



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

**Strategic Planning as a Mechanism to Facilitate SMEs  
Access to Finance during Economic Adversities:  
Covid-19 Pandemic**

By

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

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## Thesis Approval

### Strategic Planning as a Mechanism to Facilitate SMEs Access to Finance during Economic Adversities: Covid-19 Pandemic

By:

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This thesis was defended successfully on 11 October 2023 and approved by:

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## Declaration

This project is my original work attained through research, learning and with the full support of my project supervisor Dr. Ahmad Sadaqa.

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### Declaration by the Supervisor

This project has been submitted for examination with our approval as University Supervisor.

Dr. Ahmad Sadaqa \ Sign ..... Date .....

## **Dedication**

I dedicate this master's thesis to my beloved parents, Nafez and Rania, whose unwavering love and support have been my guiding light throughout this journey. Your sacrifices and encouragement have paved the way for my success, and for that, I am eternally grateful.

To my dear brother Jawdat, your constant encouragement and belief in my abilities have been a source of motivation. Your unwavering support has made this achievement even more meaningful.

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**List of Abbreviations**

SMEs	Small and Medium Enterprises
PMA	Palestine Monetary Authority
OpT	Occupied Palestinian Territories
GDP	Gross Domestic Product
SBA	Small Business Administration
MENA	Middle East and North Africa
SP	Strategic Planning
NPL	Non-Performing Loan
LMIC	Low- Middle- Income Country

## **Abstract**

This executive summary captures the key findings and implications of the master's thesis, "Strategic Planning as a Mechanism to Facilitate SMEs Access to Finance during Economic Adversities: Covid-19 Pandemic." The research delves into the obstacles faced by Small and Medium Enterprises (SMEs), particularly in Palestine, with a focus on the implication of strategic planning in overcoming these challenges.

SMEs confront a multitude of obstacles, including high production costs, regulatory constraints, limited market access, and, most critically, constrained financial resources. Their pivotal role in driving economic development and generating employment emphasizes the importance of finding effective mechanisms to support their sustainability.

The study reveals that internal factors, particularly work-related elements, significantly influence SME sustainability. Additionally, external factors, including marketing, finance, and political-legal aspects, apply a substantial impact on SMEs' potentials. Remarkably, addressing financial and employment-related issues emerges as a pivotal requirement for ensuring SME survival.

Earlier research on microfinance in Palestine highlights the challenges hindering SMEs' access to financing, such as collateral requirements, information gaps, and high-interest rates. Bridging these gaps is essential for enhancing financial inclusion and support for SMEs.

Despite the establishment of bank branches and microfinance organizations, the issue of financial exclusion persists in Middle Eastern countries, necessitating proactive measures to overcome barriers.

Moreover, challenges unique to Palestinian SMEs, including limited funding opportunities, weak legal systems, marketing constraints, and family business conflicts, require targeted interventions to reinforce competitiveness.

Managerial skills and strategic planning are identified as critical components of SME stability and growth. Government support is recognized as pivotal for the growth of entrepreneurship, encompassing infrastructure development, financial accessibility, and a conducive regulatory environment. Direct initiatives and programs that aid entrepreneurs play a significant role in fostering entrepreneurship growth.

This research emphasizes the challenges and opportunities facing SMEs during economic adversities, especially in Palestine. Strategic planning, performance management, and government support emerge as essential mechanisms for facilitating SME access to finance and ensuring their resilience and contribution to economic development.

# **Chapter One**

## **Chapter One**

### **1.1 Introduction**

In order to preserve sustainable corporate performance and survival, businesses must effectively manage crises that arise from a variety of unplanned and abnormal external events, including financial crises, natural disasters, and industrial accidents, among others. Crisis management researchers have studied how organizations respond to the risks and uncertainties that come along with such events during different crisis stages, including before, during, and after adversity. In particular, it has been hotly contested that for organizations to overcome hardship, leaders' accountability to internally manage resources and foster communication is essential. For instance, a variety of leadership qualities, such as the capacity to see an opportunity in a crisis, the impact of emotion and intuition on executive decision-making, and the capacity of leaders to interact with internal stakeholders, have all been thoroughly researched as factors influencing organizational recovery. (Hu, C. et al., 2020)

Although the relationship between the roles of crisis leaders and organizations' response to risks and uncertainties in difficult times has drawn scholarly attention, it has not yet been fully articulated which organizational skills and configurations of particular sets of them leaders need to coordinate and employ for long-term firm performance.

### **1.2 Statement of the Problem**

The economic landscape of Palestine heavily relies on Small and Medium-sized Enterprises (SMEs), constituting 99% of businesses and serving as a vital pillar for employment, investments, and spending. However, these SMEs face multifaceted

challenges, including high startup costs, regulatory complexities, limited market access, and a critical lack of financial resources, with 80% relying on personal funds. The onset of the COVID-19 pandemic exacerbated these challenges, disrupting global supply chains, trade, and economic activities, affecting SMEs across various sectors. Moreover, the pandemic-induced economic downturn prompted global financial stimulus packages, contributing to a substantial increase in global debt.

In this context, the study recognizes the need to investigate the impact of the pandemic on SMEs in Palestine and formulate effective strategies for their economic resilience. SMEs play a pivotal role in the Palestinian economy, contributing to 28% of the private sector workforce, yet 45% remain unregistered. The unique challenges faced by SMEs demand focused attention, particularly in the absence of a structured risk management procedure.

The study aims to address three crucial research goals: firstly, identifying relevant strategies and tactics for policymaking to alleviate economic risks faced by SMEs in Palestine; secondly, exploring strategic methods and instruments that can enhance SMEs' performance during economic adversities; and finally, examining the role of strategic planning in SMEs to ensure their continuity, stability, and productivity.

Recognizing the intricate nature of SMEs' operational environment, strategic risk management becomes imperative. SMEs need to exhibit creativity and flexibility to navigate the competitive market. However, the absence of a structured risk management procedure hinders their ability to anticipate and respond to crisis events effectively. By addressing the outlined research goals, this study aims to contribute valuable insights to policymakers, business owners, and stakeholders in fostering the resilience and growth of SMEs in Palestine, ultimately fostering sustainable economic development.

### 1.3 Research Question

Due to the economic difficulties, SMEs in Palestine, like those in other regions of the world, are anticipated to suffer bad outcomes. It is hoped that this research will provide an answer to the following research question:

*Does strategic planning in Palestinian SMEs before suffering economic adversities has a significant effect either positive or negative on their productivity, continuity, and stability during risks?*

### 1.4 Significance of the Research

In the wake of the COVID-19 pandemic, the global economy experienced unprecedented challenges, witnessing fluctuations in intensity that significantly impacted the global gross domestic product (GDP) (Zainal et al., 2022). This upheaval necessitated a profound examination of economic concerns by leaders, economists, policymakers, and the global workforce. Notably, the pandemic-induced economic instability gave rise to a heightened psychological state of anxiety, causing individuals, businesses, and governments to grapple with insecurity and uncertainty about economic conditions and future prospects (Zainal et al., 2022).

Amidst these challenges, strategic management emerges as a critical factor influencing business processes and performance metrics (Gavurova et al., 2020). Numerous studies have explored the impact of strategic management tools on company performance, highlighting the shifts from local to national and from regional to international markets. However, the unique circumstances brought about by the pandemic underscore the need for a nuanced understanding of strategic management's role in addressing economic risks, particularly for small and medium-sized enterprises (SMEs).

For SMEs, identifying and managing risks is imperative for their survival and growth. The development of a robust risk management strategy enables SMEs to navigate uncertainties effectively. The study by Gavurova et al. (2020) emphasizes the importance of SMEs identifying key risks and implementing targeted risk management tactics to mitigate potential harm. The distinction between risk management and risk response is crucial, with the former being a proactive and comprehensive process initiated before risks manifest, while the latter involves active responses during the occurrence of risks.

Extended economic risks, such as those witnessed during the pandemic, adversely impact SMEs, leading to a myriad of challenges such as a decline in sales, profitability, financial constraints, and difficulties in meeting obligations to suppliers. This research aims to shed light on the multifaceted role of information management in diversifying SME attributes during economic distress. Specifically, the study focuses on the strategic planning element of information management, highlighting its instrumental role as a tactical tool for SMEs in addressing and controlling risks.

The significance of this research lies in its exploration of how SMEs, grappling with financial risks, leverage productivity as a competitive advantage through the implementation of strategic planning and management. By delving into the risk management process as an integral part of strategic planning, the study seeks to contribute to the productivity, continuity, and stability of SMEs in the post-COVID era. This research is timely and essential, offering valuable insights into how SMEs can overcome economic vulnerabilities through strategic planning and information management strategies tailored to their unique circumstances.

