

**An-Najah National University
Faculty of Graduate Studies**

**The Impact of Banking Financial
Services Innovations on the Development
of the Financial Sector in Palestine**

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**This Thesis is Submitted in Partial Fulfillment of the
Requirements for the Degree of Master of Economic Policy
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Thank You All,

الاقرار

أنا الموقع ادناه مقدم الرسالة التي تحمل العنوان :

The Impact of Banking Financial Services Innovations on the Development of the Financial Sector in Palestine

أثر الابتكار في الخدمات المالية المصرفية على تطور القطاع المالي في فلسطين

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Declaration

The work provided in this thesis, unless otherwise referenced, is the researchers own work, and has not been submitted elsewhere for any other degree or qualification.

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Table of Content

	Subject	Page
	Defense Committee Members	ii
	Acknowledgment	iii
	Declaration	iv
	List of Contents	v
	List of Figures	vii
	List of tables	viii
	Abstract	ix
	Chapter One: Introduction	1
1.1	General Introduction	
1.2	Motivation to Conduct the Research	4
1.3	Important of Banking Sector in Palestine	4
1.4	Problem Statement	6
1.5	Research Questions	7
1.6	The Aim of the Study	7
1.7	Research Hypothesis	8
1.8	Organization of the study	9
	Chapter Two: Banking System in Palestine	10
2.1	The Palestinian Economy	11
2.2	Brief History of Banking System in Palestine	16
2.3	Palestinian Monetary Authority	18
2.4	The Development of Deposits	19
2.5	The Development of Credit Facilities Depending on the Type of Currency	19
2.6	The Development of Credit Facilities Depending on the Type of Sector	20
2.7	The Development of Credit Facilities Depending on the Economic Activity	21
2.8	Financial Innovation	22
2.8.1	The importance of financial innovation	23
2.8.2	Financial Innovation Function	24
2.8.3	Innovation Diffusion Theory	24
2.9	Related Definitions	25
	Chapter Three: Literature Review	27
3.1	Introduction	28
3.2	Previous Study	28
3.3	Commitments on Previous Studies	40

	Subject	Page
	Chapter Four: Data And Methodology	42
4.1	Data and Variables	43
4.2	Definition of the Dependent and Independent Variables	46
4.3	Model Specification	49
4.4	Hypothesis	50
4.5	Summary Statistics	51
	Chapter Five: Results & Findings	53
5.1	Estimated Result for Model 1	54
5.2	Estimated Result for Model 2	63
5.3	Results Regarding Challenges Facing Banking Development in Palestine	70
	Chapter Six: Summary & Recommendation's	73
6.1	Summary	73
6.2	Recommendations	74
	References	82
	Appendixes	86
	Appendix1: Feedback and Analysis by Banks Officials on Obtained Empirical Results	87
	Appendix 2: Descriptive Analysis	98
	Appendix 3: Comparative Performance of Banks	102
	Appendix 4: Survey Instrument	114
	الملخص	ب

List of Figures

Number	Subject	Page
Figure (1)	The Development of Deposits Between 1996 – 2015	19
Figure (2)	The Development of Credit Facilities Depending on the Type of Currency Between 1996 - 2015	20
Figure (3)	The Development of Credit Facilities Depending on the Type of Sector Between 2008 - 2015	21
Figure (4)	The Development of Credit Facilities Depending on the Economic Activity Between 2008 - 2015	22
Figure (5)	New Channel in Smart Bank	80
Figure (6)	Explanation on New Channel in Bank Smart	80
Figure (7)	The role of the branch will change significantly to match evolving customer requirements	81

List of Tables

Table No.	Subject	Page
Table (1)	Important of Banking Sector in Palestin	4
Table (2)	Descriptive analysis of dependent & independent Factors Influencing the Financial Innovation in Palestine.	51
Table (3)	Regression analysis for the relationship between innovation variables (X1-X6) and development of bank sector Y1 variable	54
Table (4)	Regression result using innovation index against and development of bank sector Y1 variable	56
Table (5)	Regression analysis for the relationship between innovation variables (X1-X6) and financial performance of bank sector Y2 variable	63
Table (6)	Regression result using innovation index against Y2 variable.	66

**The Impact of Banking Financial
Services Innovations on the Development
of the Financial Sector in Palestine**

By

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Abstract

This research aims at investigating the impact of financial banking innovation factors on banking development in Palestine. A Regression analysis was used to estimate the impact of specific factors related to the development of the financial sector in Palestine.

The research utilized both qualitative and quantitative research methodology. Qualitative data were collected via interviews with banks officials. In addition, the quantitative data were gathered from a purposive sample of seventy (N=70) from five departments in all banks in Palestine via a survey that was developed for this purpose.

Results indicate that production innovation has a positive impact on the development banking sector but it has no impact on profitability in short term.

The result also indicates that marketing innovation has no impact on the development banking sector and on financial performance for all banks in Palestine.

Regarding the process of innovation variable has a positive impact on the development of the banking sector and on the financial performance for all banks in Palestine.

The result indicates that administrative procedure innovation has a positive impact on the development and the performance of banking sector in Palestine.

Finally, the result indicates that the variable risk management has no impact on development banking sector but it does have a negative impact on the financial performance for banks in Palestine.

Based on the research findings, the study recommend that individual banks conduct a separate study to examine the needs of individual customers and to identify appropriate products for each period of time to all customers in order to achieve financial inclusion.

It also recommended that banks in Palestine adopt a comprehensive marketing strategy to market their various products based on quality elements, which can promote bank name and enhance trust with customers in order to attract more customers.

It is also recommended that banks works to reduce customers' visits to branches by increasing awareness of electronic banking services, smart cards, and transforming the system of operations from decentralization to centralization to reduce the complexity of the implementation of banking movements (transfers, checks, loans) and investment in the latest technologies to modernize their various sections to enhance financial and banking performance and increase competitiveness.

It is also recommended that banks simplify operation procedures and updating them in line with the technological development and eliminating procedures that does not add any value to the banking business

It is recommended that banks develop their risk departments in banks, especially the risks of operations and training staff to be able to deal with risk management systems and programs, which helps in governance and good governance.

Finally, banks needs to work on the adoption of electronic banking strategies, including smart bank and electronic bank. It is only with the development and modernization of the legal environment banks will be able to use the technological development and electronic banking operations to protect them from piracy. This will allow banks to meet other challenges in dealing with the government, that might impact the implementation of banking operations all these will lead to higher performance and improve financial efficiency, which will increases the volume of economic activity.

Chapter One

Introduction

1.1 General Introduction

1.2 Motivation to Conduct the Research

1.3 Important of Banking Sector in Palestine

1.4 Problem Statement

1.5 Research Questions

1.6 The Aim of the Study

1.7 Research Hypothesis

1.8 Organization of the study

Chapter One

Introduction

1.1 General Introduction:

The financial sector in Palestine is considered new. It was established when the West Bank and Gaza Strip were under the Israeli military government before 1993. This restriction prevented the Palestinian banks and the financial intermediate companies from developing and working efficiently. The Israeli banks were operating in the West Bank and Gaza Strip and the policy of the Israeli banks was not to extend agricultural and industrial credit to Palestinian businesses. This was done intentionally to make the Palestinian economy dependent on the Israeli economy. After signing the Oslo Accord in 1994, the Monetary Authority was established and it started carrying out its duties. By year 2000, it managed to establish 22 banks in Palestine. Following that, the Palestinian Monetary Authority increased the minimum capital from 25 million Dollars to 50 million Dollars, forcing banks to be more integrated institutions (Ashour, 2007, 15). In 2015 the Monetary Authority decided to increase the paid capital from 50 million Dollar to 75 million Dollars. The purpose of the Palestinian Monetary Authority policy is to reduce the number of banks and have huge and strong capital. As a result, the capability of the Palestinian financial sector became stronger. After the establishment the Monetary Authority, the Palestine stock entity was created in 1995 as a

private joint-stock company. Following that many microfinance institutions emerged and started to offer loans for individuals with less income.

Historical experiences emphasize that any company that fails to recognize globalization and technological advancement will lose its competition position and will not be able to develop its business model. Business institutions have to deal with all market changes that include offering high quality products and services at a cheap price. As a result, financial innovation provided businesses an opportunity to improve their competitive position in this changing market.

The financial institutions are working hard to be innovative through various resources including the import of modern technology. However, the speed of technology revolution is extremely fast, which did not allow them to shape a real policy to innovate and spend more on research and development. Moreover, the financial sector has limited cooperation or support from other institutions in the area of research and development. If this is done, the profits from the financial sector in Palestine will increase over time. Thus, we need to support the financial sector and make it complementary to other sectors in the economy. It is known that financial sectors considered one of the most important economic sectors in both developed and developing countries. The role they play is effective and crucial in achieving the financial goals for the country.

1.2 Motivation to Conduct the Research:

The banking sector in Palestine is considered one of the most growing and largest sectors operating in Palestine. It has been reported that customer deposits have exceeded nine billion dollars and that the value of direct credit facilities has exceeded five billion dollars (economic monitor, 2016, 20).

Nonetheless, the banking sector in Palestine needs more innovations to become more efficient and more effective in order to achieve steady growth.

This research is considered the first research in Palestine with a focus on the factors influencing financial service innovation on development of financial sector in Palestine.

Hence, the lack of research on this area and study has created sufficient motives to conduct this research.

1.3 Important of Banking Sector in Palestine

Table (1): Main indicators of banking sector in Palestine, 2010-2015

Indicator/year	2010	2011	2012	2013	2014	2015
Total credit facilities	2,885.9	3,550.7	4,199.3	4,480.1	4,895.1	5,824.7
Total deposits	6,802.4	6,972.7	7,484.1	8,303.7	8,934.5	9,654.6
Total consumer loans	144.3	415.2	783.0	885.6	921.7	1,088.4
Average interest rates on dollar	6.33	6.79	6.97	7.51	6.41	6.78

Value in USD million

The value of total deposits in bank sector during 2015 recorded an increase of 8.1% compared to 2014 and reached to USD 9,654.6 million.

The value of deposits to resident individuals was USD 6,475.7 million, accounted to 67.1% of the total value of deposits in 2015, while deposits to the Palestinian Central Government reached to USD 487.6 million, and represented 5.1% of the total value of deposits.

The value of total credit facilities, were provided by banking sector, stood at USD 5,824.7 million, showing an increase of 19.0% compared to 2014. The credit facilities provided to the public sector amounted to USD 1,456.0 million, represented 25.0% of the total value of the credit facilities provided by banking sector in 2015 compared to USD 1,239.8 million in 2014, showing thus a rise by 17.4%. While the value of the facilities provided to finance consumption loans was USD 1,088.4 million, this only represent 18.7% of the total value of credit facilities, while the value of the facilities offered to finance cars and vehicles was estimated at USD 200.7 million, and this represent 3.4% of the total value of the credit facilities.

The average interest rate on loans to the USD price recorded an increase of 5.8% during the year 2015 to reach 6.78%, while the average interest rate on USD deposits of up to 0.94%.

The banking sector provides basic support and development for the Palestinian economy, which is reflected in the figures and bank statements in the previous table, and work to increase its performance and diversify its services will achieve positive growth rates.

1.4 Problem Statement:

Some of the international assessment institutions as World Intellectual Property Organization" WIPO" uses an indicator called the innovation factor to measure the ability of countries to grow and develop.

Stock market which is part of the financial market is very crucial in any country's economy development. Hence, strengthening the stock market will contribute to the economic growth and help reduce poverty.

The financial sectors in Palestine offer various services that vary from each other. These services have an impact on the customer who receives these services. One of the most important elements is the bank ability to attract a lot of clients and offer them good services. In addition, to the financial sector and the stock market which offers intangible services to customers, innovation and improvement in bank services are likely to have positive impact on the number of client banks serve and on the quality of services. Failure to do that on the part of a certain bank may lead to bankruptcy or being controlled by other institutions.

Based on the above, problem of this research is represented in Answering the following questions:

1. What effect has innovation in financial services on developing the Palestinian financial sector?
2. What effect has innovation in financial services on financial performance?

1.5 Research Questions:

This research seeks to answer questions related to the performance of banking system in Palestine and how financial innovation has impacted its performance and growth of the banking operation.

- 1- Identifying the factors which have led to financial innovation in Palestine.
- 2- Measuring the marginal impact of these factors on the performance of the banking system in Palestine.

1.6 The Aim of the study:

- 1- Highlighting the methods and techniques of the innovation in developing the financial sector in Palestine.
- 2- Identifying the role of innovation on developing the financial sector.
- 3- Spreading the culture of innovation in our financial institutions. This will increase level of competitiveness and development in order to enhance the ability of the financial sector to face any financial crisis in the future.
- 4- Measuring the financial strength by creating new innovations in financial services.

1.7 Research hypotheses:

Our hypothesis are:

H1: There is a positive and significant relationship between the two dependent variables, development of financial sector and financial performance, and production innovation as the first independent variable.

H2: There is a positive and significant relationship between the two dependent variables, development of financial sector and financial performance, and marketing innovation as the second independent variable.

H3: There is a positive and significant relationship between the two dependent variables, development of financial sector and financial performance, and process innovation as the third independent variable.

H4: There is a positive and significant relationship between the two dependent variables, development of financial sector and financial performance, and innovation in administrative procedures as the fourth independent variable.

H5: There is a positive and significant relationship between the two dependent variables, development of financial sector and financial performance, and innovation in risk management as the fifth independent variable .

H6: There is a negative and significant relationship between the two dependent variables, development of financial sector and financial

performance, and challenges facing innovation in all banks as the sixth independent variable.

1.8 Content of the study:

This study is organized to include six chapters. Chapter one is the introduction. Chapter two provides a review of the banking system in Palestine. The review of the literature is discussed in chapter three. The methodology is presented in chapter four which includes the data & the model specification. Chapter five includes the results and the findings. Finally, chapter six includes a summary & conclusion.

Chapter Two

Banking System in Palestine

- 2.1 The Palestinian Economy**
- 2.2 Brief History of Banking System in Palestine**
- 2.3 Palestinian Monetary Authority**
- 2.4 The Development of Deposits**
- 2.5 The Development of Credit Facilities Depending on the Type of Currency**
- 2.6 The Development of Credit Facilities Depending on the Type of Sector**
- 2.7 The Development of Credit Facilities Depending on the Economic Activity**
- 2.8 Financial Innovation**
 - 2.8.1 Innovation Diffusion Theory**
 - 2.8.2 Related Definitions**

Chapter Two

Banking System in Palestine

2.1 The Palestinian Economy:

The most important production sectors in Palestine are agriculture, industry, tourism, and services.

The agricultural sector is small and has many problems such as marketing problems and the is limited in the market. Despite this, the agricultural economy is a promising economy, but there is a need to support the infrastructure of the agriculture sector to play its role.

The Palestinian agriculture sector suffered from the occupation and its various measures to obstruct the movement of trade, industry, capital and labor.

The losses accumulated during the period 2000-2004 and they amounted to about 6.4 billion dollar, which is equivalent to 140% of annual GDP before the aggression in 28/9/2000 “(Malhees, 2006).

As for the industrial sector, it is growing but it is suffering from many problem and its share in GDP dropped from 32% to 17% in 2016. It seems there is a lack of trust between the public and private sector to promote and expand the industrial sector. Otherwise, the industrial sector should lead growth in the economy.

The Israeli Occupation authorities seek to keep the Palestinian market a non-productive and consumer market for its products, so as not to compete, both in the local market and in the Israeli market. (Makhoul, 2006)

The Palestinian Authority is working continuously to provide financial support and infrastructure for the construction of industrial cities that will employ tens of thousands of workers. However, the occupation is hindering the work on a continuous basis. (Shaath, 2016)

One sector that is worth mentioning is the investments in the tourism sector which is feasible and has achieved a material return for those who provide high quality service, and the tourism sector share of 15% in GDP.

The Palestinian economy grew rapidly in 2016 with a growth rate averaging 4.1 percent in comparison with 3.4 percent in 2015. This was attributed to an accelerated growth rate in Gaza Strip mainly, and a slower rate in the West Bank. The economy in Gaza witnessed a 7.7 percent growth, its highest in five years, compared to 6.1 percent last year, mainly due to an increase in investments. This growth is a natural result of the return of economic activity and the reconstruction process after the cessation of all activities and the great destruction inflicted upon the Strip by the Israeli war of summer 2014. In the West Bank, the growth rate almost reached 3.0 percent compared to 2.6 percent in 2016, despite the ongoing unrest caused by the exacerbating public anger against Israeli occupation, especially in the first months of the year. However, in general,

the situation did not leave a significant impact on the economic performance, as it grew calmer in the last months of the year (Palestinian Central Bureau of Statistics, 2016). Moreover, this year was characterized by a relative calm and normal activity, and witnessed a regular transfer of clearance and salaries of public sector employees. This accelerated growth contributed to an increase in the per capita income of almost 0.5 percent in the West Bank which reached USD 2,278.9 and 4.2 percent in the Gaza Strip which reached USD 1,037.7, which constituted only 45.5 percent of the per capita income in the West Bank. On the one hand, consumer prices in Palestine shrank for the first time by 0.2 percent in comparison with a 1.4 percent inflation rate in 2015 attributed to a decline in global oil and food prices. It goes without saying that inflation levels are rarely similar in the West bank and Gaza Strip as the political and economic factors differ. But in 2016, price trends in the two regions seemed more consistent as the decline in global prices affected both West Bank and Gaza Strip. As a result, inflation in both regions declined and a deflation was recorded. Inflation fell from 1.3 percent to -0.1 percent in the West Bank and from 1.8 percent to -0.8 percent in Gaza Strip. On the other hand, high unemployment rates continued to represent one of the main challenges to the Palestinian economy, especially in Gaza Strip. Despite an accelerated growth rate in 2016, unemployment rates in Palestine have increased, albeit slightly, reaching 26.9 percent of the total labor force compared to 25.9 percent in 2015. The unemployment rate rose from 17.3 percent in 2015 to 18.2 percent in 2016 in the West Bank and from 41.1 percent in 2015 to

41.7 percent in 2016 in Gaza Strip. Moreover, in 2016 the average daily nominal wage of the Palestinian worker rose by 5.2 percent compared to 2015, reaching NIS 109.3. Improving nominal wages was accompanied by a fall in prices in 2016, which led to an increase in real wages in Palestine by 5.4 percent. This increase in real wages was clearly different in each of the three areas: improving by 4.3 percent in the West Bank, they only slightly improved by 0.2 percent in Gaza Strip, and by 9.7 percent for Palestinian workers in Israel and the settlements. The year 2016 witnessed a relative improvement in public revenue collection and a decline in grants and foreign aid. But overall revenues and grants increased by 15.2 percent compared to 2015, reaching about NIS 16,816.5 million. Furthermore, actual public spending rose by 5.5 percent and reached NIS 14,760.1 million. As a result, these developments led to a significant decrease in the current deficit to about NIS 412.3 million, in comparison with a deficit of NIS 2,075.7 million in 2015. Despite the decrease in the current deficit, government arrears rose by 7.6 percent, reaching a cumulative value of NIS 11,843.1 million at end of 2016. The government's public debt (denominated in US dollars) fell by 2.1 percent at end of 2016 in comparison with 2015, reaching USD 2,483.8 million, or the equivalent of 18.5 percent of the nominal GDP. On the external sector, the current account recorded a deficit of USD 1,348.0 million in 2016, a 34.8 percent improvement compared to 2015, representing about 10.1 percent of the GDP compared to 16.3 percent in 2015. The main reason behind the decline in the current account deficit was a 57.9 percent increase in current

transfers compared to 2015. Moreover, the slight decrease in the balance of trade deficit contributed to the improvement of the current account. The financial and capital account (including reserve assets) recorded a surplus of USD 1,113.9 million in 2016, a decrease of 54.6 percent compared to 2015, representing 8.3 percent of the GDP compared to 19.3 percent in 2015. The reason behind this decline is a 15.5 percent drop in capital transfers compared to 2015. On another front, the Palestinian banking system recorded many achievements in 2016, despite the ongoing difficult situation in Palestine in view of the occupation's policies and procedures and the restrictions and hurdles it imposed on the Palestinian economy in general, and the banking system in particular. The PMA continued to develop regulatory systems and issue a number of regulations to banking institutions. It further consolidated its Arab, regional and international relations to gain a stronger foothold on the international banking scene in light of its remarkable achievements in terms of its credit information systems, financial inclusion, research activities, and relevant economic, banking, and financial reports. In consequence, the Palestinian banking system financial indicators rose with increases in banking sector's liquidity, assets, customer deposits, and credit facilities. Whose quality also improved as indicated by a decline in the default rate. On net, the system's capacity to meet expected and unexpected risks strengthened. In the same context, available financial statements of 2016 indicate a rapid growth in the total assets (liabilities) of the banking system to 12.7 percent (to USD 14,196.4 million), compared to 6.6 percent in 2015. This rise reflected the

increase in the main components of both assets and liabilities of the banks' consolidated balance sheet (Palestinian Monetary Authority, 2016). Also, the portfolio of direct credit facilities increased by almost 18.0 percent, to USD 6,871.9 million. This is a sign that the role of financial intermediation between surplus and deficit units strengthened further and more financing opportunities were provided, which contributed to increased economic development. Customer deposits reached USD 10,604.7 million, an increase of 9.8 percent, and the banking sector's equities rose by 14.9 percent, to USD 1,682.4 million. On the other hand, the PMA continued to develop its systems and regulations and increase its capital to enhance its capability to overcome the challenges it encounters in the exercise of its functions, powers and responsibilities. By the end of 2016, the PMA's equities increased by 5.8 percent, reaching USD 109.6 million as a result of an 8.2 percent increase in paid-up capital, reflecting the transfer of profits it's generated to its capital(Palestinian Monetary Authority,2016).

