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# The impact of financial reports on decision making with reference to bank Muscat and bank Nizwa

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***Abstract:***

*For many stakeholders in the banking sector, financial reports are essential instruments in decision-making processes. This study investigates how financial reports affect decision-making, concentrating on two well-known Omani banks: Bank Muscat and Bank Nizwa. The paper investigates how financial reports affect the choices made by investors, regulators, and other stakeholders through a comparative comparison of various organizations. The study investigates how important financial reports are for revealing information about the performance, risk management strategies, and overall financial health of Bank Nizwa and Bank Muscat. It looks at important financial metrics like ROE and ROS to determine how stable and viable the banks are overall. The study also considers the significance of accuracy and openness in financial reporting and how these factors affect stakeholders' faith in banks. The study's conclusions advance knowledge of the significance of financial reports in banking sector decision-making. The research offers insights into the practical consequences of financial reporting procedures and their influence on stakeholders' actions by examining the cases of Bank Muscat and Bank Nizwa. In the end, clear and accurate financial reporting builds confidence in banks, which influences lending, partnership, and investment decisions within the banking sector.*

***Keywords:*** *Financial reports, decision making*

## Introduction:

### Background of the study:

Bank Muscat and Bank Nizwa are key Omani financial institutions, relying heavily on financialreports for decision-making, assessing their financial health, performance, and strategicdirection, ensuring effective management and sustainable industry growth. Comprehending thefinancial health of your company can facilitate more intelligent decision-making. Byexamining its financial accounts, you may ascertain the state of its finances, spot trends, and project its future financial performance. You can use this information to estimate future cashflows, define financial goals for the organization, and make smarter decisions about resources.Financial statements offer advantages such as information availability, objective data, and performance evaluation. They provide quick, normalized data on an organization's financialperformance, enabling informed decisions and assessing long-term performance financialstatements have limitations in decision-making due to their limited scope, complexity, and lackof timeliness. They focus on quantitative monetary information, may not capture subjective variables or non-monetary performance measurements, and may not provide convenient data for constant choices or changing economic situations.

**Problem Statement:**

Reports are important currently to give the true picture of the facility. Therefore, wheneverthese reports apply internationally recognized accounting and financial principles, decision-making will be appropriate. However, if these reports contain some deficiency in the correctpreparation of the lists, then the decision will be inappropriate for the company. In this research,we will address the clarification of the direct relationship between the preparation of financialstatements and the decision that will be taken through these statements.

Research Questions:

1- Are the financial reports led the company to have right decision?

2- Is there any relationship between the right decision and financial report and for which level?

3- Can financial reports be used to make better decisions for forecast about the future plan?

**Research objectives:**

1- To know and define the kindsof financial reports which help stakeholders—like investors or management—get insight into theperformance, health, and position of a company's finances. These reports aid in decision-making, profitability assessment, and general financial stability evaluation, much like income statements and balance sheets do.
2- To examines the influence of Bank Muscat and Bank Nizwa's financial reports ondecision-making processes
3- To find out the relationship between the right decision and financial.
4- To find out which financial reports be used to make better decisions for forecast about the future.

**Scope of the study:**

The study examines the influence of Bank Muscat and Bank Nizwa's financial reports ondecision-making processes, analyzing balance sheets, income statements, and cash flowstatements over a specific period. The study examines the banking sector in Oman, comparing Bank Muscat and

Bank Nizwa, with limited scope for broader implications. The study focuses on analyzing the financial performance of Bank Muscat and Bank Nizwa based on their financial reports. Comparative analysis compares financial reporting practices of Bank Muscat and Bank Nizwa, revealing differences in transparency, quality, and decision-making impact within the same market environment. The study analyzes financial reports over a specific timeframe, examining historical and recent data to identify trends and patterns in financial performance and the banking sector's current state. The study explores the influence of financial reports on decision-making in the banking industry, focusing on the Omani market and specific banks as case studies.

