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Liquidity Indicators and Cash Dividend Policy in Palestinian Islamic Banks: Evidence from Panel Data (2018–2024)

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Abstract:
This study aims to examine the relationship between liquidity ratios and cash dividend distribution policy in Islamic banks operating in Palestine during the period 2018–2024. The research adopts a quantitative and empirical approach based on panel data analysis, using audited financial statements of all Islamic banks in the Palestinian banking sector. Dividend policy is measured by the cash dividend payout ratio, while liquidity conditions are represented by five liquidity ratios reflecting asset liquidity, cash availability, financing structure, liquidity buffers relative to deposits, and operating cash flows.

The panel regression results indicate that liquidity conditions play a significant role in shaping dividend policies in Islamic banks. Higher financing intensity and stronger liquidity buffers are associated with more conservative dividend distribution practices, while operating cash flows emerge as a key determinant of dividend decisions. The findings suggest that Islamic banks rely more on actual cash-generating capacity than on accounting profits when determining dividend payouts.

The study contributes to the Islamic finance literature by providing evidence from a complete national banking system and offers useful insights for bank management and regulators regarding the interaction between liquidity management and dividend policy.
Keywords: Islamic Banks, Liquidity Ratios, Dividend Policy, Panel Data, Palestine
JEL Classification Codes: G21; G32; C23

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Introduction

Liquidity management is a critical issue for banking institutions, particularly Islamic banks, due to their unique operational structure and compliance with Shariah principles. Adequate liquidity enables banks to meet obligations, absorb unexpected shocks, and maintain depositor confidence. At the same time, cash dividend policy represents a strategic financial decision, as banks are required to balance shareholder returns with financial stability and risk considerations (Jaaz, Abdulhasan, Baqer, Abbas, & Asia , 2025).

In Islamic banking, the interaction between liquidity and dividend policy is inherently complex. Islamic banks rely on profit-and-loss sharing arrangements and asset-backed financing, which may limit flexibility in managing liquid resources. Consequently, higher liquidity levels may constrain distributable profits, while excessive cash dividend payouts may weaken liquidity buffers and increase financial risk. This trade-off underscores the importance of examining how liquidity indicators shape cash dividend policy in Islamic banks (Al-Khazaleh, Al-Amer, & Ra'ed, 2023).

Research Problem

Despite the growing importance of liquidity management and dividend policy in banking institutions, empirical evidence on the relationship between liquidity indicators and cash dividend policy in Islamic banks remains limited, particularly in small and developing financial markets. In the Palestinian context, Islamic banks operate under economic constraints, political uncertainty, and a relatively shallow capital market, all of which may influence liquidity behavior and dividend distribution decisions. However, few empirical studies have directly examined how liquidity indicators affect cash dividend policy in Palestinian Islamic banks (Jallad & Antari, 2024). This gap raises a key research question regarding the extent to which liquidity conditions shape dividend payout decisions in this specific institutional environment.

1- Literature Review

1-1- Liquidity and Financial Performance in Islamic Banks

Liquidity constitutes a fundamental component of financial stability in Islamic banks, particularly due to the distinctive nature of Shariah-compliant financial operations. Unlike conventional banks, Islamic banks operate under restrictions that prohibit interest-based instruments, which limits their access to traditional liquidity management tools. Consequently, effective liquidity management becomes essential to ensure operational continuity, financial resilience, and sustainable performance.

A substantial body of empirical research has examined the relationship between liquidity and financial performance in Islamic banking systems. (Khan *et al*., 2025) investigated the impact of liquidity risk and credit risk on the financial performance of Islamic banks in Pakistan using panel data regression techniques. Their findings revealed that liquidity indicators exert a statistically significant effect on profitability measures. While sufficient liquidity enhances financial stability and reduces risk exposure, excessive liquidity holdings may adversely affect profitability due to inefficient asset allocation.

Liquidity management represents a major challenge for Islamic banks, as maintaining high levels of liquidity may lead to idle funds and reduced profitability due to limited investment opportunities (Meshri, 2015).

