

ISLAMIC BANKING'S FINTECH (I-FINTECH) AWARENESS AND ITS INFLUENCES ON BUSINESS PERFORMANCE SATISFACTION IN SMALL AND MEDIUM ENTERPRISES (SMES) IN OMAN.

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Abstract

The Islamic banking regulations were introduced in Oman in 2013, and it has shown significant growth, paralleling other Gulf countries. The Central Bank of Oman introduced the Islamic Banking Regulatory Framework, which has been instrumental in fostering the growth of fintech services. This study investigates the awareness and impact of Islamic Banking fintech (i-fintech) on business performance satisfaction among Small and Medium Enterprises (SMEs) in Oman. This research focused on three key i-fintech applications: mobile money, peer-to-peer lending, and crowdfunding, and their role in enhancing SMEs' business performance. A total of 171 questionnaires were collected from various SMEs. The methods are Descriptive statistics, Confirmatory Factor analysis, and a constructed Structural Equation Model by using SPSS and Smart PLS. The results indicate that awareness and usage of Islamic i-fintech applications, mobile money, peer-to-peer lending, and crowdfunding have a promising impact on improving business performance. The findings of the study are reliable and significantly validate the robustness of the sustainable growth of SMEs. The recommendations help banking authorities to improve i-fintech services by improving the system designs, enhancing awareness among policymakers, and future researchers to identify the day-to-day challenges and solutions for the needs of SMEs in Oman.

Key words: *Islamic fintech, SMEs, SEM, Business performance.*

Introduction

Background

Worldwide Islamic banking and fintech are increasing, focusing on financial services with digital transformation services for Small and Medium Enterprises. Traditional and Islamic values such as Shariah principles, have drawn extensive thought in contemporary periods as a replacement for usual finance (Hassan, 2020). Islamic banking has changed its financial technology (fintech) and granted a new competent service to the customers in financial aspects. Islamic banking rules in Oman commenced in 2013. As of 2020, it shows the uppermost rising markets beside Gulf Countries such as Saudi Arabia and the UAE, also the country's Islamic finance promotion expanded by 9.5 (Monetary Policy Transmission in Oman, 2024). Considering Islamic Banking and i-fintech, the Sultanate of Oman Vision 2040 aims to develop Islamic banking fintech through new regulations and a supportive regulatory framework. Consequently, the Central Bank of Oman introduced the Islamic Banking Regulatory Framework in 2012, which was monitored by the Islamic Banking Department in 2015 (cbo.gov.om). The Monetary Policy and Financial Stability Report said that total banking system assets reflect the growing acceptance and popularity of I-fintech among SMEs by 13% to 17.2% (Monetary Policy and

Financial Stability Statement, 2023). The reports say that Oman's Islamic banks and Islamic Windows have been providing the demand for Sharia-compliant financial services to SMEs. Oman's Islamic finance market commenced in 2013, and the public's appetite and enthusiasm for Shariah-compliant products and services are evident from the high growth rate.

Figure:1 Report on GCC Sharia complaints year-on-year change

GCC COUNTRIES AT A GLANCE			
Country	Sharia-compliant assets 2020 (\$bn)	Sharia-compliant assets 2019 (\$bn)	Year-on-year change
Bahrain	40.34	38.97	3.51%
Kuwait	113.67	101.41	12.08%
Oman	13.92	11.36	22.56%
Qatar	122.50	111.84	9.54%
Saudi Arabia	443.913	383.52	15.75%
UAE	179.165	163.24	9.76%

Source: thebankerdatabase.com

Additionally, in Oman, Islamic banking offers various i-fintech services to SMEs, enabling them to develop their business products and services. Therefore, this study examines Islamic banking awareness and its impact on business performance satisfaction among Small and Medium Enterprises (SMEs) in Oman.

Rationale of Study

As SMEs play a crucial role in Oman's economy, understanding how Islamic banking i-fintech can enhance operational efficiency, reduce costs, and improve financial performance is essential. Furthermore, exploring the impact of I-fintech awareness on investment decisions and customer satisfaction can provide valuable insights into how these enterprises can remain competitive in the market. One of the objectives of this study is to know the satisfaction of SMEs with the services provided by Islamic banks. Moreover, this study aims to fill the gap in the literature regarding the intersection of Islamic finance and fintech, ultimately contributing to developing a more robust financial ecosystem for SMEs in Oman.

