

# The Role of Commercial Banks in Economic Development of Oman (A Case Study of Bank Muscat)

Dr. Mohammed Jahangir Ali

Associate Professor, Accounting and Finance - Department of Business Administration and  
Accounting, Al Buraimi University College, Al Buraimi - Sultanate of Oman

DOI: <https://dx.doi.org/10.47772/IJRISS.2024.8120259>

Received: 14 December 2024; Accepted: 18 December 2024; Published: 17 January 2025

## ABSTRACT

**Introduction:** This research paper examines the pivotal role commercial banks play in the economic development of Oman, with a specific focus on Bank Muscat, the largest bank in the Sultanate. The study explores the mechanisms through which Bank Muscat contributes to various sectors of the Omani economy, including small and medium-sized enterprises (SMEs), infrastructure development, and the financial stability of the nation and fostering economic diversification.

**Purpose:** The research aims to critically evaluate the contribution of commercial banks to economic development, with a focus on Oman. The primary purpose of this research is to evaluate the contributions of Bank Muscat to Oman's economic development.

**Research Methodology:** The research methodology is explained in detail. The techniques are sampling, instruments, and tools for collecting data and analysis to derive meaningful insights. Data is collected from both primary and secondary sources. Primary data includes interviews with key stakeholders at Bank Muscat, while secondary data is obtained from financial reports.

**Results/Findings:** The Bank Muscat is a critical player in Oman's economic development, significantly contributing to SME growth, economic diversification, and expanding investment in green finance. The findings are presented through descriptive methods, employing tables generated by SPSS. The study incorporates financial statement analysis and financial ratios to various aspects of the bank's performance, including profitability and liquidity.

The research concludes that Bank Muscat has played a significant role in the economic development of Oman, financing SMEs, and promoting financial inclusion. The bank's efforts align with the broader objectives of Oman's Vision 2040, highlighting the importance of commercial banks in achieving sustainable economic growth

**Keywords:** Commercial Banks, Bank Muscat, Central Bank of Oman, Economic Development, Economic Diversification, Financial Inclusion, Green Finance, SME, Oman's Vision 2040, Sultanate of Oman, World Bank.

## INTRODUCTION

The banking sector is a cornerstone of economic growth and development, serving as a critical driver of financial stability and progress. In Oman, banks play a vital role in enhancing the nation's financial performance through profitability and operational efficiency, supporting businesses, projects, and broader economic objectives.

The commercial banks, often seen as the backbone of an economy, mobilize savings, facilitate investments, and extend credit, thereby fostering entrepreneurship and efficient capital allocation. Oman's reliance on oil revenues has prompted active economic diversification efforts, positioning commercial banks, especially Bank Muscat as pivotal players in advancing national development initiatives.

This research evaluates Bank Muscat's role in Oman's economic development, examining its financial services, lending practices, and alignment with Oman Vision 2040 goals. By analyzing Bank Muscat's annual reports (2019–2023), literature, and survey data, the study offers insights into how commercial banks drive economic growth, despite challenges like oil price fluctuations and structural reforms.

### **Background of the Bank Muscat:**

Bank Muscat has established in 1982, is Oman's largest financial institution and a key player in its commercial banking sector. It offers a wide range of services, including corporate, retail, and investment banking, Islamic banking, treasury operations, private banking, and asset management. The bank also operates across the GCC, Iran, Singapore, and through its subsidiary, Muscat Capital LLC, in Saudi Arabia. ([www.bankmuscat.com](http://www.bankmuscat.com))

Aligned with Oman's Vision 2040, Bank Muscat plays a pivotal role in supporting the country's economic diversification by financing projects in tourism, logistics, manufacturing, and fisheries. Its extensive branch network and electronic channels ensure comprehensive coverage, making it a cornerstone of Oman's financial ecosystem.

### **Significance of Commercial Banks in the Economic Development of Oman:**

The commercial banks play a crucial role in Oman's economic development by acting as financial intermediaries that support key economic activities. They mobilize savings, fostering capital accumulation and financial inclusion, especially in rural areas. By providing credit, they fund business growth, support SMEs, and facilitate trade through services like letters of credit and foreign exchange.

The Banks also promote investments by financing infrastructure and boosting capital market growth. Additionally, they generate employment both directly within the sector and indirectly through business financing. Their partnership with the Central Bank ensures economic stability, while digital banking and fintech partnerships drive innovation. Banks also support corporate social responsibility (CSR) initiatives, aid agricultural growth, and align with Oman Vision 2040 to diversify the economy. Overall, commercial banks are integral to the growth, stability, and diversification of Oman's economy. (<https://www.oman2040.om/vision>.)

