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Original Article

Financial Performance Metrics of Islamic Banks in the Sultanate of Oman: An Analytical Review

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Abstract: *This study aims to provide an analytical review of the financial performance metrics of Islamic banks in the Sultanate of Oman, focusing on Bank Alizz and Bank Nizwa. Islamic banking, which operates in compliance with Sharia law, has emerged as a significant component of the global financial system. In Oman, Islamic banks have gained prominence for their role in promoting economic stability and growth. This paper evaluates the financial performance of these banks using key performance indicators such as profitability, liquidity, asset quality, and capital adequacy. The analysis draws on financial statements, annual reports, and other relevant financial data from 2019 to 2021. By comparing the performance of Bank Alizz and Bank Nizwa, the study highlights strengths and areas for improvement within the Omani Islamic banking sector. The findings indicate that while both banks demonstrate strong liquidity and capital adequacy, challenges remain in terms of profitability and asset quality. This review provides valuable insights for policymakers, investors, and stakeholders interested in the development of Islamic banking in Oman, offering recommendations to enhance financial performance and sustain growth in the sector.*

Keywords: *Financial Performance, Liquidity, Asset Quality.*

I. INTRODUCTION

The financial sector in the Sultanate of Oman has experienced considerable growth and diversification over the past few decades, reflecting broader global trends towards more inclusive and diversified financial services. Among the most notable developments has been the rise of Islamic banking, a system of banking that adheres to Sharia law, which prohibits interest-based transactions and promotes risk-sharing, ethical investments, and social equity. Islamic banking has not only provided an alternative to conventional banking but has also contributed significantly to the economic development of countries where it has been adopted. In Oman, Islamic banking institutions such as Bank Alizz and Bank Nizwa have been at the forefront of this financial transformation.

Bank Alizz and Bank Nizwa were established in the early 2010s, with Bank Nizwa commencing operations in 2013 as the first dedicated Islamic bank in Oman, followed closely by Bank Alizz. These institutions were created to meet the rising Omani demand for financial services and goods that adhere to Sharia law. They also aimed to support the government's vision of economic diversification and sustainable growth, in line with the broader goals of Oman Vision 2040. This strategic initiative seeks to reduce the country's dependence on oil revenues and promote a more balanced and resilient economic structure.

Understanding the financial performance of these Islamic banks is crucial for several reasons. Firstly, it helps in assessing the health and sustainability of the Islamic banking sector in Oman. Secondly, it provides insights into how these banks contribute to the overall economic stability and growth of the country. Thirdly, it informs policymakers, investors, and other stakeholders about the operational efficiencies and potential areas of improvement within these institutions.

This study aims to provide a comprehensive analytical review of the financial performance metrics of Bank Alizz and Bank Nizwa. Over a five-year period, from 2019 to 2021, important performance indicators like profitability, liquidity, quality of assets, and capital sufficiency will be examined. These metrics are essential for evaluating the financial health of banks and understanding their operational effectiveness. Profitability ratios, for instance, indicate how well a bank is generating income relative to its expenses. Liquidity ratios gauge the ability of a bank to fulfill its immediate responsibilities, while asset quality ratios provide insights into the health of a bank's loan portfolio. Capital adequacy ratios assess a bank's ability to absorb potential losses and safeguard depositors' funds.

Despite the promising growth, Islamic banks in Oman face several challenges. Regulatory constraints, economic fluctuations, market competition, and the need for technological advancements are some of the key issues that these banks must navigate. Furthermore, the ongoing global economic uncertainties, exacerbated by the COVID-19 pandemic, have added layers of complexity to the financial landscape, affecting the performance and strategic planning of these institutions.

This research will delve into these aspects, providing a nuanced understanding of the financial performance of Bank Alizz and Bank Nizwa. The findings will highlight the strengths and weaknesses of these banks, offering strategic insights and recommendations for enhancing their financial stability and growth. The study will also explore the broader implications of Islamic banking on Oman's economy, particularly in terms of fostering economic stability, promoting financial inclusion, and supporting sustainable development goals.

Ultimately, this research aims to contribute to the existing body of knowledge on Islamic banking, particularly in the context of Oman. By providing a detailed evaluation of the financial performance of Bank Alizz and Bank Nizwa, this study seeks to support the sustainable growth of the Islamic banking sector in Oman, ensuring its continued contribution to the nation's economic development and resilience.

