The Banks Liquidity And Its Effect On Rate Of Return Applied Study On Banks In Gaza Strip

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Dedication

Every challenging work needs self-effort as well as of elders especially those who were very close to our heart.

Our humble effort will be dedicated to our sweet and loving father and mother whose affection, love, encouragement and prayers of days and night make us able to get such success and honour

Along with all hard working and respected teachers
Acknowledgments

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His teaching and advising have had a substantial impact on our graduate education.

A special thanks goes to our family and friends who have been very supportive and helpful in our collegiate years.

This goal was made easier by the support of these important people, and we are grateful to them.

We want to thank our fellow students with whom we have had many experiences finally, without the support from both our university and accounting department, we never would have made it this far.

We are forever grateful
Abstract

Banking liquidity and its impact on rate of return The study was dealt with bank liquidity management and its impact focused in return Represented in the problem (the impact of bank liquidity in rate of return) Seeking to achieve The following objectives:

Stand on the nature and dimensions of the relationship between liquidity and yield management elements.

Identify banking management capacity in the management and investment on banking liquidity and its effects on rate of return.

To achieve these goals and set of hypotheses that can be formulated as

Follows:

There is a statistically significance correlation between the banking liquidity ratios and rate ratio of return.

By using the annual reports of the (Bank of Palestine & Jerusalem Bank ) for the period of (2008-2014), there was the extraction percentages which are the indicators of liquidity and return, by using the simple method of regression analysis and treatment (correlation coefficient and determination coefficient), and (T) testing. The main results of the study are there is no correlation and impact between the bank, liquidity and rate of return for the two banks
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**LIST OF ABBREVIATIONS:**

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<th></th>
<th>AM</th>
<th>Arithmetic Mean</th>
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Introduction

Banks and financial institutions are an important basic building block of the economy and business in any country, as the banking sector has a big role cannot be ignored in the process of economic development, so it is a tool through which the State implements its monetary and financial policy, and gives the banking sector prime indicator of the vitality of the economic situation in that country, through their multiple and varied banking services, greatly help in the revitalization of economic, financial and commercial operations (Aljahmani, 2001).

Where is the liquidity the most important features of commercial banks from other businesses, the mere rumour for lack of sufficient liquidity provides the Bank are bound to undermine the confidence of depositors, suddenly and cause them to withdraw their deposits, which the bank may be submitted to the bankruptcy. (Westerfield, Jaffe, 2000 Ross,)

The importance of liquidity management when determining the share capital through a trade-off between investment alternatives and this means that the distribution of capital between what is cash, securities, investment, loans or assets

Hence, liquidity is important for the activities of the Bank's management, and in the light of that came the subject of research (bank liquidity management and its impact on rate of return) applied Study on banks in Gaza-strip.
Chapter one
General framework of the study

The First topic: Project plan
The Second topic: Literature review
The Third topic: Study Methodology
The first topic
Project plan

1.1 Problem of the study

Liquidity is the lifeblood of the activities carried out by the bank; they need liquidity to banks because of the uncertainty surrounding the cash flows, so that their situations are trying to arrange a position to face any shortage of cash flows under any circumstances.

For this reason, banks are always keen to manage a diversified portfolio of deposits, and the various deadlines and therefore the essence of the activity of commercial banks is determined by how you make these banks efficient financial resources use in its possession, and by searching for the best ways and means to achieve the desired objectives, which seeks banks her, which is to achieve a balance between liquidity and profitability and safety.

The liquidity problem of the complex issues facing commercial banks in general, rising levels generates the problem of low employment of cash resources in these banks, which calls find other areas of use to enable them to excess liquidity investment, while banks are having trouble meeting the cash withdrawals by depositors and customers in the case of low cash liquidity. Therefore, the Bank's management is under pressure from the lack of liquidity, or no liquidity but the bank management may not invest well in the investment opportunities available in certain economic conditions affecting the return.

In light of the problem of the research was to answer the main question:

What is the effect of bank liquidity on rate of return?

1.2 Hypotheses of the study
1. There is a statistically significance correlation between the banking liquidity ratios and rate ratio of return.
2. There is a difference between liquidity and return relationship between commercial banks.

### 1.3 Objectives of the study

Objectives of the study are summarized as follows:

1) Stand on the nature and dimensions of the liquidity and return relationship between management elements.
2) To identify the bank management capacity in the management and investment banking liquidity and its effects in rate of return.

### 1.4 The importance of study

The importance of the study by studying a significant portion of the components of the Palestinian economy, the banking sector, which is an important connection in the national economy who can contribute significantly to the economic construction through the role it, plays in the financing of all economic sectors.

Because the banks are important financial institutions, and this comes through the mobilization of surplus funds from the need in certain quarters to others desperately need.

It will study highlights the efficiency or inefficiency of banking management in the liquidity management and how to invest, so the study will highlight the techniques and methods that can be used to the departments of banks in the liquidity management process as it affects the level of banking performance through financial analysis highlighting through financial indicators and standards adopted in banking performance evaluation.

### 1.5 The Obstacles of the study

Variation in the banks data for the following reasons:
• Banks difference in the classification of financial data published in the financial statements from bank to another.

• Different methods of banks in the classification of financial data published in the financial statements from one fiscal year to other fiscal year for one bank, where some banks make adjustments on the classification of some items of the financial statements from one fiscal year to other fiscal year. It has been overcome through action models to unify financial data for banks in order to reach a unified statistical data that can be used.

The Second topic
Previous Studies

This research aims to address a range of previous studies and applied research topics related to the search topic. This section consists a group of
manna previous studies that have a relationship with bank liquidity management and its impact on rate of return.

1. **Eiras study (2003):**

This study titled (request for bank liquidity if there is a lender), this study was conducted in Argentina, for the purpose of achieving the goal of the research, was chosen Argentina's central bank, to resurrection in 1996 with the signing of an emergency agreement credit line with international banking group, has proceeded this agreement to raise the ability of the bank to act as lender of last resort, the study came to the exclusion of the feedback the results of the general budget through joint bank market between banks control the banks of treatment, and that the results indicate a decrease is an almost (6.7%) in clutched liquidity of the bank with a lender of last resort (Lender of Last Resort).

2. **Canaan study (2002):**

This study was titled (liquidity in the Jordanian commercial banks and their impact on profitability for the period from 1985 to 1999), this study aimed to liquidity analysis in the Jordanian commercial banks as well as the relationship between liquidity ratios and profitability ratios within the sample analysis included seven Jordanian commercial banks, and the study found that there inverse relationship statistically significant among all of the college and the actual and statutory reserve ratio and liquidity ratio between the rate of return on equity, as well as a positive relationship between the percentage of the securities portfolio and the rate of return on equity.

**Analysis of previous studies:**

1) Previous studies confirm the importance of measuring the bank liquidity.

2) Confirming some studies on the role of the lender in the final stand by the banks at times when these banks need to be supported
3) Most studies have pointed to the need to identify and measure the impact of different parameters affecting the profitability of banks. In light of these results we can say that previous studies are consistent in many aspects, as some studies focused on the need for liquidity management, others to return, some of the studies promote this trend and strengthened to take them the relationship between the administration to bank liquidity and its impact on rate of return.

This study characterized the previous studies that have not been addressed previously; in addition to that he had not been made studies linking liquidity and the rate of return in Gaza. Through previous studies, this research continues in the same direction, intending to study liquidity management Banking and its impact on rate of return at banks in Gaza - strip beneficiary of previous studies and to accommodate their vulnerabilities to fostering.

**The Third topic**

**Study Methodology**

This section deals with the study population, and the limits of the study, methods of gathering information, and indicators and methods of analysis that was used.
Study Society:
The study society consists of two Palestinian commercial banks: the Bank of Palestine, the Jerusalem bank.

Data collection methods:

A. The theoretical side:
Information was collected on the theoretical side of Arabic & English and foreign sources available which linked to the theme of books and journals and letters to university research as much as possible.

B. The practical side:

1) The annual financial statements issued by banks for the period from 2008 - 2014, this data enjoy high credibility being subject to control by the Monetary Authority Palestinian legal audit offices.

