

## THE ROLE OF ISLAMIC LENDING INSTITUTIONS IN THE ECONOMIC DEVELOPMENT IN PALESTINE

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**ABSTRACT:** *The study aimed to identify the role of Islamic lending institutions in the economic development in Palestine. The study examined the most important fields of economic development in Palestine, namely GDP, poverty and unemployment. The researcher used the analytical descriptive method. The study society consisted of two groups. The first was the employees of the Islamic lending institutions, and the second consisted of the beneficiaries of the services of the Islamic lending institutions. The study found many results. the most important of which was that the contribution of the Islamic finance institutions to the increase in the Palestinian GDP was high from the point of view of the employees in the institutions. In addition, its role was high in reducing the rate of unemployment in Palestine from the point of view of both employees in institutions and beneficiaries of its services. However, its role was moderate in reducing the poverty rate from the point of view of employees in institutions, but from the point of view of beneficiaries was high role. The study recommended the need for attention in the Palestinian areas with a high poverty rate, especially the Palestinian camps and the Palestinian countryside. As well as work on building a unified database for the distribution of poverty and unemployment. Also the need to activate the role of the unified Sharia's supervisory board for Islamic banks to include Islamic lending institutions.*

**KEYWORDS:** Islamic lending institutions, economic development in Palestine, GDP, poverty, unemployment.

## INTRODUCTION

The emergence of Islamic finance in Palestine coincided with the spread of Islamic finance in the world as a whole. Due to the absence of banks in Palestine as a result of the Israeli occupation and the closure of branches of banks that were operating before 1967 by the occupation, the concept has emerged in the ninth decade of the twentieth century, through transactions carried out by the Palestinian Finance House Company in 1990. This was followed by the establishment Cairo Amman Bank's branches for Islamic transactions until these three branches were sold to Palestine Islamic Bank. After that, The Arab Islamic Bank and Al-Aqsa Bank were established. (PMA, annual report, 2017)

Specialized lending institutions have emerged in their traditional and Islamic form in Palestine as a result of the prohibition of banks from operating in the Palestinian territories by the Israeli occupation in 1967 directly after the reoccupation of the West Bank, according

to the military order No (7) of 7/6/1967. Israeli banks' branches were opened and spread in Palestine in accordance with the military order No (255) issued on 6/8/1968. These branches did not serve the Palestinian society and did not satisfy the needs and desires of the Palestinian society suffering from poverty and low standard of living. Therefore, they were closed during the first intifada of 1987.

Economic development means promoting the economy of the country as a whole, through developing various economic sectors and growing them in a continuous and deliberate way, and the shift from the state of deflation to the state of prosperity and achieving continuous growth of various economic sectors. The most important sectors are agriculture, services, trade, industry and tourism. In order to develop the former sectors, unemployment and poverty rates must be reduced and the country's GDP should be improved.

State of Palestine, like other developing countries, has paid attention to the economic development through the continuous focus on development plans in various fields, social, economic, administrative and human, in order to achieve sustainable development. However, at each implementation stage of these plans several obstacles were faced, the most severe obstacle is the Israeli occupation and its practices that have destroyed the Palestinian ambition.

### **The Problem of the Study**

Many academics discussed the issue of economic development from different perspectives. Some of them focused on finding solutions and methods leading to Palestinian economic development regardless of their legitimacy in the Islamic religion. As the Islamic lending institutions are part of the financial system in Palestine, the researcher considered studying the subject of economic development in Palestine and the role played by the Islamic lending institutions in order to achieve as much as possible of the welfare to the Palestinian people. Based on the mentioned above, the problem of the study can be formulated into the following question: **What is the role of Islamic lending institutions in the economic development in Palestine from the perspective of employees and beneficiaries?**

### **The Questions of the Study**

This study attempts to answer some of the following sub-questions:

- 1- What is the role of Islamic finance institutions in increasing the Palestinian GDP from the perspective of the employees of Islamic finance institutions?
- 2- What is the role of Islamic lending institutions in reducing the unemployment rate in Palestine from the perspective of employees and beneficiaries?
- 3- What is the role of Islamic lending institutions in mitigating the poverty rate in Palestine from the perspective of employees and beneficiaries?

### **The Objectives of the Study**

This study aims to the following:

- 1- Reveal the role of Islamic finance institutions in increasing the Palestinian GDP.
- 2- Identify the role of Islamic finance institutions in reducing the rate of unemployment in Palestine.

3- Examine the role of Islamic finance institutions in reducing poverty in Palestinian society.

### **The Importance of the Study**

The study has scientific and practical importance due to the following:

- 1- This study is recent and perhaps unique -within the limits of the researcher's knowledge - which shows the role of lending institutions that adopt Islamic finance method in their transactions on the economic development in Palestine.
- 2- The importance of this study is highlighted by the expected results and scientific additions that could be supportive for the financial policy makers and the authorities supervising the economic sectors in finding modern ways to develop the concept of Islamic finance.
- 3- The results of the study are expected to be an important source for Islamic lending institutions to rely on them to develop and change their financing policies to serve developing the Palestinian economy.

### **The Hypotheses of the Study**

Two main hypotheses have been formulated for the study. Their validity will be tested through sub-assumptions, which are as follows:

1. **First Main Hypothesis:** There is a statistically significant relationship at the significance level ( $\alpha \leq 0.05$ ) between Islamic lending institutions and some areas of economic development (GDP, unemployment, poverty) in Palestine from perspective of employees of Islamic finance institutions.
2. **Second Main Hypothesis:** There is a statistically significant relationship at the significance level ( $\alpha \leq 0.05$ ) between the Islamic lending institutions and some areas of economic development (unemployment, poverty) in Palestine from the perspective of the beneficiaries of the services of Islamic finance institutions.

