

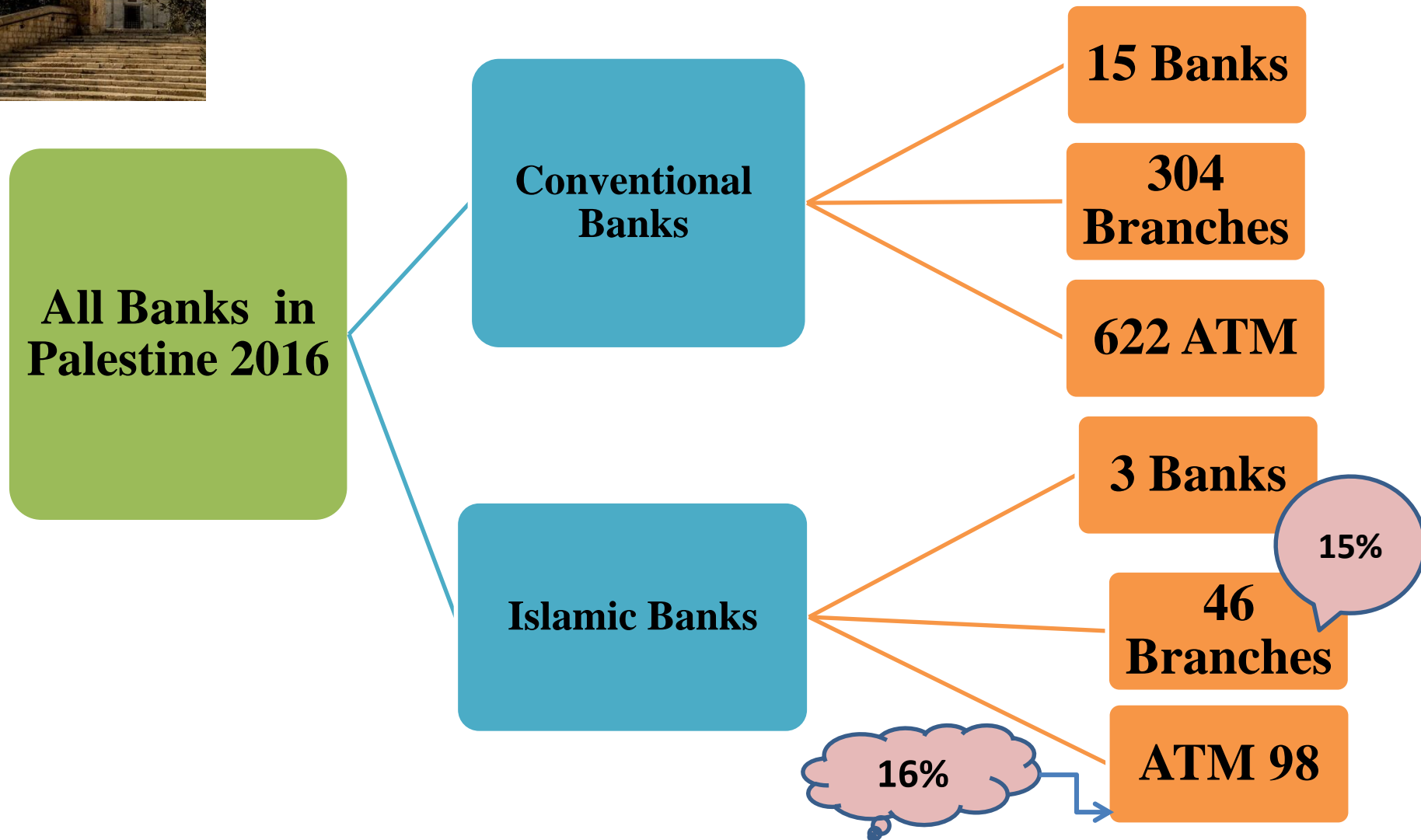
# Islamic Finance in National Accounts- Palestine

