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LIQUIDITY ANALYSIS OF NATIONAL BANKS IN SULTANATE OF OMAN

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ABSTRACT

Research studies on the importance of liquidity are gaining higher attention against the milieu of the contemporary changes that take place in modern banking scenario. Deposit withdrawals and credit requirements of individuals and industries are quite unpredictable as the investment s or consumption patterns widely differed over years. From these perspectives, several research studies have demonstrated that liquidity is highly essential for a bank’s survival and is central to the smooth functioning of a financial system, making assessing banks’ liquidity position one of the key factors in analyzing a country’s economic status.

This research paper makes an attempt to assess the liquidity position of 5 select nationalized banks in Sultanate of Oman out of the seven. Based on the secondary data collected from the Muscat Securities Market, banks liquidity positions are analysed through ratios and then ranked upon.

Generally, it is observed that each bank has a consistent pattern of ratios over years with respect to their liquid assets of loans held to the total deposits or short term borrowings. Even though Bank Muscat stays first in its volume of transactions and profitability, NBO ranks top in its liquidity, being followed by Bank Sohar and Bank Muscat as second and third.

KEYWORDS: Liquidity, Liquidity Position, Industry Average, Liquid Assets, Loans, Deposits and Short Term Borrowings

INTRODUCTION

Asset quality metrics of banks in the Sultanate of Oman get favorably equated with those of the banks in other GCC countries and reflect a stable operating environment. Omani Banking Sector, comprising the Central bank of Oman (CBO) and a number of commercial and specialized banks, is considered as one of the highly efficient and stable systems, capable enough retorting to the regional and international developments. While it is highly critical for any bank to have adequate solvency and profitability together with liquidity and lower risks, banking environment in the country is quite promising. The fact that growth rates of deposits in Oman are becoming much higher than the credit growth exemplifies that there is no structural shortage of liquidity being expected in their banking system.

However, every bank is required to have continuously been assessed for its liquidity in terms of the assets it holds to face the unforeseen risks. Banks’ business mainly consists of deposits and loans. Therefore, their concern for availability of liquid funds to meet the credit requirements or deposit withdrawals of the customers, plays a highly critical role on the existence and survival of banks more than of any other business.

Hence, in the larger Interests of all the stake holders, this paper attempts to comment on the Liquidity of National Banks in the Sultanate of Oman and rank them upon that.

BACKGROUND OF THE STUDY

Focusing most of the operations in the domestic market, banks in Oman have largely managed to avoid risks from cross-border exposures. Oman's banking system is expected to remain primarily deposit-funded and in September 2013, their customer deposits amounted to 71% of assets while 28% of total assets were in the form of liquid assets. It is nearly evident that banks in Oman could be said to have self-reliant on their financing issues especially that of liquidity.

The below table shows statistics on the total assets/ liabilities of the Commercial banks in the country:

Table 1

Commercial Bank S	R.O (Million) as on 01/01/2014
Total Assets / Liabilities	22677.8
Foreign Assets	2628.8
Foreign Liabilities	2027.9
Total Credit	15256.5
Total Deposits	15773.8

Exhibit: 1 Assets and Liability statistics of Banking Sector in Oman
Source: http://www.cbo-oman.org/

Even though there are 26 member institutions in the Omani Banking sector, commercial banks are 16 in number out of which 7 are national and the remaining 9 are foreign banks. In addition to that, there are 2 Islamic banks, 2 specialized banks and 6 financing and leasing companies functioning under the CBO. Out of them, nationalized bank sare National Bank of Oman SAOG (NBO), Bank Muscat SAOG, Bank Dhofar SAOG, Oman Arab bank SAOG, Oman International Bank SAOG, Bank Sohar SAOG, Ahli Bank SAOG during the period of study. However, this research has exempted Oman Arab Bank SAOG and Oman International Bank due to the non-availability of data.

The most active foreign banks in Oman include Standard Chartered Bank, Bank Melli Iran, HSBC, Bank of Baroda and State Bank of India. In the year 2012, Oman International Bank's 51% stake was acquired by HSBC and the new entity is renamed as HSBC Bank Oman. This merger is not considered for this research as it had taken place outside the period covered for this study.