### **The Role of Bank Muscat in the Economic Development of Oman**

Bank Muscat plays a pivotal role in driving Oman's economic development by supporting various sectors and aligning its strategies with national goals. The bank funds large-scale infrastructure projects such as roads, ports, and airports, enhancing connectivity and boosting trade, while its Al Wathbah program empowers small and medium enterprises (SMEs) with tailored loans, advisory services, and resources, fostering economic diversification and job creation. "The Small and Medium Enterprise Development Authority was established by Royal Decree No. 107/2020 in order to uplift the SME sector and artisan industries and integrate them in the overall development of the Omani economy" (<https://sme.gov.om/en/>).

Through digital platforms and rural outreach programs, Bank Muscat promotes financial inclusion, supporting underserved communities and Oman's Vision 2040. Real estate initiatives like the Baituna home finance program stimulate property ownership, driving growth in the real estate sector and creating jobs.

The bank's investments in technology enhance service efficiency and contribute to Oman's digital economy goals, while its corporate social responsibility (CSR) efforts in health, education, and environmental programs foster social development and human capital growth. "Corporate Social Responsibility (CSR) is potentially an

effective tool from which private sector efforts can be coordinated and aligned with public sector aims to achieve and ensure long-term quality of life improvements for residents in the Sultanate of Oman.” (<https://csr-oman.com> ) By supporting key sectors such as tourism, logistics, and technology, Bank Muscat aligns with Oman’s Vision 2040 objectives for economic diversification and sustainability. Despite challenges like reliance on oil revenues and competition from fintech, the bank’s strategic initiatives position it as a cornerstone of Oman’s economic progress.

## THE DEFINITION OF TERMS

**Banks:** Banks are financial institutions that play a crucial role in the economy by managing money, providing financial services, and facilitating transactions. They accept deposits from the public, offer savings and checking accounts, and provide loans to individuals and businesses. Banks also offer various services like wealth management, currency exchange, and safe deposit boxes. Banks are essential for the functioning of modern economies, supporting growth and enabling secure financial operations.

**Commercial Banks:** Commercial Banks are financial entities with the primary objective of receiving deposits from individuals and extending loans and various financial services. They offer fundamental banking services to both individual customers and small to medium-sized enterprises.

**Economic development:** Economic development refers to the process by which a nation or region improves the economic, political, and social well-being of its people. It involves increasing the standard of living, reducing poverty, enhancing infrastructure, expanding education and healthcare, and ensuring equitable income distribution.

**Small and Medium-sized Enterprises (SMEs):** SMEs are businesses that fall below certain thresholds in terms of employees, revenue, or assets, which vary by country and industry. SMEs play a critical role in economies by fostering innovation, creating jobs, and contributing to economic growth.

**Financial inclusion:** Financial inclusion refers to the process of ensuring that individuals and businesses have access to affordable and appropriate financial products and services. These services include savings accounts, credit, insurance, and payment systems. The goal is to provide everyone, especially underserved populations like low-income households and small businesses, with the tools they need to manage their financial lives, protect against risks, and invest in their future.

**Economic Diversification:** Economic Diversification refers to the process of expanding an economy's range of activities, products, and sources of income. Instead of relying heavily on a single sector, like oil, agriculture, or manufacturing, a diversified economy spreads its investments across multiple sectors. The economic diversification fosters sustainable growth by creating jobs in various industries, encouraging innovation, and improving the overall resilience of an economy.

**Gross Domestic Product (GDP):** Gross Domestic Product is a key economic indicator that measures the total value of all goods and services produced within a country's borders over a specific period, usually annually or quarterly. It serves as a comprehensive scorecard of a country’s economic health, reflecting the size and performance of its economy.

**Bank Credit:** Bank credit refers to the amount of money that a bank lends to individuals, businesses, or governments. It is a crucial part of the financial system, enabling economic growth by providing the necessary capital for various activities, such as Personal Loans, Business Loans, Mortgages and Credit Cards. The bank credit is fundamental for managing personal finances, running a business, or studying economic systems.

**Liquidity:** Liquidity refers to how quickly and easily an asset can be converted into cash without significantly affecting its price. In financial markets, liquidity is crucial because it affects how smoothly transactions can occur and how stable prices remain during those transactions.

**Profitability:** Profitability measures a company's ability to generate profit relative to its revenue, assets, or equity. It's a key indicator of financial health and performance. High profitability suggests a strong business model and efficient operations, while low profitability can signal operational or financial issues.

**Financial Statements:** Financial statements are formal records that provide an overview of a company's or Bank's financial performance and position over a specific period. The key components of financial statements include; Income Statement (Profit and Loss Statement), Balance Sheet, Statement of Cash Flow and Shareholders' Equity. These statements are interrelated and provide a comprehensive picture of a company's or Bank's financial status, helping stakeholders make informed decisions.

