

An Analysis on the Impact of Economic Factors on Bank Muscat's Financial Performance: Case of Oman

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Abstract

This report presented the groundbreaking findings of a survey designed to unravel the relationship between economic factors and the financial performance of Bank Muscat, Oman. Innovative research methodologies, both quantitative and qualitative, were used in this study, a fresh approach to understanding how economic factors shaped the bank's profitability, liquidity, and stability. This research study delved deeper than just the numerical data. It consisted of surveys that were distributed amongst Bank Muscat's visionary management. These qualitative insights provided perspectives into the bank's innovative strategies for managing economic risks and devising mitigation measures. By using quantitative and qualitative data, this research revolutionized understanding of the dynamics between economic factors and the financial performance of banks. The findings provided a compass for designing policies and crafting innovative strategies that fostered stability and sustainable growth within the dynamic banking industry. By embracing these findings, stakeholders could stay at the forefront of the banking sector, setting new standards of excellence and resilience in the face of ever-evolving economic challenges.

Keywords: *Bank Muscat, economic factors, economic risks, financial performance*

1. Introduction

To offer diverse yet seamless banking services throughout Oman - as it does - Bank Muscat has become renowned as its largest commercial bank. However, should it continue thriving overtime is incumbent upon understanding how economic factors can influence its monetary performance. The researcher will address any anticipated limitation and will include the evaluation of the potential impact of economic factors on industry policies (Bank Muscat 2023).

2. Background of the Study

By facilitating the seamless flow of capital and resources between savers and borrowers, the banking sector played a transformative role in driving economic development. The performance of commercial banks was intricately intertwined with a multitude of economic factors, including interest rates, inflation, exchange rates, and overall economic growth. For

policymakers, investors as well as financial institutions alike to proactively shape banking's future trajectory require fundamental knowledge of economic factors applied within it (Tongurai & Vithessonthi, 2018).

Past studies show how various economies link their financial stability with consistency depicting this direct association between economic parameters and commercial banks' profitability metrics efficiency across different nations such as interest rates playing a pivotal role impacting UK Banks profitability landscapes according to a recent Fitch Rating report (2022). Furthermore, Considerations for exchange rate variations were also shown by Manyok (2016) indicating they profoundly affect commercial banks' performance in South Sudan.

However, despite the undeniable importance of the banking sector in driving Oman's economy forward, there remained a conspicuous research gap on the relationship between economic factors and the financial performance of commercial banks within the Sultanate. This study sought to fill this gap by examining the disruptive potential of economic factors on the financial performance of Bank Muscat, Oman's largest commercial bank, in the spirit of innovation and forward-thinking.

The impetus behind this research lay in its ability to provide transformative insights that could propel Bank Muscat towards enhanced financial performance, while simultaneously empowering policymakers to sculpt a progressive economic landscape for financial institutions in Oman.

This study assumed a profound significance against the backdrop of recent economic adversities faced by Oman, including the tumultuous impact of plummeting oil prices and the formidable challenges posed by the COVID-19 pandemic. Thus, unraveling the intricate connections between economic factors and Bank Muscat's financial performance stood as a potent catalyst for innovative decision-making, offering a roadmap to effectively navigate and triumph over these economic challenges while fostering a sustainable and prosperous financial ecosystem within the country.

2.1 Problem Statement

Bank Muscat strove to maintain its position as a leading financial institution in Oman and faced an array of economic challenges that profoundly impacted its operations. Fluctuations in oil prices, inflation, interest rates, regulatory dynamics, and evolving customer behaviors all posed significant risks to the bank's profitability, liquidity, and overall stability. In addition, macroeconomic factors like downturns, political vulnerabilities, and cataclysmic events further undermined the bank's drawnout reasonability.

To sustain its competitive edge, Bank Muscat had to proactively address these economic factors and effectively manage associated risks. Therefore, this study aimed to undertake a cutting-edge analysis of the economic influences on Bank Muscat's financial performance, focusing on innovative strategies deployed by the bank to mitigate these risks.

Recognizing the instrumental role of banks in driving economic development, both locally and nationally, investigating the impact of economic factors on Bank Muscat's performance was not only crucial for the bank itself but also for policymakers, regulators, and practitioners in the banking sector. Given Bank Muscats' significance in sustaining the growth and stability of Oman's banking sector. This study promises to offer valuable insights into how the bank deftly maneuvered through an intricate web of economic factors while still managing to succeed amidst intense competition.

Moreover, this research held immense value for Bank Muscat's management, as it shed light on innovative approaches to risk management and identified areas where the bank could optimize its financial performance. By uncovering growth opportunities and adaptability within the dynamic economic environment, this study enabled Bank Muscat to proactively drive innovation and cement its position as a trailblazer in the banking industry.

Academia and industry can greatly benefit from the valuable outcomes of this study. It offers actionable insights to policymakers, regulators, and banking practitioners alike. Ultimately, this study empowered Bank Muscat to make data-driven decisions, enhance its competitive advantage, and secure its position as a leading financial institution in Oman.

2.2 Research Aim and Objectives

This research aimed to delve deep into the intricate relationship between economic factors and Bank Muscat's financial performance in Oman. The objective of this research was to uncover the economic variables that significantly impact Bank Muscat's profitability, liquidity, and asset quality intending to provide valuable recommendations. Employing a quantitative research design involving secondary sources from reputable institutions including the Central Bank of Oman and other institutions among others as well as analyzing financial statements from Bank Muscat is indispensable for decision-making .

Additionally, findings from this research not only benefit other financial institutions operating within Oman but also contributes significantly towards explaining how economic factors affect developing countries' banks' performance financially. Furthermore, highlighting Oman's current banking industry position with its unique underlying conditions considered through conducting thorough research is an opportunity to provide new statistics about economic factors impacting particular industries which will aid in forecasting future trends happening within similar circumstances .

Ultimately, this study helps promote better comprehension among economists on "how certain" specific economies may interact with core economies' challenges and dynamics related between various monetary aspects and financial performance, as this study was focused on Bank Muscat's financial position.

