

Digital Financial Innovation on Economic Growth in Nigeria

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Abstract

The study empirically examined the effect of digital financial innovation on the financial performance of banks in Nigeria. The specific objectives were to: examine the effect of digital transaction intensity on return on assets (ROA), ascertain the effect of product innovation on ROA, and determine the effect of mobile money on ROA. Data were sourced from the Central Bank's Statistical Bulletin, bank annual reports, and other relevant sources. A multiple regression analysis was employed in the study. Based on the analysis of the results, digital transactions, product innovation, and mobile money had a positive and significant effect on the financial performance (ROA) of deposit money banks in Nigeria. The study recommended that banks should increase digital transaction intensity and strengthen their cybersecurity framework.

Keywords: digital financial innovation, financial performance, digital transaction intensity, return on assets, product innovation, mobile money.

Introduction

In recent years, digital financial innovation has become one of the major drivers of economic transformation in both developed and developing economies. The increasing use of digital payment systems and electronic banking platforms has improved financial inclusion, enhanced business operations, reduced transaction costs, and stimulated economic activities across various sectors of the economy (Sahay et al., 2021). Countries with advanced digital financial systems have experienced improvements in productivity, investment opportunities, employment generation, and economic growth due to the efficiency associated with digital financial services. Consequently, policymakers, financial institutions, and international organizations have continued to emphasize the importance of digital financial innovation in promoting sustainable economic development (Ozili, 2023).

In Nigeria, the financial sector has undergone considerable transformation due to the adoption of digital financial technologies. The introduction of mobile banking, internet banking, automated teller machines (ATMs), POS terminals, electronic transfer systems, and FinTech platforms has improved the accessibility and efficiency of financial services across the country. The Nigerian financial sector has witnessed rapid growth in electronic transactions as a result of increasing smartphone penetration, internet accessibility, and supportive financial sector reforms introduced by the Central Bank of Nigeria. The implementation of the cashless policy by the Central Bank of Nigeria further accelerated the adoption of digital payment systems and electronic banking services in the country (CBN, 2024).

Economic growth represents a sustained increase in the productive capacity of an economy over time, usually measured through indicators such as Gross Domestic Product (GDP), national income, industrial productivity, and per capita income. Gross Domestic Product serves as one of the most widely used indicators for assessing the level of economic performance and development within a country. The growth of an economy depends largely on the efficiency of its financial system in

mobilizing savings, facilitating investments, and promoting productive activities (World Bank, 2023). Financial systems that are technologically advanced tend to perform better in supporting economic expansion because they improve access to financial services and encourage commercial transactions (Adewuyi & Akinyosoye, 2022; Demirgüç-Kunt et al., 2022).

Many businesses and individuals still face challenges associated with poor internet connectivity, cyber fraud, inadequate digital infrastructure, low financial literacy, unreliable electricity supply, and limited access to digital technologies, especially in rural areas (Akinwale & Kyari, 2023). These challenges reduce the effectiveness of digital financial systems and limit their ability to contribute meaningfully to economic development. Furthermore, the increasing adoption of digital financial services has also raised concerns regarding cybersecurity threats, online fraud, data privacy risks, and technological vulnerabilities within the Nigerian financial system. Cases of electronic fraud and cybercrime have continued to increase with the expansion of digital financial transactions, thereby discouraging some individuals and businesses from fully adopting digital financial services. The inability of financial institutions to adequately address these technological risks may undermine public confidence in digital financial innovation and reduce its potential impact on economic growth (Sahay et al., 2021).

Theoretical framework

The theoretical foundation of this study is anchored on the Schumpeterian Innovation Theory and the Financial Intermediation Theory.