2.2 Brief History of Banking System in Palestine:

Before 1948, the banking system in Palestine was characterized by the existence of the British Mandate on the Palestinian land in which many local, Arabic, and foreign banks were working. The most important features of that period are the existence of the Palestinian currency which was issued by the Palestinian government in the British Mandate era, and the presence of the Palestinian Monetary Council which was supervising

the operations of the banks not only in Palestine but also in Transjordan. (Ashour, 1995).

After 1948, the West Bank was combined administratively to Jordan while Gaza was administratively put under the Egyptian Arabic Republic. As a result, the Jordanian currency and rules and regulations prevailed in the West Bank and the Egyptian currency and rules and regulation were prevailed in Gaza. The banks in the West Bank were in fact branches of Jordanian banks, which gave the Jordanian banks a lot of benefits and controlling power. The number of the working banks in the West Bank reached to 8 and had 32 branches: The Arab bank, Cairo Amman Bank, Arab land bank, Ottoman Bank, Jordan Ahli Bank, the bank of Jordan, Intra (Almashriq) and HSBC. While in Gaza, there were branches for the banks outside except for the Bank of Palestine. The number of banks total 5 in that period and had 7 branches: the Arab bank, the bank of Palestine, Bank of Alexandria, CAC Bank, and Bank of Nation. (Ashour, 1995)

Between the 1967 and 1993 and on the seventh of June 1967, the Israeli authorities required all the working banks in the West Bank and Gaza to be closed. On 8th of June 1967, the Israeli authorities allowed the Israeli banks to start banking business in the West Bank and Gaza through 6 banks that had 39 branches and gave each one the characteristic of monopoly.

2.3 Palestinian Monetary Authority:

One of the most important developments in the history of the Palestinian banks in Palestine is founding the Palestinian Monetary Authority (PMA, 1996) with the following goals:

1. Maintaining and managing the Palestinian National Authority's foreign currency and gold.
2. Stating the Monetary Policies in the context of macroeconomics.
3. Organizing the amount and cost of credit according to the requirements of the Palestinian economy.
4. Preserving an efficient developed banking system.
5. Giving licenses to the new banks and approvals for the existing banks to open new branches.

The above goals do not include issuing currency or coins and hence the Palestine Monetary Authority does not have control over the money supply. It also does not have control over any of the monetary policy tools that are concerned with the markets. As a result, the Israeli Shekel become the most deliberated currency beside the Jordanian Dinar which prevents the Monetary Authority from controlling the market and make it difficult for the Monetary Authority to face many economic problems to deal with such as inflation among other problems.

2.4 The Development of Deposits:

The development of total deposits between 1996-2015 is shown in figure (1). It is clear that deposit has been on the rise since then. The greatest increase happened between 2007 and 2015 because the economic and security situation became more stable during that period. During the time of the Prime Minister Dr. Salam Fayyad, many efforts were made to increase the external support to the infra structure projects and other projects damaged by the Israeli Occupation more exerted.

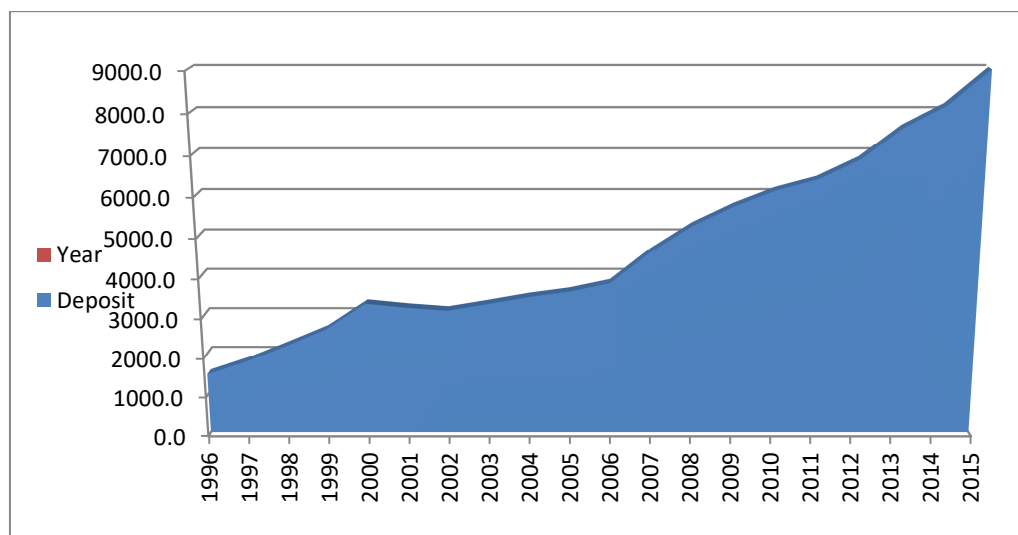


Figure (1): The Development of Banks Deposits Between 1996 – 2015.

Source Of Data: Palestine Monetary Authority.

Diagram from Researcher Work.

2.5 The Development of Credit Facilities Depending on the Type of Currency:

The development of credit for the three currencies ILS, USD and JD between 1996 and 2015 is shown in figure (2). It is clear that credit

denominated in dollar was the largest because the dollar was a strong and fairly stable currency. The absence of a local currency has forced most large companies to borrow from commercial banks in dollars.

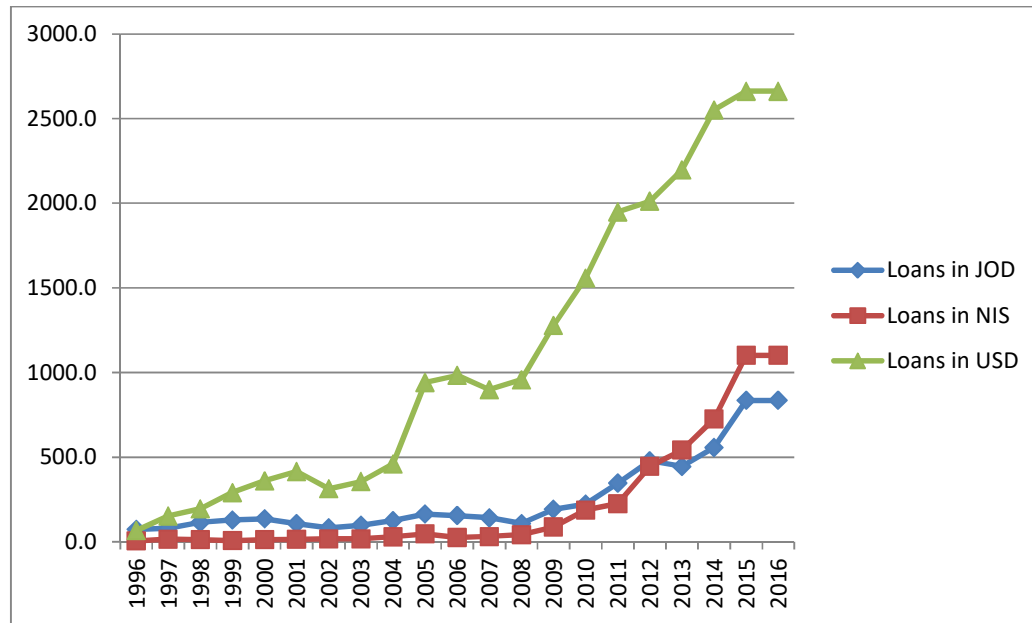


Figure (2): The Development of Credit Facilities Depending on the Type of Currency Between 1996 - 2015.

Source Of Data: Palestine Monetary Authority.

Diagram from Researcher Work

2.6 The Development of Credit Facilities Depending on the Type of Sector:

The development of credit facilities for both the public sector and private sector between 1996-2015 is shown in figure (3). It is clear that the credit facilities for the private sector were the largest. This is an indication of expansion activities in the private sector during that period.

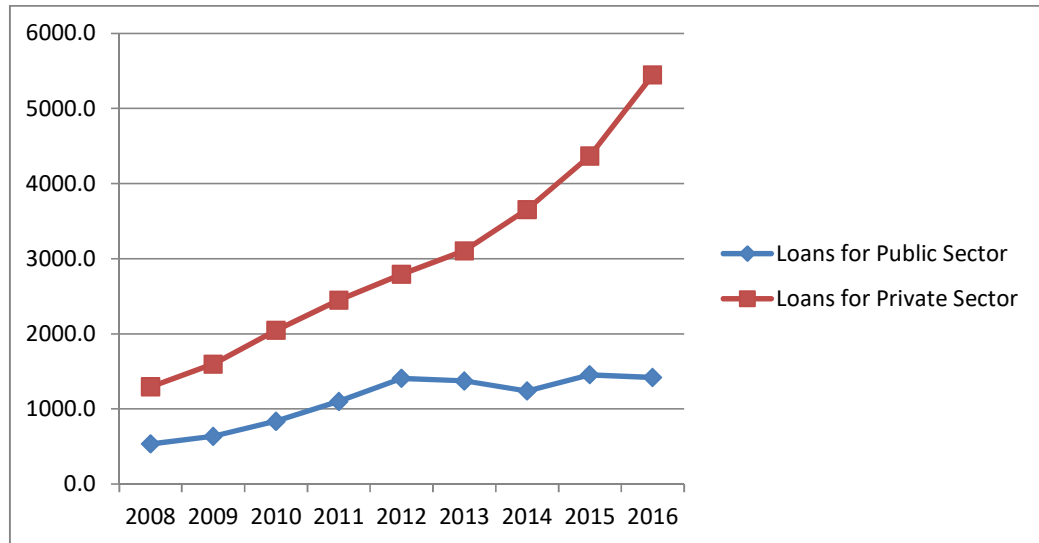


Figure (3): The Development of Credit Facilities Depending on the Type of Sector Between 2008 – 2015.

Source of Data: Palestine Monetary Authority.

Diagram from Researcher Work

2.7 The Development of Credit Facilities Depending on the Economic Activity:

The development of credit facilities depending on the nine economic activities is shown in figure (4). These activities are: loans for real estate, loans for land development, loans for industry, loans for agriculture, loans for tourism, loans for services, loans for consumption, loans for cars, loans for visa credit. It is clear that the largest credit facilities were for the service sector up to 2010. However, after 2010, loans for real estate took the lead over loans to the services sector. This is an indication of the economic expansion in the real estate in private sector more than any other sector.

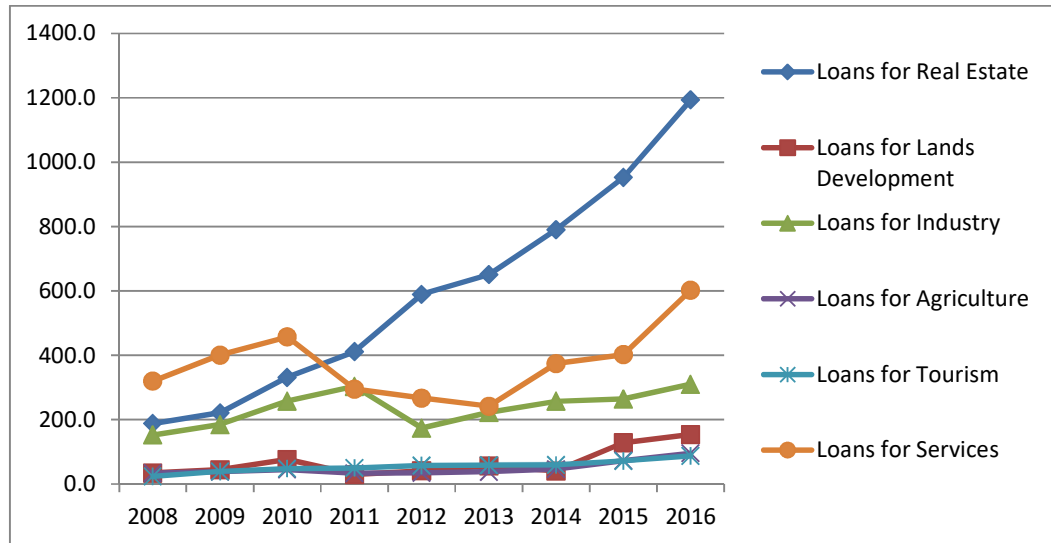


Figure (4): The Development of Credit Facilities Depending on the Economic Activity Between 2008-2015.

Source of Data: Palestine Monetary Authority

2.8 Financial Innovation:

Its concept is generally the process of finding and disseminating new financial instruments, institutions and markets.

And (Tufano, 2011) believes that financial innovation is the process of creating and disseminating financial instruments as well as technologies and institutions, processes and new economic models, including new applications of ideas already exist, but in a new context

Financial innovation is the way in which the financial product is developed, the product is commercially available, and the product is marketed.

The group of processes used by man with the available mental and intellectual capabilities and the surrounding environmental influences in

reaching an idea or method or theory so as to benefit the community or organization in which it works.

2.8.1 The importance of financial innovation:

Many financial scientists consider that financial innovation is the engine of economic growth (Mertom, 1992). This view is very logical. Financial innovations are as close as they are to the concept of general purpose technologies

General Purpose Technologies is a term used to refer to those innovations that result in a wide range of financial innovations, such as the most common of electricity or the Internet, each of which has led to the emergence of countless other innovations.

2.8.2 Financial Innovation Function:

The basic function that most financial scientists believe that financial innovations must investigate is to work on the perfection of the market.

Financial innovations, for example, help to provide secure online payment mechanisms and find new ways to price risks

Financial innovations reduce market friction, such as the high costs of certain transactions. There is also a very important function of introducing new ways for individuals to benefit from the advantage of

cooperation and complementary needs such as the desire to lend and manage risk.

2.8.3 Innovation Diffusion Theory:

According to Rogers (1983, 1995), there are five categories that influence the spread of innovations. These five categories are:

- 1- Relative Advantage: New innovations should introduce benefits to all people.
- 2- Compatibility: The consistency of innovation with norms, habits and social systems are from the compatibility of innovations.
- 3- Complexity influences the spread of any new technology. Technology should be easy to use as much as possible.
- 4- Trial ability: People always need to try new innovations before make their decisions.
- 5- Absorbability: The output and results from innovations should be clear, obvious, and can be noticed from all people without ambiguity.

All these categories should complement each other to achieve high diffusion for new innovations.

2.9 Related Definitions:

E-Banking Services Types:

- 1- PC Banking.
- 2- Internet Banking.
- 3- Telephone Banking.
- 4- Mobile Banking

Smart Cards: Smart cards are plastic cards contains microchips which enable data to be saved on them, Smart cards are used for several activates such as purchase through the Internet, purchase products and services from markets, withdraw or deposits cash money, etc. There are several types of smart cards like visa, visa electron, master card, union cards, etc. (IT bankers,2011).

Mobile Banking: Mobile banking is considered to be the latest E-banking services technology by which customers access their accounts and perform their financial transactions using Mobile Devices. Customers can communicate with banks servers through Short message service (SMS), Internet connections (WAP), or high speed 3d generation mobile connection which is also Internet based (Bank Negara Malaysia, 2011)

Governance: Establishment of policies, and continuous monitoring of their proper implementation, by the members of the governing body of an organization. It includes the mechanisms required to balance the powers of the members (with the associated accountability), and their primary duty of enhancing the prosperity and viability of the organization.

Chapter Three

Literature Review

3.1 Introduction

3.2 Previous Study

3.3 Commitments on Previous Studies

Chapter Three

Literature Review

3.1 Introduction

This chapter summarizes related articles on the subject of financial innovation. It also highlights some of the most important factor or determinants of financial innovation.

3.2 Previous Study

There are many studies done in the past and they dealt with the impact of innovation on banks performance .

For example, a study by Al-Tamimi(2006) investigated the impact of marketing innovation on the quality of banking services.

Important factors such as individual, procedural and technological levels of marketing innovation were considered when examining the quality of banking service. Different dimensions such as sympathy, responsiveness, reliability, tangible aspects were found in the case of Jordanian Banks.

The study concluded that there is a moral effect of marketing innovation on the banking service quality in the Jordanian banks as seen by clients.

It is also found that there is a moral effect of marketing innovation , on individuals and procedures levels, on the tangible aspects, reliability, responsiveness and safety.

The study recommended the need for proper selection for individuals who assume the responsibility of banking services. In addition, it recommended the bank management to keep up with technology and modern banking systems to affect the banking services quality dimensions.

Adolfo Rodríguez (2007) assessed the contribution of financial innovations to the production of implicit services of financial intermediation in Costa Rica, The results of the study showed that the banks considered rely heavily on traditional products for the provision of their intermediation services. This reflected the conservative character of State-owned banks in Costa Rica, and might indicate the weight of innovation output across the whole financial system. However, given that in the Costa Rican private financial intermediaries traditionally have been more innovative, it would be only natural to extend the scope of the study to include data on product innovations from a more heterogeneous group of intermediaries. The success of such endeavour, as in this study, depends critically on the disposition of the intermediaries to provide information. Although it is still low, the importance of innovations on total intermediation output grew steadily during the period considered. Several intermediaries have reported that new products were planned to be introduced during 2008, like loans specific for payment of tuition costs and

several deposits with specific purpose. Hence, it is likely that such upward trend continues because the drive for innovation in the Costa Rican financial system persists.

A study by Philipp Hartmann, Florian Heider, Elias Papaioannou and Marco Lo Duca(2007), The extended period of limited growth experienced until recently in many European countries raised the issue as to which policies could be most effective in improving their economic performance. This paper argued that further financial sector reforms may be a valuable complement to ongoing efforts to reform labor and product markets. There is a long-standing view in the economic literature that well-functioning financial systems allow economies to exploit the benefits of innovation in terms of productivity and growth. Moreover, measured productivity differentials between Europe and the United States seem to originate particularly in the financial sector and from sectors that are particularly dependent on external financing. Building on and summarizing the existing literature, this paper first introduced a number of concepts that are important for financial sector analyses and policies. Second, it presented a selection of indicators describing the efficiency and development of the European financial system from the perspective of a variety of dimensions. Third, an attempt was made to estimate the extent to which greater financial efficiency might improve the allocation of productive capital in Europe. While in the recent past the research and policy debate in Europe has focused on fostering financial integration, the present paper puts the

main emphasis on financial development or modernization in the context of the finance and growth literature. The results suggested that there are a number of ways in which the financial market framework conditions in Europe can be improved to increase the contribution of the financial system to innovation, productivity and growth. The most robust conclusions can be drawn for certain aspects of corporate governance, the efficiency of legal systems in resolving conflicts in financial transactions and some structural features of European bank sectors. For example, econometric estimations indicate that improving these conditions is likely to increase the size of capital markets – a summary measure of overall financial development – and thereby enhance the speed with which the financial system helps to reallocate capital from declining sectors to sectors with good growth potentials.

The study by F. Arnaboldi, B. Rossignoli (2008), examined the determinants of financial innovation in 81 listed commercial banks in Europe and in the United States from 2005 to 2008. The researcher used annual reports to identify six broad innovation categories, from the launch of a new product, to the implementation of a new organizational structure. The study investigated the impact of bank- and country-specific features on innovation. When banks hold higher market share in less concentrated and more efficient banking systems, innovation is stronger. In addition, banks with less volatile returns and a lower quality of loan portfolio exhibit a significantly higher level of innovation. The impact of the market share on

innovation is higher for banks incorporated in the US, while lower quality of loan portfolio increases the incentive for European banks to innovate. When the financial crisis hits less risky banks take the lead on innovation.

