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Faculty of graduate studies

**The Role of Strategic Planning in Shifting the Priority of  
Palestinian Commercial Banks towards Financing the  
Productive Sectors**

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for the Master`s degree in Strategic Planning and Fundraising

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**By**

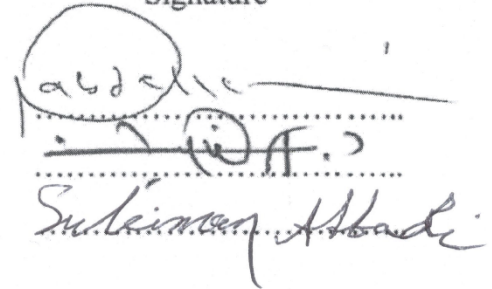
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I am Ahmad Hasan Murrar holder of the university number 202012103 and signed below, I declare that I have committed to all the regulations, instructions, decisions and laws of the Arab American University in force and the recognized scientific and ethical standards, including scientific honesty, and that I bear all the consequences, results and responsibility if the opposite is found, including the right of the Deans Council to cancel the degree and certificate that I obtained or will obtain based on this declaration and without the right to object or appeal the decision issued by the Council of Deans in this regard.

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**Date:**

### **Thanks, and Appreciation**

At the beginning of my speech, I must first thank God Almighty, who enabled me to reach this high scientific stage, and paved the way for me to be among you today to discuss my master's thesis.

I also extend my thanks and gratitude to:

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### **Abstract**

This study aimed to determine the extent to which Palestinian commercial banks comply to the directives of regulatory authorities regarding compliance with the requirements of the national strategy for financial inclusion, including productive projects in Palestine, and the study sample was selected from high-ranking officers in Palestinian commercial banks (Department Manager, Supervisor of Department, Chief of Division and Head of Unit), where (60) questionnaires were distributed, of which (50) questionnaires were adopted for the purposes of analysis and study. The study came out with a number of results, such as including: first, limited bank credit directed to productive sectors and activities, as the productive sector in Palestine is considered the least fortunate in this aspect, and this is due to the policies of banks operating in Palestine to direct credit towards other sectors, especially the consumption sector, and thus they adhere to the national strategy for financial inclusion and the instructions of the Monetary Authority, but with the narrowest limits. Because the banks are concerned with profitability regardless of the type of facilities and to avoid the risks associated with the facilities for the purpose of production, second, the Monetary Authority's instructions are insufficient and not explicit in directing banks to lend productive projects, as the productive projects and activities did not benefit from many of the directions and tools of the Monetary Authority applied to stimulate and direct the banking sector towards financing economic activities and production and development projects, third, the results of the statistical analysis showed that there is a relationship between the commitment of Palestinian commercial banks to the directives of the regulatory authorities and the requirements of the national strategy for financial inclusion, including Productive sectors, there is another relationship, the relationship between strategic planning at the level of the Palestine Monetary Authority and Palestinian commercial banks to shift their priorities towards financing the productive sectors in Palestine.

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## Chapter One

### 1. Introduction

Strategic planning is of critical importance today, and strategic planning is one of the sciences that simulates the future, because it links between administrative behavior and future practices. Countries and societies need strategic thinking, preparing long-term plans, scenarios, predictions, programs and budgets to achieve future goals to bring about a new civilizational and developmental shift and achieve the well-being of society.

The previous studies indicates dealt with role of strategic planning in the development of countries (Egypt, Yemen and Sudan, Palestine), and dealt with the role of banking sector in the development of the Palestinian economy, and dealt with the issue of strategic planning and the efficiency of the banking sector, but our study is characterized by being more in-depth and comprehensive implicitly for all the ideas mentioned previously, because it highlights the role of strategic planning in shifting the priority of Palestinian commercial banks towards financing the productive sectors, since the efficiency of the economy of any country is achieved only through productive projects, Therefore, the role of banks must be highlighted and their priorities shifting to the financing of these projects.

The aim of the current study is to determine the commitment of Palestinian commercial banks to the directives of the regulatory authorities in terms of compliance with the requirements of the national strategy for financial inclusion, including productive projects, and investigating the impact of strategic planning at the level of the Palestine Monetary Authority and at the level of Palestinian commercial banks to shift their priorities towards financing the productive sectors in Palestine.

The study examined the role of strategic planning in shifting the priority of Palestinian commercial banks towards financing the productive sectors. The descriptive research methodology by survey used to answer the study's hypothesis, the study sample included high-ranking officers at Palestinian commercial banks to answer the questionnaire.

### **1.1 The Research problem**

The problem of this thesis lies in investigating the role of strategic planning in shifting the priority of Palestinian commercial banks towards financing the productive sectors.

### **1.2 The Research Objective**

1. Determining the extent to which Palestinian commercial banks comply with the directives of the supervisory authorities regarding compliance with the requirements of the national strategy for financial inclusion, including productive projects.
2. Investigating the impact of strategic planning in shifting the priorities of the Palestine Monetary Authority and Palestinian commercial banks towards financing the productive sectors in Palestine.

### **1.3 Research Significance and Justification**

Strategic planning is of paramount importance today. (pistol, 2010), Strategic planning is the basis for the functioning of the organization and is the key to achieving its prosperity, as the strategy chosen for the organization depends on different contingent factors, as the environment affects the link between strategy and the performance of the organization, and the different measures of strategic planning give variation in efficiency and performance. (kollah, 2012).

The national strategy for financial inclusion in Palestine comes in harmony and complementarity with the national strategies established to achieve social and economic development and reduce poverty levels. The national strategy for financial inclusion came to

achieve a number of sub-objectives, including increasing the financial capabilities of the targeted segments of society, developing the financial capabilities of women, youth, and the unemployed, enhancing knowledge and building financial capabilities of owners of small, medium and micro enterprises, with a focus on those managed projects by women. (The National Strategy for Financial Inclusion in Palestine, 2018). This comes through the promotion and development of productive projects in Palestine.

The banking sector has become one of the important and influential sectors in modern economies, and it contributes to the formation of the total added value of the economy. However, this role differs from one country to another according to the extent of the development and modernity of the banking sector, the efficiency of its role, and the depth of the link between it and the real economy. Therefore, most developing countries, including Palestine, depend directly on the banking system to finance development and provide the necessary liquidity for various economic activities. (Odeh, 2011).

Banks may contribute to a Palestinian start-up company or companies whose objectives are to engage in agricultural, animal, or industrial production activities, alternative energy, or information technology, which support creativity and innovation, and companies active in the field of environmental conservation. (PMA, 2019)

The continued existence of productive and development projects in the economy and the enhancement of their ability to develop and advance are of great importance in all emerging economies, especially the Palestinian economy, which suffers from many challenges and problems. Wars and political tensions in Palestine have hampered the development and advancement of the economy in many aspects. This comes as a result of restrictions and obstacles, the continuation of the siege and closures imposed by the Israeli occupation, and consequently the high rates of

unemployment and poverty, especially the lack of equitable distribution of wealth and income and the low standard of living for many Palestinian families. (Al-Sumairi, 2014).

Consequently, the process of supporting and developing the productive sectors lies in the extent of the development of the Palestinian banking sector and its possession of appropriate and effective credit tools, and strong outputs that contribute to the development of development projects and various productive activities and increase the degree of their contribution to the real GDP - one of the urgent necessities of these projects in particular and the economy in general - in particular in light of the unfavorable conditions that the Palestinian economy has been suffering from for more than a quarter of a century, which is summarized in the limited financing resources and the low volume of investments, in addition to the size of the financial and economic risks and obstacles (Murrar, 2016).

In Palestine, the financing needs are considered one of the most important real challenges facing productive projects, and thus providing the necessary financing for them is a basic requirement for survival and growth, and thus support the general economy. Thus, the available financing alternatives pose another difficulty facing productive projects, on the one hand, the limited sources of financing, and on the other hand, the high costs of financing the credit facilities offered by banks to productive projects represent one of the most important sources of financing for these projects. Therefore, banks play an important and prominent role in financing the operational and investment operations of productive projects, banks play their primary role in financing investment operations through the credit facilities they provide to projects and bank loans directed to all sectors operating in the country” (AbdelKarim, 2018).

In the Palestinian case, in particular, shifting the priority of lending towards the productive sectors is of particular importance in terms of its greater impact on the state of sustainable economic

growth compared to the facilities lent for consumption and trade in light of a clear structural imbalance in the economic structure in the state in favor of the trade and service sectors at the expense of the productive sectors. Hence, finding methods to shifting the priority of Palestinian banks towards financing the productive sectors such as (agricultural, animal, or industrial production activities, alternative energy, or information technology, which support creativity and innovation, and companies active in the field of environmental conservation) is one of the main objectives that the Palestine Monetary Authority is implementing.

Hence the importance of the study to verify the banks' commitment to reversing the directives of the regulatory authorities and implementing what was circulated in the national strategy for financial inclusion in its strategic plan to shifting its priorities to financing the productive sectors in Palestine, and investigating in the impact of strategic planning at the level of the Monetary Authority and at the level of Palestinian commercial banks to shift their priorities to financing the productive sectors in Palestine in light of the importance of the continuation and survival of productive projects in strengthening and advancing the Palestinian economy.

## Chapter Two

### 2. Literature Review and Hypothesis Development

#### 2.1 Conceptual Framework

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

- **Banks:** Institutions that carry out banking activities by accepting customer deposits or from other sources of financing for the purpose of investment and lending credit (Banks law, 2010).
- **Palestinian Commercial Banks:** Bank of Palestine, Al-Quds Bank, The National Bank, Palestine Investment Bank.
- **Monetary Authority:** Palestine Monetary Authority
- **Bank credit/finance:** All types and forms of direct and indirect facilities lends by banks of all kinds, loans lend by specialized financial institutions, bonds and debt instruments purchased by banks, as well as acceptances issued by or guaranteed by banks, with the bank's right to recover their amounts along with their interests or returns and any entitlements other on it.
- **Productive Sectors:** These are development projects, and here they are limited to industry, agriculture and domestic tourism.

## **2.2 Previous studies**

### **2.2.1 The Role of the National Strategy for Financial Inclusion and the Monetary Authority in Supporting the Productive Sectors:**

#### **National Financial Inclusion Strategy**

The Monetary Authority has given significant attention to achieving financial inclusion in Palestine and may culminate its commitment to national efforts in partnership with the Capital Market Authority to build a national financial inclusion strategy in Palestine at the beginning of 2014. The strategy was adopted from the Council of Ministers and the National Committee for the implementation of Strategy In 2017, its implementation started in 2018 and will end in 2025 to increase the percentage of financial inclusion in Palestine from 36.4% to become as minimum 50%. (Abdullah, 2016)

#### **What is the goal of financial inclusion?**

Financial inclusion aims to promote social development, improve living standards for citizens, reduce unemployment rates, and empower youth and women financially through:

1. Increasing the financial capabilities of the targeted segments of society through the development of financial culture and knowledge among women, youth, and the unemployed, and enhancing their confidence in providers of banking and financial services.
2. Enhancing the access of all segments of society to financial services and products and sources of financing and benefiting from them, especially in rural and marginalized areas.
3. Awareness and education for consumers of financial services and products and increasing their knowledge of the rights and duties that they have when using those services and products in order to protect their rights.

(Abdullah, 2016)

Hence the topic of research comes to know the extent to which banks operating in Palestine are committed to the financial inclusion strategy issued by the Palestine Monetary Authority and the Capital Market Authority, which addressed the idea of promoting economic development in the state, combating unemployment and poverty and developing capital, through the sustainability of projects through the promotion of productive projects in the Palestinian economy, through increasing bank loans to the productive sectors compared to consumer loans and the extent to which this reflects on the strategic plan of the bank.

The national strategy for financial inclusion in Palestine comes in harmony and complementarity with the national strategies established to achieve social and economic development and reduce poverty levels. The national strategy for financial inclusion came to achieve a number of sub-objectives, including increasing the financial capabilities of the targeted segments of society, developing the financial capabilities of women, youth, and the unemployed, enhancing knowledge and building financial capabilities of owners of small, medium and micro enterprises, with a focus on those managed projects by women. (The National Strategy for Financial Inclusion in Palestine, 2018). This comes through the promotion and development of productive projects in Palestine.

The Palestine Monetary Authority has issued many instructions and circulars that in turn enhance the role of banks in sustainable economic development by investing in emerging Palestinian projects and companies that contribute to economic growth, create job opportunities, encourage innovation, creativity, pioneering projects and projects related to preserving the environment in line with what was stated in The National Strategy for Financial Inclusion in Palestine.

The Palestine Monetary Authority has also authorized banks to participate in a Palestinian startup company or companies whose objectives are to engage in agricultural, animal or industrial production activities, alternative energy or information technology that support creativity and innovation and companies active in the field of environmental preservation, provided that the objective of investment in the company is linked. The extent of the impact of investment on economic growth, job creation, contribution to strengthening the knowledge economy and supporting intellectual and creative skills. (PMA, 2019)

The Palestine Monetary Authority has also held several awareness workshops for the owners of these projects and provided many facilities through the sustainability program or directing them to what is suitable for them with banks, especially in light of the Corona pandemic, to face the difficulties they faced during that period.

The role of the Monetary Authority emerges through the formulation and implementation of monetary policy that responds to economic developments such as stagnation or growth, and through the exercise of effective control over the performance of banks to ensure their stability and the rights of their depositors, and through the management of monetary issuances, from this point of view, the main objective of the central bank in the economy should be to take the initiative in establishing an integrated and efficient banking structure and regulating activities in the money market, which ensures economic and financial stability and curbs inflation (PMA, 2019).