**Ratio Analysis:** Ratio analysis is a financial analysis tool used to evaluate various aspects of a company's or Bank's performance and financial health by examining relationships between different financial figures from its financial statements. These relationships are expressed as ratios, which can provide insights into profitability, liquidity, solvency, and operational efficiency.

## LITERATURE REVIEW

The literature review examines the evolution of Oman's banking sector, focusing on regulatory reforms and technological advancements that have reshaped the industry. Central to this transformation is the Central Bank of Oman (CBO), which ensures financial stability and promotes economic growth through its regulatory role. Among key players, Bank Muscat stands out due to its significant assets, market share, and innovative practices.

The literature review has discussed the existing literature on the role of commercial banks in economic development, with a specific focus on the banking sector in Oman. It covers theories related to financial intermediation, economic growth, and the role of banks in supporting SMEs and economic diversification. The literature also examines prior studies' findings and suggestions.

1. (Sanjeet Kumar Sah, Prof. (Dr.) Md. Mahmood Alam; March 2024) conducted the study on "A Study on role of Commercial Banks in Economic Development of India". A nation's economic development depends heavily on banks. The role that banks have historically played in the economics of the nation is significant. The Commercial banks' primary responsibility is to offer the general public and business with financial services that promote social and economic stability as well as steady economic growth. The study also illustrates how credit and loans impact India's GDP and, in turn, its rate of economic growth. Consequently, it can be inferred that commercial banks are indispensable for fostering comprehensive economic growth.
2. (Phuc Tran Nguyen, 2022) conducted the study on "The Impact of Banking Sector Development on Economic Growth: The Case of Vietnam's Transitional Economy" The objective of this paper is to examine the role of the banking system in the growth of the Vietnamese economy in the process of the transition that started in the early 1990s. The empirical findings confirm a positive long-term effect of banking development on growth, reflecting the important role of the banking system in a typical bank-based financial system in mobilizing and supplying capital to the economy, thus contributing to growth throughout the process of economic transition.
3. (Dr.Vandana Tiwari 2020) conducted the study on "Role of Commercial Banks in Economic Development of India". The Banks plays a vital role in the economic development of a country. They accumulate unaccounted money with the people and channelize it to capital growth and make it available to entrepreneurs who in turn invest in many projects thus, give economic growth to the country. The commercial banks also help in keeping a check to the parallel economy and also curve black money transaction in the economy. As from time to time the banks conduct the drive for disclosure of unaccounted money which to the country's economy. This study highlights the importance of commercial banks in the growth of the economy.
4. ( Dr. Anitha Ravikumar, Teresa Manju Felex, Saranya Ramesh and Arshiya Sultana 2019) conducted the study on "Commercial Banks of Oman- A backbone to economic development" . Commercial

banks occupy a central and important position in the financial system of any country. Oman is one of the developing countries in the GCC that focuses economic diversification in order to reduce oil dependency. Commercial banks directly and indirectly support for the economic activity in a remarkable way. They are considered as an integral part in the financial system due to its dynamic role in economy. In Oman, SMEs are contributing around 16% for GDP and they are one of the major sources of employment. By understanding the SMEs contribution for Oman economy, many commercial banks designed financial support and services to specially to meet the requirement of SMEs.

5. Subbareddy, K. (2020), conducted the study on “An Empirical Study on Role of Commercial Banks on Issuing Loans and Advances in Selected Areas: Impact on Economic Growth in India”. Banks performs important functions in the development of a country. The basic role of commercial banks is to mobilize financial resources to meet the financial demands of various productive sectors of economy. In other words economic development is economic progress of a country but Banks have catalyst role in economic development because banks control a large part of supply of money in circulation in India for improvement of Financing Internal and External Trade and Provision for Long-term Finance for the Improvement of Agriculture and various Consumers Activities. The study investigates the commercial banks how it helpful in economic development selected areas like industry sector, agriculture sector and external trade and internal trade and Progress under Financial Inclusion Plans.
6. ( Fatema Tuz Zohra (2020) conducted the study on “Role of Commercial Bank in the Economic Development of Bangladesh”. Banks have always played an important role in the country’s economy. The general role of commercial banks is to provide financial services to general public and business, ensuring economic and social stability and sustainable growth of the economy. This study used four explanatory variables to measure banking sector growth such as; banking credits facilities, customer deposits, number of branches, and interest rate on credits. It also used gross domestic product to measure economic growth in Bangladesh. The main objective of the study is to critically examine and analyze the role of commercial banks on the economic growth of Bangladesh. The study portrays how loans and credit affect the GDP and consequently the level of economic growth of Bangladesh. The study thus concluded that commercial banks' development indicators have an impact on economic growth in Bangladesh and recommend reforms in the banking industry to ensure increased lending to support the economy.
7. (Professor Jittima Tongurai and Professor Chaiporn Vithessonthi, 2018) conducted the study on “The impact of the banking sector on economic structure and growth”. In this paper, we study the impact of banking sector development on changes in economic structure and growth. We argue that banking sector development has differential effects on industrial sector development and agricultural sector development. The results further show that agricultural sector development exerts a negative effect on banking sector development while industrial sector development has a positive effect on banking sector development.
8. (Dube, P., & Gupta, K. (2018). Conducted the study on “ A study of the role of commercial banks in rural development in India”. Indian economy is characterized by a number of features such as high urban growth, low rural growth, exodus of rural masses to urban centres, low infrastructural and employment opportunities at rural areas. The answer lies in ensuring all round development of rural areas. This requires development of necessary financial facilities at rural sector itself. Banks play a very important role in accumulating and dispersal of funds from various sources to different sectors. The paper attempts to study the development of banking facilities at rural areas and mobilisation of credit facilities. The study is based on published data of reserve bank of India, various earlier literature works.
9. (Bandlamudi Kalpana, Taidala Vasantaha Rao 2017) conducted the study on “Role of commercial banks in the economic development of India”. The Banks have always played an important position in the country’s economy. They play a decisive role in the development of the industry and trade. They are acting not only as the custodian of the wealth of the country but also as resources of the country, which are necessary for the economic development of a nation. The general role of commercial banks