2) Interviews with a number of characters in the Monetary Authority Palestinian banks listed in question to inquire about some paragraphs Budget and banking activity.

Indicators and analysis methods:

A. Financial ratios:

Using financial ratios relevant and approved by the Monetary Authority As indicators of liquidity and profitability and are as follows:

1. Liquidity indicators
There is a set of indicators (ratios) used to measure the liquidity of the Bank, including:

1.1- **Liquidity ratio** = \[ \frac{\text{Cash on hand}}{\text{Liquid liabilities (deposits during the month)}} \] = \%

1.2- **Legal liquidity ratio** = \[ \frac{\text{liquid assets}}{\text{liquid liabilities}} \] = \%

1.3- **Employment rate** = \[ \frac{\text{credit facilities}}{\text{total deposits}} \] = \%

2. **Profitability management indicators:**

Important indicators are supported by finance; these included the Group on indicators of the following:

2.1- **Return on assets** = \[ \frac{\text{Net profit (before tax)}}{\text{Total assets}} \] = \%

2.2- **Return on equity** = \[ \frac{\text{Net profit (before tax)}}{\text{owners equity}} \] = \%

3. **The growth rate is calculated according to the following law:**

The growth rate of a particular phenomenon =

\[ \frac{\text{The balance of the current year} - \text{Base year balance}}{\text{Base year balance}} \]

**B. Statistical analysis:**

Using the following tools:

1- Descriptive analytical is used, which can be defined as: "a method of analysis Based on sufficient information accurate or specific topic through the period or periods Time information in order to obtain practical results have been interpreted in an objective manner and Compatible with the actual data for the phenomenon. (El-Farra, Mekdad, 2004, p. 59)
2- Computational Centre for each modelling variable in the study.

3- As well as Pearson correlation coefficient was used to find out the strength of the relationship between the independent variables and the dependent variables.

\[ r = R_{xy} = \frac{\sum (x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum (x_i - \bar{x})^2 \sum (y_i - \bar{y})^2}} \]

\[ R^2 = r^2_{xy} \]

4- The test is used (T): To measure the moral influence and determine the moral significance of the ratio \( R^2 \).
Chapter two

The First topic: Liquidity Management

The second topic: Money Resources

The Third topic: Return

The first topic
Liquidity Management

This section deals with the concept and importance of liquidity, its sources, and identifies the theories, as well as addressing cost and measure liquidity and financial indicators used in this area.

First: Concept and Importance
A. Liquidity Concept:
The ability to convert assets into cash quickly and without losses, so that the objective of keeping liquid assets is to face obligations owed or performance within a short period, liquidity is considered a relative concept that expresses the relationship between cash and assets easy transition to cash quickly and without loss, the required obligations fulfilled, therefore cannot determine the liquidity. Any bank or individual only in the light of the benefits obligations (Abdel Hamid, 2002, p. 230).

And liquidity concept it can be defined as: the ability to provide funds to meet the Prices (Relationship Obligations) contractual obligations, non-contractual client’s requirements appropriate at all times.

Other known liquidity as the Bank retain part of its assets in liquid form to varying degrees, to cope with the increase in deposit withdrawals and withdrawals from the appropriations For customers, so that at the same time Bank of exploiting assets so as to achieve the greatest profit Possible association with enough money to meet withdrawal requests without delay and without Resulting in link (Assaf, 1986, p. 129).

And banks can achieve the purpose of liquidity by maintaining an appropriate amount including each time, or synchronize between money, (akel, 2006, p. 15).

In this framework, liquidity can be seen by the following concepts:

1- Quantity Concept:
This depends on the amount of marketable assets shift to cash, this narrow concept to rely on these findings in the assessment of liquidity, and the inability of the established funds Such as borrowing or raising capital and profits (Karajah, 2002, p. 28).

2- Flow Concept:
Which is known as liquidity: the amount of marketable assets quick shift into cash, plus it can be obtained from customer payment obligations, or for
Liquidity has three dimensions (Howells & Bain, 2000.p.8):-

1. **Time:** it is the speed with which you can convert to cash.
2. **Risk:** the likelihood of a fall in the value of the probability of default or neglect or Source or the product somehow in this area.
3. **Cost:** Are the financial sacrifices and other sacrifices that must exist in the process of implementing the change.

### B. Liquidity Importance

Banks need liquidity to meet the needs of its clients to funds, and faces Customer needs for liquidity, either through withdrawal of deposits at banks or through borrowing Thereof, and where such on-going requirements so banks must be always ready To meet such requirements, because such readiness gives it pros the following(akel, 2006, p. 159):

1. Strengthening the confidence of both depositors and borrowers, and to emphasize the possibility of responding to their requirements whenever she appeared.
2. Is a positive sign for the stock market, analysts and applicants
3. Confirm the ability to fulfil their obligations and commitments.
4. To avoid the forced sale of some assets and the attendant disadvantages.
5. Avoid paying the higher cost of funds.
6. Avoid recourse to borrowing from the Central Bank.

The importance of liquidity to commercial banks dramatically in the face of withdrawals the continuing of the deposit, and these banks in order to be able to satisfy the needs of the community facilities Credit so that they can provide quality and continuous financial services and banking quality. The importance Liquidity through variables that affect them:

1. The nature and composition of liquid assets.
2. Maturity dates of loans provided by the bank to its customers instalments. (Hussein and the duree, 2000, p.94).

Second: Liquidity Resources

There are two sources of liquidity:

A. Internal Liquidity Resources

1- Primary Reserves
The reserves consist of (Hampel, 1994, p.151):

1.1- **Cash on hand**: it is the amount of cash and coins and foreign currency Wardrobe commercial bank.

1.2- Cash at the Central Bank or other banks.

1.3- **Other commercial bank receivables**: include all deposits deposited by Bank to other banks, and banks to keep reserves directly or indirectly in other banks and other banks offset Banks put their
deposits by offering various services such as participation in Loans and international transactions.

1.4- **Instruments under collection**: representing those deposited in other banks which did not Value is received.

Primary reserves are of two types:

**First: Legal Reserves**

Article (31) of the Palestinian Banking Act No. 2 of 2002 (1) every bank licensed to deduct a percentage (10%) Of net profits annually allocate to calculate the Bank’s statutory reserve, until this reserve equal to the capital Bank ".

**Second: Working Reserves**

This is the sum of cash and cash equivalents that can be used in investment activities and lending, and many researchers indicate that the labour reserves are funds Cash either in local currency or foreign currency (Al-Hussein and the duree, 2000, p. 95).

**2- Secondary Reserves**

It is a short term investments often include commercial paper Rebates, which can be converted into cash liquid if needed. The reserves in the area Liquidity multiple benefits, including: contribute to the strengthening of the primary reserves and further contribute to achieving some of the profits of the Bank. Introduces part of these reserves within the framework of legal reserves (Al-Hussein and the duree, 2000, p. 96).

**B. External Liquidity Resources**

Many banks have started in the 1960s to collect more cash by Debt borrowing in the money market. And this strategy called (debt management) and calls for sufficient funds leveraged. And the primary source of liquidity, (Management Borrowers of the Bank include certificates of deposit, sale and repurchase agreements, debt reserve of the Central Bank's discount window (Rose, 1999, p. 354).
Third: Liquidity Management Theories

a. Trading Loan Theory
This theory on the basis that the commercial bank's liquidity is achieved automatically by Self liquidation loans should be for short periods and working capital financing, where borrowers with funds they paid instalments stated after completion of their business successfully (akel, 2006, p.170).

b. Shift Ability Theory
This theory suggests that the commercial bank operating on the basis of the consolidation reserves the initial viable assets shift to cash when you need money, and these assets its high sales, any possibility of conversion into liquid cash soon without losses (Al-Hussein and the duree, 2000, p. 1000).

c. Expected Income Theory
This theory on the basis that directors can rely on liquidity planning The projected income for the borrower, thus entering into account projected incomes of the borrower in future, this bank can grant medium-and long-term loans, plus bonus For short-term loans, as long as the process of repayment of these loans are projected incomes For borrowers with periodic instalments, which makes the Bank enjoys high liquidity Because of the relative cash flow regularity and predictability(Al-Ali, 2002, p. 194).

d. Liabilities Management Theory
Since the late 1960s and early 1970s, development of a new concept of management Liquidity, says that the commercial bank could maintain liquidity through the purchase money Of the financial market to meet the needs of lending, or to meet depositors ' demands, any such The theory put forward the concept of liquidity based on the Bank's ability to attract new money, more Dependence on liquid assets (akel, 20067, p.171).

