


Chapter 5

An Empirical Study on Internet–Based Payment Systems for Electronic Commerce and Banking

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ABSTRACT

The rapid evolution of the Internet and electronic commerce (e-commerce) has significantly transformed the global financial landscape, presenting challenges and opportunities for the banking industry. This abstract explores the requirements and opportunities associated with developing and implementing new payment systems leveraging the Internet—the challenges and opportunities presented by the rise of internet-based payment systems within the banking sector. The statement of the problem highlights the need for banks to adapt to the rapid growth of electronic commerce and the increasing demand for secure, efficient, and user-friendly online payment

DOI: 10.4018/979-8-3693-5548-0.ch005

solutions. It underscores the importance of addressing security concerns, regulatory compliance, and integrating new technologies to meet customer expectations and maintain competitive advantage in a digitally transforming financial landscape.

INTRODUCTION

The Internet has fundamentally transformed commerce, creating a dynamic, interconnected global marketplace. This has empowered entrepreneurs and fostered innovation, contributing to a vibrant and diverse business ecosystem (Brynjolfsson & McAfee, 2014). This increased transparency has pressured businesses to improve product quality, customer service, and pricing strategies to remain competitive (Alayli, 2023). The Internet has facilitated the rise of new business models and revenue streams. Subscription services, digital products, and platform-based businesses have flourished in the digital economy (Abrazhevich, 2004). The gig economy, powered by online platforms, has also emerged, providing flexible work opportunities and reshaping traditional employment paradigms (Lee & Lee, 2015). The integration of the Internet into commerce has necessitated advancements in payment systems. Online banking, mobile wallets, and cryptocurrencies have gained popularity, offering faster, more secure, and more convenient transaction methods (Arumugam et al., 2020). These innovations in payment systems have been crucial in supporting the growth of e-commerce by ensuring seamless and trustworthy financial transactions (Chown, 1994).

Ensuring robust security measures and regulatory compliance is essential to protect sensitive information and maintain trust in digital transactions (Anand et al., 2024). Privacy concerns also need to be addressed as the collection and use of personal data become more prevalent in online business activities (Arumugam et al., 2020). The digital divide remains a critical issue (Furst et al., 1998). While the Internet has opened up new opportunities for many, access to digital technologies is not uniform globally (Wang, 2018). In developing regions, limited Internet penetration and digital literacy can hinder participation in the digital economy (Egland et al., 1998).

The paradigm shift towards new payment systems using the Internet has fundamentally transformed the landscape of financial transactions, with significant implications for consumers, businesses, and financial institutions (Knudson et al., 1994). This transformation is driven by technological advancements, evolving consumer preferences, and the increasing digitization of commerce (Jing et al., 2009). The implications of this shift are far-reaching, influencing how money is transferred, how security is maintained, and the overall efficiency of financial operations (Bhakuni & Ivanyan, 2023). One of the most notable changes brought about

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