



Arab American University

Faculty of Graduate Studies

**The mediating effect of credit management on the relationship
between strategic planning and financial performance of
Microfinance Institutions in Palestine.**

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**This Thesis was submitted in partial fulfillment of the requirements for the
Master's degree in Strategic Planning and Fundraising**

September 2022

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Thesis approval

The mediating effect of credit management on the relationship between Strategic planning and financial performance of Microfinance Institutions in Palestine.

By

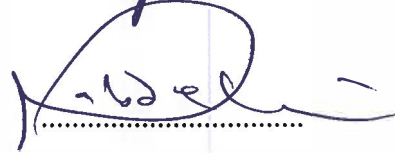
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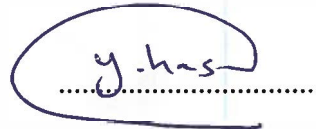
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Declaration

I am the undersigned Leena Hassan Abdul Rahman Abu Sbeih, holder of ID Card No. (854036654), I declare that, I know that I have been accepted in the Remedial Program for Master's degree in Strategic Planning and Fundraising, and that my acceptance doesn't mean, anyway, that I am accepted in Strategic Planning and Fundraising program.

I am also aware and I confirm that my acceptance in the program of Strategic Planning and Fundraising offered by the Arab American University- Jenin (AAUJ) is fully depends on passing the remedial courses announced in the Strategic Planning and Fundraising program, with average (3) or higher.

Consequently, I declare that the Arab American University - Jenin is not responsible for my failure to meet the admission requirements for the Strategic Planning and Fundraising program.

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Endorsement

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Consequently, I declare that the Arab American University - Jenin is not responsible for my failure to meet the admission requirements for the Strategic Planning and Fundraising program.

Name: Leena Hasan Abu Sbeih

Signature:



Leena.

Dedication

All thanks and praise belongs to Allah for giving me the ability to complete this journey.

I dedicate my Master thesis to the soul of my father. Losing you, my dear father, earlier this year shattered me to the core and nearly made me give up everything. Knowing how much you wanted me to succeed is what pushed me forward. Thank you for making me the woman that I am today.

My deepest love and appreciate goes to my dear mother for always encouraging me to pursue my dreams and to mother-in-law for her kindness and support. To the soul of my dear father-in-law, your presence and words of wisdom will be missed. You were my second father and to lose two fathers in the same year is a difficult test. I will remember the time we spent together fondly.

To my sister and brothers, I love you very much and I couldn't have asked for better a better family support system. In times that I was down, you lifted me up.

My sincerest thanks go to Dr. Mohammad Abu Sharbeh for his guidance, instruction and help through it all.

To my beloved husband Mohammad Nazzal who accepts the challenge with me & supports me all the time. I appreciate your patience, love and support.

And Finally, to my little boy Rayyan. I love you more than words can say. I did this for you because the better I am, the better I can be for you.

Leena Hassan Abu Sbeih

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Abstract

This research is aimed to examine the mediating effect of credit management for strategic planning and financial performance of microfinance institutions in Palestine. The questionnaires were distributed randomly among 270 experienced employees in strategic planning and credit management. The path analysis was employed to test the research hypotheses. The result revealed that strategic planning dimensions have no significant effect on financial performance, while strategic planning has a vital positive effect on credit management. Moreover, credit management was demonstrated to fully mediate the linkage between strategic planning and financial performance. The current study proved the hypothesis that credit management played an important mediating role in the relationship between strategic planning and financial performance. Microfinance institutions have good strategic planning and effective credit policy that leads to better financial performance indicators. Therefore, microfinance institutions are recommended to design a proper strategy in line with their credit management practices and procedures that provide a strong risk assessment to save their financial resources. By doing this, the best financial performance would be achieved.

Key words: strategic planning, credit management, financial performance, micro finance institutions.

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CHAPTER ONE: Introduction

1.1 Background of the Study

Nowadays, many people are shifting towards microfinance. Microfinance is defined as loan money to, money transfers, saving accounts, insurance, and other financial services that are provided to basically low-income people. In this context, microfinance institutions (MFIs)—includes providers that differ in structure, mission, practices, and procedures—offer these financial services to customers who do not have easy access to majority banks or other official financial service providers. In general, MFIs make their financial revenues and profit from loans and other financial services given to clients based on interest fees, charges, and penalties. Moreover, financial revenue includes profits from other financial assets such as and not limited to investments in different projects, programs, and portfolios. However, MFI's financial activities would include many expenses such as; operating expenses (rent, salaries, etc.), loans' interest expense, and the expected customer's loans loss. MFIs is considered as a Profitable institution if their total income exceeds their actual expenses. Nevertheless, it has been noted that Microfinance is reflected as a tool to be used for fighting against poverty, especially in the developing countries (Lafourcad et al., 2005).

On the Palestinian level, it was found that MFIs play an important role in the economy on the direct and indirect level. The more developing of these types of financial resources is helping in women enhancement and is spreading as an emerging trend in developing countries. They are also playing a very positive role for the benefits associated with the growth of the economy. With the concern of the direct benefits, the majority helped in increasing their growth income as well as rise their opportunities particularly in livestock, clothing, agriculture, etc. through the availability of financing prospects (Karsh & Deek, 2019).

One of the largest challenge and risk that take place in the financial institution, is giving money to the low-income people and not getting it back. For example, credit risk is a particular issue for MFIs as most micro lending are unsecured (i.e., the traditional collateral does not usually secure microloans) as argued by Churchill and Coster (2001). Several bank institutions do not extend credit to these kinds of clients due to the expected high risk for repayment of money and interest, beside the principle amount itself. The targeted clients are those who can't get credit from banks or any other financial institutions due to the inability to provide guarantee that secures giving the taken money back. Therefore, MFIs require designing comprehensive credit management procedure that includes the identification of existing and possible risks might affect the lending activities.

Credit management is considered one of the most significant activity in organizations, it can't basically be ignored regardless of the business nature. This procedure ensures that customers will pay for the provided services and/ or products. Myers and Brealey (2003) defined credit management as procedures and policies implemented by an organization to guarantee keeping an ideal level of credit and managing it effectively.

On the other side, there are many reasons for using strategic plan; including and not limited to increasing organizational performance, and enhancing an operational framework which help the institution to have a competitive advantage (Hahn and Powers, 1999). Porter (1997) added that working according to strategic plan would help the organization in cutting overhead and restructuring its current resources within the strategic domain while the organization might be working on expanding its products and / or services. On the other hand, Stahl (1998) believed that following different foundation for developing strategic plans could assist in providing employees within the organization with the needed information that will motivate them at work. The researcher examines the impact of strategic planning tools (mission, vision, and goals) on the financial

performance of microfinance institutions in Palestine, taking the credit management as a mediating effect. The main purpose of that examination is to measure the level of strategic planning in these institutions and the implementation of it. the researcher also examines the deployment extent of strategic plans and how appropriate credit management could affect their financial performance and sustainability, especially in Palestinian microfinance institutions.

1.2 Research Problem

Microfinance institutions (MFIs) are adopted as partners in supporting small and medium businesses/ enterprise. On the other hand, they serve as a tool that reduces the level of shortage in developing countries' economies such as the economy of Palestine. As the sector endures to register the influx of the new microfinance institutions, several have been registered bankrupt which rises questions about strategic planning activities and role among microfinance institutions (Joseph, 2016). Ineffective implementation of strategic planning in many organizations is considered one of the main reasons that lead to not achieve the expected performance (Noble, 1999). In the same context, implementation of strategy plan is identified as a problem question and causes source of frustration in many institutions. Unfortunately, very few studies have discussed issues related to strategy design process and procedure of MFIs (Alatrash, 2018). Furthermore, little research has been conducted on the problems that companies might face in the implementation of their strategic plans.

Different components of a strategic process and procedure would impact the organizations' performance. For instance, the components that were connected, positively influenced, and statistically significant are "involvement of top management in the process" and "having a mission statement". Both of these components describe the importance of the process and procedure in the institution which have an important influences on the cost-effectiveness of the organization.

Although all these firms had experienced growth in sales rates as well as growth in distributing their products, the aforementioned two processes lead to increase the average yearly revenues over time. These findings point the importance of “top management’s active involvement in providing direction” to the institution and “having their and organization’s role and position in the economy and the society” clearly articulated, formalized, and used as a guide for the organization’s activities and processes” (Efendioglu & Karabulut, 2010).

Appropriate credit management is an important requirement for Microfinance institutions’ (MFIs) stability and ongoing profitability, on the other hand not strong and weak credit policy would lead to poor financial performance. According to Gitman (1997), the possibility of non-performing loans rises as credit standards are in a relaxed status. Therefore, organizations is recommended to ensure that the management of receivables is both effective and efficient. Such delays on gathering cash from borrowers on time would cause serious financial challenges; as this would increase bad debts and would disturb client relations. In case of receiving the payment late, profitability would decline, and if payment is not made at all, then a total loss would take place. For the above mentioned reasons, businesses are recommended to put credit management into consideration and to work on managing it strategically.

Faruqee et al (2011) & Saleh et al (2020) explained that the relationship between organization’s strategic planning efforts and performance by taking credit management as mediating effect which received significant attention. Still, despite the number of studies examining this relationship, the results have not been focused on studying the mediating effect of credit management and the impact of strategic planning tools and practices on financial performance in Microfinance institutions (MFIs) in Palestine.

1.3 Research Questions

This thesis aims to assess the mediating effect of credit management on the relationship of strategic planning on financial performance in Palestinian MFIs. This will lead to clear answers to the research question “do credits management mediate the relationship between strategic planning and financial performance?”.

- 1- What is level of credit management in the context of microfinance institutions in Palestine?
- 2- What is the level of strategic planning in Palestinian microfinance institutions?

Sub questions:

- A. What is the impact of vision on financial performance of Palestinian MFIs?
 - B. What is the impact of mission of financial performance of Palestinian MFIs?
 - C. What is the impact of strategic goals on financial performance of Palestinian MFIs?
- 3- What is the level of financial performance for the microfinance institutions in Palestine?
 - 4- What is the impact of strategic planning on financial performance of Palestinian MFIs?
 - 5- Does credit management mediate the relationship between strategic planning and financial performance in Palestinian MFIs?

1.4 Research Hypotheses

The testable hypotheses were formulated in line with research questions and were subjected to empirical investigation:

H₁. There is significant impact of strategic planning on the financial performance of MFIs in Palestine.

Sub-hypotheses

H₀₁. There is significant impact of vision on the financial performance of MFIs in Palestine.

H₀₂. There is significant impact of mission on the financial performance of MFIs in Palestine.

H₀₃. There is significant impact of Strategic goals on the financial performance of MFIs in Palestine.

H₂. There is a significant impact of Strategic planning on credit management of MFIs in Palestine?

H₃. Credit management mediates the relationship between strategic planning and financial performance.

1.5 Research Objectives

In light of the scope and interest of this study, the study seeks to achieve the following objectives:

1. To examine the impact of strategic planning on the financial performance of MFIs in Palestine.

Sub objectives:

- A. To examine the impact of vision on the financial performance of MFIs in Palestine.
 - B. To examine the impact of mission statement on the financial performance of MFIs in Palestine.
 - C. To examine the impact of strategic goals on the financial performance of MFIs in Palestine.
2. To examine impact of Strategic planning on credit management of MFIs in Palestine
 3. To examine the mediation effect of Credit management on the relationship between strategic planning and financial performance.

1.6 Research Significance and Justifications

In reference to the literature review, it was found a limited studies that have discussed the mediating effect of credit management on strategic planning and its impact on financial performance, particularly for MFIs operating in Palestine. Therefore, this study undertakes three main tools in strategic planning which are vision, mission, and strategic goals and measure their effect on financial performance especially on MFIs in Palestine, which in turn shows us the power extent of the aforementioned tools on the financial performance of Palestinian MFIs. This study also presents suggestions and recommendations that benefit in implementing strategic plans and credit management in Palestinian MFIs. Therefore, this topic was specifically chosen to be able to advance the level of financial performance in MFIs, which will be reflected by the level of strategic planning and credit management in MFIs. For that reason, this study could be beneficial on the theoretical and practical level as follows:

- 1- The scientific importance for researchers and academics: The study clarifies the tools of strategic planning including mission, vision, goals and its importance in microfinance institutions. It would pave the way for further research on MFIs that putting and implementing strategic plans and taking credit management as mediating effect on their financial performance.
- 2- The practical importance of decision makers in Palestinian MFIs: the effect of strategic planning components and credit management on financial performance in Palestinian MFIs forms a solid understanding of strategic planning and credit management on financial performance fields in Palestinian MFIs.
- 3- Highlighting the importance of credit management and strategic planning in Palestinian Monetary Authority: The importance of credit management and strategic planning and its

role in the success and continuity of microfinance institutions is very important and must be adopted by these institutions, and institutions must implement strategic planning tools to improve their financial performance and having sustainability. In conclusion, the results of this study is expected to help Palestine monetary authority in putting their instructions to Palestinian MFIs, set, and implement suitable credit management and strategic plans.

1.7 Terminologies

Table 1: Table of terminologies

Terminology	Definition	Reference
Credit management	A procedure of granting credit, the terms it's granted on and recovering this credit when it's due. This activity takes place within a bank or company to monitor credit policies that will enhance profits and reduce financial risks. The Credit Management function incorporates all of a commercial bank's activities aiming at ensuring that clients pay the borrowed money within the defined payment terms and conditions agreed on previously.	Scholtens & Wensveen, (2003)
	Effective Credit Management helps in preventing late payment or non-payment, as the two being the greatest risks commercial banks would face when conducting their operation activities.	Kakuru. (2003)
	The major responsibility of the credit management function in banks is to ensure credits are gathered on time, that any signs a client might default are acted upon early, and that any overdue credits are "chased" to avoid unwanted losses.	Zago et al. (2006)
	The current study describes credit management as policies, procedures, and strategies adopted by a financial institution to make sure that they keep an optimal level of credit and its effective financial management.	
Fi nancial performa	banking performance includes measuring the results of the bank's policies, procedures, and operations in both monetary and non-monetary terms	Gatuhu (2013)

	the ability to work and grow efficiently, profitably, sustainability reacting to the environmental opportunities, risks, and threats. In agreement with this.	Turyahebwa (2013)
	banks performance is measured by how efficient the enterprise is in use of allocated resources compared to achieving its objectives	Pandey (2003)
	a subjective measure of how well a company can use assets from its primary mode of business and generate profits.	Investopedia (2017)
	This study used the term as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar companies in the same industry or to compare industries or sectors in aggregation.	
Strategic planning	is the emphasis on a systematic, stepwise approach to strategy development	(e.g., Armstrong, 1982; Ocasio & Joseph, 2008)
	series of logical steps which includes the definition of a mission statement, long-term goals, environmental analyses, strategy formulation, implementation, and control	Schendel and Hofer (1979)
	“formal strategic planning calls for an explicit [emphasis in original] process for determining the firm’s long-range objectives, procedures for generating and evaluating alternative strategies, and a system for monitoring the results of the plan when implemented”	(Armstrong, 1982: 198; see also Boyd, (1991)
	a periodic process that includes different activities such as annual assessment of performance goals, budgeting, and translating priorities into resource allocation decisions.	Ketokivi and Castacer (2004)
	the process of using systematic criteria and investigation to formulate, implement, and control strategy, and formally document organizational expectations.	Hopkins and Hopkins (1997: 637)
	In this study the researcher defines strategic planning as a formalized process that provides a structured approach to strategy formulation, implementation, monitor, and control. The purpose of strategic planning is to have an impact on an organization’s strategic direction for a given period and to integrate and coordinate as well as developing strategic decisions. Strategic planning includes a range of different activities designed to fulfill this purpose (such as strategy reviews, generation of strategic plans, meetings etc.)	