Statement of the Problem

Oman's Islamic Banking influences its i-fintech business performances to SMEs by providing traditional Sharia principles services to offer day-to-day transactions. They try to provide a moral finance system at all levels of their lifespan. The Sultanate of Oman has challenges and drawbacks to combining technology with Islamic financing due to a lack of knowledge of access to technology. Therefore, this study investigates Islamic banking fintech awareness and its influences on business performance satisfaction in SMEs. This research identified three fintech applications widely used by banks, such as mobile money, peer-to-peer lending, and crowdfunding how it is supporting SMEs' business performance in Oman. Based on the respondents' results, the researcher intends to orient the stakeholders on the available fintech attributes and how they facilitate both parties' desires.

Research Objective

1. To understand the awareness of Islamic banking i-fintech.
2. To identify the barriers related to Islamic Banking i-fintech.
3. To measure the relationship between i-fintech and SMEs' business performance satisfaction level.
4. To find out the pros and cons of adhering to i-fintech.

Significance of the study

New digital technologies enable these banks to easily introduce their financial products and services, deliver them with great efficiency and high quality, and compete in financial markets. As it provides easy, fast solutions on mobile, the customer can conduct all financial transactions at any time and wherever they want. It also helps to reduce expenses; instead of using paper in transactions, technology is relied on to complete financial transactions, and this helps to reduce costs and helps to complete them more quickly and more systematically. Where consumers, customers, and companies, including small, medium, and large, can speed up and simplify financial transactions, without delving into the complexities of performing their work with ease, strain, and order. This study also helps banks with a great awareness of the importance of these technological transformations that help them perform with high efficiency and achieve higher profits and financial returns.

Limitations of the Study

This research faced several limitations. Incomplete or inaccurate questionnaire responses, limited time for data collection, and a small sample size of 200 respondents may affect the study's comprehensiveness and representation of SMEs. Accessing literature focused on Oman's Islamic fintech was difficult, and technical terminology created barriers for some participants, impacting data reliability. Additionally, respondent availability and willingness were restricted, narrowing the diversity of insights. The fast-paced development of Islamic fintech also means some information may become outdated quickly. These factors should be kept in mind when interpreting the findings.

There have been few studies on Islamic banking fintech services. The study identified the SMEs' Awareness and Perception of Islamic Fintech- most respondents believe that Islamic banks provide more Sharia-compliant solutions compared to conventional banks. There is high confidence among participants that Islamic fintech (i-Fintech) improves the quality of Islamic banking services. Many respondents trust that Islamic banks utilize fintech while maintaining adherence to Sharia principles. The i-fintech application security and online services are to be safer and more reliable than other options. Furthermore, a significant portion of respondents believe that i-Fintech technologies will enhance transparency and credibility within Islamic banking.

Literature Review

Review of Literature on Islamic Banking i-fintech Awareness

Islamic banking has adapted and incorporated financial technology (fintech) in response to the growing use of technology in finance to provide its customers with financial services that are more effective and more easily accessible (Hassan et al. 2020). The ascent of fintech has created additional opportunities and hardships for the Islamic money industry, giving intelligent fixes to old monetary issues on raising new administrative and moral values. This has brought about a developing collection of writing surveying the conceivable impact of Islamic money and fintech on the area and its clients, as well as addressing the challenges and prospects for development and improvement (Rabbani 2022; Kok et al. 2022).

One of the advantages of consolidating FinTech with Islamic money is the chance of expanded monetary incorporation, which permits more people and ventures to get to Shariah-agreeable monetary labor and products. Fintech can likewise build the straightforwardness and productivity of Islamic monetary exchanges, bring down expenses and expand access (Hasan et al. 2020; Al Mamun and Ahmad 2020). Thus, Islamic banking contributes huge services to the community that help this study to identify the awareness of i-fintech.

2.2 Review of Literature on Small and Medium Enterprises

Table 1: Small and Medium Enterprises in Oman as per SME.gov.om 2024

Enterprises categories	No of SMEs
Micro	89452
Small	13894
Medium	1001
Total	104347

Sources: SME.gov.om

Small and medium-sized companies in the Sultanate of Oman play a prominent and clear role in the economy and try to develop and grow. These companies are of great importance as they help in obtaining various job opportunities and getting rid of the problem of unemployment. The government has a prominent role in this, as it trains entrepreneurs and gives them opportunities to perform various experiments, which hone their skills and knowledge. The government needs funding through institutions, including financial institutions. (Badriya Hilal Said Al Bulushi&Sammene, 2017). Thus, the post-COVID-19 emerged rising trends in startups, Micro, Small, and Medium Enterprises. Therefore, the literature assists in identifying SMEs' usage of i-fintech in Oman.

