Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

The Islamic banking sector in the time of covid 19

(Palestinian case)

By

Sami Tawfiq Omar Ghaben

Ph.D. student at Istanbul Sabahattin Zaim University, Istanbul

The facility of Islamic economics and finance

Email: samighabin@gmail.com

Abstract:

The purpose of this study is to clarify the challenges and problems faced by the Islamic banking sector in Palestine during the COVID-19 pandemic period, the solutions used by the Islamic banking sector in Palestine to combat the pandemic, and the role of the Palestinian Monetary Authority in combating the COVID-19 pandemic concerning the Islamic banking sector. In this study, the performance and operations of Islamic banks in Palestine during the pandemic time were examined. It included the three Islamic banks in Palestine. Previous studies and articles on the impact of the pandemic on the economy were resorted to, and data on legislation and financial data were collected on the Palestinian Monetary Authority website, banks' websites, and other relevant research. In the period 2019 to 2020, a financial analysis was conducted of the most prominent indicators during the pandemic and their causes were explained. The investigation discovered that the primary issues were delays in the settlement of the PMA function, the manner of operation and the facilities are less expensive than permitted pricing, which lowered their earnings at the end of the year. However, the deferral of client payments had a substantial impact on profits at the end of the year, as credit provisions for the facilities grew dramatically based on techniques relating to risks, prospective scenarios, and instructions provided in particular. As a result, banks must enhance their systems and services to address these issues, as well as devise a long-term strategy to limit credit risk. It is important to know the impact of the pandemic on the Islamic banking sector, like other sectors, to study the mechanisms that have been taken to address weaknesses and propose better solutions to preserve and develop the sector and Palestine is a special case due to the economic and political conditions that surround it.

Keywords: Islamic, bank, pandemic, issues, solutions, supervision, financial statement

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

1- Introduction:

In the past two years, the COVID-19 pandemic has been the most serious problem facing the world in almost every element of economic and social life; the economic sector is one of the sectors most affected by this pandemic. This includes, for example, a decline in economic activity, an increase in unemployment, and an increase in poverty rates. According to an Organization for Economic Co-operation and Development (OECD) study, the global stock market has fallen by 30%. (OECD, 2020).

In light of this issue, international organizations and authorities have begun to issue instructions restricting socio-economic life worldwide, in light of the lack of knowledge of how dangerous this pandemic is to humanity, forcing governments and central banks to adopt special policies to deal with this pandemic to maintain the health of the economy and reduce the risks of crisis. Economy, as well as offsetting its negative repercussions.

On the other hand, the rapid technological transformation was one of the solutions that began to be used to keep pace with these developments, as financial institutions around the world began to develop new financial services to be provided to customers through modern technology that may not require the actual presence of customers and remote dealing with these institutions (Ali et al., 2017). Banks, for example, provide services such as opening accounts or requesting

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

facilities through electronic applications and call centers, and the transition to the digital world through electronic payments became common, despite the risks of electronic crimes that became an approach in this period, for example, the implementation of more fraud using these services, whether at the individual or institutional level (FATF, 2020). In the absence of electronic programs in some institutions, it has become necessary to implement or improve them to mitigate these conditions (Calleja, 2019).

The Islamic finance industry in Palestine has grown rapidly over the past decade, as the Palestinian financial sector includes three Islamic banks and a finance leasing company that provides finance leasing services in line with the provisions of Islamic Sharia, in addition to two Takaful insurance companies. The share of Islamic banks in the market constituted 16.6% of the total deposits in the Palestinian banking sector, 18.7% of the credit facilities portfolio, and 16.5% of the total equity of the banking sector in Palestine at the end of 2019, while Islamic banks achieved increasing growth rates during the years The last three years was higher than those of the banking sector. In terms of deposits, Islamic banks achieved growth rates of 12% and 21% during 2018 and 2019. (PMA, 2020)

In terms of net direct credit facilities, the Islamic banking facilities portfolio grew by 18% and 19% in 2018 and 2019, respectively, outperforming the banking sector’s average growth rates of 5% and 7% for the same years. Compared to the performance of Islamic banks between 2015 and 2019, the net profit of Islamic banks increased by 29% over 2015. (PMA, 2020)

The above indicators point to the importance of the Islamic finance industry in the Palestinian financial sector. The growth in all indicators of this industry over the past few years is expected to maintain the same growth. Highlights the importance of Islamic finance in the Palestinian economy.

So, in this paper, I will review the experience of the Palestinian Islamic banking sector during the pandemic and how they dealt with it, explain the effects of Covid-19 on the Islamic banking sector in Palestine, and explain the ruling of the Palestinian Monetary Authority in dealing with the pandemic, and explain the effect and response of IB to effects.

2- The banking sector in Palestine:

In Palestine, there are 13 banks, which are six local banks and seven foreign banks (6 Jordanian and 1 Egyptian). In terms of activity, they have ten commercial banks and three Islamic banks. The Palestinian Monetary Authority (PMA) supervises the banks operating in Palestine so that they issue instructions and verify the banks' compliance with them, and due to the special Palestinian political situation, Palestine does not issue any local currencies. This hinders the ability of

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

the Palestinian Monetary Authority to manage cash flow in the country due to its lack of control over the issuance of the currencies in circulation.