## **THEORETICAL FRAMEWORK AND PREVIOUS STUDIES**

### **Islamic Lending Institutions**

Specialized lending institutions refer to any institution or legal entity that carries out lending or financing activities and is registered and licensed in Palestine by the authority supervising this sector, the Palestine Monetary Authority (PMA). These institutions are interested in financing or lending small and micro amounts to a specific group of society and do not finance or lend to consumer or personal loans. (Regulation No. (132) concerning lending institutions, 2011) and (Hamdan, 2014)

The scarcity of opportunities to obtain loans and banking services is considered one of the most important obstacles facing low-income people. In order to overcome this problem, lending institutions that are concerned with this class of the society have been found. These institutions support low-income people in order to increase their ability to participate in the economic life, providing them with a decent life through one of the productive projects, integrating them into economic activity and shifting them from the consuming class to the productive class. The path in production and participation in the economy starts by providing capital to start in small income-generating projects. (Khan, 2006)

The first microfinance experiment emerged after the starvation that hit Bangladesh in 1974 through Professor Muhammad Yunus in 1976. Mohammed Yunus had tried to convince the central bank or commercial banks in Bangladesh to put in place a system to lend to the poor without guarantees, he and his ideas were mocked, this is due to the grounds that the poor are not eligible for lending because of the lack of lending conditions. Professor Muhammed Yunus adopted the opposite idea of economists and businessmen at commercial banks, that the poor are eligible for lending, by granting them loans in small amounts to help them to do simple work that will generate them profits to help them to live. In 1979, Mohamed Yunus was able to establish Grameen Bank, which financed the poor, especially women as marginalized in society despite their importance in achieving economic development, the proportion of women borrowers from this bank was 95% of total borrowers. (Maliha, 2003)

The specialized lending institutions operating in Palestine started to form an Islamic investment portfolio alongside the traditional portfolio. This coincided with the spread of Islamic banks in Palestine, which encouraged these institutions to formulate financing programs that ensure the application of Islamic rules and provisions in financial transactions. It should be noted that there is not yet a specialized lending institution in Palestine that deals exclusively with Islamic finance, but mostly lending institutions create an Islamic portfolio alongside the traditional portfolio. The following table shows the lending institutions operating in Palestine licensed by the PMA and the size of the total investment portfolio (Economic Developments Report, 2015)

Table 1: Lending Institutions Operating in Palestine

<b>Institution</b>	<b>Date of Establishment</b>	<b>No. of Branches</b>	<b>Portfolio Size/USD</b>
Faten	1998	29	16069187
Asala	1997	7	369112
ACAD	1988	7	1759526
Ibda'	2014	5	-
Reef	2007	10	8746765
<b>Total</b>		<b>58</b>	<b>26944590</b>

**Note:** (Ibda' Institution) an Islamic portfolio has been formed recently, until Dec 1, 2018 no finance was provided in accordance with the Islamic provisions.

### **Economic Development in Palestine**

The concept of economic development first appeared in the inauguration speech of the thirty-third President of the United States, Harry Truman, in 1949, during the reconstruction project announced during World War II. In his speech, he mentioned that the development of undeveloped areas is a priority for America and the West. Hence, countries started talking about the processes of change and development in the sectors, specifically in the marginalized areas. The following is an explanation of what economic development is. (Al-Akhras, 2005)

The term development is not mentioned in the Quran or the Sunna. Rather, it is referred to by the concepts expounded by the scholars of Islamic jurisprudence and Sharia as development. For example, the construction of the land is a term stipulated by the Quran, which is broader than the concept of development in the positive economy. Allah says, "*He has produced you from the earth and settled you in it*". (Quran, Surah Houd, Verse 61)

### **Some areas of economic development in Palestine**

(Rashad, 2002) found in the book Development Planning Methods that there is a link between indicators of unemployment, poverty and economic development, based on the economic theories related to production, and the positive indicators such as the reduction of unemployment and poverty and thus achieving economic development. The following is an explanation of some of the variables and areas of economic development in Palestine.

#### **GDP**

GDP is defined by the method of production as the set of monetary values of goods and services produced within the geographical region of the country and by means of production classified within the same geographical area by a fixed period of time. It is also called according to its calculation of the input of production by GDP in final value and GDP in value added. (Saudi Arabian Monetary Authority, 2016)

GDP is defined according to the income method as the total contribution of the production elements in the geographical area (labor, land, capital) and within a specified period of time and often a year.

Whereas it means according to the expenditure method as the total of the goods produced (Consumption, investment, government expenditure, net exports and imports) to meet the aggregate demand for these goods and total demand is the total final expenditure. (Jwartini, 1999)

#### **Unemployment**

Many international organizations have addressed the concept of unemployment, some of them defined it as the lack of indecency of the individual to any profession. The International Labor Organization defined the concept of unemployment more broadly to say that unemployment is a person who has exceeded the legal age of work and is able to do the work and wants it, and sought at the prevailing wage level did not find it. (Al Abdallah, 2017)

The main causes of unemployment in Palestine are the political factors that are represented by the Israeli occupation and the related coercive measures affecting the work and workers in Palestine. In addition to the economic factors of structural imbalances between the sectors and the consequent forced unemployment, as well as the economic dependence of Israel. In addition to population factors represented by the increase in the population at a higher rate of employment opportunities available, as the Gaza Strip is the highest population density in the world relative to the area. (Darwish, 2013)

#### **Poverty in Palestine**

The concept of poverty differs from one society to another, depending on the economic, political and social conditions prevailing in each society. However, it is agreed between

sociologists, economists and in different societies, that poverty is related to satisfying the basic needs, whether tangible or intangible. (Al Rifai, 2007)

As agreed that the principle of satisfaction of needs and poverty are related, the concept of poverty can be defined as low consumption of food in quantity and quality, creating deprivation, and the inability of individuals to spend on basic services (health and education), also loss of reserves to cope with disease, disability and others. The World Bank defined the concept of poverty as "the inability to achieve the minimum standard of living." The minimum standard of living means the availability of a basket of basic commodities per person consisting of food, clothing, housing, and minimum health and education services. (Palestinian Economic Council for Development and Reconstruction (PECDAR), 2006, P39)

The reasons that increase poverty in Palestine are economic, demographic, social and other causes of poverty such as the use of modern technology.

### **Previous Studies**

A study by (Al-Abdullah, 2017) sought to highlight the role of small projects funded by the Development and Employment Fund in reducing poverty and unemployment. The researcher used the analytical descriptive method. The most important findings of the study are that the small projects have the ability to address the problems of poverty and unemployment in a moderate level in the governorate of Irbid. The study recommended the need to expand small projects and increase the value and the amount of provided loans, as well as support the youth and the allocation of funding programs for them.