Amina Khasib





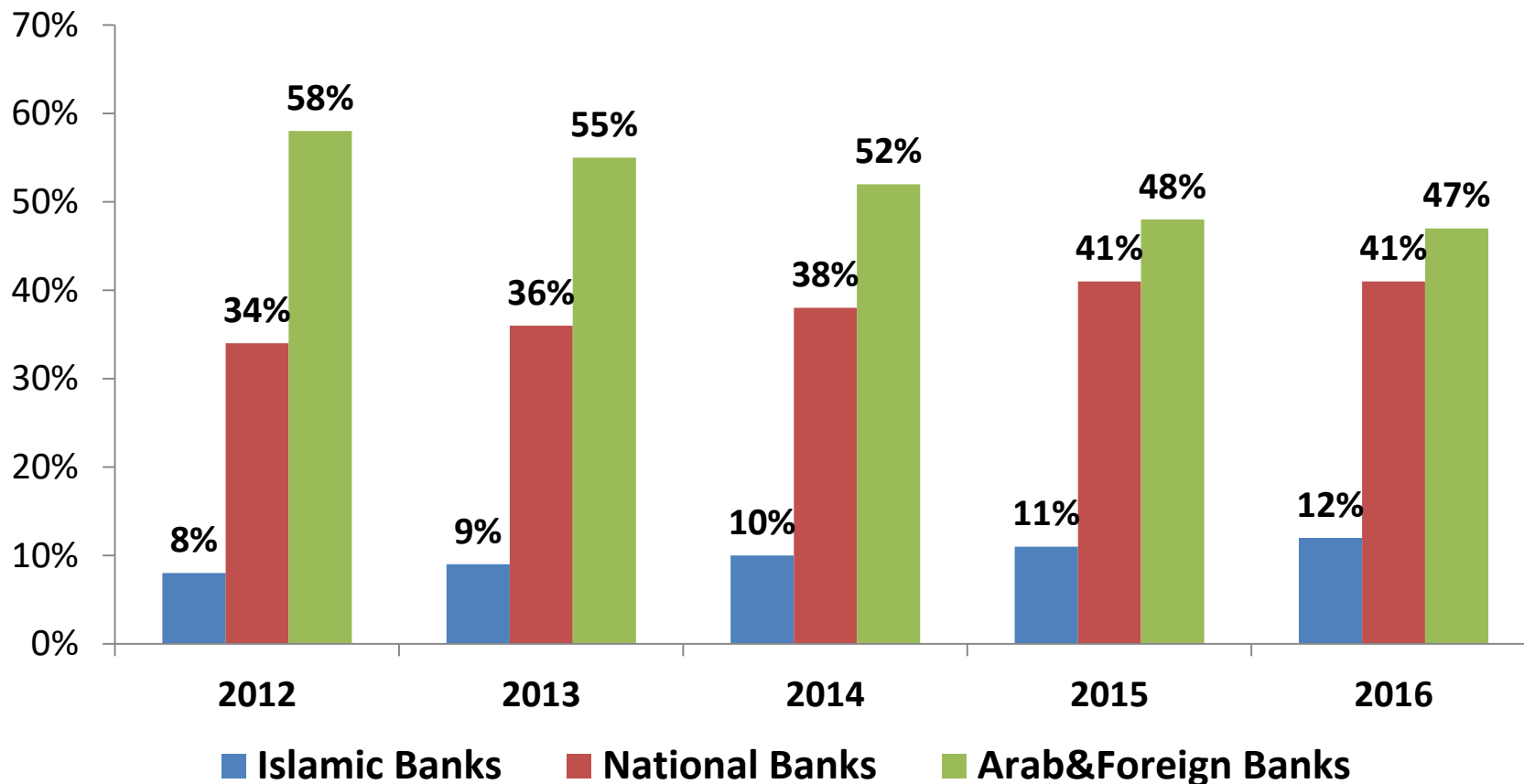
# Banks in Palestine





# Performance of Islamic Banks

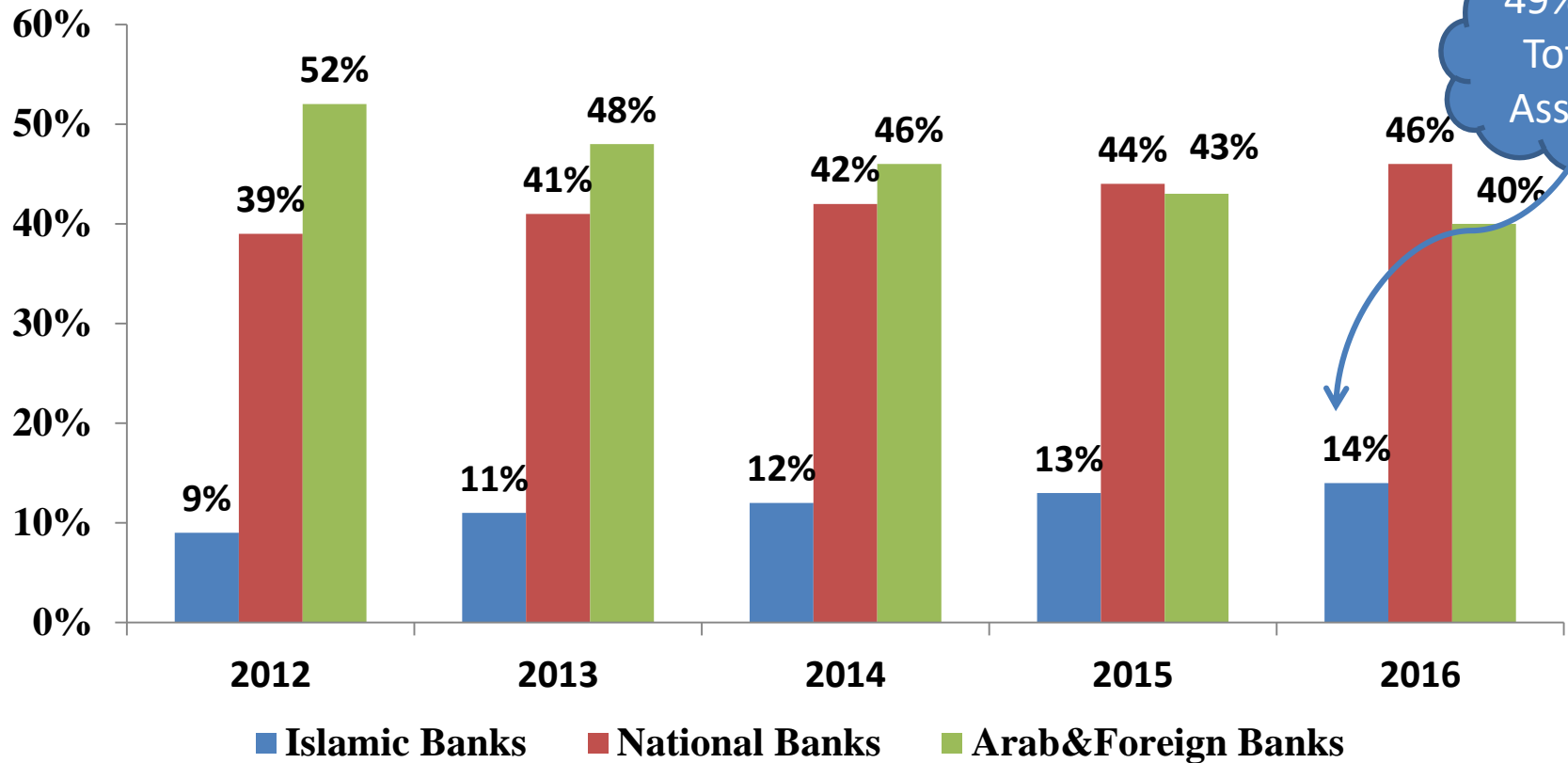
