

Issues of The Financial Companies

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Abstracts: Financial companies one of the important sectors in Oman which they are providing loans to the individual and SME (Small Medium Enterprises). They are offering different types of products such as vehicle loan, working capital, equipment /Commercial vehicles and Machinery leasing, bill discount, etc. Now the financial companies are facing a lot of challenges. The issues related to the financial companies are: they are affected by many factors like Government policies and regulations, fall in oil price and competitive banks and taste and behavior of the customers and increasing the employee's turnover. I conducted this research to analyze the issues which affecting the financial companies and the factor which affecting them mostly and the solutions which help them to reduce the challenges.

Keywords: Investment, Financial companies, challenges, issues.

1. INTRODUCTION

The financing companies represent companies engaged in the financial leasing and hire purchase activities and they are National Finance Company, Al Omaniya Finance, Oman Orix Leasing, Muscat Finance, Taageer Finance Company and United Finance and they are listed on MSM (Muscat Security market). Financial companies one of the important sectors in Oman which they are providing loans to the individual and SME (Small Medium Enterprises). They are offering different types of products such as vehicle loan, working capital, equipment /Commercial vehicles and Machinery leasing, bill discount, etc.

• **The issues related to the financial companies:**

- Financial companies are affecting by many factors like Government policies and regulations, fall in oil price and competitive banks and taste and behavior of the customers and increasing the employees turn over.
- **Commercial Banks:** The financial companies are getting the fund from the commercial banks, but the commercial banks are giving the priorities to the government projects because the safety of fund is better than the private companies and also the interest rate charged to financial are higher.
- **Competition:** Competition between the financial companies as they have strong competition between them in the market.
- **Government policies and regulation:** Government restrictions are affecting the financial companies like the tax, polices about the employment like Omanisation, salaries, etc. Also the guidelines of the CBO (Central Bank of Oman) have a big effect on the financial companies for example; they cannot offer any new product until they will get the approval of CBO.
- **Oil price:** Oman one of the countries which mainly depending on oil income, after a fall in oil price globally, the government decided to remove the subsidy which resulted in increasing in the oil price locally.
- **Employees turn over:** Employees turn over refer to the number of employees leaving the companies for many reasons such as the retirement, resignation for personal reasons or getting a new job.

Statement of the problem:

Financial companies playing an important role in providing loans to individuals as well as the corporate. They provide

personal loans, loans for purchasing vehicles, heavy equipment's, furniture's, also they provide working capital and bill discount facilities. They have an important role in creating jobs and contributing in social works but also they are facing a lot of challenges. Hence the study made to analyze the issues which affecting the financial companies and the factor which affecting them mostly and the solutions which help them to reduce the challenges.

Scope of the study:

The study is conducted to analyze the issues and challenges which the financial companies facing it. Solving the issues of the financial companies will lead to increase the profitability and increase the customer satisfaction also it will increase the employment opportunities. Also it will attract the investors to invest in such companies.

Objective of the study:

1. To identify the factor which mostly affecting the financial companies
2. To identify the solutions to solve the issues of the financial companies
3. To measure the relationship between the financial companies challenges and its performance.

Theoretical concept and framework:

- **Non-banking, financial companies:** are financial institutions that offer certain types of banking services, such as loans and credit facilities, retirement planning, money markets, underwriting, and merger activities.
- **Loan:** is action of giving money, tangible asset to another one on bases to get refund amount with interest; it can be for short period or long period.
- **Working capital:** is the evaluation of the company effectiveness and short term strength and it equal to current asset minus current liabilities .Also it refers to the money which used for day to day activities.
- **SME:** According to (Preston, 1986) the SME is independently owned, operated and not determinate in field of process. According to (Gupta, 1988), the SME is quantitatively measured by the number of employees or sectional differences among the industries.
- **Government policies:** set of rules which sit with the government and planned to decide the decision.
- **Equipment:** Anything kept or used for specific reasons.
- **Banks:** are financial institutions which approved to get deposits and provide loan as well as other financial services and follow the rules of the central bank.

2. LITERATURE REVIEW

According to (Jagdev kenth) " The financial institutions is being redefined by six big trends and they are changing of rules and regulations and difficulty, digitalization and technological development, changing in investment and funding source and return ,demographic and behavioral change, international ability and skill competition and business operating model force.

According to (Jessica Schebert, 25 Aug 2015) The banking industries are facing four challenges and they are inability to make enough money, more competition from the financial companies which they are using softwares to provide services to their customers, consumer have more expectation and regulatory requirement are more.

According to (Simon Goble, Sep, 2015)" Financial companies faced challenges in the financial performance and they are: lack of financial performance information, too many spread sheets, key man dependency, accuracy in the appropriate report, lack of controlling the financial statement and difficulty in getting users.

According to banking Tech, Jan 2015" the challenges which the banking sectors facing it are: cyber-crime, cultural change, increasing the stress and heightened regulatory".

According to KPMG, the regulatory challenges which the financial companies are facing it are: professional misbehavior, compliance failure, financial companies still struggling with the risk and risk of cyber security.

According to (AIG, Jan 2014) about financial institution risk management issues, the risk faced currently are actions by regulators and suit by borrowers is increased.

3. RESEARCH METHODOLOGY

Research Design:

The method which used to conduct this research is a descriptive research

Source of Data:

Primary data and secondary data both of them were used to conduct this research

Sampling Design:

I used the convenience sampling, which is based on the choosing the unit from the population based on easy of being available and accessible and sampling size was 40, I distributed the questionnaire to 40 employees which they are working with different financial companies in Oman within the Muscat area.

Primary data are collected by questionnaire and interviews. The questionnaire consisted of multiple choices and open-ended questions about the various challenges which affecting the financial companies performance.

Secondary data are collected from journals, Articles, Website, Research papers, booklets.

Tool of Analysis:

Data was analyzed by excel work sheet result was interpreted using graphs.

4. FINDINGS

1-The financial companies mostly affecting by the commercial banks (commercial banks increased the interest rate which they are charging them) so also the financial companies started charging higher interest rate to the customers which dealing with them.

2-They financial companies as well as the government need to be more flexible with the financial companies.

3-The challenges of the financial companies affecting negatively on them (increasing the challenges, will reduce the performance).

5. CONCLUSION

Commercial banks and government flexibility towards the financial companies will help them perform better and increase the customer's satisfaction by providing them suitable interest rate. Diversifying in the products like providing more options to the customer consider as a good idea to attract more customers like providing finance for purchasing land and building and also they need to provide the option for Islamic dealing as many customers prefer to do such type of deals. Employees can satisfy more if a proper trainings and development programs will be provided for them.

6. LIMITATIONS

The study is subjected to the following limitations:

1- The scope of the study was limited as it was only within the Muscat area.

2- Shortage of time and sample size was small.

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