A study by Shelagh Heffernan (2008), *Financial Innovation in the UK*. This study employs a recent national survey of over 1100 British financial firms to ascertain the determinants of financial innovation and their sales success using Logit and generalized Tobit models. The researcher found the likelihood of financial innovation rises with the size of financial firms, employee education, greater expenditure on research and development, the availability of finance, and the extent to which firms cooperate with each other. R&D and cooperation, and appropriability are the main variables driving the success of financial innovation, measured by the percentage share of innovations sold. Firms in London/the south have a significantly greater tendency to innovate, though Scotland also does well. Stock broking, fund management and related activities are more innovative than firms in the financial intermediation and pension/insurance sectors.

A study by Lars Norden, Consuelo Silva Buston and Wolf Wagnery (2009), *Financial innovation and bank behavior: Evidence from credit markets*.

This paper investigated whether, and through which channel, the active use of credit derivatives changes bank behavior in the credit market, and how this channel was affected by the crisis of 2007-2009. Our principal finding is that banks with larger gross positions in credit derivatives charge

significantly lower corporate loan spreads, while banks' net positions are not related to loan pricing. They argue that this is consistent with banks passing on risk management benefits to corporate borrowers but not with alternative channels through which credit derivative use may affect loan pricing. They also found that the magnitude of the risk management remained unchanged during the crisis period of 2007-2009. In addition, banks with larger gross positions in credit derivatives cut their lending by less than other banks during the crisis and have consistently lower loan charge-offs. In sum, this study suggested that significant risk management benefits from financial innovations that persist under adverse conditions that is, when they matter most.

A study by Roberto Piazza (2010) pointed out the empirical evidence which suggests that financial innovation increases diversification opportunities and reduces investment costs, but does not reduce the relative cost of information. He constructed an analytically tractable theoretical model that examines how financial innovation affects incentives to collect costly information about the riskiness of production technologies. The researcher found that financial innovation tends to be associated with lower collection of private information and thus, via a spillover effect, with lower quality of public information. This result has important implications for the business cycle, since aggregate productivity becomes more subject to systemic shocks, even when its overall volatility decreases. Recent empirical evidence shows that the US agents have indeed shifted over time

from active to passive investment strategies. Higher diversification and lower investment costs improve welfare, even though the lower quality of information has a negative effect on passive investors. In an extended model where risk is time varying risk, financial innovation increases the probability of liquidity crises. In fact, financial innovation lowers information collection during periods in which excess risk is mainly idiosyncratic and thus increases the frequency at which uninformed agents mistakenly invest in excess risk technologies. Liquidity crises arise when the excess risk becomes systemic: information collection rises and triggers a wave of liquidation. If liquidation crises impose aggregate costs to the economy then financial innovation can decrease welfare. The paper showed that financial innovation and endogenous information collection can be intertwined in important ways. More research on this issue is certainly needed.

A study by Arnoud W.A. Boot and Matej Marinč (2011), A fundamental feature of more recent financial innovations focused on augmenting marketability. They point out the potential dark side of marketability. Marketability has possibly led to an excessive proliferation of transaction-oriented banking (trading and financial market activities). The 2007-2009 financial crises appeared to have countered this trend, and possibly reemphasized the importance of relationship banking. In order to focus on these issues in a rigorous way, the study evaluated the conflicts of interest between intermediated relationship banking activities and financial

market (underwriting, securitization, etc.) activities. The study pointed at institutional and regulatory changes that might be needed to improve the stability of the financial sector. One could say that the institutional structure (including regulation) has not kept up with the enhanced marketability and "changeability" of the industry.

Another study by Obeid (2012) which examined the Role of Electronic Banking Services in Enhancing the Competitive Advantage in Banking Sector in Jenin Governorate.

The study found that increasing banks competition and the banks' recognition of the importance of having good quality services has forced banks to meet their competitive goals. The study also identifies the role of e-banking services in enhancing the competitive advantage in the banking sector in Jenin Governorate. The researcher used descriptive and analytical approach as a methodology. To achieve this goal, the study used a sample which consisted of clients of all banks working in Jenin (which are 10 banks). The study sample consisted of 100 clients from all these banks.

The researcher used a questionnaire after verifying it.

The study found that the arithmetic mean for the banking electronic services as a variable was 3.27.

The study also found that there are no statistical differences between the banking electronic services among all banks. This means that the qualities of the banking electronic services were the same among all banks.

Abdul Wahab (2012) studied the role of innovation in support of competitive advantage for economic foundation in Algeria. The researcher used descriptive and quantitative analysis as his methodology distributed 130 questionnaires on the staff of a company called Mobinil and after collecting the data, SPSS was used to examine the importance of management innovation. The study found a strong positive relationship between the administrative innovation and competitive advantage at $R = 0.526$.

The study found that there is a direct positive correlation between technical innovation and competitive advantage, and at the same time found a direct weak correlation between additional innovation and competitive advantage.

Another study by Thorsten Beck, Tao Chen, Chen Lin and Frank M. Song(2012), pointed out that the financial turmoil from 2007 onwards, spurred renewed debates on the “bright” and “dark” sides of financial innovation. Using bank, industry and country level data for 32, mostly high-income, countries between 1996 and 2006. This study was the first to explicitly assess the relationship between financial innovation in the banking sector and (i) real sector growth, (ii) real sector volatility, and (iii) bank fragility. The researcher found mixed results for both bright and dark sides of financial innovation. On the one hand, The study found that a higher level of financial innovation is associated with a stronger relationship between a country’s growth opportunities and capital and GDP

per capita growth and with higher growth rates in industries that rely more on external financing and depend more on innovation. On the other hand, it has been found that financial innovation is associated with higher growth volatility among industries more dependent on external financing and on innovation and with higher idiosyncratic bank fragility, higher bank profit volatility and higher bank losses during the recent crisis.

A study done by W. Scott Frame Lawrence J. White (2013), and titled "Technological Change, Financial Innovation, and Diffusion in Banking". The paper found that the commercial banking business has changed dramatically over the past 30 years, due in large part to technological change. The paper first describes the role of the financial system in economies and how technological change and financial innovation can affect social welfare. The paper also surveyed the literature relating to several specific financial innovations – broadly categorized as new products or services, new production processes, or new organizational forms – and evaluate them in the context of the broader economics literature on innovation. While much effort has been devoted to understanding the characteristics of users and adopters of financial innovations and the attendant welfare implications, still little is known about how and why financial innovations are initially developed.

Another Study by Al-Taher and Faris(2014) examined the Role of Marketing Innovation in Obtaining a Competitive Advantage for Islamic Banks Products.

The study reported marketing innovation is the foundation for development in any institution, as it directs the institution into the future. This means that it helps earn more customers by marketing mix, especially in product. The product crucially reflects the capabilities of the institution in competing others and achieving the competitive advantage.

This study aimed at highlighting the role of marketing innovation in solving different problems for institutions, particularly the banking institutions which are suffering from a financial crisis they has never witnessed before. The innovation of new financial products in Islamic Banks is considered a serious start to resolve the global financial crisis and to achieve compatibility with Sharia'a's.

Fernandez (2014) investigated the relationship between finance and growth by analyzing the relationships between financial intermediation and economic growth within the regions of one country, rather than different countries. The analysis was undertaken for the Spanish regions. The focus on regions is relevant since regional information is more homogenous, the legal and institutional factors are similar, and the relevant financial market is more accurately defined. This study also incorporates the effect of a set of banking innovations. The results showed that product and service delivery innovations contribute positively to regional GDP, investment and gross saving growth.

William R. Kerr (2014), We reviewed the recent literature on the financing of innovation, inclusive of large companies and new start-ups.

This research strand has been very active over the past five years, generating important new findings, questioning some long-held beliefs, and creating its own puzzles. The review outlines the growing body of work that documents a role for debt financing related to innovation. The researcher highlights the new literature on learning and experimentation across multi-stage innovation projects and how this impacts optimal financing design. He further highlighted the strong interaction between financing choices for innovation and changing external conditions, especially reduced experimentation costs.

A study by Mark Yeandle (2017), Trends and Innovations in Financial Services, Innovations in financial services are one of the key areas occupying senior executives in financial services firms worldwide. Things are changing and existing business processes are being disrupted at such a pace that it is often difficult to make sense of the developments in the industry. In order to see through some of the confusion, this report provides an overview of the perceptions of international finance professionals and their views regarding recent trends and innovations in financial services and by FinTech. The report was commissioned by the Toronto Financial Services Alliance (TFSA) and produced by the Z/Yen Group Limited. The research was conducted via two online questionnaires as well as desk research and informal interviews with experts in the industry. The studied ten current trends in financial services including Brexit, increased concern over data protection, increased regulatory

pressures, increased transparency in asset and wealth management, increased volatility in oil & gas finance and the global slowdown in economic growth. The research examined a number of specific areas of FinTech including cyber-security, mutual distributed ledgers (MDLs, aka blockchains) and new payment and transaction systems. The researcher also assessed how different financial centers may fare with the innovations taking place. The centers selected in the study to gave a good coverage of the different geographical regions.

3.3 Comments on previous studies:

It is important to note that there are no previous studies in the Palestinian banking sector on the impact of innovation in financial services on the development of the financial sector, which constitutes a scientific addition

The Tamimi study in 2006 revealed to the Jordanian banks that marketing innovation in its various dimensions positively affects the quality of service provided to customers. This is in line with our study, as the marketing innovation affects the quality of the service provided thus affects the development of the financial sector. Therefore, the effect of marketing innovation on the development of the financial sector is not a direct effect.

That is, there is no direct impact in marketing innovation on financial performance.

According to the study by Obaid in 2012 in the province of Jenin, there are no significant statistical differences between electronic banking services among all banks, which is not consistent with our study as he found that electronic banking services contribute to the development of the financial sector significantly, which contributes to the competitiveness between banks in Palestine

The Fernandes study of 2014 showed that innovation in the provision of services and products contributes significantly to the growth and development of GDP. This is in line with our study that innovation in banking services contributes to the development of the financial sector in Palestine.

All previous studies studied marketing innovation and financial innovation but did not include all elements of innovation in the financial institution from innovation at the level of (services, marketing, operations, procedures, risk management, innovation challenges) but this was found in this study.

Chapter Four

Data and Methodology

4.1 Data and Variables

4.2 Definition of the Dependent and Independent Variables

4.3 Model Specification

4.4 Hypotheses

4.5 Summary Statistics

Chapter Four

Data and Methodology

This study will utilize both descriptive statistics as well as regression analysis to study the impact of banking financial services innovation on the development of the financial sector in Palestine. The use of the descriptive statistics is very useful because this tool provides simple summaries about the sample of the study and its various variables measures.

In addition, the use of regression analysis, which is a statistical methodology, helps estimate the strength and the direction of the relationship between the variables.

4.1 Data and Variables

The descriptive statistics will provide insight regarding the collected data. The major types of descriptive statistics are measures of central tendency, , measures and variability, and measures of relationships or correlation among the variables. In addition, regression analysis will be used to investigate the impact of one variables upon another. In this way the impact of the independent variable on the dependent variable will be estimated and measure their influence on the dependent variable.

The data collected through a survey which include a total of eighty nine (89) questions which will be distributed to bankers to help us understand the financial development in Palestine . The survey questions

will be allocated among the employees and it will have the following categories or factors:

- A- General information about financial institutions in Palestine which includes fourteen (14) banks.
- B- Determining the quality of innovation in all banks in Palestine.
- C- Innovative performance standards and a culture of innovation in all fourteen (14) banks.
- D- Cooperative efforts to introduce innovative activities in banks operation.
- E- Challenges facing innovation in all banks in Palestine.

The above factors will help us develop our model, variables and hypothesis.

The size of the sample has been decided to be 70 questionnaire. This has been determined based on the number of banks which are 14bank in Palestine. This mean that each bank will have five (5) employees responding to the survey, This mean the sample size is seventy (70).

Five main departments were selected in each bank, which had a significant impact on the development of the financial performance of the bank. The questionnaire was distributed to each department manager.

The survey instrument collected from the people or the respondents shows many indicators that can measure innovation. The first indicator in this study that is some of the banks introduced new innovative services in the Palestinian market before their competitors. This indicates that there is diversity in the banking services in all operating banks. The second indicator shows that different methods in the renovations services introduced in the last two year were higher than previous services provided in previous years. The third indicator reflect the fact that banking institutions in Palestine have strengthened their modern management methods in line with the development of the global banking system. The fourth indicator shows that the ratio of new services to total services was high. This indicates that banking sector commitment to modernize its banking operation. The fifth indicator shows that their strategic plan support the innovation elements of the organization. The sixth indicator shows that laws and regulations within banking institutions were supportive of the process of innovation and creativity. The seventh indicator show the banking institutions utilized a customer participation in suggesting and in discussing the latest innovations employed at the bank and to get their feedback. The eight indicators show that most financial institutions have provided incentives to employees to foster an innovative spirit in the working place. The Ninth indicator shows that the number of property rights in innovation activities has officially registered and has increased in quantity. The tenth indicator show the renewal of administrative procedures occurs in all bank departments to create positive changes and simplifying

working procedure. The Eleventh indicator show that new adoptions of innovations have reduced operation costs in the financial institutions. This cost saving is more effective than their traditional cost-cutting programs such as employee layoffs or reduced salaries.

4.2 Definition of the Dependant and Independent Variables :

We have two dependent variables labeled as Y1&Y2 defined as follows:

(A) Dependent Variables:

We have two dependent variables and these are:

First Dependent Variable is (Y1):

This measures the criteria of financial sector development. It includes financial market size, number of branches, credit for investment, increase in bank assets, customer deposits, number of accounts, services quality, bank service and meeting banking standard in services.

Second Dependent Variable is (Y2):

This measures the criteria of financial performance which covers the following: bank income, share of innovation expenditure in the bank budget, return on assets, liquidity, return on equity, and increase in bank stock prices.

(B) Independent Variables:

The independent variables in this study are six and they are conducted from the survey instrument.

First Independent Variable is (X1):

This measures the criterion of innovation in services on the level of production which covers the following: Various banking packages tailored to the needs of individuals and companies with credit, investment and service facilities. Retail products include credit cards, Visa Electron, personal loans, auto loans and all types of deposits such as current accounts, savings accounts, time deposit accounts and notice accounts.

Second Independent Variable is (X2):

This measure the criterion of innovation in services on the level of marketing which covers the following: A systematic, continuous and integrated planning to examine the changing financial needs of banking institutions to meet the needs of beneficiaries through effective programs.

Third Independent Variable is (X3):

This measures criteria of Innovation in services on the level of process which covers the following:

This variable reflects the financial activities that contributed to the delivery of new services to the customers. Among there are the use of new

technology, increase the customer base, provide free services to customer, introduction of ATM machines at several location and providing insurance services.

Fourth Independent Variable is (X4):

Innovation in administrative procedures:

This variable reflects the financial activities that contributed to the renewal administrative procedures, simplifies procedures transaction: develop an organizational unit, modifying the organizational structure, continuous monitoring and follow up by management.

Fifth Independent Variable is (X5):

Innovation in Risk Management:

This variable reflects the financial activities that contributed to developing new ways to measure potential customers, new system of collateral, develop risk management system, develop internal rating system, and establish a special unit specialized in information security.

Sixth Independent Variable is (X6):

Innovation challenges:

This measures the criteria of innovation challenges which cover the following: lack of allocation of financial resources, lack of competencies,

lack of information, lack of laws, weak customer culture, lack of a technological base for state.

4.3 Model Specification:

Based on the above instrument, two models are specified and will be estimated:

$$Y_{i1} = f(X_1, X_2, X_3, X_4, X_5, X_6, e_i) \dots\dots\dots(1)$$

$$Y_{i2} = f(X_1, X_2, X_3, X_4, X_5, X_6, e_i) \dots\dots\dots(2)$$

The above two functions represent the relationship between the two dependent variables and the six (6) independent variables . In linear form, the above two functions can be expressed as :

$$Y_{i1} = A_0 + A_1X_1 + A_2X_2 + A_3X_3 + A_4X_4 + A_5X_5 + A_6X_6 + e_i\dots\dots(3)$$

$$Y_{i2} = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + B_6X_6 + e_i\dots\dots(4)$$

The coefficients of A_1, A_2 to A_6 measure the marginal impact of the six independent variables on the financial sector development (Y_1) . It is expected to have a positive and significant relationship between the dependent variables (Y_1) and each of the independent variables (X_i) except independent variable six(6) which is assumed to have a negative relationship with the dependent variable Y_1 .

The coefficient of B_1, B_2 to B_6 measures the marginal impact of each of the six independent variables on the financial performance (Y_2) which

represent financial performance . It is expected to have a positive and significant relationship between the dependent variable (Y2) and each of independent variables (Xi) except independent variable six(6) which is assumed to have a negative relationship with the dependent variable Y2.

4.4 Hypotheses:

H1: There is a positive and significant relationship between the two dependent variables, development of financial sector(Y1) and financial performance (Y2), and production innovation (X1) as the first independent variable.

H2: There is a positive and significant relationship between the two dependent variables, development of financial sector (Y1) and financial performance (Y2), and marketing innovation (X2) as the second independent variable.

H3: There is a positive and significant relationship between the two dependent variables, development of financial sector(Y1) and financial performance(Y2), and process innovation(X3) as the third independent variable.

H4: There is a positive and significant relationship between the two dependent variables, development of financial sector (Y1) and financial performance (Y2), and innovation in administrative procedures (X4) as the fourth independent variable.

H5: There is a positive and significant relationship between the two dependent variables, development of financial sector (Y1) and financial performance (Y2), and innovation in risk management (X5) as the fifth independent variable .

H6: There is a negative and significant relationship between the two dependent variables, development of financial sector (Y1) and financial performance (Y2), and challenges facing innovation in all banks (X6) as the sixth independent variable

4.5 Summary of Statistics:

The table reports the qualitative results of descriptive statistics that uses applied to the data set.

Table (2): Descriptive Analysis of Dependent and Independent Factors Influencing the Financial Innovation in Palestine:

	Mean	Median	Standard Deviation	S.E
Y1	2.24	2.1	0.689	.08238
Y2	2.56	2.5	0.694	.08295
X1	2.04	2.0	0.532	.06359
X2	2.05	2.0	0.536	.06417
X3	2.05	2.0	0.598	.07149
X4	2.09	2.0	0.633	.07572
X5	2.05	2.0	0.623	.07449
X6	2.43	2.3	0.500	.05988

The average mean for Y1 which is the development of the financial sector was 2.24 with a standard deviation of 0.689, whereas the average mean for Y2 which is the financial performance was 2.56 with a standard deviation of 0.694. It is clear that both the mean and standard deviation of Y2 are greater than that of Y1.

The table that shows that X2,X3 and X5 has the same mean of 2.05, but with a different standard deviation of 0.536 for X2 and 0.598 for X3 and 0.623 for X5. The lowest mean was obtained for X1 with 2.04 and with standard deviation of 0.532 whereas the highest mean was obtained for X4 with a mean of 2.09 and with standard deviation of 0.633. This means that the quality of the data is high and that the dispersion of values from the arithmetic mean was low.

Chapter Five

Results & Finding

5.1 Estimated Results for Model 1

5.2 Estimated Results for Model 2

5.3 Results Regarding Challenges Facing Banking Development in Palestine

Chapter Five

Results & Finding

5.1 Estimation Result for Model 1:

The two model specified in equation (3) and (4) were estimated using regression analysis. The result for model (3) is presented in table (3) whereas the result for model (4) is presented in table (5).

Table (3): Regression Analysis for the Relationship Between Innovation Variables (X1-X6) and Development of Bank Sector Y1

Independent Variables	Estimated Coefficient	Standard Error	T Value	Significance Level
Intercept	.06	.399	.156	.877
X1: Production Innovation	.349	.190	1.843	.070***
X2: Marketing Innovation	-.247	.216	-1.144	.257
X3: Process Innovation	.441	.196	2.254	.028**
X4: Innovation in administrative Procedures	.387	.201	1.919	.060***
X5: Innovation in Risk Management	-.103	.157	-.654	.516
X6: Challenging Facing Innovation	.195	.131	1.491	.141
R square =.709 F-statistics=10.6 Sig =.000				

(*) Significant at the 1% level

(**) Significant at the 5% level

Table (3) Provides the finding for model (1) by presenting estimated coefficient of each independent variable as well as the standard error, the t-value, and the level of significance. The dependent variable is Y1 which is the development of bank sector.

