How PayPal helps sellers process and accept credit card payments

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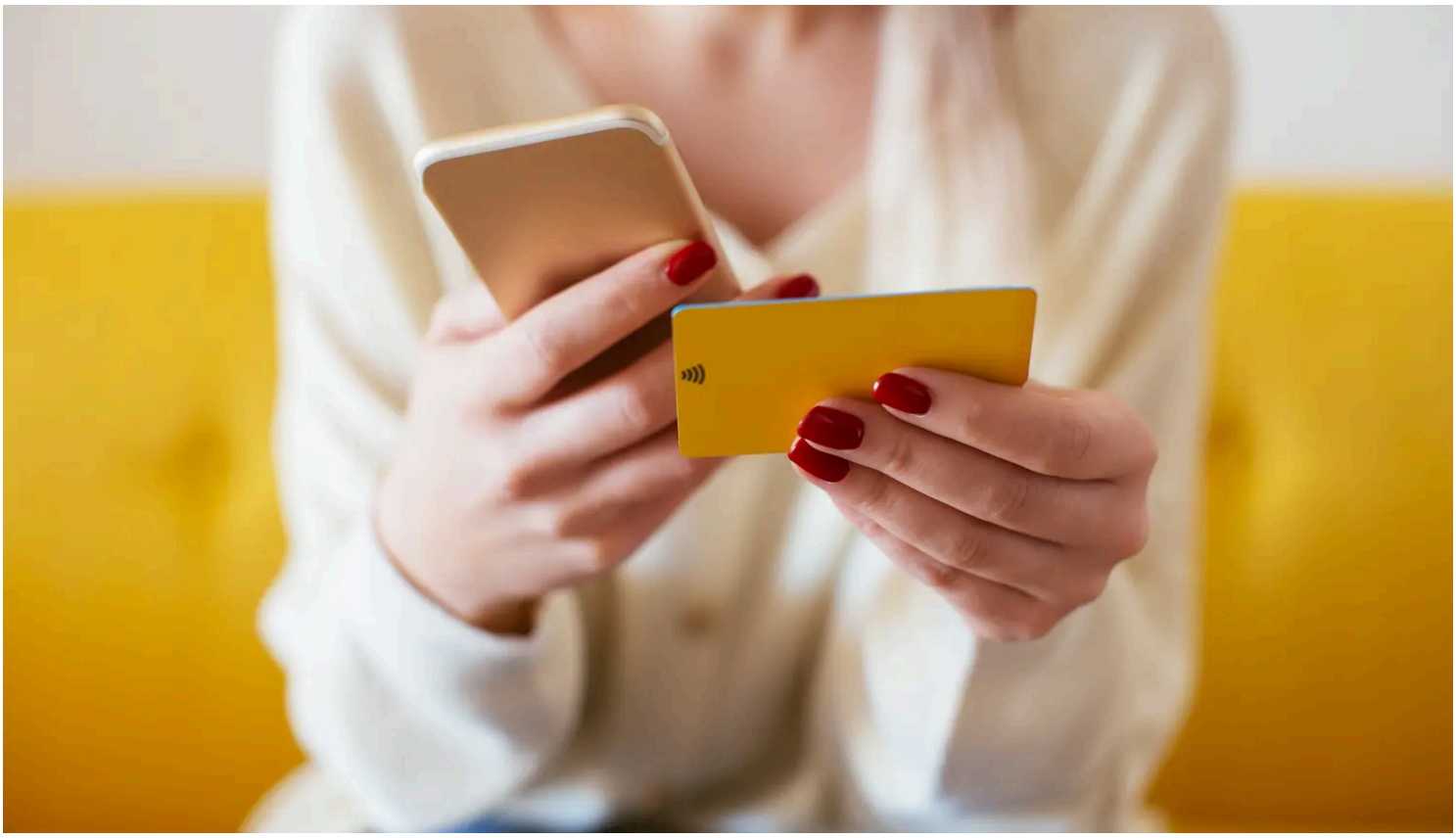

PayPal facilitates online payments for hundreds of thousands of e-commerce ventures, as well as traditional brick-and-mortar companies with an online presence.

It allows businesses to provide secure payment options for their customers and accept credit card payments. Explore why you should use or pay with PayPal, and how it can work for you.

PayPal for small businesses: How it works

If you sell goods online, you've probably heard of PayPal. PayPal is a payment service provider that takes care of the whole transaction from end to end. We offer an online payment processing service that enables you to accept bank, debit, or credit card payments for the items you sell.

When a customer pays for their purchase, we process the payment and transfer the funds to your PayPal account. When you accept credit card payments with PayPal, you unlock the ability to reach more customers and grow your revenue. This can be especially helpful for new businesses looking to convert first-time customers. Consider: Nielsen found a 74% increase in the likelihood of shoppers completing a purchase from an unknown merchant when PayPal is present at checkout.[1]

PayPal has **security measures** in place to help keep your business safe when buyers shop with you online. For example, PayPal uses fraud detection technology built on the data of over 1 billion monthly transactions, at no additional fee. PayPal also offers chargeback protection for eligible transactions and dispute resolution services.

Read on to learn how credit card processing works with PayPal so you can see how it can work for your business, too.

