

Economics: Access to Credit Organizations

Sudan

Women in Sudan have been largely excluded from formal financial institutions of the Anglo-Egyptian and independent Sudan, even as they have demonstrated the ability and desire to profit from financial transactions. The exclusion is not based on legal criteria, but rather on informal practices that control institutions of the formal sector. However, women – particularly in urban areas of northern Sudan – have access to informal financial institutions, and in recent years there have been some attempts by non-governmental organizations (NGOs) to offer financial services, especially loans at discounts, to women.

Modern financial institutions were introduced in Sudan in the early twentieth century, as a consequence of the Anglo-Egyptian conquest and development of the colonial state (1898–1956). Initially the banking sector was an extension of the Egyptian banking sector. Commercial banks concentrated on import-export finance and government retained an important role in providing credit to the more risky agricultural sector. The broad branch network of the Post Office Savings Bank channeled remittances from urban centers to rural areas. Banks were not used for savings; rather merchants and the general public preferred to invest their surplus in land, livestock, or other assets. Independence brought some changes to the financial sector: the new state established its own central bank and several special purpose banks (in particular the Agricultural Bank of Sudan and the Industrial Bank of Sudan), which lent at less than market rates. In 1970, the nationalization of all private banks and other large private companies was a more important watershed. Private banks re-emerged in the late 1970s. Islamic banks and Islamic banking appeared in 1978. In 1983, the whole financial system was Islamized in the sense that interest (both paying and receiving) was prohibited. These policies continued following the 1989 coup that brought Islamists to power.

At present there are 26 operating banks and an equal number of specialized financial companies. Financial institutions remain concentrated in and around the capital and neighboring states; there are only a handful of bank branches in all in southern Sudan and other marginalized areas.

Implementation of the Comprehensive Peace Agreement – signed between the Government of Sudan and the Sudan People's Liberation Movement on 9 January 2005 – will lead to important changes in the financial sectors since banking in southern Sudan will follow conventional principles while in the rest of the country Islamic rules and regulations will remain in force. The Bank of Southern Sudan, although a branch of the central bank, will have considerable autonomy, including the right to charter and supervise financial institutions in southern Sudan.

Exclusion of women from formal financial institutions is a worldwide phenomenon, and Sudan has not been an exception. The mechanisms of exclusion are subtle or implied since they are not the result of specific legislation. Examples of cultural practices that prevent women from gaining access to formal financial institutions are the predominant role of males in the household, inheritance rules that favor male family members, and the gendering of economic spheres. It should be noted, however, that the vast majority of Sudanese, whether male or female, are excluded from formal finance. Hence reform efforts should not only address the issues that are particular to women but also take into consideration factors that cause marginalization and severe regional imbalances within the country.

Formal microfinance programs for women, involving small loans issued to groups of women who agree to be jointly liable for the credit and do not post collateral, continue to grow in Sudan as in other developing countries. Sudan has not, however, exhibited the kind of success in microfinance seen in countries such as Bangladesh or Bolivia. In part this can be explained by reference to extremely adverse economic conditions in the 1980s and 1990s. Undoubtedly the effects of the civil war and very strained relations between Sudan and many neighboring countries, as well as Western countries, are important factors as well. Quite high growth rates from 1997 have not yet been coupled with pro-poor policies. Microfinance programs remain heavily subsidized by NGOs and their donors.

Informal financial institutions in Islamic Sudan include both rotating credit and savings associations, known collectively in Arabic-speaking

Sudan as *ṣandūg*; informal money lending for trade, known as *dayn*; and informal money lending to finance smallholder agriculture, known as *shayl*. As a largely female phenomenon, the *ṣandūg* has been the subject of extensive commentary and research. The broad outlines of the institution are familiar. A group of women agree to meet monthly and each contributes a certain sum. The total is allocated to one person at each session, according to an order determined at the first meeting. The *ṣandūg* in Sudan, as elsewhere, serves three main purposes. First, it insulates women's savings from the demands of the household, and especially from a husband who might rather spend than save. Second, it facilitates the speedier purchase, for those early in the queue, of lump sum investment or consumption goods. Instead of each woman saving until she has enough to make the purchase, women who receive the pot early can buy immediately. Third, it acts as a savings discipline device using peer pressure to commit individuals to save, especially necessary in an environment where poverty and sudden calamities tempt savers to draw down their assets. The Sudanese *ṣandūg* also functions as a focal institution for deepening women's collective solidarity by providing social occasions for regular meetings and developing common interests.

In rural and urban areas all over northern Sudan, women work in the informal sector selling handicrafts and foodstuffs. It is not uncommon to find a tea lady under a tree, and a basket lady at the local market. Many of these women are heavily dependent on borrowing (*dayn*) to finance their working capital. They may obtain sugar and materials from store merchants on credit. Often this credit will be at zero interest, and is a way for the merchant to assure customer loyalty. The size of this daily circulation of capital can sometimes be substantial. The drive toward Islamization that characterized the 1990s made it more difficult for women to gain access to informal trade credit as women were discouraged from participating in market activities. Some traditional female activities, such as the brewing and selling of beer, carried stiff penalties.

An extensive literature that surveys the common informal agricultural finance transaction of buying crops forward (that is, receiving monies for a projected harvest), known as *shayl*, suggests that women are also largely excluded from this form of credit. This exclusion follows from the difficulties women in northern Sudan have in exercising independent ownership and control of land. Although women's labor is extremely important in agricul-

ture, women are infrequently occupied as independent farm managers.

The issue of women's access to credit is absent from the recently concluded Comprehensive Peace Agreement between the rebel Sudan People's Liberation Army of southern Sudan and the military regime that constituted the government of Sudan, based in Khartoum. The Oslo donor's conference that followed the peace agreement was the site of criticism by women's groups that the "New Sudan" to emerge from the peace process would continue to ignore gender issues such as women's credit. Future legal reforms, not least with regard to the right of women to own land, may make it easier for women to gain access to formal credit.

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KEYWORDS

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