



Memberstack Blog

Stripe vs PayPal: Which is Better? (2022 Comparison)

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brings you the ultimate Stripe v/s Paypal comparison.

Stripe vs. PayPal: An Overview

The primary goals of both online payment processing platforms, Stripe and PayPal, among others, are to aid businesses in creating, raising, and sending invoices, processing payments, and managing the receipt of funds. Stripe is remarkably customizable when it comes to meeting business requirements and also accepts different payment options. This makes it suitable for larger businesses. Stripe is a robust financial service provider with much lower transaction fees. On the other hand, PayPal has an accessible platform and simplified billing tools that are particularly useful for service-based businesses.

Both Stripe and PayPal platforms have featured in top ten lists of Point Of Sales systems in 2021. Both offer terminals to process payments.

Both Stripe and PayPal offer high-quality, reasonably priced online payment gateway services. Every business, be it new and small or large and established, has its specific way of working. However, no matter the type of business or its particularities, running one requires generating invoices, payment processing, and collecting and managing payments. However, choosing the right one between these two popular and well-established options for your business is a tricky challenge!

Payment Gateways and Payment Service Providers (PSP)

Whether a business works on an e-commerce platform or does business in a physical store or shop, it will require a payment gateway used to authorize online payments. Payment gateways are intermediaries between card networks and a business's payment processor. Both





On the other hand, Payment Service Providers (PSPs) act as bridges between businesses and merchants. They also provide the technology required to process and receive customer payments online and offline. PSPs provide payment gateways as well as merchant accounts for online payment processing. Both Stripe and PayPal are Payment Service Providers as well as aggregators. Aggregators group all merchant accounts into one pool account rather than having separate accounts for every merchant.

Stripe: An Overview

Stripe is an all-in-one payment processing provider designed to assist businesses in managing their finances and online payments. Although Stripe is not as old as PayPal, it has made significant strides in becoming a well-regarded customizable and trustworthy development tools provider platform in the e-commerce field. According to Datanyze, some of the biggest names associated with Stripe include Amazon, Google, Microsoft, and Uber.

One of Stripe's primary functions is that of a merchant service provider. This means that Stripe, along with online payment systems management, also offers point-of-sale (POS) systems compatible with e-commerce tools. This facilitates the receipt of funds from customers across modes of payment and methods of shopping. Stripe allows businesses to accept payment in different modes, albeit at a fee. Received payments are then deposited into a merchant account, which finally gets transferred to the active business account.

Stripe's key deliverables include a developer-friendly platform, flat-rate pricing for eCommerce, an omnichannel payment gateway, customizability, and advanced features at minimal extra costs.

On signing up with Stripe, businesses are presented with the option of choosing between a standard package or a customizable e-commerce





payments. This package also provides businesses with a personalized dashboard to track the receipt of funds and other financial data.

Along with processing payments, businesses also get access to Stripe's varied range of other services such as billing, invoicing, identity verification, and so on. Based on their personal and specific requirements, businesses can also choose from additional features such as inventory management or Stripe integration with platforms already in use.

Additional Value Added Services Offered by Stripe

Stripe services are not limited to just payment processing; they also offer other value-added services at very reasonable fees, including:

- **Billing option:** Stripe offers two tiers in their billing tools: Starter and Scale. Stripe processes the generation of invoices and subscriptions for businesses at a billing processing fee of 0.5% on a recurring basis.
- **Invoice fees:** Under Stripe's Starter plan, the first 25 invoices of your business are free every month. Thereafter, Stripe charges a flat rate of 0.4% per paid invoice. The Scale plan, made for bigger enterprises, charges 0.7% per transaction.
- **Stripe elements:** Stripe's custom UI toolkit allows merchants to build customized payment platforms for desktops, tablets, and mobile devices.
- **Gift cards:** Stripe allows the integration of gift cards, which lets businesses reward their clients with rewards and promotions by way of customized gift cards.
- **Tax calculation:** Stripe offers tax computation services at an additional fee of 0.5% per transaction.





