



Arab American University of Palestine

Faculty of Graduate Studies

**Bank Financing to Small and Medium-Sized Enterprises in
Palestine: Assessment of Prospects and Limitations from a
Strategic Planning Perspective**

By

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**This thesis was submitted in partial fulfillment of the
requirements for**

the Master's degree in

Strategic planning and fundraising

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of prospects and limitations from a strategic planning perspective**

By

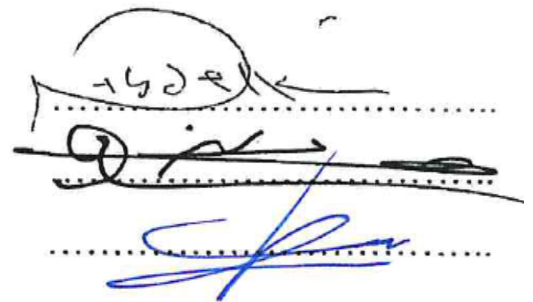
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This thesis was defended successfully on 01/10/2022 and approved by:

Committee members

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I am Abdullah Hasan Abdullah Murrar holder of the university number 202012413 and signed below, I declare that I have committed to all the regulations, instructions, decisions and laws of the Arab American University in force and the recognized scientific and ethical standards, including scientific honesty, and that I bear all the consequences, results and responsibility if the opposite is found, including the right of the Deans Council to cancel the degree and certificate that I obtained or will obtain based on this declaration and without the right to object or appeal the decision issued by the Council of Deans in this regard.

Signature:



Date:

Gift

To those whose fingers are tired to give me happy moments

To the one who harvested the thorns from my path to pave the path of knowledge for me

My Big Heart (Dear Dad)

To the one who hugged me with love and tenderness

To the symbol of love and the commandment of the merciful god

To the White Heart (my beloved mother)

To the companion of my path and my soul in life

To whom I gained determination and persistence (my dear wife)

To the pure, kind hearts and innocent souls in my life

(My dear brothers, sisters, son and daughters)

To those who carry me affection, love and respect

My Dear friends

Thanks and appreciation

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I also extend my thanks to the members of the discussion committee, for their kindness to accept the discussion and enrichment of this research.

Thanks to everyone who helped and supported me.

Abstract

The study aimed to assess the impact of strategic planning for the main parties that motivating banks to providing financing to SMEs in Palestine; by exploring the extent of strategic interest of the banking sector, and the Palestinian Monetary Authority (PMA) to supports SMEs through directing bank financing to these projects through their applied strategies. In addition, the study aimed to assess the strategic planning of SMEs and their eligibility factors to obtain the required bank financing from the perspective of the banking sector. The problem of the study lies in the low percentage of providing bank financing to SMEs compared to other sectors for the period from 2015-2020. The study relied on the historical method to follow the previous literature, in addition to the descriptive method to describe and analyze the phenomenon under study in the theoretical aspect. As for the practical aspect, the study relied on the analytical statistical method by using the SPSS program. The study found that there are strategic directions for the supervisory authorities (PMA), and for the banks operating in Palestine to direct bank financing towards SMEs. The strategic directions of banks to directing credit to SMEs is linked to reducing the SMEs loans risks, and is also linked to the availability of eligibility factors for those projects to obtain the required bank financing. The study recommended to holding training courses for SMEs owners, through the establishment of training and development centers to raise the skills of SMEs owners, and this reduces risks of Bank financing for SMEs. The study recommends to: holding a Governmental encouragement to banks by providing banks free or reduced interest loans, preferential tax transactions or tax exemptions in return for increased lending and risk taking on SMEs financing. Forming government guarantee funds with government capital with a coordination between government and PMA, taking into consideration a reduced guarantees commission, in order to avoid increasing lending costs for the financed SMEs. Involving civil society institutions, in coordination with the PMA, in informing society of the importance of the national plan for financial inclusion to enhance financial and banking culture, through periodic programs and courses that targeting different segments of society and not only through the media. Activating the performance of the PMA in linking SMEs with banks through programs that provide soft facilities to the SMEs, which

encourage SMEs to start dealing with banking services. Motivating banks to financing SME through the special supporting programs to support SMEs by paying the interests of loans provided to SMEs from those programs. In addition, the study recommends to conducting a future research regarding the assessment of the demand sides for bank financing to SMEs in Palestine.

Contents

1. Introduction.....	1
1.1 Research Problem:	2
1.2 Research Objectives:.....	2
1.3 Research Significance and Justifications:.....	3
1.4 Limitations.....	7
2. Literature review and Research Questions and Hypotheses	8
2.1 The conceptual framework (Definitions):	8
2.2 Prior studies:.....	9
2.3 Research Questions and Hypotheses	15
3. The Banking Facilities and The Reality of SMEs in Palestine.....	16
3.1 Bank credit: concept, and Factors affecting credit decision-making	18
First: the concept of bank credit.....	19
Second: Factors affecting credit decision-making for banks.....	19
3.2 Banking sector role for SMEs financing	21
3.3 The Banking Supervisory and Regulatory Authority (Palestine monetary authority) Role: ...	23
PMA procedures for directing credit to SMEs:.....	24
3.4 Strategic planning and SMEs management:.....	28
Obstacles of SMEs strategic planning:.....	29
3.5 Bank financing to SMEs in Palestine: an analytical aspect	30
4. Research Methodology:.....	34
4.1 Research instruments: Study area, sample size.....	35
4.2 Data analysis:.....	35
First section: Characteristics of the study sample:.....	36
Second section: Basic information analysis:.....	42
1. Measuring the importance of each axis and statement:	42
2. Evaluation of measurement tools:.....	43
4.3 Discussion of Hypotheses:	52
5. Conclusions and Recommendations:	56
Conclusions:	56
Recommendations:	57
6. References	59

Tables		page
Table no. 1	The economic establishment's classifications in Palestine.	26
Table no. 2	Existing facilities for SMEs 2016 – 2020	32
Table no. 3	Number of questionnaires received for each institution.	35
Table no. 4	Frequency distribution according to age.	36
Table no. 5	Frequency distribution according to qualification.	37
Table no. 6	Frequency distribution according to Specialization	38
Table no. 7	Frequency distribution according to Years of Experience	39
Table no. 8	Frequency distribution according to Working for	40
Table no. 9	Frequency distribution according to Job position	41
Table no. 10	The likert five-point scale	43
Table no. 11	5-points likert scale intervals	43
Table no. 12	Cronbach's alpha coefficient value for the study's statements	45
Table no. 13	Frequency distribution table for the first axis phrases	45
Table no. 14	Significance level analysis of the first axis phrases	46
Table no. 15	Frequency distribution table for the second axis phrases	47
Table no. 16	Significance level analysis of the second axis phrases	48
Table no. 17	Frequency distribution table for the third axis phrases	50
Table no. 18	Significance level analysis of the third axis phrases	51
Table no. 19	The first hypothesis reliability	52
Table no. 20	The results for the first hypothesis by analyzing a One-Sample Test	53
Table no. 21	The second hypothesis reliability	54
Table no. 22	The results for the second hypothesis by analyzing a One-Sample Test	54
Table no. 23	The third hypothesis reliability	54
Table no. 24	The results for the third hypothesis by analyzing a One-Sample Test	55

Charts		page
Chart no.1	Relative distribution of establishments operating in Palestine by ownership, 2017	4
Chart no.2	Relative distribution of establishments operating in the private sector, the civil sector, and government companies in Palestine by categories of employment volume, 2017	5
Chart no.3	Existing facilities for SMEs 2016 – 2020.	33
Chart no.4	Percentage of facilities for SMEs to the total facilities lend to the resident private sector.	33
Chart no.5	Percentage of facilities for SMEs to the total facilities lend to the resident private sector. Existing facilities for SMEs 2016 – 2020.	37
Chart no.6	The shape of the frequency distribution according to qualification.	38
Chart no.7	The shape of the frequency distribution according to Specialization.	39
Chart no.8	The shape of the frequency distribution according to Years of Experience	40
Chart no.9	The shape of the frequency distribution according to Working for.	41
Chart no.10	The shape of the frequency distribution according to job position.	42

1. Introduction

Small and medium-sized enterprises (SMEs) represent one of the most important economic operators in all countries of the world, as these projects represent more than 90% of projects in the majority of the world's economies (Abor, Joshua, and Nicholas Biekpe. 2007). Therefore, they receive enormous interest from all countries of the world, international and regional organizations, and researchers, due to their pivotal role in production, employment, income generation, innovation, and technological progress, in addition to their role in achieving economic development and social welfare for all countries through their diversity in all economic sectors, and its association with large projects.

Ignoring strategic planning will lead to the failure of SMEs to achieve the targeted performance and growth. This may jeopardize the survival of SMEs (Beaver, 2003). Cassar and Mankelov (1997) proved that planning is a dynamic part in stopping SMEs failure. Moreover, Bowen, Morara and Mureithi (2009) identify that management factors, lack of planning and poor financing are responsible for small business failure. Similarly, research on 9000 failed/ bankrupt of different types of firms found that management incompetence, inexperience, and poor planning will lead to business failure (Wyant, 1977). Irrespective of the firm size or type, organizations need to adhere to strategic planning to enable firms to respond to their constantly changing business environment and construct strategies.

Since the Palestinian economy consists mainly from SMEs which represent 98.6% of total business entities (Palestinian Central Bureau of Statistics, 2018); SMEs have been playing an essential role in raising the gross domestic product (GDP), increasing the employment rate, and reducing the fiscal deficit in the countries' public budget by increasing tax revenues. SMEs have been reducing the economic risks through their natural Diversified and distribution in all economic fields (including commercial, industrial, tourism, agricultural, marketing, technological, and other fields), and all of this without Concentration (aboJamie,2015).

Financing needs are considered one of the most challenges facing SMEs in Palestine. As access to available financing alternatives, constitute a difficulty challenges facing SMEs, on the other hand, the high financing costs of the alternatives. The bank financing is among the most important source of finance available to SMEs, for this reason, banks have playing an important and prominent role in financing the operational and investment activities of SMEs. This highlights the financing and investment role of banks in the process of supporting SMEs by directing the credit policy of these banks in a way that suits the investment and economic environment of each country; especially in light of the conditions that the Palestinian economy suffers from, Which is summarized in the limited financing resources and the low volume of investments, in addition to the size of the financial and economic risks and obstacles.

Based on the foregoing, and in light of increasing competition, fear of acquisition, changing environmental dynamics, insufficient good management and limited resources forcing SMEs to apply strategic planning to manage such situations and crises that the enterprise may faces. And based on the effectiveness of banks in financing SMEs, This study comes to assess the impact of strategic planning for main parties that motivating banks to provide financing to SMEs in Palestine, and evaluates the importance of applying strategic planning in SMEs to obtain Bank financing that helps it in improving its performance and expanding its activities from the perspective of the banking sector in Palestine.

1.1 Research Problem:

The problem of this research is lie in the low percentage of providing bank financing to support, develop and save the lives of small and medium-sized enterprises (SMEs), so accordingly, the impact of strategic planning for main parties that motivating banks to provide financing to SMEs in Palestine will be evaluated.

1.2 Research Objectives:

This study aims to achieve the following Objectives:

1. Evaluating the role of strategic planning of the regulatory and supervisory authorities for

motivating directing banks credit towards SMEs in Palestine.

2. Assessment the role of strategic planning in the banking sector for directing bank credit towards SMEs in Palestine.
3. Exploring the main factors that affect the supply sides for bank financing to SMEs in Palestine.

1.3 Research Significance and Justifications:

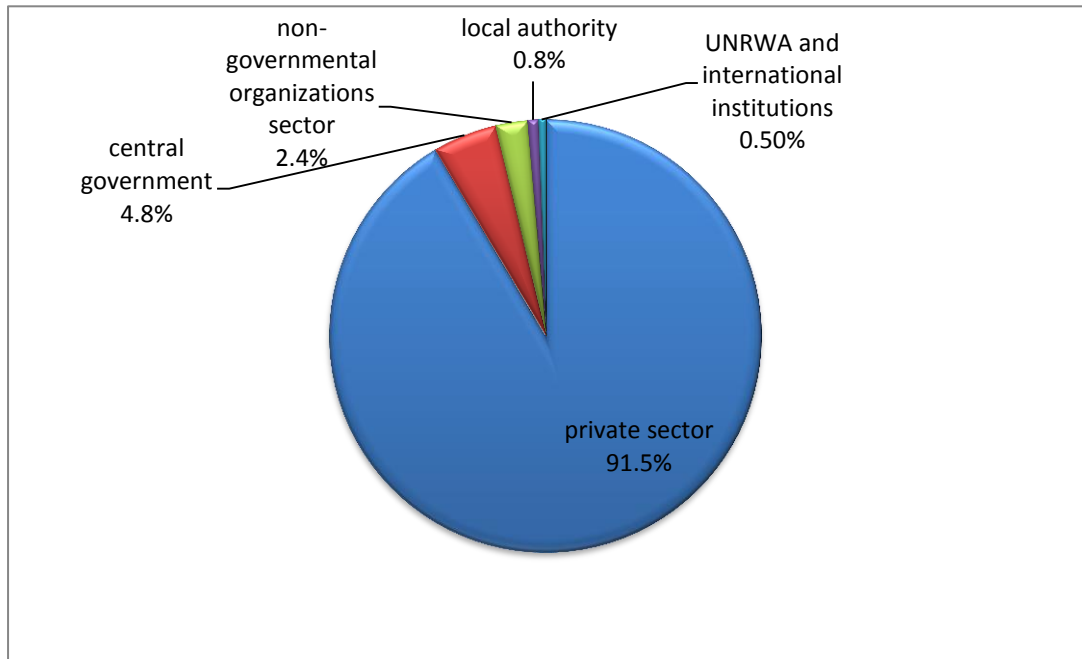
SMEs are widely considered the main simulations of innovation, economic growth, employment in the global economy in general, and in emerging markets, in particular. These enterprises have played a major role in creating job opportunities and making a significant contribution to the gross domestic product of countries. Therefore, SMEs is consider one of the most important economic tributaries for social development process for countries, especially developing countries, due to the job opportunities these projects provide for all social classes at an investment cost less than large projects, and their integration in the chains of production of goods and services with large projects. Thus, “SMEs help to diversify the structure of the gross domestic product and improve individual income levels, which has made many emerging market economies and developing countries very dependent on SMEs to reduce unemployment and poverty rates, especially in rural areas and economically promising areas, thus helping to achieve a balance in achieving Economic Development” (Abdel Moneim, Talha and Ismail, 2019).