Review of literature on business performances

It can be understood that sustainable entrepreneurship is about business contributions continuously and innovatively that help improve the health and economic care of individuals in addition to social responsibility (Rosário, Raimundo, & Cruz, 2022). Business performance focuses on the revenues earned and whether they are sufficient to cover all costs directly, such as costs related to financing, provisions for loan losses, operational expenses, and indirect costs such as capital adjustments. Financial sufficiency and independence are linked to reasonable rates and the presence of voluntary savings, in addition to their ability to guide and move organizations toward self-sufficiency. The use of technology is very important, especially in accumulating capital and determining a reasonable budget to start work, as it maintains the continuity of the work easily. The factors that help with the continuity of the work must be considered by using financial technology to achieve sustainable income, especially in small and medium-sized companies (N. Nik Azman, 2020). The technological adherences uplift the business performances of small and medium-sized enterprises. Therefore, this study incorporates i-fintech roles in SMEs' business performances.

Operational Definition

Islamic Fintech

Islamic fintech is one of the most important developments currently witnessed by the financial sector, which is an Islamic regulation derived from the Holy Quran and the Sunnah of the Prophet. Therefore, financial technology is based on Islamic principles and ethics. It provides innovative financial ideas that are compatible with Islamic law and ethical principles and contributes to enhancing financial inclusion,

economic development, and increasing productivity in general. Fintech combines financial innovations with Islamic ethical principles, such as the prohibition of usury and speculation (saying something without verifying it) and investing in unethical activities. Applications of Islamic fintech are diverse, such as digital banking services that are compatible with Islamic law, crowdfunding platforms, peer-to-peer lending, and the use of mobile money.

Mobile Money (MM)

Mobile money is termed as the method of transferring money from one individual to another via phone, or any wireless activation code or computer, in banking and financial institutions (Shaikh, 2015). Mobile money is a product or service provided by banks for both financial and non-financial transactions using mobile devices. Scholars have defined mobile money as interactive transactions. (Yang, 2015).

Mobile money has the potential to raise revenue for those who are embracing it. It helps customers to make their work easier and supports the services of lower cost and appropriate modes for transferring payments. The services enhance the experience for users, allowing them to make it simple (Fiserv, 2016).

Peer-to-peer lending (P2P)

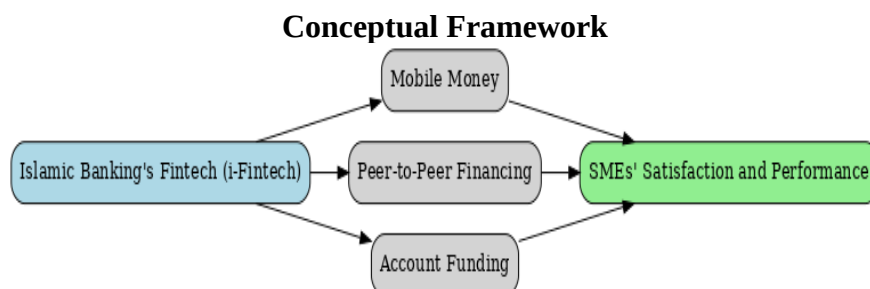
Group lending or group borrowing works peer-to-peer. It is like a modified banking system that connects borrowers and investors, helping to communicate with individuals to borrow or lend money to each other (Kagan, 2024). This type of borrowing differs from traditional banking services because there is no intermediary. P2P is a technology that works to share risks or transfer risks, and this technology is compatible with the provisions of Islamic Sharia. In this technique, borrowers looking for financing are matched with investors (Shariah-Compliant Peer-to-Peer (P2P) Lending and Its Risks and Rewards, 2024). Investors receive revenue from the share of service fees borrowers pay for financing. P2P platforms help by collecting, recording, and distributing credentials to prospective debtors, stating a real-time project bid, and providing online loan servicing and monitoring. One of the advantages of P2P technology is that it allows modern investors to directly access their assets. It was, in the past, limited to large institutional investors. This helps them expand their investment portfolios and potentially achieve minimal risk-adjusted returns through a lower-cost operating model (What Is Peer-To-Peer? Meaning, Features, Pros, and Cons, 2024).