Fourth: Liquidity Cost
Is the cost the Bank retains idle cash balances may exceed requirements. Actual cash, it is important that these stocks would be great, although less if attributed Total bank deposits or resources, and that's what makes them disappear occasionally between numbers and the limitations of accounts (Mirghani, 2004, p.29).

**Fifth: measuring liquidity and financial indicators used**

1- **Monetary Liquidity Ratio**

\[
\text{Monetary Liquidity Ratio} = \frac{\text{Cash on hand}}{\text{Liquid liabilities (deposits which merit during the month)}}
\]

This refers to the adequacy of assets fast cash in payment of deposits.

2- **Obligating Reserve Ratio**

Reserve Bank balances at the Central Bank, and without the benefits of a certain percentage of the deposit Determined by the Central Bank and the ability of the balances at the Central Bank to meet The financial obligations of the Bank on due date is agreed.

3- **Legal Liquidity Ratio**

This refers to how the Bank liquid assets to cover deposits, whenever this increased better source for security management.

\[
\text{Legal Liquidity Ratio} = \frac{\text{Liquid assets}}{\text{Liquid liabilities}} = \%
\]

4- **Investment Ratio**

This is one of the traditional measures of banks' liquidity, a measure use Deposits, lending and deposit facilities is to image the most stable Expression of liquidity (akel, 2006, p.164).
The second topic
Money Resources

First: Bank Deposits

A. Concept and nature of deposits
Deposit is the main source of funds for commercial banks, since these deposits are source of lending and investment that every bank tries to develop assets in various ways and means, And is willing to pay on deposits acquired at no cost as long as they achieve greater profit Cost, of course without prejudice to the legal rules of banking (Hawari, 1983, p.50).

B. Kinds of Bank Deposits

1- Deposits by the time standard, and are divided into:

1.1- Demand Deposits
Demand deposits a certain amount of money deposited with the commercial bank, the bank undertakes to pay at any time the deposit withdrawn his deposit or full part In other words, is the current holder of
depositary bank is committed to pay on demand the amount money equal to the amount (Abdullah, 1999, p.247).

1.2- **Fixed Deposits**
A deposit that is paid to the client the applicant after a specific period of the deposit or after a period of The Bank's notification of withdrawal and are of two types:

1.2.1. **Time Deposits**
It is deposits that the Bank is committed to pay later on, which is Agreement at this time between the applicant and the Bank, and this is the kind of commitment Bank payment amount after the expiration of the period agreed between the applicant and the Bank paid The Bank posted rate for the applicant (Abdullah,1999,p.248).

1.2.2. **Notice Deposits**
Term deposits with notice Amounts deposited with the commercial bank and are dragging them only after notifying the Bank the time period agreed upon, by contrast, the bank pays interest on these deposits may be Rates less than or equal to the interest rates on time deposits (Assar and Halaby, 2000, p. 77).

C. **Saving Deposits:**
An agreement between the Bank and the customer by which customer deposited a sum of money to the Bank in Exchange for get the benefit of the customer's right of withdrawal from the deposit at any time without Notice thereof (Hindi, 2000, p. 149).

2- **Ownership Deposits Divided into** (Al-Hussein and the duree, 2000, p. 106):

   a. **People Deposits:** Belonging to public and private companies.
   b. **Government Deposits:** Belonging to the facilities and services and various government institutions.
   c. **Mixed Deposits:** Owned by the mixed sector enterprises.
3- Source Deposits divided into:

a. Primal Deposits
Arising from the deposit cheque (drawn on another bank) in bank deposits registered primary real not fake, meaning that their real value is already assigned to the Bank; they are already deposited in the Bank by money holders (Ramadan and Judaa, 2003, p. 64).

b. Derived Deposits
Also called fiduciary deposits and created banks through loans and classified the value of paper money and coins in circulation, so it is one of the most important types of deposits (Sairafi, 2006, p.45)

4- Bank deposits by activity, divided into (Ramadan and Judaa, 2003, p. 64):

a. Active deposits:
It is the deposits that are relatively non-static balance because of large withdrawals and deposits.

b. Idle deposits:
It is the deposit balance is relatively constant, and often has savings in nature.

c. Restricted deposits:
It is the funds deposited by individuals and bodies For certain targets where there is no agreement on limiting its use to those ends, it may be this deposit guarantees for undertakings or obligations provided by the applicant to the Bank in exchange for incurring The Bank's commitment in its way, as the issuance of a letter of guarantee or letter of credit documentary or bail and other items shown under accounts regular.

Second: lending from the Central Bank and other banks:
Some commercial banks, sometimes, borrow from each other for the purpose of Financing of investment operations, except that this method does not consider her satisfaction due to give this method of double bank borrower financial, adding that this source is relatively content Because the conditions somewhat similar banks, making all banks need money, That
makes them unwilling to lend, the banks finally resorted to the Central Bank as a lender of last resort (Assar and Halabi, 2000, p. 78).

Third: Capital property

a. The Concept of Capital
Capital means private financial establishments contribute to: the sum of the values of ordinary shares plus reserves which represents profits generated in prior years and decide detention management (Hussein and duree, 2000, p. 81).

b. The Components of Capital

1- Paid- capital (ordinary shares):
The first source is reliable, which is configured through the contribution the founders first, then the shareholders and represents a fundamental building block in the creation and establishment of the Bank since his the first (Ramadan and judaa, 1996, p. 53).

2- Preferred Stocks
That is, it combines the characteristics of Hybrid Security, arrow excellent double instrument in nature Normal and bond properties (Hanafi, 2002, p. 477).

3- Reserves
One of the components of the title consists of:

First: Paid –in- Capital
It comes when sold common stock consists of more than nominal value, produces premium when getting market value for normal value (Rose, 1999, p.127). and here the organization decide Distribution part, which divided the profits and reinvest the rest detained, then is the amount of
cumulated The right of the original property "ordinary shares" (Alshmaa, 1992, p. 19 - 20)

**Second: Retained Earnings**

Source of financing, and are the result of profits earned by the company if the distribution Part of them and compare the rest, making the retained earnings as a source of domestic funding, depends on the revenue generated can be achieved, so that established access to retained earnings, must achieve a return equal to or greater than the revenue generated for the ordinary shareholders (Naimi and Alkarsha, 2007, p. 168).

c. **The Importance of Owned Capital**

Acquires capital property important for that play an important role in Security for depositors, and supports confidence in the bank, and increased confidence increases the possibility of the bank in attracting greater deposits and absorb "Which absorb any unexpected losses in reliance capital in the form in which it can pursue its operations and activities without adversely affected the confidence of depositors" (Kalahaf, 2006, p.353).

d. **Measurement of Capital Efficiency**

It is difficult to determine the robustness property of capital one commercial bank or even for the commercial banking system as a whole, capital property is necessary to maintain the integrity of the bank And strengthening trust, but does not guarantee that the safety of the unit, so it should be sufficient to cover the cost of fixed assets the bank needs to continue and survive (Abdullah, 2000, p.401).