**Significance of the study:**

This study offers insights into how stakeholders like investors, regulators, and customers use financial reports for informed decision-making, thereby improving financial literacy and effectiveness in the banking sector. This study emphasizes the significance of financial reporting in promoting transparency and accountability, highlighting the need for accurate and timely disclosure by banks to foster trust and confidence. This study aids investors in making informed investment decisions by providing insights into key financial indicators and metrics relevant to assessing the investment potential of banks. Regulators oversee banking, ensuring compliance with standards. Understanding financial reports' use in regulatory oversight helps inform policymakers and identify areas for improvement in financial reporting requirements. This study examines financial reporting practices of Bank Muscat and Bank Nizwa, aiming to identify industry best practices and benchmarks for other banks to follow. Transparent and accurate financial reporting boosts investor confidence in banks and the financial system, demonstrating the link between quality and stakeholder trust. This study provides insights for banks to enhance their strategic decision-making processes by understanding stakeholder interpretations of financial reports, thereby improving their competitive position.

**Literature Review:**

**Introduction:**

This section is worried about conversations connected with the analysis of financial statement and its impact on decision-making in bank muscat and bank Nizwa. Thusly, this part talks about the financial statement and its impact on decision-making for banks. Financial reports from banks are an essential source of information for many different parties, such as analysts, investors, and regulators. It takes a sophisticated understanding of financial measures, the state of the economy, and industry trends to interpret these reports. This talk will examine the main elements of using financial data from banks to make decisions, with an emphasis on analytical techniques and important indicators. Understanding financial reports, important statistics, and industry trends in depth are all necessary for deciphering banks' financial reports. Making well-informed decisions is improved by using analytical techniques and taking the economy into account. Analysts, regulators, and investors to assess a bank's performance and stability, making them an essential tool for financial sector decision-making, use these reports. One important advantage of financial statements is their ability to show a variety of financial hazards and serve as a warning to banks to minimize risks like interest rate and credit risk. The most important and established business for banks is credit capital, which accounts for a sizable portion of total assets in financial statements and generates the majority of the bank's revenue. Nevertheless, credit assets are always subject to risk. This has the most impact on company and the highest frequency risk. Once a bank has credit risk, its profits will be negatively impacted, possibly even to the point where it affects the stability of the local economy. For banks to manage their credit assets, it is essential to analyze financial statements in order to identify credit risk.

**John Wiley & Sons, (2022):**

In this study, a decorated team of accounting veterans delivers an authoritative exploration of how accounting standards impact the daily decisions of accounting professionals. You'll discover how accounting theory explains why particular companies select particular accounting methods and predicts the attributes of firms by analyzing the accounting methods they employ. The authors examine the latest empirical research relevant to theories of accounting and the uses of accounting information, including the fundamental analysis model, the efficient markets hypothesis, the behavioral finance model, the positive accounting theory model, and more. This latest edition robustly summarizes current disclosure requirements for various financial statement items and reviews the development and current state of accounting theory. And

**Milorad Kovjanić (2020):**

The study addressed the one sort of accounting fraud that is a persistent issue for businesses worldwide is the manipulation of financial statements. Financial statement fraud and manipulation have resulted in enormous losses of more than 3.6 US dollars. This fact highlights the necessity of ongoing research on fraudulent activity kinds and methods, as well as the causes behind them, which is the subject of this work. As a result, the article that is being given examines the various forms and methods of false financial reporting, which is undoubtedly a persistent issue for decision-makers. Future study on the intricate problem of fake financial reporting is likely to go in some of these directions.

**Tamanna Dalwai, Syeeda Shafiya Mohammadi, Balushi, A. and Zawani, A. (2024).**

This studyexplores that financial and non-financial data that supports decision-making is referred to as financial reporting quality, or FRQ. Financial reporting quality, which is demonstrated by adherence to goals and information disclosure in yearly reports, would indicate financial reporting transparency. Therefore, FRQ promotes investment efficiency by lessening knowledge asymmetry between investors and enterprises. This is crucial because market friction causes businesses to be less receptive to investment opportunities, which leads to fewer-than-ideal investment decisions. Thus, the purpose of this study is to ascertain how the quality of financial reporting affects the effectiveness of investments in Oman's listed companies. Data collecting from listed firms for the years 2015 to 2019 supports the goal. The results of the regression point to a negative correlation between investment efficiency and the quality of financial reporting. Too, Viral V Acharya, Stephen G Ryan, (2016). This stady explores the role of financial reporting in limiting banks' debt and risk overhangs and mitigating their adverse effects on the financial system's stability. It evaluates empirical literature on banks' financial reporting and stability, identifies research design issues, and provides examples of settings for addressing these issues. The essay concludes with recommendations for accounting standard setters and financial system policy makers.