It is clear from the result that X1 (production innovation) and X4 (innovation in administrative procedure) are both significant at the 10% level and the two coefficients have the expected positive sign. Whereas the variable X3 (process innovation), as shown in the table, is significant at the 5% level and also has the expected positive sign. In general, for X1 a possible explanation for having a positive sign and being significant is that new product banking which was introduced by most banks as a result of innovation such as increase in lending activities and this has benefited the community as well as the banking sector. Although the coefficient of X2 is not significant, it has the unexpected negative sign. This means banks follow a limited marketing campaign that has no impact to expand their activities. It seems that many of these banks use their well-known name to attract new customers instead of employing an active marketing plan. The coefficient for X3 is significant at the 5% level and has the expected positive sign. This is an indication that adding a new technology to the banks activities will enhance the banking system operation. For example, the Palestinian Monetary Authority has introduced a credit technology system (Query System) in 2009 which has resulted an increased in credit activities. In addition, banks have improved their facilities and eliminated many of the procedures that does not add value to their operations. The coefficient for X4 is positive and significant at the 10% level. This positive relationship reflects the fact that banks have adopted different internal written procedures that enhance its administrative capacity. Regarding the coefficient for X5 its has a negative sign and it is not significant. This mean

a risk increase will delay the development of the banking sector. Finally, X6 the coefficient is positive but not significant. The positive sign reflected the fact that banks were trying very hard to overcome obstacles they face in their operation. The obtained R² is about 71% which means the independent variable explained 71% of the total variation in the first dependent variable Y1 (Development of the Banking Sector). The F – test or F computed has a value of 10.6 which is larger than the value of the F table and this shows that the model is well specified and the dependent variables (X1-X6) are important variables in estimating the total variation in dependent variable Y1.

To confirm the result an index was formed from the six independent variables to represent what is called in this study an innovation index (Inndx). Another regression equation was estimated using the first dependent variable Y1 (development of banking sector) against this new formed index. The result obtained presented in table 3. The table also shows an R-square of 0.66 percent and the F-value was 52.8 also significant at the 1% level. This mean the result obtained by using innovation index is acceptable and this confirm that the previous model is well defined.

Table (4): Regression Result Using Innovation Index against Y1 variable

Independent Variable	Estimated Coefficient	Standard error	T-value	Significance level
Intercept	.072	.306	.235	.815
Slope (B ₂) for innovation index	1.025*	.141	7.267	.000*
R-square = .43 F test = 52.8				

(*) Significant at the 1% level.

The estimated equation using the innovation index is:

$$Y1 = 0.072 + 1.025 X_i (= \text{Indx})$$

Where

Y1: Development Banking Sector

Indx : Innovation Index

This means a one percent increase in innovation index will lead to a 1.025 percent increase in the development of the banking sector.

The obtained R square is about 66%, which means the independent variable explained 66% of the total variation in the first dependent variable Y1 (Development of the Banking Sector). The F – test or F computed has a value of 52.8 which is larger than the value of the F table and this shows that the model is well specified and the dependent variables (Indx) are important variables in estimating the total variation in dependent variable Y1.

Recommendations on the results of the impact of innovation on the development of the financial sector:

* Based on the first finding that there is a positive impact of innovation in the development of financial services (credit facilities) on the development of the financial sector.

Therefore, the innovation in banking services (credit facilities) increased the number of customers and accounts, which increased the size of the deposit and increased the bank's investment in credit facilities and reflected positively on the banking assets, which led to the expansion of the bank's business and increase its market share and the number of branches.

Therefore, the recommendations for this result:

1. Continuing to conduct studies on selected samples of customers and existing customers to determine their needs, trends and classification, because the cost of retaining an existing customer is less than the cost of attracting new customers.
2. Continuation of studies on selected samples of clients who are supposed or not dealing with the bank to know their needs in order to attract them to the bank.
3. Diversify the services and credit facilities that are suitable for all segments and categories in proportion to the financial ability of the customers (i.e. applying the financial coverage in the bank, which contributes to diversification of the investment portfolio).
4. Grant special privileges for each offer by category or segment.

* Based on the finding that there is no impact of innovation in marketing on the development of the financial sector.

1. The high competition between the banks make all the banks are conducting intensive marketing campaigns so the customer's choice of the banking product based on the quality of the product and conditions and not based on marketing.
2. Marketing is a link between the services development department and the final customer. Therefore, the decision of the final customer to choose the bank or the banking product is based on the terms, quality, judgments, credibility and privileges granted to the customer.
3. The impact of innovation in marketing is on the quality of banking service and then reflected on the development of the financial sector and increases its share so we conclude that there is no direct impact of marketing innovation on the development of the financial sector.

Therefore, the recommendations for these results:

1. Continue to innovate in marketing methods and the most important electronic based on the target group of the banking product.
2. The marketing medium to present the guidelines of the banking product must be effective and short to attract its attention.
3. Change the promotion when the product defaults.
4. Promise the bank name in the promotion continuously.

* With regard to the third conclusion about the strong positive impact of innovation in operations on the development of the financial sector.

Where many banks have switched the system of banking operations and is responsible for the implementation of facilities and the conduct of remittances and checks work from decentralization in the branches to the central in the general administration instead of dispersing banking operations and their overlap in the branches. The process have been converted into a unified system which facilitates and expedite the work of facilities and checks and remittances. This has impacted positively the volume of banking transactions and has increased the development of the financial sector and increase its business.

Recommendations for these results:

1. Great efforts must be made to increase electronic banking services, such as applying for a loan or electronic money transfers, and minimizing paper transactions, thus increasing the speed of transactions.
2. Investment in technology and information technology in order to increase banking operations such as ATMs, which accept the implementation of all banking operations.
3. The electronic checks and clearing system must be developed.

4. The client's visit to the branches should be reduced to the use of electronic services instead.

* With regard to the fourth result, which says there is a positive effect between innovation in the procedures and the development of financial sector.

There are techniques and methodologies in the design of work procedures such as:

1. Use of certain technology.
2. Improve the use of certain technology.
3. Rebuilding operations in accordance with quality principles
4. Operations management.
5. Disposal of waste in the institution as the disposal of the procedure is not required and do not need it and adds no value

These different techniques contribute to the simplification and acceleration of the work procedures, which is positively reflected on the development of the financial sector.

Recommendations for these results:

1. Eliminate complex procedures that do not add any value to banking.

2. The use of new technology that contributes to raising the efficiency of work.
3. Simplifying the procedures and updating them periodically in line with the technological development.

* Regarding the fifth result, which says that there is no relationship between innovation in risk management and the development of the financial sector.

The risk department objective is to issue recommendations to the General Administration and the Services Department to increase or reduce the volume of lending from a market share of a particular product. This does not have a direct impact on the development of the Bank's business and its impact is indirect by issuing recommendations

Recommendation for these results:

1. Issuing recommendations should not relate to the bank's growth in a high-risk investment portfolio, but its objective should be to reduce risks in order to provide us with high quality credit facilities.
2. The market should be studied and its risks examined internally and externally before making recommendations which reduces the rate of stumbling.
3. Coordination between the relevant departments of the Bank before making recommendations.

* Regarding the sixth result, which says that there is no relationship between the challenges of innovation and the development of the financial sector.

This means that the Palestinian financial sector is financially robust and large and able to overcome challenges and crises.

There are no recommendations for these results.

5.2: Estimated Result for Model 2:

Table (5): Regression Analysis for the Relationship Between Innovation Variables (X1-X6) and Financial Performance of Bank Sector Y2Variable :

Independent Variables	Estimated Coefficient	Standard Error	T Value	Significance Level
Intercept	-.180	.396	-.454	.652
X1: Production Innovation	.177	.188	.938	.352
X2: Marketing Innovation	-.057	.215	-.265	.792
X3: Process Innovation	.417	.194	2.142	.036**
X4: Innovation in administrative Procedures	.494	.200	2.465	.016*
X5: Innovation in Risk Management	-.415	.156	-.659	.010**
X6: Challenging Facing Innovation	.598	.130	4.605	.000*
R square .718				
F statistics 11.186				
Sig .000				

(*) Significant at the 1% level

(**) Significant at the 5% level

Table (5) Provides the finding for model (2) by presenting estimated coefficient of each independent variable as well as the standard error , the t – value , and the level of significant.

It is clear from table 4 that the coefficient for the independent variable X3 and X4 are significant at 5% level and has the expected positive sign. Whereas X4 & X6 coefficients all, are significant at the 1% level. It is also observed that X6 coefficient has the expected positive sign, whereas X5 has a coefficient with a negative sign. This means a risk increase then financial performance will decrease. The remaining coefficients for X1 & X2 are not significant. In general, for X1 a possible explanation for having a positive sign and being not significant is that new product banking was introduced by most banks as a result of innovation such as increase in lending activities and this has benefited the community as well as the banking sector do not reflect on profitability on the short term but on the long term.

Although the coefficient of X2 is not significant, it has the unexpected negative sign. This means banks have problems with their limited marketing campaigns as they have no impact on their activities. It seems many of these banks use their well-known name to attract new customer instead of an active marketing plan.

The coefficient for X3 is significant at the 5% level and has the expected positive sign. This indicates that adding new technologies to the banks activities will enhance the banking system operation. For example, the Palestinian Monetary Authority has introduced credit technology system (Query System) in 2009 which has resulted in an increase in credit.

In addition, banks have improved their facilities and eliminated many of the procedures that do not add value to their name.

The coefficient for X4 is positive and significant at the 10% level. This positive relationship reflects the fact that banks have adopted different written procedures that enhance their administrative capacity.

Regarding the coefficient for X5 it has a negative sign and it is significant. This mean banks are in the process of building, developing and strengthening risk management, resulting in additional cost to the Bank, building risk management systems and changing organizational structures, which negatively affects profitability on the short term. Finally, coefficient X6 is positive and significant. The positive sign reflected the fact banks more products, services and customers, the greater the challenges will be, especially in the large banks, where challenges arise that did not exist therefore increasing services means increasing profits and increasing challenges.

The obtained R2 is about 71%, which means the selected independent variables explain 71% of the total variations in the second dependent variable Y2 (Financial Performance of the Banking Sector). The F – test has a value of 11.1, which shows that the model is well specified and the independent variables (X1-X6) are important variables in estimating the total variation in the dependent variable Y2.

To confirm the result, an index was formed from the six independent variables to represent what is called in this study an innovation index (Inndx). Another regression equation was estimated using the second dependent variable Y2 (Financial Performance) against this new formed index. The result obtained presented in table 5. The table also shows an F-square of 0.57 percent and the F-value was 34.2 also significant at the 1% level. This means the result was very acceptable and the model is well defined.

Table (6): Regression Result Using Innovation Index against Y2 variable

Independent Variable	Estimated Coefficient	Standard error	T-value	Significance level
Intercept	.642	.335	1.917	.059
Slope(B ₂)for innovation index	.904*	.154	5.852	.000*
R square= .57 F test= 34				

(*) Significant at the 1% level.

The estimated equation using the innovation index is:

$$Y2 = 0.642 + 0.904X_i (= \text{Indx})$$

Where:

Y2: Financial Performance of Banking Sector

Indx: Innovation Index

This means a one percent increase in innovation index will lead to a 0.904 percent increase in the financial performance of the banking sector.

The obtained R square is about 57%, which means the independent variable explained 57% of the total variation in the second dependent variable Y2 (Financial Performance of the Banking Sector). The F – test or F computed has a value of 34 which is larger than the value of the F table and this shows that the model is well specified and the dependent variables (Indx) are important variables in estimating the total variation in dependent variable Y2.

Recommendations on the impact of innovation in financial services on financial performance:

- 1) With regard to the first result there is no impact of innovation in banking on profitability.

On the economic side, the profit is achieved at the end of the financial cycle ie in the long run so this study was short term for this result came out there is no relationship.

Recommendation for these results:

There is no specific recommendation for this result.

- 2) With regard to the second result, there is no relationship between innovation in marketing and profitability.

Marketing is a link between the organization and the client, so the final decision of the customer depends on the quality of the product and its terms and conditions and characteristics.

- 3) Regarding the third finding of the strong relationship between innovation in operations and profitability, the faster the transactions the greater the volume of activity and the higher the profit.
- 4) With respect to the fourth result, which says that there is a strong relationship between innovation in procedures and profitability.

Whenever the procedures are simple and not complicated and were updated periodically and eliminate the procedures that do not add value to the banking process whenever reflected positively on profitability and increase banking operations.

* Regarding the fifth result, which says that there is a relationship between innovation in risk management and profitability, this relationship was negative.

1. The greater the awareness of the risks of a particular product, the less the process of expansion in lending and therefore less profitability.
2. High-risk risk management systems and employees are not qualified to manage therefore an additional cost to the financial institution.
3. Basel has set the capital adequacy ratio at 8%, but the Monetary Authority has raised this ratio to 12%, thus wasting the investment opportunity on the banks, thus reducing profitability due to high risks.
4. Provision for risk management is deducted from net profit.

5. Non-profit regulatory bodies have a negative impact in the short term but have a long-term positive effect.

Recommendations for these results:

1. Commitment to risk management and non-expansion of uncertainty, which constitutes long-term credit facilities.
2. Training and qualifying employees in risk management and expanding the work of this important department.
3. Recommendations that come out should reduce future default rates. Therefore, all scenarios that may damage the lending expansion process and allocate financial ratios for hedging should be assumed.
4. Evaluate the investment portfolio periodically

* Regarding the sixth result, which says that there is a positive relationship between the challenges facing innovation and profitability.

1. The greater the products and customers the greater the profits and thus increase the challenges at large banks, that is, it increased the functions and burden on the institution.
2. The greater the challenges of innovation, such as the lack of laws that protect innovations, piracy has increased by other institutions, thus increasing their profits with no costs.

Recommendations for these results:

1. The legal environment and the legal system should be developed in a manner consistent with electronic banking operations such as the payment system, in order for the banking system to maintain its protection.
2. Laws should be in place to protect piracy and innovation.
3. The system of classification of returned checks must be changed to reduce the number of checks.
4. Increasing cooperation between universities and financial institutions in order to produce studies that benefit the financial sector.
5. Increase awareness among customers about workshops on banking awareness.
6. Increase funding and investment in technology and innovation.
7. Work on developing the technological base of the state.

5.3: Results Regarding Challenges Facing Banking Development in Palestine (Related to questionnaires):

- 1- Lack of administrative competencies to deal with the issue of innovations. This has led many institutions to introduce programs for the training of staff, which is costly the institution additional financial resources.

- 2- Some financial institutions do not provide sufficient funding for these innovations.
- 3- There is a blurry of information about the market and the future as there is uncertainty about what will happen.
- 4- Lack of sufficient information on new staff technology.
- 5- Non-enforcement of laws that protect innovations in the state..
- 6- Lack of a state technology base.
- 7- Lack of inter-institutional partnerships to collaborate on the creation of new innovations.
- 8- Regulatory legislation is not commensurate with innovations.
- 9- Weak customer culture regarding new innovations.
- 10- Lack of cooperation between universities and the banking sector in the field of research and development.

Chapter 6

Summary and Recommendations

6.1 Summary

6.2 Recommendations

Chapter 6

Summary and Recommendations

6.1 Summary

This research aims at investigating the factors influencing of financial banking innovation on banking development in Palestine. A regression analysis was used to estimate the impact of specific factors related to the development of the financial sector in Palestine.

The research utilized both qualitative and quantitative research methodology. Qualitative data were collected via interviews with banks officials. In addition, the quantitative data were gathered from a purposive sample of seventy (N=70) for five departments in all banks via a survey that was developed for this purpose.

Results indicate that a positive impact of production innovation on development banking sector and no impact on profitability in short term.

The result also indicate that there is no impact of marketing innovation on development banking sector and financial performance for banks in Palestine.

In addition, the result indicate that there is a positive and high impact for the process innovation on the development of the banking sector and the financial performance for banks in Palestine.

Another result indicates that a positive impact of administrative procedure innovation on development and performance banking sector in Palestine.

The final result which indicate that there is no impact to risk management on development banking sector but a negative impact on financial performance for banks in Palestine.

6.2 Recommendations

Based on the above mentioned results and findings, the following recommendations would be listed:

- 1- It is recommended that individual banks conduct a separate study to examine that needs of individual customers and to identify appropriate products for each period to all customers to achieve financial inclusion.
- 2- It also recommended that banks in Palestine adopt a comprehensive marketing strategy to market their various products based on quality elements, build a bank name and enhance trust with customers, thus attracting more customers.
- 3- It is recommended that works to reduce customers' visits to branches by increasing awareness of electronic banking services, smart cards, and transforming the system of operations from decentralization to centralization to reduce the complexity of the implementation of

banking movements (transfers, checks, loans) and investment in the latest technologies to modernize their various sections to enhance financial and banking performance and increase competitiveness.

- 4- It is recommended to simplify procedures and updating them in line with the technological development and eliminating the procedures that do not add any value to the banking business
- 5- It is recommended to work on developing risk departments in banks, especially the risks of operations and training staff to be able to deal with risk management systems and programs, which helps in governance and good governance.
- 6- It is recommended to work on the adoption of electronic banking strategies, including smart bank and electronic bank, with the development and modernization of the legal environment to be able to face the technological development and electronic banking operations to protect them from piracy and meet other challenges in cooperation with the government, which leads to the rapid implementation of banking operations and lead to higher performance And financial efficiency, which increases the volume of economic activity.
- 7- It is recommended to apply Smart Bank Concept to bank sector in Palestine.

The Smart Bank is a new concept that gives customers an unprecedented banking experience by speeding up the banking process and making it smooth and satisfactory.

Therefore, the idea of a smart bank should be adopted through the adoption of innovative and wide-ranging technologies to provide a completely new experience in all banking transactions, from paperless branches to the completion of banking operations and online services at a faster pace.

1. Branches without paper:

The bank's transactions are completed without filling the forms using portable electronic devices. They are signed electronically to ensure their security and complete their transactions efficiently. The account opening forms, the issuance of ATM cards and check books are completed within 15-20 minutes.

2. Modern banking transactions via mobile and internet:

This will make all forms via mobile and Internet for customers, which means speed, convenience and safety, which means reducing the customer visit to the branch.

3. Modern technology techniques:

The need for investment in information technology, information technology and innovation, smart cards.

4. Cooperation with the Government:

The external environment should be prepared by adopting the electronic system in its dealings and providing the legal environment that protects the money of customers and customers from piracy and fraud and working to increase the citizen culture, which is a strong incentive for banks to invest in the smart bank and change the payment system.

Not necessarily the application of smart banks and the smart government is to increase unemployment, but the replacement of employees or training in new work patterns without the vision of the customer does not mean replacing the banking system of the smart bank to dispense with man does not have other functional functions.

Therefore, banks should adopt the idea of a smart bank gradually in all institutions and raise the awareness of citizens

Smart Bank System (SBS):

BTG's proprietary retail banking system - Smart Banking System (SBS)- is a fully integrated, customer-focused information system for commercial banks which can respond to demands for integrated operational information. SBS is a very flexible system that is easy to adapt to the unique requirements of each bank.

Flexibility:

- Flexible, parameter-driven system enables a bank to define its own rules for financial transaction processing.
- Ad hoc report generator allows banks to define customized reports.
- Multiple-stage document processing mechanism allows the system to easily adapt to the technological process used in each bank.

Convenience:

- Easy to learn.
- Easy to use.
- Multi-language (English, Latvian, Russian).
- Complete user documentation.
- Flexible account structure.
- Multi-currency.
- Automatically balances each currency.
- Graphical user interface (GUI).

Security:

- Technical and operational security.

- Powerful system administration tools.
- Detailed history of all transactions.
- Violations journal and audit of system changes.

Functionality:

System modules cover whole range of retail banking functionality:

- General Ledger.
- Clients.
- Payments and transfers.
- Currency exchange.
- Cash management.
- Loans.
- Deposits and Savings.
- Reporting.
- Interfaces to external systems and networks.
- Internet banking.

Perspectives on Bank Branches and Directions of Changes



Figure (5): New Channel in Smart Bank.

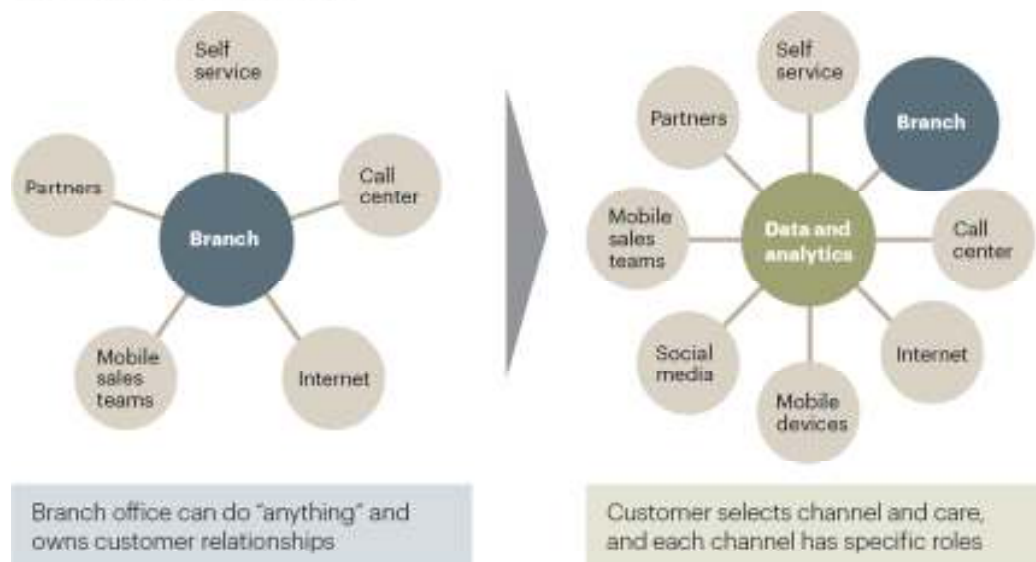


Figure (6): Explanation on New Channel in Bank Smart.



