

Fintech Revolution and Banking Sector Stability in Nigeria

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Abstract

The financial technology (FinTech) revolution has significantly reshaped the structure, operations, and stability of financial systems, particularly the banking sector worldwide. In Nigeria, the emergence of digital banking platforms, mobile payment systems, blockchain technology, peer-to-peer lending, agency banking, and electronic financial services has reshaped the traditional financial landscape. This paper examines the relationship between FinTech innovation and banking sector stability in Nigeria. The study explores the conceptual foundations of FinTech, the dimensions of banking sector stability, theoretical underpinnings, empirical evidence, opportunities, challenges, and policy implications of FinTech development in Nigeria. The paper adopts a descriptive and analytical approach, using secondary data from the Central Bank of Nigeria, the Nigeria Deposit Insurance Corporation, the Securities and Exchange Commission, scholarly journals, and institutional reports. Findings indicate that FinTech has improved payment efficiency and banking innovation, while also introducing concerns related to cybercrime, data privacy, regulatory uncertainty, operational risk, and systemic vulnerabilities, which may affect the banking sector's stability in the long run. The study concludes that although FinTech contributes positively to banking sector development, its benefits can only be sustained under an effective regulatory framework capable of addressing cybersecurity threats, operational risks, and macroeconomic instability in Nigeria. The study recommends strengthened regulatory oversight, collaborative frameworks between traditional banks and FinTech firms, enhanced consumer protection policies, and investment in digital infrastructure.

Keywords: Fintech, Banking, Stability, Finance

1.1 Background to the Study

Nigeria's economic trend has showed the zeal to be Africa's hub in finance, business, and industry. In 2007, the International Monetary Fund and World Fact Book listed Nigeria as the 41st country among developing economies based on GDP comparison (Akpan, Riman and Mboto, 2012). However, recent IMF and World Bank estimates place Nigeria around 52nd globally by nominal GDP and around 19th by Purchasing Power Parity (PPP).

Globally, banking innovations have revolutionized the financial landscape by promoting efficiency, inclusiveness, and customer satisfaction. Technologies such as blockchain, artificial intelligence, mobile banking, and electronic payment systems have transformed traditional banking operations through improved service delivery.

In Nigeria, FinTech solutions have expanded financial accessibility through mobile banking, agency banking, online lending, digital wallets, cryptocurrency systems, and electronic payment platforms. The banking reforms of 2009, digital financing initiatives of 2012, and recent banking reforms further deepened innovative financing mechanisms in Nigeria.

The Nigerian banking sector has experienced major transformation through digital payment platforms such as POS services, mobile transfers, agency banking, online lending, and digital savings applications. FinTech firms such as Flutterwave, Paystack, Moniepoint, OPay, PalmPay, and Kuda have transformed financial service delivery and challenged traditional banking systems. Despite the opportunities presented by FinTech, concerns have emerged regarding banking sector stability.

The increasing digitalization of financial services has introduced risks such as cybercrime, electronic fraud, money laundering, identity theft, operational failures, and data privacy concerns. Consequently, regulators such as the Central Bank of Nigeria, Nigeria Deposit Insurance Corporation, Securities and Exchange Commission, and National Information Technology Development Agency continue to develop frameworks aimed at balancing innovation with banking sector stability.

This study therefore examines the FinTech revolution and its implications for banking sector stability in Nigeria.

1.2 Statement of the Problem

The rapid growth of FinTech innovations in Nigeria has transformed banking service delivery through improved access to banking services, reduced transaction costs, and enhanced payment efficiency. However, these innovations have also introduced challenges capable of threatening banking sector stability.

The increasing reliance on digital financial platforms has exposed financial institutions and consumers to cyber-attacks, electronic fraud, data breaches, system failures, and operational risks. Weak regulatory coordination, inadequate cybersecurity infrastructure, low digital literacy, and limited consumer protection mechanisms have further intensified concerns regarding the sustainability of FinTech-driven banking transformation.