Schumpeterian Innovation Theory

The Schumpeterian Innovation Theory was propounded by Joseph Schumpeter in 1911 and later expanded in his influential work published in 1934. Schumpeter argued that innovation constitutes the fundamental force that drives economic growth, industrial transformation, and societal progress. According to the theory, economic development does not occur merely through the accumulation of capital or labor but through continuous innovation and technological advancement that transform productive activities within an economy. Schumpeter described this process as “creative destruction,” whereby existing methods of production, business operations, and economic systems are replaced by more efficient and technologically advanced innovations.

The central proposition of the theory is that innovation creates new products, services, production processes, and market opportunities capable of increasing productivity and stimulating economic expansion. Schumpeter identified several forms of innovation, including the introduction of new products, adoption of new methods of production, opening of new markets, discovery of new sources of raw materials, and organizational restructuring within industries. In the context of the contemporary financial sector, digital financial innovation represents one of the most important forms of modern technological innovation because it has transformed traditional banking operations into electronic and digitally driven systems (Arner *et al.*, 2020; Akinwale & Kyari, 2023).

Furthermore, the theory recognizes the important role of entrepreneurs, innovators, and technological institutions in driving economic development. Financial institutions, FinTech firms, telecommunication companies, and technology-driven enterprises serve as agents of innovation by introducing new digital financial products and services into the economy (Lee & Shin, 2021). In Nigeria, institutions such as MTN Nigeria, Flutterwave, and Paystack have played important roles in expanding digital payment systems and electronic financial services across the country. Their activities have improved financial transactions, increased digital commerce, and enhanced the overall efficiency of the Nigerian financial system.

Financial Intermediation Theory

The Financial Intermediation Theory was developed by Gurley and Shaw in 1960 to explain the role financial institutions play in facilitating economic activities through efficient resource mobilization and allocation. The theory posits that financial intermediaries such as banks and other financial institutions serve as channels through which savings from surplus economic units are transferred to deficit units for productive investment purposes (Gurley & Shaw, 1960). Financial institutions therefore act as intermediaries between savers and investors, thereby promoting capital formation, investment growth, and economic development. According to the theory, one of the major functions of financial intermediaries is the reduction of transaction costs and information asymmetry within the financial system. Financial institutions possess the expertise, infrastructure, and mechanisms required to efficiently allocate financial resources to productive sectors of the economy (Mishkin, 2021).

The emergence of digital financial innovation has significantly transformed the traditional process of financial intermediation. Technological advancements have enabled financial institutions to shift from conventional banking systems to electronic and digitally driven financial platforms. Mobile banking, internet banking, digital payment systems, electronic transfers, FinTech applications, and mobile money services have enhanced the efficiency, accessibility, and speed of financial intermediation processes (Sahay et al., 2021). Digital financial technologies have also reduced operational inefficiencies associated with traditional banking methods and expanded access to financial services among underserved populations. Electronic banking systems enable businesses to process payments efficiently, access digital credit facilities, and engage in online commercial transactions that stimulate productivity and economic expansion (Adewuyi & Akinyosoye, 2022).

Literature Review

Digital Financial Innovation

Digital financial innovation refers to the integration of modern digital technologies into the financial system for the purpose of improving the efficiency, accessibility, convenience, and reliability of financial services. It involves the use of technological platforms such as mobile banking, internet banking, mobile money services, electronic payment systems, blockchain technology, automated teller machines (ATMs), Point of Sale (POS) terminals, artificial intelligence, and Financial Technology (FinTech) applications in delivering financial services to individuals and organizations (Demirgüç-Kunt et al., 2022; Mishkin, 2021). Digital financial innovation has transformed the traditional structure of financial institutions by shifting banking operations from physical and paper-based systems to electronic and technology-driven platforms.

The development of digital financial innovation has been influenced by rapid technological advancement, increased internet penetration, globalization, smartphone adoption, and the growing demand for faster and more efficient financial services.