The role of the branch will change significantly to match evolving customer requirements

Old vs. new role of the branch



Source: A.T. Kearney analysis

Figure (7): The role of the branch will change significantly to match evolving customer requirements.

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Appendices

**Appendix 1: Feedback and Analysis by Banks Officials on
Obtained Empirical Results Regarding Model 1 & 2**

Appendix 2: Descriptive Analysis

Appendix 3: Comparative performance of banks

Appendix 4: Survey

Appendix1

Feedback and Analysis by Banks Officials on Obtained Empirical Results Regarding Model 1:

This appendix summarizes the point view of three financial institutions managers that provided qualitative opinion of the obtained empirical results.

X1: Regarding the innovation in banking production (X1) and the significant and positive effect on development banking sector, we might be explained this result by the fact that:

1. The new banking product is being directed to new social categories which gives the chance to the individuals and companies to get benefits from it. The National bank is an example, as it conducted a profound study on a marginalized category in the community which was women. Women were feeling lack of attention from banks and the bank discovered that this category has a financial surplus stored at homes in the form of gold or coins so it created a special product for them which was “My Life saving”. This program was from the most successful programs which developed the bank and increased its deposits.
2. Diversification of products according to the need of the market and in relevance to the target category. Bank of Palestine is an example when it offered “Filistiniyya” product and made a diversification in the product for all women and according to their needs after making a profound study on the marginalized women.
3. These factors lead to the increase of credit facilities which reflects positively on the banking assets and on the expansion of lending and that give the institution a stimulant to grow.

We analyzed “Hayati” program from National Bank to confirm the previous result:

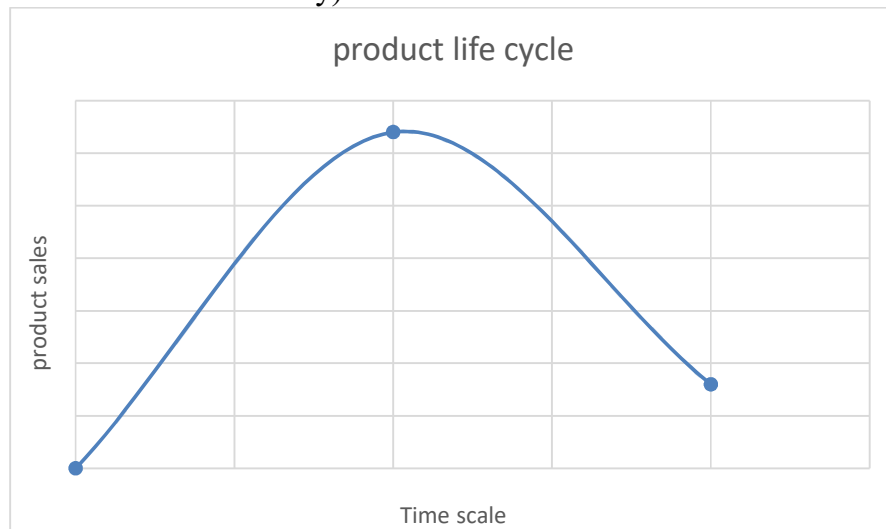
1. Through the visit to Mr. Sameh Ghannam from business development department at National Bank he says that the idea of “Hayati” program was the start, they were thinking “Do we have to open an ordinary account or shall it be a creative one?” The answer was excellence and innovation.
2. The bank conducted a study on all the categories of the community and it divided the market into categories: children, doctors, women... etc.

and came up with a result that says women are savers by nature and that they are being marginalized from the banks, however, the study included employed and unemployed women.

And from its social responsibility, the National Bank puts 1\$ for the breast cancer account whenever a “Hayati” account is open.

Features of the product:

- Giving Checkbooks and credit cards with various loans that have special benefits and commissions
- Giving loans with no benefits after feasibility study for the project in addition to offering a financial consulting before and during the project.
- Drawing on some prizes, scholarships, golden lire, and the biggest prize (a house and a lifetime salary)



This drawing illustrates the product life cycle of “hayati” product at National Bank when it was launched in 2015.

In may 2015: product lunching

In may 2016: product peek (1 year campaign).

In june 2016: campaign extension.

Campaign features :

- 1- changing on prizes.
- 2- changing on drawl date.
- 3- changing on big prize (add on car prize).

X2: Regarding the innovation in marketing over bank put efforts to modernize its marketing technique more specifically:

Results in table 2 shows that we can not reject the null hypothesis that there is no statistical significant relationship between creativity in services on the level of marketing and the development of the Palestinian financial sector.

We might be explained this result by the fact that:

1. Most of the banks follow the traditional ways of marketing and creativity to find a new marketing way that offers the banking product in a modernmanner is rare.
2. The indirect marketing such as trust, transparency, quality of services and the procedures to get a better service are considered as traditional marketing ways in the banks. The Arab Bank is an example as it uses its name to market its banking products despite its high costs of its loans compared with other banks.
 - Marketing choices are limited in the banks and there's no variety in marketingwhereas few number of banks market its credit cards.
 - The weakness of the quality of the product which makes the marketing process useless.
3. Marketing department is the link between business development department and the final customer and its role is complementary and it is a part in developing the service and providing it to the customers in the best and easiest way. The mission of marketing department is elaborating the service to the customer through the traditional means such as social media. Another thing the department does is to lead the customer to the sales points and help them reach there. However, the marketing department is not the decisive factor for the customer to accept or reject the product but the features and the quality of it affects the final decision of the customer.

Which is also confirmed by Mr. Mohammad Hassoneh from marketing department at National Bank.

X3: Regarding innovation in process and effect on banking development.

Results in table (2) shows that reject null hypothesis (H0) and accept alternative hypothesis (H3) that there is a statistical significant relationship on the level of 5% between creativity in services on the level of process and the Palestinian financial sector development.

We might be explained this result by the fact that:

1. Inserting a new technology to the banks enhances the improvement of banking sector. The Monetary Authority has inserted credit technology

system (Query system) in 2009 which increased the credit facilities clearly.

For examples on adopted banks for enhance operations:

- ❖ The banks enhanced the infrastructure and improved it.
 - ❖ Some banks have developed the ATM and it starts some processes like withdrawing, filing, getting account statements, and requesting checkbooks.
 - ❖ The banks cancelled some procedures that do not add any value to the service delivery. Some banks have developed the facilities system whereas the loan request could be studied and replied to within one day which facilitates the credit process and enhances the financial sector development.
 - ❖ Reaching with ATM to the rural areas.
 - ❖ The banks started with the digital financial services through Internet and mobiles as they started offering the banking services on the mobile all the time.
 - ❖ Electronic payment of bills
 - ❖ System194 that allows for all ATM working in Palestine One of the important developments is the existence of An automated clearinghouse system in the banks that allows them to view checks balances. However, Monetary Authority is aspiring to change it into an electronic clearinghouse in a year from now whereas it will make the clearing process occur in one day instead of three days.
2. The centralization of the banking work in the operations department at the National Bank that serves transfers, checks, cards, guarantees, account services, salaries, bills, implementation of facilities, and execution of treasury contracts, is one of the most important innovations in the department as this innovation contributed in the speed of implementation, the accuracy of information and decreasing the operational tasks in the branches so the employees have more time to serve the customers better.

As an example on centralization, The money transfer is sent by the branch into centralized operations instead of implementing the transfers from the branch into external parties which leads to:

- 1) The branch sends the transfer to the administration.
- 2) There's no branching in the services that follow the transfer such as following up with external and internal banks and knowing them.
- 3) No branching in the procedures of the required approvals which is related to the cash with the banks.
- 4) Facilitating the service for the agentas soon as possible.

In addition to that, the National Bank has inserted the payment system which contributed in implementing the money transfer quickly. The bank also ran the core banking system which works 24 hour and it has a quick implementation. It also sends money transfers to any place in the world and creates new services as this system creates the banking service in a quick way and without complexities.

Processing of incoming checks from the internal banks is done in the administration instead of sending it to the branches, which is also confirmed by Mr. BasemNaser from operating department at National Bank.

X4: Regarding of administrative procedures and effect on banking development.

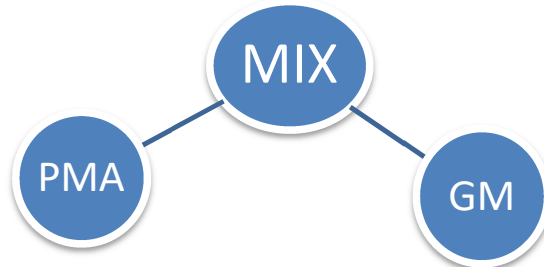
Results from table (2) shows that we rejected the null hypothesis and accept H4 that there is a statistical significant relationship on level of significance 10% between the innovation in administrative procedures and the development of the financial sector.

We might be explained this result by the fact that:

1. All the banks have different internal work procedures so the procedures have to be written and clear for the agents after approving them by the monetary authority.
2. However, each time the bank renews, develop and simplify the procedures the financial sector will be developed. It will also help in developing the human resources system, training employees system and organizational units that has monitoring goals that enhance the banking work, which is also confirmed by Mr. Marwan Ebiesi from Monetary Authority.
3. The work procedures are done under the instructions of the monetary authority and the instructions of the public administration and its development.

Adding data and information on the account of the customer is an example on the development on opening an account.

One of the innovations in procedures is” know your customer more” which is a sample that is sent to the branch to be filled by the customer and the needs of the customers are identified through it more.



This chart shows the relationship between the Monetary Authority and banks and how to mix the policy of the Monetary Authority and the Bank's policy to come up with the best procedures and decisions

Whenever the procedures are clear, flexible, smooth, easy to understand and non-interpretable personal terms whenever it is easier to implement the business which is reflected positively on the bank and the development of its business and profits and increase its portfolio of deposits and facilities and thus in the market share.

X5: Regarding of risk management and effect on banking development. Results in table 2 shows that we can not reject the null hypothesis that there is no statistical significant relationship between innovation on the level of risk management and the development of the financial sector.

We might be explained this result by the fact that:

1. The new risk systems did not increase the volume of lending thus it didn't affect the development of the banking sector.
2. There must be a connection between the target (market share) and the risks which leads to high quality of credit facilitations thus existence of goals with high risks that does not affect the increase of lending in the near term but it will have a positive effect on the community in the long term which is also confirmed by Mr. Hamdan Al-Abed from Monetary Authority.
3. Risks department is a monitory department that is not involved in offering products but studying these products and giving recommendations on it so this department has no direct role in developing the banking sector.
4. This department also identifies the risks and monitoring controls.
5. This department studies the concentrations; the orientation of facilities department to lending in a market share from a specific product and the

risk size on it, which is also confirmed by Mr. Omar Al-Jondie from risk department at the National Bank.

H6: Regarding of challenges facing innovation and effect on banking development.

Results from table 2 shows that we can not reject the null hypothesis that there is no statistical significant relationship between challenges that face innovation and the development of the Palestinian financial sector.

We might be explained this results by the fact that:

The banks overcame the obstacles of innovation and that's through opening new branches in the rural areas whereas the banking sector is firm and has a strong capital therefore it could overcome the challenges that are due to the lack of competencies and information about technology, lack of information about the market and absence of rules, which is also confirmed by Mr. Hatem Al-Hamdallah from Monetary Authority.

Feedback and Analysis by Banks Officials on Obtained Empirical Results for Model 2:

This appendix summarize the point view and of several banks managers that provided qualitative opinion of the obtained empirical results.

X1: Regarding of production innovation and effect on banking performance.

We might be explained the result from table 4 by the fact that:

1. The banks are in a continuous competition to offer a payment system for bills either by card or by the internet and that to decrease the use of cash thus offering a new product that helps developing the banking sector. However, it's effect on profitability is not existed on the near term as the profitability is indirect for the bank like giving the agent a loan from the bank in the future.
2. Offering a product like mobile banking or internet banking does not increase profitability in the near term but the quality of the service helps the agent to trust the bank thus the agent requests other profitability Services from the bank.
 - I. The product does not correspond with the needs of agents so there must be a profound study for the market and its needs before launching any new product. The Palestinian Investment Bank is an example, as it

lunched a master card and it was with a low quality and was not suitable for the needs of agents.

- II. The Knowledge of agents about the product is very limited which is also by Hatem Al-Alhamdallah from Monetary Authority.

X2: Regarding of production innovation and effect on banking performance.

Results in table 3 shows that we can not reject the null hypothesis that there is no statically significant relationship between innovation in marketing and the profitability.

We might be explained this result by the fact that:

The marketing has an effect in the long term whereas in the product life cycle, introducing the product stage is in the induction advertisement, in the growth stage the advertisement is comparative, and in the maturity stage the advertisement is a reminder. As we conclude from the above that advertising is a means of product identification and not a means of achieving profitability.

The cost of keeping the customer is less than the cost of searching for him. A global study has been done shows that the satisfied agent talks about the service he's satisfied with from 1-3 times while the unsatisfied agent talks about it from 5-9 times this indicated that the quality of the service and the way it is delivered are the main factors of achieving the profitability.

The effect of the marketing campaigns is only to prove the existence of the enterprise in the market and there's no direct profitability effect, which is also confirmed by Mr. Ahmad Sartawi from marketing department at Arab Islamic Bank.

X3: Regarding of process innovation and effect on banking performance. Results in table 3 shows that we reject H0 hypothesis and accept H3 hypothesis that there is a statistical relationship on a significant level 5% between innovation in the services on the level of operations and the financial performance in the banks.

We might be explained this result by the fact that:

The operations department is the kitchen of the banking work whereas the centralization in this department decreases the from the time and the effort of the employees in the branches. This department includes Treasury Operations Department, Central Remittances Section, Commercial Services Section, and Visa and Clearing Section. The new vision of the Arab Islamic Bank is to serve the customer in less than 48 hours whereas other centralizations will be transferred into the public administration. However, all accounting operations will be done in the operations department where the operations of branches will be limited to data dump only as the central operations of the bank enter daily about 4000_5000 check It is also important to request money transfer from the electronic account and automatic payment of salaries and the implementation of facilities in the Operations Department, which reduces the time and effort, increases the Bank's daily operations, reduces costs (reducing the cost of the employees), reduces the pressure on the branches by requesting the electronic service, reduces mistakes, and achieving the satisfaction of the customers which increases the number of customers, the banking operations and the profitability which is also be confirmed by Hala Al-Masri from operations department at the Arab Islamic Bank.

X4:Regarding of administrative procedures and effect on banking performance.

Results in table 3 shows that reject the null hypothesis (H0) and accept alternative hypothesis (H4) that there is a statically relationship on the significant level 5% between innovation in services on the level of administrative procedures and the financial performance.

We might be explained this results by the fact that:

Identifying procedures, lunching them and delivering them to the authorized party are from the tasks of the procedures department. These policies are put with a cooperation with other departments. The existence of specific work procedures means existence of the same procedures in all branches which

saves the time and the effort of the customer and speeds the process with the lowest cost which will be reflected on the profits positively.

These procedures must have a periodic review where anything new either from monetary authority or whatever happens must be followed. These procedures always have a continuous monitoring. The innovation soul of the employees is strengthened through yearly evaluation where the employee who achieved a high evaluation gets a reward.

These procedures lead to reducing the errors in the operations and to controlling operational risks.

Recently, there are methodologies and techniques in the design of the work procedures such as improvement in the use of certain technology. In the future, the Bank seeks to build a model that helps in measuring the various types of waste in the organization and how to get rid of them and rebuild processes in accordance with the principles of quality and management. These models help simplify procedures with different tools Reducing costs and increasing profitability which is also confirmed by Mr. Ahmad Ayyad from Procedures department at Arab Islamic Bank.

X5: Regarding of risk management and effect on banking performance.

Results in table 3 shows that reject the null hypothesis (H0) and accept the alternative hypothesis (H5) that there is a statistical relationship on a significant level 5% between the innovation the services on the level of risks management and the financial performance and this was inverse relationship.

We might be explained this result by the fact that:

- I. "Arab Bank closed all its branches in Gaza as a result of risk management and only one branch remains, thus innovation in risk management has a negative impact on profitability."
- II. "Banks are in the process of building, developing and strengthening risk management, resulting in additional cost to the Bank, building risk management systems and changing organizational structures, which negatively affects profitability in the short term."
- III. "Censorship requirements have a negative impact on profitability in the short term because they are of high cost but the benefit is realized in the long term as the censorship departments are not generating profit."
- IV. "In risk management, the greater the awareness of risk management for a high-risk product for a specific category, the less likely the expansion of lending will be."
- V. "There are banks that buy high-risk management systems but employees are not qualified to use them. The bank has to bring in well-

qualified staff, which increases risk management costs at the expense of profitability.”

- VI. “There are banks that invest in insurance risk now, but the Monetary Authority has not regulated laws governing the process of insurance policies through banks. If there are legal problems in the future on these policies, the bank is responsible for issuing them.

And also explained the previous result that:

- a) “There is a certain percentage of profit called risk provision to meet the risks that are expected to occur and therefore this percentage is deducted from profits and thus reduces profitability.”
- b) “Basel's decisions specify that the capital adequacy ratio is 8%, but the Palestinian Monetary Authority has raised this ratio to 12% in line with the country's situation. This ratio reduces the portfolio of facilities and therefore has a lower impact on profitability.”
- c) “The risk department at the National Bank is in a development phase where it is managed by two employees for all types of risks as the bank plans to increase the number of employees and the size of the department, which constitutes additional costs to this financial institution. “Which is also confirmed by Mr. Omar Al- Jondie from Risk Management department at National Bank.

X6: Regarding of challenges facing innovation and effect on banking performance.

Results in table 3 shows that reject the null hypothesis (H0) and accept the alternative hypothesis (H6) that there is a statistical relationship at a 5% level between the challenges of innovation and financial performance.

We might be explained this result by the fact that:

- i. The more products, services and customers the greater the challenges, especially in the large banks, where challenges arise that did not exist therefore increasing services means increasing profits and increasing challenges.
- ii. For example, the Bank of Palestine, the greater the functional and supervisory functions, the greater the burden on the employees. Therefore, this increase in business generates profits.
- iii. The greater the challenges of innovation such as the absence of laws that protect innovations, piracy increased by other institutions, thus increasing their profits while not having the costs of innovation itself which is also confirmed by NidalMelhem from the Palestinian Monetary Authority.

Appendix 2

Descriptive Analysis

Departments in Banks Covered by this Study:

Name of Department	Valid Percent
Credit Facilities	12.9
Administrative Affairs	4.3
Finance	15.7
Customer Service	25.7
Market department	4.3
Risk department	18.6
Technology information department	18.6
N=70	

Percentage distribution of the target job position in the study:

Job Position	Valid Percent
Manager	38.6
Deputy Director	61.4
N=70	

Percentage distribution of employee categories by study:

Number of Employees	Valid Percent
1-250	32.9
251-500	32.9
501-700	20.0
More than 700	14.3
N=70	

Names of Banks covered in this study:

N.	Name of Bank	Valid Percent
1	Arab Bank	7.1
2	Jordan Kuwait Bank	7.1
3	Arab Islamic Bank	7.1
4	Palestine Islamic bank	7.1
5	Jordan Ahli Bank	7.1
6	Jordan Commercial Bank	7.1
7	Egyptian Arab Land Bank	7.1
8	National Bank	7.1
9	Jordan Bank	7.1
10	Palestine Investment Bank	7.1
11	Housing Bank for Trade & finance	7.1

12	Cairo Arab Bank	7.1
13	Quds Bank	7.1
14	Bank of Palestine	7.1
	N=70	

The nature of the financial institution:

The nature of financial institution	Valid percent
Commercial Bank	85.7
Islamic Bank	14.3
N=70	

Classification of financial institutions:

Classification	Valid percent
Local Banks	44.3
Foreign Banks	55.7
N=70	

Percentage distribution of services provided by banks:

	Valid percent
Does the establishment offer a service - buying and selling shares	54.3%
Does the facility offer credit facilities?	100.0%
Does the facility offer a microfinance service?	88.6%
Does the facility provide insurance service?	47.1%
Does the establishment offer a service - buying and selling currency	81.4%
Does the establishment provide remittance service?	91.4%
Does the facility offer an account-opening service?	92.9%
Does the facility offer bank card service?	98.6%
Does the facility offer a deposit-deposit service?	90.0%
Does the establishment provide service - guarantees and accreditation	82.9%
Does the establishment provide Murabaha service?	28.6%
Does the establishment provide financial leasing service?	34.3%
Does the establishment offer speculative service?	25.7%
Does the facility provide warranty service?	54.3%

Ratio of female to male in financial institution:

	Valid percent
Less than 20%	8.6
20%-50%	88.6
More than 50%	2.9
N = 70	

Annual net profit:

	Valid percent
Less than 100000\$	11.4
110000-1000000\$	15.7
110000-10000000\$	50.0
More than 10000000\$	22.9
N = 70	

Related Results:

Relative Distribution of Bank Nature according to foreign or local?