Performance of banks in the country gets better day by day based on the profitability. The profits of Commercial banks for the financial Year 2013 were RO.286.6 million which was raised by 7% as compared to 2012 which had a total profit of 268.17 million. It is also noted that above 60% of those commercial banks' profits are contributed by the national banks.

Of late, on 20th February 2013, an outlook for Oman' Banking Sector was announced by Moody's for the subsequent 12-18 months as STABLE. Their reports remained unchanged since 2007 on some of the key features of the country's banking system. According to Moody's, Oman's macro-economic environment is quite supportive and banks do have low and well provisioned for Non-Performing Loans (NPLs). They maintain extensive liquidity buffers and have a stable deposit funding base. In addition to profitability, the banks' survival does depend to large extent on the liquidity management also.

For any bank, its primary liabilities are the clients' deposits which are to be given back at any time demanded whereas the reserves and loans are its assets. It is very critical for them to see that their short term assets and liabilities are balanced at any point of time. It is been always important for the banks to check their liquidity aspects in detail as such assessments explicitly demonstrate their ability to mobilize the funds to meet obligations (BIS, 2008) and thereby its future existence.

As Omani Banking system is getting recognized on its performance grounds, conducting a study on the liquidity conditions of the banks and ranking them accordingly worth attention of financial researchers.

RESEARCH OBJECTIVES

The major objectives of this research are as following:

- To understand the consistency in funding liquidity and shock absorption capacity of the banks in Oman
- To assess banks' sensitivity to selected types of funding and its consistency over the period
- To measure the share of loans advanced in the total assets and relate the illiquid assets with liquid liabilities
- To rank the selected banks on the proportion of liquid assets and loans held towards the total assets as well as short term deposits and borrowings.

LITERATURE REVIEW

Research studies on the importance of liquidity issues and management are much on focus now a day and Oman is not an exception to this. Several research studies have demonstrated that liquidity is highly essential for a bank's survival and is central to the smooth as well as uninterrupted functioning of a financial system, making assessing banks' liquidity position one of the key factors in analyzing a country's economic status.

A financial system can be described as liquid when the institutions therein can easily raise cash by selling the liquid assets or by borrowing in the money market. Berger and Bowman (2008) has highlighted the importance of liquidity in a banking sector. According to him, banks which have liquidity provide an efficient institutional mechanism through which resources can be mobilized and directed to the most productive investment options thereby playing a great role in maintaining financial equilibrium and economic stability. Banks' liquidity position was investigated and researched by many across the globe. The studies by Vodova (2011), Barua (2001) and Akaeli (2006) are some of them.

Liquidity is usually a complex term as the rate of liquidity for various liquid assets differ. It is also a relative concept as there is no specific balance sheet ratio concluding that firm is no longer liquid (Olagunju, Adebayo 2011). The Bank of International Settlements (BIS), which is an international organization of the central banks has defined liquidity as the banks' ability to increase the availability of finds and meet the obligations whenever necessary without incurring any without incurring any deplorable losses.

Liquidity is simply the capacity of the financial institutions to readily meet the cash and collateral obligations at a reasonable cost. Therefore, in order to have liquidity, banks should have liquid assets which are readily convertible to cash net operating cash flows and its ability to have funding through deposits, capital injections or borrowings (Comptroller's handbook 2012). Usually, there can be two types of risks related to liquidity viz; funding liquidity risk and market liquidity risks. Funding liquidity risks are usually the risks which banks will not be able to meet efficiently without affecting the financial conditions of the bank. There it will be difficult for the banks to meet both expected and unexpected current as well as future cash flow and collateral needs for the banks. Market liquidity is concerned with the risk that a bank cannot eliminate a position at the market price easily because of the inadequate market depth.

Banks for international settlements (BIS) defined banks' liquidity as the ability of a bank to meet the increases of fund requirements for assets and meet the obligations whenever as and when they occur without incurring any unacceptable losses.