- **Fraud prevention:** Stripe's state-of-the-art radar service offers customer protection against fraud, which favors businesses by preventing chargebacks. Stripe's radar service is a machine-learning-based fraud system that accesses data across millions of companies, expertly and accurately differentiating between legitimate and fraudulent purchases.
- **Inventory management:** Stripe also generates timely alerts about the stock available to a business, enabling them to place orders for more stock promptly.
- **Integration:** Stripe offers incredible opportunities for expanding functionality such as shopping carts, accounting software, email marketing services, and customer relationship management.
- **Stripe sources:** Stripe's API, or application programming interface, allows merchants to accept payment through various payment methods across the globe.
- **Stripe Sigma, Stripe Relay, Stripe Connect, Stripe Capital, Stripe Issuing:** all offer SQL-based business intelligence. They provide a high-quality API that drives mobile in-app purchases efficiently, along with other marketplace and platform-building tools. They also offer business loans and generate physical and virtual cards for employee expense accounts.

PayPal: An Overview

PayPal is a financial services company. One of PayPal's key functionalities is its offer of digital wallets for individuals or small businesses. PayPal's usage covers sending funds to friends and family members on individual levels while covering the generation of invoices for clients and account management for small businesses.

PayPal is undoubtedly one of the biggest names in the e-Commerce space. It offers various services ranging from digital wallets to loans for small businesses. PayPal also provides merchant services like point-of-





relatively pricier than other providers offering similar services. Along with an easy-to-use platform, PayPal's Commerce services also provide a robust set of developer tools for businesses to customize as per their requirement.

PayPal's key deliverables include a very easy-to-use platform, flat-rate pricing for e-Commerce platforms, standalone payment gateways, secure acceptance of PayPal payments, and other features that come at reasonable extra costs.

Registration on PayPal is a seamless process. Businesses can get instant access as new users to their digital wallets, enabling the transfer and receipt of funds quickly and easily. Businesses can also link digital wallets to their respective bank accounts for the transfer of funds either way.

After signing up for PayPal services, businesses can use the platform for many purposes, including ordering equipment, adding tools and features to their online e-Commerce presence, and so on. Furthermore, businesses can also place orders for POS systems, apply for business loans, and use the platform to generate invoices and receive payments.

Additional Value Added Services Offered by PayPal

Besides offering a payment processing platform, PayPal is capable of extending add-on services:

- **Invoice generation:** PayPal's invoicing tool provides a seamless user experience. They do not charge any fees for invoice generation. However, they recover a small cost from merchants for all the invoices routed through the platform for payment. Their easy-to-use interface allows business branding to customize business invoices.





- **PayPal Here:** PayPal Here allows credit and debit card payment processing with a mobile card reader.
- **Business loans:** Businesses can also apply for and avail PayPal business loans for meeting their expenses. Potential borrowers have the option to check their eligibility using PayPal's online tools without affecting their credit score. Eligibility for PayPal's loans is assessed based on various parameters such as credit history, monthly receivables, company financials, and past track record.
- **Working capital:** PayPal provides a working capital facility for meeting routine expenses. The amount of capital available to a business may vary depending upon requirement and assessment.
- **Tax calculation:** PayPal's tax calculation tool facilitates sales tax computation on transactions based on geography and transaction type.
- **Seller protection:** Seller protection is available at a fee for mitigating the risk of frauds and chargebacks.
- **Integration:** PayPal offers many opportunities for integration to ease businesses expanding their functionality as merchants, from shopping carts to accounting software to email marketing services.