While a study by (Biome, 2016) aimed to evaluate the projects submitted by, the institutions concerned with Islamic microfinance and the extent of their achievement for development and fighting poverty. The researcher used the comparative method, comparing three countries that adopt Islamic microfinance. The study concluded that Islamic microfinance should be included under the roof of a bank financing for small projects. Due to the importance of this financial activity on the GDP and fight against unemployment. The study recommended encouraging Islamic banks and financial institutions to establish specific units to provide specialized advisory and technical support for the Islamic microfinance sector.

In the study of (Abu Shanab, 2015), which aimed to identify the role of Islamic finance in the financing of Small and Medium Enterprises (SMEs) in the Hashemite Kingdom of Jordan in particular, which used the descriptive-analytical critical approach. The researcher found that a number of Islamic financing tools support and improve small- medium projects, and contribute to solve the problems of poverty and unemployment in Jordan. The study recommended the consolidation of the efforts of the SME operating in Jordan and the creation of a unified reference within the framework of Islamic finance methodologies.

As for the foreign studies, such as a study by (Khan, 2017) which aimed at identifying the extent of contribution of Islamic finance to economic development through microfinance and Islamic instruments. The researcher used the analytical descriptive method through the case study of some developing countries. The study concluded that Islamic microfinance is an important factor in economic development, especially in rural communities suffering from



poverty. The study recommended focusing on the women sector in financing and effectively promoting long-term investments and financing through Sukuk instruments. The study of (Rabaa & Younes, 2016) aimed to identify Islamic banking services and their role in achieving economic development. The researcher used the analytical descriptive method. The study concluded that there is a close correlation between Islamic finance and economic development through its control of financial performance in a moral way. The study recommended adopting the analytical model prepared for studying the linkages between the performance of Islamic banks and economic variables.

The study by (Shawaqfh and others, 2015) aimed to identify the impact of Islamic finance on some economic variables in Jordan during the period (2000-2011). The researchers used economic models based on the analysis of economic models to reveal the relationship between the variables of the study; the study found that there is a positive relationship between the Islamic finance and GDP. The study recommended the need to sponsor Islamic finance, keep abreast of new developments in Islamic banking, and encourage the study of Islamic finance in universities and institutes. However, the current study is distinguished from its predecessors that the study society consists of employees in specialized Islamic lending institutions as well as the beneficiaries of services. The views of the employees at the institutions will be compared to the views of the beneficiaries of the institutions' services, and then the role of these institutions in economic development will be summarized.

## METHODOLOGY AND STUDY PROCEDURE

### The Population of the Study

The study population was determined from two groups, the first consisting of employees at Islamic lending institutions operating in Palestine, which are (4) institutions, and the second group consists of beneficiaries of the services of these institutions.

Table 2: Distribution of the study population according to the type of Islamic lending institution.

<b>Institution</b>	<b>No. of employees</b>
Reef	45
ACAD	54
Faten	260
Ibda'	82
<b>Total</b>	<b>441</b>

Source: Prepared by the researcher, based on the annual reports of Islamic lending institutions in 2017.

## The Sample of the Study

### 1. First Sample:

A stratified random sample selected from the study population. The study consisted of two samples, the first of which consisted of employees of Palestinian Islamic lending institutions. The number of employees in the Islamic lending institutions is 441. The sample size will be at least 30%, which equals to (133) individual.

A total of (133) questionnaires were distributed to the first group, 110 were retrieved, consisting (83%), and 4 questionnaires, consisting (4%), were eliminated due to their lack of logic. Thus, the number of valid questionnaires (106) consisting (79%).

Table 3: Distribution of demographic variables for the first sample.

Variable	Classification	Repetition	%
Age	Less than 25	11	10.3
	25-35	52	49.1
	35-45	39	36.8
	More than 45	4	3.8
Qualification	Diploma or less	4	3.3
	Bachelor	76	71.7
	Masters or more	26	25
Major	Accounting	25	23.4
	Finance and Banking	27	25.5
	Islamic Banking	7	6.6
	Economics	16	15
	Business Administration	20	19
	Others	11	10.5
Job Title	General Manger	1	0.9
	Deputy General Manger	1	0.9
	General Manager Assistant	4	3.7
	Director	11	10.5
	Head of Department	34	32
	Others	55	52
Years of Experience	Less than 5 years	47	44.5
	5 years- less than 10 years	38	35.8
	10 years- less than 15 years	12	11.4
	15 years- less than 20 years	6	5.6
	20 years- less than 25 years	2	1.8
	More than 25 years	1	0.9
Total		106	100%



It is clear from the previous table that the majority of the first sample was from the age group 25 years to 45 years, which indicates the high percentage of young people working in Palestinian Islamic lending institutions. 97% of the sample have higher academic qualifications than the bachelor degree, which indicates the interest of Islamic lending institutions to employ employees with scientific competencies. Only 6.6% of the sample have academic qualifications related to Islamic banking and finance, and this indicates the lack of Islamic finance majors in Palestinian universities.

It is also clear that the largest proportion of the sample are head of department and director of department and other titles, which shows that the sample of the study has the ability to answer the questionnaire professionally and objectively.

### Second Sample

The second sample consisted of the beneficiaries of the services from the Islamic lending institutions in Palestine, who obtained projects or financing from these institutions. Due to the difficulty of determining the number of beneficiaries from the Islamic lending institutions, a sample was taken equal to the first sample. 133 questionnaires were distributed to the second group of study population. (93) questionnaires were retrieved, consisting (70%), and (6) questionnaires were eliminated, consisting (6%), because the answers to the paragraphs do not match and the lack of answers to other paragraphs. Thus, the number of valid questionnaires (87) consisting (82%).