Crowdfunding

Crowdfunding is a recently arising peculiarity. It implies a drive taken to fund-raising from a few groups (a group). Crowd funders are pooling their cash together using a web-based stage. Islamic crowdfunding should stick to a few main traits. First, the financial backers should put areas of strength in obligation and Shariah consistency. Second, financial backers should put normal accentuation on the basic beliefs of Islam. Items through both quality and moral standards, projects should stick to Islamic standards, and organizations are precluded from taking Riba; likewise, benefit and misfortune-sharing ideas should be applied to guarantee a fair (Yasuoka, 2018). There are many kinds of Islamic crowdfunding: first, gift-based (with no award other than kindheartedness); second, reward-based (with non-monetary rewards like items, administrations, or advancement); third, loaning-based (with monetary returns like interest); forward, and value-based (with monetary returns, for example, value, value like offers, or profits). (2012) observed that businesspeople are more disposed to crowdfunding as their primary funding channel compared with the utilization of traditional financial foundations (Griffin.Z.J, 2012).

2.5 Background Theory

Technology Acceptance Model : A theory proposed by Fred Davis in 1989, known as Technology Acceptance Theory (TAM). TAM is a useful model to include both human and social change factors in relation to the adoption of innovation. The theory is its ability to explain how users accept or reject new technology. Furthermore, it is valid and robust. According to King & He 2006, this model is used in social science research due to its simplicity and understandability. This model can track how external variables affect internal beliefs, attitudes, and intentions, as proposed by Fishbein and Ajzen. Accordingly, this study utilizes technology users on i-fintech platforms such as crowdfunding, peer-to-peer lending, and mobile money as variables affecting the business performance of SMEs.



Research Gap: Limited Integration of Fintech with Islamic Banking in Oman compared to global i-fintech, and SMEs are aware of Islamic banking principles, but the level of fintech-enabled services and their benefits remain unexplored.

Methodology

Data: The study's methodology focuses on a mixed-methods approach to assess the impact of Islamic Banking fintech (i-fintech) on Omani SMEs' business performance satisfaction. The respondents' questionnaires were bilingual in English and Arabic to derive the valid data. The total number of questionnaires filled is 175; there are four missing data. Finally, 171 respondents were considered as valid data. All data submitted is converted to Excel format for analysis. Subsequently, Hair et al. (2010), power analysis, i.e., G*Power, to determine an adequate sample size at a 95% confidence level. The data are sufficient for analysis.

Methods

Table 2: Frequencies for Demographic Profile of the Respondents

Demographic Respondent		Frequency
Industry Sector	Retail	35
	Manufacturing	42
	Technology	12
	Healthcare	7
	Hospitality	14
	Construction	3
	Agriculture	3
	Other	55
Year Established	Less than 1 year	48
	1–2 years	38
	3–5 years	40
	6–10 years	17

	More than 10 years	28
Location of the SME	Urban	133
	Suburban	19
	Rural	19
Owner's Education Level	Bachelor's degree	77
	Diploma	26
	Doctorate	8
	High school or equivalent	35
	Master's degree	12
	Other	13
Age	18–24	64
	25–34	66
	35–44	21
	45–54	10
	55–64	7
	65 or older	2
Income level	Less than OMR 5000	103
	OMR 5001- 7500	24
	OMR 7501- 10000	23
	OMR10001 and above	21
Are you familiar with the term "Islamic Financial Technology" (i-Fintech)	No	32
	Somewhat	51
	Yes	88

Table 2 presents the demographic profile of 171 SME respondents. In this, a significant respondent, approximately 133, are from urban areas. Additionally, 48 firms were established within the last year. The ownership demographic trends toward an age group, with 64 respondents aged 18–24 and 66 aged 25–34. Most business owners hold bachelor's degrees, which is around 77. An analysis of financial soundness indicates that most of these businesses, represented by 103 respondents, report their annual incomes below OMR 5,000. The industry sectors represented are diverse, with the largest category being "Other." However, there is a high level of awareness regarding Islamic FinTech (i-Fintech), with 88 respondents being directly familiar with it and 51 somewhat familiar.

Table 3: Reliability and Convergent validity

Factors	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Awa	0.806	0.809	0.865	0.563
BP	0.847	0.848	0.891	0.621
Barr	0.719	0.734	0.824	0.539
Pro	0.768	0.812	0.846	0.536

Results And Analysis

Table 3 displays the internal consistency and convergent validity metrics for four constructs: Awareness (Awa), Business Performance (BP), Barriers (Barr), and Pros & Cons (Pro). Based on the statistical results, the following observations are made:

- Cronbach's Alpha > 0.70
- Composite Reliability > 0.70
- AVE > 0.50

Internal consistency reliability was assessed using Cronbach's alpha, with values exceeding the recommended point of 0.70 as suggested by Nunnally (1978), indicating acceptable reliability of the measurement scales. The study shows that I-fintech awareness (0.806), Business Performances (0.847), Barriers (0.719), and Pros and Cons (0.768) indicate reliable measurement of their respective items.