The Monetary Authority works to motivate banks and enhance their role in sustainable economic development by encouraging investment in various economic and productive projects and activities, through the application of a set of tools such as reducing the proportion of mandatory reserves, reducing the proportion of foreign investments (foreign investment), or by urging banks

On the application of differential interest rates and other methods and tools that the Palestine Monetary Authority can apply (AbdelKarim, 2018).

Banks play an important role in the process of financing and developing projects and productive activities by mobilizing small savings and making them available to investors in the form of loans or facilities and credits to implement their projects and commercial deals, which leads to moving the wheel of economic growth and pushing development efforts forward. We can talk about a more effective role for banks if they lend loans for investment and trade facilitation to sectors that support the production base of the state and move it towards industrialization, agricultural production and tourism that create sustainable employment opportunities. In addition to lending consumer loans that can stimulate the local business cycle. This is in addition to the banking sector playing a major role in providing banking services to facilitate exporters and importers.

In Palestine, banks have recently begun to move towards financing projects and productive activities, especially those that operate in: the agricultural sector, such as livestock and fish farming, industrial sector such as food industries, leather, stone and marble production, information technology, research and development, pioneering and innovative ideas, renewable and alternative energy, water refining projects. (PMA, 2019).

### **2.2.2 The Status of Credit Lent to the Productive Sectors in Palestine: an Analytical Aspect:**

The function of banks is mainly to accept deposits and lend loans, where by banks lend loans in the form of credit facilities according to the basis of return and risk. The sizes, conditions and types of these facilities are determined in accordance with the law of supply and demand.

The offer is represented in the availability of funds available for lending, and this is related to the volume of deposits, the policy of lending credit, and the instructions of the Monetary Authority

in this regard. As for the demand for banking facilities, it is represented by the needs of individuals and economic establishments for bank financing, and this is related to the state of the economy (deflation, growth), and it is also represented in the ability of these individuals or units to obtain or access bank financing through fulfillment and their ability to fulfill the debt in the event of obtaining it.

Banks tend to lend personal and consumer loans more than they tend to lend loans to business establishments due to the availability of guarantees in the form of salaries or assets that can be mortgaged such as real estate and cars, as evidenced by the data in the table below. This behavior can be explained within the framework of these banks for the purposes of reducing credit risks and thus protecting deposits and ensuring their financial stability.

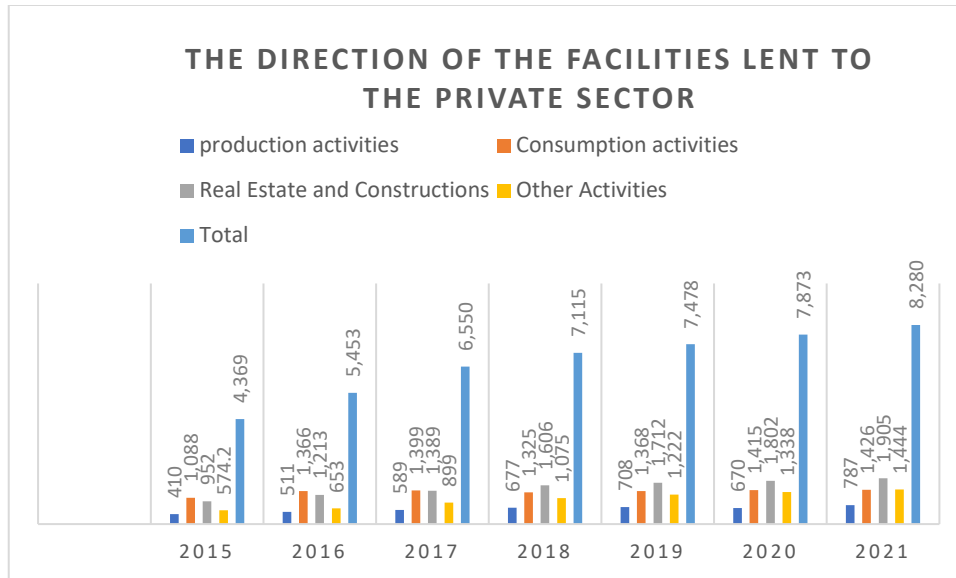
Banking facilities are expected to have positive economic effects regardless of their type and conditions. It is also assumed that the size of these effects and their time range are broader if they are lent for investment and production purposes compared to consumer and personal purposes. Financing for investment purposes (productivity) has a sustainable impact on the economy because it creates job opportunities, new goods and services to meet the needs of individuals, increases local tax revenues, reduces the trade balance deficit, and contributes to alleviating fluctuations in the prices of goods and services in the local market to some extent. As for financing for consumption purposes, it has a direct and immediate economic impact through the consumption channel, but it will be of short duration and will not leave a fundamental impact on the course or structure of the local economy.

**Table one:** the distribution of credit facilities lent by the banking sector in Palestine during 2015-2021 (Value in millions of dollars):

Year	Private Sector						Public Sector	Total Facilities
	Production Activities	Service and Commercial Activities	Consumption Activities	Real Estate and Constructions	Other Activities	Total		
2015	410	1,344	1,088	952	574.2	4,369	1,456	5,825
2016	511	1,709	1,366	1,213	653	5,453	1,419	6,872
2017	589	2,274	1,399	1,389	899	6,550	1,476	8,026
2018	677	2,434	1,325	1,606	1,075	7,115	1,317	8,432
2019	708	2,468	1,368	1,712	1,222	7,478	1,557	9,035
2020	670	2,648	1,415	1,802	1,338	7,873	2,205	10,078
2021	787	2,719	1,426	1,905	1,444	8,280	2,467	10,747

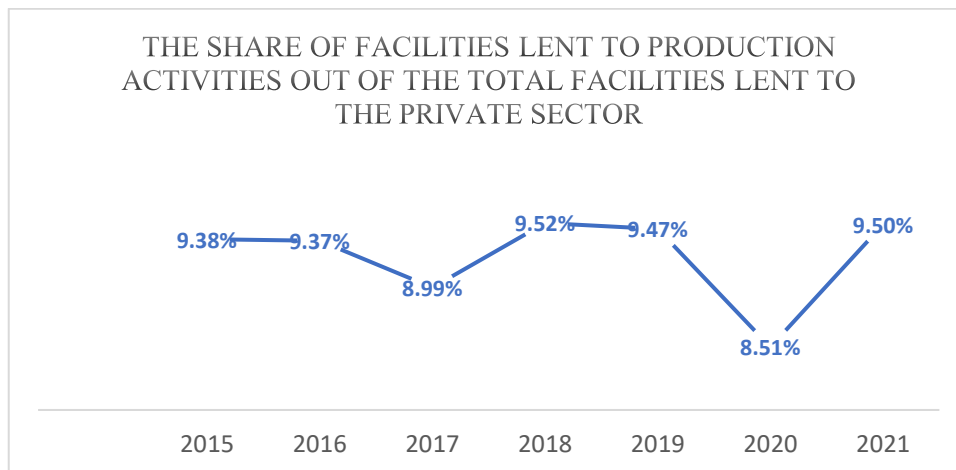
Prepared by: Researcher based on annual data for the distribution of credit facilities for the banking sector, Palestine Monetary Authority (2022).

It is clear from the above table that the facilities lent to productive activities (during the mentioned period from 2015-2021) are the lowest among the facilities lent to the private sector, as the facilities lent to productive activities amounted to 410 million dollars at the end of 2015, which risen to about 708 million dollars at the end of 2019, this decreased during the year 2020 to reach about \$670 million, then increased significantly during the year 2021 to reach \$787 million in return for an increase in the share of credit facilities in favor of other sectors and activities (real estate, consumer activities). In general, the facilities lent for productive purposes and activities remained much less than the facilities lent to other activities, but they are constantly increasing.



**Chart one:** Distribution of facilities lent to the private sector according to the above table:

It is noted from the above chart that the share of facilities lent to productive activities and sectors is relatively low, in favor of other sectors. The facilities lent for service and commercial activities represent on average more than three times the facilities lent to productive activities, and facilities for consumption activities represent more than twice the facilities for productive purposes (on average).



**Chart two:** the share of facilities lent to productive activities against the total facilities lent to the private sector:

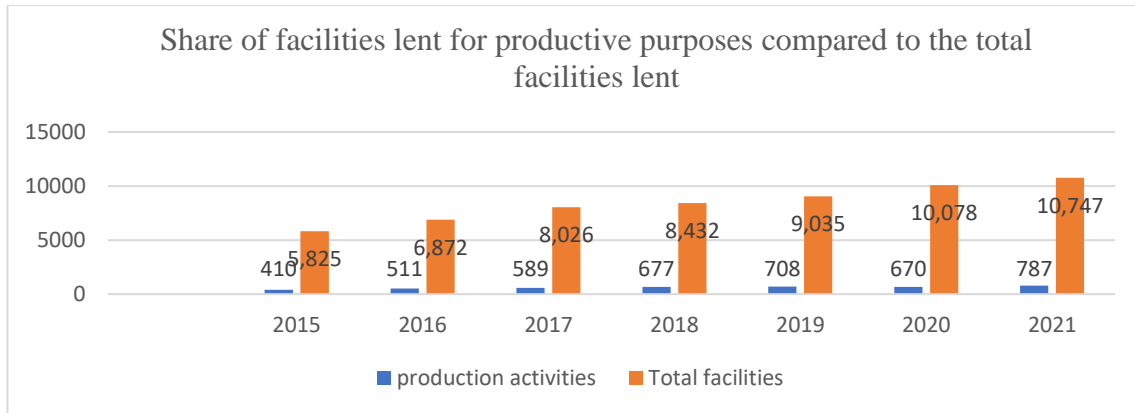
It can be seen from the above chart that there is an unnoticeable increase and decrease from 2015 to 2019, but it is noted that the curve has increased significantly during 2021, so that the percentage of facilities for the purposes of productive activities is 9.5% of the total facilities lent to the private sector compared to 8.51% during the year 2020, Which indicates a change in the strategies of banks in recent times, in response to the instructions of the Monetary Authority in particular that stimulate the financing of productive activities after the Corona incident in particular.

Despite this, the majority of the facilities lent by the banking sector to the private sector are in consumption and service and commercial activities, which is indicated by the evidence and ratios in the following table:

**Table two:** The percentage of facilities lent by the banking sectors:

Year	Production Activities	Service and Commercial Activities	Consumption Activities	Real Estate and Constructions	Other Activities
2015	9.38%	30.76%	24.90%	21.79%	13.14%
2016	9.37%	31.34%	25.05%	22.24%	11.98%
2017	8.99%	34.72%	21.36%	21.21%	13.73%
2018	9.52%	34.21%	18.62%	22.57%	15.11%
2019	9.47%	33.00%	18.29%	22.89%	16.34%
2020	8.51%	33.63%	17.97%	22.89%	16.99%
2021	9.50%	32.84%	17.22%	23.01%	17.44%

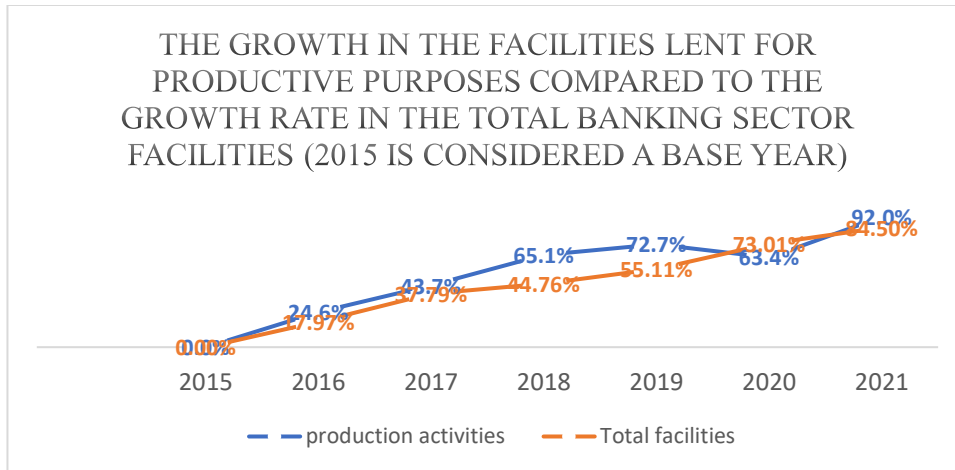
As for the share of facilities lent for productive purposes compared to the total facilities lent by the banking sector (public and private sectors), it can be represented as follows:



**Chart three:** Share of facilities lent for productive purposes compared to the total facilities lent.

It is noted from the above chart that the volume of banking sector facilities and the volume of facilities lent to productive activities grew, as the facilities for the purposes of productive activities grew from 2015 to 2021 by 92% to reach \$787 million in 2021, while the total facilities in the banking sector grew by about 84.5% during the period 2015- 2021, to reach \$ 10,747 billion in 2021, which means, as we mentioned earlier, that loans for the purposes of productive activities are in a state of noticeable increase as a result of the banking sector recently starting to direct its loans to these activities in response to the national strategy for financial inclusion and the relevant instructions of the Monetary Authority.

The growth in the facilities lent for productive purposes compared to the growth rate in the total banking sector facilities (2015 is considered a base year), it can be represented as follows:



**Chart four:** The growth in the facilities lent for productive purposes compared to the growth rate in the total banking sector facilities.

As we mentioned previously, the facilities for productive activities have increased compared to the total facilities in the banking sector for the base year 2015 with a higher growth rate, as the growth rate reached 92%, while the percentage of total facilities in the banking sector reached 84.5% of the same base year.

### 2.2.3 Previous studies related to the topic

#### 1. A study (Al sayed, 2020), entitled: “The importance of national strategic planning in achieving sustainable development (applying to the Egyptian case)”

This study aimed to examine the role and correlation of national strategic planning in achieving sustainable development.