## Total Assets





# Performance of Islamic Banks

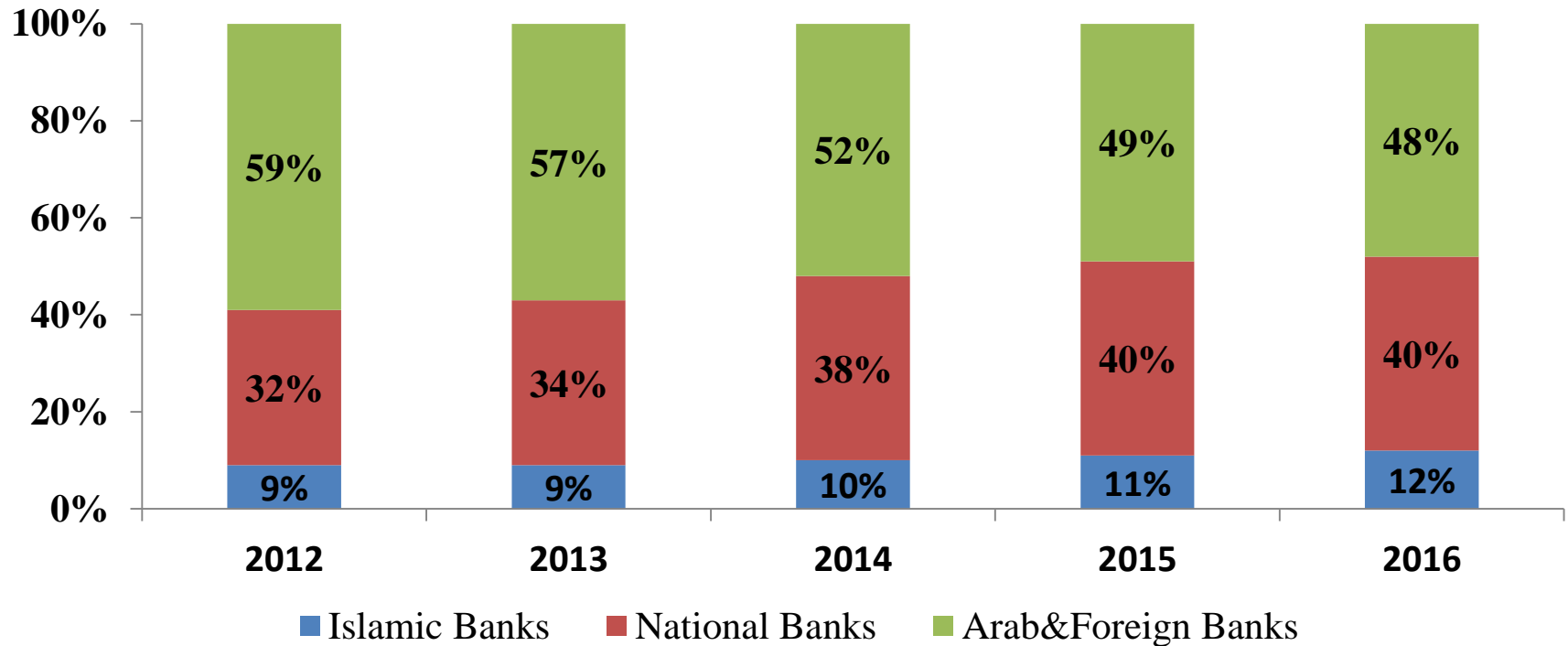
## Direct Credit Facilities- Net





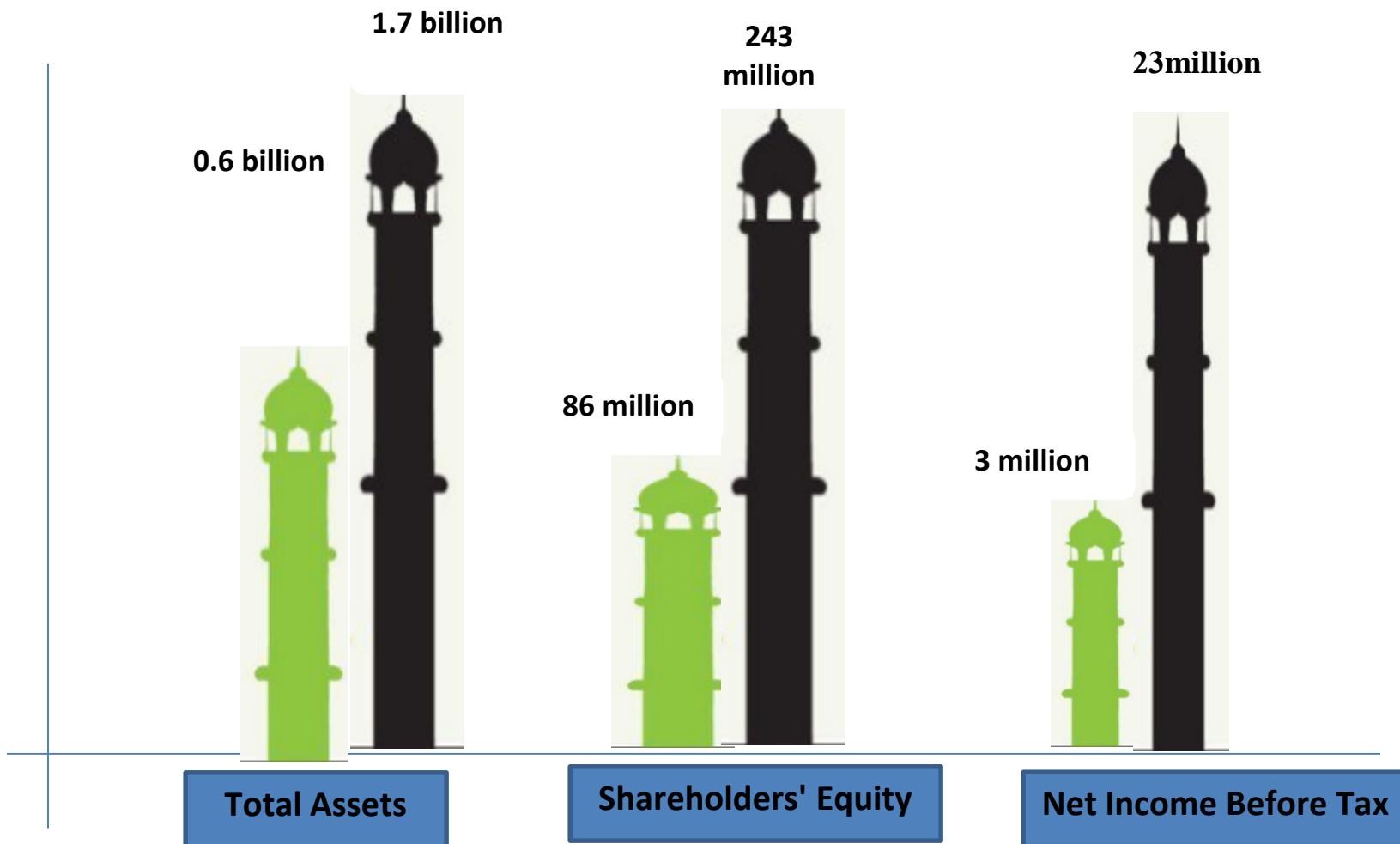