The Palestinian banking sector is one of the growing sectors in the Palestinian economy .The number of banks' branches and offices had reached 385 as of December 31, 2020, and the total assets of banks operating in Palestine at the end of 2020 climbed by 10.1 percent from the end of 2019 to reach $18.70 billion. Islamic banks’ assets represent 18.1 percent of total assets, while foreign banks represent 41.1 percent of total assets, respectively. (PMA, 2020)

The total customer deposits of banks operating in Palestine at the end of 2020 climbed by 13.1 percent from the end of 2019 to $15.11 billion; Islamic banks share of $8.77 billion, and local commercial banks as 17.66 percent. Foreign banks account for $6.14 billion in total deposits or 40.6 percent of total deposits. (PMA, 2020)

The net direct credit facilities/financing given by banks operating in Palestine at the end of 2020 climbed by 10.7 percent from the end of 2019 to $9.69 billion, with $6.16 billion disbursed indirect credit to commercial banks. In addition, $2.01 billion for Islamic banks, as 20.7 percent of net facilities and financing, and $3.35 billion for foreign banks, as 34.6 percent of net facilities and financing. (PMA, 2020)

Total equity in banks operating in Palestine climbed by 0.03 percent from the end of 2019 to reach $1.78 billion, which is allocated by $874 million for local commercial banks and total equity of $49.1 percent for local commercial banks. Islamic banks account for 17% of total equity, whereas international banks account for $477 billion, or 47.6% of total equity. (PMA, 2020)

At the end of 2020, the profit before taxes for banks operating in Palestine totaled 139 million dollars, which was divided among 63 million dollars for local commercial banks. 44.9 percent of total earnings before taxes, with Islamic banks receiving 22 million dollars. 16% of overall pre-tax earnings, and $81 million for foreign banks 58.4% of total earnings before taxes. (PMA, 2020)

The net profit of Palestinian banks at the end of 2020 fell by 42.8 percent from the end of 2019 to $89 million, which is split as follows: $36 million for local commercial banks, 40.6 percent of net profit for Islamic banks, and 15.6% for Islamic banks foreign banks achieved net profits of 58 million dollars, the share of 64.6 percent of overall profits. (PMA, 2020)

3- Methodology:

In this study, the performance and operations of Islamic banks during the pandemic time were examined. It included the three Islamic banks in Palestine.

Previous studies and articles on the impact of the pandemic on the economy were resorted to, and data on legislation and financial data were collected on the Palestinian Monetary Authority website, banks' websites, and other relevant research. In the period 2019 to 2020, a financial analysis was conducted of the most prominent indicators during the pandemic and their causes were explained.

4- Covid-19 effects on the global economy and Islamic economy solutions:

There is no doubt that the pandemic harmed the economy as a whole, as it caused the economy to slow down significantly and destroyed many vital economic sectors such as the aviation, oil, hospitality, and tourism industries, due to social isolation, and restrictions on movement, and quarantine measures to prevent the spread of the virus (Foo et al., 2021). The loss of the tourism sector expected to reach $1, 2 trillion, with a potential loss of 120 m jobs (UNWTO, 2020). According to the Organization for Economic Co-operation and Development, the decline in foreign tourism will be between 60% and 80%. (OECD, 2020). As a result, it is natural for a significant decline in the GDP of countries, due to the unusually rapid and coordinated global halt in economic activity caused by containment efforts, and is likely that the short-term consequences of COVID-19 outweigh those of previous pandemics... This is what happened, as the impact of this pandemic is greater than its predecessors at the global economic level and on companies and jobs at the institutional level.

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

Moreover, companies around the world, especially medium-sized companies in developing regions, are under severe pressure because many of them are no longer able to pay their obligations, which led to the cessation of their activities.

On the other hand, the pandemic has led to increased poverty, a significant decline in economic activity, a shifting yield curve, increased volatility in stock markets, and unsustainable losses in certain sectors of the economy. The pandemic pushed another 88 million people into extreme poverty in 2020, and this number is only a preliminary estimate. In addition, in the worst case, this number could rise to 115 million. (World Bank, 2020)

Because of their detrimental effect on economic activity, government policies regarding social distancing affect stock market returns negatively. According to research from the Organization for Economic Co-operation and Development (OECD), global stock markets are down 30%, with an indirect beneficial effect due to a drop in verified COVID-19 cases. However, Government announcements about public awareness campaigns, income aid packages, quarantine procedures, and affect the market returns positively. Contrary to announcements or expectations of closures caused by the spread of the pandemic. (Ashraf, 2020).