The financial institution is considered			
Local	Foreign		
Row N %	Row N %		
100.0%	.0%	Islamic bank	What is the nature of the financial institution?
38.5%	61.5%	Commercial bank	

All Islamic banks surveyed were local banks, while the majority of commercial banks in Palestine were foreign in the rate of 62%.

Relative Distribution of Bank Nature according to number of employees:

Number of employees in banks					
More than 700	501-700	251-500	1-250		
Row N %	Row N %	Row N %	Row N %		
.0%	.0%	100.0%	.0%	Islamic bank	What is the nature of financial institution?
15.4%	23.1%	26.2%	35.4%	Commercial bank	

Islamic banks employ employees in the category of 251 – 500 while Commercial banks, varied in terms of employment, with the largest proportion of employing people in the category of 1 – 250.

Relative Distribution of Bank Nature according to number of branches bank:

Number of bank branches					
More than 46	31-45	16-30	1-15		
Row N %	Row N %	Row N %	Row N %		
.0%	.0%	90.0%	10.0%	Islamic bank	What is the nature of financial institution?
13.8%	3.1%	26.2%	56.9%	Commercial bank	

The majority of Islamic banks have 16-16 branches, while the majority of commercial banks are in the category 1-15.

Relative Distribution of Bank Nature according to ratio of female to male in financial institution:

ratio of female to male				
More than %50	(20% - 50%)	Less than %20		
Row N %	Row N %	Row N %		
.0%	100.0%	.0%	Islamic bank	What is the nature of financial institution?
3.1%	87.7%	9.2%	Commercial bank	

The majority of Islamic and commercial bank were the ratio of female to male in 20-50% category from total of employees.

Relative Distribution of Bank Nature according to annual profit category :

Annul net profit					
\$11,000,000) more than	(1,100,000\$- 10,000,000\$)	(110,000\$- 1,000,000\$)	less than 10000\$		
Row N %	Row N %	Row N %	Row N %		
.0%	50.0%	50.0%	.0%	Islamic bank	What is the nature of financial institution?
24.6%	47.7%	15.4%	12.3%	commercial bank	

The majority of commercial banks net profit higher than Islamic banks.

Appendix 3

Comparative performance of banks

Ranking of Banks by Net Profit (Loss): (Million Dollar)

	2015			2016			Change
	Ranking	value	Market share	Ranking	value	Market share	
Bank of Palestine	2	43,167,433	%32.5	1	53055980	%35.5	%22.9
Arab Bank	1	48,158,838	%32.5	2	47519910	%31.5	-%1.3
Palestine Islamic Bank	3	10,033,817	%7.6	3	12,603,598	%8.4	%25.6
Quds Bank	4	8,018,747	%6.0	4	10,470,704	%7.0	%30.0
Arab Cairo Bank	6	7,521,024	% 5.7	5	8,386,738	% 5.6	%11.5
National Bank	7	5,441,591	%4.1	6	7,402,240	%5	%36

Ranking of banks according to the most important items of the financial position (Total Assets): (Million Dollar)

	2015			2016			Change
	Ranking	value	Market share	Ranking	value	Market share	
Bank of Palestine	2	2,785,203,240	%22.7	1	4,118,629,230	%29.9	%47.9
Arab Bank	1	3,172,964,858	%25.9	2	3,436,077,173	%25	%8.3
Palestine Islamic Bank	6	675,211,338	%5.5	6	809,082,569	%5.9	%19.8
Quds Bank	5	804,160,135	%6.6	4	960,070,324	% 7	%19.4
Arab Cairo Bank	3	833,602,671	%6.8	3	976,959,109	%7.1	%17.2
National Bank	4	820,268,531	%6.7	5	957,088,864	%7	%16.7
Arab Islamic Bank	7	650,593,114	%5.3	7	791,442,161	%5.7	%21.6
The Housing Bank For Trade and Finance	8	576,474,791	%4.7	8	604,369,186	%4.4	%4.8
Palestine Investment Bank	10	327,770,241	%2.7	11	352,712,692	%2.6	%7.6
Jordan Ahli Bank	11	285,915,663	%2.3	10	374,510,987	% 2.7	%31
Jordan Bank	9	567,723,633	%4.6	9	591,577,993	%4.3	%4.2
Jordan Commercial Bank	13	208,655,444	%1.7	12	216,342,708	%1.6	%3.7
Jordan Kuwait Bank	15	121,700,990	%1.0	14	125,165,800	%0.9	%2.8
Safa Bank				15	87,038,490	%0.6	-
Egyptian Arab Land Bank	14	145,049,876	%1.2	13	155,565,959	%1.1	%7.2
Palestine Commercial Bank	12	282,896,132	%2.3				
HSBC Bank	16	12,825,309	%0.1				
Bank Sector		12,271,015,967			13,765,191,084		%12.2

Customer Deposits: (Million Dollar)

	2015			2016			Change
	Ranking	value	Market share	Ranking	value	Market share	
Bank of Palestine	2	2,242,782,298	%23.3	1	3,143,151,591	%29.7	%40.1
Arab Bank	1	2699907913	%28	2	2939797618	%27.8	%8.9
Palestine Islamic Bank	6	536786499	%5.6	6	651702781	%6.2	%21.4
Quds Bank	3	647009472	%6.7	3	777663613	%7.3	%20.2
Arab Cairo Bank	4	626998829	%6.5	4	668758220	%6.3	%6.7
National Bank	5	538606899	%5.6	5	655964198	%6.2	%21.8
Arab Islamic Bank	7	517141614	%5.4	7	624153200	%5.9	%20.7
The Housing Bank For Trade and Finance	9	475328310	%4.9	9	482825279	%4.6	%1.6
Palestine Investment Bank	10	208551635	% 2.2	11	244792787	%2.3	%17.4
Jordan Ahli Bank	11	206324450	%2.1	10	256761989	%2.4	%24.4
Jordan Bank	8	481012399	%5	8	493384897	%4.7	%2.6
Jordan Commercial Bank	13	122543491	%1.3	12	115828554	%1.1	-%5.5
Jordan Kuwait Bank	15	54817690	%0.6	14	55840183	%0.5	%1.9
Safa Bank				15	9578881	%0.1	-
Egyptian Arab Land Bank	14	79471982	%0.8	13	90690338	%0.9	14.1%
Palestine Commercial Bank	12	186,828,640	%1.9				
HSBC Bank	16	3,759,942	%0.04				
Bank Sector		10,586,704,929			9,627,872,063		%10

Net direct credit facilities: (Million Dollar)

	2015			2016			Change
	Ranking	value	Market share	Ranking	value	Market share	
Bank of Palestine	2	1,388,805,441	%24.2	1	2,213,463,765	%32.7	%59.4
Arab Bank	1	1,488,590,787	%25.9	2	1,511,807,779	%22.3	%1.6
Palestine Islamic Bank	3	446,357,550	%7.8	4	539,950,891	%8	%21.1
Quds Bank	4	432,396,576	%7.5	3	616,366,932	%9.1	%42.5
Arab Cairo Bank	7	303,624,961	%5.3	7	381,889,671	%5.6	%25.8
National Bank	5	401,781,262	%7	5	519,317,318	%7.7	%29.3
Arab Islamic Bank	6	311,389,595	%5.4	6	419,694,912	%6.2	%34.8
The Housing Bank For Trade and Finance	9	176,669,533	%3.1	9	192,361,980	%2.8	%8.9
Palestine Investment Bank	11	141,670,501	%2.5	11	181,475,269	%2.7	%28.1
Jordan Ahli Bank	12	128,843,626	%2.2	10	188,520,258	%2.8	%46.3
Jordan Bank	8	193,663,023	%3.4	8	212,993,152	%3.1	%10
Jordan Commercial Bank	14	71,228,563	%1.2	13	87,193,475	%1.3	%22.4
Jordan Kuwait Bank	15	13,203,663	%0.2	14	14,987,927	%0.2	%13.5
Safa Bank				15	4,656,740	%0.1	-
Egyptian Arab Land Bank	13	87,263,070	%1.5	12	100,503,898	%1.5	%15.2
Palestine Commercial Bank	10	151,292,553	%2.6				
HSBC Bank	16	0	0				
Bank Sector		5,736,780,703			6,765,489,056		%17.9

Total equity:

	2015			2016			Change
	Ranking	value	Market share	Ranking	value	Market share	
Bank of Palestine	1	305,756,304	%20.8	1	403,574,797	%25.2	%32.0
Arab Bank	2	262,261,059	%17.9	2	265,411,331	%16.6	%1.2
Palestine Islamic Bank	9	73,305,904	%5.0	3	95,308,839	%6.0	%30.0
Quds Bank	6	76,952,451	%5.2	7	89,067,289	%5.6	%15.7
Arab Cairo Bank	5	86,764,903	%5.9	4	94,605,811	%5.9	%9.0
National Bank	3	89,819,078	%6.1	6	92,495,563	%5.8	%3.0
Arab Islamic Bank	10	69,005,125	%4.7	10	75,209,854	%4.7	%9.0
The Housing Bank For Trade and Finance	4	88,660,841	%6.0	5	93,416,711	%5.8	%5.4
Palestine Investment Bank	8	73,475,471	%5.0	9	80,038,999	%5.0	%8.9
Jordan Ahli Bank	11	67,414,707	%4.6	11	73,548,176	%4.6	%9.1
Jordan Bank	7	73,960,887	%5.0	8	83,957,422	%5.2	%13.5
Jordan Commercial Bank	12	56,640,025	%3.9	13	58,115,566	%3.6	%2.6
Jordan Kuwait Bank	13	52,078,975	%3.5	14	51,525,306	%3.2	-%1.1
Safa Bank				12	72,835,209	%4.5	-
Egyptian Arab Land Bank	14	49,747,241	%3.4	15	47,924,009	%3.0	-%3.7
Palestine Commercial Bank	15	38,064,205	%2.6				
HSBC Bank	16	3,786,305	%0.3				
Bank Sector		1,467,693,480			1,601,825,028		%9.1

Ranking of banks according to the most important indicators of profitability: Net interest income and commission / income

	2015		2016		Change
	Ranking	The Ratio	Ranking	The Ratio	
Bank of Palestine	12	%84.55	12	%84.03	-%0.62
Arab Bank	7	%88.52	6	%87.33	-%1.34
Palestine Islamic Bank	9	%86.80	9	%86.94	%0.16
Quds Bank	14	%82.66	10	%85.64	%3.60
Arab Cairo Bank	2	%91.55	2	%92.84	%1.41
National Bank	8	%86.98	8	%86.97	-%0.01
Arab Islamic Bank	11	%85.42	7	%87.04	%1.90
The Housing Bank For Trade and Finance	13	%82.99	15	%76.14	-%8.25
Palestine Investment Bank	6	%88.63	4	%90.60	%2.23
Jordan Ahli Bank	1	%91.93	3	%91.65	-%0.31
Jordan Bank	5	%90.00	1	%93.70	%4.11
Jordan Commercial Bank	4	%90.91	11	%85.22	-%6.25
Jordan Kuwait Bank	10	%86.68	5	%88.05	%1.58
Safa Bank			13	%83.87	-
Egyptian Arab Land Bank	15	%78.89	14	%80.94	%2.60
Palestine Commercial Bank	3	%91.21			
HSBC Bank	16	%75.19			
Bank Sector		%86.82		%86.39	-%0.50

Return on assets

	2015		2016		Change
	Ranking	The Ratio	Ranking	The Ratio	
Bank of Palestine	1	%1.55	3	%1.29	-%16.88
Arab Bank	2	%1.52	2	%1.38	-%8.88
Palestine Islamic Bank	3	%1.49	1	%1.56	%4.83
Quds Bank	5	%1.00	4	%1.09	%9.37
Arab Cairo Bank	7	%0.90	6	%0.86	-%4.85
National Bank	10	%0.66	10	%0.77	%16.58
Arab Islamic Bank	8	%0.80	9	%0.786	-%1.69
The Housing Bank For Trade and Finance	4	%1.34	8	%0.787	-%41.15
Palestine Investment Bank	11	%0.53	5	%0.96	%82.94
Jordan Ahli Bank	6	%0.95	7	%0.789	-%17.01
Jordan Bank	14	-%0.43	12	%0.65	%251.90
Jordan Commercial Bank	9	%0.67	11	%0.68	%1.86
Jordan Kuwait Bank	13	-%0.28	13	-%0.78	-%174.06
Safa Bank			15	-%2.49	
Egyptian Arab Land Bank	15	-%3.19	14	-%2.20	%31.01
Palestine Commercial Bank	12	%0.49			
HSBC Bank	16	-%17.43			
Bank Sector		%1.083		%1.085	%0.19

Return on Equity:

	2015		2016		Change
	Ranking	The Ratio	Ranking	The Ratio	
Bank of Palestine	2	%14.12	3	%13.15	-%6.88
Arab Bank	1	%18.36	1	%17.90	-%2.50
Palestine Islamic Bank	3	%13.69	2	%13.22	-%3.39
Quds Bank	4	%10.42	4	%11.76	%12.82
Arab Cairo Bank	6	%8.67	5	%8.86	%2.27
National Bank	8	%6.06	7	%8.00	%32.09
Arab Islamic Bank	7	%7.54	6	%8.27	%9.73
The Housing Bank For Trade and Finance	5	%8.69	8	%5.09	-%41.45
Palestine Investment Bank	12	%2.34	10	%4.23	%80.71
Jordan Ahli Bank	9	%4.03	11	%4.02	-%0.36
Jordan Bank	14	-%3.29	9	%4.58	%239.43
Jordan Commercial Bank	11	%2.47	12	%2.54	%2.93
Jordan Kuwait Bank	13	-%0.66	13	-%1.88	- %184.89
Safa Bank			14	-%2.97	
Egyptian Arab Land Bank	15	-%9.30	15	-%7.14	%23.20
Palestine Commercial Bank	10	%3.66			
HSBC Bank	16	-%59.03			
Bank Sector		%9.05		%9.32	%2.98

Ranking of Banks by Banking Branch and Human Resources

Number of branches and offices:

	2015			2016			Change
	Ranking	Number	Share	Ranking	Number	Share	
Bank of Palestine	1	56	%20.7	1	83	%27.3	%48.2
Arab Bank	4	29	%10.7	4	31	%10.2	%6.9
Palestine Islamic Bank	5	21	%7.7	5	29	%9.5	%38.1
Quds Bank	3	31	%11.4	2	37	%12.2	%19.4
Arab Cairo Bank	5	21	%7.7	6	21	%6.9	-
National Bank	8	12	%4.4	7	15	%4.9	%25.0
Arab Islamic Bank	9	11	%4.1	8	16	%5.3	%45.5
The Housing Bank For Trade and Finance	7	13	%4.8	10	14	%4.6	%7.7
Palestine Investment Bank	6	15	%5.5	9	17	%5.6	%13.3
Jordan Ahli Bank	11	6	%2.2	11	6	%2.0	-
Jordan Bank	2	34	%12.5	3	35	%11.5	%2.9
Jordan Commercial Bank	12	5	%1.8	12	5	%1.6	-
Jordan Kuwait Bank	13	2	%0.7	13	4	%1.3	%100
Safa Bank				14	1	%0.3	
Egyptian Arab Land Bank	11	6	%2.2	11	6	%2.0	
Palestine Commercial Bank	10	8	%3.0				
HSBC Bank	14	1	%0.4				
Total		271			304		%12.2

Number of ATMs

	2015			2016			Change
	Ranking	Number	Share	Ranking	Number	Share	
Bank of Palestine	1	117	%19.8	1	196	%31.5	%67.5
Arab Bank	2	106	%17.9	2	109	%17.5	%2.8
Palestine Islamic Bank	5	45	%7.6	6	47	%7.6	%4.4
Quds Bank	3	60	%10.1	3	63	%10.1	%5.0
Arab Cairo Bank	4	49	%8.3	5	49	%7.9	-
National Bank	8	30	%5.1	8	35	%5.6	%16.7
Arab Islamic Bank	4	49	%8.3	4	50	%8.0	%2.0
The Housing Bank For Trade and Finance	7	31	%5.2	9	32	%5.1	%3.2
Palestine Investment Bank	10	18	%3.0	10	21	%3.4	%16.7
Jordan Ahli Bank	11	13	%2.2	11	13	%2.1	-
Jordan Bank	6	39	%6.6	7	39	%6.3	-
Jordan Commercial Bank	13	5	%0.8	13	5	%0.8	-
Jordan Kuwait Bank	14	3	%0.5	13	5	%0.8	%66.7
Safa Bank				14	1	%0.2	-
Egyptian Arab Land Bank	12	7	%1.2	12	7	%1.1	-
Palestine Commercial Bank	9	20	%3.4				
HSBC Bank	15	0	%0				
Total		592			622		%5.1

Number of Employees:

	2015			2016			Change
	Ranking	Number	Share	Ranking	Number	Share	
Bank of Palestine	1	1405	%22.9	1	2063	%31.6	%46.8
Arab Bank	2	899	%14.6	2	890	%13.6	-%1.0
Palestine Islamic Bank	5	509	%8.3	4	568	%8.7	%11.6
Quds Bank	3	633	%10.3	3	672	%10.3	%6.2
Arab Cairo Bank	4	547	%8.9	5	519	%8.0	-%5.1
National Bank	6	377	%6.1	6	432	%6.6	%14.6
Arab Islamic Bank	7	335	%5.5	7	411	%6.3	%22.7
The Housing Bank For Trade and Finance	9	248	%4.0	9	263	%4.0	%6.0
Palestine Investment Bank	10	240	%3.9	10	239	%3.7	-%0.4
Jordan Ahli Bank	12	160	%2.6	11	170	%2.6	%6.3
Jordan Bank	8	326	%5.3	8	346	%5.3	%6.1
Jordan Commercial Bank	14	99	%1.6	13	102	%1.6	%3.0
Jordan Kuwait Bank	15	32	%0.5	15	59	%0.9	%84.4
Safa Bank				14	60	%0.9	-
Egyptian Arab Land Bank	13	135	%2.2	12	145	%2.2	%7.4
Palestine Commercial Bank	11	180	%2.9				
HSBC Bank	16	13	%0.2				
Total		6,138			6,528		%6.4

Aggregated Income Statement

قائمة الدخل المجمعة

	Δ%	2016	2015	
Revenues				
Interest income	8.6%	476,134,423	438,387,241	الإيرادات التربوية المالية
Interest expense	19.4%	76,441,496	64,033,472	التكاليف الربوية المالية
Net interest income	6.8%	399,692,928	374,353,769	صافي الإيرادات الربوية
Net commission income	7.5%	92,782,079	86,323,346	صافي إيرادات العمولات
Net interest and commission income	6.9%	492,475,007	460,677,415	صافي الإيرادات الربوية والعمولات
Foreign currencies exchange gains	-0.2%	32,896,843	32,978,278	إيرادات التعامل بالعمولات الأجنبية
Recovery of impairment provision of direct credit facilities	23.6%	10,752,589	8,701,386	استرداد مخصص تدهن شهيلاات التعمانية مباشرة
Other	20.1%	33,943,966	28,259,313	أخرى
Total revenues	7.4%	570,068,405	530,616,593	مجموع الإيرادات
Expenses				
Personnel expenses	5.9%	186,761,951	175,469,231	المصاريف تنشقات الموظفين
Operating expenses	7.8%	135,959,922	126,098,576	مصاريف تشغيلية
Depreciation and amortization	3.3%	25,366,302	24,562,589	استهلاكات وانقادات
Impairment provision of direct credit facilities	18.9%	24,986,868	21,007,134	مخصص تدهن شهيلاات التعمانية مباشرة
Other	-67.8%	2,613,482	8,104,975	أخرى
Total expenses	5.5%	374,688,525	355,242,505	مجموع المصاريف
Profit before taxes	11.4%	195,379,880	175,374,088	الربح قبل الضرائب
Deferred taxes benefits	-89.6%	21,616	208,078	التعامات ضريبية مؤجلة
Taxes expenses	7.9%	46,089,822	42,738,188	مصاريف الضرائب
Net profit for the year	12.4%	149,301,674	132,843,977	صافي ربح السنة