At a time when the world has been suffering from a high unemployment rate, SMEs are the most important tool for decreasing the unemployment crisis in the world countries, as soon as SMEs employ a lot of laborers at little cost and their great association with large companies in various sectors, according to official statistics from the (Palestinian Central Bureau of Statistics, 2020) “25.3% was the unemployment rate among labor force participants in Palestine in 2020”.

Based on the data of the Palestinian Central Bureau of Statistics (2018), the results of the Establishments Census in 2017 indicated that; 91.5% of the operating establishments was owned by the private sector (both private resident and private non-resident), 4.8% was owned by the central

government, 2.4% was non-governmental organizations sector, 0.8% was local authority, and 0.5% was for UNRWA and international institutions.

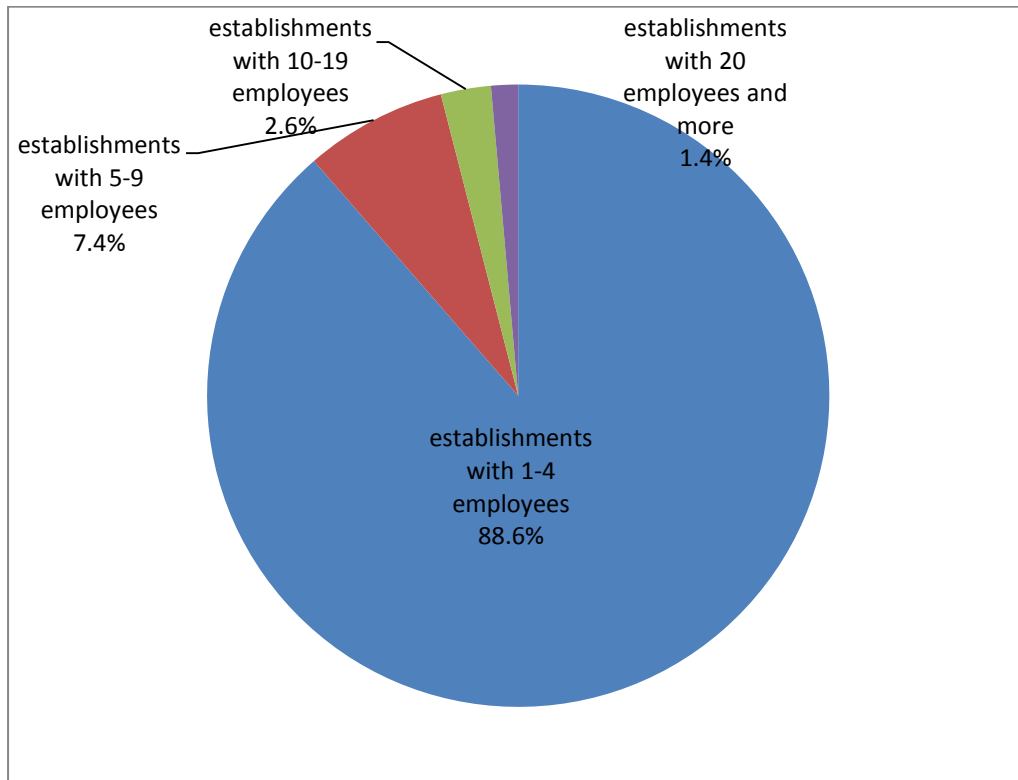
Chart no.1: Relative distribution of establishments operating in Palestine by ownership, 2017



Source: Palestinian Central Bureau of Statistics (2018), the results of the Establishments Census in 2017

According to the distribution of operating establishments in the private sector, non-governmental organization sector, and government companies in Palestine, the results of employment size groups were; 88.6% of operating establishments were small establishments with 1-4 employees, 7.4% of total operating establishments with 5-9 employees, 2.6% of total operating establishments with 10-19 employees, and 1.4% of the total operating establishments with 20 employees and more (Palestinian Central Bureau of Statistics, 2018).

Chart no.2: Relative distribution of establishments operating in the private sector, the civil sector, and government companies in Palestine by categories of employment volume, 2017



Source: Palestinian Central Bureau of Statistics (2018), the results of the Establishments Census in 2017

Financial institutions have provided the bulk of credit to SMEs. A recent survey in 45 economies for 91 banks was found that the SME segment to be profitable from banks perspective, However, it identified the main barriers in providing financing to SMEs represented by competition in the SME segment in developed economies and macroeconomic instability in developing economies. Banks provide a lower share of investment loans to SMEs and with a higher Lending costs than large firms, so Banks are more opened to large firms than to SMEs especially in developing economies (Ayyagari, Meghana, Juarros, Peria and Singh. 2016).

Given the SMEs importance in economic forming, the world recently, including Palestine, has witnessed an important movement on the economic side, centered on investment in SMEs as the main pillar for achieving economic and social development, which requires the provision of appropriate financing for these projects from banking institutions. The volume of bank credit

facilities lent to SMEs amounted to 1,133.7 million dollars, representing 14.5% of the total volume of banks credit facilities provided to private sectors (Palestine Monetary Authority, 2021).

The category of SMEs is considering one of the most important target groups within the National Strategy for Financial Inclusion in Palestine because it constitutes a high percentage of the total projects in Palestine, which has a significant impact on economic growth. According to the results of the National Strategy for Financial Inclusion in Palestine field's study, most of these projects suffer from problems in accessing financial services, especially access to financing sources (National Strategy for Financial Inclusion in Palestine, 2018).

The decline of the percentage of global financing for SMEs is due to several factors related to the supply and demand sides. On the supply side, banks bear many risks associated with the loan portfolio lending to SMEs. The risks related to legal, political, and economic factors lead to the exclusion of large sectors of the economy from obtaining bank financing, where banks resort to a strategy of reducing risks. On the demand side, most SMEs suffer from administrative poverty, lack of awareness about finance, fear of incapability to pay obligations, and social and religious obstacles.

Previous studies dealt with the importance role of bank financing for SMEs, the obstacles of SMEs bank financing, and dealt with the importance of strategic planning to support and develop SMEs in Palestine.

This study is highlighting the assessment of bank financing to SMEs from the supply side in Palestine, from a strategic planning perspective. By evaluating the impacts of strategic planning for all parties affecting SMEs financing, as follows: strategic planning for SMEs, strategic planning for banks in directing credit toward SMEs, and strategic planning for the Palestine monetary authority (PMA) which is a Banking Supervisory and Regulatory Authority that affect SMEs financing. so this study explores the extent of the interest of the banking sector and the supervisory, regulatory, and legal authorities in supporting SMEs by providing the necessary financing for these projects to help

them save their life, growth, and development through their strategies. In addition, this study evaluates the strategic planning of SMEs and their eligibility factors to obtain the required bank financing from the Banking sector perspective. Data was collected through statistical data and literature reviews of publications on this topic and through questionnaire to credit officers, managers in banks operating in Palestine, and bank supervisors in Palestine monetary authority.

Through the foregoing, the importance of this research study is as follows:

- Scientific importance: It represents in the richness of knowledge provided by this study by evaluating the role played by strategic planning in SMEs, banks, and regulatory and supervisory institutions in Palestine to provide financing for SMEs to bridge the gap that was overlooked by previous studies.
- Practical importance: The practical importance of this study lies in assisting decision makers by providing them with the reality of strategic planning in directing bank financing to SMEs in Palestine, and the opportunities to increase the motivation of banks to direct bank financing to SMEs.

1.4 Limitations

- The period from 2015-2020 was taken as a time limit for the study.
- Lack of previous studies that analyzing and evaluating the SMEs operator's strategies and evaluating the strategy of the stakeholders of the SMEs in Palestine.
- Lack of previous studies exploring the importance of eligibility factors of SMEs to obtain the required bank financing.
- The banks' credit employees' participation in the survey was voluntary.
- The study sample was taken from the administration of banks operating in the West Bank.
- Considering the strategy of the banks is a secret that cannot be officially disclosing.
- Demand-side data on bank financing for SMEs by the owners of these enterprises has not been studied due to the high cost of doing so.

2. Literature review and Research Questions and Hypotheses

2.1 The conceptual framework (Definitions):

The following words and phrases, wherever mentioned in this research, shall have the meanings assigned to them below unless the context indicates otherwise:

- **Banks:** Institutions that carry out banking activities by accepting customer deposits or from other sources of financing for the purpose of investment and lending credit (Decision by Law No. 9 on Banks for the year 2010).
- **Banking Supervisory, and Regulatory Authorities:** Anybody or authority directly responsible for licensing, Controlling and directing financial institutions in Palestine.
- **Bank credit/finance:** All types and forms of direct and indirect facilities lends by banks of all kinds, loans lends by specialized financial institutions, bonds and debt instruments purchased by banks, as well as acceptances issued by or guaranteed by banks, with the bank's right to recover their amounts along with their interests or returns and any entitlements other on it.
- **Loan costs/interest rates:** the cost of capital or credit during the year; This price is a debt that is calculated as a percentage of the interest rate on the capital, and the interest rate is defined as a percentage obtained by banks or financial institutions when providing loans, and it is also a percentage paid to people when they keep their money in bank accounts.

There is no universal standard definition for SMEs, as this term depends mainly on the number of employees in the organization and the size of its revenue. Thus, the large enterprises in one country may be are small in another country, so for this study, the SMEs defined as:

- **Small enterprises:** are the organizations that employ up to 19 employees and whose annual revenue up to 500,000\$.
- **Medium enterprises:** are the organizations that employ 20 - 49 employees and whose annual revenue up to 2,000,000\$.

- **Financial inclusion:** is the enhance of access and use of all segments of society for financial services and products from official channels, which are commensurate with their needs at reasonable cost and time, protect their rights and enhance their financial knowledge to enable them to take the appropriate financial decision (PMA, 2018).

2.2 Prior studies:

- 1) A study Hasina asoe (2020) entitled role of financial institutions in financing small projects in Sudan (Case Study of Savings and Family Banks A)

The study aimed to identifying the role of financial institutions in financing operations in SMEs by focus on the experience of Savings and Family banks. The problem of study was to what extent the financial institutions participate in financing small and middle projects in Sudan. At the theoretical level, the study adopted the historical method for examining the previous literature in this concern, and descriptive approach for describing and analyzing the phenomenon under study. As for the practical side, the statistical analysis approach was used by SPSS program. The findings showed that it was easy to get finance on soft terms basis for small projects to achieve their objectives. These projects were concentrated in towns and they were not extended to the rural areas as well as different regions and there was no expansion in Sudan. The finance share in small projects was little compared with the big share allotted to undeserving people. The study recommended that banks should facilitate the provision of finance and work to spread the financial institutions in the rural areas and different regions. They should benefit from the experience of developed and friendly countries through exchange of expertise; and the state should adopt and support inventions and creativeness of small projects; and the scientific research and vocational training institutes should be encouraged. Further, the state should set out encouragement policies for small projects, cut fees and taxes and provide exemptions to be able to repay the finance.

- 2) A study (Abu Jamea, 2016), entitled: “Bank Credit and Strengthening the Capacity of Palestinian Small and Medium Enterprises.”

The study aimed to identify the role of the banking sector in supporting and financing SMEs in the Palestinian territories, where the researcher used the Descriptive and Analytical Approach method of the phenomena and variables related to the subject of the study to analyze the phenomena and economic variables. The study concluded that the Palestinian banking sector did not play the role and did not pay enough attention to financing small projects, as the percentage of loans provided by operating banks in Palestine to finance small projects did not exceed 3% of the total loans provided by operating banks in the Palestinian territories. The study recommended the necessity of implementing a set of policies and procedures that would improve the performance of SMEs to serve and activate the Palestinian economy, by providing advisory and technical services to improve investment opportunities and encourage banks operating in Palestine to finance SMEs at a low cost, by providing them material privileges, Specific as tax exemptions and others.

- 3) A study (Al-Sumairi, 2014), entitled: "The Role of the Banking Sector in Promoting SMEs in the Palestinian Territories".

