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“IMPACT OF DIGITAL PAYMENT ON INTERNATIONAL TRADE WITH RESPECT TO PAYPAL”

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Abstract

The aim of this paper is to describe about the digital payment in the international trade.

This paper contains how the digital payment helping the international trade and the cross-border payment. It presents an overview of the key characteristics of conventional manual methods, including the documentary letter of credit, as well as a discussion of several recent and advanced electronic methods that are being considered to supplement or replace paper-based methods. It also explained how the digital payment helping the international e-commerce and the digital payment service like PayPal and how it helping the international trade. How the third-party payment platforms are helping the cross-border payment. The advantages of using the digital payment in international trade. It also explained the factors influencing towards using the digital payment in the international trade and the role of PayPal in the international trade. It also explained about how the end users are get helped by digital payment in in terms of purchasing the product.

Key words

International trade, Digital payment, E-Commers and Cross-Border payment.

Introduction

the international trade is mutual transformation of goods, service and funds. As the payment is also the part of the international so trade there are several way of payments in the international trade.

- Cash in advance.
- Open account.
- Consignment.
- Documentary collection.
- Letter of credit.

Among them the most used and trusted payment method is letter of credit in international trade. An LC is a promise issued by a bank on behalf of the buyer that the exporter will be paid as long as all of the conditions outlined in the LC have been satisfied and have been validated through the presentation of the necessary documentation. In order to obtain this service, the buyer establishes credit and pays his or her bank. An LC is helpful when a foreign buyer's credit information is hard to come by but the exporter is confident in the buyer's foreign bank's creditworthiness.

- **Cash in Advance:-** Cash in advance is a payment method used in some trade agreements. It means the buyer pays the seller in cash before the goods received sometimes even before the shipment made. This method is used to eliminate credit risk or the risk of non-payment. It is fully beneficial to the seller and a risk for the buyers. The most of the pre payment are made through the wire services (DIGITAL PAYMENT) or the payment portals like credit card, debit card, or through the bank account. Most of the buyers do not prefer the cash in advance payment method.
- **Open account:-** the open account transaction is a sale where the products are shipped and delivered before the payment is due. This method is mostly advantageous to the importers in terms of cash flow and the cost. But it is high risk for the exporter. Since the extension of credit by the seller to the buyer is more frequent abroad, foreign buyers frequently demand exporters for open account conditions due to the fierce competition in export markets.
- **A documentary collection (D/C):-** it is a transaction in which the exporter gives control of the payment collection for a sale to its bank (the remitting bank), which then sends the documents that the buyer needs to the bank of the importer (the collecting bank) with instructions to release the documents to the buyer for payment. For those documents, the importer receives payment from the exporter, which is then transferred to them via the banks participating in the collection. The use of a draft known as a D/C necessitates that the importer pay the face amount either immediately (document against payment) or on a predetermined date (document against acceptance). Instructions describing the paperwork needed for the transfer of ownership of the goods are included in the collection letter. Despite the fact that banks serve as intermediaries.

TYPES OF DIGITAL PAYMENTS

- Unified interface payment
- Mobile Wallets
- Banking Cards
- Prepaid card
- Internet Banking

As our topic is digital payment in international trade with respect to PayPal. PayPal is the digital payment service provider with the mobile wallet. It is which helps for the international funds transfer.

In the international trade the digital payment replacing the paper based fund transactions because there are many of the advantages to the users. As the digital payment is provided by the third party payment providers so there is no trust related issues for the transfer of funds between the buyer and seller. by the normal way of payment in international trade there is no chance of tracking the payment but in the digital payment there is a chance of tracking the payment. The digital payment will help the countries to collect the taxes on the transaction and there will be the less chance of black money. After the covid-19 there is less use of cash in the domestic level or the international level. The digital payment become the key factor for the Countries economic growth. That explained the development of transaction and risk control mechanisms through third-party guarantees in international trade demonstrates how international e-commerce risk management represents a breakthrough over more conventional mechanisms. the evolving third-party assurance models in global e-commerce. Delivery and sharing of information will happen more quickly. Under information symmetry, both sides will eventually learn self-discipline and honest trading. the implementation and design of secure online payment systems face significant opportunities and problems in both the present and the near future due to the development and deployment of various emerging technologies.