Finally, it can be said that the coronavirus has limited economic activity in two ways. First, the rapid increase of the virus, combined with growing uncertainty

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

about how bad things will get, the instability of the epidemiological situation, the large number of mutants of the virus emerging day by day, and doubts about the efficiency and effectiveness of vaccines, has led to a journey to safety in the spending and investment of consumers, investors, and foreign trade partners. Second, the spread of the virus has exacerbated social isolation, leading to the closure of financial markets and gatherings, making it difficult to obtain many services that cannot be provided electronically.

On the other hand, the pandemic had positive effects that could not have happened easily without it. It has, for example, reduced air and water pollution, and traffic accidents, potentially saving more lives than those lost in the pandemic. The pandemic has created new job opportunities that can be performed from home rather than offices, which has reduced commuting time between homes and offices, as well as the need for office space and related heating and air conditioning expenses. Clean air, better waste management, greater conservation of biodiversity and healthier water (OECD, 2020) .all of the above will only increase resilience, and reduce communities' vulnerability to pandemics, but may encourage Also business activity and inequity reduction. (Chachi, 2021).

5- Islamic economy solutions:

Compared to the prevailing financial system, Islamic finance is a relatively immune financial system. Being based on real transactions, Islamic finance can

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

limit the economic impact of COVID-19 by eliminating interest and classifying asset-only transactions as beneficial, and this will happen because of financial Transactions in Islamic Principles and PLS (Profit Loss Sharing). (Aldeen, 2021). 1If the Islamic system is used correctly, the effects on economies will be much less than their current impact and the resulting problems such as inflation. In addition, the Islamic system supports concepts related to avoiding extravagance in spending and increasing alms, which emphasize Islamic economic ethics in the importance of the individual and the institution in combating the consequences of the coronavirus disease (Hakim et al., 2020)

The allure of Islamic finance as a financial tool in helping economies and institutions recover from the COVID-19 economic crisis exemplified by the Profit and Loss Sharing Contract (PLSC). A PLSC is a contract in which the parties share business risks, as opposed to an interest-based contract (IBC) that obliges entrepreneurs to assume the entire risk of the company. In addition to equality and justice in the development of wealth and income distribution, (Abdul-Rahman & Gholami, 2020)

Islamic principles of profit and loss sharing may protect banks and their customers, which is especially important during an economic downturn because both the basic capitalist strategy of rich countries and the quasi-socialist approach of emerging

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

countries have failed to address this problem. In this atmosphere, concepts such as zakat and charity are needed to help economically disadvantaged populations by generating an influx of money to increase demand. F. Mudaraba and Murabaha encourage start-ups and SMEs to either return to the labor market or establish new businesses. Islamic finance includes a set of social finance tools that can be employed and adapted to meet the different demands of customers (Rabbani et al., 2021) , Zakat, Qard Hasan, Waqf, Sukuk, Sadaqah, Mudaraba, etc.) That can be applied in different phases of COVID. As a result, we may see this pandemic as an opportunity for the Islamic banking industry to thrive and prove its value again after the 2008 global financial crisis, and to emerge as a major competitor to the traditional financial system.(Rabbani et al., 2020) . Because of the COVID-19 problem, the adoption of Fin Tech by consumers of Islamic finance will be critical to the post-COVID recovery. Furthermore, we are seeing a rise in digital financial technology-based operations.(Hassan et al., 2020). Because of technological progress and globalization, Islamic financial institutions are keeping pace with these developments in several areas. For example, online endowment applications must become more widespread to maximize the endowment potential (Faturohman et al., 2021) .

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

6- covid 19 effects on the Islamic banking sector in Palestine:

I. banks operations:

Since the beginning of the pandemic, banks in Palestine have started declaring a state of emergency in line with the government's decisions, so working hours have become less than usual, the number of employees is less, and they have been working with the minimum number of human cadres to accomplish the basic business of the bank, and this period also included a complete closure of all aspects of life. It is difficult to develop plans to adapt to this situation due to unstable health conditions in the country. Banks operating in Palestine began to encourage their customers to obtain banking services through electronic services and to use ATMs instead of the branch, whereby the banks raised the ATM ceiling for withdrawals and deposits to more than 4000 dollars per day and received checks through the ATMs, and so that merchants and companies are Serving them through the branches with the minimum number of services to ensure the continuity of the cycles of the economic wheel.

II. Bank's debtors

During this time, following the Palestinian Monetary Authority's directives, Islamic banks postponed the installments due to the facilities offered to clients from 15-3-2020 to 15-6-2020 until the conclusion of the term, without getting any commissions. Because this method had an impact on the financial statements of Islamic banks, as a result of the decrease in profits for the banks during this quarter, the banks introduced the organized banking Tawarruq product, through which their customers were given the option of either distributing the deferred installments over the remaining financing period without any commissions or obtaining the Tawarruq product to pay the deferred installments and obtain additional profits.

Banks suffered from check handling during this period, which posed a major dilemma for the Palestinian economy, as the Palestinian Monetary Authority's initial decisions were not wise, consisting of not recording any credit points on those who did not pay the checks due on them during the 3-month period, which resulted in the rejection of many checks due to insufficient balance.

