

Challenges and obstacles to issuing Islamic Sukuk in Palestine: an analytical study of Islamic banks operating in Palestine

Issuing Islamic Sukuk

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Received 1 November 2022
Revised 4 February 2023
Accepted 28 February 2023

Abstract

Purpose – This study aims to shed light on the challenges and obstacles (organizational, economic, legal and legislative) to the issuance of Islamic Sukuk in Palestine.

Design/methodology/approach – The descriptive analytical approach was adopted to collect data through a questionnaire that was distributed to a simple random sample of (500) male and female employees working in those banks.

Findings – The study concluded that the issuance of Islamic Sukuk in Palestine suffers from economic, legal and legislative challenges and obstacles. This includes the lack of interest in using it as a suitable financing tool to finance various economic projects, as it requires the presence of investors with high financial solvency in light of the low contribution of Palestinian legislation and laws to facilitate and encourage their issuance. Hence, there are no regulatory challenges or obstacles.

Research limitations/implications – Few studies examine the issuance of Sukuk in the Palestinian environment, despite the attempts of the Palestinian Monetary Authority to develop Islamic financing instruments.

Practical implications – The necessity of subjecting the issuance of Islamic Sukuk in Palestine and all Islamic financing products to a unified body. It is also important to work on spreading the Islamic financing culture related to their issuance, given its positive role in developing and providing the necessary funding for various projects.

Originality/value – The study identifies the level of challenges and obstacles facing the issuance of Islamic Sukuk in Palestinian banks by studying the organizational, economic, legal and legislative dimensions. The study attempts to explore this through the respondents' opinions. It also focuses on emphasizing the role of this performance in economic development and supporting the elements of investment as a desirable financing alternative.

Keywords Islamic Sukuk, Palestinian Islamic banks, Islamic finance

Paper type Research paper

1. Introduction

Islamic finance has witnessed in recent years, especially after the global financial crisis of 2008, an astonishing development in the world in general. The global demand for Islamic



Special thanks to Palestine technical university – Kadoorie and An-Najah National University for their valuable support.

Sukuk has increased as one of the Islamic financial instruments that contribute effectively to the financing of major projects, especially infrastructure projects (Bouabdallah, 2015). Islamic Sukuk has gained widespread in many countries of the world because of its positive results in the fields of finance and investment in many economic sectors. This led to an increase in the power of Islamic Sukuk as a tool of Islamic finance, and the International Monetary Fund confirmed that Islamic banking tools are witnessing rapid growth, and this can be attributed to the expansion of Islamic solutions and products that are in line with large sectors of investors, whether governments, companies or financial institutions themselves. Many governments around the world, including the Dubai government, have sought to issue Islamic Sukuk because of their importance at the macroeconomic level, whether in financing the budget deficit, stimulating financial markets or financing development and infrastructure projects (Al Makhmari, 2017).

In light of the Palestinian reality, interest in Islamic financial products and services has grown in recent years, and this is evident in the increase in the number of Islamic banking and non-banking financial institutions, in addition to the noticeable increase in indicators of growth and expansion of Islamic financial institutions operating in the Palestinian financial sector, which requires, in particular, the Capital Market Authority and the Palestinian Monetary Authority respond to this growing growth and the growing demand for financial services and products, including Islamic Sukuk, and work to develop the legal, regulatory and supervisory frameworks governing them. This contributes to the strengthening and growth of the Islamic finance industry in Palestine and taking the necessary means to address the challenges facing this industry (Palestinian Capital Market Authority, 2017).

Despite the advantages of Islamic Sukuk, there are obstacles and challenges around it, because it represents a common share in the ownership of notables, benefits or services, or in the assets of a particular project, and due to its issuance mechanisms based on Islamic financing formulas, it is exposed to the risks and obstacles that Islamic investment projects are exposed to. And by looking at the sources of challenges in general, Palestine, like other countries, has striven to delve into the field of Islamic finance through the establishment of many Islamic banks to mobilize savings and direct them toward Islamic financing formulas that are generally accepted by the investor audience. Despite the diversity of these Islamic financial products (such as Murabaha, leasing, Musharaka, Mudaraba, instalment sales and others), Murabaha financing was the most prevalent in these banks, especially in the absence of any Islamic Sukuk issuances as a tool for financing economic projects (Al-Ghazali, 2015).

The importance of the study appears in analyzing the challenges and obstacles to issuing Islamic bonds to Islamic banks in Palestine, especially as the main idea behind the issuance of Islamic bonds is for the bondholders to participate in the profit of large projects or the income generated from them (Awwad and Razia, 2021). The bank has made a significant contribution to achieving its goals, in light of the repercussions of the global debt crises and low prices. The main problem of the study is the existence of a financing gap in all sectors of Palestinian society, so it was necessary to start searching for alternatives and solutions outside the rules of the capitalist system and to put forward the ideas and principles of the Islamic solution as an optimal alternative, which made Islamic financial institutions and their products and Islamic financing tools in Palestine under The test is facing challenges and obstacles, including Islamic Sukuk.