Comparison Chart: Stripe vs. PayPal

| Particulars | Stripe | PayPal |
|-------------|--|--|
| Suitability | High-volume e-commerce platforms having software developers | Small businesses having low-volume sales; freelancers raising customer invoices |
| Use cases | Online businesses, global commerce platforms, offering customized business solutions, fraud prevention | Limited transactions for businesses, online businesses, global commerce platform, PayPal enabled POS |





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| | blog | phone support and knowledge base |
| Supported financial instruments/methods | Credit cards, debit cards, Apple pay, Google Pay, Microsoft Pay, ACH Payments, and several other international payment options | Credit cards, debit cards, PayPal, Google Pay, Venmo |
| Business finance | Cash advances to merchants | >Business loans and business working capital |
| Pay-out period | 1-2 business days | Instantaneous in PayPal wallet; 1-2 business days for bank account transfer |
| Features | Top-notch developer support, optional advanced security implements, supports multiple currencies | Ease of use, global support system, extensive and exclusive ecosystem |
| Information Technology compatibility | Drupal, Magento, PrestaShop, Shopware, WooCommerce, WordPress, etc. | BigCommerce, GoDaddy, Magento, QuickBooks, Salesforce, Wix, WooCommerce etc. |
| Additional requirements | Reduction in transaction costs for advanced features | Market competitive pricing, ACH paymer system |

Stripe and PayPal are state-of-the-art tools for handling online payments. With a series of associated products ranging from mobile payments to business finances, PayPal has become a household brand in 23+ years. On the other hand, Stripe has made rapid progress in the last ten years, becoming a reputed player in this segment.

Business Financing: Stripe vs. PayPal

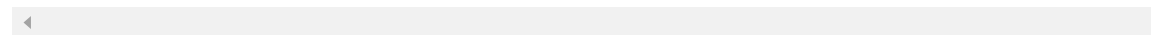
Stripe Capital, PayPal Working Capital Finance, and PayPal Business Loans are essential offerings that allow businesses to draw on rich resources to advance their business. Both Stripe and PayPal offer tailor-





needs of a business and extending their financial resources per the business's eligibility. Following this, the loans will be repayable in installments and a fixed fee.

| Particulars | Stripe Capital | PayPal Working Capital | PayPal Business Loan |
|------------------|--|---|--|
| Eligibility | One year Stripe relationship; processing volume of US\$ 10,000 per annum | Businesses regularly accepting payments through PayPal accounts | Maintaining a business account but not active in accepting payments |
| Loan quantum | Based on assessment | US\$ 1,000 – US\$ 125,000 | US\$ 5,000 – US\$ 500,000 |
| Approval process | Loan application | Request | Creditworthiness |
| Processing time | 1-2 business days | Within minutes | 1 working day |
| Repayment | Percentage of sales via automated repayment mode | Percentage of PayPal balance plus a fixed fee | Periodic debits from linked bank account repayable in a specified term |



Key Differences Between Stripe and PayPal

Although PayPal and Stripe share many similarities between them, there are some key differences to consider when choosing between them:

- **Transaction costs:** Stripe's lower transaction fee makes it a cheaper and more affordable option for many merchants. However, if the numbers are low, this may not be a significant factor in making a choice.





not charge for invoices – when the client makes the payment – standard **transaction fees** apply.

- **Easy to use:** PayPal platform offers a seamless user experience, while Stripe has a reputation for being slightly less intuitive to use.
- **ACH facility:** Stripe offers ACH support; PayPal does not.
- **Customization:** Stripe offers customizations with the help of a developer, while PayPal's ease of use experience comes at an additional cost.
- **Point-of-sale (POS):** Though neither platforms offer perfectly efficient POS services, PayPal's POS provides a slightly better processing rate.
- **Digital wallet:** PayPal's digital wallet is a household name. On the other hand, Stripe is not very well known for its digital wallet services.
- **Service coverage:** Stripe offers a much larger ecosystem than just being a payment processing platform.

Fees: Stripe vs. PayPal

Analyzing the data above suggests that Stripe's transaction fee for POS/chip is 2.7% plus 5 cents per transaction. In contrast, the PayPal transaction fee is 2.29% plus 9 cents. Stripe's fee for digital/keyed-in transactions rises to 2.9% plus 30 cents per transaction. At the same time, PayPal's range is higher, at 2.29% to 3.49% plus 49 cents depending upon the business's plan. Chargeback fees stand at US\$ 15 and US\$ 20 for Stripe and PayPal, respectively. Further, Stripe charges 1% for international cards, plus 1% for currency conversion, if any, while PayPal charges an extra 1.5% for global transactions. Both companies have a clear policy of not refunding merchant transaction fees if a customer requests a return.

