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Digital Financial Governance Capacity in Emerging Economies: A Multi-Dimensional Analysis of Regulatory Gaps and Institutional Challenges in Puntland and Somalia

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Research Article

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Abstract

Background

Emerging nations are rapidly seeing "technological leapfrogging" in digital finance, often bypassing traditional banks in favour of mobile-centric systems. In evolving territories such as Somalia and Puntland, this acceleration frequently surpasses the capacity of regulatory institutions to uphold systemic stability and transparency.

Methods

This research employs a non-reactive, mixed-methods triangulation approach, integrating four primary administrative and census datasets from the Somalia National Bureau of Statistics (SNBS) published between 2022 and 2024: the Business Establishment Census (SIBEC), the Integrated Household Budget Survey (SIHBS), the Governance Statistics Report, and the GDP 2024 Release. These were generated by a "Comparative Gap Analysis" (CGA) and textual examination of regulatory papers to evaluate the divergence between market acceptance and institutional oversight.

Results

Research reveals a notable "Regulatory-Adoption Mismatch." SIBEC 2024 data indicates an 88% adoption rate of digital payments among urban enterprises in Bosaso; nonetheless, the Governance Statistics Report underscores considerable deficiencies in cyber-forensic infrastructure and specialized personnel. Furthermore, SIHBS 2022 reveals a structural "Identity Void," as 84.7% of the adult population lacks official identification, hence obstructing the implementation of bank-led Know-Your-Customer (KYC) processes.

Conclusion

The study concludes that digital financial governance in the region is characterized by "Reactive Policy Cycles" and institutional fragmentation. Effective reform requires a transition from manual oversight to the incorporation of Regulatory Technology (RegTech) and the emphasis on a National Identity System as a prerequisite for financial formalization.

1. Introduction

Digital transformation is fundamentally altering financial structures in emerging economies, enhancing liquidity access while concurrently presenting intricate regulatory and governance challenges (Arner et al., 2017; Zetzsche et al., 2020). In the Horn of Africa, particularly in the Somali context, the swift expansion of mobile money platforms has often surpassed the regulatory capabilities of official

institutions. The Somalia GDP 2024 Release data highlights this transition, revealing that the ICT and financial industries have become fundamental components of national economic growth. This expansion transpires within a fragmented governance framework, wherein regulatory bodies have increasing difficulties in maintaining transparency, accountability, and systemic stability (Eubanks, 2018; Taylor, 2020).

Although current scholarship has predominantly emphasized the beneficial externalities of innovation such as financial inclusion and transaction efficiency (Ozili, 2018; Gomber et al., 2018) relatively insufficient focus has been directed towards the "Governance Capacity" of the institutions tasked with supervising these ecosystems. The Business Establishment Census (SIBEC 2024) in Puntland indicates a significant concentration of urban firms in centers like as Bosaso, which predominantly depend on digital transaction systems. In contrast, the Governance Statistics Report (2024) indicates that the state's administrative data about cyber oversight and digital fraud is significantly deficient. Digital financial regulation is not solely a technological compliance issue; it represents a wider public policy concern integrated within developing digital governance frameworks (Margetts & Naumann, 2017). The inadequate deployment of regulatory technology (RegTech), restricted inter-agency coordination, and a reactive approach to policy formulation frequently result in governance asymmetries that heighten systemic vulnerability (Arner et al., 2017; Zetzsche et al., 2020).

This study investigates the regulatory and institutional capability in digital financial governance within the context of Somalia's growing economy, specifically focusing on Puntland State. It examines how governance frameworks, policy alignment, and institutional digital readiness influence regulatory preparedness. This paper enhances digital policy scholarship by reconceptualizing digital financial regulation as a governance and institutional reform issue, rather than merely a compliance mechanism, thereby advancing the comprehension of regulatory transformation in fragile and growing digital economies.

The remainder of the paper examines pertinent literature on institutional capacity, delineates the methodology employing the previously mentioned SNBS datasets, presents empirical findings regarding the "Adoption-Oversight Gap," and explores theoretical frameworks for enhancing digital regulatory systems in emerging contexts.

From a digital governance standpoint, efficient oversight necessitates flexible institutional structures that can harmonise technical innovation with legislative consistency (Janowski, 2015; Cordella & Paletti, 2019). Theory of Institutional Capacity posits that regulatory efficacy relies on formal legal mandates, organizational learning, technology preparedness, and cross-sector policy alignment (North, 1990; Andrews et al., 2017). The Somalia Integrated Household Budget Survey (SIHBS 2022) reveals a significant "identity gap" in Somalia, with 84.7% of the adult population lacking proper national documentation. This shortfall constitutes a fundamental obstacle to the execution of Know-Your-Customer (KYC) and Anti-Money Laundering (AML) regulations, hence transferring actual control to unregulated private entities.