Similarly, (Aldoseri, 2025) analyzed liquidity risk management practices in Islamic and conventional banks operating in Saudi Arabia. The study demonstrated that Islamic banks tend to maintain higher liquidity buffers, primarily due to limited availability of Shariah-compliant liquidity instruments. The results confirmed that effective liquidity risk management contributes positively to financial performance and reduces earnings volatility.

1-2- Liquidity Ratios in Islamic Banking Literature

Previous studies have relied on various liquidity ratios to assess the ability of Islamic banks to meet short-term obligations and manage cash resources efficiently. Commonly employed indicators include the ratio of liquid assets to total assets, cash and balances with monetary authorities relative to total deposits, financing-to-deposit ratios, and liquid assets to customer deposits.

According to (Khan *et al*., 2025), the ratio of liquid assets to total assets reflects a bank's capacity to absorb liquidity shocks. However, maintaining excessively high levels of liquid assets may indicate underutilization of funds. In contrast, the financing-to-deposit ratio measures the extent to which customer deposits are transformed into financing activities, where higher ratios may increase exposure to liquidity risk.

In this context, (Aldoseri, 2025) emphasized the importance of selecting liquidity indicators that align with the operational characteristics of Islamic banking. Applying conventional benchmarks without adjustment may lead to inaccurate conclusions regarding liquidity adequacy in Islamic banks.

1-3- Liquidity and Dividend Policy in Islamic Banks

Dividend policy represents a critical financial decision that reflects management's approach to balancing shareholders' expectations and internal financing needs. In Islamic banks, dividend decisions are influenced not only by profitability but also by liquidity availability and cash flow stability.

Setiawan & Widjaja (2022) examined the determinants of dividend policy in Islamic banks in Indonesia using panel data regression analysis. The study found that liquidity indicators and operating cash flows significantly influence dividend payout decisions. Islamic banks with stronger liquidity positions were more capable of maintaining stable dividend policies, while banks facing liquidity constraints adopted more conservative distribution strategies. The findings suggest that dividend decisions in Islamic banks depend more on actual cash-generating capacity than on accounting profits, highlighting the central role of liquidity in shaping dividend policy.

1-4- Panel Data Applications in Islamic Banking Studies

Hassan et al. (2020) conducted a comprehensive panel data analysis of Islamic banks in Malaysia to examine financial performance determinants. The study demonstrated that panel regression models provide more reliable estimates compared to cross-sectional approaches, particularly when analyzing financial ratios over extended periods. These methodological advantages support the use of panel data analysis in studies involving a limited number of banks observed over multiple years, such as Islamic banks operating within a single national financial system.

Despite the extensive literature on liquidity and financial performance in Islamic banks, limited attention has been given to the direct relationship between liquidity indicators and dividend distribution policies. Furthermore, most existing studies rely on partial samples of Islamic banks, whereas the current study examines all Islamic banks operating in Palestine over the period 2018–2024.

By focusing on cash dividend distributions and employing liquidity ratios specifically suited to Islamic banking operations, this study addresses a clear gap in the literature. The application of panel data techniques further strengthens the empirical contribution of the research.

2- Research Methodology

2-1- Research Design

This study adopts a quantitative and empirical research design to examine the relationship between liquidity ratios and dividend distribution policy in Islamic banks operating in Palestine. The quantitative approach is deemed appropriate as it allows for objective measurement of financial indicators and enables the application of econometric techniques to test the proposed relationships.

The empirical nature of the study is based on the analysis of actual financial data derived from audited financial statements, ensuring the reliability and validity of the results.
To achieve the research objectives, the study employs panel data analysis, which combines both cross-sectional and time-series dimensions. The dataset represents an unbalanced panel, as not all bank-year observations are informative for all ratios. Panel data techniques are widely used in empirical studies on Islamic banks operating in emerging financial systems, even when the number of banks included in the analysis is limited (Medini, 2022).
This approach enhances the explanatory power of the model by capturing variations across banks and **over time**, while controlling for unobserved heterogeneity among the sampled institutions. The use of panel data analysis enhances estimation efficiency and allows for controlling unobserved heterogeneity across cross-sectional units observed over time (Baltagi, 2005).
Given the limited number of Islamic banks operating in Palestine, the study focuses on examining the empirical association between liquidity indicators and cash dividend distribution behavior at the sector level. The panel data framework is employed to exploit both cross-sectional and time-series variation, while the interpretation of the results is primarily associative rather than causal.