# Performance of Islamic Banks

## Customers' Deposits





# Performance of Islamic Banks 2009, 2016





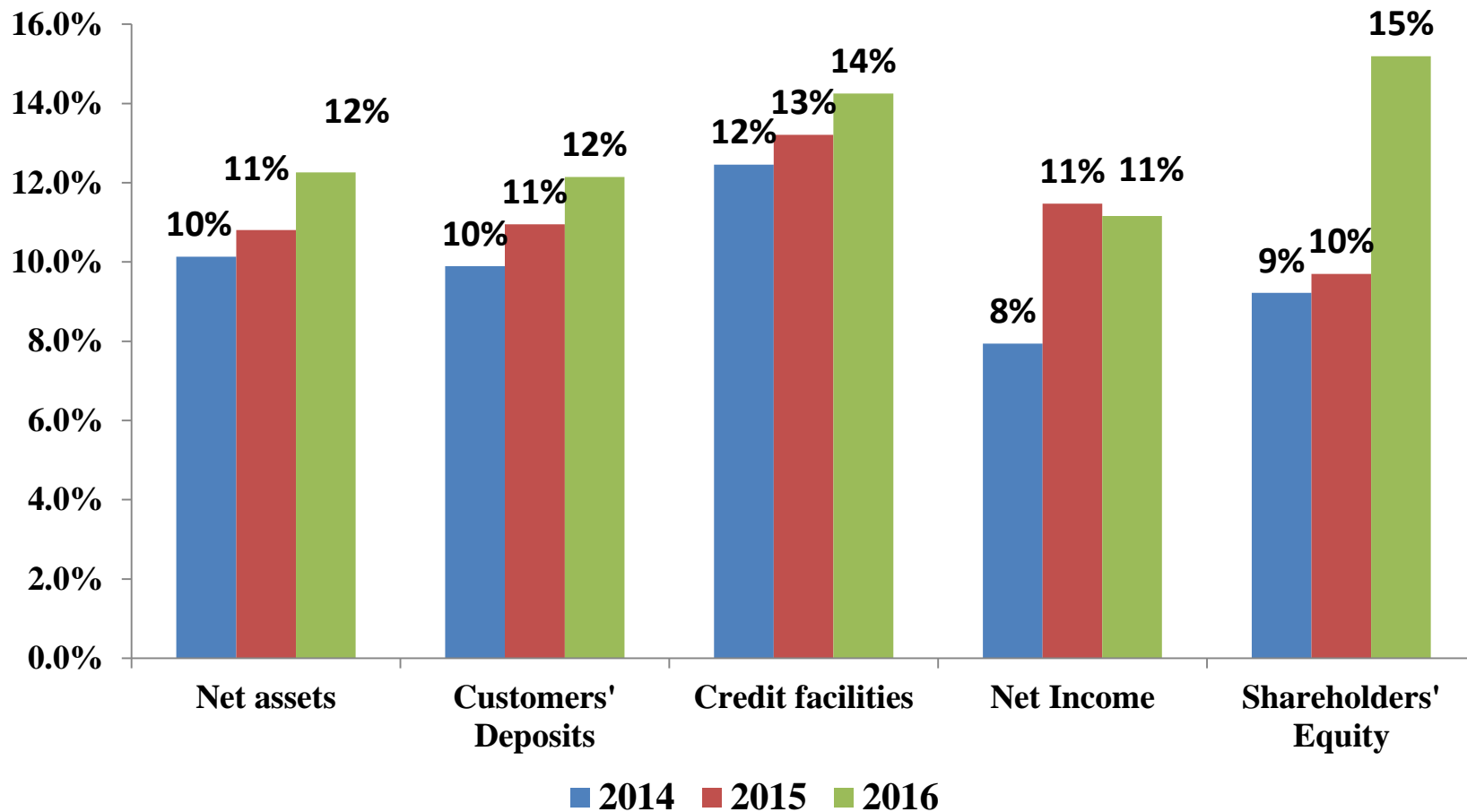
# Performance of Islamic Banks compared with Jordan



