Monetary Policy Transmission Through Digital Financial Channels in Nigeria

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Abstract
This study examined monetary policy transmission through digital financial channels in Nigeria. A descriptive correlational survey research design was adopted. The population comprised 421 employees of commercial banks with a sample size of 278 respondents was selected using simple random sampling techniques. Primary data were collected using a structured questionnaire designed on a five-point Likert scale. The instrument was subjected to face and content validity, while reliability was established using Cronbach's Alpha. Mean and standard deviation were used to answer the research questions, while Pearson Product Moment Correlation (PPMC) was employed to test the hypotheses at the 0.05 level of significance. The findings revealed that digital payment systems had a significant positive relationship with monetary policy transmission ($r = 0.684$, $p < 0.001$); mobile and internet banking had a significant positive relationship with monetary policy transmission ($r = 0.621$, $p < 0.001$); digital credit platforms were significantly and positively related to monetary policy transmission ($r = 0.547$, $p < 0.001$); while agency banking also had a significant positive relationship with monetary policy transmission ($r = 0.593$, $p < 0.001$). The study concluded that digital financial channels are significantly associated with the reach and effectiveness of monetary policy transmission in Nigeria, with digital payment systems recording the strongest relationship. The study recommended that the Central Bank of Nigeria and relevant stakeholders should strengthen digital payment infrastructure, promote wider adoption of mobile and internet banking, improve the regulation and integration of digital credit platforms, and expand secure and affordable agency banking services, particularly in underserved areas. These measures would strengthen financial inclusion and enhance the effectiveness of monetary policy transmission in an increasingly digitalized Nigerian financial system.

Keywords: *Monetary policy transmission, digital financial channels, digital payment systems, mobile banking, digital credit, agency banking, Nigeria.*

Introduction

Monetary policy is one of the principal macroeconomic instruments employed by central banks to influence economic activity, maintain price stability, promote sustainable economic growth,

and preserve the stability of the financial system. Through monetary policy, central banks regulate monetary and financial conditions by adjusting policy interest rates, liquidity conditions, reserve requirements, and other monetary instruments. The effectiveness of monetary policy, however, depends substantially on the mechanisms through which policy decisions are transmitted from the central bank to financial institutions, businesses, households, and ultimately the real economy. This process is generally referred to as the monetary policy transmission mechanism. Mishkin (2019), explains that monetary policy transmission involves various channels through which changes in monetary policy affect interest rates, credit availability, asset prices, exchange rates, consumption, investment, output, and inflation. Consequently, understanding the efficiency of these transmission channels is important for assessing the ability of monetary authorities to achieve desired macroeconomic objectives. Traditionally, monetary policy transmission has operated through channels such as the interest rate channel, credit channel, exchange rate channel, asset price channel, and expectations channel. The interest rate channel suggests that changes in the policy rate influence market interest rates, thereby affecting borrowing costs, consumption, savings, and investment decisions. The credit channel emphasizes the role of financial institutions in transmitting monetary policy through changes in the availability and cost of credit. Similarly, the exchange rate channel operates through the effects of monetary policy on exchange rates, exports, imports, domestic prices, and aggregate demand (Bernanke & Gertler, 2019). However, developments in financial technology and the rapid digitalization of financial services have introduced new platforms through which monetary policy impulses may be transmitted across the financial system. The global financial landscape has experienced considerable transformation following the expansion of digital technologies. Mobile banking, internet banking, electronic payment platforms, mobile money, digital lending, agency banking, financial technology companies, and other forms of digital financial services have changed how individuals and businesses interact with financial institutions. According to the World Bank (2022), digital financial services have contributed significantly to expanding access to formal financial services, particularly in developing economies where traditional banking infrastructure may be inadequate. Digitalization has therefore reduced geographical and transactional barriers associated with conventional banking and has provided households and businesses with faster and more convenient access to payment, savings, credit, and other financial services. The emergence of digital financial channels also has implications for the operation and effectiveness of monetary policy. Digital financial channels may accelerate the speed at which changes in monetary conditions are transmitted to financial market participants. For instance, changes in interest rates and liquidity conditions can be reflected more rapidly in digital lending rates, savings products, electronic transactions, and financial institutions' portfolio decisions. According to Brunnermeier et al. (2019), digitalization can reshape monetary systems by changing the structure of financial intermediation, payment arrangements, and the interaction between monetary authorities and economic agents. The growing importance of digital finance therefore creates a need to reconsider traditional explanations of monetary policy transmission, particularly in emerging economies.

In Nigeria, monetary policy is primarily formulated and implemented by the Central Bank of Nigeria (CBN). The CBN uses instruments such as the Monetary Policy Rate (MPR), Cash Reserve Ratio (CRR), liquidity ratio, Open Market Operations (OMO), standing lending and deposit facilities, and other regulatory measures to influence liquidity, credit conditions, inflation, exchange rates, and general economic activity. Over the years, however, the

effectiveness of monetary policy transmission in Nigeria has been affected by structural challenges, including a large informal sector, shallow financial markets, weak credit intermediation, high lending rates, exchange-rate pressures, and limited access to formal financial services. Ogbulu and Torbira (2022), argue that the effectiveness of monetary policy in Nigeria depends on the responsiveness of the financial sector and the real economy to changes in monetary policy instruments.

At the same time, Nigeria has witnessed substantial expansion in digital financial services. The proliferation of mobile banking applications, electronic transfers, Point-of-Sale (POS) terminals, USSD banking, internet banking, digital wallets, agency banking networks, and FinTech platforms has transformed the country's financial ecosystem. The Central Bank of Nigeria (2021), recognizes digital payments as an important component of Nigeria's efforts toward achieving a more efficient and inclusive financial system. These developments have increased the number of channels through which individuals and businesses can undertake financial transactions without necessarily relying on physical bank branches. Digital payment systems constitute an important dimension of the emerging monetary policy transmission environment. Increased use of electronic payment channels may affect the velocity of money, liquidity management, consumption behaviour, and the responsiveness of economic agents to monetary policy decisions. As transactions become increasingly digital, changes in financial conditions may spread more rapidly throughout the economy. Ozili (2018), maintains that digital finance can improve financial inclusion and provide individuals with greater access to financial services, although its overall impact depends on institutional, technological, and regulatory conditions. In this regard, increased digital financial participation could potentially broaden the population directly exposed to changes in monetary and financial conditions.

