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## The Role of Commercial Bank in Financing the Agricultural Sector in Sudan

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### **Abstract:**

*The statement of this study problem came on the micro finance one of the main difficulties facing the agricultural development in Sudan and in different countries, which pushed many small farmers to seek other un proper sources of finance due to difficulties to finance from their own resources , and this affect their outcome finally , this research stated some questions about the optimal modes to finance the agricultural activities , to answer this question the research followed different research methodologies (deductive ,inductive and Historical) and through the analysis of data research resulted that agricultural activities in the (Gadarif ) area facing many problems related to weak finance opportunities and rapidly increasing in the cost of production , and this lead to Delinquency, additional to the finance opportunities also the changes in finance rules , regulation and procedure*

*The study concluded many recommendations related to the nature of finance and volume and importance of technology to increase the production*

**Keywords:** Finance, banking, agriculture, Islamic mode

### **1. Introduction**

The agricultural sector is looked upon as the biggest productive sector in Sudan, as it contributes to the gross domestic product by 40%, in addition to its contributions to other economic sectors such as transportation and industrialization.

The seasonal mechanical cultivation sector represents an important source of national income in Sudan and contributes by 18% to the domestic product. This sector is financed from varied resources some of them are informal such as the local method named in the local language by (shail) farmers depend upon each other to finance their projects and the formal resources such as commercial Banks and specialized Banks such as the agricultural Bank and the farmer's Bank, the Gadariff state is one of the important states in Sudan in the field of agriculture ,on which it essentially depend and plays important role in the social and economic aspects ,this make of cultivation the valve of safety for settlement and development and we find more than 90% of this state's population working in this sector , the agricultural sector focuses on producing cash and food crops such as sorghum ,ground nuts and sesame beside other crops.<sup>1</sup>

This type of cultivation, in this state, totally depend upon finance, where the capital makes the main production factor, and agricultural finance problem is still a subject of deep study even in the richest world countries, and finance, here, is meant for the provision of production factors, those necessary for the operation of agricultural production such as loans, fertilizers ...etc. and running these loans in the right way.<sup>2</sup>

Beside all that, the seasonal cultivation is confronted by problems such as the low productivity which results in consequences of high production cost which make the availability of finance more complicated especially in case of the international deterioration of prices, when the government has instructed banks to finance and imposing a ceiling for the finance of the agricultural sector , this exposed banks to the risks of farmers' distress at paying back for the low and the fluctuation of productivity in the dry seasons or for the scarcity of rain as an ample number of farmers were distressed at the payback of loans of banks which added to problems of distressed debts and negatively influenced the situation of some banks. And by

<sup>1</sup> Awadallah Musa Ali, commerce committee's report, 2006, Sudanese central bank.

<sup>2</sup> Alfath Ibrahim Altahir and others, the influence of agricultural finance on agricultural production in Gadariff state, 2007, a research for grade honor bachelor's degree Economic -faculty of economy, Gdariff university.

this, banks refused to get involved in the risks related to seasonal cultivation which has resulted in more deterioration in this sector.<sup>3</sup>

### 1.2. *The Problem of the Research*

The hindrance of finance is considered as one of the outstanding barriers of agricultural development, where a lot of producers (farmers), especially the tiny ones, set to search for a source of finance for their projects, and for the inability of most farmers to provide the necessary finance for their agricultural operations which, by turn, led to the minimizing of the cultivable plot and production, it is also added the problems those related to agricultural production such as the deference in rain's rates and agricultural distress and pricing policies, unavailability of bank warranty which make banks reluctant toward financing. And by this the case study is represented in the following question: what are the methods used by banks in financing of agricultural projects? And what is its importance?

What the role of commercial bank in tackling the problems of agriculture sector and what is most probable ways for finance small farmers?

### 1.3. *The objectives of Research*

This study aims to identify the Sudanese banks experience in financing of the agricultural sector, then it becomes possible to identify the role of banks in financing in the general sense, it also becomes possible to identify, in a more unique way, the range of competency and suitability of these methods in financing the agricultural projects.

And since the research in general is about the experience of agricultural sector financing in Sudan, the focus will be on the ways in which finance methods were applied and the size of finance provided by them.

## 2. The Literature Related to Financing Methods

### 2.1. *Definition of Financing*

Researchers' views differ in putting forth a definition for financing, nevertheless, there is a consensus among them that it means:

"The provision of the necessary liquid money to run and develop a private or public projects" and some defines it as "the supply of projects with the needed money when it is necessary"<sup>4</sup>

Definition of banking finance: (it is meant for the varied loans provided by the banking system which is considered the essential source in the financing of the national economic development for the corporations those in needs to create new institutions or to expand their investments or to dissolve current liquidity crisis it is passing through).