2-2- Population and Sample of the Study

The population of the study consists of all Islamic banks operating in Palestine during the study period. Given the limited number of Islamic banks in the Palestinian banking sector, the study adopts a census approach rather than a sampling method. Accordingly, the sample includes the entire population of Islamic banks, totaling three banks.
This number reflects the structure of the Palestinian Islamic banking sector itself rather than a sampling limitation.
Using the full population strengthens the robustness of the analysis and eliminates potential sampling bias. Moreover, this approach enhances the representativeness of the findings and allows for more accurate conclusions regarding the behavior of Islamic banks within the Palestinian context.

2-3- Study Period

The study covers the period from 2018 to 2024. This time frame was selected for several reasons. First, it represents a relatively recent period that reflects the current operational and regulatory environment of Islamic banks in Palestine. Second, the period includes varying economic conditions, which allows for a more comprehensive analysis of liquidity behavior and dividend decisions across different phases of financial performance. Finally, the availability and consistency of financial data during this period support the reliability of the empirical analysis.

2-4- Data Sources

The study relies exclusively on secondary data obtained from publicly available and reliable sources. Financial data were collected from the annual reports and audited financial statements published by the Islamic banks included in the study. These reports provide detailed information on balance sheets, income statements, cash flow statements, and accompanying disclosures, which are necessary for calculating liquidity ratios and dividend-related indicators.
The use of audited financial statements ensures data accuracy and enhances the credibility of the empirical findings.
In addition, notes and disclosures were reviewed to confirm the existence (or absence) of **cash** dividend distributions and to ensure consistent treatment of years with losses.

2-5- Variables Definition and Measurement

The selected liquidity ratios are widely used in banking analysis and Islamic finance literature to assess liquidity conditions and financing structure (Golin & Delhaise, 2013; Khan et al., 2025).
Previous empirical studies on Islamic banks have employed multiple liquidity ratios to capture different dimensions of liquidity conditions, reflecting cash availability, asset liquidity, and financing structure (Al-Arabi & Troubia, 2025).

Treatment of zero dividends and missing ratios. For Al-Safa Bank, cash dividends were not distributed in several years. Accordingly, the dividend payout ratio (DP) was recorded as zero when no cash dividends were paid. For ratios that depend on net profit in the denominator (e.g., Operating cash flows / Net profit), observations were treated as missing in years where net profit was not available, or the ratio was not meaningful. Therefore, the empirical analysis is conducted on an unbalanced panel, using all available observations.

2-5-1 Dependent Variable

The dependent variable in this study is dividend distribution policy, measured by the cash dividend payout ratio. This ratio is calculated as cash dividends paid divided by net profit for the year. The focus on cash dividends, rather than stock dividends, reflects actual cash outflows and provides a more accurate representation of dividend decisions in relation to liquidity conditions. Although the dividend payout ratio is bounded between zero and one, linear panel regression is used as a parsimonious approximation, with emphasis on coefficient direction and statistical significance rather than prediction. This choice is appropriate given the small sample size and the study's inferential focus.

2-5-2 Independent Variables

The independent variables consist of liquidity ratios commonly used in banking and financial literature, adapted to suit the operational characteristics of Islamic banks. These variables include:

- X1: Liquid assets to total assets ratio
- X2: Cash and balances with monetary authorities to total deposits
- X3: Islamic financing to total deposits ratio
- X4: Liquid assets to total deposits ratio
- X5: Operating cash flows to net profit ratio

These ratios collectively capture different dimensions of liquidity, including immediate cash availability, asset liquidity, financing structure, and cash-generating capacity.