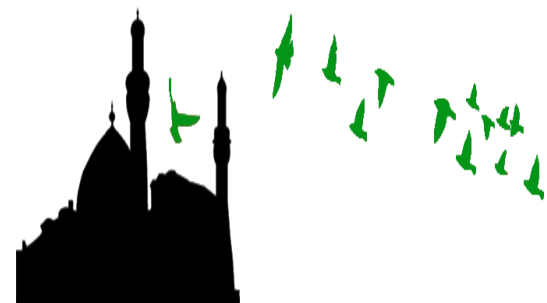
Share of Islamic Banks from Total Assets



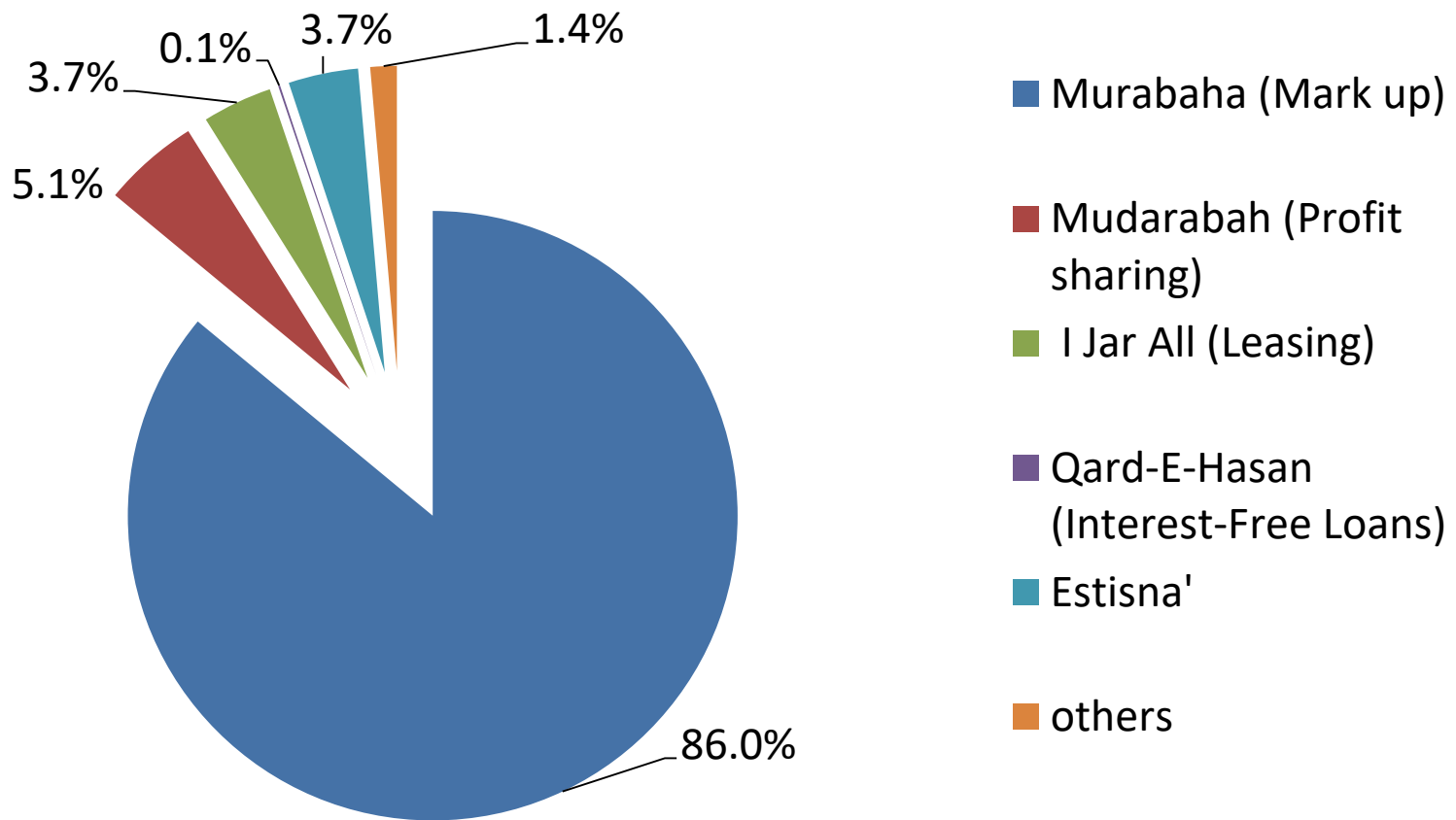
# Islamic Banks' share of the Market

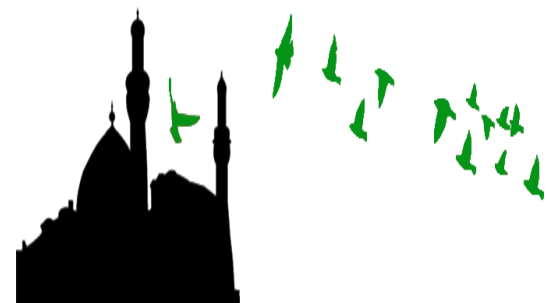




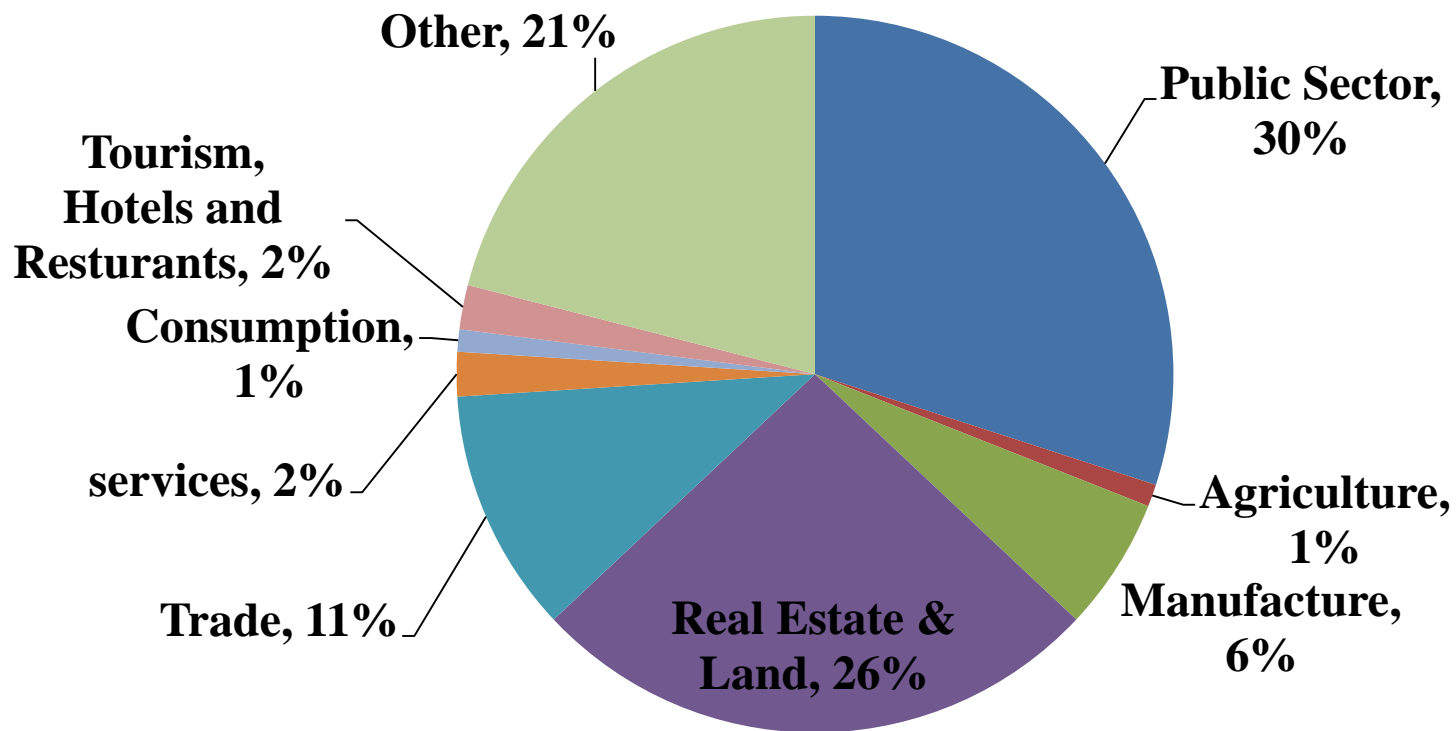


# Uses Of Funds...Types





# Uses Of Funds...Sectors





Measurement of Output for Islamic Banks  
National Accounts





## **Finance and Insurance Survey**

### **Banking activity**

- Annual Survey for financial intermediation and Insurance (1994-2016).
- All enterprises engaged in the activities classified under category K according to ISIC,4 including money exchangers.
- # of financial intermediation enterprises and insurance enterprises was 53 enterprises and holding companies (Establishment census 2012).
- Money exchangers sample size is 122 enterprises.