Financing is one of the most important tasks performed by the financial management department that is for the group of decisions related as a consequence to financing operations such as selection of financing resources which is considered as complicated and the selection of finance resources is done according to the characteristics of the financial resources or by investigating the factors effectual on their selection, where these factors basically, express the abilities of the corporation, its needs and abilities to fulfill its obligations.<sup>5</sup>

### 2.2. *The Importance of Finance*

The importance of finance stems from the need for money, the importance of financing increases by the need for money and decrease for the lack of need.

Financing, whether it is private or public, originates from the economic need for services and commodities at the increase of need for commodities, and need for trade-off, the need for financing increase at the need of trade-off and it decrease where there is no need for trade-off, and where economic needs are utilized through direct production and by depending on labor of economic resources.

With the decrease of the importance of trade-off, in these societies, the importance of capital availability decreases used in producing, it is doubtless that the division of labor and trade-off of personal surplus are responsible for the acquiring of money the importance it is enjoying as a means of trade-off, and consequently increased the importance of financing.

We come to the fact, that, the importance of financing emerges from the importance and inevitability of provision of capitals necessary for producing and marketing operations whether these operations are of interim or seasonal type or of a strategic long-term nature or even related to the existence of the corporation in the field of competition or survival conflict.<sup>6</sup>

### 2.3. *Sources of Finance*

The operations of seasonal cultivation are financed through the formal and informal sources.

<sup>3</sup> Abdelwahab Osman Sheikh Musa, Reformatory methodology in Sudan, 2001, sudan currency press LTD.

<sup>4</sup> Abdelwahab Osman Sheikh Musa, Reformatory methodology in Sudan, 2001, sudan currency press LTD.

<sup>5</sup> www.ahl-alquran.com/arabic/h/edu/date13,7,2017.

<sup>6</sup> Mohae Arabian marketing Alfatih Mahmood Bashier Almagrabi, Financing and Financing Corporations, 2011 the first edition, th and import company - Cairo - p 52.

### 2.3.1. The Formal Finance Sources

The formal financial sources are embodied in the banking system which is composed of a number of specialized and commercial banks owned by the private sector or public banks and on top the banking system is Sudan central bank but in Sudan this task is performed by the agricultural bank, the farmer's bank and other non-specialized banks.

### 2.3.2. Informal Financial Sources

In the Following are some of informal financial sources  
 trademen and mediators: the business man or the mediator provide the farmer with his need of cash or concrete money in reward for a share of crops and he may buy the crop before it is ripe and he always gain indirect benefits and that is by providing production needs in higher prices than those in the market or through monopoly of marketing operations.  
 Owners: some of those who have big ownerships owe those farmers working on their lands as partners or tenants on condition that the owed money is retrieved after harvest.

### 2.3.3. Agricultural Companies

They work in the field of cultural apparatus and machines sales where the company supplies the farmer with his need in prices equal to cash purchasing adding a percentage to cover the administrative costs.

### 2.3.4. Relatives and Friends

Here the sums become of limited value and for short periods and without interests.<sup>7</sup>

## *2.4. Types of Loans*

Loans are divided from the period's factor, to the following:

Short term loans: they are seasonal, given for a period that does not exceed a year of time for the purpose of financing the seasonal cultivation operations such as purchasing of seeds, fertilizers and insecticides.

### 2.4.1. Medium Period Loans

They are given for a period exceeds twelve months or even 24 months that is to fulfill the farmers need for the medium range for buying the cultivation production necessities for the production operation which exceed a year of time and does not exceed two years such as buying tools and agricultural machineries.

### 2.4.2. Long Term Loans

Those exceed two years of time and performed for the erection of mass schemes such as agricultural industries' schemes and soil reformation and maintenance and implanting of fruits trees.<sup>8</sup>

## *2.5. Islamic Financing Methods*

The types of Islamic financing, in Islamic banks, varies, though, they all agree on the partnership in profits and losses and total ruling out of interest rates and some of these types are speculation, partnership, venture, salaam sales, lease and other formulas.<sup>9</sup>

### 2.5.1. Morabaha

It is a type of sales in which commodities are sold adding a certain profit to their cost price, Muslims have agreed on its legibility according to Allah's Quran "Allah has allowed sale and prohibited usury" and the saying of prophet Mohammed (pbuh)" the best gaining of living is the man working with his own hands or a blessed sale" or that which does not include trickery or fraud.

The morabaha might take place between two parties one of them agrees to sell a commodity to the other in a later payment higher than its recent price, this type of speculation is rarely dealt with, but the more common type is of speculation sale is in which Islamic banks deals is the one in which the client ask the bank to buy him a commodity from the local or import it from the foreign market. The client names the commodity and gives its qualities to the bank on which result the bank buy or import the commodity and display it for the client for sale against its cost price in addition to a profit previously agreed upon, so, this type of speculation include three parties:

- The demander of purchase, or the second purchaser who desires to buy the commodity.
- The party ordered to purchase, he is the first purchaser (the bank) and he is also the second seller.
- The first seller, who possess the commodity for sale.