Composite Reliability (pa and pc) shows both values exceed 0.70 for all variables it constructs, confirming strong internal consistency and construct reliability. As the study's objective on Business Performances (pc = 0.891) shows the highest reliability, while Barriers (pc = 0.824) and Pro (pc = 0.846) are also within acceptable limits.

Average Variance Extracted (AVE) shows the Average values for all constructs are above 0.50, demonstrating adequate convergent validity with each domain. The study depicts Business Performances (0.621) and Awareness (0.563) show particularly strong convergent validity, while Barr (0.539) and Pros and cons (0.536) are also satisfactory.

However, the results meet the standard criteria for reliability and convergent validity. Therefore, the measurement model demonstrates good internal consistency and convergent validity, indicating that the data values are reliable and valid for further structural analysis.

Table 4: Discriminant Validity, HTMT ratio

	Awa	BP	Barr	Pro
Awa				
BP	0.679			
Barr	0.615	0.778		
Pro	0.729	0.815	0.803	

According to Henseler et al. (2015), discriminant validity is established when the HTMT value between any two constructs is below 0.85, called the strict criterion, or below 0.90, which is called the moderate criterion.

Table 4 shows the Discriminant Validity Heterotrait–Monotrait (HTMT Ratio) among the constructs on i-fintech Awareness, Business performances, Barriers, and Pros and cons range from 0.615 to 0.815. Discriminant validity was assessed using the HTMT criterion. All HTMT values were below the threshold of 0.90, indicating adequate discriminant validity among the constructs. While the highest HTMT value is 0.815, which is between Business Performance and Pros & cons, which is below the threshold of 0.85, it remained within acceptable limits, suggesting that the constructs are distinct yet moderately correlated.

Thus, discriminant validity is confirmed, indicating that each construct is empirically distinct and measures a concept different from the others. This means the constructs on Awareness, Business Performance, Barriers, Pros & Cons are empirically distinct, and the measurement model fits well in terms of discriminant validity, confirming a good fit concerning construct distinctiveness.

Table 5: Structural Model: Hypotheses Testing

Hypothesis	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ((O/STDEV))	P values	Result
Awa -> BP	0.138	0.144	0.066	2.087	0.037	Significant
Barr -> BP	0.205	0.206	0.068	3.002	0.003	Significant
Pro -> BP	0.575	0.572	0.066	8.655	0.000	Highly Significant

Table 5 shows that all three hypothesized relationships are statistically significant since their p-values are below 0.05. This indicates that the constructs Awareness (Awa), Barriers (Barr), and Pros & Cons (Pro) each have a significant effect.

The structural model was assessed to examine the relationships between awareness, barriers, business performance, and pros and cons. The significance of the hypothesized relationships was evaluated using path coefficients (β), t-statistics, and p-values obtained from the respondents.

The results indicate that awareness (Awa) has a positive and statistically significant effect on business performance (BP) ($\beta = 0.138$, $t = 2.087$, $p < 0.05$). This suggests that increased awareness of Islamic fintech contributes to improved business performance among SMEs.

Similarly, barriers (Barr) show a positive and significant relationship with business performance ($\beta = 0.205$, $t = 3.002$, $p < 0.01$). This indicates that the presence of barriers may influence SMEs' business performance.

Furthermore, pros and cons (Pro) exhibit a strong and highly significant effect on business performance ($\beta = 0.575$, $t = 8.655$, $p < 0.001$), making it the most influential predictor in the model. This highlights that the perceived advantages on Islamic fintech play a vital role in enhancing SMEs' business performance.

Overall, all hypothesized relationships are supported, as their respective p-values are below the recommended threshold of 0.05. Among the predictors, pros and cons emerge as the strongest determinants, followed by barriers and awareness.

Structural Model

The study tested the hypotheses proposed using structural equation modeling (SEM); the results are shown in Table 6, and Figure 2 indicates that the Path Coefficients and Significance constructs represent standardized regression (path) coefficients from the predictors (Awa, Barr, Pro) to the outcome variable Business Performance, along with their p-values in parentheses:

Table 6: Structural Equation Modeling

Path	Coefficient	p-value	Interpretation
Awa → BP	0.138	(0.037)	Statistically significant ($p < 0.05$), though a weak effect.
Barr → BP	0.205	(0.003)	Statistically significant ($p < 0.01$), small to moderate effect.
Pro → BP	0.575	(0.000)	Highly significant ($p < 0.001$), strong effect.