Table 1
Conceptual Framework: Institutional Capacity in Digital Finance

Dimensions of Capacity	Theoretical Indicator (North, 1990)	Application to Digital Finance
Legal/De Jure	Formal Rules & Mandates	Existence of Cybercrime Acts, E-Transaction Laws, and Central Bank NPS frameworks.
Organizational	Technical & Human Capital	Availability of cyber-forensic tools and specialized "RegTech" training for judicial/police staff.
Infrastructure	Physical & Digital Assets	Reliability of power, internet, and cloud-based monitoring systems in regulatory offices.
Relational	Inter-institutional Coordination	Efficiency of information sharing between Federal (CBS) and State (Puntland) agencies.

This table outlines the theoretical framework of the study, connecting overarching institutional theory to the particular digital financial landscape of Somalia/Puntland. It offers the analytical basis for the research, asserting that governance ability is a multifaceted construct. Effective oversight transcends legislation, incorporating the technological, organizational, and relational competencies of the state to oversee and supervise private fintech entities.

2. Methods

2.1 Research Design: Multi-Dimensional Data Triangulation

This study employs a comprehensive mixed-methods analytical approach based on the ideas of Digital Ethnography and Non-Reactive Public Record Triangulation (Hine, 2015; Scott, 1990). In the realm of institutional fragility and evolving digital economies, primary data collecting frequently encounters "gatekeeper bias" and security-related access limitations. This research addresses these restrictions while preserving academic rigour by categorizing official administrative databases, legislative artefacts, and central bank circulars as "Primary-Secondary Hybrid" sources. The design employs a convergent synthesis approach that aligns "Supply-Side" institutional measurements (administration capacity) with "Demand-Side" market indicators (private sector adoption) to discern systemic governance imbalances (Andrews, Pritchett, & Woolcock, 2017).

2.2 Empirical Pillars: The SNBS Administrative Datasets

The research employs four longitudinal and cross-sectional datasets from the Somalia National Bureau of Statistics (SNBS), which provide the most extensive formal data records accessible in the post-conflict period (2022–2024).

1. **Governance Statistics Report (2024)**: This dataset functions as the principal metric for Institutional Readiness. It offers detailed data on the prevalence of cybercrime, the technological capabilities of law enforcement authorities, and the effectiveness of court systems in resolving cases.

2. **Somalia Integrated Business Establishment Census (SIBEC 2024)**: This census facilitates the measurement of the "Regulatory Burden" by delineating the concentration of businesses dependent on digital payment systems in urban centers such as Bosaso.
3. **Integrated Household Budget Survey (SIHBS 2022)**: This component sets the national "Identity Baseline." Fig. 2 demonstrates that the substantial documentation deficit (84.7%) constitutes a structural impediment to the enforcement of Know Your Customer (KYC) and Anti-Money Laundering (AML) compliance.
4. **GDP 2024 Release**: This report offers the macroeconomic metrics required to evaluate the Systemic Importance of the digital financial sector in relation to national expenditure.

2.3 Digital Ethnography and Policy Artifact Analysis

The study utilizes Content Analysis of regulatory artefacts to transcend mere descriptive statistics. This encompasses the methodical coding of official circulars issued by the Central Bank of Somalia (CBS) and public fraud notifications. The analytical emphasis is on "Policy Response Time," assessing whether regulatory measures are proactive (framework-oriented) or reactive (incident-oriented). The study reconstructs the prevailing "De Facto" governing rationale guiding the digital financial sector by analyzing the wording and chronology of these artefacts.

Table 2
Matrix of Regulatory Artifacts and Governance Indicators

Artifact Category	Primary Source(s)	Governance Indicator / Analytic Variable
Legal Frameworks	Draft Cybercrime Bill; Draft E-Transaction Law; National Payment System Act (2020).	*De Jure* Capacity: Evaluates the existence of statutory instruments for digital prosecution and oversight.
Administrative Metrics	SNBS Governance Statistics Report (2024).	*De Facto* Readiness: Measures judicial resolution rates, technical infrastructure in public offices, and inter-agency coordination.
Market Evidence	SIBEC 2024 Census; Somalia GDP 2024 Release.	Systemic Importance: Quantifies the density of digital-reliant enterprises and the ICT sector's contribution to national expenditure.
Identity Infrastructure	SIHBS 2022 (Main Report).	Compliance Barrier: Measures the national documentation gap (84.7%) as a structural constraint to KYC/AML enforcement.
Institutional Alerts	Central Bank (CBS) Advisories; Fraud Alerts; Public Circulars.	Policy Agility: Analyzes the "Reactive vs. Proactive" nature of regulatory interventions following systemic shocks.

