



# OMAN FINANCE

SPECIAL REPORT

thebusiness|year

# THE BUSINESS YEAR: FINANCE SPECIAL REPORT

Technology is rapidly changing the global finance industry, whether it is in the banking, capital markets, investment, or insurance segment. COVID-19, and the social distancing measures it brought, has only highlighted the urgency for better digital accessibility. In line with this trend, the large majority of TBY's interviewees have highlighted Oman's financial sector as the most receptive to embrace digital innovation. Financial institutions must contend with burgeoning demand for innovative new products and systems to meet consumer demands in a market that is increasingly digitally enabled. These digital efforts require hefty investments that most players in other industries cannot afford due to the lack of liquidity, but all finance executives interviewed by TBY have recognized the need to be first movers in adopting new tech solutions and not lose out to competition from within and outside the sector.

Firstly, we have observed how fast-changing customer expectations and the quest for improving business processes paved the way for increased digitization in the Omani banking sector. The investments in technology are a direct result of healthy balance sheets, despite a challenging macro-economic environment. In 2020, Oman's banking sector has been displaying the same robustness and resilience showcased over the years, with the top eight Omani banks having enjoyed a healthy surge of 11.5% in net profits YoY. We also received positive feedback from businesses on the reduction of

the minimum capital adequacy ratio by 1%, enacted by the central bank to create additional space for credit disbursement.

On the capital markets side, the elevated current account deficit, a result of the country's dependence on imports, continued to negatively impact investor sentiment, preserving the lack of market liquidity that most interviewees complain about. In an effort to reverse the tide and increase activity on the stock market, both the Capital Markets Authority and the Muscat Security Market are incorporating new digital surveillance, information, and trading systems. New efforts are also being made to reduce the number of passive investors and increase the availability of risk-management tools. Investors are also positively receiving the implementation of the XBRL system to report financial and non-financial information by all issuers and enable deep dive analytics on digitalized data through an online portal.

In this special report, we also hope to shed light on the nascent venture capital scene in Oman. The two main players in the segment are IDO Investments and Phaze Ventures; the first one being the VC arm of the State General Reserve Fund, the second a VC spin-off of the PDO to invest in proven young enterprises. While exciting, our research highlights how the ecosystem still lacks a solid foundation of incubators and investors eager to support start-ups in their very first stages, resulting in a very high rate of defaults. ✖

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ISBN-13: 978-1-912498-50-5



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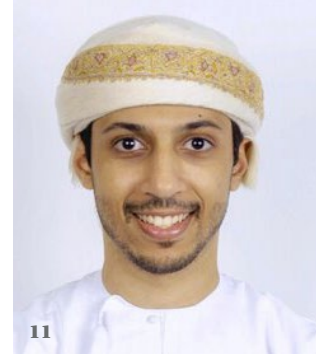
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## INTERVIEW



**Tahir Bin Salim Bin Abdullah Al Amri**  
EXECUTIVE PRESIDENT,  
CENTRAL BANK OF OMAN (CBO)

The Central Bank of Oman's job is to ensure there is adequate liquidity in the system and banks remain robust and resilient to meet the credit requirements of all segments without undermining financial stability.

## BIO

Tahir Bin Salim Bin Abdullah Al Amri was appointed Executive President of CBO in 2017. He is an experienced treasury and finance professional with a successful track record in all aspects of treasury and finance functions. He serves as a board member of a number of private and public entities, from a leading local bank to sovereign wealth funds, and the oil and gas industry. He has played leading roles in negotiating financing agreements, writing articles of association, technical licensing and construction contracts, oil and gas upstream agreements, shareholder agreements, shipping contracts, establishing credit policies and procedures, and board audit committees.

# securing stability AND GROWTH

## How are digital services shaping the traditional retail and wholesale banking sector?

The customer-centric business model is always vital for the growth and profitability of the banking sector, irrespective of the changing contours of delivery mode. The increasing digitalization in banking has improved the pace, scale, scope, and ease of both retail and wholesale banking services over the last few years. At the same time, it led to increased efficiency and productivity in the banking sector, in turn, reducing the cost of conducting business. The technological innovation driven by ever-evolving customer expectations and the quest for improving business processes paved the way for increased digitalization in the banking sector globally. Notably, the banking sector in Oman has always been a front-runner in adopting new ideas, technologies, and business models to provide hassle-free banking services to customers. Banks in Oman have implemented cutting-edge technologies, such as internet banking, mobile banking, and so on, and are currently exploring new technologies such as blockchain and AI.

## How can the Omani banking sector fully capitalize on the opportunities brought by infrastructure projects, new PPPs, and SMEs?

As part of efficient and prudent financial intermediation, the banks always have to look for sound and viable projects for funding. The CBO, on its part, ensures that there is adequate liquidity in the system and banks remain robust and resilient to meet the credit requirements of all segments without undermining financial stability. Currently, there is ample scope in the banking sector to provide for higher credit to different segments of the economy. The reduction in the minimum capital adequacy ratio by 1% in 2019 and measures announced recently in the wake of the COVID-19 pandemic, such as 50% reduction in Capital Conservation Buffer (CCB) to 1.25%, increase in lending ratio from 87.5% to 92.5%, and reduction in interest rates on standing facilities would ease credit conditions considerably. Therefore, given the availability of credit, the banks should be willing to explore the credit opportunities being offered by infra-

structure projects, new PPPs, and SMEs. Recent government policies including the promulgation of key legislations related to foreign investment, PPP, privatization, and bankruptcy, among others, would also create opportunities for the banks to extend credit.

## How can Oman's banking sector help make the Sultanate a destination for international investors and funds?

A healthy and resilient banking sector is necessary to ensure financial stability and growth, and attract international investors. Oman's banking sector has been displaying robustness and resilience over the years. Omani banks are equipped with state-of-the-art technologies and excellent human capital resources, which enable them to provide banking services that are at par with multinational banks. The banking sector in Oman is well-poised to support the country in attracting international investors and funds.

## What are CBO's strategic priorities for 2021, and what will be the main macroeconomic factors driving them?

In its pursuit to support growth and ensure financial stability in the Sultanate, the CBO would continue to strive for a healthy and strong banking sector that is able to provide quality banking services to all segments. Furthermore, the CBO will respond to the evolving macroeconomic conditions in a proactive manner so that the intended objectives are achieved while ensuring the sector's resilience. For example, in response to the COVID-19 pandemic, the CBO announced a slew of measures to ensure adequate liquidity in the system, ease credit conditions, and provide temporary and timely relief to borrowers. The CBO is also engaged in improving financial outreach and banking services. A fintech committee has been constituted to study, recommend, and oversee the establishment and development of the CBO's fintech agenda, which will feed into the aspired Oman agenda. The CBO has also formed an internal task force that is actively working with the concerned institutions to adopt new Industry 4.0 technologies. ✖



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