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DIFFERENT CREDIT FACILITIES POLICIES LINKED EXPORTS, IMPORTS, PUBLIC EXPENDITURE, AND WAGE EXPENDITURE CASE OF PALESTINE

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Abstract
Organizations in fragile economies struggle to maintain project continuity, production scheduling, and workforce stability due to recurrent liquidity constraints and external shocks. In Palestine, these challenges are particularly acute, with disruptions to imports, exports, and fiscal flows undermining operational resilience. This study examines the impact of credit facilities on four key economic variables: exports, imports, public expenditure, and wage expenditure, by reframing them not as macroeconomic levers but as managerial tools of project finance, supply chain continuity, and working capital management. Using annual time-series data from the Palestine Monetary Authority for the period 1997–2024, the analysis applies descriptive statistics, correlation tests, and the Mann–Whitney non-parametric test to compare outcomes under low and high credit facility regimes, supported by robustness checks with regression models and sub-period analysis. The findings reveal that higher credit facilities significantly increase exports, imports, public expenditure, and wage stability, thereby rejecting all four null hypotheses. These results extend global evidence on credit and trade to the context of a conflict-affected economy and provide novel insights into the financial–operational nexus of engineering and production management. The study contributes theoretically by reframing credit facilities as instruments of resilience and practically by recommending expanded banking support as a risk management mechanism for firms and governments in volatile environments.

Keywords: credit facilities, supply chain finance, project finance, working capital management, fragile economies, Palestine.

Introduction

Organizations operating in volatile economies face persistent challenges in ensuring project continuity, production scheduling, and workforce stability. In Palestine, these challenges are heightened by external shocks, trade restrictions and political uncertainty which often restrict the flow of imported materials, delay the realization of export orders, and limit the liquidity necessary for meeting wage payments. Organizationally, these restrictions can jeopardize the timely delivery of technical projects and moreover risks cost overruns. Production management would see working capital cycle interruptions reflected in lower productivity and reduced competitiveness. Consequently, these restrictions produce structural distortions across the economy and eroded productive sectors - particularly manufacturing (Ministry of National Economy, 2025).

In this context, credit facilities are not simply tools of macroeconomic policy - they are also mechanisms that facilitate project financing and manage working capital. By providing liquidity to firms, banking facilities smooth the process of material procurement which, coupled with stable wage payments and improved flexibility for exporting contracts, reduces operational business risk. It is therefore a significant gap to identify how specific changes in credit facilities influence important economic results such as exports, imports, public spending, and spending on wages as crucial to managing production and project delivery in fragile economic contexts.

Previous studies provide mixed evidence. For example, Sweis (2017) demonstrated that banking facilities play an important role in Palestinian economic development, whereas Abugamea (2016) and Abdullah (2016) found weak or inconsistent links between credit facilities and growth. At the regional level, Al-Qudah et al. (2020) confirmed the central role of commercial banks in supporting the Jordanian economy, while globally, evidence from Zeng et al. (2023) and Tomak and Yilmaz (2024) emphasizes the importance of credit in sustaining exports and imports. These findings, while valuable, remain largely macroeconomic in focus and seldom address how credit functions as a lever of operational resilience in conflict-affected economies.

Despite extensive economic literature, there is limited understanding of how credit facilities operate as tools of project finance, supply chain continuity, and working capital management in fragile economies such as Palestine. Existing studies rely primarily on regression-based macroeconomic models, leaving open the question of whether different levels of credit facilities (low vs. high) produce measurable differences in trade flows, public expenditure, and wages, variables that directly determine project continuity, production efficiency, and workforce stability.

This study addresses this gap by analyzing the Palestinian case from 1997 to 2024, applying the Mann–Whitney non-parametric test to compare outcomes under low versus high credit facility regimes. The paper contributes to the literature by (1) reframing credit facilities as a managerial tool within the fields of engineering management and production management, (2) empirically testing their differential effects on trade and fiscal variables, and (3) deriving policy implications for project financing and production scheduling in fragile economies.

Accordingly, this study seeks to answer the following research questions:

1. Do higher levels of credit facilities enable firms to increase export performance by securing inputs and fulfilling external orders more reliably?
2. Do expanded credit facilities lead to a greater capacity for imports, ensuring timely procurement of raw materials and production resources?
3. Are there measurable differences in public expenditure under varying credit facility regimes, reflecting the government's ability to finance infrastructure and service delivery that support project execution?
4. Do higher levels of credit facilities improve the stability of wage expenditure, enabling firms to maintain skilled labor forces and avoid project delays?

