



**Arab American University**  
**Faculty of Graduate Studies**

**The Impact of Strategic Planning on the Profitability  
of the Islamic Banks Operating in Palestine: The  
Mediating Role of Risk Management**

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**This Thesis was Submitted in Partial Fulfillment of the  
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## Thesis Approval

The Impact of Strategic Planning on the Profitability of the Islamic Bank  
Operating in Palestine: The Mediating Role of Risk Management

This thesis was defended successfully on 10/02/2021 and approved by:

### Examination Committee:

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## Declaration

I declare that this Master dissertation has been composed by me and is based on my own work, unless stated otherwise. I confirm that this Master's thesis is my own work and I have documented all sources and material used; no other person's work has been used without due acknowledgement.

All references and verbatim extracts have been quoted, and all sources of information, including graphs and data sets, have been specifically acknowledged. To my best knowledge, this Master dissertation has not been accepted in any other previous application for a degree, in whole or in part.

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Date: 27/05/2021

Signature: 

## **Dedication**

I dedicate this Thesis to...

My family and extended family, special feelings of graduate go to my loving parents, who have always stressed the importance of education.

My supervisor:

**Dr. Mohammad Abu Sharbeh**

Who have supported me throughout this process; I will always appreciate all he has done for me.

My dear brothers and sisters...

My wife and my children whom I love

I dedicate this work also to my friends... for all who supported me....

## **Acknowledgement**

Now as my thesis has been completed, first, I would like to express my gratitude to Almighty Allah to enabling me to complete this research. I would like to thank everyone who supported the research from the very beginning. I am also thankful to the people who have made the essential information accessible to me. My appreciation especially goes to my supervisor, **Dr. Mohammad Abu Sharbeh**

Finally, I would like to deliver my sincere thanks to my colleagues and friends.

## **Abstract**

### **The Impact of Strategic Planning on the Profitability of the Islamic Banks**

#### **Operating in Palestine: The Mediating Role of Risk Management**

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Strategic planning has a significant role in the process of achieving profitability and in increasing productivity, improving quality and processes. SP also allows the organizations to deal successfully with the future, by providing the ability to monitor resources, respond effectively to environmental changes, and enhancing its ability to develop value creation strategies and value strategies through which companies seek to achieve a competitive advantage.

This study focuses on the impact of strategic planning on the profitability of the Islamic Banks operating in Palestine with the mediating role of risk management.

The study uses a descriptive-analytical approach to achieve the results; questionnaire was used as data collection tool to gather information from (100) directors and employees in the Islamic banks in the West Bank. The Secondary data was obtained from published and unpublished articles. A structured questionnaire was distributed to the directors and employees in the in the Islamic banks in the West Bank.

Results showed that the level of (RM) variable were also high which indicates that the participating respondents have a positive view towards (RM) in Islamic banks in Palestine, there were a positive relationship between (SP) and (profitability), there is a

mediating role of (RM) in the impact of (SP) on achieving (profitability) in the Islamic banks in Palestine. Furthermore, the results of the level of practice of (SP) variable were high which indicates that the respondents have a positive view towards the dimensions of (SP). The level of (profitability) was high, which indicates that the respondents showed a high level of (profitability) in the Islamic banks in Palestine. The results also concluded that there were no significant statistical differences in the mediating role of risk management in the Impact of (SP) on profitability in the Islamic bank in Palestine due to gender, age, education, job title, years of experience, on all dimensions of SP, profitability. And risk management. But there were significant statistical differences in the mediating role of risk management in the Impact of (SP) on profitability in the Islamic bank in Palestine due to bank name & specialization. Based on the above results the researcher recommended that the Islamic bank should be more involved in developing its goals to enhance profitability, the researcher proposed to conduct a similar study on other Palestinian sectors since no literature is found for this context in this area. This will offer an opportunity to compare different results and implications.

**KEYWORDS:** Strategic Planning (SP), profitability, risk management (RM).

## Table of Contents

Subject	Page
<b>PREFACE PAGES</b>	
Thesis approval	i
Declaration	ii
Dedication	iii
Acknowledgment	iv
Abstract	v
Table of Contents	vii
Table of Definitions	ix
List of Tables	xi
List of Figures	xii
List of Abbreviations	xii
<b>CHAPTER ONE</b>	
<b>1. Introduction</b>	1
1.1 Background	1
1.2 Statement of the Problem	3
1.3 Study Questions	4
1.4 Study Objectives	4
1.5 Significance of the Study	4
1.6 Study Hypotheses	6
1.7 Research Model	8
<b>CHAPTER TWO</b>	
<b>2. Theoretical Background And Related Studies</b>	9
<b>2.1 STRATEGIC PLANNING</b>	9
2.1.1 The Concept of Strategic Planning	9
2.1.2 The Characteristics of Strategic Planning	10
2.1.3 The Importance of Strategic Planning	11
2.1.4 Components of Strategic Planning	11
<b>2.2 RISK MANAGEMENT</b>	13
2.2.1 Concept of Risk Management	13
2.2.2 Importance of Risk Management	14
2.2.3 Risk Management in Islamic Banks	15
<b>2.3 ISLAMIC BANKS IN PALESTINE</b>	18
2.3.1 Islamic Banking Definition	18
2.3.2 Islamic Modes of Financing	19
2.3.3. Overview of Islamic banks in Palestine	20
<b>2.4 PROFITABILITY OF BANKS</b>	22
2.4.1 Profitability Definition	22
2.4.2 Factors affecting the profitability of Islamic banks	23

<b>2.5 RELATED STUDIES</b>	24
<b>CHAPTER THREE</b>	
<b>3. Methodology</b>	33
3.1 Research Design	33
3.2 Data Collection Tool	33
3.2.1 Questionnaire Design	34
3.2.2 Questionnaire Validity	35
3.2.3 Questionnaire Reliability	35
3.3 Conceptual Model	36
3.4 Population and sample	37
3.5 Statistics Approaches	39
<b>CHAPTER FOUR</b>	
<b>4. DATA ANALYSIS &amp; DISCUSSION</b>	40
4.1 Demographic variables	40
4.2 Results related to the research questions	41
4.3 Testing hypotheses	54
<b>CHAPTER FIVE</b>	
<b>5. Conclusions and Recommendations</b>	69
5.1 Conclusions	69
5.2 Recommendations	72
5.3 Study Limitations	73
References	74
Appendices	81

### Table of Definitions

TERMS	DEFINITION	REFERENCE
<b>Islamic Banking</b>	The Islamic bank is known as a special system of banking which is compatible with the spirit, ethos and value system of Islam and ruled by the principles established by Islamic Sharia. While Islamic banking has a larger scope and meaning, it is referred to the conversion of the traditional money lending system in asset-backed financing transactions conducted by financial foundations.	(Bellalah, 2014)
<b>Strategic Planning</b>	It is an integrated organizational process conducted by organizations, its goal is to answer some of the questions of interest to the institution in the future, and is concerned with defining the vision, general goals, long-term goals of the institution and how to reach these objectives and achieving them.	(Al-Shakhli, 2013)
<b>Profitability</b>	Profitability is the ability of a firm to use its resources to produce profits in excess of its expenses. This means the ability of the firm to make profits from its operations.	(Tulsian, 2014)
<b>Risk Management</b>	Risk management is the process of identifying, measuring and controlling threats to the organization's capital and profits. The risks might stem from a broad diversity of sources, with financial indecision, legal accountabilities, strategic management faults, accidents and natural disasters. IT security threats and data-related risks, and the risk management strategies to relieve them, have become a top priority for digitized companies.	(Youngberg, 2010)

<b>Return on assets</b>	Return on assets (ROA) is a pointer of how profitable a company is, relative to its total assets. ROA provides an idea as to how effective a company's management is at using its assets to generate earnings.	(Stowe et al., 2001)
<b>Return on equity</b>	Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. ROE could be supposed as the return on net assets because shareholders' equity is equal to a company's assets minus its debt.	(Heikal et al., 2014)

## List of Tables

<b>Number</b>	<b>Table</b>	<b>Page</b>
<b>3.1</b>	Cronbach's alpha test for each dimension	35
<b>3.2</b>	The distribution of the population members by city	37
<b>3.3</b>	The distribution of the sample individuals by city	38
<b>4.1</b>	Demographic characteristics of respondents (N = 100)	40
<b>4.2</b>	Descriptive Statistics of the Vision Dimension	41
<b>4.3</b>	Descriptive Statistics of Mission Dimension	43
<b>4.4</b>	Descriptive Statistics of Goals Dimension	44
<b>4.5</b>	Descriptive Statistics of Monitoring and Evaluation Dimension	46
<b>4.6</b>	Descriptive Statistics of Strategic Planning variable	48
<b>4.7</b>	Descriptive Statistics of Profitability	49
<b>4.8</b>	Descriptive Statistics of Risk Management	51
<b>4.9</b>	Model Summary (dependent risk management)	56
<b>4.10</b>	Model Summary (dependent profitability)	56
<b>4.11</b>	Model Summary (Mediation) Risk Management RM	56
<b>4.12</b>	The Results of Independent T-test for the impact of variable gender	57
<b>4.13</b>	The Results of One Way Anova test for the variable age	58
<b>4.14</b>	The Results of One Way ANOVA test for the variable academic qualification "education"	60
<b>4.15</b>	The Results of One Way ANOVA test for the variable Specialization	61
<b>4.16</b>	The Results of One Way Anova test for the variable Job title	63
<b>4.17</b>	The Results of One Way Anova test for the variable years of experience	65
<b>4.18</b>	The Results of One Way Anova test for the variable Bank name	66

### List of Figures

<b>Number</b>	<b>Figure</b>	<b>Page</b>
1.	Conceptual Model	36

### List of Abbreviations

<b>ST</b>	Strategic Planning
<b>ROA</b>	Return on assets
<b>ROE</b>	Return on equity
<b>AAOIFI</b>	Accounting and Auditing Organization for Islamic Financial Institutions
<b>PBTTA</b>	Pre-tax on total assets
<b>SWOT</b>	Strengths, Weaknesses, Opportunities and Threats.
<b>IMLGL</b>	Impaired loans/Gross loans
<b>EQL</b>	Total equity/Net loans

# Chapter One

## Introduction

### 1.1 Background

Strategic planning play role in achieving balance between both the external environment and internal competencies (Al- Salman, 2014). Strategic planning plays an important role in increasing productivity and improving quality and operations (Abu-Jarad, Yusof & Nikbin, 2010). Through it, the organization can successfully deal with the future by providing the ability to monitor resources, enabling them to respond to environmental changes more effectively, enhancing their ability to improve strategies for creating values and creating value strategies by which firms seek to achieve competitive advantage (Fossen, Korn & Rothstein, 2006).

The management of banking risks has a great focus and wider attention of specialists from bankers, monetary and supervisory authorities to set their sights in order to formulate and develop special strategies to study this phenomenon, which is the phenomenon of increasing the severity of banking risks and controlling them through risk management systems. Its strategy is for the purpose of achieving its banking objectives and minimizing the negative effects of these risks as long as the risk management is to monitor, measure and identify risks to report and control to minimize their negative impacts in different sectors (Taheer, 2017).

Profitability refers to profit and capacity. Profit indicates the ability of a business body to make profits. Ability refers to the performance of the operational entity, and

profitability is defined as “the ability to invest money to achieve returns from its use. It is an indicator to reveal the financial position, capacity and efficiency of a business entity. In accounting terms, it refers to "the amount of difference between total revenues and total expenses in a given period of time" (Zahir & Ali, 2018).

According to the reports of Palestine Monetary Authority 2019, there are three Islamic banks operating in Palestine, which are the Palestinian Islamic Bank, the Arab Islamic Bank, and the Al-Safa Bank, and they constitute a market share of 11% of the banking market, compared to the global Islamic banking share of about 25%. The Arab Islamic Bank was established as the first Islamic bank operating in Palestine since 1995, and it is a public shareholding company, starting its banking activity in early 1996. The Palestinian Islamic Bank, which was established as a public shareholding company in 1995, where it started its banking activity at the beginning of 1997, in 2005 the bank bought the net assets of Cairo Amman Bank And the purchase of Al-Aqsa Islamic Bank, which operates through its headquarters in Ramallah and its 49 branches and offices in Palestine. The third bank, Al-Safa Islamic Bank, was established in 2016, operates in two major cities in the West Bank, and looks forward to geographical expansion in all Palestinian areas (Shaheen, 2020).

After many years of operation of Palestinian Islamic banks, there is still an urgent need to identify these banks and evaluate them in all respects, especially in terms of identifying the impact of the variables of the elements of the financial position represented in the structure of assets and liabilities on their profitability in order to remain enjoyable and achieve the desired efficiency.

Islamic banks are always restricted by Islamic Sharia' in all their marketing mix efforts. Therefore, commercial banks have an advantage over them in that, the Islamic banks are not allowed to offer loans like conventional banks, and a large percentage of customers are not aware of the services provided by Islamic banks. They do not know the meaning of Murabaha, Musharaka, and Mudaraba (Jabr, 2003).

There are some strategic plans that Islamic banks follow in order to grow, expand and maximize their profits, these strategies include maintaining efficiency in distributing financial resources to various types of assets, as well as using their assets to produce the largest possible number of services, achieving the largest possible volume of investments, and thus achieving the highest Possible profit (Sheikh Ali, 2017).

Some studies that deal with the issue of profitability in Palestinian Islamic banks have indicated that the average profitability in Islamic banks is higher than in commercial banks in Palestine, which pointed out that there is a growth rate in the profitability of Islamic banks during the past years (Sheikh Ali, 2017).

This study is conducted to investigate the impact of strategic planning on the profitability of the Islamic banks in Palestine and the mediating role of risk management.

## **1.2 Statement of the Problem**

If profit maximization is the first objective of any business, banks should first achieve this goal as they are mainly financial institutions aiming for profit in addition to their economic, social, developmental and other functions, it is very significant to know

elements that affect the Islamic bank profitability in order to enhance these factors in the Islamic banking sector in Palestine (Zahir & Ali, 2018).