II. PROBLEM STATEMENT

Despite the rapid growth and increasing prominence of Islamic banking in the Sultanate of Oman, there remains a lack of comprehensive analysis regarding the financial performance of Islamic banks, particularly focusing on key performance indicators (KPIs) such as profitability, liquidity, asset quality, and capital adequacy. This knowledge gap hinders stakeholders, including policymakers, investors, and bank management, from making informed decisions regarding the sustainability and growth of Islamic banking in Oman. Therefore, the problem addressed by this study is the need for an in-depth evaluation of the financial performance metrics of Islamic banks in Oman, with a specific focus on Bank Alizz and Bank Nizwa, to identify strengths, weaknesses, and areas for improvement and to provide actionable recommendations for enhancing the financial stability and growth of these institutions.

A vast number of studies, such as Nullah & Yusof, 2018, Haris & Khan, 2017, and Marzban et al., 2019 have explored contemporary issues on financial performance metrics. However, these studies failed to address some asset parameters and camel rating indicators. This particular study takes a further step in analyzing parameters, which will, therefore, fill the void that has been left unattended in previous studies.

A) Research Questions:

1. What are the factors that affect the asset quality of the Islamic Banks in the Sultanate of Oman?
2. To what extent does capital adequacy influence the position of Islamic Banks in the Sultanate of Oman?
3. To what extent does the liquidity position affect Islamic Banks in the Sultanate of Oman?

B) Research Objectives:

1. Examine the asset quality of the Islamic Banks in the Sultanate of Oman.
2. Appraise the capital adequacy of the Islamic Banks in the Sultanate of Oman.
3. Evaluate the liquidity position of the Islamic Banks in the Sultanate of Oman.

III. LITERATURE REVIEW

A) Conceptual Framework

a. Asset Quality Examination

Credit Risk Management: Islamic banks in Oman employ credit risk management practices to assess the quality of their financing portfolios. This involves evaluating the creditworthiness of borrowers, conducting rigorous due diligence, and implementing risk mitigation strategies (Kahf, 2008).

Non-Performing Financing (NPF) Ratio: The NPF ratio measures the proportion of financing assets that are classified as non-performing. A higher NPF ratio may indicate weaknesses in credit risk management and potential risks to asset quality (Iqbal & Mirakhor, 2011).

Provision Coverage Ratio (PCR): The PCR assesses the adequacy of provisions set aside to cover potential losses from non-performing financing. A higher PCR suggests a more conservative approach to provisioning and a stronger buffer against credit losses (Al-Tamimi & Al-Mazrooei, 2007).

b. Capital Adequacy Appraisal:

Regulatory Capital Requirements: Islamic banks in Oman must comply with capital adequacy regulations set by the Central Bank of Oman (CBO). These regulations specify minimum capital requirements to guarantee that banks have enough capital to cover losses and uphold stability in the financial system (Iqbal & Mirakhor, 2011).

Capital Adequacy Ratio (CAR): The CAR measures a bank's capital relative to its risk-weighted assets. A higher CAR indicates a stronger capital base and a better ability to withstand adverse economic conditions (Kassim & Majid, 2009).

Tier 1 Capital Ratio: Focuses on the bank's core capital, including common equity Tier 1 capital, which represents the highest-quality capital available to absorb losses. A higher Tier 1 capital ratio reflects greater financial strength and resilience (Kassim & Majid, 2009).

c. Liquidity Position Evaluation:

Sharia-Compliant Liquidity Management: Islamic banks in Oman employ Sharia-compliant liquidity management practices to ensure they can meet their short-term obligations while adhering to Islamic principles (Siddiqui, 2012).

Liquidity Coverage Ratio (LCR): The LCR assesses a bank's ability to withstand short-term liquidity disruptions. A higher LCR indicates greater liquidity resilience (Kahf, 2008).

Financing-to-Deposit Ratio (FDR): The FDR measures the proportion of financing assets funded by customer deposits. A lower FDR may indicate a more conservative funding approach and better liquidity management practices (Kahf, 2008).

Central Bank Oversight: The Central Bank of Oman (CBO) sets regulatory guidelines and monitors Islamic banks' compliance with asset quality, capital adequacy, and liquidity requirements (Central Bank of Oman).

Board Oversight and Risk Management: Effective corporate governance structures ensure proper oversight of asset quality, capital adequacy, and liquidity management. Robust risk management frameworks are essential for identifying and mitigating risks associated with these areas (El-Hawary, Grais, & Iqbal, 2007).