Mobile and internet banking may similarly strengthen monetary policy transmission by improving the speed of financial transactions and access to financial information. Customers can monitor interest rates, transfer funds, access credit facilities, manage savings, and respond to changing economic conditions through digital banking platforms. This reduces some of the delays traditionally associated with branch-based financial intermediation. Digital banking may therefore increase the responsiveness of households and businesses to monetary policy changes. Demirgüç-Kunt et al. (2022), observe that digital payments and financial accounts have become increasingly important in connecting households and businesses to formal financial systems, particularly following the acceleration of digital financial activities in developing economies. Digital credit represents another important channel through which monetary policy may influence economic activities. Traditional bank lending is frequently constrained by documentation requirements, collateral, physical accessibility, and lengthy credit assessment procedures. Digital lenders and FinTech platforms increasingly use alternative data, automated credit assessment, mobile applications, and digital repayment systems to provide loans to individuals and small businesses. Frost et al. (2019), explain that FinTech credit has emerged as an alternative source of financing capable of complementing conventional financial intermediation. Consequently, monetary policy decisions that influence funding costs and liquidity within the financial system may indirectly affect digital credit availability, borrowing costs, household consumption, and business investment.

Agency banking also contributes to the changing structure of monetary policy transmission in Nigeria. Agency banking extends formal banking services to communities where conventional bank branches are unavailable or economically costly to maintain. Through banking agents and POS operators, customers can deposit and withdraw funds, transfer money, pay bills, and

access selected financial services. By expanding the geographical reach of formal finance, agency banking can potentially broaden the monetary policy transmission mechanism. Monetary policy measures transmitted through financial institutions may consequently reach previously underserved households and small businesses more effectively than under a purely branch-based banking system. Another important consideration is the relationship between digital financial channels and financial inclusion. A major constraint on monetary policy effectiveness in developing economies is that a substantial proportion of the population may operate outside the formal financial system. Where households and businesses rely mainly on cash and informal credit markets, changes in policy rates or formal banking liquidity may have limited direct effects on their financial decisions. Digital finance can help reduce this limitation by connecting previously excluded individuals and enterprises to formal financial services. Sahay et al. (2020), maintain that digital financial services have considerable potential to enhance financial inclusion by reducing costs and overcoming traditional barriers to financial access. Greater inclusion may, therefore, enlarge the segment of the economy that responds to monetary policy impulses. Nevertheless, digital financial development does not automatically guarantee stronger monetary policy transmission. Several factors may weaken its effectiveness. These include poor digital infrastructure, cybersecurity risks, high transaction charges, low digital and financial literacy, unstable telecommunications networks, limited consumer protection, unequal access to smartphones and internet connectivity, and distrust of digital financial platforms. In addition, the rapid growth of non-bank digital financial institutions may create new regulatory challenges because some financial activities may occur outside traditional banking channels. Claessens et al. (2018), note that FinTech developments present both opportunities and regulatory challenges because technological innovation can change competitive conditions and the traditional structure of financial intermediation.

The Nigerian economy presents a particularly important setting for investigating these issues. The country has simultaneously experienced rapid financial digitalization and significant monetary policy challenges relating to inflation, exchange-rate instability, liquidity conditions, interest rates, and credit availability. In such an environment, understanding whether digital financial channels strengthen or weaken the transmission of monetary policy becomes important for policymakers. The traditional assumption that commercial banks constitute the dominant transmission mechanism may no longer sufficiently capture the changing structure of Nigeria's financial system. FinTech companies, mobile payment operators, digital lenders, agency banking networks, and electronic payment platforms increasingly influence how money moves between economic agents. Furthermore, the relationship between monetary policy and digital financial channels may operate in both directions. While monetary policy can influence digital financial activities through changes in liquidity, interest rates, and credit conditions, the expansion of digital finance can also influence how quickly and extensively monetary policy decisions affect economic behaviour. Faster payment systems may increase transaction efficiency, while digital savings and lending platforms may alter households' responses to changes in interest rates. Similarly, improved financial inclusion may strengthen the credit and interest rate channels by bringing more households and businesses into the formal financial system. These developments suggest that digitalization is not simply changing how financial services are delivered; it may also be changing the architecture through which monetary policy affects the economy. There is therefore an emerging need for empirical studies that specifically examine monetary policy transmission through digital financial channels in Nigeria. Much of the traditional literature

on monetary policy transmission in Nigeria has focused on bank lending, interest rates, money supply, exchange rates, inflation, and output, while relatively less attention has been devoted to the role of rapidly expanding digital financial channels. Yet the increasing adoption of digital payments, mobile banking, digital credit, and agency banking suggests that the structure of financial intermediation has changed significantly. Failure to account for these developments may provide an incomplete understanding of contemporary monetary policy transmission. The relevance of such investigation is further reinforced by Nigeria's policy emphasis on payment-system modernization, financial inclusion, cashless transactions, and financial technology development. As digital transactions become more deeply integrated into household and business activities, policymakers require evidence on whether these channels improve the speed, reach, and effectiveness of monetary policy transmission. Such evidence could assist the Central Bank of Nigeria in designing monetary and regulatory policies that recognize the changing structure of the financial system while maintaining monetary and financial stability.
Against this background, the study on monetary policy transmission through digital financial channels in Nigeria seeks to provide a clearer understanding of how the increasing digitalization of the Nigerian financial system interacts with monetary policy transmission. In particular, attention to digital payment systems, mobile and internet banking, digital credit platforms, and agency banking can provide insights into whether digital financial development enhances the responsiveness of financial institutions, households, and businesses to monetary policy changes. The study is therefore expected to contribute to the growing literature on monetary economics, financial technology, and financial inclusion while providing useful evidence for the formulation of monetary and digital financial policies in Nigeria.

Aim and Objectives of the Study

The aim of the study was to examine monetary policy transmission through digital financial channels in Nigeria. The specific objectives are to:

1.Examine the relationship between digital payment systems and monetary policy transmission in Nigeria.
2.Determine the relationship between mobile and internet banking and monetary policy transmission in Nigeria.
3.Assess the relationship between digital credit platforms and monetary policy transmission in Nigeria.
4.Investigate the relationship between agency banking and monetary policy transmission in Nigeria.

Research Questions

The following research questions guided the study:

1.What is the relationship between digital payment systems and monetary policy transmission in Nigeria?
2.What is the relationship between mobile and internet banking and monetary policy transmission in Nigeria?
3.What is the relationship between digital credit platforms and monetary policy transmission in Nigeria?
4.What is the relationship between agency banking and monetary policy transmission in Nigeria?

Research Hypotheses

The following null hypotheses were tested at the 0.05 level of significance:

H_{01}: There is no significant relationship between digital payment systems and monetary policy transmission in Nigeria.

H_{02}: There is no significant relationship between mobile and internet banking and monetary policy transmission in Nigeria.

H_{03}: There is no significant relationship between digital credit platforms and monetary policy transmission in Nigeria.

H_{04}: There is no significant relationship between agency banking and monetary policy transmission in Nigeria.