<sup>7</sup> The ministry of finance and economy, Gadariff state, the annual report -2003.

<sup>8</sup> Mahgoob Abdelkareem Abdallah, difficulties of payback of banking finance in the agricultural sector,2006, unpublished master degree study, department of business administration, Gaziera University.

<sup>9</sup> Nawal Husain Abbas, financial corporations,2003, Sudan currency printers LTD, Khartoum-Sudan.

Morabaha sale is considered a sale of credibility and honesty because the purchaser trusts the seller to tell him about the price of the commodity and it is conditional in speculation to have the price cost and profit agreed upon.

The speculation is divided on the bases of the factor of time to three types:

Short run Morabaha: has a period ranges between three to six months, it is mostly limited to financing of export, import or internal commerce sectors.

Moderate term Morabaha: its period ranges between six months to a year and used to purchase production factors, the client payback in one lump sum or in installments.

The long-term speculation: ranges between a year and three years it is mostly for the purchase of immobile assets.

The percentage of profit taken by the Islamic bank varies from a sector to the other, these monetary values are defined by the bank authorities, and speculation is used as a financing formula in varied spheres such as import, purchase of raw material and machinery and it found a lucky opportunity among Islamic banks for it is simplicity in dealing and the secure revenues for the bank.

### 2.5.2. The Salaam

It is one of the types of sales allowed by Islam, to make life facilitated and easier for people it is defined as: "the delayed sale, on the honesty account, of a certain item known by its description with prompt payment, the payment differs in kind from the sold item, or a delayed sale for a prompt payment and the prove for its legibility is Allah's saying: (o' you who believe when you deal with each other in transactions involving future obligations in a fixed period of time reduce them to writing) the heifer sutra-verse -282. And the prophet saying (pbuh) (that who delays in some payment let him delay in a specific measurement and agreed weight to an agreed time)<sup>10</sup> His own hands or blessed sale or that which does not include trickery fraud.

The salaam derive its legibility from the benefit it attains for both of its parties as the owner of the commodity needs the price to face the requirements of production operations and personal expenditures and the owner of the capital needs a specific commodity to consume or for his industry or trade and to avoid the refuge of the commodity owner to usury loans to meet his needs, salaam was legitimated, the salaam has three conditions: the formula (the condition and acceptance) the contract parties: (the deliverer and receiver) the (capital and the object of capital) the capital is the price and the object of capital is the commodity for which the price is paid.

Salaam as a finance formula represent a delayed sale with certain differences as delayed sale is the formula in which the price is lately paid and the commodity is promptly delivered but in salaam the price is paid in advance to the delivery of the commodity and as it is likely to increase the price of the commodity in delayed sale it is also likely to increase the size of the commodity in salaam sale. And for the accuracy of salaam sale, there are numerous conditions to be fulfilled such as: The capital object (the commodity) must be liable to control its qualities by measuring or weighing and counting and this is possible in cereals, fruits and animals.

The characteristics of the capital object must be mentioned on which base the price is estimated as to its quality, old or new.

Defining the amount of the object of capital according to the standards recognized by the government. The object of capital must be an obligation for an agreed time, where legal nature of salaam lies because if the object of capital was present it would not be salaam as much as a normal sale, for the time it must be specified by date and it is incorrect to specify it by harvest or the incidence of the steamers arrival or the like of untimely specified events.

Though salaam sale was firstly related to crops and animals but Islamic jurisconsults have allowed it for industry and commerce.

### 2.5.3. Mosharka

It is one of the financing methods of money exploitation formulas in Islamic banks and it is the most of elasticity, totalitarianism and suitability of financing formulas, it is a contract between two or more to practice trading in a shared capital among them and profits and loss are also shared among them according to the size of each one's contribution to the capital or according to their agreement.<sup>11</sup> Partnership is a form of business in it a number of persons collect their capitals to run a commercial or industrial projects and it is applicable on production activities or long run activities, this means that include more than one contributor with his money, where all the parties contribute to the enterprise with varied percentages and profits and losses are divided according to each one's contribution to the capital.<sup>12</sup>

The absolute modarba:

It is that which is not limited to a time or place or a type of trade, in this case the money owner gives the money to the venture to have the profits shared among them in an agreed upon formula, Islamic banks usually refuse to practice this type of venture for the risk it includes for the difficulty in following up and control over the money.

<sup>10</sup> Mahgoob – ibid – p21 .

<sup>11</sup> Nawal HUSAIN ABASS ( THE PREVIOUS REFERENCE)

<sup>12</sup> Mohammed Alfatih Mahmood Bashier Almagrabi, financing and financing corporations, the first edition 2011,-the united Arabian imports and marketing company-Cairo.

