

# Banking system and financing system: sudan

[Finance](#), [Banking](#)



My research is about money, banking system and financing system of the country that i choose which is Sudan. Sudan is the third largest country on the African continent with a total area of 1, 882, 000 sq km. The country has international borders with 7 states : Egypt, Eritrea, Ethiopia, South Sudan, Central African Republic, Chad and Libya.

The River Nile traverses the country from South to North while the Red Sea washes about 550 miles of eastern coast making Sudan a bridge between Africa and the Middle East. The name of central bank in Sudan is Sudanese Central bank. The Sudanese Central Bank is located in Khartoum.

The main role of the National Bank of Egypt as bank of commercial banks (bank of the banks) and of course they are used to manage the banking activities of the government. During that time, Sudan does not have their own currency and they use the Egyptian and British currencies until the first national currency were issued. National currency of Sudan is Sudanese Pound that being used start in 1996.

Bank of Sudan have open their branch to other country such as Arab, Asian and European countries and they want to re-establishing banking relationships in the hope that the US will restore economic sanctions permanently.

## **BACKGROUND OF COUNTRY**

Sudan is located in northeast Africa and it measure about one-fourth the size of United State. Country of Sudan is very interesting and the country are diversity. Many outsider come to Sudan is among anthropologists and archeologists to historians and average travelers.

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Sudan is a country have their own unique and also have their complexity in climate, politics, environment, languages, cultures, religion and ethnicities. Sudanese population consists of both indigenous African groups and Arabs and today mostly they are speak in Arab. Muslim Sunni population in Sudan over 97% and small community of christian. The population of Sudan now is 34 million.

Long time ago, Sudan is known as kingdom of Nubia. After 2600 B. C , Sudan is rule by Egyptian. Civilization of Egyptian and Nubia is growing rapidly until A. D 350 and that time the civilization is called Kush. In 6th century, the missionaries take control of that area to spread the Christian faith but because the admittance of Muslim Arabs who have take over Egypt eventually they are controlled and change from Christian to Islam in that area.

Sudan is the first millennium BC in the world history. Sudan is familiar with name of Nubia because of the name come from Latin. At that time , the whole region is rich with gold mine. They build temples, monuments and proud boundary inscriptions in Cush (or Nubia) and pharaohs make it as tradition in dynasty Egypt from 16th century BC.

Few area in Sudan and several black African group such as Dinka, Shilluk, Nuer, and Azande was conquer by citizen that they call Funj during the 1500s. In 1874, Egyptian conquered Sudan back after Britain had colonize Egypt in 1882 and they take over Sudan in 1898 and also conjunction with Egypt to ruling the country. Between 1898 and 1955, they are known as the Anglo-Egyptian.

**Anglo-Egyptian Condominium: 1899-1956**

The war in Omdurman was to revive the military in the south of Egypt's khedive led by senior British officials and mostly composed of Egyptian armies. the Sudan government was made in the Anglo-Egyptian partnership. British crown and the khedive was shared sovereignty of the region and their flag was place side by side. However, the politician Cairo does not prove the corporation easily especially after the World War I.

The policy that British strongly opposed is incorporation of Sudan and Egyptian that was demanding by politicians of Cairo. Assassination of Lee Stack, the British governor general of the southern colony in Cairo because of outbreak of violence anti-British in year 1924. British had govern the Sudan for 12 years and they have restores the role of Egyptian officials because the agrement of Anglo-Egyptian in 1936.

The British have helping first steps toward Sudan's independence (in the form of a legislative council) and that make the king of Egypt, Farouk mad toward British and declare that he is ruler of a united kingdom of Egypt and the Sudan. However the declaration is ignored and coup by Naguib and other officers in 1952 made Farouk deposed from government. In 1953, British and Egypt agree to facilitate the transitional period after Naguib recognizes Sudan's right to self-determination.

Election are held in 1954, because of the campaign on policy incorporation between Sudan and Egypt to achieve the 'unity of the Nile Valley' conducted by National Unionist Party, led by Ismail al-Azhari, they have won the

election. However he change his view to leads the nation into a separate independence start in 1956 that is opposite to his campaign.

### **Independence and civil war: 1956-1985**

Southern Sudan faced rebellion, riot and loss of life due to the riot on Ogos 1955 which is less than six month before the agreed date of independence. The reason behind this rebellion because of majority in Southern is non-Muslim Africa where they are christian or animist while in Northern mostly is Muslim Arab.

This insiden of this disastrous is a sign to create a new country. The trouble of the politic life by northern Muslim groups is they want to make Sudan become fundamentalist Islamic state. Mahdist tradition of Sudan make their islamic movement more stronger. Their political purpose of Muslim community is to bring back old two separate long-running conflicts. Where the at first, secular side support a Marxist economic policy, and between religious and secular rivals in the north.

The other is where in Equatoria thecivil warto gain freedom and independence from the threat of Muslim domination which is in north and south. There have several phase fight of power in the north. The Islamic government was formed after the elections were held which resulted in their victory in the year 1965 and they have ban the communist party. Sudanese Socialist Party is a single-party rule under the power of a colonel in the army, Gaafar Mohamed el-Nimeri commit a left-wing coup in 1969.