### **1.3 Study Questions**

The study problem will be developed through the following main question:

**What is the impact of strategic planning on the profitability of the Islamic banks operating in Palestine using the risk management as a mediator?**

The main question is divided into a set of sub-questions. Each question represents one of the elements of the strategic planning of Islamic banks operating in Palestine:

1. What is the level of strategic planning dimensions (vision, mission, goals, monitoring and evaluation) in Islamic banks in Palestine?
2. What is the level of profitability in Islamic banks in Palestine?
3. What is the level of risk management in Islamic banks in Palestine?

### **1.4 Study Objectives**

The main objective is to identify the mediating role of risk management in the effect of strategic planning in profitability of the Islamic banks in Palestine.

### **1.5 Significance of the Study**

There is great importance to the current research topic, and the researcher divided this importance into several sections as follows:

**Scientific importance:** The importance of the current research is that it is considered the first research of its kind at the Palestinian level, and it is also considered a continuation of previous studies that dealt with some aspects of the topic. The current research will provide the Arab American University Library with scientific material that researchers can use and benefit from to prepare and design new research.

**Practical importance:** The research findings, conclusions and recommendations will be made available to the Palestinian Islamic banks to assist the bank in judging the efficiency of its financial performance and making its own decision in employing strategic planning and risk management.

**Importance for researcher:** Since the researcher is employed at the Palestinian Islamic Bank (PIB) this will be useful for him and for his bank. In addition, this research will increase the researcher's culture and knowledge, by collecting data and documents about the research, and also to complete the requirements for a master's degree obtaining.

**Importance related to borders:** The necessity to identify and analyze the role of strategic planning and risk management in achieving a good level of performance (efficiency and effectiveness) in the Islamic banks in Palestine.

**Importance related to community:** Meeting the needs for research and studies related to (SP), (RM) and profitability of Islamic banks to upgrade their work as professional and nuclear financial institutions in Palestine.

## 1.6 Study Hypotheses

The study attempts to test and verify the following hypotheses:

**H01: Strategic planning has an impact on risk management in the Islamic Banks in the West Bank.**

H01-1: Risk Management has an impact on profitability in the Islamic Banks in the West Bank.

H01-2: Strategic planning has an impact on profitability in the Islamic Banks in the West Bank.

H01-3: Risk Management has a mediating role in the impact of Strategic planning on profitability in the Islamic Banks in the West Bank.

**H02: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to demographic characteristics (gender, age, academic qualification "education", specialization, job title, years of experience and Bank name).**

H02-1: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable gender.

H02-2: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable age.

H02-3: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable academic qualification "education".

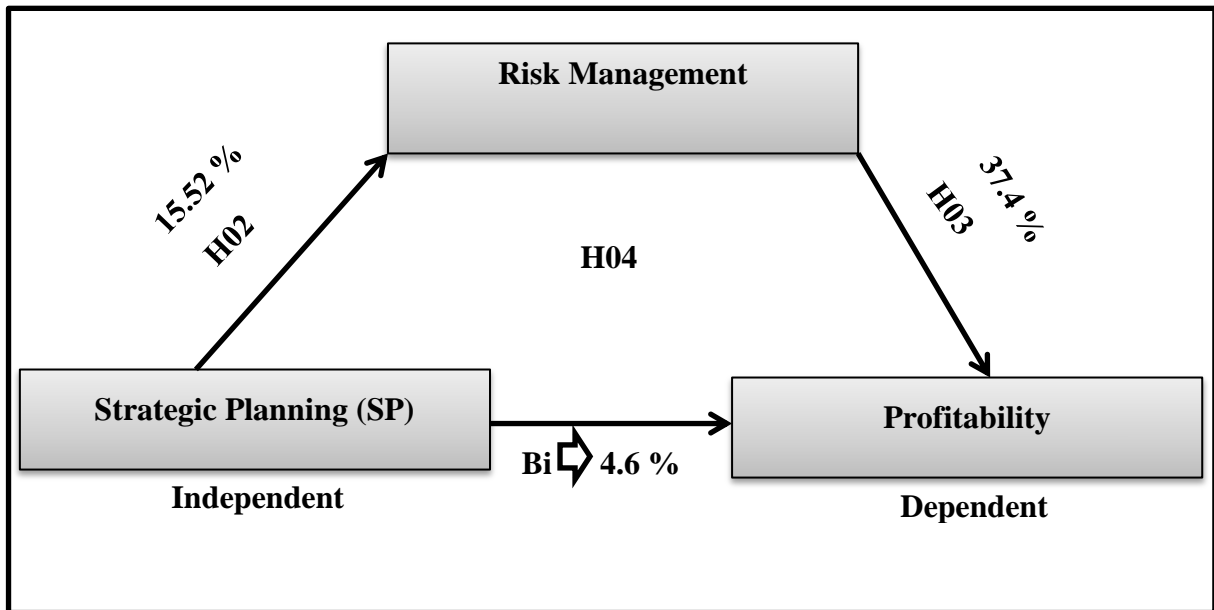
H02-4: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable Specialization

H02-5: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable Job title.

H02-6: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable years of experience.

H02-7: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable Bank Name.

## 1.7 Research Model



## **Chapter Two**

### **Theoretical Framework & Related Studies**

#### **2.1 STRATEGIC PLANNING**

##### **2.1.1 The Concept of Strategic Planning**

Strategic planning is defined by (Al-Shakhli, 2013) as a combination of both strategy and planning. Strategic planning is prepared to assist organizations to expect and respond effectively to their changing environments. According to (Almulla et al., 2019) strategic planning is a special type of decision-making process with some distinctive features.

Kabeyi (2019) argued that strategic planning is connected with the administrative strategy utilizing from the possible sources in order to gain the best consequences. Therefore, it reflects a real understanding of the inner environment of the institution.

Moreover, Neis et al. (2017) argued that strategic planning encompasses all administrative areas of the organization and their relatively general content, and it's also a long-term planning. It concentrates on broad and long-term subjects that guarantee the long-term effectiveness and viability of the organization. The responsibility for strategic planning rests with the director of the organization and its executive levels.

Strategic planning is a necessary process for continuous decision-making based on potential information and its future impacts, setting goals, strategies, plans and time

programs and ensuring their implementation in a time frame, with the full support of management and the participation of all employees and stakeholders (Bouhdid, 2014).

### **2.1.2 The Characteristics of Strategic Planning**

Al-Mobarak & Al-Khiliawi (2017) stated that strategic planning is a comprehensive system and an ideal system to be faced, as it is a process for the institution in the future as much as its vision, mission and goals. Strategic planning is an area that distinguishes the organization in the future because of its work and activities, and the steps of its work due to the policies, programs and procedures followed by the institution. Kabeyi (2019) mentioned that strategic planning is a reaction to the internal environment represented by strong and weak performance, and the external environment is represented in the opportunities and challenges facing the organization.

Whereas, (Neis et al., 2017) mentioned the following characteristics for strategic planning:

1. Strategic planning covers a relatively long period.
2. All types of planning arise from strategic planning.
3. Strategic planning represents the high level of planning in the company under the supervision of senior departments.
4. Strategic planning concerned with strengthening all powers and resources to achieve the company's future vision.
5. Strategic planning contains all the vision, mission, values, goals and strategic concerns by reviewing and developing them.

6. Strategic planning focuses on specific details about the current situation, external opportunities and challenges.

### **2.1.3 The Importance of Strategic Planning**

The importance of the strategic planning is obviously manifested in answering the questions that face the institution, clarifying and identifying the challenges and the future opportunities, formulating limited goals to be achieved and it is a suitable means for communication. Strategic planning is a continuous process not an accidental one, developing the groups that focus on the future of the institution, providing the training requirements and implementation is not only an abstract theory but a key for success (Almulla et al., 2019).

Furthermore, strategic planning helps the institution to use the mental method to determine its choices when working and to follow the best method to achieve its goals, and strengthens the teamwork and to provide individuals with enough experiences where all participate in constructing the strategy and its goals (Al-Karkhi, 2009).

### **2.1.4 Components of Strategic Planning**

The following are the strategic planning components:

- **Mission statement:** A mission statement can be considered as a comprehensive and eternal expression of purpose and ambition that addresses what an individual seeks to achieve and the way an organization seeks to achieve it. The mission statement is also an announcement of why individuals exist as an organization (Jureviciene, 2013).

- **Vision statement:** The vision statement clarifies the future of the organization or company within (5) years or more, in a brief way.
- **Values statement:** These statements are continuing, emotional, and characteristic essential beliefs. They're instructing principles that never change and are part of the strategic basis.
- **Strengths, weaknesses, opportunities and threats "SWOT":** Is a brief overview of the organization's current situation and is to identify strengths, weaknesses, opportunities and threats (Olsen, 2011).
- **Long- term strategic objectives:** These long-term strategic focus areas extend 3 years or more over the time horizon. Long-term strategic goals answer the question that must be emphasized to achieve the vision.
- **Short- term goals/ priorities/ initiatives:** These items shift strategic purposes to specific performance targets that fall in the time horizon from 1-2 years (Jureviciene, 2013).
- **Strategies:** Strategies are the overall umbrella approaches an organization uses to reach vision.
- **Action items/ plans:** These specific items clarify how an objective will be achieved. They're the areas that transfer the strategy to processes and are normally performed by groups or persons within (1-2) years.
- **Scorecard:** To report key performance indicator data and performance against the selected monthly goals.
- **Financial assessment:** This evaluation helps plan and predict the future, depending on the historical record and future expectation, allowing much better control over the financial performance of the institution (Olsen, 2011).

## **2.2 RISK MANAGEMENT**

### **2.2.1 Concept of Risk Management**

Risk management is a process of determining the exposure to the loss faced by organizing and selecting the most appropriate technology to address these exposures (Saunders & Marcia, 2011).

Whereas, Srinivas (2019) suggested that risk management is a process of measuring or evaluating risks and then developing strategies to manage these risks. Mong'are (2015) also stated that the risk management process includes (4) steps to identify potential losses, assess potential losses, choose appropriate risk management techniques to address loss exposure, and implement and manage a risk management process.

Cervantes-Cabrera & Turrent (2018) argued that in risk management, the process of prioritization is followed where risks have the greatest loss, greatest probability of incidence is treated first, and risks with lower loss are treated later. However, practically, the process can be difficult and the risks with a higher likelihood of occurring can be balanced but a lower loss can be mishandled against the risks with a high loss but a lower probability of occurrence.

Furthermore, Srinivas (2019) agreed that Banks use different risk management techniques that include; risk identification, risk assessment, risk mitigation and risk control techniques. Therefore, risk management can be seen as the comprehensive process that a financial institution follows to define the business strategy, define the

risks to which it is exposed, define those risks, and understand and control the nature of the risks it faces.

The key elements of risk management contain identifying, measuring, monitoring and managing risk exposures. However, these elements cannot be implemented effectively unless there are a broader process and system in place. The risk management process should be inclusive to all departments/sections of the bank in order to create a culture of risk management (Saunders & Marcia, 2011).

### **2.2.2 Importance of Risk Management**

According to Zahir & Ali (2018) risk management is an important process because it enables the business with the necessary tools so that it can appropriately identify potential risks. Once a risk's been identified, the risk becomes easy to alleviate. Additionally, risk management provides businesses with a basis where they can make sound decisions.

For business, risk assessment and management is the best way to prepare for the possibilities which might come in the way of progress and growth. When a company values its plan to deal with possible threats and then develops structures to address them, it improves the chances of being a successful entity.

In addition, the gradual risk management ensures that high priority risks are dealt with as strong as possible. Moreover, management will obtain the necessary information that they can use to make informed decisions and ensure the business remains profitable (Taheer, 2017).

### 2.2.3 Risk Management in Islamic Banks

There are common risk managements in Islamic banks represented in the follows:

1. **Credit Risk:** Credit risk is generally defined as the risk of loss resulting from default or failure to perform. Also referred to as "default risk", it is one of the oldest recognized risks in the financial industry. Traditionally, a large part of the bank's profits came from lending companies, and the majority of bank losses were also associated with this aspect of risk management; therefore the focus was primarily on credit risk. Banks have always actively monitored and mitigated credit risk, through a number of mechanisms such as state borders, counterparty limits, large exposure limits, diversification, covenants, authorizations, internal and external ratings, watchlists, etc. However, the credit risk assessment remained judgmental because it could not be accurately calculated early on because the probability of default was very uncertain and therefore difficult to predict with accuracy. Credit applications, referred to as credit registration models, play an important role in combining aspects of the qualitative and quantitative risks of clients, including but not limited to, operational experience, management experience, asset quality, leverage ratios, liquidity, profits, debt service, etc. (Abdul Rahman et al., 2016).
2. **Market Risk:** Market risk is commonly defined as the risk of loss resulting from changes in market prices and the rates of profit, which will result in a change in the profit or fair value of a financial liability leading to capital gains or losses when the asset is realized (Mohamed, 2014). Losses in positions inside and outside the balance sheet can be caused by negative movements in market

prices, i.e. fluctuations in returns and profit rates (rate of return risk), foreign exchange rates, and equity and commodity prices (price risk). The volatility of the prices of most assets held in investment and trading portfolios is often significant. Volatility prevails even in mature markets, although it is much higher in emerging or illiquid markets. Market risk was recognized in the late 1980s, after the increasing importance of stock markets, when banks began investing heavily in securities (Davis, 2009). It is difficult to measure market risk due to diversified portfolios, as it will consist of various markets, currencies, indices and instruments. The more diversified a portfolio, the more difficult it is to estimate the market risk precisely because of the link between the risks.

3. **Liquidity Risk:** Liquidity is necessary for banks to offset expected and unexpected fluctuations in the balance sheet and to provide funds for growth. It represents the bank's ability to absorb the recovery of deposits and other liabilities and cover the demand for financing in the loan and investment portfolio (Hlebik & Ghillani, 2017). Liquidity needs are usually determined by building a maturity profile that includes expected cash inflows and outflows over a series of specific time bands; liquidity management is associated with the net financing requirements. Liquidity risk arises when the bank's ability to match the maturity of the assets and liabilities decreases. In other words, risks arise due to the lack of sufficient liquidity for normal operating requirements, which reduces the bank's ability to meet its liabilities when due. These risks may result from either difficulties obtaining cash at a reasonable cost from borrowings (financing risks) or selling assets (asset liquidity risk). While financing risks can be controlled through proper planning of cash flow needs and the search for new

sources of financing to finance the cash deficit, liquidity risk for assets can be mitigated by diversifying assets and setting limits for some illiquid products (Mohamed, 2014).

