THE CONTRIBUTION OF THE MOHJAL ISLAMIC
IDEOLOGY IN THE SOCIO-ECONOMIC DEVELOPMENT
OF THE SUDAN

By

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Thesis submitted in partial fulfillment of M.Sc. Degree in Development Planning 
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Awd
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October, 1986.
TO MY LADYER AND FATHER.
تمتلك بنك دينال الإسلامي السوداني أول عجزة للبنك السودان الإسلامي. في السودان وذلك يكون رائدًا للبنك الإسلامية في البلاد. فقد أُنشئ عام 1978م ورَأى أُمرًا بالمملكة العربية السعودية، في وزارة الإسلامية والأعمال sổديرة، وذلك كيف يكون بنك دينال الإسلامي السودان أبيا استثمارات قوية في البنوك الإسلامية و услуги بنوك الإسلامية وشريعة Banking. بنك دينال الإسلامي السودان، الذي يُعَد البنك الوحيد الذي يعتبر فيه البنوك الإسلامية في السودان، هو بنك دينال الإسلامي السودان. وهو بنك يُعَد البنك الوحيد الذي يعتبر فيه البنوك الإسلامية في السودان، وهو بنك يُعَد البنك الوحيد الذي يعتبر فيه البنوك الإسلامية في السودان.
السنوات الأخيرة (1482 هـ - 2002 م) - نبيل سر
الفصل للمشكلات والتحديات التي تمتلك سبيل البنك للمساهمة
في تحسين السلامة والتي تجري بسياسات الدولة عن جانب، وتلبية
%', 'العملية للتنظيم الإسلامي من جانب آخر، واختتمت الدراسة بعملية
الفصل بالنظر للخطط، والسياسات المستقبلية ليفتقد في مجال التنمية
الاقتصادية والاجتماعية في السودان.

في غضون الدراسة ونمت عدة توصيات بلاغات عاط فجيعة
الأخذ بها يحقق سبيل البنك لأเกษ الإفادة وتحقيق كل الأهداف.

الأمين الحسن سليمان
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I am very grateful to my supervisor Professor Mohamed Nashim, Head of the Department of Economics for his encouragement, advice, guidance and continuous help throughout the time of my work on this thesis.

My thanks are also due to Dr. Mohamed Altaittalin Al-Malle, the M.Sc. Co-ordinator for his valuable advice, continuous help and provision of some information.

My thanks are also due to Dr. Richard Brown for his tremendous help of providing me with some necessary information and financial resources.

I would like to thank my teacher Drs. Paul Boornbos for his help. Special thanks to my fellows in the Central Bank and the Faisal Islamic Bank (Sydon) for their help in providing me with the main documents for this thesis, also thanks to the officials in both banks for their encouragement and advice.

My thanks also go to my colleagues in the M.Sc. course for their encouragement throughout this work.

Very special thanks to my wife Nawal for her patience and help throughout the stages of this work.
The Islamic banking system, which was established recently in the 1970s as the result of the oil crisis, is an alternative to the traditional banking system. It is intended to be a successful and encouraging institution, simply because it is Islamic. Islamic banking is based on the prohibition of interest and finance on the basis of a surplus or legitimate profit.

The lvical Bank (Istanbul) (ETIS) is the first in its kind in the Sultan, having been established in 1974 as a joint venture Islamic company. The contribution of the ETIS to the socio-economic development of the Sultan is the main theme of this study. The introduction is devoted to the statement of the problem, the theoretical framework, the scope of the research, the objectives of the study, the hypotheses, the research methodology, the methods of analysis, and the conceptual framework.

Chapter One discusses establishment, objectives, strategy, and activities of ETIS.
The share of the Frigel Islamic Bank (Sudan) in banking activity in the country is the object of Chapter Two, comparing its capital, deposits and advances with those of the commercial banks.

Chapter Three is devoted to the FIBS's contribution to economic development in the country specifically with respect to the generation of savings and its investment, the attraction of foreign funds, the facilitation of importation (petroleum and others), export promotion and production with employment promotion (craftsmen, artisans and small producers).

In Chapter Four emphasis is placed on the Bank's contribution to the social development of the country, taking items such as zakat, benevolent loans, services to craftsmen, artisans and truck-owners, and other social aspects as indicators.

An appraisal of the socio-economic impact of the Bank on the country's development is given in Chapter Five, covering
the socio-economic goals, objectives and policies of both the Bank and the state, the distribution of income and employment, social and economic stability in the country, the problems and constraints facing the system in practice, and the future of the Bank's contribution to Sudanese development.

Finally, findings and some concluding remarks are offered.
INTRODUCTION
a partial fulfilment for the M.Sc. degree in Development Planning, I have chosen a part of a larger area - Banking System in Sudan, which has been touched in different angles, principles, contributions, internal and external relations, but what I am going to tackle may be to some extent something new in both the kind of banking and the contribution approach, in relation to Sudanese society. The specific study is in short the general actual contribution of the Faisal Islamic Bank in the social and economic development of the Sudan, what has been done up to date and what is going to be taken in the future, using the criterion of measurement to reach whether it contributes or not.

II- The Statement of the Problem

In all countries, however, one would expect to find an efficient banking system. The essential function of this system is to act as an intermediary between savers
and institutions which want to borrow. They may do this by issuing themselves, promises to pay or by holding and transferring the public monetary deposits. Hence the banking system is anticipated to play a leading role in manipulating the socio-economic development of the country. The role of the commercial banks in particular is of vital importance and viewed to be the most essential and underline machinery.

In spite of the fact that the experience of Sudan with modern banking institutions is relatively short and does not reach a quarter of a century, it is viewed to be a very rich one, and has its own tastes, features and characteristics. In this respect, it is worth noting that the commercial banks which operated in the country prior to 1960 were of foreign origin. Hence it was not surprising that the whole commercial activities were dominated by expatriates. This domination extended – in one way or another - until 1970, when ambitious measures were taken (nationalization) to release the country's economy from that domination and exploitation. In spite of all that
had been said about the unsuitability of nationalization at that time, especially for other firms and institutions, the experience was healthy and fruitful and put the whole economy in its right path.

Once again, the need for the implementation of economic and social programmes in different regions of the country. The need for increasing the value of exports to relieve the deficit of balance of payments and finally the hope to overcome all our economic and financial difficulties, have urged the government to introduce a series of programmes, measures and policies aiming at the reform of financial status and rehabilitation of the economy. Hence the Ministry of Finance and Economic Planning was directed to invite foreign investors to come and participate. The foreign banks, joint banks and indigenous investors seized the opportunity and offered their services under the terms and conditions stipulated by the Bank of Sudan. Consequently, a new blood of traditional and Islamic banks was injected into the economy and a new epoch began.

At the outset, the philosophy of Islamic banking
system introduced recently as an alternative to the 

traditional one, is deemed to be a successful and 

encouraging experience, that is simply because that as 

Islamic bank concentrates on labour factor as a source 

of income rather than concentrating on capital factor. 

It relies on commission as a wage of labour and prohibits 

interest in all forms of transactions and undertakes 

business on the basis of fair and legitimate profits.\(^1\)

More specifically labour is the primary value in 

economic activity in Islam, and no economic return is 
deserved to any other factor of production in its absence. 

In Islam the principle is that wealth does not deserve 
a return unless it is accompanied by labour, even if 

wealth took advantage of the phenomenon of time, the difference 
of location, the difference of commodities, or any other 

phenomenon.

