

The role of microfinance institutions in supporting women microenterprises in urban Sudan

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Microfinance implies provision of financial services to poor and low-income individuals who have no access to formal financial services. Access to services such as, credit, venture capital and insurance is provided on a micro-scale enabling participation of those with severely limited financial means in small businesses. It improves poor household income and economic security, build assets and reduce vulnerability. It also generates demand for other goods and stimulates local economies (IFSB, 2007).

There has been a steady growth in the numbers of micro and small enterprises in Sudan, in response not only to the growing demand among poor and low-income groups for their products and services, which are provided at reasonable cost, with easy accessibility, but also as a result of an economic situation that has led greater numbers of people to seek employment in this sector. As the sector has grown, there has been a reciprocal growth in the demand for microfinance. Microfinance providers in Sudan have shown impressive contribution in delivering financial services to the poor and their enterprises. Microfinance institutions enable poor low-income households to develop their microenterprises, which enhance their income earning capacity, and improve their living standard (Siddig, 2013).

Microfinance institutions (MFIs) in Sudan try to place greater focus on women because the majority of poorer households are headed by them. Therefore, female entrepreneurs are widely accepted by MFIs as a good credit riskers and enthusiastic customers for both credit and savings facilities. Increases in women's income tend to have a more positive effect on family welfare than increases in men's income and not only for women's wellbeing, but that of the entire family (Abukasawi, 2006).

The recognition of microfinance as one of the priority tools for credit policy in the Sudan started only in the mid-1990s. The state policy to promote microfinance is mainly reflected in the National Comprehensive Strategy (1992-2002). A number of institutions have been involved in providing microfinance services in the Sudan, which can be broadly classified into three categories including banks, NGOs and social funds. More than 100 local and foreign NGOs are providing microcredit, emergency loans, medical care and educational services to poor people in the Sudan in coordination with the official authorities.

The Central Bank of Sudan defines microfinance as financial services to poor people, whereby poor people are those have income that is not exceeding twice the minimum salary threshold (currently SDG 500 per month) and whose productive assets excluding land do not exceed a value of SDG 10,000. Micro financing is then restricted by the bank to a maximum of SDG 10,000 per contract.

In this context, there is a need to assess the role of MFIs to the sustainable growth of women microenterprises, the promotion of entrepreneurship activities and reducing poverty in Sudan. These are therefore the objectives of this research, which in addition tries to investigate the level to which MFIs meet the financial needs of microenterprises and to identify the MFIs' challenges in serving microenterprises, taking the Khartoum State as a case.

Khartoum state (KS), which is the national capital of Sudan, is chosen to the study area. The state has an area of about 22 thousand kilometres and an estimated population of 5.3 million. It is made up of three big towns including Khartoum, Khartoum North, and Omdurman, with all three towns being located along the rivers Blue and White Niles and is administratively divided into 7 localities. According to the 2009 census, 68% of Khartoum's population are urban, 21% lives in rural peripheries and 11% are displaced. Females over 16 years of age in KS are 1.5 million, of which 104 thousand are self-employed, based on the fact that total self-employed (male and female) in KS are 346.8 thousands and the gender structure of the workforce is 70% for men and 30% for women (UNDP, 2010).

The study's focus is on women with microenterprises or engaged in trading, production, and selling in the informal sector. Hence, the population of the study is the 104 thousand of the self-employed females in KS. 350 respondents are selected and random sampling technique is applied considering location of project (market-based, home-based, and street sellers), locality (all KS localities, namely Omdorman, Karrari, Ombada, Khartoum, Jabalawlia, Bahri, Shargalneel) and type of activity (20 different activities are covered).

Primary data are collected using a structured questionnaire and individual interviews held with female entrepreneurs in KS as well as by optical observation by visiting the respondents in their locations. Also to assess the performance of MFIs in Sudan, several MFIs are selected including the following:

- Saving and Social Development Bank (SSDB) and Farmer Commercial Bank (FCB) as examples of banks providing microfinance; and

- Youth Foundation for microfinance and the experience of “Amel” microfinance program, as examples of financial institution providing microfinance;

Interviews were conducted with officials in these institutions and additional information was also obtained from their reports. Secondary data are gathered from various sources including national surveys, censuses and previous studies. Both primary and secondary data are analysed using descriptive statistics and cross tabulation imbedded in Microsoft Excel.

Major findings of the study show that The Central Bank of Sudan adopted the strategy of the microfinance and it opened an important path of social insurance, but the rate of the inflow of finance was less than the proposed rate of 12% of the inflow of finance, which was specified by the bank. It is also revealed that the reluctance of commercial banks to microfinance is due to the risks associated with microfinance and low returns.

The findings of the survey reported that the lack of funds to finance investment or ongoing business operations is one of the main problems facing female entrepreneurs in Khartoum state. Results show that 63% of the women micro-entrepreneurs indicated that they didn't take loans from banks or other financial institutions, while only 37% indicated that they took loans from banks or financial institutions. Nonetheless, all interviewees underlined their need for finance as a major constraint. Those who sought financial services from banks however are found to be satisfied and the majority confirmed that the funding helped them to succeed. Banks and funding institutions as well confirmed that, female entrepreneurs have succeeded in paying back their loans in due times with a repayment ratio of 74% among female entrepreneurs, which is considered high.

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