The study aimed to identify the role of the banking sector in supporting and financing SMEs in the Palestinian territories, and to evaluate the sources of finance provided by the banking sector to these projects, in addition to presenting the most important problems and obstacles that weaken the efficiency and effectiveness of SMEs in the Palestinian territories. The importance of the study lies in the statement of the financing role of the Palestinian banking sector, and its impact on promoting SMEs in the Palestinian territories, and helping the owners of these projects to access the sources of bank financing available in the Palestinian territories. To achieve the objectives of the study and to confirm or deny the hypotheses, the researcher used, in his analysis of the economic phenomena and variables, the descriptive and analytical approach to the phenomena and variables related to the subject of the study. The study concluded that the Palestinian banking sector did not pay enough attention to financing small projects, as the percentage of loans provided by operating banks in Palestine to finance small projects did not exceed 3% of the total loans provided by banks operating in the Palestinian territories, in addition to the fact that the Palestinian economy is an economy based

on very small enterprises, which amounted to 89% of the total number of operating establishments in Palestine, while SMEs amounted to 9.9% of the total number of operating enterprises in Palestine. The study recommended the necessity of applying a set of policies and procedures that would improve the performance of SMEs to serve and activate the Palestinian economy, and this is represented in the provision of advisory services in the field of investment opportunities, and encouraging banks operating in Palestine to finance SMEs at low interest rates, through provided it with a material privileges such as tax exemptions on the profits made from the activities of financing those projects.

- 4) A study (Al-Dabbas, 2014), entitled: “Factors Affecting the Credit Decision-Making Process in Banks Operating in Syria: An Applied Case on Private Banks in Syria”.

The study aims to identify the experience of Syrian private banks with regard to financing companies and individuals and the credit decision-making mechanism, as well as identifying financial analysis tools and the most important financial ratios used in financial analysis when making a credit decision, in addition to shedding light on the factors affecting the credit decision-making process. The hypotheses of the study were tested from the point of view of credit employees in the six private banks in the research sample. To achieve the objectives of the research, a questionnaire was prepared for the study and distributed to the sample of the study. After verifying the validity of the study tool and the internal consistency of the variables' statements, the researcher tested the research hypotheses by relying on the SPSS statistical program, and the results of the study concluded that the credit decision in private banks in Syria depends on A number of factors and tools, whether financial, including financial analysis and analysis of financial ratios, or those factors related to the client, the sector, and the circumstances surrounding the client, as the importance of each factor varies depending on the size and nature of its activities and business, and therefore private Syrian banks do not depend entirely on one type of factors.

- 5) A study (Al-Harbi, 2021), entitled: “Strategic Planning Practices in Small and Medium Enterprises in the Kingdom of Saudi Arabia: A field Study”

The study aimed to reveal the reality of strategic planning practices in SMEs in the kingdom of Saudi Arabia, by identifying (tools and methods of the used strategic planning, the parties involved in formulating strategic plans, the period of time for the strategic plan, attitude towards strategic planning, and the obstacles that stands in the way of implementing strategic plans). The study depend on the descriptive survey method, the valid questionnaires from the study sample for statistical analysis reached (294) questionnaires. From the analyzed data, the most notable study results: The most ordinarily used strategic planning methods in SMEs are: SWOT analysis, cost- benefit analysis, financial analysis of the same enterprise. The most important obstacles in implementing strategic plans of the enterprises are focus on daily practices, the speed of change in the business environment of modern institutions, and a shortage of qualified human resources. The study had recommends to: The enterprises must increase using of less- used strategic planning tools and methods that’s mentioned in the current study or other available tools and method of strategic planning. The enterprises must eliminate obstacles of implementing their own strategic plans. All enterprise parties must have participate with formulating strategic plan.

- 6) A study (Issa, 2004), entitled: “Credit politics in banks operating in Palestine”

The study aimed to knowing the extent to which banks operating in Palestine adhere to internationally recognized credit standards, and the impact of those standards on the credit policy of Palestinian banks. The study found that international credit standards have varying effects and varying commitments by Palestinian banks. The criterion of guarantees provided to the bank as a condition for approval of obtaining bank credit obtained a high degree of 75.27%. As for the criterion of the approved earning capacity, it received a very high rating due to the keen interest of banks in this criterion, as it obtained 84.77%, as well as the reputation and

morals of the customer as important criteria. Of the internationally recognized credit standards, this criterion received a very high rating among local banks, as it received a score of 83.07%. By Palestinian banks on the issue of economic conditions is high, at a rate of 75.02%. Other factors have been added to these criteria that affect the extent of acceptance or rejection of the credit request, as they are considered one of the important factors in determining the credit policy, and among those factors: the credit requester sector, as it was found that the credit requester has a major role in influencing the bank credit policy in Palestine, This factor got a high score of 72.02%. As for the issue of the availability of bank liquidity and its impact on accepting or rejecting credit requests, it was found that the banks operating in Palestine are highly interested in this factor, reaching 71.07%. It was noted from the analysis that the variable (criterion) volitional ability had the highest estimate among the mentioned variables. The operating banks in Palestine consider this variable to be very important. It is necessary to study the volitional ability of the creditor before approving the application for obtaining credit. According to the availability of the ability to pay from the project or his ability to pay the credit and its requirements on time, the creditor's application is approved. The customer's reputation and morals are the second important factor in determining the acceptance or rejection of a credit application for banks operating in Palestine. As the availability of all the criteria and the lack of sincerity of the approved in the intention to pay do not help or benefit in anything. The Study Methodology was designing a questionnaire addressed to banks operating in Palestine, especially the Facilities and Credit Department, Analyze the data statistically by means of the statistical programs prepared for this, and a review of the research literature related to bank credit and banks.

- 7) A study (Pournasir, 2013), entitled: “Key Success Factors of Strategic Management Implementation in SMEs in Iran”

The study aimed to determine the main factors in the success of the implementation of strategic management in SMEs in Iran, and the study sample consisted of CEOs and senior managers in

the companies under study working in the field of manufacturing. The study concluded that financial resources, environmental factors, monitoring and control, and human resources and their motivation are among the main factors in the successful implementation of strategic management in the organizations under study.

- 8) A study FAZAL HALEEM, MUHAMMAD JEHangIR and ZIA ULLAH (2019), entitled: “Strategic Planning and SMES Performance: A Developing Country's Perspective”

The paper examines how strategic planning affects company performance as well as the level of importance that strategic planning attaches to high performers as well as to low performers. Data was collected from 245 respondents through a survey questionnaire from (SMES) manufacturing. Path analysis showed that strategic planning has a significant and positive impact on company performance. The non-financial aspect of performance showed a greater impact than the financial performance. To go deeper into the results, the multi-group analysis showed that there is no difference regarding the impact of strategic planning on the company's performance between high performers and low performers. This finding has an important impact on both high and low-performing managers. Managers of low-performing companies need to reflect on the benefits of the strategic planning process and correct errors associated with strategic planning. Also, managers of high-performing companies must discover areas for improving the strategic management process to gain additional benefits from the strategic planning process. The study found that changing environmental dynamics, ever-increasing competition, fear of takeover, insufficient good management, acquisition of advanced technology, and limited resources force companies to apply strategic planning to manage such situations and improve corporate performance.

Comment on previous studies:

- Many previous studies dealt with the importance role of bank financing for SMEs, and the obstacles of SMEs bank financing, and some studies dealt with the importance of strategic

planning to support and develop SMEs, and other studies dealt with the obstacles and with successful factors of strategic planning.

- The previous studies depends for their methodologies from a descriptive research approach, it was collects the data from a review of the research literature related to bank financing to SMEs and the strategic planning, and collect primary data by questionnaires, and then Analyze the data statistically by means of the statistical programs. So that, This study uses a descriptive research approach to collect data of SMEs' bank financing in Palestine to explore the factors that affect the supply sides for bank financing to SMEs.
- The purpose of this study is to evaluating prospects and limitations of bank financing for SMEs from the perspective of strategic planning in Palestine for each of the management of SMEs, banking sector and regulatory institutions of the banking sector, and to identifying the most important factors that affecting in directing bank financing towards SMEs.

2.3 Research Questions and Hypotheses

Research questions:

According to the results of the national strategy for financial inclusion in the field study for Palestine, most of these projects suffer from problems in accessing financial services, especially access to financing sources (The National Strategy for Financial Inclusion in Palestine, 2018). Therefore, the basic and urgent problem arises that the liquidity available with banks is relatively surplus, while the financing needs of SMEs are large, and therefore there is a reservation and a decrease in the percentage of credit directed to SMEs. From this standpoint, this study came to answer the following questions:

- Is there an effective role for strategic planning of the regulatory and supervisory authorities for motivating banks to directing credit towards SMEs in Palestine?
- Is there a role of strategic planning in the banking sector for directing credit towards SMEs in Palestine?

- Does the presence of strategic planning of SMEs and SMEs eligibility factors contribute to directing bank financing for SMEs in Palestine?

Research Hypotheses:

- There is no effective role for strategic planning in the regulatory and supervisory authorities for motivating banks to directing credit towards SMEs in Palestine.
- There is no effective role of strategic planning in the banking sector for directing credit towards SMEs in Palestine.
- There is no role for the presence of strategic planning of SMEs and SMEs eligibility factors to directing bank financing for SMEs in Palestine.

3. The Banking Facilities and The Reality of SMEs in Palestine

SMEs have a great importance in Palestine due to their impact on the economic and social aspects, especially in supporting the national economy, as they constitute about 98.6% of the total establishments in the Palestinian market which employ 1-19 employees, (Palestinian Central Bureau of Statistics, 2018), One of the most prominent contributions they can make to the economy is reducing unemployment and creating new job opportunities, diversifying sources of income, expanding the production base.

From a macroeconomic perspective, it has been proven that financial inclusion is directly correlated with economic growth to reduce the social and economic gap. As it stated in the framework of microfinance policy in 2010 to Palestine, "provision of funding leads to increased income households and security, economic, and the accumulation of assets, and reducing exposure of economic risk" that will support the national economy by creating a demand for other goods and services, (especially nutrition and education and health care), in addition to stimulating the growth of the local economy through increased consumption. Also, untapped savings represent a large percentage of the available capital for local investment needed to stimulate economic growth. At the micro-level, for individuals and low-income families, financial inclusion is necessary to improve the

well-being of households, enhance productive investments and manage economic crises (PMA, 2019).

According to the data of the World Bank's Global Financial Inclusion FIndex 2017, only 25% of the adult populations in Palestine (over 15 years old) have accounts in a financial institution, and this indicator is related to a bank account of only 16% of women over 15 years of age. Despite the presence of banks and microfinance institutions, insurance companies, securities firms, and real estate finance and leasing, the national saving rates are low by only 9.26% of the population over the age of 15 years who have savings in any way, compared with 33.4% in the entire Middle East and North Africa region. However, this includes informal saving methods. This rate drops to 0.6% for those who have formally saved in a financial institution, which is much lower than the 12.4% MENA average. Palestine enjoys a higher rate of informal savings across savings groups, as 12.3% of the adult population (15 years and over) has informal savings, compared to the average of the Middle East and North Africa region savings which is 8%.

According to the study of Lina Al-Suwaiti, 2019, the limited contribution of banks in providing the necessary financing for SMEs can be explained by several factors, which represent the main obstacles that these projects face when requesting financing, which are:

1. The high degree of banking risks associated with lending to SMEs, compared to ordinary lending.
2. Low necessary and sufficient guarantees accepted by banks to provide loans, which leads to a decline in the volume of credit provided to SMEs.
3. The inability of SMEs to provide the necessary accounting data and records necessary to submit them to the bank in the event of a desire to obtain financing.

4. Banks' bias in favor of large projects, as there are often links and common interests between each other and these links take the form of joint management, joint ownership, and joint transactions as well.
5. The difficulty that banks face in their attempt to monetize the assets of these projects is due to their low value on the one hand and social considerations on the other hand.
6. The limited banking culture of owners of SMEs, which has prompted them to stay away from banks to obtain the necessary financing for their projects.
7. There are other factors, represented in the lack of preferential treatment for SMEs from banks, whether in the interest rate or repayment periods, as well as the poor experience of these projects in the field of business management. Accordingly, banks tend mostly towards directing credit for large projects.

3.1 Bank credit: concept, and Factors affecting credit decision-making

The essence of the banking process and one of the most attractive banking operations for banks management and other financial institutions is bank credit; and at the same time it is considered one of the most sensitive economic tools, as its effects do not stop at the level of the bank and the financial institutions as a whole, but rather reach their effects to the whole country economy.

In the few years ago, a new trend has begun for banks to work on through their credit programs and the various loans they provide to customers, as banks no longer focus on profitability and financial performance measures only, but also focus in their policies on the continuity and permanence of economic activity because the stability of the economy is part of Financial stability and that the banking process is part of the process of economic growth in light of the interrelationship between them, it can be said that banks have become based in their credit policies on standards and foundations that work to stimulate the economy and economic growth by directing credit towards economic projects, specially the financing of SMEs

First: the concept of bank credit

The basic pillar of banking business is the acceptance of deposits and savings on the one hand, and the lending of credit facilities and banking services on the other hand.

Bank credit is defined as the trust that the bank attaches to a person, whether natural (individual) or legal (institution, company), by lending him a sum of money to be used for certain purposes, during an agreed period of time and under certain conditions, in return for a material cost in favor of the bank (called interest) and guarantees that enable the bank to recover its loan in the event the customer fails to pay (Al-Fakhri, 2014).

Therefore, the issue of credit was considered one of the most important functions that banks perform, because it has a significant impact on the amount of money in the market and, consequently, on economic activity. Thus, credit has become an important part of the nature of banks' work, as they accept deposits from their depositors and then lend these deposits in the form of loans to customers.

Second: Factors affecting credit decision-making for banks

There is a group of interrelated and integrated factors that affect the credit decision-making in any bank, and they can be identified as follows:

1. Borrower-eligibility factors

The factors specific to the borrower such as (personality, capital, his ability to manage his activity and pay his obligations, the guarantees provided, and the general and special circumstances surrounding the activity practiced by the client) and in turn affect the assessment of the client's suitability to obtain the required credit, and determine the amount and type of credit risk that can be exposed to when lending credit, the process of analyzing information and data on the condition of the potential customer will create the ability for the credit department to make a sound credit decision.