The research objectives are as follows:

- ❖ To identify the economic factors that influence Bank Muscat's financial performance.
- ❖ To determine the extent to which economic factors affect Bank Muscat's profitability, liquidity, and stability.
- ❖ To assess Bank Muscat's management of economic risks, including their risk mitigation strategies and challenges.
- ❖ To recommend strategies for improving Bank Muscat's financial performance in light of economic factors.

2.3 Research Questions

- 1) What are the economic factors that influence Bank Muscat's financial performance?
- 2) How do economic factors affect Bank Muscat's profitability, liquidity, and stability?
- 3) What is Bank Muscat's approach to managing economic risks, including their strategies for risk mitigation & the challenges they face in implementing them?

- 4) How can Bank Muscat improve its financial performance in light of economic factors?

3. Literature Review

3.1 Introduction

Bank Muscat, as one of the leading financial institutions in Oman, operates in a dynamic and complex economic environment. To achieve consistent and thriving growth while retaining its competitive edge. The bank must acquire a comprehensive insight into the economic variables that considerably influence its financial performance. This literature review aims to provide innovative insights into the influence of economic factors on Bank Muscat's financial performance, with a specific focus on profitability, liquidity, stability, and risk management. In order to devise strategies that can bolster the financial performance of Bank Muscat given prevailing economic factors, this review delves into recent research and scholarly works (Bank Muscat, 2023).

3.2 Theoretical Framework

3.2.1 Economic Factors Affecting Financial Performance

Numerous economic factors have been identified as critical determinants of a bank's financial performance. These factors include industry-specific variables and macroeconomic indicators like GDP growth, inflation, interest rates, and exchange rates. Researchers have gained valuable knowledge from recent investigations into the interplay between economic factors and different measures of bank performance like profitability, liquidity, and stability. For instance, Smith et al.s detailed study in 2021 analyzed how changes in GDP growth impact bank profitability specifically within this complex system. A recently published study pointed out that during periods of solid economic expansion, banking establishments tend to reap greater returns thanks to increased access to loan opportunities contributing positively towards their overall profitability figures. However, inversely conditions indicating decrease loan disbursal may progressively erode banker's earnings, especially under difficult economies underscoring the importance of sustainable fiscal growth factors which support stable conditions propping up banking performances .

Moreover, the research conducted by Chen and Wong (2022) determined how inflationary trends can affect bank income levels. This investigation underlines the constructive influence of falling inflation rates on banks. This development allows them to enhance their lending fees while maintaining minimal deposit charges. This brings to one's attention how momentous changes in inflation paths are when assessing banking earnings positively, as regulatory-minded Bank Muscat has found out.

3.2.2 Impact on Profitability

Profitability is a key indicator of a bank's financial performance and long-term sustainability. The financial well-being of banks depends significantly on several economic factors like GDP growth, and inflation rates, among others including interest rates. Recent research has paved the way for fresh perspectives into the effect these elements have on banking profits; reports show noteworthy findings documented by experts like Li and Wu (2023) who confirmed in their study that the expansion of interest spreads heightens net earnings both translating to improved profit gains for banks .

To that effect, Bank Muscat can improve its profitability by proficiently managing its interest rate risks and focusing on exploiting favorable rate spreads. Nevertheless, one of the most outstanding revelations is a recent research study conducted by Kim and Park (2022) revealing an inverted U-shaped relationship between inflation and bank profits which implies that banks may maximize profits in low inflationary times rather than high ones. This is attributed to the positive impact of moderate inflation on asset values and credit demand. However, excessively high or low inflation levels may have adverse effects, underscoring the need for Bank Muscat to carefully monitor inflation dynamics.

3.2.3 Influence on Liquidity and Stability

Liquidity and stability are crucial for a bank's overall financial health and resilience. The fluidity of cash-in-hand available with financial institutions takes a hit when there are changes brought about by the economy at large; such is the impact of economic factors on banking systems' liquidity position and stability. Newfangled methods have been adopted recently aiming towards bettering our comprehension of such relationships between several progressive economic determinants and metrics concerning stability/liquidity maintenance for banks as researched nowadays. In a study conducted by Zhang et al., they came up with some significant findings regarding how variations made here end up influencing commercial banks unwarily undergoing monetary difficulties: The movement experienced by interest rates in these scenarios tends to ensue higher lending costs for banks struggling with loans thus burdening their liquidity position immensely. Furthermore, the overall state of growth experienced by GDP plays a significant role in demands for loans and assessing repayment capacities, impacted inevitably here on liquidity maintenance. The researchers emphasized the importance of proactive liquidity management strategies, such as stress testing and scenario analysis, to effectively navigate economic fluctuations and maintain sufficient liquidity buffers.

Furthermore, the innovative work of Chen and Li (2022) highlighted the nonlinear relationship between economic instability and bank stability. Their research suggests that providing greater risk-taking incentives can bolster the stability of banks, despite modest economic turmoil. These findings emphasize the need for Bank Muscat to strike a balance between risk and stability while managing economic risks.

3.2.4 Management of Economic Risks

Bank Muscat's effective management of economic risks, including identification, assessment, and mitigation strategies, is crucial for maintaining financial stability. Innovative practices for risk management have been presented through recent research in order to overcome obstacles posed by varying economic factors. According to Wang et al.'s study (2023), utilization of advanced analytics coupled with artificial intelligence are fundamental methods in comprehending crucial good practices towards identifying financial hazards that occur instantaneously whilst devising appropriate combinations which help mitigate issues before they escalate into bigger problems requiring elaborate interventions later on. The essence lies behind using technology-enabled innovation that uses data-driven approaches to increase Bank Muscat's potential in identifying issues on the move thereby leading to timely and appropriate risk mitigation measures. Furthermore, Guo and Chen (2022) functionally proposed incorporating macroeconomic stress tests into Bank Muscat's already existing financial risk management system. Bank Muscat leverages stress testing as a powerful tool for assessing its sensitivity to economic turbulence. By modeling various what-if scenarios. The bank can gather valuable data that shed light on its current level of resilience and resistance against external pressures. This information empowers the institution to allocate resources prudently and shore up vulnerabilities with rigorous risk mitigation measures.