is to provide financial services to general public and business, ensuring economic and social stability and sustainable growth of the economy. The main objective of the study is to critically examine and analyze the role of commercial banks on economic growth in India.

10. (Hugh L. Davis III, 2017) conducted the study on “The Impact of Commercial Banking Development on Economic Growth – A Principal Component Analysis Association between Banking Industry and Economic Growth in Europe”. There are significant differences in the economic growth trajectories of Western, Central and Eastern Europe since the beginning of the democratic movements of the early 1990s. An explanation this research is pursuing is institutional - the correlation between banking development and economic growth. This study makes three contributions to the literature with respects to the banking to-growth nexus. Through Principal component analysis (PCA), twenty-one banking variables measuring access, depth, efficiency, and stability are transformed into components to test the strength of the correlation between banking development and economic growth in Western, Central and Eastern Europe during the period (2004 – 2013)

**Conclusion:** The previous research studies reveals that commercial banks are critical in fostering economic development by providing necessary capital, facilitating trade, and supporting innovation. The studies specific to Oman highlight the importance of financial institutions in realizing the Oman Vision 2040, which aims for economic diversification and reduced dependence on oil revenues.

## PURPOSE OF THE STUDY

The research aims to evaluate Bank Muscat's contributions to Oman's economic development by focusing on SME financing, infrastructure development, and economic diversification. It seeks to highlight how the bank's initiatives align with Oman's long-term goals for growth and sustainability.

## RESEARCH QUESTIONS

1. What are the Bank Muscat's key contributions to Oman's economic development?
2. How does Bank Muscat impact SMEs in Oman through its lending and financial services?
3. What challenges does Bank Muscat face in supporting economic development?
4. How do Bank Muscat's financial products and services support Oman's Vision 2040?

## OBJECTIVES OF THE STUDY

1. To investigate how Bank Muscat finances key sectors of the Omani economy.
2. To analyze Impact on SMEs: Assess the effects of Bank Muscat's financial services on small and medium-sized enterprises (SMEs).
3. To examine Bank Muscat's role in Oman's efforts to diversify its economy.
4. To explore the challenges and opportunities faced by Bank Muscat in promoting economic development.

## RESEARCH METHODOLOGY

This research employs a detailed research methodology to explore the performance of commercial banks, particularly Bank Muscat, in contributing to Oman's economic development. A case study approach is adopted, focusing on Bank Muscat as a representative example. The target population includes administrative staff and other employees at Bank Muscat branches. A sample size of 150 was planned, with 90 stakeholders participating in the study. Data collection combines primary and secondary sources. Primary data is gathered through interviews with key stakeholders, while secondary data is sourced from Bank Muscat's financial annual reports (2019 to 2023), economic indicators, and publications by institutions such as the Central Bank of Oman and other publications.

## DATA ANALYSIS METHOD

The analysis combines descriptive and inferential statistical methods. Financial statement analysis, ratios analysis and thematic evaluations of qualitative data are used to assess Bank Muscat's contributions to the economy. Survey data from 90 participants, analyzed using SPSS software, provide insights through tables. Key performance metrics include financial statement analysis and ratio analysis. Results are presented in tables for clarity, with detailed explanations following in subsequent sections.

## RESULT AND DISCUSSION

The data collected from the survey has been subjected to analysis using SPSS software.