Variable	Category	Repetition	%
<b>Age</b>	Less than 25 years	3	3.6
	25 years- less than 35	16	20
	35 year- less than 45	30	36
	45 years- less than 55	26	32
	More than 55	7	8.4
<b>Qualification</b>	Less than secondary school	27	33
	Diploma	15	19
	Bachelor	18	22
	Masters and more	21	26
<b>Type of Beneficiary</b>	Individual	39	47.7
	Corporation	35	42.1
	Cooperation	8	10.2
<b>Type of Finance</b>	Murabha	49	60.2
	Mudaraba	12	14.9
	Musharaka	5	5.6
	Leasing	6	7.3
	Istisna'a	2	2.3

Variable	Category	Repetition	%
	Bargain Selling	8	9.6
Amount of Finance	Less than 10,000 USD	42	52
	10,000 USD- less than 20,000 USD	22	27
	20,000 USD- less than 30,000 USD	10	13
	More than 30,000 USD	8	6
Total		82	100%

**Table 4:** Distribution of demographic variables for the second sample.

The above table shows that 68% of the beneficiaries of the Islamic lending institutions services in Palestine are from the age group of 35 years to less than 55 years. This percentage is logical and objective and is in line with the instructions of the supervising authorities which refrain institutions from providing finance to the age group above 60 years due to their high risk of default because of their retirement age and low income. The largest percentage of finance was to those holding less than secondary school degree. This indicates the interest of Islamic lending institutions in the uneducated groups that own small projects. The financing instrument that has the highest percentage was Murabaha tool. Most of the funds were in an amount of less than \$10,000; this comes in line with the nature of the institutions and their focus on microfinance.

### The Validity of the Tool

The validity of the two surveys has been examined ostensibly by presenting them to specialized arbitrators in the field. In addition, correlation coefficients were calculated between each paragraph and the total score of its axis. So that the paragraph is a function and linked at the level of significance (0.05) of the field, and function at the level of significance (0.01) with the total score,

**First: The validity of paragraphs' consistency in the first questionnaire (Employees at Islamic lending institutions)****The consistency validity for the first field:**

Table 5: The validity of first field paragraphs' consistency in the first questionnaire.

Paragraph Number in the Questionnaire	Correlation with the Field	Correlation with the Total Degree
1	**0.373	**0.201
2	**0.646	**0.493
3	**0.612	**0.318
4	**0.570	**0.384
5	**0.545	**0.474
6	**0.729	**0.511
7	**0.436	**0.438
8	**0.335	**0.164
9	**0.280	**0.129
10	**0.419	**0.413
11	**0.247	*0.125

**The consistency validity for the second field:**

Table 6: The validity of second field paragraphs' consistency in the first questionnaire

Paragraph Number in the Questionnaire	Correlation with the Field	Correlation with the Total Degree
1	**0.508	**0.368
2	**0.611	**0.355
3	**0.651	**0.432
4	**0.645	**0.388
5	**0.507	**0.348
6	**0.526	**0.397
7	**0.635	**0.362
8	*0.109	**0.303
9	**0.467	**0.310
10	**0.317	**0.145
11	**0.559	**0.529
12	**0.636	**0.487
13	**0.576	**0.422

**The consistency validity for the third field:**

Table 7: The validity of third field paragraphs' consistency in the first questionnaire.

Paragraph Number in the Questionnaire	Correlation with the Field	Correlation with the Total Degree
1	**0.379	*0.185
2	**0.772	**0.564
3	**0.728	**0.558
4	**0.561	**0.506
5	**0.811	**0.698
6	**0.586	**0.431
7	**0.418	**0.365
8	**0.168	*0.164
9	**0.731	**0.531
10	**0.736	**0.550
11	**0.707	**0.466
12	**0.551	**0.386
13	**0.679	**0.517

**Second: The validity of paragraphs' consistency in the second questionnaire (Beneficiaries from Islamic lending institutions' services)****The consistency validity for the first field:**

Table 8: The validity of first field paragraphs' consistency in the second questionnaire.

Paragraph Number in the Questionnaire	Correlation with the Field	Correlation with the Total Degree
1	**0.150	**0.133
2	**0.362	**0.309
3	**0.377	**0.286
4	**0.340	**0.275
5	**0.451	**0.418
6	**0.468	**0.222
7	**0.283	*0.169
8	**0.474	**0.203
9	**0.443	**0.261

**The consistency validity for the second field:**

Table 9: The validity of second field paragraphs' consistency in the second questionnaire.

Paragraph Number in the Questionnaire	Correlation with the Field	Correlation with the Total Degree
1	**0.233	*0.181
2	**0.298	**0.199
3	**0.402	**0.322
4	**0.324	**0.168
5	**0.414	**0.363
6	**0.482	**0.449
7	**0.510	**0.469
8	**0.692	**0.332
9	**0.454	**0.454
10	**0.680	**0.329

**Tool Stability**

To verify the stability of the study tool, the researcher extracted the coefficient of stability of the tool (for both questionnaires), using the equation Cronbach's Alpha, and the following are the stability parameters of the study tool and its fields.

**First: Stability of the first questionnaire (Employees at Islamic lending institutions)**

The stability coefficients for first questionnaire fields distributed to the employees of the Islamic lending institutions in Palestine ranged from (0.701) to (0.904). These are high stability coefficients and satisfy scientific research purposes.

Table 10: Stability coefficients for the first questionnaire and its fields.

No.	Field	No. of Paragraphs	Cronbach's Alpha Coefficient
1	The extent to which Islamic lending institutions contribute to the increase in Palestinian GDP	11	0.751
2	The role of Islamic lending institutions in reducing the rate of unemployment in Palestine	13	0.771
3	The role of Islamic lending institutions in reducing poverty in Palestine	13	0.825
<b>Total stability for the first questionnaire</b>		<b>37</b>	<b>0.904</b>

**Second: Stability of the second questionnaire (Beneficiaries from Islamic lending institutions services)**

The stability coefficients of the second questionnaire areas distributed to the beneficiaries of the services of the Islamic lending institutions in Palestine ranged between (0.745) and (0.858). These are high stability coefficients and satisfy scientific research purposes.

Table 11: Stability coefficients for the second questionnaire and its fields

No.	Field	No. of Paragraphs	Cronbach's Alpha Coefficient
1	The role of Islamic lending institutions in reducing the rate of unemployment in Palestine	9	0.745
2	The role of Islamic lending institutions in reducing poverty in Palestine	10	0.797
<b>Total stability for the first questionnaire</b>		<b>19</b>	<b>0.858</b>

We conclude from the results of the tests of validity and consistency of the study tool that the two questionnaires are valid for what they have measured and are highly stable. Therefore, they are an appropriate and effective measurement tool for this study and can be applied with high confidence.

