A Step By Step Guide To Use PayPal
# Table of Contents

Introduction .......................................................................................................................... 3  
Creating an Account ........................................................................................................... 4  
PayPal Verification ............................................................................................................. 5  
  Verification Process .......................................................................................................... 5  
Utility of Each Account ....................................................................................................... 7  
Transfer of Funds .................................................................................................................. 8  
Checking Transactions ......................................................................................................... 10  
  Nexus between PayPal and Credit Cards ........................................................................ 11  
Methods for Receiving Payments .......................................................................................... 12  
  “Buy now” button ............................................................................................................ 14  
  PayPal API ........................................................................................................................ 15  
  Offline and Offsite Payments .......................................................................................... 15  
Withdrawing Funds ............................................................................................................... 16  
Upgrading the Account ......................................................................................................... 17  
Setting up Cash Receiving ..................................................................................................... 19  
  Setting up a Shopping Cart .............................................................................................. 19  
  PayPal PDT ...................................................................................................................... 21  
Using the PayPal Debit MasterCard ...................................................................................... 23
Introduction

PayPal was established in 1998 as an online money transfer service that has since overtaken money orders and checks as the primary forms of money transfers. Within the online money transfer services industry, PayPal is one of the largest firms with a total revenue of $7.9 billion. PayPal allows its users to deposit, transfer and withdraw funds in 26 currencies worldwide.

PayPal is a successor to and a combination of a number of IT companies that focused on specialized operations. Its founders, Peter Thiel and Elon Musk formed PayPal after merging their sector specific companies Confinity and X.com. Confinity’s focus was on developing security software for handheld devices including mobile phones while X.com was an online banking website. The two firms merged to create PayPal in its present form: a website that allows people to make financial transactions through an encrypted software, which guarantees the safety of their transactions. Due to its background in handheld devices, PayPal is designed for both desktop and mobile phone usage.

Though the idea behind PayPal is simple, the variety of tools, types of accounts and types of transactions is large. For example, a popular usage of PayPal is to make and receive online bids on e-bay (its parent company) and other websites that host online auctions. Likewise, PayPal also allows its users to make donations, purchase goods and services or simply exchange cash with friends and family. The only requirement for the receiving party is to have a PayPal account as well. This guide helps the readers to understand how PayPal works.
Creating an Account

The first step required for both parties at either side of the financial transaction is to set up an account with PayPal. Creating an account is a simple process, free of any charges and does not require having a bank account. However, while signing up, different types of accounts are available to users with each one having different features. The ‘sign up’ link is given at the top of PayPal’s homepage. Clicking the link will take the user to the next page where the user would be given options regarding which type of account he or she prefers. The three types of accounts offered are the Personal, Premier and Business accounts.
PayPal Verification

A verified account enables the user to enjoy a larger range of features than a non-verified one. For example, having a verified account allows users to make transfers of up to $10,000 within a single transaction. Furthermore, users are also exempt from transaction fees for exchange of money amongst PayPal accountholders.

Verification Process

As mentioned above, PayPal does not require credit card or bank account information for signing up. However, to reduce the risk of fraud and other malpractices, PayPal adheres to a stringent account verification process if the user desires a larger range of services, for which providing bank account information is the easiest way for a user to prove his or her credentials.

The verification process starts after the user selects any specific account type. PayPal asks for personal information such as home address, first and last names and contact numbers.

PayPal also requires its users to go through and show consent for four policy documents. These documents include the User Agreement, Privacy Policy, Acceptable Use policy and the Electronic
Communication Delivery policy. Agreeing to the terms requires the user to click on the ‘Agree and create account button’ on the page. PayPal verifies this information by sending an email to the user’s email account which details the verification process required.

Having a bank account is convenient in this regard since the simplest verification procedure PayPal uses is making micropayments to the given bank account, the amounts of which the user has to fill in the verification form to prove ownership over the account. Confirmation of the PayPal account occurs after the user’s address given to the bank and PayPal matches.
Utility of Each Account

While each of the different account types perform the core function of transferring or receiving money, the volume of the money transferred and the transaction costs associated with using each account differ. This section gives an overview of the benefits and limitations of each account type so that well-informed decisions can be made based on each user’s individual needs.

For example, the maximum amount of money a user can receive using a personal account is pegged at $500. The amount of customer support available to a user is also limited to emails or a virtual customer support agent at the PayPal site. The most a user is provided in the form of real time customer support services is a non-toll free number which has excessive waiting times.