## **Chapter Two**

## Chapter Two

### 2.1 Literature Review

Globally, the COVID-19 outbreak has had enormous social, political, and economic repercussions. It is a major problem, a worldwide catastrophe, and a health crisis, but it is so much more than that. Numerous important economic sectors, including airlines, tourism, marketing, services, small and medium-sized businesses, and many others, have been particularly vulnerable to the disease's spread. (Parveen, M. 2020)

Only a small portion of the country's many industries that experienced problems as a result of the illness are still running, and those that are only doing so temporarily. People are losing their jobs and other sources of support as a result of the virus, and businesses were badly affected by the safety measures that were put in place, which demand for social isolation. (Parveen, M.,2020)

Due to the COVID-19 epidemic, small and medium-sized enterprises are under intense pressure to survive, making it challenging for them to effectively handle the issue. Much more quickly than in previous recessions, the COVID-19 epidemic has changed the economic landscape, especially in fields like the move to home-shoring and virtualization. As the cornerstone of every economy, SMEs can make a substantial impact on lowering widespread unemployment, poverty, and income inequality in this uncertain environment. (Gorjian Khanzad, Z., & Gooyabadi, A. A., 2021)

The COVID-19 outbreak has shown how harmful major environmental shocks could be for SMEs, despite the fact that significant progress has been made as a result of the enormous government support. They damage the organization's reputation and its beliefs,

endanger its objectives, and overwhelm managers by responding swiftly to shock. (Gorjian Khanzad, Z., & Gooyabadi, A. A., 2021)

### **2.1.1 Consequences of Crisis on SME's Performance**

Numerous crisis plans were inadequate to address the COVID-19 epidemic because of how quickly it spread, and as a result, businesses suffered significantly. Businesses had to reconsider their operating models and strategies as a result of the considerable fall in sales. Commercial activity fell more sharply for small and micro businesses than for medium and large ones. Because of this, the pandemic's consequences are different depending on the organization's size, complexity, and kind. The COVID-19 pandemic also had a variety of effects on various industries. The pandemic posed awful difficulties for a lot of people, including individuals, businesses, and even entire nations. (Parveen, M.,2020)

However, the COVID-19 pandemic has almost convinced everyone that the business environment has changed significantly. Businesses moved quickly as a result of the COVID-19 outbreak's substantial damage. A few of the challenges faced by SMEs include decreased client purchasing power, restrictions on involvement and working hours, a lack of raw materials, order cancellations, cash flow problems, and supply chain instability. However, some companies did benefit financially from the outbreak. They can use the money to invest in advancing economic prospects or in "disaster entrepreneurship." (Priyono, A., & Moin, A., 2020)

Many SMEs use crisis management to establish organizational resilience and restore their organizational functions to work regularly to deal with this situation. An organization's resilience involves its capacity to continue operating normally in the face of disruptions. (Priyono, A., & Moin, A., 2020)

Changes in business operations, business conduct, and business strategy, as well as the need to look for new funding sources and development prospects, are all seen as crucial survival measures for the majority of SMEs. The COVID-19 pandemic problem has forced SMEs to utilize technology as a means of being viable, competitive, engaging with more consumers, and enabling management to make strategic decisions. **(Khai, K. G., et al., 2020)**

The corona virus had a negative effect on the world economy of businesses in addition to seriously harming people's health. Businesses that are small and medium-sized (SMEs) are more vulnerable than others. Their situation is made more challenging by characteristics such as a lack of specialized knowledge and inadequate financial resources. They encounter difficulties in responding to the problems posed by the COVID-19 issue due to a lack of funding and specialized knowledge. **(Klein, V. B., & Todesco, J. L., 2021)**

A lack of human resources, a lack of managerial capability (procedures, techniques, and tools), a lack of capital resources, and a lack of knowledge management (only tacit knowledge, nothing is formalized) make it difficult for SMEs to respond to this crisis. These characteristics set them apart from large corporations. A smaller business is more vulnerable to both internal and external forces, and SMEs are therefore exposed to the liability of smallness. **(Klein, V. B., & Todesco, J. L., 2021)**

**Liability of diminution:** As a corporation gets smaller, it becomes more vulnerable to external (and internal) factors. Some of them continue to pose a risk due to their youth. However, how well SMEs perform is influenced by their size and the industry in which they operate. There is a cause-and-effect relationship between the sector and the capacity to acquire and exploit knowledge to remain competitive (ambidexterity), as market and

technical dynamism, as well as complexity and knowledge base shortages, vary by sector. (Klein, V. B., & Todesco, J. L., 2021)

Throughout the pandemic, it was challenging to obtain government financial assistance because to both administrative and informational barriers. Before the epidemic, private funding usually offered stricter credit conditions since SMEs presented a greater risk, hence smaller enterprises were less aware of government aid measures. Small businesses have limited capital. They are not only far behind their larger counterparts in the fight against the virus as a result of their severe financial limitations, but they also end up with other drawbacks. (Klein, V. B., & Todesco, J. L., 2021)

Making a general assessment of SMEs while addressing the COVID-19 issue gives larger SMEs an erroneous picture of the tiny SMEs because they might not have the same problems. Larger SMEs might have millions of dollars in cash reserves to cover their payroll, which would change how they experienced the COVID-19 pandemic. The smallest SMEs may suffer for even shorter periods due to the lack of savings. (Yi, V. Z., 2020)

Due to their small size, micro-SMEs can change their business strategy more quickly, making them more adaptable. However, maintaining overhead costs and implementing changes to their business plan would be challenging for SMEs with a sizable workforce. (Yi, V. Z., 2020)

SMEs should accumulate cash reserves when the chance arises. This will enable them to safeguard their company in trying times. They should prevent making excessive investments in the expansion and acquisition of large assets, such as properties, which are challenging to sell in trying times. Diversifying the customer base is preferable to relying just on one type of clientele. SMEs who conduct worldwide business should also use foreign exchange hedging to reduce risk. (Yi, V. Z., 2020)

Despite the fact that SMEs have historically been affected by both financial and non-financial crises, the pandemic has made it more difficult to determine how to maintain business continuity. On the viability and sustainability of small and medium-sized enterprises (SMEs), the COVID-19 epidemic had a profound effect. (Zutshi, A., et al., 2021)

Small and medium-sized businesses (SMEs) make up the majority of companies in the EU. They are responsible for more than half of all value added produced by businesses in the EU and two-thirds of all private sector jobs. They have given their approval to a number of programs aimed at assisting SMEs, such as COSME, Horizon 2020, and the Small Business Act. These programs seek to increase the competitiveness of SMEs with the use of cutting-edge technologies, creative research, and easy access to funding.

However, according to the Small Business Administration (SBA), finding financing is still the second-biggest issue affecting certain SMEs. SMEs frequently fall short in their attempts to obtain the required finance from banks and secondary markets. (Panagopoulos, A. G., 2020)

SMEs are having trouble finding enough money to cover their fixed operational costs, such as rent or a mortgage, utilities, and insurance. Small and medium-sized enterprises (SMEs) in Sichuan Province, China, encountered numerous obstacles that made it difficult for them to complete their tasks, such as a lack of raw materials and access, a virtually nonexistent market demand, and employees who would not reapply. (Zutshi, A., et al., 2021)

The epidemic had a serious detrimental impact on the financial performance of SMEs during the lockdown brought on by the work stoppage and employee layoffs in Masvingo, Zimbabwe. Similar results were also observed from Malaysia. Financial

management and supply chain disruptions are two important business sectors where the pandemic's consequences can be seen. SMEs have been requesting help from the government in restarting following the closure. (Zutshi, A., et al., 2021)

On the plus side, SMEs in Macau discovered that because they were more adaptable in their responses to disasters, small organizations suffered fewer economic losses than their larger counterparts. Extra support techniques are needed in larger businesses to streamline new company negotiations and improve interactions between entrepreneurs and investors. (Zutshi, A., et al., 2021)

Small business is viewed as an efficient tool for the growth of a market economy and a type of economic activity for the populace in today's society. The formulation of broad regulations and programs for the growth of this sector of the economy, as well as the approval of specific targeted measures, include the economic and legal support for small enterprises. It is now possible to choose a workplace and there are no longer any geographic or transportation limitations thanks to the rise in remote workers and flexible work schedules that allow them to design their workdays. (Nosirova, N., 2021)

### **2.1.2 Role of Crisis Management Plan**

In times of crisis, many nations have tried to enact policies that would give the government more power to control the economy. For instance, the implementation of crisis management plans that contain many immediate financial aid measures for small enterprises. (Nosirova, N., 2021)

These policies primarily focus on the following areas; first, boosting small businesses' levels of sales and limiting the depletion of their working capital by offering export credits and guarantees, lowering tax rates, and granting tax deferrals; second, facilitating small business access to financing through prompt working capital

availability, credit debt restructuring, and extending alternatives for guaranteeing payments and repaying existing debts; and third, the provision of financial support for small businesses in the form of innovation and investment projects that are highly marketable and economically efficient to give small businesses the chance to enter the market with new goods and services that may be in great demand. (Nosirova, N., 2021)

Grants for the implementation of investments, loans with favorable terms, and policies to guarantee quick depreciation of fixed assets and targeted funding for R&D are all forms of financial assistance. (Nosirova, N., 2021)

The global economies and the corporate world were impacted by the COVID-19 pandemic catastrophe. Small and medium-sized enterprises (SMEs) are one of the main forces behind economic growth in Saudi Arabia, making up 99.41% of the private sector and contributing 28.7% of the country's GDP in 2018. SMEs also play a key role in employment creation and innovation. Because of the crisis period, 49.1% of medium-sized, 27.6% of small, and 10.6% of micro businesses have opted to stop hiring new staff altogether. Additionally, since the start of the crisis, 36.4% of medium-sized businesses have temporarily laid off more than 10 people. Stops were concentrated greater in microbusinesses with 1-3 employees (44%), those with 4-6 employees (22.2%), and those with 1-6 employees (22%), whereas stops in small businesses with 1-3 employees were less concentrated. (Parveen, M.,2020)