Financial institutions around the world have increasingly embraced digital technologies in order to improve operational efficiency, reduce transaction costs, increase profitability, and enhance customer satisfaction (Arner et al., 2020). The transition from traditional banking systems to digital financial systems has created new opportunities for financial inclusion, business expansion, and economic productivity. Digital financial innovation has become particularly important in developing economies where access to traditional banking services remains limited. In many African countries, including Nigeria, digital financial technologies have improved access to financial services among rural dwellers, low-income earners, and small business operators who were previously excluded from formal financial systems. Mobile money services, internet banking, and FinTech platforms have enabled individuals and businesses to conduct financial transactions electronically without the need

for physical banking infrastructure (Demirgüç-Kunt et al., 2022). This expansion of financial accessibility has contributed significantly to financial inclusion and economic participation.

Furthermore, digital financial technologies facilitate transparency and accountability within the financial system by reducing cash transactions and improving transaction monitoring processes (Sahay et al., 2021). These developments have strengthened the role of financial systems in supporting economic growth and development. The emergence of FinTech companies has further accelerated digital financial innovation across the world. FinTech firms combine finance and technology to provide innovative financial solutions such as digital lending, online investment services, digital wallets, peer-to-peer transfers, and electronic payment systems. In Nigeria, companies such as Flutterwave, Paystack, and OPay have transformed financial transactions through digital payment innovations and mobile financial solutions. Their activities have contributed to the expansion of digital commerce and electronic financial transactions within the Nigerian economy (Arner *et al.*, 2020; Lee & Shin, 2021).

Automated Teller machine

ATM is a computerized telecommunications device that provides the customers of a financial institution with access to financial transactions in a public space without the need for a human clerk or bank teller (Arner *et al.*, 2020). ATMs are placed not only near or inside the premises of banks, but also in locations such as shopping centers/malls, airports, grocery stores, petrol/gas stations, restaurants, or any place large numbers of people may gather. ATM services are highly profitable for banks, and banks aggressively market the use of ATM cards. ATMs that are off bank premises are usually more profitable for banks because they attract a higher volume of non-bank customers, who must pay service fees. ATM combines a computer terminal, record-keeping system and cash vault in one unit, permitting customers to enter the banks book keeping system with a plastic card containing a personal identification number (PIN) or by punching a special code number into the computer terminal linked to the bank computerized records 24hours a day.

Mobile Banking

Mobile banking refers to the use of mobile devices such as smartphones and tablets for conducting banking and financial transactions electronically. Mobile banking services include fund transfers, account balance inquiries, bill payments, airtime purchases, loan applications, and online payments through mobile applications provided by financial institutions. Mobile banking has become one of the most significant dimensions of digital financial innovation due to its accessibility, convenience, and widespread adoption among financial service users (Mishkin, 2021). The increasing adoption of mobile banking has contributed significantly to economic growth by improving financial inclusion and facilitating business transactions. Mobile banking enables individuals and businesses to access financial services without visiting physical bank branches, thereby reducing transaction costs and saving time. This accessibility is particularly important in rural areas where traditional banking infrastructure is inadequate or unavailable (Demirgüç-Kunt *et al.*, 2022).

Mobile banking also contributes to economic growth by promoting business expansion and entrepreneurial development. Small and medium-scale enterprises (SMEs) rely heavily on mobile banking services for payments, transfers, and financial management activities. The efficiency associated with mobile banking improves business operations, enhances cash flow management, and supports commercial transactions. Increased business productivity resulting from efficient financial transactions contributes positively to national output and economic growth (Akinwale & Kyari, 2023). Furthermore, mobile banking supports the development of cashless economies by reducing

dependence on physical cash transactions. Cashless transactions improve transparency within the financial system, reduce risks associated with cash handling, and enhance the efficiency of monetary transactions (Demirgüç-Kunt *et al.*, 2022). In Nigeria, the increasing use of mobile banking applications has contributed significantly to the growth of electronic financial transactions and digital commerce. Internet banking is another important component of digital financial innovation. Internet banking allows customers to access banking services through internet-enabled platforms without visiting physical bank branches (Mishkin, 2021).