2. Theoretical framework

Islamic Sukuk is defined as documents of equal value that represent common shares in the ownership of objects, benefits, services or assets of a particular project or investment activity, after collecting the value of the Sukuk and closing the door for subscription and

starting to use it for what it was issued for (Amara, 2011). And he defined them (Al-Jayousi, 2018) as newly developed securities representing common shares in the ownership of an eye, a benefit or a right in favor of the instrument holder and his ownership is temporary, during which or upon its expiry the profit is due if realized and the Sukuk is due for redemption at the end of the project or by early redemption, according to a prospectus version. As Al-Hunaiti (2015) mentioned, it is an investment tool based on dividing the capital by issuing title deeds to the capital based on units of equal value and registered in the names of their owners as they own common shares in the capital and what is converted into it in proportion to the ownership of each of them in it.

The parties to the contract of Islamic Sukuk are represented by two parties: the first is the entity issuing the Sukuk (a company with a legal personality), and it represents the employer, i.e. the entity entrusted with managing the Sukuk by the jurisprudence of participation, and it is called the business partner. The second: the participants in the Sukuk: the owners of the Sukuk, and they represent the partners with money, and they are called the investors or the holders of the Sukuk. The issuer of the Sukuk may seek the assistance of experts and consultants from different specializations in the field of issuing and marketing Sukuk and insurance against its risks, and other matters that necessitate the success of the issuance and circulation of Sukuk in the financial markets. The returns (operating profits), as well as capital returns (profits) arising from the project or the process in which the capital is invested “the value of the Sukuk,” are distributed between the issuer and the participants in the Sukuk in a common ratio that is agreed upon and agreed upon and referred to in the prospectus, and it may be reconsidered in each period, by agreement of the two parties (Razia and Awwad, 2021; Soleimani, 2018).

Many studies dealt with the characteristics, challenges, obstacles and risks of issuing and dealing with Islamic Sukuk in Islamic countries. Masoud and Abu Yahya (2020) show the risks facing the issuance of Islamic Sukuk in Jordanian Islamic banks, in addition to the risks facing the trading of Sukuk Islamic finance and its legal and legal guarantees in the Jordanian legislative system. The researchers used the analytical, inductive and descriptive methods by extrapolating, analyzing and describing legal materials, then directing them to doctrinal guidance in light of the provisions of Islamic Sharia. The study reached several results, the most important of which is that Islamic finance instruments are not without risks, and all parties must bear the resulting risks to achieve the rules of fines for sheep and debts for guarantees and that Islamic finance instruments are of great importance in supporting the Islamic economy as they are the legitimate alternative to some legally forbidden securities, which they are traded in the stock market, and the study recommended reconsidering the concept of Ijara Sukuk and usufruct sale Sukuk and considering them as exploitative Sukuk.

The addition of Sukuk of crops and fruits to the Jordanian Islamic finance Sukuk contract system will encourage investment in addressing the issue of agriculture in Jordan. Balama (2020) focused on Sudan's experience in issuing Islamic government Sukuk as a model for financial innovation within the framework of Islamic banking, and the descriptive approach relied on multiple comparisons. The study concluded that the government's Islamic Sukuk in Sudan contributed to diversifying the Sudanese banking system's liquidity management tools, increasing the banks' financing and raising the level of their trading volume in the Khartoum Stock Exchange. Working to create the appropriate conditions for the establishment of a banking market among Islamic banks, through which various innovative Islamic products are traded, and the necessity of linking the programs of issuing securities compatible with Islamic Sharia with government plans to finance investment projects. Hafwda and Zubaidi (2017) confirmed that among the pioneering experiences in

this field come the experiences of Sudan and Malaysia, which made Islamic Sukuk, an important tool for managing liquidity and financing various development projects, in addition to that one of the most important obstacles to issuing Sukuk in the two countries is the organizational and institutional aspect for the application of Islamic finance. Accordingly, the two researchers recommended the need to benefit from international experiences to activate the experience of Islamic Sukuk in Algeria, especially as it has recently been suffering from a lack of financial resources as a result of low oil prices. [Bazina and Al-Shaibani \(2017\)](#) have reached the possibility of using Islamic Ijara Sukuk to finance the feed factory project of the Free Zone Company so that through the gradual amortization process, the ownership of the leased assets is transferred from the Sukuk holders “investors” to the establishing company “the Free Zone Company.” The study recommended the Free Zone Company apply the Islamic leasing Sukuk product, and it also recommended the need for the competent authorities to issue more controls and guidelines that help the success of Islamic Sukuk operations in Libya, and to prepare qualified legal cadres to supervise the issuance and circulation of Sukuks.