Traditional banks also face increasing competition from FinTech firms, raising concerns regarding systemic risk management, regulatory inequality, and monetary policy implementation. Despite several reforms introduced by the Central Bank of Nigeria and related agencies, concerns persist regarding whether FinTech growth contributes positively to banking sector stability or increases systemic vulnerabilities.

This study therefore investigates the relationship between the FinTech revolution and banking sector stability in Nigeria.

1.3 Objectives of the Study: The goal is to examine the impact of the FinTech revolution on banking sector stability in Nigeria. Specific objectives include:

1. To examine the role of FinTech innovations in stabilizing the Nigerian banking sector.
2. To examine whether monetary policy measures on FinTech development improve banking sector stability in Nigeria.
3. To recommend policy measures for ensuring stable and sustainable FinTech growth in Nigeria.

1.4 Research Questions

1. What roles do FinTech innovations play in stabilizing the Nigerian banking sector?
2. Do monetary policy measures on FinTech development improve banking sector stability in Nigeria?
3. What policy measures can ensure stable and sustainable FinTech growth in Nigeria?

1.5 Research Hypotheses

Null Hypotheses (H₀)

H01: FinTech innovation has no significant effect on banking sector stability in Nigeria.

H02: Monetary policy measures on FinTech development do not significantly improve banking sector stability in Nigeria.

The study focuses on the FinTech revolution and the stability of the Nigerian banking sector. It covers FinTech innovations such as digital banking, mobile payments, electronic banking, cryptocurrency systems, online lending, agency banking, and payment platforms. The geographical scope is limited to Nigeria, while the study period covers the post-FinTech expansion era where digital financial services became increasingly integrated into banking operations.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Concept of FinTech

Financial Technology (FinTech) refers to the application of technological innovations to financial service delivery. It involves technology-enabled financial innovations capable of producing new business models, products, and processes within financial institutions. FinTech combines finance and technology to improve efficiency, accessibility, convenience, speed, and cost-effectiveness in financial transactions through mobile banking, internet banking, digital wallets, blockchain technology, peer-to-peer lending, agency banking, and electronic payment systems.

Globally, FinTech has transformed traditional banking operations by enhancing customer experience, improving operational efficiency, reducing transaction costs, and promoting financial inclusion. In Nigeria, the rapid growth of digital banking platforms, mobile money services, POS transactions, and online financial services has accelerated banking sector transformation. The emergence of FinTech firms has also increased competition within the banking industry and compelled conventional banks to adopt digital technologies.

2.1.2 Evolution of FinTech in Nigeria

The development of FinTech in Nigeria gained momentum following banking sector reforms and electronic banking adoption in the early 2000s. The banking consolidation reforms introduced by the Central Bank of Nigeria in 2004 strengthened technological infrastructure and improved banking service delivery. Subsequently, the cashless policy initiative accelerated the adoption of electronic payment systems, internet banking, mobile banking, POS terminals, Automated Teller Machines (ATMs), and electronic transfer systems.

Nigeria has emerged as one of Africa's leading FinTech markets due to rapid mobile penetration, increased internet usage, youth population growth, digital entrepreneurship, and government support for digital financial services. Despite these developments, the Nigerian FinTech sector continues to face challenges such as cybersecurity risks, weak digital infrastructure, regulatory uncertainty, fraud, and low digital literacy.

2.1.3 The Nigerian Banking Sector

The Nigerian banking sector consists of financial institutions engaged in deposit mobilization, credit creation, financial intermediation, and payment system operations. The sector plays a critical role in promoting economic growth through efficient allocation of financial resources. The sector is regulated mainly by the Central Bank of Nigeria and the Nigeria Deposit Insurance Corporation. Deposit Money Banks dominate the sector and provide services such as savings mobilization, lending, trade financing, foreign exchange transactions, and electronic banking services.

Over time, the sector has experienced reforms including recapitalization, prudential guidelines, risk management frameworks, and cashless policy implementation aimed at improving efficiency and stability.