IV. THEORETICAL FRAMEWORK

The theoretical framework for analyzing the financial performance metrics of Islamic banks in the Sultanate of Oman involves drawing upon key principles and concepts from Islamic finance, as well as established frameworks for evaluating bank performance. Here is a breakdown of the theoretical framework:

Sharia Compliance: Islamic banks operate based on Sharia principles, which prohibit interest (riba), speculation (gharar), and unethical investments (haram). Therefore, financial transactions conducted by Islamic banks must adhere to Sharia law, ensuring ethical and socially responsible practices.

Risk-Sharing: Islamic finance promotes risk-sharing between financial institutions and their clients, fostering a more equitable distribution of risk and reward.

Asset-Backed Financing: Islamic banks typically engage in asset-backed financing, where transactions are linked to tangible assets or underlying economic activities, promoting transparency and risk mitigation.

Profit-and-Loss Sharing: Islamic banks often employ Profit-and-Loss Sharing (PLS) arrangements such as mudarabah and musharakah, where profits and losses are shared between the bank and its clients, aligning the interests of stakeholders.

A) Financial Performance Metrics:

Profitability: Measures the ability of Islamic banks to generate profits from their operations. Key metrics include Return on Assets (ROA), Return on Equity (ROE), and net profit margins.

Liquidity: Reflects the ability of Islamic banks to meet short-term obligations and fund growth opportunities. Liquidity ratios such as the Liquidity Coverage Ratio (LCR) and financing-to-deposit ratio (FDR) are commonly used.

Asset Quality: Indicates the quality of Islamic banks' loan portfolios and the effectiveness of credit risk management practices. Metrics include Non-Performing Financing (NPF) ratio and provision coverage ratio (PCR).

Capital Adequacy: Assesses the sufficiency of Islamic banks' capital to cover possible losses and adhere to legal specifications. Key ratios include the Capital Adequacy Ratio (CAR) and Tier 1 capital ratio.

B) Regulatory Framework:

Central Bank Regulations: The Central Bank of Oman (CBO) sets regulatory guidelines and capital adequacy requirements for Islamic banks to ensure financial stability and consumer protection.

Accounting Standards: Islamic banks in Oman adhere to international accounting standards such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards, ensuring transparency and consistency in financial reporting.

C) Agency Theory:

Principal-Agent Relationship: Analyzes the relationship between Islamic banks (agents) and their stakeholders (principals), emphasizing the alignment of interests and incentives to maximize shareholder value and ensure sound corporate governance practices.

By integrating these theoretical components, the analytical review of financial performance metrics of Islamic banks in the Sultanate of Oman provides a comprehensive framework for assessing their operational efficiency, risk management practices, and adherence to Sharia principles. This framework serves as a guide for evaluating the strengths, weaknesses, and areas for improvement within the Islamic banking sector, ultimately contributing to informed decision-making and sustainable growth.

V. EMPIRICAL FRAMEWORK

Siddiqui & Ishaq (2021). Liquidity management practices and bank stability: An examination of Pakistan's Islamic and conventional banks in comparison. This study compares liquidity management practices and stability between Islamic and conventional banks in Pakistan.

Siddiqui & Siddiqui, (2021). Determinants of profitability of Islamic banks: Evidence from selected OIC countries. This study investigates the determinants of profitability in Islamic banks, including the impact of asset quality on bank profitability in OIC countries.

Arif & Ghani (2020). Capital adequacy and bank risk-taking: A comparative study of Islamic and conventional banks in Pakistan. This paper compares the capital adequacy and risk-taking behavior of Islamic and conventional banks in Pakistan.

Rahman & Masih (2019). Asset quality, non-interest income and bank profitability: Evidence from Islamic banks in Bangladesh. This paper examines the relationship between asset quality, non-interest income, and bank profitability in Islamic banks in Bangladesh.

Ali & Akhtar (2019). Capital adequacy and bank risk-taking: Evidence from emerging economies. This study investigates the relationship between capital adequacy and bank risk-taking in emerging economies, including Islamic banks.

Saeed & Shafiq (2018). Liquidity risk management practices and bank stability: A comparative analysis of Islamic and conventional banks in Pakistan. This paper conducts a comparative analysis of liquidity risk management practices and stability between Islamic and conventional banks in Pakistan.

Additionally, Siddiqui (2012) analyzed the liquidity positions of Islamic banks in Pakistan and suggested that prudent liquidity risk management practices, including the use of Sharia-compliant liquidity instruments and stress testing frameworks, were essential for maintaining liquidity resilience.