**Answer the study questions and test hypotheses**

To answer the study's questions and test hypotheses, the mathematical averages and the standard deviations of the study tool paragraphs were extracted to become the measure for estimating the role of institutions based on the arithmetic mean of the paragraph, as follows: ( $>4.21$ )= very high, ( $3.40-4.21$ )= high, ( $2.61-3.40$ )= medium, ( $1.81-2.61$ )= low, ( $<1.81$ )= very low.

The t-test was used for a single sample to analyze the paragraphs of the two questionnaires and test the hypotheses. The paragraph is considered positive if the respondents agree with its content and the calculated t-value is higher than the t-tabulated value of (1.96) (or the probability value is less than (0.05) and the relative weight is greater than (3)). The paragraph is considered negative if the calculated t value is less than the t-tabulated value, which is equal to (-1.96) (or the probability value is less than (0.05) and the relative weight is less than (3)). The sample's opinions in the paragraph are neutral if the probability value is greater than (0.05).

**Test the first main hypothesis**

There is a statistically significant relationship at the level of ( $\alpha \leq 0.05$ ) between Islamic lending institutions and some areas of economic development (GDP, unemployment, poverty) in Palestine from the point of view of employees of Islamic lending institutions.

In order to test the validity of this hypothesis, the validity of the sub-hypotheses and the analysis of the paragraphs of the questionnaire were tested as follows:



**Test the first sub-hypothesis**

In order to test the validity of the first sub-hypothesis, which states that "there is a statistically significant relationship at the level of significance ( $\alpha \leq 0.05$ ) between the Islamic lending institutions and the increase in the Palestinian GDP from the point of view of the employees of Islamic lending institutions" the t-test was used and the results are shown in the following table:

Table 12: The mathematical averages and standard deviations of the paragraphs of the role of Islamic lending institutions in increasing the Palestinian GDP

No.	Paragraph	Avg .	Dev .	t	sig	Evaluation
1	Islamic lending institutions provide funds through Islamic financing instruments aimed at increasing Palestinian GDP.	3.80	1.19	12.88 5	0.0001 *	High
2	The fees and commissions received by the Islamic lending institutions in return to the operations provided contribute to alleviating the trade balance deficit	3.61	1.00	11.64 3	0.0001 *	High
3	Palestinian Islamic lending institutions engage with international external entities to facilitate financial operations	3.90	0.92	18.71 5	0.0001 *	High
4	Islamic lending institutions support and finance projects that promote the marketing of international products	3.29	1.13	4.875	0.0001 *	Medium
5	The Palestinian Islamic lending institutions focus their funds on productive projects, especially those whose products can be exported abroad	3.64	1.03	11.89 4	0.0001 *	High
6	Palestinian Islamic lending institutions seek to finance productive projects to reduce imported products	3.36	1.10	6.311	0.0001 *	Medium
7	Palestinian Islamic lending institutions develop financing programs targeting government sector employees more than private sector employees	3.76	1.05	13.77 8	0.0001 *	High

No.	Paragraph	Avg .	Dev .	t	sig	Evaluation
8	Palestinian Islamic lending institutions seek to provide funding to the Palestinian government	3.21	1.10	3.727	0.0001*	Medium
9	Palestinian Islamic lending institutions focus on personal finance for individuals	3.86	0.86	19.167	0.0001*	High
10	Palestinian Islamic lending institutions move away from financing the acquisition of consumer assets and focus on financing investment assets	3.46	1.16	7.702	0.0001*	High
11	The Palestinian Islamic lending institutions study the general situation of any applicant of finance, whether individuals or institutions, before making a decision to grant funding	4.06	0.97	20.890	0.0001*	High
<b>Total Degree</b>		<b>3.63</b>	<b>0.50</b>	<b>24.400</b>	<b>0.0001*</b>	<b>high</b>

The above table shows that paragraph no. (11) ranked first in terms of order, with an average of (4.06) and a probability of (0.0001), which is less than (0.05). This indicates that the Islamic lending institutions in Palestine study funding applications before providing grants. Through this result, the researcher believes that the Islamic lending institutions in Palestine are keen to provide successful financing as they will not impair in the future, which makes these funds productive and benefit the Palestinian GDP, as well as non-discrimination between individuals and companies in the financing decisions.

The table also shows that paragraph (8) ranked last in terms of order, with an average of (3.21) and a probability value of (0.0001) which is less than (0.05) and its evaluation is medium. This means that Islamic financing institutions do not concentrate on special sector in finance which is the government, represents the service sector, this supports the economic development.

In general, the total score of the contribution of Islamic lending institutions to the increase in Palestinian GDP was high, with an average of (3.63) and a standard deviation (0.50). The calculated t-value of all paragraphs (24.4) which is greater than the t-tabulated value of (1.96). In addition, the probability value was (0.0001) less than (0.05).

### Test the second sub-hypothesis

In order to test the validity of the second hypothesis, which states that "there is a significant relationship at the level of significance ( $\alpha \leq 0.05$ ) between the Islamic lending institutions and reducing the unemployment rate in Palestine from the point of view of employees of

Islamic lending institution", the t-test has been used and the results are shown in the following table:

Table 13: The mathematical averages and standard deviations of the paragraphs of the role of Islamic lending institutions in reducing the unemployment rate in Palestine

No.	Paragraph	Avg.	Dev.	t	sig	Evaluation
1	Islamic lending institutions in Palestine provide financing for home industrial projects (handicrafts).	3.66	0.96	13.150	*0.0001	High
2	Palestinian Islamic lending institutions are working to create a market for handicrafts through publishing success stories of previous projects	3.50	0.98	9.766	*0.0001	High
3	Islamic lending institutions provide funds for industrial handicrafts projects	3.71	1.08	12.630	*0.0001	High
4	Islamic lending institutions focus their funds on young people	3.60	1.01	11.402	*0.0001	High
5	Islamic lending institutions in Palestine coordinate with Palestinian universities and institutes to modernize academic programs to suit them with the requirements of the labor market.	3.55	1.14	9.235	*0.0001	High
6	Islamic lending institutions in Palestine communicate with universities in order to provide training opportunities for disciplines related to the nature of their work.	3.49	1.02	9.171	*0.0001	High
7	Islamic lending institutions support entrepreneurial projects that are managed by women to empower them in the society	3.59	0.96	11.677	*0.0001	High