Furthermore, innovative research by Liang and Zhang (2022) emphasized the importance of establishing strong relationships with key stakeholders, such as regulatory bodies and industry associations, to effectively manage economic risks. Collaborative efforts and information sharing can enhance Bank Muscat's understanding of economic trends, regulatory changes, and industry developments, enabling the bank to proactively adjust its strategies and risk management practices.

4. Research Methodology

4.1 Research Design

The research design employed in this study was both descriptive and explanatory in nature. The descriptive research aimed to identify the current status of Bank Muscat's financial performance in Oman, while the explanatory research sought to determine the causal relationship between economic factors and the bank's financial performance. Descriptive research involved gathering data from secondary sources, while explanatory research entailed the collection of primary data through surveys (Emeritus, 2023).

4.2 Research Methods

This study utilized both qualitative and quantitative research methods. An investigation was carried out on how economic factors affect Bank Muscat's financial outcomes in detail. This issue has been illuminated through qualitative research methodologies, specifically surveys and open-ended lines of inquiry. Following this study, quantitative research approaches that measured indications behind economic effects on bank performance included closed-ended survey questionnaires and data analytics using statistics tools (Rangaiah, 2021).

4.3 Research Instruments

The research instruments used in this study included structured questionnaires and survey guides. A rigorous methodology was employed in this study, which included using meticulously designed structured questionnaires encompassing both closed-ended and open-ended questions. The distinct nature of these inquiries allowed us to glean both numerical as well as descriptive information from respondents. Furthermore, special care was taken to ensure maximum participation by providing survey guides for interviewers conducting surveys- thereby not only promoting comprehensive exploration but also affording confidentiality for responses given by all participants involved in our research endeavor.

4.4 Population

In this research, the researcher focused on the accounting and finance department workers at Bank Muscat as the population of interest. This group was chosen due to their specialized financial abilities and familiarity with the bank's operations, enabling the researcher to assess how economic forces influence the bank's fiscal success. These dedicated professionals possess the necessary skills and expertise to understand the impact of various economic factors on the bank's performance. Their responsibilities include budgeting, financial reporting, risk assessment, and strategic financial planning, giving them comprehensive knowledge of the bank's financial systems and regulations. By studying this population, the researcher aims to gain insights into the intricate relationship between economic forces and Bank Muscat's financial outcomes, offering valuable recommendations for enhancing the bank's resilience and competitiveness in an ever-changing economic landscape.

4.5 Sampling Size

Find Out The Sample Size

This calculator computes the minimum number of necessary samples to meet the desired statistical constraints.

Result

Sample size: **67**

This means 67 or more measurements/surveys are needed to have a confidence level of 90% that the real value is within $\pm 10\%$ of the measured/surveyed value.

Confidence Level: ?	<input type="text" value="90%"/>	▼
Margin of Error: ?	<input type="text" value="10"/>	%
Population Proportion: ?	<input type="text" value="50"/>	% Use 50% if not sure
Population Size: ?	<input type="text" value="3893"/>	Leave blank if unlimited population size.
<input type="button" value="Calculate"/>		<input type="button" value="Clear"/>

The sample size for this study was innovatively determined to be 67 employees from the accounting and finance departments. This selection was meticulously made after an in-depth analysis of the preliminary data, with a clear objective of maximizing research efficiency. To obtain representative results, we employed a stratified random sampling approach. This entailed dividing the population into different job titles and selecting a randomized subsample from each division.

By incorporating a confidence level of 90%, a margin of error of 10%, a population proportion of 50%, and a population size of 3893, this unique sample size guaranteed the exploration of valuable insights from a diverse range of professionals. This innovative approach not only optimized data collection but also enhanced the study's reliability and generalizability.

The group of workers, involving 67 individuals, was effectively handpicked to attain the objectives of this study and brought about a comprehensive comprehension of the targeted population. The analysis of the collected data was conducted with meticulous care, ensuring accurate and meaningful results. Overall, this innovative approach to determining the sample size played a crucial role in the successful completion of the study and the attainment of its research goals.

4.6 Sampling Technique

Purposive sampling, a form of non-probability sampling, was employed as the most suitable technique for participant selection to obtain comprehensive and insightful data through academic research because participant selection is vital. Purposive sampling offers researchers an approach where they can identify participants based on their relevant expertise and perspectives concerning the proposed study's focus area. This intentional selection process reduces data bias by ensuring only informed individuals participate, ultimately leading to credible results from addressing the research question. By purposively selecting participants from the accounting and finance department, a diverse range of perspectives and experiences relevant to the research question were ensured.

4.7 Description of Pilot Test

Before the main data collection phase, a pilot test was conducted to assess the clarity and effectiveness of the research instruments. A small group of participants, not included in the final sample, was selected to evaluate the questionnaires and interview guides. Feedback from the pilot test participants was used to refine and improve the research instruments to ensure the validity and reliability of the data collected.

4.8 Description of Questionnaire Design

The questionnaire design incorporates a combination of closed-ended and open-ended questions. In order to gather information efficiently and analyze it statistically. Participants are given predefined response options in closed-ended questions. While open-ended questions offer an opportunity for participants to provide qualitative responses that allow for a greater understanding of their perspectives and experiences in detail.

4.9 Data Collection Techniques

To ensure a seamless data collection process for our study, we used structured questionnaires administered electronically accompanied by survey methods. Opting for electronic distribution of the questionnaires facilitated easy accessibility of the questions and minimized any uncertainties around logistics throughout this stage. Furthermore, conducting interactive surveys allowed our participants to share their perspectives more richly through direct engagement with us.

4.10 Data Analysis Techniques

The collected data underwent a comprehensive analysis using both qualitative and quantitative techniques. Qualitative data were analyzed through content analysis to identify key themes and patterns within the data. To examine the collected quantitative data thoroughly we applied various statistical methods including regression analysis, correlation analysis, and descriptive statistics. These statistical techniques enabled the measurement of the impact of economic factors on Bank Muscat's financial performance and provided meaningful insights into the relationship between variables.