[Qat and Nisbah \(2018\)](#) showed that Islamic financial instruments, like other investment and financing tools, involve returns and risks, so they must be issued and traded in a manner that serves the projects financed by them, and in a manner that achieves the expected returns from them for their traders in the Islamic capital markets, which works to achieve indicators positive in these markets, and to study the regulations and laws related to Islamic banking in Saudi Arabia and Malaysia, and to identify their strengths and weaknesses and the fundamental differences between the financial systems in Saudi Arabia and Malaysia. [Halawani \(2018\)](#) revealed that alternative means of dispute resolution in the Islamic financial industry represent great legislative assets that achieve the interests of all parties, in terms of organizational and legal terms. The Malaysian side outperformed the Saudi Arabian financial system related to financial industry dispute resolution and investigated the challenges, opportunities and issues related to the bond and Sukuk market in Bangladesh by analyzing the bond and Sukuk market ([Awwad and Razia, 2021](#)).

[Hassan \(2020\)](#) indicated that the corporate bond market in Bangladesh is still very small, and the dominant role of the banking sector in corporate finance is inevitable, short-term Islamic bonds are aimed at promoting local Islamic financial institutions and the government yield curve is unable to highlight the actual level of risk-free rates in the economy. To identify the main challenges and obstacles facing the development of Sukuk in the state of Kuwait, [Alowaiyesh \(2020\)](#) found that the most prominent challenges and obstacles are related to the standard return curve of the Sukuk market, the low public awareness of the importance of trading and its advantages and identify the obstacles and strategies for issuing municipal Islamic bonds as an alternative to traditional financing using the analytical networking process (ANP) in Indonesia. A study ([Harimurti, 2018](#)) confirmed that the most dominant obstacle in the above-mentioned issue is the weakness of the local government side in understanding the means of municipal Islamic bonds, as for the central government, the lack of studies on the Islamic bond instrument.

[Rostami \(2018\)](#) aimed to analyze and evaluate the advantages and challenges of Islamic treasury bonds that are based on production or purchase (cash or non-cash), and credit and discount transactions in Malaysia for the years (2010–2017). Bonds are the continuation of government debt, the sequential issuance of bonds and the formation of the black market, but the repayment of government debts, especially government debts to private contractors, is a dilemma, and therefore offering Islamic treasury bonds to creditors is the simplest solution. This is consistent with the study ([Mosharrof, 2016](#)) that there is a great demand in Malaysia for Islamic Sukuk, which are compatible alternatives with traditional debt

instruments, such as corporate and government bonds to increase capital, and the growth and development of the Islamic Sukuk market in Malaysia have many advantages. Still, he faces the two most important problems, namely, the emergence of the black market and the limited Sukuk issued. In the Palestinian environment, [Al-Ghazali \(2015\)](#) aimed to identify the obstacles to the issuance of Islamic bonds by Islamic banks as a tool for financing economic projects. In addition to the weak cultural awareness of the Palestinian public about the nature, types, nature and importance of Sukuk, in addition to the absence of economic clarity and the inappropriateness of the environmental conditions surrounding the Palestinian national economy, generate concerns about those sukuk. To work hard to attract investors to this financing tool and to spread the culture of Islamic Sukuk through holding conferences, seminars and workshops.

Relying on the foregoing, it was necessary to address the possibility of issuing Islamic Sukuk in the Palestinian environment by presenting the obstacles and challenges that prevent this. Thus, this study sought to answer the following main question:

Q1. What are the challenges and obstacles to issuing Islamic bonds in Palestine?

This question is divided into several sub-questions:

Q1a. What are the regulatory challenges and obstacles to the issuance of Islamic Sukuk in Palestine?

Q1b. What are the economic challenges and obstacles to the issuance of Islamic Sukuk in Palestine?

Q1c. 3 What are the legal and legislative challenges and obstacles to the issuance of Islamic bonds in Palestine?

The study also sought to test the following main hypothesis: There are no challenges and obstacles to issuing Islamic Sukuk from the point of view of Islamic banks operating in Palestine.

Several sub-hypotheses are branched from this hypothesis: There are no regulatory challenges and obstacles to the issuance of Islamic Sukuk from the viewpoint of Islamic banks operating in Palestine. There are no economic challenges or obstacles to the issuance of Islamic Sukuk from the point of view of Islamic banks operating in Palestine. There are no legal or legislative challenges or obstacles to the issuance of Islamic bonds, from the point of view of Islamic banks operating in Palestine.

3. Research methodology

3.1 Study community

This study adopted the descriptive approach to describe the study sample and its variables and the analytical approach to identify the challenges and obstacles to issuing Islamic bonds from the point of view of Islamic banks operating in Palestine. Al-Arabi, with 27 branches and 643 employees. (annual Report – Arab Islamic Bank 2021), Palestine Islamic Bank, with 45 branches, 691 employees (annual Report – Palestine Islamic Bank 2021), Al-Safa Bank with nine branches, 135 employees (annual report – Al-Safa Bank 2021; PMA 2021)

3.2 The study sample

The sample selection adopted a simple random sampling method to represent the study population, which amounted to 34% of the study population. The questionnaire was

distributed to the study sample, where the number of distributed questionnaires that were retrieved and subjected to statistical analysis was 500 questionnaires.

