**Digital Payments**

**December 2024 Examination**

**Q1. Briefly explain what you understand by virtual currency and its relevance in today’s digital economy. Discuss the security features and challenges associated with virtual currency. Investigate how governments and regulatory bodies approach virtual currency.  
(10 Marks)**

**Ans 1.**

**Introduction**

Virtual currency, often referred to as cryptocurrency, is a form of digital or electronic money that utilizes cryptography to secure financial transactions. Unlike traditional currencies issued by central banks, virtual currencies operate independently of government regulations or a central authority. The first and most well-known virtual currency is Bitcoin, introduced in 2009, which led to the development of numerous other digital currencies like Ethereum, Ripple, and Litecoin. Virtual currencies are based on decentralized networks, primarily using blockchain technology, a distributed ledger that records all transactions securely.

In today’s digital economy, virtual

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**Q2. Discuss the various applications of NFC technology in access control, home automation, etc. Explore how NFC-enabled smartphones and cards facilitate secured Digital transactions. Discuss the impact of advancements like NFC-enabled wearables on Digital Payments. (5 Marks)**

**Ans 2.**

**Introduction**

Near Field Communication (NFC) is a short-range wireless communication technology that allows data exchange between devices when they are within close proximity, typically a few centimeters apart. NFC technology has revolutionized various industries, from access control and home automation to digital payments. Its ability to facilitate seamless and contactless transactions has made it an integral part of modern payment systems and smart devices.

NFC-enabled devices, such as smartphones and contactless cards, are used for secure digital transactions by storing encrypted payment information. In recent years, the advent of NFC-enabled wearables, such as

**Q3. XYZ Electronics, an online retailer specializing in consumer electronics, aims to optimize its digital payment processes to enhance customer satisfaction and loyalty. As a consultant, your task is to design strategies that improve the overall digital payment experience for their customers.**

**a. Describe XYZ Electronics’ existing digital payment system. Identify any pain points related to payment processes. How can XYZ Electronics create personalized payment profiles for returning customers and customize payment options based on user preferences?  
(5 Marks)**

**Ans 3a.**

**Introduction**

XYZ Electronics currently utilizes a standard digital payment system that supports credit/debit cards, online banking, and third-party payment gateways like PayPal. While the system is functional, it lacks advanced features like personalized payment profiles and custom payment options, which are crucial for enhancing customer satisfaction and loyalty. The system's main goal should be to streamline the payment process and reduce any friction customers face during checkout.

**b. Explore multiple payment gateways integration to facilitate payment. Discuss security enhancements for digital payments and post-payment support for customers. Will these changes make a positive impact on the sales of the company? Elaborate.  
(5 Marks)**

**Ans 3b.**

Integrating multiple payment gateways is crucial for enhancing the payment experience of XYZ Electronics’ customers. Offering a variety of payment options increases flexibility, reduces transaction failures, and ensures customers can choose the method they trust most. Additionally, incorporating robust security measures and efficient post-payment support can improve customer trust and reduce cart abandonment rates. These changes aim to streamline the checkout process, enhance security, and provide better post-transaction service, leading to improved sales and customer