#### 2.5.4. The Limited Modarba

Which has been limited by a time or specific place, a specific type of commodities, sale or purchase from a specific person, this type is common among the Islamic banks because it is more controllable than the absolute speculation.

The morabaha formula is suffering from certain shortcomings such as:

- The problems resulting from dishonesty of the partner as success in speculation are conditional to the integrity and honesty of the partner.

The difficulty in predicting the expected range of profit for the commodity subject to speculation. Lack of securing collateral for the capital, according to the principles, as the owner of the money bears the loss, unless it is proved that the venture practitioner has dereliction or negligence or commit an offence against the capital.

These difficulties involving modaraba led to limiting of practice of venture as an Islamic formula for transactions and the partnership and speculation formulas replaced it in bank transactions.

#### 2.5.5. Loaning Policies

They are the group of principles and instructions and methodologies in every bank, by which, it practices loaning operations in a justifiable way and can be controlled and corrected through the review according to the comparison to the actual bank practice.

Perhaps the most famous names given to this function of giving loans, is financing or credit. Which mean for the bank performance of an entrusting of his money to depositors or clients according a relation of demand and supply and consequently the meaning of this operation of loaning is the banks entrusting of depositors the money they had entrusted to the bank before so the bank is supposed to be careful in entrusting people what others has entrusting him over and this is call policies of loaning control or credit policies ,and perhaps the most prominent credit control standards which faced a general acceptance by analyzers and owners of credits on the international scale at giving a loan and it is that which is called (5cs) or five cs...on which base the bank perform the check at evaluating of loans applications as they are:<sup>13</sup>

- 1/ Character:
  - It is meant for the inspection of the loan demander personality, his fame and the features of this personality and the degree of safety the credit analyzer feels toward this client in dealing as a bank with such a client.
- 2/capacity:
  - It means the clients ability to attain income and payback the loan.
- 3/ capital:
  - It means the suitability of the client demanding the loan and his ownership potentiality to cover the loan demanded by him when the situation becomes critical for him.
- 4/collateral:
  - It refers to securing the bank with sufficient warranties to enable it to fulfill what it has previously given away in the form of loans to the client, that is through selling or disposal of these collaterals at the time when the situation becomes messy at his clients' part, through liquidating them or use them in any way serve the objectives of the bank to redeem its merits.

#### *2.6. Conditions*

It means the credit analyzer's effort to study the economic climate, in which, both the bank and the client demanding the loan, work and the extent to which the client's activity suit this condition or not.

The other methodology is called five ps and it is applicable as follows:<sup>14</sup>

1/people:

Evaluating of persons or clients. And this means that the first pivot point to analyze risks is embodied in forming a general view of the client's personality and his social situation, his qualifications and ethics as to his straightforwardness, credibility...etc.

2/Purpose:

Assessment of the purpose of the loan or facilities or are they, for instance, meant to be used in capital assets financing or to finance the working capital?

3/payment:

Evaluating the client's ability to pay or to check the possibilities of the client's abilities to pay back the loan along with its interests including the source of money necessary to pay and the time of payment.

4/ protection:

To survey the possible chances of protection available for the loan money that is through evaluation of guarantees or warranties produced by the client that is from its fairness quality or liability to get liquidated, in case the client becomes unable to fulfill his obligations.

<sup>13</sup> Abdagaphar Hanafi and Rasmia Geriagis ,markets and financial corporations,1977, Alexandria book centre.

<sup>14</sup> Mohammed Mater, the modern orientations in financial and credit analysis, Methodologies, tools and practical usages ,2003, the first edition dar wael for publishing – p31.

5/prospective:

That is by focusing a scrutiny -vision forward to the future to explore the state of uncertainty enveloping the loan's future or exploring the environmental future, either, internal or external conditions surrounding the client, and some of the prospective impacts of these conditions on the loan destiny or the facilities and assessment of the resulting risks such as the possibility of losing the loan or difficulty of facilities.

Now it becomes clear from the previous review, and according to financing policies ,that the legislator considers every situation through which the bank financing can be given to the farmer ,but it is notable and according to a lot of people ,banks do not apply these policies in their assumed way so that the finance is given to the wrong person or entity or not in the suitable time or even complicating it until it becomes difficult to attain the suitable loan ,that accomplish the aims of the scheme and that becomes evident when we discuss financing conditions.

### 2.7. The Conditions for Giving the Loans

For The common conditions for giving the loan ,they don't vary from one financial institution to the other ,one of the most important features that characterize the giving of agricultural loans is that the loan giver must assure that the loan has been given according to conditions guarantee the use of them in the purpose for which they have been given and consequently its fulfillment becomes assured along with the permanence of the financial institution and many measures are put into consideration at the determination of the common conditions of financing such as:<sup>15</sup>

Legal considerations related to the importance of the scheme or the financing person or scheme such as the legal property rights, work licenses and lack of contradictory of the scheme with any other law.