Literature Review

The relationship between credit facilities and economic performance has been widely investigated across disciplines. While macroeconomic research emphasizes growth, fiscal expenditure, and institutional contexts, managerial studies stress the role of credit in sustaining project delivery, production cycles, and supply chain resilience. To position this paper within the fields of engineering management and production management, the review is organized into four thematic areas, supply chain finance, project finance, working capital management, and crisis/risk management, followed by a synthesis of macroeconomic evidence that provides theoretical grounding.

1. Credit Facilities and Supply Chain Finance

Supply chain finance literature demonstrates that access to liquidity reduces procurement delays and facilitates smoother export fulfillment. Fisman and Love (2003) showed that trade credit serves as an alternative financing channel in countries with weaker financial institutions, sustaining industrial growth despite liquidity constraints. Greenaway et al. (2007), conducting an

analysis of more than 9,000 firms from the UK, found that exporters with stronger financial positions were more likely to be resilient in international markets. Zeng et al. (2023) have more recently established that trade credit increases exports disproportionately to liquidity-dependent sectors. . .What the results imply is that, whilst there are supply chain vulnerabilities, commercial credit facilities can help alleviate these disruptions, through increasing import procurement capacity as well as export reliability - an issue which is particularly relevant, in Palestine, where firms are dependent on foreign inputs with timely access.

2. Credit Facilities and Project Finance

From a project management point of view, credit facilities are also forms of project finance, which provide the necessary resources to ensure continuity and minimize project costs for construction, infrastructure, and manufacturing. Besedeš et al. (2014) found that credit constraints slow export growth in capital-heavy sectors, while Tomak and Yilmaz (2024) determined that bank loans stimulate imports and exports in Türkiye. Sweis (2017) also established that bank facilities in Palestine contribute substantially to economic development because they fund existing continuous projects. These examples indicate that financing is a vital enabler of timely completion of complex projects; in fragile economies, interruptions to funding of projects can stall public and private activity.

3. Credit Facilities and Working Capital Management

There is a related body of literature that connects credit facilities with working capital cycles, including issues of receivables, payables and inventory management. For example, Bernard and Jensen (1999) found that exporting firms had higher wages, productivity and capital intensity (partially) because they had better access to financing. This also finds support in work by Tu Tran et al. (2020), which finds that export credit is a prominent source of financing using 1 in 3 of the stock in Vietnam; thus, maintaining operational cycles. Studies in Jordan showing that, for example, credit facilities can ensure greater levels of firm-level solvency and lower risks of default (Al-Qudah et al., 2020; Alquraan et al., 2018). There is also evidence from Jordan discussing the influence of bank credit on both sectoral activity and growth, a bidirectional nexus for construction (Ananzeh, 2016). In the specific context of Palestine, given that liquidity events could lead to prolonged delays in wages and inputs, access to banking facilities allows firms to maintain operational continuity.

4. Credit Facilities in Crisis and Risk Management

Credit facilities can be considered a means of crisis and risk management because they provide companies with tools for mitigating shocks. The research of Kassim and Abubakar (2018) demonstrates that both institutional and macroeconomic factors limit the extent to which financial development improves resilience. According to the research of Anenechi et al. (2024), the differences among Nigerian firms as a result of credit facilities were sufficient for firms to improve profitability even in uncertain conditions. Specifically, the study of Sosvilla-Rivero et al. (2025), which tested various forms of spending in the EU and noted that, contingent on the form of spending, it could stabilize growth during periods of crisis. Within Palestine, the evidence was mixed. The banking facilities used by Sweis (2017) had positive results, while Abugamea (2016) and Abdullah (2016) saw weaker or inconsistent relationships that revealed uncertainty in fragile economies.

5. Macroeconomic Perspectives: Theoretical Grounding

Macroeconomic studies provide the theoretical backdrop to managerial applications. Aschauer (1989) established that core infrastructure spending drives productivity. Delavallade (2006) found that corruption distorts expenditure allocations, reducing efficiency. Ehrlich and Lui (1999) modeled how bureaucratic corruption affects endogenous growth, while Hassett (2009) critiqued fiscal stimulus as an unreliable driver of recovery. D'Alessandro et al. (2019) and Peña (2023) examined fiscal multipliers and interest rates, respectively, while Kapaya (2023) analyzed the demographic dimensions of financial development in Africa. Together, these studies affirm that credit and expenditure policies shape long-run growth, providing the macro-level justification for analyzing credit facilities as instruments of managerial and operational resilience.