2. Bank-specific factors: These factors include:

- The degree of liquidity that the bank currently enjoys and its ability to employ, and the concept of liquidity means the bank's ability to meet its obligations, which are mainly represented in two

components: meeting depositors' requests to withdraw from deposits, and also meeting credit requests.

- The type of strategy that the bank adopts in making its credit decisions and working within its framework, i.e. in its willingness to provide a certain credit or not to provide this credit through strategic directions in directing credit.
- The general objective that the bank seeks to achieve during the next stage.
- The capabilities owned by the bank, especially the qualified and trained human cadres to perform the function of bank credit, as well as the applied technology and the bank's modern electronic equipment.

3. Factors related to the credit offered: These factors summarized as follows:

- Purpose of facilitation.
- The period of time that the loan or facility takes, i.e. the period during which the customer wants to obtain the facility, and when he will make the payment, and is it actually commensurate with the capabilities of the customer.
- The source of repayment from which the borrower will repay the loan.
- The method of payment used, i.e. will the loan or facility be repaid in one go at the end of the period, or will it be paid in periodic installments, in proportion to the nature of the client's activity and with his revenues, self-resources and cash flows.
- The type of facility required and whether it is consistent with the general policy of lending in the bank or contradicts it.
- Then the amount of this loan or facility and this is of special importance, as the more the amount exceeds a certain limit, the bank will be more careful in the studies it conducts, especially since the consequences of not repaying a loan of a huge amount are difficult and may affect the soundness of the bank's financial position.

4. Legal restrictions:

the legal legislation issued by the Palestinian Monetary Authority determines the credit concentration ratios, the possibility of expanding or reducing credit, the maximum number of

loans and the areas of activity permitted to be financed so that there is no conflict between the bank's credit policy and the legislation governing banking work.

Finally, we affirm that the situation in which credit decisions are taken is a critical situation. The credit decision maker in the bank cannot predict the results of his decision with complete accuracy, but he can, by analyzing the risks associated with credit operations, reach a reasonable estimate and set specific objective possibilities for the decision he will take. The sound decision is the decision in which the management evaluates that the return that will be generated from it equals or exceeds the degree of risks that surround it.

3.2 Banking sector role for SMEs financing

SMEs constitute about 98.6% of the total establishments in the Palestinian market which employ 1-19 employees, (Palestinian Central Bureau of Statistics, 2018), despite the importance of SMEs in building the structure of the economy, it is noted that developing countries, including the Palestinian Authority, did not adequately support these projects strategically. The financial constraints are the biggest problem faced by SMEs, which often end their existence if these projects are unable to cover their temporary obligations due to the smallness of their capital. In other words, the major factor for SMEs development is the finance availability (Ou & Haynes, 2006; Cook, 2001). SMEs Financing methods vary from internal sources, its represents in owners SMEs personal savings and retained earnings (Wu, Song, & Zeng, 2008), and from informal outside sources, represents in financial assistance from family and friends (Abouzeedan, 2003), commercial credit, venture capital and angel financiers (He & baker, 2007), and thence from formal external sources, which represented by financial intermediaries such as financial institutions, banks, and securities markets (Chittenden, Hall, & Hutchinson, 1996).

Banking sector is providing a fundamental role for developing SMEs by facilitating the terms of lending finance to these institutions, which leads to moving the wheel of economic growth and advancing development efforts forward, and we can talk about a more effective role for banks if they support these projects in providing banking credit services to their operations in foreign trade.

In Palestine, banks have recently begun to turn with interest towards financing SMEs in all economic sectors (trade, industry, agriculture, services, information technology, and renewable energy). During the previous period In Palestine, several initiatives were implemented with international donors aimed to enhance opportunities for indirect financing of SMEs in various economic sectors by providing partial guarantees to Palestinian commercial banks to cover part of the risks related to these financings. The following is an overview of the most important of these initiatives (Abdullah, Mass Institute, 2016):

1. The European Palestinian Credit Guarantee Fund (EPCGF), which was established in 2005 with funding from the European Commission and the German government through the German Development Bank.
2. The Loan Guarantee Program, which was established in 2013 at the initiative of the Palestine Investment Fund and in cooperation with the Middle East Investment Initiative, the Overseas Investment Corporation, and banks operating in Palestine.

This is in addition to the existence of direct financial programs for Palestinian companies that provide financial grants to cover specific costs in the project or direct loans to SMEs. Examples of these programs are:

1. The French grant to the private sector, which began with a capital of 5 million euros in 1995, and continues to operate until today. The program provides a donation of 35% of the financing required for each eligible project to purchase French equipment or services. The grant value ranges from 35,000 euros to 500,000 euros.
2. The Italian soft loan program, which started its activity in 2011 with a value of 25 million euros to support the Palestinian private sector by targeting SMEs and providing soft loans in cooperation with several local partner banks to finance the purchase of equipment and services of Italian origin. The loan amounts to 70% of the total investment cost, with a

maximum amount of 500,000 euros per loan, with a maximum annual interest of 5% and a commission of 0.5% for one time, with a grace period of one year, and for a period of 5 years.

3. SUNREF program: As a solution to improving the economic context for the development of green investments in the private sector, the French Development Agency proposed its SUNREF program in 20/07/2017, with a credit line and a European Union grant. In order to meet the demand and support a steady economic growth, Palestine is in need of reliable, low-cost and sustainable energy sources.

Undoubtedly, these initiatives and programs have contributed to stimulating bank lending to the SMEs sector by providing reasonable guarantees that the beneficiary companies may not have. These programs constitute a successful model for the possible partnership between banks and international parties that can be built upon, institutionalized and expanded, as it helps to overcome a major obstacle that hinders the expansion of banks in providing loans to SMEs in Palestine, which is represented in reducing the degree of risks related to this type of financing (Abdelkarim, 2018).

3.3 The Banking Supervisory and Regulatory Authority (Palestine monetary authority) Role:

PMA role is arises through the formulation and implementation of monetary policy that responds to economic developments such as growth or stagnation, and through exercising effective control over the banks performance to ensure their stability while preserving the rights of depositors, and in light of the fact that the Monetary Authority is the central bank in Palestine, it aims mainly to take the lead in the economy in establishing an integrated banking structure and organizing activities in the money market effectively, in a way that guarantees financial and economic stability and reduces inflation (PMA, 2019).

PMA works to stimulate banks and enhance their role in sustainable economic development by encouraging investment in various projects, especially the SMEs; it can apply a set of tools such as reducing the proportion of mandatory reserves, or reducing the proportion of foreign reserves. Investments (foreign investments), or by urging banks to apply preferential interest rates and other

methods and tools, such as concluding agreements with guarantors of loans for SMEs that are loaned through banks under specific conditions.

PMA procedures for directing credit to SMEs:

There are many banking methods and monetary policy tools that the PMA can use to implement their strategic planning, including directing bank credit to SMEs, including:

1. Quantitative measures

- Changing the ratio of credit to deposits: It means that the provided credit does not exceed a certain percentage of deposits, which means that banks increase their deposits if they want to increase their banking facilities, and PMA can motivate banks to increase or decrease the amount of credit by changing this ratio.
- Changing the mandatory reserve ratio: PMA can issue instructions to financial institutions to increase or decrease the required reserve ratio in proportion to their objectives, and it is known that increasing this percentage limits the ability of institutions to expand lending.

2. Qualitative procedures

These are the policies adopted by PMA that aim to direct credit to SMEs, and this can be done through:

- Determining the terms, type, and size of loans, and motivating banks to provide loans to SMEs.
- Controlling interest rates, by reducing interest rates on loan programs for SMEs. In Palestine, the Monetary Authority has applied interest rates that do not exceed 3% on loans provided to SMEs through a program it issued in the name of Estidama, for the purposes of promoting economic growth and creating Revitalization of the Palestinian Economy (PMA, 2021).
- Determining the credit ceilings for loans provided to the various economic sectors.

- PMA adoption of varying percentages of guarantees, for example, loans provided to SMEs at 100% as a guarantee on the loan, while personal loans for consumer purposes are at a rate of 150% as a guarantee on the loan.

3. Guiding procedures, instructions and applicable laws

They come as enhanced procedures for both qualitative procedures and quantitative methods, so that these procedures are applied through the guidelines and instructions issued by PMA through:

- The indicative aspect through the disclosures and reports issued by it. Through these reports, PMA presents the extent of the economy's need to finance SMEs that promote economic growth.
- Instructions and regulations, where the Monetary Authority issues instructions and regulations calling on banks to adhere to the procedures and policies of the monetary authorities regarding lending and others. For example, recently in 2021, PMA was issued its instructions No. (08/2021), With the aim of mitigating the economic effects of the Corona Virus (Covid 19) crisis on economic activities and projects, especially small and medium enterprises, and with the aim of enabling the various economic sectors to survive, continue and contribute positively to the development process, and with the aim of encouraging economic growth, a sustainability fund was established to lend to economic projects.

On 06/28/2021, the amendment to the national definition of micro, small, medium and large-sized economic establishments was approved pursuant to Cabinet Resolution No. (11/115/18/M.W/M.A) for the year 2021, and a circular was issued by PMA No. 168/2021 dated 06/09/2021, in order for the banks to develop their policies and strategies aimed to enabling the various economic establishments according to their national classification. Accordingly, the economic establishments in Palestine were classified into five classifications (micro, very small, small, medium and large size) based on the criteria set out in the following table:

Table no. 1: The economic establishment's classifications in Palestine.

Annual Turnover	Number of Employees	classification
Provided that turnover does not exceed USD (100,000)	(1-4)	Micro
Provided that turnover does not exceed USD (200,000)	(5-9)	Very small
Provided that turnover does not exceed USD (500,000)	(10-19)	Small
Provided that turnover does not exceed USD (2,000,000)	(20-49)	Medium
More than USD (2,000,000)	(+50)	Large

Source: PMA circular No. 168/2021.

Through the national strategy for financial inclusion in Palestine, and during the last decade, the PMA and other relevant parties have developed the legal framework regulating the SMEs sector, through the issuance of a number of laws and instructions, and according to the vision of the PMA, supporting the categories of SMEs would help marginalized and poor groups to access sources of finance on appropriate terms in order to develop their economic activities and consequently their local communities.

Since the first beginnings of the spread of the Corona virus in Palestine in May 2020, the Palestinian Monetary Authority hastened to issue a series of exceptional and proactive instructions that focused mainly on supporting liquidity in the Palestinian economy and directing credit to SMEs affected by the closures accompanying the spread of the Corona virus, by launching Estedama program to provide \$300 million in financing through banks to help affected small and medium-sized enterprises on concessional terms and costs, so that the cost of lending in this program does not exceed a decreasing 3% (the lowest cost of lending in Palestine) and with a grace period of up to 12 months and extends to 24 months For tourist facilities specifically, and in general, the program aims to:

- Enabling projects affected by the epidemic to obtain the necessary funding to cover emergency operation expenses resulting from the downturn in economic performance due to

the difficult circumstances and conditions caused by the health epidemic, in addition to supporting working capital and continuing to pay salaries and wages to workers so that they can continue in the production process and the economic cycle and providing services.

- Contribute to the sustainability of the operations of the SMEs, which accounts for the vast majority of establishments operating in the Palestinian economy.
- Contribute to restoring economic activity and returning it to the path of recovery and growth.

At the end of 2020, the Palestinian Monetary Authority decided to extend the work of Estedama program, to allow more segments to benefit from the program, and the measures taken by the Monetary Authority to provide liquidity in the market included reducing the percentage of foreign investments with the aim of encouraging investment in the local economy, In addition to providing additional incentives to banks wishing to invest in start-up companies, especially in the field of information technology, renewable energy, agriculture, entrepreneurial projects, and others. It also included a series of exceptional measures taken by the Monetary Authority for many economic sectors by forcing banks to:

- Directing new credit to SMEs and emerging companies, and providing temporary credit ceilings to customers, this contributes to maintaining the continuity of the business cycle.
- It provides direct credit to the health services sector, and directs the amounts allocated to social responsibility to support the health services sector, contributing to limiting the spread of the epidemic.
- Reducing and facilitating loan scheduling and restructuring procedures, including exempting the borrower from the down payment and exempting him from any fees or commissions against scheduling.
- Exempting electronic banking and ATM services from commissions and fees for the first six months of the pandemic.

As for the movement of checks, the following measures were taken:

- Suspending the classification of SMEs and customers affected by the epidemic on the bounced check system during the first four months of the pandemic.
- Cancellation of returned check commission.
- Facilitate the procedures for providing temporary facilities to companies and individuals for the purpose of paying the value of the checks drawn on them.

In October 14, 2020, the Monetary Authority launched the “Monshati” platform (www.monshati.ps), which is the first electronic platform in Palestine that aims to support economic development by providing quality services to owners of micro, small, and medium enterprises to support their financial and administrative capabilities. and enabling them to access financing sources, and provide written guidance services on how to develop existing projects or create a new project, and through recorded training videos in the field of specialized vocational training and development of expertise.

In 12-22-2020, PMA launches through its website (www.pma.ps) and its account on Facebook and social media, a series of educational videos on how to manage and develop SMEs in accordance with professional and scientific standards, which guarantees the success of projects and to Avoid its risks. The videos explain how to prepare a feasibility study for projects and ensure their efficacy before starting their implementation, the mechanisms for accessing appropriate funding sources for each type of project, whether through self-financing of the project or banks financing or lending institutions, and display the stages of establishing, managing and operating the project until it reaches a stage production and marketing.