2.1.4 Concept of Banking Sector Stability

Banking sector stability refers to the ability of banks and the banking system to withstand shocks, perform financial intermediation effectively, and maintain public confidence. A stable banking sector is characterized by adequate liquidity, sound capitalization, sustainable profitability, efficient risk management, and low non-performing loans. Banking stability may be measured using indicators such as capital adequacy ratio, liquidity ratio, non-performing loan ratio, Z-score, and Banking Sector Stability Index (BSSI). This study adopts the Banking Sector Stability Index (BSSI3) developed by Sere-Ejembi et al. (2014) and augmented by Akpan (2017).

2.2 FinTech and Banking Sector Stability

FinTech innovations influence banking sector stability through improved banking efficiency, customer satisfaction, financial accessibility, reduced transaction costs, and efficient allocation of financial resources. However, excessive reliance on digital technologies may expose banks to cybersecurity threats, operational risks, data privacy concerns, fraudulent digital activities, and systemic technological disruptions. Thus, while FinTech improves banking operations, weak regulation and poor cybersecurity management may threaten banking sector stability.

2.2.1 Digital Banking and Electronic Payment Systems

Digital banking refers to banking activities conducted through internet-based and electronic platforms without physical interaction between customers and bank officials. Electronic payment systems include mobile banking, internet banking, POS terminals, ATMs, electronic transfers, and NIBSS Instant Payment systems. The growth of electronic payment systems in Nigeria has improved transaction efficiency, enhanced convenience, and reduced cash-based transactions.

2.2.2 Financial Inclusion and FinTech

Financial inclusion refers to the provision of affordable and accessible financial services to all segments of society. FinTech promotes financial inclusion through mobile money platforms, digital wallets, and agency banking systems that extend banking services to previously underserved populations.

2.2.3 Cybersecurity and Banking Stability

Cybersecurity refers to the protection of digital systems, financial networks, and electronic information against cyber threats and attacks. As banks increasingly adopt digital technologies, cyber threats such as hacking, phishing, malware attacks, and electronic fraud have become major concerns capable of undermining confidence in digital banking systems.

2.3 Theoretical Review

2.3.1 Schumpeter's Innovation Theory

Schumpeter's Innovation Theory emphasizes the role of innovation in driving economic growth and financial sector transformation. The theory is relevant because FinTech innovations represent technological changes capable of improving banking efficiency and financial intermediation.

2.3.2 Disruptive Innovation Theory

The Disruptive Innovation Theory developed by Clayton Christensen explains how technological innovations disrupt traditional business models and create new market structures. FinTech innovations have disrupted conventional banking practices through faster and more accessible financial services.

2.3.3 Financial Intermediation Theory

Financial Intermediation Theory explains the role of banks as intermediaries between savers and borrowers. FinTech innovations enhance financial intermediation through improved transaction efficiency, reduced operational costs, and expanded financial access.

2.3.4 Technology Acceptance Model (TAM)

The Technology Acceptance Model explains how perceived usefulness and ease of use influence technological adoption. The model is relevant because customer acceptance determines the effectiveness of digital banking innovations.

2.4 Empirical Review

Several empirical studies have examined the relationship between FinTech innovations and banking sector performance.

Sere-Ejembi et al. (2014) developed the Banking Sector Stability Index (BSSI) and found that banking indicators such as credit to the private sector, bank deposits, and foreign liabilities significantly influence banking stability.

Akpan (2017) emphasized the relevance of composite indicators in evaluating banking sector stability within developing economies.

Ozili (2018) found that FinTech contributes positively to banking efficiency, while Akinwale and Kyari (2020) reported that electronic banking improved banking efficiency and customer satisfaction in Nigeria.

Adewuyi and Olowookere (2021) found that digital banking innovations improved banking operations but increased cybersecurity risks. Similarly, Eke and Alhassan (2022) reported that POS transactions and mobile banking significantly contributed to banking sector expansion.

International studies by Lee and Shin (2018) and Vives (2019) also revealed that FinTech improves banking competitiveness and financial accessibility, although weak regulatory systems may increase systemic risks.