In most of the developed countries, deposits are insured by government and generally, banks can maintain as much as liquidity it desires. Even then, banks' liquidity has to be overlooked also with their profitability aspects also. Highly liquid banks' investment portfolios may generally represent a trivial portion of its assets where major portion would be used as primary source of liquidity thereby decreasing the profitability. Banks, at the same time, can have a number of options to maintain liquidity either by reinvesting its deposits in easily liquidifiable securities or sell their loans, borrow from other banks or central banks for raising the additional capital. Omani banks are always supported by its central bank. An issue of lower liquidity can also be handled by raising deposit rates and effectively marketing deposit products.

This is possible that the banks will be unable to generate adequate cash when the depositors may demand for their funds. This causes them to raise the funds by incurring large amounts of financial losses. Therefore it is highly significant for banks to ensure a minimum share of liquid assets to be held in their total assets. It is also required to check if their sources of liquid assets are adequate enough to cover the volatile funding like those of the deposits from other financial enterprises or households.

Banks also may wish to identify the portion of loans in its total assets to figure out the percentage of assets tied up as illiquid loans. The banks also analyze the percentage of illiquid assets to its liquid liabilities. These collectively can be used as determinants of a bank's liquidity position (Vodova 2011).

The banks maintain as much as liquidity they desire as most of the deposits are insured by government in most developed countries. However keeping a higher liquidity is equivalent to keeping a large amount of assets idle which can have direct impact on its profitability. Omani banks are always supported by its central bank.

The literature identifies the importance of assessing banks' liquidity as banks consider the behavior of it liquidity in taking many major decisions making. Studies of Berger and Bowman (2008) have highlighted this point in their findings. Casu et al (2006) has emphasized the role of liquidity analysis for banks. According to them, bank regulators generally screen the banks by assessing their solvency, liquidity and overall performance. They use these data to intervene whenever there is a need of measuring the potentials for future concerns. Diamond and Rajan (2006) have stated that as long as banks have an improved access to liquidity, their exposure to shocks affecting finding will be lower.

In many of the studies, ratios were the criterions used to identify liquidity trends of banks. WhileSamad (2004) was investigating the performance of seven local commercial banks of Bahrain by evaluating credit quality, profitability and liquid performances, financial ratios were used as their main tool of analysis. Various authors likeAspachs et al (2005), Bunda and Desquilbet (2008), Ghosh (2010), Jimenez et al (2008), Maechler (2007), Moore(2010) Praet and Hertzberg (2008), Rychtarik (2009) or Tamirisa and Igan (2008) provide various liquidity ratios.

Liquidity conditions and shock absorption capacity of the banks generally call for the attention of banking analysts and financial researchers to a great extent.

RESEARCH METHODOLOGY

The research methodology focuses on utilizing the secondary data sources available from Muscat Securities Markets on the selected banks. All calculations followed in this research, their analysis and interpretation are based on the indicators of 4 ratios Pavla Vodova used in the research paper Titled "Determinants of Commercial Banks' Liquidity in the Czech Republic".

This study attempts to comprehend if the liquidity conditions are consistent over the period of 5 years chosen, starting from the year 2008 to meet the daily requirements of the banks in the country and attempts to rank the banks based on that. For this purpose, the research has utilized the below indicators:

- Proportion of liquid Assets to the total Assets they hold
- Availability of liquid assets in selected types of funding like deposits of households, enterprises and other financial institutions.
- Percentage of the assets of the chosen banks tied up in the illiquid loans.
- Proportion of illiquid assets to the liquid liabilities.

Out of the 7 national banks, 2 areexcluded due to the unavailability of whole data from an authentic source for the corresponding years. This has restricted the scope of this study to only five of the national banks of the country.

Source of Data

All the data used in the study are secondary extracted from the financial statements of the concerned banks. Any other supporting information instrumental to this study also was collected from secondary sources like journals, articles and Muscat Securities Market website.

Tools of Analysis

As seen the data are analysed using the below 4 ratios seen in Pavla Vodova's researches:

Liquidity Ratio [LR] 1 = $\frac{liquid\ assets}{total\ assets}$

The liquidity ratio is taken as an indicator for the general liquidity shock absorption capacity of a bank as it sheds light on the availability of liquidity or the portion of liquid assets a bank carries in its total assets.

Liquidity Ratio [LR] 2 = $\frac{liquid\ assets}{deposits+\ short\ term\ borrowing}$

The liquidity ratio clarifies on the banks' sensitivity to some selected types of funding.