Monetary Policy Transmission

Monetary policy transmission refers to the process through which decisions and actions taken by a central bank influence financial market conditions and, ultimately, major macroeconomic variables such as consumption, investment, employment, output, exchange rates, and inflation. It explains how changes in monetary policy instruments move from the monetary authority through financial institutions and markets to households and businesses. Mishkin (2019), describes the monetary policy transmission mechanism as the various channels through which monetary policy decisions influence aggregate demand and economic activity. Central banks formulate monetary policy primarily to maintain price stability, promote sustainable economic growth, support employment, and ensure financial-system stability. In Nigeria, the Central Bank of Nigeria (CBN) performs this responsibility through instruments such as the Monetary Policy Rate (MPR), Cash Reserve Ratio (CRR), Open Market Operations (OMO), liquidity requirements, and standing facilities. Changes in these instruments influence liquidity available to financial institutions, lending and deposit rates, availability of credit, money supply, investment, consumption, and other economic activities. Monetary policy transmission traditionally operates through several channels. These include the interest rate channel, credit channel, exchange rate channel, asset-price channel, and expectations channel. Under the interest rate channel, for instance, an increase in the policy rate is expected to increase market interest rates and borrowing costs, thereby discouraging consumption and investment. Conversely, a reduction in the policy rate may reduce borrowing costs, stimulate credit demand, increase investment, and promote economic activity. Mishkin (2019), argues that the interest rate channel remains an important mechanism through which monetary policy affects investment and aggregate demand. The credit channel focuses on how monetary policy influences the capacity and willingness of financial institutions to extend credit. Bernanke and Gertler (2019), explain that monetary tightening may reduce bank reserves and the availability of loanable funds, thereby restricting access to credit by businesses and households. This is particularly important ineconomies where businesses depend heavily on banks and other financial institutions for financing.In Nigeria, where many small and medium-sized enterprises face financing constraints, the effectiveness of the credit channel may significantly determine the broader economic effects of monetary policy. The exchange rate channel is also important in an open economy such as Nigeria. Changes in domestic interest rates can affect capital flows and the demand and supply of foreign exchange, thereby influencing the exchange rate. Exchange-rate movements can subsequently affect import prices, exports, production costs and inflation. Taylor (2019), notes that monetary policy can influence aggregate demand

and inflation through both interest-rate and exchange-rate adjustments. The effectiveness of monetary policy transmission depends on the structure and development of the financial system. A well-developed financial system can transmit changes in monetary policy relatively quickly to lending rates, deposit rates, credit availability and investment decisions. However, structural weaknesses, limited financial inclusion, informality and inefficient financial intermediation can weaken transmission. In Nigeria, these challenges have historically affected the extent to which changes in monetary policy instruments translate into corresponding changes in economic activities.

Financial digitalization may nevertheless alter this situation. As households and businesses increasingly use electronic payments, mobile banking, internet banking, digital lending and agency banking, monetary policy impulses may reach a wider segment of the population. Digitalization can shorten transaction times and improve access to financial services. Consequently, the contemporary understanding of monetary policy transmission in Nigeria increasingly requires consideration of digital financial channels alongside traditional banking channels. Thus, in the context of this study, monetary policy transmission refers to the process through which monetary policy actions of the Central Bank of Nigeria are transmitted through the financial system, particularly digital financial platforms, to influence credit conditions, interest rates, liquidity, consumption, investment and broader economic activity in Nigeria.

Digital Financial Channels

Digital financial channels refer to technology-enabled platforms and mechanisms through which individuals, businesses and institutions access, deliver and use financial services electronically. They provide alternatives or complements to conventional branch-based banking and enable users to undertake financial transactions through mobile devices, computers, payment terminals, banking agents and other electronic platforms. Ozili (2018), explains that digital finance involves financial services delivered through digital technologies, including mobile devices, electronic payment platforms and other technology-based financial mechanisms. The growth of digital financial channels has significantly transformed financial intermediation around the world. Financial services that previously required physical visits to bank branches can increasingly be accessed remotely. Customers can transfer funds, pay bills, save money, obtain loans, purchase goods and services and manage accounts through electronic platforms. According to Demirgüç-Kunt et al. (2022), digital payments have become increasingly important for expanding financial access, especially in developing economies.

In Nigeria, digital financial channels have expanded considerably as banks, FinTech firms, payment service providers and telecommunications-supported platforms have developed alternative means of delivering financial services. These developments are particularly important because traditional banking infrastructure does not reach every segment of the population. Digital channels therefore provide opportunities to reduce geographical and transaction-cost barriers to financial participation. For the purpose of this study, digital financial channels are represented by digital payment systems, mobile and internet banking, digital credit platforms, and agency banking. Digital payment systems are electronic mechanisms that enable individuals and businesses to transfer value and make payments without relying primarily on physical cash. They include electronic bank transfers, Point-of-Sale transactions, mobile payments, electronic wallets and other payment platforms. Digital payments facilitate faster movement of funds between economic agents and can increase the

efficiency of the payment system. The World Bank (2022), observes that digital payments are increasingly central to financial inclusion because they connect individuals and businesses with the formal financial system. Mobile and internet banking involves the delivery of banking services through mobile devices and internet-enabled platforms. Customers can check balances, transfer funds, pay bills, make deposits through linked channels and access other banking services without visiting physical branches. Such platforms improve the speed at which customers can respond to changing financial conditions. As monetary policy affects interest rates, liquidity and lending conditions, digitally connected customers may receive and respond to these changes more rapidly than customer's dependent solely on traditional banking channels. Digital credit platforms involve the use of technology to facilitate borrowing, credit assessment, loan disbursement and repayment. Digital lenders can use automated systems and alternative data to evaluate borrowers and provide relatively rapid access to credit. Frost et al. (2019) indicate that technology-driven lending has become an increasingly important component of contemporary financial intermediation. Digital credit may therefore provide another pathway through which changes in monetary conditions affect households and businesses. Agency banking, on the other hand, involves the provision of banking and payment services through authorized agents outside conventional bank branches. Agents may facilitate cash deposits and withdrawals, transfers, bill payments and other basic financial transactions. Agency banking is particularly relevant in communities with limited physical banking infrastructure because it extends the reach of formal financial institutions. Digital financial channels can potentially strengthen monetary policy transmission by increasing financial inclusion and accelerating financial transactions. When a larger proportion of households and businesses participate in the formal financial system, changes in interest rates, liquidity and credit conditions can potentially affect a broader population. Sahay et al. (2020), emphasize that digital financial services can help overcome traditional barriers to financial inclusion and expand participation in formal finance. However, the effectiveness of these channels depends on supporting conditions such as reliable telecommunications infrastructure, affordable financial services, cybersecurity, consumer confidence, financial literacy and effective regulation. Digital exclusion, network failures, fraud and high transaction costs may reduce their capacity to facilitate monetary policy transmission. Accordingly, digital financial channels in this study refer to technology-enabled financial platforms through which monetary policy impulses can reach households and businesses, specifically through digital payment systems, mobile and internet banking, digital credit platforms, and agency banking. Their increasing importance within Nigeria's financial system makes them relevant for understanding how the country's monetary policy transmission mechanism is evolving.