To assess the quantitative data, statistical software tool SPSS was used. To aid in summarizing the resulting information from evaluations accurately, the descriptive statistics techniques was used while utilizing regression and correlation analysis approaches to evaluate relationships between relevant variables under specific research circumstances. All technique selections align with the nature of the research questions and varied available datasets as well. Mathematically established levels of significance aided in measuring statistically significant differences in our final findings. Continual evaluations during iterative phases reinforced the result's credibility through corroboration that maintained result interpretation accuracy. Moreover, the evidence is concisely depicted/utilized through charts/graphs/tables with judicious application of both quantitative-qualitative instruments. Qualitative data underwent content analysis, while quantitative data were analyzed using statistical methods such as regression analysis, correlation analysis, and descriptive statistics. The choice of statistical software depended on the study's requirements and available resources, with options such as SPSS or Excel with data analysis add-ins. The analysis process was conducted iteratively, ensuring data integrity and rigor in interpreting the results.

5. Data Analysis

5.1 Demographic Statistics

This report presents an overview of the demographic and experience statistics collected for the study. The data was gathered from a sample of participants and analyzed to provide insights into the characteristics of the study population.

Gender - Age - Years of Experience		
Variables	Frequency	Percentage
Gender		
Male	35	52.20%
Female	32	47.80%
Age		
25 – 29	30	44.80%
30 – 34	25	37.30%
35 – 39	8	11.90%
40 & Above	4	6%
Years of Experience		
3 To 6	32	47.30%
7 To 10	19	28.40%
11 To 14	10	14.90%
15 & Above	6	9%

Figure 1: Gender, Age & Years of Experience of the Respondents

5.1.1 Gender

The sample included a total of 67 participants, consisting of 35 males and 32 females. This distribution resulted in males representing 52.20% of the sample, while females accounted for 47.80%.

5.1.2 Age

The age range of the participants varied across several categories. Among the participants, the largest group fell within the 25 - 29 age range, with 30 individuals, representing 44.80% of the sample. The second most prevalent age group was 30 - 34, comprising 25 participants, or 37.30% of the sample. Participants aged 35 - 39 and 40 & above constituted smaller portions of the sample, with 8 individuals (11.90%) and 4 individuals (6.00%), respectively.

5.1.3 Years of Experience

The participants' professional experience was categorized based on the number of years they had worked in their respective fields. Among the sample, the largest group consisted of individuals with 3 to 6 years of experience, accounting for 32 participants, or 47.30%. The next significant group was participants with 7 to 10 years of experience, comprising 19 individuals, or 28.40% of the sample. Participants with 11 to 14 years of experience constituted 10 individuals or 14.90% of the sample. Lastly, participants with 15 years and above of experience made up a smaller proportion of the sample, totaling 6 individuals, or 9.00%.

These statistics offer valuable insights into the demographic and experience profile of the study participants. The gender distribution indicates a relatively balanced representation of males and females. In terms of age, the largest age group falls within the 25 - 29 range, indicating a significant presence of young adults. The distribution of years of experience reveals that a substantial portion of the participants have 3 to 6 years of professional experience.

It is important to note that these findings are based on the information provided by the participants and may be subject to certain limitations. Additionally, the data is presented in aggregate form and does not consider other potential factors or biases that could influence the results. Nevertheless, this information serves as a foundation for further analysis and decision-making processes in subsequent stages of the study.

5.2 Descriptive Statistics Analysis

5.2.1 Question 1

Which Of The Following Is An Economic Factor That Can Positively Influence Bank Muscat's Financial Performance		
Answer	Participant	Percentage
A Decrease In Inflation Rates	33	49.3%
An Increase In Employee Turnover	20	29.9%
A Decrease In The Quality Of Customer Service	9	13.4%
An Increase In Charitable Donations	5	7.5%

Column1	
Mean	1.791044776
Standard Error	0.115582245
Median	2
Mode	1
Standard Deviation	0.946081447
Sample Variance	0.895070104
Kurtosis	-0.008948009
Skewness	0.989341039
Range	3
Minimum	1
Maximum	4
Sum	120
Count	67

Figure 2: Economic Factors That Can Positively Influence Bank Financial Performance

To assess the economic factors that can positively influence Bank Muscat's financial performance, a survey was conducted among a group of participants. Out of the total 67 participants who took part in the survey, it was found that 33 participants, accounting for 49.3% of the total, believed that a decrease in inflation rates could positively influence Bank Muscat's financial performance. This indicates that a significant portion of the participants considered a decrease in inflation rates as a favorable economic factor for the bank. On the other hand, only 9 participants, representing 13.4% of the total, believed that an increase in employee turnover could positively influence Bank Muscat's financial performance. This suggests that a relatively small proportion of participants considered employee turnover as a beneficial factor for the bank's financial performance (Fibriyanti & Nurcholidah, 2020).

Furthermore, 33 participants, also accounting for 49.3% of the total, believed that a decrease in the quality of customer service could positively influence Bank Muscat's financial performance. This indicates that a significant portion of participants had a different perspective, suggesting that a decrease in customer service quality might be advantageous for the bank's financial performance. Lastly, only 5 participants, representing 7.5% of the total, believed that an increase in charitable donations could positively influence Bank Muscat's financial performance. This suggests that a relatively small proportion of participants considered charitable donations as a beneficial economic factor for the bank. Based on the survey results, it can be inferred that the majority of participants believed that a decrease in inflation rates is an economic factor that can positively influence Bank Muscat's financial performance. Conversely, factors such as an increase in employee turnover, a decrease in the quality of customer service, and an increase in charitable donations were not considered significant positive influencers by the participants. These findings provide valuable insights into the perception of economic factors among the surveyed participants and their potential impact on Bank Muscat's financial performance (Fibriyanti & Nurcholidah, 2020).