While macroeconomic scholarship underscores the developmental role of credit and fiscal policies, relatively little research has examined their managerial implications for project finance, supply chain operations, and working capital management in fragile economies. In Palestine, where firms face chronic disruptions due to occupation, border restrictions, and recurrent conflict, the question is not only whether credit facilities contribute to growth but whether different levels of credit facilities (low vs. high) produce measurable differences in exports, imports, public expenditure, and wages, variables that directly determine project continuity, production efficiency, and workforce stability. This study addresses this gap using a non-parametric approach (Mann–Whitney test), offering both methodological novelty and context-specific insight into financial resilience under conditions of systemic volatility.

Methodology

Data and Variables

This study employs annual time series data obtained from the Statistical Bulletin of the Palestine Monetary Authority, covering the period 1997–2024. The dataset includes five variables: credit facilities (cf), exports (exp), imports (imp), public expenditure (pe), and wage expenditure (we). All values are expressed in millions of USD to ensure comparability. The dataset was selected because it provides consistent, long-term coverage of Palestine's financial and trade indicators, enabling the analysis of both short-term fluctuations and long-term trends.

Grouping Strategy: Low vs. High Credit Facilities

To capture the effect of different credit facility policies, the sample was divided into two groups: low credit facilities (conservative policy) and high credit facilities (expansionary policy). The grouping was based on the median split of the credit facilities series, ensuring equal representation of observations across regimes. This approach avoids arbitrary thresholds and is consistent with prior studies examining policy-based regimes in financial time series. Each group contained 14 observations.

Analytical Approach

Three sets of analyses were performed:

1. Descriptive Statistics, Mean, standard deviation, maximum, and minimum values were computed to summarize the distribution of the study variables.
2. Normality Testing, The One-Sample Kolmogorov–Smirnov test was applied to assess whether the variables followed a normal distribution.

3. Correlation Analysis, Pearson's correlation coefficients were calculated to measure the strength and direction of associations among the variables.
4. Hypothesis Testing (Mann–Whitney U Test), To examine whether differences exist between the high and low facility regimes, the Mann–Whitney U test was employed. This non-parametric test was selected because it does not assume normal distribution, is robust to small sample sizes, and provides reliable results when comparing two independent groups.

Robustness Checks

To strengthen the validity of the findings, additional robustness checks were conducted:

- Regression Models: An Ordinary Least Squares (OLS) regression with a dummy variable for high vs. low credit facilities was estimated for each dependent variable (exports, imports, public expenditure, wages). This provided effect sizes and confirmed the directionality of results.
- Sub-Period Analysis: The sample was divided into two sub-periods (1997–2010 and 2011–2024) to test whether the relationships hold across different phases of political and economic volatility in Palestine.
- Sensitivity Testing: Alternative thresholds (e.g., 25th and 75th percentiles instead of median split) were applied to check the stability of the grouping method.

Hypotheses

The study tested the following null hypotheses (H_0):

- H_{01}: There is no statistically significant difference in exports between high and low banking facilities in Palestine.
- H_{02}: There is no statistically significant difference in imports between high and low banking facilities in Palestine.
- H_{03}: There is no statistically significant difference in public expenditure between high and low banking facilities in Palestine.
- H_{04}: There is no statistically significant difference in wages and salaries between high and low banking facilities in Palestine.

Results

This section begins with an overview of the long-term trend in credit facilities in Palestine. As shown in Figure 1, credit facilities expanded steadily between 1997 and 2024, with a particularly sharp rise after 2015 before stabilizing during 2023–2024.