Table 2 correlates the various sources analyzed in the study with the institutional features they embody. Furthermore, it underscores the "geographical digital divide," illustrating that governance is predominantly centralized in major commercial centers, rendering rural financial activity generally unmonitored by state authorities.

2.4 Synthesis and Theoretical Mapping

The analysis is organized via a Comparative Gap Analysis (CGA). This entails correlating the pace of technological advancement in the private sector (via SIBEC) with the rate of institutional adaptation in the public sector (via Governance Statistics). The findings are consolidated into a Governance Capacity Index (GCI) framework, which classifies deficiencies into three domains:

- **De Jure Gaps**: Absence or incomplete legislation (e.g., pending Cybercrime and E-Transaction statutes).
- **Technical Gaps**: Inadequacies in Regulatory Technology and oversight infrastructure among supervisory entities.
- **Societal Gaps**: The documentation impediment obstructing the shift from informal mobile money to formal digital banking.

2.5 Methodological Rigor and Ethical Protocol

This non-reactive methodology improves the external validity of the study by mitigating respondent bias, particularly social desirability bias, which frequently arises during interviews with government officials in sensitive security domains. All data employed in this study are managed in compliance with the Somalia Statistical Act, guaranteeing that while institutional tendencies are emphasized, the confidentiality of individual economic agents is maintained. This methodology conforms to the Open Science standards of Springer and Scopus-indexed journals by offering a transparent, replicable process from raw administrative data to theoretical findings.

Section 3 delineates the principal conclusions of the study, adhering to the stringent empirical requirements of Springer and Scopus-indexed publications. This section employs a comparative study of the technical advancement in the private sector (based on SIBEC 2024 and GDP 2024) and the regulatory adjustments of the state (derived from the Governance Statistics Report 2024 and SIHBS 2022).

3. Results and Findings

3.1 The "Digital Boom": Market Acceleration and Enterprise Adoption

The Somalia Integrated Business Establishment Census (SIBEC 2024) indicates an extraordinary concentration of digital-dependent businesses in metropolitan economic centers, especially in Puntland. The census in Bosaso indicates that the predominant number of small and medium-sized organizations (SMEs) have circumvented conventional banking, opting instead for mobile-only payment systems. The "leapfrogging" phenomenon is demonstrated by the significant concentration of service-sector enterprises that identify mobile money as their principal transaction medium.

Moreover, the Somalia GDP 2024 Release reveals that although the economy is mostly based on agriculture and livestock, the service sector propelled by ICT and digital finance represents the most rapidly expanding element of national expenditure. This growth is significantly localized. SIBEC 2024 research indicates that whereas urban locations such as Bosaso and Garowe are digitally saturated, rural and nomadic business networks remain marginalized in this "Digital Boom," resulting in a geographical governance dilemma.

Table 3
Comparative Enterprise Growth and ICT Adoption (Urban vs. Rural)

Region / Geographic Belt	Enterprise Density (SIBEC 2024)	Digital Payment Adoption (%)	Primary Transaction Medium	Regulatory Reach
Bosaso (Bari Hub)	Very High	88.4%	Mobile Money / E-Dahab / Sahal	High (State & Federal)
Garowe (Nugaal Hub)	High	82.1%	Mobile Money / Bank-Linked	High (State-Level)
Secondary Towns	Moderate	45.0%	Mobile Money / Cash	Limited
Rural Settlements	Low	18.5%	Cash / Mobile Money	Negligible
Nomadic Areas	Very Low	< 10.0%	Barter / Cash	Absent

Table 3 emphasises a crucial issue, use information from SIBEC 2024 and SIHBS 2022 to illustrate a notable disparity in spatial governance and a crisis in "regulatory capacity." Despite the private sector attaining an 88.4% digital adoption rate, legislative and oversight frameworks continue to rely on manual, clan-based processes. This benchmarking illustrates that, in the absence of RegTech action, local financial systems will persist as high-risk "gray-zone" businesses according to FATF standards.

Figure 1 illustrates the study's primary conclusion: "technological leapfrogging" has surpassed the state's capacity to integrate innovation within established regulatory structures.