2-6- Econometric Model Specification

To examine the relationship between liquidity ratios and dividend distribution policy, the study employs a panel regression model. The general form of the econometric model is specified as follows:

$$DP_{it} = \alpha + \beta_1 X1_{it} + \beta_2 X2_{it} + \beta_3 X3_{it} + \beta_4 X4_{it} + \beta_5 X5_{it} + \varepsilon_{it}$$

Panel estimator. Given the very small cross-sectional dimension (N = 3 banks) and limited degrees of freedom, the study uses pooled OLS on stacked bank-year observations as a parsimonious specification. Fixed-effects and random-effects estimators were not adopted because they would substantially reduce estimation power in a small-N setting. Accordingly, the estimates are interpreted as **sector-level associations** rather than bank-specific causal effects.

Where:

- DP_{it} *represents the dividend payout ratio of bank i in year t*
- $X1_{it}$ *to* $X5_{it}$ *denote the liquidity ratios*
- α *is the intercept term*
- β *represents the estimated coefficients*
- ε_{it} *is the error term*

Panel regression analysis allows the study to capture both time-specific and bank-specific effects, thereby improving estimation efficiency and reducing omitted variable bias.

2-7- Statistical Analysis Tools

The econometric analysis was conducted using jamovi statistical software, which provides advanced capabilities for panel regression analysis, descriptive statistics, and diagnostic testing. Descriptive statistics were first employed to summarize the characteristics of the study variables.

Subsequently, panel regression techniques were applied to test the proposed relationships between liquidity ratios and dividend policy.
Diagnostic tests, including multicollinearity assessment using the Variance Inflation Factor (VIF), were conducted to ensure the validity and reliability of the regression results.
Multicollinearity treatment. The initial specification included X1 (Liquid assets / Total assets). However, multicollinearity diagnostics indicated an unusually high VIF for X1. Therefore, X1 was excluded from the final regression model to improve stability and reduce collinearity concerns.

2-8- Model Scope
To preserve degrees of freedom in a small-N panel, the specification focuses on liquidity indicators and excludes additional controls (e.g., size, capital adequacy), which is acknowledged as a limitation.

2-9- Ethical Considerations
The study relies solely on publicly available financial data and does not involve any confidential or personal information. Therefore, no ethical approval was required. All data sources were properly acknowledged to maintain academic integrity and transparency.

3- Results and Discussion

3-1- Descriptive Statistics
3-1-1 Descriptive Statistics for Panel Data
This section presents the descriptive statistics of the variables used in the panel data analysis. Descriptive statistics provide an initial overview of the distribution, central tendency, and variability of the study variables across Islamic banks operating in Palestine during the period 2018–2024. The analysis includes liquidity ratios as independent variables and the dividend payout ratio as the dependent variable. These statistics help assess the reasonableness of the data and offer preliminary insights into liquidity behavior and dividend distribution patterns prior to conducting regression analysis.

Table (1): Descriptive Statistics for Panel Data

Statistic	X1	X2	X3	X4	X5	X6
Mean	0.32	0.28	0.79	0.43	5.90	0.29
Std. Dev	0.046	0.048	0.107	0.132	7.944	0.291
Min	0.25	0.20	0.69	0.31	1.45	0.00
Max	0.44	0.38	1.17	0.78	30.81	0.99

Source: Prepared by the author based on audited financial statements

Where:

- X1 = Liquid assets to total assets ratio
- X2 = Cash and balances with monetary authorities to total deposits
- X3 = Islamic financing to total deposits ratio
- X4 = Liquid assets to total deposits ratio
- X5 = Operating cash flows to net profit ratio
- X6 (DP) = Cash dividend payout ratio

3-1-2 Discussion of Descriptive Statistics
The descriptive statistics reported in Table (1) indicate that Islamic banks operating in Palestine maintain relatively strong liquidity positions over the study period. The mean value of liquid assets to total assets (X1) is 0.32, suggesting that approximately one-third of total assets are held in liquid form. This reflects a conservative liquidity strategy, which is consistent with the limited availability of Shariah-compliant liquidity instruments.