The concept of Islamic banks is a new concept which 

started in Egypt in the early sixties in Hit-Cham village. 

Its drive was both social and economic, with style similar to that of community development. Its emphasis was on the development of saving awareness among small savers, on the grounds that capital accumulation is one of the important factors in the Third World development.

The present Islamic banking movement started with the establishment of the Islamic Development Bank, being an inter-governmental bank. On that basis, and as a complement to it on the popular level, His Royal Highness Prince Mohamed El-Faisal called for the establishment of a number of Islamic banks. Since around 1977 several Islamic banks were established. Some of them bear the name of King Faisal (as an acknowledgement of his effective role in establishing the Islamic Development Bank). These are: The Islamic Bank of Jordan, Faisal Islamic Bank of Egypt, Kuwait Finance House, The Islamic Bank of Bahrain, Massey Social Bank, Dubai Islamic Bank (the oldest one of all these), and our case study Faisal Islamic Bank (Sudan).

In addition to the above group there are a newly established Islamic Banks, such as Tadamon Islamic Bank, Sudanese Islamic
Bank, Western Sudan Islamic Bank, Co-operative Development Islamic Bank, in Sudan, besides Qatar Islamic Bank.

In some other non-Arab countries, a movement to establish Islamic banks has started, for instance in Malaysia and Nigeria. In Pakistan, an official policy has been started to transform the whole banking system to the Islamic system, beginning by introducing a parallel risk-sharing deposits system in all Pakistan banks. In Iraq, the cancellation of interest has been taken in reality after the official declaration.

In order to make a professional association to embrace these banks in its membership with the objective of guiding their activities, the International Association of Islamic Banks (IAIB) has been established. It is recognized as one of the official organizations affiliated to the organization of the Islamic Conference (OIC). All this shows that the movement has official and popular recognition.
Faisal Islamic Bank (Sudan) (FIBS)

On 10th August, 1977, FIBS was incorporated as a Sudanese public company under the companies Act of 1925, and on May 1978, the bank was officially opened for serving the public in both banking and investment activities on the basis of Islam, so the Bank was the first Islamic Bank in the country. The authorized capital on the inauguration of the bank was 6 million divided as follows:

40% = Sudanese Nationals.
40% = Nationals of Saudi Arabia.
20% = Muslims from other countries.

After four years the authorized capital became 50 million and paid capital and reserves about 25 million. For the Bank to participate in development of the country, and stated channels should be taken, so in conformity with the rules of Islam, the Bank tries to stimulate social and economic development through the performance of:

- All banking services.
- Financial transactions.
- Commercial operations.
- Investment activities.
- Zakat accounts.

For the above purposes, the Bank has eight branches and established five companies for Islamic insurance, commerce and services, Estate development, exchange house, and investment (Artisan Branch).

By its (enabling) Act, the Bank enjoys exemption from taxes and any other concessions or privileges for by any other law. Hence, the Bank was given complete freedom in the transferability and use of its foreign currency deposits and non-resident accounts as well as freedom of movement and flexibility.

Thus, with above knowledge mentioned in this section, it is of great importance to assess the 'contribution of FIBS in the social and economic development of the Sudan,' and investigate for factors facilitating the socio-economic development. The response of the Bank towards poor, as well as its role as a leading proponent in carrying out the principles of Islam as a whole and economics as a restrict area.
III- Theoretical Framework

Our concentration in this subject is going to be on two main variables: the financial contribution of FIBS or its support using different means to avoid the resources (scarce resources), and the distribution of these resources to solve the problem as well as facilitating the social and economic development throughout the country. So these two variables - the bank as a source of finance, and the Sudan's social and economic development - and their interrelationship are the main issue of our study, bearing in mind that social and economic development is a wide area, and the bank is of a new theme (Islamic principles and the degree of funds availability) besides the beliefs of Sudanese society and government policies. That is to say the socio-economic goals are different; the bank and the people (most of Sudanese are Muslims) have the same goals, but the government in spite of its announced new Islamic trend, her policies are hesitating, specially in the context of socio-economic goals. A great contribution or a closed relationship between FIBS and socio-economic
development of the Sudan is main hypotheses, that is to say different sectors were taken into consideration - agriculture, industry, trade and commerce, saving and investment, consideration of poor, with high administrative capability and psychological satisfaction. In short this study is going to attempt to assess the role of FIBS in socio-economic development of the Sudan.

IV- Scope of the Research

The socio-economic development of the Sudan from different angles and the contribution of the FIBS in this matter is an appropriate point of departure for the proposed research. Under the available circumstances a study of the contribution of the FIBS in the socio-economic development of the Sudan - Sharia Laws, Islamization of the Banking system in the country and the encouragement of foreign capital within the framework of organized banks, provides a general scope of the research which is going to be carried out taking the above two mentioned variables. To be more specific the study requires types of data such as:

- The concept of development, growth and economic
and social development.

- The size of economic development which can be taken in the country, according to the stated policies.
- The potential and actual size of contribution of the FISS.
- The annual progress of contribution in relation to other commercial banks (in sum), native banks and Islamic banks.
- What types of contribution are made, and to what extent.
- Under what rules is contribution made.
- What is the relationship between FISS and Bank of Sudan and Government.
- The FISS administrative capability.
- What are the main constraints at present.
- What are the future plans for socio-economic development.

These aspects lead us to specify the criterion of measurement so as to reach whether FISS contribute or not,
the followings are the major criteria for social aspects,

1. Income distribution.
2. Employment.
3. Social stability in the country (migration, growing differentials) and ethnic tribal tensions.

Actually the socio-economic policies in the country differ from the Bank's. So the contribution of the Bank is separate, that it is to maximize this socio-economic development (Islamic ones) using:

a) Zakat.

b) Loans and (Gard Masem) Benevolent loan.

c) Social aspects.

In economic development:

1. To help in increasing production - investments and employment.
2. Importing scarce goods - oil, foodstuffs, medicine.
3. Mobilization of savings - Is it for development?

These criterion of economic development to be achieved by using the system of:

a) Musharakah (participation).
b- Mudharaba or kerdah (agency).

c- Mursala

Again there are some constraints especially the government policies.

According to the above mentioned points and criteria for measuring socio-economic development contribution of the FIBs, the plan of the research study is first to start collecting some descriptive data from the different official sources of information such as FIBS Headquarters, Bank of Sudan, and the International Association of Islamic Banks (IAIB), in order to gain some knowledge about the subject, i.e., information to show the size of the contribution of the FIBS in the socio-economic development of the Sudan, is it positive or negative in general, how it can be developed. In short how can the FIBS play a great role in the socio-economic development taking care of poor and facilitating the role of capitalists towards their peoples. The next to assess the contribution of the FIBs in relation to other commercial banks taking the annual inputs and outputs, so as to see to what extent do FIBS
compute the already existed commercial banks. This comparison with help to assess the contribution of FIBS in the social and economic development of the Sudan. Once the contribution is assessed and if it is found to be positive or if it is found to be negative, then it will be easy to proceed for analytical studies through application of experimental method. The matter will help finally to assess the contribution (actual) of the FIBS in the socioeconomic development of the Sudan.

V- Objectives of the Research

The Islamic banking system as a new trend in the world banking system and in Sudan as special case which relies on the bases of interest-free, may be an alternative to the already existed system which depend on interest. To prove the above statement, comparative studies are needed with both native and Islamic banks. Such studies would facilitate their investigation of the different contribution and successes of those systems in the socioeconomic development. Thus this study aims at investigating the impact or the contribution of the FIBS
in the socio-economic development of the Sudan. In order to achieve this aim the following objectives will have to be fulfilled:

1- Defining the nature of Islamic banking system, and the concept of socio-economic development subject to field study.