Economic considerations related to technical and financial feasibility of the scheme and its suitability to the purpose and economic development plans in the country and the schemes ability to payback more than to depend on concrete guarantees which are rarely afforded by the tiny farmers.

Contractual considerations, related to the correspondence of the scheme's nature to the legal conditions.

Managerial considerations involve the experience of the financier in the field of financing in addition to financial, managerial and qualitative abilities and most financial institutions hesitates at financing tiny farmers for the argument that they face difficulties in paying back but studies proved the contrary where most of loans which remained unpaid to agricultural banks , are related to major farmers and for the sensitivity of this case and its influence toward the permanence of financing institutions ,so these institutions tended to put to conditions and warranties for the pay back and potentiality of fulfilling these money by the part of farmers and these conditions varies from a country to the other.

Financial institutions depend upon certain requirements to collect its merits (the loans) such as:

Correctness of loaning and superintending of employing loans for their purposes. Determination of the time of loan's payback to agree with the time of harvest. Continuity of training of workers in the field of collecting. Giving plentiful incentives for industrious workers in the tasks of collecting.

For the ways and methods of superintending of loans and their services, the methods used in superintending of agricultural loans are varied according to the loan type, its nature, its time and the abilities available for the financing institution, and the methods used in controlling loans are:

The loan is cashed into installments equivalent to the size of the business it is intended to finance.

The sums of the loan are not paid in liquid money but in concrete items delivered by the loaning institution to the farmer himself.

A third party delivers the items to the farmer according to a delivery order issued by the loaning institution to the tradesman or the entity working in the field of marketing of such substances, the delivery order nominates the items demanded, their quality and quantity and the sums of money allocated for them and then the loaning institution pays the price of the items directly.

And to have good control over the implementation of schemes, some local, regional or international loaning institutions used to start central control units those perform sudden visits to the various schemes to assure that the reports raised by the branches are correct and factual to the tasks performed and the spent money agrees with the economically profitable objectives to have good loans ,despite the agreement on the objective of loans' control that is to assure the delivery of loans to the farmers but there are certain differences in the methods of control over these loans among the world countries as, some follows the controlled loaning system, in which , the loan is cashed in installments to the farmer or the scheme according to the current of work or the accomplishments in the scheme , and the loan is not cashed until a field report assure the accuracy of the tasks accomplished on the bases of a specific installment according to the target-plan and the list of tasks planned to perform by the specific installment in accordance with the special conditions attached to the loan documents of the borrower related to the scheme which explain the business details. This type of technical and financial control aims to assure the use of loan- money in the targeted agricultural scheme they are allocated for.

It becomes clear that these conditions are considered the most idealistic but the problem lies in the practice or if otherwise? , why this notable failure in the operations of financing of schemes if it is not for the incorrect application of the loan conditions? most loan applicants , for instance, complain of either the delay of loan delivery or the unsuitability of the

<sup>15</sup> Mahgoob – ibid – p33 .

amounts of installments and each one of these flaws is enough to promise the failure of the scheme and the second one which is related to the training of workers in financing (agricultural) and the employees affiliated to those banks, the first one is related to managerial policies of those banks which do not like to spend more in this side, there is another point to come, that is when the client face distress in paying back, the bank here, is usually very strict in adhering to legal procedures which lead most of them to jail, there for the problem is not about the conditions but it is about the way they are implemented in a way to attain the target of loaning.

### 2.8. Policy of Collecting

They are the procedures followed by the bank in collecting the payback of loans provided for credit clients, the most prominent problems which face the collecting operations are embodied in the hereafter mentioned<sup>16</sup>  
The decrease of marketing value of the pawned assets in ample degree to mean that the pawned value no more represents the value of the loan guarantee. The inability of the borrower client to payback the loan in the agreed upon time.  
The absolute inability of the borrower client to pay the loan, this is considered the worst situation credit policy can possibly face.

### 2.9. Agricultural Finance

It is considered as one of the main elements in agricultural development as it is concerned about obtaining capitals' resources for the agricultural sector as much as it is concerned about the financial institutions which can obtain finance for individuals beside corporations and companies as general addition to the care for the fundamentals adopted by these institutions in loaning either for the individual farmer, institutions, agricultural companies or for the economic structure.<sup>17</sup>  
States from ancient times has performed services of agricultural financing for all agricultural producers, so, they erected financial houses which are specialized in agricultural loaning while some had policies oriented toward the affectivity of agricultural finance through ensuring of the ways efficient to obtain sufficient size of loans for their seekers of the farmers in order to perform their varied cultural operations to elevate agricultural productivity to accomplish the food security requirements and attain hard currency, through exportation of agricultural products and consequently rush the development rod in the countries.<sup>18</sup>

### 2.10: The Role of Finance in the Agricultural Sector

Loaning is important in all agricultural operations because it is a unique resource as it gives the chance to utilize additional production factors and capitalist provisions in the present to have the price paid from the future gains, for this, it must be, the potentiality to improve the scheme's income, one of the determining conditions in the decision related to accreditation of the loan or not and loaning can contribute in improving net income in varied ways:<sup>19</sup>  
Creates and attain a sufficient size: most farms reveal a decrease in expenses when the size of work increase (the size economies).so, loaning can be used to benefit from size economies.  
Increases competency: it makes it possible to replace one source in place of the other. Machinery, for instance, can replace manpower to decrease expenses.