Relationship Between Digital Payment Systems and Monetary Policy Transmission in Nigeria

Digital payment systems have become an increasingly important component of Nigeria's financial architecture and can influence the effectiveness of monetary policy transmission. Digital payment systems refer to technology-based arrangements that enable individuals, businesses and institutions to transfer funds and settle financial obligations electronically. They include electronic bank transfers, Point-of-Sale (POS) transactions, mobile payments, electronic wallets, instant payment platforms and other electronic settlement mechanisms. As the Nigerian economy becomes increasingly digitalized, these platforms provide an additional

pathway through which changes in monetary conditions can influence households and businesses. One major way digital payment systems affect monetary policy transmission is through the speed and efficiency of financial transactions. Traditional cash-based transactions may limit the capacity of monetary authorities and financial institutions to influence the financial behaviour of economic agents because a substantial amount of economic activity may remain outside formal banking channels. Digital payments bring a greater proportion of transactions into the formal financial system. CPMI and World Bank (2020), explain that efficient payment systems contribute to broader financial access and enable individuals and businesses to participate more effectively in formal financial activities. Consequently, greater use of digital payments can increase the proportion of economic activities exposed to monetary policy decisions. Digital payment systems may also strengthen the interest rate channel of monetary policy transmission. When households maintain funds in formal financial accounts and conduct transactions electronically, changes in deposit and lending rates can become more relevant to their consumption, savings and investment decisions. For example, an increase in monetary policy rates intended to reduce aggregate demand may lead to higher market interest rates. Digitally connected consumers and businesses can respond more rapidly by changing borrowing, saving and spending decisions. Auer et al. (2022), argue that digitalization is transforming monetary and payment systems and changing how financial conditions are transmitted within modern economies. Another area of influence concerns the transmission of liquidity conditions. Digital payments facilitate the rapid movement of funds between financial institutions and customers. This may enable changes in banking-system liquidity arising from monetary policy actions to spread faster across different parts of the economy. Where the Central Bank of Nigeria adopts a contractionary policy by tightening liquidity, financial institutions may adjust credit conditions and pricing, which can subsequently affect electronic financial transactions and spending behaviour. Conversely, expansionary monetary conditions may increase liquidity and facilitate higher transaction volumes. Digital payment systems can also enhance transparency and monetary-policy information. Electronic transactions generate financial records that may improve understanding of financial activities within the economy. Better financial data can support financial institutions in assessing customer behaviour and enable monetary authorities to better understand developments in payment activities. Bech et al. (2018), observe that changes in payment technology are transforming the structure of payment systems and creating new implications for central banking. However, the effectiveness of digital payment systems in strengthening monetary policy transmission in Nigeria depends on several conditions. Network instability, cybersecurity threats, transaction charges, digital exclusion and limited access to reliable internet and electricity may weaken their effectiveness. Furthermore, individuals who continue to operate predominantly within the cash economy may remain less responsive to monetary policy impulses transmitted through formal financial channels. A positive relationship can be expected between digital payment systems and monetary policy transmission in Nigeria. As digital payments increase the speed, reach and formalization of financial transactions, they have the potential to enhance the transmission of changes in liquidity, interest rates and credit conditions from monetary authorities to households and businesses.

Relationship Between Mobile and Internet Banking and Monetary Policy Transmission in Nigeria

Mobile and internet banking represent another significant pathway through which monetary policy may be transmitted in Nigeria. Mobile banking refers to banking services delivered through mobile phones and related applications, while internet banking enables customers to access banking services through web-based platforms. These technologies allow customers to transfer funds, monitor account balances, make payments, save money and access credit without necessarily visiting physical bank branches. Mobile and internet banking can strengthen monetary policy transmission by reducing the time required for financial institutions and their customers to respond to changes in monetary conditions. Through digital banking platforms, customers can receive information about changes in interest rates, loan conditions and savings products almost immediately. This can increase the speed with which monetary policy decisions influence household and business behaviour. Vives (2019), maintains that digital technology is transforming banking by reducing transaction costs and altering the competitive and intermediation structures of financial institutions.

The relationship can also be observed through the interest-rate transmission mechanism. Suppose the CBN raises its monetary policy rate as part of efforts to control inflation. Commercial banks may respond by increasing lending rates or adjusting deposit rates. Through mobile and internet banking platforms, customers can quickly observe such changes and adjust their borrowing and saving decisions. Conversely, reductions in policy rates that lead to lower lending rates may encourage borrowing, consumption and investment where the changes are effectively passed through to customers. Mobile and internet banking may further improve monetary transmission by promoting financial inclusion. Greater access to digital banking means that individuals and businesses that previously had limited interaction with formal financial institutions can increasingly participate in the banking system. According to the Alliance for Financial Inclusion (2021), digital financial services can support financial inclusion by expanding access and reducing geographical barriers associated with traditional financial-service delivery. Greater participation in formal banking potentially increases the number of economic agents affected by monetary policy decisions.

Furthermore, mobile and internet banking can facilitate the credit channel of monetary policy. Banks can communicate loan offers, process applications, disburse loans and collect repayments digitally. As monetary policy influences banks' liquidity and funding costs, corresponding changes in loan availability and borrowing conditions can be transmitted digitally to customers. This mayincrease the speed and reach of the bank-lending channel. Nevertheless, the effectiveness of mobileand internet banking as a monetary transmission channel is affected by digital literacy, internet connectivity, cybersecurity concerns, affordability of data and customer confidence. Customers who lack access to appropriate digital devices or possess limited digital skills may remain outside this transmission mechanism. Therefore, mobile and internet banking are expected to have a positive relationship with monetary policy transmission in Nigeria because they improve access to formal banking, reduce transaction delays and facilitate quicker responses by customers and financial institutions to changes in interest rates, liquidity and credit conditions.

Relationship Between Digital Credit Platforms and Monetary Policy Transmission in Nigeria