2- A study of the background of the FIBS, its principles, activities and aims, besides the government policy towards this trends.

3- The scale and size of the contribution of FIBS in the country's socio-economic development, using different means.

4- To assess the future as well as the present plans of the FIBS in the above field.

VI- Research Hypotheses

The following hypotheses which are dealing with the relationship between the FIBS and the socio-economic development of the Sudan will be tested:

1- The idea that the Bank has contributed much in socio-economic development of the country - Now, and to
what extent? Different sectors, caring of powers.

2. It is contributed first, then it declined - why?

- Ability and efficiency.
- Constraints of the State.
- Period is too short.
- Pre-occupation of the profit, so concentration on profit (then saving) and socio-economic development.

3. Some ideas saying that the FIBS reached the climax point for achieving profit, but it is purely capitalist made of production - to see to what extent this statement is correct.

4. The FIBS has some affiliated companies serving different social and economic roles, in addition to that more branches are opened and some are going to be opened - to what extent do they reflect the Bank's contribution.

VII. Research Methodology

Due to the nature of the study, that is to assess the
contribution of the FIBS in the socio-economic development in the Sudan, it is proposed that in order to carry out this study we should apply a certain number of methodologi-
cal approaches capable of dealing with that question both quantitatively and qualitatively in a flexible manner.

To achieve this aim the fieldwork is an essential approach, in which interview is going to be the Centre - that interviewing various representatives in both academic circles as well as professional leaders in side the banks (FIBS and Bank of Sudan). This survey will be aimed at investigating the preliminary official knowledge as well as what is happening actually in figures and stated plans. Informal conversations to see the views about the contribu-
tion of the FIBS in the socio-economic development of the Sudan - how is it and the constraints. The above two methods are primary source of data (both view with and against).

Secondly, the secondary method of data collection is also essential to our study that is to collect:

- Annual reports.
- Statistical reports.
- Balance sheets.
- Relevant Books and Researches.
- Bulletins and booklets.
- Any other publications.

VIII- Method of Analysis

The Method of analysis will be determined largely by the size of data collected and the nature of the distributions of the different variables will have. One could say that the comparative method of different variables is going to be taken. Factor analysis usage seems to be plausible in this context.

IX- Conceptual Framework

At the outset of our study, we have to focus the conceptual basis of Islamic banks, contribution and socio-economic development. A brief conceptual introduction is essential for our study since establishing an Islamic bank implies that it is based on a particular ideology, which is Islam, and this has implications for the system followed by the bank and its relation with other institutions and individuals.
From the philosophical point of view, we find that Islamic economics of which Islamic banking is a part is a constituent of a more comprehensive philosophical whole and is therefore, required to serve higher philosophical objectives. The ultimate purpose behind the creation of mankind, according to Quran, is to worship God. This worship is manifested in the adherence to a clear-cut system on the basis of which each person is rewarded, or punished, according to his behavior towards society and Allah. This implies that Islamic banks and Islamic financial institutions are committed to this system - the system of Sharia, so the aforesaid institutions cannot act and operate outside the bounds of what Sharia has allowed (that which we call in Islam halal, i.e. permissible), otherwise their acts would be under what has been prohibited by Sharia law, or what is Haram, i.e. forbidden.¹

The main Islamic objectives concerning the economic area, is to develop the human society in a way in which will allow the proper worship of Allah, so what we mean by socio-

economic development in Islamic view, is that wealth should be the property of Allah, and that mankind are His vicegerents or agents over it. That means that socio-economic development in Islam implies the equal distribution of income among citizens, and all should have a proper way to gain his needs (in a *halal* way), also that state and society are responsible for the individual, and individuals should serve the objectives and goals of the society represented in the state. No doubt the indicators of growth-output or GDP, and development indicators—social change, welfare, elimination of poverty, provision of services, of the common society (non-Islamic) might be the same in quantity, but in terms of quality and the way to achieve such developments and growth is different were the matter under the umbrella of Islam should be taken under certain regulations and principles. These principles of wealth ownership and the way of behavior governs the Islamic State. This means that contracts and transactions have an equity content, in the sense that people must take care of each other, bearing in mind that the wealth under areas,
Control is not his, but Allah, and this has necessary implications for the systems taxation, wealth distribution, the determination of profits and what we have said above about wealth which Allah favours.

The term contributing usually refers to the aspects which can be availed by any organ or affiliated institution, the contribution of an Islamic bank relates more or less to the objectives and goals of Islam, that the bank is to serve the whole system, so one expect a positive contribution rather than negative one to the social and economic life of a country - in accordance to Islamic values, and the bases of Islamic financial policy, which prohibits monopoly, hoarding, gambling and interest rate (riba), and at the same time encourage halal earning, spending (infag), Zakat, as proper Islamic money circulation.

In any kind of banking system whether Islamic or non-Islamic, credit and interest represent the centre of the system. In Islamic financial policy the rate of interest was prohibited completely and the Islamic bank offers most banking services, Islamic investment formula, that is partnership
leading to ownership and that of *musharakah*, it offers
loans on joint commercial basis within *mudarabah* (joint
in addition to the sale by instalments and sale for profit
(mudarabah) and benevolent loans.)
CHAPTER 3:

FAYSAL IŞLAMİK BANK (SÜDAM)
CHAPTER ONE

FEDERAL ISLAMIC BANK (SUDAN)

1.1 Introduction

As we have stated earlier, the philosophy of Islamic banking system introduced recently in the Sudan as an alternative to the traditional one. The FIBS was the first experiment in this field followed by other Islamic banks such as the Sudanese Islamic Bank (1982), Tadamun Islamic Bank (1982), Al-Barka Islamic Bank (1984), The Cooperative Islamic Bank (1984) and Western Sudan Islamic Bank (1984).

1.2 Establishment and Nature of FIBS

In accordance with the provisions of Article 106 of the Sudan Constitution, the President of the Republic issued by provisional order, the FIBS Act, 1977. According to this order the FIBS, as established under Section 3-1 of the order included all the branches of the Bank (there shall be established a Bank to be registered as a public company in accordance with the companies Ordinance, 1925).
The main office of such Bank shall be in Khartoum.

The Bank shall establish branches thereof in all parts of the country, or any company established by it.

The property of the Bank included its capital and its belonging. According to its Act of 1977, the Bank shall have a capital which shall not be less than six million Sudanese pounds, and the memorandum and articles of the Bank shall determine the division of the capital into shares and the percentages of shareholding. The subscription of the non-Sudanese side shall be paid in convertible currency. According to the Act, the Bank is exempted from the application of the laws regulating services and post, services benefits, insurance, the Auditor General’s Act, 1970, and Section 42, 44, and 45 of the Bank of Sudan Act, 1959 shall not curtail the power of the Bank of Sudan to supervise and direct the credit policy of the FIBS, see Appendix No. (4) (Article No. 15) of FIBS Act, 1977.

In Article (7), of the Bank’s Act of 1977, the FIBS is exempted from taxation—property and profits—all types, also the same for the funds deposited with the Bank, and
the salaries, wages, gratuities and pensions of all employees of the Bank. The chairman and members of its Board of Directors and the Shari'a control organization. In addition to that the Bank may enjoy any exemptions or concessions provided in any other law.

