Subject 2: Payment System

Max Marks: 100
External: 70
Internal: 30
Pass: 40%
Credits: 6

Course Objective:

The course aims to introduce students to the various components of payment systems, including cash operations, clearing mechanisms, and digital banking channels. It provides an in-depth understanding of contemporary and emerging payment methods such as UPI, cryptocurrency, and contactless payments. The course also covers the regulatory framework and technological trends shaping the future of payment systems, equipping students with the skills to manage and innovate in the evolving payment ecosystem.

Learning Outcomes:

By the end of this course, students will be able to:

1. **Master Cash Operations and Vault Management**
    - Understand the processes involved in cash reconciliation, vault operations, and the role of currency chests, as well as effectively identify fake currency and adhere to the Clean Note Policy.
2. **Apply Clearing and Payment Mechanisms**
    - Explain the clearing process and digital payment mechanisms such as MICR, CTS, NEFT, RTGS, IMPS, and NACH, and utilize them in banking operations.
3. **Utilize Digital and Emerging Payment Technologies**
    - Analyze the role of payment gateways, mobile and internet banking, and modern technologies like UPI, cryptocurrency, and contactless payments in the evolving digital payment landscape.
4. **Understand Regulatory and Security Frameworks in Payment Systems**
    - Apply RBI guidelines and security standards to ensure compliance with data protection and regulatory frameworks in payment systems, including the role of NPCI and future trends like biometric authentication and AI.

Section A

Unit 1: Cash Operations

Vault Operations and Cash Reconciliation, Cash Deposit/Withdrawal Process, Currency Chest and Small Coin Depot, Identification of Fake Currency Notes, Clean Note Policy.

Unit 2: Clearing Activities & Payment Mechanism

Introduction to MICR and IFSC Codes, Inward and Outward Clearing Process, Features of CTS Cheques, NEFT, RTGS, IMPS, NACH Payment Systems.

Unit 3: Digital Banking Channels & Products

Payment Gateways and Digital Delivery Channels, Marketing of Digital Banking Products, Understanding Mobile Banking Apps and Internet Banking.

Section B

Unit 4: Emerging Payment Systems

Cryptocurrency and Blockchain, UPI and its Role in Modern Banking, Contactless Payments (NFC Technology).

Unit 5: Regulatory Framework for Payment Systems

RBI Guidelines on Payment Systems, Data Protection and Security Standards in Payments, NPCI (National Payments Corporation of India).

Unit 6: Future of Payment Systems

Artificial Intelligence in Payment Systems, Biometric Payment Authentication, Global Trends in Payments.

Suggested Readings:

Indian Institute of Banking and Finance (IIBF). (2022). *Handbook on electronic banking* (4th ed.). Macmillan.

Sundararajan, V. (2020). *Fintech, digital currency, and the future of payments*. Palgrave Macmillan.

Reserve Bank of India. (2021). *Payment systems in India: Vision 2025*. RBI Publications.

Arner, D. W., Buckley, R. P., & Zetzsche, D. A. (2021). *FinTech: The new DNA of financial services*. Cambridge University Press.

Narayanan, A., Bonneau, J., Felten, E., Miller, A., & Goldfeder, S. (2016). *Bitcoin and cryptocurrency technologies: A comprehensive introduction*. Princeton University Press.