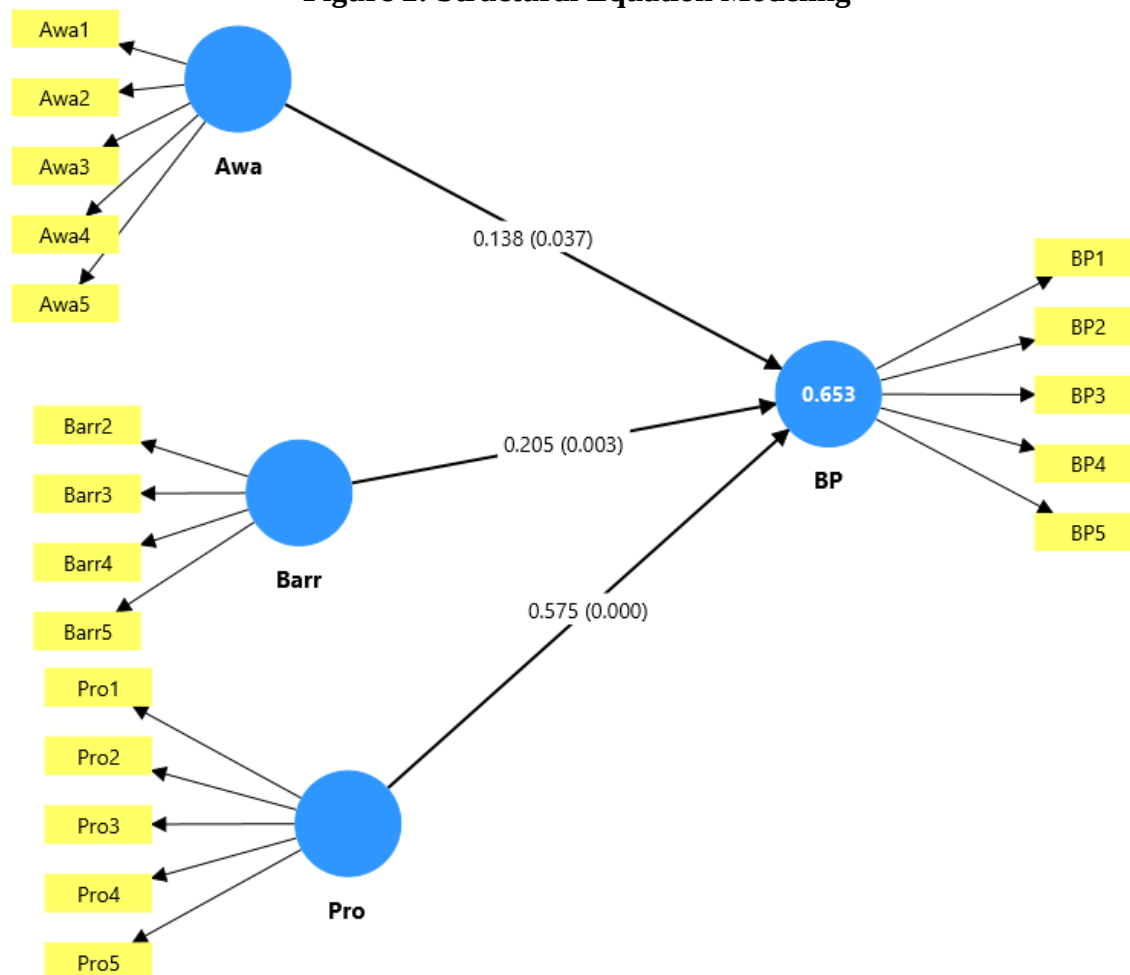
This structural model indicates that all three constructs, namely awareness, barriers, and pros and cons, have a positive and statistically significant impact on business performance.

Exclusively, awareness (Awa $\rightarrow$ BP) shows a statistically significant relationship with business performance ($\beta = 0.138$, $p < 0.05$), indicating that awareness contributes to SMEs' performance improvement, although the effect size is relatively weak.

Correspondingly, barriers (Barr $\rightarrow$ BP) demonstrate a significant effect ($\beta = 0.205$, $p < 0.01$), suggesting a small to moderate influence on business performance. This implies that how SMEs perceive and manage barriers plays a meaningful role in shaping their performance outcomes.