Article (8) which regulate exchange control says (The Governor of the Bank of Sudan may exempt the Bank from the provisions of the laws regulating the exchange control within such limits as he may think appropriate).

Article (9) of the Bank\'s Act shows nationalization and confiscation, it reads (The property shall not be confiscated, nationalized, subjected to requisition or expropriation. The funds deposited with the Bank shall not be attached or expropriated save in accordance with a judicial order).

1.3 FIB\'s Objectives

According to its Act of 1977, FIBS had stated the following seven main objectives:

(1) Initiation of Islamic banking system in the
Sudan as an Islamic country,

(2) Diffusion of Islamic banking operations,
and support of the small investors, cooperative movement to assure labour position
in Islam.

(3) Achievement of suitable revenue for shareholders, investors and other clients.

(4) Support of the country's socio-economic
development within the framework of Sharia
laws, adopting its principles in banking,
financial and commercial business, besides
all other investment activities, the Bank
is to achieve this through its branches,
affiliated companies or any other institution
it can establish.

(5) Participation in boosting the country's
exports.

(6) Helping in solving the shortage in supply.

(7) Supporting the country's national development
plans.
(1) To set up as many branches and companies as required.

(2) To extend support to small investors, craftsmen and small industries.

(3) To give equal emphasis to both short and long term projects.

(4) To support state policy orientations and strategies for comprehensive and balanced development.

(5) To give special attention to urban development.

(6) To attract Arab and Islamic capital to Sudan.

1 FIBS Booklet - FIBS in brief, pp. 5.
1.5 FIBS's Activities

In conformity with the rules of Islam, the Bank tries to stimulate social and economic development through the performance of:

1- All banking services.
2- Financial transactions.
3- Commercial operations.
4- Investment activities.

For the above purposes the Bank has eight branches, three agencies and four or five companies. I shall examine all these activities in some details, it is worth mentioning that all these institutions and activities are carried out without any element of interest.

A- Banking Services

Services actually performed now involve current accounts, saving accounts and investment deposits.

(a) Current Accounts :- Performed in the normal banking traditions, the only difference is that FIBS obtains the explicit consent of the depositors to use their funds in...
its activities - These accounts are guaranteed by the Bank. Current accounts in foreign currencies of Sudanese expatriates are also accepted according to the Bank of Sudan regulations.

(b) Saving Accounts:— This service is offered free of charge. The account may be opened with LS.1 as a minimum. All or any part of the saving deposit may be withdrawn by the customer at request, without notice. No interest or profit is paid, but in return, some special privileges which may be given to depositors are under consideration, e.g. finance of small projects, sale of consumed durables or productive goods by instalments and gifts etc. This is regarded as incentive for regular savers to expand their deposits.

(c) Investment Deposits:—
A minimum deposit of LS.100 is required.
Funds are deposited for six months or one year subject to renewal. These deposits are utilized in various investment opportunities open to the Bank. The Bank deducts about 25% of the net profits earned as a compensation for its entrepreneurial efforts. If the deposit is withdrawn before the lapse of six months, the depositor will not be entitled to any profits. If it is deposited longer than 6 months and less than one year, he gets a proportion of the profit according to duration. Funds deposited in convertible currencies are repayable in the same currencies together with any due profits.

5) Financial Transactions

FIBS also conducts domestic as well as international bank transfers, collection of bills, and issue all forms of letters of credit and letters of guarantee. Bank fees for these services are of course charged. However FIBS's policy, dictated by the prevailing conditions of the Sudanese
economy limits as much as is to keep this service charge to minimum except where it is part of an operation to which FIBS is a partner. Safe custody services are also available.

(C) Investment Activities

A Shari’a Supervisory Board reviews the Bank’s transactions in the light of Shari’a principles to avoid any kind of usury. FIBS administration and Shari’a Supervisory Board work together to formulate contracts. Four major types of contracts for doing business with FIBS are currently in use. The theoretical basis thereof is firmly rooted in the Shari’a code.

(3) jumharaka (Partnership)

This is where the Bank and the would-be customer agree to join in a temporary partnership (not quite different from the joint-venture concept) to effect a certain operation within an agreed period of time. In case of an industrial concern, for instance, both parties contribute in resources (capital assets, technical and managerial expertise, working capital etc.) in varying proportions, and agree to divide
the net profits (actually realized) in proportions agreed upon in advance. There is no uniform percentage for profit sharing and each case is dealt with on its own merits. Operations carried according to this mode, can vary in duration from weeks to months. In medium and long term operations, a self liquidation form of partnership can be agreed upon, whereby the ownership of the whole project or operation, would be transferred to the partner (customer) after the Bank has retrieved its principal and the agreed share of profits. This form of doing business with customers puts a heavier burden on the Bank. The Bank does not only have to investigate and select the customer, but also has to study the project, supervise the operation and, if need arises, to insure anticipated results if possible.

In this type of contract loss due to market is shared in proportion to the contribution of each party to the capital of the operation. If, however, the loss stemmed from a wilful act of gross negligence or a breach contract on the part of the customer - who is entrusted
with the management of the operation — he would bear the
the whole loss. For the working rules see Appendix
no. [1].

(2)  Nisarga or Agency (Gurud)

In this type of contract, the Bank supplies capital
to an agent (Nisarga) for trading purposes and the agent
would contribute only his work and experience in trading.
In consideration the partner gets an agreed share of the
profit when actually realized. This form of contract
reflects directly the value which Islam attaches to labour
or pure human endeavour.
If case of loss from normal business causes or natural
causes the Bank - capital supplier - bears all the loss
and the Nisarga (agent) receives no reward to his efforts.
Salient features of this type of financing are as follows:-

1.- The initiation of a particular trading
venture.

2.- The purpose, framework, scope and size of
operation should be agreed upon in advance.

3.- The Bank supplies all the capital for the
operation.

4. The agent would only be responsible for
management of the venture.

5. Selection of the agent (hadarit) is governed
by:

a) Experience and knowledge in the field
concerned,

b) managerial capability.

6. The agent's share of the profit should be
determined in advance in accordance with the
effort necessary for executing the operation.

7. Loss resulting from force majeure or normal
marketing conditions is (mostly) borne by the
financier (the bank).

It is clear that this type of contract requires paying
a very serious consideration to the agent and to the field
of trading, for this reason, E.M.E. has very few operations
of this type, e.g. dura and dates, (for more details see
Appendix No. (2) on hadarit processing stones).
(C) Murabaha or Sale for Profit

This is the case where a partner approaches the bank requesting that a certain item - be it a commodity or otherwise - be bought or acquired for him at a specific price and he agrees in advance to buy it from the bank at an agreed profit. The agreement of the bank to buy an actual execution of the purchase do not constitute a legal obligation on the customer. In fact, one school of iSharia code makes it an obligation on the other party to rebuy the commodity and goods, others do not. The FIBS opted for the optional approach. Therefore the bank acquires the goods at its own risk to have what the partner fulfills his original promise of rebuying the commodity.

When processing Murabaha, the following points would be considered:

1. The marketability of the goods since the goods could end up with the bank, so that if the client refuses to take possession of the goods, the bank can dispose off them easily.

2. The quantity of the goods and the suggested
margin of profit.
5. The price of the goods and to what extent it can compete with the other brands.
6. Methods of payment - either immediate on delivery or by instalments in the latter the Bank may ask for guarantee to ensure repayment.