CHAPTER TWO: LITERATURE REVIEW

This chapter aims to offer an overview of the existing literature in the subject area. Credit management theories and empirical research on financial performance, strategic plans and credit management will be investigated.

2.1 Relevant Theories

In reference to previous studies, it was found a knowledge gap in assessing credit management and applications (Mohamed Farid, 2020). One of these studies is information asymmetry that refers to a situation in which not everyone involved in a project has access to all relevant information (Muli, 2017).

According to Muli (2017), a company's owners or management know more about their firms's prospects and dangers than lenders; this is an example of information asymmetry. When not all participants in a project have the same information, it is known as "information asymmetry" (Faruqee et al., 2011; Saleh et al., 2020). There is an information imbalance in the loan market when a borrower understands more about the possible risks and rewards of the investment projects (Muli, 2017). However, the lender does not have enough information on the borrower to make an informed decision (Faruqee et al., 2011; Mouamer, 2011). Financial institutions have two obstacles due to perceived information asymmetry, according to Faruqee et al. (2011): moral hazard and adverse selection (making errors in lending decisions). Financial institutions will find it challenging to deal with these challenges since investing resources in appraisal and monitoring is

not cost-efficient when lending small amounts; this is because Financial institutions cannot process loan applications and keep track of their debtors because of the lack of open access to data (Samandar, 2014; Mouamer, 2011).

Clients are in knowledge asymmetry (Samandar, 2014). Entrepreneurial talent, passion, and the business's prospects cannot be judged in this situation because of a lack of information; this is also a double-edged sword for the client (Mouamer, 2011). Adverse selection arises when financial institutions lend to companies that fail or refuse to lend to those that succeed or have a chance of succeeding.

Uncertainty regarding clients' creditworthiness and financial health prevents institutions from making optimal sales judgments. When customers are unclear about institutions services, they cannot make the best financing decisions (Mouamer, 2011). Customers may evaluate the product's quality and value for money before purchasing, which solves the asymmetric information issue (Samandar, 2014). Buyers will select suppliers who grant credit since it shows the merchants are confident in their products/services. Trade credit is often accepted as an implicit guarantee for product quality (Saleh et al., 2020). On the other hand, sellers gain valuable information about their customers' financial health through payment patterns and their ability to take benefits of early payment discounts when offered (Samandar, 2014; Saleh et al., 2020). They use credit periods to signal high and consistent product quality or long-term existence to the market.

Customers may face higher costs and tarnished reputations due to suppliers' inconsistencies in manufacturing processes (Mouamer, 2011). Regulators can shut down financial institutions if they do not manage regulatory compliance properly, which can cause significant disruptions to their customers' businesses (Saleh et al., 2020). Additionally, some organizations

seek suppliers with the best environmental practices to mitigate risks to their end-product quality, brand image, and corporate reputation by finding suppliers with better environmental practices (Saleh et al., 2020). Information asymmetry is an issue because institutions management methods are complicated for customers to examine.

Because of the unusual finance structure, scientists have created and tested hypotheses such as;

- The principal-agent model:

In the principal-agent model, one side is the principal, while the other is the agent (Jasmi, 2021). However, in this scenario, the key stakeholders, namely the donors, need the welfare mission to be prioritized, but the agents, namely the management of MFIs, place more emphasis on profitability to improve the financial status of the institutions.

- Profit-Incentives Theory:

MFIs use the Profit-Incentives Theory when they utilize commercial financing rather than donor money to satisfy the needs of the poor while still staying financially sustainable, as is the case in many developing nations. Because donor funding is constrained and has been called into doubt, the efficiency of microfinance institutions is delayed (Rishad, 2012).

- Trade-off Theory

Trade-off theory, developed by Myers (1984), requires decision-makers to weigh the costs and benefits of various leverage programs before making a choice. When it comes to microfinance, the institution's social and financial objectives must be balanced. Using their liquid assets or retained profits as a source of capital increases the likelihood that organizations may seek money from other sources if their resources become exhausted. Donaldson made his first presentation of this hypothesis in 1961. Therefore, investment equity may be covered without further financing from other sources (Jasmi, 2021).

- Life-Cycle Theory:

The Life-Cycle Theory is essential in microfinance development and private capital transfer (Jasmi, 2021). Early-stage microfinance institutions carry out their social missions, whilst mature microfinance institutions, to assure their financial viability, utilize private money use donor grants and soft loans from social investors and donors. The Life-Cycle Stage Theory is used to develop testable hypotheses concerning MFI financing patterns, specifically how the choice of funding sources affects MFIs' aims to maintain financial sustainability and provide services to the less fortunate (Jasmi, 2021).

2.2 Strategic Planning

According to Nagy and Fawcett (2018), **VMOSA** stands for vision, mission; objectives; strategies; and action plans. VMOSA aids businesses in achieving short-term goals while preserving a long-term perspective; this kind of planning helps the company establish a clear goal, gain agreement, and solidify its aspirations (Nagy & Fawcett, 2009; Nagy & Fawcett, 2018). A group's "VMOSA" may be defined via strategic planning. Any firm may use VMOSA, an essential planning tool for any community project (Danilina & Majorzadehzahiri, 2020). The organization may benefit from using this comprehensive planning tool (Danilina & Majorzadehzahiri, 2020).

2.2.1 Vision:

A business's ideal vision of a community or a firm may express the collective aspirations for the future of a group (Nagy & Fawcett, 2009). The business's beliefs and values are made clear to the public by establishing a vision statement to own participants, staff, and volunteers (Nagy & Fawcett, 2009).

2.2.2 Mission Statement:

The next step in action planning is to write out the mission. A company's goals and objectives are outlined in its mission statement (Nagy & Fawcett, 2018). In some ways, mission statements and vision statements are the same; however, mission statements tend to be more action-oriented (Nagy & Fawcett, 2009).

2.2.3 Objectives:

To attain a goal, a corporation must first identify its goals. To meet the overall objectives of the initiative, specific goals must be met (Nagy & Fawcett, 2009; Danilina & Majorzadehzahiri, 2020). It is common for an organization's objectives to define how much money should be spent and by when (Danilina & Majorzadehzahiri, 2020).

2.2.4 Strategies:

The next step in the VMOSA process is to create strategies, which is how the initiative intends to accomplish its objectives (Nagy & Fawcett, 2018). Typically, organizations use a wide range of strategies that include people from various parts of the community. Some of these plans include people and resources from throughout the community, while others are more focused on a specific area (Danilina & Majorzadehzahiri, 2020).

2.2.5 Action plan:

Action plan is identifying detailed steps that can be executed and should be followed to achieve organizational strategic visions or personal goals (Baker and Taylor, 2007). It is also considered as the road map of explaining how to solve problems in various settings more effectively (VanGundy,1988). In a corporate environment, action plan would include company strategical goal, annual budget, resources, and investment programs (Nagy& Fawcett, 2018).

2.3 Credit Management

According to Agu and Okoli's research (2013), credit histories are checked by financial organizations when people and businesses apply for new credit accounts or loans. A study by Wang et al. (2012) examines whether or not a borrower would default on a loan by looking at five distinct indicators: (Agu & Okoli, 2013). Capacity, capital/fund, circumstances/conditions, character, and collateral are examples of these aspects. There are no legal requirements to employ the five Cs in the lending process, but most lenders do (Wang et al., 2012). Lenders utilize various strategies to evaluate the five components of credit since they are not always quantifiable (Yap, Ong, & Husain, 2011). The borrower's ability to repay a loan is the essential factor in assessing whether or not they are creditworthy.

1. Capacity: If a borrower cannot repay the loan amount and terms, the lender should not provide the loan (Yap, Ong & Husain, 2011). Applicants seeking business loans must show a history of financial success (Wang et al., 2012). Creditors need details on the borrower's income and job stability (Wang et al., 2012). Their current debt obligations are also compared to their anticipated monthly revenue or earnings (Yap, Ong, & Husain, 2011).
2. Capital: When determining a borrower's creditworthiness, lenders consider their capital. A loan may be obtained with the help of the owner's equity in the company, retained earnings, and other assets. Investment or savings accounts are required as collateral for personal loans (Agu & Okoli, 2013). If a borrower loses income or revenue while repaying a loan, lenders perceive capital as a backup plan (Yap, Ong, & Husain, 2011).

3. Conditions: The borrower's financial situation is also a creation of circumstance (Wang et al., 2012). Before approving a loan, business lenders consider both the loan's purpose and the broader economy (Yap, Ong, & Husain, 2011). Loans for working capital, equipment, and expansion are standard (Yap, Ong, & Husain, 2011). This is more important for businesses than individuals (Wang et al., 2012). Debt consolidation, large purchases, and renovations are just a few of the most typical reasons people have to move.
4. Character: Financial history and reputation are examples of a borrower's "character" (Wang et al., 2012). Lenders strongly believe that a borrower's prior activities are the best indicator of their future behaviors (Yap, Ong, & Husain, 2011). It is possible to quantify and qualitatively evaluate a borrower's moral virtues and trustworthiness (Wang et al., 2012).
5. Collateral: Collateral, such as the borrower's assets, is used to secure the loan. In many instances, people who owe money are willing to put up valuable assets such as their homes and automobile as collateral (Yap, Ong, & Husain, 2011). This is because lenders prefer to lend money to those with collateral since they may take the asset if the debt is not repaid (Agu & Okoli, 2013). Liquidation may be better managed if financial institutions know how much their collateral is worth.

2.4 Financial Performance

To put it simply, "financial performance" refers to how a company's policies and activities affect its bottom line. Profitability, return on assets, and value-added are all measures of the company's performance that represent these outcomes. Turshan and Abdel Karim (2020) remark that Alkhatib and Harasheh (2012) refer to financial performance as the capacity to work effectively, economically withstand, develop, and adapt to environmental prospects and dangers.

To measure an organization's performance, Turshan and Abdel Karim (2020) say it is based on how well it utilizes its resources to accomplish its objectives. According to Abueid, Rehman, and Nguyen (2022), underperforming assets are to blame for the low performance of many businesses. MFIs charge interest, fines, and fees on loans and other financial products to generate revenue (Abueid, Rehman, & Nguyen, 2022). Investment income and other sources of financial revenue are all considered in calculating net income (Abueid, Rehman, & Nguyen, 2022). Operating expenditures, Loan loss expenses, and borrowing fees are charges MFIs face in their day-to-day financial operations. Profitable businesses generate a profit (i.e., operating income exceeds total expenses).

It seems that the financial systems approach that highlights the necessity of financially sustainable microfinance programs has a better chance of success, according to Turshan and Abdel Karim's (2020) analysis. According to this opinion, financially sound microfinance enterprises are needed for long-term, large-scale outreach to the underprivileged (Turshan & Abdel Karim, 2020). A shortage of easily accessible financial data and variations in reporting in a largely unregulated business make it difficult to evaluate the effectiveness of MFIs (Alatrash, 2018). The effectiveness of microfinance organizations may be evaluated using a broad variety of financial criteria (Abueid, Rehman, & Nguyen, 2022). Many MFI performance measures, such as profitability and risk, may be challenging to coordinate because of the wide range of possible metrics (Abueid, Rehman, & Nguyen, 2022; Ramadan & Ahmad, 2018). Consider each ratio's significance while examining the aspects that contribute to the financial success of MFIs (Ramadan & Ahmad, 2018).

It is all about getting the most out of what you have with the least effort. The purpose of efficiency is to use as few resources as possible, including human time and energy, to create a particular item (Bocken et al., 2016). To put it another way, equity owners should expect to make

more money after taxes because of the purchase. An occurrence or a proposition's probability may be quantified mathematically in probability theory (Batanero, Henry, & Parzysz, 2005). It is impossible to predict the outcome of a given event with certainty; hence the likelihood of it happening is measured in decimal places between 0 and 1 (Batanero, Henry, & Parzysz, 2005). The possibility of anything unpleasant occurring is known as risk.

As a consequence of an action, how it affects other people's perceptions of what is important to them and what is not. It may be defined in several different ways. Efficiency refers to the capacity of a system to provide the most significant amount of output with the least amount of effort. An organization's efficiency may be measured by how much work and energy it uses to achieve a particular result (Bals & Turkulainen, 2017). As a result, stock investors are expected to reap a more significant financial reward. Probability representations are used in probability theory to describe the likelihood that an event or proposition will occur (Batanero, Henry, & Parzysz, 2005). Probability may be expressed as a number between 0 and 1, with 0 being the most unlikely and one being the most probable. Risk is the possibility that something unpleasant will happen. Constant uncertainty about how anything you are doing will affect your values and how it will affect your life in the wrong way. It may be defined in many different ways.

Microfinance organizations' financial stability is becoming more critical. Several microfinance institutions (MFIs) have undergone restructuring due to a shortage of resources (Shihadeh, 2021). It is deemed sustainable if financial help and subsidies are taken away from a program (Ramadan & Ahmad, 2018). It thinks that "removing all subsidies, even those less evident subsidies, such as loans issued in hard currency with repayment in local currency", would allow it to generate a profit sufficient to cover its expenditures (Shihadeh, 2021). According to Turshan and Abdel Karim (2020), independent microfinance institutions (MFIs) outperform commercial

banks in developing countries and non-independent MFIs in terms of both return on assets (ROA) and return on equity (ROE) (Alshehhi, Nobanee, & Khare, 2018). Commercialization is crucial for microfinance institutions (MFIs) to seek greater profitability and self-sufficiency (Alatrash, 2018).

2.5 Strategic Planning and Credits Management

Zemedkun (2019) mentioned that while management was involved in strategic planning to make sure the process is complete, little or no attention has been paid to whether or not management had the needed skills to make strategic planning work in large corporations. Rather than being a direct result of strategic planning, better financial performance is, according to Shihadeh (2021), the result of a company's whole spectrum of managerial capabilities. The ability to contribute successfully to the strategic planning process requires knowledge and skill. According to Shihadeh (2021), strategic planning expertise may influence how much participation companies have in the strategic planning process (Abu Zir, 2016). Because their managers do not grasp how the strategic planning procedure works, companies do not spend a lot on it, according to Zemedkun (2019).