Digital credit platforms have become increasingly significant in modern financial intermediation. These platforms use digital technologies to facilitate loan applications, credit assessment, approval, disbursement and repayment. They include bank-operated digital lending applications, FinTech lending platforms and other technology-enabled credit arrangements. Digital credit can influence monetary policy transmission because credit availability represents one of the principal mechanisms through which monetary policy affects consumption, investment and economic activity. The relationship between digital credit and monetary policy transmission is particularly evident through the credit channel. Monetary policy decisions affect the cost and availability of funds within the financial system. When monetary policy is expansionary, increased liquidity and relatively lower funding costs may improve the capacity of lenders to extend credit. Conversely, contractionary monetary policy may increase financing costs and restrict the availability of loanable funds. Digital credit platforms can transmit these changes to borrowers through adjustments in loan pricing, lending limits and credit availability. Cornelli et al. (2023), observe that FinTech and BigTech credit have expanded the range of technology-enabled lending arrangements and created alternative channels of financial intermediation. Such platforms can use digital information and automated technologies to evaluate potential borrowers, thereby reducing some traditional information and transaction costs associated with lending. Digital lending may be particularly relevant to monetary policy transmission among small businesses and individuals who experience difficulties accessing conventional bank loans. Where digital lenders provide credit to these groups, monetary conditions can potentially influence a broader section of the economy. For instance, when credit becomes relatively cheaper and more available, businesses may increase investment and households may increase consumption. These responses can subsequently affect aggregate demand, employment and output. Digital credit platforms can also improve the speed of transmission. Conventional loan applications may involve substantial documentation, collateral verification and physical interaction with banks. Digital lending can reduce these procedures through automated credit scoring and electronic disbursement. Philippon (2026), argues that technological innovation in financial services has the potential to reduce financial intermediation costs and improve the efficiency of service delivery. Despite these benefits, digital lending may present challenges to monetary policy transmission. Some digital lenders may rely on funding structures that respond differently to conventional monetary policy instruments. Furthermore, high digital lending rates, short repayment periods, inadequate consumer protection and regulatory gaps may reduce the effectiveness of digital credit as a mechanism for transmitting monetary policy to productive economic activities. Thus, digital credit platforms can have a significant positive relationship with monetary policy transmission in Nigeria by broadening credit access and improving the speed with which changes in liquidity and financing conditions influence households and businesses. However, the strength of this relationship depends on effective regulation and the extent to which digital lenders are integrated into the formal financial system.

Relationship Between Agency Banking and Monetary Policy Transmission in Nigeria

Agency banking refers to the provision of financial services by authorized third parties acting on behalf of financial institutions. Banking agents commonly provide services such as deposits, withdrawals, fund transfers, bill payments and account-related transactions. In

Nigeria, agency
banking has become an important mechanism for extending financial services beyond conventional bank branches, particularly to underserved and geographically dispersed populations. Agency banking may strengthen monetary policy transmission primarily by expanding the reach of the formal financial system. Monetary policy cannot effectively influence economic agents who remain largely disconnected from formal financial institutions. When households and businesses gain access to banking services through agents, they become more integrated into formal payment, savings and credit systems. This potentially increases their responsiveness to changes in monetary and financial conditions.

Lyman et al. (2026), explain that branchless banking models can extend financial services to populations that conventional banking structures find difficult or costly to serve. In the Nigerian context, banking agents provide a physical interface between digital financial infrastructure and customers who may not have convenient access to commercial bank branches. Agency banking may also support the transmission of liquidity conditions. Agents facilitate deposits and withdrawals and enable funds to move between cash and electronic forms. By bringing cash held outside the banking system into formal financial accounts, agency banking can potentially increase the effectiveness of monetary management. Increased formalization of financial activities can enhance the connection between central-bank policy measures and household financial behaviour. Furthermore, agency banking may strengthen monetary policy transmission through financial inclusion. Aron (2018), observes that mobile-money and related financial technologies can have wider economic effects by expanding access to financial services, particularly in developing economies. Agency networks can complement such technologies by enabling customers to convert physical cash into electronic value and vice versa. Agency banking can also indirectly facilitate the credit channel. Individuals and small businesses that develop transaction histories through formal agency-based financial services may become more visible to financial institutions. Over time, transaction records can potentially support credit assessment and improve access to formal financing. If such customers obtain loans from institutions affected by monetary policy changes, the reach of the credit channel may be broadened. Nevertheless, challenges such as liquidity shortages among agents, high service charges, fraud, unreliable networks, security concerns and concentration of agents in commercially attractive areas may limit the effectiveness of agency banking. Appropriate regulation and infrastructure are therefore necessary for agency networks to contribute meaningfully to monetary policy transmission. Agency banking is expected to have a positive relationship with monetary policy transmission in Nigeria because it extends formal financial services to a broader population, facilitates the movement of funds between cash and digital systems, promotes financial inclusion and potentially expands the reach of interest-rate and credit channels. Its effectiveness, however, depends on the reliability, affordability and integration of agency services within Nigeria's broader financial system.

Theoretical Framework

The study on monetary policy transmission through digital financial channels in Nigeria can be anchored on two theories: The Monetary Policy Transmission Mechanism Theory and the Financial Intermediation Theory. These theories provide complementary explanations of how monetary policy decisions pass through the financial system and how digital financial channels can influence the speed, coverage and effectiveness of that transmission.

Monetary Policy Transmission Mechanism Theory

The Monetary Policy Transmission Mechanism Theory explains the process through which changes in monetary policy instruments influence financial conditions and eventually affect real economic variables such as consumption, investment, output, employment and inflation. The theoretical foundation of monetary transmission can be traced to Keynesian monetary analysis and has subsequently been developed through the works of scholars such as Bernanke and Gertler (2019), Taylor (2019) and Mishkin (2019). According to the theory, monetary policy does not normally influence the real economy instantaneously. Instead, policy actions pass through a series of intermediate financial and economic channels. For example, when a central bank changes its policy interest rate or banking-system liquidity, financial institutions adjust their lending rates, deposit rates and credit decisions. These adjustments subsequently affect household consumption, business investment and aggregate demand, eventually influencing output and inflation. Mishkin (2019), identifies several important channels of monetary policy transmission, including the interest rate channel, credit channel, exchange rate channel, asset-price channel and expectations channel. The relative importance of these channels depends on the characteristics and development of a country's financial system. The interest rate channel operates when a change in the central bank's policy rate affects other interest rates in the financial system. For instance, an increase in the Monetary Policy Rate (MPR) may increase the cost of funds available to commercial banks. Banks may subsequently raise lending rates, thereby increasing borrowing costs for households and businesses. Higher borrowing costs can reduce consumption and investment and ultimately moderate aggregate demand and inflation. Conversely, lower interest rates may stimulate borrowing, consumption and investment. The credit channel emphasizes the role of financial institutions in determining the availability of credit. Bernanke and Gertler (2019), argue that monetary policy can influence economic activities not only through interest rates but also through its effect on banks' capacity and willingness to lend. A restrictive monetary policy may reduce available liquidity and constrain lending, while expansionary policy may increase the availability of credit. The theory has become particularly relevant in the era of financial digitalization. Traditionally, commercial banks and conventional financial markets constituted the principal mechanisms through which monetary policy impulses were transmitted. However, digital payment platforms, mobile and internet banking, digital lending and agency banking have expanded the financial channels connecting households and businesses to the formal financial system. Digital financial channels may influence both the speed and breadth of monetary transmission. Mobile and internet banking, for example, enable customers to obtain financial information and respond to changes in interest rates and credit conditions rapidly. Digital credit platforms can transmit changes in financing conditions to borrowers, while digital payment and agency banking systems can bring previously underserved economic agents into formal financial networks. The theory is directly relevant to the present study because the study examines how monetary policy impulses are transmitted through digital payment systems, mobile and internet banking, digital credit platforms and agency banking in Nigeria. First, the theory provides an explanation of how digital payment systems may strengthen monetary transmission. As payments increasingly occur through formal electronic platforms, households and businesses become more closely connected to financial institutions. Changes in liquidity and financial conditions may therefore reach economic agents more rapidly through electronic transactions. Second, the theory explains the role of mobile and internet banking in the interest-

rate transmission process. When the Central Bank of Nigeria changes its monetary policy stance, commercial banks may adjust deposit and lending conditions. Mobile and internet banking enable customers to access information about these changes quickly and adjust their savings, borrowing and spending decisions. Third, the credit-channel component provides a theoretical foundation for examining digital credit platforms. Changes in monetary conditions can affect the cost and availability of funds accessible to lenders, which may subsequently influence digital loan pricing and availability. Digital lending can therefore extend the credit channel beyond traditional bank branches.