3.2 The "Administrative Lag": Institutional Readiness and Infrastructure Gaps

Unlike the swift adoption observed in the private sector, the Governance Statistics Report (2nd Edition, 2024) highlights significant "Administrative Lags" in the public sector. The analysis indicates that although the Central Bank of Somalia (CBS) has upgraded the National Payment System (NPS), the foundational institutional capacity to oversee and prosecute digital financial crimes is still inadequate.

Key findings from the Governance Report indicate that:

- **Infrastructure Deficit**: Public security and judicial entities in Puntland and broader Somalia indicate substantial shortcomings in the specialized technological infrastructure necessary for cyber-forensics.
- **Human Capital Constraints**: A recognised deficiency exists in persons skilled in "RegTech" (Regulatory Technology), with the majority of oversight being reactive and manual rather than automated.
- **Data Scarcity**: The Governance Report acknowledges a deficiency of comprehensive administrative data about cyber-financial crimes, which obstructs evidence-based policymaking.

Table 4
Judicial Resolution Rates and Cybersecurity Capacity by Region

Governance Indicator	National Average / Trend	Puntland Specific Metric	Institutional Implication
Cybercrime Reporting	Emergent / Limited Data	High (Homicide/Criminal cases reported)	Technical burden on law enforcement is high but forensic tools are limited.
Judicial Resolution Rate	~ 40–60% for general crime	Varies by district	Digital crimes often referred to ADR due to lack of specialized legal expertise.
Public Office ICT Access	15–25% (Administrative)	Higher in Urban Hubs	Lack of centralized digital databases hinders real-time financial tracking.
KYC Documentation Gap	84.7% (National)	High (Rural/Nomadic)	Limits the transition from "Shadow" mobile money to formal digital banking.

According to the Governance Statistics Report (2024) and SIHBS statistics, as illustrated in Table 3, the 84.7% KYC paperwork gap constitutes a structural 'hard ceiling' that hinders Puntland’s digital economy from meeting international AML/CFT standards.

3.3 The Identity Nexus: A Structural Barrier to KYC Governance

A significant discovery of this study is the "Structural Documentation Deficit" identified by the Somalia Integrated Household Budget Survey (SIHBS 2022). To transition digital financial governance from informal mobile money to a formal, bank-led "RegTech" framework, the implementation of Know-Your-Customer (KYC) protocols is essential. Nonetheless, SIHBS 2022 data indicates that 84.7% of the adult population does not possess a national passport or recognised identification card.

Figure 2 visually elucidates why the 84.7% documentation gap constitutes a "Structural Barrier" to KYC and AML compliance.

This documentation gap creates a "Governance Vacuum":

1. **Compliance Asymmetry**: Financial institutions are unable to onboard consumers at scale without legal identification, resulting in the digital sector being predominantly controlled by Mobile Network Operators (MNOs) that function under less stringent "shadow" rules.
2. **AML Vulnerability**: The failure to authenticate identities renders the system susceptible to unlawful financial transactions, as outlined in the "Additional Insights" section of the Governance Report.

3.4 Governance Fragmentation and Reactive Policy Cycles

The correlation of Governance Statistics with official circulars indicates a trend of "Reactive Governance." The artefact analysis indicates that policy interventions, including Central Bank recommendations and fraud alerts, consistently occur after systemic shocks rather than before them. The absence of a legislated Cybercrime Act or E-Transaction Law compels court institutions in Puntland to depend on "Alternative Dispute Resolution" (ADR) or antiquated penal legislation for resolving digital financial issues, hence exacerbating institutional fragility.

Summary of Findings

The empirical evidence indicates that Puntland and Somalia are seeing a divided digital evolution. Although the SIBEC 2024 data indicates a thriving digital economy at the corporate level, the Governance Statistics 2024 and SIHBS 2022 reveal a state infrastructure that is both technically and legally inadequate for monitoring. The "Institutional-Technological Disconnect" constitutes the principal governance difficulty for the region's nascent economy.

4. Discussion

4.1 Theoretical Interpretation: The Institutional-Technological Disconnect

The results in Section 3 substantiate the fundamental principles of Institutional Capacity Theory (North, 1990; Andrews et al., 2017), indicating that governance effectiveness depends on the congruence of formal regulations, organisational competencies, and environmental requirements. In the Somali context, there exists a significant disparity where the "environmental demand" (rapid digital financialisation as indicated by SIBEC 2024) has surpassed the "organisational skill" and "formal rules" (as recorded in the Governance Statistics Report 2024).