**Blessing, A. and Onoja, E. (2015):**

The study examines the impact of financial statements on investment decision making at United Bank for Africa Plc. in Nigeria. The research used secondary data from ten years of financial statements and the ordinary least squares (OLS) regression method. The results showed that transparency of financial statements significantly influences investment decisions. The study also found that investors understand financial statements well before making investments and rely heavily on the credibility of auditors/financial experts' approval. The study recommends adequate care and due diligence in preparing financial statements to avoid faulty investment decisions, which could lead to loss of funds and potential litigations

**Jelena Vitomir, Miloš Jokić, Dragana Popović, Slobodan Popović (2020):**

This study examined the A company's top management's ability to manage effectively hinges on a well-made business choice. Valid financial and other reporting within the organisation is essential to making wise business decisions. Also Bawan Yassin and Mahmood Aziz, Hassan and Sorguli, Sarhang and Abdullah, Nabaz Nawzad and Al-Kake, farhad, (2021). The study addressed the reports from financial accounting are essential for monitoring all financial transactions. Management to make decisions uses accounting data, such as the income statement and cash flow statement reports included in corporate financial statements. The study shows that the financial statement report has a significant impact on how effective managerial decisions are. The managerial decisions made by SMEs are significantly influenced by other operational factors, such as the quality of the data, the comprehensibility of reports, and corporate records. The study found that managerial decisions and financial accounting reports have a positive link, which is mediated by the financial reports' quality, relevance, and understandability.

**Net income:**

Michelle Cornish (2023), documented that the Net income is the remaining revenue after all expenses are accounted for, excluding costs, taxes, and operating expenses. It is different from gross profit, which is calculated at a different stage of the income statement. Operating income, on the other hand, includes income generated from core operations, not non-operating activities. Net income includes all revenues and expenses, making it the bottom line.

**Ratios Return on Equity (ROE):**

Heikal, Muammar Khaddafi, Ainatul Ummah (2014) , demonstrates how well businesses manage their own capital (net worth) and gauges the return on investment made by the company's shareholders or owners of their own capital.

**Ratios Return on Assets (ROA):**

Return on Assets (ROA) is one measure of a business's profitability; the greater the profitability, the greater the business's capacity to produce a profit. Evaluating business performance is the primary means of determining the company's capacity to turn a profit from its operations. Profit contributes to the process of creating value for the firm in relation to its future prospects and serves as a gauge of the company's capacity to meet its obligations to investors and creditors. Return on Assets (ROA) is a metric that quantifies a company's potential to produce a profit based on all of its assets after deducting costs associated with funding those assets, such as expenditures for staff management and creation of intellectual property.

**Asset quality ratios:**

David Bernstein (1996) reported that the Research indicates that the amount of bank costs and estimations of scale economies in banking are impacted by asset quality. Cost curves computed for the full sample are not the same as cost functions estimated for banks that have low or high non-performing loan percentages. The empirical findings support the idea that expenses rise as the number of non-performing loans rises. Scale economies may exist even for the biggest banks, according to the cost curve predicted for banks with low non-performing ratios.

**Risk management**

Alia, et al.. (2020) confirmed that the Capital risk is the most significant type of risk, according to one of his research's most significant conclusions. Most research indicates that bilateral governance has an impact on the banking instrument. And Sinha, A. (2024). Discuss that criminal activity involving a professional in a responsible position inside an organisation is referred to as "white collar crime" Experts who have been granted reasonable autonomy to make decisions are involved in the majority of these crimes, and their decisions may have an effect on the reputation risk of the organisation they represent. In essence, no one is physically harmed by these occurrences, but the impacted party may suffer considerable financial losses as a result. Regarding banks, there's also a chance that these crimes will have an effect on the economy. Because most white-collar crimes involve professionals who wield significant power within the organisation where they commit the crime, they typically require time to investigate and prove. Additionally, they are aware of the flaw and vulnerability in the risk management system, which they make full use of. This usually instills fear in the minds of the victims and damages the organization's reputation. The damaged reputation could then manifest as a loss of business. White collar crimes encompass a broad range of activities and are perpetrated by individuals who are involved in otherwise legal businesses. Until their crimes are found, the offenders have respectable roles in the community. The specifics of the crime committed determine which laws apply to white-collar offences.