On the other hand, the pros and cons (Pro $\rightarrow$ BP) demonstrate a strong and highly significant effect ($\beta = 0.575$, $p < 0.001$), making it the most influential predictor in the model. These findings highlight that the perceived benefits of Islamic fintech adoption are the primary drivers of SME's business performance. Overall, all hypothesized relationships are supported, with pros and cons emerging as the dominant factor, followed by barriers and awareness.

Figure 2: Structural Equation Modeling



Analysis and Discussion

This study confirmed and expanded the use of the Technology Acceptance Model to identify awareness, barriers, and pros and cons as key factors that promote sustainable income growth for SMEs. The study tested the hypotheses proposed using structural equation modeling (SEM) with the latent Variables and their Indicators. The blue circle represents a latent construct, and the yellow boxes are the observed indicators for each latent variable:

The first variable to assess the awareness of Islamic banking's i-fintech focus on the provision of Sharia-compliant financial solutions by Islamic banks in comparison to conventional banks. SMEs are confident that Islamic Banking Services and i-fintech significantly contribute to the advancement of Islamic banking. Islamic banks employ fintech applications to optimize banking operations while maintaining adherence to Sharia principles. Islamic banking online services are to be safer and more reliable compared to those offered by conventional banks. i-Fintech technologies are dependable and contribute to increasing transparency and credibility in the financial transactions of Islamic banks

The second variable's barrier is focusing on SMEs finding the Barriers to Adoption of Islamic Banking Fintech(i-Fintech) are concerned about the security of their financial data when using the i-Fintech service. They face difficulties in integrating Islamic financial principles with modern fintech technologies for SMEs. In addition, Islamic banking regulations are a significant barrier to adopting i-fintech for SME financing. Also, there is a lack of infrastructure in many regions that limits the ability of Islamic banks to offer i-fintech solutions to SMEs. Finally, Islamic banking faces challenges in educating SME clients about the benefits of i-fintech solutions.

The third variable fintech experience reliability, which SMEs appear to be promising/ pros and cons of adhering to i-fintech. Adhering to i-fintech solutions has significantly improved the efficiency of SME's financial operations. Using i-fintech solutions has simplified financial decision-making and reporting for SME. They feel confident in the security of SME's financial transactions using i-fintech services. The i-fintech platform they have used for SMEs is reliable and consistent in performance. They trust that i-fintech solutions provide accurate financial data and insights for their SME.

The independent variables to find out the relationship between i-fintech and SMEs' business performance satisfaction level. Business performance suggests that contemplating the use of i-fintech tools has significantly improved SMEs' business operations and efficiency. The i-fintech services have helped & increased SMEs' business profitability. SMEs can make quicker and more accurate financial decisions due to the use of an i-fintech solution. SMEs are satisfied with the level of customer support and service provided by the i-fintech service provider. Overall, i-fintech has enhanced SMEs' satisfaction with their business's financial performance and growth potential.

All three predictor variables (Awa, Barr, and Pro) have significant positive effects on SMEs' Business performances. Pros and cons are the strongest predictors, with a standardized coefficient of 0.575 and a highly significant p-value. Barriers have a moderate impact on Business performance, and Awareness has a relatively weak but still statistically significant effect. The model explains a substantial portion (65.3%) of the variance in the outcome variable SMEs Business Performance.

However, the R^2 Value for Business performance is the value 0.653 inside the BP latent variable, which indicates the R-squared (R^2) value. This means 65.3% of the variance in Business Performance is explained by the three predictor constructs (Awa, Barr, and Pro). This is considered a high level of explained variance, suggesting the model fit.

Conclusions and Recommendations

Conclusion

The use of i-fintech has enabled SMEs to develop and improve business performance growth in their businesses. SMEs believe Islamic banks offer Sharia-compliant solutions more than conventional banks. Having high confidence that i-Fintech enhances Islamic banking services. The majority of SMEs trust that Islamic banks use fintech while adhering to Sharia principles.

The Demographic profile Analysis of 171 SME respondents shows that most business operates in urban areas, with many new businesses started within the past year. Ownership is largely young and well-educated. Despite this, most SMEs have annual incomes under OMR 5,000. The sector is diverse, and there is widespread awareness of Islamic FinTech. Overall, these SMEs are young, educated, and aware, but have low income, indicating potential for digital financial growth and a need for additional support. The study's reliability and convergent validity show that SMEs are aware of i-fintech, understand their challenges and business performance, and recognize the advantages and disadvantages by validating the internal consistency reliability was evaluated using Cronbach's alpha, with all values above 0.70, confirming acceptable reliability for the measurement scales. Overall, the measurement model demonstrates reliable and valid data suitable for further analysis.