The first section of the study dealt with some concepts and terminology of development, the historical context of the concept of sustainable development, and how the new concept that was associated with the name of sustainable development crystallized. In the second section of the study, some concepts and terminology were addressed, including the term strategy, planning, the nature of national strategic planning, the foundations, sources and principles of national strategic

planning, leading to the responsibility of strategic planning. The study was not satisfied with only theoretical concepts, but also dealt in a practical way in the third section of the study, the main features of the sustainable development strategy, Egypt's Vision 2030, and the main pillars on which the strategy was built, leading to the researcher's vision in clarifying the extent of the close connection and the role of strategic planning in achieving sustainable development. (Apply to the Egyptian case). The study dealt with the most important recommendations that would enhance and support the role of national strategic planning in achieving sustainable development.

**2. A study (Al obaidi, 2020), entitled: "The role of strategic planning in achieving development goals: focusing on economic and social development, "a comparative study between the Republic of Yemen and the Republic of Sudan 2001-2015"".**

This study aimed to clarify the role of strategic planning in achieving the goals of economic and social development in light of the local and international complexities in Yemen and Sudan. The researcher relied on the analytical descriptive approach, the historical approach, the comparative approach, the economic analysis approach, and the statistical approach. Where the study population consists of all individuals working in the planning sector and the general administration of planning, and their number is 450 people (undersecretary, director general, head of department) in seventeen ministries, and through the study population, a stratified random sample of 265 people was selected.

The study came out with many results, the most important of which are: The gross domestic product (GDP) during the study period in both Yemen and Sudan was consistently low. The administrative leaderships of government agencies in Yemen pay moderate attention to the concept, priorities and requirements of strategic planning, analysis of the external environment, development of the strategic vision and development of the strategic message, while in Sudan they are highly practiced, and these bodies practice a high degree of analysis of the internal environment in Yemen

and Sudan. These entities practice the process of defining strategic goals, implementing the strategic plan, strategic oversight, strategic change, achieving economic development goals, and achieving social development goals to a moderate degree in Yemen and Sudan. The study showed that there is a statistically significant correlation between strategic planning and achieving the goals of economic and social development. The study reached a number of recommendations, including (1): the establishment of a higher council for strategic planning in Yemen, and the establishment of departments concerned with the strategic planning process in all government agencies, (2): the allocation of funds. For strategic planning within the country. The approved budget in the government agencies examined by the study.

### **3. A study (Al agha & Abu Jamea, 2010), entitled: “Development Strategy in Palestine”.**

The tools to achieve Palestinian economic development strategy that is focused on completing the Palestinian legal framework which regulates our economic, commercial and financial life and the corresponding legislation, regulations and reform instructions of government institutions on the basis of professional foundations that support and conduct operations to strengthen economic processes and judiciary system that is a basic guarantee for the application of the law and provide the necessary environment for the development and growth of the private sector to increase our productivity and operational capabilities and develop economic and trade relations with the Arab and Islamic states as well as the rest of the world to remove the dependence of our economy on the Israeli economy and build a Palestinian economy through a commitment to a free-market system of the Palestinian authority, which covers all cities, villages and the Palestinian governorates in a comprehensive manner not overlooking any of the economic sectors as agricultural, economic, commercial, financial, information and banking and human resources occupies a central position. The difficult economic situation of the Palestinian people and the urgent need to advance not only

to identify opportunities for a political settlement but as a fundamental human right. The right of Palestinians to achieve security and economic recovery away from the occupation, as we know the strategic development is linked to the political situation and we now live in moments of instability at the political level, thus dispersing the whole economic development.

**4. A study (Odeh, 2011), entitled: “The role of the banking sector in the development of the Palestinian economy”.**

This paper aimed to explain and analyze the developmental role of the Palestinian banking sector as the main financing artery for the economy, and one of the important sectors that contribute directly and indirectly to the creation of added value. This is in line with the general trend of recent studies that emphasize the great positive role of financial intermediation in raising economic growth rates and achieving sustainable development. The paper focused on the channels of influence through which the developmental impact of the Palestinian banking sector is transmitted, specifically the liquidity and credit channel (direct and indirect), the savings mobilization channel, and the link channels between the banking sector and the Palestine Exchange.

The results showed a strong correlation between credit facilities and gross domestic product, with an increasing tendency to lend credit and employ funds locally, as a result of several reasons, the most important of which are the modern systems and programs introduced by the Monetary Authority in the framework of its banking supervision, most notably credit information systems, and the instructions of the Monetary Authority aimed at reducing the rate of investment. The increase in the domestic employment of funds, especially in favor of the private sector, and the decline in interest rates, especially since the results showed a high flexibility of the credit lent in relation to interest rate changes. It was also found that the public sector does not crowd out the

private sector over the financial resources allocated to it, as most of the credit is lent to the private sector, and it is also linked to a direct relationship with private investment.

The results also showed a great success for the Palestinian banking sector in attracting and stabilizing deposits, and that this sector, in its relationship with the financial market, has important economic effects on the Palestinian economy, whether in terms of encouraging and attracting foreign investment, or in terms of encouraging investment in the stock exchange through lending credit and providing liquidity. Necessary for investors in it, or in terms of the investment role of the banks themselves in the stock market and in the shares of companies inside Palestine, and this is reflected positively on economic growth in general.

**5. A study (Abu Jamea, 2016), entitled: “Banking Credit and Strengthening the Capacity of Palestinian Small and Medium Enterprises”.**

This study aimed to identify the role of the banking sector in supporting and financing small and medium enterprises in the Palestinian territories. Where the researcher used the descriptive and standard analytical method of the phenomena and variables related to the subject of the study to analyze the phenomena and economic variables.

The study concluded that the Palestinian banking sector did not play the role and did not pay enough attention to financing small projects, as the percentage of loans lent by banks operating in Palestine to finance small projects did not exceed 3% of the total loans lent by banks operating in the Palestinian territories.

The study concluded the need to implement a set of policies and procedures that would improve the performance of small and medium enterprises to serve and activate the Palestinian economy, through the provision and provision of advisory and technical services to improve investment

opportunities and encourage banks operating in Palestine to finance small and medium enterprises at a low cost, by lending them material privileges. Specific as tax exemptions and others.

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

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

**7. A study (Bueso-Merriam et al., 2016), entitled: "The Impact of the Lending Program on Productive Development and Job Creation in San Juan County".**

This study aims to examine the impact of credit on development and production in the medium and long term in small, medium, and micro enterprises by analyzing the average effect of lending to

San Juan County Production Development and Employment Program for Sales, Employment, Investment, and Products Benefiting from MSMEs. The researcher used the delayed variable (LDV) model to measure the above variable. To perform this analysis, the study population consisted of 664 companies. The study came out with a positive effect and a statistical significance of 6.9% in stimulating loans to invest, and that loans improve sales by 9.7%, while operating and operating rates will increase by 4.3% as a result of obtaining loans.

**8. A study (Mohammad & Hamza, 2020), entitled: “The impact of strategic planning on improving the marketing performance of Algerian commercial banks”.**

This study aimed to highlight the role of strategic planning in improving the marketing performance of banks, By identifying the impact of four strategic planning variables (vision, message, objectives, and analysis) on marketing performance in its dimensions (market share, profitability, customer satisfaction) for a sample of Algerian commercial banks in the state of Annaba, The analytical descriptive approach was followed in the study, To achieve We distributed (68) form on the selected sample, The hypotheses were tested using the simple regression method, The study reached several results, the most important of which is the presence of positive impact and positive relationship to the dimensions of strategic planning in improving the marketing performance of banks, The study recommended the need to develop strategic planning as an integrated approach to achieve its objectives.

**9. A study (Zahwani et al., 2021), entitled: “The reality and challenges of microfinance in Algeria National Agency for Microcredit Management as a model”.**

This study aims to clarify the role of finance, especially microfinance, in Algeria, and its importance in supporting projects and establishing small enterprises (productivity, services, etc.), as

well as addressing the support mechanisms and bodies established by the state for such projects. And we have relied on this approach. Analytical descriptive to cover the various topics of the study, and the research concluded that the support mechanisms and bodies established by the state to finance micro-projects in Algeria have a significant role in creating many small enterprises and projects, especially in the countryside, thus absorbing more unemployment and supporting national production as a result of These are the mini-projects.

### **2.2.1 Commenting on Literature Review:**

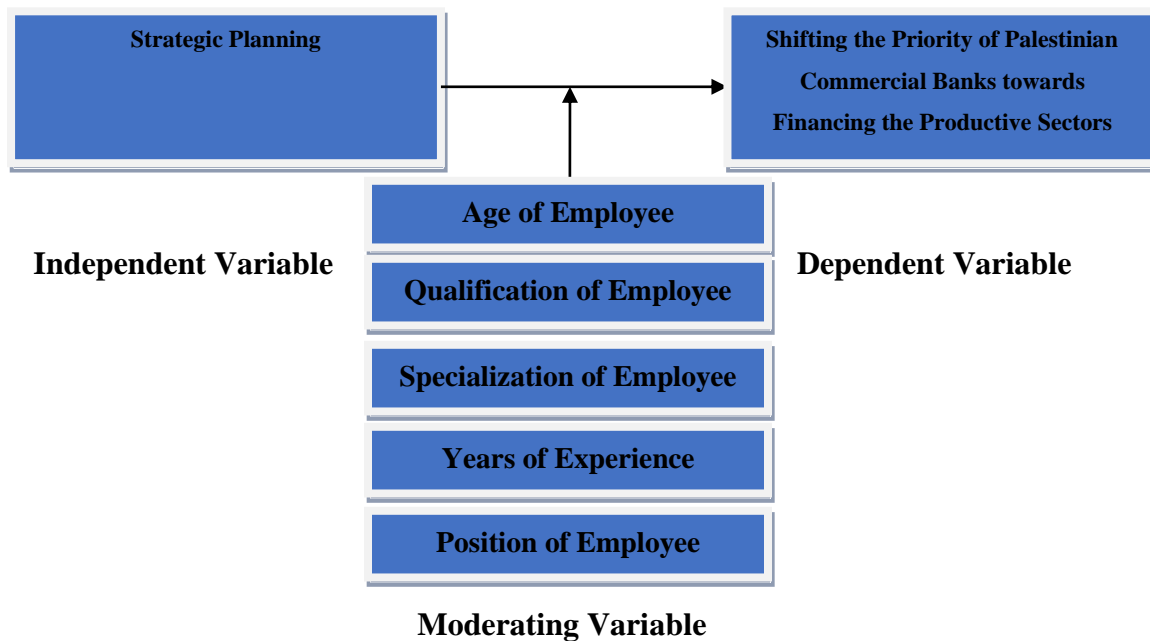
The current study is one of the few studies that dealt with an important and vital topic related to one of the main pillars of the economy, which is shifting the priority of the Palestinian banking sector to financing the productive sectors through strategic planning, as it deals the topic of research the extent to which banks operating in Palestine are committed to the financial inclusion strategy issued by the Palestine Monetary Authority and the Capital Market Authority, which addressed the idea of promoting economic development in the state, combating unemployment and poverty, and developing capital. That is by sustaining projects by promoting productive projects in the Palestinian economy through increasing bank lends for the productive sectors compared to consumer loans and the extent to which this is reflected on the strategic plan of the bank.

Previous studies such as the study (Al-Sayed, 2020), the study (Al-Obaidi, 2020), and the study (Al Agha and Al-Jami, 2010) dealt with the role of strategic planning in the development of countries (Egypt, Yemen and Sudan, Palestine), while the study (Awda, 2010) dealt with the role of banking sector in the development of the Palestinian economy. The study (kollah, 2012) dealt with the issue of strategic planning and the efficiency of the banking sector: the case of the Kenya Commercial Bank Ltd., but our study is characterized by being more in-depth and comprehensive implicitly for all the studies mentioned previously, because it highlights the role of strategic

planning in shifting the priority of banks Palestinian commercial finance in the financing of productive projects, since the efficiency of the economy of any country is achieved only through productive projects, Therefore, the role of banks must be highlighted and their priorities shifting to the financing of these projects.

### 2.3 Research Model

Through the theoretical framework of the study and reviewing previous studies, we can define the research model as follows:



## **2.4 The Research Hypotheses**

Based on the literature review illustrated above, the following hypotheses of study have been developed:

H<sub>01.1</sub>: There is no statistically significant relationship between the directives of the regulatory authorities and the commitment of Palestinian commercial banks to the requirements of the national strategy for financial inclusion, including productive projects.

H<sub>01.2</sub>: There is no statistically significant relationship between strategic planning and shifting the priorities of the Palestine Monetary Authority and Palestinian commercial banks towards financing the productive sectors in Palestine.

## Chapter Three

### 3. Research Methodology

#### 3.1 The Research Methodology:

To achieve the objectives of the study and answer the research hypothesis, the researcher relied on the study and analysis of the strategic plans of Palestinian commercial banks, in addition to the published data on credit facilities, in order to identify the growth of credit facilities in general.

The adopted approach for the study is the descriptive approach by survey for its importance in answering the study's hypothesis, and it is the approach that relies on studying the phenomenon as it exists in reality and is concerned with it as an accurate description and expresses it quantitatively and qualitatively.

##### 3.1.1 Instrument development

The tool was developed to analyze many factors related to the role of strategic planning in shifting the priority of Palestinian commercial banks towards financing the productive sectors, and it will be covered through a questionnaire. The structure of the questionnaire contained: demographic questions/ Sample Characteristics (age, educational qualification, specialization, years of experience, Position) and detailed questions - measurement questions - and included five options (1, 2, 3, 4 or 5) with a rating that 1 as strongly disagree, 2 as disagree, 3 as Neutral, 4 as agree and 5 as strongly agree.

The questionnaire was developed to collect a quantitative assessment of the answers. The researcher also distributed to the participating banks in the study sample (60) questionnaires, but he was able to collect 50 of them, and the questionnaire consists of (21) questions divided into two axes related to answering the study hypothesis.

