

AN EVALUATION OF FINTECH SERVICES OFFERED BY BANKING SECTOR IN SULTANATE OF OMAN

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1. Abstract

An Evaluation of Fintech Services offered by the Banking Sector in the Sultanate of Oman is an innovative research with a unique dimension that serves the modern era of sustainable development in Finance. The modern era is the era of transition to modernity and sustainable development, the rapid movement towards accessible services that take place in a few seconds in the financial sector of GCC Region. Fintech is one of the modern concepts that appeared recently, which refers to the acronym for Financial Technology. Fintech services have been linked to the banking sector as a tool used by banks to facilitate banking transactions, as this research discusses in detail. The main objectives of this research were to determine the Fintech services offered by the top five banks listed in Muscat Stock Exchange (MSX) and to measure the customer satisfaction of Fintech services provided by these banks in Oman. Descriptive Research design was adopted to evaluate the Fintech Services offered by the Banking Sector in Oman. The outcomes of the research were from two sources of data collected viz. primary and secondary sources. The primary data was collected with the help of a structured questionnaire from five hundred and fourteen customers of banks in Oman. The secondary data was collected from the websites of selected banks and Muscat Stock Exchange regarding Fintech services offered by these banks in Oman. Descriptive statistics and correlation analysis were the main tools used for analysis of data with the aid of SPSS program. The results show that the majority of respondents were satisfied with Fintech services offered by the banks in the Sultanate of Oman. The banks in Oman (Bank Muscat, National Bank of Oman, Bank Dhofar, Al Ahli Bank and Sohar International Bank) to remain competitive shall provide all varieties of Fintech Services (Easy Payment Plan, Business 2 Business Services, Mobile Apps, 3D Secure, and E-Wallet) to their customers' without an exception with all features of Fintech Services.

2. Background of the study

Over the past few years, people have had to go to banks to conduct transactions such as taking loans or transferring money from one account to another. After the advent of Fintech, the process became easier than it was before. Fintech is one of the modern concepts that appeared recently, which refers to the acronym for Financial Technology. So, Fintech or Financial Technology is a term used to express any modern technology that provides financial services through programs such as, Mobile apps for money payments, banking services, and cryptocurrencies. Simply, Fintech refers to the combination of finance and technology. The core objective of Fintech is to shift from traditional methods to modern methods of financial transactions and services. Also, enabling customers and companies to access their financial resources and money through modern technological methods in a way that allows competition with traditional financial services. Therefore, the main idea of Fintech is to provide easy-to-use digital solutions in the range of financial transactions. Traditional institutions by their nature are slow to adopt financial technology, but while the term Fintech has emerged, the trend towards modern financial technologies is rapidly growing. So there are many startups and established institutions betting on digital financial services.

Fintech is one of the most indispensable elements of business success in Oman and around the world. The Omani Banks Association indicated to most financial institutions such as banks the need to adopt technological innovations and embrace creative ideas to keep pace with global progress in this field. Where some officials warned that some banks ignore their own responsibility to keep pace with new developments that have the potential to revolutionize the global industry, such as financial technology, artificial intelligence, automation of robotic processes and many other aspects of global development. Therefore, banks cannot afford to ignore Fintech. In Oman, many customers have recently resorted to using mobile banking applications, tap-and-go credit card services, and e-commerce as a form of Fintech's presence on the local scale. There are many Fintech services and programs offered by banks in Oman which are as follows: Various ATM channels, as well as digital payment options through cards and merchant payment systems, cash deposit machines, and new payment options with utility providers.

