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Digital Payment Systems and Financial Management Efficiency in Public Administration

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Abstract: *Digital payment systems have become a transformative tool in the public sector, revolutionizing the way financial operations are managed, making financial processes more efficient, transparent, and effective. In this paper, the authors explore how digital payment infrastructures, especially real-time payment systems, the Unified Payments Interface (UPI), the Direct Benefit Transfer (DBT) mechanisms and the new Central Bank Digital Currency (CBDC) pilots are helping to strengthen fiscal governance systems. Following this conceptual-analytical approach and based on the most recent empirical studies carried out between 2020 and 2026, the study assesses the impact of adopting digital payments on public financial management, such as reducing transaction costs, narrowing leakages in welfare delivery systems, enhancing accountability mechanisms, and promoting budget execution processes. The analysis also underscores the role of digital payment ecosystems in facilitating data-informed governance and better tracking of public spending. The study also pinpoints some ongoing challenges like cybersecurity weaknesses, digital divide problems, interoperability restrictions and insufficient institutional capacity in some administrative set-ups. Against this background, the results indicate that digital payment systems are becoming increasingly an essential part of efficient and transparent governance systems. Digital payment infrastructure is identified as a fundamental component of the modernisation of public financial management in the current era and a key element in the modernisation of public administration in developing economies, the study finds.*

Keywords: Digital Payments, Public Administration, Financial Management Efficiency, e-Governance, UPI, DBT, Transparency, India Stack, Public Financial Management.