4. **Operational Risk:** Operational risk is defined as all risks except market, credit and liquidity risks. However, operational risk is "the risk of loss arising from insufficient or failed internal operations, people, or systems from external events." This definition comprises legal risks but excludes the risks of strategic and reputation. Operational risk was lately recognized and gained importance in risk research (Abdul Rahman et al., 2016). It is now part of the integrated risk management framework for all financial institutions, which usually increases with the scope and size of the bank's activities but can be relieved through advanced risk management functionality and systems. The main components of operational risk are people, processes, technology, and external events (usually catastrophic). An Individual's risk includes human errors, lack of experience, compliance and fraud. Process risks involve risks related to various aspects of business management, which may include regular business processes, risks related to new products and services, inappropriate controls, etc. (Abdul Rahman et al., 2016).
5. **Sharia Non-Compliance Risk:** The risks of non-compliance with Sharia relate to the structure and functioning of Sharia councils at the institutional and systemic level. Chowdhury et al. (2019) argued that the relationship between both the Islamic bank and its clients is not only the relationship between the agent and the manager; it is also based on the implicit confidence that the bank will respect the wishes of its customers for full compliance with the Sharia. This

relationship is what distinguishes Islamic banks from their conventional counterparts and is the only justification for their existence. If the bank is unable to maintain this trust, by not complying with Islamic law, then it risks breaking the trust of its customers. This could roughly damage the creditworthiness of an Islamic Financial Institutions. For example, Muslim depositors might withdraw their funds from a bank, triggering a liquidity crisis. Retail customers that are mainly attracted by the Islamic nature of a bank might also stop requesting loans from this institution, triggering a downturn in profitability (Mohamed, 2014).

## **2.3. ISLAMIC BANKS IN PALESTINE**

### **2.3.1 Islamic Banking Emergence**

Islamic banking is a banking concept that provides financial products in line with the holy Qur'an teachings (Beck et al., 2010), the first Islamic bank appeared in 1970 in Egypt, it is Meet Ghamr Bank, followed by Faisal Islamic Bank, which was established in 1979 (Awan, 2009). The United Arab Emirates started the Islamic banking concept in the countries of the Gulf Cooperation Council when the Dubai Islamic Bank was established in 1975 (Beck et al., 2010).

Since that time, the number of Islamic banks has doubled, and these organizations have become a major lasting feature of the global financial system. Over the years, the Islamic banking concept has established itself as a practical alternative to financial intermediation, and as an effective method to bridge the gap between deficit and surplus economic units (Al-Satrawi, 2017).

Tarver & Khartit (2020) pointed out that Islamic banking principles follow Sharia law, which is based on the Qur'an and Hadith, documented sayings, and actions of the Prophet Muhammad. When it is necessary to obtain more information or guidance, Islamic bankers turn to educated scholars or use independent logic based on scholarships and customs. Bankers also ensure that their ideas do not deviate from the fundamental principles of the Qur'an.

### 2.3.2. Islamic Modes of Financing

Assets are financing and investments made by the bank for profit. Below we discuss some of the most important and often used financing products for Islamic banks:

- **Musharakah**: Musharakah is one of the most important financing methods for collective investment operations in various economic activities, whether industrial, commercial or real estate... where it is used effectively in Islamic banks, as it deals mainly with the concept of Musharakah in profit and loss, and this is one of the advantages of Islamic banks from conventional. (Shaikh, 2010).
- **Murabaha**: Murabaha is a sale. Technically speaking, it is a postpaid sale. If a trader has the right to sell a commodity at a profit, the bank must also have the right to sell an asset if he obtains physical/constructive ownership of the asset and carries the risk related to the property until it is sold to the customer. Murabaha is used to finance working capital, financing small and medium enterprises and financing trade.
- **Ijarah**: Ijarah means giving something on rent. In Ijarah, the right to use the property is transferred to another person for consideration. The Ijarah period

begins when the asset is delivered by the lessee in a usable condition. The bank (the lessor) will bear the costs related to the property, and the customer (the lessee) will bear the costs related to the use. (Atmeh & Serdaneh, 2012).

- **Salam**: It is used to fund goods and services not ready for immediate sale and must be delivered later. In Salam, payment is immediate, but delivery is postponed. It is used in special cases to facilitate transactions. Salam is used in currency trading as an alternative to bill discount and agricultural financing (Shaikh, 2010).
- **Istisna**: It is used to finance goods not ready for sale that must be manufactured, such as sewing services, architectural services, etc. It is an order for the producer to manufacture specific goods for the buyer. It is used to finance exports before shipment and can be used in all other cases where goods must be manufactured before selling (Shahzad & Rehman, 2015).

### **2.3.3 Overview of Islamic banks in Palestine**

After the Oslo agreement between the Palestine Liberation Organization and Israel in 1993 and after the establishment of the Palestinian National Authority in 1994, a number of financial institutions were created, most of which were banks. A number of commercial, Islamic banks formed the basis for a banking system in Palestine. The development of financial institutions in Palestine, which now exceeds banks, should have led to economic development over the past 22 years. However, the economic situation confirms that such economic development has not occurred (Haron et al., 2016).

Bellalah (2014) stated that the real efforts to establish Islamic banks and then Islamic finance organizations in an economic system based on capitalism, and still operate in accordance with the principles of capitalism where interest "Riba" is part of all transactions facing many challenges. These challenges were hard to overcome. Despite all of this, the establishment of the Islamic banking and banking finance industry in Palestine was the core of meeting the needs of conservative Muslims who want to live a life described by Sharia, and these Muslims in Palestine represent the enormous majority of the population.

Islamic banks in Palestine can offer financial solutions to Muslims who find themselves in serious financial situations. The continued growth of Islamic banks in Palestine explains the advantage of this industry, even in Palestine. This also indicates that the market is constantly requesting the services of Islamic banks and financial institutions. But Islamic banks in Palestine find difficulties in dealing with the capitalist system that governs global financial relations, and most importantly, the capitalist system that governs the operations of the Palestinian government (Haron et al., 2016).

Islamic banks operating in Palestine face many challenges, including political, security and economic instability, which weakens the opportunities for safe investment, and thus the lack of participation of these banks in the development process, the brutal Israeli blockade, the lack of legislation regulating the relationship between commercial banks and Islamic banks in Palestine, in addition to the weakness of the Palestinian public's confidence in Islamic banks, due to their lack of a clear picture about the mechanisms of Islamic banks' work, and the quality of services provided by these banks (Meqdad & Halas, 2005).

## **2.4 PROFITABILITY OF BANKS**

### **2.4.1 Profitability Definition**

Profitability is an important index of banks' capacity to take risks and/ or increase the capital. Profitability also shows the competitiveness of banks and also measures the quality of management.

According to (Tulsian, 2014) profitability is the firm's ability to use its resources to generate more income than its expenditures. In other words, this is the ability of the company to produce profits from its operations.

Furthermore, Mzaik (2014) defined profitability as Profitability as a primary goal for all establishments, and an imperative for its survival and continuity, an endeavor for investors, and an index that creditors care about when dealing with the enterprise, and it is also a vital tool for measuring the efficiency of management in using existing resources, and profitability is also a relationship between the profits that the organization achieved and the investments that contributed to achieving these profits, and profitability is a goal for the organization and a measure to judge its adequacy.

Profitability of Islamic banks determinants can be defined into (2) categories, which are those that can be controlled by management (internal determinants) and those that are outside the control of management (external determinants). The internal determinants reflect the bank's management policy and decisions regarding sources and uses of money management, capital and liquidity management, and expense management. This type of profitability factor can be examined through the banks

financial statements. Whereas, the external factors are the environmental and company-specific ones (Mohamed, 2014).

Almazari (2012) introduced that in the early 1990s the DuPont model was created and still useful for assessing profitability. The original DuPont method was developed in 1918 by an engineer at DuPont and noted that the product of the two common calculated ratios, the net profit margin and the total asset turnover equals the return on assets (ROA). The DuPont method has been widely used for financial analysis due to the elegance of the ROA that is influenced by the profitability and efficiency measures. In the 1970s, the focus in financial analysis shifted from Return on Assets (ROA) to Return on Equity (ROE).

#### **2.4.2. Factors affecting the profitability of Islamic banks**

There are many factors affecting the Islamic banks profitability, including (Al-Obaid, 2015):

1. The Bank's management ability to manage return and risk, reduce costs and increase revenue.
2. The extent of stability of economic and political conditions in the country and neighboring countries. The more it tends towards stability, the more favorable conditions for achieving profitability, in addition to the appropriateness of monetary and financial policies under which Islamic banks operate.
3. The size and type of financial resources for Islamic banks, where the large capital base increases the burden of the cost of funds, but as for the type of deposits and their size, the more deposits (especially those with low costs), the

more banks use their investment and development facilities besides that they achieve greater profitability, the more profitable this Banks.

4. Interest rate risk, it may seem that Islamic banks are not exposed to market risk arising from changes in interest rates as long as they do not deal with them, but in fact these changes may affect their income indirectly, because they generally use a return indicator (in the absence of an index) Islamic reference) in order to determine the prices or cost of its various products, especially in the Murabaha contract, where the profit margin is specified by adding the risk margin to the return index (which is the interest rate) (Al-Obaid, 2015).

## **2.5 RELATED STUDIES**

Yaqoob & Khalid, (2018) conducted a study in Pakistan, about "Liquidity Risk Management and its Impact on Performance of the Banks: A Comparative Study between Islamic and Conventional Banks of Pakistan, Malaysia and Indonesia". The purpose of this study was to examine the effectiveness of the risk management practice of liquidity risk and its impact on the performance or profitability of Islamic and conventional banks. Liquidity risk is measured by the loan-to-deposit ratio and the cash-to-total assets ratio. The benchmarks were ROE and ROA for both Islamic and conventional banks. The data is a plate from 2011-2015 taken from Islamic and conventional financial reports. Regression analysis was used to extract the results. The study concluded that liquidity risk management is essential to sound banking practice, performance and profitability. Therefore, it is necessary to have a suitable risk management technology for bank presence and growth.

A study prepared by (Dodi et al., 2018) in Indonesia about "Islamic Bank Profitability: A Study of Islamic Bank in Indonesia". This paper aims to study the effect of factors that contribute to the profitability of Islamic banks in Indonesia during the period 2008-2017. The research used the explanatory method, and the researchers used secondary data obtained from the Otoritas Jasa Keuangan Republic "OJK" to examine the impact of bank determinants and the overall economy of the profitability of the bank Islamic then analyzes the data using GMM techniques. The results of the study found that only the Bank Size of bank-specific determinant has a positive impact on both ROA and ROE while Capital, credit risk and Liquidity had a negative effect on the profitability of Islamic banking in Indonesia. Finally, the macroeconomic determinant found that inflation only had a positive effect, while the Gross Domestic Product "GDP" had no significant impact on the profitability of Islamic banks. The result indicated that Islamic banks in Indonesia need to be well developed and well supported by the government through an independent organization outside the Bank of Indonesia, and this means that Islamic banks can develop Islamic regulation, products and profitability as well as Islamic law and Sunnah do.

The Risk Management and Performance of Islamic Banks: Using the Income of Mudharaba and Musharaka as a Moderator. A study conducted by (Maouloud, Zouari & Othman, 2017). This study sought to study the effect of the incomes of mudharaba and musharaka on the relationship between risk and performance, which is measured by the Return on Average Asset (ROAA). This study used an unbalanced panel data regression analysis for the ordinary least squares method, from 16 Islamic banks from different countries during the period from 2012 to 2015, which were handled by the stata13 program. The results showed that the income of Sharing of Losses and Profits (PLS)

products (mudharaba and musharaka) has a moderate impact, especially on the relationships between performance, liquidity risk and operational risks. However, it has no moderate effect on the relationship between performance and market risk. This study helps enrich the literature with new models that can help bankers and Islamic finance students get ideas and make relevant decisions regarding investment.

Another study conducted in (2017) in Malaysia by (Bamahriz & Suseno) about "Examining the impact of bank's risks to Islamic banks' profitability". This paper analyzed the impact of banks' risk on the profitability of Islamic banks and identifies the risks that play an insignificant role. To this end, (75) Islamic banks were studied in (24) countries in 2015. A series of banking risks, industry and macroeconomic indicators are combined to explain the profitability of Islamic banking as measured by return on average assets (ROAA), return on average Equity (ROAE), and value added (VA). Bank risks include credit risk, bankruptcy risk, liquidity risk and operating risk. After using strong linear regressions, the results indicated that all four types of risks affect the bank's profitability. Operational risk is the risk that plays the most important role in affecting the profitability of banks, whether measured by ROAA, ROAE or pre-tax on total assets (PBTAA). On the other hand, credit risk, liquidity, and insolvency risks do not increase the profitability of Islamic banks or categorically reduce them. Macroeconomic conditions, measured by inflation, do have a positive impact on the profitability of Islamic banks. This indicates that operational risks and macroeconomic stability should receive primary attention in increasing the bank's profitability.

Furthermore, (Trad et al., 2017) carried out a study in Tunisia, the study entitled "Risk and profitability of Islamic banks: A religious deception or an alternative

solution?". The purpose of this paper was to examine if Islamic finance could be an alternative to the traditional financial system and could ensure stability in times of crisis. To achieve this goal, 78 Islamic banks were studied in 12 countries during the period 2004-2013. A series of bank-specific indicators and other country-specific indicators are combined to explain the integrity of Islamic banking in terms of profitability as measured by return on assets (ROA) and return on equity (ROE), the risk is divided into credit risk measured by Impaired loans/Gross loans "IMLGL" and Total equity/Net loans "EQL", and insolvency risk measured by return on assets standard deviation "Z-SCORE". This study also aimed to estimate five regressions using the dynamic panel data econometrics generalized moment method (GMM system). The results showed that the size of the bank and the capital are the two main factors responsible for increasing the profitability and stability of Islamic banks and reducing credit risk. However, the proportions that form variable liquidity and asset quality often lead to inconclusive results. It was also found that macroeconomic variables, with the exception of inflation, are able to improve the stability of Islamic banks. This is not the case for credit risk as the ratio is still unfavorable. The study also concluded that there are no significant differences between Islamic banks "IBs" and conventional banks "CBs" in terms of profitability and risk characteristics.