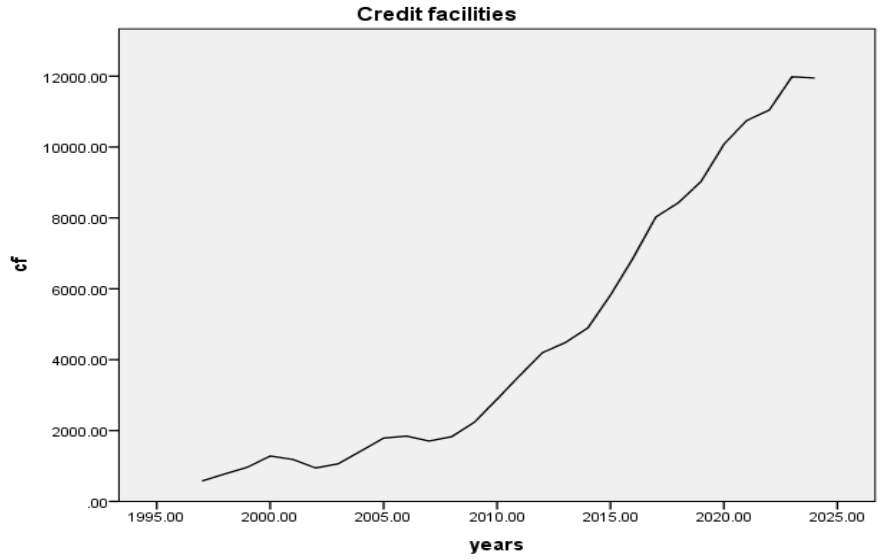

Figure 1. Credit facilities in Palestine (1997–2024). Prepared by the researcher using data from the Palestine Monetary Authority.

Descriptive Statistics

Table 1 presents the descriptive statistics of the study variables. Credit facilities (cf) recorded a mean of USD 4,700.6 million, ranging from USD 578.2 million to USD 11,982.9 million. Exports (exp) averaged USD 1,670.3 million, while imports (imp) were substantially higher, with a mean of USD 5,957.0 million. Public expenditure (pe) and wage expenditure (we) also displayed upward trends, though both declined during the last two years of the study period.

Table 1. Descriptive Statistics (1997–2024)

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Credit Facilities (cf)	28	578.2	11,982.9	4,700.6	3,917.8
Exports (exp)	28	477.8	3,533.4	1,670.3	958.0
Imports (imp)	28	2,233.6	12,258.0	5,957.0	2,881.0
Public Expenditure (pe)	28	1,074.7	4,178.9	2,859.2	1,096.2
Wage Expenditure (we)	28	466.8	2,047.5	1,364.4	559.9

Normality Testing

The **One-Sample Kolmogorov–Smirnov test** confirmed that all variables followed normal distributions, with significance values above 0.05 (Table 2).

Table 2. One-Sample Kolmogorov–Smirnov Test

Variable	N	K–S Z	Asymp. Sig. (2-tailed)	Result
cf	28	1.057	0.214	Normal
exp	28	0.875	0.428	Normal
imp	28	0.752	0.624	Normal
pe	28	1.213	0.105	Normal
we	28	1.093	0.184	Normal

Correlation Analysis

As shown in Table 3, credit facilities were positively and strongly correlated with all variables. The strongest relationship was with exports ($r = 0.956$, $p < 0.01$), while the weakest was with wages ($r = 0.774$, $p < 0.01$).

Table 3. Correlations Among Study Variables

Variable	cf	exp	imp	pe	we
cf	1	.956**	.944**	.816**	.774**
exp		1	.987**	.887**	.867**
imp			1	.891**	.869**
pe				1	.984**
we					1

Note: $p< 0.01$ (2-tailed).

Hypothesis Testing with Mann–Whitney U Test

The Mann–Whitney U test was used to evaluate the null hypotheses and directly answer the research questions. Results are summarized in Table 4.

Table 4. Mann–Whitney U Test Results

Variable	Z	Asymp. Sig. (2-tailed)	Effect Size (r)	Decision	Answer to RQ
Exports (exp)	–4.503	0.000	–0.85	Reject H_{01}	**Yes,exports differ significantly between high and low credit facilities.**
Imports (imp)	–4.503	0.000	–0.85	Reject H_{02}	**Yes,imports differ significantly between high and low credit facilities.**
Public Expenditure (pe)	–4.273	0.000	–0.81	Reject H_{03}	**Yes,public expenditure differs significantly between high and low credit facilities.**
Wages (we)	–4.181	0.000	–0.79	Reject H_{04}	**Yes,wage expenditure differs significantly between high and low credit facilities.**

Trends Over Time

Figures 2–5 illustrate the long-term trajectories of the study variables. Exports and imports showed consistent upward growth until 2022 before declining sharply during 2023–2024, coinciding with the Gaza war. Public and wage expenditures exhibited relative stability but also dropped in the final two years, reflecting systemic shocks.Since early 2024, banks adopted precautionary risk measures that stabilized facility growth (Palestine Banking Association, 2025).