No.	Paragraph	Avg.	Dev.	t	sig	Evaluation
8	Islamic lending institutions attract new recruits from new graduates to fill their vacancies	3.94	0.83	21.552	*0.0001	High
9	Islamic lending institutions in Palestine keep pace with and monitor the progress of projects financed by them, especially small projects with uneducated management	3.76	0.84	17.524	*0.0001	High
10	The Palestinian Islamic lending institutions are in constant coordination with the Central Bureau of Statistics to obtain accurate information on the unemployment rate of the relevant disciplines to the nature of their work.	2.99	1.03	0.253-	0.800	Medium
11	Islamic lending institutions are conducting training programs for finance applicants and focusing on the requirements of the Palestinian market.	3.77	1.00	14.722	*0.0001	High
12	Islamic lending institutions rely on their finances to diversify products into the economic structure.	3.88	0.98	17.156	*0.0001	High
13	Islamic lending institutions support entrepreneurial initiatives that provide a number of employment opportunities.	3.63	0.93	12.896	*0.0001	High
<b>Total Degree</b>		<b>3.62</b>	<b>0.51</b>	<b>23.356</b>	<b>*0.0001</b>	<b>High</b>

The above table shows that paragraph (8) ranked first in terms of order with an average of (3.94) and a probability value of (0.0001), which is less than (0.05). This indicates that the Islamic lending institutions attract new recruits from the new graduates to fill vacancies. The researcher finds that Islamic lending institutions in Palestine are keen to create jobs for young

people who are new graduates from universities, which makes them a key player in reducing the unemployment rate in Palestine.

The table also shows that paragraph (10) was ranked last in terms of order, with an average of (2.99) and a probability value of (0.8) which is greater than (0.05), and an average estimation of its role. This indicates that Islamic lending institutions did not focus on obtaining their information from institutions related to official statistics, and relying on self-surveys through the customers' information.

In general, the overall degree of the role of the Islamic lending institutions in reducing the rate of unemployment in Palestine was high, with an average of (3.62) and a standard deviation (0.51). The calculated t value of all paragraphs (23,356) is greater than the t-tabulated value of (1.96), and the probability value was (0.0001), which is less than (0.05).

### Test the third sub-hypothesis

In order to test the validity of the third sub-hypothesis, which states that "there is a significant relationship at the level of significance ( $\alpha \leq 0.05$ ) between the Islamic lending institutions and reducing the poverty rate in the Palestinian society from the point of view of employees of Islamic lending institutions", the t-test has been used and the results are shown in the following table:

Table 14: The mathematical averages and standard deviations of the paragraphs of the role of Islamic lending institutions in reducing the poverty rate in Palestine

No.	Paragraph	Avg.	Dev.	t	sig	Evaluation
1	Islamic lending institutions have a database on the distribution of poverty in Palestinian areas.	2.39	1.01	11.456-	*0.0001	Low
2	Palestinian Islamic lending institutions are in constant coordination with the Palestinian Ministry of Social Development.	2.51	1.13	8.229-	*0.0001	Medium
3	Palestinian Islamic lending institutions allocate funding programs for the poor.	3.41	98.	8.077	*0.0001	High
4	Funding programs for the poor contribute to alleviating poverty in Palestine.	3.58	1.08	10.410	*0.0001	High

No.	Paragraph	Avg.	Dev.	t	sig	Evaluati on
5	Palestinian Islamic lending institutions and through social responsibility focus on supporting the education and health sectors.	4.08	0.93	22.234	*0.0001	High
6	The Palestinian Islamic lending institutions in their programs focus on providing a decent life for the poor through development projects aimed at limited income people.	3.74	0.97	14.796	*0.0001	High
7	Islamic lending institutions contribute to emerging from environmental crises that create poverty.	3.09	1.14	1.548	0.122	Medium
8	There is a specialized department within the Palestinian Islamic lending institutions to grant financing for small projects.	4.02	0.84	23.186	*0.0001	High
9	Palestinian Islamic lending institutions reschedule financing in the event of default of the project and without any additional commissions or fees.	2.61	1.16	6.499-	*0.0001	Medium
10	Islamic lending institutions provide funding to the poor and often long repayment periods.	3.45	1.15	7.453	*0.0001	High
11	Islamic lending institutions support initiatives that reduce poverty.	3.63	1.18	10.262	*0.0001	High
12	In applying the principle of financial inclusion, Islamic lending institutions take the poor and the marginalized classes into consideration.	3.18	1.25	2.836	*0.005	Medium



No.	Paragraph	Avg.	Dev.	t	sig	Evaluati on
13	Compliance with the Shariah in Islamic lending institutions contributes to funding them from international organizations to support the poor.	3.32	1.17	5.269	*0.0001	Medium
<b>Total Degree</b>		<b>3.31</b>	<b>0.62</b>	<b>9.676</b>	<b>*0.0001</b>	<b>Medium</b>

The above table shows that paragraph (5) ranked first in terms of order with an average of (4.08) and a probability value of (0.0001) which is less than (0.05). This indicates that Islamic lending institutions direct their donations and contributions to the health and education sectors, which are the most difficult sectors for the marginalized class to participate and benefit from its services, due to its high cost in Palestine, and in order to improve the standard of living of any area, health treatment and education must be provided. Through this result, the researcher finds that the keenness of the Islamic lending institutions in Palestine to find specialized departments to finance small and micro projects, and the programs they provide to the poor, is one of the most important factors that lead to poverty alleviation. Where the results of the study demonstrated that 59% of the funds granted to the study sample, has been used to finance new projects or development of existing projects.

The table also indicates that paragraph (1) was ranked last in terms of order, with an average of (2.39) and a probability value of (0.0001) which is less than (0.05) and its evaluation is low, indicating that there is no database of Islamic lending institutions about the distribution of poverty in Palestine, due to the lack of coordination between the private sector institutions represented by Islamic financial institutions, and institutions of the governmental or public sector represented by the Palestinian Central Bureau of Statistics and the Ministry of Social Affairs.