In (2017) in Syria Khalaf et al. conducted a study about "The impact of the financial structure on the profitability of Islamic banks" Case study of the International Islamic Bank of Syria for the period (2010-2017)". This study aimed to identify the impact of the financial structure on the profitability of Islamic banks, the study of the case of the International Islamic Bank of Syria during the period from 2010 to 2017. The descriptive approach was adopted. The simple regression method was used to

summarize the relationship between the financial structure and the profitability ratios. The study model included an independent variable, the ratio of the financial structure, Assuming that there is no statistically significant effect between the independent variable (financial structure ratio) in the two dependent variables (return on assets and return on equity), based on the SPSS program, The results of this study showed that there is a statistically significant effect of the ratio of the financial structure in both return on assets and return on equity, and the relationship between them was positive.

Azzab et al. (2015) also conducted a study in Jordan entitled "Modeling the Impact of Strategic Planning in the Profitability in Jordanian Companies". This study purpose was to define the effect of strategic planning aspects (vision, mission, objectives, policies, programs and budgets) on the profitability's measures (return on assets, return on equity). The study sample consisted of (15) Jordanian commercial banks. The study concluded that there is a statistical relationship between the strategic planning aspects (Vision, Mission and Objectives) and the Profitability measures; furthermore, there is a statistical relationship between each aspect of strategic planning and the measures of profitability.

The Role of Risk Management in Islamic Banks on Profitability, a study conducted by (Mohamed, 2014). This study sought to explore and analyze risk management practices in the Islamic banking industry through the perceptions of participants chosen from the banking and financial industry. The research identifies risk opinions and attitudes towards risk and also identifies the practices in risk management. The researcher found that there is a strong relationship between Islamic profitability and the risk management system, in another word, whenever risk management of the bank is

more secure; bank's profitability is high and vice versa. Different categories of risks facing Islamic banks, where most of the risks are similar to conventional risks except for specific types of Islamic banks such as risks of non-compliance with Sharia and legal risks. This study provided a recent overview of current market practices, issues and trends in risk management for Islamic banks. It focuses on practical applications and discusses a wide range of unique risks facing Islamic banks and their impact on profitability.

Hunjra, Shamim & Khalid, 2014 prepared a study in Pakistan about "Impact of Strategic Planning on the Financial Performance of Small and Medium Banks in Islamabad". This study aimed to find out the relationship between strategic planning and financial performance of microfinance banks in Pakistan. For this purpose, a questionnaire has been designed. The study sample consisted of (41) professionals and top management of four microfinance banks of the Islamabad region i.e. study i) Kashaf Bank ii) Khushhali Bank iii) Waseela Microfinance Bank iv) Tameer Microfinance Bank. SPSS was used and descriptive and inferential statistics i.e. t-test, ANOVA and regression analysis has been applied. In this study, the researchers found that financial performance has a positive and substantial relationship with independent variables of strategic planning and regression results reveal significant relation between strategic planning and return on assets, the insignificant relationship among formal and non-formal planning and financial performance and Return on Equity with strategic planning also shows the significant relationship.

In (2011) Idris, Asari, Taufik, Salim & Jusoff prepared a study about "Determinant of Islamic Banking Institutions' Profitability in Malaysia". This study was conducted to examine the determinants of profitability of Islamic banking institutions in Malaysia listed on the Malaysia Stock Exchange. The bank's determinants (internal factors) include capital adequacy, credit risk, liquidity, and bank size and expense management. The methodology used is to analyze Generalized Least Square Panel (GLS) data, using quarterly data from (9) Islamic banks, which consist of foreign and domestic Islamic banks established in Malaysia between 2007-2009. The results showed that only the size of the bank is important in determining profitability with a positive relationship. The study also concluded that there are many specific factors, only the size of the bank can put confidence in the eyes of consumers.

Al-Khoury (2011) prepared a study about the Risk Performance of the GCC Banking and assessed the impact of the bank's specific risk characteristics and the overall banking environment on the performance of 43 commercial banks operating in 6 of the Gulf Cooperation Council (GCC) countries over the period 1998-2008. Using fixed effect regression analysis, results revealed that credit risk, liquidity risk and capital risk are the main factors that influence bank performance when profitability is measured by return on assets while the only risk that affects profitability when measured by return on equity is liquidity risk.

### **Summary of previous studies:**

This section talks about previous studies that dealt with strategic planning (SP) and its impact on profitability in many domains. The results of these studies showed that the elements of SP have a positive impact on (profitability), which is considered

important for organizations, companies, and banks especially. This section reviews different critical literatures related to the risk management and its impact on profitability in different organizations in Arabic and foreign countries.

The outcomes revealed that (ST) has a positive impact on profitability, return on assets and return on equity in Islamic banks.

The previous studies were done in different countries worldwide such as Malaysia, Tunisia, Nairobi, Kenya, Syria, Libya, USA etc..., most of these studies depended on the descriptive analytic method, by using questionnaires or surveys to collect data from the sample of the study. All previous studies mentioned the advantages of (SP) in the Islamic banks, or other institutions in addition to its positive impact on profitability in the Islamic banks. All previous studies also supported that there were a strong relationship between (SP) dimensions and risk management on Islamic banks profitability.

### **Relevance to the current research**

The current thesis addresses (*The Impact of Strategic Planning on the Profitability of the Islamic Banks Operating in Palestine: The Mediating Role of Risk Management*), this thesis is implemented on the Islamic banks in Palestine, taking in consideration the mediating role of (RM) in the impact of (SP) on profitability.

This study used the previous studies in the process of designing the questionnaire domains and in some fields of the theoretical frame. Furthermore, the researcher benefited from the mentioned previous studies in specifying the dimensions of the

questionnaire and in choosing the study method such as the studies of (Alagha et al, 2012), (Ahmad, 2017), (Taheer, 2017) and (Masoudi, 2015).

The researcher also used the previous studies in writing the theoretical framework and using suitable dimensions in each item of the thesis, and in the submission of recommendations and suggestions. In the (SP) variable, the researcher benefited from (Azzab et al., 2015) studies which used the following (SP) dimensions (Vision, Mission and Objectives) and the study of (Al-Maghribi, 2006) which mentioned the characteristics of strategic planning... etc.

In terms of profitability, the researcher benefited from (Mzaik, 2014) study, which defined the profitability, and the studies of (Saunders & Marcia, 2011), (Alsayed, 2008) & (Zahir & Ali, 2018) which mentioned the types of profitability measures. In addition to risk management, the researcher has benefited from previous studies on (RM) in the common risk managements in Islamic banks (credit risk, market risk, liquidity risk, operational risk, sharia non-compliance risk... etc. which were mentioned by the studies of (Mohamed, 2014) & (Davis, 2009).

## **Chapter Three**

### **Methodology**

In this chapter the researcher discusses the procedures and the methodology that used to conduct the study. He also illustrates the study design, population size and sample, validity and reliability, data collection procedures, and statistical analysis.

#### **3.1 Research Design**

The current study concentrates on the effect of strategic planning on the profitability of the Islamic Bank operating in Palestine under the mediating role of risk management. The researcher depends on the descriptive-analytical approach to reach the results. He uses a structured questionnaire as a data collection tool to collect information from the directors and employees in the Islamic banks in the West Bank. The Secondary data were collected from published and unpublished articles.

#### **3.2 Data Collection Tool**

A questionnaire adapted by the researcher was distributed to the directors and employees in the Islamic banks in the West Bank. It was translated into Arabic because the subjects were Palestinians, and it was audited to ensure its suitability. The questionnaire includes the personal information and the domains of study variables including (SP) dimensions (vision, mission, goals, and monitoring & evaluation), Risk management, and profitability.

The questionnaire is scaled by using a 5 Likert scale from 5= strongly agree, to 1=strongly disagree. It was distributed to the directors and employees of the Islamic banks in the West Bank. It was made to realize the study goals, to answer the study questions and to test its hypotheses.

The following methods were performed include questionnaire design, validity, and reliability, as discussed below:

### **3.2.1 Questionnaire Design**

The questionnaire was used to collect data after modification by editing or omitting some paragraphs to suit the research aims. It included four parts including demographic data, the domains of the study variables including strategic planning (SP) dimensions, risk management (RM) dimension and (profitability) dimension.

The demographic data about the respondents consisted of seven variables including: (gender, age, academic qualification, specialization, job title, years of experience, and bank name).

The second part covered the paragraphs of the three main variables in the study:

- (1) Strategic planning domain contained four dimensions: vision contained into five points, mission contained six points, goals contained seven points, and monitoring and evaluation contained nine points.
- (2) Risk management contained eleven points.
- (3) Profitability contained ten points.

### 3.2.2 Validity

The study tool was developed, confirmed and edited to reach the final form which was distributed to the target population. It was sent to five evaluators and the supervisor to evaluate each dimension and its consistency in order to validate the consistency of all the paragraphs in the questions.

### 3.2.3 Reliability

The sample individuals were notified and given illustrations about the research aims in the target places before filling the questionnaires. As a result, all the sample individuals were prepared and able to answer the questionnaire easily. This was deliberately done to realize the meaning of data reliability. The adequate Alpha value that encounters the statistical requirement for the tool to be considered reliable should be 0.70 or above according to Travakol & Dennick (2011). The reliability of the questionnaire was tested by using Cronbach's Alpha coefficient and the results are shown in the following table:

**Table (3.1): Cronbach's alpha test for each dimension**

<b>Dimension</b>	<b>Items</b>	<b>Cronbach alpha</b>	<b>Result</b>
Vision	5	0.80	<b>pass</b>
Mission	6	0.71	<b>pass</b>
Goals	7	0.69	<b>pass</b>
Monitoring and evaluation	9	0.87	<b>pass</b>
<b>Profitability</b>	<b>10</b>	<b>0.71</b>	<b>pass</b>
<b>Risk management</b>	<b>11</b>	<b>0.67</b>	<b>pass</b>
<b>Total value</b>	<b>48</b>	<b>0.74</b>	<b>pass</b>

The table above shows that the value of reliability of the tool dimensions was tested by using Cronbach's Alpha coefficient and the result was found to be 0.74, the Cronbach's Alpha coefficient for all dimensions Scale was  $> 0.67$ , which means that there is high internal consistency among all questionnaire items.

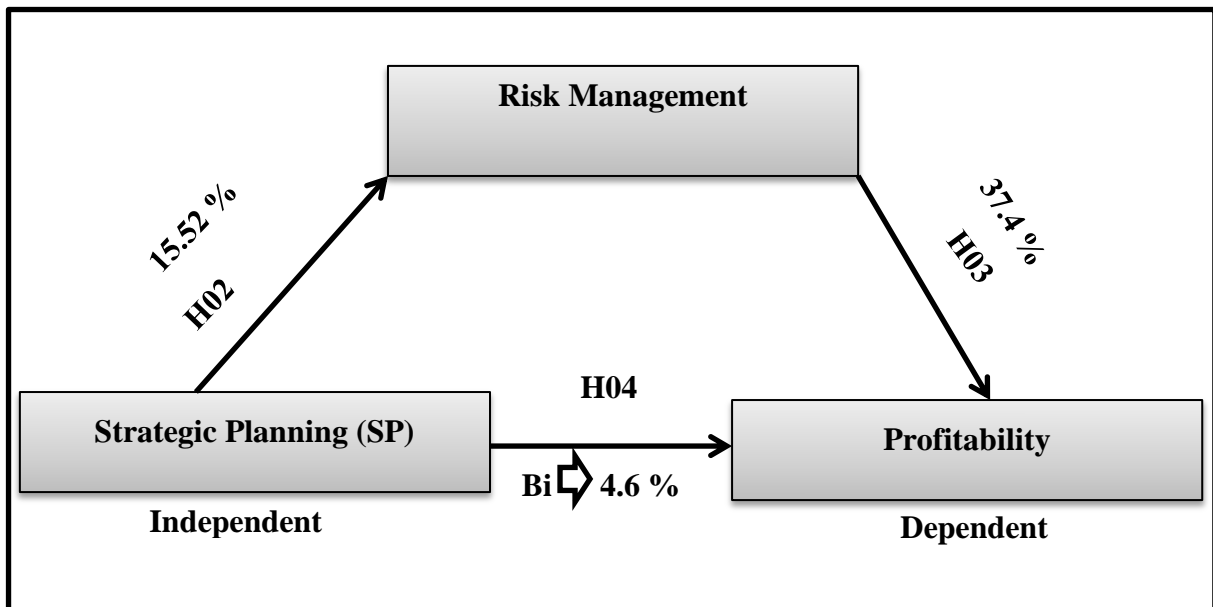
### 3.3 Conceptual Model

The researcher designed the conceptual model according to the review of empirical and theoretical literature. For the independent variables related to strategic planning and its components were identified based on studies of (Alagha et al, 2012) and (Ahmad, 2017).

The items of the mediator variable (Risk Management) were determined based on studies of (Taheer, 2017) and (Masoudi, 2015).

The items of the dependent variable: (Profitability) were determined based on the study of (Masoudi, 2015).

Figure (1) shows the study conceptual model:



### 3.4 Population and sample

The research population consisted of directors and employees of the Islamic Banks (Arabic Islamic Bank "AIB", Palestine Islamic Bank "PIB" and Safa Bank) in Jenin, Nablus, Tubas, Ramallah, Hebron and Tulkarm.

Table (3.2) shows the distribution of the population members by city, and table (3.3) shows the sample from each city.

**Table (3.2): The distribution of the population members by city**

#	City	Total	Percentage (%)
1	Jenin	15	7
2	Tubas	4	2
3	Nablus	29	14
4	Ramallah	113	52
5	Tulkarm	10	5
6	Hebron	45	20
<b>total</b>		<b>216</b>	<b>100%</b>

Source: information obtained by the researcher

The table (3.2) shows the distribution of the study population according to the city, where the study population in Jenin constituted (7%), in Tubas (2%), and in Nablus (14%), in addition to Ramallah city in which the study population reached (52%) as for Tulkarm (5%) and Hebron (20%).