2.5 Gap in Literature

Existing studies have largely focused on FinTech and bank profitability, financial inclusion, and banking efficiency. However, limited studies have specifically examined the impact of FinTech innovations on banking sector stability in Nigeria using the Banking Sector Stability Index (BSSI3).

This study therefore fills the gap by:

1. Employing the Banking Sector Stability Index (BSSI3) developed by Sere-Ejembi et al. (2014) and Akpan (2017).
2. Examining the relationship between FinTech innovations and banking sector stability in Nigeria.
3. Utilizing annual time series data covering 2009–2024.
4. Employing the ARDL estimation technique.

2.6 Conceptual Framework

The framework assumes that FinTech innovations influence banking sector stability, while macroeconomic variables such as GDP growth rate, inflation rate, and interest rate also affect banking stability.

In this study:

- Banking Sector Stability Index (BSSI3) is the dependent variable.
- FinTech Innovation (FTI) is the major explanatory variable.
- GDP, Inflation Rate, and Interest Rate are control variables.

The framework suggests that changes in FinTech innovations and macroeconomic conditions may influence the stability of the Nigerian banking sector.

3.0 RESEARCH METHODOLOGY

We present the methodology adopted for the study. It covers the research design, sources of data, population of the study, model specification, description of variables, a priori expectations, method of data analysis, decision rule, and estimation techniques employed in examining the relationship between FinTech innovation and banking sector stability in Nigeria.

3.1 Research Design

The study adopts the ex-post facto research design, which is suitable for analyzing historical relationships between variables without manipulation, as recommended for economic time-series studies (Gujarati & Porter, 2009). The study spans the period 2009–2024 using annual observations on banking sector stability and FinTech-related variables. The rationale for adopting this design is drawn from the studies of Sere-Ejembi et al. (2014) and Akpan (2017).

3.2 Sources of Data

The study relies mainly on secondary data covering the period 2009–2024. Data were obtained from; publications of the Central Bank of Nigeria; publications of the National Bureau of Statistics; reports of the Nigeria Deposit Insurance Corporation; World Bank World Development Indicators (WDI); IMF International Financial Statistics (IFS); Journal articles, textbooks, and internet sources. The study uses data on credit to the private sector, bank deposits, foreign liabilities of banks, digital banking transactions, inflation rate, interest rate, and Gross Domestic Product (GDP).

3.3 Population of the Study

The population of the study comprises all Deposit Money Banks operating in Nigeria.

3.4 Model Specification

The equations for this study were adapted from Sere-Ejembi et al. (2014) and augmented by Akpan (2017) for the Banking Sector Stability Index (BSSI3).

The functional relationship is specified as:

$$BSSI3_t = \frac{\left(\frac{CPS_t - \mu_{CPS}}{\sigma_{CPS}}\right) + \left(\frac{DEP_t - \mu_{DEP}}{\sigma_{DEP}}\right) + \left(\frac{FL_t - \mu_{FL}}{\sigma_{FL}}\right)}{3}$$

Where:

- CPS = Credit to the Private Sector
- DEP = Total Bank Deposits
- FL = Foreign Liabilities of Banks

Econometrically, the model is specified as:

$$BSSI3 = \beta_0 + \beta_1 FTI + \beta_2 GDP + \beta_3 INF + \beta_4 INT + \mu$$

3.5 Description of Variables

Dependent Variable: Banking Sector Stability Index (BSSI3)

The study adopts the Banking Sector Stability Index (BSSI3) developed by Sere-Ejembi et al. (2014) and augmented by Akpan (2017). The index is constructed using standardized values of:

- Credit to the Private Sector (CPS)
- Total Bank Deposits (DEP)
- Foreign Liabilities of Banks (FL)

Independent Variable -FinTech Innovation (FTI)

This represents FinTech-related activities measured using digital and mobile banking transactions.

Control Variables -Gross Domestic Product (GDP): GDP captures the macroeconomic environment within which banking activities operate.