On the other hand, any business should not overlook credit management when dealing with credit, regardless of its corporate type. Payment assurance ensures that consumers will pay for the items or services (Tabbaa, 2020). According to Tabbaa (2020), a company's procedures and tactics for maintaining and successfully managing credit are known as credit management (Li et al., 2020). Financial management includes credit analysis, rating, classifications, and reporting (Tabbaa, 2020). Rana (2019) defines credit management as how a financial institution manages its credit sales. Every business that deals in credit must have it because no such thing as credit risk or default risk is eliminated (Rana, 2019; Tabbaa, 2020).

Additionally, Effective credit risk management is essential for any financial institution overall risk management strategy and long-term viability (Zemedkun, 2019). Lending decisions must be based on proper risk assessments if the bank is to sustain its profitability (Zemedkun, 2019). According to Zemedkun (2019), the long-term success of all financial institutions depends on effective credit risk management & suitable strategic plan.

Overall, strategic planning and credit management complement each other to reach higher performance and efficiency for organizations.

2.6 Credit Management and Performance

According to Atout (2015), the more money a company has to spend on financing to keep its accounts receivables, the higher the costs are (Thabet & Alaeddin, 2017). The interest that a company would pay if these receivables were not paid on time and the company-needed money quickly is called the “opportunity cost” (Atout, 2015). Commercial banks and other businesses need to manage their credit well to make money, as loan choices and hazardous assets impact deposit banks’ ability to survive and thrive (Li et al., 2020; Saleh et al., 2020). One of the most important indicators of the soundness of a deposit MFI’s credit portfolio is its credit management (Li et al., 2020). Good credit management requires a firm to manage client credit lines responsibly and efficiently (Thabet & Alaeddin, 2017). Customers’ credit history, financial condition, and changing payment habits must be taken into account by companies to reduce their exposure to over-reserving, bad debt, and bankruptcy risk (Thabet & Alaeddin, 2017).

As soon as a customer makes a purchase, they begin the process of credit management. Completing the sale is just as crucial to the transaction (Saleh et al., 2020). A transaction is not complete until the money is in the hands of the client (Thabet & Alaeddin, 2017). Consequently, sound lending practices must guarantee that the borrower can make anticipated interest payments

in full and on time; otherwise, the profit from interest earned would be reduced or eliminated when the client finally fails to pay the loan (Thabet & Alaeddin, 2017; Saleh et al., 2020). Credit management is primarily concerned with the management of debtors and debt financing. Credit management has two key objectives: conserving and improving operating cash flow and reducing credit risk (Li et al., 2020). Credit extensions to consumers, payment collection, and risk reduction require adhering to regulations and procedures when extending credit and collecting payments.

In their research, Zou and Li (2014) discovered that risk management for microfinance firms is a dynamic process that should be produced regularly and evaluated once a risk has occurred. It requires complicated preparation and dedication for all parties concerned (Zou & Li, 2014). It's encouraging to know that risk-related losses may be mitigated by using prudent portfolio and cash flow management, establishing a robust institutional infrastructure with talented human resources and introducing client discipline via effective stakeholder coordination (Zou & Li, 2014).

In his research on bank risk management, Zemedkun (2019) stated that banks and other financial institutions must satisfy imminent regulatory requirements for risk assessment and capital. Building a sound risk management system conforming to regulatory requirements is the best-case scenario (Zemedkun, 2019). Managers, it was said, need credible risk metrics to allocate capital to ventures with the best risk/reward ratios (Zemedkun, 2019). To keep within the constraints set by easily accessible liquidity, customers, creditors, and regulators alike, it is vital to know how much the firm will lose (Zemedkun, 2019). Positions should be monitored, and divisions and individuals should be encouraged to take calculated risks (Zemedkun, 2019).

Abu Zir (2016) discovered a substantial correlation between financial institution performance (in terms of profitability) and credit risk management in his study on bank

performance and credit risk management (in terms of loan performance). Better credit risk management directly leads to improved performance (Abu Zir, 2016). As a result, appropriate credit risk management is critical for financial institutions to safeguard their assets and shareholders' interests (Abu Zir, 2016); this impacts microfinance organisations. In their examination, the researchers utilised a variety of methodologies (Abu Zir, 2016). According to Abu Zir, microfinance institutions have several problems offering efficient and effective services (2016).

The bulk of losses incurred by financial institutions and banks are due to outright default by clients who are unable to satisfy their commitments in trading, settlement, lending, and other financial operations, according to research by Zemedkun (2019). Banks face credit risk when they engage with consumers, businesses, other financial institutions, and governments (Zemedkun, 2019). Equities in a bad portfolio may face liquidity and credit problems (Zemedkun, 2019). Credit risk management aims to minimise a bank's credit risk exposure to maximise its risk-adjusted return (Zemedkun, 2019).

It was found that short-term loan has a significant impact on the outreach of microfinance institutions (MFI), according to a study by Ndegwa (2017). However, when it came to default rates, long-term debt showed a positive correlation with outreach but was not statistically significant; maturity is not always crucial for short and long-term loans (Ndegwa, 2017). MFIs with high leverage outperformed their peers by attracting more clients (Ndegwa, 2017). In addition, it was revealed that MFIs with economies of scale were more suited to deal with moral hazards and adverse decisions, which increased their risk management capacities (Ndegwa, 2017).

The credit circumstances of microfinance institutions affect loan performance, according to Fiordelisi et al. (2011). The more interest rates charged, the lower the loan performance

(Fiordelisi, Marques-Ibanez, & Molyneux, 2011). Microfinance institutions impact client credit ratings, report on financial problems, and refrain from additional borrowing (Fiordelisi, Marques-Ibanez, & Molyneux, 2011). Collection practices of microfinance organisations influence loan performance, with rigid restrictions having the most significant impact and flexible policies having a lesser effect (Fiordelisi, Marques-Ibanez, & Molyneux, 2011).

2.7 Strategic Planning and Performance

According to Akinyele and Fasogbon (2010), strategic planning creates and implements an organization's strategy and systematically documents those expectations. As measured by 'commonly recognized' metrics such as sales, return on equity (ROE), return on investment (ROI), net income, and return on sources (ROS), financial success has been shown in previous research on organizations that strategically plan appropriately (Akinyele & Fasogbon, 2010). Subsequent studies show that strategic planning is significantly linked to better performance. According to Alshehhi, Nobanee, and Khare (2018), strategic planning has recently increased financial success. Strategic plans are more credible because they can correct for the flaws in previous studies, like methodological issues or a lack of solid statistical methodologies (Alshehhi, Nobanee, & Khare, 2018).

According to George, Walker, and Monster (2019), how long a company has been engaged in strategic planning may influence its overall success. A study conducted by George, Walker, and Monster (2019) looked at the financial performance of service sector companies over three years. According to a survey, half of the organizations surveyed had only recently implemented a strategic planning system (George, Walker, & Monster, 2019). The researchers concluded that service organizations had not yet realized the advantages of their strategic planning efforts based on the study's sample of service organizations (George, Walker, & Monster, 2019; Jayawarna &

Dissanayake, 2019). Their research into the financing field concluded that long-term strategic planning pays money (George, Walker, & Monster, 2019). A statistically insignificant correlation was found between the number of times financial institutions spent on strategic planning and their financial success (George, Walker, & Monster, 2019; Jayawarna & Dissanayake, 2019).

It has been exposed that strategic planning has no intrinsic worth unless a group of dedicated people infuses it with energy (Dawabsheh, Hussein, & Jermstittiparsert, 2019). According to Dawabsheh, Hussein, and Jermstittiparsert's study, financial performance can only be enhanced when managers actively participate in strategic planning (2019). (Ali, 2018) Strategic planning has been connected to a company's financial success in a recent study (Ali, 2018). According to our study, strategic planning intensity is how each step of a company's strategic planning influences the whole process (Ali, 2018; Dawabsheh et al., 2019).

Creating a mission statement and fundamental goals, assessing the external and internal environment, and selecting strategy choices are essential components. Companies spend a significant amount of time thinking about these problems regarding strategic planning. More and more evidence shows that managers who pay close attention to each step of strategic planning get better results (Poister, 2010). According to Jayawarna & Dissanayake's (2019) research, organizations with minor changes in the intensity (focus) put on specific planning components performed better financially.

In recent years, many financial institutions have expanded into new markets. Customers' expectations have grown, and financial institutions are under pressure to provide better and more creative services (Siam & Hilman, 2014). As a result, bankers are paying more attention to their institutions' external and internal environments, emphasizing the need of setting goals, establish a course of action, and thoroughly examine multiple strategic options (Siam & Hilman, 2014). These

duties are inextricably tied to the strategic planning process (i.e., formulation, implementation, and control). Based on their increasing participation in these activities, financial institution executives' strategic planning abilities and their improved financial performance (Almudallal, Ashary, & Muktar, 2016). According to Turshan and Abdel Karim's (2020) results, financial firms that planned more intensively outperformed those less intensely, regardless of whether they used a formal or unstructured approach for their planning strategy (Almudallal, Ashary, & Muktar, 2016).

2.8 Discussion of Previous Studies

As previously stated in the literature, the relationship between credit risk management and profitability has been well documented. A study conducted by Bayyoud and Sayyad (2015) examined the connection between credit risk management, liquidity management, and banking sector profitability. Bayyoud and Sayyad (2015) claim that credit risk management and profitability are based on various practical methods. There has been a lot of talk about how credit risk affects bank financial statements (Bayyoud & Sayyad, 2015). Credit risk monitoring must be perfect if a business wants to boost the company's profitability (Bayyoud & Sayyad, 2015). Accordingly, a link between credit risk and financial performance exists. In rural banks, Alaeddin, Thabet, and Shawtari (2018) found a clear correlation between these two research variables in a study on selected rural banks' credit risk management and profitability. According to Alaeddin, Thabet, and Shawtari (2018), nonperforming loans positively correlate with rural banks' profitability. In other words, banks with bigger loans may still be able to benefit from their investments; this is due to banks' poor credit risk management policies in some countries (Alaeddin, Thabet, & Shawtari, 2018). Because of the nonpayment of loans, banks charge higher interest rates on loans to all other clients.

Similarly, Zemedkun (2019) investigated the relationship between Ethiopian commercial banks' profitability and credit risk management. According to the research findings, Ethiopian commercial banks strongly link loan loss provisions, nonperforming loans, and capital adequacy. When it comes to the profitability of banks, Zemedkun (2019) found no correlation between their nonperforming loans and their financial accounts. Even when bank loan facilities were at their lowest, bank revenues were determined to be poor (Zemedkun, 2019). As a result, the authors observed that lending volume and nonperforming loans had little effect on commercial bank profits but that the low profitability of banks might be attributed to other elements in the financial statements Zemedkun (2019). A regression model developed by Zemedkun (2019), on the other hand, revealed a strong connection between credit risk management and a bank's profitability.

Collecting and monitoring payments from customers is known as credit management, according to Abugamea (2018). According to Abugamea (2018), a company's methods and techniques for maintaining and successfully managing credit are known as credit management. Credit research, credit categorisation, credit rating, and credit reporting are all part of financial management. The amount of money that creditors have and the likelihood of accumulating bad debts are lowered due to good credit management (Sawafta, 2021). According to Thabet (2017), unless a seller incorporates additional costs for late payment into the selling price or is effective in collecting those costs through interest charges, every delinquent account will eat into the profit margin (Sawafta, 2021). Therefore, this technique is dangerous unless it is assured that greater sales profits will balance the increased borrowing costs or that these costs can be recovered via higher pricing (Sawafta, 2021). Enterprises may be persuaded to grow their sales in specific competitive marketplaces by extending extra credit (Thabet, 2017).

Credit risk management has become a significant issue in today's increasingly complicated and competitive business atmosphere (Abusharbeh, 2020). Without question, the banking sector is the most important financial organization. Many businesses and industries depend on these institutions for funding (Abusharbeh, 2020). Bank earnings have been harmed by volatile and uncertain financial markets (Abusharbeh, 2020). The profitability of banks is highly linked to their credit risk, according to Abugamea (2018). Profits increase when credit risks are efficiently managed and vice versa. Depending on the kind of financial institution, the degree of this link may be significant or small (Najjar, 2009). Because of the nature of their operation, commercial banks face a substantial risk of nonpayment from their customers (Najjar, 2009). Furthermore, lending is the primary source of credit risk for commercial banks (Abusharbeh, 2020).

“Credit risk is evident throughout the bank's numerous operations, both on and off the balance sheet,” Abu Zir says (2016). Loans are among the “extra activities”; however, their significance cannot be emphasised (Najjar, 2009). Credit risk is only one of the high-risk elements an investment bank faces when investing and lending money (Abu Zir, 2016). These businesses must be able to manage both credit and market risk to be profitable. Consequently, an investment bank may occasionally act as a commercial bank (Najjar, 2009). When controlling credit risk, the overall profitability of a country's commercial and investment banks must be considered (Najjar, 2009).

Zemedkun (2019) found that managers in certain banks might lack the ability to engage in strategic planning. According to this study's findings, bank executives who have a thorough understanding of strategic planning are more likely to actively engage in it and make a real difference in the bottom line.

Overall, this research shows that certain firms do not priorities strategy due to a lack of understanding of strategic planning methods by their management. Because of this, managers in organisations are unlikely to fully participate in the strategic planning process, according to Sawafta (2021).

Faruqee et al. (2011) discovered that organizations with managers significantly engaged in strategic planning performed better. Managers thought that strategic planning had enough advantages for their companies to dedicate more time to it, even if statistics did not show improved financial success (Abu Zir, 2016). Strategic planning is valued, and conflicting results have studied financial success. Despite their disparate findings, Li et al. (2020) and Abu Zir (2016) show that the more strategic planning is valued, the happier management is with financial success. Despite their inconclusiveness, these findings show that management's opinion that strategic planning improves financial performance increases the likelihood of vigorously conducting the process (George, Walker, & Monster, 2019). According to George, Walker, and Monster (2019), management's goal to produce value for external and internal stakeholders renewed their commitment to strategic planning. According to Bank of America management, more strategic planning engagement (or intensity) is linked to better financial success (Eccles & Krzus, 2018).

Most firms may readily identify insolvency proceedings, bad debts, receiverships, and bankruptcy. Bad loan losses greatly influence the profit and loss account (Abueid, Rehman, & Nguyen, 2022). As a consequence, late payment interest may go unreported. It is seldom assessed individually since it is included in all bank charges (Abueid, Rehman, & Nguyen, 2022). Paying late saves money on borrowing fees, lowering the total interest paid. Credit managers may calculate this interest cost separately for debtors, with worrisome results since late payment is sometimes ten times the cost of bad debt losses (Shihadeh, 2021).

Management of credit costs. A credit policy is required for effective receivables management. Many businesses struggle with cash flow and working capital due to loose lending rules and credit restrictions. An organisation's credit policy defines how it handles its most precious asset: its customers; according to Abueid et al., Shihadeh believes that credit rules recognise the credit and collection department as a significant contribution to its operations (2021). A sound credit strategy helps management avoid needless risks and appropriately analyse the company's growth potential (Abueid, Rehman, & Nguyen, 2022; Shihadeh, 2021).