**Measuring the strength of capital purpose, there are several key indicators, including:**

**1- Capital property to total deposits:**

This indicator shows the adequacy of capital property in the face of withdrawals potential of the deposits, the ratio can be expressed by the following formula:

\[
\text{(Property capital/total deposits)}
\]
2- **Ratio of capital to total assets:**
   Property this refers to the extent to which the bank's reliance on capital property financing, this ratio can be expressed as follows:

   
   \[
   \frac{\text{Property capital}}{\text{total assets}}
   \]

   (Property capital/total assets)


3- **Ratio of Capital property to risk assets:**

   Assets can be classified into two types: The first: zero-risk assets (Government bonds - cash with the central bank - cash in hand), and the second type: they with risk assets represent assets that are expected to be exposed to certain risks. It reflects This is the extent of the capacity and efficiency of capital property index in the face of potential losses on assets With risk, and this is an important indicator of financial indicators, which reflect the good employment And management of financial resources and can express this ratio as follows:

   \[
   \frac{\text{Capital property}}{\text{risky assets}}
   \]

   (Capital property / risky assets)


4- **Ratio of Capital property to loans :**

   This is for a measure of the margin of safety in the face of the risk of failure to recover part of Funds invested in loans, maligned at this rate it ignores the fact that some loans It does not need a margin of safety, such as loans to ensure my eyes, and can be expressed as the ratio As follows:

   \[
   \frac{\text{Capital property}}{\text{total loans without guarantee my eyes}}
   \]

   (Capital property / total loans without guarantee my eyes)

5- **Capital property to securities investment:**

This ratio measures the safety margin in the face of the risk of low market value of the securities Finance. It can express this ratio as follows:

\[
\text{(Capital property / total investment in the stock)}
\]


6- **Ratio of Capital property to contingent liabilities:**

Contingent liabilities do not appear in the budget, but to show a ticket outside the budget under Regular accounts address, and examples of contingent liabilities (letters of credit), and can be expressed as this percentage is as follows:

\[
\text{(Capital property / obligations spin-off)}
\]

(Hawari, 1978, p. 81).

7- **Free money relative to the operating assets:**

Intended to free capital: Total cash and cash semi-available funds, and is extracted from the Ask the fixed assets of the share capital property, and therefore it represents money that can be used or used in investment activities profitable, and therefore, this indicator reflects the extent of the head of ability Free money on the rapid coverage of potential losses in operating assets

(Hussein and duree, 2000, p. 86).
The Third topic
Return

A. Return Concept:
What investor gets in the future as a result of his sacrifice in time current assets through investment operation employed for a specific period of time? However, access Investor expected return is uncertain, given the risk of investment Loss, changing government policies and the change of interest rate and exchange rate fluctuations, and conditions the human mind is incapable of metaphysics of knowledge despite scientific and technological development, keep the predictions the investor is exposed to uncertainty (Siam, 2003, p. 32).

The rewards of financial assets are three important forms: (Ramadan, 1998, p. 239):

1- Dividends
If these findings represent the rights of ownership of funds such as arrows, arrow holder partner the company that issued the stock, therefore, is of the owners and the rights of shareholders.

2- Interests
If the financial asset representing money borrowing such as bonds, bondholder lender The Company that issued the bond and loan amount is the value of the bond, the bond gives the bearer the right to get the benefit of the Borrowing Corporation agreed (that issued the bond).

3- Capital Gains
This produces profits from reselling assets, arrow holder or holder if He could sell it for more than the amount purchased by the difference is the profit the capitalist.
B. Kinds of Investment Returns:

1- Realized Rate Of Return
Defined as: revenue received by the investor, which is usually different from the expected return (Weston, 1996, p.195).

**Actual rate of return** =

\[
\text{Actual changes in the market price for the share} + \frac{UL \text{ actual distributor profit}}{\text{amount of initial investment}}
\]

(Rae, 1992, p296)

2- Expected Rate Of Return
Return on investment the investor obtained (Husini, duree, 200, p.178)

**Expected Rate of Return** =

\[
\text{expected changes in the market price for the share} + \frac{UL \text{ actual distributor profit}}{\text{amount of initial investment}}
\]

(Rao, 1992, p269)

**OR**

\[
E(R) = \sum_{i=1}^{m} Ri Pri
\]

(Ross, 2004, p325)

3- Return On Assets (ROA)
This ratio measures the efficiency of management in the use of optimal, profit. By investing in different assets, compared to previous years or standard Industry, the higher this percentage rate it on high efficient use of
bank assets And vice versa, and can calculate this ratio according to the following equation (Michael C. Ehrhardt, 2005, p. 454):

\[
(\text{ROA}) = \frac{\text{Net profit before tax}}{\text{Total assets}} = \%
\]

4- Return On Equity (ROE)
It is the one who shows the efficiency of the commercial bank in the use of its own resources through the ability of These resources to generate profits, which means that this indicator shows earnings per dinar (monetary union) Investor by the owners, so that the higher the rate, the higher rate of efficiency to ensure Achieve the greatest return, and vice versa (Khalaf, 2006, p. 346).

\[
(\text{ROE}) = \frac{\text{net profit before tax}}{\text{owners equity}}
\]

(Bodie & Kane, 1996, p 569)
Chapter three

The First topic: Analysis of bank liquidity

The second topic: Analysis of return
The First topic
Analysis of bank liquidity

This section deals with the analysis of bank liquidity indicators which included three gauges: Cash ratio, Liquidity ratio and Legal investment rate in commercial banks Palestine from 2008 – 2014:

First: Liquidity ratio

This ratio expresses the relationship between the amounts held in the Fund and bank deposits Customers during the month of liquid liabilities arising from the Bank by the nature of his work. And calculated According to the following equation:

\[
\text{Liquidity ratio} = \frac{\text{Cash on hand}}{\text{Liquid liabilities (deposits worth during the month)}}
\]

<table>
<thead>
<tr>
<th>bank</th>
<th>Year 2008</th>
<th>Year 2009</th>
<th>Year 2010</th>
<th>Year 2011</th>
<th>Year 2012</th>
<th>Year 2013</th>
<th>Year 2014</th>
<th>(AM) Overall average growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>bank of Palestine</td>
<td>12.91</td>
<td>21.14</td>
<td>73.27</td>
<td>45.37</td>
<td>31.67</td>
<td>129.35</td>
<td>39.40</td>
<td>53.01</td>
</tr>
<tr>
<td>Bank of Jerusalem</td>
<td>22.70</td>
<td>16.37</td>
<td>7.08</td>
<td>9.03</td>
<td>8.38</td>
<td>8.17</td>
<td>31.77</td>
<td>14.78</td>
</tr>
</tbody>
</table>

Table (1) Liquidity ratio

The table which includes the liquidity proportion of Palestinian commercial banks for years (2008 – 2014) Variance in rise and fall from year to another These were

For bank of Palestine Also note the contrast ratio of cash amounting to (12.91%) in the first year Then rose significantly to reach(73.27%) in 2011 the start to decrease in the following years 2011 – 2012 to reach (45.37% - 45.37%) then it increased in 2013 to reach(129.35%) then it decreased to reach(39.40%) AM has reached (53.01%) in these years for bank of Palestine.
For Bank of Jerusalem the ratio of cash was (22.7%) In the first year and then decreased during the years 2009 – 2010 with respectively (16.37% - 7.08%) And then rose to (9.03%) in 2011 and then gradually decreased in 2012-2013 up (8.38% - 8.17%) Then rose significantly to reach, (31.77%) respectively in 2014, AM has reached (14.78%) in these years for Bank of Jerusalem.

Finally, the overall average growth liquidity ratio (33.895%) During the years from 2008 -2014.

The researchers explains this increased percentage to increase the amounts of liquid maintained by the bank in The Fund compared with liquid obligations (customer deposits which deserve during the month), this may affect the possibility of the bank in achieving the goal of profitability as the high rate of liquidity will be adversely impact on profits, while indicates this low ratio to lower the cash balance in the Fund.

The growth rate has been measured by the following equation:

\[
\text{Growth of monetary liquidity ratio} = \frac{\text{Cash in current year} - \text{cash in basic year}}{\text{Cash in the base year}} \times 100 = \% \]

The base year is 2008.