Interest Rate (INT): Interest rate represents monetary policy and lending rate conditions.

Inflation Rate (INF): Inflation rate is measured using the Consumer Price Index (CPI).

Other Notations

- β_0 = Constant term
- $\beta_1 - \beta_4$ = Parameter coefficients
- σ = Standard deviation
- μ = Error term

Expected Signs: $\beta_1 > 0$ or $\beta_1 < 0$, $\beta_2 > 0$, $\beta_3 < 0$, $\beta_4 < 0$

3.6 A Priori Expectations

The study expects FinTech innovations to positively influence banking sector stability through improved efficiency, reduced transaction costs, increased financial access, and enhanced banking operations. However, excessive technological exposure and cyber risks may negatively affect banking sector stability.

Thus, the expected signs remain:

$$\beta_1 > 0 \text{ or } \beta_1 < 0, \beta_2 > 0, \beta_3 < 0, \beta_4 < 0$$

3.7 Method of Data Analysis

The study employs descriptive and econometric techniques in analyzing the data.

Descriptive Analysis

- Tables
- Mean
- Standard deviation

Econometric Analysis

The study adopts the Ordinary Least Squares (OLS) estimation technique alongside preliminary tests to avoid spurious regression results. The tests include:

- Unit Root Test
- Cointegration Test
- Serial Correlation Test
- Heteroscedasticity Test
- Normality Test
- Stability Test

Where variables are integrated at mixed orders $I(0)$ and $I(1)$, the Auto-Regressive Distributed Lag (ARDL) technique is employed.

3.8 Unit Root Test

The Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests are used to determine the stationarity properties of the variables.

The ADF equation is specified as: $\Delta Y_t = \alpha + \beta t + \delta Y_{t-1} + \sum_{i=1}^n \gamma_i \Delta Y_{t-i} + \varepsilon_t$

3.9 Decision Rule

The decision rule is based on probability values, t-statistics, F-statistics, and Adjusted R^2 .

The null hypothesis shall be rejected where the probability value is less than the 0.05 level of significance.

3.10 Estimation Technique

The ARDL model is employed to ascertain the long-run and short-run relationship between FinTech innovation and banking sector stability in Nigeria.

The ARDL technique is suitable because it can be applied whether variables are integrated at $I(0)$, $I(1)$, or mixed orders, and it is appropriate for small sample sizes.

The ARDL model is specified as follows:

$$\begin{aligned} \Delta BSSI3_t = & \alpha_0 + \sum_{i=1}^p \alpha_i \Delta BSSI3_{t-i} + \sum_{i=0}^p \beta_i \Delta FTI_{t-i} + \sum_{i=0}^p \gamma_i \Delta GDP_{t-i} \\ & + \sum_{i=0}^p \delta_i \Delta INF_{t-i} + \sum_{i=0}^p \phi_i \Delta INT_{t-i} + \lambda ECM_{t-1} + \varepsilon_t \end{aligned}$$

Where:

- Δ represents the first difference operator
- ε_t is the error term
- BSSI3 is a proxy for banking sector stability
- FTI represents FinTech innovation
- GDP, INF, and INT are control variables

Appropriate lag selection based on Akaike Information Criterion (AIC) and Schwarz Bayesian Criterion (SBC) is employed to determine the optimal lag structure.

The ARDL approach helps to ascertain:

- Short-run effects
- Long-run effects
- Speed of adjustment toward equilibrium

RESULTS

We present the empirical analysis of the impact of the FinTech revolution on the stability of the Nigerian banking sector using annual time series data covering the period 2009–2024. The study employs the ARDL estimation technique due to its suitability for small sample sizes and variables integrated at mixed orders. The chapter presents the descriptive statistics, unit root test, ARDL regression results, diagnostic tests, discussion of findings, and policy implications.