Because of Palestine's continuous political and economic unrest, reviewed studies may use it as a research base (Bayyoud & Sayyad, 2015). Commercial and investment financial institutions face considerable credit risk and default incidence. Palestinian micro finance institutions are very cautious regarding borrowers, credit risk management, and investors (Abu Zir, 2016). Many local researchers have studied credit risk management. Still, no one has raised many questions regarding the connection between credit management and financial performance in Palestinian commercial banks or micro finance institutions in those studies. Bayyoud and Sayyad's (2015) research aimed to provide a comprehensive picture of Palestinian commercial banks' financial health. The study examines how credit risk affects a company's internal performance (Bayyoud & Sayyad, 2015). Return on assets is used in terms of financial performance.

In contrast, Economic Value Add and Tobin's Q gauge market performance (Harasheh & Al Khateeb, 2012). Harasheh and Al Khateeb (2012) also studied the actual credit risk measurements in Palestine's commercial banks. The findings were critical in determining the most important variables influencing the risk level of Palestinian commercial banks' credit exposures (Harasheh & Al Khateeb, 2012). Although the studies above highlight credit risk management in Palestine, they fail to focus on the apparent link between credit management and strategic planning

on financial performance in micro finance institutions. As a result, the present study's research was prompted to investigate the credit management, and strategic planning related to financial performance in Palestinian micro finance institutions.

This study established that credit functions must be capable of evolving with the times and taking advantage of opportunities that seem to be helpful. Credit functions must meet the needs and expectations of the debtor consumers. It was shown that commercial banks' nonperforming loan levels were linked to 5c's credit risk assessment model. According to Thabet (2017), the five recognized actions that must be done in the credit administration process are credit-risk assessment, credit provision, accounts receivable financing, credit collection, and credit-risk carrying. All of this is connected to activities that directly influence a firm's liquidity. Accounts receivable management decisions are callous to make. Due to an excessively generous trade credit policy, an excessive quantity of money is held up in accounts receivable. Increased accounts receivable servicing fees and more expensive alternative pricing are the result for the company. High-risk borrowers' bad loans jack up the entire cost. The other side of this is that a more lenient approach to trade credit might lead to higher sales. As one of many corporate clients, however, their payment patterns may be linked to the payment habits of other organizations, allowing what was previously impossible to do. Like the portfolio of accounts receivables, the portfolio of assets may have a lower risk of acceptable benefits than the discrete groups of purchasers.

When debtors dominate a company's balance sheet, the credit function should be focused on increasing the company's capacity to compete. Late payments and a high rate of bad debt will wreak havoc on the organization's primary objectives. Everyone in the organization works hard to advertise the product or service, maintain client happiness, and seek compensation. When designing a credit policy, it's critical to think about corporate and departmental objectives,

strategies, structure, information technology competency, credit service characteristics, and sales processes.” Previous studies on credit management and financial success were briefly examined as a starting point for this research. There has been considerable debate over knowledge asymmetry and transaction costs. This chapter also looked at the empirical components of credit management and financial success. Credit management has not been widely investigated in the Palestinian microfinance industry, creating a gaping hole in empirical data on MFI strategic planning and financial performance. This study aims to fill any information gaps that may arise.

2.9 Microfinance Institutions in Palestine

According to Tabbaa (2020), microfinance is a subcategory of financial services targeted at individuals and firms without access to regular banks. Microfinance services target excluded clients who are usually poor, socially deprived, or geographically isolated (Tabbaa, 2020). Microfinance was initially characterized as giving microloans to disadvantaged entrepreneurs and small firms. Relationship-based banking for people and small firms, and group-based methods, where numerous entrepreneurs come together to seek loans and other services as a group (Lilay et al., 2015). The movement toward a society where all people, especially the poor and socially excluded, have access to affordable and high-quality financial products and services has spread (Lilay et al., 2015).

Microfinance institutions (MFIs) were founded in Palestine in the 1980s, and they gained popularity and contributed to the growth of the economy in many ways (Tabbaa, 2020). Small and medium-sized businesses (SMEs) have a considerable potential to help needy people with their economic activities and, consequently, reduce poverty in their communities (Tabbaa, 2020; Lilay et al., 2015). Microfinance may help relieve state poverty, and increasing the number of such groups can help to strengthen overall reconciliation efforts (Rahman & Zain, 2019). Micro-finance

is a term used to describe the process of removing the barriers to economic growth that are linked to poverty. Tabbaa's results suggest that small-scale microfinance is the most effective tool for achieving economic stability and development. MFIs assist those who are poor or have limited financial means (Lilay et al., 2015). MFIs are increasing their efforts to offer timely and attractive loan repayment choices (Tabbaa, 2020). Microfinance is considered crucial for improving the lives of the underprivileged and enabling them to participate in state development (Rahman & Zain, 2019).

MFIs play various roles in economic growth, both directly and indirectly. The creation of small business value, positive spillovers, and breakthroughs in the development of essential human capital such as education, health, and nutrition, to mention a few examples, are just a few of the benefits of these activities (Tabbaa, 2020; Lilay et al., 2015). According to Rahman and Zain (2019), one of the early benefits is decreasing poverty and inequality. Karsh, and Deek (2019) found that microfinance institutions (MFIs) are more likely to reduce income gaps and inequality by decreasing loan restrictions for the poor in a recent study done in Palestine. Many studies have looked at the discrepancy in micro-credit contributions between countries, according to Karsh, and Deek (2019).

Faten, UNRWA, PDF, ACAD, VITAS, ASALA, REEF, and Al-IBDAA are the MFIs operating on the west bank among the organizations collaborating with the Palestinian Network for Small Scale Microfinance (PNSMF) (Karsh & Deek, 2019). MFIs employ a variety of legal structures, including non-governmental organizations (NGOs), co-operatives, non-profit companies, and donor programs. According to studies of the Palestinian credit market, the demand for credit in Palestine is much more than the supply of credit (Karsh & Deek, 2019). According to the PMA's estimates, the credit gap is worth more than \$80 million each year (Karsh & Deek,

2019). ICON-INSTITUTE estimated the loan demand for MSMEs in Palestine to be between US\$ 623 million and US\$ 668 million (Karsh & Deek, 2019). “This demonstrates a significant financial gap for Palestinian MSMEs and an immeasurable obstacle to Palestine’s full economic progress.”

Show Appendix 1.

Around 14,000 Palestinians took advantage of the World Bank’s “three classic micro-lending programs and three tiny company lending programs” in 2000. They served over 7,000 active borrowers and a \$2 million loan portfolio (Tabbaa, 2020). Gaza: 70% of the microfinance market was controlled by FATEN (Palestine for Credit and Development), 26% by UNRWA, and 4% by USAID via the Bank of Jordan and the Arab Bank (Tabbaa, 2020). The average loan amount was \$294, 17.5 per cent of GDP and 41.8 per cent of the poverty level for 105 clients of these programs (Tabbaa, 2020). About 106 of those programs focused on women only and followed the best practices in the industry (Tabbaa, 2020).

However, in the following years, the industry increased. Palestine’s Network for Small and Micro-Finance Institutions was established in 2002 by nine microfinance institutions and programs (SHARAKA). Center for Agricultural Development in the Arab World), YMCA (Young Men Christian Association), PDF (Palestinian Development Fund), and CHF (Ryada Cooperative Housing Foundation). The Palestinian Interior Ministry registered SHARAKA as a non-profit organisation in 2004. SHARAKA first managed Palestinian MCIs back in 2004. To help microfinance institutions achieve their long-term strategic goals, the network has run a service delivery program since its inception. Providing members with up-to-date financial information is one-way SHARAKA works toward this goal. In December 2006, there were eleven MFIs and one commercial bank. The area had 6 MFIs, with loans ranging from \$200 to \$20,000 for consumer

goods, manufacturing, and house maintenance (Tabbaa, 2020). The average loan amount was \$1,500, with repayment terms ranging from three months to three years (Tabbaa, 2020).

The below table that published by The Palestinian network for Small and Microfinance “SHARAKA” in the end of September 2022 represents the last indicators for the Palestinian MFIs:

Table 2 The Palestinian network for Small and Microfinance “SHARAKA” September 2022 report

Company	No. Employees	No. of Branches and Offices	Loans Disbursed (Quarterly)	Active Clients	Gross Loan Portfolio
FATEN	301	38	7,946,670	35,943	101,150,419
VITAS	125	10	5,286,950	10,715	53,285,446
Pal Banking	50	7	3,200,722	824	23,704,163
PDF	31	8	4,418,043	973	24,857,894
UNRWA	188	11	4,390,808	15,982	14,939,734
ASALA	54	7	2,691,800	5,359	13,574,166
REEF	57	11	1,385,366	3,915	15,794,843
ACAD	55	8	1,420,867	4,447	12,433,865
ALIBDAA	93	7	8,682,670	5,271	9,329,657

Source: The Palestinian network for Small and Microfinance “SHARAKA”

According to table (2), the total average of employees of all 8 Palestinian microfinance institutions is (106). And the average quarterly disbursed loans (\$4,380,433) for average 9,270 clients. Also FATEN has the highest portfolio with \$ 101,150,419.

Chapter Three: Research Methodology

3.1 Introduction

This chapter illustrates with a full description of the method and procedures carried out by the researcher for data collection and sampling, questionnaire design, reliability and validity testing, statistical approach, and research model to implement this study.

3.2 Data Collection and Sampling

In this study, data was collected through primary and secondary data sources in order to access information about the study problem. Primary data was collected through quantitative data tools and a questionnaire was used for the quantitative part. While secondary data was collected through books, articles and scientific journals published about the thesis, which can be found through the list of references.

The sample of the study was chosen by defining the study population. Since the researcher is interested in studying the mediating impact of credit management on strategic planning and its impact on financial performance in Palestinian microfinance institutions, the study sample was limited to Palestinian microfinance institutions according to the statistics in reference to the report of the Palestinian network for Small and Microfinance “**SHARAKA**” for the year 2019. The number of employees working in these Palestinian microfinance institutions reached up to (901) employee. (The Palestinian network for Small and Microfinance “**SHARAKA**, 2019) Thus, the

number of questionnaires distributed was (362). The size of the samples was calculated using Robert Mason equation (Robert, 1989).

$$n = \frac{N}{\left[\left(S^2 \times (N - 1) \right) \div pq \right] + 1}$$

Where:

N: Population size.

S: 1.96 /standard error=0.05

P: percentage of picking a choice expressed as decimal=0.5

3.3 Questionnaire Design

The questionnaire is an important tool for collecting the quantitative data used in this research, and it was built mainly to meet the needs and questions of the research. The final version was distributed to the employees of Palestinian microfinance institutions. It took two weeks from the beginning of distributing the questionnaire, collecting it and returning it to the researcher. The total number of distributed questionnaires was (362) and only (270) of them were analyzed after excluding (8) questionnaires because their responses were neither consistent nor complete.

The questionnaire consists of four sections; five questions were used in the first section which relate to the demographic information of the respondents (gender, age, educational qualification, working experience, and job title).

The second section contains (19) statements that measure the three factors of strategic planning distributed by: (vision-7 statements, mission-6 statements, and strategic goals-6 statements).

Section three contains of (11) statements that measure the level of credit management in Palestinian microfinance institutions. The fourth and last section contains (9) statements that measure the level of financial performance in Palestinian microfinance institutions.

The below table summarizes the questionnaire design and the references that the research questions used depended on:

Table 3: Questionnaire design and the reference

Variable	Type of variable	# of items	Reference
Vision	Independent	7	Jaraiseh, F. (2013).
Mission	Independent	6	Mutune, W. M. (2016)
Strategic goals	Independent	6	Jaraiseh, F. (2013).
Credit management	Mediating	11	Tucker, M., & Miles, G. (2004).
Financial performance	Dependent	9	Gatuhu, R. N. (2013).

Respondents were asked to indicate their level of agreement using a five-point Likert scale (from 5 which means fully agree to 1 which indicates completely disagree).

Malhotra & Birks (2007) said that “Likert scales allows the respondent to choose the degree of agree or disagree with each item in questionnaire when it comes to the stimulus purpose.” the different factors were measured on 5- point Likert scale to check the participant’s degree of convenient with the statement or not as follows:

1. Strongly disagree (SD)
2. Disagree (D)
3. Neutral (Ne)
4. Agree (A)
5. Strongly Agree (SA)

The researcher used the following scale to assess the level of the mediating impact of credit management on strategic planning and its impact on financial performance in Palestinian microfinance institutions. This scale depends on interval length= $\text{range}/\text{number of intervals}$, $(5-1)/3=1.33$. The following scale represents the result: 1-less than 2.33 is low; 2.33- less than 3.66 is medium and 3.66-5 is high.

3.4 Internal Validity

(Oluwatayo, 2012) defined validity as “the accuracy of an assessment”. In another words, it questions whether or not the used instruments measure what it’s supposed to measure. To have the confidence about the validity of the questionnaire before distribute it to the last respondent, it has been sent to be evaluated by number of external evaluators. The evaluators reviewed the questionnaire for readability, clarity, and comprehensiveness and provided a level of consensus on which items should be included in the final questionnaire.

3.5 Factor Analysis

Factor analysis is used to minimize the numbers of components, as Pallant (2005) explained that the ideal sample size should be more than 100 responses. Thus, the results of factor analysis can also be used for another analysis called multiple regression (Cicenaite et al, 2012).

Kaiser-Meyer-Olkin (KMO) is used to check the adequacy of the sample, depending on the correlation between all variables and it should be between 0 and 1 (Pallant, 2005). Field (2005) set the KMO values between 0.5 and 0.7 are moderate. Values between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great and values above 0.9 are excellent. In this research, the KMO equals to 0.853 which represents a good and satisfactory result as shown in below table. The Bartlett’s test results are shown in the same table. The identity of the correlation matrix and the

spherical significance should be statistically significant in $P < 0.05$, in this research. The P value equals 0.000. Thus, the factor analysis is convenient.

Table 4: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.751
Bartlett's Test of Sphericity	Approx. Chi-Square	9549.905
	Df	741
	Sig.	0.000

Source: SPSS outcome

An eigenvalue rule or the Kaiser's criterion is one of the most common techniques. As assumed five factors should be retained as shown in table (4). Therefore, and for further investigation, not all (39) components can be retained. The eigenvalue of a factor indicates the total variance explained by that factor (Pallant, 2005). As shown in the below table, factor 1 has the highest score (11.612). Thus, this factor reports the most variance and explains 29.775% of the total variance. Therefore, five components with the eigenvalue above than one explain 59.261% of the variance. This means that these five factors should be retained for rotation.