<table>
<thead>
<tr>
<th>Bank</th>
<th>Year 2009</th>
<th>Year 2010</th>
<th>Year 2011</th>
<th>Year 2012</th>
<th>Year 2013</th>
<th>Year 2014</th>
<th>(AM)</th>
<th>Overall average Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of Palestine</td>
<td>90.65</td>
<td>165.67</td>
<td>33.59</td>
<td>206.30</td>
<td>509.30</td>
<td>130.14</td>
<td>189.23</td>
<td></td>
</tr>
<tr>
<td>Bank of Jerusalem</td>
<td>-27.86</td>
<td>-68.79</td>
<td>-60.18</td>
<td>-63.04</td>
<td>-64.00</td>
<td>40.00</td>
<td>-40.65</td>
<td></td>
</tr>
</tbody>
</table>

Table (2) the growth rate (cash)

The growth rate of the Palestinian monetary liquidity to commercial banks subject Find where the fluctuation of cash due to the difference in the percentage growth rate in liquid funds Fund and customer deposits, as can be seen from the table that the overall average growth rate of cash for the two banks have reached (74.29%) during the years of the study.
Second: the proportion of legal liquidity

This ratio reflects the relationship between the liquid assets held by the Bank in the Fund Cash and balances with PMA and other financial institutions to liquid liabilities of current deposits and savings accounts and deposits it was calculated according to the following equation:

\[
\text{Legal liquidity ratio} = \frac{\text{Liquid assets}}{\text{Liquid Liabilities}} = \%
\]

<table>
<thead>
<tr>
<th>Bank</th>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>(AM)</th>
<th>Overall average growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>bank of Palestine</td>
<td></td>
<td>89.18</td>
<td>98.99</td>
<td>184.13</td>
<td>217.25</td>
<td>123.17</td>
<td>149.73</td>
<td>206.05</td>
<td>152.60</td>
<td></td>
</tr>
<tr>
<td>Bank of Jerusalem</td>
<td></td>
<td>177.32</td>
<td>192.32</td>
<td>84.89</td>
<td>91.37</td>
<td>117.78</td>
<td>105.21</td>
<td>82.77</td>
<td>121.66</td>
<td></td>
</tr>
</tbody>
</table>

Table (3) Legal liquidity ratio

The table shows, which includes the Palestinian legal liquidity ratio for the two banks and for the years shows (2008 - 2014) banks variation in this ratio reaching its overall average (137.13%).

Bank of Palestine also note the contrast ratio of legal liquidity to rise and decline of Year to year during the years of research as follows: where was (89.18%) in 2008 Then it rose to its highest level since reached(217.25%) in 2011 then decreased to reach (123.17%) in 2012 Then rebounded to become(206.04%) in 2014 The AM of the proportion of legal liquidity of the Bank of Palestine has reached(152.60%).

Bank of Jerusalem, we note that the legal liquidity ratio stood at (177.32%) in the year 2008 and then took in the rise and fall until I got to (82.77%) the year 2014, and the AM for the Bank of Jerusalem the ratio stood at (121.66%).

The researchers explained this ratio increased to increase liquid assets compared with the size of liabilities liquid while the flag fall to lower liquid assets or increase both assets liquid liabilities liquid but the increase in cash
on hand and cash in Monetary Authority and other banks is less than the increase in total deposits.

**The growth rate has been measured by the following equation:**

\[
\text{Growth of legal liquidity ratio} = \frac{\text{legal liquidity in the current year} - \text{legal liquidity in the base year}}{\text{legal liquidity in the base year}}
\]

**The base year is 2008.**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Year 2009</th>
<th>Year 2010</th>
<th>Year 2011</th>
<th>Year 2012</th>
<th>Year 2013</th>
<th>Year 2014</th>
<th>Overall average Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>bank of Palestine</td>
<td>11.00</td>
<td>106.47</td>
<td>143.60</td>
<td>38.11</td>
<td>67.89</td>
<td>131.04</td>
<td>83.01</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>23.195</td>
</tr>
</tbody>
</table>

**Table (4) Growth rate (legal liquidity)**

Table show growth rate of liquidity legal Palestinian commercial banks subject shows Find where the fluctuation is due to the difference in the proportion of cash in liquid assets growth rate Fund in cash and balances with the Monetary Authority and other financial institutions to liabilities Liquid and of customer deposits and deposits of cash and other financial institutions the authority, it was The growth rate of liquidity Legal years (2009 - 2014) compared to the base year 2008, Can be seen from the table That the overall average for the proportion of legal liquidity for the two banks the growth has reached (23.195%) During the years of the study.

**Third: Investment Ratio**

This percentage is one of the traditional measures of liquidity and measures how banks use Deposits in lending operations, and is the ratio of facilities
to the most stable deposits image an expression of liquidity and the more this percentage dropped was an indication of the stock of liquidity Bank Calculated according to the following equation:

\[
\text{Investment rate} = \frac{\text{Credit facilities}}{\text{Total deposits}} = \%
\]

<table>
<thead>
<tr>
<th>Bank</th>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>(AM)</th>
<th>Overall average growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>bank of Palestine</td>
<td>2008</td>
<td>35.30</td>
<td>34.99</td>
<td>45.10</td>
<td>57.94</td>
<td>65.59</td>
<td>66.14</td>
<td>60.35</td>
<td>52.20</td>
<td></td>
</tr>
<tr>
<td>Bank of Jerusalem</td>
<td>2008</td>
<td>63.82</td>
<td>63.10</td>
<td>52.70</td>
<td>57.65</td>
<td>43.26</td>
<td>88.20</td>
<td>57.53</td>
<td>54.865</td>
<td></td>
</tr>
</tbody>
</table>

Table (5) investment rate

The table includes the Palestinian Investment Ratio for the two banks and for the year’s shows 2008 -2014 This percentage In contrast

For bank of Palestine Investment Ratio stood at (11.00%) and he is the lowest level it has reached in the year 2008, while it reached (66.14%) The highest level it’s arrived in the year 2013 and the AM rate for the bank of Palestine of Investment has been reached (52.20%).

For the Bank of Jerusalem Investment Ratio stood at (43.26%) and he is the lowest level it has reached in the year 2013, while it reached (88.29%) The highest level it’s arrived in the year 2014 and the AM rate for the Bank of Jerusalem of Investment has been reached (57.53%).

The arithmetic average of the rate of employment has been reached (54.865%)

The researchers explained this ratio increased to increase credit facilities granted by the Bank Total customer deposits in his possession and this enhances the possibility of the World Bank to achieve the goal of...
profitability, The high rate of employment will be a positive impact on profits, reduced employment rate leads The high liquidity ratios.

The growth rate of investment ratio:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Year 2009</th>
<th>Year 2010</th>
<th>Year 2011</th>
<th>Year 2012</th>
<th>Year 2013</th>
<th>Year 2014</th>
<th>(AM) Overall average Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>bank of Palestine</td>
<td>-0.87</td>
<td>27.76</td>
<td>64.13</td>
<td>85.80</td>
<td>87.36</td>
<td>70.96</td>
<td>55.85</td>
</tr>
<tr>
<td>Bank of Jerusalem</td>
<td>-30.48</td>
<td>-17.43</td>
<td>-17.43</td>
<td>-9.67</td>
<td>-32.21</td>
<td>38.19</td>
<td>22.17</td>
</tr>
</tbody>
</table>

Table (6) Growth rate (investment)

The researchers explained the Investment contrast ratio due to the difference in the proportion of growth in loans and advances to total deposits Customers, it was the growth of the investment ratio for the years (2009 - 2014) compared to the base year 2008, can be seen from the table that the overall average rate of investment growth for the two banks was (22.17%) during the years of the study.

The second topic
Analysis of return

This section deals with two types of Lehman, which the owner and the investor's yield analysis, namely the rate of return the assets and the rate of return on the right of ownership.

First: the rate of return on assets:
This indicator measures the rate of return on the funds invested in assets so it reflects the efficiency Leaders in the operation of the assets were calculated according to the following equation:

\[
\text{Return on assets} = \frac{\text{Net profit (before tax)}}{\text{Total assets}} = \%
\]

<table>
<thead>
<tr>
<th>Bank</th>
<th>Year (AM)</th>
<th>Overall average growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>bank of Palestine</td>
<td>1.03 2.27 2.22 1.84 2.37 2.17 2.47</td>
<td>2.05</td>
</tr>
<tr>
<td>Bank of Jerusalem</td>
<td>-4.87 -1.22 0.06 1.06 -1.48 0.31 -1.98</td>
<td>-1.16</td>
</tr>
</tbody>
</table>

Table (7) Return on assets

Through observing the table shows banks disparity in the percentage rate of return on Assets as the overall average for this ratio (0.445%).

For Bank of Palestine observes contrast ratio rate of return on assets during the years of research as the ratio was at (1.03%) in 2008 Then it took in the rise and fall until it reached (2.47%).