(I) FIFG's Branches

For serving the above activities the FIFG has eight branches as follows:
1. Khartoum Central Station.
2. Omdurman Central Station.
3. Port Sudan.
4. Gedarif.
5. Craftsmen and Artisans - Omdurman.
7. Sudanese Expatriates.

(II) FIFG's Agencies

1. Jeddah.
1. Dubai.
2. London.

(7) **FIIIF’s Subsidiaries and Affiliated Companies**

Up to 1980 the Bank had two affiliated companies which were wholly owned by it (the Islamic Insurance Company Ltd., and the Islamic Company for Trade and Services). By 1982 the Bank had four affiliated companies, that mean two additional ones were added to the Bank’s financial activities. Those were, the Real Estate Development Company, and the Islamic Investment Company (Kuwait).

[a] **The Islamic Insurance Company Ltd.**

It started operations at the beginning of 1975 with a capital of $5. million of which $3.75 million was paid-up. Insurance premium increased to $31.7 million in 1980 compared to $4.0.27 million in 1979. In 1981 was $4.2.5 million, the company was highly successful during the last two financial years, and it constituted on the Islamic co-operative principal in mandated to distribute all its surplus to the policy holders and retain no surplus for
itself.

(b) **The Islamic Company for Trade and Services**

It was established by the bank in early 1979, with a paid up capital of E£6.75 million, and authorized capital E£1 million. It was initiated to serve the Sudanese Nationals working abroad. It started operations effectively around the middle of 1979. The net profit reached E£0.096 million, and half a million pounds in 1979, 1980 respectively. This progress made it possible for its Board of Directors to strengthen its working capital to enable it offer other services, both economically and socially. In accordance with the national policy which aims to support transportation system, the company concentrated on importing light to medium trucks and their accessories.

(c) **Real Estate Development Company**

The 1982 witnessed the establishment of the company (May 1982) with a paid up capital of E£6.75 million. The company undertakes the investigation, preparation and implementation of real estate development projects.

The first project which now under construction is
Al-Houra Housing project in Khartoum north - Kansia
area on a site of about eight hectares to accommodate about
400 families in urban economic housing, with a cost of
about 18.20 million.

(d) The Islamic Investment Company (Sudan)

This company was formally incorporated in 1973, as
a joint venture between the Bank and Ikt Al Nael Al Islandi.
The authorized capital of the company is 7.10 million of
which 2.5 million was paid in. The company as a newly
and Joint one was initiated under the following objectives:

a) Co-financing of agricultural, industrial and
services projects.

b) Mobilization of savings of Sudanese nationals
Abroad, and attracting of foreign funds from
Islamic financial institutions.
Table (1) :  

The FIES's Authorized and Paid Capital  
1970-1983 (in Rs. Million)  

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized</td>
<td>6</td>
<td>10</td>
<td>10</td>
<td>50</td>
<td>50</td>
<td>100</td>
</tr>
<tr>
<td>Paid Capital</td>
<td>1.5</td>
<td>2.5</td>
<td>4.5</td>
<td>10.2</td>
<td>13.3</td>
<td>17.4</td>
</tr>
</tbody>
</table>


Table (2) :  

The FIES's Employees, Branches, Affiliated Companies and Branches, 1970-1983  

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff/Branches</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers and Employees</td>
<td>-</td>
<td>22</td>
<td>20</td>
<td>22</td>
<td>450</td>
<td>407</td>
</tr>
<tr>
<td>Branches</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Affiliated Comp.</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>4*</td>
</tr>
</tbody>
</table>

The companies were completely owned by FIN (Islamic Insurance Company, Islamic Company for Trade and Services, the Real Estate Company, and lastly Islamic Company for Investment (Sudan) which was 50% shared between the FIN and Al Mal Al Islami of Saudi Arabia).

1.8 Conclusion

The first chapter is just to show the FIN's nature, establishment, strategy, banking activities, financial transactions, investment activities and its ways; then it elaborated on the Bank's branches, agencies and its subsidiaries or affiliated companies, mainly to show the Bank's activities.
CHAPTER TWO:
THE SHARE OF THE FAISAL ISLAMIC BANK OF BANKING ACTIVITY IN THE SUDAN.
3.1 Introduction

The Middle East, which represents the political and economic heart of the Islamic World, has received unrivaled importance after oil discoveries, especially after the initiation of OPEC and the Arab-Israeli War of 1973 which has been followed by the first oil price hike. Due to these factors, the Middle East Financial Institutions, especially the banks, have come to play an important role in both economic and political spheres, and this role has crossed regional boundaries and influenced the international financial system. Due to the fact that the Middle East countries are mostly Islamic ones, and have witnessed religious revival, the Islamic-style (interest-free) banking practices have been spread widely. New Islamic banks have spread to other parts of the Muslim world outside the
Middle East, and in some instances, branches have been
opened in the non-Muslim East.

In our country FMB, the first Islamic
bank to be opened, and as we have seen earlier the Bank
as an idea goes back to early 1976 when Prince Mohammed
Al-Faisal of Saudi Arabia asked President Nimeiri to give
him permission to open an Islamic bank in the Sudan to
work within the Shari'a rules. In May 1976 the bank began
its operations.

1.2 FMB's Capital in Relation to Total Commercial
Bank Capital

The initial authorized share capital was about 58.6
million. The shares were divided between Sudanese, Saudis
and other Muslims in the following proportions 40%, 40%,
20% respectively. The aim behind the extension of share-
holding to the non-Sudanese, was to emphasize the inter-
national nature of Islam and to give the chance for the
non-Sudanese Muslims to participate in such a great Islamic
work.

In August 1977 the authorized capital was increased
to £6.10 million so as to satisfy the increasing desires of the citizens to be shareholders, but the capital division ratios remained as it was.

During the first and half-years of its existence, FIBS's performance has exceeded most expectations, clearly outstripping all other commercial banks, both private and nationalized, in terms of both growth and profitability. This will be seen from the ensuing tables.

Over the last four financial years FIBS's equity, which includes both paid-up shares and reinvested profits, increased more than ten-fold while total commercial banks' equity grew by only four-fold. For the time being the FIBS paid-up share capital represents about 30% of total commercial banks' share capital. The above facts and figures are shown in table [3] below.
Table [3]:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FIBE-Share Capital</td>
<td>3579</td>
<td>4466</td>
<td>10312</td>
<td>19276</td>
<td>57632</td>
</tr>
<tr>
<td>Other Funds</td>
<td>1302</td>
<td>3390</td>
<td>13076</td>
<td>32354</td>
<td>75006</td>
</tr>
<tr>
<td>Total Equity</td>
<td>5081</td>
<td>4756</td>
<td>23280</td>
<td>51570</td>
<td>132620</td>
</tr>
<tr>
<td>Total Commercial Banks</td>
<td>21113</td>
<td>20924</td>
<td>69273</td>
<td>04528</td>
<td>446706</td>
</tr>
<tr>
<td>FIBE's shared capital %</td>
<td>17%</td>
<td>16%</td>
<td>30%</td>
<td>20%</td>
<td>23%</td>
</tr>
<tr>
<td>FIBE's Equity %</td>
<td>2%</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Bank of Sudan Economic and Financial Statistics Review - Volume 21, No. 3.
1.5 FIBI's Deposits in Relation to Total Commercial Bank Deposits

The total deposits with the Faisal Islamic Bank have increased almost ten fold while the total commercial bank deposits increased less than one and a half fold during 1976-1981. The Faisal Islamic Bank's share of total commercial bank deposits thereby increased from 4% in 1979 to 15% in 1982. Although its activities are to some extent concentrated in the National Capital (Khartoum) particularly as FIBI's affiliated companies are mainly in Khartoum, new branches have to be opened in many other parts of the country, including Berber, Darfur, and others. This was in addition to the former branches of Port Sudan, El Obeid, Kadari, and Deir Alzor.