In a study focusing on GCC countries, Iqbal and Mirakhor (2011) analyzed the capital adequacy ratios of Islamic banks and emphasized the role of capital buffers in enhancing financial resilience. They suggested that Islamic banks should maintain sufficient capital levels to withstand economic shocks and regulatory changes, thereby ensuring long-term sustainability.

Kassim and Majid (2009) examined the capital adequacy ratios of Islamic banks in Malaysia and found that regulatory capital requirements and profitability levels significantly influenced capital adequacy levels. Their study highlighted the importance of regulatory oversight and capital management strategies in ensuring adequate capitalization of Islamic banks.

Kahf (2008) conducted a study on liquidity risk management in Islamic banks and emphasized the need for Sharia-compliant liquidity management tools to address funding mismatches and liquidity challenges. His study proposed innovative liquidity management solutions tailored to the principles of Islamic finance.

Al-Tamimi and Al-Mazrooei (2007) conducted a study on the performance of Islamic banks in the GCC region, including Oman. They found that asset quality was a significant determinant of bank profitability. They highlighted the importance of robust credit risk assessment mechanisms and prudent lending practices in maintaining asset quality.

Similarly, El-Hawary, Grais, and Iqbal (2007) analyzed the financial performance of Islamic banks worldwide and emphasized the need for effective risk management frameworks to mitigate credit risk and ensure asset quality. Their study underscored the importance of Sharia-compliant financing structures and rigorous due diligence processes in maintaining high asset quality standards.

VI. METHODOLOGY

The plan for gathering, measuring, and analyzing data is the quantitative research design. The population for this research includes all the Islamic banks listed in the Muscat securities market from 2019 to 2021. 7 Islamic banks are operating in the Sultanate of Oman. Nizwa Bank and Aliz Islamic Bank are the two banks operating widely in the Sultanate, and they were selected using a random selection process. The justification for using the selected time period from 2019 to 2021 is recent. It reflects the most up-to-date data available, providing a current snapshot of the financial performance of Islamic banks in Oman.

By focusing on the years 2019 to 2021, the study captures the impact of recent economic events, regulatory changes, and market dynamics on the financial performance of Islamic banks, offering insights into their resilience and adaptability.

Oman's economy experienced significant developments and challenges during the selected time period, including changes in oil prices, fiscal reforms, and the impact of the COVID-19 pandemic.

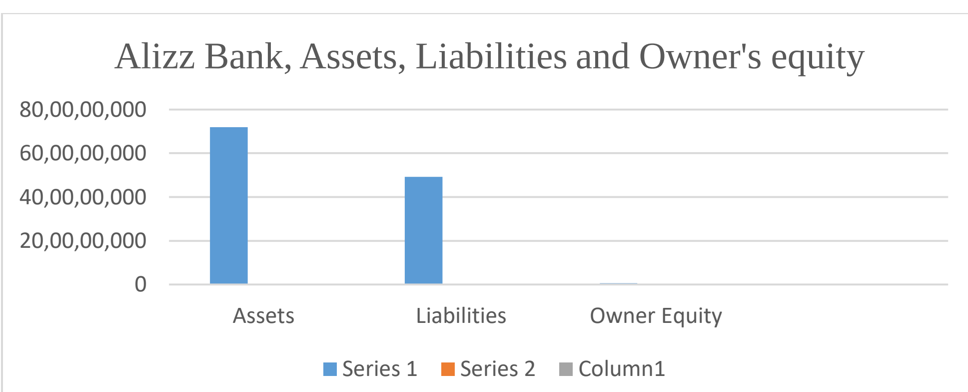
Analyzing the financial performance metrics of Islamic banks during this period allows for an assessment of their ability to navigate economic uncertainties and maintain stability in a dynamic market environment.

For the period 2019 – 2021, the study is done on samples of these two banks. A procedure known as random selection is used to pick the sample banks. This study's data comes exclusively from secondary sources. Secondary data was gathered from the bank's website, as well as books, journals, and articles.

Model Specification
CAR = $\beta0 + \beta1$(Regulatory Capital Requirements) + $\beta2$(Profitability) + $\beta3$(Bank Size) + $\beta4$(Regulatory Environment) + ε
Where:
Board size, which is the number of members of the board of directors.
Leverage: The leverage of the company, which is determined as the ratio of the long-term debt to ordinary share capital.
TA: This means total assets.
TL: This means total liabilities.
Net worth: Net worth (sometimes called net asset)
Data Analysis and Interpretation:
The two Islamic banks in Oman have been selected, and these banks are compared in terms of Assets, liabilities and owners' equity.

Alizz Islamic Bank - Assets, Liabilities and Owners' equity- 2019.