The AM of the rate of return on assets of the Bank of Palestine has reached (2.05%).

In Bank of Jerusalem note that the rate of return on assets ratio has been swallowed (-487%) in 2008 that this percentage reached (-1.98%) in the year 2014.

The AM of the rate of return on assets of the Bank of Jerusalem has reached (-1.16%).

Growth rate (rate of return on assets):

<table>
<thead>
<tr>
<th>Bank</th>
<th>Year (AM)</th>
<th>Overall average growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>bank of Palestine</td>
<td>120.38 115.53 78.6 130.09 110.67 139.80</td>
<td>115.84</td>
</tr>
<tr>
<td>Bank of Jerusalem</td>
<td>74.85 101.37 121.93 69.58 106.46 59.29</td>
<td>88.91</td>
</tr>
</tbody>
</table>
The researchers explained the Fluctuation of the percentage rate of return on assets than a year due to the other during the years of the study To the different growth rate in net profit to total assets, was the growth of the rate of return ratio The assets of the years (2009 - 2014) compared to the base year 2008, and described in the table, with overall average for this ratio (102.375%).

**Second: The rate of return on equity:**

This indicator measures the yield achieved by employee shareholders their money in capital Bank, if the value of the index indicates that the high efficiency of investment and operating decisions in the bank, it was calculated according to the following equation:

\[
\text{Return on equity} = \frac{\text{Net profit (before tax)}}{\text{owners equity}} = \%
\]

<table>
<thead>
<tr>
<th>Bank</th>
<th>Year</th>
<th>(AM)</th>
<th>Overall average growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>bank of Palestine</td>
<td>2008</td>
<td>5.26</td>
<td>15.47</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>19.31</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>21.02</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>15.65</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>16.06</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>16.21</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>14.48</td>
<td></td>
</tr>
<tr>
<td>Bank of Jerusalem</td>
<td>-23.14</td>
<td>-5.59</td>
<td>-5.49</td>
</tr>
<tr>
<td></td>
<td>0.33</td>
<td>4.62</td>
<td>-4.61</td>
</tr>
<tr>
<td></td>
<td>-1.63</td>
<td>-11.72</td>
<td>-4.61</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>15.47</td>
<td>4.965</td>
</tr>
</tbody>
</table>

By observing the table shows banks disparity in the percentage rate of return on the Return on equity as the overall average for this ratio (4.965%).

In **Bank of Palestine** contagious return ratio amounted to the rate of return on equity ratio stood at (5.26%) in 2008 Then it took fluctuate until it reached (14.48%) in 2014.
The AM of the rate of return on assets of the Bank of Palestine has reached (15.47%).

In Bank of Jerusalem contagious return ratio amounted to the rate of return on equity ratio stood at (-23.14%) in 2008 Then he took in the rise and fall to be reached (-11.72%) in 2014.

The AM of the rate of return on assets of the Bank of Jerusalem has reached (-5.49%).

**Growth rate of (Return on equity):**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Year 2009</th>
<th>Year 2010</th>
<th>Year 2011</th>
<th>Year 2012</th>
<th>Year 2013</th>
<th>Year 2014</th>
<th>(SMA)</th>
<th>Overall average growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of Palestine</td>
<td>267.11</td>
<td>299.61</td>
<td>197.50</td>
<td>205.32</td>
<td>208.17</td>
<td>175.28</td>
<td>225.49</td>
<td></td>
</tr>
<tr>
<td>Bank of Jerusalem</td>
<td>74.85</td>
<td>75.80</td>
<td>101.45</td>
<td>120.00</td>
<td>80.06</td>
<td>107.08</td>
<td>93.20</td>
<td>159.30</td>
</tr>
</tbody>
</table>

Table (10) Growth rate of Return on equity

The researchers explained the Fluctuation of the percentage rate of return on the owners' equity of the year due to the other during the years of the study To the different growth rate in net profit to equity, and are described in the table above.

**Chapter four**

Statistical analysis and hypothesis testing
The First topic: Statistical analysis

The second topic: hypothesis testing

First : Bank of Palestine:
1- Analyse the impact of the relationship between bank liquidity and rate of return on assets.

Simple regression analysis and correlation between banking liquidity and rate of return on assets Bank of Palestine

<table>
<thead>
<tr>
<th>dependent variable</th>
<th>Independent variables</th>
<th>coefficient correlation R%</th>
<th>determination of coefficient % R^2</th>
<th>Calculate d (T)</th>
<th>Probability Value</th>
<th>Sig.</th>
</tr>
</thead>
</table>
Through the table that shows the simple regression and correlation between the Liquidity ratio and the rate of return on assets is clear that the value of the coefficient of determination $R^2$ Reached (7.9%) Which means that (7.9%) of the changes that happen in the rate of return on assets caused due to Liquidity ratio, and the (T) test clearer  that the value of the calculated model is wrong (T) test is (0.65) It is less than the value of (T) test table (2.015).

Through the table that shows the simple regression and correlation between the legal liquidity ratio and the rate of return on assets is clear that the value of the coefficient of determination $R^2$ Reached (4.4%) Which means that (4.4%) Of the changes that happen in the rate of return on assets caused due to legal liquidity ratio, the (T) test explained clearer  That the value of the calculated model is wrong (T) test is (0.48) It is less than the value of (T) test table (2.015).

Through the table that shows the simple regression and correlation between the ratio of investment relations $R^2$ Was (40.3%) which means that the $R^2$ and the rate of return on assets is clear that the value of the coefficient of determination(40.3%) of the changes that happen in the rate of return on assets caused due to the ratio calculated (T) lack of moral health model as the value of (T) investment, explained test Spread sheet (T) (1.83) which is less than the table value(2.015).  

It was the regression relationship between the liquidity ratio and the rate of return of the Bank of Palestine is 0.27 to the level of significance (0.05) in the sense that there is no effect (Sig.) Moral reaching potential value A significant proportion of cash in the rate of return on assets, and the correlation between them was Were weak as the value of the correlation coefficient (-28.1%), there is no correlation between the non-moral the proportion of cash flow and rate of return on assets, this means there is no correlation with statistically significant differences between liquidity ratio and rate of return on assets.
As for the legal liquidity ratio there was decline between the proportion of legal liquidity and rate relationship 0.32 Level (Sig.) Of return of the Bank of Palestine (0.05) in the sense that there is no significant effect between the proportion of legal liquidity and the rate of return on Assets, and the correlation between them was weak as the value of the correlation coefficient (-21.0%), And there is no significant correlation between the legal relationship of the liquidity ratio and the rate of return on Assets and this means there is no statistically significant correlation between the legal rate of liquidity and Return on assets.

As for the investment rate was regression relationship between employment and the rate of return of the Bank of Palestine but moral as contingent value 0.06 (Sig) to moral level (0.05) meaning there is no moral effect between the employment rate in the rate of return on assets, either The relationship between them has been weak since the value of the correlation coefficient (63.5%), Non-moral correlation between Investment and the rate of return on assets, this means no statistically significant correlation between investment and the rate of return on assets

2- Analyse the impact of the relationship between bank liquidity and rate of return on the right of owner’s equity.

**Simple regression and correlation analysis between bank liquidity and rate of return on the owner’s equity Bank of Palestine**

<table>
<thead>
<tr>
<th>dependent variable</th>
<th>Independent variables</th>
<th>coefficient correlation R%</th>
<th>determination of coefficient % R2</th>
<th>Calculate d (T)</th>
<th>Probability Value Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>rate of return on assets</td>
<td>Liquidity ratio</td>
<td>-2.8</td>
<td>0.1</td>
<td>0.06</td>
<td>0.47</td>
</tr>
<tr>
<td></td>
<td>Legal liquidity ratio</td>
<td>3.8</td>
<td>0.1</td>
<td>0.08</td>
<td>0.46</td>
</tr>
<tr>
<td></td>
<td>investment ratio</td>
<td>83.3</td>
<td>69.5</td>
<td>3.37</td>
<td>0.01</td>
</tr>
</tbody>
</table>

Tabulated = (2.015) (T) Table (2) P > 0.05

Through the table that shows the simple regression and correlation between the liquidity ratio and the rate of return on the owner’s equity is clear that the value of the coefficient of determination R2 Reached (0.1%) which means that (0.1%)
of the changes that happen in the rate of return on the owner’s equity due to Liquidity ratio, and the (T) test clearer that the value of the model is wrong the calculated (T) test is (0.06) it is less than the value of (T) test table (2.015).