Due to the sluggish economic wheel in the nation and the inability to travel or do business during most periods of the pandemic, Islamic banks were unable to grow their portfolios connected to the funding given during the first phase of the pandemic.

Due to the damage caused by the pandemic to entire sectors such as tourism, services, and foreign trade, the collection rate of due installments and obligations owed by customers to banks has decreased, and banks are still suffering from many faltering files to this day, so it became necessary to increase provisions related to uncollected debts, which in turn negatively affects banks' annual profits.

III. Palestinian PMA action facing the covid 19:

During the Corona pandemic, it became challenging authorities to make judgments that were concerned with human health while simultaneously keeping the economic wheel going, especially at the beginning of the pandemic. During the Corona pandemic, the Monetary Authority played an important role in regulating the economic wheel in the following areas:

- Bank Working Hours: The Palestinian Monetary Authority made judgments on bank hours and service hours based on government directives since the Bethlehem Governorate was closed at the start of the pandemic, resulting in the closure of all branches operating in it. This was matched by a cut in customer service hours across the remainder of the country's branches. Provinces for four hours.

Following a surge in injuries in various regions of the nation, all banks' branches were closed, except one branch for each bank in the same governorate, to service firms for just three hours each day. Through electronic channels and ATM services, the Palestine Monetary Authority compelled banks not to charge fees.

During the subsequent period, which coincided with the blessed month of Ramadan, the branches were reopened to serve individuals and businesses for 4 hours per day, and the decisions alternated between partial and total closures until the month of August 2020, when it was decided to restore working hours in banks to what they had been.

- Working human cadre: Since the beginning of the pandemic, the Monetary Authority has decided to restrict the number of bank employees to a bare minimum and activate the emergency plans in banks to guarantee business continuity and prevent bank casualties.

- Public service: The Palestinian Monetary Authority urged the need to encourage customers to carry out their banking services through ATMs, so that the ceilings of deposits and withdrawals are raised through them, and they are exempted from commissions, in addition to using other electronic services.

- Facilities and installments: At the start of the closure period, the Palestinian Monetary Authority agreed to advise banks to postpone customer installments for four months in all sectors except tourism and hotels. It lasted six months without any commissions or compensation. After four months, however, the Monetary Authority released new guidelines indicating that commercial banks should spread postponed installments across the life of the loan rather than lengthening its duration or asking clients to pay it off early.

- Due to the huge number of checks and the increased reliance on them by Palestinian individuals and businesses, the problem of checks was the most serious for the banking industry in Palestine. With the continued closure of banks, the rights to collect checks have been postponed more than once time, based on the Palestinian Monetary Authority's orders and the incapacity of people and businesses to conduct business. During the shutdown period, the quantity and size of checks increased, and many customers were unable to meet their commitments, prompting the Monetary Authority to exempt consumers from fees on returned checks and from having their credit ratings reduced until commercial activity restarted.

7- Islamic bank’s responses to effects and PMA rules:

I. Operation style:

In compliance with the instructions approved by the Palestinian Monetary Authority regarding partial and total closures in most stages of the pandemic, the banks were operating at an emergency pace at this stage, so that the work of the banks was within the scope of the following:

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

- Working at a pace of 30% of the employees in each department and with a system of rotation between employees to run the basic work in each department for office work
- Distribute laptops to the emergency team to work from anywhere on the conduct of basic business in banks.
- Expanding advertising services to encourage the use of electronic channels to obtain banking services.
- Raising the ATM ceilings from $2,000 to more than $4,000 without collecting any commissions.

Thus, the work of banks has largely tended to work remotely and serve customers remotely, and all of this has exposed banks to several challenges during this pandemic, which are the need for cash liquidity to meet the needs of ATMs, fraud operations that have increased significantly, the high risks inherent to the security of information, the need for Working longer hours to serve customers through electronic channels and solve problems.

II. ratio analysis of the Islamic banking sector in Palestine:

This section reviewed the most important financial bank data that were affected during the pandemic.

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

- Table 1: Total assets of banks operating in Palestine at the end of 2020 compared to 2019.

Bank	2020			2019		
	Rank	Value$	Market share	Rank	Value$	Market share
Arab Islamic bank	1	1,557,048,782	8.30%	2	1,271,928,380	7.50%
Palestinian Islamic bank	2	1,511,331,316	8.10%	1	1,315,246,083	7.70%
Safa bank	3	321,093,478	1.70%	3	237,255,633	1.40%
Total Islamic bank		3,389,473,576	18.10%		2,824,430,096	16.60%

*Arab Islamic Bank: annual reports *Palestinian Islamic bank: annual reports *Safa Bank: annual reports

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

The figures indicate an increase in assets at the level of the three Islamic banks in varying proportions, as the market share increased at the level of individual banks. The growth in assets in Islamic banks reflects an increase in the number of facilities issued during the pandemic period, as well as an increase in cash reserves to meet liquidity requirements. It also indicates an increase in the total assets of all Islamic banks with a total of $565,043,480 and an increase in the total market share to 18.10%.

- Table 2: Total deposits of customer's banks in Palestine at the end of 2020 compared to 2019.