The civil war over 17 years in southern was handle with signing the Addis Ababa Agreement, allowing for the internal autonomy of Equatoria. The

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violent chaos was recently revived in south make Nimeri reverses his policy - partly and it happen after ten years later and he also affirm strength of the Muslim Brotherhood in the north.

Strict and punitive Islamic legal code, the sharia was implement in Sudanese Law by Nimeri on 1983. While he cancel the Addis Ababa Agreement and bringing the south back under central administration in the same year. Because of the changed make by Nimeri, increase of rebellion occur in the south they protest it as strongly as possible moderates who use sharia. In hopeless situation, Nimeri has resigned and he was ousted without bloodshed by his chief of staff.

### **National Islamic Front: from 1989**

They are held election within a one year of 1985 and still ineffective power coalitions. Because of that in 1989, the situation is resolved by military. Omar Hassan Ahmad al-Bashir is a leader of the coup. The political wing of the Muslim Brotherhood is NIF (National Islamic Front) and it closely linked with the body of Revolutionary Command Council for National Salvation is rule by Bashir.

Election in 1996, Bashir become the president and only NIF party are permitted and they wins 400 seats in the national assembly. The most afraid by southern is coup in 1989 had occur. Muslim fundamentalists have control over Sudan. Political freedom is blocked as well as freedom of the press and the judiciary. The SPLA (Sudanese People's Liberation Army) after the collapse of the Addis Ababa Agreement are formed because of the development and it led to a civil war.

## **THE BACKGROUND CENTRAL BANK OF COUNTRY**

The name of central bank for Sudan is Sudanese Central Bank. Headquarter of Central Bank of Sudan is located in Khartoum.

Central Bank of Sudan is divided their function between the Ministry of Finance, Sudan Currency Board and the National Bank of Egypt in the past. USD and the other in Sterling Pounds is maintained part of the official foreign exchange balances by Ministry of Finance which is managed respectively by the National Bank of Egypt and Barclays Bank D. C. O.

Managing the currency and keep a part of the country's balance in foreign currency as a cover to the national currency was executed by the currency Board. The main role of the National Bank of Egypt as bank of commercial banks (bank of the banks) and of course they are used to manage the banking activities of the government.

During that time, Sudan does not have their own currency and they use the Egyptian and British currencies until the first national currency were issued.

After independence of Sudan, to replace existing bodies and to perform its functions of regulating the process of the issuance of the national currency , formulating and directing monetary and finance policies to serve various economic sectors , build up a strong , efficient and effective banking system that meet the development needs of the country, maintain government accounts , act as adviser for the government on financial affairs and provide foreign currency for the development projects adopted by the government at that time they need to create or having the Central Bank. In order to achieve

their objectives above, on 1959 they formed a committee of three experts from the USA Federal Reserve.

The experts were:

1. Oliver Weale , Vice chairman of the Federal Reserve Bank of Francisco as president,
2. Alan R. holmes from the Federal Reserve Bank of New York as a member.
3. Andrew F. Primer from the Federal Reserve Bank of New York as a member.

Establishment of Central Bank in Sudan is studies for any possibility by the committee and they submit their report in March 1957. In 1959, the Bank of Sudan Act is issue. After that in February 22, 1960, the bank is open for business. Because of the act, the Bank of Sudan have independent corporatepersonality, legal personality and a perpetual succession.

The officials of Egypt is replace with new officials from Sudan and remain the junior staff who a used to work for the National Bank of Egypt. Mamoun Behairy is a first Governor of Bank of Sudan. A few staff with degree qualification were recruited as addition and they were borrow from Ministry of Finance because of the main purpose and nature of Central Bank.

Main objective of Bank

1. Achieving stability of prices, maintaining stability of the exchange rate, efficiency of the banking system and issue of currency of the types thereof, organize, control and supervise the same;



2. Formulating and implementing monetary policy, depending on the first place on the market forces in such away to achieve the national objectives of the national macro economy in consultation with the Minister (Minister of Finance and National Economy);
3. Organize banking business, monitor and supervise, strive to promote and develop and raise the efficiency thereof, in such way, as may achieve the balanced economic and social development
4. Act, in its capacity as the Government banker, as an advisor and agent thereof, in the monetary and financial affairs
5. Abide in the discharge of the duties, achievements of the objects, exercise of the powers and supervision thereby, of the banking system, by the ordinances of Islamic Sharia and the conventional banking customs.

### **Nature of the Banking System**

The Sudanese banking system shall consist of dual banking system, one of which is Islamic in Northern Sudan and the other Conventional in Southern Sudan.

The headquarters of the Bank shall be in Khartoum, and may establish branches , or agencies inside the Sudan, and appoint correspondents outside the Sudan.

The Bank of Southern Sudan shall be established as a branch of the Bank to render, in addition to its other tasks, conventional banking services in Southern Sudan, including the issue of license, as the Board may issue. There shall assume management of the conventional banking system, in

Southern Sudan, as one of the windows of the Bank, and in accordance with its laws, policies and safeguards.