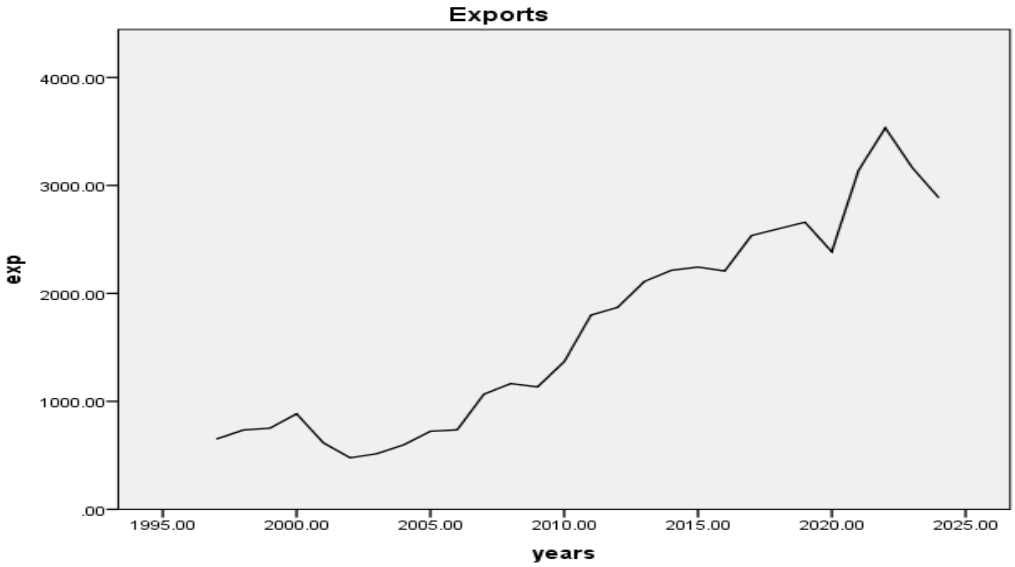

Figure 2. Exports in Palestine (1997–2024)

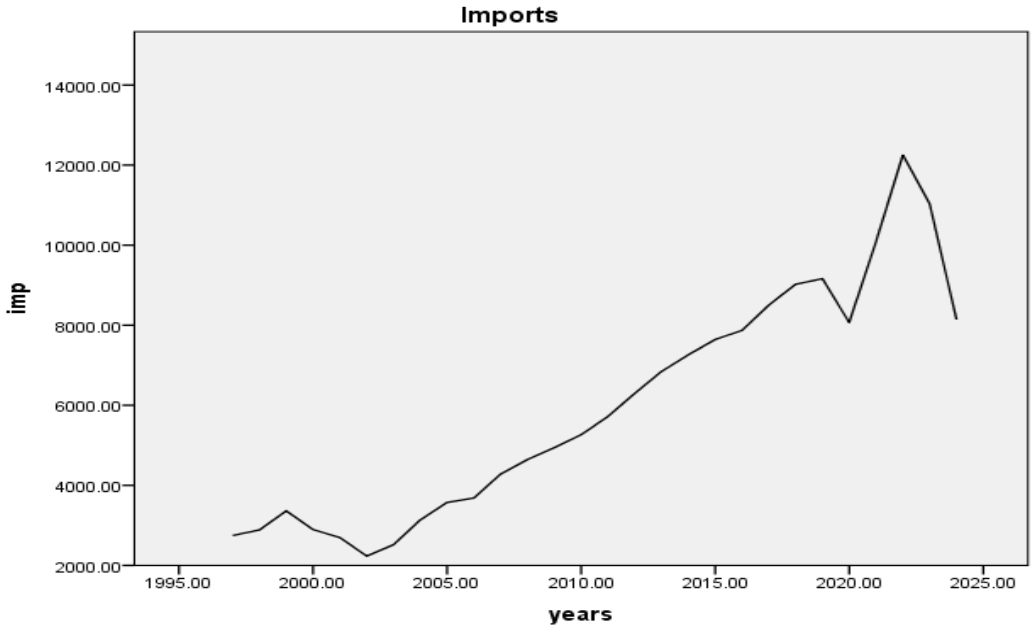

Figure 3. Imports in Palestine (1997–2024)