It seems that the Faisal Islamic Bank has attracted a lot of deposits, something which may affect the other commercial banks. This phenomenon still continues, and table (4) below shows the above facts.
Table (4) :  

FIDS's Deposits in relation to Total Commercial Bank Deposits 1971-1983 (in Rs,000)  

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FIDS's Deposits</td>
<td>22774</td>
<td>49512</td>
<td>36232</td>
<td>32377</td>
<td>36253</td>
</tr>
<tr>
<td>Total Bank Deposits</td>
<td>340270</td>
<td>729013</td>
<td>642851</td>
<td>1339850</td>
<td>1731357</td>
</tr>
</tbody>
</table>

Source: As for Table (3).

It is worth mentioning that the nature of the deposits in the FIDS differ from that of the commercial banks. For instance, the Islamic bank has a kind of deposits which is new to commercial banks, it is the investment deposits. Accordingly FIDS has three types of deposit accounts:

(a) Current Deposits.
(b) Saving Deposits.
(c) Investment Deposits.

The current accounts, as in most other commercial banks, offer cheque-book facilities and carry a service charge but depositors receive no interest or any other income on such deposits. The bank used to obtain an explicit permission of the holder to use his or her funds for other business activities.
Savings accounts are only different from the above current accounts in that they do not carry a service charge. There are no restrictions on them and can be drawn out without notice. However, the saver is entitled to special borrowing facilities. Investment Deposits constitute a unique characteristic of the Islamic bank. These kind of deposits are not found in the other commercial banks (non-Islamic) of the country. Here there is a reward for the holder who share in the profits of the bank. But the minimum period for the deposits to merit profits is six months, and the minimum deposit is $1,500 which is invested by the bank in a 12-month joint venture with a borrower. The bank's share of the net profit of these kind of deposits is about 28%. 
<table>
<thead>
<tr>
<th>Type of Account</th>
<th>1962</th>
<th>1963</th>
<th>1964</th>
<th>1965</th>
<th>1966</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CD</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

The composition of Fize's deposits - 1962-1966
Table (5) above shows the composition of the FIBS's deposits since its first financial year 1976/77 and up to 1982/83. The table also shows the dramatic increases in all types of deposits, investment deposits have grown faster than the other two, increasing their share of total deposits from 12% to 39% in 1981, and 33% in 1982. The share of the current accounts (both local and foreign currency deposits) on the other hand has declined from 63% in 1979 to 63% in 1982.

These figures would seem to suggest that the Bank is being more successful in attracting relatively wealthy (investors) in search of a good return on their savings, than smaller savers attracted by the Bank's policy of not paying interest on credit balances'.

But in fact there is no differentiation between the wealthy (investors) and the small savers, because both of them has his chance, that is to say, to help small saver

separate branches have been opened especially for Artisans and craftsmen, truck drivers, etc.

2.4 **FISB's Advances in relation to total commercial bank advances**

As we have stated earlier, the Islamic bank has three types of accounts—current accounts (maintained in local and foreign currencies), saving accounts and investment accounts which require to Islamic Bank. As mentioned before adoption of Islamic-style, interest-free banking practices leaves no room for usury and interest, but only for profit. Accordingly, in giving loans and advances, the FISB offers four profit based alternatives to interest-bearing loans.\(^{(1)}\) **Mushâraka** is a joint venture between the bank and an investor in which each partner provides part of the capital, and shares the profits or losses in a ratio already agreed upon or in advance.

This could also take the form of a lease or self liquidating form of partnership which is known in Islamic concept as **Ijarâ** whereby the full ownership of the investment passes to the investors or bank customers, on an agreed period. **Mudâraba** is again a joint venture, but the bank provides

the full finances for the operation and the client only
his entrepreneurial skill so it is a form of agency. In
relation to the profit, the client receives a share of the
profits and the bank bears the full burden of any losses.

suroomba is a form of trade credit in terms of which the
bank actually purchases and becomes legal owner of whatever
the client has ordered, and then resells it to the client
on delivery, at a previously agreed higher price. The
client however has no legal obligation to buy what the bank
has ordered or purchased on his behalf. Conventional loan or
Gardh Hassan, which is in effect, a free loan on which the
bank earns no income at all. As yet, no such loans have
been made by the Faisal Islamic Bank, even today the first
quarter of 1983, except to its employees in a limited way.

The bank’s main types of funding arrangement taken in practice
are mithatra and nushahra. The total advances provided
by the FIBS since its establishment are expressed in Table
6 below, but it worth mentioning that we do not breakdown
these advances into the different types of funding arrange-
ments discussed above. The table shows that FIBS, invest-
ments have increased more than ten-fold between 1979-
1983. FIBS's share of overall commercial bank outstanding
advances, though still relatively small, increased from
3 to 8 per cent between 1979 and 1983. At the same time
there has been a clear shift in the FIBS's lending policy
over the last year. In the first Annual Report of the Board
of Directors it was stated that the Bank's main strategy
was to minimize risks and realize reasonable profits in the
shortest possible time.1 The FIBS's target did not
exclude any sector of business in the country from funding-
trade, working capital for industry, building and housing,
services, strategic commodities—petroleum—, and others.
In 1980 a great shift has been taken when the Bank announced
that, it is going into medium- term financing of industries
in the small business and artisan sectors, mainly to provide
them with tools, machines and raw materials, a fair profit rate
for such investments is about 10-15%, and the average financing
period is three years.

1) Richard Brown & Elfredin Shoukldin (1982), Towards an
Understanding of Islamic Banking in Sudan, The Case of
Table (1): The Foreign Islamic Bank’s Advances in Relation to Total Commercial Bank Advances 1979-1983 (in $M Million)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FIBS’s Advances</td>
<td>27.6</td>
<td>56.5</td>
<td>71.7</td>
<td>277.9</td>
<td>641.3</td>
</tr>
<tr>
<td>FIBS’s Outstanding Advances</td>
<td>12.5</td>
<td>30.4</td>
<td>52.3</td>
<td>91.6</td>
<td>120.3</td>
</tr>
<tr>
<td>Total Outstanding Bank Advances</td>
<td>$600.8</td>
<td>$592.9</td>
<td>$715.1</td>
<td>$1142.5</td>
<td>$1376.9</td>
</tr>
<tr>
<td>FIBS’s share of Outstanding Advances %</td>
<td>3%</td>
<td>5%</td>
<td>7%</td>
<td>8%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: As for Tables (3) and (4).

It is worth mentioning that this shift in the Bank’s strategy leads to a wider distribution of the loans and advances of the Bank which is reflected in the 115% increase in the number of loans given in 1982, (about 1831) which mostly went to the smaller investors (clients). This issue is going to be elaborated more in Chapter Three and four to see to what extent has FIBS achieved its goals and contributed to the
socio-economic development of the Sudan.

2.5 **FIBS in relation to other proper Islamic banks of the Muslim world**

FIBS, the first Islamic bank in the Sudan, was established in 1978, it was followed by many Islamic banks. But due to their short experience we can not make any comparison with those newly established bank, also due to the fact that are similar banks in the Muslim world, it is better to compare FIBS with them, to see how rare it has succeeded in an environment where no Islamic government is found. The Islamic banks we are going to take into comparison are the Faisal Islamic Bank of Egypt, Dubai Islamic Bank, and Kuwait Finance House and we are going to take into consideration the paid up capital, investments, and deposits within a duration of four years 1979 to 1982.

