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**Microfinance Activities and Job Creation among
Graduates in Sudan**

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Introduction

Until the end of the last decade of the previous century, microfinance was largely unknown and obscure, a niche interest for government sponsored donors. At present and with the foreign capital investment at \$1.5 billion a year, microfinance becomes a vital and dynamic field, with the participation of new and genuine investors. Microfinance activities in general are witnessing a substantial growth for the last few years. Their success is attracting large volumes of foreign investments. They also attract a growing attention from the World Bank and other regional and local financial institutions. In addition those small schemes also gained a due attention from both conventional and Islamic financial institutions. Nowadays, microfinance is seen as a new strategy and a modern approach for enhancing economic development and eradication of poverty.

There are now thousands of programs offering microfinance services to entrepreneurs in both developing and developed countries. The growth of the microfinance industry has been accompanied by questions about the impacts of microfinance. Do microfinance services make a difference in the lives of the clients? Do microfinance programs reach the poor? Is donor money for microfinance well spent?

Unemployment and poverty are considered as major developmental problems facing every developing country. International statistics illustrate that industrial and service workers living in developing regions account for about two-thirds of the unemployed.¹ The Sudan economy since the attainment of political independence in 1956 has undergone fundamental structural changes. The domestic structural shifts have however not resulted in a real significant and sustainable economic growth and development. Available data show that the Sudan economy grew relatively high in the greater parts of the late 1990s, with respect to the oil exploration; the outrageous profits from the oil boom encouraged huge expenditures in the public sector.

Microfinance continues to assume increasing importance as a result of the foregoing. The increasing emphasis on microfinance activities is such that many believes if both poverty and unemployment are reduced, the world would be a better place as there would be an increase in income, a reduction in poverty, an improved living condition, increased productivity, and an overall positive effect of an enhanced economic development.

In the light of this, this paper seeks to examine how a major macroeconomic variable, unemployment, could be reduced through the microfinance. Key concepts to be considered in this study, unemployment among graduates in Sudan, role of the microfinance as a mitigating factor, the role of microfinance institutions, and other relevant stakeholders, in meeting the needs of the graduates sector in order reduce unemployment in Sudan.

¹Patterson, Okafor & Williams (2006) "Globalization and Employment Generation": Evaluating the impact of trade on Aggregate employment in Nigeria's In Industrial Sector" NES 2006 Annual Conference Nigeria.

The paper consists of three major sections in addition to an introduction and conclusion. Section one discusses the concept and definition of microfinance and its significance in a developing country as Sudan. Section two illustrates, in general, the socio-economic impacts of microfinance such as job creation, poverty reduction, empowerment and other benefits. Section three provides the impacts of microfinance activities in job creation and reduction of unemployment among graduates in Sudan.

Section One: Concept of Microfinance

1.1 Definition of Microfinance

It is not easy to provide a clear definition of microfinance or its twin term "microcredit" in the literature. This paper provides some definitions of microfinance. Mushtak, P. defines microfinance as the provision of small amounts of credit to the poor who usually fall outside the formal banking sector.¹ Imboden, K. defines microfinance as the provision of loans, savings, insurance and other basic financial services to the low-income populations.² Islamic microfinance can be defined as investment of capital, whether in cash or in kind, based on Islamic modes of finance to poor entrepreneurs in order to assist them in launching, or maintaining or enhancing their businesses. Some of the defining criteria used include the following:

- a. size which includes loans, either micro or very small in size.
- b. target users which include micro entrepreneurs and low income households.
- c. utilization of funds, either for income generation or enterprise development.
- d. terms and conditions for micro credit which are flexible and easy to understand and suited to local conditions of the community

Ahmed A. Khan defined argued that microfinance refers to making small loans available to poor people (especially those traditionally excluded from financial services) through programmes designed specifically to meet their particular needs and circumstances.³ Moreover, microfinance can be defined as the provision of financial services to the poor on a sustainable basis. Access to financial services protects and empowers the poor by giving them choices. Financial services help the poor to cope with vulnerability.⁴

For the Central Bank of the Sudan microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to the economically active poor and low-income households and, their micro and small enterprises.

¹ Parker, Mushtak, (1998) "Credit Where Credit is Really Due". Islamic Banker, No. 33, PP. 8-9

² Imboden Kathryn, (2005), "Banking Inclusive Financial Sector: The Road to Growth and Poverty Reduction", Journal of International Affairs, Vol. 58, No.2, PP.65-86.