3.4 Strategic planning and SMEs management:

Strategic planning supports the organization’s efforts in understanding situations, crises, and identifying the best ways and strategic alternatives to confront them. Rather, strategic planning contributes to improving the organization’s effectiveness; Because it focuses on discussing and analyzing the desperate issues faced by the organization, and preventing its realization of its goals,

and at the same time it helps the organization to make optimal use of its available resources, as it depends mainly on the concept of priority in achieving goals and investing energies. Also, improving the decision-making process is one of the results of practicing strategic planning, and decision-making is linked to future strategic results (Bryson, Berry, and Yang, 2010).

According to Berry (1998), managers - especially in SMEs - must emphasize the objective analytical elements, or tools and methods of the strategic planning process, which are: environmental survey, competitive activity analysis, assessment of strengths and weaknesses, identifying Evaluate alternative courses of action, and review and revise plans.

Obstacles of SMEs strategic planning:

Several studies indicated that most organizations suffer from their inability to implement their plans as required, due to the presence of many internal and external obstacles that limited the proper implementation of the plans developed despite the good formulation of the strategic plans implemented by these organizations (Obeidat, Al-Hadidi Tarhini, and Masa'deh, 2017). The stage of implementing the strategic plan is an important stage in bringing the plan into reality. At the same time, many recent studies have warned of the focus of academics and practitioners alike on the stage of strategy formulation and their neglect of the stage of implementing the strategic plan, and this prompted many interested parties to demand more focus on the obstacles that occur during the implementation process (Chaimankong & Prasertsakul, 2019).

In the same context, Mara (2000) asserts that despite the importance of strategic planning and its contribution to increasing organizations' response to the requirements of the surrounding environment, and working to better allocate their resources, they believe that it is an expensive and time-consuming process, which most organizations cannot bear its Commitment (fulfillment) to its requirements -Especially SMEs , because it does not have sufficient resources for that, and this is consistent with what was previously indicated by (Nelson, 1990) that the strategic planning process requires the availability of many requirements, foremost of which is the presence of sufficient time and hard work in implementation.

There are many obstacles that prevent the good implementation of strategic plans in all organizations of all sizes. Alashloo, Castka, and Sharp (2005) tried to classify the factors that hinder the implementation stage of strategic plans into four groups of obstacles represented in the following groups: administrative issues, Organizational issues, individual issues, and planning results, as well as among the main implementation obstacles of strategic plans are weak linking connection systems between the units of the organizational structure of the firm, the inability of the organization's leaders to achieve the implementation requirements of the strategic plans, and the uncertainty of the environmental conditions surrounding the organization (Ogbeide and Harrington, 2011; Chaimankong and Prasertsakul, 2019).

There have a number of obstacles that contribute to the failure of the strategic plans to achieve their planned goals, and may eventually lead to a complete failure to implement such plans, and among these obstacles (Al-Qahtani, 2020)

- Organizational obstacles: the lack of capital necessary to implement the strategic plan. the lack of data and information, and the weakness of the organizational structure falls within this type of obstacles.
- Environmental obstacles: These are the rapid and continuous changes and transformations in the types of environments surrounding organizations, whether it is the industry environment to which the organization is affiliated, or the political, legal, economic, social, and technological environments, which make it difficult to practice or adhere to strategic planning.

3.5 Bank financing to SMEs in Palestine: an analytical aspect

This part of the study will discuss the sources of money in the Palestinian banking sector and its uses, and the role of PMA strategy in directing available cash in banks for the local economy According to the annual report of PMA for the year 2020.

The method of distributing funds and credit policies play an important role in influencing the course of the overall economy, and pushing it towards stimulation, or alleviating some undesirable

social economic phenomena, such as unemployment, poverty, and others. The supervisory authority can influence credit behavior, whether at the level of supply or demand, through some incentive measures with the aim of influencing the size and composition of credit portfolios, especially those related to the private sector, such as stimulating banks to increase the provision of credit to some areas (Jerusalem, Gaza) , or for some economic sectors, actors (SME sector, productive sectors, development sectors), or for some economic activities (entrepreneurship, technology, education, tourism, agriculture, women, professions and handicrafts, etc.).

The analysis of the financial statements of the banking sector showed an increase in total all banks assets in 2020 by about 11.0% compared to the end of the year 2019, to reach about 19.9 billion dollars in 2020. about the sources of funds available to the banking sector, the data indicate that customer deposits still account for the largest share of the total liabilities, with their relative importance rising to 76.1% of the total available sources of funds, as the relative importance of bank deposits declined (PMA and Banks) to 6.8% (PMA 4.0%, outside Palestine 0.5%, and inside Palestine 2.3%), and the relative importance of property rights declined to 9.9%. As for the rest of the other liabilities, their relative importance increased to 7.2% during the same period. Through the indicators of the sources of funds available to banks, it is concluded that the bulk of the money that has been loaned has a cost to be paid to the depositors, higher deposit expenses lead to a higher cost of lending.

As for the use of available funds in the banking sector, the data indicates that the credit facilities portfolio continues to get the largest share, at 50.7% of total assets at the end of 2020, registering an increase of 11.5% compared to the end of 2019, to reach 10.1 Billion dollar in 2020. In addition to the increase in the relative importance of stocks that invested outside Palestine to about 16.5%. In contrast, the relative importance of cash inside Palestine decreased to about 20.1%, following the continuation of the operations of shipping surplus cash in shekels to Israel. The relative importance of investments and portfolio of securities also declined to 6.9%, and fixed assets and other assets declined to 5.8% of total assets during the same period.

It is clear from the above analysis that these changes and movements in the relative importance of the sources and uses of funds in the banking sector are natural movements, which have accompanied the banking sector over the years. These are the result of the limitations and measures taken by the Palestinian Monetary Authority, in cooperation with the banking sector, to increase the direct investment of funds in the local economy, as the banking sector was able during the year 2020, to invest 83.5% of its sources of funds in the local Palestinian economy, distributed among loans, deposits, cash, investments, and fixed assets, in return for about 16.5% invested outside the Palestinian economy.

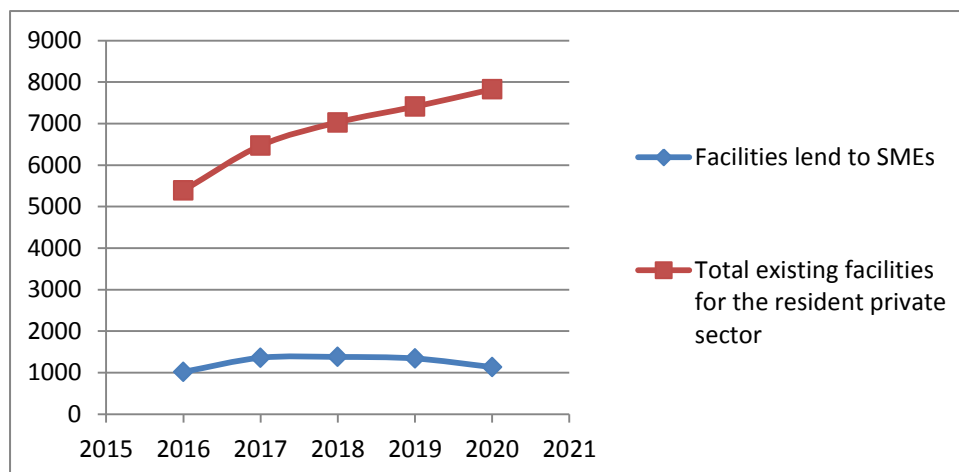
With regard to the portfolio of existing credit facilities for SMEs during the period from 2016 to 2020, out of the total existing facilities for the registered private sector, it amounted to the following:

Table no.2: Existing facilities for SMEs 2016 – 2020.

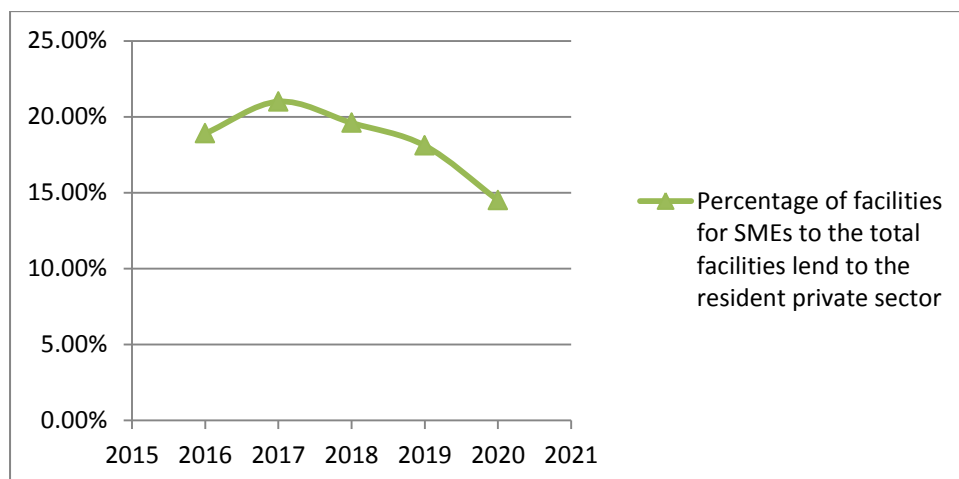
million \$	Existing facilities for SMEs 2016 - 2020		
	Facilities lend to SMEs	Total existing facilities for the resident private sector	Percentage of facilities for SMEs to the total facilities lend to the resident private sector
2016	1018.5	5387.66	18.9%
2017	1358	6470.7	21.0%
2018	1377.9	7029.03	19.6%
2019	1340.5	7408.11	18.1%
2020	1133.7	7826.09	14.5%

Source: Palestine Monetary Authority reports. (2020).

From the above table, it is noted that the relative importance of credit facilities provided to SMEs decreased during the last period.

Chart no.3: Existing facilities for SMEs 2016 – 2020.

Source: Palestine Monetary Authority reports. (2020).

Chart no.4: Percentage of facilities for SMEs to the total facilities lend to the resident private sector.

Source: Palestine Monetary Authority reports. (2020).

4. Research Methodology:

- This study uses a descriptive research approach to collect data of SMEs' bank financing in Palestine to explore the factors that affect the supply sides for bank financing to SMEs.
- The study focuses on descriptive research method (questionnaire) with the banks' credit officers, credit managers, and top management (who have experience of SMEs financing), and with credit controllers in Palestine.

Collection data includes the use of two sources:

First: Secondary data sources:

1. Collecting data from reviewing previous studies that dealt with bank financing in Palestine and their role in the development process. In addition to reviewing official laws and legislation that clarify the powers and role of the Palestinian Monetary Authority in influencing the size of bank financing to SMEs.
2. Collecting quantitative data for SMEs bank financing from:
 - PMA reports.
 - Association of banks in Palestine reports.
 - Palestine Capital Market Authority-The National Strategy for Financial Inclusion in Palestine.
 - The Palestinian Central Bureau of Statistics reports.

Second: the primary data sources:

The study collects the Preliminary data through an interrogation with credit officers, credit managers, and top management in working banks, and credit controllers in Palestine Monetary Authority. The questionnaire was delivered to a sample of the population through their institutions. Before distributing the final questionnaire, the researcher was examining the questionnaire for validity and reliability with three experts to see if the questionnaire is understandable or needs improvement. The study considers the participant banks a representative sample of the banking sector and the followed credit policy, as they represent local banks, foreign banks operating in Palestine, and relatively small and large banks.

4.1 Research instruments: Study area, sample size.

- The study area of this research was the Palestinian banking sector.

The sample for this study includes credit officers, credit managers, and top management in working banks in Palestine, and credit controllers in Palestine Monetary Authority. The questionnaire was distributed electronically to a wide level and the number of participants reached 55. The following table shows the names of the participant institutions representing the study sample, and the number of questionnaires that were received, in addition to the percentage.

Table no. 3: Number of questionnaires received for each institution.

Institution name	questionnaires received	percentage
Cairo Amman Bank	8	14.5%
Housing Bank for Trade and Finance	7	12.7%
Bank of Jordan	6	11%
National Bank	10	18.2%
Al-Quds Bank	8	14.5
Al-Safa Bank	5	9.1%
Palestine Monetary Authority	11	20%
TOTAL	55	100%

4.2 Data analysis:

This study relied on the questionnaire as a Research instrument for obtaining primary data, the questionnaire is divided into two Sections:

- Section One: This section includes the characteristics of the study sample members and represents general information related to the description of the study sample and includes 6 phrases.
- The second section: This section included the basic phrases of the study, which are the main axes through which the hypotheses of the study are tested. It included 15 phrases representing the research axes.

The internal consistency and stability test for the measures used in the study: Cronbach's Alpha coefficient was used, which takes values ranging from zero to one. If there is no stability in the data, the value of the coefficient is equal to zero, and on the contrary, if there is complete stability in the data, the value of the coefficient is equal to one. The results of the analysis of the questionnaire showed that the value of the Cronbach's Alpha coefficient was 0.796, which enables us to rely on these answers in achieving the objectives of the study and analyzing its results, and means that there are low deviations from the average, amounting to 0.204 only.