FIBS could attract and mobilize funds which had been kept outside the economic cycle, for many savers, sticking to their religious belief, have refrained from placing funds with traditional banks. The Islamic bank of doing so has
discouraged hoarding. The experience revealed that FIBS in its relentless pursuit to extend its services to a broader spectrum of customers, is discovering partners who could employ the funds to the best maximum satisfaction of the economy and all other parties to development. Table (7) below reflects the truth of this statement FIBS (Egypt) has almost trebled its capital during the period 1979-1982 while its deposits increased by about 32 times matching the increase in deposits. A similar phenomenon is noticed in FIBS (Sudan) where its pick up capital increased during the same period by about three times. Its investments increased by four times while its deposits increased by five times, showing a similar trend to that of Egypt. Dubai Islamic Bank developments reflects no increase in its capital during the period 1979-1982. Its deposits increased by 2-4 times while its investments increased by 2-4. Kuwait Finance House on the other hand exhibited a tremendous growth in its capital which increased by about 6 times. On the other hand its investment increased by about seven times matching a similar increase in its deposits.
### Table (7):

**FIBS in Relation to other private Islamic Banks of the Muslim World-Capital, Investments, Deposits 1979-1982 (US$ million)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FIB (Egypt):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid Capital</td>
<td>10</td>
<td>N.A.</td>
<td>19.7</td>
<td>29.6</td>
</tr>
<tr>
<td>Investments</td>
<td>24</td>
<td>N.A.</td>
<td>285</td>
<td>778</td>
</tr>
<tr>
<td>Deposits</td>
<td>23.7</td>
<td>N.A.</td>
<td>469.2</td>
<td>792.5</td>
</tr>
<tr>
<td><strong>FIBS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid Capital</td>
<td>6.5</td>
<td>5.6</td>
<td>11.3</td>
<td>14.7</td>
</tr>
<tr>
<td>Investments</td>
<td>34.5</td>
<td>70.6</td>
<td>90.2</td>
<td>140.3</td>
</tr>
<tr>
<td>Deposits</td>
<td>27.2</td>
<td>61.8</td>
<td>113</td>
<td>155.6</td>
</tr>
<tr>
<td><strong>Dubai Islamic Bank:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid up Capital</td>
<td>13.5</td>
<td>13.5</td>
<td>13.5</td>
<td>13.5</td>
</tr>
<tr>
<td>Investments</td>
<td>42</td>
<td>47.5</td>
<td>76.2</td>
<td>99.1</td>
</tr>
<tr>
<td>Deposits</td>
<td>49.6</td>
<td>59</td>
<td>95.3</td>
<td>120.5</td>
</tr>
<tr>
<td><strong>Kuwait Finance House:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid up Capital</td>
<td>0.3</td>
<td>33</td>
<td>8.3</td>
<td>151.7</td>
</tr>
<tr>
<td>Investments</td>
<td>220.6</td>
<td>476</td>
<td>1026.4</td>
<td>1566.3</td>
</tr>
<tr>
<td>Deposits</td>
<td>229.3</td>
<td>513.5</td>
<td>1020.1</td>
<td>1641.3</td>
</tr>
</tbody>
</table>

**Source:**

2.6 Conclusion

From what we have mentioned in this Chapter concerning the share of the FIBS in banking activity in the Sudan (Capital, Deposits, Advances), its performance in relation to the major Islamic banks of the Muslim world, we can come to the conclusion that FIBS has achieved great success in the field of banking. It is noticeable that the Bank has achieved a high level of deposit growth (great jump), but it did not affect other banks in this respect that it is only adopt new savers while others were stagnant.

We can now go on to assess the contribution of the Bank to economic development in the country. This in fact is going to be our task in Chapter Three.
CHAPTER THREE

THE FEED CONTRIBUTION TO ECONOMIC DEVELOPMENT IN THE COUNTRY
CHAPTER THREE

THE FIRST CONTRIBUTION TO ECONOMIC DEVELOPMENT IN THE COUNTRY

3.1 Introduction

As we have mentioned before, the FIB is aimed at facilitating and suggesting strategies for economic development in a case like trade, and national development. To what extent the FIB has achieved these objectives is our task in this Chapter, in which we trace the generation of savings and their investment, the attraction of foreign funds, the facilitation of importation and exportation of goods, and the promotion of production and employment, particularly for craftsmen and artisans.

3.2 Generation of Savings

The FIB, as we have said, provides for three types of accounts: current accounts, saving accounts, and investment deposits. Our concern here is to see how far has the Bank reached new savers. Table (5) (composition of FIBS's Deposits 1979-1983) shows that the saving accounts of the Bank have grown progressively from LS.770,000 in 1979 to LS.11,891 million in
1983. The investment accounts or deposits have grown from LS 2.718 in 1979 to LS 79.287 million in 1983. According to the figures recorded the total commercial banks did not affect by FISO growing accounts, these figures show that the Bank has generated new savings and savors, and according to the Bank's officials, Muslims and non-Muslims used to save and invest their funds with the Bank, also rich and small investors and savers especially Artisans and Craftsmen who find new channels in the new system, beside those who did not believe in joining other commercial banks (non-Islamic banks). Table (8) below shows that saving and deposit accounts were growing annually, but the investment accounts grew faster than the saving accounts.
### The FIDS's Assets 1973-1983 (In L.S. Million)

<table>
<thead>
<tr>
<th>Item</th>
<th>1973</th>
<th>%</th>
<th>1980</th>
<th>%</th>
<th>1981</th>
<th>%</th>
<th>1982</th>
<th>%</th>
<th>1983</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency &amp; Banks</td>
<td>14</td>
<td>44.87</td>
<td>39.1</td>
<td>58.2</td>
<td>60.8</td>
<td>44</td>
<td>277</td>
<td>81.65</td>
<td>170.6</td>
<td>38.68</td>
</tr>
<tr>
<td>FIDS's Investment Contribution</td>
<td>16.6</td>
<td>58.98</td>
<td>27.3</td>
<td>40.96</td>
<td>71.2</td>
<td>51.68</td>
<td>35.3</td>
<td>12.70</td>
<td>202.2</td>
<td>45.85</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>0.7</td>
<td>2.25</td>
<td>0.8</td>
<td>1.34</td>
<td>6.3</td>
<td>4.52</td>
<td>15.7</td>
<td>5.65</td>
<td>63.3</td>
<td>15.47</td>
</tr>
<tr>
<td>Assets Usage or Total Budget</td>
<td>31.2</td>
<td>100</td>
<td>67.3</td>
<td>100</td>
<td>136.3</td>
<td>100</td>
<td>278</td>
<td>100</td>
<td>441.1</td>
<td>100</td>
</tr>
</tbody>
</table>


* FIDS’s Unified Budget (The Bank and its affiliated companies).

#### 3.3 Employment and Investment of Savings

The essential contribution of the FIDS in economic development is due to the resources available, that the quantity of savings and investment deposit are of vital importance to advocate such contribution. Table (5) the composition of
FIBS's deposits 1976-1983 give a clear picture of the continuous increase in savings and investment operations of the Bank throughout this period.

The funds allocated and the profits generated from its operations make up the total investment which means both financing and capital creation.