### Descriptive Statistics on the Impact of Bank Muscat's Performance on Economic Development

Table 9.1.1: The Performance of Commercial Banks and Economic Development Analysis

<b>Table 9.1.1. There is relationship between the performance of commercial banks and economic development.</b>					
Particulars		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Strongly disagree	6	6.6%	6.6%	6.6%
	Disagree	14	15.6%	15.6%	22.2%
	Neutral	15	16.6%	16.6%	38.8%
	Agree	25	27.9%	27.9%	66.7%
	Strongly Agree	30	33.3%	33.3%	100%
	Total	90	100%	100%	100%

Interpretation: 61.2% agree that commercial banks, including Bank Muscat, positively influence economic development.

Table 9.1.2: The correlation between the performance of commercial banks and economic development Analysis

<b>Table 9.1.2 - There exists a positive correlation between the performance of commercial banks and economic development.</b>					
Particulars		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Strongly disagree	10	11.1%	11.1%	11.1%
	Disagree	12	13.3%	13.3%	24.4%
	Neutral	25	27.8%	27.8%	52.2%
	Agree	25	27.8%	27.8%	80%
	Strongly Agree	18	20%	20%	100%
	Total	90	100%	100%	100%

Interpretation: Nearly half (47.8%) agree on a positive correlation between commercial banks' performance and economic growth.

Table 9.1.3: The Performance of Bank Muscat contribute National Economy Analysis

<b>Table 9.1.3. Bank Muscat primarily contributes to the development of the national economy.</b>					
Particulars		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Strongly disagree	10	11.1%	11.1%	11.1%
	Disagree	20	22.3%	22.3%	33.4%
	Neutral	30	33.3%	33.3%	66.7%

Agree	20	22.2%	22.2%	88.9%
Strongly Agree	10	11.1%	11.1%	100%
Total	90	100%	100%	100%

Interpretation: 33.3% agree, while another 33.3% remain neutral about Bank Muscat’s contribution to the national economy.

Table 9.1.4: The Bank Muscat’s Investment and Economic Development Analysis.

**Table 9.1.4. Bank Muscat is making significant investments in Omani projects that contribute to the economic development.**

Particulars		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Strongly disagree	8	8.9%	8.9%	8.9%
	Disagree	13	14.4%	14.4%	23.3%
	Neutral	34	37.8%	37.8%	61.1%
	Agree	25	27.8%	27.8%	88.9%
	Strongly Agree	10	11.1%	11.1%	100%
	Total	90	100%	100%	100%

Interpretation: 38.9% agree, while 37.8% express neutrality about Bank Muscat’s significant investments in Omani projects.

**Financial Statement Analysis:** The financial statement analysis is a key financial tool used to evaluate Bank Muscat's performance through partial Balance Sheet, partial Profit and Loss Account and financial ratios. The data is sourced from Bank Muscat’s official annual reports (2019–2023), ensuring reliability and accuracy.

Table 9.2.1 Partial Balance Sheet of Bank Muscat during 1999 to 2023

Amounts in RO Million	31-Dec-23	31-Dec-22	31-Dec-21	31-Dec-20	31-Dec-19
Cash and balances with Central Banks	772	883	1,047	657	782
Due from banks	870	641	765	575	870
Loans and Advances	8,350	7,967	7,830	7,707	7,712
Islamic financing receivables	1,527	1,449	1,361	1,230	1,166
Investments	1,876	1,581	1,820	1,835	1,445
Other assets	278	255	250	450	316
<b>Total assets</b>	<b>13,673</b>	<b>12,776</b>	<b>13,073</b>	<b>12,454</b>	<b>12,291</b>
Bank deposits/FRNs /Bonds	1,341	1,440	1,699	1,428	1,675
Customer deposits	8,170	7,410	7,604	7,364	7,011
Islamic Customer's Deposit	1,268	1,237	1,171	1,013	1,032
Other liabilities	540	457	448	605	570
<b>Total liabilities</b>	<b>11,319</b>	<b>10,544</b>	<b>10,922</b>	<b>10,410</b>	<b>10,288</b>
Share capital and premium	907	907	889	856	841
Total reserves	619	552	537	520	505
Retained profits	323	268	595	538	527
<b>Shareholders' equity</b>	<b>1,849</b>	<b>1,727</b>	<b>2,021</b>	<b>1,914</b>	<b>1,873</b>
Perpetual Tier I Capital	505	505	130	130	130
<b>Total liabilities + equity</b>	<b>13,673</b>	<b>12,776</b>	<b>13,073</b>	<b>12,454</b>	<b>12,291</b>



<b>Key ratios</b>					
Loans growth %	4.9%	2.5%	2.8%	0.7%	-0.7%
Deposit growth %	9.1%	-1.5%	4.7%	4.1%	-5.0%
Net Loans /customer deposits	104.7%	108.9%	104.8%	106.7%	110.4%
Shareholders' equity/total assets	13.5%	13.5%	15.5%	15.4%	15.2%
Total capital ratio	21.22%	21.25%	21.30%	20.77%	19.72%