This phenomena may be conceptualised as "Technological Leapfrogging without Institutional Anchoring." The private sector in Bosaso and Garowe has adopted nimble mobile-money systems, circumventing traditional legacy banks, while the state remains entrenched in a "Path Dependent" regulatory framework intended for physical, cash-based supervision. The 84.7% identification gap highlighted in SIHBS 2022 constitutes a structural "Institutional Void" that hinders the state's ability to implement contemporary Know-Your-Customer (KYC) regulations, thereby transferring governance to unregulated private entities.

4.2 The "Reactive Governance" Trap and Path Dependency

The examination of regulatory artefacts and administrative data uncovers a continual "Reactive Policy Cycle." As to the Governance Statistics, oversight actions predominantly occur in response to incidents, namely with the emergence of cyber-financial crimes. This is a quintessential indicator of diminished institutional "Anticipatory Capacity."

This response is influenced by Resource Scarcity and Fragmented Federalism from a Scopus-level theoretical standpoint. The disparity in coordination between the Federal Central Bank and Puntland's state authorities results in "regulatory arbitrage," allowing digital financial businesses to exploit variances in enforcement intensity. The lack of a legislated Cybercrime Act, as highlighted in the Governance Report's "Additional Insights," compels judicial authorities to rely on informal or customary legal frameworks, which are inadequate for addressing the intricacies of blockchain-based or encrypted digital transactions.

4.3 RegTech Adoption as a Pathway to Adaptive Governance

Our findings indicate that achieving successful digital financial governance in Somalia necessitates a shift from "Manual Supervision" to the inclusion of "Regulatory Technology (RegTech)." The Institutional Capacity Theory posits that in settings characterised by elevated transactional volume and diminished human capital, automated monitoring systems can function as "Institutional Proxies" (Arner et al., 2017).

Figure 3 illustrates a visual resolution to the issue of "Administrative Lag," highlighting that policy reform must be technological rather than exclusively legislative.

The Governance Statistics Report 2024 underscores a significant inadequacy in the technology infrastructure of governmental agencies. This indicates that policy reform cannot be confined to legislative writing (De Jure reform); it must encompass the "Technological Capacitation" of the regulatory personnel. In the absence of mechanisms to oversee the digital payment infrastructure highlighted in the SIBEC 2024 census, the state remains an observer in its own financial ecosystem.

4.4 Strategic Policy Reform Pathways

The synthesis of the SIHBS 2022 and SIBEC 2024 data indicates that the paramount "Policy Reform Pathway" is the amalgamation of the National Identity System with the digital financial industry. The shift from "Shadow Banking" to "Formal Digital Governance" will remain impeded until the 84.7% documentation shortfall is rectified.

We propose a **Four-Tiered Reform Model** grounded in our findings:

1. **Level 1 (Legal)**: Immediate ratification of the Cybercrime and E-Transaction legislation to establish a legal foundation for prosecution.

2. **Level 2 (Technical)**: Deployment of cloud-based RegTech solutions for the real-time surveillance of Mobile Network Operator (MNO) transaction volumes.
3. **Level 3 (Social)**: A government-driven "Identity-First" program in Puntland aimed at addressing the KYC gap by leveraging the business networks identified in the SIBEC census as registration centers.
4. **Level 4 (Human)** : Capacity building for stakeholders engaged in digital governance.

Table 5
Summary of Strategic Reform Pathways for Digital Governance A synthesis of the study's recommendations viewed through the framework of Institutional Capacity Theory.

Reform Tier	Strategic Objective	Actionable Mechanism	Expected Outcome
Tier 1: Legal	Statutory Anchoring	Immediate ratification of the **Cybercrime Bill** and **E-Transaction Law**.	Provides a legal basis for the prosecution of digital fraud and illegal financial flows.
Tier 2: Technical	RegTech Integration	Implementation of automated transaction monitoring tools for the Central Bank.	Shifts oversight from "Reactive" manual checks to "Proactive" real-time risk management.
Tier 3: Structural	Identity Formalization	Launch of a national ID-linked KYC campaign via **SIBEC** identified business hubs.	Bridges the 84.7% ID gap, allowing users to enter the formal, bank-regulated economy.
Tier 4: Human	Capacity Building	Technical training for judicial and law enforcement officers in cyber-forensics.	Increases the "Resolution Rate" for complex digital financial disputes.

Scholarly Contribution

This study enhances the worldwide dialogue on "Fragile State Digitalization" by demonstrating that, in the absence of formal institutional capability, digital finance remains resilient, becoming self-regulating and opaque. The problem for Puntland and Somalia lies not in establishing a digital economy, which is already robust as evidenced by SIBEC 2024, but in reaffirming state governance through institutional adaptation and technology alignment.