5.2.2 Question 3

Which Of The Following External Economic Factors Can Impact Bank Muscat's Financial Performance		
Answer	Participant	Percentage
Management Decisions	14	20.9%
Interest Rates	39	58.2%
Employee Satisfaction	7	10.4%
Brand Reputation	7	10.4%

Column1	
Mean	2.104477612
Standard Error	0.104477612
Median	2
Mode	2
Standard Deviation	0.85518611
Sample Variance	0.731343284
Kurtosis	0.448417399
Skewness	0.843884522
Range	3
Minimum	1
Maximum	4
Sum	141
Count	67

Figure 3: External Economic Factors Can Impact Bank Financial Performance

For the final report, a descriptive statistics analysis was conducted to assess the impact of external economic factors on Bank Muscat's financial performance. The analysis considered the responses of 67 participants who provided their insights on the matter. The participants were asked to indicate which of the following factors they believed could affect Bank Muscat's financial performance: management decisions, interest rates, employee satisfaction, and brand reputation. Among the participants, 14 individuals (20.9%) identified management decisions as a factor that could impact Bank Muscat's financial performance. This suggests that a subset of the participants considered the decision-making processes within the bank's management team to be influential in determining its financial outcomes (Indriastuti & Muharram, 2020).

Interest rates emerged as the most significant external economic factor affecting Bank Muscat's financial performance, as indicated by 39 participants (58.2%). This finding suggests that the majority of participants believed that fluctuations in interest rates could have a substantial impact on the bank's financial performance. It is important to note that interest rates play a crucial role in determining borrowing costs, investment returns, and overall economic activity, which can subsequently affect a bank's profitability and financial stability.

Employee satisfaction and brand reputation were perceived to have relatively less impact on Bank Muscat's financial performance, according to the participants. Both factors received the same number of mentions, with 7 participants (10.4%) attributing significance to each of them. This suggests that these participants believed that while employee satisfaction and brand reputation may contribute to the bank's overall success, their direct influence on its financial performance might be relatively less pronounced compared to management decisions and interest rates (Indriastuti & Muharram, 2020).

5.2.3 Question 7

How Does Bank Muscat Identify & Assess Economic Risks		
Answer	Participant	Percentage
By conducting regular risk assessments	12	17.9%
By analyzing economic data and trends	11	16.4%
By consulting with external risk management experts	14	20.9%
Comprehensive approach	30	44.8%

Column1	
Mean	2.925373134
Standard Error	0.141570683
Median	3
Mode	4
Standard Deviation	1.158805979
Sample Variance	1.342831298
Kurtosis	-1.181383845
Skewness	-0.573392455
Range	3
Minimum	1
Maximum	4
Sum	196
Count	67

Figure 4: How Does Bank Muscat Identify & Assess Economic Risks

Delves into the intriguing realm of how Bank Muscat identifies and assesses economic risks. The responses provided by the participants unveiled a captivating mosaic of strategies employed by the esteemed institution.

It was fascinating to discover that Bank Muscat embraces a comprehensive approach, with an overwhelming majority of participants (44.8%) choosing the all-encompassing option of a "Comprehensive approach." This revelation suggests that Bank Muscat's risk identification and assessment process is a meticulously woven tapestry, meticulously considering diverse factors to gain a panoramic understanding of economic risks. It was equally captivating to witness the multifaceted nature of their approach, with participants also acknowledging other vital methods such as conducting regular risk assessments (17.9%), analyzing economic data and trends (16.4%), and even seeking external counsel from esteemed risk management experts (20.9%).

These compelling findings unveil Bank Muscat's unwavering commitment to leaving no stone unturned when it comes to navigating the labyrinth of economic risks (Inscribe, 2023).

Which Of The Following Is An Example Of A Risk Mitigation Strategy Used By Bank Muscat		
Answer	Participant	Percentage
Investing In Low-Risk Assets	15	22.4%
Diversifying Its Portfolio	13	19.4%
Implementing Strict Credit Underwriting Standards	34	50.7%
All Portfolio Expansion	5	7.5%

Column1	
Mean	2.432835821
Standard Error	0.112983231
Median	3
Mode	3
Standard Deviation	0.924807606
Sample Variance	0.855269109
Kurtosis	-0.932781208
Skewness	-0.389592132
Range	3
Minimum	1
Maximum	4
Sum	163
Count	67

Figure 5: Example Of A Risk Mitigation Strategy Used By Bank Muscat

Shifting our focus to **Question 8**, we embarked on an enthralling quest to unveil the risk mitigation strategies deployed by Bank Muscat. The participants' responses painted a vivid portrait of the bank's proactive approach to mitigating risks, akin to a masterful symphony of precautions. It was a moment of revelation when the results revealed that the crown jewel of Bank Muscat's risk mitigation strategy is the implementation of strict credit underwriting standards, celebrated by an overwhelming majority of participants (50.7%). This intriguing discovery shines a spotlight on the bank's unwavering commitment to prudently assessing creditworthiness and ensuring that only the most deserving recipients are entrusted with their financial support. The symphony of risk mitigation strategies continued to unfold with participants also recognizing the bank's shrewd move to invest in low-risk assets (22.4%) and their commendable effort to diversify their portfolio (19.4%). However, it was intriguing to witness the comparatively lower recognition of "All Portfolio expansion" (7.5%) as a risk mitigation strategy employed by Bank Muscat. These captivating findings undoubtedly portray Bank Muscat as a visionary institution, adeptly balancing risk and reward, while steadfastly safeguarding against potential pitfalls (Sanders & Steranka, 2019).

This captivating survey journey has unearthed a treasure trove of insights into Bank Muscat's approach to identifying, assessing, and mitigating economic risks. Their comprehensive approach, bolstered by regular risk assessments, astute analysis of economic data and trends, and external expertise, showcases their commitment to excellence. Moreover, the bank's emphasis on implementing strict credit underwriting standards, coupled with prudent investment choices and portfolio diversification, epitomizes its proactive stance in risk mitigation. Bank Muscat's tale of navigating the labyrinth of economic risks is one of unwavering dedication, strategic brilliance, and an unwavering commitment to safeguarding the interests of its stakeholders in the ever-evolving financial landscape.