# **Finance and Insurance Survey**

## **Banking activity**

**# of enterprises and employed persons**

**Compensation of employees**

**Fixed Assets in financial  
Intermediation enterprises**

**Output for Principal and secondary  
activities for financial enterprises**

**Production Inputs and Investments  
in financial and real assets**

# Finance & Insurance Report

PCBS: Finance and Insurance Survey, 2015

PCBS: مسح المالية والتأمين، 2015

جدول 1: عدد المؤسسات والعاملين وأهم المؤشرات الاقتصادية حسب النشاط الاقتصادي في فلسطين\*، 2015

**Table 1: Number of Enterprises and Employed Persons and Main Economic Indicators by Economic Activity in Palestine\*, 2015**

(Value in USD 1000)

(القيمة بالآلاف دولار أمريكي)

Economic Activity	التكوين الرأسمالي الثابت الإجمالي G. F. C. F.	إجمالي القيمة المضافة Gross Value Added	الاستهلاك الوسيط Intermediate Consumption	الإنتاج Output	تعويضات العاملين Compensa- tions of employees	عدد العاملين Number of employed Persons	عدد المؤسسات No. of Ent.	النشاط الاقتصادي	دليل النشاط ISIC
<b>Total of Financial Intermediaries</b>	<b>35387.4</b>	<b>465885.0</b>	<b>206755.4</b>	<b>672640.4</b>	<b>206216.7</b>	<b>10074</b>	<b>419</b>	مجموع الوساطة المالية	
Palestine Monetary Authority	30963.9	390928.1	173485.2	564413.3	173739.0	7645	35	سلطة النقد	+ 6411
Commercial & Islamic Banks								والبنوك التجارية والإسلامية	+ 6419
Other Credit Institutions & Holding Companies								ومؤسسات الإقراض والشركات القابضة	+ 6492 6420
Money Exchangers	126.3	19417.8	2696.1	22113.9	2955.2	918	366	صرافي العملات	66122
Palestine Exchange	172.7	4703.5	1328.4	6031.9	4076.5	185	9	بورصة فلسطين	+ 6611
Stock Market Brokers								وشركات الأوراق المالية	6612
Insurance Corporations	4124.5	50835.6	29245.7	80081.3	25446.0	1326	9	شركات التأمين	65

\*The data excludes those parts of Jerusalem which were annexed by Israel in 1967

\*البيانات باستثناء ذلك الجزء من محافظة القدس والذي ضمته إسرائيل عنوة بعد احتلالها للضفة الغربية عام 1967

# Finance and Insurance Survey Questionnaire

## No.10: Output from the main activity

Type of currency	Auxiliary Code	Receivable Interests (Include fines for delay)			Total Revenue Investment of Islamic Bank*		
		Internal	External	Total	Internal	External	Total
BA	BA1	BA2	BA3	BA4	BA5	BA6	BA7
US\$	10						
JD	20						
Nis	30						

\*Investment revenues which includes: : (Trust, Partnership and Cost-plus Financing)

## (Con.): Output from Principal Activity

Type of currency	Auxiliary Code	Payable Interests (Include fines for delay)			Deposit Profit on Sharing Account for Islamic Banks		
		Internal	External	Total	Internal	External	Total
BA	BA1	BA9	BA10	BA11	BA12	BA13	BA14
US\$	10						
JD	20						
Nis	30						



# FISIM (SNA 2008)

## Conventional Banks

- FISIM is calculated only on Loans and Deposits- like instruments
- FISIM formula applied independently to each side
  - ✓ Borrowers: Implicit services to borrowers =  $(rL - rr) \times \text{Loans}$
  - ✓ Depositors: Implicit services to depositors =  $(rD - rr) \times \text{Deposits}$
- $\text{FISIM} = (rL - rr) \times \text{Loans} + (rD - rr) \times \text{Deposits}$

## Islamic Banks

- Equivalent terms are Financings and Funding
- Returns on financings ( $r_{\text{Fin}}$ ) substitute  $rL$
- Distribution of Profits to depositors/ investors ( $r_{\text{Fund}}$ ) substitute  $Rd$
- $\text{FISIM} = (r_{\text{Fin}} - rr) \times \text{Financing} + (r_{\text{Fund}} - rr) \times \text{Funding}$

[Qu banks2016.docx](#)





# Finance and Insurance Survey Questionnaire

(Cont.): Output from the main activity

Type of enterprise	ISIC	FISIM**	Received Commissions (Credit)*	Profits from Money Exchange	Land Rent	Output**
BA	BA1	BA16	BA17	BA18	BA19	BA20
Palestine Monetary authority	6411					
Commercial banks	6419					
Islamic banks	6419					
Other Credit Institutions	6492					
<b>Total</b>	<b>8888</b>					

\*Includes revenues from credit commission as (loan commission & credit facilities except interest, revenues from Post, telegraph, telephone, and fax...)

\*\* filled by Palestinian Central Bureau of Statistics

# Finance & Insurance Report

جدول 7: الإنتاج من النشاط الرئيسي للمؤسسات المالية حسب النشاط الاقتصادي في فلسطين\*، 2015

Table 7: Output from Principal Activity for Financial Enterprises by Economic Activity in Palestine\*, 2015

(Value in USD 1000)

(القيمة بالآلاف دولار أمريكي)