Aggregated Financial Position Statement

قائمة المركز المالي المجمعة

	A %	2016	2015	
Assets				
Cash and balances with PMA	3.6%	2,206,157,867	2,217,218,002	الموجودات
Balances at banks and financial institutions	-10.8%	1,621,171,813	1,817,265,463	كافة وأرصدة لدى سلطة النقد الفلسطينية
Balances at head office	45.9%	1,342,269,689	920,213,322	أرصدة لدى البنوك ومؤسسات مصرفية
Net direct credit facilities	17.9%	6,765,489,056	5,736,760,703	أرصدة لدى المركز الرئيسي
Financial assets at fair value	10.1%	151,795,828	137,865,569	مافي التسهيلات الائتمانية المباشرة
Financial assets at amortized cost	5.4%	980,608,937	930,798,491	موجودات مالية بالقيمة العادلة
Investments	-30.6%	34,819,166	50,206,494	موجودات مالية بالكلفة المتكاثفة
Net fixed assets	10.8%	243,700,295	205,078,219	استثمارات
Other	28.8%	329,088,435	255,568,683	مافي موجودات ثابتة
Total assets	12.2%	13,765,191,084	12,271,015,967	إجمالي
Liabilities and owners' equity				
Liabilities				
PMA deposits	446.6%	333,987,536	61,105,305	المطلوبات وحقوق الملكية
Banks' and financial institutions' deposits	1.6%	728,680,793	716,869,108	المطلوبات
Head office deposits	1.2%	13,242,728	13,082,310	ودائع سلطة النقد الفلسطينية
Customers' deposits	10.0%	10,586,704,929	9,627,872,063	ودائع بنوك ومؤسسات مصرفية
Sundry provisions	9.1%	113,160,837	103,753,869	ودائع المركز الرئيسي
Taxes provisions	45.9%	60,768,720	41,048,915	ودائع العملاء
Other	36.8%	326,820,513	238,970,916	مخصصات متوقعة
Total liabilities	12.6%	12,163,366,056	10,803,322,487	مخصصات التمرن
Owners' equity				
Paid - in share capital	6.3%	1,021,756,851	961,333,106	حقوق الملكية
Supplementary capital	160.0%	705,219	282,087	رأس المال المدفوع
Debtless bonds	-100%	0	7,164,011	رأس المال المساهم
Paid - in capital in excess of par value	177.8%	26,662,866	9,566,143	علاوة فريش
Statutory and cyclical reserves	9.1%	269,799,326	247,385,203	احتياطي قانوني وإلزامي دورية
General banking risks and voluntary reserves	9.4%	107,910,060	98,634,745	احتياطي مخاطر مصرفية عامة واختياري
Accumulative change in fair value	-79.5%	1,918,758	9,356,633	التغير التراكمي في القيمة العادلة
Retained earnings	5.3%	138,461,363	129,650,165	الأرباح المحتزنة
Other	753.7%	36,610,587	4,288,384	أخرى
Total owners' equity	9.1%	1,601,825,028	1,467,693,480	مجموع حقوق الملكية
Total liabilities and owners' equity	12.2%	13,765,191,084	12,271,015,967	مجموع المطلوبات وحقوق الملكية

التوزيع الجغرافي لعدد السكان والفروع و أجهزة الصراف الآلي و حجم ودائع العملاء و الائتمان المباشر لعام 2017

المنطقة الجغرافية	السكان	الفروع	الصراف الآلي	ودائع العملاء	الائتمان المباشر	سكان / فرع	سكان / صراف آلي	ودائع العملاء / فرع	الائتمان / فرع
تونس	387,240	43	84	1,560,298,658	844,864,364	9,006	4,610	36,286,783	19,641,031
جنين	308,618	26	48	773,201,317	345,413,055	11,870	6,430	29,738,512	13,285,117
طونكس	183,205	18	32	614,141,011	170,736,332	10,178	5,725	28,563,390	9,486,352
طرابلس	108,234	9	21	218,385,710	106,394,204	12,026	5,154	24,266,190	11,810,467
سكيت	73,756	8	12	132,694,181	85,088,752	9,220	6,146	18,586,523	10,636,094
طرابلس	60,186	5	8	86,397,997	49,709,884	12,037	7,523	17,077,599	9,941,977
شمال الضفة	1,121,239	109	205	3,284,698,874	1,601,806,582	10,287	5,469	30,129,347	14,695,473
رام الله و البيرة	322,193	68	182	4,470,228,600	3,824,776,535	4,738	1,770	65,738,656	56,246,714
القدس	414,786	19	19	847,106,121	348,618,374	23,044	21,831	47,061,451	19,362,132
أريحا	50,002	10	16	132,345,466	146,488,786	5,000	3,125	13,234,547	14,848,879
وسط الضفة	786,981	96	217	5,449,680,186	4,319,783,696	8,198	3,627	56,767,502	44,997,747
الخليل	707,017	47	85	1,088,256,827	418,676,218	15,043	8,318	23,154,613	8,914,388
بيت لحم	216,047	27	53	1,023,681,436	700,425,299	7,965	4,057	37,910,424	26,941,678
جنوب الضفة	922,064	74	138	2,111,848,263	1,119,401,516	12,460	6,682	28,538,490	15,127,048
الضفة الغربية	2,830,284	279	560	10,845,627,324	7,040,391,794	10,144	5,054	38,871,216	25,236,530
غزة و بيت لاهيا	641,310	26	45	802,182,137	648,625,369	24,666	14,251	30,853,159	24,997,130
حلبون	386,823	9	11	126,891,650	87,328,310	40,758	33,348	14,099,072	9,703,146
شمال غزة	364,188	8	16	100,533,783	123,341,887	45,624	22,762	12,566,723	15,442,736
رفح	233,166	8	7	57,458,879	66,881,863	29,146	33,309	7,183,610	8,322,733
دير الحج	269,830	7	5	40,631,487	59,162,361	38,547	53,966	5,811,641	8,451,766
قطاع غزة	1,875,317	58	84	1,127,757,936	986,538,791	32,333	22,325	19,444,102	17,009,307
الإجمالي	4,705,601	337	644	11,973,385,260	8,027,531,585	13,963	7,307	35,529,333	23,820,569

التوزيع الجغرافي لعدد السكان و الفروع و أجهزة الصراف الآلي و حجم ودائع العملاء و الائتمان المباشر لعام 2017

المنطقة الجغرافية	السكان	الفروع	الصراف الآلي	ودائع العملاء	الائتمان المباشر	حجم / مبلغ	معدل / سعر رأسي	ودائع العملاء / مبلغ	الائتمان / مبلغ
تونس	387,240	43	84	1,560,288,658	844,664,364	9,006	4,610	36,285,783	19,641,031
جنين	308,618	26	48	773,201,317	345,413,065	11,870	6,430	29,738,612	13,285,117
طبركرم	183,205	18	32	514,141,011	170,736,332	10,178	5,725	28,563,390	9,485,352
قلاية	108,234	9	21	216,395,710	106,294,204	12,026	5,154	24,286,190	11,810,467
سقيت	73,756	8	12	132,684,181	85,088,752	9,220	6,146	16,585,523	10,636,094
طرابلس	60,186	5	8	85,387,997	49,709,884	12,037	7,523	17,077,699	9,941,977
ضمان العظمى	1,121,239	109	205	3,284,098,874	1,601,806,582	10,287	5,469	30,129,347	14,695,473
رام الله والخبيرة	322,193	68	182	4,470,228,600	3,824,776,535	4,738	1,770	65,738,656	56,248,714
القدس	414,786	18	19	847,106,121	348,518,374	23,044	21,831	47,061,451	19,362,132
أريحا	50,002	10	16	132,345,468	146,488,788	5,000	3,125	13,234,547	14,648,879
وسط الضفة	786,981	96	217	5,449,680,186	4,319,783,696	8,198	3,627	56,767,502	44,997,747
الخليل	707,017	47	85	1,088,266,827	418,976,218	15,043	8,318	23,154,613	8,914,388
بيت لحم	215,047	27	53	1,023,581,436	700,425,299	7,965	4,057	37,910,424	25,941,678
جنوب الضفة	922,064	74	138	2,111,848,263	1,119,401,516	12,460	6,682	28,538,490	15,127,048
الضفة الغربية	2,830,284	279	560	10,645,627,324	7,040,991,794	10,144	5,054	38,873,216	25,236,530
غزة وبيت لاهيا	641,310	26	45	802,182,137	649,925,369	24,666	14,251	30,653,159	24,997,130
حلبوتس	366,823	9	11	126,891,650	87,328,310	40,758	33,348	14,098,072	9,703,146
شمال غزة	364,188	8	16	100,533,783	123,641,887	45,524	22,762	12,666,723	15,442,736
رفح	233,166	8	7	57,468,879	66,581,863	29,146	33,309	7,183,610	8,322,733
دير البلح	268,830	7	5	40,681,487	59,162,361	38,547	53,986	5,811,641	8,451,766
قطاع غزة	1,875,317	58	84	1,127,757,936	986,539,791	32,333	22,325	19,444,102	17,009,307
الإجمالي	4,705,601	337	644	11,973,385,260	8,027,531,585	13,963	7,307	35,529,333	23,820,569

ترتيب المحافظات حسب حجم ودائع العملاء والائتمان المباشر وعدد الفروع و أجهزة الصراف الآلي لعام 2017

المحافظة	الائتمان المباشر	النسبة من الإجمالي
البحر	3,824,776,535	%47.6
البحر	844,564,354	%10.5
البحر	700,425,299	%8.7
البحر	649,925,399	%8.1
البحر	418,976,218	%5.2
البحر	348,518,374	%4.3
البحر	345,413,055	%4.3
البحر	170,736,382	%2.1
البحر	146,488,796	%1.8
البحر	123,541,887	%1.5
البحر	106,294,204	%1.3
البحر	87,328,310	%1.1
البحر	85,088,752	%1.1
البحر	66,581,083	%0.8
البحر	59,162,351	%0.7
البحر	49,709,884	%0.6

حجم الائتمان

المحافظة	دايم الله والبيرة	ودائع العملاء	النسبة من الإجمالي
البحر	1,560,286,658	4,470,228,600	%37.3
البحر	1,088,266,827	1,560,286,658	%13.0
البحر	1,023,581,436	1,088,266,827	%9.1
البحر	847,106,127	1,023,581,436	%6.5
البحر	802,162,137	847,106,127	%7.1
البحر	773,201,317	802,162,137	%6.7
البحر	514,141,011	773,201,317	%6.5
البحر	218,396,710	514,141,011	%4.3
البحر	132,684,181	218,396,710	%1.8
البحر	132,345,466	132,684,181	%1.1
البحر	126,891,650	132,345,466	%1.1
البحر	100,533,783	126,891,650	%1.1
البحر	85,387,997	100,533,783	%0.8
البحر	57,468,879	85,387,997	%0.7
البحر	40,681,487	57,468,879	%0.5

حجم ودائع العملاء

المحافظة	دايم الله والبيرة	الائتمان المباشر	النسبة من الإجمالي
البحر	162	162	%28.3
البحر	85	85	%13.2
البحر	84	84	%13.0
البحر	53	53	%8.2
البحر	46	46	%7.5
البحر	45	45	%7.0
البحر	32	32	%5.0
البحر	21	21	%3.3
البحر	19	19	%3.0
البحر	16	16	%2.5
البحر	16	16	%2.5
البحر	12	12	%1.9
البحر	11	11	%1.7
البحر	8	8	%1.2
البحر	7	7	%1.1
البحر	5	5	%0.8

عدد أجهزة الصراف الآلي

المحافظة	دايم الله والبيرة	الائتمان المباشر	النسبة من الإجمالي
البحر	47	68	%20.2
البحر	43	47	%13.9
البحر	27	43	%12.8
البحر	26	27	%8.0
البحر	26	26	%7.7
البحر	26	26	%7.7
البحر	18	26	%5.3
البحر	18	18	%5.3
البحر	10	18	%3.0
البحر	9	10	%2.7
البحر	8	9	%2.7
البحر	8	8	%2.4
البحر	8	8	%2.4
البحر	7	8	%2.1
البحر	5	7	%1.5

عدد الفروع

التوزيع الجغرافي لعدد السكان والفروع و أجهزة الصراف الآلي و حجم ودائع العملاء و الائتمان المباشر لعام 2017

المنطقة الجغرافية	السكان	الفروع	الصراف الآلي	ودائع العملاء	الائتمان المباشر	سكان / فرع	سكان / فرع	ودائع العملاء / فرع	الائتمان / فرع
تونس	387,240	43	84	1,560,288,658	844,564,354	9,006	4,610	36,285,783	19,841,031
حلب	308,618	26	48	773,201,317	345,413,055	11,870	6,430	28,738,512	13,285,117
طرابلس	183,205	18	32	514,141,011	170,736,332	10,178	5,725	28,563,380	9,485,352
قذافي	108,234	9	21	218,395,710	106,294,204	12,026	5,154	24,266,190	11,810,467
غردية	73,756	8	12	132,684,181	85,088,752	9,220	6,146	16,585,523	10,636,094
طرابلس	60,186	5	8	85,387,997	49,709,884	12,037	7,523	17,077,599	9,941,977
صفاقس	1,121,239	109	205	3,284,098,874	1,601,806,582	10,287	5,469	30,129,347	14,695,473
زيم، زليانة، القصيرة	322,193	68	182	4,470,228,800	3,824,776,535	4,738	1,770	65,738,656	56,246,714
القدس	414,786	18	19	847,100,121	348,518,374	23,044	21,831	47,061,451	19,362,132
أريسا	50,002	10	16	132,345,466	146,488,786	5,000	3,125	13,234,547	14,648,879
وسط النخلة	786,981	96	217	5,449,680,186	4,319,783,696	8,198	3,627	56,767,502	44,997,747
الخليج	707,017	47	85	1,088,266,827	418,976,218	15,043	8,318	23,154,613	8,914,388
بيت لحم	215,047	27	53	1,023,581,436	700,425,299	7,965	4,057	37,910,424	25,941,678
جنوب النخلة	922,064	74	138	2,111,848,263	1,119,401,516	12,460	6,682	28,538,490	15,127,048
المنطقة العربية	2,830,284	279	660	10,845,627,324	7,040,991,794	10,144	5,054	38,873,216	25,236,530
غردية، بيت لاميا	641,310	26	45	802,182,137	649,925,369	24,666	14,251	30,853,159	24,997,130
خانقوت	366,823	9	11	126,891,650	87,328,310	40,758	33,348	14,099,072	9,703,146
شمال غرد	364,188	8	16	100,533,783	123,541,887	45,524	22,762	12,568,723	15,442,738
دج	233,166	8	7	57,468,879	66,581,863	29,146	33,309	7,183,610	8,322,733
دبر البطح	269,830	7	5	40,681,487	59,162,381	38,547	53,966	5,811,641	8,451,766
قطاع غرد	1,875,317	58	84	1,127,757,836	986,539,791	32,333	22,325	19,444,102	17,009,307
الإجمالي	4,705,601	337	644	11,973,385,260	8,027,531,585	13,963	7,307	35,529,333	23,820,569

Appendix 4

Survey

Dear MR / MRS

The Subject: Collecting Data for a Scientific Research

The researcher is doing a study about the effect of innovation in the financial services on the financial sector in Palestine, to continue his MA degree in management of economic policies. The following questionnaire is an instrument to collect data for this study. Your cooperation in filling this questionnaire objectively will reflect positively on the credibility of the results and the extent to which the researcher's recommendations are accepted in order to implement them. We also promise to preserve the confidentiality of data that will be used only for scientific research. The credibility of the response will be positively reflected in the adoption of more effective and efficient policies over the long and short term.

With Respect

The Researcher:

The Name of the Employee:

Job Position:

The Name of the Financial Enterprise:

The Date of Establishment of the Enterprise:

The Date:

Time:

First: General information about the financial enterprise:

1. What is the type of their enterprise:
 - Islamic Bank
 - Commercial Bank
2. The enterprise is:
 - local
 - expatriate
3. The enterprise works in these governorates (choose only the governorates that your enterprise works in):

Jericho	Qalqilia	Jenin	Tulkarm	Bethlehem	Hebron	Ramallah	Nablus
Al-Quds	North of Gaza	Deir Al-Balah	Rafah	Khan Younes	Gaza	Salfit	Tubas

4. The number of employees in the Bank:
 - 250 _ 1
 - 500 _ 251
 - 700 _ 501
 - 700 and more
5. : The number of branches
 - 15 _ 1
 - 30 _ 16
 - 45 _ 31
 - 46 and more
6. The financial institution provides credit facilities at a higher rate to
 - Companies
 - Individuals
 - Companies and individuals
7. The enterprise offers the following services (you can choose more than one and you can mention any additional answer)

Buying and selling currency	Insurance	Microfinance	Credit facilities	Buying and selling shares
Guarantees and Accreditation	Deposit safes	Bank Cards	Opening accounts	Remittances
_____ Othes	Letters of guarantee	Speculation	financial leasing	Murabaha

8. : The percentage of females to males in the enterprise:
 - 1) less than 20%
 - 2) 20%- 50%
 - 3) more than 50%
9. : Annual net profit
 - \$100000 and less
 - \$1000000 _ 110000
 - \$10000000 _ \$11000000
 - \$11000000 and more

Second: Determine the quality of innovation at all levels:

This section aims to identify the type of innovation at all levels of the financial sectors in the last two years compared to previous years.

Financial innovation: Create new financial tools and techniques, new institutions, markets, processes and business models, or develop new means of application for ideas that already exist in financial markets.

1 Innovation in services on the level of production (credit facilities)					
Has there been a renewal in each of the following areas during the two years? (The past two years)	Very big	big	medium	Weak	No Applies
1. The enterprise has developed the quality of current services.					
2. The financial enterprise has provided new quality services					
3. The financial enterprise provided loans through electronic commerce.					
4. The financial enterprise has reclassified its investment portfolio by providing facilities for all categories.					
5. Improvements to existing services, such as reducing the cost of risk, give longer repayment periods to reduce default rates.					

2 innovation in services on the level of marketing					
To what extent have the following types of innovation been applied in the field of marketing during the past two years:	Very big	big	medium	weak	No Applies
1_Renew the service pack by changing offers and attachments					
2_The financial enterprise has established a periodic marketing plan for new products targeting specific categories.					
3_Renew service delivery channels as applications on your smartphone.					
4_The marketing plan was comprehensive and dynamic and took into account the expected risks.					
5_Introducing a department within the bank whose mission is marketing and promotion in modern ways.					

6_Renewal of service pricing mechanisms.					
7_Renewing marketing channels attract customers by means of social networking					

3_Innovation in services on the level of process					
To what extent have the following activities contributed to the development of service delivery operations in the Bank during the past two years:	Very big	big	medium	weak	No Applies
1. Improved service delivery processes through the introduction of new technology (services, computerized software).					
2. The financial enterprise has developed the service delivery methods to become the fastest and easiest for the largest number of customers.					
3. The enterprise provided free services to customers.					
4. The financial enterprise has renewed its headquarters.					
5.Developing traditional systems and methods of service delivery.					
6.The Bank provided special privileges to certain customers.					
7.ATM offers cash withdrawal service.					
8.Cancellation of procedures that do not add value to service delivery processes.					
9.Distribution of ATMs and branches according to the population density of the domain in which the service is provided using the GIS program.					
10.Develop digital financial services					
11.Addressing technical problems using rapid alternative methods					
12.The insurance service was introduced for the purpose for which it was borrowed like the carand others and made it optional.					
4. Innovation in administrative procedures					
Has the facility implemented any of the following administrative changes during the past two years:	Very big	big	medium	Weak	No Applies
1. Renewal of administrative procedures in order to obtain service at a lower cost than competitors.					
2. The new administrative procedures have					

contributed to the provision of services to new sectors.					
3. The financial institution simplifies proceduresTransactions.					
4. Management provides a broad, accurate and integrated base on Information and customer data in a more recent way than its predecessor					
5. Develop an organizational unit that enhances the enterprise's innovation spirit					
6. Development in human resources management systems.					
7. Modifying the organizational structure to facilitate teamwork and decentralization of decision-making					
8.Continuous monitoring and follow - up by management in Evaluation of services is one of the most important methods in Performance evaluation.					
9.The financial enterprise promotes an innovative spirit to their employees and share their successful experiences of others.					
10.The financial enterprise has developed a training system that promotes employee creativity to facilitate problem solving.					
11.The enterprise has developed a fund to finance innovative projects.					
2. An organizational unit that works to finance SMEs for specific social groups.					