Business and Premier accounts do not have limitations on the amount of funds that can be sent or withdrawn. While both share a number of common feature, business accounts are designed specifically for companies and must be registered in the name of a company or organization. Both types of accounts allow debit and credit card payments and unlimited usage of PayPal debit cards and are therefore preferable for high end users or firms. Business and Premier account holders also enjoy real time customer support services with a toll-free number and longer customer service hours. These services come at a cost which is realized in the form of transaction fees.
Transfer of Funds

This section explains how a user can transfer money once his or her account has been created. The link for transferring money is given on the main page of a PayPal account under the title ‘send payment’. To transfer funds, PayPal requires the email account of the intended recipient. Clicking the ‘send payment’ link opens a window, which asks for the recipient’s email address associated with his or her PayPal account.

To transfer money to an organization or firm, PayPal allows sending money from the PayPal link on the firm’s website. On the same window PayPal asks for the amount of money to be transferred and the currency it is to be transferred in. PayPal offers a list of twenty six currencies for financial transactions. Furthermore PayPal also asks the user to state whether the transaction is of a commercial nature or a personal one after which the user is allowed to view the transaction’s details and confirm if everything is in order. In the case that the user makes a payment or donation from the PayPal link on an organization’s webpage instead of the PayPal website, this selection would already be taken care of.
There are two obvious prerequisites for a user to avail this facility. The first is a transfer of funds to the user’s PayPal account beforehand to cover future money transfers. Another more convenient method is to create an instant transfer account usually a savings account from which PayPal automatically withdraws funds whenever a transaction is made. Money transfers of this sort do not involve any transaction costs unless the withdrawal is being made through a credit card. Even in that case the credit card service provider might charge the user instead of PayPal.
Checking Transactions

To keep track of financial transactions, PayPal provides a record of all previous transfers on the History page at ‘PayPal.com’. Transfers are listed periodically so that a user can search for selected transactions within a specified time period in the past. Clicking the “details” link for a transaction allows the user to view the amount, date, actual recipient and a uniquely assigned transaction ID to identify and cross check the money transfer made. This transaction ID is also used by customer service personnel to manage and resolve disputes over financial transactions irrespective of which side raises the issue.
Nexus between PayPal and Credit Cards

PayPal allows its users to send money to even those websites that do not accept PayPal as a valid source of money transfers. For a user to avail this facility, a PayPal debit card has to be requested which works on the MasterCard network. If that website accepts credit cards as a source of payment, then the number on the PayPal debit card can be used in place of a normal credit card. The funds for that particular transaction will be deducted from the user’s PayPal account. This facility has a spending limit of $3000 per day and has no transaction costs attached to it.

If a user is a part of the PayPal Preferred Rewards scheme on e-bay then he or she becomes entitled to 1% cash back on purchases.
Methods for Receiving Payments

PayPal allows its users to receive payments through a number of ways. The simplest one is to let the sender have the user’s email address in which case the same procedure will have to be followed as was mentioned above with the sender sending the amount to a particular email address. This is done by clicking the ‘request payment’ tab at the top of a user’s homepage.

After a user clicks the tab, PayPal generates an invoice itself and sends it to the buyer seeking payment for a specific product and amount. If the user intends to sell a product on e-bay, he or she can select the mode of payment to be PayPal on e-bay’s page.

In more general cases, when an individual or a firm sells a product through its own website, the methods available are a bit more complicated. The full range of options available to a user for receiving payments is contained in the merchant services tab on the main page of a user’s PayPal account.
The costs and availability of each mode of receiving payments vary depending on the type of website payments a user has selected. The ‘standard’ type of receiving payments is free of cost and is set as default for all users by PayPal. Users have an option to upgrade to ‘pro’, which carries a $30 subscription fee and should be preferred by users with higher amounts of transactions each month. ‘The merchant services’ tab contains the following options:
“Buy now” button

One of the options is to add a PayPal “buy now” button for specific items a user wishes to receive payment of through PayPal. To do this a user has to click on the button available in the merchant services tab which produces a code that has to be copied and pasted into the HTML of the website’s page. If a buyer then clicks on one of these buttons the site connects with a shopping cart at PayPal’s website and completes the transaction.
PayPal API

Another option is to integrate a PayPal “Shopping Cart” within the website with the help of the PayPal application programming Interface (API). This method is technically more complicated and requires greater programming skills which a normal user would be unlikely to possess.

Offline and Offsite Payments

This type of payment works through PayPal’s virtual terminal service. To use this service, a user has to obtain the buyer’s name and credit card information beforehand and outside of PayPal. Once that information is available it has to be entered in the virtual terminal services page after which the transaction is completed.
Withdrawing Funds

After payments have been made a user can withdraw money from his or her PayPal account. This can be done by transferring money from PayPal to the user’s bank account. Likewise, the user can also send in a request for PayPal to mail a paper check for the whole or a portion of the whole amount present in a user’s PayPal account. Otherwise, the user can let the money stay in the account and rather make purchases through the PayPal Debit card.

