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# A Comparative Study of Performance of Local Banks in Sultanate of Oman

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**Abstract**
Banks are the backbone of the economy of the country because they play a significant role in the effort to attain stable prices, high level of employment and sound economic growth. The banking companies in Oman has been witnessing a significant growth in recent years, mainly due to sustained increase in oil prices, efforts to diversify the economy, implementation of large industrial, real estate and infrastructure projects and growing emphasis on the private sector. The banking system in Oman has been through several rounds of mergers since the 1990s with a few bank exits and new entrants, and as at the end of 2009, the number of commercial banks stands at a total of eighteen, of which seven are locally incorporated, two specialized banks and nine are branches of foreign banks. The locally incorporated commercial banks are Bank Muscat (BM), National Bank of Oman (NBO), Oman International Bank (OIB), Oman Arab Bank (OAB), Bank Dhofar (BD), Bank Sohar (BS) and Al Ahli Bank (AB). The purpose of this study is to compare the financial performance of four local banks in Oman. Quantitative analysis was undertaken by looking at various sets of financial ratios that are routinely used to measure the performance of banks. Financial ratios were used to calculate the Return On Assets ( ROA), Return On Equity (ROE), Net Interest Margin (NIM), Risk Adjusted Return On Assets (RAROA), and Risk Adjusted Return On Equity (RAROE) during the period from 2010 to 2014. Under statistical analysis Mean and standard deviation are also used for finding their variation and averages of the result.
**Keywords**: Return on Assets, Return On Equity, Net Interest Margin, Risk Adjusted Return On Assets, Risk Adjusted Return On Equity

## 1. Introduction

Bank is a very old institution that is contributing toward the development of any economy and it's treated as an important service industry in the modern world. Nowadays the function of the bank is not limited to within the same geographical limit of any country. It is an important source of financing for most businesses. The common assumption, which underpins much of the financial performance research and discussions, is that increasing financial performance will lead to improved functions and activities of the organizations.

Financial performance is the process of using financial statement to determine profitability, efficiency, operating and financial characteristics of a firm. The ability of an organization to analyze and evaluate financial performance is essential to improve its competitive position in the marketplace, so organizations must do as much they can to improve a performance of its departments.

Financial analysis means analysis of financial statements by using some tools like profitability and efficiency of the firm. It is evaluating the relationship between components of financial statement to obtain a better understanding of the position, health and weakness of an enterprise.

Strong economic performance, liberalization of the economy, diversification, major infrastructure developments, accelerated privatization program, the inflow of foreign direct investments (FDI), and favorable demographics with strong population growth and a high percentage of youth were the driving forces for banks' growth.

Omani banking industry has seven local banks which operate in Sultanate of Oman such as National Bank of Oman SAOG, Oman Arab Bank SAOG, Oman International Bank SAOG(HSBC), Bank Muscat SAOG, Ahli bank SAOG, Bank Dhofar SAOG, and Bank Sohar SAOG.

In this study, the researcher tries to compare the selected local banks which are Bank Muscat, Bank Sohar, HSBC bank Oman and Bank Dhofar which work in Sultanate of Oman in financial performance.

***Research Question***

This study proposes to investigate the following research question:

Is there any difference between the financial performances of local banks in Sultanate of Oman?

### *Research Objective*

The following are the objectives of the study

1. To evaluate the profitability of selected local banks in Oman.
2. To analyze and compare the financial performance of selected local banks in Oman.
3. To give suggestions and recommendations for the improvement in the financial performance and profitability of the local banks.
4. To analyze the relative efficiency and identify the approaches to increase profits of local banks of Oman.

### *Significance of The Study*

This study is useful for internal and external users by providing them information about the comparative financial performance of banks. Also, this study will help management to make their decision to improve performance.

### *Scope of The Research*

The importance of this study is to provide empirical evidence on the comparative financial performance of local banks especially in Sultanate of Oman and it is leading to the idea that is given in the studies of existence relative literature. The scope of the study is limited to the financial years between 2010 and 2014. The study has been conducted with the help of data obtained from annual reports for each selected local banks in Oman.

### *Limitations of The Study*

This study faces many challenges which are:

1. This study required more stress to compare the profitability of local banks.
2. Also, the study is restricted only for the five years data.
3. The accuracy and reliability of this study depend upon the correctness of secondary data collective.
4. Most of the data and literature review were made from the internet resources.
5. Limitation of the ratio may impact the study.

### *Literature Review*

**(Avkiran, 1995)** Generally, the financial performance of the banks and other financial institutions has been measured using a combination of financial ratios analysis, benchmarking, measuring performance against budget or a mix of these methodologies.