Through the table that shows the simple regression and correlation between the legal liquidity ratio and the rate of return on the owner’s equity is clear that the value of the coefficient of determination R2 Reached (0.1%) Which means that (0.1%) Of the changes that happen in the rate of return on the owner’s equity caused due to legal liquidity ratio, the (T) test explained clearer that the value of the model is wrong the calculated (T) test is (0.08) it is less than the value of (T) test table (2.015).

Through the table that shows the simple regression and correlation between the ratio of investment relations R2 Was (69.5%) which means that the R2 and the rate of return on the owner’s equity is clear that the Value of the coefficient of determination(69.5%) of the changes that happen in the rate of return on the owner’s equity caused due to the ratio The calculated (T) lack of moral health model as the value of (T) investment, explained test Spread sheet (T) (3.37) which is less than the table value(2.015).

Regression relationship between the Liquidity ratio and the rate of return was the right property Bank of Palestine 0.47 to the level of significance (0.05) and this (Sig.) Palestinian morale is reaching potential value It means that there is no significant effect of the proportion of cash in the rate of return on the owner’s equity, and the relationship The link between them was weak as the value of the correlation coefficient(-2.8%), the existence of any relationship no significant correlation between the percentage of cash flow and rate of return on the owner’s equity, and this means no correlation statistically significant relationship between the cash rate and the rate of return on the owner’s equity.

As for the legal liquidity ratio there was decline between the proportion of legal liquidity and rate relationship (Sig.) The yield on the property right of the Bank of Palestine is a moral reaching potential value 0.46 to the level of significance (0.05) This means that there is no significant effect of the legal liquidity ratio in rate of return on the owner’s equity, and the correlation between them was weak as the value of coefficient Link (-3.8%), and there is no significant correlation between the percentage of liquidity and
the rate of legal relationship. The return on the right of ownership, and this means there is no statistically significant correlation between the percentage of Legal liquidity and rate of return on the owner’s equity.

As for the investment rate there was decline between the employment relationship and the percentage rate of return on 0.01 (Sig.) Property right of the Bank of Palestine is a moral reaching potential value to the level of significance (0.05) this means that there is no significant effect of the rate of investment in the rate of return on the owner’s equity and the correlation between them was weak as the value of the correlation Coefficient (83.3%), and there is no correlation is found between employment rate and the rate of return on the right Property and this means there is no correlation statistically significant differences between the employment rate and the rate of return on the owner’s equity.

3- Effect relationship between the two indicators of bank liquidity and rate of return on assets.

Simple regression and correlation between bank liquidity indicators and analysis of the rate of return on Assets and rate of return on the owner’s equity of the Bank of Palestine

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>dependent variable</th>
<th>coefficient correlation R%</th>
<th>determination of coefficient % R²</th>
<th>Calculated (T)</th>
<th>Probability Value (Sig.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Liquidity</td>
<td>ROA</td>
<td>-15.6</td>
<td>2.4</td>
<td>0.35</td>
<td>0.36</td>
</tr>
<tr>
<td></td>
<td>ROE</td>
<td>11.1</td>
<td>1.2</td>
<td>0.24</td>
<td>0.40</td>
</tr>
</tbody>
</table>

Tabulated = (2.015) (T)  

Results demonstrated regression analysis and described in the table for lack of a significant effect between bank liquidity indicators and the rate of return on assets and return on the owner’s equity as The calculated (T) 0.40,0.36 respectively, totalled (Sig.) total potential value (T) (0.24,0.35), respectively, which is less than the Spread sheet value (2.015).
Second : Bank of Jerusalem:
1- Analyse the impact of the relationship between bank liquidity and rate of return on assets.

Simple regression and correlation analysis between bank liquidity and rate of return on assets
Bank of Jerusalem

<table>
<thead>
<tr>
<th>dependent variable</th>
<th>Independent variables</th>
<th>Coefficient correlation R %</th>
<th>determination of coefficient % R2</th>
<th>Calculated (T)</th>
<th>Probability Value Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>rate of return on assets</td>
<td>Liquidity ratio</td>
<td>-66.1</td>
<td>43.7</td>
<td>-1.97</td>
<td>0.05</td>
</tr>
<tr>
<td></td>
<td>Legal liquidity ratio</td>
<td>-59.3</td>
<td>35.1</td>
<td>-1.64</td>
<td>0.08</td>
</tr>
<tr>
<td></td>
<td>investment ratio</td>
<td>-47.4</td>
<td>25.5</td>
<td>-1.20</td>
<td>0.14</td>
</tr>
</tbody>
</table>

Tabulated = (2.015) (T) Table (4) P > 0.05

Through the table that shows the simple regression and correlation between the liquidity ratio and the rate of return on assets is clear that the value of the coefficient of determination \( R^2 \) Reached (43.7%) Which means that (43.7%) of the changes that happen in the rate of return on assets caused due to Liquidity ratio, and the (T) test clearer that the value of the calculated model is wrong (T) test is (-1.97) It is less than the value of (T) test table (2.015).

Through the table that shows the simple regression and correlation between the legal liquidity ratio and the rate of return on assets is clear that the value of the coefficient of determination \( R^2 \) Reached (35.1%) which means that (35.1%) Of the changes that happen in the rate of return on assets caused due to legal liquidity ratio, the (T) test explained clearer that the value of the calculated model is wrong (T) test is (-1.64) It is less than the value of (T) test table (2.015).

Through the table that shows the simple regression and correlation between the ratio of investment relations \( R^2 \) Was (25.5%) which means that the \( R^2 \)
and the rate of return on assets is clear that the value of the coefficient of determination (25.5%) of the changes that happen in the rate of return on assets caused due to the ratio calculated (T) lack of moral health model as the value of (T) investment, explained test Spread sheet (T) (-1.20) which is less than the table value (2.015).

It was the regression relationship between the cash rate and the rate of return of the Jerusalem Bank is 0.05 to the level of significance (0.05) in the sense that there is no effect (Sig.) Moral reaching potential value A significant proportion of cash in the rate of return on assets, and the correlation between them was weak as the value of the correlation coefficient (-66.1%), there is no correlation between the non-moral The proportion of cash flow and rate of return on assets, this means there is no correlation with Statistically significant differences between cash flow and rate of return on assets.

As for the legal liquidity ratio there was decline between the proportion of legal liquidity and rate relationship 0.08 Level (Sig.) Of return of the Jerusalem Bank is a moral reaching potential value Moral (0.05) in the sense that there is no significant effect between the proportion of legal liquidity and the rate of return on assets, and the correlation between them was weak as the value of the correlation coefficient (-59.3%), And there is no significant correlation between the legal relationship of the liquidity ratio and the rate of return on assets and this means there is no statistically significant correlation between the legal rate of liquidity and return on assets.

As for the investment rate was regression relationship between employment and the rate of return of the Jerusalem Bank But moral as contingent value 0.14 (Sig) to moral level 0.05) meaning there is no moral effect between the employment rate in the rate of return on assets, either) the relationship between them has been weak since the value of the correlation coefficient (-47.4%). Non-moral correlation between investment and the rate of return on assets, this means no statistically significant correlation between investment and the rate of return on assets.
2- Analyse the impact of the relationship between bank liquidity and rate of return on the right of owner’s equity.