3.3 Study tool

A questionnaire was developed to identify the challenges and obstacles to the issuance of Islamic bonds in Islamic banks operating in Palestine. The tool consisted of paragraphs measuring the challenges and obstacles to the issuance of Islamic bonds in Islamic banks operating in Palestine. The number of these paragraphs reached 30, distributed on three main axes. The tool items and the method of correction were formulated according to the Likert scale (see [Table 1](#)).

3.4 The authenticity of the tool

The percentage of agreement between the arbitrators on the questionnaire's statements reached 82%. This is an indication of the validity of the content of the questionnaire. [Table 2](#) shows the values of the internal consistency validity coefficients for the study dimensions' paragraphs and the total degree of the dimension contained therein: for the stability of the tool (see [Table 2](#)).

[Table 2](#) shows the internal consistency validity coefficients for the study dimensions paragraphs and the total score for the dimension contained therein.

The stability of the tool is intended to give the scale the same result if it is re-used more than once under the same conditions and conditions, or in other words, that we get close readings every time it is used and not change significantly if it is redistributed to the sample members several times during certain periods because the oscillating tool cannot be relied upon or taken into account, and therefore, the results of the study will be un reassuring and misleading. The research team verified the stability of the study's resolution using several methods as follows: This type of stability refers to the strength of the consistency between the paragraphs in the study tool, using the Cronbach alpha equation. This method depends on the availability of consistency in the response of individuals from one paragraph to another for each dimension (as shown in [Table 3](#)).

[Table 3](#) presents the value of Cronbach's alpha coefficient was acceptable on all dimensions and areas of the measurement instrument, respectively, amounting to 0.766, 0.840 and 0.725. This indicates that the scale has a high degree of stability, as the value of Cronbach's alpha coefficient is considered applicable if it is $\alpha \geq 0.60$.

The Colmgrove–Smirnov test is used to determine whether the data follow a normal distribution. It is a necessary test in the case of hypotheses testing because most parametric tests require that the data distribution be normal. [Table 4](#) shows the results of the Colmgrove–Smirnov test to determine whether the data follow a normal distribution to determine the appropriate statistical tests for each case (parametric tests and non-parametric tests).

Table 1.
Distribution of the
study tool
paragraphs on its
main axes

Variable	No. of paragraphs
Organizational challenges and obstacles	10
Economic challenges and obstacles	10
Legal and legislative challenges and obstacles	10
The total	30
Note: Tables by authors	

Paragraph	The connection with the dimension	Indication level	Paragraph	The connection with the dimension	Indication level	Paragraph	The connection with the dimension	Indication level
1	0.357* 0	* 0.00	11	0.739** 0	* 0.00	21	0.315* 0	* 0.00
2	0.533** 0	* 0.00	12	0.681** 0	* 0.00	22	0.433* 0	* 0.00
3	0.663** 0	* 0.00	13	0.380* 0	* 0.00	23	0.747** 0	* 0.00
4	0.631** 0	* 0.00	14	0.596** 0	* 0.00	24	0.768** 0	* 0.00
5	0.689** 0	* 0.00	15	0.514** 0	* 0.00	25	0.622** 0	* 0.00
6	0.620** 0	* 0.00	16	0.443** 0	* 0.00	26	0.695** 0	* 0.00
7	0.610** 0	* 0.00	17	0.433** 0	* 0.00	27	0.558** 0	* 0.00
8	0.530** 0	* 0.00	18	0.544* 0	* 0.00	28	0.602** 0	* 0.00
9	0.428** 0	* 0.00	19	0.670** 0	* 0.00	29	0.338* 0	* 0.00
10	0.715** 0	* 0.00	20	0.348* 0	* 0.00	30	0.401* 0	* 0.00

Notes: **The correlation is statistically significant at the significance level (0.01); *Significant at the significance level (0.05); Tables by authors

Table 2.
Internal consistency
validity coefficients
for the study
dimensions'
paragraphs and the
total score for the
dimension contained
therein

Table 4 shows that the value of the level of significance for each of the study areas is greater than (0.05). This indicates that the data follow a normal distribution and parametric tests should be used.

4. Statistical analysis

4.1 Descriptive analysis

The results of the analysis of the first sub-question. The one-sample *t*-test was used to extract the arithmetic averages, standard deviations and the estimated percentage of challenges and regulatory obstacles for the issuance of Islamic bonds by Islamic banks operating in Palestine (see Table 5).

Table 5 indicated that the value of the significance level calculated from the sample was statistically significant at the significance level ($0.05\alpha \leq$) in Paragraph 9, where the value of the significance level calculated from the sample was (0.00) and the arithmetic means greater than 3. This means that the respondents agreed with this paragraph, and Paragraph 9 obtained a high degree and first place, as the estimated percentage of respondents' responses to it reached (70.67%), which means that the cost of issuing Islamic bonds is considered high compared to the traditional financing costs, according to the respondents' opinion.