Coping with the fluctuating economic conditions: modern technological changes or changing marketing situations may necessitate major amendments in the farm. It might become vital, for instance, to introduce modern technology in breeding cattle in the limited way or attaining better levels of tilling of the land, cultivating or harvest or power tools to attain competency or the income of the farm especially when prices hit down and costs rise.

Confronting of seasonal and annual fluctuations in income and costs: raw material must be bought in a specific time of the year, beside the crop must be sold at a late time of the year, so the entering monetary flows and outgoing monetary flows do not happen usually in the same time and a monetary deficit usually happens in financing of crops' production, for this, the refuge to loans to straighten these fluctuations and to equalize the entering and outgoing monetary flows is important for the efficient performance. Protects from counter conditions: the weather, epidemics and price are all mysterious matters in agriculture, but it is, practically unlikely, to eliminate all risks in agriculture, but loaning can play a main role in protecting business from financial failure or liquidation when counter circumstances take place and keeping a reserve credit such as a marginal property in the form of stable assets to utilize it in refinancing short run obligations and it secures agricultural work from unexpected hazards.

Guarantees continuity: transference of farming work from one person to another requires a great deal of money, and without loaning a lot of liquidations would take place at transference of agricultural property because the heirs who are not working in the field of agriculture usually have their shares as liquid money and not as a share of property in stable assets in the farm and remainder overhead and loaning is important in most cases in successful transferences of property among

<sup>16</sup>Ali Saad Mohammed Daood, banks and investment billfolds, decision making support approach, 2012 tertiary dar, Alexandria –Egypt – p52.

<sup>17</sup> Mahgoob – ibid – p34.

<sup>18</sup> yahya Ali Musa, the national symposium for finance and agricultural security, 1986, the Arabian organization for agricultural development.- Oman.

<sup>19</sup> Mahgoob – ibid – p35.

generations because the requirements for property tax and requirements by theirs an those who are not working in agriculture may destroy the cash money which incarnates constitute the base for capital property. These tables show the total amount of finance granted to each bank to finance projects.

Department of Agriculture	Year of Agriculture	Volume of Finance Amount (Million Pounds)
The Agricultural Bank of Sudan	2007	290
	2008	303
	2009	867
	2010	946
	2011	986
	2012	794
	2013	3.227
	2014	3.227
	2015	7.856

Table 1

Source: Reports for Agricultural Bank of Sudan -2015

From the above figures show increasing amount of finance from year to year still it not enough to make a big jump in the saving of social development.

Department of Agriculture	Year of Agriculture	Volume of Finance Amount (Million Pounds)
Savings and Social Development Bank	2007	65
	2008	127
	2009	180
	2010	227
	2011	267
	2012	307
	2013	319
	2014	452
	2015	959

Table 2

Source: Reports for Savings and Social Development Bank

From the above figures show the amount of finance presented by the bank there to saving of social development bank through hundreds of years. It is clear that there was an increase in the sum of amount and if reached to its highest figure in the year 2011.

From the above table we can see there was increasing amount of finance from year to year till 2015. Though it seems to be very important progress but still there is a huge gap between total fund degreed to finance agriculture project and the amount presented by the commercial of other development bank and the due to many obstructions and problems stand before both farmers and the bank.

### 3. The Field Study

#### 3.1. The Study Methodology and the Utilized Data

This research adheres to the descriptive analytic method for its suitability to analyze the views of this sample the object of study, and then try to know their views about ways of agricultural schemes financing and the arithmetic average and the repetitive method has been followed in the interpretation of results.

The research population is composed of all the workers in the banks working in Algardariff state ,with the target to reach to the results of the research ,a 40 questionnaire papers, related to the topic of the research, has been distributed among the employees working in the Banks ,those agreed upon for the purpose of the research and analyze were only 35 after ruling out the five for non-retrieval which represent 85% of and the excluded 5 ,represent 22%.



