

**The Capital Structure
of Non-Financial Corporate Sector in
Palestine:
A Comparative Study, Pre and Post Oslo
Accord 1993**

ABSTRACT

The purpose of this study was threefold : First, to present a comprehensive literature review on the issue of corporate capital structure. Second, to identify and analyze the past and present corporate Financing Patterns in Palestine in light of modern theories and practices. Finally, to explore whether Palestinian corporate executives are changing their attitudes towards the source of finance available to them now and in the foreseeable future.

The findings of the content analyses conducted on the most recent audited annual reports of a sample of non - financial corporations revealed that the sample firms rely on external equity financing as the major source of capital, followed by the retained earnings (internal financing) in the second place, and long- term debt financing as the last source. These financing patterns prevail in the pre- and post- 1993 periods. These practices are not conformed with modern finance theories and practices of corporate firms in the developed countries, but they are compatible to the practices of their counterparts in the developing countries. Furthermore, the interviews conducted with managers of selected coporations, as well as with influential money exchangers reveal no off-balance sheet financing utilized during both pre- and post- 1993 periods. As to the attitudes of corporate executives toward future financing policies, the survey undertaken for that purpose produced a preliminary evidence that those firms would continue their behavior with respect to the future financing options. This evidence may stem from a lack of awareness and knowledge of modern finance practices on the part of Palestinian corporate managements. This detected distortion in the Palestinian corporate capital structure reflects unfavorably upon the cost of a firm's capital, and consequently, their competitive position.