Stripe and PayPal accept the broadest range of payment options compared to all other payment processing platforms available today. After Stripe's most recent updates, its services are available in more





Both Stripe and PayPal are ranked among the cream of POS systems available in 2021. Both their processors offer terminals to merchants for processing payment. The charge of US\$ 249 is the same for the basic option. A handheld hardware device card reader enables payment acceptance for swiping a card. Stripe charges US\$ 59 per device, while PayPal charges US\$ 29 for the first device and US\$ 79 for every additional device thereafter.

Both Stripe and PayPal offer scalability of services. This means that many of their optional features are available at a fee for growing businesses. Both platforms provide simple, transparent, and flat pricing at their base levels.

Micropayments: Stripe vs. PayPal

| Particulars | Stripe | Paypal |
|----------------------------|---|--|
| Minimum transaction amount | 50 cents | 1 cent |
| Micropayment fee | 5% plus 5 cents | 4.99% plus 9 cents or applicab transaction charge |
| Pay-out time | Instant with Stripe corporate card, and instant transfer with fee | Instant with PayPal balance, PayPal cash card, and instant transfer with fee |
| Peer-to-Peer transactions | Not applicable | Venmo platform |
| Micropayment methods | Digital wallets, sharable link | QR code, Venmo, digital wallet and sharable link |

When to use Stripe





Stripe would be a perfect fit if your business meets the following criteria:

- If your business functions online primarily and is heavily dependent on an e-commerce model.
- If you are looking for a customizable solution for running your business operations.
- If you need routine engagement in your online business activities.
- If your business requires enhanced security tools for fraud prevention.

Since Stripe has advanced features and multiple tools, it requires the services of a developer for customization. If such a resource is not at your disposal, then your business might derive more significant benefit from using a more straightforward but less customizable platform like PayPal.

Advantages of Stripe

- Stripe's pricing is cheaper than PayPal's pricing on every transaction type.
- Stripe's platform is compatible with multiple options, including merchant accounts and POS systems.
- Stripe does not charge for setup, cancellation, or account maintenance. In other words, it is cost-effective for seasonal businesses in particular.
- Stripe's advanced features allow customization for solving complex business solutions.
- Stripe can be set up online seamlessly. However, it may have a time lag if tools or equipment require delivery at the office address.

Disadvantages of Stripe

- In case of a failed or bad transaction or technical snag, the issue will need to be resolved before accepting future payments is possible.





- Charges are issued for card readers used for processing offline transactions.
- Stripe requires a web developer for customization.
- Tax services are limited on Stripe. Businesses will need their tax auditors.

When to use PayPal

- PayPal is one of the more expensive payment management platforms on the market today. However, it is nonetheless an ideal payment gateway solution for service-based businesses like consultants, interior decorators, furnishers, architects, etc. Any business that needs a simple tool to send invoices promptly will do well with PayPal.
- If the business needs a tool for receiving payments, PayPal's straightforward and easy-to-use system is an excellent solution. PayPal is particularly well suited in the following circumstances:
 - For personal use: sending and receiving funds to family members and friends.
 - Businesses that are already prepared to accept PayPal transactions.
 - If business volumes are low, but simplicity is a priority, PayPal's higher transaction fees may be worth it for its ease of use.
 - Multi-channel businesses that actively use and accept both online and offline payments.

Advantages of PayPal

- PayPal is ready to use upon signing up as a payment processing platform. It does not need a software developer or any other external resource for setting up.
- PayPal functions as a digital wallet to park funds. Businesses may also link their bank accounts for easy transfer of funds.
- PayPal's invoicing tool provides a simplified and seamless user experience.





businesses that use recurring payment models.

- PayPal offers compatibility with various payment platforms like Depop, Shopify, Squarespace, Wix, and WooCommerce.