³ Ajaz Ahmed Khan , Islamic Microfinance: Theory, Policy and Practice, Islamic Relief Worldwide 19 Rea Street South Birmingham, B5 6LB United Kingdom www.islamic-relief.com, February 2008.

⁴ The World Bank CGAP (Consultative Group Assist the Poorest) Strategy Paper, p. 6.

1.2 Microfinance in Sudan: a brief introduction

In Sudan, a growing concern on poverty alleviation has been debated for the last few years, as reflected by the establishment of several social funds; specialized institutions such as the Savings and Social Development Bank (SSDB) and the Social Development Foundation (SDF); and the launching of several poverty alleviation initiatives, including a strategy for poverty alleviation developed by the Ministry of Finance. Nevertheless, the government's efforts in developing microfinance policies remain limited. Hence, the need for incorporating microfinance in the country's formal credit policy has emerged. To complement the above initiatives, the issue of designing a future vision and strategy for integrating microfinance into national policies was brought up by the Central Bank of Sudan. The idea resulted from the building conviction that microfinance could be an effective tool in poverty alleviation.

In 2005 microfinance has been endorsed by the Government of National Unity as a central component of its poverty reduction strategies. In 2006, the Central Bank of Sudan formulated a "National Vision for the Development and Expansion of the Microfinance Sector in Sudan", a two-year strategy on microfinance sector policies and consequently established its Microfinance Unit to lead the development of the sector in Sudan. In parallel, the Bank of Southern Sudan created a Microfinance Unit in 2008 and the Ministry of Social Welfare also set up a Finance and Poverty Reduction Unit. Referring to the General strategy of the state which aims towards the alleviation of poverty, and the strategic vision for the development and promotion of the microfinance sector in Sudan implementing the finance policy of the central bank of Sudan for the year 2007, by committing banks to allocate 12% of their finance portfolio towards the microfinance sector, and in order to utilize this percentage it has been decided that all banks must work to establish units and departments for microfinance managed by the banks, to prepare and present their annual plans concerning microfinance according to the below guidelines of the central banks. In addition some microfinance institutions have been established in different states of the country.

Section 2: The impact of microfinance

Despite the expected positive effects surrounding microfinance activities, few researches have studied its socioeconomic impact. One of the most comprehensive studies conducted reaches a distinctive conclusion: Microcredits are more beneficial to borrowers living above the poverty line than to borrowers living below the poverty line.¹ This is because clients with more income are willing to take the risks, such as investing in new technologies that will most likely increase income flows. Poor borrowers, on the other hand, tend to take out conservative loans that protect their subsistence, and rarely invest in new technology, fixed

¹ David Hulme and Paul Mosley, *Finance Against Poverty* (London: Routledge, 1996).

capital, or the hiring of labor.

However, the report of the United Nations Secretary-General on the role of microfinance in the eradication of poverty in 2008 clearly states that there is ample evidence that access to credit has given many poor people the means to diversify and protect their sources of income to some extent.¹ This view was reiterated by the United Nations General Assembly resolution adopted on 10 March 2009, stating that, “microfinance, in particular microcredit programmes, has succeeded in generating productive self-employment and proved to be an effective tool in overcoming poverty and reducing the vulnerability of poor people to crisis and has led to their growing participation, in particular the participation of women, in the mainstream socioeconomic and political processes of society.”²

Moreover, microfinance gives access to financial services such as savings, credit, insurance and money transfer to people that otherwise would remain underserved. These people are usually denied access to commercial loans because they do not have enough means to be able to repay and other difficulties. Microfinance can provide financial services to this part of the population to enhance their productivity, help them increase their household income, and employment opportunities.³

Through providing access to credit and savings, microfinance institutions help poor people take on productive activities and cross the poverty line. This explains the popularity of microfinance among donors. Nevertheless, according to the International Monetary Fund (IMF) this approach involves the risk of funds being diverted from other prominent investment areas such as education and healthcare projects.⁴

2.2 Empirical Evidence

Early efforts to study the impacts of microenterprise programs involved case studies. Since 1990, a growing number of impact studies have used a quasi-experimental design in an effort to separate the effect of credit from other factors that may be promoting or inhibiting changes. Overviews of the methodological issues in impact assessments of microfinance in general can be found in Gaile/Foster⁵.