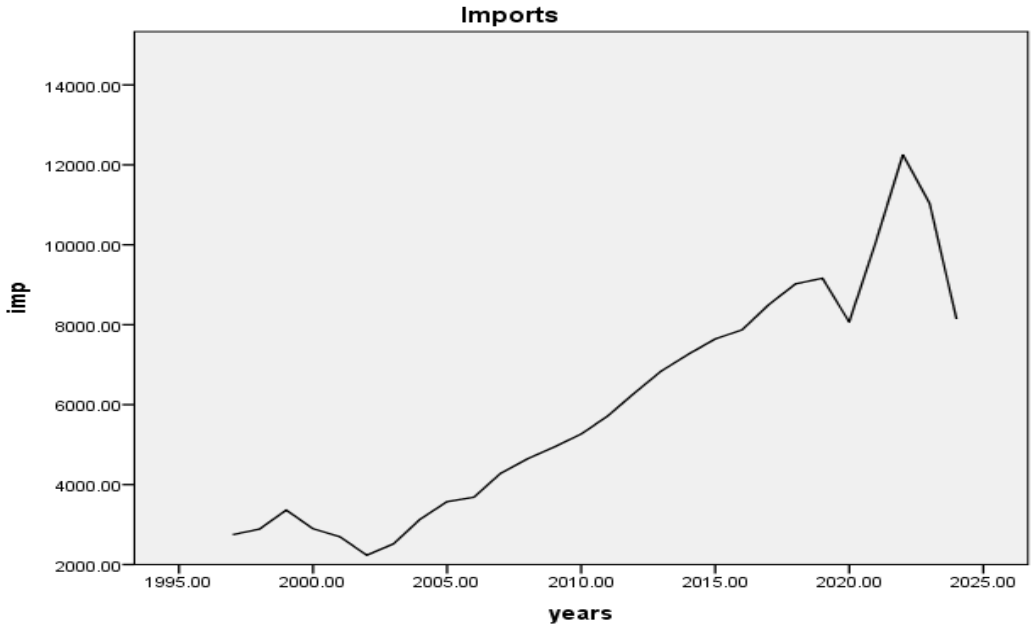

Figure 4. Public Expenditure in Palestine (1997–2024)

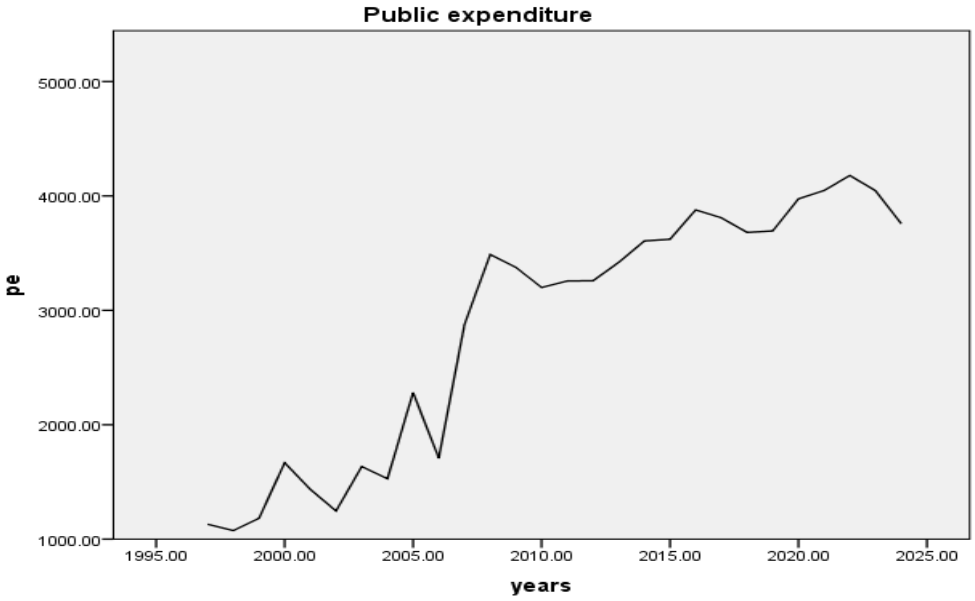

Figure 5. Wage Expenditure in Palestine (1997–2024)

Discussion

The findings of this study confirm that credit facilities exert a decisive influence on trade, fiscal expenditure, and wage dynamics in Palestine. All four null hypotheses were rejected, and each research question was answered affirmatively. The results extend prior macroeconomic research by reframing credit facilities as tools of project finance, supply chain continuity, and working capital management, thereby contributing to both economic and managerial literature.