Recently, Bank Muscat has launched a strategic investment program in the field of financial technology, amounting to 38.5 million Omani riyals, where this program is one of the forms of the bank's strategic growth. Where administrators pointed out that Bank Muscat always focuses on adopting the latest technologies to provide the best financial services and to provide innovative digital channels that meet all categories to serve customers better every day. The bank also announced that it will participate with venture capital funds to exchange experiences to establish a high-quality pipeline in regard to direct investments. The program will target investments in Fintech companies. Bank Dhofar realizes that Fintech is the prosperous future of the banking sector, that is why the bank has created the infrastructure for further digitalization. The bank provided an international money transfer service, as it contracted with Western Union by developing the application of banking services in smart phone programs. In addition, Bank Dhofar has rushed to provide financial services characterized by the feature of Fintech such as, Bank Dhofar is the first of its kind in launching a pioneering banking service for customers and the first to provide automatic teller services without a card and instant bank transfer to other banks through mobile applications. As well a number of multi-functional kiosks are also provided in this range. National Bank of Oman (NBO) is the other, taking the initiative to use technology and security features. Where the bank provides financial services such as conducting transactions, payments, and instant transfers, all of which are done with a few clicks through corporate internet banking services. NBO also provided a 24/7 digital service to serve customers faster. In addition, NBO established quick-use financial services through the internet banking which called Corporate Internet Banking "CIB" platform has been updated. This service is available in Arabic and English, as customers can conduct their transactions in their preferred language.

3. Objectives of the study

The objectives of this study were to:

1. Determine the Fintech services offered by the top five banks listed in Muscat Stock Exchange (MSX)
2. Compare and evaluate the Fintech services offered by these banks.
3. Identify the customers' awareness of Fintech services provided by these banks.
4. Find the customer preferences of Fintech services from these banks of Oman.
5. Measure the customer satisfaction of Fintech services provided by these banks in Oman.

4. Review of Literature

Dr. Anitha Ravi Kumar, Ms. Arshia Sultana, and Ms. Teresa Manju Felex (2019) indicated the most important factors that affect customer's behavior in bank orientation to Fintech. The core objective of conducting this study was to shed light and then evaluate the most important factors that affect customer's behavior in Muscat, Sultanate of Oman in accepting the idea of Bank Muscat's approach to financial technology. The results obtained by the study through primary and secondary sources indicated that customers are ready to try new technological services, as they believe that the government has a role in supporting Fintech by providing an infrastructure that facilitates the implementation of this policy.

Vibha Bhandari (2020) focused on the most important opportunities, factors, and challenges facing the banking and financial services sector within the scope of financial technology. Whereas, the main objective of this study was to study the trends that are related to the opportunities and challenges towards Fintech in the financial and banking sector on a global scale. Where the study found that Fintech is one of the forms of the Fourth Industrial Revolution which generated unprecedented opportunities and challenges in the banking and financial sector.

Kelvin Leong and Anna Sung (2018) focused on what Fintech is in terms of concept, the techniques expected in Fintech, and how the user mastered the use of Fintech techniques to create effective commercial value. The main objective of this study was to find a unique definition of the term Fintech as it indicates that it is a complex, interdisciplinary term that combines finance, and technology management and innovation. Where the findings indicated that the definitions that were presented provide a more understanding of what Fintech is and what its capabilities and trends are. The study provided a list of applications that were summarized and categorized into four main categories which are payment, advisory service, financing, and compliance.

Mosteanu, N. R. & Faccia, A (2020) encouraged the management of financial methods for artificial intelligence to achieve efficient and sustainable economic development using tools such as XBRL and Block chain that fall under the umbrella of Fintech. The study found several benefits from using these tools, such as reducing error risk, reducing fraud risk, system automation, and others.

Anjan Thakor (2020) shed light on the various studies previously conducted by researchers regarding Fintech's relationship with the banking sector and the interaction of these two factors with each other. This research paper indicates that Fintech has many innovations in payment systems such as cryptocurrencies, credit markets such as P2P lending, and finally, insurance through Block chain.

Rabbani, Mustafa Raza Khan, Shahnawaz Thalassinis, and Eleftherios (2020) reviewed previous academic studies regarding the techniques and methods of Islamic technology. That research paper indicated that The Islamic Fintech area of this study includes three main categories which are Islamic Fintech, Islamic Financial technology opportunities and challenges, and Cryptocurrency/Block chain sharia compliance and law/regulation.

Peter Gomber, Jascha-Alexander Koch & Michael Siering (2017) witnessed continuous development in service provision due to the introduction of digitalization. Among the features of this development is expanded communication and an improved speed for processing information. In the near term there has been a rapid shift from traditional approaches to technology and digitization in financial services.