Paragraph 5 received a low score in the last order, where the estimated percentage of the respondents' responses to it reached (42%), which means that the respondents did not agree that there are multiple responsible bodies on investment and conflicting responsibilities and powers in an Islamic bank. This explains that the regulatory environment in the Islamic bank helps to issue, trade and amortize Sukuk, and the bank holds training and development courses for its employees in the field of issuing Islamic Sukuk, and managers of Islamic banks are interested in the issue of issuing Islamic Sukuk as a source of financing, and this result agreed with the results of a study (Qat and Nisbah, 2018) and a study (Al-Ghazali, 2015) that showed the Islamic bank can issue Islamic bonds to finance investment projects, and none of the previous studies opposed this result:

- The results of the analysis of the second sub-question: What are the economic challenges and obstacles to issuing Islamic Sukuk in Palestine?

Table 3.
The results of the stability coefficient test by Cronbach's alpha method on the dimensions of the tool

The dimension	No. of paragraphs	Cronbach alpha value
Organizational challenges and obstacles	10	0.766
Economic challenges and obstacles	10	0.840
Legal and legislative challenges and obstacles	10	0.725
Note: Tables by authors		

Table 4.
Normal distribution test (sample K-S 1)

The dimension	Test value Z	Level of significance
Organizational challenges and obstacles	0.5420	0.930
Economic challenges and obstacles	0.6630	0.770
Legal and legislative challenges and obstacles	0.5730	0.890
Note: Tables by authors		

Issuing Islamic Sukuk

Seq.	Paragraph	SMA	SD	%	Value (t)	Indication level	Ranking
1	The Islamic banking system does not contribute to facilitating the issuance of Islamic Sukuk	2.2000	0.805160	44.00	-2.041	0.060	9
2	The Islamic bank does not have the ability to issue Islamic Sukuk to finance investment projects	2.4333	1.07265	48.67	-0.340	0.730	6
3	The regulatory environment in an Islamic bank is conducive to the issuance, trading and amortization of Sukuk	2.3667	0.764890	47.33	-0.955	0.340	7
4	Clear financial policies are available for the issuance of Islamic Sukuk	2.7667	1.10433	55.33	1.323	0.190	3
5	Multiple bodies responsible for investment and conflicting responsibilities and powers in the Islamic bank	2.1000	0.758860	42.00	-2.887	0.100	10
6	An Islamic bank is not qualified to trade and invest in Islamic Sukuk	2.3667	0.614950	47.33	-1.188	0.240	8
7	The lack of technical capacity and sufficient experience to issue and trade Islamic Sukuk	2.7000	0.794380	54.00	1.379	0.170	4
8	The lack of interest of Islamic bank managers in the issue of Islamic Sukuk issuance as a source of financing	2.5000	1.10641	50.00	0.0000	0.98	5
9	The cost of issuing Islamic Sukuk is high compared to traditional financing costs	3.5333	1.00801	70.67	5.615	0.00*	1
10	The bank holds training and development courses for its employees in the field of Islamic Sukuk issuance	2.9333	1.08066	58.67	2.196	0.080	2
<i>The degree of the challenges and regulatory obstacles to the issuance of Islamic Sukuk</i>		<i>2.5900</i>	<i>0.463380</i>	<i>51.80</i>	<i>1.064</i>	<i>0.290</i>	

Table 5.
Results of the *t*-test, mean, standard deviation and percentages of challenges and regulatory obstacles in banks to issue Islamic Sukuk in Palestine: an analytical study of Islamic banks operating in Palestine

Notes: *Statistically significant at the significance level ($0.05 \leq \alpha$); Tables by authors

The (one-sample *t*-test) was used to extract the arithmetic averages, standard deviations and the estimated percentage of economic challenges and obstacles to issuing Islamic bonds for Islamic banks operating in Tulkarm Governorate (see Table 6).

Table 6 shows that the value of the significance level calculated from the sample was statistically significant at the significance level ($0.05 \leq \alpha$) in paragraphs (11, 12, 16, 18, 19, 20) and in the total degree of challenges and economic obstacles to the issuance of Islamic Sukuk, where the value of the significance level calculated from the sample was (0.00), and the arithmetic mean greater than (3), which means the respondents' approval of these paragraphs. Paragraph 20 obtained a very high degree and in the first place, where the estimated percentage of respondents' responses reached (88%), which means that the issuance of Islamic Sukuk requires the presence of investors with high financial solvency.