The primary objective of the review is to discuss the main outcomes from research and evaluation reports on the impact of microfinance services. Special attention was given to variables and measures related to household economic security, enterprise stability and growth, and individual control over resources since these impact areas are emphasized in the framework of the Assessing the Impact of Microenterprise Services (AIMS) Project.

¹Role of Microcredit and Microfinance in the Eradication of Poverty (A/63/159), P. 6.

²Role of Microcredit and Microfinance in the Eradication of Poverty (A/RES/63/229), P.1

³Brandsma, J. and Hart, L. 2004. Making Microfinance Work Better in the Middle East and North Africa. Washington D.C.: World Bank.

⁴International Monetary Fund. 2005. IMF Survey. *International Monetary Fund-IMF*.34 (5). available at: <https://www.imf.org/external/pubs/ft/survey/2005/032105.pdf>

⁵ Gaile, Gary and Foster, Jennifer, Review of methodological approaches to the study of impact of microenterprise credit programs, AIMS, USAID, Washington, 1996,P. 3-4..

The review has shown that nineteen of the 32 studies included in the review used a quasiexperimental research design. The findings on enterprise employment are mixed. Of the twenty studies which focused on this topic, most found positive, but small impacts on the number of paid employees (excluding owners) in enterprises and these impacts were concentrated among a small proportion of the borrowers. The findings indicate that the most significant employment impacts are related to increased use of family labor, or increased hours of work by owners or current workers. It is common for increases in either paid or family employment to reach a plateau after several loans and then remain steady, indicating that the enterprise has reached a more efficient level of operation.¹

In their article, Von Pischke and Bolnick/Nelson discussed a study of the economic impact of Indonesia's KIK/KMKP programme of special credits for small scale enterprises. Their major focus was on how to measure economic impact. It discussed the concept of 'impact', the survey design, the statistical framework, and the practical problems of implementation, and briefly summarized the findings. They believed that their methodology generated reasonably reliable data and fundamentally sound estimates of the credit programme's direct impact on employment, output and income.²

Schrieder and Sharma (1999) investigated the impact of microfinance on poverty reduction in 1999. In their literature revision they stated that simultaneous access to other inputs to be able to start an enterprise is important (Schrieder and Sharma 1999: 301). Investment-led benefit-impact studies showed, that one important factor is the extent to which households have access to other complementary inputs which affect the returns to credit especially for poor households.³

In his study, Shane Nichols used a case study approach to investigate the impacts of microfinance upon the lives of the poor in rural China. Field research was undertaken in a poor central-Chinese village in which a microcredit program has been operating for seven years. The socio-economic changes that had taken place in this village were contrasted with those of a nearby non-program village. He found that participation in the program had led to several positive impacts in the lives of borrowers, in particular in terms of self-satisfaction and economic security, with villagers commonly expressing a sense of enhanced confidence in themselves and their ability to manage their own economic affairs.⁴

Bernd B. argued that, by helping a poor family to increase their income, micro-enterprise development has an immediate and lasting impact on quality of life - the ability to afford

¹ Ibid, P.5.

² Bolnick, Bruce and Nelson, Eric, Evaluating the economic impact of a special credit programme : KIK/KMKP in Indonesia, JDS, 26, 1990 pp.299-312

³ Schrieder, Gertrud and Sharma, Manohar, Impact of Finance on Poverty reduction and social capital formation, Savings and development No.1, 1999, pp.67-93

⁴ Shane Nichols, A Case Study Analysis of the Impacts of Microfinance upon the Lives of the Poor in Rural China. RMIT University, Melbourne, Australia, January 2004. P.1-4. Available at: www.microfinancegateway.org. Accessed on 9th Aug. 2011.

food, shelter, education and healthcare. As business income increases, the business is able to expand, and the effect spreads beyond the family into the local community, through employment and contribution to the local economy. Thus, the benefits of micro-enterprise development help grow not just businesses, but stronger communities as well. Therefore, for him, the ultimate impact of microfinance upon its clients is the direct positive changes into levels of incomes.¹

Concerning the impact of microcredit on individuals, Elizabeth Dunn and Gordon A. argued that the use of credit may result in both positive and negative impacts on individual borrowers. Positive impacts seem to be limited to increased feelings of preparedness for the future. There was some evidence that microcredit may have had negative impacts on client self-esteem, which may stem from stress relating to the pressure to repay loans.²

Section three: microfinance activities and job creation

One of the prime causes of high incidence of poverty in Sudan is low rate of job creation and high rates of unemployment. Thus, in the absence of high volume of foreign direct investment and domestic investment needed to revitalize big industry in Sudan, promotion of micro and small enterprises is viewed as an effective tool for decreasing the level of unemployment in the country and raising incomes, thereby reducing poverty levels. The overall goal is attacking unemployment from different fronts and stimulating microfinance activities development in Sudan thus contributing to economic growth and poverty alleviation through self-employment. Those activities could be generally considered as major sources of employment generation. They dominate agricultural and non-agricultural sector not only in number of enterprises but also in numbers employed.