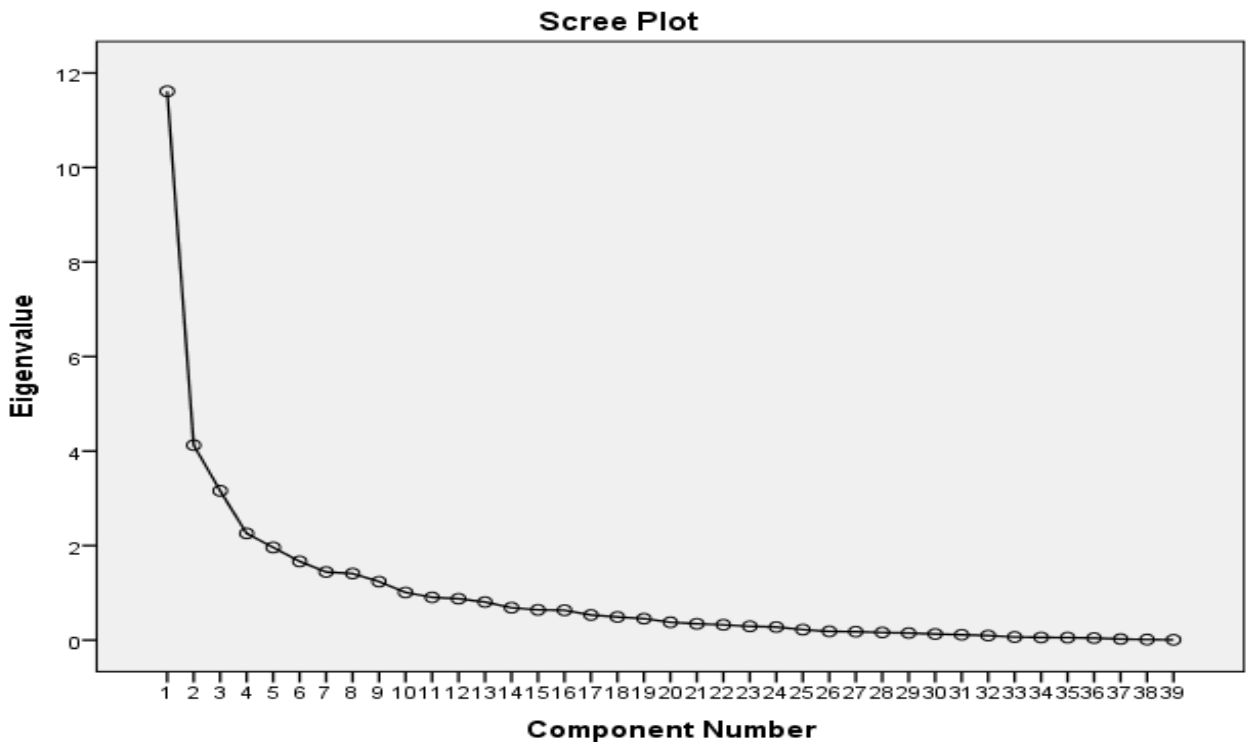
Table 5: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.612	29.775	29.775	11.612	29.775	29.775
2	4.124	10.575	40.349	4.124	10.575	40.349
3	3.158	8.098	48.448	3.158	8.098	48.448

4	2.257	5.787	54.235	2.257	5.787	54.235
5	1.96	5.027	59.261	1.96	5.027	59.261

*Extraction Method: Principal Component Analysis.
Source: SPSS outcome.*

However, to make better judgment and choose the proper number of factors, the Scree Plot should also be used. Based on below Graph 1, it is clear that from factor number five, the line is getting straight.



*Figure 1: Scree Plot of Combined data
Source: SPSS outcome*

This indicates that each consecutive factor is the calculation of smaller quantities of the total variance. It should be noted that the researcher run factor analysis for 5 factors. Since the results of factor analyses for 5 factors give clear solutions generated by SPSS. As the number of the factors has been determined, they must be ‘rotated’ in order to start interpretation. The rotation does not change anything but it makes the translation of the analysis easier. It’s used to decrease

the number of variables which have high loads on each factor (Pallant, 2005). Table (5) presents the loadings of the different variables as well as in which factor it belongs.

Table 6: Rotated Component Matrix

Items	1	2	3	4	5
The institution has a clear vision.	0.693				
The vision reflects the future direction of the institution.	0.803				
The vision of the institution is ambitious and determined.	0.815				
The vision of the institution is feasible and achievable.	0.712				
The strategies and decisions of the institution reflects its vision.	0.795				
The vision builds a positive mental image of the institution with the relevant parties.	0.646				
The institution achievements and results reflects its future vision.	0.693				
The organization has a clear, understandable, and written mission.		0.566			
The mission expresses the actual role of the organization.		0.790			
The mission is consistent with the actual needs of the labor market and society.		0.861			
The mission of the institution includes all the tasks that must be achieved.		0.894			
The mission helps to unify all effort within the organization to achieve its comprehensive goals.		0.878			
There is harmony between actual achievements and the content of the institution's mission.		0.864			
The objectives of the institution are consistent with its vision and mission.			0.815		
The institution sets achievable and measurable strategic goals.			0.675		
The institution sets time-bound goals to be achieved.			0.623		
Employees are engaged in setting the strategic goals of the institution.			0.853		
The objectives are clearly formulated to be used as an effective guideline to guide planning and decision-making processes.			0.813		

The institution chooses the appropriate strategy to achieve its goals and mission in line with its analysis of the institution's environment.			0.863	
In the financial institutions, the administration ensures that the general conditions for granting credit assurance to the client are applied.				0.578
The financial institution adheres to the credit policy in granting the financing decision.				0.67
The financial situation of the client is a major reason for accepting or rejecting the credit request.				0.614
The institution depends on the reputation of the client when accepting the financing request.				0.53
The institution depends on the amount of the client's capital when granting credit.				0.527
Warranties are considered an essential part when granting credit.				0.657
Whether the credit applicant manages his own project or not is related to the approval or rejection of the application.				0.421
The economic activity of the client is related to the approval or rejection of the application.				0.575
The economic conditions play a role in studying the credit request				0.578
The credit applicant account, as well as his accounts in other banks are reviewed & inquired before approval of the credit request is granted.				0.622
The interest rate is considered an essential component of credit management.				0.79
The organization seeks to make the best use of the available resources in order to reach better performance indicators.				0.521
The increase in the value of existing funds contributes to raising the performance indicators of lending institutions.				0.492
Low expected losses expense leads to higher performance indicators in microfinance institutions.				0.604
Diversity in the offered products leads to an increase in performance indicators in microfinance institutions.				0.642
The increase in the liquidity ratio leads to an increase in the performance indicators of microfinance institutions.				0.688
The decline in financial leverage positively affects the return of the microfinance institution and thus its financial performance.				0.675

The interest rate increasing contributes to improving the performance indicators of microfinance institutions		0.575
Increasing the toner of a single loan contributes to improving the performance indicators of microfinance institutions		0.628
The increase in the demand for financing contributes to the increase in the performance indicators of the microfinance institutions.		0.534

*Extraction Method: Principal Component Analysis.
 Rotation Method: Oblimin with Kaiser Normalization.
 Source: SPSS outcome.*

An Oblimin with Kaiser Normalization rotation method discovers the five factors with 39 statements and the most important statements in each factor. As showed in table (6), the 39 statements in the study instrument had been loaded on the five factors. Depending on communalities analysis, the communalities also showed the variables that fitted well together (Child, 2006).

Lee Cronbach was able to achieve the purpose mentioned before in 1951. It was expressed with numerical value located between 0 and 1. If the score of alpha was more than 0.7, this shows that the questionnaire is reliable. If the result was less than 0.7, this shows that the questionnaire is not reliable and that it needs to be modified. (Fraenkel & Wallen, 2003)

To check reliability of the instrument, pilot testing was used. A sample of (20) questionnaires was distributed randomly in Palestinian microfinance institutions. The purpose of this testing is to make sure that the respondents have no problem in understanding the questions. After analyzing these data, the researcher found that each dimension had a high value of Cronpach’s alpha. The overall value was 0.97 which exceeded the 0.70 level indicating high reliability of high internal consistency as shown in below table.

Table 7: Reliability Statistics (n=20)

Variable	Cronbach's Alpha	N of Items
Vision	0.86	7

Mission	0.90	6
Strategic goals	0.86	6
Strategic planning	0.94	19
Credit management	0.82	11
Financial performance	0.71	9
The tool	0.95	39

Source: SPSS outcome.

Which in turn proved that the used tool measures the level of the mediating impact of credit management on strategic planning and its impact on financial performance among Palestinian microfinance institutions employees, and we could distribute the tool on the selected sample.

3.6 Statistical Approach

A combination of (SPSS 25.0) and SMARTPLS3 was applied to analyze the collected data. Linear and multiple regression analysis by the SPSS software was used to analyze the data collected. Pearson correlation was employed to test the significance for the relationship hypothesis. Moreover, means and standard deviations were used. Path analysis was used to find the significant of the mediating impact of credit management on strategic planning and its impact on financial performance among Palestinian microfinance institutions employees.

3.7 Research Model

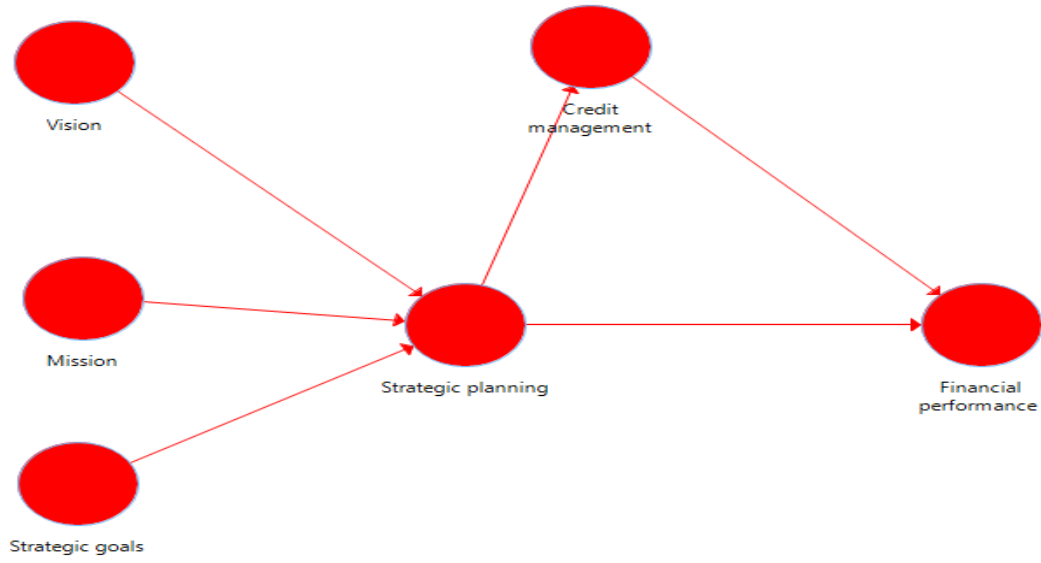


Figure 2: Smart-PLS estimation

Chapter Four: Data Analysis and Results

4.1 Introduction

In this chapter, the researcher presented analysis using the combination of (SPSS 25.0) and SMARTPLS3, to answer the questions and reject or fail to reject the hypothesis. This chapter is separated into three parts. The first part is demographic analysis. The second part is the descriptive analysis. Finally, the regression analysis is conducted in the final part to check the mediating of credit management on strategic planning and its impact on financial performance in Palestinian microfinance institutions.

4.2 Demographic Analysis

A total of (270) responses using electronic questionnaire was collected. The results of the sample details are as follows:

Table 8: Demographic characteristics of respondents (n=270)

Factor	Type	Frequency	Percent (%)
Gender	Male	183	68%
	Female	87	32%
Age	Less than 25 years	16	6%
	Less than 35 years	129	47%
	Less than 45 years	91	34%
	45 years or more	34	12%
Qualification level	Bachelor	178	66%

	Master	81	30%
	PHD.	11	4%
Work experience	Less than 5 years	44	16%
	Between 5 and less than 10 years	89	33%
	Between 10 and less than 15 years	103	38%
	15 years or more	34	12%
Job title	General manager	7	3%
	Head office	50	19%
	Branch manager	58	22%
	Administrative employee	155	57%

Source: SPSS outcome

Table (8) summarizes the demographic data of respondents. The results show that the majority of respondents were male (68%) while the remaining ratio (32%) were female. On the other hand, the majority of sample respondents aged between 25-35 years with (47%), while the lowest number of respondents aged between 25-35 years with (2%). Relatively, the qualifications level was; (66%) Bachelor degree, (30%) having master degree and (4%) with PHD degree. Also, the highest percentage of the work experience was between 10 and less than 15 years of experience with a sample size of (38%), (33%) between 5 and less than 10 years, while 15 years or more was the lowest with (12%). Finally, the majority of sample job title was (57%) employees, followed by branch manager with (22%), while the least was general manager with (3%). That is because

the number of MFIs is just eight institutions. Hence, the number of general managers is limited to eight managers.

4.3 Descriptive Statistics

The descriptive analysis describes the gathered numerical data to make it easier when explains. Also, descriptive analysis results show the mean and standard deviation for each statement to determine the items that has the highest and lowest mean in each factor. The purpose of this analysis to identify the central tendency of the responses through mean results and the spread of a set of observations through the standard deviation results. This means that when the standard deviation is low, it shows that most of the respondents had the same opinion (concentrated) toward the same statement. While when the score of standard deviation is high, it shows that the respondents had a different opinion toward the same statement (Cicenaite, et al. 2012).

Means and standard deviations were calculated to show the level of strategic planning factors in Palestinian microfinance institutions.

Table 9: Descriptive statistics of the strategic planning factors in Palestinian MFIs

Factors	Mean	Standard Deviation	Level
Vision	4.10	0.58	High
Mission	3.96	0.76	High
Strategic goals	3.85	0.76	High
Total average of strategic planning	3.97	0.63	High

Source: SPSS outcome

According to the table (9), the total average of strategic planning of all 3 factors in Palestinian microfinance institutions represents the level of high with (3.97). All factors represent the level of high and located between (3.85) related to strategic goals factor and (4.10) related to vision factor.

Means and standard deviations were calculated to show the level of implementing strategic planning factors (vision, mission, and strategic goals) in Palestinian microfinance institutions.