5. Innovation in Risk Management

To what extent has the following areas of risk management been renewed in the past two years:

- | | | | | | |
|---|--|--|--|--|--|
| 1.The financial institution has developed new ways to measure Potential customers to stumble. | | | | | |
| 2. The financial enterprise has introduced a new system of collateral required from customers. | | | | | |
| 3. The financial enterprise continuously inquiries about its customers and develops the inquiry system. | | | | | |
| 4. The financial institution has developed a risk management system | | | | | |

Which enhances financial and administrative control.					
5. The Bank has developed an internal rating system for claimants based on adequate customer data.					
6. Establishment of a special unit in the bank specialized in information security.					
2_ standards of the development of the financial sector					
The measure of production and marketing performance during the last two years compared to previous years:					
1. The financial institution's share of the market increased					
2. The number of branches of the establishment increased in new places					
3. The financial enterprise's investments in credit facilities increased.					
4. Bank assets increased					
5. Customer deposits increased, which was positively reflected on the assets of the enterprise and the establishment felt secure					
6. The number of customer accounts within the enterprise has increased.					
7. Quality of new services provided					
8. Match new services with required standards					

3_ Financial performance measures:					
How do you evaluate the financial performance of your establishment in the last two years in relation to the following financial indicators compared to previous years:					
1. Net income					
2. Percentage of the budget for the development of services and ideas Creativity of the budget					
3. Return on Assets (Earnings / Assets)					
4. Liquidity (customer deposits / assets)					
5. Return on Property rights					
6. The price of shares in the PSE rose.					
Fifth: Innovation challenges:					
How do you evaluate the importance of each of the following factors as challenges to innovative activities over the past two					

years:					
1. Lack of allocation of financial resources for innovation					
2. Lack of competencies					
3. Lack of information about technology					
4. Lack of information about the market					
5. Lack of laws to protect innovation					
6. Lack of intellectual property laws					

1. Lack of a technological base for the state					
2. Lack of partnerships for innovation cooperation					
3. Regularity legislation does not fit innovation					
4. Weak competition					
5. Weak customer culture regarding New innovations					
6. The existence of weak universities and institutes in research and development.					

الموضوع : جمع بيانات لغرض البحث العلمي

يقوم الباحث بدراسة حول أثر الابتكار في الخدمات المالية على تطور القطاع المالي في فلسطين، بهدف استكمال الدرجة العلمية الثانية (ماجستير) بإدارة السياسات الاقتصادية ، والإستبانة التالية هي أداة جمع البيانات لهذه الدراسة، إن تعاونكم بتعبئة هذه الإستبانة بموضوعية سينعكس إيجابا على صدقية النتائج ومدى قبول توصيات الباحث بهدف تطبيقها, كما نعدكم بالحفاظ على سرية البيانات التي سوف تستخدم فقط لأغراض البحث العلمي, كما ان صدقية الاجابة ستنعكس إيجابا على اتخاذ سياسات اكثر فعالية وكفاءة خلال المدى الطويل والقصير مما يعزز انتشار ثقافة الابتكار بين المؤسسات.

وتفضلوا بقبول فائق الاحترام

الباحث

اسم الموظف: _____

الموقع الوظيفي: _____

اسم المنشأة المالية: _____

سنة تأسيس المنشأة المالية: _____

التاريخ: ____/____/____

الساعة: ____:____

أولاً: معلومات عامة حول المنشأة المالية

10. ما هي طبيعة المنشأة المالية :

- بنك اسلامي
- بنك تجاري
- 11. تعتبر المنشأة المالية :
- وافد
- محلي

12. تعمل المنشأة المالية في المحافظات التالية (اختر فقط المحافظات التي تعمل بها منشأتكم):

نابلس	رام الله	الخليل	بيت لحم	طولكرم	جنين	قلقيلية	اريحا
طوباس	سلفيت	غزة	خانيونس	رفح	دير البلح	شمال غزة	القدس

13. عدد الموظفين في البنك :

- 1_ 250
- 251 _ 500
- 501 _ 700
- 700 فأعلى

14. عدد فروع البنك:

- 1_ 15
- 16 _ 30
- 31 _ 45
- 46 فأعلى

15. تقدم المنشأة المالية التسهيلات الائتمانية بنسبة أعلى الى :

- الشركات
- الافراد
- الشركات والافراد

16. تقدم المنشأة المالية الخدمات التالية (بإمكانك اختيار أكثر من جواب وان توفر خدمات اخرى اذكرها):

بيع وشراء الاسهم	التسهيلات الائتمانية	التمويل الصغير	التأمين	بيع وشراء العملة
الحوالات	فتح الحسابات	البطاقات المصرفية	ايداع الامانات	الكفالات والاعتماد
المرابحة	التأجير التمويلي	المضاربة	خطابات الضمان	اخرى _____

17. نسبة الاناث للذكور بالمنشأة المالية : (1 اقل من 20% (2 20%-50% (3 اكثر من 50%

18. صافي الربح السنوي :

- \$100000 فأقل
- \$100000 _ \$1000000
- \$1000000 _ \$10000000

• \$11000000 فأعلى

ثانياً: تحديد نوعية الابتكار في جميع المستويات :

يهدف هذا القسم الى تحديد نوع الابتكار على جميع مستويات القطاعات المالية من خلال اخر سنتين مقارنة بالسنوات التي سبقتها.

الابتكار المالي : خلق ادوات وتقنيات مالية جديدة او مؤسسات واسواق وعمليات ونماذج اعمال جديدة او استحداث وسائل تطبيق جديدة لأفكار موجودة بالفعل في الاسواق المالية.

1_ الابتكار في الخدمات على مستوى الانتاج (التسهيلات الائتمانية) (Production Innovation)

لا ينطبق	ضعيف	متوسط	كبير	كبير جدا	هل حدث تجديد في كل من المجالات الآتية خلال السنتين الماضيتين
					1. طورت المنشأة جودة الخدمات الحالية.
					2. عملت المنشأة المالية على تقديم خدمات جديدة نوعية للزبائن.
					3. قدمت المنشأة المالية القروض عن طريق التجارة الالكترونية.
					4. نوعت المنشأة المالية من محافظتها الاستثمارية عن طريق اعطاء تسهيلات لجميع الفئات.
					5. ادخال تحسينات على الخدمات الحالية كتخفيض تكلفة المخاطرة اعطاء فترات سداد اطول تقليل نسب التعثر

2_ الابتكار في الخدمات على مستوى التسويق (Marketing Innovation)

لا ينطبق	ضعيف	متوسط	كبير	كبير جدا	الى أي مدى تم تطبيق الانواع الآتية من الابتكار في مجال التسويق خلال السنتين الماضيتين:
					1_ تجديد حزمة الخدمة من خلال تغيير العروض والمرفقات
					2_ قامت المنشأة المالية بعمل خطة تسويقية دورية لمنتجات جديدة تستهدف فئات محددة.
					3_ تجديد قنوات توصيل الخدمة كتطبيقات على الهاتف الذكي.
					4_ تميزت الخطة التسويقية بالشمولية والديناميكية واخذت بعين الاعتبار المخاطر المتوقعة.
					5_ استحداث دائرة داخل البنك مهمتها التسويق والترويج بالطرق الحديثة.
					6_ تجديد في اليات تسعير الخدمات
					1. تحسين بعمليات تقديم الخدمة من خلال ادخال تكنولوجيا

					جديدة (اتمنت الخدمات, البرامج المحوسبة).
					2. طورت المنشأة المالية طرق تقديم الخدمة لتصبح أكثر سرعة وسهولة لأكبر عدد من الزبائن.
					3. قدمت المنشأة خدمات مجانية الى الزبائن.
					4. اهتمت المنشأة المالية بتجديد مقراتها .
					5. تطوير الانظمة والاساليب التقليدية في تقديم الخدمة.
					6. قدم البنك امتيازات خاصة لبعض العملاء.
					7. الصراف الالي يقدم خدمة سحب وايداع النقود
					8. الغاء الاجراءات التي لا تضيف قيمة الى عمليات تقديم الخدمة.
					9. توزيع الصراف الالي والفروع حسب الكثافة السكانية للمنطقة التي يتم تقديم الخدمة فيها باستخدام برنامج GIS.
					10. استحداث الخدمات المالية الرقمية.
					11. معالجة المشاكل الفنية باستخدام الطرق البديلة السريعة.
					12. أدخلت خدمة التأمين على الغرض التي تم من اجله الاقتراض كالسيارة وغيرها وجعلته اختياريا.

_ الابتكار في الخدمات على مستوى العمليات (Process Innovation)

لا ينطبق	ضعيف	متوسط	كبير	كبير جدا	الى أي مدى ساهمت الأنشطة التالية في تطوير عمليات تقديم الخدمة في البنك خلال السنتين الماضيتين:
					13.
					14.
					15.
					16.
					17.
					18.
					19.
					20.
					21.
					22.
					23.
					24.

هل حدث أي تطوير على المنشأة حسب مؤشرات الابتكار التالية؟	مرتفع	مرتفع	متوسط	ضعيف	لا
--	-------	-------	-------	------	----

Innovation in administrative procedures_4_ الابتكار في الخدمات على مستوى الإجراءات الإدارية ()

لا ينطبق	ضعيف	متوسط	كبير	كبير جدا	هل طبقت المنشأة احد التغييرات الادارية التالية خلال السنتين الماضيتين:
					1. تجديد الاجراءات الادارية من اجل الحصول على الخدمة بتكلفة اقل من المنافسين.
					2. ساهمت الاجراءات الادارية الجديدة تقديم الخدمات الى قطاعات جديدة.
					3. تقوم المنشأة المالية على تبسيط الاجراءات المتعلقة بالمعاملات.
					4. توفر الادارة قاعدة عريضة ودقيقة ومتكاملة عن معلومات وبيانات العملاء بطريقة احدث من سابقتها
					5. استحدثت وحدة تنظيمية تعزز روح الابتكار بالمنشأة
					6. تطوير في انظمة ادارة الموارد البشرية .
					7. تعديل على الهيكلية التنظيمية لتسهيل العمل الجماعي و الغاء المركزية في اتخاذ القرارات
					8. الرقابة المستمرة والمتابعة من قبل الادارة في تقييم الخدمات تعتبر من الاساليب المهمة فيتقويم الاداء.
					9. تعمل المنشأة المالية على تعزيز الروح الابتكارية لموظفيها ومشاركتهم التجارب الناجحة للآخرين.
					10. طورت المنشأة المالية نظاما تدريبيا يعزز ابداع الموظفين لتسهيل حلول المشاكل.
					11. طورت المنشأة صندوق يعمل على تمويل المشاريع الابتكارية.
					12. وحدة تنظيمية تعمل على تمويل المشاريع الصغيرة والمتوسطة لفئات اجتماعية محددة.

Innovation in Risk Management_5_ الابتكار في الخدمات على مستوى ادارة المخاطر()

لا ينطبق	ضعيف	متوسط	كبير	كبير جدا	الى أي مدى حدث تجديد في المجالات التالية على ادارة المخاطر خلال السنتين الماضيتين:
					1. طورت المنشأة المالية طرق جديدة لقياس احتمالية تعثر الزبائن.
					2. استحدثت المنشأة المالية نظاما جديدا للضمانات المطلوبة من العملاء.
					3. تستعلم المنشأة المالية باستمرار عن زبائنهم وطورت نظام الاستعلام .
					4. طورت المنشأة المالية نظام ادارة مخاطر العمليات مما يعزز الرقابة المالية والإدارية .
					5. طور البنك نظام تصنيف داخلي لطالبي الائتمان وفقا للبيانات الكافية عن العميل .
					6. انشاء وحدة خاصة بالبنك تختص بأمن المعلومات.

ثالثا: 1_ مقاييس الاداء الابتكاري في المنشأة المالية

السنتين السابقتين:	جدا		لا تغير	ينطبق
1. قدمت المنشأة خدمات جديدة قبل المنافسين				
2. نسبة الخدمات الجديدة الى اجمالي الخدمات				
3. عدد التجديدات التي تم ادخالها الى طرق وعمليات تقديم الخدمة				
4. تحسين أنظمة الإدارة بما يتناسب مع البيئة الابتكارية كإلغاء الهرمية والمركزية في اتخاذ القرارات وتعزيز الرقابة.				
5. خطة المنشأة الاستراتيجية تشمل من بداية العام عناصر لدعم الابتكار والبحث والتطوير وتشمل ذلك في موازنتها.				
6. الأنظمة والقوانين داعمة للابتكار والإبداع				
7. تقديم نوع من مساحة المشاركة بين الزبائن والموظفين لمناقشة آخر التجديدات والإبداعات				
8. تقديم محفزات للعاملين لتعزيز روح الابتكار				
9. عدد حقوق الملكية المسجلة رسميا كإبداعات				
10. التجديد بالمنشأة يتم بشكل كلي على جميع الأفرع والأقسام.				
11. اهتمام المنشأة بالابتكار في تقليل التكاليف اكبر من اهتمامها ببرامج تقليل النفقات التقليدية كتسريح موظفين او تقليل رواتبهم.				
12. التجديد بالمنشأة يتم بشكل تدريجي بين الاقسام				

2_مقاييس تطور القطاع المالي:

مقياس الاداء الانتاجي والتسويقي خلال السنتين الاخيرتين مقارنة بالسنوات التي سبقتها:	كبير جدا	كبير	متوسط	ضعيف	لا ينطبق
9. ازدادت حصة المنشأة المالية من السوق					
10. ازدادت عدد أفرع المنشأة في اماكن جديدة					
11. ازدادت استثمارات المنشأة المالية بمجال التسهيلات الائتمانية.					
12. ازدادت الاصول المصرفية					
13. ازدادت ودائع العملاء مما انعكس ايجابا على اصول المنشأة وشعرت المنشأة بالأمان					
14. ازدادت عدد حسابات العملاء داخل المنشأة					
15. جودة الخدمات الجديدة المقدمة					
16. مطابقة الخدمات الجديدة للمعايير المطلوبة					

3_مقاييس الاداء المالي:

كيف تقيم الاداء المالي لمنشأتك في اخر سنتين فيما يخص المؤشرات المالية التالية مقارنة بالسنوات التي سبقتها:	كبير جدا	كبير	متوسط	ضعيف	لا ينطبق
7. صافي الدخل					
8. نسبة موازنة تطوير الخدمات والأفكار الإبداعية من الموازنة					
9. العائد على الاصول (الأرباح/ الاصول)					

					10. السيولة (ودائع العملاء\الاصول)
					11. العائد على حقوق الملكية
					12. ارتفاع سعر سهم في سوق فلسطين للأوراق المالية.

خامسا: تحديات الابتكار:					
لا ينطبق	ضعيف	متوسط	كبير	كبير جدا	كيف تقيم أهمية كل من العوامل التالية كتحديات للأنشطة الابتكارية خلال السنتين الماضيتين:
					1. نقص تخصيص الموارد المالية للابتكار
					2. عدم توفر كفاءات
					3. نقص المعلومات حول التكنولوجيا
					4. نقص المعلومات عن السوق
					5. عدم وجود قوانين لحماية الابتكار
					6. عدم وجود قوانين للملكية الفكرية
					7. عدم وجود قاعدة تكنولوجية للدولة
					8. عدم وجود شراكات للتعاون في مجال الابتكار
					9. التشريعات التنظيمية لا تتناسب مع الابتكار
					10. ضعف المنافسة
					11. ضعف ثقافة العملاء فيما يخص الابتكارات الجديدة
					12. وجود جامعات ومعاهد ضعيفة في مجال البحث والتطوير.

جامعة النجاح الوطنية

كلية الدراسات العليا

اثر الابتكار في الخدمات المالية المصرفية على تطور القطاع المالي في فلسطين

إعداد

احمد طالب إسماعيل

إشراف

أ. د. جهاد ياسين

قدمت هذه الأطروحة استكمالاً لمتطلبات الحصول على درجة الماجستير في إدارة
السياسة الاقتصادية بكلية الدراسات العليا في جامعة النجاح الوطنية في نابلس،
فلسطين.

2018

ب

أثر الابتكار في الخدمات المالية المصرفية

على تطور القطاع المالي في فلسطين

إعداد

أحمد طالب إسماعيل

إشراف

أ. د. جهاد ياسين

الملخص

يهدف هذا البحث إلى دراسة العوامل المؤثرة في ابتكار الخدمات المالية المصرفية على تطور القطاع المصرفي في فلسطين. تم استخدام تحليل الانحدار لتقدير أثر العوامل المحددة المتعلقة بتطوير القطاع المالي في فلسطين.

واستخدم البحث منهجية البحث النوعية والكمية. وجرى جمع البيانات النوعية عن طريق المقابلات مع مسؤولي المصارف. وبالإضافة إلى ذلك، تم جمع البيانات الكمية من عينة مقصودة من سبعين (ن = 70) لخمس إدارات في جميع البنوك عن طريق استبانته تم تطويرها لهذا الغرض.

وتشير النتائج إلى وجود تأثير إيجابي للابتكار في الخدمات على مستوى الإنتاج على تطور القطاع المصرفي وليس له تأثير على الربحية على المدى القصير.

وتشير أيضا النتيجة الثانية إلى أنه ليس هناك تأثير على الابتكار التسويقي على تطور القطاع المصرفي والأداء المالي للبنوك في فلسطين.

وتشير النتيجة الثالثة إلى أن تأثير الابتكار في العمليات المصرفية كانت مرتفعة على تطور القطاع المصرفي والأداء المالي للبنوك في فلسطين.

وتشير النتيجة الرابعة إلى وجود تأثير إيجابي للإبداع في الإجراءات الإدارية على تطور قطاع والأداء المصرفي في فلسطين.

ج

وأخيراً، تشير النتيجة إلى أنه ليس هناك تأثير في الابتكار في إدارة المخاطر على تطور قطاع الخدمات المصرفية، بل هناك أثر سلبي على الأداء المالي للبنوك في فلسطين.

واستناداً إلى نتائج البحث، أوصت الدراسة بأن تقوم المصارف بإجراء دراسة منفصلة لفحص احتياجات العملاء الأفراد وتحديد المنتجات المناسبة لكل فترة ولكل العملاء على اختلافهم لتحقيق الشمول المالي.

وأوصت أيضاً بأن تتبنى البنوك في فلسطين إستراتيجية تسويقية شاملة لتسويق منتجاتها المختلفة اعتماداً على عناصر الجودة وبناء اسم مصرفي وتعزيز الثقة مع الزبائن مما يؤدي إلى جذب المزيد من الزبائن.

وأوصت أيضاً بالعمل على تقليل زيارة الزبائن للفروع عن طريق زيادة الوعي بالخدمات المصرفية الالكترونية، البطاقات الذكية، وتحويل نظام العمليات من اللامركزية إلى المركزية لتقليل تشعب تنفيذ الحركات المصرفية (حوالات، شيكات، قروض) والاستثمار في أحدث التقنيات لتحديث أقسامها المختلفة لتعزيز الأداء المالي والمصرفي ويرفع من التنافسية.

كما أوصت الدراسة بضرورة تبسيط الاجراءات وتحديثها بما يتناسب مع التطور التكنولوجي والتخلص من الاجراءات التي لا تضيف اي قيمة للعمل المصرفي.

وايضاً يجب العمل على تطوير ادارات المخاطر في المصارف وخصوصاً مخاطر العمليات والعمل على تدريب الموظفين ليكونوا قادرين على التعامل مع الانظمة والبرامج التي تخص ادارة المخاطر مما يساعد على الحوكمة والادارة الرشيدة.

وأخيراً، العمل على تبني استراتيجيات الخدمات المصرفية الالكترونية ومنها البنك الذكي والبنك الالكتروني مع تطوير وتحديث البيئة القانونية لتكون قادرة على مواجهة التطور التكنولوجي والعمليات المصرفية الالكترونية لحمايتها من القرصنة ومواجهة التحديات الأخرى بالتعاون مع الحكومة مما يؤدي الى سرعة تنفيذ العمليات المصرفية ويؤدي إلى رفع مستوى الأداء والكفاءة المالية مما يزيد من حجم النشاط الاقتصادي.