Microfinance activities provide important services to medium and large enterprises by providing repair and maintenance services, supplying parts and components, processing semi-finished products and selling manufactured products to consumers, thus contributing to overall employment. However, despite the lack of precise and up-to-date statistical data, the consensus among development experts is that microfinance sector offers the greatest potential for economic development if proper macroeconomic policies are developed and appropriately implemented to it. The sector could then become a major force in the creation of new employment opportunities, particularly for the poor.

3.1 Unemployment among Graduates

In Sudan, unemployment is high and persistent amongst the university graduates with different fields of specializations over the period 1984/85-2008 and at present. For example, on average the rates of unemployment for all fields of specialization were estimated at 73%,

¹Bernd Balkenholl, *The Impact of Microfinance on Employment: what do we know?* P.7.

²Elizabeth Dunn, J, Gordon Arbuckle Jr.(2010). *The Impacts of Microcredit: A Case Study from Peru. Assessing the Impact of Microenterprise Services (AIMS)*. Washington, D.C. Available at <http://pdf.usaid.gov>. visited on 8th August 2011.

82%, 78%, 81%, 76%, 69%, 28%, 41%, 78%, 61% and 76% in 1984/85, 1985/1986, 1986/87, 1987/88, 1995, 1996, 1997, 1998, 1999, 2000 and 2008 respectively - see Tables (1). These rates are quite high and rising overtime. One reason of such an increase is due to an increasing numbers of many new universities which were opened since the early 1990s. Another important reason is the weakness of both the public and private sectors in creating new job opportunities that can absorb those increasing numbers of new graduates each year.

Table (1)

Rate of Unemployment amongst Graduates (1984/2008)

Year	1984/85	85/86	86/87	87/88	95	96	97	98	99	2000	2008
Rate of Unemployment	73	82	78	81	76	69	28	41	78	61	76

Source: National Fund of Employing Graduates

Looking into Table (2) below over the period (2000-2008), unemployment increased from about (61.2%, 68.1%, 51.9%) in 2000 to about (75.7%, 74.2%, 77.5%) in 2008 for total, women and men graduates of all fields of specialization respectively. The same justification for data in table (1) holds true for data in table (2).

Table (2)

Unemployment Rates amongst Women, Men and Total Graduates (2000-2008)

Year/Unemployment for	Women	Men	Total
2000	61.8	68.1	51.9
2008	75.7	74,2	77.5

Source: National Fund of Employing Graduates

3.2 Microfinance Projects and Jobs Creation among Graduates

For lessening the pressure of unemployment among graduates and in search of creating job opportunities, the government has directed financial institutions to allocate a share of their portfolio for small projects toward graduates. Table (3) illustrates the number of small projects provided across some states of the Sudan during the period 2007-2010. The general trend of data presented in Table (3) reflected the fact that the total number of those small projects is generally decreased during the period 2007-2010.

Table (3)
Number of Projects Implemented during (2007-2010)

No.	State	2007	2008	2009	2010	Total
1	Gezira	107	52	10	–	169
2	Gedarif	36	1	2	1	40
3	River Nile	31	15	5	–	51
4	South Kordofan	22	54	19	–	95
5	Northern	10	8	–	–	18
6	Red sea	138	70	52	2	262
7	White Nile	20	22	13	1	56
8	South Darfur	60	13	–	–	73
9	North Kordofan	119	42	7	–	168
10	Sinnar	31	23	5	–	59
11	North Darfur	–	–	29	26	55
12	Blue Nile	33	84	2	–	119
13	Khartoum	85	85	6	–	176
14	Kassala	45	5	–	–	50
15	West Darfur	43	11	10	56	120

Source: Data Centre, National Fund for Graduates Employment, 2010

Table (4) illustrates the total number of graduate beneficiaries from small projects during the period 2007-2010 in some states of the Sudan. Those data showed that the number of beneficiary graduates is very low compared with the total number of the unemployed.

