate varies from country to country. There are of countries hold low card rates and therefore do not apply to cross-border microfinance with any country.

## **3. Risks and Prevention and Control of Small Online Payment**

### **3.1 Risk of Small Online Payments**

#### *3.1.1 Trading Credit Risk*

Because of the virtuality and openness of the Internet and the time lag between cross-border transactions, the disparity between payment and receipt and delivery of goods in cross-border transactions has led to them. Trading may have been completed prior to the receipt of the goods, which may present a credit risk. For example, the shipper does not ship after receiving payment, or the sender has refused the remittance and so on. Cross-border e-commerce in the small payments, such as third-party payment platform because they can not fully understand the credit status of the main transaction, it can not guarantee the security of transactions. And in countries with different credit conditions, third-party payment platforms often support the seller, resulting in the seller's enterprises in China is often at a disadvantage in the trading disputes.

#### *3.1.2 Transaction Verification Risk*

As with the issue of trade credit, there is a transaction verification risk of online transactions across borders , that is , the online payment method can not completely verify the authenticity of the

transaction subject and the authenticity of the transaction contents . For example , in the third-party trading platform approach to the verification of the main transaction only in the form, and the transaction content , payment platform is unable to obtain a comprehensive transaction information, such as order information, logistics information can not grasp, which led to the transaction. There may be a mismatch between the amount and the traded item. If the parties to the transaction are contacted via e-mail, there is currently no relevant laws and regulations that can confirm the transaction as authentic material. In short, the payment agency can not verify the order information, logistics information and payment information of the transaction completely, they also have the problem of getting information lagging, which leads to the emergence of transaction fraud.

### *3.1.3 Other Network Risks*

After all, the cross-border micro-online payment method is based on network information technology, but the network itself has two side. Its own risks include the risk of transaction payment due to information transmission or computer failure , the network being hacked or virus destroyed, to leak or lose , in addition cross-border online payment in the processing of payment information audit takes longer time , which exacerbated the risk of payment . In addition, there is also the problem that depositary funds is deposited in the account , resulting in the inability of the funds to circulate .

## **3.2 Small Online Payment Prevention and Control Measures**

### *3.2.1 Strengthen Credit Identification and Protection*

When conducting cross-border e-commerce micro-transactions, buyers can not contact face-to-face the exchanges just because of their trust in the seller's products and transaction security. For cross-border e-commerce platform, in order to provide buyers with the most authentic seller information, it is necessary to improve and perfect the customer identification mechanism to require all customers to implement real-name system and to introduce third-party integrity certification and self-evaluation. For example, currently Alibaba, Global Sources, Chinese suppliers and other B2B platforms have introduced the integrity of certification. In addition, cross-border e-commerce platform can also cooperate with the insurance agencies to launch trade insurance products such as insurance costs, refusal to pay the risk of loss of goods. For the government, it is possible to establish a cross-border e-commerce export credit system and set up a public information sharing service platform and a unified credit subject database to include all the credit entities such as enterprises, individuals and government agencies, which is conducive to improving the market order. Of course, we can work with foreign institutions to establish a credit guarantee system to treat cross-border transactions fairly and provide businesses with channels and mechanisms for making appeals. For cross-border businesses themselves, first of all should ensure that their products and services are absolutely true and quality assurance. Second, through the buyer platform information and analysis of the purchase behavior to confirm whether the buyer talk about credit, and through the IP address tracking and verification of goods logistics information. In addition, businesses can build their own credit rating mechanism to dishonest buyers into blacklists.

### *3.2.2 Do Good Network Security Job*

The application of network technology in cross-border e-commerce can promote the development of cross-border e-commerce. On the other hand, it also brings risks to cross-border business because of the security risks of network technology itself. In order to reduce the transaction risk, the two parties should first raise the awareness of the safety method, do not enter the unknown website randomly, install the unknown software randomly, and regularly modify the login password of the website and antivirus the software. Secondly, there is a need to strengthen the application of advanced security technologies at the technical level, such as strengthening the application of technologies such as firewall technology, encryption technology and human characteristics recognition technology. Network technologies such as access control, security excuse and digital signatures can also be adopted to prevent hacking. For the government, it can step up its law enforcement efforts and crack down on criminal activities.

#### **4. Conclusion**

To sum up, the most common forms of online payment by cross-border e-commerce providers are third-party payment platforms and international credit cards. Both online payment methods have their own advantages and disadvantages, the third-party payment platform is the most convenient and widely applicable. However, any online payment method relies on Internet technology. Therefore, certain payment risks are bound to exist, such as risks of credit and transaction verification, information disclosure, theft of funds, settlement of funds, and payment of regulatory risks. In order to reduce the transaction risk, it is necessary to improve and perfect the safety credit voucher mechanism, safety credit evaluation mechanism and risk early warning mechanism. In addition, we should also strengthen the supervision and control of online payment by adopting a series of safety network technologies to create a good cross-border electricity supplier online trading environment.

#### **References:**

- [1] People's Bank of China. "Measures for the Administration of Online Payment Services in Non-bank Payment Institutions", 2016.
- [2] Zhao Xiaojuan, Zhu Jianming .Study on the Development Strategy of Third-party Cross-border Electronic Payment [J] .News Economy Management, 2015 (12).
- [3] Ye Huawen, Kuang Yanchang.Existing problems and countermeasures of third-party cross-border payment [J] .Ecommerce, 2014 (09).
- [4] Yan Sheng-yang.China's cross-border electricity supplier payment status and prospects [J]. Business and Management. 2014 (05)
- [5] Wang Xingping. Rapid development of cross-border e-commerce and third-party payment management research [J]. The Journal of Regional Finance 2013 (12)
- [6] Huang Yongjiang. On the construction of China's cross-border e-commerce and payment of foreign exchange business management system [J]. Financial Accounting. 2013 (07)