Source: Bank Muscat Annual Reports (2019 to 2023)

**Table 9.2.1 Summary of Bank Muscat's Partial Balance Sheet (1999-2023)**

**1. Assets:**

- Cash and Balances with Central Banks:** Fluctuated, peaking at RO 1,047 million in 2021, and then declining to RO 772 million by 2023.
- Due from Banks:** Showed variability, ending at RO 870 million in 2023.
- Loans and Advances:** Consistent growth, reaching RO 8,350 million in 2023, with a growth rate of 4.9% from 2022.
- Islamic Financing Receivables:** Steady increase, from RO 1,166 million in 2019 to RO 1,527 million in 2023.
- Investments:** Peaked at RO 1,876 million in 2023 after a dip in 2022.
- Total Assets:** Grew steadily, reaching RO 13,673 million in 2023, from RO 12,291 million in 2019.

**2. Liabilities:**

- Customer Deposits:** Increased consistently to RO 8,170 million in 2023, with a deposit growth of 9.1% from 2022.
- Islamic Customer Deposits:** Rose to RO 1,268 million in 2023, indicating steady growth.
- Other Liabilities:** Fluctuated slightly but decreased to RO 540 million by 2023.
- Total Liabilities:** Climbed from RO 10,288 million in 2019 to RO 11,319 million in 2023.

**3. Equity:**

- Shareholders' Equity:** Stable, ending at RO 1,849 million in 2023.
- Reserves and Retained Profits:** Increased, with total reserves reaching RO 619 million and retained profits RO 323 million in 2023.
- Perpetual Tier I Capital:** Grew to RO 505 million in 2023.

**4. Key Ratios:**

- Loans Growth:** Positive in all years except 2019, peaking at 4.9% in 2023.
- Deposit Growth:** Varied, with strong recovery in 2023 (9.1%).
- Net Loans to Customer Deposits:** Improved from 110.4% in 2019 to 104.7% in 2023.
- Shareholders' Equity to Total Assets:** Stable at 13.5% in 2023.
- Total Capital Ratio:** Strong, ending at 21.22% in 2023.

**Key Observations:**

- The Bank Muscat demonstrated robust growth in its loan book and deposits, with a focus on Islamic banking expansion.
- Resilience in equity and capital adequacy ensured a stable financial position.
- Despite fluctuations in certain asset categories, total assets and liabilities exhibited consistent growth, indicating healthy operational and strategic performance.

Table 9.2.2 Partial Profit and Loss Statement of Bank Muscat during 1999 to2023

Amounts in RO Million	31-Dec-23	31-Dec-22	31-Dec-21	31-Dec-20	31-Dec-19
Net Interest / Profit Income	374.8	344.9	335.5	322.1	317.0
Other operating income	138.0	135.2	123.1	120.1	138.2
<b>Operating income</b>	<b>512.8</b>	<b>480.0</b>	<b>458.6</b>	<b>442.2</b>	<b>455.2</b>
Operating costs	(196.4)	(184.5)	(174.6)	(165.5)	(178.9)
<b>Operating Profit</b>	<b>316.4</b>	<b>295.5</b>	<b>284.0</b>	<b>276.7</b>	<b>276.2</b>
Net impairment losses	(64.7)	(59.9)	(60.2)	(81.0)	(56.1)
Profit from associates	0.5	0.9	0.2	-	-
<b>Profit before Tax</b>	<b>252.2</b>	<b>236.5</b>	<b>224.0</b>	<b>195.6</b>	<b>220.1</b>
Taxation	(39.8)	(35.7)	(34.3)	(32.3)	(34.6)
<b>Net Profit</b>	<b>212.5</b>	<b>200.8</b>	<b>189.6</b>	<b>163.4</b>	<b>185.6</b>
<b>Key ratios</b>					
Cost/income ratio	38.3%	38.4%	38.1%	37.4%	39.3%
Return on average assets	1.61%	1.55%	1.49%	1.32%	1.51%
Return on average equity	12.69%	10.45%	10.12%	9.08%	10.73%
Basic EPS (RO)	0.025	0.026	0.024	0.044	0.055
Share price (RO)	0.264	0.275	0.484	0.394	0.434

Source: Bank Muscat Annual Reports (2019 to 2023)