The average ratio of cash and balances with monetary authorities to total deposits (X2) is 0.28, indicating a substantial level of immediately available liquidity to meet withdrawal demands. This level of cash holdings supports financial stability but may also imply opportunity costs associated with idle funds.

The financing-to-deposit ratio (X3) has a mean value of 0.79, which reflects a balanced utilization of customer deposits in financing activities. While higher values may signal increased liquidity risk, the observed average suggests that Islamic banks maintain prudent financing practices without excessive exposure to liquidity shortages.

Similarly, the liquid assets to total deposits ratio (X4), with a mean of 0.43, indicates that a significant proportion of customer deposits is backed by liquid assets, enhancing the banks' ability to absorb liquidity shocks.

The operating cash flows to net profit ratio (X5) exhibits relatively high variability, as reflected in its standard deviation. The high mean value (5.90) can be attributed to fluctuations in profitability across years, including periods of low or negative accounting profits. This highlights the importance of cash flow–based measures when assessing financial performance and dividend capacity in Islamic banks.

Regarding dividend policy, the dividend payout ratio (X6) shows an average value of 0.29, with a minimum of zero and a maximum close to one. This variation indicates that cash dividend distributions are irregular and highly sensitive to financial performance and liquidity conditions. In several years, banks refrained from distributing dividends, which aligns with conservative payout behavior commonly observed in Islamic banking.

Overall, the descriptive statistics suggest that liquidity management plays a central role in shaping both operational stability and dividend distribution decisions in Islamic banks. These findings provide a solid foundation for the subsequent panel regression analysis.

3-2 Panel Regression Results

This section presents the results of the panel regression analysis examining the impact of liquidity ratios on dividend distribution policy in Islamic banks operating in Palestine during the period 2018–2024. The panel regression approach allows for capturing both cross-sectional differences among banks and time-series variations over the study period, thereby providing more robust and reliable estimates.

Note: The OCF/Net Profit ratio (X5) may take large values in low-profit years due to scaling effects; therefore, it is interpreted as an indicator of cash-flow/earnings alignment rather than unusually strong cash generation.

3-2-1 Model Fit Statistics

For clarity and conciseness, the main text reports summarized regression results, while detailed statistics and diagnostic outputs are provided in the appendices.

Table (2): Model Fit Statistics

Model	R	R^2	Adjusted R^2	RMSE
1	0.812	0.659	0.523	0.164

Source: Prepared by the author based on audited financial statements

Table (3): Summary of Panel Regression Results

Variable	Description	Sign	Significance
X2	Cash & balances / Total deposits	−	Not significant
X3	Islamic financing / Total deposits	−	Significant
X4	Liquid assets / Total deposits	−	Significant
X5	Operating cash flows / Net profit	−	Significant

Source: Prepared by the author based on audited financial statements

Interpretation of Model Fit

The results reported in Table (2) indicate that the estimated panel regression model demonstrates a satisfactory level of explanatory power. The correlation coefficient (R) of 0.812 reflects a strong relationship between liquidity ratios and dividend payout decisions.

The coefficient of determination (R^2) shows that approximately 65.9% of the variation in dividend distribution policy is explained by the liquidity variables included in the model. After adjusting for the number of explanatory variables, the adjusted R^2 remains relatively high at 52.3%, which is acceptable given the limited number of banks and the panel structure of the data.

The Root Mean Square Error (RMSE) value of 0.164 indicates a reasonable level of prediction accuracy, suggesting that the model provides reliable estimates of dividend payout behavior in Islamic banks.

Regression Coefficients

Table (4): Panel Regression Coefficients – Dependent Variable (DP)

Variable	Coefficient (β)	Significance
X2 – Cash & balances / Total deposits	−	Not significant
X3 – Islamic financing / Total deposits	−	Significant
X4 – Liquid assets / Total deposits	−	Significant
X5 – Operating cash flows / Net profit	−	Significant

Source: Prepared by the author based on audited financial statements

"Although X1 (liquid assets to total assets) was initially considered, it was excluded from the final regression specification due to multicollinearity concerns, as documented in the methodology section."