Exports were found to differ significantly between low and high credit facility regimes ($Z = -4.503$, $p < 0.01$, $r = -0.85$), supporting RQ1 and rejecting H_{01}. This finding aligns with Bernard and Jensen (1999), who demonstrated that exporters with stronger financial access outperform their peers, and with Greenaway et al. (2007), who confirmed that exporters are financially healthier than non-exporters. Similarly, Zeng et al. (2023) highlighted that trade credit disproportionately benefits liquidity-dependent industries. In the Palestinian context, where firms depend on imported inputs and face recurrent trade disruptions, access to banking credit is critical for sustaining export performance. This also echoes Aschauer's (1989) early argument that financial and infrastructural resources are central to productivity, extending that logic into the realm of export competitiveness under fragile economic conditions.

Imports also differed significantly between low and high facility regimes ($Z = -4.503$, $p < 0.01$, $r = -0.85$), supporting RQ2 and rejecting H_{02}. This result is consistent with Tomak and Yilmaz (2024), who found that bank loans significantly boost imports and exports in Türkiye, and resonates with Besedeš et al. (2014), who showed that credit constraints limit trade in capital-intensive sectors. In Palestine, where the economy relies heavily on imported raw materials, credit facilities mitigate procurement delays and ensure continuity of production schedules. This underscores the role of credit as a form of supply chain finance that stabilizes operations under uncertainty. It also reflects findings by Peña (2023), who showed that financial variables such as interest rates shape public and private spending patterns, reinforcing the idea that liquidity conditions influence firms' ability to engage in cross-border trade.

Public expenditure also showed significant differences across facility regimes ($Z = -4.273$, $p < 0.01$, $r = -0.81$), answering RQ3 affirmatively and rejecting H_{03}. This finding is consistent with Sosvilla-Rivero et al. (2025), who found that categories of public spending influence growth differently across EU member states, and with Kassim and Abubakar (2018), who argued that financial development enhances fiscal capacity. However, it diverges from Delavallade (2006), who noted that corruption distorts public spending in developing economies. In Palestine, the result highlights how government spending is closely tied to banking liquidity and external financing, revealing a constrained but direct relationship between credit and fiscal expenditure. This complements Kapaya's (2023) insight that demographics and structural conditions moderate the link between expenditure and financial development, since Palestine's dependency on external flows creates unique fiscal vulnerabilities.

Wage expenditure also differed significantly between high and low credit facility regimes ($Z = -4.181$, $p < 0.01$, $r = -0.79$), supporting RQ4 and rejecting H_{04}. This finding aligns with Tu Tran et al. (2020), who observed that export credit supported employment stability in Vietnam, and with Anenechi et al. (2024), who reported that credit facilities enhanced profitability and sustained wage payments in Nigerian firms. In Palestine, this result underscores the critical role of banking support in maintaining skilled labor, ensuring timely wage disbursement, and preventing project delays. Moreover, the result resonates with Huynh and Le (2025), who demonstrated that firms adapt their working capital management strategies in response to supply chain risks, highlighting the direct financial–operational link between liquidity and wage stability.

Taken together, the results broadly confirm Sweis (2017), who found that banking facilities positively influence Palestinian economic development, but challenge the weaker relationships identified by Abugamea (2016) and Abdullah (2016). These differences may be explained by methodological approaches, as previous studies relied on regression-based models, whereas the

present study applies a non-parametric comparison that captures structural distortions more effectively. Regionally, the findings are consistent with Al-Qudah et al. (2020), who highlighted the central role of bank credit in Jordan's economy. Globally, they align with Bernard & Jensen (1999), Greenaway et al. (2007), Besedeš et al. (2014), and Zeng et al. (2023), while extending their conclusions to the case of a fragile, conflict-affected economy. The study also complements Ehrlich and Lui (1999), who linked governance quality and corruption to economic performance, by showing how credit availability itself can constrain or enable fiscal and wage outcomes in a politically restricted environment. Similarly, Hassett (2009) and D'Alessandro et al. (2019) cautioned that not all financial stimulus is equally effective, yet the present findings suggest that in Palestine, credit facilities act as one of the few reliable levers of operational stability.