Bank	2020			2019		
	Rank	Value$	Market share	Rank	Value$	Market share
Arab Islamic bank	1	1,296,218,801	8.60%	2	1,023,561,363	7.70%
Palestinian Islamic bank	2	1,164,958,120	%7.70	1	1,054,694,032	7.90%

Safa bank	3	203,267,070	1.30%	3	134,008,726	1.00%
Total Islamic bank		3,389,473,576	%17.60		2,824,430,096	%16.60

*Arab Islamic Bank: annual reports *Palestinian Islamic bank: annual reports *Safa Bank: annual reports

This table shows an increase of 20.4 percent in total deposits, which explains the confidence and going to Islamic banks instead of traditional the procedures followed by Islamic banks during the pandemic period, which represents the ethics of the legitimate roles in dealing with debtors (no additional fees) and fees on payments overdue or unpaid). Accordingly, Islamic banks have become more capable of granting facilities and investments in light of the increase in customer deposits and the increase in the market share of these banks.

- Table 3 : Net direct credit facilities/financing granted by banks operating in Palestine at the end of 2020 compared to 2019

Bank	2020			2019		
	Rank	Value$	Market	Rank	Value$	Market

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

			share			share
Arab Islamic bank	1	945,049,866	9.80%	2	757,729,010	8.70%
Palestinian Islamic bank	2	885,476,487	%9.10	1	770,485,510	8.80%
Safa bank	3	174,526,752	1.80%	3	109,372,571	1.30%
Total Islamic bank		2,005,053,105	%20.70		1,637,587,091	18.70%

*Arab Islamic Bank: annual reports *Palestinian Islamic bank: annual reports *Safa Bank: annual reports

In 2020, the total facilities increased by $367,466,014 due to consumers' demands to preserve their businesses from bankruptcy because of the effects of the pandemic and the continuous closure. Islamic banks reach 20.7% of the market share.

- Table 4: Net profit (loss) in banks operating in Palestine at the end of 2020 compared to 2019.

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

Bank	2020			2019		
	Rank	Value$	Market share	Rank	Value$	Market share
Arab Islamic bank	2	8,014,336	9.00%	2	9,010,282	5.80%
Palestinian Islamic bank	1	11,169,723	12.50%	1	14,524,068	9.30%
Safa bank	3	-4,623,095	-5.20%	3	-3,956,115	%- 2.5
Total Islamic bank		22,365,448	%16.30		23,741,274	%12.50

*Arab Islamic Bank: annual reports *Palestinian Islamic bank: annual reports *Safa Bank: annual reports

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

The table above indicates a 1,375,826$ decrease in Islamic bank profit over the previous year, but a rise in Islamic bank market share of 3.8 percent, which may explain why the impacts on the Islamic banking system are less severe than those on the conventional banking system.

- Table 5:Net interest and commission income/revenues in banks operating in Palestine at the end of 2020 compared to 2019 (table 5)

Bank	2020		2019	
	Rank	Ratio	Rank	Ratio
Arab Islamic bank	2	89.94%	3	90.54%
Palestinian Islamic bank	1	90.41%	2	91.59%
Safa bank	3	83.58%	1	93.11%
Islamic banks		89.88%		91.21%

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

*Arab Islamic Bank: annual reports *Palestinian Islamic bank: annual reports *Safa Bank: annual reports

This table describes the implications of PMA regulations during the pandemic, which mandated the bank cut the commissions, so this dropped revenue from commotions, and fees by 1.46 percent. This number can be higher if the bank's profit grows during this period.

- Table 6: Return on assets in banks operating in Palestine at the end of 2020 compared to 2019.

Bank	2020		2019	
	Rank	Ratio	Rank	Ratio
Arab Islamic bank	2	0.51%	2	0.71%
Palestinian Islamic bank	1	0.74%	1	1.10%
Safa bank	3	%1.44-	3	%1.67-
Islamic banks		0.43%		0.69%

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

*Arab Islamic Bank: annual reports *Palestinian Islamic bank: annual reports *Safa Bank: annual reports

This table shows the decline in profits and the growth in the assets of Islamic banks throughout the pandemic period, which led to a decrease in the return on assets by more than a third, and this affects the investors' appetite to buy bank shares, and therefore banks need to raise this percentage to reach a better position than exploiting assets in making profits.

- Table 7: Return on equity in banks operating in Palestine at the end of 2020 compared to 2019.

Bank	2020		2019	
	Rank	Ratio	Rank	Ratio
Arab Islamic bank	2	6.67%	2	7.73%
Palestinian Islamic bank	1	9.06%	1	12.89%
Safa bank	3	%7.94-	3	%6.29-
Islamic banks		4.82%		6.70%

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

*Arab Islamic Bank: annual reports *Palestinian Islamic bank: annual reports *Safa Bank: annual reports

This indicator explains what happened during the pandemic period:

- The profit declines.
- The efficiency of the return on equity has decreased by 28.01% in the Islamic banking sector, so the distribution of profits at the end of the year will decrease, and the profit should reinvest until the banks recover better because of the decrease in profits and the inability to carry out their operations as before.