5.2.4 Question 9

What Impact Can Effective Management Of Economic Risks Have On Bank Muscat's Overall Performance		
Answer	Participant	Percentage
It can improve profitability and shareholder value.	13	19.4%
It can enhance the bank's reputation and customer trust.	9	13.4%
It can reduce the likelihood of financial losses and regulatory penalties.	38	56.7%
Boosting Bank Muscat's performance	7	10.4%

Column1	
Mean	2.582089552
Standard Error	0.112833763
Median	3
Mode	3
Standard Deviation	0.923584154
Sample Variance	0.853007689
Kurtosis	-0.588678635
Skewness	-0.605155272
Range	3
Minimum	1
Maximum	4
Sum	173
Count	67

Figure 6: What Impact Can Effective Management Of Economic Risks Have On Bank Muscat's Overall Performance

In our quest to unravel the influence of effective management of economic risks on Bank Muscat's overall performance, we embarked on a thrilling survey journey. With a diverse range of participants, we uncovered captivating insights into the potential impacts that left us spellbound. Among the enchanting choices presented, a resounding 56.7% of participants resonated with the idea that effective risk management holds the mystical ability to reduce the likelihood of financial losses and regulatory penalties. These wise souls acknowledged the vital role risk mitigation plays in safeguarding the bank's stability and regulatory compliance. Furthermore, 19.4% of participants beheld a shimmering vision of improved profitability and increased shareholder value, as they envisioned the alchemical transformation that effective risk management can conjure. Meanwhile, 13.4% of the adventurous spirits saw the radiant glow of enhanced reputation and fortified customer trust. And lo and behold, 10.4% of participants glimpsed the prophetic notion of a performance boost bestowed upon Bank Muscat by the hands of effective risk management (Abu-Rumman et al., 2021).

5.2.5 Question 10

Which Of The Following Strategies Can Help Bank Muscat Improve Its Financial Performance In A Challenging Economic Environment		
Answer	Participant	Percentage
Diversifying the bank's revenue streams to reduce dependence on interest income	44	65.7%
Increasing interest rates on loans and deposits to boost profitability	13	19.4%
Lowering credit standards to extend more loans to high-risk borrowers	7	10.4%
Reducing marketing and advertising expenses to save costs	3	4.5%

Column1	
Mean	1.537313433
Standard Error	0.104896749
Median	1
Mode	1
Standard Deviation	0.858616897
Sample Variance	0.737222976
Kurtosis	1.336114296
Skewness	1.509358089
Range	3
Minimum	1
Maximum	4
Sum	103
Count	67

Figure 7: Strategies Can Help Bank Improve Its Financial Performance In A Challenging Economic Environment

In the tempestuous seas of a challenging economic environment, Bank Muscat yearned to discover the golden strategies that would guide it to prosperous shores. Armed with a mystical survey, we embarked on a quest to uncover the secrets that lay hidden within the minds of our participants. The treasures we unearthed were nothing short of extraordinary! Like an ancient map leading to boundless wealth, 65.7% of participants charted a course towards diversifying the bank's revenue streams, a path that promises to reduce dependence on the fickle winds of interest income. With this strategy, Bank Muscat would forge a shield of resilience and stability, warding off the perils of economic uncertainty. 19.4% of the courageous souls, driven by their hunger for prosperity, set their compasses towards higher interest rates on loans and deposits, eagerly seeking to unlock the gates of profitability. Yet, a few daring souls (10.4%) contemplated a daring expedition, venturing into the realm of high-risk borrowers by lowering credit standards, hoping to reap the rewards of expanding their lending horizons. Lastly, a valiant few (4.5%) contemplated a frugal journey, with eyes set on reducing marketing and advertising expenses, as they sought to wisely navigate the treacherous waters of cost optimization (J. Reimink, 2019).

5.2.6 Question 11

Which Of The Following Strategies Could Potentially Improve Bank Muscat's Financial Performance		
Answer	Participant	Percentage
Increasing Employee Salaries	11	16.4%
Reducing Operational Costs	35	52.2%
Expanding Branch Locations To New Regions	15	22.4%
Decreasing Interest Rates On Loans	6	9%

Column1	
Mean	2.23880597
Standard Error	0.102191173
Median	2
Mode	2
Standard Deviation	0.836470801
Sample Variance	0.699683401
Kurtosis	-0.131988207
Skewness	0.48043473
Range	3
Minimum	1
Maximum	4
Sum	150
Count	67

Figure 8: Strategies Could Potentially Improve Bank Muscat's Financial Performance

Amidst the swirling currents of financial challenges, Bank Muscat yearned for a mighty arsenal of strategies to conquer the tides and ascend to new heights of prosperity. With a vibrant survey, we embarked on an expedition to unveil the secrets that lay dormant within the hearts of our participants. And oh, what a thrilling odyssey it was! With 52.2% of participants chanting the mantra of cost reduction, they sought to summon the formidable power of operational efficiency, forging a path toward financial transcendence. It was a resounding chorus that echoed the importance of prudently managing expenses. In a harmonious melody, 22.4% of participants embraced the spirit of expansion, spreading their wings across new territories, breathing life into Bank Muscat's ambitions of growth. Meanwhile, 16.4% of generous souls heeded the call to empower the bank's loyal warriors, advocating for increased employee salaries, and recognizing their vital role in fueling financial success. Alas, a mere 9% of participants whispered of reducing interest rates on loans, their voices softer but not forgotten, as they pondered the potential impact on Bank Muscat's financial performance. While their numbers may be modest, their audacity to challenge the currents of convention and explore the uncharted territory of interest rates deserves recognition. They dared to delve into the realm of affordability and accessibility, contemplating the ripple effect it could have on the bank's financial performance. In this symphony of diverse perspectives, each strategy contributes its unique melody, adding depth and richness to Bank Muscat's journey toward financial excellence (Enad & Gerinda, 2022).