Setting up online payment processing

Any business can set up **online payment processing**, making it safe and easy for customers to shop with you. To do so with PayPal, you'll first create a merchant account and then link that account to your payment form.

Set up a PayPal merchant account

PayPal makes it easy for you to set up your PayPal **merchant account**— and unlike with other service providers, you won't need to create a dedicated bank account. This is where you collect your money from your sales. With this account, PayPal can **accept payments** from customers on your behalf and then deposit the money into your business merchant account.

PayPal allows you to track all your sales in one simple dashboard. To get started, create your login, confirm your business information, link your PayPal Business account to your e-commerce platform or add PayPal to your site, and then you're ready to start selling.

Let customers pay any way they like — they can pay online, in your store, or on the go. Send invoices or offer them installment payment plans in addition to online checkout solutions.

Link your PayPal merchant account to your payment form

Once you've signed up for an account, use PayPal's **payment gateway** to connect your merchant account to your website. It's that gateway that takes funds from your customer's preferred payment source and puts it into your merchant account. This lets customers use their credit card or other payment information to make a payment.

How does PayPal process credit card payments?

Ready to accept online payments? Here's what the typical PayPal transaction process looks like in action:

- Depending on which PayPal service you choose, customers will either see their shopping cart or a checkout page when they hit the Buy button. The shopping cart or checkout page can either be integrated into your website, or you can send them to a page hosted on the PayPal site branded with your logo.
- Standard checkout will allow them to use all forms of PayPal payments — PayPal Now, Pay Later, Venmo, recurring payments for subscriptions, Checkout with Crypto, and more.

- After the customer reviews their order, they click the Pay Now button. This action will redirect them to a payment page hosted by PayPal.
- If the customer already has a PayPal account, they can log in automatically to retrieve and submit their payment information. You never see their credit card info and they know that their data is safe. If they have PayPal One Touch activated, they can stay logged into PayPal to make payments across different sites.
- If they choose to pay with a new credit or debit card, PayPal will process credit card payments too. Customers simply enter their credit card details and click Pay to authorize payment. This encrypts and transmits the information to PayPal, which we then use to authorize the payment with the issuing bank.
- Once the payment is authorized, the customer receives confirmation that the purchase is complete. You'll also get a notification so you can start processing the order.
- The funds will be transferred from the credit card company to your PayPal account within a few minutes, minus applicable fees. You can then choose to leave it in your PayPal account to pay business expenses, or transfer it to your business account right away.
- Business expenses could include vendors, salaries, rent, insurance, supplies and more. Sometimes it's more convenient to have those funds handy to roll right back into the business before transferring them out to your business account.

The benefits of processing credit card payments with PayPal

Using PayPal for processing credit card payments helps you process payments fast, build customer trust, and may also help reduce fraud. Benefits include:

- **Convenience.** PayPal One Touch makes it simple for customers to stay logged in for faster checkout. And the faster and more seamless the checkout experience, the more likely customers are to complete a purchase. In one survey, for example, 55% of shoppers said checkout friction led them to abandon their carts.[2] A convenient checkout can be especially helpful for small businesses who are trying to remove barriers for first-time customers or turn one-time customers into repeat customers.
- **Security.** PayPal leverages integrated encryption to protect customer information, while Seller Protection protects you from losing money to claims, chargebacks, and reversals on eligible transactions (limits apply).
- **Simplicity.** PayPal's e-commerce integration solutions make it simple to add payment buttons and checkout processes to your existing e-commerce site, and those checkout buttons can help customers speed through their purchase.
- **Multi-currency payment processing.** Grow your business and open your e-commerce site to customers across the globe with multi-currency processing. When you can sell to customers in their native currency, they may feel more comfortable shopping with you.
- **Improve cash flow with instant access to funds.** For many businesses, cash flow is essential to keep the business running. You need those funds quickly accessible to pay your team or pay for supplies. PayPal has tips to improve cash flow and gives you the option for an instant payout when you need a cash infusion right away.

How PayPal credit card processing can help customers make secure payments

Customers depend on businesses to keep their credit card information safe when making purchases. This is especially true when a seller is unknown, which is where PayPal can help. Help build credibility to your site by using PayPal, a trusted brand when it comes to financial security.

Encrypted website payments through PayPal help you keep transactions secure by processing them on web pages that utilize SSL encryption. Encrypted payments help you reduce the likelihood of identity theft while helping you meet your **PCI compliance** requirements. This can help make your business a safe and more reliable source for all your customers.

Using PayPal small business solutions

PayPal for Business makes it simple and secure to accept payments and grow your business. With the ability to take a wide variety of online payments with ease, PayPal lets you offer a seamless checkout experience to customers around the world.

In addition, PayPal can help you expand the power of payments to do everything from sending an online **invoice** to accessing **financial services** to improving your **risk management**.

Learn more about **PayPal for Business**.

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[1] Nielsen, commissioned by PayPal, Nielsen Media Attitudinal Survey of USA (2023, Feb) with 3,999 recent purchasers (past 2 weeks) from large enterprise merchants, including 1,999 PayPal transactions & 2,000 non-PayPal transactions. Base N. PayPal users = 3,350.

[2] PYMNTS. (2023, Jan). Online Retailers May Lose Half of Sales to Checkout Friction.