Internet Banking

Internet banking refers to the delivery of banking services through internet-enabled platforms that allow customers to access financial services electronically without visiting physical bank branches. Internet banking enables users to perform transactions such as fund transfers, online payments, account monitoring, and financial management activities through websites and mobile applications (Lee & Shin, 2021). The adoption of internet banking has transformed traditional banking operations by improving efficiency, reducing operational costs, and increasing customer convenience. Internet banking contributes significantly to economic growth by facilitating faster and more efficient financial transactions. Businesses and individuals can conduct financial operations at any time and from any location, thereby improving commercial activities and economic productivity.

In addition, internet banking improves financial accessibility and customer satisfaction by providing convenient and reliable financial services. Customers can access banking services without geographical limitations, thereby increasing participation in financial activities. The convenience associated with internet banking encourages savings, investment, and financial management activities, all of which contribute positively to economic growth (Sahay *et al.*, 2021). However, the effectiveness of internet banking depends largely on the availability of reliable digital infrastructure and cybersecurity systems. In many developing countries, internet banking operations are affected by network failures, poor internet accessibility, cyber fraud, and technological vulnerabilities. These challenges limit the efficiency of internet banking systems and reduce their contribution to economic growth.

POS Transactions

Point of Sale (POS) systems are electronic payment platforms that enable customers to make payments for goods and services using debit cards, credit cards, or digital wallets. POS terminals have become increasingly important in promoting electronic transactions and reducing dependence on cash payments within modern economies. The adoption of POS systems has expanded rapidly due to increasing digital financial activities and government policies promoting cashless economies (CBN, 2024). POS transactions contribute to economic growth by improving the efficiency and transparency of commercial transactions. Businesses can process payments faster and more securely through POS systems, thereby improving customer satisfaction and operational efficiency. The use of POS terminals also reduces risks associated with cash handling and improves accountability within the financial system.

Furthermore, POS transactions facilitate financial inclusion by enabling individuals without traditional banking access to participate in electronic payment systems. Small businesses and informal sector operators increasingly use POS terminals for commercial transactions, thereby expanding financial participation within the economy. The growth of POS services in Nigeria has contributed significantly to the expansion of digital commerce and electronic transactions across urban and rural areas. POS systems also enhance government revenue generation and economic monitoring by improving

transparency within financial transactions. Electronic payment systems make it easier for governments and financial institutions to monitor financial activities and reduce tax evasion associated with cash transactions. Increased transparency strengthens the efficiency of the financial system and supports economic development. Despite these benefits, POS operations in Nigeria continue to face challenges such as network failures, unstable electricity supply, transaction reversals, and cyber fraud. These challenges reduce the reliability of POS services and limit their effectiveness in promoting economic growth. In Nigeria, POS services have expanded rapidly due to the increasing adoption of cashless policies and electronic payment systems by businesses and consumers (CBN, 2024).

Economic Growth

Economic growth refers to the sustained increase in the productive capacity and output of an economy over time. It is commonly measured using indicators such as GDP growth rate, per capita income, employment generation, industrial productivity, and national income. Economic growth is essential for improving living standards, reducing poverty, increasing employment opportunities, and promoting national development. Efficient financial systems contribute significantly to economic growth by mobilizing savings, facilitating investment activities, and supporting productive economic sectors (World Bank, 2023). Digital financial innovation contributes to economic growth through several channels. First, it enhances financial inclusion by providing broader access to financial services among underserved populations. Increased financial inclusion improves savings mobilization, investment participation, and business development activities.

Second, digital financial innovation reduces transaction costs and improves efficiency within the financial system. Faster and more reliable financial transactions encourage business expansion and commercial activities. Third, digital financial technologies facilitate entrepreneurship and digital commerce by providing businesses with access to online payment systems and digital financial solutions (Adewuyi & Akinyosoye, 2022). However, the effectiveness of digital financial innovation in promoting economic growth depends on several factors such as technological infrastructure, internet accessibility, financial literacy, regulatory policies, and cybersecurity measures. Countries with inadequate digital infrastructure and weak regulatory systems may experience limited benefits from digital financial innovation due to operational inefficiencies and technological challenges.