Seq.	Paragraph	SMA	SD	%	Value (t)	Indication level	Ranking
11	Economic conditions are an obstacle to the issuance of Islamic Sukuk	3.7333	1.04826	74.67	6.444	0.00* 0	2
12	Non-acceptance of investors to participate in profit and loss through trading Islamic Sukuk	3.4333	1.04000	68.67	4.915	0.00* 0	3
13	Reluctance of investors and their fear of investing in Islamic Sukuk in light of the economic downturn	2.7667	1.10433	55.33	1.323	0.190	7
14	The failure of the issuance of Islamic bonds to achieve returns on Islamic banks	2.4667	0.973200	49.33	-0.188	0.850	9
15	Islamic banks are afraid of issuing Islamic Sukuk because of their low ability to meet the needs of various economic sectors	2.4333	1.04000	48.67	-0.351	0.720	10
16	Not considering Islamic Sukuk as a suitable alternative to traditional financing formulas in financing investment projects	3.1000	1.02889	62.00	3.194	0.00* 0	6
17	There is a fear that Islamic Sukuk may not contribute to covering the financing needs of investment projects	2.7667	0.773850	55.33	1.887	0.060	8
18	Investors consider that the process of issuing Islamic Sukuk is not feasible to address the structural imbalances in the organizational structure of the Palestinian economy	3.3000	1.05536	66.00	4.152	0.00* 0	5
19	Lack of interest in using Islamic Sukuk as a suitable financing tool for financing various economic projects in Palestine	3.3333	0.994240	66.67	4.591	0.00* 0	4
20	Issuing Islamic Sukuk requires the presence of investors who have a high financial standing	4.4000	0.621460	88.00	16.746	0.00* 0	1
	<i>The degree of the challenges and regulatory obstacles to the issuance of Islamic Sukuk</i>	3.1733	0.386790	63.47	9.535	0.00* 0	

Notes: *Statistically significant at the significance level (0.05 ≤ α); Tables by authors

Table 6.
t-test results, arithmetic averages, standard deviations and percentages of challenges and economic obstacles to issuing Islamic Sukuk in Palestine: an analytical study of Islamic banks operating in Palestine

Paragraph 15 received a low degree and in the last order, where the estimated percentage of respondents' responses reached (48.67%), which means that Islamic banks are not afraid of issuing Islamic Sukuk because of their low ability to meet the needs of various economic sectors. This explains that the issuance of Islamic Sukuk requires the presence of investors with high financial solvency, and that there is no interest in using Islamic Sukuk as a suitable financing tool for financing various economic projects in Palestine. And, this result agreed with the results of the study (Qat and Nisbah, 2018) and the study (Al-Ghazali, 2015), which showed that there is a

fear that Islamic Sukuk cannot contribute to covering the financing needs of investment projects, and none of the previous studies opposed this result:

- The results of the analysis of the third sub-question: What are the legal and legislative challenges and obstacles to the issuance of Islamic bonds in Palestine?

The (one-sample *t*-test) was used to extract the arithmetic averages, standard deviations and the estimated percentage of challenges and legal and legislative obstacles to the issuance of Islamic bonds by Islamic banks operating in Tulkarm Governorate (see Table 7).

Table 7 indicates that the value of the significance level calculated from the sample was statistically significant at the significance level ($0.05 \leq a$) in Paragraphs 21, 22, 23, 24, 27, 29, 30 and in the total degree of challenges and legal and legislative obstacles to issuing Islamic instruments, where the value of the significance level calculated from the sample was (0.00), and the arithmetic average was greater than (3), which means the respondents' approval of

Seq.	Paragraph	SMA	SD	%	Value (t)	Indication level	Ranking
21	Lack of an appropriate legal and legislative environment for the issuance of Islamic Sukuk	3.9333	0.827680	78.67	9.485	0.00* 0	3
22	The low contribution of Palestinian legislation and laws in facilitating and encouraging the issuance of Islamic bonds	3.6333	0.964310	72.67	6.437	0.00* 0	4
23	Islamic Sukuk has Shariah provisions that help Islamic banks to control their issuance of such Sukuk	3.2000	0.996550	64.00	3.847	0.00* 0	5
24	The legislation regulating the work of Islamic banks is considered inflexible to respond to changes and developments in the financial markets	3.1000	0.994810	62.00	3.303	0.00* 0	6
25		2.7667	1.04000	55.33	1.404	0.170	9
26	The absence of tax and customs exemptions does not encourage the issuance of Islamic bonds	2.8000	1.06350	56.00	1.545	0.130	8
27		3.0333	0.999430	60.67	2.923	0.00* 0	7
28	The legislative and legal environment in Palestine is not conducive to the issuance of Islamic instruments that comply with the provisions of Islamic Sharia	2.5000	1.00858	50.00	0.0000	0.95	10
29		4.0000	0.830450	80.00	9.893	0.00* 0	2
30	Inadequate legislation governing the issuance of Islamic Sukuk	4.3000	0.749710	86.00	13.150	0.00* 0	1
<i>The degree of the challenges and regulatory obstacles to the issuance of Islamic Sukuk</i>		<i>33,267</i>	<i>0.511210</i>	<i>66.53</i>	<i>8.857</i>	<i>0.00* 0</i>	

Table 7. Results of the *t*-test, arithmetic averages, standard deviations and percentages of challenges and legal and legislative obstacles to issuing Islamic Sukuk in Palestine: an analytical study of Islamic banks operating in Palestine

Notes: *Statistically significant at the significance level ($0.05 \leq a$); Tables by authors

these paragraphs. Paragraph 30 got a very high degree and was ranked first, where the estimated percentage of respondents' responses reached (86%), which means that there is insufficient legislation governing the process of issuing Islamic Sukuk. Paragraph 28 at a low degree and in the last order, where the estimated percentage of the respondents' responses reached (50%), which means that there is no low efficiency of the members of the Sharia boards working in Islamic banks.