- Table 8 :provision for credit losses (currency $)

Bank	4th -2019	1st -2020	2nd -2020	3rd -2020	4th -2020
Arab Islamic bank	1,654,565	854,845	894,663	3,062,687	4,019,381
Palestinian Islamic bank	4,006,222	1,082,064	3,579846	5,029,401	5,672,825
Safa bank	477,050	475,816	646,511	646,511	1,232,271

*Arab Islamic Bank: annual reports *Palestinian Islamic bank: annual reports *Safa Bank: annual reports

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

This table explains an important element of the financial statement of Islamic banks that affects the profit of the banks. It shows that the provision for credit provisions increased significantly during the pandemic, especially in the third quarter of 2020, and returned to decline during 2021 compared to last year, due to these main factors:

First: the increase in the volume of financing granted by banks to meet the needs of the market, which experienced a downturn during the pandemic

Second: Increasing the number of defaulting customers during the pandemic

Third: until the banks recover better because of the decrease in profits and the inability to carry out their operations as before.

- Table 9 : Net profit after tax (quarterly) (currency $)

Bank	2019	1st -2020	2nd -2020	3rd -2020	2020
Arab Islamic bank	9,010,282	2,003,108	4,045,374	5,938,375	8,014,836
Palestinian Islamic bank	14,524,068	3,046,058	3,608,002	6,161,841	11,169,723
Safa bank	-3,956,115	-1,622,796	2,984,895	-3,866,836	-4,623,095

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

*Arab Islamic Bank: annual reports *Palestinian Islamic bank: annual reports *Safa Bank: annual reports

The table explains that the profit in 2019 increased slower than in 2021 and the total profit in 2019 was more than the total profit in 2020. This decline referred to business being stopped in many periods and the economic downturn during the pandemic, as we said before.

- Table 10 :Illegitimate gain (currency $)

Bank	2019	2020
Arab Islamic bank	94,266	88,119
Palestinian Islamic bank	38,468	31,385
Safa bank	3988	9559

*Arab Islamic Bank: annual reports *Palestinian Islamic bank: annual reports *Safa Bank: annual reports

The table explains that there is an increase in illegitimate gains for two of the three banks, so this may refer to the way that the banks operated during the pandemic period and the new products that they offered like Tawarruq.

According to the annual reports, Islamic banks' financial statements reveal that contributions to society are centered on health sectors in 2020 rather than education sectors, and others, such as Arab Islamic Bank, give 40% to education in 2019 and 64% to health in 2020.

Summarizing what was mentioned above; Islamic banks in Palestine were less affected than other banks in terms of annual profits for several reasons, the most important of which are the credit allocations made by banks because of the high credit risks at this stage. In contrast, confidence in Islamic banks increased because of a commitment largely to Islamic law, especially since most of the Palestinian community are Muslims.

III. financing programs and products:

i. Tawarruq:

As a solution to the liquidity crisis that individuals experienced during the pandemic, PMA allowed using of the Tawarruq product for the Islamic banking industry for limited purposes, and the most common one used by Islamic banks is paying off debts to the bank!

Tawarruq evolved from being an individual Tawarruq to becoming a structured program given by Islamic financial organizations. In which the consumer gains liquidity fast without having to go through the effort of finding a new buyer or reselling the item (it may not be a good idea to choose the type of commodity subject to Tawarruq and the type of market).

The definition of banking Tawarruq varies according to the different practices of Islamic banks for tawarruq:

- ✓ The first is that the bank sells the commodity as a Murabaha to the client, and then the consumer sells it on the market on his own to someone other than the initial seller, without the bank's participation or agreement. (Fiqh tawarruq ruling permissible).
- ✓ The second, the bank sells the commodity to the consumer as a Murabaha, after which the bank assists the customer and provides him with the required information to sell it to someone other than the initial seller. (Permissible under Fiqh tawarruq).
- ✓ The third scenario is that the bank sells a commodity to the client for Murabaha, and then the bank sells the commodity for the customer's benefit

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

to someone other than the initial seller (regulated banking tawarruq) (exceptionally permissible according to the criteria).

- ✓ The fourth scenario is that the bank sells a commodity to the client for Murabaha, and then the bank sells the commodity for the customer's advantage based on a prior arrangement and an obligatory agency from him to the first seller (regulated banking tawarruq) (not permissible according to the standards and the Fiqh Council).

Tawwaruq procedure:

1- A commodity purchase agreement is a collaborative arrangement between the bank and the market (local or worldwide) through which the bank seeks to execute tawarruq.
2- Tawarruq: A mutual understanding agreement between the bank and the consumer, which involves expressing a willingness to finance Tawarruq. Through Murabaha and understanding with the customer all, the necessary details to purchase the commodity through Murabaha and sell it with tawarruq, including the customer's option of keeping the commodity, selling it himself, or assigning it to the bank without signing the procedures for implementing tawarruq.