In this chapter, the results of the study will be determined through the information collected through the questionnaire that was distributed to the study sample, where the data in the questionnaire is divided into two sections:

First section: Characteristics of the study sample:

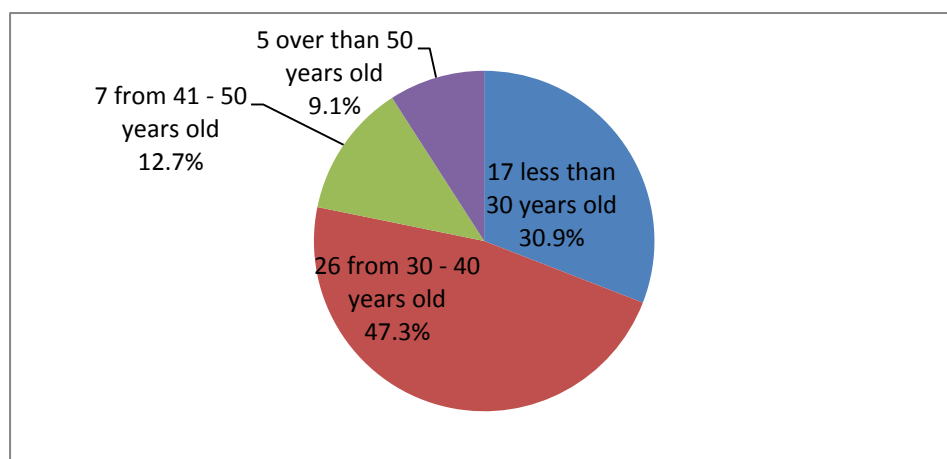
The study sample includes the following characteristics:

1) **Age**

Table no. 4: Frequency distribution according to age.

Age	Frequency	Percent
less than 30 years old	17	30.9
30 - 40 years old	26	47.3
41 - 50 years old	7	12.7
over than 50 years old	5	9.1
Total	55	100.0

Source: prepared by the researcher: from the results of statistical analysis

Chart no.5: The shape of the frequency distribution according to age.

Source: prepared by the researcher: from the results of statistical analysis

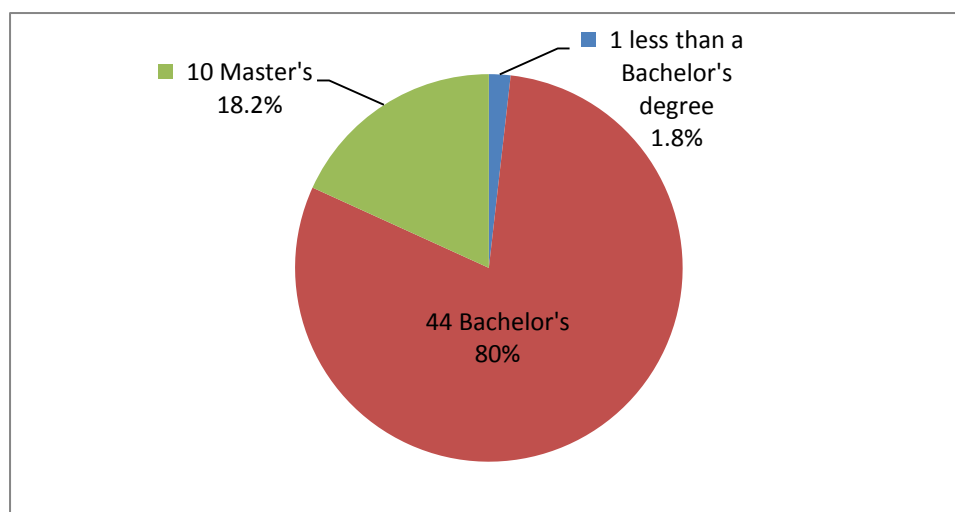
It is clear from the age-related table and shape above that the majority of the sample members are 30-40 years old, as their number reached 26 people, 47.3% of the sample members, followed by the group less than 30 years old, as their number reached 17 people with 30.9%, then those who are 41-50 years old. Their number reached 7 people, 12.7% of the sample members, and finally those who are over than 50 years old, where their number reached 5 people with 9.1% of the sample members.

2) Qualification:

Table no. 5: Frequency distribution according to qualification.

Qualification	Frequency	Percent
less than a Bachelor's degree	1	1.8
Bachelor's	44	80.0
Master's	10	18.2
Total	55	100.0

Source: prepared by the researcher: from the results of statistical analysis

Chart no.6: The shape of the frequency distribution according to qualification.

Source: prepared by the researcher: from the results of statistical analysis

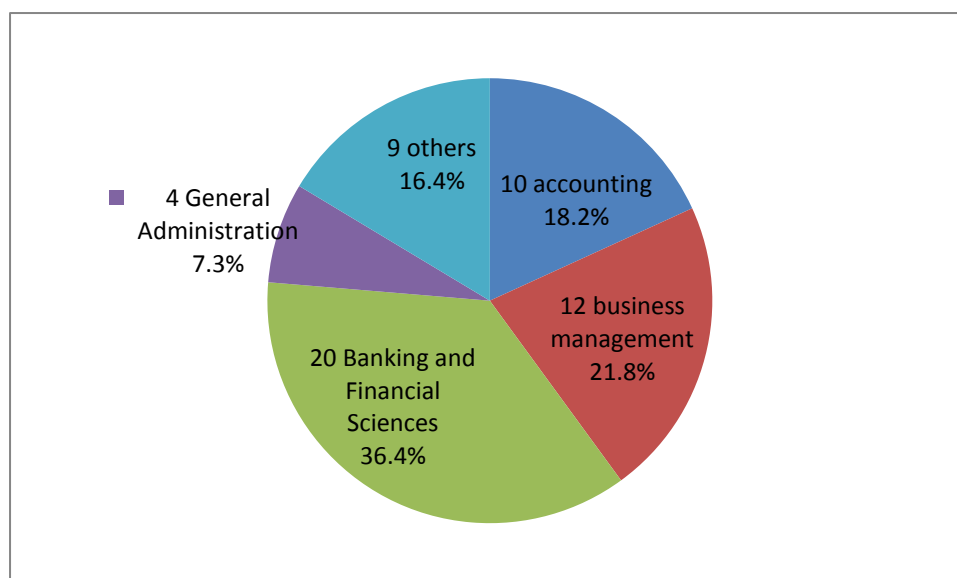
From the above table and shape regarding the educational level of the sample members, it can be seen that the majority of the sample hold a bachelor's degree, as their number reached 44 people, 80% of the sample member, followed by the group who hold master's degree as their number reached 10 people, 18.2% of the sample member, and then who hold less than a Bachelor's degree, 1.8% of the sample member.

3) Specialization:

Table no. 6: Frequency distribution according to Specialization.

Specialization	Frequency	Percent
accounting	10	18.2
business management	12	21.8
Banking and Financial Sciences	20	36.4
General Administration	4	7.3
others	9	16.4
Total	55	100.0

Source: prepared by the researcher: from the results of statistical analysis

Chart no.7: The shape of the frequency distribution according to Specialization.

Source: prepared by the researcher: from the results of statistical analysis

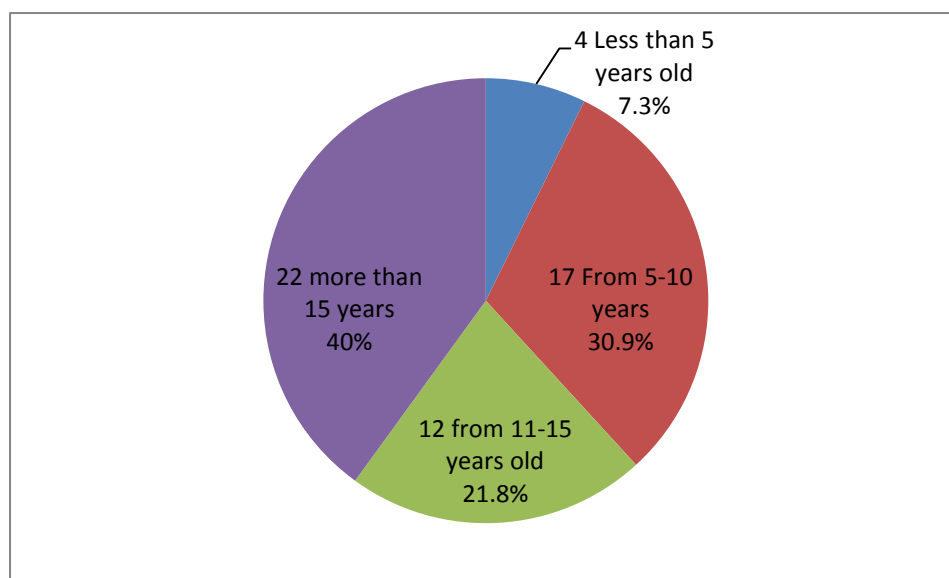
From the above table and shape regarding the specialization of the sample members, it can be seen that the majority of the sample specialized a Banking and Financial Sciences, as their number reached 20 people, 36.4% of the sample member, followed by the group who specialized business management as their number reached 12 people, 21.8% of the sample member, and then who specialized in accounting, as their number reached 10 people 18.2% of the sample member, followed by the group who specialized in General Administration, as their number reached 4 people, 7.3% of the sample member, and then who have others specialization, as their number reached 9 people, 16.4% of the sample member.

4) Years of Experience:

Table no. 7: Frequency distribution according to Years of Experience.

Years of Experience	Frequency	Percent
Less than 5 years old	4	7.3
From 5-10 years	17	30.9
11-15 years old	12	21.8
more than 15 years	22	40.0
Total	55	100.0

Source: prepared by the researcher: from the results of statistical analysis

Chart no.8: The shape of the frequency distribution according to Years of Experience.

Source: prepared by the researcher: from the results of statistical analysis

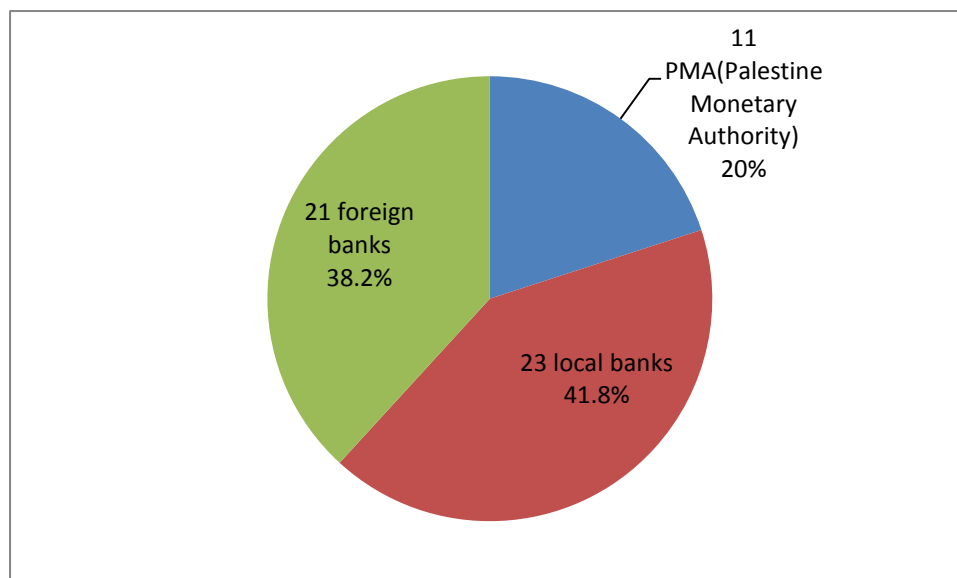
It is clear from the above table and shape regarding the years of experience among the sample members, that the majority of the sample members have more than 15 years of experience, as their number reached 22, 40% of the sample members, and then who have 5 – 10 years of experience, as their number reached 17, 30.9% of the sample members, and then who have 11 – 15 years of experience, as their number reached 12, 21.8% of the sample members, and in the least who have less than 5 years of experience, as their number reached 4 people, 7.3% of the sample members.

5) Working for:

Table no. 8: Frequency distribution according to Working for.

Working for	Frequency	Percent
PMA(Palestine Monetary Authority)	11	20.0
local banks	23	41.8
foreign banks	21	38.2
Total	55	100.0

Source: prepared by the researcher: from the results of statistical analysis

Chart no.9: The shape of the frequency distribution according to Working for.

Source: prepared by the researcher: from the results of statistical analysis

It is clear from the above table and shape regarding the working place among the sample members, that the majority of the sample members were working for local banks, as their number reached 23 people, 41.8% of the sample members, and then who working for foreign banks , as their number reached 21, 38.2% of the sample members, and then who have 11 – 15 years of experience, as their number reached 12, 21.8% of the sample members, and then who working for PMA, as their number reached 11 people, 20% of the sample members.

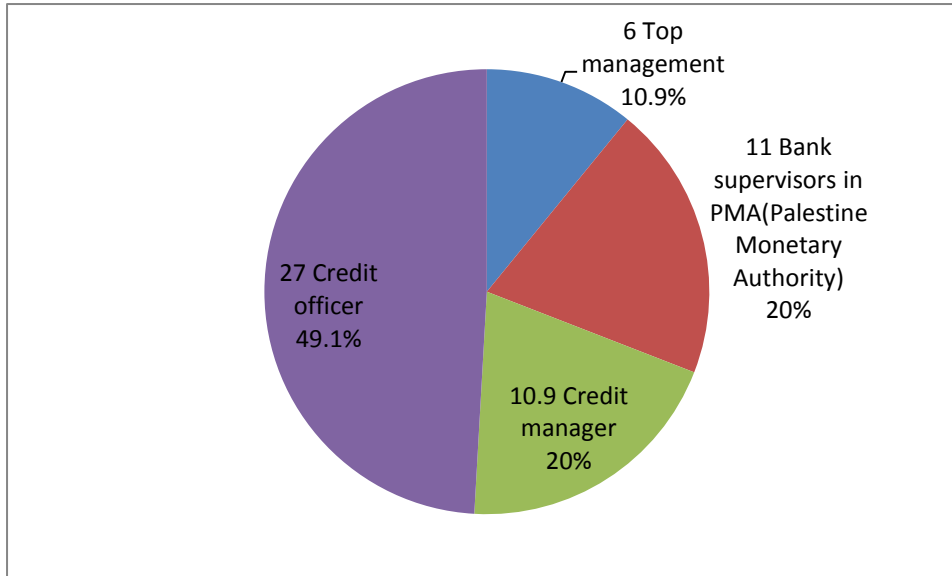
6) Job position:

Table no. 9: Frequency distribution according to Job position.