The legislative and legal environment in Palestine is not conducive to the issuance of Islamic bonds that comply with the provisions of Islamic law, and there is another challenge represented in the lack of an appropriate legal and legislative environment for the issuance of Islamic bonds, and this result agreed with the results of the study (Masoud and Abu Yahya, 2020) and a study (Al-Ghazali, 2015) that showed that the absence of a legislative framework that covers aspects related to Islamic Sukuk limits the ability of any of the previous studies to oppose this result.

Table 8 shows the total degree of challenges and obstacles to issuing Islamic bonds in Islamic banks operating in Palestine was average according to the respondents' opinion, with a total mean of (3.03), a standard deviation of (0.286) and a level of significance (0.00), with an estimated percentage of 60.60%. First place: legal and legislative challenges and obstacles. Second place: economic challenges and obstacles. Third place: organizational challenges and obstacles.

4.2 Hypothesis test

The main hypothesis indicates there are no challenges and obstacles to the issuance of Islamic bonds in Palestine from the point of view of Islamic banks operating in Palestine.

Table 9 shows the total degree of the challenges and regulatory obstacles to the issuance of Islamic bonds was low according to the respondents' opinion, with a total mean of (2.59), a standard deviation (of 0.463), a significance level (of 0.29) and an estimated percentage of (51.80%), which means acceptance of the null hypothesis meaning There are no challenges and regulatory obstacles to the issuance of Islamic bonds by Islamic banks operating in Palestine. This is explained by the fact that the regulatory environment in the Islamic bank helps to issue, trade and amortize Sukuk, as the regulatory environment in Islamic banks operating in Palestine helps to issue and circulate Sukuk, and that the banking system does not facilitate their issuance as there are no clear policies and objectives for the issuance of that Sukuk, and this result agreed with the results of the study (Qat and Nisbah, 2018) and the study (Al-Ghazali, 2015), which showed that the Islamic bank can issue Islamic bonds to finance investment projects, and none of the previous studies opposed this result. The

Table 8. Ranking of dimensions and the total degree of challenges and obstacles to the issuance of Islamic Sukuk in Islamic banks operating in Palestine

Sequence	The dimension	SMA	SD	%	Value (t)	Indication level	Ranking
	Organizational challenges and obstacles	2.5900	0.463380	51.80	1.064	*0.00	3
	Economic challenges and obstacles	3.1733	0.386790	63.47	9.535	*0.00	2
	Legal and legislative challenges and obstacles	3.3267	0.511210	66.53	8.857	*0.00	1
	<i>The degree of the challenges and regulatory obstacles to the issuance of Islamic Sukuk</i>	<i>3.0300</i>	<i>0.286390</i>	<i>60.60</i>	<i>10.136</i>	<i>*0.00</i>	

Notes: *Statistically significant at the significance level (0.05 ≤ α); Tables by authors

results of the second sub-hypothesis: The second sub-hypothesis states that: there are no economic challenges and obstacles to the issuance of Islamic bonds in Palestine: an analytical study of Islamic banks operating in Palestine.

Table 10 shows the total degree of challenges and economic obstacles to the issuance of Islamic bonds was average according to the respondents' opinion, with a total mean of (3.17), a standard deviation (0.386), a level of significance (0.00) and an estimated percentage of (63.47%), which means rejecting the null hypothesis, meaning there are challenges and economic obstacles to the issuance of Islamic bonds by Islamic banks operating in Palestine. This is explained by the fear that the Islamic Sukuk may not contribute to covering the financing needs of investment projects, and the lack of interest in using Islamic Sukuk as an appropriate financing tool for financing various economic projects in Palestine. (2015), which showed that there is a fear that Islamic Sukuk cannot contribute to covering the financing needs of investment projects, and none of the previous studies opposed this result. The results of the third sub-hypothesis:

The third sub-hypothesis states that: there are no legal and legislative challenges and obstacles to the issuance of Islamic bonds in Palestine: an analytical study of Islamic banks operating in Palestine.