Asset	R. O (M)	Liabilities	R. O (M)	Owners' equity	R. O (M)
Cash and balances with the Central Bank of Oman	46,382,561	Due to bank	11,742,498	Share capital	100,000,000
Due from bank	21,785,946	Customers current account	34,243,056	Legal reserve	536,020
Total Assets	718,833,345	Total Liabilities	493,042,090	Total owner's equity	79,178,49



Analysis & Interpretation- 2019:

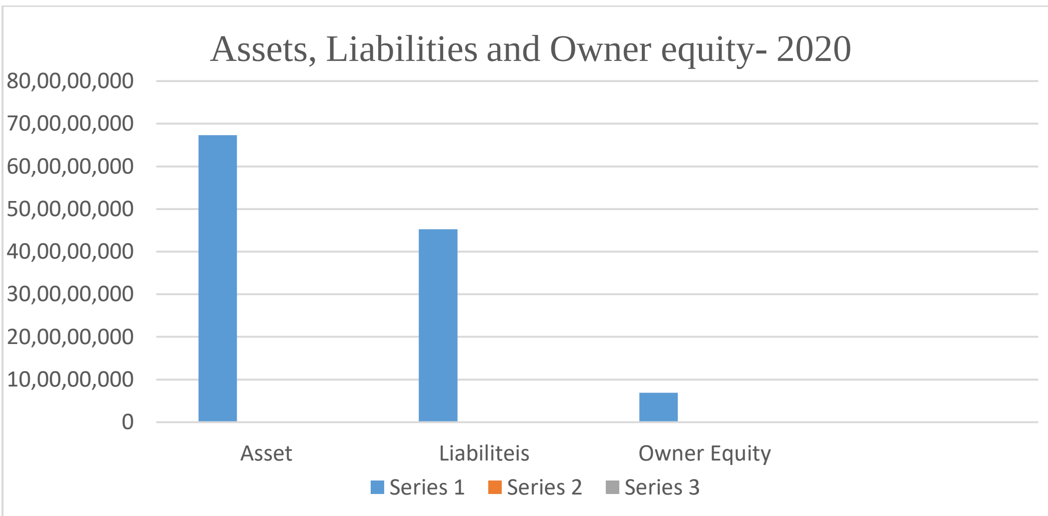
The above table shows that Alizz Islamic Bank has cash with the Central Bank of Oman worth 46.3 (M) and due from banks are 21.7 (M). The total assets stand at 718.8 (M).

Alizz Bank liabilities, equivalent to 11.7 (M), due to the banks and customers' current accounts, stand at 34.2 (M). The total liability of the bank is 493.0 (M).

The above figure shows that the share capital of Alizz Bank is 100.0 (M), and the legal reserve stands at 0.536 (M). The total Owners Equity is 79.1 (M).

Alizz Islamic Bank - Assets, Liabilities and Owner equity- 2020.

Asset	**R. O**	**Liabilities**	**R. O**	**Owner Equity**	**R. O**
Cash and balance with the Central Bank of Oman	36,744,498	Due to bank	12,127,501	Share capital	139,500,000
Due from banks	2,867,229	Customers current account	85,133,987	Legal reserve	490,681
Total Assets	865,674,692	Total Liabilities	101,780,914	Total owner's equity	100,629,019



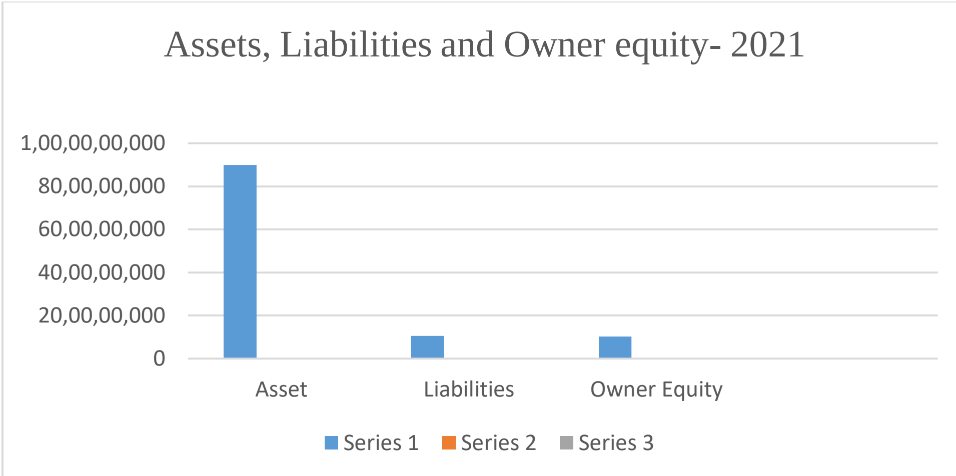
Analysis & Interpretation-2020:

The above table shows that Alizz Bank has a cash balance with the Central Bank of Oman equal to 36.7 (M) and due from banks is 2.0 (M). The total assets for the year ending 2020 are 865.6 (M). As compared to 2019 to 2020, Alizz Bank's total assets have increased from 718.0 (M) to 865.6 (M). The increase in total assets is significant for the bank's growth.

The table shows that Alizz Bank has 12.0 million which is due from banks. The customer's current account is 85.0 (M). The total liabilities for the bank are 101.0 (M). As compared to 2019 to 2020, Alizz Bank's total liabilities have decreased from 493.0 (M) to 101.0 (M).

Alizz Islamic Bank - Assets, Liabilities and Owner's equity- 2021.

Asset	**RO (M)**	**Liabilities**	**RO (M)**	**Owner's Equity**	**RO (M)**
Cash and balance with the central bank	82,949,944	Customer current accounts	118,034,376	Share capital	139,500,000
Due from banks	2,266,825	Other liabilities	18,477,157	Legal reserve	490,681
Total Assets	974,145,725	Total Liabilities	136,511,533	Total owner's equity	104,678,113



Analysis & Interpretation-2021:

The above table shows that Aliz banks have cash and balances with the central bank of Oman equal to 82.9 (M) and due from banks are 2.2 (M). The total assets are 974.1 (M).

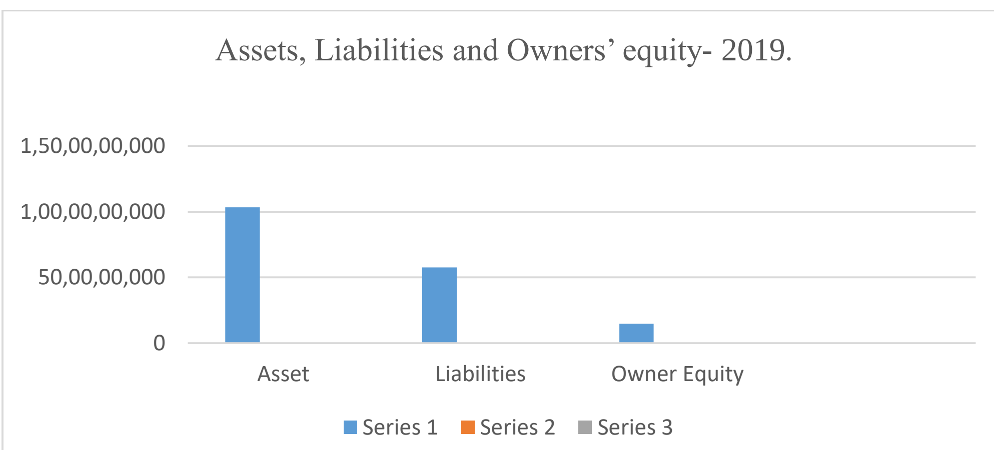
Compared to 2019 and 2020, the total assets for Alizz Bank have increased significantly. There is an increase of 26.2% in the total assets of banks within two years.

The above table shows that the customers' current accounts are 118.0 (M), and other liabilities are 18.0 (M). The Total liabilities stand at 136.5 (M) for the year ending December 2021. As compared to the two previous years, Alizz Bank's liabilities have decreased by 35.5 % in 2021.

The bank's total owner's equity stands at 104.6 (M), which is high as compared to the two previous years.
Bank Nizwa

Bank Nizwa - Assets, Liabilities and Owners' equity- 2019

Asset	**RO (M)**	**Liabilities**	**RO (M)**	**Owners' equity**	**RO (M)**
Cash and balance with the Central Bank of Oman	89,292,585	Interbank wakala	66,824,978	Paid up capital	150,000,000
Due from banks and financial institutions	20,321,209	Customer Account	149,242,877	Share premium	2,091,192
Total Assets	1,034,363,	Total Liabilities	576,060	Total owner's equity	147,907,323