**(Athanasoglou et al. 2005.)** These have attracted the interests of researchers to examine bank performance in relation to these reforms. There has been noticed a significant change in the financial configuration of countries in general and its effect on the profitability of commercial banks in particular. It is obvious that a sound and profitable banking sector is able to withstand negative shocks and contribute to the stability of the financial system.

**(Marshall, 2009.)** Moreover, commercial banks play a significant role in the economic growth of countries. Through their intermediation function banks play a vital role in the efficient allocation of resources of countries by mobilizing resources for productive activities. They transfer funds from those who don't have productive use of it to those with productive venture. In addition to resource allocation good bank performance rewards the shareholders with sufficient return for their investment. When there is return there shall be an investment which, in turn, brings about economic growth. On the other hand, poor banking performance has a negative repercussion on the economic growth and development. Poor performance can lead to runs, failures and crises. Banking crisis could entail financial crisis which in turn brings the economic meltdown as happened in USA in 2007.

**Athanasoglou et al., (2005**) the internal factors include bank size, capital, management efficiency and risk management capacity. The same scholars contend that the major external factors that influence bank performance are macroeconomic variables such as interest rate, inflation, economic growth and other factors like ownership.

**Scores Mazher (2003) discussed** the development and performance of domestic and foreign banks in Arab gulf countries and showed that local and foreign banks in these countries have performed well over the past several years. Moreover, he added that banks in these economies are well capitalized and the banking sector is well developed with intense competition among the banks.

**(Hempel et al., 1996)** Simply stated much of the current bank performance literature describes the objective of financial organizations as that of earning acceptable returns and minimizing the risks taken to earn this return.

**(Chien and Danw,2004)** showed in their study that most previous studies concerning company performance evaluation focus merely on operational efficiency and operational effectiveness, which might directly influence the survival of a company. By using an innovative two-stage data envelopment analysis model in their study, the empirical result of this study is that a company with better efficiency does not always means that it has better effectiveness.

**Presely (1992)** concluded from his study that there is a need for greater risk management in relation to more effective portfolio management, and this requires a greater emphasis on the nature of risk and return in bank asset structure, and greater diversification of assets in order to spread and reduce the bank's risks.

## 2. Methods and Materials

***Research Approach***

In this study, the deductive application is used in this research which presents to target from general to the specific area of application. The main objective of this research is to determine the comparative study of the financial performance of local banks which operates in Sultanate of Oman. Among seven local banks available in Oman. Only four local banks have been selected in order to study and compare their financial performance in this research.

***Research design***

This study has used descriptive and analytical research design. It is based on secondary data taken from the annual report for each bank and data gathered from the central bank of Oman as well as journals and books. This study is focused on analyzing and comparing the financial performance of the banks by using detailed quantitative financial statement analysis for comparing the financial performances of selected banks.

***Source of data collected***

This study is based on secondary data taken from financial statements, annual reports, unpublished official records of concerned banks and websites of the Central Bank of Oman, Muscat security market. Also, there are other sources of data used to gather information from journals, articles, relevant past studies and from the books of financial management.

***Population***

As regards to the central bank of Oman, there are eighteen banks, which are categorized into three main types which: seven local banks are there: (Bank Dhofar, Bank Muscat, National Bank Oman, Oman Arab Bank, HSBC Bank Oman, Bank Sohar and Ahli Bank). Also, two specialized banks are there: (Oman Housing Bank and Oman Development Bank) and nine foreign banks which are: (Bank Melli Iran, Bank of Baroda, Bank Saderat Iran, Habib Bank Limited, Islamic Bank of Abu Dhabi, Qatar National Bank, State Bank of India, Standard Chartered Bank and Bank of Beirut).

***Sampling frame***

In this study the sampling frame was four local banks were selected such as given below;

Local banks:

- Bank Muscat
- Bank Dhofar
- Bank Sohar.
- HSBC Bank Oman.

***Type of sampling***

Convenience sampling is used in this study.

***Sample size***

Four local banks in Sultanate of Oman were used for this study.

***Tools for analyzes***

In this study financial tools like (financial ratios), and statistical tools like (arithmetic mean, standard deviation) were used to analyze the collected data.

## 3. Results and Discussion

In Oman, the banking industry has been witnessing significant growth in recent years, mainly due to sustained increase in oil prices, efforts to diversify the economy, implementation of large industrial, real estate and infrastructure projects and growing emphasis on the private sector.