Simple regression and correlation analysis between bank liquidity and rate of return on the owner’s equity Bank of Jerusalem

<table>
<thead>
<tr>
<th>dependent variable</th>
<th>Independent variables</th>
<th>Coefficient correlation R%</th>
<th>determination of coefficient % R2</th>
<th>Calculated (T)</th>
<th>Probability Value Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>rate of return on assets</td>
<td>Liquidity ratio</td>
<td>-75.1</td>
<td>56.4</td>
<td>-2.54</td>
<td>0.02</td>
</tr>
<tr>
<td></td>
<td>Legal liquidity ratio</td>
<td>-54.3</td>
<td>29.5</td>
<td>-1.44</td>
<td>0.10</td>
</tr>
<tr>
<td></td>
<td>investment ratio</td>
<td>-55.2</td>
<td>30.4</td>
<td>-1.47</td>
<td>0.10</td>
</tr>
</tbody>
</table>

Tabulated = (2.015) (T) P > 0.05

Through the table that shows the simple regression and correlation between the liquidity ratio and the rate of return on the owner’s equity is clear that the value of the coefficient of determination R2 Reached (56.4%) Which means that (56.4%) of the changes that happen in the rate of return on the owner’s equity due to liquidity ratio, and the (T) test clearer that the value of the model is wrong the calculated (T) test is -2.54) It is less than the value of (T) test table (2.015).

Through the table that shows the simple regression and correlation between the legal liquidity ratio and the rate of return on the owner’s equity is clear that the value of the coefficient of determination R2 Reached (29.5%) Which means that (29.5%) of the changes that happen in the rate of return on the owner’s equity caused due to legal liquidity ratio, the (T) test explained clearer that the value of the model is wrong the calculated (T) test is -1.44 It is less than the value of (T) test table (2.015).

Through the table that shows the simple regression and correlation between the ratio of investment relations R2 was (30.4%) which means that the R2 and the rate of return on the owner’s equity is clear that the value of the coefficient of determination(30.4%) of the changes that happen in the rate of return on the owner’s equity caused due to the ratio The calculated (T)
lack of moral health model as the value of (T) investment, explained test Spread sheet (T) (-1.47) which is less than the table value(2.015).

Regression relationship between the liquidity ratio and the rate of return was the right property Jerusalem Bank 0.02 to the level of significance (0.05) and this (Sig.) Palestinian morale is reaching potential value It means that there is no significant effect of the proportion of cash in the rate of return on the owner’s equity, and the relationship the link between them was weak as the value of the correlation coefficient (-75.1%), the existence of any relationship No significant correlation between the percentage of cash flow and rate of return on the owner’s equity, and this means no A correlation statistically significant relationship between the cash rate and the rate of return on the owner’s equity.

As for the legal liquidity ratio there was decline between the proportion of legal liquidity and rate relationship (Sig.) the yield on the property right of the Jerusalem Bank is a moral reaching potential value 0.10 to the level of significance (0.05) this means that there is no significant effect of the legal liquidity ratio in rate of return on the owner’s equity, and the correlation between them was weak as the value of coefficient Link (-54.3%), and there is no significant correlation between the percentage of liquidity and the rate of legal relationship the return on the right of ownership, and this means there is no statistically significant correlation between the percentage of Legal liquidity and rate of return on the owner’s equity.

As for the investment rate there was decline between the employment relationship and the percentage rate of return on 0.10 (Sig.) Property right of the Jerusalem Bank is a moral reaching potential value to the level of significance (0.05) this means that there is no significant effect of the rate of investment in the rate of return on the owner’s equity and the correlation between them was weak as the value of the correlation coefficient (-55.2%), and there is no correlation is found between employment rate and the rate of return on the right property and this means there is no correlation statistically significant differences between the employment rate and the rate of return on the owner’s equity.
3- Effect relationship between the two indicators of bank liquidity and rate of return on assets.

Simple regression and correlation between bank liquidity indicators and analysis of the rate of return on Assets and rate of return on the owner’s equity of the Bank of Jerusalem

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>dependent variable</th>
<th>coefficient correlation R%</th>
<th>determination of coefficient % R²</th>
<th>Calculate d (T)</th>
<th>Probability Value Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Liquidity</td>
<td>ROA</td>
<td>-83.0</td>
<td>68.8</td>
<td>-3.32</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>ROE</td>
<td>-82.0</td>
<td>68.1</td>
<td>-3.27</td>
<td>0.01</td>
</tr>
</tbody>
</table>

Tabulated = (2.015) (T) Table (6) P > 0.05

Results demonstrated regression analysis and described in the table for lack of a significant effect between bank liquidity indicators and the rate of return on assets and return on the owner’s equity as The calculated (T) 0.01,0.01 respectively, totalled (Sig.) Total potential value (T) (-3.27,-3.32), respectively, which is less than the Spread sheet value (2.015).

The second topic
Hypotheses test

The first hypothesis test:

There is a statistically significance correlation between the banking liquidity ratios and rate ratio of return.

To test the validity of the hypothesis have been using simple linear regression to study the relationship connecting the independent variable and of bank liquidity and variables and the rate of (ROE) and the rate of return on owners' equity, (ROA) Return on assets.

To judge the moral relationship between the independent variable and the dependent variable (T) was used as test the result of the test, as in the following table:

Simple regression and correlation between bank liquidity indicators and analysis of the rate of return on Assets and rate of return on the owner’s equity of all banks

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>dependent variable</th>
<th>coefficient correlation R %</th>
<th>determination of coefficient % R²</th>
<th>Calculated (T)</th>
<th>Probability Value Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Liquidity</td>
<td>ROA</td>
<td>34.7</td>
<td>12.0</td>
<td>0.82</td>
<td>0.22</td>
</tr>
<tr>
<td></td>
<td>ROE</td>
<td>42.5</td>
<td>18.1</td>
<td>1.05</td>
<td>0.17</td>
</tr>
</tbody>
</table>

Tabulated = (2.015) (T)  
Table (11)  
P > 0.05

Results demonstrated regression analysis and described in the table for lack of a significant effect between bank liquidity indicators and the rate of return on assets and return on the owner’s equity as The calculated (T) 0.17,0.22 respectively, totalled (Sig.) total potential value (T) (1.05,0.82), respectively, which is less than the spread sheet value (2.015).

This proves that correlation between the impact of banking liquidity and the rate of return. Which leads us to reject the hypothesis first, namely: "There is a statistically significance correlation between the banking liquidity ratios and rate ratio of return".

The second hypothesis test:
There is a difference between liquidity and return between commercial banks.

"There is a difference between liquidity and return between commercial banks. To test the hypothesis that was descriptive analysis of two commercial banks—Bank Of Palestine & Jerusalem Bank—and all the years of study (2008-2014) through the use of showing through (T) testing method of simple linear regression and Pearson coefficient correlation. Showing through Analysis of the effect of the relationship between the banking liquidity and asset return rate indices and average, return on the owner’s equity to each bank separately as shown in tables there is a difference between liquidity and return between Palestinian commercial banks, making us accept the fourth premise is

"there is a difference between liquidity and return between commercial banks.”
Chapter five

Results, Recommendations and References

The First topic: Results
The second topic: Recommendations
The third topic: References

The First topic

Results
This section contains the most important results that have been reached, and that can contribute to the enrichment side as follows:

1) There is no correlation relationship and impact between bank liquidity and rate of return for Palestinian commercial banks combined.

2) The results of the analysis have shown that there is a difference between liquidity and return relationship in the Palestinian commercial banks.

3) There is no correlation statistically significant between the liquidity ratio for each bank separately and (ROA) return on assets.

4) There were no correlation statistically significant between the percentage of legal liquidity and rate of return of the asset correlation each bank separately (ROA).

5) There is a correlation statistically significant correlation between the rate of investment relationship and the rate of return on assets each bank separately (ROA).

6) There is no correlation statistically significant between the percentage of legal liquidity and rate of return correlation each bank separately (ROE) on the right of ownership.

7) There is a correlation statistically significant between the employment rate and the proportion of cash assets and investments / total assets for each bank separately.

The second topic
Recommendations

Through results that have been reached in this research, we recommend the following:
1) Each bank should have a specific work to follow up the implementation of the liquidity policy and objectives, and on the General management of the Bank to ensure that the issue of liquidity is managed effectively.

2) Every bank must comply with specific system ensures a high degree of disclosure, which requires accurate data and information transparent enough to reflect the true liquidity position.

3) The need for banks to strengthen capital through the accumulated reserves has to accommodate the increase in deposits in order to contribute to the financing of economic sectors.

4) Giving more attention to liquidity but exaggerated because of their effect on return.

5) The need to integrate policies of banks that would create strong banking units capable of competition

The third topic

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