**Granja, J., Jiang, E.X., Matvos, G., Piskorski, T. and Seru, A. (2024):**

They mentioned that, significance of assessing the banking industry's risk management procedures. The bank measures we document are similar to a traditional "gambling for resurrection" strategy: equity would have profited in the absence of a run, but in the event of a run, uninsured debtors and the Federal Deposit Insurance Corporation would take the losses. Also Rahayu (2020) The study addressed that banking risk has a significant impact on financial performance, with increased risk often. associated with reduced profitability.

**Methodology**

Introduction:

Organizational decision-making processes are greatly aided by financial reports, which provide Insightful information on the performance, health, and strategic direction of the company. This introduction investigates how financial reports affect decision-making, concentrating on Bank Muscat and Bank Nizwa, two well-known banks in Oman. Through an analysis of how these banks use financial reporting to guide their decision-making, we can learn a great deal about how crucial accurate and transparent financial data is to the success of organisations. In the banking sector, financial reports are crucial decision-making instruments that help institutions such as Bank Muscat and Bank Nizwa to make well-informed choices, control risks, and accomplish their strategic goals. Banks in Oman's dynamic banking sector may boost their competitiveness, build stakeholder confidence, and promote sustainable growth by embracing best practices in financial transparency and accountability and acknowledging the influence of financial reporting on decision making. Financial reports frequently serve as the decision-makers' compass in the complex realm of organisational management. These carefully prepared documents, which are filled with information and analysis, constitute the basis for well-informed decisions, particularly in the banking industry. This introduction explores the mutually beneficial relationship between financial reporting and decision-making, highlighting two of Oman's leading financial institutions: Bank Muscat and Bank Nizwa. Understanding how these organisations use financial reports to advance strategic agendas and manage challenging situations will help us better understand how important accurate and transparent financial data is to the success of organisations. The financial reports that determine an organization's fate are located at the intersection of strategy and execution. The two biggest banks in Oman, Bank Muscat and Bank Nizwa, use these reports as a guide while navigating constantly changing market conditions. This introduction reveals how these banks use data to manage risks, take advantage of opportunities, and steer towards sustainable growth by removing the layers that cover the impact of financial reporting on decision-making. We find the transforming potential of smart financial knowledge in shaping organisational futures by closely examining their activities.Financial reports become lights that guide organisations ahead in the area where strategy meets action. As cornerstones of Oman's banking industry, Bank Muscat and Bank Nizwa use these reports to help with important decision-making. Through transparent and accurate financial disclosures, these institutions are able to manage choppy waters, capture opportunities, and uphold stakeholder trust. This introduction explores the symbiotic relationship between financial reporting and decision-making. By examining their operations, we can identify the fundamental ideas that drive businesses towards long-term success in the fast-paced market of today.

**Sample of the Study:**

Among the banks selected for the sample were Bank Muscat and Bank Nizwa, which are listed on the Oman Exchange market. Since the study will be using an exploratory research technique, non-probability sampling—also known as purposive or judgement sampling—will be used. just in its whole.

**Data Collection:**

The systematic process of obtaining and examining data from various sources in order to gain a comprehensive understanding of a certain topic is known as data collecting. This procedure aids in providing people and businesses with the information they require, evaluating their performance, and spotting possibilities and trends. How the data is gathered will be greatly.

**Data Analysis:**

The process of examining and interpreting data to find competitive advantages and support decision-making is known as data analysis. It gathers information about internal operations, goods, clients, the market, and rivals using a variety of techniques, including machine learning, artificial intelligence, natural language processing, and conventional statistical methods.There are two typs of data:

**1. Quantitative Data:** This kind of data can be measured and is expressed as numbers. It addresses amounts and quantities. Income, temperature, weight, and height are a few examples. Discrete data, which is made up of totals like counts, and data that is continuous, which can take any amount within a range, are two further categories into which quantitative data can be separated. Also mathematical procedures make it simple to verify and validate quantitative data, which typically provides answers to questions like What percent?, How much or How many? And how often?