**Table (3.3): The distribution of the sample individuals by city**

#	City	Total	Percentage (%)
1	Jenin	13	10%
2	Tubas	4	3.2%
3	Nablus	23	17.6%
4	Ramallah	52	40%
5	Tulkarm	9	6.9%
6	Hebron	29	22.3%
<b>total</b>		<b>130</b>	<b>100%</b>

Source: information obtained by the researcher

The table (3.3) shows the distribution of the study sample individuals according to the city, where the study sample in Jenin constituted (10%), in Tubas (3.2%), and in Nablus (17.6%), in addition to Ramallah city in which the study sample reached (40%) as for Tulkarm (6.9%) and Hebron (22.3%).

### 3.4.1 Sample of study

The study was applied randomly on the sample of directors and employees who work in the Islamic banks in Palestine. The sample size of this study is defined based on the following Daniel (1999) equation:

#### Sample size (n)

$$(n) = \frac{Z^2 P(1-P)}{d^2}$$

Where:

$n$  : Sample size required,

$z$ : Z statistic for a level of confidence required,

$P$  : Expected prevalence or proportion (If the expected prevalence is 20%, then  $P= 0.2$ ), and

$d$ : Precision (If the precision is 5%, then  $d = 0.05$ ).

$$\text{The sample size} = \frac{0.95^2 * 0.5(1-0.5)}{0.05^2}$$

= 60%

**Collected sample size = 130**

**Number of distributed questionnaires = 130**

**Number of recovered questionnaires = 100**

Distributed questionnaires	Recovered questionnaires	Study sample
216	100	100

### 3.5 Statistics Approaches

The primary data were analyzed by using the Statistical Package for Social Sciences (SPSS).

Descriptive tests:

1. Frequency to describe the demographic variables,
2. Means and standard deviations to answer the study questions,
3. One sample T-test, independent T-test, and OneWay ANOVA to test the differences due to demographic variables.
4. Pearson correlation test to examine the relationship among (SP) and (RM), and (profitability).
5. Structure Equation Model (SEM) to find the mediating role of (RM) on the impact of (SP) on profitability.

## Chapter Four

### Data Analysis & Discussion

A descriptive-analytical study was utilized in order to achieve the main goal of the study. The sample size was (100) respondents; and they were selected using a non-probability sample.

#### 4.1 Demographic variables

Table (4.1) below contains the results of the demographic characteristics of the sample in terms of gender, age, academic qualification, specialization, job title, years of experience, and bank name.

**Table (4.1): Demographic characteristics of respondents (N = 100)**

Variables	Items	Frequency	Percentage
Gender	female	30	30%
	male	70	70%
	<b>Total</b>	<b>100</b>	<b>100.0</b>
Age	less than 30 years	20	20%
	from 30 to less than 40 years	58	58%
	from 40 to 50 years	17	17%
	over than 50 years	5	5%
	<b>Total</b>	<b>100</b>	<b>100.0</b>
Academic qualification	Diploma	8	8%
	Bachelor	73	73%
	Master	16	16%
	PhD	3	3%
	<b>Total</b>	<b>100</b>	<b>100.0</b>
Specialization	Accounting	25	25%
	Banking and Financial Sciences	21	21%
	Islamic Finance and Islamic Banking	11	11%
	Economics	11	11%
	Business Administration	24	24%
	Others	8	8%
	<b>Total</b>	<b>100</b>	<b>100.0</b>

<b>Job title</b>	Department Head	45	45%
	Monitor	13	13%
	Deputy/ Assistant manager	25	25%
	Branch/ Department Manager	15	15%
	Deputy/Assistant General Manager	1	1%
	General Manager	1	1%
	<b>Total</b>	<b>100</b>	<b>100.0</b>
<b>Number of years of experience</b>	less than 10 years	38	38%
	10 to 15 years	46	46%
	more than 15 years	16	16%
	<b>Total</b>	<b>100</b>	<b>100.0</b>
<b>Bank name</b>	Arab Islamic Bank	36	36%
	Palestinian Islamic Bank	43	43%
	Al-Safa Bank	21	21%
	<b>Total</b>	<b>100</b>	<b>100.0</b>

## 4.2 Results related to the research questions

This part contains the results of the study questions, it shows the level of (SP), (profitability), and (RM) in the Islamic banks in Palestine.

**The answer of the first question:** "What is the level of strategic planning dimensions (vision, mission, goals, monitoring and evaluation) in Islamic banks in Palestine?"

The following tables show the results of the level of (SP) dimensions.

**1st sub Q: "What is the level of Vision in the Islamic banks in Palestine?"**

**Table (4.2): Descriptive Statistics of the Vision Dimension**

	Items	Mean	Standard Deviation	Level	Percent
4	The vision of the bank you work in aligns with the core principles of Islamic finance.	4.93	.256	High	99%
1	Your bank has a clear vision.	4.85	.358	High	97%
2	The vision for the bank you work in is specific, accessible and achievable.	4.85	.358	High	97%
3	The vision of your bank is constantly updated and developed.	4.79	.409	High	96%

5	The bank forms you work in contain the bank's vision.	4.44	.498	High	89%
	<b>Vision</b>	<b>4.77</b>	<b>.287</b>	<b>High</b>	<b>95%</b>

The table above shows that there is a high level of implementation of vision in the Islamic banks in Palestine ( $M=4.77$ ,  $SD=0.287$ ). The mean for all of the items ranges from (4.93) to (4.44). Item four “The vision of the bank you work in aligns with the core principles of Islamic finance” was the most important item in the dimension of vision due to its greater mean (4.93) with 99% importance percentage, while item five “The bank forms you work in contain the bank's vision” was in the latest stage of importance, its mean was (4.44) with 89% importance percentage.

Directors in the Islamic banks in Palestine highly agreed that the vision of the Islamic bank aligns with the core principles of Islamic finance, the bank has a clear vision, the vision of the bank is specific, accessible and achievable, updated and developed, and the bank forms contain the bank's vision.

From the previous table we can see that there is a high level of knowledge for vision in the Islamic banks in Palestine which may be attributed to the fact that the vision is published and available in the websites of the banks and this reflects the high knowledge of directors, managers and assistants about it.

This result is consistent with the findings of the study of (Azzab et al., 2015) which found that there is a statistical relationship between the strategic planning aspects (Vision, Mission and Objectives) and the Profitability measures; furthermore, there is a statistical relationship between each aspect of strategic planning and the measures of profitability.

2<sup>nd</sup> sub Q: "What is the level of Mission in the Islamic banks in Palestine?"

**Table (4.3): Descriptive Statistics of Mission Dimension.**

	<b>Items</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Level</b>	<b>Percent</b>
5	The mission of the bank in which you work is specific and clear in terms of Islamic finance.	4.94	.238	High	99%
1	The Islamic bank you work in has a clear mission.	4.91	.287	High	98%
4	The mission of the bank you work in is realistic and applicable.	4.90	.301	High	98%
3	The mission of the bank you work in encourages creativity.	4.83	.377	High	97%
2	The mission contains new opportunities to develop the bank's business.	4.69	.464	High	94%
6	Your bank logo contains an abbreviated portion of your bank mission.	4.54	.500	High	91%
	<b>Mission</b>	4.96	1.216	High	99%

The table above shows that there is a high level of implementation of mission in the Islamic banks in Palestine (M=4.96, SD=1.216), the mean for all of them ranges from (4.94- 4.54). Item five “The mission of the bank in which you work is specific and clear in terms of Islamic finance” was the most important item in the dimension of mission due to its greater mean (4.94) with 99% importance percentage, while item six “Your bank logo contains an abbreviated portion of your bank mission” attained the latest stage of importance since its mean was (4.54) with 91% importance percentage.

Directors in the Islamic banks in Palestine highly agreed that the mission contains new opportunities to develop the bank's business, the mission of the Islamic bank specific and clear in terms of Islamic finance, the mission of the bank is realistic and applicable, and the mission of the Islamic bank encourages creativity.

The previous table shows that there is a high level of knowledge for mission in the Islamic banks in Palestine and that may be attributed to the fact that the mission is published in the websites of the banks, and the mission is available for every one as publications and continuous information and this indicates the high knowledge of mission among the study sample.

This result is consistent with the findings of (Azzab et al., 2015) study which revealed that there is a statistical relationship between the strategic planning aspects (Vision, Mission and Objectives) and the Profitability measures; furthermore, there is a statistical relationship between each aspect of strategic planning and the measures of profitability.

**3<sup>rd</sup> sub Q: "What is the level of Goals in the Islamic banks in Palestine?"**

**Table (4.4): Descriptive Statistics of Goals Dimension**

	Items	Mean	Standard Deviation	Level	Percent
4	The strategic goals of the bank in which you work are in line with the provisions of Islamic law in general.	4.92	.272	High	98%
1	The bank you work in has clear long-term strategic goals.	4.75	.435	High	95%
7	The bank's strategic goals are known to employees and customers.	4.66	5.099	High	93%
3	The bank you work in converts tactical goals into tasks distributed to all of the bank's employees.	4.62	.487	High	92%
2	The bank you work in has divided strategic objectives into tactical goals.	4.59	.494	High	92%

5	The employees of the bank you work in participate in setting the overall goals of the bank.	4.46	.500	High	89%
6	When preparing strategic goals, it is taken into account the emergency conditions that may arise during the implementation phase.	4.44	.498	High	89%
<b>Goals</b>		4.63	.804	High	93%

As shown in the above table, the overall mean of goals shows that there is a high level of implementation of goals in the Islamic banks in Palestine ( $M=4.63$ ,  $SD=0.804$ ), whereas the mean for all of them ranges from (4.92) to (4.44). Item four “The strategic goals of the bank in which you work are in line with the provisions of Islamic law in general” was the most important item in the dimension of goals due to its greater mean (4.92) with 98% importance percentage, while item six “When preparing strategic goals, it is taken into account the emergency conditions that may arise during the implementation phase” was in the last degree of importance since its mean was (4.44) with 89% importance percentage.

Directors in the Islamic banks in Palestine highly agreed that the strategic goals of the Islamic bank are in line with the provisions of Islamic law in general Islamic bank has clear long-term strategic goals, the Islamic bank’s strategic goals are known to employees and customers, the Islamic bank converts tactical goals into tasks distributed to all of the bank’s employees, the bank has divided strategic objectives into tactical goals, and the employees of the Islamic bank participate in setting the overall goals of the bank.

The table above shows a high level of knowledge of goals in the Islamic banks in Palestine. That may be because it is important for each director, manager, assistant or even employee to have full knowledge about the bank goals or objectives in order to be

approved by its general management, and it is clear that the goals and objectives are clear and well stated in the banks' websites and periodical publications.

**4<sup>th</sup> sub Q: "What is the level of Monitoring and Evaluation in the Islamic banks in Palestine?"**

**Table (4.5): Descriptive Statistics of Monitoring and Evaluation Dimension**

	Items	Mean	Standard Deviation	Level	Percent
6	The bank you work in monitors the implementation of tactical objectives through essential employee tasks.	4.73	.446	High	95%
3	The bank you work in monitors the implementation of plans, programs and activities on an ongoing basis.	4.71	.456	High	94%
8	The bank you work in provides all employees with feedback regarding achievement of goals and deviations from them.	4.71	.456	High	94%
2	Goals are reviewed and evaluated by the bank you work in on a regular and ongoing basis.	4.69	.464	High	94%
4	The bank you work in takes preventive measures to ensure that you do not deviate from plans and programs.	4.67	.472	High	93%
7	The bank you work in gives supervisory powers to the superiors to correct the performance of subordinates.	4.66	.476	High	93%
5	The bank you work in takes remedial measures to ensure that the required results are reached.	4.65	.479	High	93%
1	The bank you work in uses the SWOT analysis to assess strategic performance.	4.57	.517	High	91%
9	The external auditor's comments are reviewed and corrected in relation to the bank's strategic plan.	3.91	.552	High	78%
	<b>Monitoring and Evaluation</b>	4.58	.342	High	92%

The above table shows the overall mean of monitoring and evaluation. It shows that there is a high level of implementation of monitoring and evaluation in the Islamic banks in Palestine ( $M=4.58$ ,  $SD=0.342$ ), whereas the mean for all of them ranges from (4.73) to (3.91). Item six “The bank you work in monitors the implementation of tactical objectives through essential employee tasks” was the most important item in the dimension of monitoring and evaluation due to its greater mean (4.73) with 95% importance percentage, while item nine “The external auditor's comments are reviewed and corrected in relation to the bank's strategic plan” was in the latest stage of importance since its mean was (3.91) with 89% importance percentage.

Directors in the Islamic banks in Palestine highly agreed that the Islamic bank monitors the implementation of plans, programs and activities on an ongoing basis, the Islamic bank provides all employees with feedback regarding achievement of goals and deviations from them, goals are reviewed and evaluated by the bank on a regular and ongoing basis, the Islamic bank takes preventive measures to ensure not deviating from plans and programs, the Islamic bank gives supervisory powers to the superiors to correct the performance of subordinates, the Islamic bank takes remedial measures to ensure that the required results are reached, and the Islamic bank uses the SWOT analysis to assess strategic performance.

The previous table shows that the level of monitoring and evaluation in the Islamic banks in Palestine is high. This may be attributed to the Islamic bank interest in adaptation to performance measurement criteria for each element of the strategic plans, and in applying the strategic plan, because the bank seeks to enhance (profitability) via monitoring its strategies and plans.

**1. The answer of the first question: "What is the level of Strategic Planning in the Islamic banks in Palestine?"**

**Table (4.6): Descriptive Statistics of Strategic Planning variable**

	Items	Mean	Standard Deviation	Level	Percent
1	Vision	4.77	.287	High	95%
2	Mission	4.96	1.216	High	99%
3	Goals	4.63	.804	High	93%
4	Monitoring and evaluation	4.58	.342	High	92%
	<b>Strategic Planning</b>	4.74	.429	High	95%

The table above shows that all dimensions of the (SP) in the Islamic banks in Palestine had a high level, that means that there is a high level of (SP) in the Islamic banks in Palestine with (M=4.74, SD=0.429), the mean for the dimensions ranges from (4.96) to (4.58). "Mission" was the most important in the dimensions of (SP) of the Islamic banks in Palestine for its greater mean (4.96) with 99% importance percentage, while "vision" was in the second stage of importance since its mean was (4.77) with 95% importance percentage, the "goals" dimension came in the third stage of importance due to its mean which was (4.63) with 93% importance percentage, and the latest dimension of the (SP) was "monitoring and evaluation" as its mean was (4.58) with 92% importance percentage.