Liquidity Ratio [LR] 3 = $\frac{Loans}{total\ assets}$

The ratio measures the proportion of loans to the bank's total assets held, where a higher ratio always indicates a lesser liquidity.

Liquidity Ratio [LR] 4 = $\frac{Loans}{deposits+\ short\ term\ financing}$

This ratio relates illiquid assets with liquid liabilities. The interpretation is same as that of [LR] 3 where a higher ratio indicates a lower liquidity.

The above discussed ratios are found suitable for achieving the objectives of this study and therefore the chosen banks will be ranked based on their individual ranking under each of these ratio-based indicators. Based on those banks' performance, the banking sector as a whole, also is analyzed and commented on.

ANALYSIS AND FINDINGS

Based on the above equations, the Data was used to calculate the [LR]1, [LR]2, [LR]3, [LR]4 and the average rankings based on the [LR] 1 to 4.

Banks are ranked based on the variations from the industry average. Using each ratio, an analysis on the whole sector is also conducted.

Based on [LR] 1

[LR] 1 denotes the proportion of Liquid Assets to the Total Assets, banks hold. Even though, a high ratio points out higher liquidity and vice versa, a much higher [LR] 1 is not desirable as it indicates that banks keep a major portion of their assets idle for the sake of their liquidity. As seen in the table, ratio 18.20% is taken as the industry average for the 5 years under study. As there is no standard criterion available, each bank's position is analysed in comparison of the so called industry average, which is used later for the ranking purposes also.

Table 2

Listed National Banks in Oman - Proportion of Liquid Assets Held to Total Assets 2008- 2012						
Banks	2012	2011	2010	2009	2008	Individual Bank's Average
Ahli Bank	3.00%	3.20%	10.20%	18.80%	5.50%	8.10%
Bank Dhofar	9.70%	12.70%	12.80%	13.60%	8.80%	11.50%
Bank Muscat	17.60%	23.40%	21.80%	27.80%	25.40%	23.20%
Bank Sohar	25.60%	20.50%	17.80%	14.90%	19.40%	19.60%
NBO	17.10%	17.10%	17.30%	19.50%	23.40%	18.90%
Yearly Industry Average	14.60%	15.38%	15.98%	18.92%	16.50%	**16.26%**

Exhibit: 2

*** 16.26**% is considered as the industry average, as this is the mean value of all the bank wise averages across the 5 years of study (2008- 2012).

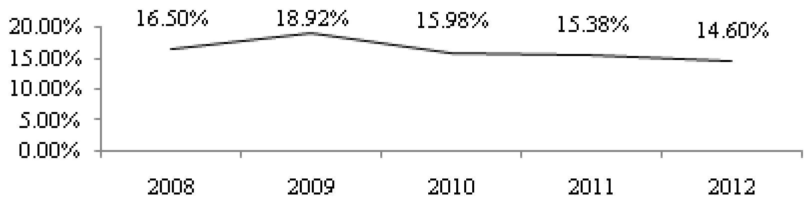
The proportion of Liquid Assets held to Total Assets of the national banks is found satisfactory. NBO is the one closer to the group average in all the years.

The table above showcases the range of [LR] 1, from 3.00% to 27.80% for the 5 national banks in Oman, across the 5 years. Ratio of 14.60% was found as a yearly average for 2010 and National Bank of Oman and Bank Muscat stand closer to this. They are just the average, yet not too high or too low for the said years. Bank Sohar keeps a higher ratio, where a much higher ratio is also not advisable like that of Bank Sohar. In the year 2011, both Bank Sohar and Bank

Muscatare the closest to the yearly average with slightly higher ratio. Bank Dhofar and Ahli are in the worst condition with a much lower ratio than the group average. This is similar in the years 2008- 2010 years also.

It is seen that NBO is consistent with the yearly average throughout the period with 17.10% in 2012, 17.10% in 2011, 17.30% in 2010, 20.80% in 2009, 18.90% in 2008. It is observed that it is NBO whose portion of liquid assets in the Total Assets is always found closer to the yearly industry average in the whole period of study except in 2008.

If required to comment on the banking sector as a whole, all the banks' yearly industry average is closer to its mean value of 16.26% from year 2008- 2011.



