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Electronic payments as a way to reduce Transaction costs

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Abstract: in this paper, we consider the possibility of using electronic payments, their advantages compared to bank payments, as well as the reduction of transaction costs of the market mechanism and transaction costs of payments.

Key words: transaction costs, electronic payments, online transfer, bank, electronic money. In the modern world, information technology does not stand still, they develop and take root in various spheres of society.

The financial sector is no exception - more and more attention is being paid to the development of new financial instruments. Significant development was acquired by non-cash payments, electronic money - without which it is difficult to imagine the real reality with the advent of the worldwide web, online stores, online payments and online money transfers. The development of electronic money systems expands the opportunities for both sellers and buyers, reducing their transaction costs, allowing them to spend much less time and money searching for information, organizing cooperation with intermediaries, simplifying their interaction system. The noted trend makes us think about the reason for such interest. to non-cash forms of money in general and to electronic money in particular. For First, let's figure out what electronic money is. Electronic money - "stored" electronic money value, which is represented by a claim on the issuer, issued upon receipt of funds by the issuer for making payments, and which is accepted as a means of payment by institutions other than the issuer of "electronic money". Electronic money can be divided into three groups:

- electronic wallets are prepaid cards for reusable uses that store electronic value that is used to make payments. Electronic wallets are issued in closed circulating systems, in which there is no possibility of multiple transfers of one and the same value from one agent to another;
- network money is a prepaid product that allows you to use funds using special software that is located both on the user's personal computer and on servers, and funds transfers are made using the Internet (other telecommunication networks);
- mobile money is a prepaid product that allows you to use funds using a terminal or mobile phone, updating Center for Scientific Cooperation "Interactive Plus" software and replenishment of funds takes place over the air, in unlike network money, where the Internet is used, in this case, it is not required, requests from mobile devices and terminals tied to a specific location are processed by wireless payment systems. Most electronic payment systems today are closed circulating, that is, they require the intervention of a third agent – issuer, electronic money cannot freely circulate between agents. But open systems are also being developed to enable payments from one mobile device to another, without the intervention of the issuer.

Electronic money would not be widespread and widely used if its use, despite its convenience, would be expensive and did not bring their users a tangible benefit over the costs of their use. Costs mainly arise from the legislative regulation of electronic money systems, clearing, (a system for determining and offsetting mutual obligations), requiring control over electronic payments by financial institutions and the central bank that perform functions to regulate interbank financial settlements related to electronic transactions. Cashless transfers, in principle, contribute to the reduction of transaction costs of the market mechanism. The transaction costs of the market mechanism are the costs of coordinating the activities of economic agents and removing the distribution conflict between them [3].

Historically, cash came first in the form of banknotes, checks and mortgages, later frolicking into bills and monetary symbols. The new institutional theory believes that money, first of all, appeared as a means of saving on transaction costs, and their reduction is internal resource for economic growth, as there is an additional time and means to ensure the most efficient use of the product. Money facilitates and accelerates the exchange of goods and services, so money, first of all, it became a commodity that facilitates exchange to the greatest extent. The transition from commodity money to monetary money has a number of advantages. Such as ease

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of use and high liquidity. However, by reducing transaction costs of the market mechanism, cash generates a number of other problems.

Firstly, cash, whether paper or metal, is not in itself bear the value indicated on them, they need a security that is not always easy to control.

Secondly, the low degree of security: cash can be counterfeited, it is easy to steal it, and the anonymity of its use will not allow it to be recovered. In turn, electronic money eliminates the above problems, thereby reducing the transaction costs of the market mechanism. But it is not means that they exclude them completely. Electronic payment systems issue their own electronic money against precious metals or money deposited in a bank. When paying with electronic money, there is an exchange of real money, and there is a concession claim rights. The debtor is the operator of the electronic payment system, and the system itself is the creditor. Upon completion of the transaction, electronic money is exchanged for bank money. However, for the average user there is a problem of exchanging electronic money for bank ones. When withdrawing money, the payment system sets a commission. Also, many payment systems to perform such a transaction require a passport from the client and other documents, for example, a tax identification number. Thus, electronic money has a number of advantages:

Firstly, it is accessibility: each user of the World Wide Web can open his own electronic account, which does not require special knowledge.

Secondly, it is mobility: financial transactions can be carried out in
any place where there is internet.

Thirdly, security: information is securely protected by various cryptographic algorithms.

Fourth, efficiency: the transfer of electronic funds is carried out in a few minutes.

Along with the advantages, electronic money has a number of disadvantages:

One of the disadvantages is the impossibility of making a payment without a personal computer and Internet access.

The second drawback is the human factor: habits, distrust of electronic money [7]

Thus, electronic money and electronic transfers allow economic agents to reduce the time for making money transfers and does not require special conditions for their implementation, i.e. reduce the transaction costs of the market mechanism. However, they create an additional view transaction costs - the transaction costs of the payments themselves. Transaction costs of payments are the costs incurred when transfer of property rights from one economic agent to another. Transaction costs of payments can be divided into direct and indirect. The direct transaction costs of payments are mainly the transfer of ownership and the transfer of funds from one place to another.

An organization pays for a product or service transferring money to the seller's account from your account. The bank acts as an intermediary, which guarantees the complete transfer of ownership from the seller to the buyer, reducing the risk of opportunistic behavior by demanding their services commission.

Indirect costs of payments are problems that arise in the process payments, such as system failure, lags in calculations. In this case, the buyer will bear the costs of late receipt of goods or services. And in case goods and services are an intermediate link between the stages of production, such problems may entail an additional series of costs for buyer, preventing the business from moving on to the next step. It should be noted that the banking system, due to high transaction the cost of payments, which itself created, justifies itself only when large financial transfers. However, the majority of the market is micropayments, which, even if there is a bank commission, do not allow cover the costs of the banking system, becoming especially unprofitable in the case of small, although not lump-sum payments.

In the case of electronic money, their main feature is that they are provided to the obligated person without opening a bank account, and therefore does not require the provision of services by intermediaries, represented by banks, which charge additional commissions, which leads to a reduction in direct transaction costs, while while keeping the indirect transaction costs in the amount of not more, but sometimes less than the equivalent costs of the bank. Thus, electronic money provide the most favorable conditions to economic agents exchanging property rights.

Having considered the essence, structure, advantages and disadvantages of electronic money systems, we can conclude that electronic payments reduce transaction costs, becoming more affordable, increasing its turnover every year. Electronic payments have a number of advantages over bank payments, allowing the user to save

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on commission for the transaction, and their mobility allows you to make payments from any points of the world and at any time in the presence of the Internet. For more efficient operation of electronic systems, legislative regulation and software should be improved in order to eliminate both information asymmetry and technical failures.

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