

Liquidity, Convertibility, and Scarcity Rents in the Gaza Strip During and After the War

Bashar M. Skaik

Abstract

Independent Consultant (Economic Development & Political Economy), Gaza, Palestine
Corresponding author: bashar@economicadvisoryhub.com

This paper argues that the liquidity crisis in the Gaza Strip during and after the war should not be understood merely as a shortage of money, nor as a conventional banking crisis, but rather as a collapse in the circulation, accessibility, and convertibility of physical cash. In Gaza, deposits, salaries, aid transfers, and electronic balances could continue to exist on ledgers and in digital wallets while becoming materially discounted in everyday life because access to banknotes was severely constrained. The crisis emerged from the interaction of several forces: the disruption of formal banknote inflows, the destruction or paralysis of banking infrastructure, the fragmentation of internal security, the deterioration of notes already in circulation, and the rise of informal intermediaries who converted digital balances into cash at extraordinary commissions. By the end of 2024, formal cash liquidity in Gaza had fallen to exceptionally low levels, while cash-out fees in different periods reportedly ranged from the high teens to 30–40 percent or more.¹

The paper further contends that the crisis was real in origin but exploitative in operation. That is, the initial shock was grounded in war, blockade, infrastructure collapse, and the interruption of the financial “plumbing” on which Gaza’s shekel economy depends. Yet these conditions also generated a secondary political economy in which cash itself became a rent-bearing commodity. Merchants, brokers, cash traders, and armed actors who held or controlled access to physical notes were able to extract large scarcity rents from households, wage earners, aid recipients, and small businesses. In this sense, the Gaza liquidity crisis became not only a monetary disruption, but also a mechanism of regressive redistribution under conditions of war.²

1. Introduction

War destroys not only lives, homes, roads, firms, and institutions; it also destroys the ordinary channels through which an economy converts nominal claims into usable purchasing power. The experience of Gaza during and after the war illustrates this with unusual clarity. In principle, a worker may still possess a salary in a bank account, a family may receive humanitarian assistance through a digital transfer, and a merchant may hold a positive balance on an electronic ledger. Yet none of these is equivalent to liquidity in the practical sense if cash cannot be withdrawn, if digital payments are not universally accepted, if notes in circulation

¹Palestine Monetary Authority, Financial Stability Report 2024 (2025); Reuters, “Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery,” May 14, 2024; OCHA, “Gaza Humanitarian Response | Situation Report No. 60,” January 9, 2026.

²Reuters, “Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery,” May 14, 2024; OCHA, “Gaza Humanitarian Response | Situation Report No. 60,” January 9, 2026; Reuters, “As the guns fall silent, Gazans find newly-reopened banks have no cash,” October 31, 2025.

are worn and refused, or if every attempt to convert bank balances into cash requires surrendering a quarter, a third, or in some periods nearly half of the amount. Under such conditions, the question is not whether money exists in an accounting sense, but whether it can actually perform its transactional function in everyday life. Gaza's crisis was, in this respect, less a disappearance of money than a breakdown in the social and physical machinery that allows money to circulate.³

This distinction matters because much of the public language surrounding the problem has been imprecise. To describe Gaza's experience simply as a banking crisis is misleading, since the central problem was not initially insolvency in the standard financial sense, nor the sudden extinction of balances from bank records. Nor is it sufficient to describe it merely as a cash shortage, if by that one means only an accidental lack of notes. The crisis was deeper and more layered: it involved the severing of cash supply channels, the paralysis of withdrawal infrastructure, the degradation of note quality, the fragmentation of internal order, and the emergence of informal and coercive intermediaries who transformed access to cash into a lucrative business. Pre-war Gaza relied on a functioning banking and ATM network and on regular net inflows of shekels to sustain day-to-day liquidity. Once these channels were disrupted, digital balances increasingly traded at a discount to physical cash, and a new hierarchy emerged between those who merely possessed money on paper and those who controlled money in hand.⁴

The empirical indicators of the collapse are stark. The pre-war network reportedly included 56 bank branches and 91 ATMs. By May 2024, Reuters reported that only five branches and seven ATMs remained operational. The Palestinian Monetary Authority's 2024 Financial Stability Report later indicated that cash liquidity in Gaza across currencies stood at only USD 25.6 million by year-end, with NIS cash liquidity falling from USD 271.0 million in 2023 to USD 18.5 million in 2024. At the same time, digital financial activity expanded rapidly rather than disappearing: by February 2025, Gaza reportedly had more than 530,000 e-wallet users with outstanding balances exceeding USD 40 million, while commissions for converting digital balances into cash remained painfully high even after partial improvements in access. In December 2025, OCHA reported cash-out fees of 17–20 percent, while Reuters reported that after banks reopened following the October 2025 ceasefire, many still had no cash and some residents were paying up to 40 percent to obtain their own money in banknotes.⁵

³Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; Palestine Monetary Authority, Financial Stability Report 2024 (2025).

⁴Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; Palestine Monetary Authority, Financial Stability Report 2024 (2025); Palestine Monetary Authority, "Questions and Answers from the PMA Regarding the ILS Accumulation Crisis," June 19, 2025.

⁵Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; Palestine Monetary Authority, Financial Stability Report 2024 (2025); World Bank, Note on the Impacts of the Conflict in the Middle East on the Palestinian Economy - April 2025 (Washington, DC: World Bank, 2025); OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; Reuters, "As the guns fall silent, Gazans find newly-reopened banks have no cash," October 31, 2025.

The central claim of this paper is therefore twofold. First, Gaza’s liquidity crisis was genuine: it arose from war-related disruption, external control over currency flows, damage to financial infrastructure, and insecurity severe enough to interrupt the circulation of cash itself. Second, this genuine crisis was then magnified into a system of scarcity rents. Cash did not simply become scarce; it became tradable at a premium. Those who held banknotes, controlled access points, or occupied privileged positions in informal markets could turn convertibility into profit. Thus, the crisis should be analyzed not only as a technical monetary problem but also as a wartime political economy in which liquidity was unequally distributed, strategically mediated, and commercially exploited. This distinction is essential, because it allows one to reject two simplistic narratives at once: the first, that the problem was nothing more than a neutral market shortage; the second, that it was entirely artificial and therefore not a real crisis. The stronger and more defensible position is that the shortage was real, while its severity, persistence, and distributive consequences were deepened by predation, arbitrage, and coercive intermediation.⁶

Methodologically, this paper relies on a triangulation of official supervisory reporting, humanitarian monitoring, market assessments, and journalistic investigations. This approach is necessary because direct measurement of wartime cash holdings outside the formal financial system is extremely limited. A key empirical constraint is that bank-vault cash is not equivalent to all cash physically present in Gaza, and no reliable wartime survey of household cash holdings exists. That limitation requires caution. It allows us to state confidently that formal liquidity collapsed, that convertibility broke down, and that commissions became extraordinarily high; it does not allow us to specify with precision how much cash remained hidden in homes, shops, tunnels, private safes, or informal circuits. The argument of this paper, therefore, does not rest on proving the exact aggregate stock of cash in Gaza. It rests instead on demonstrating that the effective circulation of cash collapsed, that the discount on digital balances became systemic, and that this discount redistributed value away from ordinary households toward holders and controllers of physical cash.⁷

2. Theoretical Framing: Money, Liquidity, and Conflict Economy

The analysis in this paper can be situated within several established strands of monetary and political-economy theory. First, classic theories of money demand, from Keynesian liquidity preference to the Baumol-Tobin transactions approach, help explain why physical cash acquired extraordinary importance in Gaza under wartime conditions. Keynes’s framework emphasizes that money is held for transactions, precautionary, and speculative motives, while

⁶Reuters, “Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery,” May 14, 2024; Palestine Monetary Authority, Financial Stability Report 2024 (2025); Le Monde, “Gaza’s Banks Targeted by Armed Groups,” May 5, 2024; OCHA, “Gaza Humanitarian Response | Situation Report No. 60,” January 9, 2026.

⁷Palestine Monetary Authority, Financial Stability Report 2024 (2025); OCHA, “Gaza Humanitarian Response | Situation Report No. 60,” January 9, 2026; World Bank, Note on the Impacts of the Conflict in the Middle East on the Palestinian Economy - April 2025 (Washington, DC: World Bank, 2025).

the Baumol-Tobin tradition shows that the demand for cash depends not only on expenditure needs but also on the cost of converting other assets into transaction-ready balances. In Gaza, the relevant implication is direct: as uncertainty intensified and the cost of converting digital balances into physical cash rose sharply, the precautionary and transactional demand for cash increased accordingly (Keynes 1936; Baumol 1952; Tobin 1956).