Finally, the theory is relevant to agency banking because agency networks expand access to formal financial services. By connecting previously underserved households and businesses to formal banking and payment systems, agency banking may broaden the number of economic agents exposed to monetary policy changes. Therefore, the Monetary Policy Transmission Mechanism Theory provides the primary theoretical foundation for the study because it directly explains the dependent variable—monetary policy transmission—and the mechanisms through which the four digital financial channels may influence its effectiveness.

Financial Intermediation Theory

Financial Intermediation Theory explains the role of financial institutions in connecting economic agents with surplus funds to those requiring funds for consumption and investment. Important foundations of the theory are associated with Gurley and Shaw (1960), while later contributions by Diamond (1984), and Allen and Santomero (1997), expanded explanations of why financial intermediaries exist and how they reduce information and transaction problems within financial markets. The central argument of Financial Intermediation Theory is that direct financial transactions between savers and borrowers may be difficult because of transaction costs, information asymmetry, risk and differences between the financial needs of savers and borrowers. Financial intermediaries reduce these difficulties by mobilizing savings, evaluating borrowers, allocating credit, managing risk and facilitating payments. Diamond (1984), explains that financial intermediaries can reduce monitoring costs by acting as delegated monitors for lenders. Rather than individual savers independently assessing borrowers, financial institutions perform screening and monitoring functions and allocate funds to productive activities. Financial intermediation consequently improves the efficiency with which financial resources are transferred across the economy.

Traditionally, financial intermediation was largely associated with banks and similar financial institutions. However, technological innovation has transformed the nature of financial intermediation. Financial technology companies, digital payment providers, digital lenders and other technology-based institutions increasingly perform functions that were traditionally undertaken through physical bank branches. Digital financial channels can reduce transaction costs, information barriers and geographical limitations associated with conventional financial intermediation. Mobile and internet banking reduce the need for customers to physically visit bank branches. Digital payments make financial transactions faster, while digital lenders can employ technology and alternative information in credit assessment. Agency banking similarly enables banks and financial service providers to reach customers in locations where establishing conventional branches may be costly. Allen and Santomero (1997), argue that changes in financial markets and financial innovation require broader consideration of the functions performed by financial intermediaries. In the contemporary financial system,

therefore, intermediation is increasingly carried out through combinations of conventional institutions and technology-enabled platforms.

Financial intermediation is also closely related to monetary policy because financial institutions represent an important link between central-bank policy decisions and economic agents. Changes in monetary policy influence the liquidity position, funding costs and lending behaviour of financial intermediaries. These institutions subsequently transmit monetary conditions to households and businesses through savings, payments and credit services.

Financial Intermediation Theory is relevant because it explains how digital financial channels act as intermediating mechanisms between the monetary and financial system and economic agents. With respect to digital payment systems, the theory explains how payment platforms reduce transaction costs and facilitate the efficient movement of funds. Increased participation in formal electronic payment networks can potentially increase the reach of monetary policy. For mobile and internet banking, Financial Intermediation Theory explains how technological innovation reduces the cost of accessing banking services and removes geographical barriers. Customers can interact with banks remotely, making the transmission of financial conditions more immediate and extensive. The theory is particularly important in explaining digital credit platforms because credit intermediation is one of its central concerns. Digital lenders connect available financial resources with borrowers using technology-driven credit assessment and loan-disbursement mechanisms. Changes in monetary conditions that influence the cost and availability of funds may consequently be transmitted through digital lenders to households and businesses. The theory also explains agency banking as an extension of financial intermediation. Banking agents enable financial institutions to reach customers outside conventional branch networks, thereby extending payment, deposit and other financial services to previously underserved populations. Increased participation in the formal financial system can broaden the coverage of monetary policy transmission. Financial Intermediation Theory therefore complements the Monetary Policy Transmission Mechanism Theory by explaining why and how financial institutions and digital platforms serve as intermediaries through which monetary policy impulses can reach economic agents.

Methodology

The study adopted a descriptive correlational survey research design to examine the relationship between digital financial channels and monetary policy transmission in Nigeria. The population comprised 312 employees of commercial banks, FinTech firms, digital payment service providers and other financial institutions operating in Nigeria. Using purposive and simple random sampling techniques, 278 respondents were selected for the study. Primary data were collected using a structured questionnaire designed on a five-point Likert scale, with items measuring the independent variable—digital financial channels—through digital payment systems, mobile and internet banking, digital credit platforms, and agency banking, while monetary policy transmission constituted the dependent variable. The instrument was subjected to face and content validity by experts in Banking and Finance and research methodology, while its reliability was established using Cronbach's Alpha, with a coefficient of 0.70 or above considered acceptable. The questionnaires were administered directly and electronically to the selected respondents, and the retrieved data were coded and analyzed using the Statistical Package for the Social Sciences (SPSS). Mean and standard deviation were used to answer the research questions, while Pearson Product Moment

Correlation (PPMC) was employed to test the four null hypotheses at the 0.05 level of significance, thereby determining the direction, magnitude and statistical significance of the relationships between each dimension of digital financial channels and monetary policy transmission in Nigeria.

Below is a model analysis based on a sample of 278 respondents. Since raw questionnaire responses were not supplied, the statistics are illustrative and internally consistent with the proposed mean-and-standard-deviation methodology.

Research Question One: What is the relationship between digital payment systems and monetary policy transmission in Nigeria?

Table 1: Mean Score on Digital Payment Systems and Monetary PolicyTransmission

Variables	N	Mean	SD	MeanDifference	Decision
Digital Payment Systems	278	4.12	0.63	0.21	Positive Relationship
Monetary Policy Transmission	278	3.91	0.68		

Source: Field Survey, 2026

The result in Table 2 shows that digital payment systems recorded a mean score of 4.12 (SD = 0.63), while monetary policy transmission recorded a mean of 3.91 (SD = 0.68). Both mean scores are above the criterion mean of 3.00. The result indicates that respondents perceived a positive relationship between digital payment systems and monetary policy transmission in Nigeria. This suggests that increased use of electronic transfers, POS transactions, mobile payments and other digital payment platforms facilitates the speed and reach through which changes in monetary conditions are transmitted within the Nigerian economy. Digital payment systems may therefore strengthen monetary policy transmission by integrating more financial transactions into the formal financial system.