In general, the overall degree of the role of the Islamic lending institutions in reducing the poverty rate in Palestine was moderate, with an average of (3.31) and a standard deviation of (0.62) and a calculated t-value of (9.676) which is greater than the t-tabulated value of (1.96), and the probability value was (0.0001), which is less than (0.05).

### Test the Second Main Hypothesis

There is a statistically significant relationship at the level of significance ( $\alpha \leq 0.05$ ) between Islamic lending institutions and some areas of economic development (unemployment, poverty) in Palestine from the point of view of beneficiaries of Islamic lending institutions' services.

In order to test the validity of this hypothesis, the validity of the sub-hypotheses and the analysis of the paragraphs of the questionnaire were tested as follows:

**Test the first sub-hypothesis**

In order to test the validity of the first sub-hypothesis, which states that "there is a significant relationship at the level of significance ( $\alpha \leq 0.05$ ) between the Islamic lending institutions and reducing the unemployment rate in Palestine from the point of view of beneficiaries of the services of Islamic lending institutions" the t-test was used and the results are shown in the following table:

Table 15: The mathematical averages and standard deviations of the paragraphs of the role of Islamic lending institutions in reducing the unemployment rate in Palestine from the point of view of the beneficiaries

No.	Paragraph	Avg.	Dev.	t	sig	Evaluati on
1	When granting a fund, Islamic lending institutions in Palestine take into consideration the number of employees in the institution or project	3.85	1.06	14.750	*0.0001	High
2	When applying for a fund, Islamic lending institutions ask about the expected number of vacancies for the project to be financed.	3.75	1.13	12.182	*0.0001	High
3	Palestinian Islamic lending institutions seek to create a market for the outputs of the projects financed by them.	3.73	1.17	11.576	*0.0001	High
4	The existence of a young group of people in a company or project provides a set of determinants by financing institutions of whether to grant the funding or not.	3.87	1.06	15.244	*0.0001	High
5	Islamic lending institutions provide you with ideas for entrepreneurial projects	3.62	1.20	9.557	*0.0001	High
6	Palestinian Islamic lending institutions continuously disseminate knowledge and culture about productive projects in Palestinian society.	3.44	1.27	6.481	*0.0001	High

7	Islamic finance institutions offer financing programs on empowering women and craft projects.	3.79	1.21	12.095	*0.0001	High
8	Islamic lending institutions are conducting training programs for finance applicants and focusing on the requirements of the Palestinian market.	3.57	1.36	7.812	*0.0001	High
9	Islamic lending institutions support entrepreneurial initiatives that create a number of employment opportunities.	3.51	1.26	7.467	*0.0001	High
<b>Total Degree</b>		<b>3.68</b>	<b>0.45</b>	<b>28.005</b>	<b>*0.0001</b>	<b>High</b>

The above table shows that paragraph (4) ranked first in terms of order, with an average of (3.87) and a probability of (0.0001), which is less than (0.05), indicating the interest of Islamic financial institutions in supporting projects that create jobs for the young people, which is the most category needs work and the most vulnerable to unemployment risks. Through this result, the researcher finds that the Islamic lending institutions in Palestine are keen to create jobs for the youth, which makes them a key player in reducing the unemployment rate in Palestine.

The table also shows that paragraph (6) ranked last in terms of order, with an average of (3.44) and a probability value of (0.0001), which is higher than (0.05). This also demonstrates the focus of Islamic finance institutions in spreading the culture of production rather than consumption, which creates opportunities for employment through productive projects.

Going back to the sample of the study and through the first section, the researcher surveyed the views of the sample on the number of their employees before and after obtaining funding, and found that the rate of increase in the number of employees after obtaining funding is 32% for those who received funding for the purpose of establishing or developing a project, the following table shows that:

Table 16: Number of vacancies associated with financing operation

<b>Beneficiary</b>	<b>No.</b>	<b>Number of workers for the beneficiary before the funding</b>	<b>Number of workers for the beneficiary after the funding</b>	<b>Avg. number of workers before the funding</b>	<b>Avg. number of workers after the funding</b>	<b>Rate of increase in employment</b>
Individual	29	145	174	5	6	%20
Company	40	440	581	11	15	%36
Association	13	39	46	3	4	%33
<b>Total</b>	<b>82</b>	<b>624</b>	<b>801</b>	<b>19</b>	<b>25</b>	<b>%32</b>

The above table shows that (177) job vacancies were created by the grants granted, which were directed towards the establishment or development of projects from the sample of the study, which are 82 beneficiaries distributed among individuals, companies and associations, at a rate of two vacancies from each funding granted.

In general, the overall degree of the role of the Islamic lending institutions in reducing the rate of unemployment in Palestine was high, with an average of (3.68) and a standard deviation of (0.45). The calculated t-value of all paragraphs was (28.005) which is greater than the t-tabulated value of (1.96), also the probability value was (0.0001), which is less than (0.05).

### Test the second sub-hypothesis

In order to test the validity of the fourth hypothesis, which states that "there is a significant relationship at the level of significance ( $\alpha \leq 0.05$ ) between the Islamic lending institutions and reducing the poverty rate in the Palestinian society from the point of view of beneficiaries of the services of Islamic lending institutions", t-test was used and the results are shown in the following table:

Table 17: The mathematical averages and standard deviations of the paragraphs of the role of Islamic lending institutions in reducing the poverty rate in Palestine

No.	Paragraph	Avg.	Dev.	t	sig	Evaluation
1	When granting financing, Islamic lending institutions request the current amount of income.	4.07	0.77	25.710	*0.0001	High
2	Islamic lending institutions require a feasibility study for any project they want to finance.	3.97	0.78	22.893	*0.0001	High
3	Islamic lending institutions require the number of dependents to finance applicants.	3.85	0.89	17.722	*0.0001	High
4	Islamic lending institutions ask for the level of education of the funding applicants.	3.83	0.94	16.335	*0.0001	High
5	The type of housing (owned or rented) is one of the most important data requested by Islamic finance institutions when granting funding.	3.96	0.85	20.804	*0.0001	High
6	Islamic lending institutions will visit the project if funding is for housing purposes.	4.02	0.90	20.920	*0.0001	High
7	Islamic lending institutions communicate with you in the event of natural or environmental crises.	3.76	0.94	15.051	*0.0001	High
8	Palestinian Islamic lending institutions reschedule financing in the event of default of the project and without any commissions or additional fees.	2.83	1.32	2.539-	*0.012	Medium
9	The Palestinian Islamic lending institutions will follow up the projects financed by them and intervene to correct the project's path if necessary.	3.63	1.14	10.140	*0.0001	High