### 3.2. The Financial Formulas Used in the Banks

The studies denote that Sudanese banks use the Islamic formulas at giving loans to clients which are incarnated in speculation, salaam, partnership, venture, contracting and lease and industrialization. And to acknowledge the range to which banks use these formulas, chart number one clarifies the Islamic financing formulas used in Sudanese banks:

The Formula	Frequency	The Lost Values	The Total	The Percentage
Venture	15	20	35	42.9%
Speculation	35	-	35	100%
Salaam	30	5	35	85.7%
Partnership	28	7	35	80.0%
Others	16	19	35	45.7%

Table 3

Source: Prepared By the Researcher from the Realities of the Field Study (2017)

From the data included in the above chart, it becomes clear that banks adhere to speculation formula by 100% as 80% of the banks adhere to the salaam and such banks are spread out in rain cultivation areas and 80% use the partnership and 42.9 uses

### 3.3. The Ordering of Formulas According to Usage

Islamic financing formulas vary as to the numeracy of use order. It clarifies the order of formulas from the excessively used to the lesser.

Formula	The Arithmetic Average	The Ordering
Morabaha	3.7	The first
Mosharka	1.9	The second
A salaam	1.8	The third
Modarba	0.9	The fourth

Table 4: Ordering of Formulas According to the Numeracy of Usage

Source: Prepared by the Researcher from the Realities of Field Study (2017)

It is notable in table two that, the study sample has put the formula of speculation in the first rank as to the frequency of use with an average of 3.7 succeeded by the partnership formula with an average of 1.9 then the salaam with an average of 1.8 and finally the venture with an average of (0.9.)

From the previously mentioned data it is clear that, speculation is the most used formula succeeded by partnership then the salaam and finally the venture.

### 3.4. The Variation in the Range of Use among Islamic Financing Formulas

Banks may favor certain formulas over the others and give them the priority, and the differentiation in the use of formulas must be subject to ample considerations. It shed lights on the differences in the degree of use among a number of Islamic financing formulas for a number of reasons.

The Cause	Frequency	Lost Values	Total	The Percentage
Variation in risks related to each formula	25	10	35	71.4%
Complexity of the procedures involving some Formulas.	7	28	35	20.0%
Clients non-awareness of Islamic financing formulas	10	25	35	28.6%
Non-suitability of the formulas to the agricultural financing	13	22	35	37.1%

Table 5

Source: Prepared by the Researcher from the Realities of the Field Study (2017)

The reasons of variation in the range of usage among Islamic financing formulas. Referring to the question of the researcher about the reasons for the variation in usage among Islamic financing formulas, and through the responses of the sample individuals included in the above chart, we notice that banks have agreed that the difference in using the Islamic financing formulas is referred to the risks related to each formula by a percentage of (71.4%), complexity of procedures related to some

formula applicability (20.0%), and non-awareness of clients of Islamic financing formulas by (28.6%) lack of used formulas suitability for agricultural financing by (37.1%).

According to the previous analysis it becomes clear that the most important reasons that lead to variety in the use of Islamic formulas are: the variety in risks related to each formula, lack of suitability of the used forms to agricultural financing, ignorance of clients about the Islamic finance formulas and the complexity of the procedures related to some formulas.

### 3.5. Ordering Of the Formulas According To Profits

The Islamic formulas vary on the basis of profits. It clarifies the ordering of formulas on this basis:

The Formula	The Arithmetic Average	The Ordering
Partnership	2.8	The first
Speculation	2.4	The second
Salaam	2.1	The third
Venture	1.0	The fourth

Table 6

The Resource: Prepared by the Researcher from the Realities of the Field Study (2017)

It is remarkable, from the above chart that, the study sample has put the partnership formula in the first rank as to profits by an average of (2.8) succeeded by the speculation formula by an average of (2.4) then the salaam by an average of (2.1) and finally the venture by an average of (1.0).

From the above chart and analysis, it is clear that partnership is the most profitable formula, then the speculation then the salaam and eventually, the venture.

### 3.6. The Collateral Used to Have the Loan

The collateral is one of the important factors to have the loan where its type, possession or ownership plays an important factor in the client winning of a loan and guaranteeing the merits of the bank.

Chart number (5) clarifies whether it is conditional to have the bank's financing to present collateral and the acceptable types of collaterals:

Number	The Provision	The Response		Frequency		Percentage	
		Yes	no				
1	Does your bank put collateral as a condition to win a loan?			35	-	100%	0%
2	If the answer is yes, what type of collateral are acceptable to your bank?	Estate pawning		34		97.1%	
		Cars and machinery pawning		20		57.1%	
		Delayed cheques		20		57.1%	
		others		15		42.9%	

Table 7: The Used Collateral to have the Financing

Source: Prepared by the Researcher from the Realities of the Field Study (2017)

It explains that all study samples are putting conditions to provide collateral at applying for a financing, this result is considered as normal as it is the most important factor to provide collateral where the central Sudanese bank denotes that the collateral such as the assets and their liability to liquidate has led to the decrease of distress to a high percentage.