Empirical Review

Sahay et al. (2021) examined the effect of digital financial inclusion on economic growth in emerging economies using panel data analysis. The study found that digital financial services positively influenced economic growth through increased financial accessibility and investment activities. The study concluded that countries with advanced digital financial systems experienced higher levels of economic productivity and financial sector development. Ozili (2023) investigated the impact of FinTech innovation on economic development in African economies. The study revealed that FinTech services significantly improved financial inclusion, reduced transaction costs, and stimulated entrepreneurial activities within the economy. The findings further showed that digital payment systems contributed positively to economic growth by enhancing commercial transactions and improving financial accessibility among low-income populations.

Demirgüç-Kunt *et al.* (2022) conducted a study on digital financial services and economic development using data from developing countries. The study found that mobile banking and electronic payment systems increased financial participation among rural populations and contributed positively to economic productivity. The researchers concluded that digital financial innovation plays a critical role in reducing poverty and promoting sustainable economic growth. Adewuyi and

Akinyosoye (2022) examined the effect of electronic banking on economic growth in Nigeria using time series data. The study found that internet banking, POS transactions, and mobile banking had positive and significant effects on GDP growth rate. The researchers argued that digital financial innovation improved the efficiency of financial transactions and encouraged business expansion within the Nigerian economy.

Akinwale and Kyari (2023) investigated the relationship between digital financial services and economic growth in Nigeria. The study revealed that mobile banking and electronic payment systems contributed significantly to financial inclusion and economic productivity. However, the study identified poor digital infrastructure, cyber insecurity, and low financial literacy as major challenges limiting the effectiveness of digital financial innovation in Nigeria. Lee and Shin (2021) examined the role of FinTech innovation in promoting economic growth in Asian economies. The findings indicated that digital financial innovation improved access to financial services, stimulated investment opportunities, and enhanced entrepreneurial development. The study concluded that countries with supportive technological and regulatory environments benefited more from digital financial innovation.

Sahay *et al.* (2021) conducted a comprehensive study on digital financial inclusion and economic growth in emerging economies using panel data analysis covering multiple developing countries. The study examined the effect of digital financial services such as mobile banking, electronic payments, and internet banking on economic productivity. The findings revealed that digital financial innovation significantly improved financial inclusion, investment activities, and economic growth. The researchers argued that countries with advanced digital financial systems experienced higher levels of economic performance due to improved accessibility to financial services and reduced transaction costs.

Ozili (2023) investigated the relationship between FinTech innovation and economic development in African economies. Using secondary data obtained from selected African countries, the study found that FinTech services contributed positively to economic growth through enhanced financial inclusion, improved business operations, and increased digital commerce. The study further revealed that digital payment systems reduced financial transaction barriers and encouraged entrepreneurial activities among small businesses. However, the study identified poor digital infrastructure and cybersecurity challenges as major factors limiting the effectiveness of digital financial innovation in some African economies.

Demirgüç-Kunt *et al.* (2022) examined the impact of digital financial services on economic development using global financial inclusion data. The study found that mobile banking and electronic payment systems improved financial accessibility among low-income populations and rural communities. The findings showed that digital financial innovation contributed significantly to poverty reduction, increased savings mobilization, and business development. The researchers concluded that economies with higher levels of digital financial inclusion recorded better economic performance compared to economies with limited digital financial access. Adewuyi and

Akinyosoye (2022) carried out a study on electronic banking and economic growth in Nigeria using time series data from the Nigerian banking sector. The study examined the effects of internet banking, mobile banking, POS transactions, and ATM services on Gross Domestic Product (GDP). The findings indicated that electronic banking variables had positive and significant effects on economic growth.