### 3.2 The Study Population and Sample:

The population of this study included Palestinian Commercial Banks (Bank of Palestine, Al-Quds Bank, The National Bank, and Palestine Investment Bank).

Due to the nature of the questionnaire, the study sample included high-ranking officers at Palestinian commercial banks (Department Manager, Supervisor of Department, Chief of Division and Head of Unit). The researcher used a probability sample (the stratified random sample) to represent the study population from the category of bank employees consisted of high-ranking officers at Palestinian commercial banks.

The table below shows the details of the questionnaires that were distributed and collected from the study sample in the Palestinian commercial banks:

**Table three:** The distribution of questionnaires that were distributed and collected from the study sample in the Palestinian commercial banks:

Bank Name	The Number of Questionnaires Distributed	The Number of Questionnaires Collected	The Percentage
Bank of Palestine	20	15	30%
Al-Quds Bank	15	14	28%
The National Bank	15	13	26%
Palestine Investment Bank	10	8	16%

### 3.3 Methods and Sources of Data Collection:

❖ Data collection tools included:

Data collection resources:

- Secondary data: The researcher worked to collect many secondary data of a different nature to answer the study hypothesis, such as financial data, statistical data, and consolidated data, through:

1. Palestine Monetary Authority (PMA):

- Monthly and quarterly data and data related to the sectoral distribution of bank credit facilities.
- Laws, instructions, and regulations.
- press releases
- Financial stability reports

2. Association of Banks in Palestine:

- Studies and periodic banking reports.

3. Palestinian Central Bureau of Statistics (PCBS):

- National accounts at current and constant prices for different years.
- Primary data:

The researcher used the questionnaire as a tool for collecting primary data. In this research, the researcher distributed e-mail questionnaires to Palestinian commercial banks, provided that the participants are high-ranking officers, and the questionnaire consisted of questions related to answering the hypothesis of the study.

The researcher collected quantitative data using data collection tools to answer the research hypothesis and to achieve the research objectives.

### **3.4 Human Resources Approval**

Since the subject is related to bank employees, the necessary approvals were obtained by the Human Resources Department to allow for researcher and the employees to complete the questionnaire while maintaining the confidentiality of the data for research purposes only and the data was destroyed after its use.

### **3.5 Data Analysis**

Descriptive statistics were used in the analysis of quantitative responses and will be followed by t- test to describe and measure the study hypothesis. SPSS 26.0 used to analyze the data, generate graphs depicting survey results, and create tables.

## Chapter Four

### 4. Empirical Finding: Presentation and Analysis

#### 4.1 Analysis/ Hypothesis Testing:

In this chapter, the results of the study sample will be identified through the information collected through the questionnaire:

##### 4.1.1 Table four: Reliability tables:

- Reliability table for all questionnaire questions

Reliability Statistics	
Cronbach's Alpha	N of Items
.983	21

Through the above table, the reliability of the questionnaire data shows 98%, which is a high percentage, and evidence of a very strong reliability percentage that can be relied upon to complete the study on this questionnaire.

- Reliability table for axis one in questionnaire: Compliance of Palestinian commercial banks with the directives of the supervisory authorities regarding compliance with the requirements of the national strategy for financial inclusion, including productive projects.

Reliability Statistics	
Cronbach's Alpha	N of Items
.929	5

Through the above table, the reliability of the axis one in questionnaire shows 93%, which is a high percentage, and evidence of a very strong reliability percentage that can be relied upon to complete the study on this questionnaire.

- Reliability table for axis two in questionnaire: The impact of strategic planning at the level of the Palestine Monetary Authority and at the level of Palestinian commercial banks to shift their priorities towards financing the productive sectors in Palestine.

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.979	13

Through the above table, the reliability of the axis two in questionnaire shows 98% which is a high percentage, and evidence of a very strong reliability percentage that can be relied upon to complete the study on this questionnaire.

#### 4.1.2 Table five: Descriptive tables:

- Descriptive table for all questionnaire questions

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Age of Participant	50	1.00	4.00	2.5800	.81039
Qualification of Participant	50	2.00	3.00	2.3400	.47852
Specialization of Participant	50	1.00	4.00	2.2600	1.00631
Years of Experience for Participants	50	2.00	4.00	3.4400	.61146
Position of Participants	50	1.00	4.00	3.0200	1.05926
The Bank organizes training courses for employees to raise their capabilities and efficiency in lending and studying productive projects.	50	3.00	5.00	4.6400	.63116
The Bank complies with the directives of the regulatory authorities regarding compliance with the requirements of the national strategy for financial inclusion.	50	3.00	5.00	4.1400	.60643
The Bank gives priority to lending facilities to productive projects.	50	2.00	5.00	3.2800	1.01096

The Bank is ready to give priority to productive projects in banking facilities	50	2.00	5.00	3.9800	.97917
The strategic planning of the bank helps it shift its priorities towards financing productive projects	50	1.00	4.00	2.4800	1.12920
The strategic plan of the Bank reflects the strategy of the Monetary Authority in terms of financing productive projects.	50	2.00	4.00	2.8000	.83299
There was an impact of the monetary authority's strategy on banks to finance productive projects.	50	2.00	5.00	4.1200	1.15423
If the bank has the option of lending a loan for a productive project at a low interest rate and a loan for a consumption purpose at a higher interest, then the choice falls on the loan for the productive project.	50	1.00	4.00	2.0200	.84491
The strategic plan of the bank sets limits on the shares of the credit facilities lends by the bank to the various economic sectors.	50	2.00	5.00	3.9200	.85332

The ceiling for financing the productive sectors in the strategic plan of the bank is considered the highest ceiling among the sectors.	50	1.00	3.00	1.8400	.58414
The strategic plan of the bank is based on finding a balance between the two elements of returns and risks associated with the facilities for the productive purpose.	50	1.00	5.00	3.3400	1.31878
The strategic plan for bank imposes additional restrictions or conditions on the facilities lent to the productive sectors only.	50	1.00	3.00	2.0400	.53299
The bank applies strict procedures in lending credit to the productive sectors due to their high risks, such as focusing on guarantees.	50	1.00	5.00	3.5000	1.35902
The credit interest rate on the facilities lent to the different economic sectors varies due to the bank's assessment of the risks associated with these facilities.	50	2.00	5.00	4.1600	1.01740
The Monetary Authority's instructions motivate the Bank to change its priorities toward financing the productive sectors.	50	2.00	5.00	4.1400	.92604

The economic situation in Palestine in general has a major role in determining the priorities of banks in lending credit facilities.	50	4.00	5.00	4.5400	.50346
Valid N (listwise)	50				

The above table shows the descriptive analysis of the questionnaire, which constitutes the study sample consisting of 50 high ranking officers in Palestinian commercial banks and it consists of 21 different questions that were used to answer the study hypothesis by displaying the mean, standard deviation, minimum and maximum values for the values of each of the questionnaire questions, according to what was defined on the program Statistical analysis “SPSS” where the number 1 indicates as strongly disagree, 2 as disagree, 3 as neutral, 4 as agree, and 5 as strongly agree.

- Descriptive table for axis one in questionnaire: Compliance of Palestinian commercial banks with the directives of the supervisory authorities regarding compliance with the requirements of the national strategy for financial inclusion, including productive projects.

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Compliance of Palestinian commercial banks with the directives of the supervisory authorities regarding compliance with the requirements of the national strategy for financial inclusion, including productive projects	50	2.25	4.50	3.4000	.63286
Valid N (listwise)	50				

In order to answer the first hypothesis of the study, the first axis of the questionnaire was analyzed, which is concerned with answering it. The results of the analysis showed that the mean

for the first axis group of questions is 3.4 and according to the Likert scale and converted it to periods, 3.4 falls in the period from 3.4 - 4.19, which as agree from all study sample as a group.

- Descriptive table for axis two in questionnaire: The impact of strategic planning at the level of the Palestine Monetary Authority and at the level of Palestinian commercial banks to shift their priorities towards financing the productive sectors in Palestine.

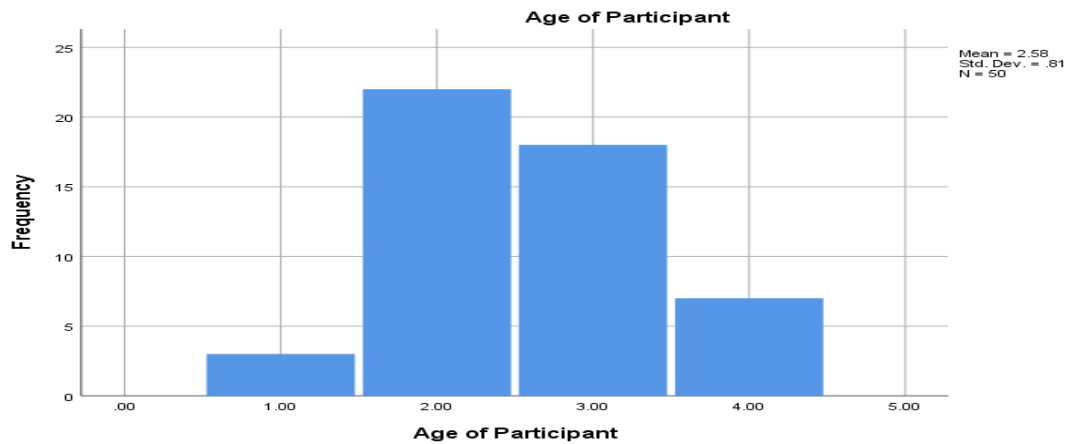
<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
The impact of strategic planning at the level of the Palestine Monetary Authority and at the level of Palestinian commercial banks to shift their priorities towards financing the productive sectors in Palestine	50	1.75	4.58	3.4450	.87459
Valid N (listwise)	50				

In order to answer the second hypothesis of the study, the second axis of the questionnaire was analyzed, which is concerned with answering it. The results of the analysis showed that the mean for the second axis group of questions is 3.44 and according to the Likeert scale and converted it to periods, 3.44 falls in the period from 3.4 - 4.19, which as agree from all study sample as a group.

### 4.1.3 Table six: Frequency tables:

#### 1. Age of Participant

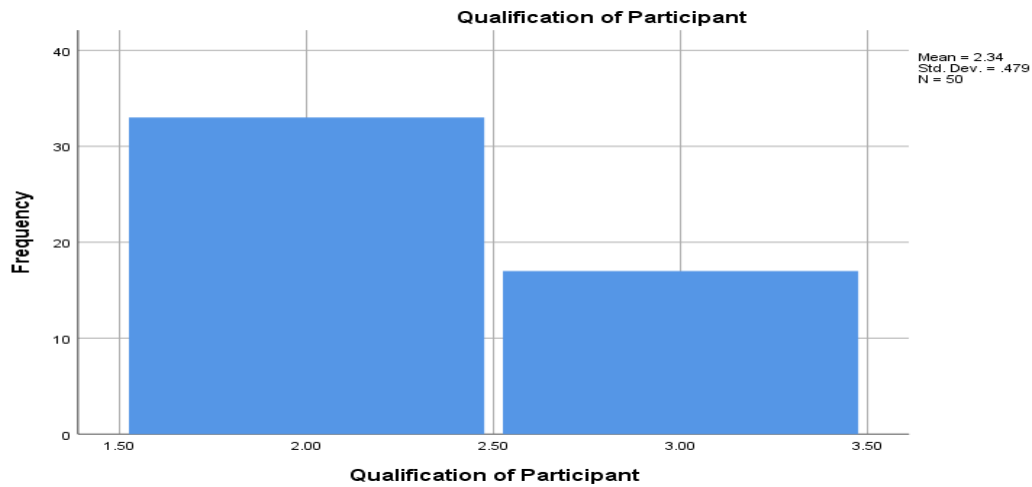
Age of Participant					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 30 years old	3	6.0	6.0	6.0
	30-40 years old	22	44.0	44.0	50.0
	41-50 years old	18	36.0	36.0	86.0
	over 50 years old	7	14.0	14.0	100.0
	Total	50	100.0	100.0	



The above table and graph show that 44% of bank employees who are classified within the high-ranking officers are between 30-40 years old, while the percentage of those aged between 41-50 years is 36%. As for those over the age of 50 years old, it is only 14%, This is with a mean of 2.58 and a standard deviation of 0.81.

## 2. Qualification of Participants

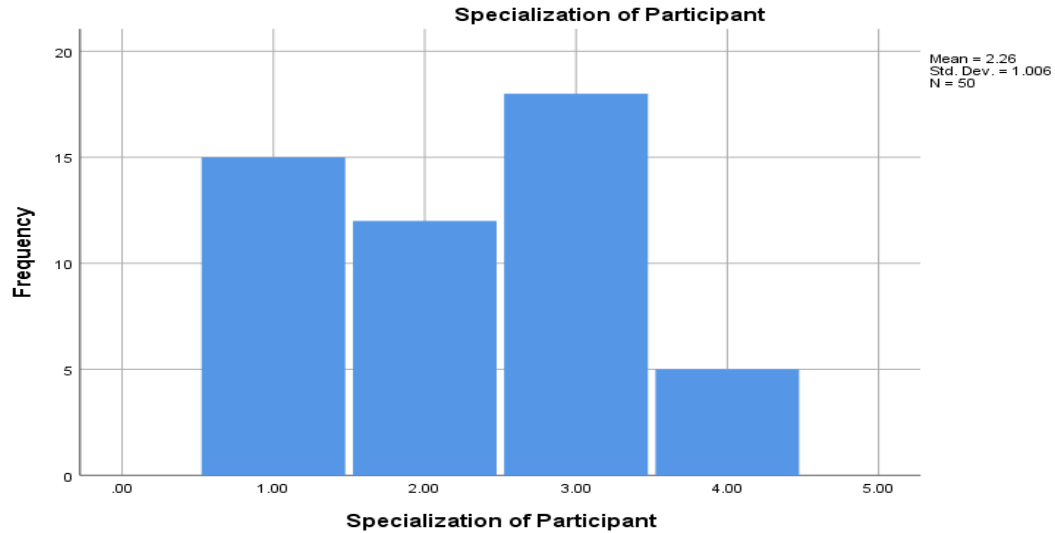
Qualification of Participant					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bachelor's	33	66.0	66.0	66.0
	Master's	17	34.0	34.0	100.0
	Total	50	100.0	100.0	



The above table and graph show that 66% of bank employees who are classified as senior officers have a bachelor's degree, while the percentage of those who hold a master's degree is only 34%, with a mean of 2.34 and a standard deviation of 0.479.