Disadvantages of PayPal

- PayPal has become an expensive choice for US merchants relative to Stripe and other top payment processing options with the recent increase in processing fees.
- If a merchant processes a fraudulent transaction or a cardholder raises a dispute, then a chargeback fee of US\$ 20 is applicable on the merchant – unless the merchant is covered under PayPal's seller protection program.
- If the number of fraudulent transactions goes up on the merchant device or fails to pay the chargeback fees, the user account will be suspended.
- Although PayPal is easy to set up, it offers very little in the way of customization.
- Individuals perceive a lack of security while using PayPal to transfer funds.

Alternatives to Stripe and PayPal

While there are many alternatives to Stripe and PayPal in the payment space, the most noteworthy of them include Square, Staxpay, PaymentCloud, Payment Depot, 2Checkout, Braintree, Adyen, Dwolla, Helcim, and Amazon Pay.

- **2Checkout:** Internationally focused e-commerce platforms; it does not require external developers.
- **Braintree:** Suitable for businesses using PayPal's online infrastructure.
- **Adyen:** Suitable for large-volume, low-risk and larger companies.
- **Dwolla:** Great for businesses requiring standalone ACH processors with developer-friendly tools.





- **Amazon Pay:** A payment gateway that requires an Amazon merchant services account to process payments.

Comparison of Alternatives to Stripe and PayPal

| Particulars | Staxpay | PaymentCloud | Square | Payment Depot |
|-------------------------------|--|---|---|---|
| Suitability | Settled businesses for processing payments and/or invoices | High-risk businesses rejected by third-party processors | Low-volume merchants with monthly transactions up to US\$ 10k | High-volume merchant having large transaction value |
| Monthly charge | US\$ 99 onwards | Nil onwards | Nil onwards | US\$ 79 onwards |
| Transaction charge for cards | Interchange fees plus US\$ 0.08 | 1.79% plus | 2.6% plus US\$ 0.10 | Interchange fees plus US\$ (0.07-0.15) |
| Online transaction charge | Interchange fees plus US\$ 0.15 | 2.00% plus | 3.50% plus US\$ 0.15 | Interchange fees plus US\$ (0.07-0.15) |
| E-commerce transaction charge | Interchange fees plus US\$ 0.15 | 2.90% plus US\$ 0.30 | 2.90% plus US\$ 0.30 | Interchange fees plus US\$ (0.07-0.15) |

PayPal vs. Stripe: Which is Better for Your Business?

Given this extensive review, a sharp point-by-point comparison might ease the process of making a choice between Stripe and PayPal for your





- **Fees:** Both platforms are relatively equal on the front of the charge.
- **Processing time:** PayPal's platform is simplified and processes payment faster.
- **Payment methods:** PayPal's payment acceptance methods are limited compared to Stripe.
- **Easy-to-use:** PayPal is a user-friendly platform, whereas Stripe requires the services of a developer. Businesses with complex and specific needs would prefer Stripe.
- **Invoicing:** Stripe could be a better choice for invoicing if you have cheaper or frequent complex charges.
- **Protection:** Both the platforms score equally on security or PCI compliance aspects.
- **Global transactions:** Stripe is a clear winner when it comes to accepting several international currencies.
- **Third-party compatibility:** Stripe offers a wide range of third-party integrations compared to PayPal.
- **ACH support:** Stripe platform processes ACH payments. PayPal doesn't support it.
- **Payment gateways:** Stripe offers a single option for hosting gateways, whereas PayPal has a broader range of checkouts.
- **Support:** Both payment processors provide robust support systems. However, the type of business determines the suitability of PSP.

Conclusion

Stripe is an excellent payment and e-Commerce platform for service providers businesses. Its wide variety of salient features such as complete data security, global payment acceptance, integrated dashboard tools, and artificial intelligence or machine learning-based fraud prevention make it an excellent fit for almost all businesses. Its IT compatibility and customization options may also be put to great use with the help of a software developer. Stripe offers an incredible range





Stripe is the best choice for an established business, where customization is required for integrating brand – and developer services are available. On the other hand, with new enterprises commencing operations and looking out for online payment processing, PayPal is also a good choice.

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