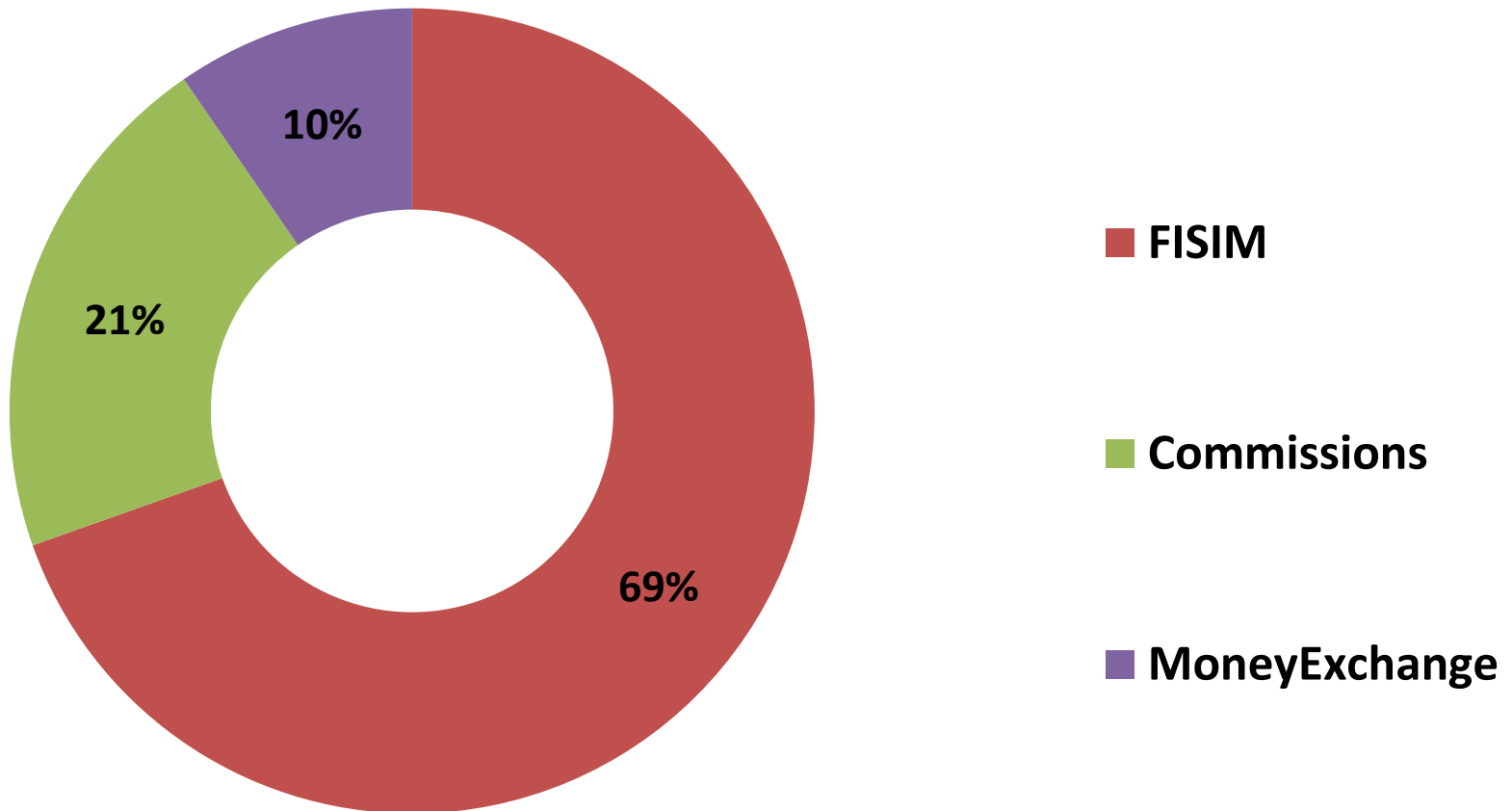
Economic Activity	التكاليف Expenses	الفوائد المقبوضة Interests Receivable	هامش بيع العملات Currency Sale Margin	هامش شراء العملات Currency Purchase Margin	أرباح صرف العملات Profit from Money	العمولات Commis- ions	خدمات الوساطة المالية المقاسة بصورة غير مباشرة FISIM	الإنتاج Output	عدد المؤسسات No. of Ent.	النشاط الاقتصادي	دليل النشاط ISIC
Total of Financial Activities	101704.2	20912.9	10463.5	10773.3	32787.1	94885.6	281626.8	553153.4	410	مجموع الوساطة المالية	
Comercial & Islamic Banks	-	-	-	-	32787.1	87219.0	281626.8	401632.9	16	البنوك التجارية والإسلامية	6419
Other Credit Institutions	-	20912.9	-	-	-	1316.8	-	22229.7	9	مؤسسات الإقراض المتخصصة	6492
Holding Companies & PMA	101704.2	-	-	-	-	-	-	101704.2	10	الشركات القابضة وسلطة النقد	+ 6411 6420
Money Exchangers	-	-	10463.5	10773.3	-	877.1	-	22113.9	366	صرافي العملات	66122
Palestine Exchange	-	-	-	-	-	5472.7	-	5472.7	9	بورصة فلسطين	+ 6611
Stock Market Brokers	-	-	-	-	-	-	-	-	-	شركات الأوراق المالية	6612

\*The data excludes those parts of Jerusalem which were annexed by Israel in 1967

\*البيانات باستثناء ذلك الجزء من محافظة القدس والذي ضمته إسرائيل عنوة بعد احتلالها للضفة الغربية عام 1967

**Total Output of  
IB is 10% of total  
Output**

## **Output of Islamic Banks 2016**





# Challenges for Islamic Finance

- Large share of clients do not know about the services offered by Islamic Banks, they don't know the meaning of Murabaha, Mudarabah and Musharaka.
- Majority of people are unaware of the difference between Islamic Banks and Conventional Banks (only the name).
- Islamic banks succeeded in attracting deposits, but were not able to channel them into long term investment: invested mainly in Murabaha (short term investment) which is low- risk method and provide rapid returns (Cash)



# Challenges for Islamic Finance

- Other methods (Musharaka and Mudarabah) are highly risk, and not all firms want to give up part of their profits to their Partner (Islamic Bank).
- Islamic banks still play a minor role in the Palestinian Economy. Their assets represent less than half the percentage of total banks assets, and 10% of total branches.
- The Sharia Control Committee of Islamic banks should include consultants in the field of finance to give Fatwa based on understanding banking concepts.