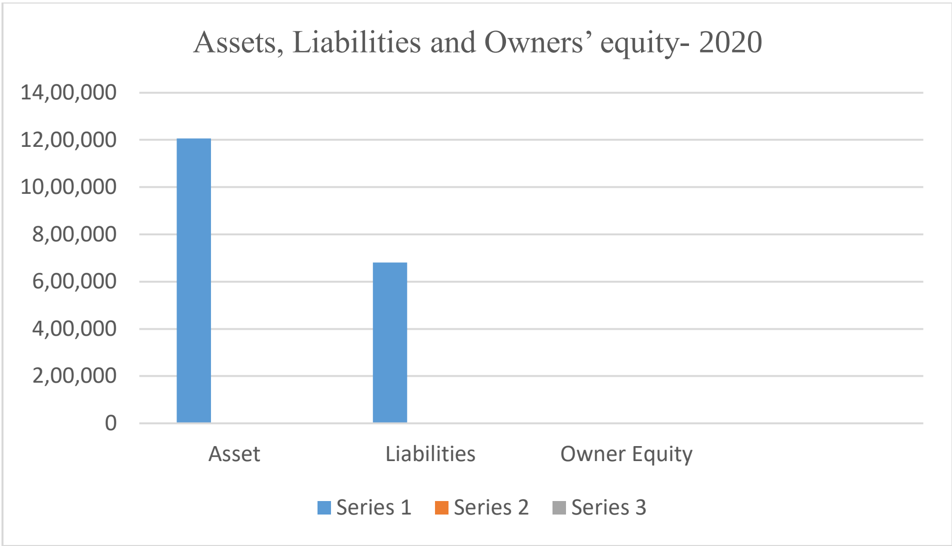


Analysis & Interpretation – 2019:

The above table shows that Bank Nizwa have cash and balance with the Central Bank of Oman equal to 89.2 (M). The total assets of Bank Nizwa are 1,034.3 (M). Bank Nizwa maintains in Customer account equal to 149.2 (M), and the total liabilities stand at 576.0 (M). The total owners' equity is equal to 147.9 (M).

Bank Nizwa - Assets, Liabilities and Owners' equity- 2020

Asset	RO (M)	Liabilities	RO (M)	Owner Equity	RO (M)
Cash and balance in the Central Bank	67,943	Interbank wakala	91,833	Paid up capital	150,000
Due to bank and financial institutions	12,996	Customer account	205,002	Legal reserves	3,266,000
Total Assets	1,206,259	Total Liabilities	680,480	Total owner's equity	159,688



Analysis & Interpretation-2020:

The above table represents that Bank Nizwa have cash and balance with the Central Bank of Oman of 67.9 (M) and due from bank and financial institutions equals 12.9 (M). The total assets of Bank Nizwa stand at the year ending 31st December 2020 is 1.206 (M).

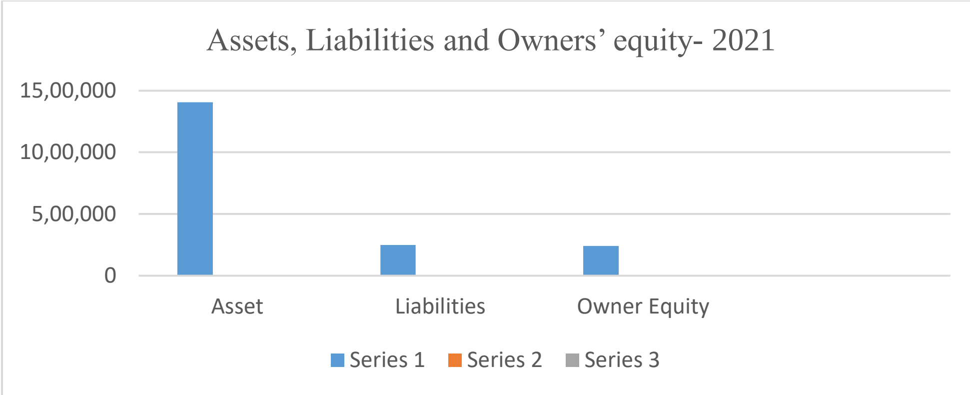
The Interbank wakala for Bank Nizwa is 91.8 (M), and customers' accounts balances at Bank Nizwa are 205.0 (M). The total liabilities for Bank Nizwa for the year ended 31st December 2020 stands at 680.4 (M)

Bank Nizwa has a Paid-up capital of 150.0 (M) and a total owner's equity equal to 159.6 (M) at the year ended 31st December 2020.

As compared to 2019 with 2020, the total assets and the total liabilities for Bank Nizwa have increased significantly, which reflects the bank's steady growth.