## 3. Specialization of Participant

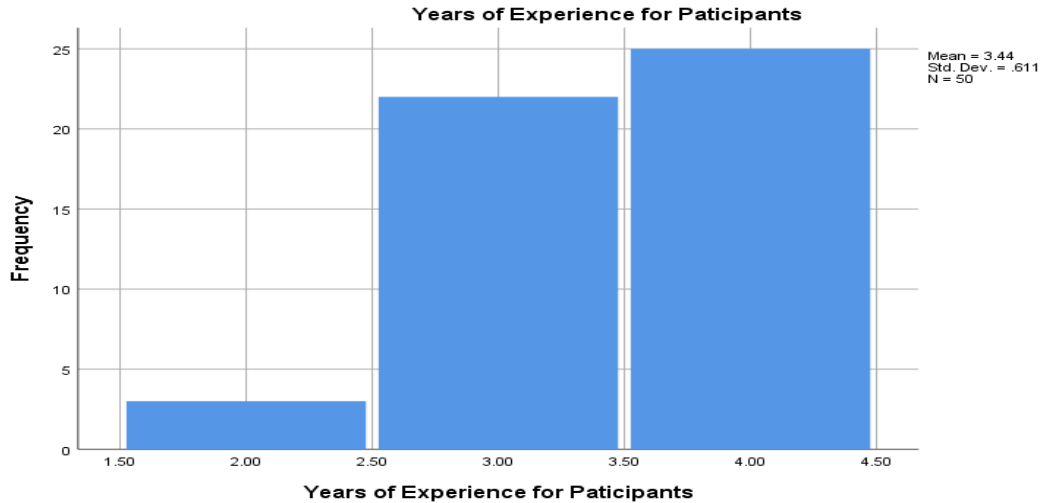
Specialization of Participant					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accounting	15	30.0	30.0	30.0
	business management	12	24.0	24.0	54.0
	Banking and Financial Sciences	18	36.0	36.0	90.0
	Others	5	10.0	10.0	100.0
	Total	50	100.0	100.0	



The above table and graph show that 36% of bank employees classified as senior officers have a university Scientific qualification in banking and financial sciences, 30% have an accounting Scientific qualification, 24% have a business administration Scientific qualification, and 10% have other Scientific qualification, with a mean of 2.26 and a standard deviation of 1.006.

#### 4. Years of Experience

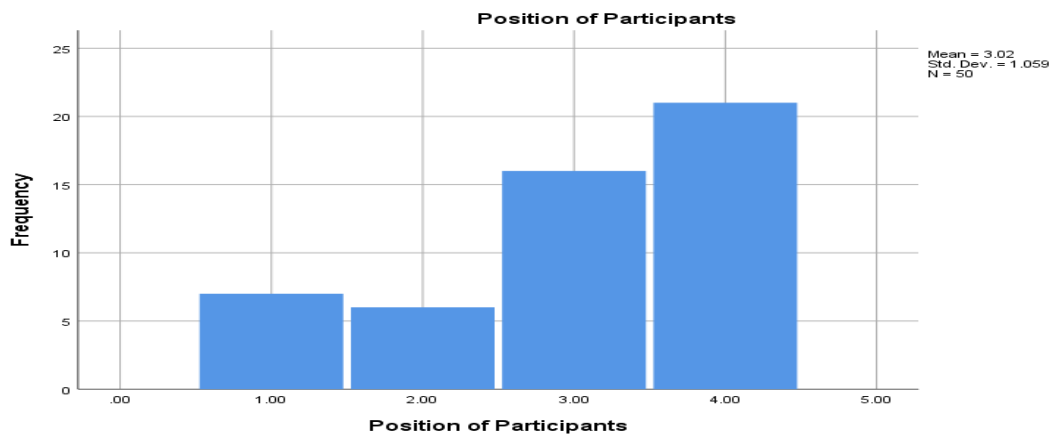
<b>Years of Experience for Participants</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	From 5-10 years	3	6.0	6.0	6.0
	11-15 years old	22	44.0	44.0	50.0
	more than 15 years	25	50.0	50.0	100.0
	Total	50	100.0	100.0	



Through the table and graph shown above, it is clear that the percentage of bank employees who are classified as high officers and have practical experience of more than 15 years is 50% of the total, while those with practical experience from 11-15 years is 44% and from 5-10 years is 6%, with a mean of 3.44 and a standard deviation of 0.611.

**5. Job Position of Participants**

Position of Participants					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Department Manager	7	14.0	14.0	14.0
	Supervisor of Department	6	12.0	12.0	26.0
	Chief of Division	16	32.0	32.0	58.0
	Head of Unit	21	42.0	42.0	100.0
	Total	50	100.0	100.0	



Through the table and graph shown above, it is clear that the percentage of bank employees who are classified as senior officers and filling the position of department manager is 14% of the total, while those who fill the position of supervisor of department constitute 12%, while those who fill the position of chief of division are 32% and those who fill the position of Head unit make up 42%, with a mean of 3.02 and a standard deviation of 1.059.

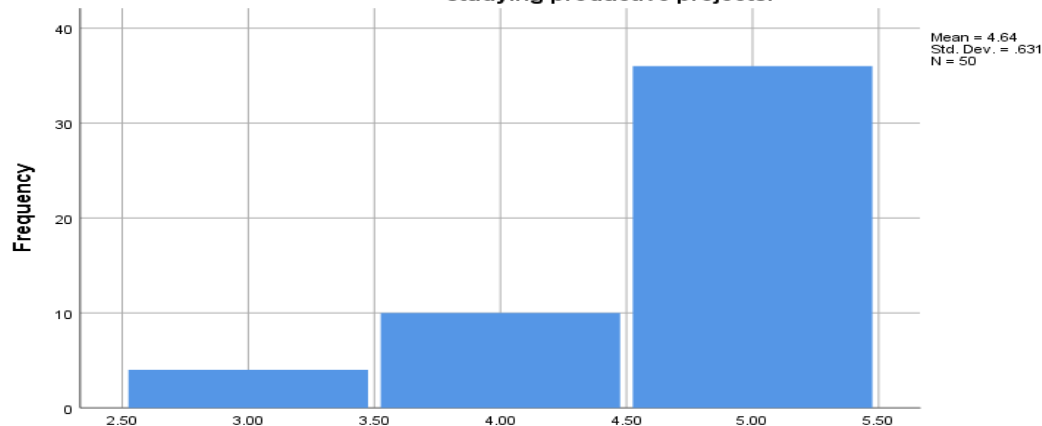
**We will answer here on the hypotheses of the study, which are as follows:**

**The First Axis:** There is no statistically significant relationship between the directives of the regulatory authorities and the commitment of Palestinian commercial banks to the requirements of the national strategy for financial inclusion, including productive projects.

**6. The Bank organizes training courses for employees to raise their capabilities and efficiency in lending and studying productive projects.**

<b>The Bank organizes training courses for employees to raise their capabilities and efficiency in lending and studying productive projects.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	36	72.0	72.0	72.0
	Agree	10	20.0	20.0	92.0
	Neutral	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

**The Bank organizes training courses for employees to raise their capabilities and efficiency in lending and studying productive projects.**



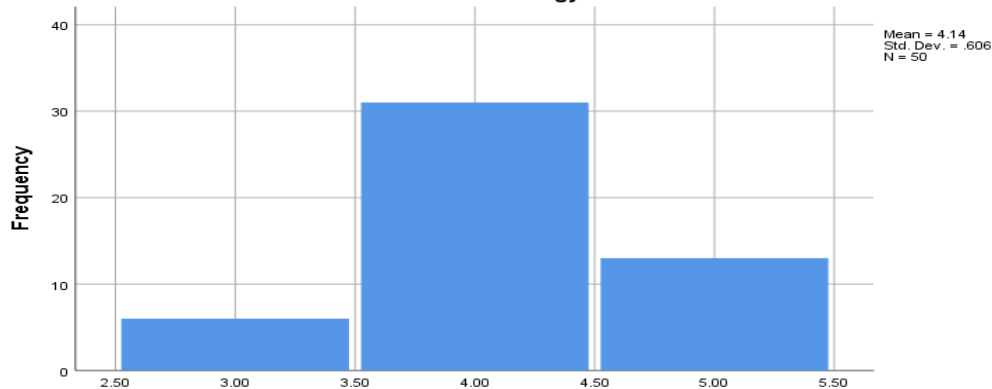
**The Bank organizes training courses for employees to raise their capabilities and efficiency in lending and studying productive projects.**

Most banks provide training courses for their employees to raise their capabilities and efficiency in lending and studying productive projects at a very high rate. This is evidence of the bank managements are interesting in the productive sector.

**7. The Bank complies with the directives of the regulatory authorities regarding compliance with the requirements of the national strategy for financial inclusion.**

<b>The Bank complies with the directives of the regulatory authorities regarding compliance with the requirements of the national strategy for financial inclusion.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	13	26.0	26.0	26.0
	Agree	31	62.0	62.0	88.0
	Neutral	6	12.0	12.0	100.0
	Total	50	100.0	100.0	

**The Bank complies with the directives of the regulatory authorities regarding compliance with the requirements of the national strategy for financial inclusion.**



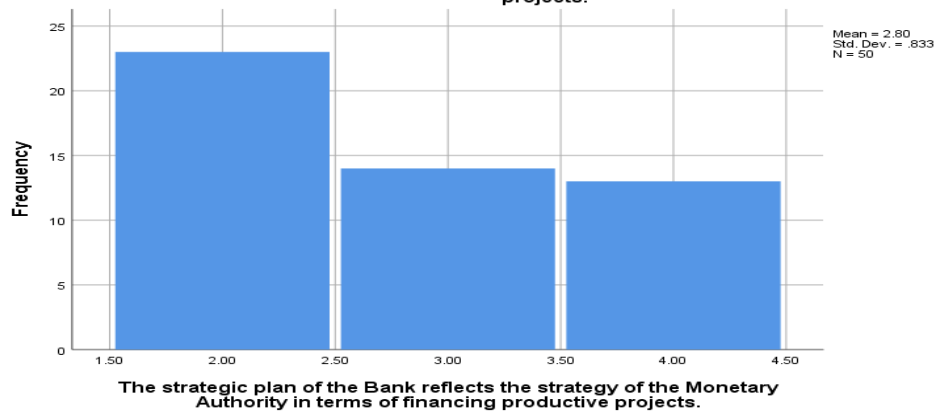
**The Bank complies with the directives of the regulatory authorities regarding compliance with the requirements of the national strategy for financial inclusion.**

The above table and graph illustrate that most banks comply with the directives of the regulatory authorities regarding compliance with the requirements of the national strategy for financial inclusion, with 62% as agree and 26% strongly agree.

8. The strategic plan of the Bank reflects the strategy of the Monetary Authority in terms of financing productive projects.

<b>The strategic plan of the Bank reflects the strategy of the Monetary Authority in terms of financing productive projects.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	13	26.0	26.0	26.0
	Neutral	14	28.0	28.0	54.0
	Disagree	23	46.0	46.0	100.0
	Total	50	100.0	100.0	

The strategic plan of the Bank reflects the strategy of the Monetary Authority in terms of financing productive projects.



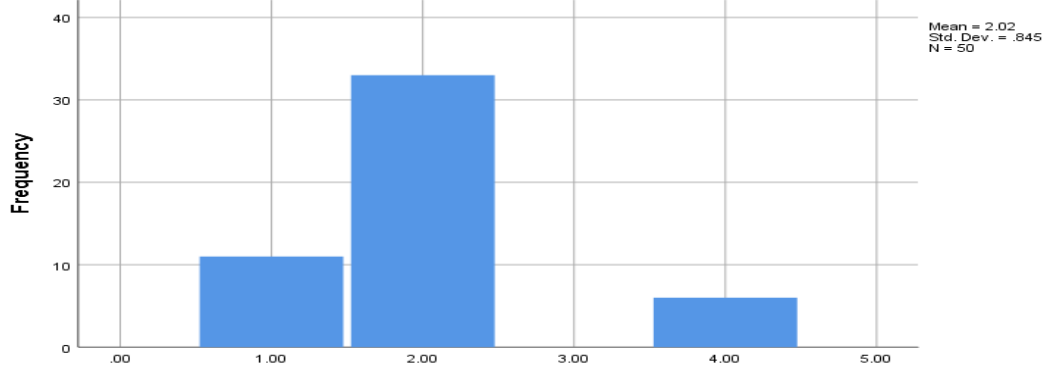
It is clear from the table and graph above, that the answers to the questionnaire were very different in answering the question “The strategic plan of the bank reflects the PMA’s strategy in financing productive projects”, as the percentage of answers to it came in the form of 26% who agree, 28% are neutral, and 46% are disagree.

9. If the bank has the option of lending a loan for a productive project at a low interest rate and a loan for a consumption purpose at a higher interest, then the choice falls on the loan for the productive project.