This result is supported by the results of (Hunjra et al., 2014) study which showed that financial performance has a positive and substantial relationship with independent variables of strategic planning and regression results reveal significant relation between strategic planning and return on assets.

**2. The answer the second question: "What is the level of profitability in Islamic banks in Palestine?"**

The level of Profitability dimension was found and the following table shows the results.

**Table (4.7): Descriptive Statistics of Profitability**

	<b>Items</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Level</b>	<b>Percent</b>
5	Compliance with Islamic law has an essential role in the profitability of the bank.	4.97	.171	High	99%
4	The strategic plan plays a major role in increasing the bank's profitability by directing funds to specific sectors.	4.85	.358	High	97%
2	There is an increasing demand for the services provided by your bank.	4.79	.409	High	96%
6	The size of deposits with your bank has increased over the past three years.	4.70	.460	High	94%
7	Reduced credit risk increases the profitability of the Islamic bank.	4.69	.464	High	94%
8	The bank you work in requires a specific amount of funds to be granted from each employee during the year.	4.67	.472	High	93%
9	The bank you work in requires each employee to attract a specific amount of deposits.	4.66	.476	High	93%
1	There has been a noticeable increase in the size of the bank's investments over the past three years.	4.62	.487	High	92%
10	The bank you work in reviews the expenses of all operating departments.	4.58	.496	High	92%
3	The percentage of default in the financing provided by your bank has decreased during the last three years.	4.33	.532	High	87%
	<b>Profitability</b>	4.68	.236	High	94%

The table above shows that the dimension of Profitability in the Islamic banks in Palestine has a high level ( $M=4.68$ ,  $SD=0.236$ ), the mean for all of the items ranges from (4.97) to (4.33). Item five “Compliance with Islamic law has an essential role in the profitability of the bank” was found to be the most important item of profitability due to its greater mean (4.97) with 99% importance percentage, while the third item “The percentage of default in the financing provided by your bank has decreased during the last three years” was the lowest item of the dimension and its mean was (4.33) importance percentage was 87%.

Directors in the Islamic banks in Palestine highly agreed that the strategic plan plays a major role in increasing the bank’s profitability by directing funds to specific sectors, there is an increasing demand for the services provided by the bank, the size of deposits with the bank has increased over the past three years, reduced credit risk increases the profitability of the Islamic bank, the bank requires a specific amount of funds to be granted from each employee during the year, the Islamic bank requires each employee to attract a specific amount of deposits, there has been a noticeable increase in the size of the bank’s investments over the past three years, and the bank reviews the expenses of all operating departments.

The previous table shows that the level of profitability in Islamic banks is high. This may be due to commitment to principles of Islamic banks and to some strategic plans that Islamic banks follow in order to grow and maximize their profits, and these strategies include maintaining efficiency in distributing financial resources to various types of assets, as well as using their assets to produce the largest possible number of

services, achieving the largest possible volume of investments, and thus achieving the highest Possible profit.

This result is compatible with the study of (Sheikh Ali, 2017) that dealt with the issue of profitability in Palestinian Islamic banks and has indicated that the average profitability in Islamic banks is higher than the average for commercial banks in Palestine, which indicates that there is a growth rate in the profitability of Islamic banks during the past years.

This result is consistent with the findings of (Yaqoob & Khalid, 2018) study which concluded that liquidity risk management is essential to sound banking practice, performance and profitability. In addition to the study of (Dodi et al., 2018) which showed that Islamic banks can develop Islamic regulation, products and profitability as well as Islamic law and Sunnah do. Furthermore, (Trad et al., 2017) study confirmed that the size of the bank and the capital are the two main factors responsible for increasing the profitability and stability of Islamic banks and reducing credit risk.

### **3. The answer the third question: "What is the level of risk management in Islamic banks in Palestine?"**

The level of Risk Management dimension was found and the results are shown in the following table.

**Table (4.8): Descriptive Statistics of Risk Management**

	<b>Items</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Level</b>	<b>Percent</b>
6	The bank checks the availability of collateral as a suitable cover for the requested financing.	4.87	.338	High	97%
4	The client is required to submit a	4.85	.358	High	97%

	financial feasibility study to know the adequacy of the capital, sources of income and expected profits for the project to ensure the client's ability to fulfill the obligations.				
2	The bank you work in studies and analyzes the collateral provided their legal status and efficiency before accepting the financing request.	4.79	.409	High	96%
11	Sharia Supervisory Committee plays an important role in managing risks arising from Islamic financing formulas.	4.75	.435	High	95%
3	The bank takes into account the market situation before granting funds in order to assess credit risk.	4.70	.460	High	94%
1	The bank you work in continuously develops and adjusts risk management policies and strategies.	4.63	.485	High	93%
10	Islamic banks reduce risks against lower returns by managing investment portfolios through murabahah and short-term leasing.	4.59	.604	High	92%
7	The bank has a team dedicated to identifying and monitoring potential risks.	4.47	.501	High	89%
9	The Control Department cooperates with the Risk Management Department in exchanging information to improve the risk management process.	4.45	.500	High	89%
5	The bank you work in has an electronic system for storing financing files, including contracts and guarantees.	4.38	.546	High	88%
8	The bank has an adequate internal control system to deal promptly with emerging risks.	4.36	.482	High	87%
	<b>Risk management</b>	4.62	.229	High	92%

The table above shows that the dimension of the Risk management in the Islamic banks in Palestine had a high level, which indicates that there is a high level of risk management in Islamic banks in Palestine (M=4.62, SD=0.229). The mean for all of the items ranges from (4.87) to (4.36). Item six “The bank checks the availability of collateral as a suitable cover for the requested financing” was found to be the most

important in the dimensions of Risk management since its mean was (4.87) with 97% importance percentage, while the eighth item “The bank has an adequate internal control system to deal promptly with emerging risks” was the lowest item with a mean of (4.36) with 87% importance percentage.

Directors in the Islamic banks in Palestine highly agreed that the client is required to submit a financial feasibility study to know the adequacy of the capital, sources of income and expected profits for the project to ensure the client's ability to fulfill the obligations, the Islamic bank studies and analyzes the collateral provided their legal status and efficiency before accepting the financing request, Sharia Supervisory Committee plays an important role in managing risks arising from Islamic financing formulas, the Islamic bank takes into account the market situation before granting funds in order to assess credit risk, the Islamic bank continuously develops and adjusts risk management policies and strategies, Islamic banks reduce risks against lower returns by managing investment portfolios through murabahah and short-term leasing, the Islamic bank has a team dedicated to identifying and monitoring potential risks, the Control Department cooperates with the Risk Management Department in exchanging information to improve the risk management process, and the Islamic bank has an electronic system for storing financing files, including contracts and guarantees.

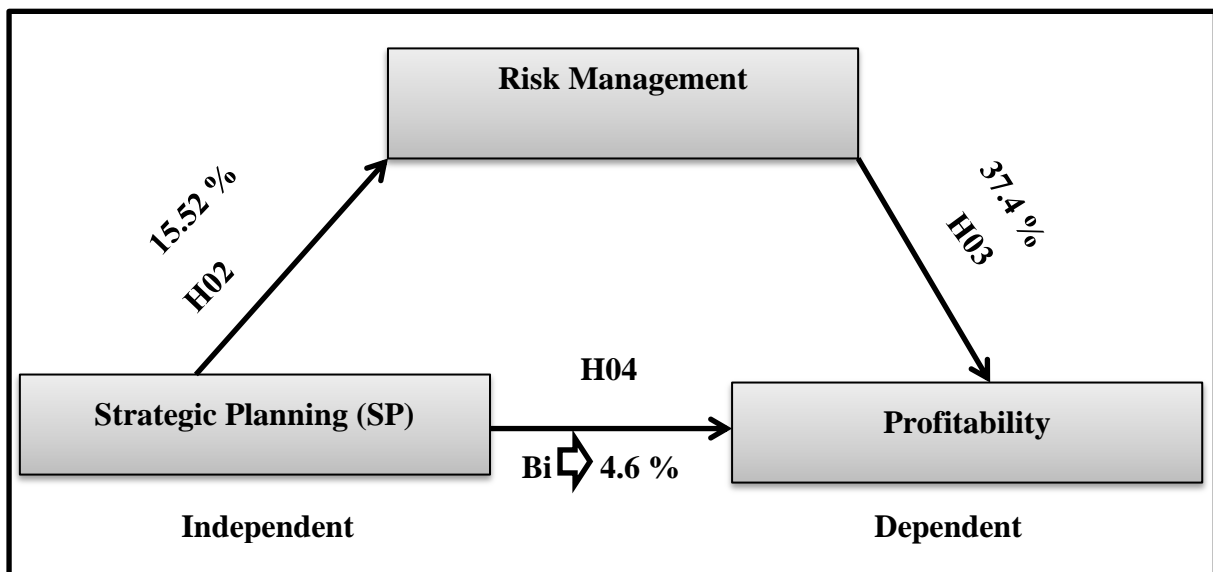
The results of the previous table indicate that the level of risk management in the Islamic banks in Palestine is high. This may be due to the Islamic banks' interest in developing special strategies to study the phenomenon of intensity of banking risks and controlling them through risk management systems and the strategies followed by these

banks for the purpose of achieving banking objectives and minimizing the negative effects of these risks.

This result is consistent with the study of (Mohamed, 2014) which concluded that there is a strong relationship between Islamic profitability and the risk management system, in another word, whenever risk management of the bank is more secure; bank's profitability is high and vice versa.

### 4.3 Testing hypotheses

This part illustrates the results related to study hypotheses.



Model	Hypotheses	Variables	Coefficient	t- value	P value	Significance
1	H02	Sp→ RM.	0.1552	3.01	0.00	Yes
2	H03	RM→ prof.	0.3743	3.72	0.00	Yes
	H04	Sp → prof.	0.0467	0.87	0.38	No

The previous table shows the existence of an impact of strategic planning on risk management, as the statistical significance p-value reached (.000) and the correlation coefficient reached (15.52%). The table also shows the existence of an impact of risk management on profitability, as the value of the statistical significance reached (0.00) and the value of the correlation coefficient was (37.43%). The table also shows that there is no direct impact of strategic planning on profitability, as the value of the statistical significance was (0.38) and the value of the correlation coefficient was (04.67%).

**H01: strategic planning has an impact on risk management in the Islamic Banks in the West Bank.**

**H01-1: Risk Management has an impact on profitability in the Islamic Banks in the West Bank.**

**H01-2: Strategic planning has an impact on profitability in the Islamic Banks in the West Bank.**

**H01-3: Risk Management has a mediating role in the impact of Strategic planning on profitability in the Islamic Banks in the West Bank.**

To test these hypotheses, the research employed the structure equation model to investigate the mediating role of RM in the impact of (SP) on (profitability) in the Islamic banks. Step (1) presents model number one, to identify the impact of SP on RM, step (2) presents model number two, to identify the impact of RM on profitability, and step (3) presents model number three, to identify the impact of SP on profitability.

**Table (4.9): Model Summary (dependent risk management)**

<b>Model (1)</b>	<b>Coefficient</b>	<b>S.E</b>	<b>t- value</b>	<b>P- value</b>
Constant	3.88	0.24	15.8	0.008
Strategic Planning	0.1552	0.0515	3.013	0.003

The table shows that strategic planning has a direct positive impact on risk management in Islamic Banks (P=0.00) and (coefficient = 15.52%).

**Table (4.10): Model Summary (dependent profitability)**

<b>Model (2)</b>	<b>Coefficient</b>	<b>S.E</b>	<b>t- value</b>	<b>P- value</b>
Constant	2.73	0.45	5.44	0.0
Risk Management	0.37	0.10	3.72	0.00
Strategic Planning	0.04	0.05	0.87	0.38

This table explains that risk management has a positive effect on profitability (p=0.00), but strategic planning does not directly affect profitability except through risk management (p=0.38).

**Table (4.11): Model Summary (Mediation) Risk Management RM**

<b>Model 1</b>	<b>R</b>	<b>R- square</b>	<b>SEM</b>	<b>F- test</b>	<b>P- value</b>
	29.2%	8.48%	4.86%	9.07	0.003

**Model Summary Profitability**

<b>Model 2</b>	<b>R</b>	<b>R- square</b>	<b>SEM</b>	<b>F- test</b>	<b>P- value</b>
	39.65%	15.72	9.8	9.047	0.002

**SEM** analysis was performed to test if the (SP) significantly predicted (profitability). As shown in Table (4. 20), there are two models, the first model indicates that (SP) predicted (profitability) ( $R= 29.2\%$ ,  $SEM =4.8\%$ ,  $P < 0.05$ ), whereas, the second model indicates that (SP & RM) significantly predicted (profitability) ( $R= 39.65\%$ ,  $SEM= 9.8\%$ ,  $P < 0.01$ ). Thus, the results from SEM analysis of the hypothesis show that (RM) plays a mediating role in enhancing the impact of (SP) on (profitability) in the Islamic banks in the West Bank.

**H02: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to demographic characteristics.**

**H02-1: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable gender.**

**Table (4.12): The Results of Independent T-test for the impact of variable gender**

Dimensions	Gender	N	Mean	Std. deviation	P-value	Sig.
Vision	Male	30	4.80	.240	.636	.526
	Female	70	4.76	.305	.700	
Mission	Male	30	5.10	1.537	.707	.481
	Female	70	4.91	1.057	.611	
Goals	Male	30	4.77	1.419	1.157	.250
	Female	70	4.57	.262	.777	
Monitoring and Evaluation	Male	30	4.52	.368	-1.280-	.204
	Female	70	4.61	.329	-1.223-	
SP	Male	30	4.79	.568	.893	<b>.374</b>
	Female	70	4.71	.356	.747	
Profitability	Male	30	4.68	.220	-.166-	<b>.869</b>
	Female	70	4.68	.244	-.172-	
Risk Management	Male	30	4.63	.237	.241	<b>.810</b>
	Female	70	4.61	.227	.237	

Independent t-test was used to test the H02-1 hypothesis "There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable gender", with a 95% level confidence.