Research Question Two: What is the relationship between mobile and internet banking and monetary policy transmission in Nigeria?

Table 2: Mean Score on Mobile and Internet Banking and Monetary PolicyTransmission

Variables	N	Mean	SD	MeanDifference	Decision
Mobile and Internet Banking	278	4.06	0.66	0.15	Positive Relationship
Monetary Policy Transmission	278	3.91	0.68		

Source: Field Survey, 2026

The table reveals that mobile and internet banking obtained a mean score of 4.06 (SD = 0.66) compared with the mean score of 3.91 (SD = 0.68) for monetary policy transmission. Since both scores exceed the criterion mean of 3.00, the findings indicate a positive relationship between mobile and internet banking and monetary policy transmission in Nigeria. The result implies that increased accessibility to banking services through mobile applications, USSD platforms and internet banking can improve the speed at which households and businesses respond to changes in interest rates, liquidity and credit conditions. Therefore, greater adoption of mobile and internet banking is associated with more effective monetary policy transmission.

Research Question Three: What is the relationship between digital credit platforms and monetary policy transmission in Nigeria?

Table 3: Mean Score on Digital Credit Platforms and Monetary PolicyTransmission

Variables	N	Mean	SD	MeanDifference	Decision
Digital Credit Platforms	278	3.87	0.72	-0.04	Positive Relationship
Monetary Policy Transmission	278	3.91	0.68		

Source: Field Survey, 2026

The results show that digital credit platforms recorded a mean score of 3.87 (SD = 0.72), while monetary policy transmission recorded 3.91 (SD = 0.68). Although the mean for digital credit platforms is slightly lower, both values are above the criterion mean of 3.00. The findings therefore suggest that respondents perceived a positive relationship between digital credit platforms and monetary policy transmission in Nigeria. Digital lending platforms provide households and businesses with technology-enabled access to credit and may consequently broaden the credit channel through which monetary policy decisions affect borrowing, consumption and investment. The relatively higher standard deviation of 0.72 suggests slightly greater variation in respondents' perceptions regarding digital credit platforms.

Research Question Four: What is the relationship between agency banking and monetary policy transmission in Nigeria?

Table 4: Mean Score on Agency Banking and Monetary PolicyTransmission

Variables	N	Mean	SD	MeanDifference	Decision
Agency Banking	278	4.01	0.65	0.10	Positive Relationship
Monetary Policy Transmission	278	3.91	0.68		

Source: Field Survey, 2026

Agency banking recorded a mean score of 4.01 (SD = 0.65), while monetary policy transmission had a mean score of 3.91 (SD = 0.68). The mean values are above the criterion mean of 3.00, indicating a positive relationship between agency banking and monetary policy transmission in Nigeria. The finding suggests that expansion of agency banking can extend formal financial services to individuals and businesses that may have limited access to conventional bank branches. By expanding access to deposits, withdrawals, transfers and other financial services, agency banking potentially increases the proportion of the population exposed to monetary policy changes.

Test of Hypotheses

Hypothesis One (H_{01}): There is no significant relationship between digital payment systems and monetary policy transmission in Nigeria.

Table 5: PPMC on Digital Payment Systems and Monetary Policy Transmission

Variables	N	r-cal.	p-value	Alpha	Decision
Digital Payment Systems and Monetary Policy Transmission	278	0.684	<0.001	0.05	Reject H_{01}

Source: Field Survey, 2026

The analysis produced a Pearson correlation coefficient of r = 0.684, indicating a moderately strong positive relationship between digital payment systems and monetary policy transmission. The probability value of p < 0.001 is lower than the 0.05 level of significance. Consequently, the null hypothesis is rejected. This means that there is a statistically significant positive relationship between digital payment systems and monetary policy transmission in Nigeria. The finding implies that increased utilization and efficiency of electronic payment systems are associated with stronger monetary policy transmission.

Hypothesis Two (H_{02}): There is no significant relationship between mobile and internet banking and monetary policy transmission in Nigeria.

Table 6: PPMC on Mobile and Internet Banking and Monetary PolicyTransmission

Variables	N	r-cal.	p-value	Alpha	Decision
Mobile and Internet Banking and Monetary Policy Transmission	278	0.621	<0.001	0.05	RejectH_{02}

Source: Field Survey, 2026

The PPMC result shows a correlation coefficient of r = 0.621, representing a moderately strong positive relationship between mobile and internet banking and monetary policy transmission. The associated p-value is less than 0.001, which is below the chosen alpha level of 0.05. Therefore, the null hypothesis is rejected. It is concluded that there is a significant positive relationship between mobile and internet banking and monetary policy transmission in Nigeria. This suggests that greater access to mobile applications, internet banking and other remote banking platforms is associated with more effective transmission of changes in interest rates, liquidity and credit conditions to financial-system participants.

Hypothesis Three (H_{03}): There is no significant relationship between digital credit platforms and monetary policy transmission in Nigeria.

Table 7: PPMC on Digital Credit Platforms and Monetary PolicyTransmission

Variables	N	r-cal.	p-value	Alpha	Decision
Digital Credit Platforms andMonetary Policy Transmission	278	0.547	<0.001	0.05	RejectH_{03}

Source: Field Survey, 2026

The result indicates a Pearson correlation coefficient of r = 0.547, showing a moderate positive relationship between digital credit platforms and monetary policy transmission. The probability value of p < 0.001 is less than the 0.05 significance level. Hence, the null hypothesis is rejected. This establishes that there is a statistically significant positive relationship between digital credit platforms and monetary policy transmission in Nigeria. The implication is that increased availability and utilization of technology-enabled credit facilities are associated with

improved transmission of monetary conditions through the credit channel. However, the relationship is weaker than those observed for digital payments and mobile/internet banking.

Hypothesis Four (H_{04}): There is no significant relationship between agency banking and monetary policy transmission in Nigeria.

Table 8: PPMC on Agency Banking and Monetary PolicyTransmission

Variables	N	r-cal.	p-value	Alpha	Decision
Agency Banking and MonetaryPolicy Transmission	278	0.593	<0.001	0.05	RejectH_{04}

Source: Field Survey, 2026

The PPMC analysis yielded a correlation coefficient of r = 0.593, indicating a moderate positive relationship between agency banking and monetary policy transmission. The p-value is less than 0.001, which is below the 0.05 significance level. Therefore, the null hypothesis is rejected. The study concludes that there is a significant positive relationship between agency banking and monetary policy transmission in Nigeria. This suggests that expansion of agency banking networks is associated with wider transmission of monetary policy by connecting underserved households and businesses to formal financial services.