From a managerial and production management perspective, these findings emphasize that credit facilities are not simply macroeconomic instruments but operational necessities. In terms of firms, having abundant credit means they will be able to quickly obtain imports, fulfil export orders and allow wage payments to be processed on time, reducing delays and cost production. For governments, credit access through banking improves fiscal position to continue investing in public infrastructure and public services to deliver projects.

In fragile economies like Palestine, greater access to credit therefore acts as a crucial mechanism to manage risks and increases resilience in firms and stabilization in the economy.

The findings confirm that exports, imports, government expenditure and wages all significantly differ between a low and high credit facility regime, thereby confirming the questions of research and rejecting the null hypotheses. The results support the findings of Bernard & Jensen (1999) and Greenaway et al (2007) who respectively maintained that credit is fundamental to export competitiveness, and, importantly, expanded this into a conflict-affected economy. It is worth mentioning that the resilience aligns with the purpose of supply chain finance and sustaining operational continuity, noted by Zheng, Wang, Ye and Li (2025) who found finance mechanisms fundamental in managing disruptions.

Similarly, the stability of imports under high credit regimes echoes Tomak and Yilmaz (2024) and Besedeš et al. (2014), affirming that liquidity supports procurement continuity. Public spending's link to facility regimes reflects findings from Sosvilla-Rivero et al. (2025) and Kassim & Abubakar (2018), albeit filtered through the unique constraint of Palestinian fiscal dependency. Wage security reflects working capital resilience: these results accord with Tu Tran et al. (2020) and Anenechi et al. (2024) but also mirror the working capital shifts firms make under risk conditions, as observed by Huynh and Le (2025). Taken together, credit facilities emerge not only as macroeconomic levers but as integrated managerial tools supporting project and production performance. Their dual financial–operational nature echoes the theoretical model proposed by Divya et al. (2025), reinforcing our study's framing of credit as a strategic linchpin in fragile supply systems.

In summary, the evidence confirms that higher credit facilities significantly enhance exports (RQ1), imports (RQ2), public expenditure (RQ3), and wage stability (RQ4), thereby providing affirmative answers to all research questions and rejecting all null hypotheses.

Conclusion and Recommendations

This study set out to investigate whether statistically significant differences exist in exports, imports, public expenditure, and wage expenditure under varying credit facility regimes in Palestine. Using time-series data from 1997–2024 and applying the Mann–Whitney non-

parametric test, the results confirmed that all four research questions were answered affirmatively and all null hypotheses were rejected. Specifically, higher levels of credit facilities were associated with significantly greater exports, imports, fiscal spending, and wage stability.

The key academic contribution of this study lies in reframing credit facilities as managerial instruments rather than purely macroeconomic levers. By positioning credit as a tool of project finance, supply chain continuity, and working capital management, the paper bridges gaps between economics, engineering management, and production management. Methodologically, the application of the Mann–Whitney test provides a new approach to analyzing financial regimes in fragile economies, capturing structural distortions that regression-based models often overlook. Conceptually, the study extends global debates on credit and trade into the context of a conflict-affected economy, offering evidence that financial mechanisms serve as strategic linchpins for operational resilience.

The findings also carry strong managerial and practical implications. For firms, they underscore the importance of securing adequate access to credit facilities in order to sustain imports of raw materials, meet export commitments, and ensure timely wage payments. Credit access therefore reduces the risk of production delays, cost overruns, and workforce instability. For project managers in particular, banking credit can be understood as a form of risk management that safeguards continuity in volatile supply environments. For governments, the results highlight the extent to which fiscal capacity depends on banking liquidity, confirming the need to integrate financial policy with infrastructure planning and public service delivery.

At the policy level, the study suggests that expanding credit facilities should be a strategic priority for Palestine. Policymakers and financial regulators should strengthen partnerships between banks and productive sectors to channel credit toward manufacturing, agriculture, and export-oriented industries; develop targeted credit programs that stabilize wage disbursements and sustain skilled labor during crises; align financial reforms with public expenditure frameworks to ensure that liquidity improvements translate into infrastructure and social investments; and promote risk-sharing mechanisms and guarantees that reduce the exposure of banks to political and economic shocks, thereby incentivizing broader lending.

While this study provides robust evidence, it is limited by its reliance on aggregate time-series data and a median split approach to define facility regimes. Future research should extend the analysis by employing panel data across sectors, exploring firm-level credit dynamics, and incorporating advanced econometric techniques such as ARDL or VAR to assess causality. Comparative studies across fragile and stable economies could also deepen understanding of how credit facilities function under varying institutional constraints.

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