Second, the paper's argument is closely aligned with cash-in-advance and transaction-cost models of money. These approaches emphasize that exchange becomes impaired when the monetary instruments required for settlement are costly or difficult to obtain. Under such conditions, nominal balances may continue to exist while their effective purchasing power declines because they cannot be mobilized at low cost in actual transactions. This logic closely matches the Gaza case, where salaries, deposits, and digital balances often remained visible on ledgers but could not be transformed into spendable cash except through costly and unequal intermediation. In this sense, the crisis may be understood as a wartime tightening of the economy's effective cash-in-advance constraint (Espinoza and Tsomocos 2013).

Third, more recent monetary theory provides a useful language for explaining why different forms of money ceased to be equivalent. Search-theoretic and payments-based approaches emphasize that the usefulness of money depends on exchange frictions, settlement reliability, and the acceptability of the payment instrument itself. Related work on settlement frictions and endogenous convenience yields shows that liquid assets may command a premium when they offer superior capacity to complete transactions under stressed conditions. This framework is especially relevant to Gaza, where physical cash acquired a convenience yield above face value because it alone could settle many daily transactions immediately, whereas digital balances depended on electricity, connectivity, merchant acceptance, and often a costly cash-out process. The spread between money on screen and money in hand can therefore be interpreted as a liquidity premium generated by severe wartime settlement frictions (Nosal and Rocheteau 2011; Bianchi and Bigio 2025).

Fourth, the crisis can also be illuminated by the distinction between funding liquidity and market liquidity. In this literature, the ability of actors to provide liquidity depends on their own access to funding, and the two forms of liquidity may deteriorate together in self-reinforcing fashion. Although Gaza's case is not a textbook securities market, the underlying logic remains useful: once branches, ATMs, and cash logistics lost operational funding capacity, the market liquidity of money itself also deteriorated. As access to physical cash weakened, cash became more valuable, and that increased value in turn intensified hoarding, selective access, and the persistence of the premium (Brunnermeier and Pedersen 2009).

Finally, the later phases of the crisis are best interpreted through the lens of rent-seeking and conflict political economy. The war-economy literature shows that conflict does not merely destroy markets; it can also create new rent-bearing bottlenecks through smuggling, extortion, capture, and predation on scarce resources. World Bank work on conflict settings has shown how wartime environments can enable armed groups, corrupt networks, and politically connected actors to profit from disruption itself. In Gaza, this perspective helps explain why the liquidity crisis did not remain a neutral technical failure. Once cash became scarce and convertibility failed, access to physical currency became a rent-bearing position that could be exploited by brokers, merchants, and coercive actors. The crisis was therefore not only a monetary breakdown, but also an extractive wartime market order (Collier 1999).

3. From Money to Usable Money: A Conceptual Framework for Liquidity in a War Economy

Building on these theoretical perspectives, the Gaza case may be understood by distinguishing between money as an accounting claim and money as usable purchasing power. In stable settings, the difference is often small enough to be ignored. A shekel held in a bank account is treated as equivalent to a shekel held in cash because one can ordinarily convert one form into the other with minimal cost and delay. But this equivalence depends on an institutional and physical infrastructure: functioning banks, accessible ATMs, secure transport of notes, electricity, telecommunications, public order, merchant acceptance, and a steady mechanism for replenishing and replacing currency. When this infrastructure collapses, parity between digital balances and physical cash breaks down. A bank balance remains nominally intact, but its real transactional value declines because the holder can no longer convert it into widely accepted means of payment without incurring substantial losses. In such conditions, cash commands a premium over ledger money, and liquidity must be understood not as the mere existence of a monetary claim but as the practical ability to mobilize that claim in exchange.

In Gaza, this problem was sharpened by the structure of the currency regime itself. Palestine does not issue a sovereign national currency for Gaza to print or manage independently in the conventional sense, and the shekel dominates everyday transactions. The monetary architecture is therefore marked by three intertwined vulnerabilities: dependence on an externally controlled currency, reliance on cross-border correspondent and banknote arrangements, and heavy day-to-day dependence on physical cash for ordinary retail life. PMA reporting and World Bank analysis also point to an older structural fragility in the wider Palestinian banking system, namely the shekel accumulation or repatriation bottleneck, through which excess shekel notes could become trapped because transfers to Israeli banks were restricted. Before the war, this was already a sign that monetary frictions could emerge even under non-catastrophic conditions. The war did not invent this vulnerability; it converted a chronic structural weakness into an acute and generalized collapse.⁸

For analytical purposes, Gaza's liquidity problem may be divided into four layers. The first is the currency layer, that is, which unit of account dominates transactions and who controls its issuance and circulation. The second is the settlement layer, through which banks clear positions, move cash, and maintain operational access to the dominant currency. The third is the distribution layer, which includes branches, ATMs, vaults, transport, electricity, and telecommunications. The fourth is the retail convertibility layer, in which households and firms translate balances into actual purchases. A crisis at any one level may be disruptive; a crisis across all four levels at once is transformative. Gaza experienced precisely this cumulative failure. Cash inflows were constrained, distribution channels were damaged or immobilized, note quality deteriorated without replenishment, and retail convertibility fractured as digital balances increasingly required paid intermediation to become usable cash. In that sense,

⁸Palestine Monetary Authority, "Questions and Answers from the PMA Regarding the ILS Accumulation Crisis," June 19, 2025; World Bank, Note on the Impacts of the Conflict in the Middle East on the Palestinian Economy - April 2025 (Washington, DC: World Bank, 2025).

liquidity did not vanish in one moment; it decomposed layer by layer until the final user faced an economy in which nominal possession of money no longer guaranteed effective command over goods.⁹

This layered framework also helps explain why digital expansion, though significant, could not by itself resolve the crisis. Digital wallets, instant payments, QR systems, and humanitarian electronic transfers mitigated harm and preserved some continuity of payment flows. Yet their success remained conditional. Where small merchants preferred cash, where electricity and internet access were unreliable, where households lacked devices or charging capacity, or where transport and informal retail still depended on notes and coins, digital value could not fully substitute for cash. The evidence is telling: even as e-wallet usage surged, a large share of wallet transaction value still took the form of cash withdrawals, which indicates not the end of cash dependence but its continued centrality. Put differently, digitization softened the crisis but did not abolish the premium on cash. The premium survived because the economy remained only partially digitizable, while the physical scarcity of notes remained unresolved.¹⁰

Once this point is grasped, the notion of scarcity rents becomes central. In ordinary economics, a rent arises when control over a scarce asset permits returns above ordinary competitive margins. In Gaza, physical cash became such an asset. Those who controlled banknotes, or access to the mechanisms through which digital balances could be converted into banknotes, were able to extract substantial commissions. This was not merely a technical service fee; it functioned as a systematic discount on the money of others. A worker receiving a salary digitally but losing 20, 30, or 40 percent to obtain cash is, in effect, paying a private tax imposed by scarcity and power. The same logic applies to aid recipients, small businesses, and households forced to accept less than face value for their own balances. The consequence is distributive as well as monetary: value is transferred away from those dependent on digital claims toward those who possess liquid notes, market access, coercive capacity, or brokerage position. This is why the Gaza liquidity crisis should be read as both a monetary breakdown and a wartime regime of extraction.¹¹

⁹Palestine Monetary Authority, “Questions and Answers from the PMA Regarding the ILS Accumulation Crisis,” June 19, 2025; Reuters, “Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery,” May 14, 2024; Palestine Monetary Authority, “The PMA Announces Alternatives for Dealing with Cash Liquidity after the Destruction of Bank Branches in the Gaza Strip,” May 8, 2024.

¹⁰Palestine Monetary Authority, Financial Stability Report 2024 (2025); World Bank, Note on the Impacts of the Conflict in the Middle East on the Palestinian Economy - April 2025 (Washington, DC: World Bank, 2025); Palestine Monetary Authority, “The PMA Announces Alternatives for Dealing with Cash Liquidity after the Destruction of Bank Branches in the Gaza Strip,” May 8, 2024.

¹¹OCHA, “Gaza Humanitarian Response | Situation Report No. 60,” January 9, 2026; Reuters, “Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery,” May 14, 2024; Reuters, “As the guns fall silent, Gazans find newly-reopened banks have no cash,” October 31, 2025.