Literature Review

there are many studies conducted in India and outside India related to the digital payment and about the international trade and also about international fund transfers. Here we can see some of the studies among them.

- **According to Surendar Vaddepalli (2014)** he worked on the Alternate Payment Method in International Trade and he concluded that In order to guarantee that businesses could continue to obtain raw materials and generate product without any interruption, this mode of payment was utilised. Businessmen who used factoring benefited from stable cash flows, reduced credit risk, and time spent productively on their main businesses.
- **According to the Guo Hong (2012)** the researcher made the Comparison between International E-commerce and Traditional International Trade. That he explained The development of transaction and risk control mechanisms through third-party guarantees in international trade demonstrates how international e-commerce risk management represents a breakthrough over more conventional mechanisms. the evolving third-party assurance models in global e-commerce. Delivery and sharing of information will happen more quickly.
- **According to Daniele Giovannucci** worked on the Payment Methods in International Trade An accessible, jargon-free overview of the many ways that traders might arrange for payments to be made and their relative benefits from a risk perspective is required given the growing participation of relatively inexperienced businesses in international trade. Letters of credit, the most popular approach, are explored in some length, including their fundamentals and instances. The literature clearly explains

about the payment system in the international traded which includes the letter of credit, Credit check, Documentary collection, Open account or credit, Countertrade or Barter, Cash in advance.

- **According to the Susan Lund and James Manyika (2016)** How Digital Trade is Transforming Globalisation they harked on the proliferation of digital technologies is changing how people, money, goods, and services move throughout the world. Although difficult to quantify, digital trade is a significant part of these worldwide movements. As digital trade expands, changes, and takes on new forms It is aiding globalisation and altering it in various ways.
- **According to the Qiang Ma (2016)** this study tells about the Cross-border e-commerce has grown rapidly in recent years, along with international trade and e-commerce. A variety of cross-border e-commerce settlement was born as a result of the long payment duration and burdensome issues with traditional offline payment. Today, a number of online platforms, including eBay, Amazon, DHgate for wholesale and retail trade, and others have achieved success, including online communication, a range of payment methods, and information distribution. Multiple departments, including those in industry and commerce, customs, tax, business, and foreign currency management are involved in managing cross-border e-commerce and third-party payments.
- **According to the Russell Hillberry Kornel Mahlstein Simon Schropp (2020)** the study on The geography of payment activity on PayPal and it gives To investigate the geographic distribution of online payment activity, we utilise data from PayPal, a provider of electronic payments. An empirical gravity model supports earlier e-commerce research findings, namely that the distance elasticity of payment value in e-commerce significantly lower than that in conventional international trade data.

Research Methodology

Problem Statement: -

The problems can be faced in the international trade like the trade companies are paying more than they should receive their own payments (Hidden Fees). The international traders don't have the chance of tracking the payment. It is very difficult to know any of the payer information on the deposits. The importers cannot pay easily. Cybercrime and Fraud.

Objectives of the study

1. TO identify the factors responsible for contributing the digital payment and international trade.
2. the impact of digital payment on international trade.
3. Roll of PayPal in international trade.

Research Design

The research design of our proposed project work by considering its objectives, scope and covered exploratory and descriptive in nature.

Data Collection Method

The method we used for data collection is google forms and having the easy reach to the users of PayPal in the cheap way.

Sources of Data

Source of data contains both primary and secondary data. Primary data we collected from the selected users of the PayPal In international trade through the questionnaire.

Secondary data we collected from the published and unpublished literature on the topic and from journal, newspapers, books, magazines and other relevant.

Population

PayPal user present in Telangana state only.

Sampling Method

We have taken 10% of the population by using the simple random sampling method.

Research Gap

Most of the study are done in particular sectors like digital payment or mobile wallet, and the payment systems in international trade, but we think the digital payment in international trade study is not attempted by any of the researcher in India.

