**Digital payments**

**Dec 2020**

**1. Digital payments comprises payment transactions carried out using a variety of electronic modes such as cards, mobile or internet based set ups, to send and receive money. Adoption of digital payments has increased significantly with the move towards a cashless economy. Alternate payment channels fulfill customer demands for convenience and speed and could soon become mainstream. With the widespread use of smartphones, mobile banking and payments applications have gone mainstream, and wearables provide convenient access to such applications. Contactless payments enable consumers to make everyday purchases quickly and safely especially for low-value transactions. Mobility, Internet of things (IOT), connected homes, entertainment, and media are expected to augment the non-cash transaction volumes significantly. By 2021, it is expected that more than 15 billion machine-to-machine (M2M) and consumer electronic devices are likely to be connected. As merchants start providing Augmented Reality (AR) assisted shopping experiences, they will likely look for an AR-integrated payment gateway that delivers a superior customer experience. The Digital Payments ecosystem in India are undergoing a transformation with the entry of global tech giants that are acting as aggregators for retail transactions. Within just four months of launch, Google’s payments app is now already processing a large number of digital transactions. You are requested to prepare a report on the opportunities arising due to countrywide adoption of digital payments in India. Discuss the developments that will contribute to the growth of digital payments in the country. Suggest additional measures in order to boost electronic payments in India, which have not been in practice.**

**Answer**: **Digital payments**

Demonetization affected all of us in many ways and one positive impact is sharp increase in the usage of digital payment options. Earlier, there were many people who were happy to visit various offices, shops, centres to perform several transactions, they always had the option to transact online but as they wer Its Half solved only

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**2. Paytm (One 97 Communications Ltd) has spent nearly ₹14,500 crore to convince Indians to substitute digital payments for cash. For a few months after demonetization in November 2016, it seemed like the company was on the cusp of victory. However as of now, Paytm is in danger of having its meal eaten by new market entrants in the payment apps. According to a 2018 Credit Suisse report, digital payments are expected to grow to $1 trillion by 2023 compared with $200 billion in 2018. However digital wallets, where Paytm has established a monopoly, may soon become obsolete. Growth in digital payments is now being led by the Unified Payments Interface (UPI) platform. Dozens of large companies and small startups from Reliance Industries to Facebook to Razorpay are launching UPI-based products. Two newer payment apps, in particular, are threatening to topple Paytm. For many months now, Walmart-owned PhonePe and Google Pay, the search giant’s eponymous payment app, have recorded more transactions on UPI than Paytm. This development has been reported earlier in different publications as well. With the expansion of UPI, usage of wallets is expected to wind down completely over the next few years. According to the latest data from the Reserve Bank of India (RBI), wallet transaction value dropped to ₹15,109 crore in October 2019, from ₹18,786 crore a year ago. Paytm has hired you as an Independent Strategy consultant. Prepare a report on what measures and strategy could you employ in order to sustain in the competition**.

**Answer**: In this technological world, we find so many innovations and technological advancement in all the industries and it includes banking and E-commerce industry as well. In past 1-2 years, we have seen different digital payments methods which have introduced to make our life simpler. Earlier there was debit and credit cards, Internet banking as digital payment options but with the time, we have seen many developments in this regard. Now, we have several new, innovative, quick, secured and more reliable digital payment options such as UPI payments, wallet payments etc.

**Latest trends in digital payments**

**Biometric authentication for payments**: We have experienced several digital payments innovations in last one year or so and biometric authentication is the latest trend in digital payments. Under this mode of payment,

**3. Bitcoin and other alt-coins must overcome competition from existing, government-sponsored currencies and reduce the costs for consumers to switch to new payment systems. The biggest obstacle to the widespread adoption of bitcoin is the incumbent-monies problem. By providing a lower bound on the network size of the incumbent money, legal tender status and public acceptability make it more difficult to overcome the network-effects problem. NASDAQ has announced it will launch a blockchain style digital ledger technology to manage equities with its NASDAQ Private Market Platform. If the blockchain technology significantly reduces the costs of processing transactions, it will be adopted. Bitcoin and the alt coins are unlikely to function as more than a niche money except in the unlikely event of hyper-inflation**

**a. Discuss how adoption of bitcoin will affect the existing modes of digital payments?**

**b. Discuss advantages and disadvantages of bitcoin over digital payments system**.

**Answer**: a) A cryptocurrency is a digital or virtual currency designed to work as a medium of exchange. It uses cryptography to secure and verify transactions as well as to control the creation of new units of a particular cryptocurrency. Essentially, cryptocurrencies are limited entries in a database that no one can