**2. Qualitative data:** This kind of data describes attributes or traits that are not quantifiable. It covers characteristics, traits, and properties. Colour, ethnicity, marital status, and opinions are a few examples. Nominal data, or categories without an inherent order, and ordinal data, or categories with a natural order or ranking, are two more classifications for qualitative data. Observational inquiries such How do they feel?, Who?, What did it look like? What did they say? are typically addressed.

This project is based on statistical analysis, which is considered a scientific method. This part aims to collect, analyze and organize data to obtain accurate information. When collecting data, descriptive methods are used to collect quantitative and qualitative data. the study Detailed analysis is used.

**Data collection and resources:**

Date collection is the procedure for collecting and analyzing data on relevant factors in a predetermined, methodical way so as to address research questions, test hypotheses, and assess results. Any discipline of study, including the humanities, business, social and physical sciences, etc., has a data collection component. Although techniques differ depending on the field, making sure that the collection is honest and accurate always comes first.

**Secondary Research Methods with Examples:**

One of the main reasons why secondary research is so popular with businesses and organisations is because it is affordable. Not every organisation has the resources to pay for extensive study and data collection. Since material may be collected while seated behind a desk, secondary research is appropriately sometimes referred to as "desk research."The following are popularly used secondary research methods and examples:

**1. Data Available on The Internet:**

The internet is one of the most widely used methods for gathering secondary data. On the internet, data is easily obtainable and may be downloaded with a single click. This data is essentially available for free, however downloading the previously collected data may need a little fee. Businesses and organisations can use a wealth of information found on websites to meet their research needs. Organisations should only use reliable and reputable websites when gathering data, nevertheless.

**2. Government and Non-Government Agencies:**

Certain governmental and non-governmental organisations may also provide data for secondary research. Businesses and organisations can utilise useful and pertinent data from the US Government Printing Office, US Census Bureau, and Small Business Development Centres, for instance. To download or use data that is available from these agencies, there is a fee. These organisations provide reliable and authentic data.

**3. Public Libraries:**

Public libraries are an additional reliable resource to look for information for this study.

Copies of significant earlier research are available in public libraries. They serve as a repository for crucial data and papers from which data can be gleaned. These public libraries offer different services from one another. Libraries typically have a vast collection of company directories, periodicals, and government publications that include market statistics.

**4. Educational Institutions:**

It is frequently disregarded how important it is to gather data from educational institutions for secondary research. Nonetheless, compared to other corporate sectors, colleges and universities perform more research. Universities mostly gather data for primary research purposes. Nonetheless, companies or groups might get in touch with educational establishments and ask them for information.