The Omani banking system has been going through several rounds of mergers since the 1990s with a few bank exits and new entrants, and as at the end of 2009, the number of commercial banks stands at eighteen, of which seven are locally incorporated, two specialized banks and nine are branches of foreign banks. The locally incorporated commercial banks are Bank Muscat (BM), National Bank of Oman (NBO), Oman International Bank (OIB),

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Oman Arab Bank (OAB), Bank Dhofar (BD), Bank Sohar (BS) and Al Ahli Bank (AB).

This study is about the profitability analysis for four local banks in Sultanate of Oman which are:

Bank Muscat
Bank Dhofar
Bank Sohar.
HSBC Bank Oman.

***Financial performance of the selected local banks***

Analysis based on the ratio is done by calculating the Return On Assets ( ROA), Return On Equity (ROE), Net Interest Margin (NIM), Risk Adjusted Return On Assets (RAROA), and Risk Adjusted Return On Equity (RAROE) during the period from 2010 to 2014. The study has been done among the four leading local commercial banks which include Bank Muscat (BM), Bank Dhofar (BD), Bank Sohar (BS) and HSBC Bank Oman.

***Return on Assets (ROA)***

Return on Assets (ROA) measures how profitable a company is relative to its total assets. In turn, it measures how efficiently a company uses its assets. Generally, ROA should be used to compare companies in the same industry. Everything else being equal, a higher ROA is better, as it means that a company is more efficient about using its assets.

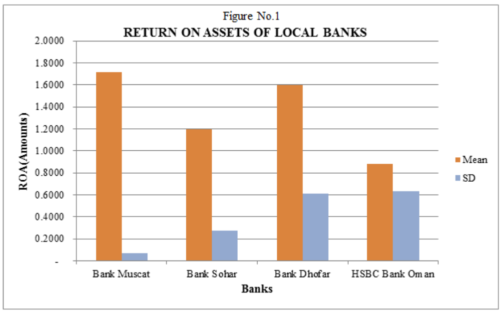
Return on Assets (ROA)=(Net profit after tax)/(Total Assets)×100

Table 1: Return on Assets of Local Banks

| SI.no | Local banks in Oman | Years | | | | | Mean | SD |
|---|---|---|---|---|---|---|---|---|
| | | 2010 | 2011 | 2012 | 2013 | 2014 | | |
| 1 | Bank Muscat | 1.7363 | 1.6263 | 1.7591 | 1.7934 | 1.6779 | 1.7186 | 0.0666 |
| 2 | Bank Sohar | 0.8125 | 1.0124 | 1.2876 | 1.4250 | 1.4396 | 1.1954 | 0.2743 |
| 3 | Bank Dhofar | 1.9996 | 0.7128 | 1.7606 | 2.2418 | 1.2665 | 1.5963 | 0.6115 |
| 4 | HSBC Bank Oman | 1.5217 | 1.6006 | 0.2402 | 0.4891 | 0.5461 | 0.8796 | 0.6334 |

*Source: Annual Report of Banks*

Figure1: Return on Assets of Local Banks




*Source:* Compiled From Table No.1

***Interpretation:***

Table 1 deals with return on Assets ratio which has shown the ratio for these four local banks from 2010 to 2014. The Return of Asset of bank Muscat in 2010 was 1.7363% and its decrease to 1.6263% in 2011. In 2012 and 2013 increase to 1.7591% and 1.7934%. But in 2014 its decrease to 1.6779 %. The mean of bank Muscat from 2010 to 2014 was 1.7186 and Standard deviation from 2010 to 2014 was 0.0666. The Return of Asset of bank Sohar in 2010 was 0.8125% and its increase to 1.0124% in 2011. In 2012 also, increase to 1.2876%. In 2013 continues to increase by 1.4250. Also in 2014 its increase to 1.4396%. The mean of bank Sohar from 2010 to 2014 was 1.1954 and Standard deviation from 2010 to 2014 was 0.2743. The Return of Asset of bank Dhofar in 2010 was 1.9996% and its decrease to 0.7128% in 2011. In 2012 increase to 1.7606%. In 2013 continues to increase by 2.2418. But in 2014 its decrease to 1.2665%. The mean of bank Dhofar from 2010 to 2014 was 1.5963 and Standard deviation from 2010 to 2014 was 0.6115. The Return of Asset of HSBC Bank Oman in 2010 was 1.5217% and its increase to 1.6006% in 2011. In 2012 decrease to 0.2402%. In 2013 continues to increase by 0.4891. Also in 2014 its increase to 0.5461%. The mean of HSBC Bank Oman in from 2010 to 2014 was 0.8796 and Standard deviation from 2010 to 2014 was 0.6334.