Interpretation of Regression Coefficients

The regression results reveal differentiated effects of liquidity ratios on dividend distribution policy. The interpretation focuses on coefficient direction and significance rather than the absolute magnitude of the intercept, as the dependent variable is a bounded ratio:

- X2 (Cash and balances with monetary authorities to total deposits) exhibits a negative but insignificant effect, indicating that excess cash holdings may reflect conservative liquidity management rather than dividend-paying capacity.
- X3 (Islamic financing to total deposits) has a negative and statistically significant effect on dividend payout. This implies that higher utilization of deposits in financing activities reduces the availability of cash for dividend distribution.
- X4 (Liquid assets to total deposits) also shows a negative and significant relationship, suggesting that banks maintaining higher liquidity buffers tend to adopt more cautious dividend policies.
- X5 (Operating cash flows to net profit) demonstrates a negative and statistically significant effect, highlighting that dividend decisions in Islamic banks depend heavily on cash flow stability rather than accounting profits.

Diagnostic Tests

Multicollinearity diagnostics were conducted using the Variance Inflation Factor (VIF). The results indicate acceptable multicollinearity levels for most variables, with higher values observed for structurally related liquidity ratios. This outcome is expected in banking studies and does not undermine the validity of the regression estimates.

Summary of Regression Findings

Overall, the panel regression results confirm that liquidity conditions play a crucial role in shaping dividend distribution policies in Islamic banks. The findings indicate that Islamic banks prioritize liquidity preservation and financial stability over dividend payouts, particularly under conditions of financing intensity and cash flow uncertainty.

3-3-Discussion of Results

This section discusses the empirical findings of the study in light of prior literature on liquidity management and dividend policy in Islamic banks. The discussion focuses on explaining the observed relationships between liquidity ratios and dividend distribution behavior, while highlighting similarities and differences with previous empirical evidence.

3-3-1Liquidity Ratios and Dividend Distribution

The insignificant effect of liquid assets to total assets (X1) suggests that holding liquid assets at the balance-sheet level does not necessarily translate into higher dividend payouts. This finding aligns with the view that Islamic banks maintain liquidity primarily for risk mitigation and regulatory compliance rather than for dividend distribution purposes. Similar conclusions were reported by Khan et al. (2025), who found that excessive liquidity may reduce profitability without improving shareholder returns.

The negative but insignificant relationship between cash and balances with monetary authorities to total deposits (X2) indicates that idle cash reserves are not directly used for dividend payments. This outcome reflects the operational reality of Islamic banks, where cash balances often serve as precautionary buffers against liquidity shocks, especially given the limited availability of Shariah-compliant liquidity instruments. This finding is consistent with Aldoseri (2025), who emphasized that Islamic banks tend to hold higher cash reserves due to structural constraints rather than dividend motivations.

3-3-2Financing Structure and Dividend Policy

The negative and statistically significant coefficient of Islamic financing to total deposits (X3) highlights a critical trade-off between financing activities and dividend distribution. As Islamic banks allocate a larger portion of customer deposits to financing operations, less liquidity remains available for dividend payments. This result confirms that financing intensity constrains dividend capacity, a conclusion supported by prior studies in Islamic banking contexts, including Setiawan and Widjaja (2022).

Similarly, the negative and significant impact of liquid assets to total deposits (X4) indicates that banks maintaining higher liquidity buffers relative to deposits tend to follow more conservative dividend policies. This behavior reflects a precautionary approach to liquidity risk management, where maintaining depositor confidence and financial stability outweighs short-term shareholder payouts.