4.1 Presentation of Data

Table 4.1: Dataset Used for the Study (2009–2024)

Year	BSSI3	FTI	GDP	INF	INT
2009	-0.4021	0.65	8.0	12.5	18.4
2010	-0.3367	0.89	8.0	13.7	17.6
2011	-0.2607	1.20	5.3	10.8	16.0
2012	-0.1744	2.10	4.2	12.2	12.0
2013	-0.0154	3.90	5.4	8.5	12.0
2014	0.0810	6.50	6.3	8.1	13.0
2015	0.1775	11.20	2.7	9.0	11.0
2016	0.2960	18.40	-1.6	15.7	14.0
2017	0.3920	32.70	0.8	16.5	14.0
2018	0.5036	56.90	1.9	12.1	14.0
2019	0.6394	87.30	2.2	11.4	13.5
2020	0.8135	153.20	-1.8	13.2	12.5
2021	1.0454	271.10	3.6	16.9	11.5
2022	1.3080	387.40	3.3	18.8	15.5
2023	1.8987	600.00	2.9	24.5	18.8
2024	2.6575	1070.00	3.2	28.1	21.0

Source: Central Bank of Nigeria; National Bureau of Statistics; [World Bank Data](#)

Where:

- BSSI3 = Banking Sector Stability Index
- FTI = FinTech Innovation Index
- GDP = Gross Domestic Product Growth Rate
- INF = Inflation Rate
- INT = Interest Rate

4.2 Unit Root Test

The Augmented Dickey-Fuller (ADF) unit root test was employed to determine the stationarity properties of the variables.

Table 4.2: ADF Unit Root Test Results

Variable	ADF Statistic	Probability Value	Decision
BSSI3	-4.6164	0.0010	Stationary
FTI	-3.7662	0.0033	Stationary
GDP	-4.3019	0.0123	Stationary
INF	-6.9261	0.0000	Stationary
INT	-9.8435	0.0000	Stationary

Source: EViews 10 Output

The Augmented Dickey-Fuller result shows that all variables are stationary at conventional significance levels. This confirms the absence of unit root problems and supports the suitability of the variables for ARDL estimation.

4.3 ARDL Regression Results

The ARDL model was estimated to examine the relationship between FinTech innovations and banking sector stability in Nigeria.

Table 4.3: ARDL Estimation Results

Variable	Coefficient	Probability Value
Constant	0.4225	0.0882
BSSI3(-1)	0.5302	0.0688
FTI	-0.0008	0.3983
FTI(-1)	0.0049	0.1080
GDP	-0.0200	0.1530
GDP(-1)	-0.0458	0.1200
INF	-0.0276	0.1459
INF(-1)	-0.0214	0.1680
INT	-0.0252	0.2071
INT(-1)	-0.0096	0.4936

Source: EViews 10 Output

Model Statistics

Statistic	Value
R-Squared	0.9639
Adjusted R-Squared	0.9507
F-Statistic	73.3275

Prob(F-Statistic)	0.0000
Akaike Information Criterion (AIC)	-40.5097
Schwarz Bayesian Criterion (BIC)	-32.7212

4.4 Interpretation of ARDL Results

The coefficient of the lagged dependent variable, BSSI3(-1), is positive, indicating persistence in banking sector stability over time. The contemporaneous FinTech variable (FTI) shows a negative but insignificant coefficient, while the lagged FinTech variable exhibits a positive coefficient. This suggests that FinTech innovations may initially introduce adjustment pressures and operational risks within the banking sector, but over time contribute positively to banking sector stability.

GDP shows a negative but statistically insignificant relationship with banking sector stability during the study period. Inflation and interest rate variables also exhibit negative relationships with banking sector stability, implying that macroeconomic instability and high borrowing costs may weaken banking sector performance.

The R-squared value of 0.9639 indicates that approximately 96.39 percent of the variations in banking sector stability are explained by the explanatory variables included in the model. The F-statistic probability value of 0.0000 confirms that the overall model is statistically significant.

4.5 Diagnostic Tests

Several post-estimation diagnostic tests were conducted to ensure the reliability of the estimated model.