***Return On Equity (ROE)***

The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

**Return on Equity** = $\frac{\text{Net profit after tax}}{\text{Shareholder's Equity}} \times 100$

Table 2: Return on Equity of Local Banks

| SI.no | Local banks in Oman | Years | | | | | Mean | SD |
|---|---|---|---|---|---|---|---|---|
| | | 2010 | 2011 | 2012 | 2013 | 2014 | | |
| 1 | Bank Muscat | 12.7569 | 13.5020 | 12.9781 | 12.5541 | 12.4404 | 12.8463 | 0.4200 |
| 2 | Bank Sohar | 8.7702 | 1.0124 | 15.8828 | 15.6894 | 15.5553 | 11.3820 | 6.5303 |
| 3 | Bank Dhofar | 14.6932 | 6.0967 | 14.4338 | 19.2377 | 12.4349 | 13.3793 | 4.7720 |
| 4 | HSBC Bank Oman | 10.3990 | 13.6051 | 1.9705 | 3.5518 | 3.9529 | 6.6958 | 5.0296 |

*Source:* Annual Report Of Banks

Figure 2: Return on Equity of Local Banks

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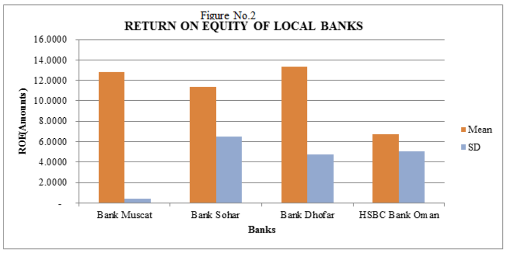



*Source:* Compiled From Table No.2

***Interpretation:***

Table 2 deals with return on Equity ratio which has shown the ratio for these four local banks from 2010 to 2014. The Return of Equity of bank Muscat in 2010 was 12.7569% and its increase to 13.5020% in 2011. In 2012 decrease to 12.9781% and in 2013 decreased to 12.5541%. Also, in 2014 its decrease to 12.4404%. The mean of bank Muscat from 2010 to 2014 was 12.8463 and Standard deviation from 2010 to 2014 was 0.4200. The Return of Equity of bank Sohar from 2010 to 2014. In 2010 was 8.7702% and its decrease to 1.0124% in 2011. In 2012 increase to 15.8828% and in 2013 decreased to 15.8828%. Also, in 2014 its decrease to 15.5553%. The mean of bank Sohar from 2010 to 2014 was 11.3820 and Standard deviation from 2010 to 2014 was 6.5303. The Return of Equity of bank Dhofar from 2010 to 2014. In 2010 was 14.6932% and its decrease to 6.0967% in 2011. In 2012 increase to 14.4338% and in 2013 increased to 19.2377%. But, in 2014 its decrease to 12.4349%. The mean of bank Dhofar from 2010 to 2014 was 13.3793 and Standard deviation from 2010 to 2014 was 4.7720. The Return of Equity of bank HSBC Oman from 2010 to 2014. In 2010 was 10.3990% and its increase to 13.6051% in 2011. In 2012 decrease to 1.9705% and in 2013 increased to 3.5518%. Also, in 2014 its increase to 3.9529%. The mean of bank HSBC from 2010 to 2014 was 6.6958 and Standard deviation from 2010 to 2014 was 5.0296.

***Net Interest Margin (NIM)***

Net interest margin is the ratio of net interest income to invested assets. Net interest margin is also known as "net yield on interest-earning assets." The net Interest margin can be expressed as a performance metric that examines the success of a firm's investment decisions as contrasted to its debt situations. A negative Net Interest Margin indicates that the firm was unable to make an optimal decision, as interest expenses were higher than the amount of returns produced by investments. Thus, in calculating the Net Interest Margin, financial stability is a constant concern.

Calculating Net Interest Margin =

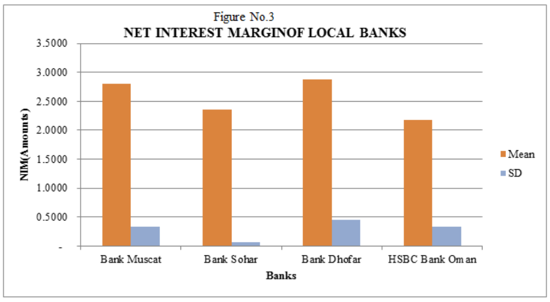
$$\frac{(\text{Interest income} - \text{Interest Expenses})}{\text{Total Assets}} \times 100$$