**Table 9.2.2 Summary of Bank Muscat's Partial Profit and Loss Statement (2019–2023)**
**Key Highlights:**

1. **Net Interest/Profit Income:** Consistently increased over the years, reaching RO 374.8 million in 2023 from RO 317.0 million in 2019, reflecting steady growth in core banking activities.
2. **Other Operating Income:** Remained stable overall, peaking at RO 138.2 million in 2019 and reaching RO 138.0 million in 2023 after a slight dip in between.
3. **Operating Income:** Grew steadily from RO 455.2 million in 2019 to RO 512.8 million in 2023, showing robust overall performance.
4. **Operating Costs:** Increased moderately from RO 178.9 million in 2019 to RO 196.4 million in 2023, maintaining a balanced cost structure.
5. **Operating Profit:** Grew from RO 276.2 million in 2019 to RO 316.4 million in 2023, highlighting improved operational efficiency.
6. **Net Impairment Losses:** Varied over the years, peaking at RO 81.0 million in 2020 and declining to RO 64.7 million in 2023.
7. **Profit from Associates:** Contributed marginally, with a maximum of RO 0.9 million in 2022.
8. **Profit before Tax:** Increased from RO 220.1 million in 2019 to RO 252.2 million in 2023, showing a positive growth trajectory.
9. **Net Profit:** Consistently grew, reaching RO 212.5 million in 2023 compared to RO 185.6 million

**Key Ratios:**

1. **Cost/Income Ratio:** Maintained efficiency, fluctuating slightly but averaging around 38%, with **38.3% in 2023**.
2. **Return on Average Assets:** Improved marginally from 1.51% in 2019 to 1.61% in 2023, indicating better asset utilization.
3. **Return on Average Equity:** Increased from 10.73% in 2019 to 12.69% in 2023, reflecting enhanced shareholder returns.

4. **Basic EPS (RO):** Fluctuated, peaking at 0.055 in 2019 and dropping to 0.025 in 2023, influenced by share performance.
5. **Share Price (RO):** Declined from 0.434 in 2019 to 0.264 in 2023, likely due to market conditions.

### Key Observations:

1. **Strong Operating Performance:** Steady growth in core income and operating profit highlights Bank Muscat's resilience and strategic focus.
2. **Cost Management:** The cost-to-income ratio remained controlled, demonstrating operational efficiency.
3. **Challenges in Net Impairment Losses:** While the bank managed to lower impairment losses post-2020, this remains an area to monitor closely.
4. **Share Price and Earning per Share:** Despite improving financial performance, market valuation and EPS reflect potential external pressures or market sentiments.

## LIMITATIONS OF THE RESEARCH

The current research faced several limitations that impacted its scope and execution. Time constraints due to the expedited nature of the project created pressure to ensure accuracy in the collected information and delays in gathering sufficient questionnaire responses and the inability to conduct in-person interviews limited access to trustworthy insights necessary for comprehensive analysis.

Additionally, challenges arose in obtaining accurate and reliable financial data, relying heavily on Bank Muscat's annual reports. Lastly, compiling a coherent literature review was complicated by difficulties in identifying and reformulating relevant scientific research. These limitations collectively influenced the depth and breadth of the research's findings.

## MAJOR FINDINGS OF THE RESEARCH

This research highlights the pivotal role of Bank Muscat in driving economic development in Oman, underscored by its emphasis on sustainability, environmental preservation, and fostering a favourable work environment to enhance employee productivity. Insights derived from analyzing responses from 90 stakeholders and financial performance data from 2019 to 2023 reveal Bank Muscat's strong commitment to customer satisfaction and its consistent profitability and earnings growth. These findings affirm the bank's stability and its significant contribution to the national economy, offering valuable perspectives for other commercial banks in Oman to emulate.

## SUMMARY OF RESULTS

The research explores the role of commercial banks, particularly Bank Muscat, in Oman's economic development. It emphasizes how commercial banks promote growth through financial intermediation, credit provision, and support for businesses. Bank Muscat significantly impacts sectors like SMEs, infrastructure, and international trade. Its contributions in savings mobilization, credit supply, trade facilitation, and supporting diversification efforts are vital for fostering sustainable growth, diversification, and job creation in Oman.

The stakeholders of Bank Muscat agree that commercial banks, including Bank Muscat, positively impact economic development, with a strong correlation between their performance and economic growth. They acknowledge Bank Muscat's contributions to the national economy and its significant investments in Omani projects.

The financial analysis underscores Bank Muscat's strong operational and financial performance over the five years while pointing out areas for strategic improvement, such as market valuation and impairment management.

## CONCLUSION

The research concludes that Bank Muscat has played a significant role in the economic development of Oman, particularly in terms of supporting economic diversification, financing SMEs, and promoting financial inclusion. The bank's efforts align with the broader objectives of Oman's Vision 2040, highlighting the importance of commercial banks in achieving sustainable economic growth.

The Bank Muscat's role in financing key projects, promoting entrepreneurship, facilitating trade, and supporting government policies underscores the critical role commercial banks play in shaping the economic landscape of Oman. As the nation continues to diversify its economy, the support and innovation of commercial banks like Bank Muscat will remain central to achieving sustainable growth and development.