Job position	Frequency	Percent
Top management	6	10.9
Bank supervisors in PMA(Palestine Monetary Authority)	11	20.0
Credit manager	11	20.0
Credit officer	27	49.1
Total	55	100.0

Source: prepared by the researcher: from the results of statistical analysis

Chart no.10: The shape of the frequency distribution according to job position.



Source: prepared by the researcher: from the results of statistical analysis

from the above table and shape regarding the job position among the sample members, It is clear that the majority of the sample members are Credit officers, as their number reached 27 people, 49.1% of the sample members, and then who are Credit managers , as their number reached 11, 20% of the sample members, and who are a Bank supervisors in PMA, as their number reached 11, 20% of the sample members, and then who are a top management, as their number reached 6 people, 10.9% of the sample members.

Second section: Basic information analysis:

This part includes the analysis of basic information that responds to the hypotheses, as the first hypothesis corresponds to six statements, the second hypothesis corresponds to five statements, and the third hypothesis has four statements.

1. Measuring the importance of each axis and statement:

The questionnaire was designed according to the likert five-point scale, which starts with a strongly agree to strongly disagree. A specific weight was given to each statement as in the following table:

Table no. 10: The likert five-point scale.

compatibility phrase	phrase weight
Strongly Agree	5
Agree	4
Neutral	3
Disagree	2
Strongly Disagree	1

The degree of significance was interpreted based on the number of options and categories in the scale and range, and since the highest value is 1 and the lowest value is 5, the range is equal to 4. The category length has calculated by dividing the range by the number of categories $4/5 = 0.80$ and it can be clarified the degree of significance of each of the likert scales is shown in the following table:

Table no. 11: 5-points likert scale intervals.

Likert-scale	interval	description (significance degree)
1	1- 1.80	Strongly Disagree
2	1.81- 2.60	Disagree
3	2.61 – 3.40	Neutral
4	3.41 – 4.20	Agree
5	4.21 – 5	Strongly Agree

Statements have been evaluated according to the weighted mean given in the above table.

2. Evaluation of measurement tools:

The evaluation of measurement tools means a measuring the reliability or validity of the measurement tool and its ability to measure what it was designed for. Complete validity means that the instrument is free from measurement errors, whether they are random or regular. In the first

stage, the study relied on evaluating the appropriateness of the phrases used to express the hypotheses of the study, and verifying that the phrases that used to measure a “certain” concept actually measure this concept and do not measure other dimensions.

The following presents the results of the analysis of the measures used in the study:

A. Scale content validity test: The content validity test for the phrases included in the questionnaire was conducted through (assessing the validity of the concept that may be due to different meanings according to the culture of the society and the study sample). in the beginning, the questionnaire was presented to (3) arbitrators specialized in the subject of the study to ensure its relevance to the subject of the study and the study community, as well as to analyze the contents of the scales statements and determine the extent of compatibility between the statements expressing each question. According to the arbitrators' opinion, some statements were accepted and others proposed to be amended. After the questionnaire returned from the arbitrators, the amendments that suggested to do it were made. The diversity of the arbitrators' specializations contributed to the scientific addition to the questionnaire, and thus the questionnaire was designed in its final form.

B. Testing the consistency and internal stability of the scales used in the study: (Consistency means the stability of the scale and not contradicting itself, meaning that the scale gives the same results if it is re-applied to the same sample. Thus, it leads to obtaining the same results or compatible results every time it is Re-measurement the greater the degree of stability of the instrument, the greater the confidence in it, and there are several ways to verify the stability of the scale, including the split-half method and the Cronbach's alpha method to ensure the internal consistency of the measures, and the Cronbach's alpha coefficient has been used, which takes values ranging from zero to one. If there is no stability in the data, then the value of the coefficient is equal to zero, and on the contrary, if there is complete stability in the data, the value of the coefficient is equal to one. That is, increasing the Cronbach's alpha coefficient means increasing the reliability of the data in a way that

enhances the use of the results deduced from the sample to the study population, the decrease in value is evidence of a decrease in the internal stability (Reliability).

The following table shows the stability analysis of the study measures, indicating the values of Cronbach's alpha coefficient for the study's statements:

Table no. 12: Cronbach's alpha coefficient value for the study's statements.

Reliability Statistics	
Cronbach's Alpha	N of Items
.796	15

Source: prepared by the researcher: from the results of statistical analysis

From the above table, it is clear that the value of Cronbach's alpha has equal to 0.796, this confirms the high degree of stability of the resolution.

1. Descriptive analysis of the approval degree of the research axes:

The approval degree of respondents on the statements corresponding to each axis will be analyzed in the following:

- **The first axis: the impact of strategic planning for banks on bank financing for SMEs in Palestine:**

Table no. 13: Frequency distribution table for the first axis phrases.

Phrases	missed	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
One of the priorities of banks is financing SMEs	-	19	30	2	2	2
	-	34.5	54.5	3.6	3.6	3.6
Banks are exposed to additional risks in financing SMEs	-	17	29	6	3	-
	-	30.9	52.7	10.9	5.5	-

There is a strategic direction for banks to increase SMEs financing	-	17	30	1	5	2
	-	30.9	54.5	1.8	9.1	3.6
SMEs constitute a target market for banks to increase the size of their credit portfolios and make profits from them	-	19	30	4	1	1
	-	34.5	54.5	7.3	1.8	1.8
The Bank organizes training courses for employees to raise their capabilities and efficiency in financing SMEs	-	10	29	11	4	1
	-	18.2	52.7	20.0	7.3	1.8
Loan guarantee funds motivates banks to increase the volume of bank financing for SMEs	-	14	33	3	3	2
		25.5	60.0	5.5	5.5	3.5

Source: prepared by the researcher: from the results of statistical analysis

It is noted from the above table that the approval percentage of the sample members is high and ranges 70.9 - 89.0 for all axis phrases, and when analyzing the phrases according to the arithmetic mean value, this is evident from the following table:

Table no. 14: Significance level analysis of the first axis phrases.

Phrases	Mean	Std. Deviation	significance level
One of the priorities of banks is financing SMEs	4.1273	.92405	high
Banks are exposed to additional risks in financing SMEs	4.0909	.79983	High

There is a strategic direction for banks to increase SMEs financing	4.0000	1.01835	High
SMEs constitute a target market for banks to increase the size of their credit portfolios and make profits from them.	4.1818	.79561	High
The Bank organizes training courses for employees to raise their capabilities and efficiency in financing SMEs	3.7818	.89631	High
Loan guarantee funds motivates banks to increase the volume of bank financing for SMEs	3.9818	.93276	high

Source: prepared by the researcher: from the results of statistical analysis

From the previous table it is noted that:

1. That all axis statements were highly significant.
2. The phrase that got the highest mean is “SMEs constitute a target market for banks to increase the size of their credit portfolios and make profits from them”.
3. Followed by the phrase “One of the priorities of banks is financing SMEs”.
4. The phrase that got the least mean is “The Bank organizes training courses for employees to raise their capabilities and efficiency in financing SMEs”.

➤ **The second axis: the impact of strategic planning for PMA on bank financing to SMEs in Palestine:**

Table no. 15: Frequency distribution table for the second axis phrases.

Phrases	missed	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
bank's commitment to the directives of the supervisory authorities regarding compliance with the requirements of the national strategy for financial	-	4	22	25	4	-
	-	7.3	40.0	45.5	7.2	-

inclusion increases the volume of bank financing for SMEs						
The Palestine Monetary Authority contributes to raising the administrative awareness of owners of SMEs	-	6	36	12	1	-
	-	10.9	65.5	21.8	1.8	-
The Palestine Monetary Authority provides effective programs in linking owners of SMEs with operating banks in Palestine	-	2	29	20	4	-
	-	3.6	52.7	36.4	7.3	-
Supporting SMEs is one of the priorities of the Palestinian Monetary Authority	-	6	36	12	1	-
	-	10.9	65.5	21.8	1.8	
The Palestinian Monetary Authority encourages banks to increase bank financing for SMEs	-	6	32	14	3	
	-	10.9	58.1	25.5	5.5	

Source prepared by the researcher: from the results of statistical analysis

It is noted from the above table that the approval percentage of the sample members is ranges 47.3 - 76.4 for all axis phrases, and when analyzing the phrases according to the arithmetic mean value, this is evident from the following table:

Table no. 16: Significance level analysis of the second axis phrases.

Phrases	Mean	Std. Deviation	significance level
---------	------	----------------	--------------------

bank's commitment to the directives of the supervisory authorities regarding compliance with the requirements of the national strategy for financial inclusion increases the volume of bank financing for SMEs	3.4727	.74173	high
The Palestine Monetary Authority contributes to raising the administrative awareness of owners of SMEs	3.8545	.62118	high
The Palestine Monetary Authority provides effective programs in linking owners of small and medium enterprises with operating banks in Palestine	3.5273	.69000	high
Supporting SMEs is one of the priorities of the Palestinian Monetary Authority	3.8545	.62118	high
The Palestinian Monetary Authority encourages banks to increase bank financing for SMEs	3.7455	.72567	high

Source: prepared by the researcher: from the results of statistical analysis

From the previous table it is noted that:

1. That all axis statements were highly significant.
2. The phrase that got the highest mean is "The Palestine Monetary Authority contributes to raising the administrative awareness of owners of SMEs", and "Supporting SMEs is one of the priorities of the Palestinian Monetary Authority".
3. Followed by the phrase "The Palestinian Monetary Authority encourages banks to increase bank financing for SMEs", and then by the phrase "The Palestine Monetary Authority provides effective programs in linking owners of small and medium enterprises with operating banks in Palestine".
4. The phrase that got the least mean is "bank's commitment to the directives of the supervisory authorities regarding compliance with the requirements of the national strategy for financial inclusion increases the volume of bank financing for SMEs".

➤ **The third axis: the impact of strategic planning for SMEs on SMEs bank financing in Palestine:**

Table no. 17: Frequency distribution table for the third axis phrases.

phrases	missed	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
SMEs managements lack awareness of the importance of strategic planning for their enterprises	-	11	38	6	-	-
	-	20.0	69.1	10.9	-	-
The SMEs managements is concern for focused on short-term operational planning for the business of their enterprises	-	11	37	4	3	-
	-	20.0	67.3	7.3	5.5	-
Training the owners of SMEs to manage their institutions increases the eligibility of these institutions to obtain the required financing from banks	-	21	32	2	-	-
	-	38.2	58.2	3.6	-	-
The presence of strategic planning for SMEs is one of the bases for making the credit decision to finance these projects	-	4	23	16	10	2
	-	7.3	41.8	29.1	18.2	3.6

Source: prepared by the researcher: from the results of statistical analysis

It is noted from the above table that the approval percentage of the sample members is ranges 49.1 - 96.4 for all axis phrases, and when analyzing the phrases according to the arithmetic mean value, this is evident from the following table:

Table no. 18: Significance level analysis of the third axis phrases.

Phrases	Mean	Std. Deviation	significance level
SMEs managements lack awareness of the importance of strategic planning for their enterprises	4.0909	.55353	high
The SMEs managements is concern for focused on short-term operational planning for the business of their enterprises	4.0182	.70687	high
Training the owners of SMEs to manage their institutions increases the eligibility of these institutions to obtain the required financing from banks	4.3091	.66312	Very high
The presence of strategic planning for SMEs is one of the bases for making the credit decision to finance these projects	3.3091	.97890	Medium

Source: prepared by the researcher: from the results of statistical analysis

From the previous table it is noted that:

1. That some axis phrases were highly significant, it is “SMEs managements lack awareness of the importance of strategic planning for their enterprises”, and “The SMEs managements is concern for focused on short-term operational planning for the business of their enterprises”, and other statement was a very highly significance which is “Training the owners of SMEs to manage their institutions increases the eligibility of these institutions to obtain the required financing from banks”, and other statement was a medium significance “The presence of

strategic planning for SMEs is one of the bases for making the credit decision to finance these projects”.

2. The phrase that got the highest mean is “Training the owners of SMEs to manage their institutions increases the eligibility of these institutions to obtain the required financing from banks”.
3. Followed by the phrase “SMEs managements lack awareness of the importance of strategic planning for their enterprises”, and then by the phrase “The SMEs managements is concern for focused on short-term operational planning for the business of their enterprises”.
4. The phrase that got the lowest mean is “The presence of strategic planning for SMEs is one of the bases for making the credit decision to finance these projects”.

4.3 Discussion of Hypotheses:

The hypotheses will be discussed through the degree of total agreement with the hypothesis and the corresponding percentage, the chi-square and the level of statistical significance of the chi-square.

- **First Hypotheses: There is no effective role for strategic planning of the regulatory and supervisory authorities (PMA) for motivating banks to directing credit towards SMEs in Palestine.**

The hypothesis reliability and the standard deviation were used for analysis, and the results were as follows:

Table no. 19: The first hypothesis reliability.

hypothesis proponents	Reliability average		significance level
	Mean	percent	
41	3.6909	0.738	High
55			Total

Source: Prepared by the researcher from the results of statistical analysis

It is clear from the above table that the level of total approval equals 3.6909, which equates to a high degree of approval, as 41 people from the respondents were supported the hypothesis that states that there is an effective role for strategic planning of the regulatory and supervisory authorities (PMA) for motivating banks to directing credit towards SMEs in Palestine.