To withdraw money, a user has to go to the ‘My Account’ tab on his or her homepage. The different options available include an overview of account balance and fees etc., adding money to the account, withdrawing money, history of financial transactions, account statements, resolution center and the basic profile.
Upgrading the Account

The benefits of having a Business Account rather than Personal Account have been detailed above. For a quick revision, a Business Account has a fixed subscription fee unlike the personal account but also offers a wider range of services from PayPal. These services include the removal of restrictions on the amount of financial transactions along with the ability to use PayPal debit cards and enhanced customer service. Above all else, a business or premier account is necessary if a user intends to receive payments through PayPal for products sold on e-bay or a separate website.

PayPal allows its users to upgrade from a Personal account to a business one if the user finds the current range of services offered to be insufficient. The option to upgrade the account is present on a user’s homepage. As soon as a user signs in, the upgrade option is visible just below My Account tab at the top of the page.

![Image showing the Upgrade option on PayPal account]

After clicking the Upgrade tab, PayPal asks the user to specify the type of business the user is involved in. Options given by PayPal include sole trader, corporation, non-profit, organization etc. Once a user chooses one of these categories, PayPal asks the user to fit the business into a further sub category. Furthermore, it also asks for estimates of monthly sales, tax ID and address of the business website if one exists.
Once the required information has been filled in, PayPal asks the user to decide on the method of payment. Again, the options available to a user include through e-bay, through a different website by using PayPal’s ‘buy buttons’ and shopping carts etc.
Setting up Cash Receiving

Setting up a Shopping Cart

As mentioned above PayPal allows users to receive cash through a number of ways. Some of them are more direct such as requesting a payment or allowing someone to send cash to the user’s email associated with PayPal. For cash transfers of a more commercial nature, where the volume and frequency of transactions is larger PayPal offers tools such as buy buttons and shopping carts. This section details the setting up of shopping carts by using PayPal’s Application Programming Interface (API).

The first requirement for a user to obtain PayPal API is to have a premier or business account rather than a personal one. After that, the first obvious step would be to log into PayPal’s merchant account. On the front page, there are a number of tabs including overview, Add money, and Withdraw etc. Amongst those tabs, the user has to click on Profile and select ‘My Selling Tools’ from amongst the several options available.

This will take the user to another page under the heading ‘API Access’. Under the Selling Online section, the user will have to click on the ‘update’ link that shown up for API Access. After clicking...
on the link, the user will have to request API credentials by clicking a link of the same name unless they had been generated earlier.

On the page that appears after requesting credentials a link will appear asking the user to ‘Request API Signature’. After this the user will have to click the ‘Agree and Submit’ tab. The page then reloads and from the following page the user can copy his or her PayPal API username, password and signature values.
PayPal PDT

Payment Data Transfer (PDT) is a tool that helps in diverting buyers and customers back to a specific website. PDT is another method used to receive money through PayPal. It helps PayPal users especially those selling digital content in keeping track of the statuses of their current and previous transactions and confirm payments. This section details how PayPal users can set up PayPal PDT.

A necessary condition for a user to make use of PayPal PDT is to either have a business account or upgrade to one. Then to enable PDT the user has to click on Profile and then select My Selling Tools, as was the case with API.

Under the Selling Online Section that appears on the next page, the user has to click on the ‘update’ link as it appears for Website Preferences. This will force the page to reload and present a long list of options and fields to fill in.

Next the user has to choose the mode of receiving payments. A list of options will be made available via the Website Preferences Payment page. The first option concerning activation of PDT will be ‘Auto Return’ for Website Payment. To choose this option the user will have to click the ‘on’ button. Turning this option on means that all the customers will immediately be directed back to the user’s business website after the payment is completed. In the ‘Return URL’ section,
the user will have to add the URL of the website to which it wants the customers redirected once the payment is completed. After this, the user has to turn on the PDT preference to turn PDT on for the user’s account.
Using the PayPal Debit MasterCard

As was mentioned above the PayPal debit MasterCard is an integral component of a user’s PayPal experience since it can be used for both sending and receiving payments. This section describes how the debit card is to be obtained and then used by a user for financial transactions.

A user first has to apply for the debit card. The option to apply for one is given on a user’s homepage. The processing of a user’s application requires the user to submit some general information about himself or herself. The information required includes contact information, email address, language preference and the type of account the user wishes to have. The whole process usually gets completed within a few minutes.

For the user’s facilitation, PayPal requires that each user select a backup source of financing in case a user’s reserves in PayPal’s account dry up. This backup usually takes the form of a current or savings account. After the process is completed the PayPal debit card can be used as a conventional debit card for making purchases at most retail outlets by swiping the card and entering the debit card pin. If a user enrolls as a Preferred Rewards member that was mentioned above the PayPal debit card can also be used as a credit card with a one percent cash back on each purchase made. As with normal debit cards, the PayPal debit card can also be used at an ATM with default withdrawal limit of $400.