Table 3: Net Interest Margin of Local Banks

| SI.no | Local banks in Oman | Years | | | | | Mean | SD |
|---|---|---|---|---|---|---|---|---|
| | | 2010 | 2011 | 2012 | 2013 | 2014 | | |
| 1 | Bank Muscat | 3.1993 | 2.9347 | 2.9115 | 2.6235 | 2.3325 | 2.8003 | 0.3315 |
| 2 | Bank Sohar | 2.4323 | 2.4272 | 2.3442 | 2.3083 | 2.2932 | 2.3610 | 0.0654 |
| 3 | Bank Dhofar | 3.4400 | 3.0765 | 3.0025 | 2.5463 | 2.3036 | 2.8738 | 0.4502 |
| 4 | HSBC Bank Oman | 2.5821 | 2.2764 | 1.6610 | 2.1653 | 2.1786 | 2.1727 | 0.3318 |

*Source:* Annual Report of Banks

Figure 3: Net Interest Margin of Local Banks




*Source:* Compiled From Table No.3

***Interpretation:***

Table 3 deals with Net Interest Margin ratio which has shown the ratio for these four local banks from 2010 to 2014.The Net Interest Margin Of Bank Muscat from 2010 to 2014. In 2010 was 3.1993 % and its decrease to 2.9347 % in 2011. In 2012 decrease to 2.9115% and in 2013 decreased to 2.6235%. Also, in 2014 its decrease to 2.3325%. The mean of bank Muscat from 2010 to 2014 was 2.8003 and Standard deviation from 2010 to 2014 was 0.3315. The Net Interest Margin Of Bank Sohar from 2010 to 2014. In 2010 was 2.4323% and its decrease to 2.4272% in 2011. In 2012 decrease to 2.3442% and in 2013 decreased to 2.3083%. Also, in 2014 its decrease to 2.2932%. The mean of bank Sohar from 2010 to 2014 was 2.3610 and Standard deviation from 2010 to 2014 was 0.0654. The Net Interest Margin Of Bank Dhofar from 2010 to 2014. In 2010 was 3.4400% and its decrease to 3.0765% in 2011. In 2012 decrease to 3.0025% and in 2013 increased to 2.5463%. But, in 2014 its decrease to 2.3036%. The mean of bank Dhofar from 2010 to 2014 was 2.8738 and Standard deviation from 2010 to 2014 was 0.4502. The Net Interest Margin Of Bank HSBC from 2010 to 2014. In 2010 was 2.5821% and its decrease to 2.2764% in 2011. In 2012 decrease to 1.6610% and in 2013 increased to 2.1653%. Also, in 2014 its increase to 2.1786%. The mean of bank Dhofar from 2010 to 2014 was 2.1727

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and Standard deviation from 2010 to 2014 was 0.3318.

***Risk Adjusted Return On Assets (RAROA)***

The concept that refines an investments return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating. Risk- adjusted returns are applied to individual securities and investment funds and portfolios. Calculated as:

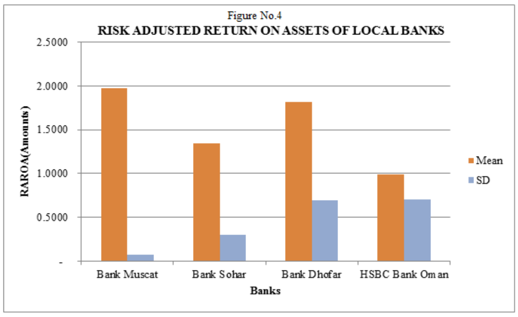
$$\text{RAROA} = \frac{\text{Net profit before taxation}}{\text{Total Assets}} \times 100$$

Table 4: Risk Adjusted Return on Assets of Local Banks

| Sl.no | Local banks in Oman | Years | | | | | Mean | SD |
|---|---|---|---|---|---|---|---|---|
| | | 2010 | 2011 | 2012 | 2013 | 2014 | | |
| 1 | Bank Muscat | 2.0133 | 1.8845 | 1.9808 | 2.0608 | 1.9147 | 1.9708 | 0.0718 |
| 2 | Bank Sohar | 0.9254 | 1.1539 | 1.4501 | 1.5983 | 1.5996 | 1.3455 | 0.2969 |
| 3 | Bank Dhofar | 2.2783 | 0.8089 | 2.0011 | 2.5385 | 1.4324 | 1.8118 | 0.6949 |
| 4 | HSBC Bank Oman | 1.7266 | 1.7632 | 0.2972 | 0.5912 | 0.5704 | 0.9897 | 0.6992 |