When estimating the level of statistical significance for the first hypothesis by analyzing a One-Sample Test, the following table shows the test results:

Table no. 20: The results for the first hypothesis by analyzing a One-Sample Test.

One-Sample Test						
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
PMA STRATEGY	55.563	54	.000	3.69091	3.5577	3.8241

Source: Prepared by the researcher from the results of statistical analysis

When studying the significant value of the level of statistical significance for the weighted arithmetic mean for the first hypothesis, which is equal to 00. It is less than 5%, which indicates that there is a statistically significant relationship to the hypothesis, and therefore the null hypothesis is rejected, which is that there is no effective role for strategic planning of the regulatory and supervisory authorities (PMA) for motivating banks to directing credit towards SMEs in Palestine.

- **Second Hypotheses: There is no strategic planning for the banking sector to directing credit towards SMEs in Palestine.**

The hypothesis reliability and the standard deviation were used for analysis, and the results were as follows:

Table no. 21: The second hypothesis reliability.

hypothesis proponents	Reliability average		significance level
	Mean	percent	
45	4.0273	0.80546	High
55			Total

Source: Prepared by the researcher from the results of statistical analysis

It is cleared from the above table that the level of total approval equals 4.0273, which equates to a high degree of approval, as 45 people from the respondents supported the hypothesis that states that there is a strategic planning for the banking sector to directing credit towards SMEs in Palestine.

When estimating the level of statistical significance for the second hypothesis by analyzing a One-Sample Test, the following table shows the test results:

Table no. 22: The results for the second hypothesis by analyzing a One-Sample Test.

One-Sample Test						
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Banks Strategy	41.778	54	.000	4.02727	3.8340	4.2205

Source: Prepared by the researcher from the results of statistical analysis

When studying the significant value of the level of statistical significance for the weighted arithmetic mean for the second hypothesis, which is equal to 00. It is less than 5%, which indicates that there is a statistically significant relationship to the hypothesis, and therefore the null hypothesis is rejected, which is that there is no strategic planning for the banking sector to directing credit towards SMEs in Palestine.

- **Third Hypotheses: There is no role for the presence of strategic planning for SMEs and SMEs eligibility factors in directing bank financing for SMEs in Palestine.**

The hypothesis reliability and the standard deviation were used for analysis, and the results were as follows:

Table no. 23: The third hypothesis reliability.

hypothesis proponents	Reliability average		significance level
	Mean	percent	
44	3.9318	0.79	High
55			Total

Source: Prepared by the researcher from the results of statistical analysis

- It is clear from the above table that the level of total approval equals 3.9318, which equates to a high degree of approval, as 44 people from the respondents were supported the hypothesis that states that there is a role for the presence of strategic planning for SMEs and SMEs eligibility factors in directing bank financing for these projects.
- When estimating the level of statistical significance for the third hypothesis by analyzing a One-Sample Test, the following table shows the test results:

Table no. 24: The results for the third hypothesis by analyzing a One-Sample Test.

One-Sample Test						
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
SMEs Strategy	80.662	54	.000	3.93182	3.8341	4.0295

Source: Prepared by the researcher from the results of statistical analysis

The significant value of the level of statistical significance for the weighted arithmetic mean for the third hypothesis is equal to 00. It is less than 5%, which indicates that there is a statistically

significant relationship to the hypothesis, and therefore the null hypothesis is rejected, which is that there is no role for the presence of strategic planning for SMEs and SMEs eligibility factors in directing bank financing for these projects.

5. Conclusions and Recommendations:

Conclusions:

- 1) The research concluded that the level of total approval for the first hypothesis is 3.6909, which is equivalent to a high degree of approval, as 41 people from the respondents were supported the hypothesis which states that there is an effective role for strategic planning of the regulatory and supervisory authorities (PMA) for motivating banks to directing credit towards SMEs in Palestine.
- 2) The research concluded that the level of total approval for the second hypothesis is 4.0273, which is equivalent to a high degree of approval, as 45 people (81.8%) from the respondents were agreed the hypothesis that states that there is a strategic planning for the banking sector to directing credit towards SMEs in Palestine.
- 3) The research concluded that the level of total approval for the third hypothesis is 3.9318, which is equivalent to a high degree of approval, as 44 people (80%) from the respondents were agreed the hypothesis that states that there is a role for the presence of strategic planning for SMEs and SMEs eligibility factors in directing bank financing for these projects.
- 4) It is noted that there are strategic directions for the supervisory authorities (the Palestinian Monetary Authority) and for the banks operating in Palestine to direct bank financing towards SMEs. There for the level of total approval for the phrase of “Supporting SMEs is one of the priorities of the Palestinian Monetary Authority” is 3.8545, as 42 people (76.3%) from the respondents were agree, and 12 people (21.8%) from the respondents were neutral, and the level of total approval for the phrase of “One of the priorities of banks is financing

SMEs” is 4.1273, as 49 people (89%) from the respondents were agree, and 2 people (3.6%) from the respondents were neutral.

- 5) It is noted that the strategic directions of banks to directing credit to SMEs is linked to reducing the SMEs loans risks, and is also linked to the availability of eligibility factors for those projects to obtain the required bank financing.
- 6) It is noted that the volume of existing financing for SMEs is low during the period from 2016-2020, as it constituted 14.5% of the total facilities provided to the resident private sector during the year 2020, and it is noted that there is an inverse direction between the volume of loans provided to SMEs and the total loans Provided to the resident private sector during the period 2017-2020 despite the presence of the strategic directions of the banks and the procedures of the PMA to direct credit to these projects, and this is mainly due to the banks’ adherence to the policy of avoiding risks, especially during the year 2020 due to the crisis of the spread of the Corona virus and the accompanying government measures of Closing projects and restricting commercial traffic.

Recommendations:

- 1) The study recommends to holding training courses for SMEs owners through the establishment of training and development centers and administrative, marketing and technical qualifications to raise the skills of SMEs owners, and this reduces risks of Bank financing for SMEs.
- 2) The study recommends the provision of special employees in banks to financing SMEs and to training them on an ongoing basis due to the sensitive nature of the SMEs activity.
- 3) the study recommends to holding a Governmental encouragement to banks by providing banks free or reduced interest loans, preferential tax transactions or tax exemptions in return for increased lending and risk taking on SMEs financing.
- 4) Forming government guarantee funds with government capital through grants provided by donors to the government in order to guarantee loans to SMEs, or through In cooperation

with the private sector under the titles of social responsibility to achieve the goals of comprehensive national development, and with a coordination between government and PMA, Taking into consideration that reduced commissions are collected from banks instead of guarantees, in order to avoid increasing lending costs for the financed SMEs.

- 5) Involving civil society institutions, in coordination with the PMA, in informing society of the importance of the national plan for financial inclusion to enhance financial and banking culture, through periodic programs and courses that targeting different segments of society and not only through the media.
- 6) Activating the performance of the Palestinian Monetary Authority in linking SMEs with banks through programs that provide soft facilities to the accounts of small and medium enterprises, which encourage SMEs to start dealing with banking services.
- 7) The study recommends Motivating banks to financing SME through the special supporting programs to support SMEs by paying the interests of loans provided to SMEs from those programs.
- 8) The study recommends to conducting future research regarding the assessment of the demand sides for bank financing to SMEs.

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Appendix

Part one: sample characteristics

1. Age

- less than 30 years old
- 30-40 years old
- 41-50 years old
- over 50 years old

2. Qualification

- Less than a Bachelor's degree
- Bachelor's
- Master's
- PhD

3. Specialization

- accounting
- business management
- Banking and Financial Sciences
- General Administration

4. Years of Experience

- Less than 5 years old
- From 5-10 years
- 11-15 years old
- more than 15 years

5. Working for

- PMA(Palestine Monetary Authority)
- local banks
- foreign banks

6. Job position

- credit officer
- credit manager
- Bank supervisors in PMA(Palestine Monetary Authority)

Part two:

Please express your opinion according to the likert scoring scale (strongly agree, agree, neutral, disagree, and strongly disagree) in the table below, based on your knowledge of SMEs bank financing:

Sentence	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Strategic planning for banks					
One of the priorities of banks is financing SMEs					
Banks are exposed to additional risks in financing SMEs					
There is a strategic direction for banks to increase SMEs financing					
SMEs constitute a target market for banks to increase the size of their credit portfolios and make profits from them.					
The Bank organizes training courses for employees to raise their capabilities and efficiency in financing SMEs					
Loan guarantee funds motivates banks to increase the volume of bank financing for SMEs					
Strategic planning for supervisory authority					
bank's commitment to the directives of the supervisory authorities regarding compliance with the requirements of the national strategy for financial inclusion increases the volume of bank financing for SMEs					
The Palestine Monetary Authority contributes to raising the administrative awareness of owners of SMEs					

The Palestine Monetary Authority provides effective programs in linking owners of small and medium enterprises with operating banks in Palestine					
Supporting SMEs is one of the priorities of the Palestinian Monetary Authority					
The Palestinian Monetary Authority encourages banks to increase bank financing for SMEs					
Strategic planning for SMEs					
SMEs managements lack awareness of the importance of strategic planning for their enterprises					
The SMEs managements is concern for focused on short-term operational planning for the business of their enterprises					
Training the owners of SMEs to manage their institutions increases the eligibility of these institutions to obtain the required financing from banks					
The presence of strategic planning for SMEs is one of the bases for making the credit decision to finance these projects					

ملخص الدراسة

هدفت الدراسة إلى تقييم أثر التخطيط الاستراتيجي للجهات الرئيسية التي تحفز البنوك على توفير التمويل للمشروعات الصغيرة والمتوسطة في فلسطين. من خلال استكشاف مدى الاهتمام الاستراتيجي للقطاع المصرفي، وسلطة النقد الفلسطينية (PMA) لدعم الشركات الصغيرة والمتوسطة من خلال توجيه التمويل المصرفي لهذه المشاريع من خلال استراتيجياتها المطبقة. بالإضافة إلى ذلك، هدفت هذه الدراسة إلى تقييم التخطيط الاستراتيجي للشركات الصغيرة والمتوسطة وعوامل أهليتها للحصول على التمويل المصرفي المطلوب من منظور القطاع المصرفي. تكمن مشكلة الدراسة في انخفاض نسبة التمويل المصرفي المقدم للمشاريع الصغيرة والمتوسطة مقارنة بالقطاعات الأخرى خلال الفترة 2015-2020. اعتمدت الدراسة على المنهج التاريخي لمتابعة الأدبيات السابقة بالإضافة إلى المنهج الوصفي لوصف وتحليل الظاهرة قيد الدراسة من الناحية النظرية. أما الجانب العملي فقد اعتمدت الدراسة على المنهج الإحصائي التحليلي باستخدام برنامج SPSS. ووجدت الدراسة أن هناك توجهًا استراتيجيًا للسلطات الرقابية (سلطة النقد الفلسطينية)، والبنوك العاملة في فلسطين لتوجيه التمويل المصرفي نحو المشاريع الصغيرة والمتوسطة. ترتبط التوجهات الاستراتيجية للبنوك لتوجيه الائتمان إلى المشاريع الصغيرة والمتوسطة بتقليل مخاطر قروض المشاريع الصغيرة والمتوسطة، كما أنها مرتبطة بتوافر عوامل الأهلية لتلك المشاريع للحصول على التمويل المصرفي المطلوب. وأوصت الدراسة بعقد دورات تدريبية لأصحاب المشاريع الصغيرة والمتوسطة من خلال إنشاء مراكز تدريب وتطوير لرفع مهارات أصحاب المشاريع الصغيرة والمتوسطة، مما يقلل من مخاطر التمويل المصرفي للمشاريع الصغيرة والمتوسطة. وتوصي الدراسة بإجراء تشجيع حكومي للبنوك من خلال تقديم قروض بفائدة مجانية أو مخفضة أو معاملات ضريبية تفضيلية أو إعفاءات ضريبية مقابل زيادة الإقراض وتحمل المخاطرة في تمويل المشاريع الصغيرة والمتوسطة. تشكيل صناديق ضمان حكومية برأس مال حكومي بالتنسيق بين الحكومة وسلطة النقد الفلسطينية مع الأخذ بعين الاعتبار عمولة ضمانات مخفضة لتجنب زيادة تكاليف الإقراض للشركات الصغيرة والمتوسطة الممولة. إشراك مؤسسات المجتمع المدني بالتنسيق مع سلطة النقد في توعية المجتمع بأهمية الخطة الوطنية للشمول المالي لتعزيز الثقافة المالية والمصرفية، من خلال البرامج والدورات الدورية التي تستهدف شرائح المجتمع المختلفة وليس فقط من خلال وسائل الإعلام. تفعيل أداء سلطة النقد في ربط المشاريع الصغيرة والمتوسطة بالبنوك من خلال برامج تقدم تسهيلات ميسرة لتلك المشاريع، مما يشجع المشاريع الصغيرة والمتوسطة على البدء في التعامل مع الخدمات المصرفية. تحفيز البنوك على تمويل المشروعات الصغيرة والمتوسطة من خلال برامج الدعم الخاصة لدعم المشروعات الصغيرة والمتوسطة من خلال سداد فوائد القروض الممنوحة للمؤسسات الصغيرة والمتوسطة من تلك البرامج. وتوصي الدراسة بإجراء بحث مستقبلي بشأن تقييم جوانب الطلب على تمويل البنوك للشركات الصغيرة والمتوسطة في فلسطين.