

1. Essay question
Ans Describe and compare three different modes of digital payments, highlighting their mechanisms, advantages and disadvantages. Additionally discuss the importance of security of these digital transactions. Provide examples and relevant case studies to support your arguments.

⇒ Credit/Debit cards:-

* Mechanism: Transactions are processed through card networks like Visa, MasterCard etc. Card details are entered or tapped at a card reader, and funds are transferred electronically.

Advantages:- widely accepted, convenient offers rewards and incentives, provides credit facilities.

Disadvantages:- Risk of fraud due to card skimming, potential for high transaction fees, dependency on physical cards.

Mobile wallets:-

Mechanism:- users link their bank account/cards to mobile apps (Ex:- Google pay) or spend alone platforms. Payments are made by scanning QR codes, NFC or through app interfaces.

Advantages:- convenient for transactions often offer loyalty rewards, can store multiple payment methods securely.

Disadvantages:- Limited acceptance in some regions dependency on smartphone and internet connectivity. Potential for hacking or data breaches.

Cryptocurrencies:- Transactions are recorded on a decentralized ledger using cryptographic mechanisms. users transfer digital currency directly to recipients digital wallet.

Importance of Security Measures:-

1. Encryption data during transmission and storage prevents unauthorized access.
2. Tokenization replacing sensitive data with unique tokens reduce the risk of data theft.
3. Multifactor authentication adding extra layers of verification enhance security.
4. Fraud detection system implementing AI based algorithms to detect suspicious activities helps prevent fraudulent transactions.

Topic:- Modes of Digital Payments and Security.

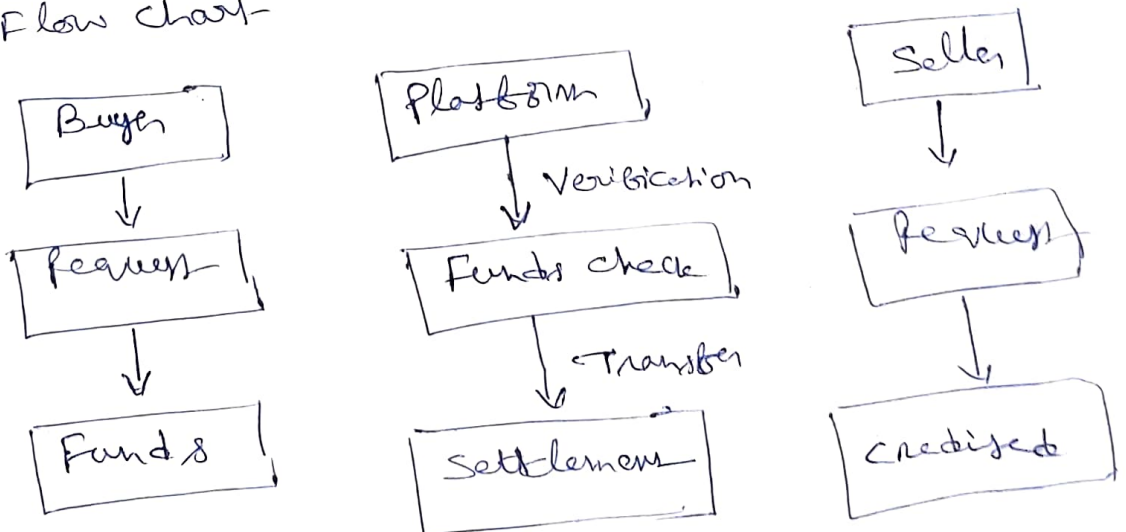
1. Conceptual Overview.

⇒ Digital Payments transfer value electronically b/w accounts eliminating physical cash.

Components and Process:-

1. Initiation: Buyer uses a digital platform (mobile, web or internet banking) to send payment request.
2. Authorization: Platform verifies buyer's credentials and checks for sufficient funds.
3. clearing & Settlement: Funds are transferred b/w banks or payment processors, seller's account credited.

Flow Chart-



Advantages of digital Payments:-

- * Easy bank payments from anywhere.
- * Encrypted transactions with fraud prevention measures.
- * Records all transactions for easy tracking.
- * Potential for cashback & loyalty points.

Challenges of Digital Payments:-

- * Requires internet & mobile connectivity.
- * Vulnerability to hacking and cyberattacks.
- * Not everyone has access to smartphones & internet.
- * May involve fees for specific transactions.

Cash vs Digital:- Digital payments offer speed, security and convenience but require technology access. Cash offers anonymity and universal acceptance, but lacks tracking and security features.

Topic:- Legal and Regulatory Framework

1. Research question:-

India's digital payment framework centers on the RBI, which issues regulations under the Payments and Settlements Systems Act (PSS Act, 2007). This act oversees digital payment operators and sets security standards. Other laws like the Information Technology Act (2008) and Consumer Protection Act (2019) address data privacy and consumer rights.

The framework balances innovation with security. The RBI offers innovation through sandboxes and relaxations for new players. However, concerns exist about keeping pace with rapid growth and potential over-regulation stifling innovation. Security is a focus, with guidelines on know your customer (KYC) norms and Anti-money laundering (AML)

checks. However, data breaches and cyber threats remain challenges.

Overall the framework has spurred digital payments adoption but needs adjustments to maintain a balance b/w security and fostering a dynamic digital payments ecosystem.