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NEXUS BETWEEN DIGITAL FINANCE ECOSYSTEM, CYBER SECURITY AND BANKING SECTOR PERFORMANCE IN EMERGING ECONOMIES: THE ROLE OF NATIONAL SECURITY AND ECONOMIC UNCERTAINTY

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Abstract

This study examined the nexus between the digital finance ecosystem, cyber security and banking sector performance in emerging economies from 1995 to 2022 and accounted for the influence of national security and economic uncertainty, which was estimated with the autoregressive distributed lag model (ARDL) as the baseline model and dynamic ordinary least squares (DOLS) as the robustness. We measured the digital finance ecosystem with indicators such as automatic teller machines, point of sale, internet banking, mobile money, and mobile payment, while banking sector performance was measured with bank return on assets and bank return on equity. Findings from the ARDL baseline model show that digital finance ecosystem indicators – automated teller machines, point of sale, internet banking, mobile money and mobile purchase have significant effects on both bank return on assets and bank return on equity in emerging. Furthermore, we controlled for the influence of cyber security, financial literacy, financial deepening, institutional quality, and macroeconomic volatility and found that they have mixed significant impacts on banking sector performance in emerging economies. Relatedly, from the result of the DOLS analysis – the robustness checks, we also found that digital finance ecosystem indicators – automated teller machines, point of sale, internet banking, mobile money, and mobile purchase have positive and significant effects on both bank

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