The framework adopted here therefore leads to a precise interpretation. Gaza's crisis was neither simply the absence of money nor merely the failure of banks; it was the collapse of convertibility under conditions of war, siege, and fractured order. Its observable form was the widening gap between nominal and usable money. Its economic mechanism was the transformation of cash into a scarce commodity with a premium price. Its social consequence was the regressive redistribution of purchasing power away from ordinary civilians and toward actors who could monopolize access to liquidity. The central analytical question is therefore not only how much money existed, but who could turn money into means of life, on what terms, and at whose expense.

4. The Wartime Collapse of Cash Circulation

The collapse of cash circulation in Gaza did not occur in a single moment, nor can it be explained by one variable alone. Before October 2023, liquidity depended on a functioning if fragile architecture: bank branches and ATMs provided physical access to deposits and salaries, formal channels helped replenish notes in circulation, and regular inflows of shekels helped sustain everyday exchange. Before the war, Gaza had 56 bank branches and 91 ATMs. This matters because the wartime crisis was not simply the loss of "money" in the abstract; it was the destruction of the channels through which money was routinely converted into spendable cash.¹²

The first phase of the collapse began with the interruption of supply itself. Reuters reported in May 2024 that Israel had blocked cash imports into Gaza since the start of the war, while banking sources described Gaza's financial system as almost completely dependent on Israeli approval for major transfers and the movement of cash. In a shekelized economy that cannot issue its own currency, such a disruption was not marginal; it struck at the very foundation of physical liquidity. Once replenishment stopped, every subsequent transaction became dependent on the shrinking stock of notes already inside the Strip, and the ordinary distinction between a bank balance and a banknote began to widen into a material economic divide.¹³

Yet the stoppage of inflows alone does not fully explain the severity of the breakdown. The second phase was the collapse of distribution. Even if some cash remained somewhere inside Gaza, it could no longer move through the system in an orderly way. Bank branches were destroyed, closed, or rendered inaccessible; ATMs ceased functioning because of physical damage, insecurity, electricity shortages, communications outages, and the impossibility of transporting cash safely. On 22 April 2024, the Palestine Monetary Authority stated that repeated attacks on bank branches and ATMs were threatening their continued operation and their ability to disburse salaries and process transfers, while also noting that power loss and communications failures were obstructing access to financial services. Thus the crisis became not only one of shortage, but one of paralysis: cash could exist in principle and still fail to circulate in practice.¹⁴

¹²Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024.

¹³Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024.

A third phase followed naturally from that paralysis: the rise of predation, extortion, and seizure. Reuters reported that by 13 May 2024 only five branches and seven ATMs remained operational, primarily in Rafah, and that armed gangs were charging people for priority access to ATMs. The same reporting also noted that hundreds of millions of shekels were stranded in northern bank vaults because cash could not be moved safely southward, while Le Monde reported a major April 2024 robbery in which more than EUR 66 million was taken from one bank's Gaza City branches. Under these conditions, cash ceased to function as a neutral medium of exchange and became instead an object of contest, protection, seizure, and brokerage. The destruction of policing and wartime governance did not merely accompany the crisis; it deepened it by allowing armed and criminal actors to place themselves between depositors and their own money.¹⁵

The fourth phase was subtler but economically decisive: the deterioration of the currency stock itself. When no new notes enter and old notes cannot be routinely replaced, physical currency loses not only quantity but quality. Residents and market reports described worn notes, torn notes, and small denominations being increasingly refused, while market reporting indicated that merchants were rejecting damaged notes and certain denominations, thereby shrinking what may be called effective liquidity. A note that exists physically but is not accepted in trade is not fully liquid; it has become a compromised claim. This is why the wartime cash crisis cannot be reduced to counting nominal balances or even counting gross notes. The relevant question is how much of the currency stock remained usable, transferable, and acceptable in the market, and on that measure the collapse was plainly more severe than the mere existence of money on paper would suggest.¹⁶

By the end of 2024, these interacting shocks had produced what may properly be called a system-level low-cash equilibrium. The PMA's 2024 Financial Stability Report states that NIS cash liquidity in Gaza had fallen by nearly 92 percent year on year, from USD 271.0 million in 2023 to just USD 18.5 million by end-2024, while total cash liquidity across all currencies stood at only USD 25.6 million. That figure does not measure all cash physically hidden in households, shops, or informal holdings, and for that reason it should not be misread as the total money inside Gaza. What it does show, with considerable force, is that the formal and quasi-formal circulation system had been driven into an ultra-thin state in which ordinary banking activity was functionally paralyzed. The importance of this point for the argument of the paper is substantial: the crisis was real as a collapse of circulation, even if the aggregate stock of cash physically present outside the formal system cannot be measured with precision.¹⁷

¹⁴Palestine Monetary Authority, "The PMA: Repeated Attacks on Bank Branches in the Gaza Strip Exacerbate Citizens' Suffering," April 22, 2024.

¹⁵Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; Le Monde, "Gaza's Banks Targeted by Armed Groups," May 5, 2024.

¹⁶Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; Palestine Monetary Authority, "The PMA: Repeated Attacks on Bank Branches in the Gaza Strip Exacerbate Citizens' Suffering," April 22, 2024.

¹⁷Palestine Monetary Authority, Financial Stability Report 2024 (2025).

What emerged from this sequence was not merely "scarcity" in the passive sense, but a new monetary hierarchy. Those who held physical cash, controlled access to ATMs, possessed functioning merchant interfaces, or operated as cash-out intermediaries acquired disproportionate power over exchange. At that point, the problem ceased to be only one of disrupted liquidity and became, increasingly, one of monetized access.

5. Convertibility Failure and the Rise of the Cash Premium

The decisive monetary fact in Gaza was not simply that cash became scarce, but that convertibility broke down. Under ordinary conditions, a shekel held in a bank account, an e-wallet, or a salary ledger is treated as functionally equivalent to a shekel held in physical notes because the holder can move between forms at negligible cost. In wartime Gaza, that equivalence collapsed. Digital balances continued to exist, salaries could still be credited, and humanitarian transfers could still be sent electronically, yet the holder of those balances often could not obtain banknotes except through informal intermediaries who imposed steep commissions, restrictive terms, or discriminatory pricing. The result was that one unit of money no longer had one value. A physical shekel became worth more than a digital shekel because it alone guaranteed immediate transactional power in a damaged, fragmented, and only partially digitized economy. This pattern is consistent with PMA, OCHA, and Reuters reporting, which show that ledger balances remained visible while circulation failed and a large liquidity premium attached itself to notes in hand.¹⁸

This is the point at which the analysis must move beyond the language of "shortage" into the more precise language of discounted convertibility. When a worker transfers NIS 300 electronically to a cash holder and receives only NIS 150 or NIS 200 in notes, what has occurred is not a neutral service transaction in the ordinary commercial sense. It is a forced exchange under monetary distress, in which the formal face value of the balance is discounted by the scarcity of physical settlement. In effect, the market begins to quote two prices for the same nominal unit: one for money on screen, and another for money in hand. The spread between the two becomes the price of liquidity. This spread widened because cash was not merely scarce; it was locally monopolized, operationally difficult to move, and indispensable for a large share of daily transactions. commissions on converting digital balances into cash frequently reached 20-40 percent depending on place and period, exceeded 30 percent in several wartime accounts, and in some cases went higher still; even after partial reopening and post-ceasefire improvement, commissions were still reported at 17-20 percent.¹⁹

Once stated in these terms, the crisis becomes analytically clearer. What households faced was not only illiquidity, but a form of informal monetary devaluation at the point of access. A salary paid digitally was no longer equal to its nominal amount in real purchasing power if the

¹⁸Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; Palestine Monetary Authority, Financial Stability Report 2024 (2025).