*Source:* Annual Report of Banks

Figure 4: Risk Adjusted Return on Assets of Local Banks




*Source:* Compiled From Table No.4

***Interpretation:***

Table 4 deals Risk Adjusted Return On Assets Ratio which has shown the ratio for these four local banks from 2010 to 2014.The Risk Adjusted Return On Assets Of Bank Muscat from 2010 to 2014. In 2010 was 2.0133% and its decrease to1.8845% in 2011. In 2012 increase to 1.9808% and in 2013 increased to 2.0608%. But, in 2014 its decrease to 1.9147%. The mean of bank Muscat from 2010 to 2014 was 1.9708 and Standard deviation from 2010 to 2014 was 0.0718. The Risk Adjusted Return On Assets Of Bank Sohar from 2010 to 2014. In 2010 was 0.9254% and its increase to1.1539% in 2011. In 2012 increase to 1.4501% and in 2013 increased to 1.5983%. Also, in 2014 its increase to 1.5996%. The mean of bank Sohar from 2010 to 2014 was 1.3455 and Standard deviation from 2010 to 2014 was 0.2969. The Risk Adjusted Return On Assets Of Bank Dhofar from 2010 to 2014. In 2010 was 2.2783% and its decrease to0.8089% in 2011. In 2012 increase to 2.0011% and in 2013 increased to 2.5385%. But, in 2014 its decrease to 1.4324%. The mean of bank Dhofar from 2010 to 2014 was 1.8118 and Standard deviation from 2010 to 2014 was 0.6949. The Risk Adjusted Return On Assets Of Bank HSBC from 2010 to 2014. In 2010 was 1.7266% and its increase to 1.7632% in 2011. In 2012 decrease to 0.2972% and in 2013 increased to 0.5912%. But, in 2014 its decrease to 0.5704%. The mean of bank HSBC from 2010 to 2014 was 0.9897 and Standard deviation from 2010 to 2014 was 0.6992.

***Risk Adjusted Return On Equity(RAROE)***

Risk Adjusted Return on Equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. Risk Adjusted return on Equity Calculate as:

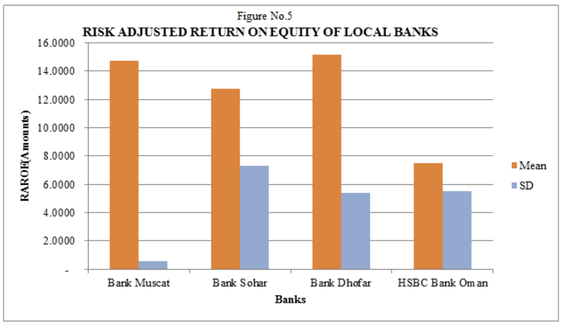
$$\text{Risk Adjusted Return on Equity} = \frac{\text{Net profit before taxation}}{\text{Total Equity}} \times 100$$

Table 5: Risk Adjusted Return on Equity of Local Banks

| Sl.no | Local banks in Oman | Years | | | | | Mean | SD |
|---|---|---|---|---|---|---|---|---|
| | | 2010 | 2011 | 2012 | 2013 | 2014 | | |
| 1 | Bank Muscat | 14.7917 | 15.6457 | 14.6142 | 14.4266 | 14.1967 | 14.7350 | 0.5550 |
| 2 | Bank Sohar | 9.9888 | 1.1539 | 17.8879 | 17.5963 | 17.2843 | 12.7822 | 7.2893 |
| 3 | Bank Dhofar | 16.7408 | 6.9182 | 16.4051 | 21.7838 | 14.0644 | 15.1825 | 5.4095 |
| 4 | HSBC Bank Oman | 11.7993 | 14.9868 | 2.4380 | 4.2930 | 4.1287 | 7.5292 | 5.5183 |

*Source:* Annual Report of Banks

Figure 5: Risk Adjusted Return on Equity of Local Banks




*Source:* Compiled From Table No.5

***Interpretation:***

Table 5 deals Risk Adjusted Return On Equity Ratio which has shown the ratio for these four local banks from 2010 to 2014.The Risk Adjusted Return On Equity Of Bank Muscat from 2010 to 2014. In 2010 was 14.7917% and its increase to 15.6457% in 2011. In 2012 decrease to 14.6142% and in 2013 decreased to 14.4266%. But, in 2014 its decrease to 14.1967%. The mean of bank Muscat from 2010 to 2014 was 14.7350 and Standard deviation from 2010 to 2014 was 0.5550.The Risk Adjusted Return On Equity Of Bank Sohar from 2010 to 2014. In 2010 was 9.9888% and its decrease to 1.1539% in 2011. In 2012 increase to 17.8879% and in 2013 decreased to 17.5963%. But, in 2014 its decrease to 17.2843%. The mean of bank Sohar from 2010 to 2014 was 12.7822 and Standard deviation from 2010 to 2014 was 7.2893.The Risk Adjusted Return On Equity Of Bank Dhofar from 2010 to 2014. In 2010 was 16.7408% and its decrease to 6.9182% in 2011. In 2012 increase to 16.4051% and in 2013 increased to 21.7838%. But, in 2014 its decrease to 14.0644%. The mean of bank Dhofar from 2010 to 2014 was 15.1825 and Standard deviation from 2010 to 2014 was 5.4095.The Risk Adjusted Return On Equity Of Bank Dhofar from 2010 to 2014. In 2010 was 11.7993% and its increase to 14.9868% in 2011. In 2012 decrease to 2.4380% and in 2013 increased to 4.2930%. But, in 2014 its decrease to 4.1287%. The mean of bank HSBC from 2010 to 2014 was 7.5292 and Standard deviation from 2010 to 2014 was 5.5183.