Proportion of Liquid Assets held to Total Assets- Industry Average Over Years (2008-2012)

Exhibit: 3

Figure 1

However in the year 2012 it was just 14.30% much lower to the other years, as seen in the graph above.

Based on [LR] 2

Below table clearly depicts Liquid Assets / Deposits + Short Term Borrowings ratios of various banks over years and also as yearly group average for every year. It also gives bank wise individual ratios for the whole 5 years and their mean values. A high ratio denotes high liquidity and a too low ratio shows a low liquidity. But a too high [LR] 2 is also not desirable, as seen in the case of [LR] 1. Even though the bank holds high liquidity, it could be due to lower profitability also. From the below table the Ratio of 21.9% is considered as ideal one, which is also the group average for the whole period under study.

Table 3

Listed Local Banks in Oman - Proportion of Liquid Assets to Deposits + Short Term Borrowings 2008- 2012						
Banks	2012	2011	2010	2009	2008	Individual Bank's Average
Ahli Bank	3.70%	3.80%	12.00%	22.80%	6.90%	9.80%
Bank Dhofar	11.60%	15.00%	15.60%	14.70%	10.60%	13.50%
Bank Muscat	21.60%	28.40%	27.20%	33.40%	31.10%	28.30%
Bank Sohar	28.40%	23.20%	20.30%	17.10%	22.40%	22.30%
NBO	20.10%	20.30%	20.90%	23.30%	28.20%	22.60%
Yearly Industry Average	17.08%	18.14%	19.20%	22.26%	19.84%	**19.30%**

Exhibit: 4

In the years 2012 the group average was 17.08% where the one closer to the average with a higher value is NBO followed by bank Muscat. Ahli and Bank Dhofaris on a lower side. The results are seen somewhat similar to this in all other years except in 2008.

Below is a sector analysis for the years from 2008- 2012. The graph shows that the year 2010 had the optimal ratio which is 19.20%; the industry average. The yearly average was found around the industry average in most of the years. All the years had the Even then, the year 2012 had an average of 17% which is much lower than the industry average. Both [LR] 1 and [LR] 2 shows the year 2012 much lower than the industry average.

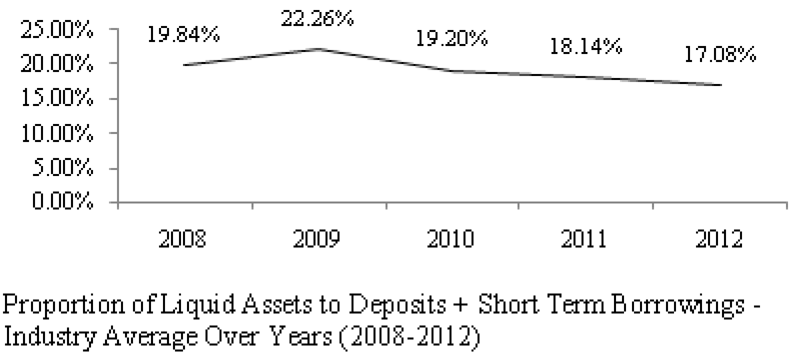


Exhibit: 5

Figure 2

Based on [LR] 3

This ratio can give the proportion of Loans to Total Assets. As opposite to [LR] 1 and [LR] 2, a higher ratio denotes lower liquidity and vice versa. However a much lower [LR] 3 is also not desirable, even though the bank holds high liquidity due to lower Profitability.