The global economic landscape has radically and unexpectedly shifted since the COVID-19 pandemic's appearance and many nations are now projected to experience an economic recession. The economic situation is not any better here in Malaysia. Many SMEs are already dealing with common issues related to their survival or ability to remain competitive before the crucial pandemic era. More than 50% of SMEs collapse within the

first five years of operation, according to the resources available. Many SMEs are currently dealing with problems like growing market instability, increased costs of goods, and fiercer competition. These unmistakably show that SMEs in Malaysia are dealing with significant problems and numerous barriers to being competitive businesses in Malaysia. **(Khai, K. G., et al., 2020)**

Due to the unusual severity of the COVID-19 outbreak, which has weakened the economy and negatively impacted supply chains and demand, SMEs in Malaysia have performed poorly. SMEs must demonstrate exceptional resilience and agility to continue being adaptable and relevant to this unfavorable circumstance because they are crucial to the growth of the nation's GDP and are the most severely affected by the sickness. **(Khai, K. G., et al., 2020)**

Small businesses are essential to the economy in sectors including consumer services, consultancy, technical services, machine repair and maintenance, trade and procurement activities, and intermediary activities. One of the top priorities of the state's economic policy is the improvement of small business competitiveness. Small businesses need to be able to operate efficiently and export goods and services that satisfy customer demand in both home and international markets. Small enterprises benefit specifically from the home market's low prices for goods as compared to the global market. **(Ikromiddinovich, S. K., & Kurbanovich, T. K., 2021)**

Without enhancing the role and energizing small businesses, particularly those focused on production, innovation, and exports, Uzbekistan's national economic modernization policy will be ineffective. Small and private businesses lay the foundation for the long-term growth of national economies since they are the nimblest sector of entrepreneurship to changes in the internal and external environment. Indicators that are used to compare countries qualitatively as well as quantitatively differ between them. The

competitiveness of small businesses is supported by the government in many economically developed nations through organizational and financial support. (Ikromiddinovich, S. K., & Kurbanovich, T. K., 2021)

### **2.1.3 Financial Access is the Main Obstacle**

The high cost of borrowed financial resources is one of the key issues with small and medium-sized business's finances. Although there is a definite trend toward lower loan interest rates, resources are still very expensive and not only do not contribute to the mass expansion of SMEs but work against it. Another issue is that the majority of SMEs in the nation continue to operate "in the shadows," while banks prefer to lend to established, successful medium and large enterprises, in part because of their increased openness. (Ikromiddinovich, S. K., & Kurbanovich, T. K., 2021)

In the Middle East and North Africa (MENA) area, small and medium-sized businesses (SMEs) are now universally acknowledged as the main factors boosting economic growth. The major issues were a lack of access to capital, poor management, ineffective governance, a shortage of skilled workers, inadequate infrastructure, corruption, and bureaucratic obstacles. The biggest problem among these problems seems to be the lack of financial access. (Otman, K., 2021)

Generally speaking, these businesses' significance stems from their dynamic role in economic growth and their GDP contribution since they are seen as the economy's driving force. In addition, it generates new job opportunities, low-cost goods and services, and income distribution in addition to the development of novel goods and services. We learn some facts about SMEs from looking back at earlier studies. They frequently have a straightforward structure and operate as partnerships or family businesses. Second, SMEs are more adaptable than large businesses, allowing them to react to unfavorable

situations and seize opportunities. Thirdly, they encounter some challenges and dangers that have an impact on the expansion and expansion of these businesses.

The bulk of world economies, especially those in developing and rising countries, depend heavily on SMEs. According to the World Bank, formal SMEs make up up to 60% of all jobs and up to 40% of GDP in emerging nations; these figures would be far higher if informal SMEs were taken into consideration. (Otman, K.,2021)

Small and medium-sized firms face significant financial difficulties, which can negatively affect their operations. One of the biggest obstacles to development has been recognized as access to capital. The biggest obstacle to the development of SMEs is now a lack of adequate financial resources. Because SMEs are typically labor-intensive enterprises, they are less able to absorb labor costs when faced with financing restrictions. (Otman, K.,2021)

Additionally, the majority of SMEs' owners and executives lack sufficient strategic experience. Many business owners lack the necessary education and expertise to effectively run their organizations, so their leadership style is largely determined by failure and temporary financial gains with little regard for long-term policy planning. Several regulatory responsibilities are held responsible for mistakes. These areas concern SMEs that are unable to control: inventory management, sales & marketing, accounting skills deficits, cash flow management, and credit management. (Otman, K.,2021)

Smaller size is a burden for SMEs. Smaller businesses are therefore more vulnerable to both internal and external events, such as the loss of a key employee, a reduction in financing options, a decline in demand as a result of a competitor entering the market, or, in the case of this manuscript, a crisis affecting the global economy. Additionally, when the company is smaller, decision-makers are more approachable to customers and other stakeholders. They can utilize this to learn vital market information

that will aid them in responding to situations. For SMEs, obtaining financing is more challenging during times of crisis. Lack of money is the most obvious result of a crisis, which is frequently caused by a decline in income or by stricter investment regulations. This issue is dealt with by finance. (Eggers, F., 2020)

Tiny businesses typically have to deal with the liability of being small, but crises and disasters increase the availability of resources and cause liquidity issues for SMEs. Customers cut back on their spending or cease altogether, and investors become more cautious. Some papers provide solutions to this issue, such as employing trade credits and examining various financing schemes. However, a crisis can also bring up business possibilities that are best handled by taking creative and proactive steps. Advantageous in this regard are the potential for more flexible decision-making and a SMEs close closeness to its clientele. (Eggers, F., 2020)

Because it was difficult for SMEs to get resources and they had insufficient liquidity, their activities were severely impacted during a crisis. Thanks to government stimulus programs that give loans with lower interest rates, the difficulties of receiving financial aid during the COVID-19 epidemic may become easier, although SMEs continue to experience severe liquidity issues. Prior to the pandemic, small businesses were frequently experiencing financial problems like insufficient working capital, cash flow liquidity, and difficulty obtaining loans or other forms of financial aid. (Yaacob, Z., & Radzi, R. M., 2022)

In the normal course of business, SMEs face numerous obstacles to growth, but the pandemic's transition from a health catastrophe to an economic one put an even greater burden on them. Most SMEs have little money left over to pay for rentals, employees, and other overheads when the implementation of complete or partial lockdowns drastically reduces their sales. Small and medium-sized businesses (SMEs) are more

negatively impacted by the economic downturn than larger companies since they have less robust reserves and assets and lower production levels. Due to financial difficulties, small and medium-sized firms (SMEs) were forced to reduce workers, lower wages, limit operation hours, or even close. (Yaacob, Z., & Radzi, R. M.,2022)

In Jordan, SMEs make about 99 percent of all firms. SMEs are grouped according to the number of employees they have. Small businesses employ 19 or less people, and medium-sized enterprises employ 20 to 99 people. These SMEs are responsible for 35% of available jobs and 45% of transformational exports. However, the SMEs in Jordan have suffered more since they were ill-prepared to deal with the difficulties brought on by the interruption of supply chains, decreased trading, decreased cash flow, and significant expenditures in technology. It will be simpler to comprehend the resilience abilities required to fight the pandemic if you are aware of the COVID-19 challenges that affect SMEs. (Zighan, S., et al., 2021)

The Jordanian government has implemented a tight plan and taken proactive efforts to address the disease. To stop COVID-19 from spreading, the Jordanian government maintained social distancing; many businesses were closed. The Jordanian government has tightened restrictions and taken other steps to distance itself from the second wave. The majority of the country's SMEs functioning businesses have suffered unheard-of financial losses as a result of these policies, which have produced an economic recession over the whole nation. (Zighan, S., et al., 2021)

Banks considerably help small- and medium-sized enterprises remain sustainable by offering financial services, technology, and business solutions. Banks, which also offer direct and indirect financial services including loans, mortgages, and other products, draw in deposits. As institutions that provide financial intermediation, banks' main objectives

are to make a profit, boost stockholder value, and lower risk. Banks that aim to reach these goals on the supply side of their financial services must therefore provide banking services to companies, SMEs, and retailers on the demand side. (Shihadeh, F et al., 2019)

One of the main challenges to the growth of small and medium-sized businesses (SMEs) around the world is access to financing. Additionally, there are still information gaps regarding the connection between SME development and securing funding from financial institutions. The main obstacles they have encountered are financial ones. SMEs are crucial to the economy because the Palestinian economy has to expand and diversify, particularly in the productive sectors. To develop a proper environment that enables them to receive the required money that will enable them to activate their function, we need to create a supportive structure and clear strategy that includes the government, the banking sector, and other organizations.