<b>If the bank has the option of lending a loan for a productive project at a low interest rate and a loan for a consumption purpose at a higher interest, then the choice falls on the loan for the productive project.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	6	12.0	12.0	12.0

Disagree	33	66.0	66.0	78.0
Strongly Disagree	11	22.0	22.0	100.0
Total	50	100.0	100.0	

If the bank has the option of lending a loan for a productive project at a low interest rate and a loan for a consumption purpose at a higher interest, then the choice falls on the loan for the productive project.



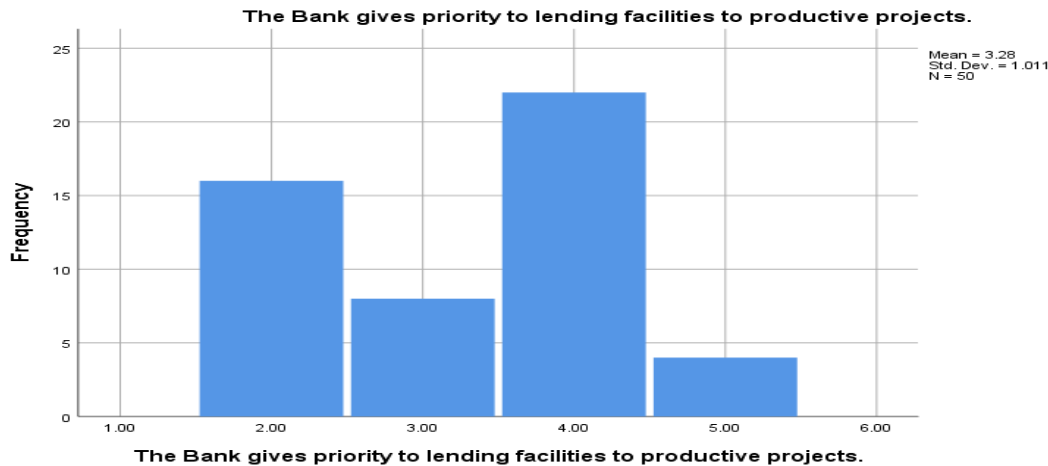
If the bank has the option of lending a loan for a productive project at a low interest rate and a loan for a consumption purpose at a higher interest, then the choice falls on the loan for the productive project.

It is clear from the table and graph that the answers to the questionnaire were in a larger direction towards disagree and strongly disagree to answer the question “If the bank has the option of lending a productive project at a low interest rate and a loan for the purpose of consumption at a higher interest, then the choice falls on the loan of the productive project”, where the response rate was only 12% as agree, 66% as disagree, and 22% as strongly disagree.

**The Second Axis:** There is no statistically significant relationship between strategic planning and shifting the priorities of the Palestine Monetary Authority and Palestinian commercial banks towards financing the productive sectors in Palestine.

### 10. The Bank gives priority to lending facilities to productive projects

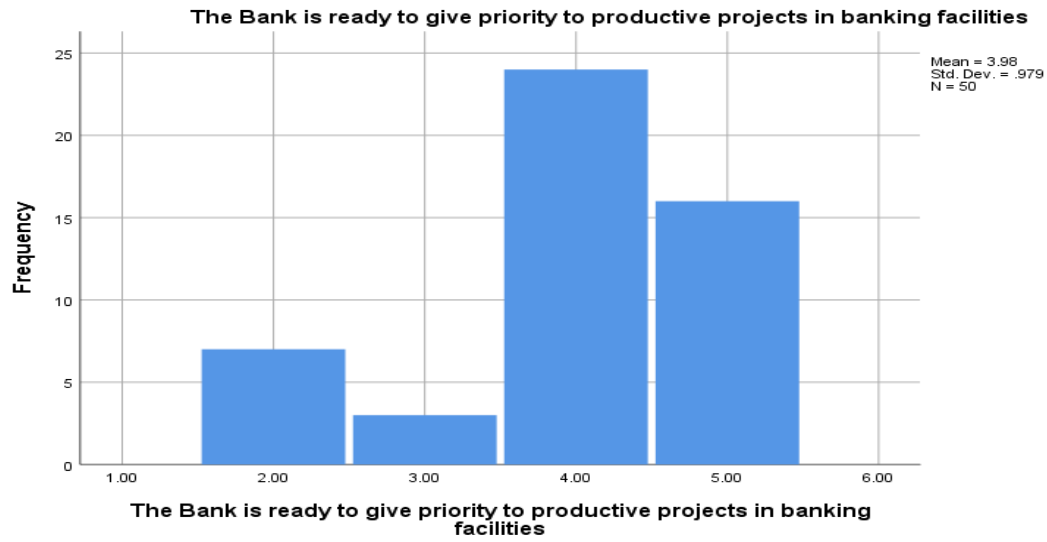
The Bank gives priority to lending facilities to productive projects.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	4	8.0	8.0	8.0
	Agree	22	44.0	44.0	52.0
	Neutral	8	16.0	16.0	68.0
	Disagree	16	32.0	32.0	100.0
	Total	50	100.0	100.0	



Through the table and graph above, it is clear that the answers to the questionnaire were 44% agree and 32% disagree in terms of giving priority to lending productive projects, and this is evidence of a discrepancy in the attitudes of banks, as there is no specific trend in giving priority or not to lending projects Productivity.

### 11. The Bank is ready to give priority to productive projects in banking facilities.

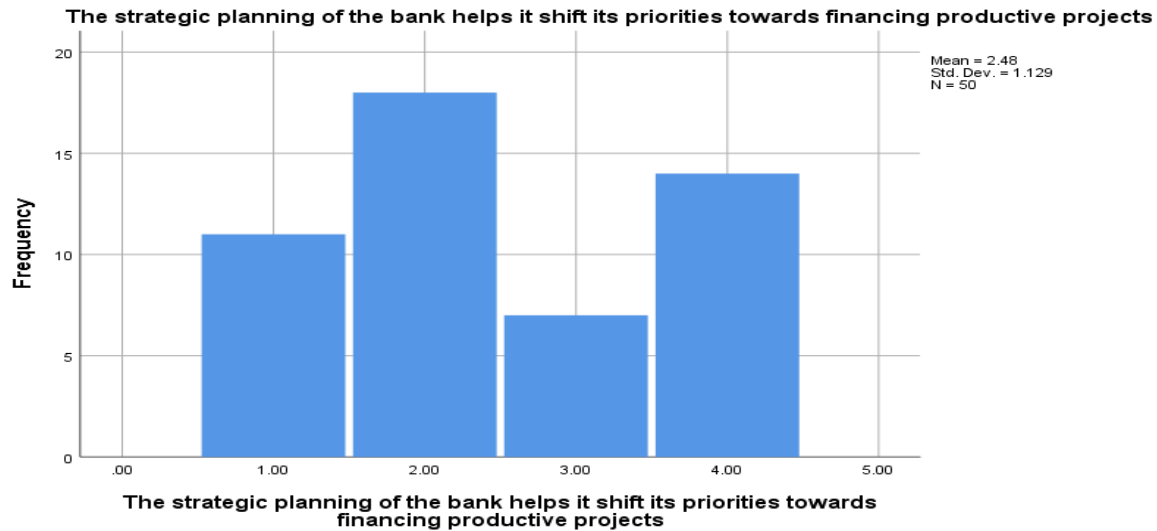
The Bank is ready to give priority to productive projects in banking facilities					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	16	32.0	32.0	32.0
	Agree	24	48.0	48.0	80.0
	Neutral	3	6.0	6.0	86.0
	Disagree	7	14.0	14.0	100.0
	Total	50	100.0	100.0	



Through the above table and graph, it is clear from the answers to the questionnaire that banks are ready to give priority to productive projects in banking facilities with a large percentage.

**12. The strategic planning of the bank helps it shift its priorities towards financing productive projects.**

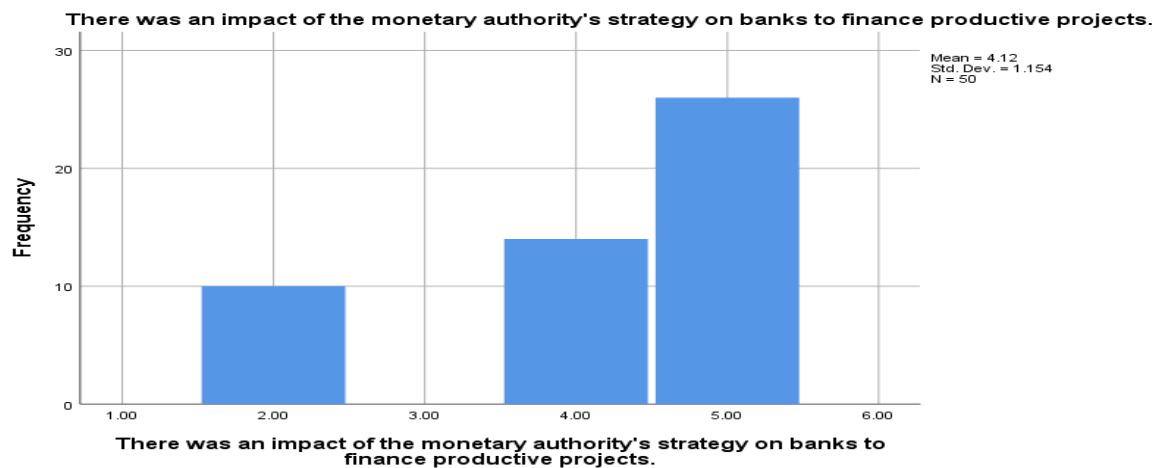
<b>The strategic planning of the bank helps it shift its priorities towards financing productive projects</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	14	28.0	28.0	28.0
	Neutral	7	14.0	14.0	42.0
	Disagree	18	36.0	36.0	78.0
	Strongly Disagree	11	22.0	22.0	100.0
	Total	50	100.0	100.0	



Through the above table and graph, it is clear that the answers to the questionnaire were very different in answering the question “the strategic planning of the bank helps to shift its priorities towards financing productive projects”, where the percentage of answers to it came as 28% as agree, 14% as neutral, 36% as disagree and 22 % as strongly disagree.

**13. There was an impact of the monetary authority's strategy on banks to finance productive projects.**

<b>There was an impact of the monetary authority's strategy on banks to finance productive projects.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	26	52.0	52.0	52.0
	Agree	14	28.0	28.0	80.0
	Disagree	10	20.0	20.0	100.0
	Total	50	100.0	100.0	

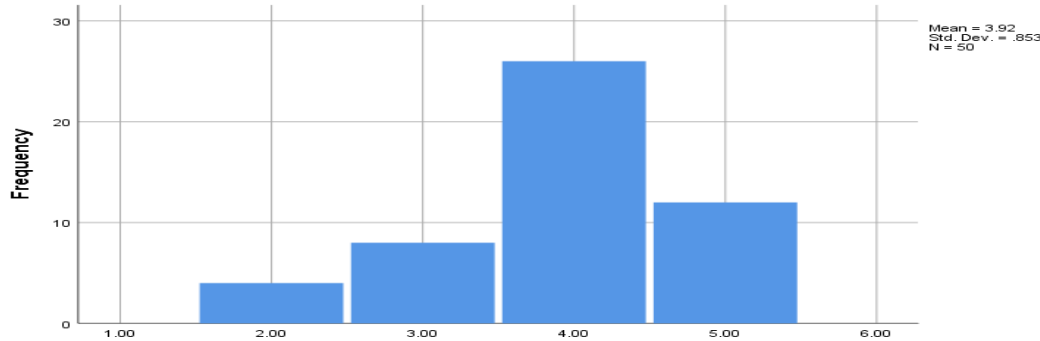


It is clear from the table and graph, that the answers to the questionnaire were in a greater direction towards agree and strongly agree to answer the question “there was an impact of the monetary authority’s strategy on banks to finance productive projects”, where the response rate came 52% as strongly agree, and 28% as agree, and Only 20% as disagree.

**14. The strategic plan of the bank sets limits on the shares of the credit facilities lends by the bank to the various economic sectors.**

<b>The strategic plan of the bank sets limits on the shares of the credit facilities lends by the bank to the various economic sectors.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	12	24.0	24.0	24.0
	Agree	26	52.0	52.0	76.0
	Neutral	8	16.0	16.0	92.0
	Disagree	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

**The strategic plan of the bank sets limits on the shares of the credit facilities lends by the bank to the various economic sectors.**



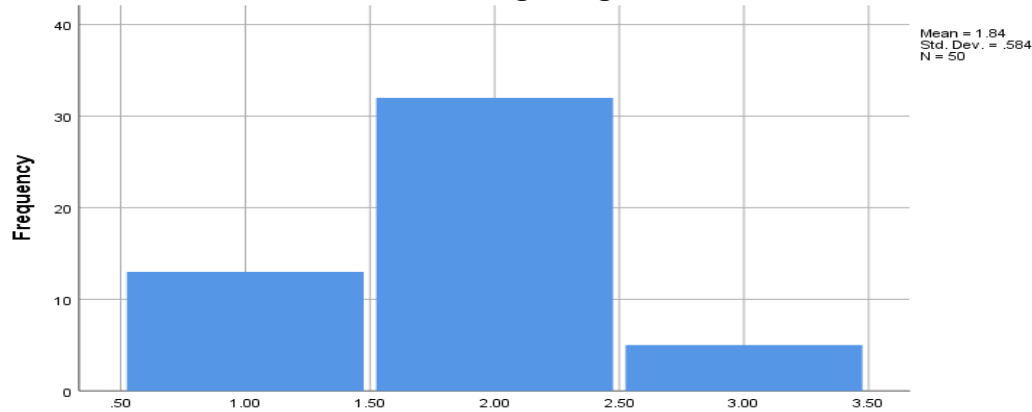
**The strategic plan of the bank sets limits on the shares of the credit facilities lends by the bank to the various economic sectors.**

It is clear from the table and graph that the answers to the questionnaire were in a greater direction towards that bank set limits in the strategic plan for the shares of credit facilities that the bank lends to various economic sectors, where the response rate came 24% as strongly agree, 52% as agree, and only 8% as disagree.