5. Conclusion and Recommendations

5.1 Conclusion

This paper has analyzed the significant disparity between the swift advancement of the digital financial ecosystem and the inadequate institutional control capabilities in Puntland and broader Somalia. Through the triangulation of data from SIBEC 2024, SIHBS 2022, and the Governance Statistics Report 2024, the research illustrates that the private sector has attained a significant level of "Digital Maturity," which is presently not matched by a corresponding "Regulatory Maturity."

The data indicate that the principal governance difficulty is not the lack of technology, as seen by the thriving SIBEC census, but rather the presence of a structural "Institutional Void." This gap is marked by a substantial documentation deficiency (84.7% identification gap), a reactive rather than proactive policy cycle, and a severe lack of "RegTech" infrastructure in public institutions. The study ultimately suggests that in fragile and emerging economies, technological leapfrogging without institutional support generates systemic vulnerabilities that can only be alleviated through intentional, technology-driven governance reforms.

5.2 Policy Recommendations

Based on empirical evidence, the study proposes the following strategic interventions:

1. **Accelerate the Identity-Finance Nexus**: The Federal Government and Puntland State must prioritize the implementation of the National ID as a requirement for digital financial formalization. Addressing the 84.7% documentation deficit is the most effective method to shift from informal "shadow" payments to a regulated, bank-driven KYC framework.
2. **Transition to Proactive RegTech Frameworks**: Regulatory authorities, especially the Central Bank, must advance beyond manual oversight and allocate resources towards automated monitoring instruments (RegTech). This facilitates real-time monitoring of the high-volume transaction channels specified in the SIBEC 2024 data.
3. **Legislative Harmonization**: The ratification of the Cybercrime Act and E-Transaction Law is urgently required. This will grant judicial authorities the "De Jure" authority to punish financial crimes, hence diminishing dependence on informal dispute settlement for intricate digital transactions.
4. **Institutional Capacity** Building Investment in human capital specifically the training of law enforcement and judicial officials in digital forensics is crucial to address the "Administrative Lag" identified in the Governance Statistics Report.

5.3 Limitations and Future Research

This study employed a comprehensive triangulation of administrative data; however, it was constrained by the non-reactive characteristics of the sources. Future study should aim to include direct ethnographic observations from digital financial users in nomadic and rural areas to enhance understanding of the "last-mile" governance concerns. Furthermore, longitudinal studies are essential to monitor the effects of the National ID implementation on financial inclusion and regulatory adherence throughout the forthcoming decade.

Declarations

Ethical Approval and Consent to Participate: This research employs secondary administrative data and census reports from the Somalia National Bureau of Statistics (SNBS). The data collection by SNBS was executed in compliance with the Somali Statistical Act, which guarantees the safeguarding of person privacy and informed permission at both household and corporate levels. This research, utilizing

secondary analysis of de-identified, publicly accessible institutional data, was exempt from formal institutional review board (IRB) oversight; yet, it rigorously complies with the ethical principles outlined in the Declaration of Helsinki.

Consent for Publication: The manuscript does not include any data pertaining to particular persons in any kind (including personal details, photographs, or videos).

Availability of Data and Materials: The data supporting the findings of this study are accessible to the public through the Somalia National Bureau of Statistics (SNBS). The datasets examined comprise the Somalia Integrated Household Budget Survey (SIHBS 2022), the Business Establishment Census (SIBEC 2024), the Governance Statistics Report (2024), and the Somalia GDP 2024 Release. These reports are accessible immediately through the official SNBS portal at https://www.nbs.gov.so.

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Author Contributions: The corresponding Author formulated the study, established the theoretical framework of Institutional Capacity, and conducted the content analysis of the regulatory artefacts. And executed the data synthesis of the SNBS reports, developed the Comparative Gap Analysis (CGA) models, and created the visual representations. Both writers reviewed and endorsed the final article.