3-3-3Cash Flows and Dividend Decisions

The significant negative relationship between operating cash flows to net profit (X5) and dividend payout provides strong evidence that dividend decisions in Islamic banks are driven more by actual cash-generating capacity than by reported accounting profits. This finding reinforces the argument that cash flow stability is a more reliable determinant of dividend policy than profitability alone. The result is fully consistent with Setiawan and Widjaja (2022), who demonstrated that Islamic banks rely heavily on operating cash flows when determining dividend distributions.

This result indicates that operating cash flows function as a stabilizing constraint on dividend payouts rather than as a direct trigger for higher distributions.

3-4Limitations

The study is constrained by the small number of Islamic banks in Palestine. In addition, years with losses can limit the interpretability of ratios that rely on net profit denominators. Finally, the parsimonious specification focuses on liquidity indicators without extensive controls to preserve estimation power.

Conclusion

This study examined the impact of liquidity ratios on cash dividend distribution policy in Islamic banks operating in Palestine during the period 2018–2024 using a panel data approach. The empirical findings provide clear evidence that liquidity conditions play a significant role in shaping dividend payout decisions.

The results indicate that higher financing intensity, stronger liquidity buffers, and cash flow considerations lead Islamic banks to adopt more conservative dividend policies. While profitability remains relevant, dividend decisions are shown to be more closely associated with liquidity availability and cash-generating capacity, reflecting a prudent approach that prioritizes financial stability.

By analyzing all Islamic banks operating in Palestine, the study contributes to the Islamic finance literature by offering comprehensive evidence from a small yet complete banking system. Additional descriptive statistics, diagnostic test results, and detailed panel data are reported in the appendices to support transparency and robustness of the empirical analysis.

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Appendices

Appendix A: Panel Data Structure and Variable Values

Table A1: Panel Data for Islamic Banks (2018–2024)

Bank Name	Year	X1	X2	X3	X4	X5	X6
Palestinian Islamic Bank	2018	0.30	0.24	0.75	0.36	1.45	0.39
Palestinian Islamic Bank	2019	0.33	0.26	0.73	0.42	1.83	0.41
Palestinian Islamic Bank	2020	0.34	0.29	0.76	0.45	2.64	0.00
Palestinian Islamic Bank	2021	0.39	0.34	0.69	0.50	2.30	0.00
Palestinian Islamic Bank	2022	0.32	0.28	0.73	0.40	2.18	0.32
Palestinian Islamic Bank	2023	0.27	0.26	0.74	0.31	8.11	0.99
Palestinian Islamic Bank	2024	0.30	0.26	0.70	0.36	30.81	0.19
Arab Islamic Bank	2018	0.25	0.26	0.80	0.32	1.83	0.00
Arab Islamic Bank	2019	0.31	0.32	0.74	0.38	2.10	0.29
Arab Islamic Bank	2020	0.31	0.31	0.73	0.38	2.57	0.50
Arab Islamic Bank	2021	0.35	0.36	0.71	0.43	2.63	0.22
Arab Islamic Bank	2022	0.31	0.30	0.74	0.37	2.87	0.31
Arab Islamic Bank	2023	0.28	0.26	0.76	0.33	6.93	0.72
Arab Islamic Bank	2024	0.28	0.27	0.78	0.33	16.67	0.00
Al-Safa Bank	2018	0.35	0.30	1.17	0.78	NA	NA
Al-Safa Bank	2019	0.44	0.34	0.82	0.77	NA	NA
Al-Safa Bank	2020	0.35	0.24	0.86	0.55	NA	NA
Al-Safa Bank	2021	0.28	0.23	0.90	0.40	NA	NA
Al-Safa Bank	2022	0.25	0.20	0.91	0.33	3.57	0.00
Al-Safa Bank	2023	0.29	0.22	0.80	0.35	NA	NA
Al-Safa Bank	2024	0.37	0.38	0.75	0.49	NA	NA

Source: Prepared by the author based on audited financial statements

Appendix B: Descriptive Statistics by Bank

Table B1: Descriptive Statistics for BI1 (Palestinian Islamic Bank)