**15. The ceiling for financing the productive sectors in the strategic plan of the bank is considered the highest ceiling among the sectors.**

<b>The ceiling for financing the productive sectors in the strategic plan of the bank is considered the highest ceiling among the sectors.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	5	10.0	10.0	10.0
	Disagree	32	64.0	64.0	74.0
	Strongly Disagree	13	26.0	26.0	100.0
	Total	50	100.0	100.0	

**The ceiling for financing the productive sectors in the strategic plan of the bank is considered the highest ceiling among the sectors.**



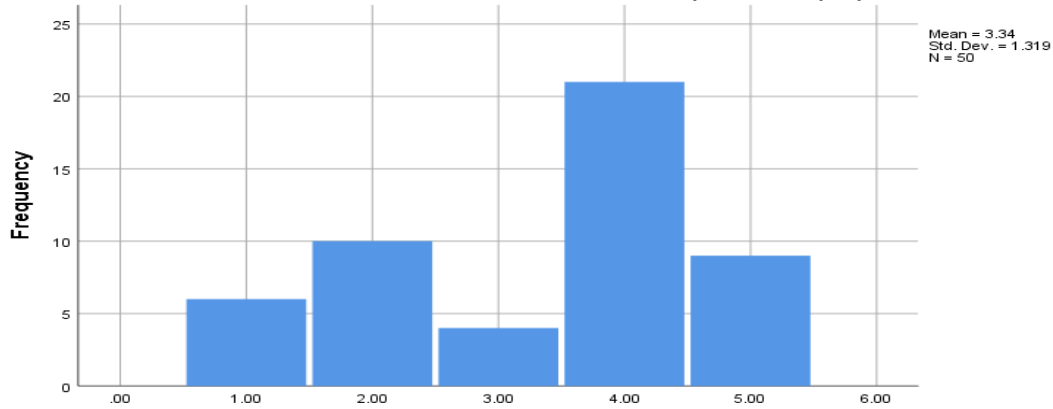
**The ceiling for financing the productive sectors in the strategic plan of the bank is considered the highest ceiling among the sectors.**

It is clear from the table and graph that the answers to the questionnaire were in the direction that the ceiling for financing the productive sectors in the banks' strategic plan is not the highest ceiling among sectors, as the response rate came 64% as disagree, and 26% as strongly disagree.

**16. The strategic plan of the bank is based on finding a balance between the two elements of returns and risks associated with the facilities for the productive purpose.**

<b>The strategic plan of the bank is based on finding a balance between the two elements of returns and risks associated with the facilities for the productive purpose.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	9	18.0	18.0	18.0
	Agree	21	42.0	42.0	60.0
	Neutral	4	8.0	8.0	68.0
	Disagree	10	20.0	20.0	88.0
	Strongly Disagree	6	12.0	12.0	100.0
	Total	50	100.0	100.0	

**The strategic plan of the bank is based on finding a balance between the two elements of returns and risks associated with the facilities for the productive purpose.**



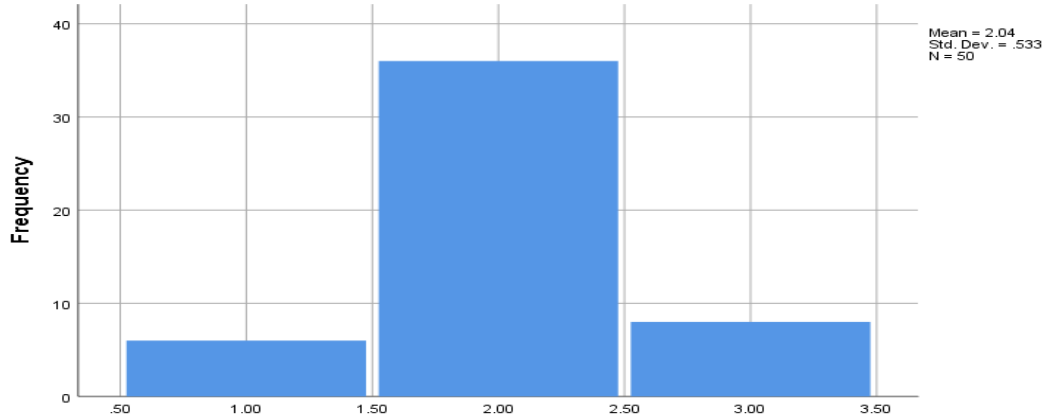
**The strategic plan of the bank is based on finding a balance between the two elements of returns and risks associated with the facilities for the productive purpose.**

It is clear from the table and graph that the strategic plan of the banks is based on finding a balance between the two elements of returns and risks associated with facilities for the purpose of production to a very large extent, as the results of the questionnaire came in 18% as strongly agree, 42% as agree, 20% as disagree and 12% as strongly disagree.

**17. The strategic plan for bank imposes additional restrictions or conditions on the facilities lent to the productive sectors only.**

<b>The strategic plan for bank imposes additional restrictions or conditions on the facilities lent to the productive sectors only.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	8	16.0	16.0	16.0
	Disagree	36	72.0	72.0	88.0
	Strongly Disagree	6	12.0	12.0	100.0
	Total	50	100.0	100.0	

**The strategic plan for bank imposes additional restrictions or conditions on the facilities lent to the productive sectors only.**



**The strategic plan for bank imposes additional restrictions or conditions on the facilities lent to the productive sectors only.**

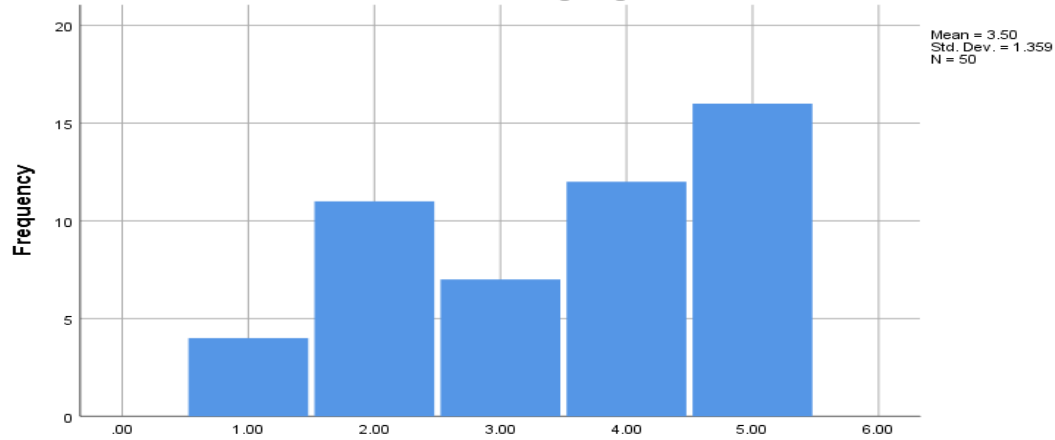
It is clear from the table and graph that the banks do not impose additional restrictions or conditions on the facilities lent to the productive sectors only in their strategic plan, as the results of the survey came in 72% as disagree and 12% as strongly disagree.

**18. The bank applies strict procedures in lending credit to the productive sectors due to their high risks, such as focusing on guarantees.**

<b>The bank applies strict procedures in lending credit to the productive sectors due to their high risks, such as focusing on guarantees.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	16	32.0	32.0	32.0
	Agree	12	24.0	24.0	56.0
	Neutral	7	14.0	14.0	70.0

	Disagree	11	22.0	22.0	92.0
	Strongly Disagree	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

**The bank applies strict procedures in lending credit to the productive sectors due to their high risks, such as focusing on guarantees.**

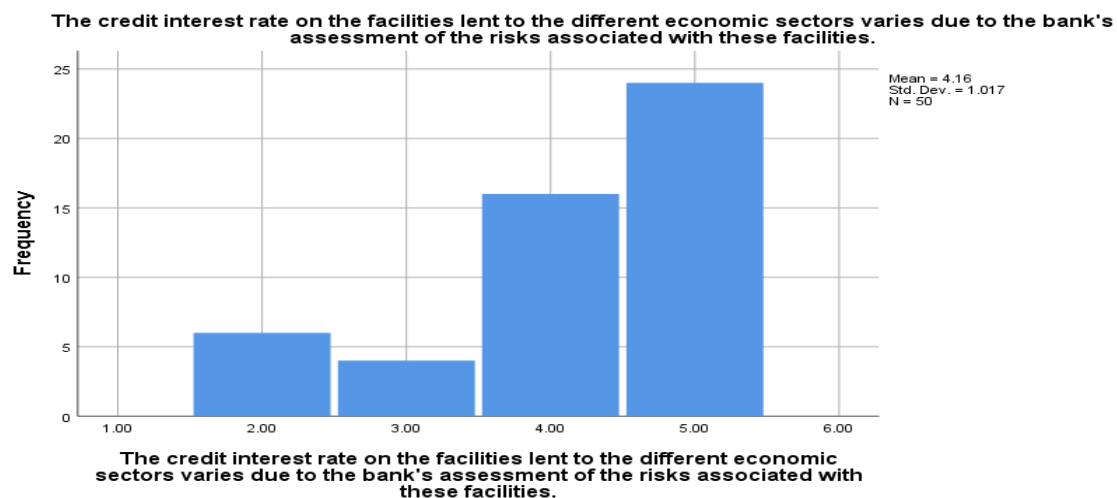


**The bank applies strict procedures in lending credit to the productive sectors due to their high risks, such as focusing on guarantees.**

It is clear from the table and graph that most banks apply strict procedures in lending credit to the productive sectors because of their high risks, such as focusing on guarantees. The results of the survey came in 32% as strongly agree, 24% as agree, 22% as disagree and 8% as strongly disagree.

**19. The credit interest rate on the facilities lent to the different economic sectors varies due to the bank's assessment of the risks associated with these facilities.**

<b>The credit interest rate on the facilities lent to the different economic sectors varies due to the bank's assessment of the risks associated with these facilities.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	24	48.0	48.0	48.0
	Agree	16	32.0	32.0	80.0
	Neutral	4	8.0	8.0	88.0
	Disagree	6	12.0	12.0	100.0
	Total	50	100.0	100.0	

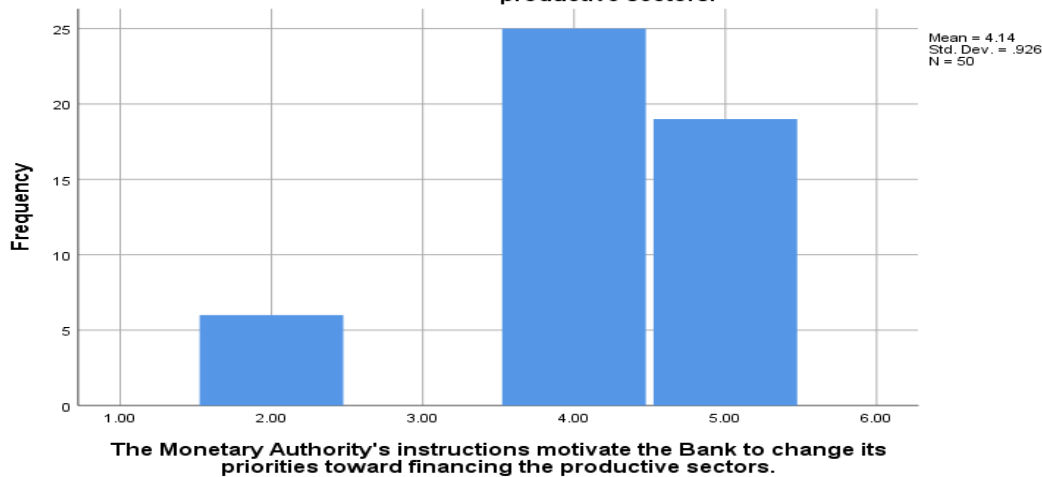


The above table and graph show that the credit interest rate varies on the facilities lending to various economic sectors as a result of the bank's assessment of the risks associated with these facilities. The results of the survey came in 48% as strongly agree, 32% as agree, 8% as disagree and 12% as strongly disagree.

**20. The Monetary Authority's instructions motivate the Bank to change its priorities toward financing the productive sectors.**

<b>The Monetary Authority's instructions motivate the Bank to change its priorities toward financing the productive sectors.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	19	38.0	38.0	38.0
	Agree	25	50.0	50.0	88.0
	Disagree	6	12.0	12.0	100.0
	Total	50	100.0	100.0	

**The Monetary Authority's instructions motivate the Bank to change its priorities toward financing the productive sectors.**

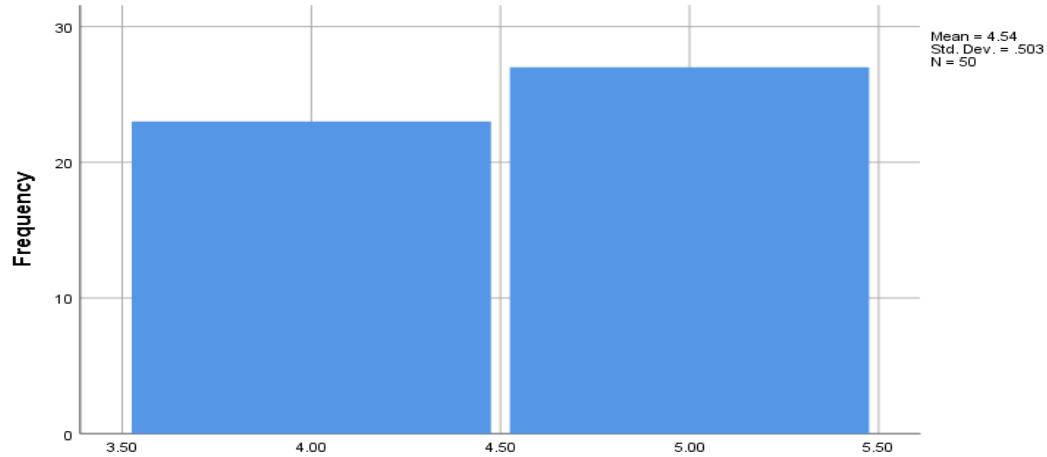


The above table and graph show that the instructions of the Monetary Authority motivate banks to change their priorities towards financing the productive sectors, as the results of the survey came in 38% as strongly agree, 50% as agree, and 12% as disagree.