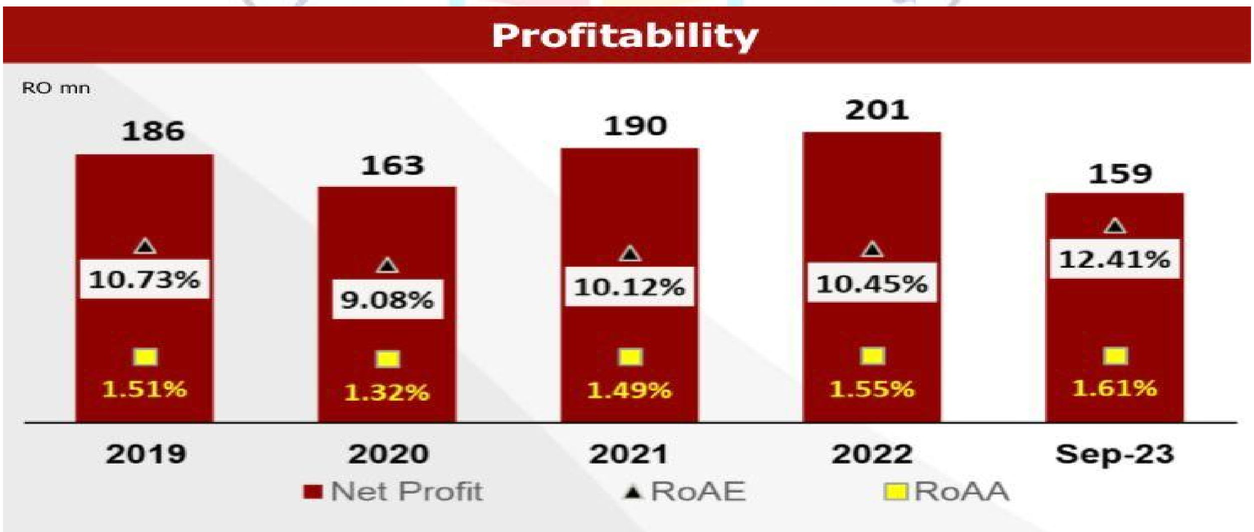
**5. Commercial Information Sources:**

For secondary research, local media outlets like radio, TV, journals, magazines, and newspapers are excellent sources of information. First-hand knowledge about political agendas, market research, demographic segmentation, and related topics can be found in these commercial information sources. Companies and groups are able to request the data that best fits their research. Because these sources have a larger audience, businesses may use them to not only locate potential customers but also learn about how to promote their goods and services.

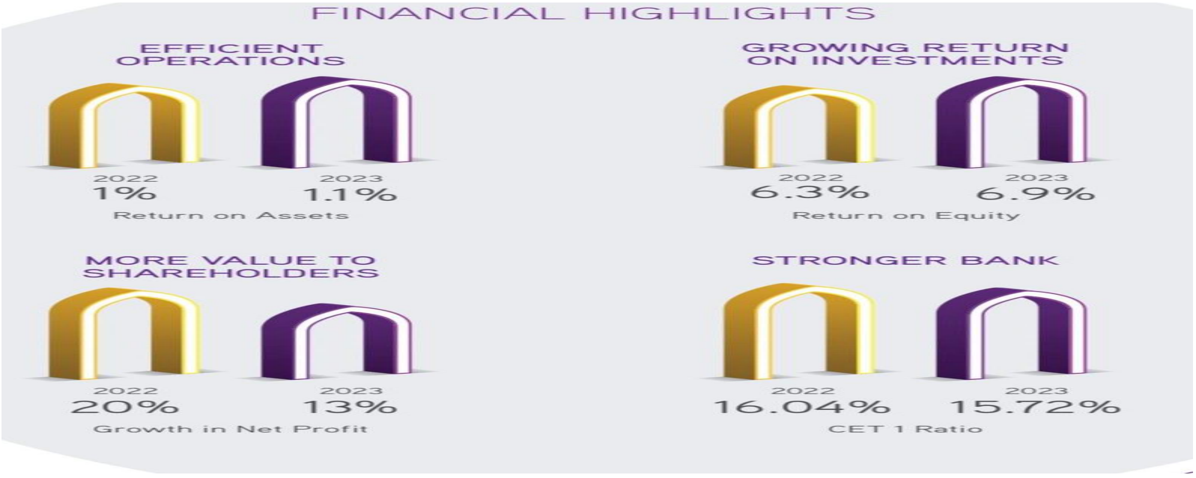
Secondary data was gathered from Bank Muscat and Bank Nizwa's official websites, stock exchange websites, and previous studies. These sources provided comprehensive financial performance information, annual reports, and historical stock prices, making them useful sources for research.

**Data analysis and Interpretation:**

**Data related to bank Muscat:**



**Data related to bank Nizwa**




| | Bank Nizwa | Bank Muscat |
|---|---|---|
| ROA | 1.1% | 1.61% |
| ROE | 6.9% | 12.41% |

**ROA:**

1. Bank Muscat 1.61%
2. Bank Nizwa 1.1%

**ROE:**

1. Bank Muscat 12.41%
2. Bank Nizwa 6.9%

The estimated Return on Equity (ROE) and Return on Assets (ROA) for each company are displayed as percentages. ROA demonstrates the company's ability to generate revenue from its assets, whereas ROE displays profitability as seen from the shareholders' perspective. Higher percentages usually translate into better performance when it comes to using assets and equity to generate profits. An analysis of the selected banks' Return on Equity (ROE) and Return on Assets (ROA) yields crucial details regarding their financial performance and operational efficiency. These banks are Bank Muscat and Bank Nizwa.