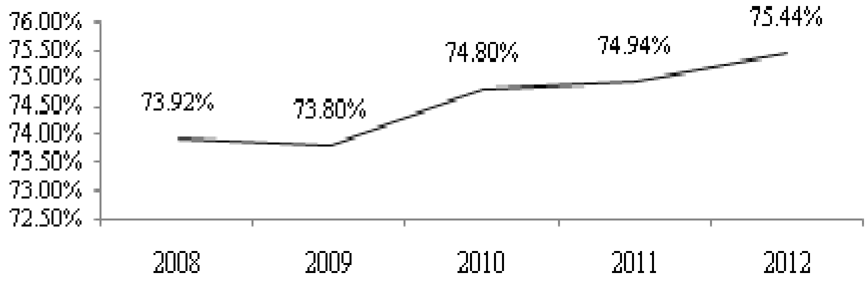
Table 4

Listed Banks in Oman - Proportion of Loans to Total Assets							
2008- 2012							
Banks	2012	2011	2010	2009	2008	Individual Bank's Average	
Ahli Bank	84.40%	82.70%	81.50%	72.00%	82.20%	80.60%	
Bank Dhofar	82.60%	79.10%	76.80%	78.90%	79.80%	79.40%	
Bank Muscat	70.80%	66.70%	68.50%	65.60%	61.80%	66.70%	
Bank Sohar	64.10%	71.20%	71.70%	76.80%	75.20%	71.80%	
NBO	75.30%	75.00%	75.50%	75.70%	70.60%	74.40%	
Yearly Industry Average	75.44%	74.94%	74.80%	73.80%	73.92%	**74.58%**	

Exhibit: 6

As [LR] 3 indicates the percentage of assets tied up in the illiquid loans of the banks, higher this ratio the less liquidity the bank posesses. In 2012, NBO with 75.30% is closer to the yearly average which is followed by Bank Muscat with 70.80%, where in the year 2011 it is Bank Sohar closer to the yearly average followed by Bank Muscat. Similar is the case in 2010. In the years 2008, NBO has kept its position with 70.60% being much closer at the lower side to the average of 73.92%. However it can be seen that in the year 2009, Ahli banks with 72% has been observed as closer to yearly industry average followed by Bank Muscat. In this case, Bank Sohar is on a higher ratio.

Below is a sector wise analysis which shows the range of [LR] 3 as industry average, from 73.82% to 75.44% for the 5 years. The below graph shows a very consistent pattern in these ratios



Proportion of Loans to Total Assets -Industry Average Over Years -(2008-2012)

Exhibit: 7

Figure 3

Based on [LR] 4

The [LR] 4 is a ratio of loans to the total deposits and short term borrowings. This looks at the effectiveness of fund utilization and the liquidity. A ratio of 100% denotes the loan fund is fully utilized for business purpose but it gives a caution indication on liquidity as the loan fund is illiquid.

Table 5

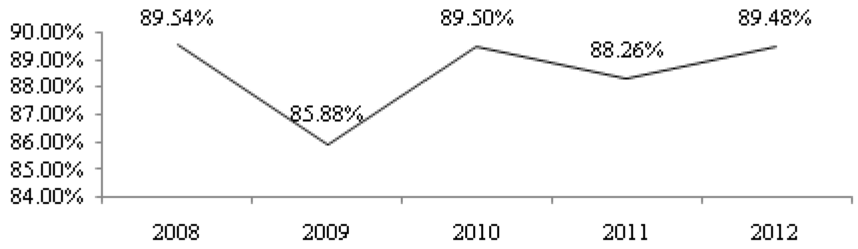
Listed Banks in Oman - Proportion of Loans to Deposits and Short Term Borrowings 2008- 2012						
Banks	2012	2011	2010	2009	2008	Individual Bank's Average
Ahli Bank	102.50%	98.10%	95.90%	87.00%	103.80%	97.50%
Bank Dhofar	98.40%	93.00%	93.10%	85.20%	96.00%	93.10%
Bank Muscat	86.90%	80.60%	85.40%	78.90%	75.70%	81.50%
Bank Sohar	71.10%	80.60%	81.50%	88.10%	87.10%	81.70%
NBO	88.50%	89.00%	91.60%	90.20%	85.10%	88.90%
Yearly Industry Average	89.48%	88.26%	89.50%	85.88%	89.54%	**88.54%**

Exhibit: 8

The above table shows the range of [LR] 4, from 71.10% to 103.80%, across the period of study.

Ahli Bank has almost fully utilized the deposits and borrowings for providing loans with an average of 97.5%. Bank Muscat has taken second position in leaving its deposits more liquid than any other banks in all the years from 2008- 2012.

From the above, it is seen that NBO stays closer to the group average with a safe reserve ratio of 88.90% which is just as same as the industry average of 88.54%.