The study concluded that digital financial innovation improved the efficiency of financial transactions and contributed to increased business productivity within the Nigerian economy.

Akinwale and Kyari (2023) investigated the relationship between digital financial services and economic growth in Nigeria using survey and econometric analysis. The study revealed that mobile banking and electronic payment systems significantly enhanced financial inclusion and economic activities among SMEs. The findings also showed that digital financial innovation improved access to financial services among rural populations. However, the researchers identified cyber insecurity, poor electricity supply, and low financial literacy as major constraints affecting the effectiveness of digital financial innovation in Nigeria. Lee and Shin (2021) examined the role of FinTech innovation in promoting economic growth in Asian economies. Using panel regression analysis, the study found that FinTech adoption improved investment opportunities, encouraged entrepreneurship, and increased financial efficiency. The researchers concluded that economies with strong technological infrastructure and supportive regulatory frameworks benefited more from digital financial innovation.

Arner et al. (2020) studied the impact of FinTech development on financial systems and economic performance. The study observed that digital financial technologies improved financial sector efficiency and accelerated economic transactions within modern economies. The researchers argued that FinTech innovations played a critical role in supporting financial deepening and economic modernization. Mishkin (2021) examined the relationship between financial innovation and economic growth with emphasis on banking technologies and electronic payment systems. The study found that digital banking services improved the efficiency of financial intermediation and increased economic productivity. The findings further showed that financial systems with advanced digital technologies experienced improved resource allocation and business performance.

Materials and methods

This study sought to examine the effect of digital financial innovation on economic growth in Nigeria between 20. Based on the nature of this study, the sources of information were secondary. These data were time series data collected using the desk survey approach from Central Bank of Nigeria (CBN) annual accounts and reports. The study utilised yearly data from 2010-2024. Multiple regression statistical tool was employed in the study. Based on the theories under review in this study, an equation model showing the impact and relationship amongst/between the variables of interest is specified thus: $RGDP = f(ATM, MOB, INT, POS)$

Where:

RGDP	=	Real Gross Domestic Product
ATM	=	Automated Teller Machine
MOB	=	Mobile banking
INT	=	Internet
POS	=	Point of sales

The above parameters are used to measure digital financial innovation and economic growth. Therefore, the econometric model was specified in line with the dependent variable, thus:

$$\log RGDP = b_0 + b_1 \log ATM + b_2 \log MOB + b_3 \log INT + b_4 \log POS + e_t$$

Regression constant	=	b_0
Regression coefficient	=	$b_1 - b_4$
Stochastic error term	=	e_t

Results

Dependent Variable: LR GDP

Method: Least Squares

Date: 05/23/26 Time: 12:40

Sample: 2010- 2024

Included observations: 15

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.481684	0.932634	3.737732	0.0010
LATM	0.972832	0.099146	9.812284	0.0000
LMOB	10.00510	1.239593	8.071236	0.0000
LINT	0.420054	0.140905	2.981051	0.0067
LPOS	1.569728	0.259084	6.058758	0.0000
R-squared	0.984930	Mean dependent var	8.691518	
Adjusted R-squared	0.927840	S.D. dependent var	2.342172	
S.E. of regression	0.737319	Akaike info criterion	0.765343	
Sum squared resid	2.657466	Schwarz criterion	0.789549	
Log likelihood	5.674380	Hannan-Quinn criter.	0.567438	
F-statistic	186.9630	Durbin-Watson stat	1.812365	
Prob(F-statistic)	0.000000			

The coefficient of multiple determination (R^2) is 0.9849 and an adjusted R^2 of 0.9278. The later indicates that 93% of variations in the observed behavior of RGDP is jointly explained by the independent variables namely: ATM, MOB, INT, POS. This shows that the model fits the data well and has a tight fit. Also, the f-statistics is used to test for the significance of such good or tight fit. The model reports on effectively high f-statistic value of 186.96 which when compared with the table value. This indicates that the high adjusted R^2 value is better than would have occurred by chance, therefore, the model is statistically robust. Using the criterion, therefore, ATM is significant, MOB is significant, INT is significant and POS is significant. The constant term indicates that if all variables held constant, the performance will be improved by 3.481. The DW statistics (1.81) is used to test for the serial correlation in the residuals of the model.