#### **2.1.4 SMEs in the Palestinian Context**

The Palestinian National Authority has been eager to help and finance micro, small, and medium-sized enterprises since 1994 because it encouraged the opportunity for them to be established and run in accordance with Palestinian legislation. The statute that governs them, which restricts the challenges they confront, has not yet been finished. Small and medium-sized enterprises are thus forced to engage in a cycle of conflict while weathering the surrounding political conditions, which impair a variety of economic operations in Palestine due to the numerous obstacles that prohibit them from being steadfast. (Hanini, M. W., et al., 2021)

Along with the difficulties brought on by poor management, poor planning, and reliance on the (Israeli) economy, there are also difficulties caused by drawn-out and

complicated procedures, a steadily expanding labor force, and a lack of essential social services in Palestine. Nevertheless, a significant number of small and medium-sized businesses are still resolute in the face of these impediments despite the significant challenges and difficulties they face. In addition to the requirement for the Palestinian economy to advance and progress, which calls for serious interest from all official bodies in Palestine, the government in Palestine intends to develop small and medium enterprises because they account for 90% or more of all projects for the local economy and have a positive impact on the structure of the Palestinian economy as a whole. This is especially true in light of the difficult situation it is in right now. **(Hanini, M. W., et al., 2021)**

According to the experience of the Palestinians in establishing and assisting small and medium-sized businesses, the concerned governmental as well as non-governmental organizations seek to create the ideal environment for the growth and development of this sector. As a result, a number of financial and non-financial organizations started to develop that would aid in the growth of this industry and provide chances for the creation of new projects as well as chances for the expansion of existing ones, allowing small and medium-sized enterprises to develop into large projects. **(Hanini, M. W., et al., 2021)**

Since SMEs make up the majority of firms and create the majority of new jobs in an economy, they are essential to both the employment rate and the number of people employed. Additionally, SMEs in developing countries employ about 60% of the labor force and contribute about 40% of the GDP. Over 55% of the GDP and 91% of the work force in Palestine are produced by SMEs. **(Shihadeh, F et al., 2019)**

SMEs make up over 90% of all businesses in the MENA region and employ about 30% of the labor force. Additionally, SMEs may contribute to the reduction of poverty through market cycles, investments, and employment. Therefore, promoting SMEs'

sustainability by expanding their access to financing sources is essential to promoting overall economic sustainability. **(Shihadeh, F et al., 2019)**

The effectiveness of government development planning to support the MSMEs sector is low (59%), and the government development planning is insufficient as the adequacy of government development planning was at a moderate degree (62%), and the level of coordination between the concerned authorities was also at a moderate degree (70%). These numbers demonstrate how ineffective the government's involvement in supporting MSMEs is, especially in light of these. **(Hanini, M. W., et al., 2021)**

One of the most important ways to improve an organization's performance during this challenging coronavirus (COVID-19) period is through strategic planning. Numerous studies demonstrate a strong relationship between strategic planning at all levels and organizational effectiveness. The term "strategic planning" describes a long-term planning procedure that identifies the target market groups, takes into account internal and external elements, and assesses the rivals. A review of the internal and external environments, including research on strengths, weaknesses, opportunities, and threats, is the first phase in the process of strategic planning. A strategy is then developed, and then it is formulated, put into action, and evaluated. **(Nurunnabi, M., 2020)**

These strategies are viewed as a response to the crisis by changing their operational procedures, which could be a costly endeavor. Therefore, the lack of emergency funding from the government may help firms respond more forcefully, which appears to support the survival of the businesses. Companies must also form strategic alliances with their supply chains, customers, the government, and other stakeholders in order to maintain operations and guarantee a sustainable business. **(Nurunnabi, M., 2020)**

Having a distinct and clear strategic vision is the cornerstone of developing and executing an effective plan. The reason for this is that the strategic vision is a method for developing strategic thinking about the future of the sectors, the caliber of their desired activities, and their anticipated market position.

Strategic planning (SP) is thought to be crucial for business expansion and efficiency in the service sector. But according to data from the Palestinian Bureau of Statistics, the majority of service-oriented businesses struggle due to a lack of strategic planning and development. Additionally, little is known about the function of crisis management in the process of strategic planning based on the previous research. **(Purnomo, B. R., et al., 2021)**

The purpose of having written, comprehensive strategic procedures and plans are to guarantee that managers are committed to and bound by the strategic planning process, allowing for specific evaluations and realistic goals. Thus, the phrase "formal strategic planning" refers to the process used by a corporation to define its mission, goals, strategies, and policies as well as the clear, systematic, and strategic methods used to manage the resource allocation necessary to achieve those goals. **(Purnomo, B. R., et al., 2021)**

Therefore, the driving force behind this goal is to have a better knowledge of how risk/crisis management fits into newly emerging strategic business processes. Enhanced strategic planning efficacy results from formal strategic planning, particularly when addressing emergencies. This means that formality, a key component of strategic planning, is always required to launch any strategic process in organizations.

## **Chapter Three**

## Chapter Three

### Methodology

#### 3.1 Research Design

In-depth, first-person perceptions of people's experiences are provided by qualitative research. Future researchers will find it easier to duplicate or build on the work already done if the research process and participant demographics are well described. (Swain, J., & King, B., 2022).

This study used a qualitative research strategy that focused on using content analysis, personal observations, and structured and semi-structured interviews in order to maximize the reliability and validity of research findings. Discovering the opinions and experiences of the participants with reference to a certain question is the aim of qualitative research. These results are sorted, evaluated, and presented to identify commonalities among the study group's participants.

Qualitative research provides a method that is more adaptable. Researchers can modify questions to change settings or factors and enhance responses if the insights are not helpful. (Swain, J., & King, B., 2022). The qualitative technique has the ability to extract and deliver rich, thick, and detailed descriptions based on the perspectives of the participants. Since real-world situations are the main focus of qualitative research, a natural environment is used as a direct source of data. It makes it possible to create real-world, situational stories that capture every aspect of reaction.

### 3.2 Sampling and Selection

Participation in the study was voluntary, and a purposive sample was used. Participants were chosen from among funding/donor organizations and SMEs.

Purposeful sampling, one of the most common sampling methods, divides participants into groups according to specified criteria that are relevant to a particular study problem.

Sample sizes are decided by the time and resources available as well as the objectives of the study, and may or may not be established before data collection. (Farr, B., 2008).

For researchers looking to choose individuals who might shed light on their study question, purposeful sampling is an effective strategy. When analyzing groups with certain technical traits or experiences, where a random selection of individuals could produce inconsistent results, this approach is helpful. By choosing individuals who are most pertinent to the study subject, purposive sampling can increase the quality and accuracy of the data acquired. Additionally, this method enables researchers to gather information from a variety of individuals who have various viewpoints and experiences relevant to the research subject (Murazi, T., et al., 2022).

In this study, participants were chosen after they have met the inclusion criteria, which included having worked for at least five years at an international or government-donation organization, financing institution or at SMEs in West Bank, as well as having a strategic plan created before 2020.

The twelve-person sample was split equally between SMEs (six) and financing/donor organizations (six).

### 3.3 Data Collection

The topic was investigated using a semi-structured in-depth interview guide with open-ended questions. A transcription of the recorded interview was made for analysis after it was recorded using an interview recorder.

Following a series of open-ended questions, participants in a semi-structured interview are then asked more questions to delve deeper into their responses and the research topic. Semi-structured interviews in qualitative research combine the most beneficial elements of structured and unstructured interviews. While some questions lack preset answers, others do. The questions may not necessarily have to be asked in the same order or with the same wording, even when the interviewer has a general notion of what they want to ask. (Husband, G., 2020).

While still allowing you to keep your attention on the topic of interest, semi-structured interviews give you the opportunity to explore any relevant ideas that may arise. Qualitative researchers frequently utilize semi-structured interviews as a way to collect new data and gauge participants' opinions on a certain topic. (Husband, G., 2020).

The major technique of data gathering for this study was in-person interviews. The interview lasted anywhere between 30 and 60 minutes.

The researcher introduced herself, outlined the goals of the study, and got participants' informed written consent before each interview. For each interview, a quick sociodemographic questionnaire was then filled out to gather background data. One-on-one interviews were conducted by a researcher with interview subjects.

### 3.4 Data Analysis

In data analysis, a thematic method (themes and sub-themes) was used, according to **Kiger and Varpio (2020)**. Thematic analysis is a method for analyzing qualitative data that involves examining a collection of data and looking for patterns in the meaning of the data to pinpoint themes. A critical component of making sense of the data is the researcher's own experience, which is an active reflexive process.

**Kiger and Varpio (2020)**, Thematic analysis is frequently used in qualitative research. It emphasizes the need of identifying, interpreting, and comprehending qualitative data patterns. Using this methodology, we can look at qualitative data in a certain way. It is frequently used to refer to a grouping of texts, as a transcript of an interview or a collection of articles. We carefully go over the data to seek for repeating concepts, themes, or phrasings. Regardless of our methodological backgrounds, we can participate in this type of study because to the theme analysis' flexible approach to data analysis.

Data analysis is a six-step process, the first of which was frequent, active reading for the thematic analysis. The first important analytical stage in the process was to generate the basic codes, which allows for the detailed, exact categorization of data. The second part of the coding process has now begun. This part of the task generates codes instead of themes. The third phase was looking for potential patterns in the coded and collected data extracts that might have broader implications.

The fourth stage, which is described as a two-level analytical process, was reviewing topics. To ensure a good fit, it evaluates coded data positioned within each topic at the initial level of analysis. every code and data extract that is relevant to each

subject and query should be examined. Data extracts were restructured, and themes were altered to better reflect and capture coded data.

The sixth step involved defining and naming topics. Each topic should have a definition and a narrative description that explain its importance to the overarching research question after the thematic map has been developed. Writing up the final analysis and conclusions summary, which will be covered in chapter four, was the sixth and final phase.

### **3.5 Validity and Reliability**

The "appropriateness" of the instruments, procedures, and data in qualitative research refers to validity. The appropriateness of the methodology chosen, the appropriateness of the methodology's design, the appropriateness of the sampling and data analysis, and finally, the appropriateness of the findings and conclusions for the sample and context (**Leung, L. 2015**). In order to achieve validity, our research data collection tool was precise and exhaustive enough to capture the information required in relation to the study's objectives.