In addition, discriminant validity has been established, demonstrating that each construct is empirically distinct and measures a unique concept. Consequently, the constructs relating to Awareness, Business Performance, Barriers, and Pros & Cons are shown to be separate entities, indicating that the measurement model exhibits strong discriminant validity and a satisfactory degree of construct differentiation.

The SEM examined links between awareness, barriers, business performance, and pros and cons using statistical measures. Awareness of Islamic fintech positively affects SME business performance ($\beta = 0.138$, $t = 2.087$, $p < 0.05$). Barriers also have a positive impact ($\beta = 0.205$, $t = 3.002$, $p < 0.01$), while pros and cons are the strongest predictors ($\beta = 0.575$, $t = 8.655$, $p < 0.001$). All hypothesized relationships were statistically supported, with pros and cons being the most influential factor, followed by barriers and awareness.

The study evaluated its hypotheses using structural equation modeling, analyzing path coefficients as predictors for SME awareness, barriers, and the advantages and disadvantages of i-fintech services provided by Islamic banking. The results indicate a robust and highly significant effect ($\beta = 0.575$, $p < 0.001$), designating this factor as the most influential predictor within the model. These findings underscore that perceived benefits of Islamic fintech adoption are the primary determinants of SME business performance. In summary, all hypothesized relationships were validated, with the pros and cons identified as the dominant contributors, followed by barriers and awareness. SMEs in Oman are highly aware of Islamic fintech (i-Fintech) and believe it enhances Islamic banking services.

Recommendations

The findings of the study provide both theoretical and managerial implications in comprehending the determinants of Business performance in SMEs. In addition, this study recommends the following.

Based on the findings, it is strongly recommended that Islamic banking prioritize increasing awareness of Islamic fintech solutions to enhance their business performance to SMEs by actively addressing and mitigating barriers that may hinder adoption, as overcoming these challenges is shown to positively influence outcomes. Most importantly, the significant impact of the perceived pros and cons underscores

the need for clear communication of the advantages of Islamic fintech, ensuring that SMEs are fully informed of its benefits. By focusing on these areas, Islamic banking can maximize the positive effects on its business operations.

The study strongly recommended that policymakers, financial institutions, and stakeholders within the Islamic banking sector prioritize enhancing and communicating the perceived benefits of i-fintech services to SMEs. The analysis demonstrates that these perceived advantages are the most significant predictors of successful business performance among SMEs, surpassing both awareness and barriers in influence. Therefore, efforts should focus on developing value-driven fintech solutions, providing comprehensive education about their advantages, and addressing any concerns regarding their use. By doing so, stakeholders can maximize adoption rates, improve SME performance, and drive overall growth and innovation in the Islamic fintech landscape.

SMEs should be supported through accessible Sharia-compliant digital financing models to address their low-income levels and early-stage growth needs. There is a strong need to equip young entrepreneurs with financial literacy and digital skills to enhance effective adoption of i-FinTech solutions. Awareness of i-FinTech should be translated into actual usage through practical training, institutional support, and collaboration between fintech firms and Islamic banks under the guidance of the Central Bank of Oman. Overall, a coordinated ecosystem approach is required to strengthen SME sustainability, trust, and long-term financial performance.

Furthermore, the study recommends increasing education and training by having Islamic Banking authorities provide workshops and resources to help SMEs understand and effectively use i-Fintech tools. Enhancing security and trust should be a priority, with Islamic banks investing in robust cybersecurity measures and transparently communicating these improvements to SMEs. Fintech tools should be modified to develop simpler and more user-friendly solutions tailored for micro and small businesses. Improving infrastructure is crucial, particularly through expanding digital infrastructure in rural and suburban areas to support broader fintech adoption. Policy support is also advised, with regulators encouraged to create clear and supportive policies that foster safe and Sharia-compliant fintech innovation. Finally, collaboration between banks, fintech firms, and government bodies is essential to address barriers and promote the adoption of Islamic fintech solutions among SMEs.

This study recommends engaging in comprehensive research on the potential of i-fintech, with particular emphasis on its possible benefits for the financial outcomes of startups. Additionally, it is essential to consider other relevant theoretical frameworks, such as integrating the Technology Acceptance Model (TAM) with social and behavioral finance theory, to advance the understanding of i-fintech applications.

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