Bank Nizwa - Assets, Liabilities and Owners' equity- 2021

Asset	RO (M)	Liabilities	RO (M)	Owner's Equity	RO (M)
Cash and balance with Central bank	90,028	Customer account	213,388	Paid up capital	220,011
Due from bank and financial institutions	5,851	Other liabilities	34,638	Share premium	2,091
Total Assets	1,404,823	Total Liabilities	248,026	Total owner's equity	239,839



Analysis & Interpretation- 2021:

The above table shows that Bank Nizwa's assets in the year ending 2021 have increased significantly compared to 2020. They have cash and balances with the Central Bank of Oman are 90 (M) and due from banks and financial institutions 5.8 (M), and their total asset stands at 1,404 (M).

The above table reflects the liabilities status of Bank Nizwa as of the year ending 2021. The customers' account stands at 213 (M) and other Liabilities at 34 (M) and the total liabilities are 248 (M).

As per the figures given above, the paid-up capital for Bank Nizwa stands at 220 (M) and share premium stands at 2 (M) and the total owners' equity is 239 (M) in the year ending 2021. There is a significant rise in owners' equity of Bank Nizwa as compared with the year ending 2020.

As compared to 2019 and 2020, Bank Nizwa has achieved steady growth in terms of bank assets and liabilities.

VII. FINDINGS

In 2019, Alizz Bank held cash with the central bank, amounting to 46 million. However, by 2020, this figure decreased to 36 million before experiencing a notable increase to 82 million in 2021, marking the only instance of cash increase during this period.

Conversely, Nizwa Bank saw a decrease in cash holdings with the central banks from 89 million in 2019 to 67 million in 2020. Nonetheless, by 2021, this trend reversed, with cash reserves rising to 90 million.

In 2019, Nizwa Bank's assets amounted to 1 million, while its liabilities stood at 576 million, with owner equity totaling 147 million.

During the same period, Alizz Bank had due amounts from banks totaling 21 million, which increased to 28 million in 2020 and further to 26 million in 2021.

Conversely, Nizwa Bank's due from banks and financial institutions was 20 million in 2019, decreasing to 8 million in 2020 and further to 3 million in 2021. Moreover, liabilities due to banks were recorded at 11 million, while customer current accounts totaled 34 million.

In terms of owner equity, Alizz Bank possessed a share capital of 100 million and a legal reserve of 536 million in 2019. However, by 2020, their assets stood at 673 million, liabilities at 452 million, and owner equity at 68 million.

Subsequently, in 2021, Alizz Bank's assets increased to 898 million, liabilities decreased to 105 million, and owner equity rose to 101 million. Conversely, Nizwa Bank's owner equity in 2019 amounted to 159 million, with assets totaling 1 million and liabilities at 680 million. By 2020, owner equity increased to 239 million, with liabilities decreasing to 248 million and assets remaining at 1 million.

VIII. CONCLUSION

Islamic banks, such as Bank Nizwa and Bank Alizz, play a pivotal role in economic development through their adherence to Sharia principles and ethical financial practices.

Their commitment to non-interest-bearing transactions and profit-sharing arrangements fosters trust among stakeholders. It promotes financial inclusion, exemplified by Bank Nizwa's and Bank Alizz's dedication to Sharia-compliant banking services.

By avoiding unlawful activities and aligning financing, investments, and trade with Islamic principles, Bank Nizwa and Bank Alizz contribute positively to economic growth, demonstrating their commitment to ethical banking practices.

The integration of Islamic principles into the operations of Bank Nizwa and Bank Alizz underscores their significance in promoting sustainable development within the financial sector.

Bank Nizwa and Bank Alizz align with the developmental aspirations of Islamic societies, thus playing a vital role in fostering economic prosperity while upholding the values and principles of Sharia law.

A) Recommendations

1. This study shows that Alizz Bank and Nizwa Bank must prioritize customer engagement and satisfaction across all cities of Oman.
2. This study highlights the significant role played by Islamic banks; it is recommended that other financial institutions consider establishing Islamic banking services to cater to the growing demand from individuals and businesses seeking Sharia-compliant financial solutions.
3. This study suggests that Islamic banks allocate resources towards enhancing technological infrastructure to improve efficiency, streamline processes, and enhance the overall customer experience.
4. The study shows that Islamic banks ensure strict adherence to regulatory standards and implement robust risk management frameworks to safeguard against potential financial risks and ensure long-term stability and resilience.
5. The study shows that Bank Nizwa and Bank Alizz can both capitalize on their expertise in Islamic finance to develop innovative, ethical investment products that cater to the preferences of socially responsible investors.

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