Statistic	X1	X2	X3	X4	X5	X
Mean	0.323	0.276	0.728	0.400	7.043	0.3
Min	0.266	0.236	0.690	0.312	1.445	0.0
Max	0.391	0.342	0.760	0.501	30.806	0.9

Table B2: Descriptive Statistics for BI2 (Arab Islamic Bank)

Statistic	X1	X2	X3	X4	X5	X
Mean	0.299	0.298	0.752	0.363	5.085	0.2
Min	0.255	0.255	0.713	0.319	1.826	0.0
Max	0.347	0.364	0.804	0.425	16.665	0.7

Table B3: Descriptive Statistics for BI3 (Al-Safa Bank)

Statistic	X1	X2	X3	X4	X5	X6
Mean	0.333	0.273	0.889	0.526	3.571	0.000
Min	0.251	0.204	0.755	0.326	3.571	0.000
Max	0.436	0.380	1.173	0.783	3.571	0.000

Appendix C: Descriptive Statistics by Year

Table C1: Descriptive Statistics by Year – X1

Year	Mean	Min	Max
2018	0.301	0.255	0.350
2019	0.359	0.309	0.436
2020	0.336	0.315	0.350
2021	0.341	0.285	0.391
2022	0.295	0.251	0.324
2023	0.279	0.266	0.292
2024	0.316	0.276	0.367

Table C2: Descriptive Statistics by Year – X2

Year	Mean	Min	Max
2018	0.265	0.236	0.298
2019	0.306	0.257	0.337
2020	0.280	0.239	0.310
2021	0.312	0.231	0.364
2022	0.263	0.204	0.303
2023	0.245	0.219	0.262
2024	0.303	0.261	0.380

Table C3: Descriptive Statistics by Year – X3

Year	Mean	Min	Max
2018	0.910	0.752	1.173
2019	0.762	0.731	0.816
2020	0.783	0.729	0.859
2021	0.769	0.690	0.905
2022	0.793	0.726	0.914
2023	0.764	0.737	0.799
2024	0.745	0.703	0.779

Table C4: Descriptive Statistics by Year – X4

Year	Mean	Min	Max
2018	0.489	0.319	0.783
2019	0.524	0.384	0.772
2020	0.459	0.378	0.553
2021	0.443	0.404	0.501
2022	0.365	0.326	0.398
2023	0.331	0.312	0.352
2024	0.397	0.333	0.495

Table C5: Descriptive Statistics by Year – X5

Year	Mean	Min	Max
2018	1.635	1.445	1.826
2019	1.967	1.830	2.104
2020	2.601	2.567	2.636
2021	2.466	2.298	2.634
2022	2.873	2.176	3.571
2023	7.519	6.926	8.112
2024	23.735	16.665	30.806

Table C6: Descriptive Statistics by Year – X6

Year	Mean	Min	Max
2018	0.194	0.000	0.388
2019	0.348	0.291	0.405
2020	0.250	0.000	0.499
2021	0.110	0.000	0.219
2022	0.207	0.000	0.316
2023	0.859	0.725	0.993
2024	0.097	0.000	0.193

Appendix D: Diagnostic Tests

Table D1: Multicollinearity Diagnostics (VIF)

Variable	VIF	Tolerance
X2	2.50	0.40
X3	2.81	0.43
X4	2.25	0.45
X5	1.37	0.73

Appendix E: Regression Details and Hypotheses Testing

Table E1: Regression Coefficients

Variable	Coefficient (β)	Std. Error	t-value	p-value
Intercept	7.2137	1.6971	4.25	0.002
X2	-2.6165	2.0358	-1.29	0.228
X3	-5.8058	1.5312	-3.79	0.004
X4	-4.5520	1.4457	-3.15	0.010
X5	-0.0187	0.0079	-2.36	0.040

Table E2: Summary of Hypotheses Testing

Hypothesis	Variable	Result
H1	X2	Rejected
H2	X3	Accepted
H3	X4	Accepted
H4	X5	Accepted

Source: ***All tables in this appendix are prepared by the author based on audited financial statements.***