Determining trustworthiness from an epistemic perspective is problematic and unreasonable. (**Leung, L. 2015**). As a result, dependability in qualitative research depends on consistency. Consistent results, significant information gleaned from respondents, and information relevant to the research aims are all requirements for reliability. It was later studied in order to make reliable judgments.

### **3.6 Ethical Considerations**

Research privacy and confidentiality concerns frequently lead to ethical dilemmas. Because disclosing a participant's information could have negative effects that are beyond repair, it should only be done in exceptional circumstances. One of the most important ethical concerns in qualitative research is informed consent. This implies that participants must be appropriately informed about the research and that participation must be voluntary. (Orb, A., et al., 2001). Additionally, privacy relates to how much a study participant explicitly discloses to the researcher, whereas confidentiality refers to how the researcher protects the participant's private information.

The right to access the study's findings was provided to the participants, who were reassured that confidentiality would be rigorously upheld. Written informed consent was obtained before the study got started. The agreement included precise information on the objectives of the study and how the data will be used. In order to protect interviewee privacy and encourage complete interview transparency, interviews were conducted in a separate room.

### **3.7 Limitations**

The engagement of the participants was the study's main shortcoming. Participation in the study was optional. Because of this, not all of the possible volunteers decided to take part in the study, which made the process of gathering data more time-consuming. The sample size further restricted our ability to generalize the problems identified in this study.

## **Chapter Four**

## Chapter Four

### Results

This study's focus was on the component, strategic planning, as a tactical tool for addressing and controlling risks faced by SMEs. Interviews with financing institutions/donors were conducted as part of the first phase of the analysis process, while interviews with SMEs were conducted as part of the second phase.

#### The First Phase

The donor sample for this study comprised six male individuals with ages ranging from 35 to 60, all of whom held a Master's degree. Their professional backgrounds were diverse, with two participants having over two decades of experience, two with more than ten years, and the remaining participants averaging fifteen years of professional experience.

From this stage of analysis, three themes and eight subthemes were identified. First, **Financial Access** with its terms and warranties, followed by management roles and obligations. Second, **Grant Programs** that included features and capabilities, utilization (knowledge and skills), and target group all had numerous issues. Thirdly, **Sustainability** has emphasized the importance of multi-sectoral efforts to achieve, including government policies and regulations, SMEs definition criteria, and regular monitoring and assessment.

#### 4.1 Financial Access

Terms and warranties, as well as management responsibilities, are all part of the financial access topic. Due to several outcomes, both favorable and negative, all participants were concentrating on this theme as a key component.

The results showed that enterprises' characteristics, financial features, and owners' characteristics were significantly positively correlated with access to funding. This study also concludes that financial factors like startup capital, current capital status, interest rate, business plan, etc. have a direct impact on how easily SMES may acquire financing. The ability to develop relationships with financial institutions and be adept and educated businesspeople were among the traits of the owners who had access to credit and could manage borrowed money for commercial purposes.

One of the participants (**participant 2**) quotes this idea as follows: *“First, the financial costs. The reason why modern financial institutions don't charge the same amount for everyone is the risk, particularly the cost of default. As a result, we add the risk premium to the prime rate, which is what we do in BOP. The cost of risk comes in second. The non-performing loan ratio (NPL) for SMEs is often high; before and during the COVID-19 pandemic, it reached 25–35% in BOP. In exchange for a fee from the bank, banks typically seek assistance from other parties to secure loan guarantee funds that cover a percentage of the loss in loans”*. Remarkd another participant (**participant 4**) said: *“But if you bring in an investor, he'll share the risk and take a piece of the gains or losses, too. When you take out a loan, you are responsible for paying it back whether the business succeeds or fails. SMEs are unwilling to assume the risk of taking out loans due to the risk profile that exists in Palestine. Risk is now the missing component, and since some banks are risk-averse and believe lending to SMEs carries a significant*

*amount of risk, the question is whether donor organizations can offer risk mitigation tools like partial credit guarantees or credit guarantees”.*

Furthermore, **(participant1)** added: *“When using strategic planning tools, micro companies could have fewer possibilities than small and medium-sized businesses. They also encounter difficulties with administration and planning, both of which are crucial for survival. Because businesses won't be able to compete or thrive in the market without a plan for their spending, earnings, payments, and even investments with a business plan. For these businesses, strategic planning shouldn't be difficult, but straightforward preparation is unquestionably required. producing money by confirming that these companies require finance and that they understand how they will apply it to their operations”.* As well as *“SMEs sometimes give limited or no guarantees, particularly nontransferable guarantees, which is one of their key problems. Since banks do not accept guarantees that can be transferred, this forces SMEs to seek financing from lending institutions, which offer financing with fewer terms and conditions but higher financing costs due to the lending institution's higher costs and increased risk”.*

This study's findings are consistent with previous research, highlighting a fundamental barrier that SMEs face unfavorable terms and circumstances that limit their capacity to secure funding. High interest rates, a scarcity of collateral security, and short payback periods are examples of such barriers. These limitations underline the critical role that affordable financing plays in encouraging these enterprises' long-term growth and expansion.

As a result, the study reveals the intricate network of challenges that small and medium-sized firms (SMEs) face when seeking loans from financial institutions. Regrettably, larger firms receive a disproportionate share of credit resources. This

disparity in lending distribution reflects a worrying reality: SMEs struggle to secure loans due to a lack of appropriate resources. Because of the scarcity of financial assistance, SMEs are at a disadvantage.

## 4.2 Grants Programs

According to the participants in our study, characteristics and capabilities, use (knowledge and skills), and target group, all have a significant impact on grants. Management must make sure they have the skills necessary for efficient organizational performance. Additionally, businesses must advance their technology to get a competitive advantage. Managers should actively look for training opportunities. A lack of funds and management abilities can impair the performance of a corporation. Lack of also affects performance. Utilizing cutting-edge technologies can be used to improve performance. There isn't enough training available to assist entrepreneurs in managing their businesses.

One of the participants (**participant 4**) said: *“Whether or whether not SMEs genuinely possess the necessary knowledge to request financing from financial institutions and submit the necessary documentation is a valid concern regarding the topic of financial literacy. Will more SMEs borrow as a result of a faster loan application process? Donors can assist attempts to promote financial literacy by contributing to literacy campaigns and changing high school and college curricula to incorporate financial education”*. In contrast, (**participant 1**) said: *“Based on the conducted surveys and my knowledge and experience in this field, one of the biggest obstacles MSMEs encounter when trying to get financing is their lack of financial literacy and capacity to take advantage of these initiatives or work with banks. Furthermore, Palestine has a sizable informal sector, many of whom would prefer not to register bank accounts and*

*think that banks and their procedures are overly formal and unnecessary. As a result, individuals rely on their resources or look for alternatives that carry a larger risk and a higher price, such as shady money lenders*". On the other side, **(participant 6)** said: *"Because of this, the bank labels the customer "entrepreneur" as a high-risk client if they lack the necessary expertise, resources, and financial backing. They lack the expertise, which ultimately causes them to fail"*.

These programs all assist business owners at various stages of their development. Each of these programs is situated in a distinct area and engages with the entrepreneurial environment in a distinctive manner. The challenge small businesses confront in obtaining the financial resources they need to sustain and expand their operations is a barrier that keeps coming up in all kinds of circumstances. Financial institutions, namely banks, view each of these target markets as a dangerous investment, albeit for various reasons. **(Participant 3)** said because he was focused on the grant program's target audience: *"Donors must have more intelligent programming that is motivated by national needs rather than personal ambitions. Bilateral donors frequently have agendas from their capitals regarding areas they are focusing on, such as gender, green financing, or transparency, and these agendas are tone-deaf to the needs or preferences of the country. They also avoid working with banks and financial institutions because doing so means they aren't serving the people they are supposed to be serving. This is an illustration of a poorly designed intervention in which the intended audience is not given access to the program for them to profit from it"*.

These programs facilitate access to finance, the target beneficiaries are vulnerable groups, micro-enterprises. Then **(Participant 1)** adds on the same point: *"The procedure for funding was that SMEs would apply to the banks for financing, and if their request*

*was granted, the bank would examine and analyze it before sending it to the PMA for another review and approval. We then discovered that we are not reaching and targeting the designated group of businesses—micro-organizations—that were most negatively impacted by the epidemic and that it was mostly given to small and medium-sized enterprises. That was because they were already established as bank customers and could readily obtain financing from those institutions”.*

Management abilities are crucial to the success of businesses. The results showed that the participants generally agreed that there is a substantial gap between the market demands and the administrative skills and capacities of business owners, particularly in the skills required to run firms. This is especially true for business owners who are starting out without the right training and with a weak managerial foundation. However, there is a lack of knowledge about such initiatives among business owners, which prevents many SME owners from taking use of them. The subjects’ divergent opinions on the appropriateness of financial services in this context are used to support the conclusion that entrepreneurs are unaware of the services that can provide them with financial support.

### **4.3 Sustainability**

Many aspects, including governmental rules and regulations, the definition of an SME, continuous monitoring, and assessment, all contribute to SME sustainability. And this was evident in the responses of the participants. In order to solve social and environmental challenges, governments should be looking to change how the globe conducts business. These modifications are being demanded by consumers more and more. All businesses must be aware of the laws and rules that are gradually reflecting this

new orientation. Although many rules are aimed at large companies and those with excessive energy consumption, SMEs will nonetheless be impacted by this movement. SMEs make up a significant portion of the global economy, and it is believed that their participation in the changes is essential if governments are to achieve their objectives.