Proportion of Loans to deposits and Shortterm borrowings -Industry Average Over Years (2008-2012)

Exhibit: 9

Figure 4

As seen in the graph, the proportion of Loans to the total Deposits and Short Term Borrowings maintained by national banks ranges from 85.88% to 89.54% only.

Overall Ranking on The Basis of 'Liquidity Analysis'

Ranking the banks based on their liquidity position is carried out by looking at the individual ranking each of them received with respect to each indicator.

The below table gives the overall ranking of the banks in Oman with respect to their liquid assets of loans held to the total deposits or short term borrowings

Table 6

Banks	Ranked on [LR]1	Ranked on [LR] 2	Ranked on [LR] 3	Ranked on [LR] 4	Mean	Overall Ranking
Ahli Bank	5	5	5	5	5	5
Bank Dhofar	4	4	4	4	4	4
Bank Muscat	3	3	3	2	2.75	3
Bank Sohar	2	1	1	3	1.75	2
NBO	1	2	2	1	1.5	1

Exhibit: 10

The above table shows the overall Liquidity Ranking of Banks in Oman for the Period of Study - 2008 -2012. As per [LR] 1 analysis, National Bank of Oman is much closer to the industry average followed by the Sohar Bank with an average of 18.90%. Muscat Bank comes in third position with 23.20%. Even though it is a higher ratio, it does not stand on an alarming mode. Similarly the rankings for each other indicator also can be seen in the above table.

The table clearly indicates that NBO ranks first in the overall liquidity followed by Bank Sohar. Bank Muscat ranks third.

FINDINGS

The above analysis clearly shows that national banks in Oman are well cautious in keeping their liquidity positions. As depicted by LR [1], the national banks in Oman have reasonably good availability of liquidity and have been preserving a reasonable portion of assets in its total amount of assets. It also shows that general liquidity absorption capacity of the banks is not bad, except the cases of Ahli Bank and Bank Dhofar. It is the same case with their sensitivity to some selected types of funding. The share of liquid assets these banks hold towards its deposits of households, enterprises and other financial institutions which can be easily called back at any time. It shows bank's vulnerability related to these types of funding sources. It is found that Bank Sohar is safest in that aspect followed by NBO and Bank Muscat. For them, the volume of liquid assets is higher enough to cover volatile funding if the ratio is high. Lowe value usually indicates a bank's increased sensitivity related to the withdrawals of deposits.

As per the [LR] 3 analysis, share of loans in a bank's total assets held is reasonable and safe with respect to NBO, it is not too high or low and consistent with yearly industry average. [LR] 4 shows that NBO is almost same as the 5 years' industry average with 88.90%. However, a much closer watch shows that in an overall [LR] 4 analysis, Bank Muscat is found safer in all the years. Bank Dhofar and Ahli Bank's position are much worse in this aspect. NBO has andone optimum use of illiquid assets in liabilities. As NBO, Bank Sohar and Bank Muscat have kept their ratios closer to the industry average and enjoyed higher liquidity. Banks like Ahli and Bank Dhofar are not at a favorable position here. Generally, it is found that each bank has a consistent pattern of ratios over years with respect to each of the criteria taken for the study. The line graphs show this much clearly for each of their liquid assets of loans held to the total deposits or short term borrowings. The overall ranking has finally brought NBO as the most liquid bank in safe and consistent pattern of asset maintenance. This is affirmed by the observation of TEXT Fetch. As per TEXT Fitch's researches, National Bank of Oman is already been ranked at 'BBB+'. According to that, healthy liquidity position can be mainly reflected by its stable and large, increasing customer base. NBO's asset liability maturity mismatch is highly comfortable reflecting its good balance of longer term deposits of government and pension funds.

CONCLUSIONS

The national banks in Oman are maintaining a safe reserve of liquid assets. Their shock absorption capacity is reasonably good and general liquidity level is satisfactory with an overall industry average of 16.26% measured by the proportion of liquid assets they keep in their total assets. The banks' sensitivity to the funding like total deposits of households, enterprises and other financial institutions which can be called back at any point of time. Their position in the share of loans advanced to the total assets and illiquid assets with liquid liabilities also found satisfactory and consistent over years. While ranking them on all the above indicators, it is observed that NBO takes first position, followed by Bank Sohar and Bank Muscat.

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