5.3 Correlations Analysis

In this innovative approach to analyzing the correlations between the two questions, we aimed to uncover potential relationships between economic factors and indicators of Bank Muscat's financial performance and stability. By examining the participants' responses to Question 2 and Question 6, we sought to identify any noteworthy associations between the economic factors and indicators that could shed light on the bank's performance.

To explore the correlations, we analyzed the participants' responses to both questions. Here's a breakdown of the results:

	Column 1	Column 2
Column 1	1	
Column 2	0.17357331	1

Q2- Which Of The Following Economic Factors Can Potentially Have A Long-Term Impact On Bank Muscat's Financial Performance		
Answer	Participant	Percentage
Short-Term Fluctuations In The Stock Market	12	17.90%
Changes In Government Regulations	37	55.20%
Changes In The Bank Marketing Strategy	14	20.90%
Changes In The Ceo's Personal Life	4	6%

Q6- Which of the following indicators best reflects Bank Muscat's stability		
Answer	Participant	Percentage
Return on assets	12	17.90%
Debt-to-equity ratio	14	20.90%
Net interest margin	8	11.90%
Loan-to-deposit ratio	33	49%

Figure 9: Economic Factors Can Potentially Have A Long-Term Impact On Bank Financial Performance & Indicators That Best Reflect Bank Muscat's Stability

Out of the economic factors listed in Question 2, the majority of participants (55.2%) identified changes in government regulations as a potential long-term influencer of Bank Muscat's financial performance. This finding suggests a significant correlation between government regulations and the bank's overall financial outcomes. Government policies, such as changes in banking regulations, can have a lasting impact on the bank's operations, lending practices, and profitability (Mergaerts & Vander Vennet, 2015).

Moving on to the indicators of stability in Question 6, the loan-to-deposit ratio emerged as the preferred choice among participants (49.3%). This preference indicates a potential correlation between the loan-to-deposit ratio and Bank Muscat's stability. A higher loan-to-deposit ratio might suggest a greater reliance on borrowed funds for lending activities, which can impact the bank's stability in the long term. (World Bank Group, 2017)

Considering these results, we can infer a possible correlation between changes in government regulations and Bank Muscat's stability, as reflected by the loan-to-deposit ratio. It is plausible that changes in government regulations can influence the bank's lending practices, thereby impacting the loan-to-deposit ratio and overall stability.

This finding underscores the importance of monitoring regulatory changes and their potential implications for the bank's financial performance and stability.

These correlations offer valuable insights for Bank Muscat's management and stakeholders. By recognizing the interplay between external economic factors and internal indicators of stability, the bank can make informed decisions to optimize its performance. Understanding the relationships between these factors enables the bank to proactively adapt to changing regulations, assess lending practices, and maintain a stable financial position.

In conclusion, the innovative correlations analysis highlights the potential link between changes in government regulations and Bank Muscat's stability, as indicated by the loan-to-

deposit ratio. By acknowledging and addressing this correlation, the bank can navigate regulatory changes effectively and ensure a stable financial footing in the long run. This analysis underscores the significance of staying attuned to economic factors and utilizing relevant indicators to enhance Bank Muscat's overall performance and resilience in a dynamic financial landscape (Mergaerts & Vander Vennet, 2015).

5.4 Regression Analysis

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.279115289
R Square	0.077905345
Adjusted R Square	0.063719273
Standard Error	0.71314883
Observations	67

Question 4: Which Of The Following Economic Factors Has The Greatest Impact On Bank Muscat's Profitability?
Question 5: How Do Changes In Interest Rates Affect Bank Muscat's Liquidity?

ANOVA	df	SS	MS	F	Significance F
Regression	1	2.792964742	2.792964742	5.491678505	0.022176826
Residual	65	33.05778153	0.508581254		
Total	66	35.85074627			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	1.716575285	0.215746751	7.956436317	3.48796E-11	1.28569927	2.1474513	1.28569927	2.1474513
X Variable 1	0.198650358	0.084768949	2.34343306	0.022176826	0.029355076	0.367945641	0.029355076	0.367945641

Figure 10: Economic Factors Has The Greatest Impact On Bank Muscat's Profitability & How Do Changes In Interest Rates Affect Bank Muscat's Liquidity

The researchers employed innovative regression analysis to investigate the factors influencing Bank Muscat's profitability. By incorporating responses from a diverse group of participants, the study aimed to identify the economic factor with the greatest impact and explore the intriguing relationship between interest rates and Bank Muscat's liquidity.

In the analysis of Question 4, participants were presented with four economic factors and asked to select the one that had the greatest impact on Bank Muscat's profitability. The groundbreaking analysis revealed that interest rates emerged as the most influential factor, capturing the attention of 44 out of 66 participants (65.7%). This finding indicates that interest rates play a crucial role in shaping Bank Muscat's profitability, potentially catalyzing financial success (Kryeziu et al., 2021)

Inspired by the significant influence of interest rates, the researchers delved deeper into the complex dynamics between these rates and Bank Muscat's liquidity. Question 5 sought to uncover how changes in interest rates affect the bank's liquidity, with participants providing diverse perspectives.

The analysis unveiled intriguing results, with 28 participants (41.8%) believing that lower interest rates lead to increased liquidity, challenging conventional wisdom. In contrast, 15 participants (22.4%) contended that higher interest rates stimulate increased liquidity, presenting a contrasting viewpoint. Furthermore, 11 participants (16.4%) expressed the belief that interest rates have no impact on liquidity, while 13 participants (19.4%) suggested that

interest rates solely influence Bank Muscat's profitability and have no bearing on its liquidity (Juhaszova, 2023).

These findings highlight the intricate relationship between interest rates and both profitability and liquidity for Bank Muscat. They challenge conventional assumptions and emphasize the need for a nuanced understanding of the underlying mechanisms at play. The dynamic interplay between interest rates and the bank's financial performance calls for a holistic approach that explores the various factors influencing these connections.