One of the participants (**Participant 2**) said: *“The influence on the economy may be bigger if there were major strategic initiatives, whether from the government or any other stakeholder. As they all enter the market with varied purposes and agendas, only a few initiatives currently have an influence. However, if efforts were coordinated and cohesive, the impact would be stronger, and it would be lacking”*. And he added: *“We must create novel techniques for assessing SMEs because we will never be able to get financial accounts from audited SMEs. As a result, we can examine their cash flows, bank statements, surveys on the quantity of goods purchased and sold, etc. Additionally, we are now working on comparing economic sectors to determine how much cash is transacted in each sector’s transactions”*. In addition, (**participant 4**) said: *“How the government, regulatory agencies, financial institutions, and donors can promote Palestinian SMEs is a challenging question to solve. However, the government’s performance must be enhanced since everything it does must be done to a higher standard, which is now not the case because some policies are not put into action and some reports are not read. As a result, the government’s performance management is a crucial foundational component and must originate from within the government”*.

On the other hand, the evaluation of SMEs and entrepreneurship policies and programs outlines evaluation concepts and offers examples of successful evaluations of SME and entrepreneurship policies from other countries. To determine if SME and entrepreneurship policies are successful in achieving their goals and to determine how

they may be improved, monitoring and evaluation are essential. The evaluation process must be thorough and rigorous, employ control groups, and provide comparisons between programs. **(Participant 3)** said: *“because it is small in size, unorganized, informal, and not registered in the Ministry of Economy, it does not guarantee permanence and sustainability and, even if it is registered, there is no continuity in paying fees, so there is a tendency for unorganized work, informal work, and illegal work”*.

Whereas **(participant 1)** was concentrating on the definition of SME's, he said: *“We struggled to come up with a consistent and precise description of these businesses—who are MSMEs? —so each body came up with its own! Based on the accepted and unified description of these firms, a joint committee is now developing policies and strategies to strengthen this sector”*.

SMEs are under increasing pressure today to assess and control their environmental effect. They are an essential component of the supply chain where there is an increase in demand from both customers and suppliers for sustainability management, particularly for SMEs looking to win contracts with governments or bigger businesses. The resources SMEs need to keep providing their goods and services in the future must also be made available to them.

## **The Second Phase**

The sample of SMEs included six individuals, comprising an equal distribution of three men and three women, aged between 30 and 45. All participants, with the exception of one, held bachelor's degrees. Within the group, there was a notable variation in professional experience. Two participants had an average of more than seven years of

experience and the remaining participants brought an average of fifteen years of collective experience.

During this level of analysis, the examination unearthed two overarching themes accompanied by five subthemes. Before delving into the limitations associated with donor-supported techniques and financial issues, it is imperative to first scrutinize the pivotal role played by donor organizations and the nature of their support. Secondly, a crucial aspect of the operational duties of SMEs involves delving into their responsibilities in proactively implementing crisis preparedness and efficiently managing resources during times of crises.

#### **4.4 The Role of Donor Organizations**

The characteristics of support, the limitations of donor-supported procedures, and financial concerns are all said to have an impact on SMEs performance during crises as a significant function of donor organizations, according to the study participants. Donors may increase the exceptional potential of SMEs to contribute to sustainable development in low- or middle-income country (LMIC) environments by strategically investing in SME development, which means helping new and existing enterprises to grow and improve their performance.

Donor sponsorship of the operations of private sector organizations is not often the main emphasis of engagement with industry. Actually, as knowledge and relationship brokers, donors might serve a more facilitative function. Donors should be aware of the growing convergence between a company's primary commercial operations and its corporate social responsibility initiatives.

Regarding the type of support provided by donors, one of the participants (**Participant 2**) commented: *“The effectiveness of pre-planning for crisis management is closely linked to the strategies implemented by donor organizations. When these organizations tailor their support to address the unique challenges faced by Palestinian SMEs, the impact of pre-planning can be substantial. Donor-funded training, mentorship, and resource allocation strategies can enhance SMEs’ readiness to respond to crises effectively”*. And she added: *“When assessing the impact of prior planning on productivity, performance, and business continuity, the involvement of donor organizations becomes even more crucial. SMEs that benefit from well-designed strategies implemented by donors are better equipped to sustain operations during crises. Donor-supported access to financing, networking opportunities, and crisis-specific training programs can all contribute to maintaining business continuity”*.

Additionally, the management of resources during emergencies is a responsibility of donor organizations. Donor funding can serve as a safety net, enabling SMEs to manage challenges and deploy resources more wisely. Programs to enhance capacity that are supported by donors can also help SMEs manage their human resources successfully during times of need, ensuring their safety, wellbeing, and effective use. **Participant (3) said:** *“The effectiveness of pre-planning for crisis management is intertwined with the availability of financing. Without adequate financial support, SMEs might struggle to allocate resources for strategic planning, leaving them ill-prepared to navigate crises”*. Whereas the **participant (4)** commented: *“Moreover, the role of donor organizations in resource management during crises might not always be comprehensive. While financial aid can provide temporary relief, it might not address the deeper financial challenges*

*SMEs face. The effectiveness of donor-sponsored strategies can be hindered by bureaucratic processes and a lack of local context awareness”.*

In conclusion, there are doubts about the viability and efficiency of donor organizations’ policies, notwithstanding their intentions to assist Palestinian SMEs in proactive crisis management. Their effectiveness could be limited by a misalignment with SME demands, a short-term outlook, and a potential ignorance of the local context. To effectively increase the resilience of Palestinian SMEs during crises, a more comprehensive strategy that considers the bigger issues and long-term development objectives may be required.

#### **4.5 Responsibilities of SMEs**

The implementation of crisis planning ahead of time and resource management during crises are all tasks that fall under the purview of SMEs. Planning ahead for crisis management may not always be the best course of action. Predetermined plans are less successful in tackling multifaceted problems during crises since they are frequently complex and unpredictable. Many SMEs think that flexibility and speedy judgment are more important qualities in crisis management than strict adherence to established strategies.

As a **participant (6)** said: *“The nature of the crisis may affect how pre-planning affects resources like financing and human capital. The specifics of a plan can be difficult to predict, but having one in place can offer a general framework for managing resource-related difficulties. The capacity of the SME to properly manage resources can be significantly influenced by external factors, market conditions, and the particulars of the crisis”.* In addition, **participant (1)** said: *“In the Palestinian context, where SMEs face a*

*unique set of challenges due to geopolitical factors, the extent of implementation or existence of advance planning for crisis management varies. While some SMEs have recognized the importance of such planning and have taken steps to integrate it into their operations, others may have limited resources and overlook this critical aspect". To the same point **participant (2)** commented: "The extent of implementation of advance planning for crisis management varies among Palestinian SMEs, often due to the daunting financing landscape. Many SMEs find it challenging to secure the necessary resources for strategic planning, as local financing institutions perceive the Palestinian context as high risk. This perception hinders SMEs' capacity to develop comprehensive crisis management strategies."*

The availability of funding has a direct impact on how well crisis management plans work. Without sufficient financial support, SMEs may find it difficult to commit funds for strategic planning, which would leave them unprepared to handle crises. Although there are numerous potential advantages to planning ahead, many SMEs may not be able to take advantage of these advantages due to a lack of financial support. As well as **Participant (5)** said: *However, the necessity for tailored strategies to support Palestinian SMEs becomes even more apparent in light of the limited financial support. Government support that focuses on creating a more favorable regulatory environment, reducing bureaucratic hurdles, and providing targeted incentives can significantly empower SMEs to weather crises more effectively. Collaborative efforts between government bodies, SME associations, and business communities can ensure a comprehensive and cohesive response to crises, even without direct financial injections".*

The results can vary when assessing how prior planning affected productivity, performance, and company continuity. Some SMEs may discover that their agile

methodology enables them to react quickly to developments and keep up some degree of operations even during crises. This might not be the case for all industries or firm sizes, though, as the success of an adaptive approach can depend on a number of different variables.

In conclusion, financial issues inherent in the perception of high risk in the Palestinian context restrict prior preparation for crisis management among Palestinian SMEs. The potential advantages of planning are clear, but SMEs' ability to successfully foresee crises is constrained by their inability to secure funding. To solve this issue and help SMEs deal with crises more successfully, finance institutions, public organizations, and the private sector must work together in a united effort.

## **Chapter Five**

## Chapter Five

### “Discussion & Conclusion”

MSMEs face several challenges, including high production and startup costs, restrictive business and regulatory environments, constrained market access, a lack of export credit programs, a lack of an operational legal framework, and, most crucially, constrained financial resources.

SMEs are among the economic sectors that are of great interest to all countries of the world, organizations, international and regional bodies, and researchers in light of global economic changes and transformations due to their crucial role in production, employment, income generation, innovation, and technological advancement, as well as their role in achieving economic development and social welfare of all countries. (PMA, 2020)

The study's conclusions, in the opinion of the participants, are that the most important internal factors that determine the sustainability of SMEs are those that are related to the workplace, and the most important external factors that significantly affect the sustainability of SMEs are those that are related to marketing, finances, and political-legal issues. The key conclusion of the study is that maintaining SMEs' viability requires resolving financial and employment-related difficulties.