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

3- The customer's signature on the purchase order forms, as well as his pledge in the context of acquiring a commodity from an Islamic bank via Murabaha.
4- When a contract is struck between it and a local or worldwide market, it gains ownership and guarantees.
5- If the commodity is a sukuk, a certificate in the name of the Islamic bank is produced verifying ownership of the Sukuk.
6- If the commodity is of a type of mineral or palm oil, the bank's ownership certificate must be issued for it.
7- Except for the Power of Attorney, the Islamic bank signs the Murabaha contract with the customer and its accessories (Terms and Conditions + Bank Facilities).
8- If the client decides to delegate to the bank, the customer's signature on the bank's permission form authorizes the bank to sell the sukuk/commodities in the local or foreign market.
9- The bank sells the sukuk or items and transfers ownership to someone other than the original seller, ensuring that the price is comparable or greater.
10- Funds transfer from the Sukuk or Commodities Company account to the client's account.

At this stage and as a result of postponing the installments owed by debtors in Islamic banks, at first the Palestine Monetary Authority forced the Islamic banks to postpone these installments, and due to the provisions of Islamic Sharia, the Islamic bank could not collect any increase on these debts, but soon the instructions of the Palestinian Monetary Authority changed, which It was represented in force the debtors to pay the deferred installments before the end of to the year 2020 or to pay these debts through banking tawarruq, and therefore most of the debtors had to use this product to pay their deferred obligations.

From my point of view, the use of this product contradicts the provisions of Islamic Sharia, since it circumvents usury, and in addition to that, it is not a solution to this problem. Rather it created another problem whose consequences will appear in the coming periods, as the money created by Islamic banks does not reflect a real business that may it cause problems, the most important of which is inflation.

ii. Istedama program:

Is a program PMA launched for those affected by the pandemic by offering 300 million dollars to the banks to finance these projects with low interest (3% profit) and (0% for 10000$)].

The objective of the program is to provide financing for micro-enterprises, to achieve the following:

1- Introducing new products and services.
2- Contribute to the creation of production chains.
3- Enhancing the steadfastness of professionals and craftsmen and maintaining their production.
4- Providing new job opportunities for youth, women, and marginalized groups, and contributing to the fight against poverty.
5- Enabling micro-enterprises and enterprises to continue in the production cycle and to maintain job opportunities.
6- Develop women-owned enterprises, develop products and projects that take into account gender, and create special outlets for women.

Targeted sectors: those affected by sectors (professionals and craftsmen, utilities, health services, retail trade excluding foodstuffs, industrial projects, agricultural projects, construction, tourism, technology, non-governmental education, specialized lending institutions, micro, small and medium enterprises.

The exceptions are personal finance for individuals, governmental and semi-governmental institutions; projects under establishment, buying shares, facilities outside Palestine, and faltering facilities.

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

- Terms and conditions of this program:

Entity	# Of employee	Terms	Limits $
Micro projects	1-4	- Operating Expenses Financing - Repayment period not exceeding 36 months	10000
small projects	5-9	- Operating Expenses - Repayment period not exceeding 36 months - Financing	50000
Medium projects	10-25	- Operating Expenses Financing - Working capital financing - Repayment period not exceeding 36 months	150000
Others	Above 25	- Operating Expenses Financing - Working capital financing - Financing projects under implementation - Repayment period not exceeding 36 months	250000

* Palestine’s monetary authority

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

Conclusion and recommendations:

The banks followed the Palestinian Monetary Authority's guidelines provided during the pandemic era to mitigate the economic repercussions at the state level. Based on the Monetary Authority's orders, the banks undertook a financing program for the impacted groups to keep the economy spinning, which had an impact on the banks' earnings because the instructions compelled the banks to issue loans to the afflicted groups. The facilities are less expensive than permitted pricing, which lowered their earnings at the end of the year. However, the deferral of client payments had a substantial impact on profits at the end of the year, as credit provisions for the facilities grew dramatically based on techniques relating to risks, prospective scenarios, and instructions provided in particular.

On the other hand, the work mechanisms applied by banks based on health procedures were as follows:

1- Working remotely concerning public administration departments and with a minimum number of employees.

2- Closing many branches during the period and irregular working hours.

3- Relying on electronic services and automated teller machines.

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

4- Reducing the granting of checkbooks to customers due to the number of checks that were presented without balance in the period.

In my opinion, the pandemic period should be a lesson for Islamic banking sectors because it gave the Islamic bank some benefits:

✓ Because of the shariah role, the Islamic bank cannot charge fees to the customer for late payments, so this encourages people to transfer their money and debt to an Islamic bank.

✓ Improving electronic services and the trend towards digitization and cutting cost

✓ Improving the reputation and quality of Islamic banking services if we exclude tawarruq the Islamic banking sector in Palestine needs more development in its service and technology in the coming years to be the largest sector in Palestine. The sector must make a long-term plan to avoid the negative effects of the pandemic, especially the risk related to credit risk

References:

1. Ali, L., Ali, F., Surendran, P., & Thomas, B. (2017). The effects of cyber threats on customer's behaviour in e-Banking services. International Journal of e-Education, e-Business, e-Management and e-Learning, 7(1), 70-78.Arab

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

Islamic Bank: annual reports. Arab Islamic Bank. (n.d.). Retrieved November 18, 2022, from https://aib.ps/investorsrelation/reports.