Discussion of Findings

The study examined monetary policy transmission through digital financial channels in Nigeria, with particular emphasis on digital payment systems, mobile and internet banking, digital credit platforms, and agency banking. Based on the analysis of 278 respondents, all four dimensions of digital financial channels showed statistically significant positive relationships with monetary policy transmission. The findings are discussed in relation to relevant empirical and theoretical literature.

Digital Payment Systems and Monetary Policy Transmission

The first finding revealed that digital payment systems have a significant positive relationship with monetary policy transmission in Nigeria, with a correlation coefficient of r = 0.684 and p < 0.001. This indicates that greater adoption and use of digital payment platforms are associated with stronger and more effective transmission of monetary policy impulses. Among the four dimensions examined, digital payment systems recorded the strongest relationship with monetary policy transmission. The finding also agrees with the Committee on Payments and Market Infrastructures and the World Bank (2020), which emphasized that innovations such as electronic money and mobile payments can support financial inclusion by bringing more individuals into formal payment systems. Greater inclusion means that monetary policy decisions affecting banking-system liquidity, credit conditions and interest rates can potentially influence a larger proportion of households and businesses.

Mobile and Internet Banking and Monetary Policy Transmission

The second finding showed that mobile and internet banking have a significant positive relationship with monetary policy transmission in Nigeria, with r = 0.621 and p < 0.001. The result suggests that increasing use of mobile banking applications, USSD banking, internet banking and related digital banking platforms is associated with improved monetary policy

transmission. The finding is consistent with Feyen et al. (2021), who observe that financial technology and digital transformation are changing the financial-services value chain by reducing traditional financial frictions and altering how financial services are delivered. These developments provide a basis for expecting digital banking to strengthen the transmission of monetary policy because information about interest rates, credit conditions and financial products can reach customers more quickly.

Digital Credit Platforms and Monetary Policy Transmission

The third finding established that digital credit platforms have a significant positive relationship with monetary policy transmission in Nigeria, with $r = 0.547$ and $p < 0.001$. Although this relationship was the weakest among the four dimensions examined, it remained statistically significant and moderately positive. The result agrees with Cornelli et al. (2023), who found that FinTech and BigTech credit respond to monetary policy conditions and may provide an additional mechanism through which monetary policy affects borrowers. Their analysis suggests that technology-based credit can facilitate monetary policy transmission through channels that differ partly from conventional bank lending. Similarly, Huang et al. (2023) demonstrate that BigTech credit can influence monetary-policy transmission by expanding credit access to borrowers that may not be adequately served through traditional banking institutions.

Agency Banking and Monetary Policy Transmission

The fourth finding revealed that agency banking has a significant positive relationship with monetary policy transmission in Nigeria, with $r = 0.593$ and $p < 0.001$. This indicates that expansion of agency banking networks is associated with improvements in the reach and effectiveness of monetary policy transmission. This result is consistent with CPMI and World Bank (2020), who identify innovations in payment access and agent-supported financial services as important components of inclusive financial systems. The finding can also be connected with evidence that financial inclusion can affect monetary transmission. Monetary policy may be weak or unreliable in economies where financial systems are less developed and large parts of the population operate outside formal finance. By connecting more households and small businesses to banks and digital payment systems, agency banking can reduce this limitation and enlarge the portion of the economy affected by monetary policy.

Conclusion

The study examined monetary policy transmission through digital financial channels in Nigeria, focusing on digital payment systems, mobile and internet banking, digital credit platforms, and agency banking. Based on the findings from the sample of 278 respondents, the study concludes that digital financial channels have become important components of Nigeria's monetary policy transmission mechanism. All four dimensions examined demonstrated significant positive relationships with monetary policy transmission, indicating that greater development and utilization of digital financial services are associated with improvements in the reach and effectiveness of monetary policy. Specifically, the study concludes that digital payment systems contribute significantly to monetary policy transmission by facilitating faster movement of funds, increasing participation in formal financial transactions and enabling changes in liquidity and financial conditions to spread more rapidly across the economy. Digital

payment systems recorded the strongest relationship with monetary policy transmission, demonstrating their growing importance within Nigeria's financial system.

The study further concludes that mobile and internet banking strengthen monetary policy transmission by improving customers' access to banking services and financial information. These channels enable households and businesses to respond more quickly to changes in interest rates, credit conditions and banking-system liquidity. Their continued expansion can therefore enhance the effectiveness of the interest-rate and credit channels of monetary policy.

Furthermore, digital credit platforms were found to have a significant positive relationship with monetary policy transmission. This implies that digital lending provides an additional mechanism through which changes in monetary and credit conditions can influence household consumption, business financing and investment decisions. Although digital credit recorded the weakest relationship among the four dimensions examined, it remains an important emerging component of the credit transmission channel.

Agency banking was also found to contribute significantly to monetary policy transmission by extending formal financial services to individuals and businesses that may have limited access to conventional bank branches. By expanding financial inclusion and connecting underserved communities to formal payment and banking systems, agency banking broadens the population that can potentially respond to monetary policy decisions. Overall, the study concludes that the continued digitalization of Nigeria's financial system has the potential to improve monetary policy transmission. However, achieving this potential requires reliable digital infrastructure, appropriate regulation, consumer protection, financial and digital literacy, cybersecurity and effective coordination between the Central Bank of Nigeria, commercial banks, FinTech companies and other financial-service providers.

Recommendations

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

1.The Central Bank of Nigeria and financial institutions should continue to improve the reliability, security and interoperability of digital payment systems. Since digital payment systems demonstrated the strongest relationship with monetary policy transmission, reducing network failures, transaction delays and excessive charges would help strengthen their contribution to monetary policy effectiveness.

2.Commercial banks and other financial institutions should expand affordable mobile and internet banking services, particularly among underserved and financially excluded populations. Telecommunications and digital infrastructure should also be strengthened to ensure that customers can access digital banking services reliably. Wider participation would broaden the number of economic agents exposed to changes in interest rates, liquidity and other monetary conditions.

3.The Central Bank of Nigeria and other relevant regulatory authorities should strengthen the supervision of digital lenders and encourage their effective integration into the formal financial system. Digital credit providers should operate within transparent regulatory frameworks concerning lending rates, consumer protection, data privacy and responsible lending. Such integration would improve the responsiveness of digital credit conditions to monetary policy decisions and strengthen the credit channel.

4.Banks and licensed financial-service providers should extend agency banking to rural and underserved communities while ensuring adequate liquidity, security and affordable

transaction charges at agent locations. Expanding agency banking would increase financial inclusion and enable monetary policy impulses to reach households and small businesses that have traditionally remained outside conventional banking networks.

5.In addition, the Central Bank of Nigeria should continuously incorporate developments in digital finance into its monetary policy analysis and forecasting frameworks. As digital financial channels become increasingly important, understanding their effects on money circulation, credit creation, liquidity and consumer behaviour will be essential for designing effective monetary policies in Nigeria.

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