Referring to the type of collateral acceptable in banks, the majority of the sample individuals (97.1) consider the estate pawning as one of the acceptable collaterals for them, while views of the sample individuals were coincident around cars and machinery pawning and delayed cheques by a percentage of (57.1%) as a type of acceptable collaterals, besides 42.9% of the sample individuals who see other collaterals represented in personal collateral and direct warehousing of the crops in the financing bank's warehouses.

### 3.7. The Economic Feasibility Study

It is inevitable to have a feasibility study prior to every good investment decision to obtain a technical, economic and commercial base for the investment scheme and to ensure the accomplishment of satisfactory financial revenue, chart (6) explains the assessment of the feasibility study before granting the finance in addition to the entity in charge of assessing that study:

No.	Provisions	The response	frequency	Percentage
1	Are feasibility studies assessed before granting the finance?	Yes	35	100%
		No	-	0%
2	If the previous response is yes, what is the entity in charge of the assessment?	A specialized entity	11	31.4%
		Depending on the bank employees.	24	68.6%

*Table 8: The Feasibility Studies*

*The Resource: Prepared by the Researcher from the Realities of the Field Study (2017)*

It indicates that most all the sample individuals assess the feasibility study before winning the finance, for the entity in charge of the assessment a 68.6% of the sample individual declared that they depend on the bank employees in that affair before giving the client the finance while a 31.1% stated that they depend upon specialized entities in assessing the feasibility study.

According to the previous analysis it becomes clear that banks assess feasibility studies before granting finance for the clients and bank employees perform the assessment.

### 3.8. The Management in Charge of Financing

It is very important the existence of a specialized management in each bank to deal with applicant clients for finance, clarifies the range of concern each bank give to the existence of a special management fin charge of financing:

The response	Frequency	Percentage
Yes	35	100%
No	0	0
The total	35	100%

*Table 9: The Management in Charge of Financing*

*Resource: Prepared By the Researcher from the Realities of the Field Study (2013)*

Banks agreed on the existence of a management in charge of financing, it is clear from chart number (7) that 100% of the banks of the sample study has specialized managements to deal with the client applying for the finance and its tasks are represented in checking the personality of the client and keeping of files of operations and the archive in the system and implementing of operations according to the valid rules in giving finance and controlling debts collecting and contacting distressed clients scheduling of distressed debts and liquidation of collaterals through auctions.

## 4. The Final Consolation

This study aimed to recognize the importance of role commerce bank financing for projects through the analysis of data included in the questionnaire, on a sample population of 40 employees, which has focused to answer the question: what are the major ways for financing agricultural projects in Sudan? What is the range of its feasibility and impact? The research is summed up to the fact that the major ways are those erupting from the banks of Algardariff state.

The research depended upon secondary data reached through the questionnaire from the employees works in the banking sector in Algardariff state, and the study was run on a sample composed of 40 employees and after the analysis of data by frequency method and percentages and arithmetic average the researcher comments in the interpreted information may be given as follow:

Sudanese banks use the formulas of speculation, salaam, partnershipventure, lease, contracting farming in financing of agricultural schemes.

Speculation is considered the most used formulas succeeded by partnership the salaam and finally the venture in the difference in the usage of Islamic financing formulas is referred to varied reasons the most important of them are the variation in the risks related to each formula, ignorance of the clients of the Islamic financing formulas and the non-suitability of some formulas to the nature of agricultural financing in addition to complexity of the procedures of some formulas.

Hence in the commercial banks play very crucial role in financing agriculture sector in Algardarf state and solve the problem of small farmers though they are many obstacles facing them.

## 5. Findings

After analyzing the collected data and discussing it the research come out with the following findings:

- The farmers facing difficulties related to increase loss of production.
- The financing rules are very complicated and time consuming.
- The total output of the projects is very low.
- There are some technical and management problems which related to the farmers themselves.

- The partnership method is counted as most suitable for financing banking system.
- The commercial banks play very important role enhancing the income of farmers and mitigating poverty.
- The commercial banks play very important role in peace restoration and social development of the people.

## 6. Recommendations

On the bases of the previous findings the researcher presents the following recommendations as follows:

- The increase of the awareness of the bank clients of the Islamic methods of financing through lectures and symposiums for clients until they have the sufficient knowledge of the financing Islamic banks methods.
- Instead of accepting the feasibility studies prepared by the farmers it is important to depend on the specialized, qualified frameworks in assessing and investigating feasibility studies to highlight the economic feasibility of the scheme instead of attaining losses.
- Financing conditions indicate to the accomplishment of the utmost benefit from bank financing.
- Ensuring of the accurate usage of the finance money.
- Helping farmers in marketing operations to ensure the payback process of the finance installments.
- Determining satisfactory farmers' products prices to avoid the losses resulting from the inflation and other economic problems.
- The importance of extracting the finance in the suitable time because the delay leads to damages to the borrower.
- The importance of giving the amount of finance according to the attached feasibility set.

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