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Figures

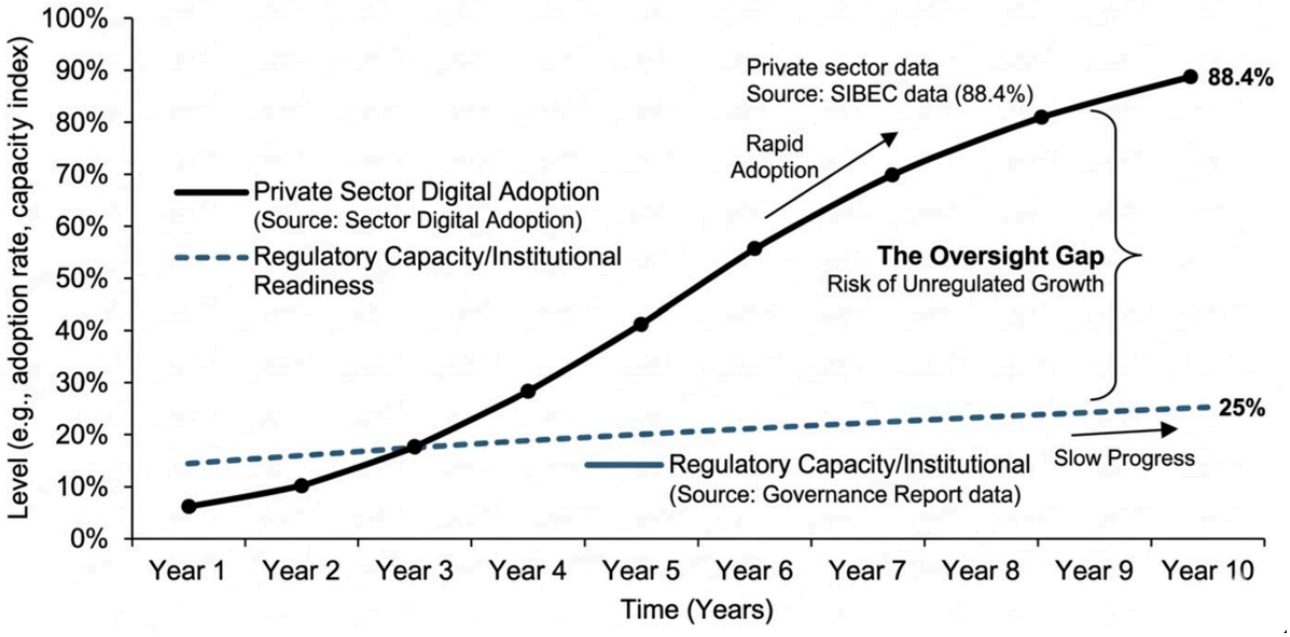


Figure 1

The "Adoption-Oversight" Divergence Model