LIMITATION OF THE STUDY:

- Possibility of money laundering through e payments.
- It charges more for global transaction.
- Technical problems in e wallets.
- Password threats
- Long process of payment in international trade

Hypothesis –

H_{o1} - there is no significant impact of gender on using digital payment on international trade.

H_{o2} - there is no significance impact of age in using digital payment on international trade.

H_{o3} - there is no significant impact of amount on using digital payment in international trade.

H_{o4} - there is no significant impact of perception on using digital payment on international trade.

DATA ANALYSIS AND INTERPRETATION

The collected data from the various sources were analysed using appropriate statistical techniques like chi-square test with the help of SPSS.

H_{o1} – there is no significant impact of gender on using digital payment on international trade.

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	93.117 ^a	15	<.001
Likelihood Ratio	40.976	15	<.001
N of Valid Cases	112		

Table-2

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	113.415 ^a	6	<.001
Likelihood Ratio	21.337	6	.002
N of Valid Cases	112		

Table-1

From the above CHI-SQUARE TEST table we can see the p value is 0.001 which is less than 0.05. there for null hypotheses is rejected at 5% level of significance. Therefor there is significance impact of gender on using digital payment on international trade.

Ho2 – there is no significance impact of age in using digital payment on international trade.

From the above CHI-SQUARE TEST table we can see the p value is 0.001 which is less than 0.05. there for null hypotheses is rejected at 5% level of significance. Therefor there is significance impact age on digital payment in international trade.

Ho 3 :- there is no significant impact of amount on using digital payment in international trade.

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	118.316 ^a	12	<.001
Likelihood Ratio	24.863	12	.015
N of Valid Cases	112		

Table-3

From the above CHI-SQUARE TEST TABLE we can see the p value is 0.001 which is less than 0.05. there for null hypotheses is rejected at 5% level of significance. Therefor there is significant impact of amount on using digital payment on international trade.

Ho4:- there is no significant impact of perception on using digital payment on international trade.

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	136.143 ^a	12	<.001
Likelihood Ratio	34.252	12	<.001
N of Valid Cases	112		

Table-4

From the above CHI-SQUARE TEST TABLE we can see the p value is 0.001 which is less than 0.05. there for null hypotheses is rejected at 5% level of significance. Therefor there is significant impact of perception on using digital payment in international trade.

RESULTS AND FINDINGS

All our respondents are using the digital payments on international trade or for cross-border payments with the reference of PayPal. There are 70.9% of male and 29.1% female users of digital payment for international transactions.

There is significant impact of age on using the digital payment on international trade.

There is significant impact of gender on using the digital payment in international trade.

There is significant impact of amount on using digital payment on international trade.

There is significant impact of perception on using digital payment on international trade.

The digital payment made the international e-commerce more easy to run. By our respondents 95% people said digital payment made easy of doing international fund transfer. Digital payment in international trade, it is helping the traders to avoid hidden fees. There will be a miss use of technology in coming time.

Conclusion

the international trade become more easy in terms of payment system with the help of the digital payments. There are many of the factors are influencing the payers to use the digital payment in the international trade and international purchase. The factors are like trust related issues between the buyer and seller, faster payment method and secure and more.

In the international trade the payment can be done through the many of the platforms like PayPal, Visa Inc, Pay U, and Stripe.

In terms of the trust issue between the overseas buyers and sellers one of the best payment method is using in the international trade. That is letter of credit it acts like a bridge between the buyer and seller with respective to the banks. the digital payment helping the buyer or the seller to track the payment of cross border payment. after the pandemic (2019-2021) most of the payments are done through the digital payment in the domestic level or the global level.

Digital payment also made the global e-commerce easy, even the end users also purchase the global product through the e-commerce platforms like amazon and Alibaba. According to the facts presented in this study, more and more clients are using online payment methods and conducting business online.

However, the implementation of secure digital payment systems face significant opportunities and problems in both present and the near future due to the development of various emerging technologies.

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