With a Return on Equity (ROE) of 12.41%, Bank Muscat produced a net income return of 12.41% for each unit of shareholder equity invested in the bank. This shows that Bank Muscat is making good use of its equity capital in order to make money for its investors. Conversely, Bank Muscat produced a return of 1.61% on its total assets, as indicated by its ROA (Return on Assets) of 1.61%. ROA gauges how well a business uses its resources to produce profits. Better asset utilization and operational efficiency are indicated by a greater ROA. All things considered, Bank Muscat's ROE and ROA numbers show that it is successfully managing its equity capital and assets to produce profits, which can be encouraging signs for stakeholders and investors assessing the bank's financial performance.

With a return on equity (ROE) of 6.9%, Bank Nizwa indicates that it makes 6.9% for each Omani Rial (OMR) that shareholders put in stock. Conversely, Bank Nizwa's ROA of 1.1% indicates that the bank makes a profit of 1.1% for each OMR of assets it owns. The financial performance of Bank Nizwa can be better understood by looking at these ratios. While a higher ROA denotes the efficient use of assets to produce profits, a higher ROE signifies the efficient management of equity. To obtain a complete picture of the bank's performance, it is crucial to examine these ratios in light of industry norms and trends. The ROE and ROA figures are the same for Bank Nizwa and Bank Muscat: A ROA of 1.1% and a ROE of 6.9%. Whereas ROA shows the banks' capacity to make money from their assets, ROE shows how well they are using shareholders' equity to create profits. These measures shed light on the banks' resource management effectiveness and financial success.

**Findings and Recommendations:**

**Findings:**

1. A bank's decision-making processes can be greatly impacted by important financial measures such as Return on Equity (ROE) and Return on Assets (ROA). Bank Nizwa's ROE of 6.72% indicates efficient use of shareholders' funds, potentially attracting investors and allowing for profit reinvestment or dividend distribution.
2. Bank Muscat's ROE and ROA figures affect decision- making, influencing strategic planning, capital allocation, risk management, and investor relations.
3. Healthy returns attract capital and maintain market competitiveness.
4. Financial reporting greatly influences the decision-making process of organizations such as Bank Muscat and Bank Nizwa, providing insights into their financial health, performance and strategic direction, which affects stakeholders.
5. Financial reports are crucial for investors to evaluate investment opportunities, as positive indicators such as profitability and asset quality enhance confidence, while negative indicators may deter investors.
6. Financial reporting is also essential for regulatory bodies to maintain confidence, assess capital adequacy, assess risk exposure, and shape policies and interventions as needed. It is also critical for banks like Bank Muscat and Bank Nizwa in strategic planning, performance assessment and risk management, guiding decision-making on lending and investments, cost management and operational efficiency.
7. Financial reporting greatly influences decision-making in the banking sector, filling information gaps, ensuring regulatory compliance, and shaping the strategic direction of institutions such as Bank Muscat and Bank Nizwa.

**Recommendations:**

1. The analysis of financial reports and industry trends for Bank Muscat and Bank Nizwa has led to the following key recommendations and findings.
2. Both banks should enhance financial transparency by providing clear and comprehensive disclosures of their balance sheets andincome.Statements, and cash flow statements, building trust and enabling informed decision-making.
3. The focus is on enhancing Return on Equity and Return on Assets metrics to demonstrate efficient capital and asset utilization in generating profits.
4. Develop robust risk management frameworks to mitigate financial risks, including credit, market, liquidity, and operational risk, enhancing investor confidence and supporting sustainable growth. Enhance capital adequacy by monitoring and maintaining sufficient capital levels to support business operations, regulatory requirements, and future growth initiatives through assessment of capital adequacy ratios and capital planning strategies. Focus on digital transformation to improve operational efficiency, customer experience, and competitive advantage by investing in digital platforms, analytics, and cybersecurity measures for banking services. Strengthen corporate governance practices to ensure ethical conduct, accountability, and transparency in decision-making processes, including board oversight, risk management frameworks, and regulatory compliance.

**Special recommendation to Bank Muscat and Bank Nizwa:**

1. Increase financial openness by making explicit disclosures.
2. Put more effort into raising Return on Assets (ROA) and Return on Equity (ROE).
3. Create strong frameworks for risk management.
4. Keep an eye on and sustain adequate capital levels.
5. To increase operational efficiency, invest in digital transformation.
6. Make corporate governance procedures stronger.
7. Develop a solid rapport with stakeholders.
8. Examine financial statements to get understanding.
9. Comply with legal obligations.
10. Recognize market trends and modify tactics as necessary.

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