Bruce Carlin, Arna Olafsson, and Michaela Pagelz (2019) focused on analyzing the ability of Fintech to improve customer's ability in the financial decision making process. This objective was embodied by relying on regression discontinuity in time design. Using the discontinuity of time design regression, a financial pooling platform was constructed by tapping exogenous introduction to mobile applications. The results indicated that clients were able to seamlessly access information about their transactions and their bank accounts, thus leading to significant reductions in debts and bank fees.

Inna Romānova, and Marina Kudinska (2016) analyzed recent trends in banking services, and to find opportunities and challenges facing Fintech in the framework of banking services. The paper provided background on the world of Fintech and the changes that have accompanied the financial services industry. It pointed out that the widespread use of Fintech is due to the increase in innovation and creativity, as well as the increased use of technologies. The rapid trend towards Fintech led to a change in banking services. The study refers that some see that transforming toward Fintech has various dimensions, as it can be opportunities or dangerous threats.

James Guild (2017) indicated that the application of Fintech and the associated technological innovations in the finance industry has contributed to the reaping of tens of billions of dollars in venture capital in recent years. The study mentioned some examples of Fintech services, such as digital cash financing services in Kenya and India, as well as peer-to-peer lending platforms in China, and indicated that developing those services with government policies and regulatory frameworks will open the ability to expand financial services to a large number of people who face difficulty in access to finance management.

5. Methodology

Descriptive research design was used in the study. The Net Income of the Banks listed in Muscat Stock Exchange during 2018 to 2022 was tabulated in descending order to choose the TOP five banks in Sultanate of Oman in terms of yielding maximum net income consistently during the past five years. A well-structured questionnaire was circulated among 514 customers of banks to collect the primary data in order to identify their opinion on fintech services offered by the TOP five banks in Oman. The questionnaire designed was validated through Cronbach Alpha Test that provided the Score of 0.851 to ensure the reliability. The secondary data was collected from the official website of Muscat Stock Exchange and the websites of top five banks and Central Bank of Oman. The descriptive statistics and correlation was tested using SPSS software. The researcher ensured the complete research process, and the steps of each work have been carried on as per the ethical and moral values, from the beginning till end of the research.

6. Results and Recommendations

Banks in Oman provided five different Fintech Services to their customers' viz. Easy Payment Plan (EPP), Business to Business (B2B), Mobile Apps, 3D Secure and E Wallet services. National Bank of Oman (NBO) offers all these five Fintech services. Bank Muscat (BM) and Sohar International Bank (SIB) provides four of these services each, followed by Bank Dhofar (BD), Al Ahli Bank (AAB) render three of these services each. All the top five banks in Oman that provided Fintech Services to their customers' have structured a crystal clear set of terms and conditions to avail each and every Fintech Service. Easy Payment Plan (EPP) consists of eight features in total. BM and NBO offered six of these eight features. On contrary, SIB provided only five features of EPP.

Business to Business (B2B) consists of nine features in total. BM offered seven of these nine features. Followed by BD which offered six features, and NBO which offered five features. On contrary, AAB provided only three features of B2B. Mobile Apps Fintech Services consists of ten features in total. BM offered all these ten features to its customers. On contrary, NBO, BD, AAB, SIB provided only eight features of Mobile Apps service. 3D Secure Fintech Services consist of five features in total. NBO offered all these five features. On contrary, AAB and SIB provided four features only. E-Wallet Fintech Services consist of eleven features in total. BM offered eight of these eleven features. NBO and BD offered seven features. On contrary, SIB offered six features only. BM and NBO shares the first position in offering the maximum number of features of Fintech Services to their customers. SIB ranks second, followed by BD and AAB in terms of providing the best features of Fintech Services to customers in Oman.

In a sample of 514 respondents, maximum number of respondents had an account in BM, followed by NBO, BD, AAB and SIB. The number of respondents holding accounts in these top five banks synchronized with the ranking of these banks based on its profitability. The majority of respondents agreed that they are aware of Fintech Services Concept. The large number of the respondents agreed that they are aware of EPP Service offered by the banks in Sultanate of Oman. The vast majority of respondents to the questionnaire agreed that they are aware of Mobile Banking Service offered by the banks in Sultanate of Oman. The majority of respondents agreed that they are aware of B2B Service offered by the banks in Sultanate of Oman. Most of respondents surveyed agree that they are aware of 3D Secure Feature offered by the banks in Sultanate of Oman. The greater number of respondents agreed that they are aware of E-Wallet Tool offered by the banks in Sultanate of Oman.