¹⁹OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; Reuters, "As the guns fall silent, Gazans find newly-reopened banks have no cash," October 31, 2025.

recipient had to surrender a third of it to obtain usable cash. A humanitarian transfer did not retain full welfare value if part of it leaked into broker commissions before the household could buy food, transport, medicine, or other essentials. A trader with cash reserves was therefore in a radically different position from a worker with a salary account, even if both were, in nominal terms, “holding money.” The crisis redistributed value away from those with digital claims and toward those with cash inventories, access nodes, or brokerage position. That is why the cash premium should not be described merely as a nuisance fee. It functioned as a regressive transfer mechanism that reduced the real income of ordinary civilians while rewarding those who controlled the bottleneck.²⁰

Several forces made this premium durable rather than temporary. First, the economy remained heavily dependent on cash for retail exchange, transport, change-making, and many small transactions. Second, the destruction of bank branches and ATMs meant that formal withdrawal channels could not discipline informal pricing. Third, damaged notes and the rejection of certain denominations further reduced the stock of effective cash, thereby raising the premium on good-quality notes and on denominations suitable for daily commerce. Fourth, digital substitution, though substantial, did not eliminate the need for cash. PMA reporting indicates that e-wallet usage surged sharply, yet cash withdrawals still accounted for about 43 percent of wallet transaction value in 2024, which strongly suggests that digital balances were being used not as a final solution but as an imperfect bridge toward still-desired physical money. In other words, digitization did not dissolve cash hunger; it merely re-routed it through new channels.²¹

The premium was also not uniform, which is itself economically revealing. It varied by geography, timing, network access, merchant acceptance, agent inventory, security conditions, and the social position of the user. Such variation indicates that this was not a simple market-clearing price emerging under transparent competition. Rather, it reflected fragmented local monopolies, unequal bargaining power, and at times coercive protection. Where only a few brokers or merchants could convert balances into notes, the spread widened. Where humanitarian transfers increased digital balances faster than physical notes entered the area, the spread widened. Where electricity, internet, or telecom access weakened digital usability, the spread widened. And where armed groups, extortion, or informal power structures shadowed the cash chain, the spread widened further still. This is why the cash premium should be understood as both an economic and a political phenomenon: it priced not only scarcity, but also access, fear, and power.²²

A further consequence was the emergence of price discrimination between payment forms. Cash holders could sell notes at a premium; merchants could privilege cash buyers over digital

²⁰OCHA, “Gaza Humanitarian Response | Situation Report No. 60,” January 9, 2026; Reuters, “As the guns fall silent, Gazans find newly-reopened banks have no cash,” October 31, 2025.

²¹Palestine Monetary Authority, Financial Stability Report 2024 (2025); Palestine Monetary Authority, “The PMA Announces Alternatives for Dealing with Cash Liquidity after the Destruction of Bank Branches in the Gaza Strip,” May 8, 2024.

²²Reuters, “Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery,” May 14, 2024; OCHA, “Gaza Humanitarian Response | Situation Report No. 60,” January 9, 2026.

buyers; and some actors could impose implicit surcharges, unfavorable rounding, or denomination rules that penalized those lacking access to clean and acceptable notes. In such a setting, money ceased to be a neutral denominator of exchange and became stratified by form. The very meaning of price stability was altered, because part of the inflationary burden no longer appeared only in posted commodity prices; it appeared in the spread between cash and non-cash money. A household might observe no formal change in the nominal size of its salary transfer and yet suffer a severe decline in effective purchasing power simply because the route from digital claim to cash settlement had become privately taxed. The result was not only hardship but opacity, since part of the economic loss was hidden in payment conversion rather than visible in conventional market indices.²³

This helps explain one of the most important features of the Gaza case: why the crisis persisted even when digital rails expanded and some commercial activity resumed. If the underlying issue had been only a temporary operational disruption, then wider use of bank transfers and e-wallets should have compressed the spread rapidly. But the spread persisted because the underlying bottleneck remained physical. No amount of digitization can eliminate the premium on cash if daily life still requires notes, if merchant acceptance is partial, if the stock of notes is degraded, and if the inflow of new currency remains blocked or tightly constrained. Digital systems could reduce the damage, but they could not eliminate the crisis in a low-electrification, disrupted-telecom war economy. The convertibility problem remained binding because the physical-cash constraint remained unresolved.²⁴

The broader implication is that Gaza's wartime liquidity crisis should be conceptualized not merely as a monetary shortage, but as a hierarchy of money forms under stress. At the top stood usable physical cash in acceptable denominations and good condition. Beneath it stood physical cash that was damaged, small, or selectively refused. Beneath that stood bank balances and e-wallet balances that could circulate only where digital acceptance existed. And beneath those stood digital claims that had to be converted through brokers at punishing discounts. The economy did not cease to use money; it fractured money into ranks. Once that happened, those who controlled the superior form of money extracted rents from those trapped in inferior forms. This is the essential logic of the cash premium in Gaza. It was not a marginal market imperfection. It was the monetary expression of a wartime order in which access, coercion, and survival were priced into the very act of converting one's own balance into spendable life.²⁵

²³OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; Reuters, "As the guns fall silent, Gazans find newly-reopened banks have no cash," October 31, 2025.

²⁴Reuters, "As the guns fall silent, Gazans find newly-reopened banks have no cash," October 31, 2025; OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; Palestine Monetary Authority, "The PMA Announces Alternatives for Dealing with Cash Liquidity after the Destruction of Bank Branches in the Gaza Strip," May 8, 2024.

²⁵Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026.

6. Scarcity Rents, Informal Intermediation, and War Profiteering

Once cash became scarce and convertibility failed, the Gaza economy did not simply “adapt” in a neutral sense; it reorganized itself around new intermediaries who stood between digital balances and physical notes. In stable conditions, such intermediation is usually marginal, a matter of convenience or limited exchange services. In wartime Gaza, however, it became central. Cash brokers, money changers, informal cash traders, cash-out agents, certain merchants, and armed actors occupying strategic access points all found themselves in possession of a valuable bottleneck. They did not create the entire crisis in its first structural sense, but they transformed that crisis into a source of extraordinary rent. In doing so, they converted liquidity from a public monetary function into a privately appropriated commodity.²⁶

The concept of scarcity rent is especially useful here because it explains why the returns to holding cash became so disproportionate. A rent does not arise merely because something is useful; it arises because something scarce is controlled under conditions where others cannot readily obtain substitutes. That is precisely what happened to cash in Gaza. A person or business holding banknotes was not simply richer in a nominal sense than someone holding a bank balance. He possessed a superior monetary form whose exchange value exceeded face value because access to it had become constrained, localized, and uneven. Cash brokers and informal cash traders became a dominant conversion mechanism once formal cash-out channels failed, and their commissions often reached 20-40 percent or more depending on time and place. What appears, superficially, as a transaction fee was in reality a transfer of value from those trapped in digital money to those controlling physical money.²⁷

This intermediation operated at several levels. The most obvious level was the direct cash-out trade: a salaried worker, aid recipient, or transfer recipient would send a digital amount and receive less in cash, with the difference absorbed as commission. But the rent structure extended beyond that simple mechanism. Merchants able to accept digital payments while sourcing or holding cash could impose implicit surcharges, unfavorable exchange terms, or discriminatory pricing between payment forms. Those holding large daily cash turnover—such as certain retailers or high-volume commercial operators—could convert their end-of-day cash position into an income stream by reselling liquidity at a premium to desperate households. In such a setting, commercial activity itself became intertwined with monetary brokerage. One did not need to be a formal money changer to profit from the premium on cash; one needed only to stand at some point in the chain where liquidity passed from digital abstraction into physical settlement.²⁸

²⁶Reuters, “Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery,” May 14, 2024; OCHA, “Gaza Humanitarian Response | Situation Report No. 60,” January 9, 2026; Le Monde, “Gaza’s Banks Targeted by Armed Groups,” May 5, 2024.

²⁷Reuters, “Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery,” May 14, 2024; OCHA, “Gaza Humanitarian Response | Situation Report No. 60,” January 9, 2026.

²⁸Reuters, “Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery,” May 14, 2024; OCHA, “Gaza Humanitarian Response | Situation Report No. 60,” January 9, 2026.