The Bank shall have an independent corporate personality, perpetual succession, a common seal, and the right to litigate , in its power name.

### **Vision, Mission, and Core Value**

#### **Our Vision**

To be one of the leading central banks at the regional and international levels in maintaining the financial and monetary stability in such a way as may contribute to the realization of sustained economic growth and reinforce the international confidence in our banking credibility.

#### **Our Mission**

To maintain monetary and financial stability under the dual banking system consistent with the volume of economic activity in Sudan and to realize an attractive investment environment together with securing soundness and strength of the banking system by adopting effective financial and monetary policies and exerting the required efforts to disseminate the financial and banking knowledge.

#### **Our Core Values**

We commit ourselves to the following values for performing our work with integrity sincerity and attachment and to set the example for others:

- Consolidation of the spirit of association.

- Reinforcement of the principles of integrity, credibility and transparency.
- Perform with high professionalism and excellence.
- Effectiveness and efficiency.
- Work with team spirit.

### **MONEY AND BANKING PRODUCT OF COUNTRY**

The monetary of Sudan start with Egyptian and British currency until 1956. In 1956 until 1992, Sudan use Sudanese Pound that equal to Egyptian pound 100 piastres. After that from 1992 they use Sudanese Dinar which is 10 pound equal to 100 piastres. And lastly Sudan use Sudanese Pound as their national currency until now from 1996.

#### **Banking of Sudan**

According CBOS, they now have 34 Banks in Sudan. Some of them is a foreign banks which is :

- Abu Dhabi National Bank
- Qatar National Bank
- National Bank of Egypt (Khartoum)
- Aljazeera Sudanese Jordanian Bank
- Sudanese Egyptian Bank
- Saudi Sudanese Bank
- Byblos Bank (Africa)

International standard recognize commercial banking sector of Sudan is weak and small. Because of that, actively play role by CBOS in financing the

economic activities in the country as addition of commercial banks. Through pervasive interventionist policies, they are strictly controls and directs the commercial banks.

Only two leasing companies operated especially in field of equipment leasing in 2015 and there are non- financial sector in Sudan. In oil and gas blocks or concessions, Sudanese bank are not sharing the capital in that. Through production sharing agreements (PSA) which is government with free carried shares held by Sudapet on behalf of the Sudan government among the consortia of three or four foreign companies and this financed by the foreign investors and shared with government.

The satisfaction of both parties is a main function of PSA. The local banking sector is play no role in financing of oil and gas prospecting instead as they are providing traditional banking services for a few local contractors serving the oil industry start in the end year of 2015.

To allow easy movement of currency, Sudanese Bank have open their branch in Arab, Asian and European countries and they want to re-establishing banking relationships in the hope that the US will restore economic sanctions permanently. The agreement have been achieve to restore links with international banks, especially in the UAE, Germany, and Belarus.

Bank of Sudan has open their branch in Bahrain for currency transfer received a long-term AA rating and a short-term rating with a stable outlook from the International Islamic Rating Agency in Julai 2017.

Currently, the Bank of Sudan declares it offers " well-structured and customised finance solutions needed to facilitate management of your working capital and expenditure, including: Mudaraba, LC Against Mudaraba, Musharaka (partnership), Qard Hasan (grant), Istisna/Mugawala (made to order), Salam (purchase with deferred delivery), Ijarra (Leasing), Murabaha (cost-plus sale ), Bai' Muajjal (deferred sale)".

The Bank of Sudan identifies the following trade products on its website:

Letters of credit (LCs): LCs are geared to handle all customer requirements for imports/exports drawn up under strict Shariah principles. They customise the most appropriate service type whether sight, acceptance, transferable, revolving, standby LCs or others.

Letters of guarantee (LGs): The Bank of Sudan prepares and issues all kinds of financial instruments, including letters of guarantee drawn up under strict Shariah principles. The range of requirements covered includes bid bonds, performance bonds, advance payment bonds, and guarantees for retention monies, maintenance, labour, customs duty, or others.

Documentary collections: The Bank of Sudan provides different types of documentary collections for imports and exports, such as:

- Advanced payment (ADV)
- Deferred acceptance (DA)
- Cash against documents (CAD)

## CONCLUSION

Base on my finding, Sudan have biggest opportunity to expand the shariah-based economy and financial to the world. Sudan also welcoming the business in industry of natural resource, the agricultural industry and the livestock industry. Sudan is offering to access to one of the few untouched markets in the world and that make Sudan appear as investment opportunity to the world. The most important for development in Sudan is financial service industry. Sudan have big opportunity in financial service industry because they use Shariah compliant product in this sector.

However, in order to achieve their objective, there are many challenges they facing for the optimal functioning of the industry. For example, liquidity crunch that they facing now is the most serious challenges part for Sudan. Numerous of challenges happen when the country does not have enough cash such as they cannot afford to pay diplomats and embassies.

In my suggestion, Sudan needs to open up bigger investment opportunities to foreign investors and also can make half of government half of private of government agency in the country.

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