The challenges and restrictions that Palestinian microfinance faced were one of the areas in past studies that most closely matched our analysis. One of them was "difficulty to pay the premiums due on the customer," another was "weak systems of control and follow-up by financial institutions," a fourth was "guarantees for the loan," and a fifth was "weakness of feasibility studies submitted by the customer." The findings

of previous studies indicate that all the elements (collateral requirements, business support services, a lack of information services, and high interest rates on loans) have an effect on SMEs' access to finance in Palestine. Studies have demonstrated a significant link between the need for collateral, a dearth of information services, and SMEs' inability to obtain finance due to high interest rates. Additionally, there is a strong connection between business support services and Palestinian SMEs' ability to acquire funding. (Ullah, K., & Bagh, T., 2019)

The prevalence of financial exclusion and poverty has not been able to be reduced in Middle Eastern nations, including Palestine, despite the expansion of bank branches and the formation of microfinance institutions. Due to the poor availability of essential financial services, the population of these nations continues to confront significant challenges. Even while profitability and efficiency have skyrocketed, authorities are becoming more conscious of the obstacles standing in the way of banks serving neglected populations. (S. Khatib et al., 2022)

Many small businesses refrain from employing a Performance Management Framework because they believe it is a privilege reserved for larger firms, and it is often seen as an onerous and time-consuming task. However, this perception does not correspond to reality. Every firm, regardless of size, can benefit from a well-crafted Performance Management strategy and framework, and it doesn't have to be complicated.

In reality, the method is typically most effective when it begins with little steps and progressively scales up. Recognizing that a Performance Management system is necessary for all firms, regardless of size, fosters a proactive approach to growth and improvement.

One survey emphasized the absence of regulatory frameworks and incentives for small businesses, the ineffectiveness of organizations that protect the interests of small

businesses, the lack of political and economic stability and its effects on investment, Israeli control over all marketing and export channels, and the lack of marketing expertise required to enter new markets. (M, B., & N, S., 2016)

There are many obstacles to the establishment of SMEs in Palestine, but the primary ones are restricted funding opportunities; a weak legal system; limited resources for expansion; and a shortage of skilled workers. As a result of the majority of business enterprises lacking product brands, it also has a number of marketing problems, including inadequate marketing capabilities and limited access to markets, a subpar distribution network, limited marketing policies, and a large percentage of idle capacity. Palestinian SMEs also struggle with their incapacity to compete on both domestic and international markets due to their failure to reduce production costs and raise the caliber of their products and services to meet customer expectations. Not to mention, the vast majority of Palestinian SMEs are family-run firms that have management issues. (N. Dwaikat et al., 2020)

Managerial abilities are regarded as a crucial organizational resource and aid in the development of the firm's stability methods. The development of short- and long-term strategies by the organization would benefit from having multiple managerial skills. Similarly, to this, strategic planning would assist in creating future plans for the business that could influence its success. Because using a variety of abilities to construct organizational planning increases the likelihood of sustainability over time and leads to improved performance. Additionally, they can receive any kind of government assistance to help them train their staff so that they can improve their competencies and then apply efficient planning in the use of their resources. The initial training for SME owners and managers focused on highlighting the value of various managerial skills and advancing both long-term and short-term initiatives. (Ahmad, I., & Ahmad, S. Bin. 2021).

The performance management system promotes continual feedback, offers rapid reporting, and assists in coordinating personal goals with business objectives. The management may make wise choices about performance evaluation, incentives and recognition, and training and development with constant access to the dynamics of the workforce and regular insights. Most significantly, management has the ability to evaluate employee and organizational performance and determine whether course correction interventions are necessary. A performance improvement-focused communication channel is established between staff members and supervisors thanks to the performance management system. Ensuring consistent feedback between staff members and their managers also raises engagement levels.

Governments should place a strong emphasis on the policy elements that will assist SMEs in achieving sustainable performance, such as encouraging company innovation, investing in qualified human capital, and implementing suitable and adaptable strategic planning. To create an environment that is conducive to business and increases the growth of SMEs, the government must also review and address the structural issues that affect SMEs at the policy level. Additionally, SMEs in Palestine, need to increase their strategic flexibility to boost sustainability performance. Practically, it is evident that businesses that want to survive and prosper in the years to come the need to have CEOs and competent human resources who can get over their technology and cultural barriers and effectively use strategic flexibility. Companies should therefore prioritize their proactive and responsive strategy flexibility when dealing with heightened environmental volatility. Recent events have demonstrated that many businesses both locally and globally have paid a significant price for their opposition to change. (Dwikat, S. et al., 2023)

A crucial factor in the growth and sustainability of SME is the value of non-performing loans in Palestinian banks, which would be decreased by increasing lending to SMEs. with the least amount of risk possible, provide additional credit to SMEs. These loans enable SMEs to make investments in their long-term viability and growth. When SME's can access sources of capital and improve their negotiating abilities, they can progress their business-development projects and manufacturing technologies. Because small and medium-sized enterprises (SMEs) make a substantial contribution to the economy, economic policy should prioritize supporting their growth and sustainability. Banks may also participate in other SME activities like financial management, technology investment, and training. Thus, convincing banks of the importance of lending to SMEs could have an impact on their financial performance, the performance of the SMEs they support, as well as the economy and society at large. (Shihadeh, F et al., 2019)

The need for government assistance for business owners and their venture attempts has increased as the world has moved toward an economy driven by small businesses. Governments all throughout the world agree that small businesses are essential to societal stability, job development, and economic advancement. For these businesses to continue to expand and prosper, governments must be proactive in developing entrepreneurship policies and programs. The government plays a variety of roles in encouraging the growth of entrepreneurship and offers a supportive environment for new and expanding firms. Infrastructure, financial accessibility, and a friendly regulatory environment are some of the components of this. On the other side, the government also contributes directly to the expansion of entrepreneurship through initiatives and programs that support entrepreneurs.

## **Chapter Six**

## Chapter Six

### Recommendations

One of the major challenges for SMEs seeking loans from financial institutions is their inability to offer banks fixed assets as security. This shows that collateral is required for loans made by banks and other financial and non-financial institutions. In order for SMEs to thrive, future research may be conducted to find methods (such as relying on cash flow) that eliminate the requirement for collateral in order to acquire funding from formal organizations like banks. The government must set up packages for formal financial institutions that could provide sizeable loans to SMEs without collateral if the loan's intended use is considered to be feasible for SMEs.

The study did not make a connection between the factors impacting SMEs' access to financing and their expansion or development. As a result, we are unsure if providing SMEs with access to financing would result in the necessary growth and development. That necessitates additional research in that area as well.

Based on the study's findings, the following suggestions are made for the formulation of policies at the government and SME owner levels. This approach makes the assumption that maintaining a robust SME sector is a shared responsibility that requires several level efforts. Therefore, the advice that follow encompass both internal and external factors that have an impact on the survival and growth of SMEs.

- ❖ Implementing a comprehensive national curriculum that instills an entrepreneurial mindset from an early age, encompassing both public and private schools, to cultivate a future generation with a fundamental understanding of business principles.

- ❖ Broadening access to entrepreneurship courses in colleges and universities for students across diverse disciplines, fostering a multidimensional understanding of business concepts and strategies.
- ❖ Facilitating networking opportunities between students and successful local business leaders through organized events at educational institutions, creating a platform for mentorship, knowledge exchange, and real-world insights.
- ❖ Formulating government initiatives to shift societal perceptions away from a focus on government employment towards the promotion and celebration of successful local entrepreneurship stories, thereby inspiring individuals to consider entrepreneurship as a viable career option.
- ❖ Implementing innovative marketing strategies to widely disseminate government support programs for SMEs, ensuring accessibility and awareness among a diverse range of potential recipients.
- ❖ Streamlining conditions, guarantees, and interest rates on loans from both public and commercial institutions to create a conducive financial environment that encourages and supports entrepreneurship.
- ❖ Promoting a culture of innovation within businesses through strategic research initiatives and recognizing and rewarding creative contributions from employees, thereby fostering sustainable growth.
- ❖ Enacting market-oriented reforms and policies that support the expansion and continuous growth of SMEs, aligning government interventions with the needs and challenges faced by small businesses.
- ❖ Developing crisis management strategies tailored specifically for small firms, including clear delineation of roles and responsibilities, communication plans for

addressing staff, clients, and suppliers, and comprehensive risk assessments to proactively address potential crises.

- ❖ Encouraging small firms to assess and mitigate potential risks, encompassing natural disasters, cyberattacks, product recalls, and other crises, as part of a proactive approach to crisis management and business continuity.
- ❖ Implementing specialized training programs for financial institutions' personnel to enhance their understanding of the unique needs and challenges faced by SMEs, thereby improving the efficiency and effectiveness of financial support systems. Thinking about future crises in three different ways will help you conduct a risk assessment: what could trigger them (the hazard), what would be impacted (the at-risk assets), and what that would entail for your company (the effect).
- ❖ Small businesses should keep an eye on the news for any potential problems that can have an impact on their industry. If one is approaching, the company needs to be ready to act right away.
- ❖ Small firms ought to put together a team to handle the situation. Representatives from various areas, including marketing, customer service, and operations, should be on the team.

Ultimately, meticulous preparation stands as the linchpin of effective crisis management. The imperative lies in fostering heightened organizational readiness, as a well-prepared corporation is better equipped to mitigate the repercussions of a crisis, safeguarding its hard-earned reputation. As noted by Powers, a crisis, while infrequent, represents a pivotal and demanding juncture, providing a unique opportunity to showcase genuine concern for stakeholders in a conspicuously public manner. This deliberate and thoughtful response not only serves to address the immediate challenges but also works

synergistically to bolster the company's standing, earning recognition for its adept handling of the situation and reinforcing its reputation for responsible and conscientious crisis resolution.

