**Digital Payments**

**NMIMS Centre for Distance and Online Education (NCDOE)**

**Internal Assignment Applicable for June 2025 Examination**

**Q1. Discuss how digital payment systems like UPI and e-wallets contribute to the development of a cashless economy. Consider a scenario where a local market vendor in Mumbai transitions from accepting only cash payments to integrating UPI and e- wallet payments, based on the scenario, explain the key features of UPI and e-wallets that enable their this widespread adoption.**

**Answer:**

**Introduction:**

In today’s fast-changing digital world, cashless transactions have become increasingly common, especially with the growth of digital payment systems like UPI (Unified Payments Interface) and e-wallets. These systems have helped simplify the way people pay for goods and services, making transactions faster, safer, and more convenient. India, in particular, has seen rapid adoption of such systems, especially after government efforts to promote digital transactions following demonetization in 2016.

A cashless economy refers to an economy where financial transactions are done digitally, rather than through physical cash. This includes methods like card payments, mobile banking, UPI, and digital wallets. These tools not only reduce the need to carry cash but also bring transparency, improve record-keeping, and reduce the chances of corruption or black money.

Consider a local market vendor in Mumbai, who earlier depended only on cash. After seeing that many customers prefer digital payments, he decides to accept UPI and e-wallets. This move not only helps his business grow but also introduces him to formal banking and record-based income, creating a small but important step toward a cashless economy.

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**Q2. Evaluate the security measures involved in digital payment processing, analyze their effectiveness in preventing fraud, and propose potential improvements to enhance their robustness. Provide specific examples of common fraud attempts and how current security measures address them.**

**Answer:**

**Introduction:**

Digital payment systems have become a part of everyday life, offering convenience, speed, and flexibility to individuals and businesses. Whether it is paying bills online, shopping on e-commerce platforms, or transferring money through mobile apps, digital transactions have transformed how we handle money. However, with this convenience comes the risk of fraud. Cybercriminals are constantly trying to exploit weaknesses in digital payment systems. As a result, securing these systems has become a top priority for financial institutions and payment service providers.

Security measures in digital payments include technologies and protocols that protect sensitive user data, prevent unauthorized access, and ensure the transaction is genuine. Common fraud attempts, such as phishing, identity theft, card cloning, and account takeovers, are serious threats that must be addressed. Various layers of security, such as encryption, two-factor authentication (2FA), and biometric verification, are used to reduce these risks. Despite these measures, fraud still occurs, showing the need for continuous improvement. This evaluation explores how current security measures work, how effective they are in stopping fraud, and what further steps can make digital payment systems even more secure in the future.

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**Q3A. Describe the process of digital payment processing, highlighting the roles of different parties involved, by applying it to a real-world scenario such as booking a flight ticket online. Explain the steps involved from the moment the customer initiates the booking to the final settlement, and detail the specific functions of the customer, payment gateway, payment processor, issuing bank, acquiring bank, and the merchant in ensuring a secure and efficient transaction.**

**Answer:**

**Introduction:**

Digital payment processing is the backbone of online financial transactions, enabling fast, secure, and seamless payments over the internet. One common real-world application is booking a flight ticket online, where multiple entities work behind the scenes to ensure the customer’s payment reaches the airline safely. When a customer enters their card details to pay for a ticket, this transaction passes through several stages, involving players like the payment gateway, processor, banks, and merchant. Each one plays a key role in authorizing, routing, and finalizing the payment in real time. Let’s explore how this process works step-by-step in simple terms.

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**Q3B. Analyze the common real-time problems faced during digital payment processing, such as transaction failures, security breaches, and user errors, in the context of booking a flight ticket online. Discuss the potential causes of these issues, their impact on both customers and merchants, and the measures that can be taken to mitigate these problems. Provide specific examples to illustrate your points.**

**Answer:**

**Introduction:**

Digital payment processing has become a key part of booking flight tickets online, offering convenience and speed to both customers and airlines. However, despite technological advancements, there are still real-time problems that can disrupt the process. Issues like transaction failures, security breaches, and user errors can cause frustration, loss of trust, and even financial damage. These problems can affect not only the customer experience but also the reputation and revenue of airlines. Understanding the causes of such problems and finding ways to prevent them is important for ensuring smooth, secure, and reliable digital transactions in the travel industry.

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