The decision rule shows that the calculated DW (1.81) falls outside and this indicates that the estimates should be taken with caution. The goodness of fit of the model as indicated by the adjusted R^2 shows a good fit of the model and the model fits the data well. The total variation of the observed behavior of GDP, used as a measure of development, is jointly explained by variation in ATM, MOB, INT, POS for the overall significant of the model. Hence, the model did not occur by chance, it actually confirms that the model fits the data well. To test for the individual statistical significant of the parameters, the t-statistic of the respective variables were considered, considering their probability values, computer software shows the constant term is positive. A prior expectation about the signs of the parameter estimates are confirmation to economic theory.

Discussion

The study revealed that all the independent variables have positive significant effect on economic growth in Nigeria. Digital financial innovation has transformed the traditional structure of financial institutions by shifting banking operations from physical and paper-based systems to electronic and technology-driven platforms. The transition from traditional banking systems to digital financial systems has created new opportunities for financial inclusion, business expansion, and economic productivity. Arner *et al.*, (2020) found that ATM is a computerized telecommunications device that

provides the customers of a financial institution with access to financial transactions in a public space without the need for a human clerk or bank teller.

ATM services are highly profitable for banks, and banks aggressively market the use of ATM cards. Furthermore, mobile banking has become one of the most significant dimensions of digital financial innovation due to its accessibility, convenience, and widespread adoption among financial service users. Mishkin (2021) discovered that the increasing adoption of mobile banking has contributed significantly to economic growth by improving financial inclusion and facilitating business transactions.

Mobile banking enables individuals and businesses to access financial services without visiting physical bank branches, thereby reducing transaction costs and saving time. Mobile banking also contributes to economic growth by promoting business expansion and entrepreneurial development. The adoption of internet banking has transformed traditional banking operations by improving efficiency, reducing operational costs, and increasing customer convenience. Internet banking contributes significantly to economic growth by facilitating faster and more efficient financial transactions. Businesses and individuals can conduct financial operations at any time and from any location, thereby improving commercial activities and economic productivity. However, the effectiveness of internet banking depends largely on the availability of reliable digital infrastructure and cybersecurity systems.

POS terminals have become increasingly important in promoting electronic transactions and reducing dependence on cash payments within modern economies. The adoption of POS systems has expanded rapidly due to increasing digital financial activities and government policies promoting cashless economies (CBN, 2024). The growth of POS services in Nigeria has contributed significantly to the expansion of digital commerce and electronic transactions across urban and rural areas. Finally, the study found that ATM, mobile banking, internet banking and point of sales positively affected the growth of Nigeria economy.

Conclusion

The study examines the effect of digital financial innovations on economic growth in Nigeria. The study revealed that ATM, mobile banking, internet banking and point of sales positively affected the growth of Nigeria economy. Digital financial innovation has become one of the major drivers of economic transformation in developing economies. The increasing use of digital payment systems and electronic banking platforms has improved financial inclusion, enhanced business operations, reduced transaction costs, and stimulated economic activities across various sectors of the economy. The introduction of mobile banking, internet banking, automated teller machines (ATMs), POS terminals has improved the accessibility and efficiency of financial services across the country.

Recommendations

The following recommendations were proffered thus:

1. Banks should increase digital strengthen cyber security framework.
2. The banking system should make all mobile money platforms work together seamlessly.
3. Internet users should be allowed to perform transactions through websites and mobile applications.
4. The banking system should combine POS machines with mobile money registration points, train more agents to reach customers, and track how often POS machines are used to ensure they lead to active accounts.

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