## 4. Findings

**Return on asset**:

- Bank Dhofar gives the clear picture of 1.9996 percentage has highest in 2010 than other local banks in Oman. But Bank Sohar has the lowest percentage of 0.8125 in 2010.
- In 2011 bank Muscat has the highest percentage of 1.6263, but bank Dhofar has the lowest percentage of 0.7128.
- In 2012 bank Dhofar has the highest percentage of 1.7606, but HSBC bank Oman has the lowest percentage of 0.2402
- In 2013 bank Dhofar has the highest percentage of 2.2418, but HSBC bank Oman has the low percentage of 0.4891.
- In 2014 bank Muscat has the highest percentage of 1.6779, but HSBC bank Oman has the low percentage of 0.5461.
- The mean of bank Muscat is very higher of 1.7186 than other local banks when using return on asset ratio. But HSBC bank Oman has lower of 0.8796 other local banks.
- The standard deviation of HSBC bank Oman is very higher of 0.6334 than other local banks when using return on asset ratio. But bank Muscat has lower of 0.0666 other local banks.

**Return on equity**

- Bank Dhofar gives the clear picture of 14.6932 percentage has highest in 2010 than other local banks in Oman. But Bank Sohar has the lowest percentage of 8.7702 in 2010.
- In 2011, HSBC Bank Oman has the highest percentage of 13.6051, but bank Sohar has the low percentage of 1.0124.
- In 2012 bank Sohar has the highest percentage of 15.8828, but HSBC bank Oman has the low percentage of 1.9705.
- In 2013 bank Dhofar has the highest percentage of 19.2377, but HSBC bank Oman has the low percentage of 3.5518.
- In 2014 Bank Sohar has the highest percentage of 15.5553, but HSBC bank Oman has the low percentage of 3.9529.
- The mean of bank Dhofar is very higher of 13.3793 than other local banks when using return on equity ratio. But HSBC bank Oman has lower of 6.6958 other local banks.
- The standard deviation of bank Sohar is very higher of 6.5303 than other local banks when using return on equity ratio. But bank Muscat has lower of 0.4200 other local banks.

**Net Interest Margin (NIM)**

- Bank Dhofar gives the clear picture of 3.4400 percentage has highest in 2010 than other local banks in Oman. But Bank Sohar has the lowest percentage of 2.4323 in 2010.
- In 2011 bank Dhofar has the highest percentage of 3.0765, but HSBC bank Oman has the low percentage of 2.2764.
- In 2012 bank Dhofar has the highest percentage of 3.0025, but HSBC bank Oman has the low percentage of 1.6610.
- In 2013 bank Muscat has the highest percentage of 2.6235, but HSBC bank Oman has the low percentage of 2.1653.
- In 2014 bank Muscat has the highest percentage of 2.3325, but HSBC bank Oman has the low percentage of 2.1786.
- The mean of bank Dhofar is very higher of 2.8738 than other local banks when using net interest margin ratio. But HSBC bank Oman has lower of 2.1727 other local banks.
- The standard deviation of bank Dhofar is very higher of 0.4502 than other local banks

when using return on equity ratio. But bank Sohar has lower of 0.0654 other local banks.

**Risk Adjusted Return On Assets (RAROA)**

- Bank Dhofar gives the clear picture of 2.2783 percentage has highest in 2010 than other local banks in Oman. But Bank Sohar has the lowest percentage of 0.9254 in 2010.
- In 2011 bank Muscat has the highest percentage of 1.8845, but bank Dhofar has the low percentage of 0.8089.
- In 2012 bank Dhofar has the highest percentage of 2.0011, but HSBC bank Oman has the low percentage of 0.2972.
- In 2013 bank Dhofar has the highest percentage of 2.5385, but HSBC bank Oman has the low percentage of 0.5912.
- In 2014 bank Muscat has the highest percentage of 1.9147, but HSBC bank Oman has the low percentage of 0.5704.
- The mean of bank Muscat is very higher of 1.9708 than other local banks when using risk-adjusted return on assets ratio. But HSBC bank Oman has lower of 0.9897 other local banks.
- The standard deviation of HSBC bank Oman is very higher of 0.6992 than other local banks when using risk-adjusted return on assets ratio. But bank Muscat has lower of 0.0718 other local banks.