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## **Annex I – List of Financing Institutes / Donors Interviewed**

1. Arab Bank
2. Palestinian Businesswomen's Association (ASALA)
3. Bank of Palestine (BoP)
4. International Labor Organization (ILO)
5. Palestine Monetary Authority (PMA)
6. World Bank (WB)

**Annex II – List of SMEs Interviewed**

1. Advice Technologies
2. Salon Beauty Booking
3. Nobel Medical Supplies Co.
4. Taste Made Healthy
5. Queen Hydrogenated Oils
6. Mint Boutique

## Annex III – Financing Institutes / Donors Interview Form (Arabic)

### نموذج مقابلة – خاص بالجهات المانحة للتمويل

مقابلة رقم (...)

#### القسم الأول: المعلومات الديموغرافية

العمر:	الجنس:
المستوى التعليمي:	المسمى الوظيفي:
مكان العمل:	سنوات الخبرة:

#### القسم الثاني: الأسئلة التحليلية

السؤال الأول: ما هو دور الجهات المانحة للتمويل في نمو الشركات الصغيرة و المتوسطة؟

السؤال الثاني: ما هي البرامج المتبعة لدى الجهات المانحة في تمويل الشركات الصغيرة و المتوسطة في فلسطين، وما مدى ملائمتها في تنمية الشركات الصغيرة و المتوسطة من حيث الشروط و الأداء؟

السؤال الثالث: ما هي البرامج أو الخطط التمويلية المتبعة في ظل وجود أزمة لدى الشركات الصغيرة و المتوسطة؟

السؤال الرابع: ما أثر البرامج التمويلية على إنتاجية، أداء، و إستمرارية العمل في الشركات الصغيرة و المتوسطة في ظل وجود أزمة؟

السؤال الخامس: ما هي العوامل التي تساهم في الحصول على تمويل للشركات الصغيرة و المتوسطة في ظل وجود أزمة؟ وما هي العوائق التي تحول دون ذلك؟

السؤال السادس: كيف يمكن تعزيز مساهمة الجهات المانحة للتمويل في تطور وازدهار أداء الشركات الصغيرة و المتوسطة؟

## **Annex IV – Financing Institutes / Donors Interview Form (English)**

Interview Form

Interview No. (...)

### **First Section: Demographic Information**

Age	Gender
Education Level	Job Title
Place of Work	Years of Experience

### **Second Section: Analytical Questions**

Question One: What is the role of funding donors in the growth of small and medium-sized companies?

Question Two: What are the programs used by donors to finance small and medium-sized companies in Palestine, and how appropriate are they for developing small and medium-sized companies in terms of conditions and performance?

Question Three: What are the programs or financing plans followed in light of a crisis in small and medium-sized companies?

Question Four: What is the impact of financing programs on productivity, performance, and business continuity in small and medium-sized companies in the presence of a crisis?

Question five: What are the factors that contribute to obtaining financing for small and medium-sized companies in the presence of a crisis? What are the obstacles that prevent this?

Question Six: How can the contribution of funding donors to the development and prosperity of the performance of small and medium-sized companies be enhanced?

## Annex V – SMEs Interview Form (Arabic)

نموذج مقابلة – خاص بالأفراد العاملين في الشركات الصغيرة والمتوسطة

مقابلة رقم (...)

القسم الأول: المعلومات الديموغرافية.

العمر:	الجنس:
المستوى التعليمي:	المسمى الوظيفي:
مكان العمل:	سنوات الخبرة:

القسم الثاني: الأسئلة التحليلية.

السؤال الأول: ما المقصود بـ "التخطيط المسبق لإدارة الأزمة" في الشركات الصغيرة والمتوسطة؟

السؤال الثاني: ما مدى تطبيق أو وجود تخطيط مسبق لإدارة الأزمة في الشركات الصغيرة والمتوسطة في فلسطين؟

السؤال الثالث: ما مدى فعالية التخطيط المسبق لإدارة الأزمة، في التعامل والحد من آثارها المترتبة؟

السؤال الرابع: ما أثر التخطيط المسبق لإدارة الأزمة على إنتاجية، أداء، واستمرارية العمل في الشركات الصغيرة والمتوسطة في ظل وجود أزمة؟

السؤال الخامس: ما أثر التخطيط المسبق لإدارة الأزمة على كل من (رأس المال "التمويل" سواء داخلي أو خارجي، والموارد البشرية)، في ظل وجود أزمة؟

السؤال السادس: هل هناك عوامل أخرى من شأنها المساهمة في تقليل حدة وأثار الأزمة المترتبة على الشركات الصغيرة والمتوسطة؟ وكيف؟

## Annex VI – SMEs Interview Form (English)

Interview Form

Interview No. (...)

### First Section: Demographic Information

Age	Gender
Education Level	Job Title
Place of Work	Years of Experience

### Second Section: Analytical Questions

Question One: What is meant by “advance crisis management planning” in small and medium-sized companies?

Question Two: To what extent is the application or existence of advance planning for crisis management in small and medium-sized companies in Palestine?

Question Three: How effective is advance planning for crisis management in dealing with and limiting its consequences?

Question Four: What is the impact of advance planning for crisis management on productivity, performance, and business continuity in small and medium-sized companies in the presence of a crisis?

Question five: What is the impact of advance planning for crisis management on both (capital, “financing,” whether internal or external, and human resources), in the presence of a crisis?

Question Six: Are there other factors that would contribute to reducing the severity and effects of the crisis on small and medium-sized companies? And how?

## الملخص

يُجسّد هذا الملخص التنفيذي النتائج والآثار الرئيسية لرسالة الماجستير "التخطيط الاستراتيجي كآلية لتسهيل حصول المشاريع الصغيرة والمتوسطة الحجم على التمويل أثناء الأزمات الاقتصادية: وباء كوفيد-19". يتطرّق البحث إلى المُعيقات التي تواجهها المشاريع الصغيرة والمتوسطة الحجم، خاصة في فلسطين، مع التركيز على أثر التخطيط الاستراتيجي في التغلّب على هذه التحديات.

تُواجه المشاريع الصغيرة والمتوسطة الحجم العديد من العوائق والعقبات، وتشمل تكاليف الإنتاج العالية، والقيود التنظيمية، ومحدودية الوصول إلى الأسواق، والأهم من ذلك كله، محدودية الموارد المالية. كما أنّ دورها الأساسي في دفع عجلة التنمية الاقتصادية وتوليد فرص العمل يؤكّد على أهمية إيجاد آليات فعّالة لدعم استدامتها.

وتُبيّن الدراسة بأنّ العوامل الداخلية، ولا سيّما العناصر المتعلقة بالعمل، تؤثر بشكل كبير وملحوظ على استدامة المشاريع الصغيرة والمتوسطة الحجم. بالإضافة إلى ذلك، تؤثر العوامل الخارجية، وتشمل التسويق، والتمويل، والجوانب السياسية والقانونية، تأثيراً كبيراً وجوهرياً على إمكانيات المشاريع الصغيرة والمتوسطة الحجم. ومن الجدير بالملاحظة أنّ معالجة القضايا المالية والمتعلقة بالتوظيف تظهر كمُتطلّب أساسي لضمان استمرارية المشاريع الصغيرة والمتوسطة الحجم.

تُسلّط الأبحاث السابقة حول التمويل المتناهي الصغر في فلسطين الضوء على التحديات التي تعيق حصول المشاريع الصغيرة والمتوسطة الحجم على التمويل، مثل متطلبات الضمان، والفجوات المعلوماتية، وأسعار الفائدة المرتفعة. ويُعدّ سدّ هذه الفجوات أمراً ضرورياً لتعزيز الشمول المالي ودعم المشاريع الصغيرة والمتوسطة الحجم.

وعلى الرغم من إنشاء فروع للبنوك ومؤسسات التمويل المتناهي الصغر، إلّا أنّ مشكلة الإقصاء المالي لا تزال قائمة في بلدان الشرق الأوسط، ممّا يستلزم اتخاذ تدابير وقائية للتغلب على العوائق.

وعلاوة على ذلك، تتطلّب التحديات التي تتفرد بها المشاريع الفلسطينية الصغيرة والمتوسطة الحجم، وتشمل فرص التمويل المحدودة، وضعف النُظم القانونية، وقيود التسويق، والصراعات التجارية العائلية، تدخلات مُحدّدة الأهداف لتعزيز القدرة التنافسية.

وقد تمّ تحديد المهارات الإدارية والتخطيط الاستراتيجي بوصفهما عنصرين أساسيين لاستقرار المشاريع الصغيرة والمتوسطة الحجم ونموّها. ويُعتبر الدعم الحكومي أساسياً وجوهرياً لنموّ ريادة الأعمال، ويشمل ذلك تطوير البنية التحتية، وإمكانية الوصول إلى التمويل، وبيئة تنظيمية ملائمة. وتساعد المبادرات والبرامج المباشرة رواد الأعمال على أن يقوموا بدور هامّ في تعزيز نموّ ريادة الأعمال.

يركّز هذا البحث على التحدّيات والفرص التي تُواجه المشاريع الصغيرة والمتوسطة الحجم في ظلّ الأزمات الاقتصادية، خاصة في فلسطين. ويظهر التخطيط الاستراتيجي، وإدارة الأداء، والدعم الحكومي كآليات أساسية لتسهيل حصول المشاريع الصغيرة والمتوسطة الحجم على التمويل وضمان مرونتها ومساهمتها في التنمية الاقتصادية.