**21. The economic situation in Palestine in general has a major role in determining the priorities of banks in lending credit facilities.**

<b>The economic situation in Palestine in general has a major role in determining the priorities of banks in lending credit facilities.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	27	54.0	54.0	54.0
	Agree	23	46.0	46.0	100.0
	Total	50	100.0	100.0	

**The economic situation in Palestine in general has a major role in determining the priorities of banks in lending credit facilities.**



**The economic situation in Palestine in general has a major role in determining the priorities of banks in lending credit facilities.**

The above table and graph show that the economic situation in Palestine in general has a major role in determining the priorities of banks in lending credit facilities, as the results of the survey came in 54% as strongly agree and 46% as agree.

#### 4.1.4 Table seven: T- Test Tables

- T- Test table for axis one in questionnaire: Compliance of Palestinian commercial banks with the directives of the supervisory authorities regarding compliance with the requirements of the national strategy for financial inclusion, including productive projects.

One-Sample Test						
	Test Value = 5					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Compliance of Palestinian commercial banks with the directives of the supervisory authorities regarding compliance with the requirements of the national strategy for financial inclusion, including productive projects	-17.877	49	.000	-1.60000	-1.7799	-1.4201

Through the above table, it appears that the significant value of the level of statistical significance of the weighted arithmetic mean of the first hypothesis, which is equal to 00. It is less than 5%, which indicates the existence of a statistically significant relationship with the hypothesis, and therefore the null hypothesis was rejected, which is that there is no statistically significant relationship Between the directives of the regulatory authorities and the commitment of Palestinian commercial banks to the requirements of the national strategy for financial inclusion, including productive projects, and the alternative hypothesis was accepted.

- T- Test table for axis two in questionnaire: The impact of strategic planning at the level of the Palestine Monetary Authority and at the level of Palestinian commercial banks to shift their priorities towards financing the productive sectors in Palestine.

<b>One-Sample Test</b>						
	Test Value = 5					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
The impact of strategic planning at the level of the Palestine Monetary Authority and at the level of Palestinian commercial banks to shift their priorities towards financing the productive sectors in Palestine	-12.572	49	.000	-1.55500	-1.8036	-1.3064

Through the above table, it appears that the significant value of the level of statistical significance of the weighted arithmetic mean of the first hypothesis, which is equal to 00. It is less than 5%, which indicates the existence of a statistically significant relationship with the hypothesis, and therefore the null hypothesis was rejected, which is that There is no statistically significant relationship between strategic planning and shifting the priorities of the Palestine Monetary Authority and Palestinian commercial banks towards financing the productive sectors in Palestine, and the alternative hypothesis was accepted.

#### **4.2 Summary of the hypotheses results**

<b>Hypotheses</b>	<b>Acceptance/Rejection</b>
H <sub>01.1</sub>	Rejection
H <sub>01.2</sub>	Rejection

## Chapter Five

### 5. Conclusion: Results, Recommendation and Future Research

In the end, after completing the analysis of the above study, it became clear to us that the null hypotheses are rejected, and accordingly, there is a relationship between the commitment of Palestinian commercial banks to the directives of the regulatory authorities and related to the requirements of the national strategy for financial inclusion, including productive projects, and there is also a relationship between strategic planning at the level of the Palestine Monetary Authority and Palestinian commercial banks to shift their priorities towards financing the productive sectors in Palestine. Based on that, we present to the results and recommendations of the study:

#### 5.1 The Results:

Through our study of the role of strategic planning in shifting the priority of Palestinian commercial bank towards financing the productive sectors, we have reached the following results:

1. Weakness of banks employees in realizing the importance of applying strategic planning to the reality of facilities for productive projects.
2. Limited bank credit directed to productive sectors and activities, as the productive sector in Palestine is considered the least fortunate in this aspect, and this is due to the policies of banks operating in Palestine to direct credit towards other sectors, especially the consumption sector, and thus they adhere to the national strategy for financial inclusion and the instructions of the Monetary Authority, but with the narrowest limits because the banks are concerned with profitability regardless of the type of facilities and to avoid the risks associated with the facilities for the purpose of production.

3. Most banks apply strict procedures in lending credit to the productive sectors because of their high risks, such as focusing on guarantees.
4. The Monetary Authority's instructions are insufficient and not explicit in directing banks to lend to productive projects. As the productive projects and activities did not benefit from many of the directions and tools of the Monetary Authority applied to stimulate and direct the banking sector towards financing economic activities and productive and development projects.
5. The results of the statistical analysis showed that there is a relationship between the commitment of Palestinian commercial banks to the directives of the regulatory authorities and related to the requirements of the national strategy for financial inclusion, including productive projects, and there is also a relationship between strategic planning at the level of the Palestine Monetary Authority and Palestinian commercial banks to shift their priorities towards financing the productive sectors in Palestine.

## **5.2 Recommendation:**

In light of the findings of this study and the researcher's investigation of the role of strategic planning in shifting the priority of Palestinian commercial banks towards financing the productive sectors, and in light of the shortcomings of this role, the researcher made the following recommendations:

### **At the Level of the Study Sample Banks**

1. Banks in cooperation with the Palestine Monetary Authority, work to provide the necessary funding to finance projects and productive activities in Palestine (especially those related to the agricultural sector, industry and tourism) because of this vital and important impact on economic development and building this through the bank's strategic plan to correct deviations.

**At the Level of the Palestine Monetary Authority**

2. The Monetary Authority encourages and motivates banks to direct and allocate part of the shares of facilities for the benefit of productive activities, by issuing explicit instructions in this regard and monitoring the banks' compliance with them.
3. Work on deducting the facilities lent to productive activities from the mandatory reserves of banks as a stimulus policy carried out by the Monetary Authority towards banks that lend additional facilities to projects and productive activities.

**At the Level of the Owners of Productive Projects**

4. Providing training and orientation programs by the competent authorities in order to qualify and train young people and owners of pioneering ideas in order to educate them, qualify them and establish their abilities on the importance of the role of productive projects in the economy and enhance the principle of sustainability in projects.
5. Motivating the owners of productive projects to lend them preferential bank loans at reduced rates and favorable terms.

**5.3 Future Research**

Through the findings of the study, and accordingly, this opens the way for many future research and studies to research and monitor the development that may occur on the role of strategic planning in shifting the priority of Palestinian commercial banks towards financing the productive sectors and the extent of development that may accompany it on the Palestinian economy.

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## **Appendix number 1:**

### **Part I: Sample Characteristics**

#### **1. Age**

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

#### **2. Qualification**

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

#### **3. Specialization**

- accounting
- business management
- Banking and Financial Sciences
- Others

#### **4. Years of Experience**

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

#### **5. Position**

- Department Manager
- Supervisor of Department
- Chief of Division
- Head of Unit

## Part II: Detailed Questions

Please express your opinion according to the scale (strongly agree, agree, neutral, disagree, and strongly disagree) in the table below:

Sentence	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
<b>The First Axis: Compliance of Palestinian commercial banks with the directives of the supervisory authorities regarding compliance with the requirements of the national strategy for financial inclusion, including productive projects</b>					
The Bank organizes training courses for employees to raise their capabilities and efficiency in lending and studying productive projects.					
The Bank complies with the directives of the regulatory authorities regarding compliance with the requirements of the national strategy for financial inclusion.					
The strategic plan of the Bank reflects the strategy of the Monetary Authority in terms of financing productive projects.					
If the bank has the option of lending a loan for a productive project at a low interest rate and a loan for a consumption purpose at a higher interest, then the choice falls on the loan for the productive project.					
<b>The Second Axis: The impact of strategic planning at the level of the Palestine Monetary Authority and at the level of Palestinian commercial banks to shift their priorities towards financing the productive sectors in Palestine</b>					
The Bank gives priority to lending facilities to productive projects.					
The Bank is ready to give priority to productive projects in banking facilities					
The strategic planning of the bank helps it shift its priorities towards financing productive projects					
The bank applies strict procedures in lending credit to the productive sectors due to their high risks, such as focusing on guarantees.					
The strategic plan of the bank sets limits on the shares of the credit facilities lends by the bank to the various economic sectors.					
The ceiling for financing the productive sectors in the strategic plan of the bank is considered the highest ceiling among the sectors.					

The strategic plan of the bank is based on finding a balance between the two elements of returns and risks associated with the facilities for the productive purpose.					
The strategic plan for bank imposes additional restrictions or conditions on the facilities lent to the productive sectors only.					
There was an impact of the monetary authority's strategy on banks to finance productive projects.					
The credit interest rate on the facilities lent to the different economic sectors varies due to the bank's assessment of the risks associated with these facilities.					
The Monetary Authority's instructions motivate the Bank to change its priorities toward financing the productive sectors.					
The economic situation in Palestine in general has a major role in determining the priorities of banks in lending credit facilities.					

### الملخص

هدفت هذه الدراسة إلى تحديد مدى التزام البنوك التجارية الفلسطينية بتوجيهات الجهات الرقابية بشأن الامتثال لمتطلبات الاستراتيجية الوطنية للشمول المالي، بما في ذلك المشاريع الإنتاجية في فلسطين. وتم اختيار عينة الدراسة من كبار المسؤولين في البنوك التجارية الفلسطينية (مدير إدارة، مدير دائرة، رئيس قسم ورئيس وحدة)، حيث تم توزيع (60) استبانة، وتم اعتماد (50) استبانة منها لأغراض التحليل والدراسة، وقد تم تطوير الاستبيان لجمع التقييم الكمي للإجابات ويتكون الاستبيان من (21) سؤالاً مقسمة إلى محورين للإجابة على أسئلة وفرضيات الدراسة. وقد خرجت الدراسة بعدد من النتائج وهي كما يلي: ضعف العاملين في البنوك من إدراك أهمية تطبيق التخطيط الاستراتيجي على واقع التسهيلات للمشاريع الإنتاجية. محدودية الائتمان المصرفي الموجه للقطاعات والأنشطة الإنتاجية، حيث يعتبر القطاع الإنتاجي في فلسطين الأقل حظاً في هذا الجانب، ويرجع ذلك إلى سياسات البنوك العاملة في فلسطين لتوجيه الائتمان نحو القطاعات الأخرى، وخاصة القطاع الاستهلاكي، وعلى ذلك فإن البنوك ملتزمة بالاستراتيجية الوطنية للشمول المالي وتعليمات سلطة النقد ولكن بأضيق الحدود لأنها معنية بالربحية بغض النظر عن نوع التسهيلات وتجنب المخاطر المصاحبة للتسهيلات التي تكون لغرض مشاريع إنتاجية. تطبق معظم البنوك إجراءات صارمة في إقراض الائتمان للقطاعات الإنتاجية لما لها من مخاطر عالية، مثل التركيز على الضمانات. تعليمات سلطة النقد غير كافية وغير صريحة في توجيه البنوك لإقراض المشاريع الإنتاجية. حيث إن المشاريع والأنشطة الإنتاجية لم تستفد من العديد من توجهات وأدوات سلطة النقد المطبقة لتحفيز وتوجيه القطاع المصرفي نحو تمويل الأنشطة الاقتصادية والمشاريع الإنتاجية والتنموية. أظهرت نتائج التحليل الإحصائي أن هناك علاقة بين التزام البنوك التجارية الفلسطينية بتمويل المشاريع الإنتاجية وتوجيهات الجهات الرقابية ومتطلبات الاستراتيجية الوطنية للشمول المالي، وهناك علاقة بين التخطيط الاستراتيجي على مستوى سلطة النقد الفلسطينية والبنوك التجارية الفلسطينية لتحويل أولوياتها نحو تمويل القطاعات الإنتاجية في فلسطين. كما أن الباحث قدم العديد من التوصيات لمعالجة نقاط القصور في نتائج الدراسة وهي كما يلي: تعمل البنوك بالتعاون مع سلطة النقد الفلسطينية، على توفير التمويل اللازم لتمويل المشاريع والأنشطة الإنتاجية في فلسطين (خاصة تلك المتعلقة بقطاع الزراعة والصناعة والسياحة) لما لهذا الأثر الحيوي والمهم على التنمية الاقتصادية وبناء ذلك من خلال خطة البنك الإستراتيجية لتصحيح الانحرافات. تشجع سلطة النقد البنوك وتحفزها على توجيه وتخصيص جزء من حصص التسهيلات لصالح الأنشطة الإنتاجية، من خلال إصدار تعليمات صريحة في هذا الشأن ومراقبة التزام البنوك بها. العمل على استقطاع التسهيلات المعارة للأنشطة

الإنتاجية من الاحتياطات الإلزامية للبنوك كسياسة تحفيزية تتبعها سلطة النقد تجاه البنوك التي تقرض تسهيلات إضافية للمشاريع والأنشطة الإنتاجية. تقديم البرامج التدريبية والتوجيهية من قبل الجهات المختصة لتأهيل وتدريب الشباب وأصحاب الأفكار الريادية من أجل تثقيفهم وتأهيلهم وإثبات قدراتهم على أهمية دور المشاريع الإنتاجية في الاقتصاد وتعزيز مبدأ الاستدامة في المشاريع. تحفيز أصحاب المشاريع الإنتاجية على إقراضهم قروضاً بنكية تفضيلية بمعدلات فائدة مخفضة وبشروط ميسرة.