**Risk Adjusted Return On Equity (RAROE)**

- Bank Dhofar gives the clear picture of 16.7408 percentage has highest in 2010 than other local banks in Oman. But Bank Sohar has the lowest percentage of 9.9888 in 2010.
- In 2011 bank Muscat has the highest percentage of 15.6457, but bank Sohar has the low percentage of 1.1539.
- In 2012 bank Sohar has the highest percentage of 17.8879, but HSBC bank Oman has the low percentage of 2.4380.
- In 2013 bank Dhofar has the highest percentage of 21.7838, but HSBC bank Oman has the low percentage of 4.2930.
- In 2014 bank Sohar has the highest percentage of 17.2843, but HSBC bank Oman has the low percentage of 4.1287.
- The mean of bank Dhofar is very higher of 15.1825 than other local banks when using risk-adjusted return on equity ratio. But HSBC bank Oman has lower of 7.5292 other local banks.

The standard deviation of bank Sohar is very higher of 7.2893 than other local banks when using risk-adjusted return on equity ratio. But bank Muscat has lower of 0.5550 other local banks.

## 5. Recommendations

After a thorough analyze of financial statements of all the banks the recommendation which is to be given for the improvement of all the banks.

- ROA of HSBC bank is very low when compared to bank Muscat. Therefore, the HSBC bank may take some measure to increase income for increasing ROA by getting training and motivating branch staff to sell products and services to customers is an important factor in growing revenue.
- Interest Expended to interest to interest Earned ratio of HSBC bank is less satisfactory when compared to bank Dhofar. It is suggested that the bank Dhofar may take some steps to increase the interest earning capacity of the bank by decreases demand for savings relative to the demand for loans; it is likely that the net interest margin will increase.
- As Risk Adjusted Return on Assets (RAROA) of HSBC bank is low and it is suggested that the bank should concentrate on providing the loans with the affordable interest rate.
- In Risk Adjusted Return on Equity (RAROE) is very low when compared to bank Dhofar. so; the HSBC bank may give more money shareholders invested.
- HSBC bank has the less net profit after tax to total equity ratio than bank Dhofar. So, they have to achieve more income.
- The banks should increase profitability and efficiency and reduce costs without sacrificing quality.
- The local banks should invest more with other foreign banks to provide the profit.
- The banks should increase margin. And the margin is the difference between the sales price of a good or service to improve the profitability.
- HSBC Bank has to increase its profit by reducing the expenses to increase Net Interest margin.
- Bank Sohar has to maximize their profit and try to reduce the cost of expenses to achieve the high level of profit to increase return on assets Ratio.
- Bank Muscat has to increase Return on equity ratio by developing its ability of management to determine measure and control the risk.

## 6. Conclusion

The present study has been conducted for assessing the financial performance of Local Banks in Sultanate of Oman comparatively. Financial performance is the process of using financial statement to determine profitability, efficiency, operating and financial characteristics of a firm. Analyzes of the profitability of four local banks in Oman clearly reveals that there is a large difference between the profitability of selected banks.

This study is useful for both internal and external users by providing them information about the comparative financial performance of banks. Also, this study will help management to make their decision to improve performance

This study helps to identify the average of each bank by using return on assets. The researcher fined that bank Muscat has highest average than other local banks. But HSBC bank Oman has lowest average other local banks. Also, the average of bank Dhofar is very highest than other local banks when using return on equity ratio. But HSBC bank Oman has lowest than other local banks. Moreover, the average of bank Dhofar is very higher than other local banks when using net interest margin ratio. But HSBC bank Oman has lowered other local banks. In addition, the average of bank Muscat is very higher than other local banks when using risk adjusted return on assets ratio. But HSBC bank Oman has lower than other local banks. In last ratio, the average of bank Dhofar is very higher than other local banks when using risk adjusted return on equity ratio. But HSBC bank Oman has lower than other local banks.

Local banks are charging low interest rate and processing fees but they could not able to improve their services like customer service, courtesy, information flow, bank employees and the likes. Nevertheless, both the banks are trying to develop new idea, technology, product and service; so that they can serve their customer effectively and efficiently in respect of personal loan scheme.

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