The vast majority of respondents preferred Fintech Services offered by the banking sector in the Sultanate of Oman. There are few respondents who prefer traditional banking services. The majority of the respondents surveyed agree that they prefer the EPP Service offered by the banks in the Sultanate of Oman. Most of the respondents who answered the questionnaire were outweighed that they preferred the mobile banking services offered by the banks in the Sultanate of Oman. Highest number of respondents agreed that they prefer B2B service offered by the banks in Sultanate of Oman. The majority of the respondents surveyed agree that they prefer 3D Secure features offered by the banks in Sultanate of Oman. Maximum number of the respondents who answer the questionnaire agreed that they preferred E-Wallet tool offered by the banks in Sultanate of Oman. The majority of the customers agreed that the Fintech services provided by their bank is better than other banks. The vast majority of respondents agreed that they were satisfied with Fintech services offered by the banks in the Sultanate of Oman. Highest number of respondents agreed that they were satisfied with EPP Service offered by the banks in Sultanate of Oman. Most of the respondents who answered the questionnaire agreed that they were satisfied with Mobile Banking service offered by the banks in Sultanate of Oman. The greater number of respondents agreed that they were satisfied with B2B Service offered by the banks in Sultanate of Oman. The majority of respondents agreed that they were satisfied with 3D Secure features offered by the banks in Sultanate of Oman. Maximum number of the respondents agreed that they were satisfied with E-Wallet Tool offered by the banks in Sultanate of Oman. The vast majority of respondents who answered the questionnaire preferred more variety of Fintech services provided by the bank in future.

Educational Qualification of respondents had no relationship with the awareness of Fintech Services concept. Age of respondents and the preference for Fintech Vs Traditional Banking Services were connected with each other. Customers of BM, NBO and BD don't find a big difference in Fintech Services offered by these banks. Customers of AAB and SIB discover a significant difference between the Fintech Services provided by their banks. The banks in Oman (BM, BD, AAB and SIB) to remain competitive shall provide all varieties of Fintech Services (EPP, B2B, Mobile Apps, 3D Secure and E Wallet) to their customers' without an exception. NBO as well as other banks can also plan to provide modern Fintech Services to their customer's like ALLY ASSIST, ENO, ERICA, INAUTH, SIMILITY, CHIME, SIMPLE, ASPIRATION to enhance the customer satisfaction. Totally there are eight features of EPP Fintech services, but not all banks were providing all these features to their customers. The study recommends to these three banks to provides EPP with all features to achieve customer's satisfaction. In general, there are nine features of B2B Fintech services, there is no bank that provides B2B with all features. The recommendation to these four banks is to provides B2B with all features to success to gain maximum customer's satisfaction.

In total, there were ten features of Mobile Apps Fintech services, but not all banks were granting their customers of Mobile Banking Apps with all features. The recommendation to these five banks is to provide Mobile Apps service with all features to achieve success in getting customer satisfaction. In general, there are five features of 3D Secure Fintech service, except NBO others two banks that provide 3D Secure Fintech service do not grant all features of 3D Secure to their customers. The recommendation to the remaining banks is to provides 3D Secure Fintech service with all features to achieve success to maximize customer satisfaction. There are eleven features of E-Wallet Fintech services in total, but not all banks are providing their customers E-Wallet tool with it's all features. The suggestion to these four banks was to provide E-Wallet Fintech services with all features to achieve customer's satisfaction. When the banks provide all the features of Fintech Services to their customers' and if all the banks offer all Fintech Services to their customers', the customer's preference and satisfaction level from the Fintech Services availed could be improved on a level playing field. Banks in Oman can augment the awareness of Fintech Services through advertisements and educating customers on various Fintech Services offered by the Banks and their advantages over the traditional banking services. Banks can tie-up with organizations that could provide technical support to provide Fintech Services to the customers'.

7. References

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