Table (4)
Number of Beneficiaries Graduates

No.	State	2007	2008	2009	2010	Total
1	Gezira	224	73	16	–	313
2	Gedarif	232	8	2	4	246
3	River Nile	39	38	5	–	82
4	South Kordofan	198	188	34	–	420
5	Northern	19	28	–	–	47
6	Red sea	273	94	57	2	426
7	White Nile	92	57	25	3	177
8	South Darfur	159	39	–	–	198
9	North Kordofan	224	52	10	–	286
10	Sinnar	127	55	5	–	187
11	North Darfur	–	–	51	47	98
12	Blue Nile	80	158	5	–	243
13	Khartoum	255	212	11	–	478
14	Kassala	179	15	–	–	194
15	West Darfur	134	14	11	76	235

Source: Data Centre, National Fund for Graduates Employment, 2010

Concerning what kinds of projects financed by microfinance activities among graduates during her period 2007-2010, Table (5) shows that the service and animal small projects constitute the highest financed activities compared with other activities such as industries, manufacturing and others.

Table (5)
Types of Projects

2010					2009					2008					2007					Year	↕
Manuf/Craft	Mixed	Agricult.	Animal	Serv/comm	Manuf/Craft	Mixed	Agricult.	Animal	Serv/comm	Manuf/Craft	Mixed	Agricult.	Animal	Serv/comm	Manuf/Craft	Mixed	Agricult.	Animal	Serv/comm	Projects	
-	-	-	-	-	1	-	1	2	6	5	-	3	5	39	22	-	7	38	40	Gezira	1
-	-	-	-	1	-	-	-	1	1	-	-	-	-	1	3	6	2	7	18	Gedarif	2
-	-	-	-	-	1	-	-	1	3	3	-	-	-	12	4	-	-	4	5	River Nile	3
-	-	-	-	-	1	-	-	14	4	1	-	-	11	42	-	2	2	7	11	South Kordofan	4
-	-	-	-	-	-	-	-	-	-	-	-	-	1	7	2	-	-	4	4	Northern	5
-	-	-	-	2	3	-	-	3	46	5	-	-	4	61	11	-	-	5	122	Red sea	6
-	-	-	-	1	-	-	1	1	11	2	-	-	3	17	1	-	-	4	15	White Nile	7
-	-	-	-	-	-	-	-	-	-	1	-	1	4	7	-	-	20	1	39	South Darfur	8
-	-	-	-	-	-	-	-	5	2	3	-	-	18	21	19	-	-	74	26	North Kordofan	9
-	-	-	-	-	-	-	-	-	5	3	-	4	3	13	5	-	6	12	8	Sinnar	10
1	-	-	5	20	2	-	-	5	22	-	-	-	-	-	-	-	-	-	-	North Darfur	11
-	-	-	-	-	-	-	-	2	-	-	-	5	15	63	-	-	2	5	26	Blue Nile	12
-	-	-	-	-	-	-	-	-	6	3	6	-	15	61	4	4	-	9	68	Khartoum	13
-	-	-	-	-	-	-	-	-	-	1	-	1	1	2	8	2	-	12	23	Kassala	14
12	-	2	5	37	3	-	-	-	7	1	-	1	-	9	10	-	3	3	27	West Darfur	15

Source: Data Centre, National Fund for Graduates Employment, 2010

Conclusion and Suggested Recommendations

The primary objective of this paper is that it attempts to raise the question of how could microfinance activities help in creating new job opportunities among graduates in Sudan. The paper illustrates the fact that the empirical studies have proven a wide range of socioeconomic impacts of small projects financed through microfinance. It also assures that microfinance may give the poor component of the population and unemployed graduates access to financial services to help them retain their economic activities, generate income and sustain themselves. This massive market, which without microfinance would be unexploited, should be served to create opportunities and make use of available resources.

Data on graduates in Sudan reflected that there is an increasing number of unemployed

graduates each year. Small projects financed by microfinance activities are not sufficient enough to absorb those unemployed graduates,

The paper suggests the following recommendations:

1. An in-depth and accurate statistics have to be conducted among graduates
2. Market survey and study is essential to stand for both demand and supply sides in microfinance.
3. Encouraging the private sector to absorb unemployed graduates
4. Inculcating the culture of free work and doing business among graduates
5. Allocating the required and sufficient funds to build capacities among graduates, particularly in microfinance activities.
6. Coordination is highly required among institutions providing funds for small projects and motivating them to allocate parts of those funds for the unemployed graduates.

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