Table 10: Descriptive statistics of vision, mission, and strategic goals in Palestinian MFIs

Variable	Paragraph	Mean	Standard deviation	Level
Vision	The institution has a clear vision.	4.19	0.79	High
	The vision reflects the future direction of the institution.	4.06	0.78	High
	The vision of the institution is ambitious and determined.	4.14	0.81	High
	The vision of the institution is feasible and achievable.	4.24	0.78	High
	The strategies and decisions of the institution reflects its vision.	3.95	0.84	High
	The vision builds a positive mental image of the institution with the relevant parties.	4.16	0.69	High
	The institution achievements and results reflect its future vision.	3.93	0.80	High

	Total average of strategic planning vision	4.10	0.58	High
Mission	The organization has a clear, understandable, and written mission.	4.23	0.84	High
	The mission expresses the actual role of the organization.	4.12	0.83	High
	The mission is consistent with the actual needs of the labor market and society.	3.71	1.07	High
	The mission of the institution includes all the tasks that must be achieved.	3.88	0.98	High
	The mission helps to unify all effort within the organization to achieve its comprehensive goals.	3.96	0.98	High
	There is harmony between actual achievements and the content of the institution's mission.	3.85	0.89	High
	Total average of strategic planning mission	3.96	0.76	High
	Strategic goals	The objectives of the institution are consistent with its vision and mission.	3.96	0.88
The institution sets achievable and measurable strategic goals.		4.10	0.86	High

The institution sets time-bound goals to be achieved.	4.13	0.75	High
Employees are engaged in setting the strategic goals of the institution.	3.28	1.40	Medium
The objectives are clearly formulated to be used as an effective guideline to guide planning and decision-making processes.	3.78	0.97	High
The institution chooses the appropriate strategy to achieve its goals and mission in line with its analysis of the institution's environment.	3.82	0.92	High
Total average of strategic planning goals	3.85	0.76	High

Source: SPSS outcome

Table (10) represents the descriptive statistics of implementing strategic planning factors (vision, mission, and strategic goals) in Palestinian MFIs. The first statements measure the level of vision in Palestinian MFIs. The results were as following: the statement ‘the vision of the institution is feasible and achievable’ has the highest mean score (4.24) with high level. This shows that most of the respondents agree with this statement while the lowest mean score (3.93) related to ‘the institution achievements and results reflects its future vision’ with a high level. Hence, the total average score (4.10) which means the level of implementing vision is high in Palestinian

MFIs. Then the statements measure the level of mission in Palestinian MFIs. The statement ‘the organization has a clear, understandable, and written mission’ has the highest mean score (4.23) with a high level. This shows that most of the respondents agree with this statement, while

the lowest mean score (3.71) related to ‘the mission is consistent with the actual needs of the labor market and society’, with high level. The total average score was (3.96) which shows that the level of implementing mission is high in Palestinian MFIs. The last six statements represent the descriptive statistics of implementing strategic goals in Palestinian MFIs. The statement ‘the institution sets time-bound goals to be achieved’ has a highest mean score (4.13) with a high level. This shows that most of the respondents agree with this statement, while the lowest mean score (3.28) related to ‘employees are engaged in setting the strategic goals of the institution’, with a medium level. The answer to the above question is dependent on the total average score (3.85) which means the level of implementing strategic planning goals is high in Palestinian MFIs while the employees not involved in putting the strategic goals, that means the top management in Palestinian MFIs put the organization strategic goals. In total, the results show there is high level of strategic planning factors in Palestinian MFIs with an average of (3.97).

Means and standard deviations were calculated to know the level of credit management in Palestinian MFIs.

Table 11: Descriptive statistics of credit management in Palestinian MFIs

Statements	Mean	Standard Deviation	Level
In the financial institutions, the administration ensures that the general conditions for granting credit assurance to the client are applied.	4.30	0.78	High
The financial institution adheres to the credit policy in granting the financing decision.	4.29	0.75	High
The financial situation of the client is a major reason for accepting or rejecting the credit request.	4.29	0.68	High
The institution depends on the reputation of the client when accepting the financing request.	4.10	0.87	High
The institution depends on the amount of the client's capital when granting credit.	3.71	0.78	High
Warranties are considered an essential part when granting credit.	4.26	0.79	High
Whether the credit applicant manages his own project or not is related to the approval or rejection of the application.	3.93	0.87	High
The economic activity of the client is related to the approval or rejection of the application.	4.04	0.82	High
The economic conditions play a role in studying the credit request	4.03	0.82	High
The credit applicant account, as well as his accounts in other banks are reviewed & inquired before approval of the credit request is granted.	4.49	0.65	High

The interest rate is considered an essential component of credit management.	4.11	1.07	High
Credit management (Mean value)	4.14	0.48	High

Source: SPSS outcome.

Table (11) represents the descriptive statistics of credit management in Palestinian MFIs. The statement represents ‘the credit applicant account, as well as his accounts in other banks are reviewed and inquired before approval of the credit request is granted.’ has a highest mean score (4.49) with a high level. This shows that most of the respondents agree with this statement, while the lowest mean score (3.71) related to ‘the institution depends on the amount of the client's capital when granting credit’, with a high level. The answer to the above question is dependent on the total average score (4.14) which means the level of credit management in Palestinian MFIs is high.

Table 12: Descriptive statistics of financial performance in Palestinian MFIs

statement	Mean	Standard Deviation	Level
The organization seeks to make the best use of the available resources in order to reach better performance indicators.	4.09	0.74	High
The increase in the value of outstanding loans contributes to raising the performance indicators of lending institutions.	4.20	0.76	High
Low expected losses expense leads to higher performance indicators in microfinance institutions.	1.84	0.79	Low
Diversity in the offered products leads to an increase in performance indicators in microfinance institutions.	4.26	0.70	High
The increase in the liquidity ratio leads to an increase in the performance indicators of microfinance institutions.	4.09	0.91	High
The decline in financial leverage positively affects the return of the microfinance institution and thus its financial performance.	2.20	0.83	Low
The interest rate increasing contributes to improving the performance indicators of microfinance institutions	3.73	1.04	High
Increasing the toner of a single loan contributes to improving the performance indicators of microfinance institutions	3.74	0.92	High
The increase in the demand for financing contributes to the increase in the performance indicators of the microfinance institutions.	3.94	0.91	High
Total average of financial performance	3.56	0.36	Medium

Source: SPSS outcome.

Table (12) represents the descriptive statistics of financial performance in Palestinian MFIs. The statement represents ‘diversity in the offered products leads to an increase in performance indicators in microfinance institutions’ has a highest mean score (4.26) with a high level. This shows that most of the respondents agree with this statement, while the lowest mean score (1.84) related to ‘low expected losses expense leads to higher performance indicators in microfinance institutions’, with a low level. That’s because the MFIs incur other expenses affects their performance indicators. On the other hand, the generated revenues affect the financial performance mainly in Palestinian MFIs. The answer to the above question is dependent on the total average score (3.56) which means the level of financial performance in Palestinian microfinance institutions is medium that’s because they have high leverage which will decrease their return.

4.4 Normality and Correlation Analysis

The researcher tested the assumption through (Normality) to make sure which testing hypothesis needed (parametric or nonparametric).

To check the normality test Kolmogorov-Smirnov test is used, the following table shows the result:

Table 12: Kolmogorov-Smirnov test for normality

0Test	Test value	Significance	Result
Kolmogorov-Smirnov	1.351	0.143	Accept

Our assumption is the data distributed normally, referring to the significance value=0.143> 0.05. Hence, the assumption was accepted which means that we will use the parametric tests.

Table 13: Paired Samples Correlations

	vision & Performance	mission & Performance	goals & Performance	strategic planning & performance	credit management & performance
N	270	270	270	270	270
Correlation	0.24	0.425	0.374	0.387	0.465
Sig.	0	0	0	0	0

Table (14) represents the correlation between study variables. It showed that the highest correlation is 0.465 between credit management and financial performance which is less than 0.80. Hence, the correlation low and the researcher can continue to do the regression analysis.

4.5 Research Hypotheses Testing

Before testing the hypothesis using SMATPLS 3, the model fit was tested. The following table shows the result:

Table 14: Model fit – result

Model fit	SRMR	Chi-Square
	0.064	3636.89

The result shows that (SRMR=0.064) is less than 0.08, which indicates that the model fit is good as Bentler & Bonett (1980) said” a value less than 0.08 is considered a good model fit.” Henseler et al. (2014) introduced the SRMR as a goodness of fit measure for PLS-SEM that can be used to avoid model misspecification.

4.6 Path Analysis Using (SMARTPLS3)

SMARTPLS3 was used to examine the significant of credit management mediating the relationship between strategic planning and financial performance in Palestinian microfinance institutions. Path analysis was used.

To test the hypothesis above, we need to test three hypotheses using the path analysis in SMARTPLS 3:

(H1): There is statically significant impact of strategic planning dimensions on the financial performance in Palestinian microfinance institutions.

Sub hypothesis:

(H1, a): There is statically significant impact of strategic planning factors (vision, mission and strategic goals) on the financial performance in Palestinian microfinance institutions.

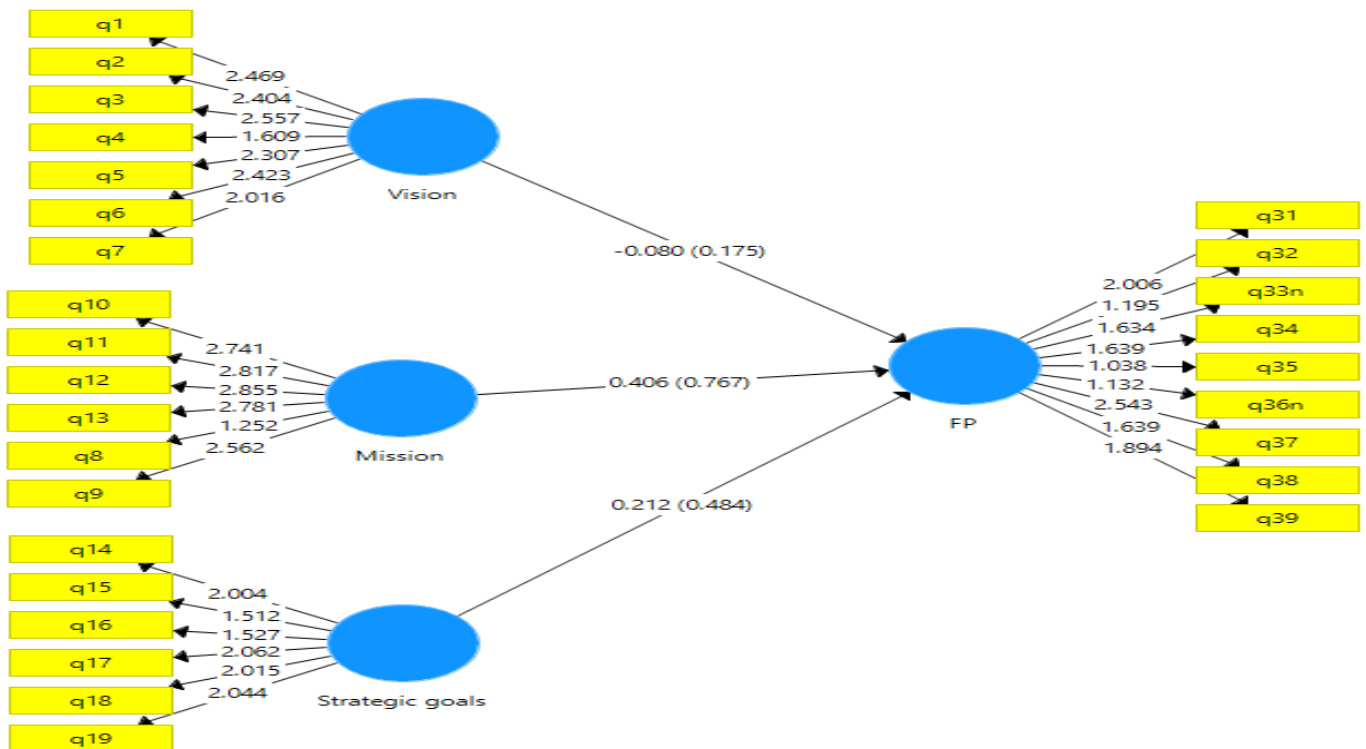


Figure 3: Bootstrapped Test Run: (strategic planning dimensions and financial performance)

The above figure shows the bootstrapped test run results of the model for strategic planning dimensions; vision, mission and strategic goals (Independent variables) and financial performance (dependent variable). The results indicated no significant impact of strategic planning dimensions (vision, mission and strategic goals) on the financial performance in Palestinian microfinance institutions. The inner path coefficient is not significant with P= (0.175, 0.767 and 0.484) which are greater than 0.05. Table (16) shows direct results effect.

Table 15: Direct results effect

Hypothesis	Relationship	Direct effect	Indirect effect	Total effect	P-value	Decision
H1	Vision-Financial performance	-0.080	-0.10	-0.18	0.175	No Support
H2	Mission-Financial performance	0.406	0.008	0.414	0.767	No Support
H3	Strategic goals-Financial performance	0.212	0.012	0.224	0.484	No Support

The above table shows the direct results effect of impact of strategic planning factors (vision, mission and strategic goals) on the financial performance in Palestinian microfinance institutions. It shows that p-values are more than 0.05. Due to this, the alternative hypothesis was rejected which means that there is no statically significant impact of strategic planning factors (vision, mission and strategic goals) on the financial performance in Palestinian microfinance institutions. That's because only strategic planning factors not enough to affect the financial performance in MFIs and there is another factors affect it.

(H2): There is statically significant impact of strategic planning on the credit management in Palestinian microfinance institutions.

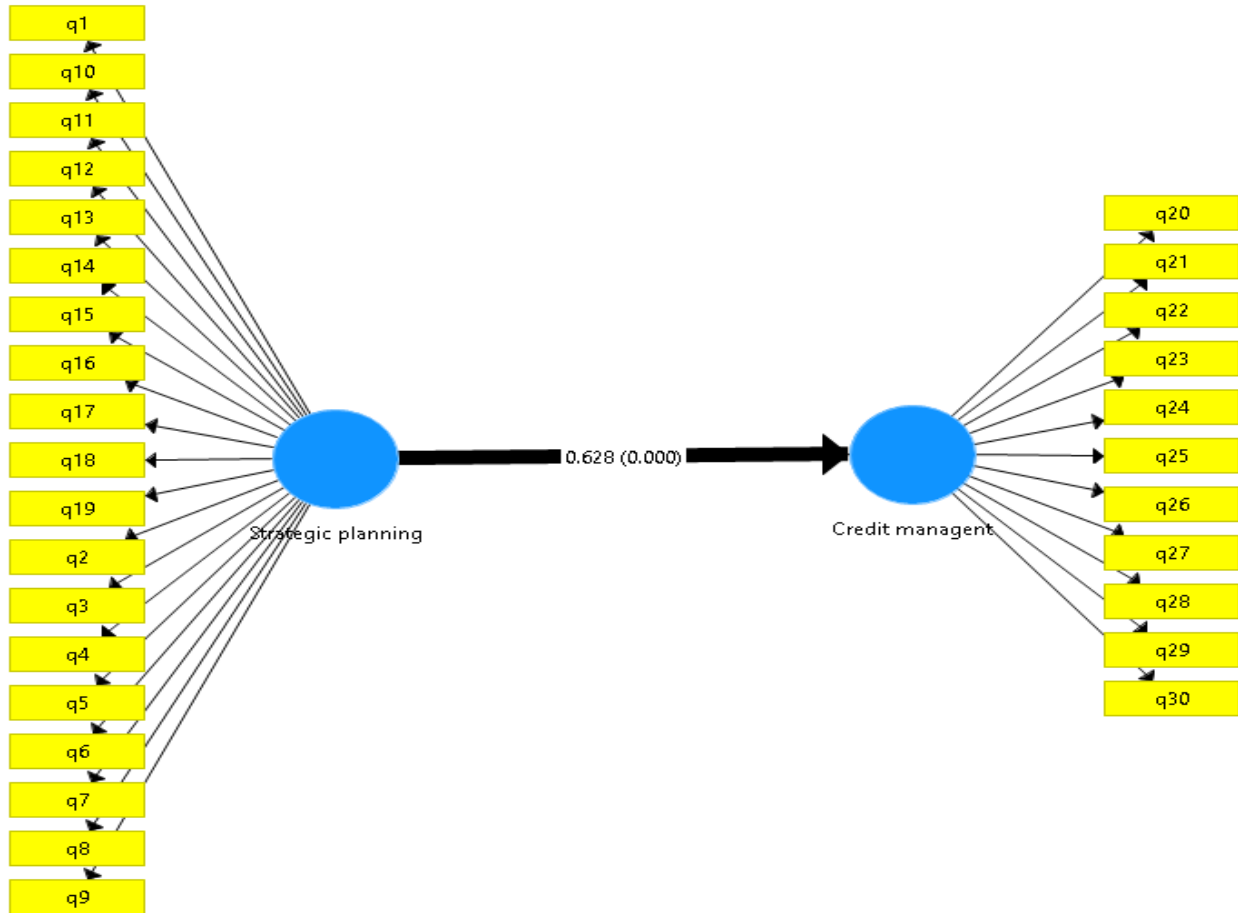


Figure 4: Bootstrapped test Run: (strategic planning - credit management)

The above figure shows the bootstrapped test run result of the model for strategic planning (Independent variable) and credit management (dependent variable). The results indicated significant impact of strategic planning on credit management in Palestinian microfinance institutions. The inner path coefficient is significant with (P=0.000) which less than 0.05, and positive effect equals (0.628). Table (17) shows the direct results effect.