Table 11 shows the total degree of challenges and legal and legislative obstacles to issuing Islamic bonds was average according to the respondents' opinion, with a total mean of (3.32), a standard deviation of (0.511), a significance level of (0.00) and an estimated percentage of (66.53%), which means rejecting the null hypothesis, In other words, there are challenges and legal and legislative obstacles to the issuance of Islamic bonds by Islamic banks operating in Palestine. This is explained by the low contribution of Palestinian

Table 9.
Results of analyzing the hypothesis of regulatory challenges and obstacles in banks to issue Islamic Sukuk in Palestine: an analytical study of Islamic banks operating in Palestine

Sequence	The paragraph	SMA	SD	%	Value (t)	Indication level
Organizational challenges and obstacles to the issuance of Islamic Sukuk		2.5900	0.463380	51.80	1.064	0.290

Notes: *Statistically significant at the significance level ($0.05 \leq a$); Tables by authors

Table 10.
Results of testing the hypothesis of economic challenges and obstacles to the issuance of Islamic bonds by Islamic banks operating in Palestine

Sequence	The paragraph	SMA	SD	%	Value (t)	Indication level
Economic challenges and obstacles to the issuance of Islamic Sukuk		3.1733	0.386790	63.47	9.535	0.00* 0

Notes: Table by authors; *Statistically significant at the significance level ($0.05 \leq a$)

legislation and laws in facilitating and encouraging the issuance of Islamic bonds, and the legislative and legal environment in Palestine is not conducive to the issuance of Islamic bonds that comply with the provisions of Islamic Sharia, and this result agreed with the results of the study (Masoud and Abu Yahya, 2020). And the study (Al-Ghazali, 2015) showed that the absence of a legislative framework that covers aspects related to Islamic Sukuk limits the ability of any of the previous studies to oppose this result. Testing the main hypothesis: there are no challenges and obstacles to the issuance of Islamic Sukuk in Palestine: an analytical study of Islamic banks operating in Palestine.

Table 12 shows that the total degree of challenges and obstacles to issuing Islamic bonds in Islamic banks operating in Palestine was average according to the respondents' opinion, with a total mean of (3.03), a standard deviation (of 0.286) and a level of significance (0.00), with an estimated percentage of (60.60%). This means rejecting the first main null hypothesis, which states that there are no statistically significant differences at the significance level ($0.05\alpha \leq$) in the challenges and obstacles to issuing Islamic Sukuk in Islamic banks operating in Tulkarm Governorate, and this means that there are challenges and obstacles to issuing Islamic Sukuk In Islamic banks operating in Palestine.

5. Discussion and recommendations

The results of the study showed the lack of regulatory challenges and obstacles to the issuance of Islamic Sukuk in Palestine. Consequently, clear financial policies are available for the issuance of Islamic Sukuk, and the regulatory environment in Islamic banks helps to issue, trade and extinguish Sukuk, with the availability of dirt and sufficient technical expertise to issue and trade them. There is no multiplicity of the bodies responsible for

Table 11.
Results of testing the hypothesis of legal and legislative challenges and obstacles to the issuance of Islamic bonds by Islamic banks operating in Palestine

Sequence	The paragraph	SMA	SD	%	Value (t)	Indication level
	Legal and legislative challenges and obstacles to the issuance of Islamic bonds	3.3267	0.511210	66.53	8.857	0.00*0

Notes: *Statistically significant at the significance level ($0.05 \leq \alpha$); Tables by authors

Table 12.
Tests the main hypothesis: challenges and obstacles to the issuance of Islamic Sukuk in Islamic banks operating in Palestine

Sequence	The paragraph	SMA	SD	%	Value (t)	Indication level
1	Organizational challenges and obstacles	2.5900	0.463380	51.80	1.064	*0.00
2	Economic challenges and obstacles	3.1733	0.386790	63.47	9.535	*0.00
3	Legal and legislative challenges and obstacles	3.3267	0.511210	66.53	8.857	*0.00
	The total degree of challenges and obstacles to the issuance of Islamic Sukuk	3.0300	0.286390	60.60	10.136	*0.00

Notes: *Statistically significant at the significance level ($0.05 \leq \alpha$); Tables by authors

investing in Islamic Sukuk or a conflict of responsibilities and powers in Islamic banks. While the issuance of Islamic bonds in Palestine faces economic, legal and legislative challenges and obstacles, the researchers believe that there is lack of economic clarity in general for the Palestinian national economy. In addition to the lack of acceptance of Islamic Sukuk as a suitable alternative to traditional financing formulas, the desire of investors not to participate in profit and loss, and the insufficiency of legislation controlling the process of issuing Islamic Sukuk due to the absence of the appropriate legal and legislative environment for their issuance. Although the legislative environment, the legal person possesses a sufficient amount of competencies and experience that qualifies him to organize the processes of issuing laws that regulate the work of these instruments. All these factors combined limit the acceptance and circulation of Islamic Sukuk in Palestine.

The study recommends the necessity of subjecting the issuance of Islamic bonds in Palestine and all Islamic financial products to a unified body. It takes into account the obligatory compliance with international accounting and auditing standards for Islamic financial institutions. Increasing attention to the dissemination of the financing culture related to the issuance of Islamic Sukuk, and the development of a legal system for the issuance of Islamic Sukuk must take into account the applicable legal provisions. This necessitates making appropriate amendments in civil, commercial, competition and consumer protection and tax laws.

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Further reading

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