A further layer of profit emerged from denomination and note-quality asymmetry. Because worn notes, small denominations, and damaged currency were increasingly rejected in parts of the market, not all cash commanded the same premium. Good-quality notes in usable denominations became more valuable than damaged or inconvenient notes, even though both were formally the same currency. This enabled a second-order form of rent extraction: actors could not only charge for cash versus digital transfer, but also discriminate within cash itself by privileging cleaner notes, larger denominations, or more acceptable bundles. The crisis therefore produced not just a binary hierarchy between digital and physical money, but a stratified ladder within physical cash as well. Such fragmentation deepened the disorder of pricing and further shifted power toward those best placed to sort, store, and circulate acceptable notes.²⁹

The role of armed and coercive actors requires especially careful treatment. The argument should not be framed crudely as though every cash broker or merchant acted under direct command, nor should it assert more than the evidence permits. Available evidence nevertheless supports the conclusion that the wartime breakdown of governance and security opened large space for predation, extortion, and cash capture, and that multiple accounts described armed groups—some reportedly linked to or claiming affiliation with Hamas—participating in bank robberies, ATM access extortion, and wider coercive control over circulation channels. Available reporting suggests that Hamas and other armed networks sought resources and control amid wartime governance collapse, while opportunistic private and criminal actors arbitrated scarcity for profit. This formulation is stronger than an absolute claim that one actor alone fully engineered the entire crisis, because it allows the paper to show that armed power and market profiteering interacted without pretending that the exact chain of command is fully observable under conflict conditions.³⁰

What makes this system analytically significant is that it imposed losses in a highly regressive pattern. The gains accrued to those with cash inventories, brokerage position, coercive capacity, or merchant leverage. The losses fell on those least able to bear them: salaried workers paid electronically, humanitarian staff and aid recipients forced to cash out, poorer households with limited digital access, elderly people, displaced families, and small traders dependent on cash for change-making and daily inputs. In that sense, the liquidity crisis did not merely reflect deprivation; it redistributed deprivation unevenly. The poor did not simply suffer from shortage. They subsidized the holders of cash. Every percentage point taken in commission represented a transfer from wages, transfers, or assistance intended for subsistence into the hands of intermediaries who monetized access. The crisis should therefore be understood not only as market dysfunction, but as a wartime regime of extraction.

²⁹Reuters, “Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery,” May 14, 2024; Palestine Monetary Authority, “The PMA: Repeated Attacks on Bank Branches in the Gaza Strip Exacerbate Citizens’ Suffering,” April 22, 2024.

³⁰Reuters, “Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery,” May 14, 2024; Le Monde, “Gaza’s Banks Targeted by Armed Groups,” May 5, 2024; Palestine Monetary Authority, “The PMA: Repeated Attacks on Bank Branches in the Gaza Strip Exacerbate Citizens’ Suffering,” April 22, 2024.

There is also a broader political-economy point here. Under normal conditions, money is supposed to reduce transaction costs and standardize exchange. In Gaza, under wartime liquidity stress, money itself became a site of unequal bargaining and social power. The holder of physical cash could command terms from the holder of digital balances; the merchant with liquidity could command terms from the consumer; the armed actor at the ATM or branch perimeter could command terms from the desperate queue. Thus the crisis created not only inflationary pressure and welfare loss, but a re-feudalization of exchange in miniature: access to money became personal, negotiated, risky, and often contingent on proximity to force, networks, or privileged market position. This dynamic shows that the liquidity crisis was not merely technical. It altered the social constitution of the market itself.³¹

For that reason, it is important not to write this section as a moral denunciation alone. The force of the analysis lies in showing that profiteering was not an accidental by-product of hardship but an expected consequence of broken convertibility under asymmetric power. Wherever a population depends on cash, wherever cash inflows are blocked, wherever formal disbursement infrastructure is crippled, and wherever coercive actors can occupy access nodes, a market in liquidity rents will emerge. Gaza's case is extreme, but not theoretically mysterious. The specific actors may vary by locality and phase, but the mechanism is consistent: structural blockage creates scarcity, scarcity creates a premium, and the premium attracts brokers, traders, and armed predation. The distinctiveness of Gaza lies in the scale of the premium, the length of its persistence, and the depth of the humanitarian economy that was forced to operate through that rent-bearing bottleneck.³²

7. Distributional Effects: Who Paid the Price of the Liquidity Crisis?

The liquidity crisis in Gaza did not burden all groups equally. Its costs were distributed through a harsh monetary asymmetry: those who possessed physical cash, or who controlled its release, could preserve or enlarge their economic position, while those whose income arrived digitally, irregularly, or through institutions had to surrender part of that income merely to render it usable. The result was not a generalized hardship alone, but a distinctly regressive pattern of loss. The crisis operated as a transfer mechanism through which the value of salaries, assistance, remittances, and small commercial earnings was partially stripped away before it could be converted into food, transport, rent, medicine, or other necessities. The available evidence indicates that cash scarcity created rents for those holding cash and costs for those receiving income digitally.³³

The first major losers were salaried workers—public employees, NGO staff, UN employees, and others whose wages continued, at least intermittently, to be credited through formal channels.

³¹Reuters, “Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery,” May 14, 2024; OCHA, “Gaza Humanitarian Response | Situation Report No. 60,” January 9, 2026.

³²Reuters, “Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery,” May 14, 2024; Le Monde, “Gaza’s Banks Targeted by Armed Groups,” May 5, 2024; OCHA, “Gaza Humanitarian Response | Situation Report No. 60,” January 9, 2026.

³³OCHA, “Gaza Humanitarian Response | Situation Report No. 60,” January 9, 2026; Reuters, “As the guns fall silent, Gazans find newly-reopened banks have no cash,” October 31, 2025.

On paper, these workers still had income. In practice, they often had only a nominal claim. Since salaries were commonly credited into accounts or digital channels while cash withdrawals became impossible or punitive, the real value of wages was eroded at the moment of conversion. Available reporting indicates that salaried workers faced wage-value erosion because they had to pay commissions to obtain usable cash, with cash-out fees reaching up to 40 percent in some periods and remaining around 17-20 percent even after conditions improved. This means that the crisis did not merely delay purchasing power; it confiscated part of it through the spread between nominal salary and physically accessible money. In economic terms, the salary remained intact in bookkeeping form while being devalued in lived form.³⁴

A second group heavily affected were households receiving humanitarian assistance, especially through digitally delivered multipurpose cash assistance. Here the effect was more complex. Such households were still net beneficiaries relative to receiving nothing, and the digital expansion of assistance undoubtedly mitigated starvation and consumption collapse. Yet the assistance did not reach them at full value whenever cash-out commissions, access frictions, and digital exclusion forced leakage. Recipient households benefited on net, but commissions created a measurable erosion of value, and digital transfers could unintentionally increase pressure on already scarce cash-out capacity when the transfer system expanded faster than the stock of physical cash. This is analytically important because it shows that humanitarian transfers did not automatically restore effective demand; part of their intended welfare effect was captured by intermediaries standing between the transfer and the household.³⁵

The burden fell even more severely on unbanked households and those with weak digital access, a category that often overlapped with the poorer, older, more displaced, and more socially constrained segments of the population. These households were disadvantaged twice over. First, they lacked direct access to the formal or semi-formal rails through which balances were increasingly being transferred. Second, because of that exclusion, they became more dependent on intermediaries, relatives, merchants, or brokers to mediate even the most basic transactions. Low-digital-access households - often poorer households, elderly people, and some women - were excluded by device, internet, charging, and connectivity constraints and therefore had to rely on intermediaries. This is one of the most important distributional findings in the paper, because it shows that the liquidity crisis was not only about money and markets; it was also about infrastructure, technology, and unequal social capacity to navigate digitized survival.³⁶

The crisis also produced what may be called a line economy, in which the search for cash or for access to banking services became a major daily activity in itself. Field reporting from Gaza described residents arriving before dawn and waiting for hours outside the few functioning

³⁴Reuters, "As the guns fall silent, Gazans find newly-reopened banks have no cash," October 31, 2025; OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026.

³⁵OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; OCHA, "Gaza Humanitarian Response Update | 10-23 June 2024," June 26, 2024.

³⁶Palestine Monetary Authority, "The PMA Announces Alternatives for Dealing with Cash Liquidity after the Destruction of Bank Branches in the Gaza Strip," May 8, 2024; OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026.

bank branches in the hope of opening an account or accessing basic financial services, while others were excluded altogether because they had lost identity documents during bombardment or displacement. Under such conditions, liquidity scarcity did not merely reduce purchasing power; it also imposed a bureaucratic, temporal, and physical burden on survival, increasing dependence on informal intermediaries for those least able to navigate the formal system (Nassar 2026).