Table 16: Direct results effect

Hypothesis	Relationship	Direct effect	Indirect effect	Total effect	P-value	Decision
H2	Strategic planning-Credit management	0.628	0.000	0.628	0.000	Support

The above table shows the direct results effect for the impact of strategic planning on the credit management in Palestinian microfinance institutions. It shows that P-value is less than 0.05. Due to this, the alternative hypothesis was accepted which means that there is statically significant impact of strategic planning on the credit management in Palestinian microfinance institutions.

Sub hypothesis:

(H2, a): There is statically significant impact of strategic planning dimensions (vision, mission and strategic goals) on the credit management in Palestinian microfinance institutions.

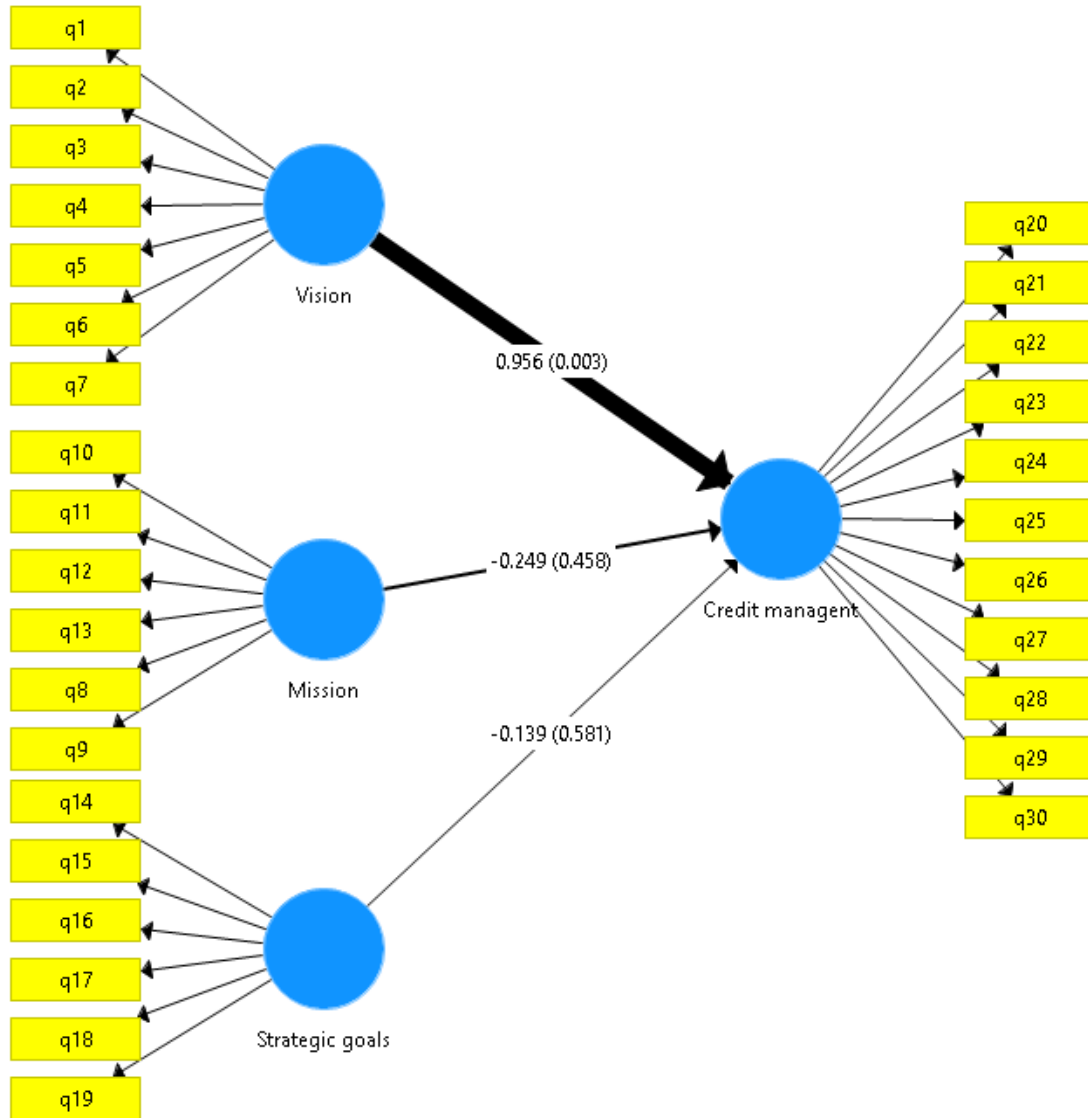


Figure 5: Bootstrapped Test Run: (strategic planning dimensions and credit management)

The above figure shows the bootstrapped test run results of the model for strategic planning dimensions; vision, mission, and strategic goals (Independent variables) and credit management (dependent variable). The results indicated no significant impact of strategic planning factors (mission and strategic goals) on the credit management in Palestinian microfinance institutions. On the other hand, there is significant impact of the strategic planning vision on the credit management in Palestinian microfinance institutions. Table (18) shows the direct results effect.

Table 17: Direct results effect

Hypothesis	Relationship	Direct effect	Indirect effect	Total effect	P-value	Decision
H1	Vision-Credit management	0.956	0.000	0.956	0.003	Support
H2	Mission- Credit management	-0.249	0.000	-0.249	0.458	No Support
H3	Strategic goals- Credit management	-0.139	0.000	-0.139	0.581	No Support

The above table shows the direct results effect of impact of strategic planning factors; vision, mission and strategic goals on the credit management in Palestinian microfinance institutions. It shows that the p-value for vision hypothesis test is less than 0.05. Hence, the alternative hypothesis was accepted, which means that there is significant impact of strategic planning vision on the credit management. On the contrary, the p-values for mission and strategic goals are more than 0.05. Due to this, the alternative hypothesis was rejected which means that there is no statically significant impact of strategic planning dimensions (mission and strategic goals) on the credit management in Palestinian microfinance institutions. Meanwhile results show that not all strategic planning dimensions affect credit management in microfinance institutions.

What can be extracted from this observation is that whilst the average microfinance institution may be caught up extensively focusing on strategic planning activities on visioning. on the other hand, the emphasis on improving organizational mission and strategic goals may be less than adequate to draw out meaningful strategic impact. As a result, complementing efforts of strategic planning the available capacity of mission and strategic goals does not yield any strong benefit. There is therefore the need for microfinance companies to also highlight or entrench capacities at the organizational level.

(H3): There is statically significant impact of credit management on the financial performance in Palestinian microfinance institutions

Credit management mediating the relationship between strategic planning and financial performance in Palestinian microfinance institutions. Figure (8) shows the result of mediation effect:

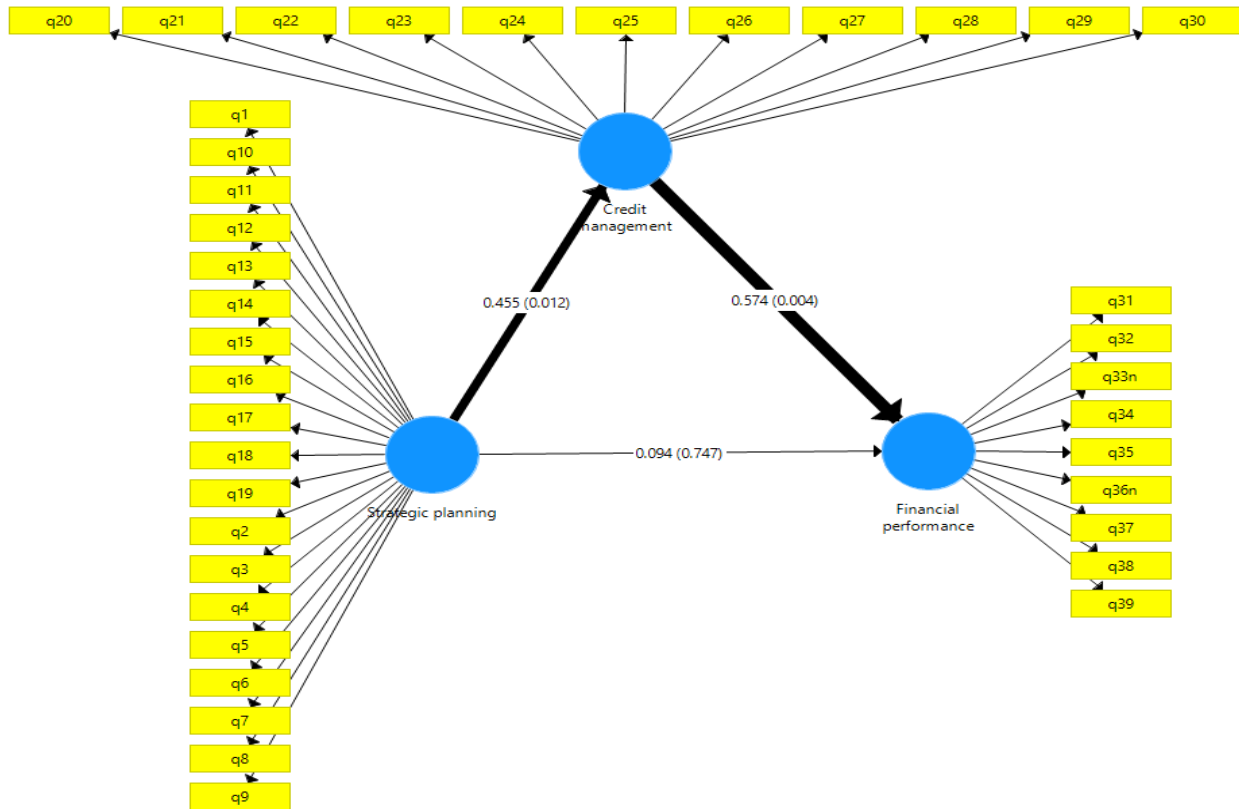


Figure 6: Mediation effect Model

The above figure shows the bootstrapped test run result of the model for credit management mediating the relationship between strategic planning and financial performance in Palestinian microfinance institutions. The results indicated significant impact of strategic planning on credit management with ($P=0.034$) which is less than 0.05, and positive coefficient equals (0.455). Also, it is indicated significant impact of credit management on financial performance with ($P=0.004$) which is less than 0.05, and positive coefficient equals (0.574), While there is no significant impact of strategic planning on financial performance with ($P=0.744$) which is higher than 0.05. To

conclude, credit management fully mediating between strategic planning and financial performance in Palestinian microfinance institutions. Table (19) shows the mediation effect.

Table 18: Mediation effect results

Hypothesis	Relationship	Direct effect	Indirect effect	Total effect	P-value	Decision
H1	CM-FP	0.574	0.000	0.574	0.004	Support
H2	SP-CM	0.455	0.000	0.455	0.034	Support

4.8 Discussion the Results

(H1): There is statically significant impact of strategic planning on the financial performance in Palestinian microfinance institutions.

(H1, a): There is statically significant impact of strategic planning factors (vision, mission and strategic goals) on the financial performance in Palestinian microfinance institutions.

The results indicated no significant impact of strategic planning dimensions (vision, mission, and strategic goals) on the financial performance in Palestinian microfinance institutions. That is because strategic planning factors P value scored more than 0.05 so the researcher rejects the alternative hypothesis. It can be noticed that the inner path coefficient is not significant with $P = (0.175, 0.767 \text{ and } 0.484)$ which are greater than 0.05 which means that there is statically no significant impact of strategic planning factors on financial performance in Palestinian microfinance institutions. Due to this, the alternative hypothesis was rejected which means that there is no statically significant impact of strategic planning dimensions (vision, mission, and strategic goals) on the financial performance in Palestinian microfinance institutions. The above result disagrees with Alshehhi, Nobanee, and Khare, (2018) who argued that strategic planning increased financial success. However, the results of hypothesis testing indicated that strategic

planning dimensions (vision, mission, strategic goals) separately have no significant effect on financial performance. Therefore, the dimensions should be implemented with each other to affect the financial performance significantly.

(H2): There is statically significant impact of strategic planning on the credit management in Palestinian microfinance institutions

3 The inner path coefficient is significant with ($P=0.000$) which less than 0.05, and the positive effect equals (0.628), which shows the direct results effect. due to this the researcher accepts the alternative hypothesis which means There is statically significant impact of strategic planning on the credit management in Palestinian microfinance institutions. However, that's totally agree with Profit-Incentives Theory (Rishad, 2012). That's because the theory applied on developing countries so the economic environment near Palestine.

(H2, a): There is statically significant impact of strategic planning dimensions (vision, mission and strategic goals) on the credit management in Palestinian microfinance institutions.

The results indicated no significant impact of strategic planning dimensions (mission and strategic goals) on the credit management in Palestinian microfinance institutions, on the other hand, there is significant impact of the strategic planning vision on the credit management in Palestinian microfinance institutions. That's because the p-value

for vision hypothesis test is less than 0.05. Hence, the alternative hypothesis was accepted which means that there is significant impact of strategic planning vision on the credit management. On the contrary, the p-values for mission and strategic goals are more than 0.05. Hence, the alternative hypothesis was rejected which means that there is no statically significant impact of strategic planning dimensions (mission and strategic goals) on the credit management in

Palestinian microfinance institutions. On the other hand, there is statically significant impact of vision on credit management in Palestinian microfinance institutions. That correspond with Rana, (2019) study that Evaluates the productivity of microfinance institutions in Palestine and Jordan.

