DIGITAL PAYMENT SYSTEMS AS A DRIVER OF BANK FINANCIAL STABILITY: EVIDENCE FROM INTERNATIONAL EXPERIENCE

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ABSTRACT

This article examines the role of digital payment systems in enhancing the financial stability of commercial banks using evidence from international experience. The study analyzes key transmission channels through which digital payments influence bank stability, including operational efficiency, liquidity management, credit risk reduction, and financial inclusion. Based on comparative analysis of foreign case studies, the paper demonstrates that banking systems with advanced digital payment infrastructures tend to exhibit lower transaction costs, more stable non-interest income, improved risk assessment, and reduced levels of non-performing loans.

Introduction

The rapid expansion of the digital economy has fundamentally transformed the structure and functioning of modern financial systems. One of the most visible outcomes of this transformation is the widespread adoption of digital payment systems, which have reshaped how financial transactions are executed, monitored, and regulated. For commercial banks, digital payments are no longer merely a technological upgrade but a strategic component influencing financial performance and resilience.

Bank financial stability plays a critical role in maintaining macroeconomic balance, supporting economic growth, and ensuring public confidence in the financial system. Stability is commonly associated with effective liquidity management, sustainable profitability, controlled credit risk, and operational efficiency. In this context, digital payment systems contribute by reducing transaction costs, increasing transparency, and improving the speed and reliability of financial flows.

International experience demonstrates that countries with advanced digital payment infrastructures tend to exhibit more resilient banking sectors. This thesis aims to examine how digital payment systems contribute to bank financial stability through foreign case studies, highlighting key mechanisms and lessons relevant for emerging economies.

Main Body

Digital payment systems influence bank financial stability through several interrelated channels. First, they significantly enhance operational efficiency. The transition from cash-based to electronic payments reduces processing costs, minimizes human error, and lowers

expenses related to cash handling and physical infrastructure. Empirical evidence from developed economies shows that banks with a high share of digital transactions experience lower operating cost ratios and more stable non-interest income streams.

Second, digital payments support liquidity management. Real-time settlement systems and instant payment platforms allow banks to monitor cash flows continuously, improving short-term liquidity planning and reducing settlement risk. International Monetary Fund assessments indicate that banking systems with instant payment infrastructures display more stable liquidity indicators during periods of financial stress.

Third, digital payment platforms contribute to improved credit risk management. By generating large volumes of transactional data, digital payments enable banks to apply advanced analytics, including big data and artificial intelligence tools, for credit assessment and monitoring. This is particularly evident in countries such as China, where platforms like Alipay and WeChat Pay provide valuable data that enhance borrower profiling and reduce non-performing loan ratios.

Fourth, foreign experience highlights the role of digital payments in expanding financial inclusion, which indirectly strengthens bank stability. In Kenya, the M-Pesa mobile payment system dramatically increased access to formal financial services. Rather than weakening banks, this development expanded deposit bases and improved overall sector efficiency as banks integrated mobile payment data into their operations. Similar effects are observed in Brazil following the introduction of the Pix instant payment system, which increased transaction volumes and diversified banks' fee-based revenues.

Despite these benefits, international practice also reveals new risks associated with digital payments, including cybersecurity threats, operational disruptions, and regulatory challenges. Successful banking systems address these risks through strong regulatory oversight, cooperation between banks and fintech firms, and continuous investment in digital security infrastructure.

Conclusion

The analysis of international experience confirms that digital payment systems play a crucial role in strengthening bank financial stability. By improving operational efficiency, supporting liquidity management, enhancing credit risk assessment, and promoting financial inclusion, digital payments contribute to more resilient and adaptive banking sectors.

However, the stabilizing effect of digital payments is not automatic. It depends on the quality of regulatory frameworks, the integration of digital tools into bank risk management systems, and the ability of banks to address emerging technological risks. Countries that have combined rapid digitalization with prudent supervision demonstrate the most sustainable outcomes.

Overall, digital payment systems should be viewed not merely as technological innovations but as strategic instruments of financial stability. Their effective implementation, informed by international best practices, can significantly enhance the long-term resilience of banking systems, particularly in developing and transition economies.

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