Small merchants and informal vendors likewise bore a substantial but somewhat different burden. Their problem was not only that they lacked cash, but that their entire operating model depended on it. Small traders require notes for change-making, for small-value purchases, for replenishing stock, for paying transport or labor, and for transacting with suppliers who may themselves distrust or reject digital forms. These merchants faced difficulty because they depended on cash for inputs and change-making and were hit by note rejection and denomination problems, including the declining acceptability of smaller notes and worn currency. In effect, small commerce was squeezed from both sides: demand was weakened because households lost value during cash-out, while supply-side trade became harder because the means of petty exchange themselves were impaired. The result was not simply a cash shortage for merchants, but a degradation of the fine-grained transactional fabric on which informal and neighborhood markets depend.³⁷

The crisis also introduced a subtler but profound social division between those who were merely connected to digital systems and those who could actually convert digital claims into physical liquidity without severe penalty. The Palestinian Monetary Authority's rapid expansion of digital rails reduced harm and prevented a still deeper collapse, and official reporting credits this. But it also emphasizes that digital tools benefited primarily those households and merchants able to access devices, connectivity, and usable payment ecosystems, while those outside such systems remained disadvantaged. Thus even the principal coping mechanism of the crisis reproduced inequality. Digital inclusion became, in practice, a partial hedge against monetary exclusion; digital exclusion, conversely, deepened dependence on exploitative intermediaries. The liquidity crisis therefore widened not only class and market inequalities, but also technological inequalities.³⁸

The mirror image of these losses was the gain captured by cash-out agents, money changers, cash traders, and others holding liquid notes. Their gains were not incidental. They arose precisely because the rest of the population faced impaired convertibility. Every household forced to lose a significant percentage of its balance in order to obtain cash was subsidizing those who controlled the bottleneck. The same was true, in another register, for armed or criminal actors extracting ATM access fees, raiding vaults, or obstructing circulation. The crisis thus redistributed value upward toward actors whose advantage lay not in productive activity,

³⁷Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; Palestine Monetary Authority, "The PMA: Repeated Attacks on Bank Branches in the Gaza Strip Exacerbate Citizens' Suffering," April 22, 2024.

³⁸Palestine Monetary Authority, "The PMA Announces Alternatives for Dealing with Cash Liquidity after the Destruction of Bank Branches in the Gaza Strip," May 8, 2024; World Bank, Note on the Impacts of the Conflict in the Middle East on the Palestinian Economy - April 2025 (Washington, DC: World Bank, 2025).

but in privileged access to liquidity under wartime breakdown. The social incidence of the crisis must therefore be described not as equal suffering under shortage, but as stratified suffering under a monetized regime of access.³⁹

A further consequence, and one that deserves emphasis in the paper, is that the crisis penalized not merely consumption but dignity and autonomy. A household receiving aid digitally yet forced to surrender part of it to a broker did not only lose purchasing power; it lost control over the terms of its own survival. A wage earner who could not withdraw his own salary except at a punishing discount was not merely poorer; he was subordinated to a chain of intermediaries who had acquired power over the use of his earnings. A small trader unable to make change or secure acceptable notes did not merely face inconvenience; he faced the partial disintegration of the commercial autonomy on which small-scale livelihood rests. In this sense, the liquidity crisis was socially corrosive in a way that conventional macroeconomic descriptions do not fully capture. It turned access to one's own money into an ordeal mediated by dependency, discretion, and, at times, humiliation.⁴⁰

8. Was the Crisis Only Structural, or Also Manufactured and Intentionally Amplified?

The most defensible answer is that the crisis was structural in origin, but partially amplified in operation. It did not arise out of nothing, nor can it be reduced to a conspiracy invented from whole cloth. The paper's own evidence already shows that the first rupture was real and material: Gaza's shekel economy depended on externally controlled cash entry, formal banknote logistics, functioning branches and ATMs, and a minimum level of security sufficient to move and distribute notes. Once cash inflows were blocked, branches and ATMs were disabled, and vault access became dangerous or impossible, a genuine liquidity breakdown followed. That part of the crisis does not need embellishment; it is already severe enough as a matter of institutional fact.⁴¹

Yet it would be equally mistaken to stop the analysis there, as though everything that followed were merely the innocent mechanics of shortage. Scarcity did not remain passive. It became organized, priced, defended, and exploited. The available evidence points to a broad chain of amplifiers: cash brokers and "cash traders" who turned failed convertibility into a high-margin business; merchants able to discriminate between digital and cash payers; armed and criminal actors extorting access to ATMs or raiding vaults; and local power holders able to influence informal markets. In other words, the crisis did not remain a technical malfunction of the

³⁹OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; Reuters, "As the guns fall silent, Gazans find newly-reopened banks have no cash," October 31, 2025; Le Monde, "Gaza's Banks Targeted by Armed Groups," May 5, 2024.

⁴⁰OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; Reuters, "As the guns fall silent, Gazans find newly-reopened banks have no cash," October 31, 2025.

⁴¹Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; Palestine Monetary Authority, "The PMA: Repeated Attacks on Bank Branches in the Gaza Strip Exacerbate Citizens' Suffering," April 22, 2024; Palestine Monetary Authority, Financial Stability Report 2024 (2025).

monetary system. It evolved into a system in which multiple actors captured rents from the gap between nominal balances and usable cash. That is already a form of manufacturing in the economic sense, not because the original shortage was imaginary, but because the social severity of the shortage was widened by deliberate extraction.⁴²

The distinction between creation and amplification is therefore indispensable. The immediate wartime crisis was created by the interaction of Gaza's monetary dependence, blocked currency flows, infrastructure destruction, and security breakdown. But the later course of the crisis cannot be explained by structural conditions alone. Once access to cash became a bottleneck, actors with cash, coercive leverage, or brokerage position were able to intensify the pain of shortage and privatize its gains. The crisis thus passed through two analytically distinct stages: first, the collapse of circulation; second, the commercialization and appropriation of that collapse through brokerage, coercion, and selective access.⁴³

The available evidence does not permit precise measurement of all cash physically present in the Strip. No reliable wartime survey of household cash holdings appears to exist, and formal bank-vault cash is not equivalent to all cash circulating outside the banking system. For that reason, it cannot be demonstrated with precision that most shekels remained available for circulation, nor can the contrary be demonstrated with equal certainty. What can be said, however, is that the aggregate stock of cash physically present and the volume of cash actually circulating were not the same thing. A meaningful share of cash likely remained inside Gaza yet outside ordinary circulation - hidden, hoarded, trapped, selectively deployed, or captured by actors who had little incentive to release it at face value when scarcity rents were so high.⁴⁴

The strongest case for intentional amplification lies in the pattern of behavior rather than in any single conclusive smoking gun. The pattern is unmistakable: commissions repeatedly far above normal transactional cost; ATM access extortion; major vault robberies; persistent note-quality discrimination; selective control of scarce cash inventories; and an informal cash-out market whose pricing power endured even after digital payments scaled up. Such behavior cannot be explained merely by fear or inconvenience. It reflects actors recognizing that cash had become a command point over daily life and exploiting that command point accordingly. Available reporting identifies informal cash traders as major amplifiers of the problem and describes armed and criminal groups as extracting fees and obstructing access. Once those

⁴²Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; Le Monde, "Gaza's Banks Targeted by Armed Groups," May 5, 2024; OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026.

⁴³Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; Palestine Monetary Authority, "The PMA: Repeated Attacks on Bank Branches in the Gaza Strip Exacerbate Citizens' Suffering," April 22, 2024; Palestine Monetary Authority, "Questions and Answers from the PMA Regarding the ILS Accumulation Crisis," June 19, 2025.

⁴⁴Palestine Monetary Authority, Financial Stability Report 2024 (2025); OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024.

features are acknowledged, the paper can argue that the liquidity crisis was not only endured; it was actively intensified by those who profited from it.⁴⁵

The question of Hamas requires especially careful treatment, because this is where the argument becomes morally forceful but also most vulnerable if overstated. The available evidence supports a serious but bounded claim. As a de facto wartime authority with influence over local governance, informal markets, and potentially armed networks, Hamas had both motive and opportunity to benefit from a cash-starved environment. Accounts describing armed groups linked to or claiming affiliation with Hamas participating in robberies or predatory behavior, together with the wider collapse of policing and governance, support the conclusion that Hamas and Hamas-linked networks may have benefited from, influenced, or amplified the crisis. That is sufficient to justify the argument that Hamas was plausibly one of the principal local beneficiaries and amplifiers of the crisis. It is not sufficient, on the evidence presently assembled, to prove that the entire shortage was centrally designed from the outset as a wholly controlled scheme.⁴⁶

That distinction is not a weakness. On the contrary, it is what makes the argument credible. A paper that claims total fabrication invites easy rebuttal: yes, cash inflows were blocked; yes, branches were destroyed; yes, ATMs failed; yes, note deterioration was real; yes, war itself reduced circulation. But a paper that argues for hybrid causation is far harder to dismiss. It can concede the reality of the structural shock while demonstrating that local actors transformed that shock into an extractive system. In that formulation, the liquidity crisis was real in its first cause, political in its management, and exploitative in its mature form. The shortage was not invented ex nihilo; it was converted into a regime of advantage.