(H3): There is statically significant impact of credit management on the financial performance in Palestinian microfinance institutions.

The results indicated there is significant impact of credit management on financial performance in Palestinian microfinance institutions. That is because the inner path coefficient is significant with ($P=0.04$) which less than 0.05, and positive coefficient equals (0.651) shows the direct results effect, and this is a high percentage. Due to this, the alternative hypothesis was accepted which means that there is statically significant impact of credit management on financial performance in Palestinian microfinance institutions. The result above work in with Thabet, A. S. & Alaeddin, O. (2017) study that applied on the Commercial Banking Sector in Palestine.

Chapter Five: Conclusion and Recommendations

5.1 Conclusion

This research examined the mediating effect of credit management on the relationship between strategic planning and financial performance of Microfinance Institutions in Palestine. The results of hypothesis testing indicated that strategic planning dimensions (vision, mission, strategic goals) have no significant effect on financial performance. In general, there was significant impact of strategic planning on credit management. However, after testing the strategic planning dimensions separately the results found there is no significant effect of mission and strategic goals on credit management in contrast with vision that has significant impact on credit management. The results also show there is significant impact of credit management on financial performance. On the other hand, there was a fully mediating role of credit management on the relationship between strategic planning and financial performance of micro finance institutions. These conclusions lead to emphasize that credit management practices play vital role in microfinance institutions. This would require credit management to be integrated with microfinance institutions strategy, as this will endorse strategic planning and financial performance indicators in long term and protect microfinance institutions from potential losses and default. Hence, the current research concluded that microfinance institutions should have solid credit management with their strategic plans to reach and maintain higher financial performance indicators. However, without having good credit management policy microfinance institutions may face financial crisis and their financial indicators may decrease although if they have strategic plan.

5.2 Recommendations

Suggested recommendations for microfinance institutions to enhance their financial performance are as follows:

1. Microfinance institutions managers are recommended to build an inclusive strategy that has a solid credit management to decrease the loans losses expense and enhance the institution performance indicators
2. The board of directors of microfinance institutions are recommended to involve the employees in putting their strategic plans and take their notes in consideration to reach better strategic plans
3. Microfinance institutions should follow their credit policy and risk control to avoid any potential crises and to gain better financial performance indicators
4. Microfinance institutions are recommended to update their credit policies and client's profile continuously to avoid any expected financial losses
5. Lessons from the experiences and expertise of microfinance institutions in neighboring countries which have an environment similar to the Palestinian market should be taken into consideration
6. Continuous trainings in strategic planning and credit management should be given to top management to be able to update it and write better strategies
7. Palestine monetary authority should evaluate and study microfinance intuitions credit policies and give those institutions continuous instructions.
8. Implementing good credit management policy should not affect the main purpose of micro finance institutions which is helping the needy people and supporting marginalized groups.

5.3 Limitations of Study

This study has the following limitations that might be the concern of the future directions for many of the researchers:

- Objective limitations: This study will be limited to some strategic planning tools (vision, mission, and strategic goals) by taking credit management as mediating effect and its relationship with financial performance at microfinance institutions operating in Palestine. Also, this study included three basic variables: the first variable is strategic planning (which includes vision, mission, and strategic goals). The second variable is credit management, and the third variable is financial performance.
- Spatial limitations: This study is limited to microfinance institutions operating in Palestine according to the reports of the Palestinian Monetary Authority for the year 2019
- Time limitation: This study will be conducted in the second semester of the academic year (2021/2022)
- Human limitations: This study will be conducted on top level managers working in Palestinian MFIs, and we may face difficulty in communicating with managers for their special reasons. Also, it will be difficult to distribute questionnaires due to the presence of the Covid 19 virus, which may lead to use electronic questionnaires. Moreover, the respondents may be affected by the performance and results in the last period with Covid-19.

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Appendix 1

Name	Symbol	Year of establishment	serving sector
Faten		1999	Enabling poor communities to play an active role in the economic and social development process
UNRWA		1996	Provide sustainable income generation opportunities for Palestine refugees as well as the poor or marginalized groups who live and work near them.
PDF		2001	A banking institution specialized in Islamic financing for individuals and companies
ACAD		2014	Enabling low-income people in Palestine to obtain financing that provides a source of income.
VITAS		2014	Enabling all people who have the desire and ability to improve their lives to obtain the financial services they need to help them reveal their potential in order to become active participants in social and economic life.
REEF		2007	Providing developmental and fair financial services, of high quality, continuous and accessible to all rural people, in partnership with associations and individuals in the Palestinian rural areas, relying on an efficient work team.
Al-IBDAA		2014	Reducing poverty and unemployment by increasing the productivity of entrepreneurs
ASALA		2014	Empowering Palestinian women with limited resources to get their social and economic rights in a sustainable manner

Summary of PMFIs

Appendix 2



الجامعة العربية الأمريكية ARAB AMERICAN UNIVERSITY

كلية الدراسات العليا
التخطيط الاستراتيجي وتجديد الاموال

السادة المحترمين،
تحية طيبة وبعد،

يجري الباحث دراسة ميدانية بهدف دراسة أثر التخطيط الاستراتيجي على الأداء المالي لمؤسسات التمويل الأصغر في فلسطين: ادارة الائتمان كمتغير وسيط، وذلك استكمالاً للحصول على درجة الماجستير في التخطيط الاستراتيجي وتجديد الاموال في الجامعة العربية الأمريكية.

يرجى التكرم بالإجابة على فقرات الاستبانة واختيار الاجابة المناسبة، علماً بأن جمع البيانات هو بهدف اغراض البحث العلمي فقط.

شاكرًا حسن تعاونكم.

الباحث
لينا أبو صبيح

✓ القسم الاول: البيانات الديموغرافية.

يرجى وضع دائرة حول الاجابة المناسبة:

1. الجنس:

أ- ذكر ب- أنثى

2. العمر:

أ- اقل من 25 سنة ب- من 25 سنة الى اقل من 35 سنة

ج- من 35 سنة الى اقل من 45 سنة د- من 45 سنة الى اقل من 50 سنة

هـ- من 50 سنة فأكثر

3. المؤهل العلمي:

أ- بكالوريوس. ب- ماجستير.

ج- دكتوراه.

4. الخبرة العملية:

أ- أقل من 5 سنوات ب- من 5 سنوات حتى اقل من 10 سنوات.

ج- من 10 سنوات حتى اقل من 15 سنة. د- 15 سنة فأكثر.

5. المسمى الوظيفي:

أ- مدير عام. ب- مدير دائرة.

ج- مدير فرع. د- موظف إداري.

✓ القسم الثاني: التخطيط الاستراتيجي في مؤسسات التمويل الأصغر

يرجى وضع اشارة X تحت العبارة المناسبة من وجهة نظرك لكل من الفقرات التالية:

يقيس هذا القسم مدى التزام مؤسسات التمويل الأصغر في وضع وتطبيق الخطط الاستراتيجية من حيث الرؤية، الرسالة، والاهداف الاستراتيجية:

المحور الاول: يقيس هذا المحور جزئية الرؤية في المؤسسة المالية ومدى جودتها وسعي المؤسسة لتحقيقها:

الرقم	الفقرة	موافق بشدة	موافق	محايد	غير موافق	غير موافق بشدة
1.	تمتلك المؤسسة رؤية واضحة.					
2.	تعبر الرؤيا عن التوجه المستقبلي للمؤسسة.					
3.	رؤية المؤسسة طموحة وهادفة.					
4.	رؤية المؤسسة ممكنة وقابلة للتحقيق.					
5.	قرارات واستراتيجيات المؤسسة التي تعمل بها تعكس رؤيتها.					
6.	تقوم الرؤيا ببناء صورة ذهنية ايجابية عن المؤسسة لدى الأطراف ذو العلاقة.					
7.	انجازات المؤسسة ونتائجها تعكس رؤيتها المستقبلية.					

المحور الثاني: يقيس هذا المحور رسالة المؤسسة من حيث الصياغة والجودة ومدى وضوحها وتوافقها مع احتياجات سوق العمل:

الرقم	الفقرة	موافق بشدة	موافق	محايد	غير موافق	غير موافق بشدة
1.	تملك المؤسسة رسالة واضحة ومفهومة ومكتوبة.					
2.	تعبر الرسالة عن الدور الحقيقي للمؤسسة.					
3.	تتفق الرسالة مع الاحتياجات الفعلية لسوق العمل والمجتمع.					
4.	رسالة المؤسسة شاملة للمهام التي يجب تحقيقها.					

					5. تساعد الرسالة على توحيد الجهود داخل المؤسسة لتحقيق اهدافها الشاملة.
					6. يوجد انسجام بين ما يتحقق فعلياً من انجازات مع مضمون رسالة المؤسسة.

المحور الثالث: يقيس هذا المحور الأهداف الاستراتيجية للمؤسسة المالية ومدى توافقها وتوجيهها لتحقيق الرؤية والرسالة:

الرقم	الفقرة	موافق بشدة	موافق	محايد	غير موافق	غير موافق بشدة
1.	تنسجم الأهداف مع رؤية ورسالة المؤسسة					
2.	تضع المؤسسة أهداف استراتيجية قابلة للتطبيق والقياس					
3.	تضع المؤسسة اهدافا مرتبطة بزمن لتحقيقها					
4.	يشارك الموظفون في وضع الأهداف الاستراتيجية للمؤسسة.					
5.	تم صياغة الاهداف بصورة واضحة لتستخدم كدليل ارشادي فعال لتوجيه عمليات التخطيط وصنع القرار .					
6.	تختار المؤسسة الاستراتيجية المناسبة لتحقيق اهدافها ورسالتها بما يتلاءم مع تحليلها لبيئة المؤسسة .					

✓ القسم الثالث: ادارة الائتمان في مؤسسات التمويل الأصغر

يقيس هذا القسم درجة ادارة الائتمان المعمول بها بالمؤسسة المالية من ناحية محددات قرار منح الائتمان (المركز المالي للعميل، والسمعة الشخصية للعميل، والضمانات المقدمة من قبل العميل، ونوع الصناعة أو النشاط الذي يقوم به العميل، والوضع الاقتصادي) لزيادة جودة المحفظة وتقليل نسبة التعثر قدر الامكان، ومدى تأثير ذلك على الأداء المالي لمؤسسات التمويل الأصغر.

الرقم	الفقرة	موافق بشدة	موافق	محايد	غير موافق	غير موافق بشدة
1.	تقوم الادارة في المؤسسات المالية بالتأكد من تطبيق الشروط العامة لمنح التسهيلات الائتمانية للعميل.					

					2. تتقيد المؤسسة المالية بالسياسة الائتمانية في قرار منح التمويل.
					3. يعتبر الوضع المالي للعميل سبب رئيسي في قبول او رفض طلب الائتمان.
					4. تعتمد المؤسسة على سمعة العميل عند قبول طلب التمويل.
					5. تعتمد المؤسسة على حجم رأس مال العميل عند منح الائتمان
					6. تعتبر الضمانات عنصر اساسي عند منح الائتمان
					7. قيام طالب الائتمان بإدارة مشروعه بنفسه له علاقة بالموافقة على الطلب او رفضه.
					8. النشاط الاقتصادي للعميل له علاقة بالموافقة او رفض طلب الائتمان.
					9. تلعب الظروف الاقتصادية دورا في دراسة طلب الائتمان
					10. يتم مراجعة حساب طالب الائتمان والاستعلام عن حساباته في البنوك الأخرى قبل إعطاء الموافقة لطلب الائتمان.
					11. يعتبر سعر الفائدة عنصرا اساسيا في ادارة الائتمان.

✓ القسم الرابع: الاداء المالي لمؤسسات التمويل الأصغر

يدرس هذا القسم الاداء المالي لمؤسسات التمويل الاصغر من حيث الفاعلية والعائد على الاصول ومصروف التعثر والربحية:

الرقم	الفقرة	موافق بشدة	موافق	محايد	غير موافق	غير موافق بشدة
1.	تسعى المؤسسة الى أفضل استغلال للموارد المتاحة للوصول الى مؤشرات أداء أفضل					
2.	يساهم ارتفاع قيمة التمويلات القائمة في رفع مؤشرات الأداء لدى مؤسسات الاقراض					

					3. انخفاض مصروف التعثر يؤدي الى ارتفاع مؤشرات الاداء في مؤسسات الاقراض
					4. يؤدي التنوع في المنتجات المقدمة الى زيادة مؤشرات الاداء في مؤسسات الاقراض
					5. ارتفاع نسبة السيولة يؤدي الى زيادة مؤشرات الاداء لدى مؤسسات الاقراض
					6. يؤثر انخفاض الرفع المالي ايجابا على مردود مؤسسة الاقراض وبالتالي على أدائها المالي
					7. تساهم ارتفاع نسبة الفائدة في تحسين مؤشرات الاداء لدى مؤسسات الاقراض
					8. تساهم زيادة مدة التمويل الواحد في تحسين مؤشرات الاداء لدى مؤسسات الاقراض
					9. يساهم زيادة الطلب على التمويل في زيادة مؤشرات الاداء لدى مؤسسات الاقراض.

ملخص الدراسة

تناولت هذه الدراسة التأثير الوسيط لإدارة الائتمان على التخطيط الاستراتيجي والأداء المالي لمؤسسات التمويل الأصغر في فلسطين. تم توزيع الاستبيانات بشكل عشوائي على 270 موظفًا من ذوي الخبرة في الإدارة الاستراتيجية والائتمانية. وتم استخدام تحليل المسار لاختبار فرضيات الدراسة. أظهرت النتيجة أن أبعاد التخطيط الاستراتيجي ليس لها تأثير كبير على الأداء المالي، بينما التخطيط الاستراتيجي له تأثير إيجابي كبير على إدارة الائتمان. بالإضافة إلى ذلك، تم إثبات أن إدارة الائتمان هي الوسيط الكامل للربط بين التخطيط الاستراتيجي والأداء المالي. واثبتت الدراسة الحالية الفرضية التي تشير إلى أن إدارة الائتمان لعبت دورًا وسيطًا مهمًا في العلاقة بين التخطيط الاستراتيجي والأداء المالي. كما وجدت الدراسة ان مؤسسات التمويل الأصغر التي لديها تخطيط استراتيجي جيد وسياسة ائتمانية فعالة تميل إلى الحصول على مؤشرات أداء مالي أفضل. لذلك اوصت الدراسة مؤسسات التمويل الأصغر ضرورة وضع استراتيجية مناسبة تتماشى مع ممارسات إدارة الائتمان لديها وتوفير تقييم قوي للمخاطر لحماية مواردها المالية لأن ذلك يمكنهم من الحصول على أفضل المؤشرات المالية.

الكلمات المفتاحية: التخطيط الاستراتيجي، ادارة الائتمان، الأداء المالي، مؤسسات التمويل الأصغر.