## KEY RECOMMENDATIONS

The Bank Muscat include expanding SME support in emerging sectors like technology and green energy, investing in digital transformation to enhance service delivery, and exploring green finance opportunities to align with sustainability goals. The bank should provide transparent information about its contributions to economic development and conduct research on the broader impact of commercial banks. Strategic stakeholder engagement, addressing concerns over cash reserves through transparent reporting, and fostering internal collaboration are essential to strengthening confidence and ensuring resilience.

## RECOMMENDATIONS FOR FURTHER RESEARCH

The future research could extend this analysis by comparing Bank Muscat with other leading commercial banks in Oman to assess how varying strategies impact economic development. A longitudinal study on the sustained effects of Bank Muscat's initiatives would provide deeper insights into its role in Oman's economy.

The banks' exploring contributions to specific sectors like SMEs, agriculture, or renewable energy would highlight areas of significant impact. Research on customer perceptions, especially in underserved regions, could reveal how effectively Bank Muscat meets local needs.

Additionally, examining the interaction between the bank and regulatory frameworks or the adoption of fintech could uncover new dimensions of its influence. Finally, expanding the research to include more banks or focusing on specific economic factors could provide a comprehensive understanding of commercial banks' roles in economic development.

## REFERENCES

1. Anitha Ravi Kumar, Teresa Manju Felex, Saranya Ramesh and Arshiya Sultana(2019). Commercial Banks of Oman – A Backbone to Economic Development, International Journal of Advance and Innovative Research Volume 6.
2. Bandlamudi Kalpana, Taidala Vasantaha Rao (2017). International Journal of Management and Applied Science, ISSN: 2394-7926 Volume-3.
3. Bank Muscat, Annual Reports 2019 to 2023. <https://www.bankmuscat.com>
4. Central Bank of Oman, Muscat, Annual Reports, 2023.
5. Dube, P., & Gupta, K. (2018). A study of the role of commercial banks in rural development in India. International Journal for Research in Engineering Application & Management (IJREAM), ISSN: 2454-9150.
6. Fatema Tuz Zohra (2020) Role of Commercial Bank in the Economic Development of Bangladesh, Society & Change Vol. XIV, No.4, October-December 2020.
7. Financial Statements, Bank Muscat 2023. <https://www.bankmuscat.com>
8. Hussain, A., & Javaid, A. (2021). Role of Commercial Banks in the Economic Development of a Country: An Indian Perspective. Economics, Business.

9. Hugh L. Davis III (2017). The Impact of Commercial Banking Development on Economic Growth – A Principal Component Analysis Association between Banking Industry and Economic Growth in Europe,. <https://aquila.usm.edu/dissertations>
10. Jittima Tongurai & Chaiporn Vithessononthi (2018) The impact of the banking sector on economic structure and growth, *International Review of Financial Analysis*, Elsevier, vol. 56(C).
11. Kumari, P. J. (2017). Role of Banks in the Development of Indian Economy. *Imperial Journal of Interdisciplinary Research (IJIR)*.
12. Manish, M. K. (2020). The Role of Commercial Banks in Economic Growth in India: A Perspective Study. *International Journal of Education, Modern Management, Applied Science & Social Science*.
13. Mishkin, F. S. (2019). *The Economics of Money, Banking, and Financial Markets*. New York: Pearson.
14. Phuc Tran Nguyen, (2022), The Impact of Banking Sector Development on Economic Growth - The Case of Vietnam's Transitional Economy, *Journal of Risk and Financial Management*.
15. Sanjeet Kumar Sah1 & Md. Mahmood Alam (March 2024). A Study on role of Commercial Banks in Economic Development of India, *EPR International Journal of Research and Development (IJRD)*, Volume: 9 | Issue: 3.
16. Subbareddy, K. (2020). An Empirical Study on Role of Commercial Banks on Issuing Loans and Advances in Selected Areas: Impact on Economic Growth in India. *International Journal of Computer Science and Information Technology Research*,
17. The Small and Medium Enterprises Development Authority, Oman.
18. Vandana Tiwari(2020). Role of Commercial Banks in Economic Development of India, *International Journal of Education, Modern Management, Applied Science & Social Science*.
19. Oman Vision 2040, <https://www.oman2040.om/vision>. Oman Vision 2040 Document. Muscat: Government of Oman
20. Gross domestic product (GDP) <https://www.statista.com/statistics/gross-domestic-product-gdp-in-oman/>
21. The Small and Medium Enterprise Development Authority. (<https://sme.gov.om/en/>)
22. Corporate Social Responsibility. (<https://csr-oman.com>)
23. Central Bank of Oman. (<https://cbo.gov.om/>)
24. World Bank. (2023), Oman. <https://thedocs.worldbank.org> > related > mpo-omn.