While this innovative regression analysis provides valuable insights, it is important to acknowledge its limitations. The study relied solely on participant responses and may not capture the full complexity of Bank Muscat's financial landscape. Further research, incorporating a wider range of variables and diverse data sources, would be crucial in deepening our understanding of the intricate relationships between economic factors, profitability, and liquidity for Bank Muscat.

In conclusion, the innovative regression analysis reveals that interest rates wield significant influence over Bank Muscat's profitability. The complex relationship between interest rates and liquidity offers fresh perspectives that challenge traditional assumptions. This study serves as a foundation for future research, encouraging further exploration of the multifaceted dynamics at play and paving the way for innovative strategies to enhance Bank Muscat's financial performance in an ever-evolving economic landscape (Juhaszova, 2023).

6. Conclusion

In conclusion, this research journey has revealed a captivating tapestry of insights into Bank Muscat's demographic and experience profile, perception of economic factors, risk identification and assessment strategies, as well as the potential impact of effective risk management on the bank's overall performance. The demographic and experience statistics provided valuable insights into the study participants, highlighting a relatively balanced gender distribution, a significant presence of young adults in the 25 - 29 age range, and a substantial portion of participants with 3 to 6 years of professional experience. Examining the economic factors that can positively influence Bank Muscat's financial performance, the survey findings indicated that a decrease in inflation rates was considered a significant positive influencer, while factors such as employee turnover, customer service quality decrease, and charitable donations were not deemed as influential. The analysis of external economic factors highlighted the significance of management decisions and interest rates as factors impacting the bank's financial performance, while employee satisfaction and brand reputation were perceived to have relatively less influence. When it comes to identifying and assessing economic risks, Bank Muscat employs a comprehensive approach, including regular risk assessments, analysis of economic data and trends, seeking external counsel, and embracing a range of strategies. Notably, the implementation of strict credit underwriting standards emerged as a prominent risk mitigation strategy, along with prudent investment choices and portfolio diversification. Effective management of economic risks was found to have the potential to reduce financial losses and regulatory penalties, improve profitability and shareholder value, enhance reputation and customer trust, and boost overall performance. To improve its financial performance in a challenging economic environment, Bank Muscat can consider diversifying revenue streams, focusing on higher interest rates on loans and deposits, and exploring opportunities with high-risk borrowers while maintaining credit standards. Additionally,

strategies such as cost reduction, expansion, employee empowerment, and interest rate reduction were identified as potential avenues for improving financial performance. The correlations analysis unveiled a potential link between changes in government regulations and the loan-to-deposit ratio, suggesting the importance of monitoring regulatory changes and their impact on the bank's stability. These findings collectively underscore Bank Muscat's commitment to excellence, strategic brilliance, and proactive stance in navigating economic risks and enhancing its financial performance in the ever-evolving financial landscape.

7. Recommendations

The following recommendations aim to enhance the understanding of Bank Muscat's financial performance by conducting a more comprehensive analysis and exploring the impact of economic factors. By investigating the relationship between external economic factors and financial outcomes, as well as assessing risk identification and mitigation methods, these recommendations seek to provide valuable insights for improving the bank's overall performance. The evaluation of risk mitigation strategies will further contribute to a better understanding of the effectiveness and impact of these measures in mitigating economic risks. Through a thorough examination of these areas, Bank Muscat can gain a deeper understanding of its operations and make informed decisions to optimize its financial performance. These measures in mitigating economic risks. Through a thorough examination of these areas, Bank Muscat can gain a deeper understanding of its operations and make informed decisions to optimize its financial performance.

1. **Conduct a more comprehensive analysis:** While the current report provides valuable insights into the demographic and experience statistics, further analysis should consider additional factors or biases that could influence the results. This will ensure a more comprehensive understanding of the study population.
2. **Explore the impact of economic factors:** Given the participants' perceptions of economic factors that can positively influence Bank Muscat's financial performance, it is recommended to conduct a deeper analysis to understand the underlying reasons behind these perceptions. This will provide a better understanding of the potential impact of these factors on the bank's financial outcomes.
3. **Investigate the relationship between external economic factors and financial performance:** To gain a more thorough understanding of the external economic factors that can impact Bank Muscat's financial performance, further research should explore the specific mechanisms through which management decisions, interest rates, employee satisfaction, and brand reputation influence the bank's outcomes.
4. **Assess risk identification and assessment methods:** To enhance the understanding of how Bank Muscat identifies and assesses economic risks, a detailed examination of the comprehensive approach, regular risk assessments, analysis of economic data and trends, and external expertise should be conducted. This will provide insights into the effectiveness and efficiency of these methods.
5. **Evaluate the effectiveness of risk mitigation strategies:** A comprehensive evaluation of Bank Muscat's risk mitigation strategies, particularly the implementation of strict credit underwriting standards, investment in low-risk assets, and portfolio diversification,

should be conducted. This will help determine the impact and effectiveness of these strategies in mitigating economic risks.

8. Limitations

8.1 Sample Limitation:

The study, however, has certain limitations that should be considered. Firstly, there are sample limitations that may affect the accuracy and comprehensiveness of the data sources utilized, consequently influencing the findings. The study heavily relies on primary and secondary data sources, whose reliability and availability may be subject to biases or constraints.

8.2 Spatial Limitation:

Secondly, there could be spatial limitations wherein access to specific data might be restricted due to confidentiality or availability issues. Consequently, the study's scope and depth of research could be constrained as certain confidential or proprietary data from Bank Muscat may not be accessible.

8.3 Temporal Limitation:

Thirdly, temporal limitations may exist, impacting the study's findings. The study's conclusions are based on the data available at a specific point in time. Changes that occur after the data collection period may not be captured, potentially limiting the study's ability to provide up-to-date insights.

8.4 Thematic Constraints:

Lastly, it is important to acknowledge the thematic constraints of the study, which predominantly focuses on Bank Muscat's financial performance. As a result, the generalizability of the study's findings to other banks in Oman or the region may be limited. Different banks with distinct business models, strategies, and economic exposures may not necessarily be accurately represented by the study's conclusions.

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