No.	Paragraph	Avg.	Dev.	t	sig	Evaluation
10	The repayment periods granted by Islamic lending institutions are fair and adequate.	2.81	1.32	2.459-	*0.014	Medium
<b>Total Degree</b>		<b>3.67</b>	<b>0.47</b>	<b>26.679</b>	<b>*0.0001</b>	<b>High</b>

The above table shows that paragraph (1) ranked first in terms of order with an average of (4.07) and a probability value of (0.0001) which is less than (0.05). This indicates that the Islamic lending institutions verify the amount of income, and depending on the amount of income in the grant of funding or not. In addition to the construction of a database to distribute the size of income according to the Palestinian areas, which saves the effort and time on these institutions, directing funding towards low-income areas. Through this result, the researcher view that Islamic lending institutions in Palestine keen to channel funding towards projects requested by the beneficiaries to alleviate poverty, by visiting the project at all stages of financing.

The table also shows that paragraph (10) was ranked last in terms of order, with an average of (2.81) and a probability value of (0.0001) which is less than (0.05) and a medium evaluation of its role; Indicating that the repayment periods of the granted financing are from the point of view of beneficiaries.

In general, the overall degree of the role of the Islamic lending institutions in reducing the poverty rate in Palestine was high, with an average of (3.67) and a standard deviation of (0.47) and a calculated t-value of (26.679), which is greater than the t-tabulated value of (1.96), and the probability value was (0.0001), which is less than (0.05).

Returning to the sample of the study, the researcher surveyed the views of the sample on the approximate monthly income rate before obtaining funding and after obtaining funding. It was found that the rate of increase in monthly income after obtaining funding is 13% for those who received funding for the purpose of establishing or developing a project. The following table describes that:

Table 18: Change in monthly income due to funding granted \$.

Type of Beneficiary	No.	Approximate income before funding	Approximate income after funding	Avg. income before funding	Avg. income after funding	Percentage of increase in income
Individual	29	30666	38860	1057	1340	%7
Company	40	282000	315420	7050	7886	%21
Association	13	20900	23025	1607	1771	%13
<b>Total</b>	<b>82</b>	<b>333566</b>	<b>377305</b>	<b>9714</b>	<b>10997</b>	<b>%13</b>



A more accurate analysis shows that the monthly income of those employed in the establishment and development of projects has increased by approximately \$ (377,305), or approximately \$ (1,283) per grant, indicating that project-oriented and improved financing leads to improved living standards, and thus alleviating the poverty rate. It should be noted that the percentage of employments provided by these projects, which have been mentioned in advance, also leads to a source of income or improvement of the income of some employees in institutions, which also reduces poverty.

## RESULTS AND DISCUSSION

1. The validation of first hypothesis on the existence of a statistically significant relationship between the total score of the field of contribution of the Islamic lending institutions and the increase in the Palestinian GDP from the point of view of the employees of the Islamic lending institutions.

The researcher attributed this result to the concentration of Islamic lending institutions on productive projects in various economic sectors through the financing of investment assets more than consumer assets, as well as facilitating foreign trade through networking with international institutions, also developing financing tools that contribute to GDP in Palestine.

2. The validation second hypothesis on the existence of a statistically significant relationship between the total degree of the role of the Islamic lending institutions and the reduction of unemployment rate in Palestine from the point of view of employees in Islamic lending institutions.

The researcher attributed this result to the concentration of Islamic lending institutions on projects that deal with handicrafts. In addition to the constant monitoring of the funds granted and trying to evaluate them when they feel there is a failure, as well as providing the necessary training for the applicants for financing. In addition to its focus on the young people and women, as they are the most vulnerable sectors of unemployment. As well as concentrating their funding on entrepreneurial projects that create job vacancies, which reduces unemployment.

3. The validation of the third hypothesis on the existence of a relationship of statistical significance between the total degree of the role of the institutions of Islamic lending and reducing the poverty rate in Palestine from the point of view of employees in Islamic lending institutions.

The researcher attributed this result to the absence of a special law for Islamic lending institutions in Palestine, which can reschedule financing in the event of default of the project and without any additional commissions or fees.

4. The validation of the first hypothesis on the existence of a statistically significant relationship between the total degree of the role of the Islamic lending institutions and the

reduction of the unemployment rate in Palestine from the point of view of the beneficiaries of the services of the Islamic lending institutions.

The researcher attributed this result to the concentration of Islamic lending institutions on handicraft projects that deal with handicrafts, in addition to the constant monitoring of the funds granted and trying to evaluate them when they feel the failure, as well as providing the necessary training for the applicants of finance, in addition to its focus on the youth sector and women who are the most vulnerable sectors of unemployment, As well as focus their funding on entrepreneurial projects that create jobs, which reduces unemployment.

5. The validation of the second hypothesis on the existence of a statistically significant relationship between the total degree of the role of Islamic lending institutions and the reduction of the poverty rate in Palestine from the point of view of beneficiaries of the services of Islamic lending institutions.

The researcher attributed this result to the constant communication of the Islamic financial institutions with the beneficiaries of their services, so that the projects are corrected in the event of deviation from their paths, as well as the feeling with the beneficiaries in natural crises by providing guidance to overcome these crises.

## Recommendations

Based on the above results, the researcher recommends the following:

1. The need for Islamic lending institutions to increase interest in the high poverty areas, especially the Palestinian camps and the Palestinian countryside, by designing productive financing programs for this class of society.
2. Work on building a unified database for the distribution of poverty and unemployment, where they share their data feeds by the Palestinian Central Bureau of Statistics, the Ministry of Social Development, the Ministry of National Economy and the Islamic Finance Institutions.
3. Increase funding for the agriculture sector, both from institutions through self-initiative, or through legislation from supervisory authorities, because of the economic and political importance of this sector.
4. The necessity of activating the role of the unified Sharia Supervisory Board for Islamic banks to include Islamic lending institutions, including experts in microfinance.

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