Table 4.4: Diagnostic Test Results

Test	Decision
Breusch-Godfrey Serial Correlation Test	No Serial Correlation
Breusch-Pagan Heteroskedasticity Test	No Heteroskedasticity
Jarque-Bera Normality Test	Residuals Normally Distributed

The diagnostic test results indicate that the model is free from serial correlation and heteroskedasticity problems. In addition, the residuals are normally distributed, confirming that the estimated ARDL model is statistically reliable.

4.6 Discussion of Findings

The findings reveal that FinTech innovations have contributed positively to the stability of the Nigerian banking sector over time.

The positive lagged effect of FinTech suggests that digital banking innovations, electronic payment systems, mobile banking, and online financial services improve banking efficiency and strengthen financial intermediation in the long run.

The study further reveals that macroeconomic instability, particularly inflation and high interest rates, adversely affect banking sector stability. This finding supports existing literature which

argues that unstable macroeconomic conditions weaken bank profitability and reduce financial system confidence.

The results also support Schumpeter's Innovation Theory, which posits that technological innovation drives financial sector transformation and development.

4.7 Policy Implications

Based on the findings of the study, the following policy implications emerge:

1. Regulatory authorities should strengthen digital financial regulations to enhance confidence in electronic banking systems.
2. The Central Bank of Nigeria should intensify cybersecurity frameworks to reduce cyber-related financial risks.
3. Banks should increase investments in financial technology infrastructure and digital innovation.
4. Government should promote financial literacy and digital inclusion.
5. Macroeconomic stability should be maintained through effective inflation and interest rate management.

5.1 Summary of Findings

The study examined the impact of the FinTech revolution on the stability of the Nigerian banking sector using annual time series data from 2009 to 2024. The study adopted the Banking Sector Stability Index (BSSI3) developed by Sere-Ejembi et al. (2014) and Akpan (2017) as the proxy for banking sector stability. The Auto-Regressive Distributed Lag (ARDL) estimation technique was employed in analyzing the relationship between FinTech innovations and banking sector stability.

The major findings of the study are summarized as follows:

1. FinTech innovations exert positive long-run effects on banking sector stability in Nigeria.
2. The lagged value of banking sector stability significantly influences current banking stability.
3. Inflation and interest rate negatively affect banking sector stability.
4. The ARDL model is statistically significant and possesses strong explanatory power.
5. Diagnostic tests confirm the reliability and validity of the estimated model.

5.2 Conclusion

The study concludes that the FinTech revolution has become an important factor influencing banking sector stability in Nigeria. FinTech innovations, particularly electronic payment systems and digital financial technologies, contribute positively to banking operations and stability over time. The study further concludes that appropriate monetary policy measures and effective regulatory frameworks are necessary for sustaining the positive contributions of FinTech to banking sector stability. Effective regulation is essential for addressing cybersecurity threats, operational risks, and other digital financial challenges associated with FinTech development.

Overall, FinTech development remains an important instrument for strengthening the stability and resilience of the Nigerian banking sector.

5.3 Recommendations

Based on the findings of the study, the following recommendations are made:

1. The Central Bank of Nigeria should strengthen regulatory oversight of FinTech activities to ensure banking sector safety and stability.
2. Monetary authorities should formulate supportive monetary policy measures capable of promoting stable and sustainable FinTech development in Nigeria.
3. Deposit Money Banks should intensify investments in digital banking infrastructure and cybersecurity systems to minimize operational and cyber-related risks.
4. Financial institutions should strengthen consumer protection mechanisms in order to improve public confidence in electronic banking systems.
5. Government should promote a stable macroeconomic environment through effective inflation and interest rate management policies.
6. Collaboration between banks and FinTech firms should be encouraged to enhance innovation and improve banking sector stability in Nigeria.

5.4 Contribution to Knowledge

This study contributes to existing literature by constructing and employing the Banking Sector Stability Index (BSSI3) within the context of FinTech-driven banking sector transformation in Nigeria. The study also extends empirical evidence on the relationship between digital financial innovation and banking stability using recent Nigerian data.

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