The table above shows that the P-value for the variables (Strategic planning (SP), Profitability, and Risk management) is more than (0.05)). Therefore, the researcher can accept the hypothesis that there are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable gender. Thus the gender doesn't play an important role in understanding the role of (SP), profitability, and risk management in the Islamic banks in Palestine as the H01 hypothesis was accepted.

This result may be due to the fact that the directors, managers, and assistants (males or females) are exposed to the same circumstances in the bank, they both have good level of knowledge about the environment that they live in, especially because the bank is concerned to publish its plans and (RM) strategies to be well known to its staff.

**H02-2: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable age.**

**Table (4.13): The Results of One Way Anova test for the variable age**

Dimensions	Age	Sum of Squares	df	Mean Square	F	Sig.
Vision	Between Groups	.066	3	.022	.261	.853
	Within Groups	8.096	96	.084		
	Total	8.162	99			

<b>Mission</b>	Between Groups	2.040	3	.680	.452	.717
	Within Groups	144.499	96	1.505		
	Total	146.539	99			
<b>Goals</b>	Between Groups	1.165	3	.388	.593	.621
	Within Groups	62.889	96	.655		
	Total	64.054	99			
<b>Monitoring and Evaluation</b>	Between Groups	.727	3	.242	2.141	.100
	Within Groups	10.865	96	.113		
	Total	11.593	99			
<b>SP</b>	Between Groups	.317	3	.106	.564	<b>.640</b>
	Within Groups	17.982	96	.187		
	Total	18.299	99			
<b>Profitability</b>	Between Groups	.249	3	.083	1.514	<b>.216</b>
	Within Groups	5.271	96	.055		
	Total	5.520	99			
<b>Risk Management</b>	Between Groups	.221	3	.074	1.417	<b>.243</b>
	Within Groups	4.981	96	.052		
	Total	5.202	99			

One Way ANOVA test was used to test the H02-2 hypothesis “There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable age”.

The table above shows that the P-value for the three main variables (SP, profitability, and risk management) is more than 0.05. Therefore, the researcher can accept the H02 hypothesis that there are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable age.

**H02-3: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable academic qualification "education".**

**Table (4.14): The Results of One Way ANOVA test for the variable academic qualification "education"**

<b>Dimensions</b>	<b>Academic qualification "education"</b>	<b>Sum of Squares</b>	<b>DF</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
<b>Vision</b>	Between Groups	.351	3	.117	1.437	.237
	Within Groups	7.811	96	.081		
	Total	8.162	99			
<b>Mission</b>	Between Groups	1.096	3	.365	.241	.867
	Within Groups	145.442	96	1.515		
	Total	146.539	99			
<b>Goals</b>	Between Groups	.632	3	.211	.319	.812
	Within Groups	63.421	96	.661		
	Total	64.054	99			
<b>Monitoring and Evaluation</b>	Between Groups	.768	3	.256	2.270	.085
	Within Groups	10.825	96	.113		
	Total	11.593	99			
<b>SP</b>	Between Groups	.238	3	.079	.421	<b>.738</b>
	Within Groups	18.061	96	.188		
	Total	18.299	99			
<b>Profitability</b>	Between Groups	.037	3	.012	.217	<b>.884</b>
	Within Groups	5.483	96	.057		
	Total	5.520	99			
<b>Risk Management</b>	Between Groups	.041	3	.014	.257	<b>.856</b>
	Within Groups	5.161	96	.054		
	Total	5.202	99			

One Way ANOVA test was used to test the H02-3 hypothesis “There are no significant statistical differences in the impact of strategic planning on profitability and

the mediator role of risk management in the Islamic banks in Palestine due to variable academic qualification "education".

The table above shows that the P-value for the three main variables (SP, profitability, and risk management) is more than 0.05. Therefore, the researcher can accept the H03 hypothesis that there are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable academic qualification "education".

**H02-4: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable Specialization**

**Table (4.15): The Results of One Way ANOVA test for the variable Specialization**

Dimensions	Specialization	Sum of Squares	df	Mean Square	F	Mean	Sig.	
Vision	Between Groups	.805	5	.161	2.058	Accounting	4.64	.078
	Within Groups	7.356	94	.078		Banking & Financial science	4.89	
	Total	8.162	99			Islamic Finance and Islamic banking	4.76	
						Economics	4.78	
						Business administration	4.77	
						others	4.85	
Mission	Between Groups	5.478	5		1.096	.730	Accounting	5.36
	Within Groups	141.061	94	1.501	Banking & Financial science		4.93	
	Total	146.539	99		Islamic Finance and Islamic banking		4.80	
					Economics		4.81	
					Business administration		4.81	
					others		4.70	
Goals	Between Groups	2.761	5		.552	.847	Accounting	4.48
				Banking & Financial science			4.93	
				Islamic Finance			4.61	

						and Islamic banking		
	Within Groups	61.292	94	.652		Economics	4.55	
	Total	64.054	99			Business administration	4.55	
<b>Monitoring and Evaluation</b>	Between Groups	.542	5	.108	.922	others	4.67	.470
						Accounting	4.48	
						Banking & Financial science	4.61	
						Islamic Finance and Islamic banking	4.64	
	Within Groups	11.051	94	.118		Economics	4.52	
	Total	11.593	99			Business administration	4.65	
			others		4.65			
<b>SP</b>	Between Groups	.343	5	.069	.359	Accounting	4.74	.875
	Within Groups	17.956	94	.191		Banking & Financial science	4.84	
						Islamic Finance and Islamic banking	4.70	
	Total	18.299	99			Economics	4.67	
						Business administration	4.70	
						others	4.72	
<b>Profitability</b>	Between Groups	.657	5	.131	2.540	Accounting	4.62	.033
						Banking & Financial science	4.69	
						Islamic Finance and Islamic banking	4.76	
	Within Groups	4.863	94	.052		Economics	4.56	
	Total	5.520	99			Business administration	4.70	
			others		4.88			
<b>Risk Management</b>	Between Groups	.313	5	.063	1.205	Accounting	4.61	.313
						Banking & Financial science	4.69	
	Within Groups	4.889	94	.052		Islamic Finance and Islamic banking	4.63	
						Economics	4.68	
						Business administration	4.54	
	Total	5.202	99			others	4.55	

One Way ANOVA was used to test the H02-4 hypothesis “There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable Specialization”.

The table above shows that the P-value for the two main variables (SP, risk management) is more than 0.05. Therefore, the researcher accepts the H04 hypothesis that there are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable Specialization.

But we can notice that the P value for the Profitability dimension was less than (0.05), which means that there were significant statistical differences attributed to variable specialization on this dimension. The differences were for the benefit of those who have specialization (Others) who had the higher mean.

**H02-5: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable Job title.**

**Table (4.16): The Results of One Way Anova test for the variable Job title**

Dimensions	Job title	Sum of Squares	Df	Mean Square	F	Sig.
Vision	Between Groups	.119	5	.024	.279	.924
	Within Groups	8.042	94	.086		
	Total	8.162	99			
Mission	Between Groups	3.845	5	.769	.507	.771
	Within Groups	142.694	94	1.518		
	Total	146.539	99			
Goals	Between Groups	.655	5	.131	.194	.964
	Within Groups	63.399	94	.674		
	Total	64.054	99			
Monitoring and Evaluation	Between Groups	.196	5	.039	.324	.897
	Within Groups	11.396	94	.121		
	Total	11.593	99			

<b>SP</b>	Between Groups	.467	5	.093	.492	.781
	Within Groups	17.832	94	.190		
	Total	18.299	99			
<b>Profitability</b>	Between Groups	.077	5	.015	.267	.930
	Within Groups	5.443	94	.058		
	Total	5.520	99			
<b>Risk Management</b>	Between Groups	.254	5	.051	.966	.443
	Within Groups	4.948	94	.053		
	Total	5.202	99			

One Way ANOVA test was used to test the H02-5 hypothesis “There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable job title”.

The table above shows that the P-value for the two main variables (SP, Profitability, and risk management) is more than 0.05. Therefore the researcher can accept the H05 hypothesis that there are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to job title.

This result can be attributed to the fact that the directors, managers , and assistants on all their job titles are exposed to the same circumstances in the bank, they all have good knowledge about the environment that they live in, especially because the bank is concerned to publish its plans and (RM) strategies to be well known to its staff.

**H02-6: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable years of experience.**

**Table (4.17): The Results of One Way Anova test for the variable years of experience**

<b>Dimensions</b>	<b>Number of years of experience</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
<b>Vision</b>	Between Groups	.051	2	.026	.306	.737
	Within Groups	8.110	97	.084		
	Total	8.162	99			
<b>Mission</b>	Between Groups	.752	2	.376	.250	.779
	Within Groups	145.786	97	1.503		
	Total	146.539	99			
<b>Goals</b>	Between Groups	.743	2	.372	.569	.568
	Within Groups	63.311	97	.653		
	Total	64.054	99			
<b>Monitoring and Evaluation</b>	Between Groups	.178	2	.089	.755	.473
	Within Groups	11.415	97	.118		
	Total	11.593	99			
<b>SP</b>	Between Groups	.055	2	.028	.147	.863
	Within Groups	18.243	97	.188		
	Total	18.299	99			
<b>Profitability</b>	Between Groups	.040	2	.020	.350	.706
	Within Groups	5.481	97	.057		
	Total	5.520	99			
<b>Risk Management</b>	Between Groups	.099	2	.049	.936	.396
	Within Groups	5.103	97	.053		
	Total	5.202	99			

One Way ANOVA test was used to test the H02-6 hypothesis “There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to years of experience”.

The table above shows that the P-value for the two main variables (SP, Profitability, and risk management) is more than 0.05. Therefore the researcher can

accept the H01-6 hypothesis that there are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to years of experience.

This result may be attributed to the fact that the Islamic banks are concerned to present their plans and strategies to all of their directors, managers, assistants and even workers regardless of their years of experience.

**H02-7: There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to variable Bank Name**

**Table (4.18): The Results of One Way Anova test for the variable Bank name**

Dimensions	Number of years of experience	Sum of Squares	df	Mean Square	F		Mean	Sig.
Vision	Between Groups	.744	2	.372	4.863	Arab Islamic Bank	4.75	.010
	Within Groups	7.418	97	.076		Palestinian Islamic Bank	4.85	
	Total	8.162	99			Al-Safa Bank	4.62	
Mission	Between Groups	2.466	2	1.233	.830	Arab Islamic Bank	4.99	.439
	Within Groups	144.073	97	1.485		Palestinian Islamic Bank	5.08	
	Total	146.539	99			Al-Safa Bank	4.67	
Goals	Between Groups	6.257	2	3.128	5.250	Arab Islamic Bank	4.44	.007
	Within Groups	57.797	97	.596		Palestinian Islamic Bank	4.92	
	Total	64.054	99			Al-Safa Bank	4.36	

<b>Monitoring and Evaluation</b>	Between Groups	2.858	2	1.429	15.869	Arab Islamic Bank	4.48	.000
	Within Groups	8.735	97	.090		Palestinian Islamic Bank	4.77	
	Total	11.593	99			Al-Safa Bank	4.37	
<b>SP</b>	Between Groups	2.517	2	1.259	7.736	Arab Islamic Bank	4.67	.001
	Within Groups	15.781	97	.163		Palestinian Islamic Bank	4.91	
	Total	18.299	99			Al-Safa Bank	4.51	
<b>Profitability</b>	Between Groups	1.593	2	.797	19.673	Arab Islamic Bank	4.65	.000
	Within Groups	3.927	97	.040		Palestinian Islamic Bank	4.81	
	Total	5.520	99			Al-Safa Bank	4.48	
<b>Risk Management</b>	Between Groups	1.172	2	.586	14.098	Arab Islamic Bank	4.58	.000
	Within Groups	4.030	97	.042		Palestinian Islamic Bank	4.73	
	Total	5.202	99			Al-Safa Bank	4.45	

One Way ANOVA test was used to test the H02-7 hypothesis “There are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to bank name”.

The table above shows that the P-value for the three main variables (SP, profitability, and risk management) is less than 0.05. Therefore, the researcher can reject the H01-7 hypothesis that there are no significant statistical differences in the impact of strategic planning on profitability and the mediator role of risk management in the Islamic banks in Palestine due to bank name. As seen from the means it is obvious that

the differences are for the benefit of the Palestinian Islamic Bank were the means were higher than the others.

But we can notice that the P-value for the (mission) dimension was more than (0.05), which means that there were no significant statistical differences attributed to variable bank name on this dimension.

One of the main purposes of this study was to investigate the mediating role of (RM) in the impact of (SP) on achieving (profitability) in the Islamic banks in the West bank. The findings proved that there is a statistically significant role of (RM) in the impact of (SP) on profitability.

This finding is consistent with almost all the previous studies such as the study of (Yaqoob & Khalid, 2018), which concluded that liquidity risk management is essential to sound banking practice, performance and profitability. In addition to the study of (Dodi et al., 2018) which showed that Islamic banks can develop Islamic regulation, products and profitability as well as Islamic law and Sunnah do. Furthermore, (Trad et al., 2017) study confirmed that the size of the bank and the capital are the two main factors responsible for increasing the profitability and stability of Islamic banks and reducing credit risk. (Azzab et al., 2015) study confirmed that there is a statistical relationship between the strategic planning aspects (Vision, Mission and Objectives) and the Profitability measures; furthermore, there is a statistical relationship between each aspect of strategic planning and the measures of profitability.

## **Chapter Five**

### **Conclusions and Recommendations**

#### **5.1 Conclusion**

The study discussed the mediating role of (RM) in the impact of (SP) on the (profitability) in the Islamic banks in Palestine.

Strategic planning has an important role on profitability, increasing productivity, improving quality and processes. It assists the firm to deal with the future successfully by providing the ability to control its resources, enabling it to respond effectively to environmental changes, and enhancing its ability to develop strategies for creating values through which firms seek to achieve competitive advantage. Strategic planning dimensions help to know the potential and the different capabilities that can be available to the Islamic bank by implementing different plans, programs and projects, so that the bank can maintain high level of (profitability) that commensurate with the importance and nature of the work of the Islamic bank.

