

Payments become more secure and easy on QR Code

QR-code based payment is technologically the most advanced type of contactless payment. It requires consumers to use a smartphone application which enables them to scan, store and share their code scans in order to allow individuals and businesses to make and accept payments respectively via QR codes on their smart devices, writes **Reyad Hasnain**

QR Code refers to a quick-response code. It is a trademark name for the 2-dimensional barcode system containing information and is an example of information matrix barcode. QR codes are often considered similar to barcodes however; a significant difference between the two is that while the barcodes hold information only in the horizontal direction, QR codes can store information vertically as well. Recently QR codes are being used in multiple arenas and the recent trends in the payment system have led to the growth of the use of QR codes.

QR CODES IN THE PAYMENT SYSTEM: The growth of mobile payments has become inevitable. According to the World Payment Report 2015, the number of global mobile payment transactions is anticipated to grow by 61 per cent annually until 2016. Thus, in order to capitalise this anticipated growth, operators are exploring options beyond net banking, credit cards and e-payments. Mobile payments are the need of the hour to enhance a customer's in-store experience. The in-store payments experience has already been given a boost with the evolution of mobile payments, which can be enabled in two ways - NFC and QR codes.

QR CODE-BASED PAYMENTS: QR-code based payment is technologically the most advanced type of contactless payment. It requires consumers to use a smartphone application which enables them to scan, store and share their code scans in order to allow individuals and businesses to make and accept payments respectively via QR codes on their smart devices.

What this implies is that now, even an average person can de-code a QR code, without any special equipment. One can walk into a place of business, find a QR code on an item, scan it with his smartphone and can have immediate access to all information stored in that barcode.

In comparison to NFC, QR codes are a much cost-effective and feasible option for the payments system today. Enabling QR-code based mobile payments primarily requires software updates no separate hardware:

- Update to the merchants POS to facilitate acceptance of payments processed by your service. While most of the merchants have barcode scanning hardware integrated with their point-of-sale for product billing, the consumers can still make payments via QR codes.

- Ease of use- QR codes can be used for payments anywhere. This versatility makes it useful for the service providers as well as consumers.

- QR codes eliminate the need of physical wallets helping the customers to complete payments just with the help of their smart devices and digital wallets.

- QR codes require the consumers to scan them to find an information destination

- Creating the QR code doesn't cost anything.

- By using unique codes and web analytics, the retailers can gain some valuable information about consumer behavior- what works and what doesn't.

- They appeal to the customer's curiosity. This may, however, change following the novelty wears-off and QR codes become ubiquitous but in today's time a consumer has an urge to scan a QR code on seeing it, just to find out where it leads.

HOW DOES QR CODE-BASED PAYMENT WORK? On the basis of entities, mobile payment transactions can be classified into three categories:

1. Transactions from individual-to large business- This type of transaction is applicable to large-scale businesses such as retailers, food chains etc. who have typically installed scanners. At the point-of-sale the merchant enters the payable amount. The consumer then opens the QR code scanning app and displays the QR code in order to let the merchant's scanner extract the data from the QR code, authenticates the customers and deducts the amount to be paid from the customer's mobile wallet. This contactless payment process has been successfully integrated by many retailers and every week, approximately 6 million transactions are processed.

2. Transactions from individual-to-small business- This type of transactions is applicable to small businesses, not having scanners. At the time of payment, the consumer opens the mobile app and scans the QR code displayed by the merchant at the point-of-sale. This allows the app to identify the merchant to let the customer add the payable amount and complete the payment.

3. Transactions from individual-to-individual (peer-to-peer) - These are similar to any peer-to-peer transaction and are used by self-employed professionals. In order to initiate the transaction, both individuals access the mobile applications, the customer scans in the unique QR code from the recipient's application and punches in the payable amount to process the transaction.

Presently, mobile wallets allow consumers to transfer money between accounts but with the use of QR codes for payments, it becomes easier in case the recipient is unknown.

QR code-based payments make it easier for the consumers to pay with their mobile wallets.

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