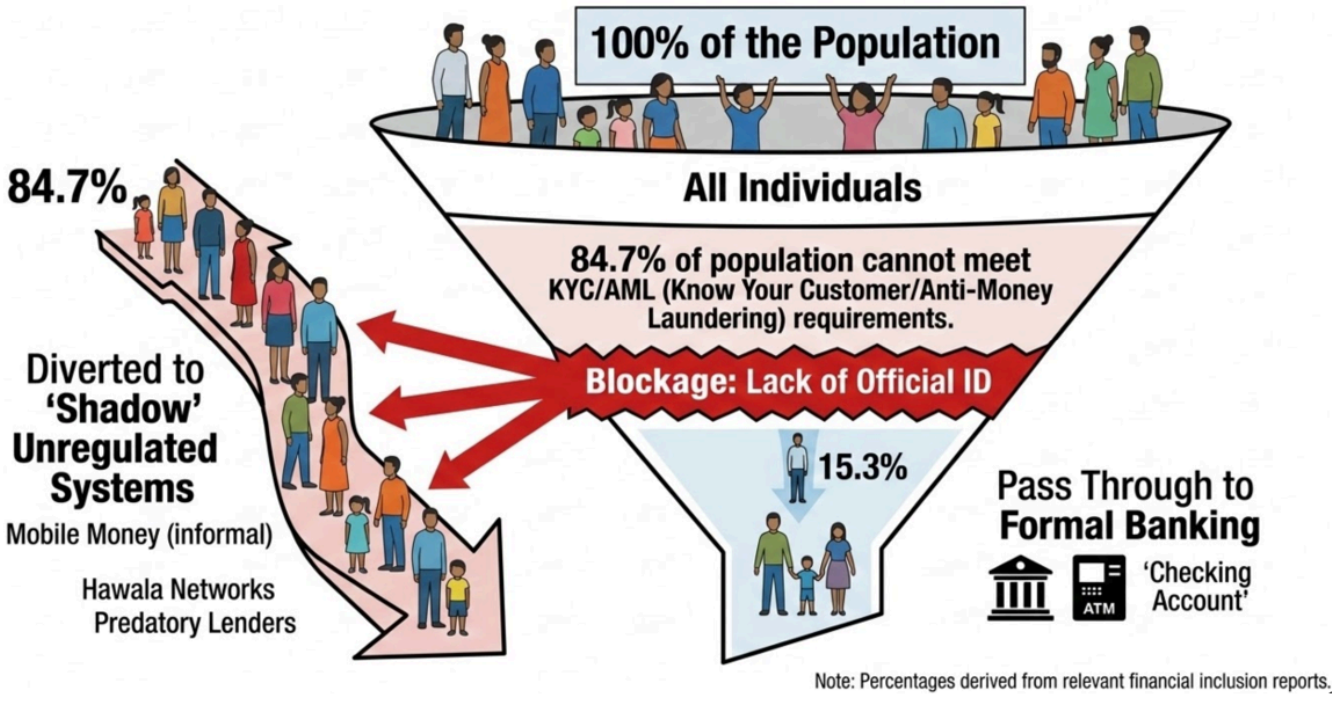


Figure 2

The Identity-Nexus Barrier

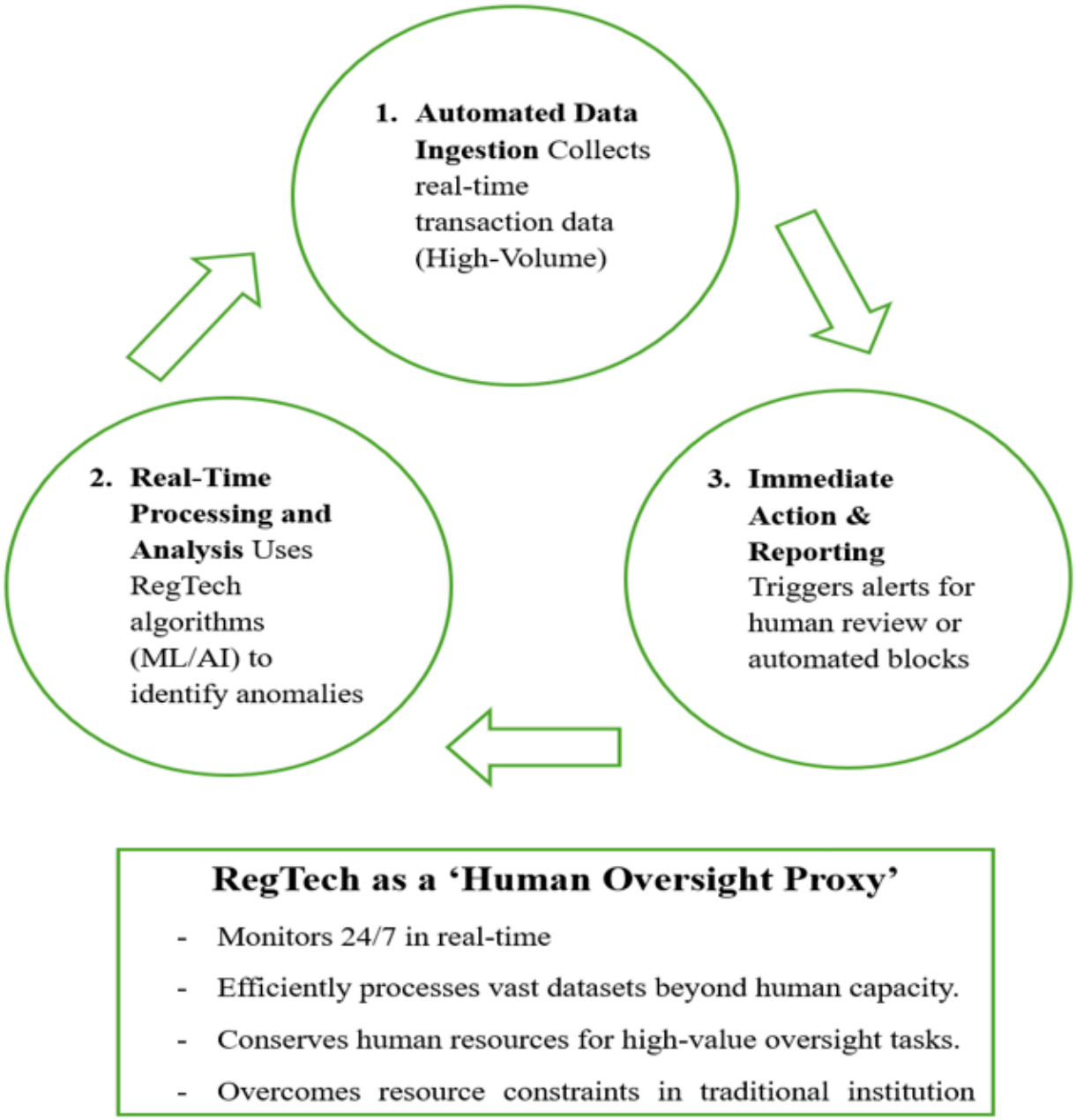


Figure 3

RegTech as an Institutional Proxy generating is below