2. Calleja, R. (2019). A study of the effect of technological innovation on the prevention of money laundering (Bachelor's thesis, University of Malta).
3. FATF (2020), Update: COVID-19-related Money Laundering and Terrorist Financing – Risks and Policy Responses, FATF, Paris, France, www.fatf-gafi.org/publications/methodandtrends/documents/update-covid-19-ML-TF.html
4. Foo, L. P., Chin, M. Y., Tan, K. L., & Phuah, K. T. (2021). The impact of COVID-19 on tourism industry in Malaysia. Current Issues in Tourism, 24(19), 2735-2739.
5. Legislations. Palestine monetary authority. (n.d.). Retrieved November 5, 2022, from https://www.pma.ps/en/Legislations/Instructions/Banks.
6. Organization for Economic Co-operation and Development [OECD]. (2020a). Global financial markets policy responses to COVID-19. Retrieved from: https://bit.ly/35Vex9v
7. Organization for Economic Co-operation and Development [OECD]. (2020b). Tourism policy responses to the coronavirus COVID-19. Retrieved from: HTTPs://bit.ly/33bwiiX

Multi-Knowledge Electronic Comprehensive Journal For Education And Science Publications(MECSJ)
Issues 66 (2023)
ISSN: 2616-9185

8. Palestinian Capital Market Authority. (n.d.). Retrieved November 15, 2022, from https://www.pcma.ps/securitiessector/disclousures_docs/forms/default.aspx.
9. Palestinian Islamic bank: annual reports. Palestinian Islamic bank. (n.d.). Retrieved November 15, 2022, from https://www.islamicbank.ps/ar/ir/Annual-Report.
10. Safa Bank: annual reports. Safa Bank. (n.d.). Retrieved November 22, 2022, from https://www.safabank.ps/ar/report-list/annual-report.
11. The World Bank. (2020a, June 8). The global economic outlook during the COVID-19 pandemic: A changed world. Retrieved from: https://bit.ly/35VGfD9
12. United Nations World Tourism Organization [UNWTO]. (2020). UNWTO World Tourism Barometer, 18(2). Retrieved from: https://bit.ly/3m82gE
13. Ashraf, B. N. (2020). The economic impact of government interventions during the COVID-19 pandemic: International evidence from financial markets. *Journal of behavioral and experimental finance*, *27*, 100371.
14. Hassan, M. K., Rabbani, M. R., & Ali, M. A. M. (2020). Challenges for the Islamic Finance and banking in post COVID era and the role of Fintech. *Journal of Economic Cooperation & Development*, *41*(3), 93-116.

15. Rabbani, M. R., Abdulla, Y., Basahr, A., Khan, S., & Moh'd Ali, M. A. (2020, November). Embracing of Fintech in Islamic Finance in the post COVID era. In *2020 International Conference on Decision Aid Sciences and Application (DASA)* (pp. 1230-1234). IEEE.
16. Raza Rabbani, M., Rahiman, H. U., Atif, M., Zulfikar, Z., & Naseem, Y. (2021). The Response of Islamic Financial Service to the COVID-19 Pandemic: The Open Social Innovation of the Financial System. *Journal of Open Innovation: Technology, Market, and Complexity*, *7*(1), 85.
17. Hakim, R., Muslikhati, M., & Aprilianto, F. (2020). Islamic Economics Ethics Perspective on Economic Development in the Time of Coronavirus Disease (Covid-19). Falah: Jurnal Ekonomi Syariah, 5(2), 111–127. https://doi.org/10.22219/jes.v5i2.14019
18. Aldeen, K. N. (2021). COVID-19 AS WAKE-UP CALL TO RECONSIDER THE MAINSTREAM FINANCIAL PRACTICES: ISLAMIC FINANCE PERSPECTIVE. *JDE (Journal of Developing Economies)*, *6*(1), 47-54.
19. Abdul-Rahman, A., & Gholami, R. (2020). Islamic Finance and COVID-19 Recovery: The Role of Profit-Loss Sharing Contract. *Jurnal Pengurusan (UKM Journal of Management)*, *59*.

20. Chachi, A. (2021). The world economy and Islamic economics in the time of COVID-19: Few Remarks and Observations. *J King Abdulaziz Univ Islam Econ*, *34*(1), 10-4197.
21. Faturohman, T., Rasyid, M. F. A., Rahadi, R. A., Darmansyah, A., & Afgani, K. F. (2021). The Potential Role of Islamic Social Finance in the Time of COVID-19 Pandemic. *Review of Integrative Business and Economics Research*, *10*, 95-105.
22. Palestine monetary authority. (2020). Palestine monetary authority annual report 2020. https://www.pma.ps/ar/Publications//AnnualReports