This leads to the most important analytical conclusion of the section. Gaza's liquidity crisis should not be framed as a choice between two absolutes—either a purely objective shortage or a wholly fabricated scam. It was neither. It was a genuine monetary and logistical collapse that became, over time, a manufactured scarcity regime at the margin, meaning that actors with cash, access, coercive leverage, or political protection could intensify the pain of shortage and privatize its gains. The relevant question is not whether they created all scarcity from nothing, but whether they increased its social cost, prolonged its effects, and extracted rents from the population through their control over conversion and circulation. On that question, the evidence is sufficiently strong for the paper to answer yes.⁴⁷

⁴⁵Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; Le Monde, "Gaza's Banks Targeted by Armed Groups," May 5, 2024.

⁴⁶Le Monde, "Gaza's Banks Targeted by Armed Groups," May 5, 2024; Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024.

⁴⁷Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; Le Monde, "Gaza's Banks Targeted by Armed Groups," May 5, 2024.

9. Policy Implications and Pathways to Restoring Monetary Function in Gaza

The central policy lesson of Gaza's liquidity crisis is that no serious recovery strategy can be built on digitization alone. Digital rails matter, and in the worst phases of the crisis they clearly prevented an even deeper collapse in consumption and payment continuity. The Palestinian Monetary Authority expanded instant payments, interoperability, QR-based transactions, and fallback mechanisms through SMS and USSD precisely because withdrawals and deposits had become impossible, while humanitarian actors scaled digital multipurpose cash assistance on a large scale. Yet the same evidence also shows why this response could only mitigate, not solve, the crisis: cash remained necessary for transport, petty trade, change-making, and for households lacking stable electricity, internet access, smartphones, or charging capacity; cash-out remained a bottleneck that imposed a regressive discount on digital balances; and the physical quality of currency continued to deteriorate in the absence of replenishment. In other words, Gaza's emergency response preserved payments, but it did not restore monetary equivalence between money on screen and money in hand.⁴⁸

For that reason, the first policy priority must be the controlled restoration of physical cash presence. Without the reintroduction of banknotes and coins, especially small denominations, commissions will remain structurally high and digital balances will continue to trade below face value. The objective here is not expansionary monetary policy in the classic sense, nor the injection of new money to stimulate demand. It is more basic and more urgent: to restore the transactional medium required for ordinary exchange, replace worn notes that have become partially unusable, and re-enable change-making in a battered retail economy. Any policy framework that avoids this point for political or security reasons will leave Gaza trapped in a low-cash equilibrium in which households continue paying a liquidity tax simply to use their own balances.⁴⁹

This reintroduction, however, cannot be naïve. The problem is not only shortage but diversion risk, predation, and capture. Accordingly, cash restoration must be designed as a monitored civilian liquidity operation, not as an unconditioned release. A credible mechanism would route banknotes to designated bank branches, verified agents, and tightly monitored cash windows linked to audit trails, recipient lists, and complaint channels. The emphasis on small denominations is especially important, because the crisis has not been only about aggregate cash volume; it has also been about the disappearance of usable notes for everyday transactions. Replacing worn notes and restoring small-value circulation would directly attack one of the most corrosive features of the crisis: the shrinking of effective liquidity through denomination gaps and note rejection.⁵⁰

⁴⁸Palestine Monetary Authority, "The PMA Announces Alternatives for Dealing with Cash Liquidity after the Destruction of Bank Branches in the Gaza Strip," May 8, 2024; OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; World Bank, Note on the Impacts of the Conflict in the Middle East on the Palestinian Economy - April 2025 (Washington, DC: World Bank, 2025).

⁴⁹Palestine Monetary Authority, Financial Stability Report 2024 (2025); OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; Reuters, "As the guns fall silent, Gazans find newly-reopened banks have no cash," October 31, 2025.

The second priority must be to compress the cash premium by regulating the conversion bottleneck rather than pretending it does not exist. Temporary liquidity windows for verified cash-out agents, conditional on published maximum commission caps, monitoring, and complaint mechanisms, would not eliminate the problem but could reduce its most exploitative effects. Under present conditions, such regulation is preferable to leaving households wholly exposed to informal brokers and cash traders. Every reduction in the cash premium translates directly into preserved real income for wage earners, aid recipients, and small traders. In practical terms, compression of the spread between digital balances and physical cash is one of the fastest available ways to reduce the regressive transfer embedded in the crisis.⁵¹

A complementary measure would be the temporary licensing and supervision of cash-out agents while formal banking channels remain impaired. Such a framework could combine registration, liquidity reporting, commission ceilings, and complaint mechanisms in order to reduce predatory intermediation without pretending that the informal market can simply be wished away. At the same time, banks should be permitted to use alternative emergency verification procedures for displaced clients who have lost identity documents, so that document loss does not become a separate axis of monetary exclusion in a setting where ordinary civil records and renewal procedures have also been disrupted (Nassar 2026).

The third priority is to rebuild the financial plumbing without which neither cash nor digital payments can function reliably. Electricity and telecommunications must be treated not merely as humanitarian infrastructure or public utilities, but as monetary infrastructure. When digital identity verification, wallet access, merchant settlement, complaints systems, and balance checks depend on network availability, a telecom outage is also a payments outage. The report's emphasis here is exactly right: PMA's use of SMS and USSD is a practical bridge in a disrupted environment, but even that bridge requires functioning networks and charging capacity. Thus, restoring cellular reliability, power access, and charging availability is not ancillary to liquidity recovery; it is one of its constitutive conditions. The same is true for the physical protection of bank personnel, vaults, and remaining branches. Where branches and cash movements remain exposed to attack, fear, or extortion, circulation cannot normalize.⁵²

A fourth priority follows from the limits of cash restoration itself: expand merchant-side digital acceptance while minimizing payment-form discrimination wherever feasible. Wider merchant acceptance can reduce the need for cash-outs and thereby shrink the rent pool available to

⁵⁰Palestine Monetary Authority, "The PMA Announces Alternatives for Dealing with Cash Liquidity after the Destruction of Bank Branches in the Gaza Strip," May 8, 2024; Palestine Monetary Authority, "The PMA: Repeated Attacks on Bank Branches in the Gaza Strip Exacerbate Citizens' Suffering," April 22, 2024.

⁵¹OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; OCHA, "Humanitarian Situation Report | 6 March 2026," March 6, 2026; Reuters, "As the guns fall silent, Gazans find newly-reopened banks have no cash," October 31, 2025.

⁵²Palestine Monetary Authority, "The PMA: Repeated Attacks on Bank Branches in the Gaza Strip Exacerbate Citizens' Suffering," April 22, 2024; Palestine Monetary Authority, "The PMA Announces Alternatives for Dealing with Cash Liquidity after the Destruction of Bank Branches in the Gaza Strip," May 8, 2024.

brokers. This matters because part of Gaza’s monetary distortion has occurred not only at the withdrawal stage but also at the point of sale, where the same nominal unit can be treated differently depending on whether it is offered as cash or digital value. The policy goal should therefore be twofold: to increase the number and variety of merchants able to accept digital payments, and to reduce hidden surcharges, implicit discounts, and discriminatory pricing between payment forms. A more digital-ready merchant ecosystem will not abolish the need for cash, but it can reduce forced conversion and narrow the field in which scarcity rents are extracted.⁵³

A fifth priority, less dramatic but economically essential, is note-quality and denomination management. In Gaza, the crisis has been worsened by the refusal of worn notes and the declining usability of some denominations. That means the policy response must include clear public rules that worn notes remain valid legal tender, combined with a practical exchange path for damaged currency once cash logistics resume at scale. This is not a minor administrative matter. Merchant refusal of worn or low-denomination notes reduces effective liquidity, worsens change-making, increases transaction frictions, and compounds the premium on cleaner currency. In a setting already starved of physical cash, allowing the surviving note stock to fragment into more and less acceptable forms only deepens the hierarchy of money that the paper has described.⁵⁴

Beyond immediate stabilization, the crisis also points to a medium-term institutional agenda. Gaza’s vulnerability is not only a consequence of the present war; it is also rooted in a structurally fragile monetary architecture in which the dominant everyday currency is externally controlled and its physical logistics are subject to political and security restrictions. Broader Palestinian banking constraints, especially the shekel repatriation bottleneck and the fragility of correspondent arrangements, therefore cannot be treated as separate from Gaza’s crisis. Stabilizing shekel logistics, reducing recurrent settlement frictions, and improving the institutional terms under which currency can be replaced and recycled are part of reducing the likelihood that a future security shock will once again transform everyday money into a scarce, rent-bearing commodity.⁵⁵

A related priority is the development of more resilient third-party fiscal and financial support channels. The Norway-led Emergency Coalition for the Financial Sustainability of the Palestinian Authority illustrates the importance of protected external mechanisms capable of supporting Palestinian public finance when ordinary revenue and banking channels are politically disrupted. While such initiatives do not solve Gaza’s cash shortage directly, they point toward the broader institutional principle that Palestinian fiscal continuity should not remain wholly vulnerable to ad hoc political interruption (Government of Norway 2025).