The results showed that strategic planning dimensions was high which indicates that the participating respondents have a positive view towards the dimensions of (SP). The level of (profitability) was high, and this indicates that the respondents showed a high level of (profitability) in the Islamic banks in Palestine.

The results showed that the level of (RM) variable was also high which indicates that the participating respondents have a positive view towards (RM) in the Islamic banks in Palestine.

The results showed a positive relationship between strategic planning and (profitability) and that there is a mediating role of (RM) in the impact of (SP) on achieving (profitability) in the Islamic banks in Palestine.

The results of testing the hypotheses indicated the following:

- There were no significant statistical differences in the mediating role of risk management in the impact of (SP) on profitability in the Islamic bank in Palestine due to gender on all dimensions of SP, profitability. And risk management. (accepted)
- There were no significant statistical differences in the mediating role of risk management in the impact of (SP) on profitability in the Islamic bank in Palestine due to age on all dimensions of SP, profitability, and risk management. (accepted)
- No significant statistical differences were found in the mediating role of risk management in the impact of (SP) on profitability in the Islamic bank in Palestine due to education on all dimensions of SP, profitability, and risk management. (accepted)
- No significant statistical differences were found in the mediating role of risk management in the impact of (SP) on profitability in the Islamic bank in Palestine due to specialization on all dimensions of SP and on risk management dimension. (accepted)

- There were significant statistical differences on profitability dimension for the benefit of those who have specialization (Others).(rejected)
- No significant statistical differences were found in the mediating role of risk management in the Impact of (SP) on profitability in the Islamic bank in Palestine due to job title on all dimensions of SP, profitability, and risk management. (accepted)
- No significant statistical differences were found in the mediating role of risk management in the Impact of (SP) on profitability in the Islamic bank in Palestine due to years of experience on all dimensions of SP, profitability, and risk management. (accepted)
- Significant statistical differences were found in the mediating role of risk management in the Impact of (SP) on profitability in the Islamic bank in Palestine due to bank name on all dimensions of SP, profitability, and risk management for the benefit of the Palestinian Islamic Bank. (rejected)
- Risk management plays a mediator role in the impact of (SP) on profitability in the Islamic banks in Palestine.
- Risk management plays a mediator role in the impact of (SP) dimensions on profitability in the Islamic banks in Palestine.
- Risk management is fully mediation between strategic planning and profitability

Banking risk management has a great focus and wider interest of specialists from bankers, monetary and supervisory authorities to put their sights on formulating and developing special strategies to study this phenomenon, which is the phenomenon of increasing banking risks and controlling them through risk management systems. Its strategy aims to achieve its banking objectives and reduce the negative effects of these

risks as long as the risk management is to monitor measure and identify risks to report and control to reduce their negative effects in the various sectors.

This study had examined the mediating role of risk management in the impact of (SP) on profitability in the Islamic banks in Palestine, and to discuss the effect of some variables.

The study results provided empirical support for the debate that profitability is positively and significantly impacted by strategic planning different dimensions particularly, vision, mission, goals, and monitoring and evaluation. And that profitability is positively and significantly impacted by (SP) dimensions combined with risk management. (SP) and (RM) were found to be the most applied and practiced in the Islamic banks in Palestine.

The Islamic bank should highly focus on implementing (SP) and (RM) to enhance profitability to a higher level.

## **5.2 Recommendations**

Upon the data analysis and the discussion illustrated before, the researcher put the following recommendations:

### **Recommendations connected to strategic planning:**

- The Islamic bank should be more involved in developing its goals to enhance profitability.
- It is necessary for the Islamic bank to pay more attention to improving the way of presenting its mission to serve in increasing its profitability.

**Recommendations related to Risk management:**

1. It can be recommended that the process of dealing with risk should be a continuous and developing with time.
2. An establishment of comprehensive risk management of the Islamic banks should be made a requirement as it contributes to the overall risk management systems.

**For Future Research:**

1. Profitability of the Islamic bank can also be assessed by several other factors which have not been used in this study and which could act as good indicators of profitability.
2. The researcher suggests to conduct other studies similar to this study on other Palestinian sectors in this area, which will offer an opportunity to compare different results and implications.
3. The researcher suggests studying the effect of other demographic variables that are not considered in this study such as number of training courses and university of graduation.

**5.3 Study Limitations**

1. The small size of the sample was a limitation that encountered the researcher. In addition, the researcher distributed many questionnaires at the Islamic banks and received no responses.

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## **Appendices**

**Appendix (1): The Evaluators**

<b>Name</b>	<b>Academic Rank</b>	<b>Specialization</b>	<b>University</b>
Dr. Amer Jaber	Assistant Professor	Islamic Banks	Beirzeit University
Dr. Emad Wild Ali	Assistant Professor	HR Management	AAUP

## Appendix (2): Questionnaire



Faculty of Graduate Studies

### MA in Strategic Planning and Fundraising

Dear gentlemen:

The researcher conducts a field study on "**The Impact of Strategic Planning on the Profitability of the Islamic Banks Operating in Palestine: The Mediating Role of Risk Management**".

Please read all questions carefully and check the correct option as you see fit. Note that your answer will be confidential and for scientific research purposes only.

Thanks for your cooperation

Researcher: Abdullah Al-Saadi

#### Section one: Personal data of the respondent

1. Gender:  female  male
2. Age:  less than 30 years  from 30 to less than 40 years  from 40 to 50 years  Over than 50 years
3. Academic qualification "education":  Diploma  Bachelor  Master  PhD
4. Specialization:  Accounting  Banking and Financial Sciences  Islamic Finance and Islamic Banking  Economics  Business Administration  Others (Kindly mention it: .....).
5. Job title:  Department Head  Monitor  Deputy/ Assistant manager  Branch/ Department Manager  Deputy/Assistant General Manager  General Manager
6. Number of years of experience:  less than 10 years  10 to 15 years  more than 15 years.
7. Bank name:  Arab Islamic Bank  Palestinian Islamic Bank  Al-Safa Bank

<b>Section Two: Strategic Planning</b>						
This part contains four dimensions to measure the degree of strategic planning in Islamic banks (the mission, vision, goals, and evaluation of the strategic plan). Please read the following items carefully and tick X for whatever you see fit:						
No.	paragraphs	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
<b>Vision</b>						
1.	Your bank has a clear vision.					
2.	The vision for the bank you work in is specific, accessible and achievable					
3.	The vision of your bank is constantly updated and developed.					
4.	The vision of the bank you work in aligns with the core principles of Islamic finance.					
5.	The bank forms you work in contain the bank's vision.					
<b>Mission</b>						
6.	The Islamic bank you work in has a clear mission.					
7.	The mission contains new opportunities to develop the bank's business.					
8.	The mission of the bank you work in encourages creativity.					
9.	The mission of the bank you work in is realistic and applicable.					
10.	The mission of the bank in which you work is specific and clear in terms of Islamic finance.					
11.	Your bank logo contains an abbreviated portion of your bank mission.					
<b>Core objectives</b>						
12.	The bank you work in has clear long-term strategic goals.					

13.	The bank you work in has divided strategic objectives into tactical goals.					
14.	The bank you work in converts tactical goals into tasks distributed to all of the bank's employees.					
15.	The strategic goals of the bank in which you work are in line with the provisions of Islamic law in general.					
16.	The employees of the bank you work in participate in setting the overall goals of the bank.					
17.	When preparing strategic goals, it is taken into account the emergency conditions that may arise during the implementation phase.					
18.	The bank's strategic goals are known to employees and customers.					
<b>Control and Evaluation</b>						
19.	The bank you work in uses the SWOT analysis to assess strategic performance.					
20.	Goals are reviewed and evaluated by the bank you work in on a regular and ongoing basis.					
21.	The bank you work in monitors the implementation of plans, programs and activities on an ongoing basis.					
22.	The bank you work in takes preventive measures to ensure that you do not deviate from plans and programs.					
23.	The bank you work in takes					

	remedial measures to ensure that the required results are reached.					
24.	The bank you work in monitors the implementation of tactical objectives through essential employee tasks.					
25.	The bank you work in gives supervisory powers to the superiors to correct the performance of subordinates.					
26.	The bank you work in provides all employees with feedback regarding achievement of goals and deviations from them.					
27.	The external auditor's comments are reviewed and corrected in relation to the bank's strategic plan.					

### Section Three: **Profitability**

The following is a set of paragraphs that measure the degree of profitability in Islamic banks, please read the following phrases carefully and put an X in front of what it deems appropriate:

No.	paragraphs	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
28.	There has been a noticeable increase in the size of the bank's investments over the past three years.					
29.	There is an increasing demand for the services provided by your bank.					
30.	The percentage of default in the financing provided by your bank has decreased during the last three years.					
31.	The strategic plan plays a major role in increasing the bank's profitability by directing funds to specific					

	sectors.					
32.	Compliance with Islamic law has an essential role in the profitability of the bank.					
33.	The size of deposits with your bank has increased over the past three years.					
34.	Reduced credit risk increases the profitability of the Islamic bank.					
35.	The bank you work in requires a specific amount of funds to be granted from each employee during the year.					
36.	The bank you work in requires each employee to attract a specific amount of deposits.					
37.	The bank you work in reviews the expenses of all operating departments.					

**Section Four: Risk management**

Below is a set of paragraphs that measure the level of application of risk management in Islamic banks. Please specify the degree of approval by ticking (X) in the appropriate box that you choose.

No.	paragraphs	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
38.	The bank you work in continuously develops and adjusts risk management policies and strategies.					
39.	The bank you work in studies and analyzes the collateral provided their legal status and efficiency before accepting the financing request.					
40.	The bank takes into account the market situation before granting funds in order to assess credit risk.					

41.	The client is required to submit a financial feasibility study to know the adequacy of the capital, sources of income and expected profits for the project to ensure the client's ability to fulfill the obligations.					
42.	The bank you work in has an electronic system for storing financing files, including contracts and guarantees.					
43.	The bank checks the availability of collateral as a suitable cover for the requested financing.					
44.	The bank has a team dedicated to identifying and monitoring potential risks.					
45.	The bank has an adequate internal control system to deal promptly with emerging risks.					
46.	The Control Department cooperates with the Risk Management Department in exchanging information to improve the risk management process.					
47.	Islamic banks reduce risks against lower returns by managing investment portfolios through murabahah and short-term leasing.					
48.	Sharia Supervisory Committee plays an important role in managing risks arising from Islamic financing formulas.					

Thank you for your cooperation,,,

## الملخص

### أثر التخطيط الاستراتيجي على ربحية البنوك الإسلامية العاملة في فلسطين: الدور الوسيط لإدارة المخاطر

إعداد: عبد الله السعدي

إشراف: د. محمد أبو شربه

يلعب التخطيط الاستراتيجي دوراً مهماً في تحقيق الربحية وزيادة الإنتاجية وتحسين الجودة والعمليات، كما يسمح للمؤسسات بالتعامل مع المستقبل بنجاح، من خلال توفير القدرة على التحكم في الموارد، والاستجابة بفعالية للتغيرات البيئية، وتعزيز قدرتها على تطوير استراتيجيات خلق القيمة واستراتيجيات القيمة التي تسعى الشركات من خلالها إلى تحقيق ميزة تنافسية.

تركز هذه الدراسة على أثر التخطيط الاستراتيجي على ربحية البنوك الإسلامية العاملة في فلسطين والدور الوسيط لإدارة المخاطر، كما استخدمت الدراسة المنهج الوصفي التحليلي للوصول إلى النتائج، وتم استخدام استبيان منظم كأداة لجمع المعلومات من مديري وموظفي البنوك الإسلامية في الضفة الغربية. تم الحصول على البيانات الثانوية من المقالات المنشورة وغير المنشورة. تم توزيع استبيان منظم على (100) مدير وموظف يعملون في البنوك الإسلامية في الضفة الغربية.

وقد أظهرت نتائج الدراسة أن مستوى إدارة المخاطر (RM) كان مرتفعاً مما يشير إلى أن المبحوثين المشاركين لديهم نظرة إيجابية تجاه إدارة المخاطر في البنوك الإسلامية في فلسطين، وكانت هناك علاقة إيجابية بين التخطيط الاستراتيجي و(الربحية). وأن هناك دور وسيط لإدارة المخاطر (RM) في تأثير التخطيط الاستراتيجي على (الربحية) في البنوك الإسلامية في فلسطين. بالإضافة إلى أن نتائج مستوى ممارسة التخطيط الاستراتيجي (SP) كانت عالية مما يشير إلى أن المستجيبين المشاركين لديهم وجهة نظر إيجابية تجاه ممارسة أبعاد التخطيط الاستراتيجي، وكان

مستوى (الربحية) مرتفعاً أيضاً، وهذا يدل على أن المبحوثين أظهروا مستوى عالٍ من (الربحية) في البنوك الإسلامية في فلسطين.

كما خلصت النتائج إلى عدم وجود فروق ذات دلالة إحصائية في الدور الوسيط لإدارة المخاطر في تأثير التخطيط الاستراتيجي على الربحية في البنوك الإسلامية في فلسطين تعزى إلى الجنس، والعمر، والتعليم، والمسمى الوظيفي، وسنوات الخبرة في جميع الأبعاد (التخطيط الاستراتيجي، والربحية وإدارة المخاطر). لكن توجد فروق ذات دلالة إحصائية في الدور الوسيط لإدارة المخاطر في تأثير التخطيط الاستراتيجي على الربحية في البنوك الإسلامية العاملة في فلسطين تعزى إلى كل من اسم البنك والتخصص.

وبناءً على النتائج المذكورة أعلاه، أوصى الباحث بأن يكون البنك الإسلامي أكثر انخراطاً في تطوير أهدافه لتعزيز الربحية، واقترح الباحث ضرورة إجراء دراسة مماثلة على القطاعات الفلسطينية الأخرى حيث لم يتم العثور على مؤلفات في هذا المجال.

**كلمات مفتاحية:** التخطيط الاستراتيجي، الربحية، إدارة المخاطر.