⁵³OCHA, “Gaza Humanitarian Response | Situation Report No. 60,” January 9, 2026; Palestine Monetary Authority, “The PMA Announces Alternatives for Dealing with Cash Liquidity after the Destruction of Bank Branches in the Gaza Strip,” May 8, 2024.

⁵⁴Palestine Monetary Authority, Financial Stability Report 2024 (2025).

⁵⁵Palestine Monetary Authority, “Questions and Answers from the PMA Regarding the ILS Accumulation Crisis,” June 19, 2025; World Bank, Note on the Impacts of the Conflict in the Middle East on the Palestinian Economy - April 2025 (Washington, DC: World Bank, 2025).

Finally, the policy response requires better measurement and transparency. A combined cash-and-digital liquidity dashboard - tracking formal cash holdings, cash-out agent liquidity and commissions, e-wallet balances and transaction types, and market indicators such as denomination rejection and payment-form surcharges - would substantially improve visibility into the crisis. Gaza's liquidity breakdown became so socially destructive in part because the key indicators of distress were dispersed, informal, and difficult to observe in one place. A monitoring architecture of this kind would allow policymakers, banks, humanitarian agencies, and supervisors to identify when liquidity premiums spike, where bottlenecks are most severe, how much humanitarian transfer value is being lost to commissions, and whether digital substitution is genuinely reducing reliance on cash or merely rerouting desperation through brokers.⁵⁶

The policy conclusion is therefore neither utopian nor complicated. Gaza does not need the illusion that digital money can replace physical money under present conditions, nor does it need a simplistic return to cash without safeguards. It requires a dual-track recovery of cash with oversight and digital payments with real infrastructure, supported by note replacement, commission compression, branch protection, merchant acceptance reform, and improved monitoring. The objective is not merely to make payments technically possible again. It is to restore monetary function as a civilian entitlement rather than leave it as a privilege sold at a premium by whoever controls cash in a shattered economy.⁵⁷

Conclusion

The liquidity crisis in the Gaza Strip during and after the war was not, in the strict sense, a disappearance of money. Deposits remained on ledgers, salaries continued in many cases to be credited electronically, humanitarian transfers increasingly moved through digital channels, and e-wallet use expanded rapidly. What collapsed was something more concrete and more decisive: the circulation, accessibility, and convertibility of physical cash. In that collapse, the ordinary equivalence between money in an account and money in the hand broke down. A shekel ceased to be a shekel in any uniform sense. Its effective value came to depend on its form, its denomination, its physical condition, and the power relations governing access to it. That is why the crisis is best understood not as a conventional banking failure, but as a physical-cash crisis that turned liquidity itself into a scarce commodity with a premium price.⁵⁸

The paper has argued that this crisis was both real and exploitative. It was real because Gaza's monetary architecture was already fragile before the war: it depended on a dominant external currency, on Israeli-controlled cash logistics, on functioning branches and ATMs, and on the

⁵⁶OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; Palestine Monetary Authority, Financial Stability Report 2024 (2025).

⁵⁷Palestine Monetary Authority, Financial Stability Report 2024 (2025); OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026.

⁵⁸Palestine Monetary Authority, Financial Stability Report 2024 (2025); World Bank, Note on the Impacts of the Conflict in the Middle East on the Palestinian Economy - April 2025 (Washington, DC: World Bank, 2025); OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026.

continued movement of notes into and within the Strip. Once war interrupted those channels, cash inflows stopped, distribution mechanisms collapsed, note quality deteriorated, and the formal cash base shrank to extraordinarily low levels. By end-2024, official supervisory reporting placed total cash liquidity in Gaza at only USD 25.6 million, with NIS cash liquidity down by roughly 92 percent year on year. That is not the profile of an imaginary crisis. It is the profile of a system pushed into an ultra-low-cash equilibrium.⁵⁹

Yet the crisis did not remain a neutral consequence of war damage and blockade. It became an arena of profit, coercion, and unequal access. Cash-out agents, money changers, merchants with liquid inventories, and armed or criminal actors occupying strategic points in the circulation chain were able to extract scarcity rents from a population increasingly trapped in digital claims but still dependent on physical settlement. Commissions on converting balances into cash reached punishing levels, while damaged notes and denomination rules further reduced effective liquidity. In this sense, the liquidity crisis became not only a monetary disruption but a mechanism of regressive redistribution. The poor did not merely endure scarcity; they paid for it. Wage earners, aid recipients, the digitally excluded, and small merchants surrendered real purchasing power so that those who controlled cash could capture extraordinary returns.⁶⁰

For that reason, the most serious analytical error would be to frame the crisis as a choice between two absolutes: either a purely objective shortage or a wholly fabricated scheme. The evidence supports neither simplification. The more persuasive conclusion is that the crisis was structural in origin and partially manufactured in operation. War, blockade, infrastructure destruction, and external monetary dependence created the initial rupture. But local actors—some opportunistic, some criminal, some coercive, and some plausibly linked to wider networks of power—deepened the social cost of that rupture by hoarding, brokering, taxing, or violently controlling access to cash. The shortage, then, was not fictitious; rather, its severity and distributive consequences were magnified by those able to convert disorder into rent.⁶¹

The policy implication follows directly from this diagnosis. Gaza's recovery cannot rest on digitization alone, however useful digital systems have been as emergency substitutes. As long as physical cash remains absent, degraded, or prohibitively expensive to obtain, digital balances will continue to trade below face value and households will continue to pay a liquidity tax merely to survive. Restoring monetary function therefore requires a dual-track approach: controlled reintroduction of physical cash, especially usable small denominations, together with strengthened digital infrastructure, commission compression, merchant acceptance reform, note-quality management, and far better monitoring of cash availability and pricing.

⁵⁹Palestine Monetary Authority, Financial Stability Report 2024 (2025); Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024.

⁶⁰Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; Le Monde, "Gaza's Banks Targeted by Armed Groups," May 5, 2024.

⁶¹Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; Palestine Monetary Authority, Financial Stability Report 2024 (2025); OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026.

The objective is not merely technical normalization. It is to end a condition in which access to one's own money has become a privilege sold at a premium.⁶²

In the end, Gaza's liquidity crisis reveals something larger than a temporary wartime malfunction. It shows how, in a shattered economy, money itself can become stratified; how convertibility can fail without balances disappearing; how the line between market adjustment and coercive extraction can dissolve; and how monetary breakdown can become a hidden engine of social injustice. The real question was never only how much money Gaza had. It was who could turn money into bread, medicine, transport, wages, and daily life—and on what terms. The tragedy of the crisis is that, for a long period, the answer depended less on lawful entitlement than on proximity to cash, power, and the bottlenecks of survival.⁶³

⁶²OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026; Palestine Monetary Authority, "The PMA Announces Alternatives for Dealing with Cash Liquidity after the Destruction of Bank Branches in the Gaza Strip," May 8, 2024; Reuters, "As the guns fall silent, Gazans find newly-reopened banks have no cash," October 31, 2025.

⁶³Palestine Monetary Authority, Financial Stability Report 2024 (2025); Reuters, "Criminal gangs, profiteers thrive in Gaza as cash shortage worsens misery," May 14, 2024; OCHA, "Gaza Humanitarian Response | Situation Report No. 60," January 9, 2026.

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