Table (8) above and Table (9) show FIBS's investment activity and employment of the available funds (deposits). From Table (9) the total number of operations contracted in the first year (end of 1979) was 208 and the total Bank contribution in these operations was LS.27.6 million. 82% of this sum was invested into trading operations and 17% went to finance working capital for industry. Up to the end of 1979 a total of 68 operations was fully liquidated in which the total Bank contribution amounted to LS.6.52 million.

The investment operations continue progressively during the 1980's, the fund employed grew from LS.56.5 million in 1980 to LS.67.0 million in 1983 in spite of the Bank of Sudan credit restrictions and long term advances.
The investment operations from the above analysis seem to be the important element for generating profits and contribution in economic development.

Table (9): 
**FIBS's Investment Operations 1979-1983**

<table>
<thead>
<tr>
<th>Year</th>
<th>Operations</th>
<th>Liquidated Operations</th>
<th>Bank's Contribution in L.S. Million</th>
<th>Profit in L.S. Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>208</td>
<td>63</td>
<td>27.6</td>
<td>0.879</td>
</tr>
<tr>
<td>1980</td>
<td>779</td>
<td>N.A.</td>
<td>56.5</td>
<td>2.605</td>
</tr>
<tr>
<td>1981</td>
<td>1471</td>
<td>1125</td>
<td>81.3</td>
<td>8.300</td>
</tr>
<tr>
<td>1982</td>
<td>1331</td>
<td>1660</td>
<td>153.4</td>
<td>15.000</td>
</tr>
<tr>
<td>1983</td>
<td>1111</td>
<td>N.A.</td>
<td>78.0</td>
<td>9.900</td>
</tr>
<tr>
<td>Total</td>
<td>5430</td>
<td>2913</td>
<td>421.8</td>
<td>37.184</td>
</tr>
</tbody>
</table>


The continued confidence shown by customers increased demand for investment and banking services of the Bank. These by including an urgent decision to increase the number of operational branches. Three more branches were opened during 1982,
as we mentioned earlier, expatriates Branch- Khartoum,
United Nations Square Branch- Khartoum, Craftsmen and
Artisans Branch- Omdurman.

The Bank is endeavouring to embark upon a new phase
of expansion. So contracts are established with Bank of
Sudan to approve a network of branches covering all parts
of the country, it is agreed upon, that and they were under
construction now: Wad Kadami, El-Obeid and Kosti, also a
licence for establishing branches in Khartoum North
Industrial Area, Sagana, Juba, Wau, El-Fasher, Kassala,
Damazin, Atbara, Berber and Dongola has been received.

In addition to that in 1982 as we have already mentioned,
the Real Estate Development Company has been established, with
a paid up capital of LE 25,000. The company undertakes the
investigation preparation and implementation of real estate
development projects.

The Islamic Investment Company (Sudan) was formally
incorporated in 1982 as a joint venture between the Bank and
Dar Al-Atal Al Islami. The authorized capital of the company
is US $ 10 million, of which US $ 2.5 million was paid in
The main objectives of the company are:

1. Co-financing of agricultural, industrial and services projects.
2. Mobilization of savings of Sudanese nationals and the attracting of foreign funds from Islamic financial institutions.

The noticeable expansion in the activities of the Bank as well as the increasing responsibilities initiated improvement of the organizational structure and introduction of sophisticated systems and procedures.

3.4 Attraction of Foreign Funds

The main sources of foreign funds which can be attracted are:

- Remittances of the Sudanese Nationals Abroad,
- Saudi and Arab Islamic financial institutions and individuals through correspondents.

As we have seen before, the main aim of initiating the Islamic Investment Company (Sudan) was the mobilization of savings of Sudanese Nationals Abroad and the attraction of foreign funds from Islamic financial institutions.
In relation to correspondents, the Bank has five agencies, in Jeddah, Riyadh, Cairo, London, and New York, and in addition to that the Bank has accounts with foreign non-Islamic Banks. It is worth mentioning here that an agreed way of transaction has been formulated, so as to avoid interest and usury. (See Appendix No. (3)).

It is a problem to separate remittances by the Sudanese Nationals Abroad and the Saudi-Islamic capital attracted by the Bank, but generally the foreign accounts attracted by the FIBS are LS.1.154 million in 1979, LS.14.029 million in 1980, LS.30.124 million in 1981, in 1982 about LS.11.196 million and LS.11.29 in 1983.

3.5 Facilities of Importation of Strategic Goods

FIBS, as its documents state is to support the country's imports, in order to do so, the Bank has participated in trade with about 73% of its available investment resources. In 1980 it allocated 38% to importing goods, and 50% to local trade. In 1981 the bank contributed to the supply of essential commodities, petroleum with US$ 37 million, medicine US$ 20 million, and foodstuff US$ 3 million. The
Bank also contributed to the country's development during the first three years with thousand vehicles (US$ 12 million), for agricultural sector 300 tractors (4 million dollars), for the industrial sector (1) especially oil mills (15 million dollars), and for artisans, equipment and machinery (3 million dollars). In 1992 more of the Bank's activities were agreed to the achievement of national priorities. During that year under review the impact of the Bank's activities in bridging import and export gap, which is a major national priority, was prominent. The Bank managed to help secure some strategic and basic necessities such as energy, production inputs, petroleum, foodstuffs, health and other vital needs. Import operation handled by the Bank during 1982 amounted to LS.136 million. Financing local trade totalled LS.93 million. In 1983 the FICS contribution to imports was $ 48 million, internal trade LS.70 million and petroleum $ 55 million. It is clear that, from the above review, the Bank's contribution in economic development especially in

economic development especially in terms of imports is positive and significant, and no doubt that the fund devoted by FAO to industry and agriculture is not enough that there is no progressive funds allocated for such purpose, see table (10) below. From Table (13), it is clear that most of the funds allocated for these sectors are in short and medium term loans, and very few or none in long term loan.

3.6 Export Promotion

Examining the country’s export during the last decade, it is clear that there has been a continuous deterioration. The main items—cotton, durum, groundnut, sesame, oil seeds, and Arabic—have all witnessed deterioration in productivity, and accordingly the quantity exported became less and less, and some of them reached zero. Export credits realized as a result of the operations handled by the Bank in 1979 was 1% of its total investment. In 1980 it rose to about 12%, and in 1981 remained unchanged. In 1982 it was about 14.8% and about 1.6% in 1983, see table (13) below.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Trade</td>
<td>13</td>
<td>22</td>
<td>19</td>
<td>47</td>
<td>35</td>
</tr>
<tr>
<td>Imports</td>
<td>5</td>
<td>29</td>
<td>32</td>
<td>64</td>
<td>29.4</td>
</tr>
<tr>
<td>Exports</td>
<td>5</td>
<td>6</td>
<td>12</td>
<td>10</td>
<td>1.2</td>
</tr>
<tr>
<td>Industry</td>
<td>5</td>
<td>0.3</td>
<td>3</td>
<td>3</td>
<td>3.6</td>
</tr>
<tr>
<td>Artisan and Craftsmen</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>2.4</td>
</tr>
<tr>
<td>Others</td>
<td>0.3</td>
<td>-</td>
<td>7</td>
<td>-</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27.3</strong></td>
<td><strong>57.3</strong></td>
<td><strong>76</strong></td>
<td><strong>135</strong></td>
<td><strong>73.9</strong></td>
</tr>
</tbody>
</table>

**Source:** Annual Report of the Board of Directors, FIBS, 1980-1983.

The main item of trade that the bank engaged in is durra (sorghum), but the success which has been achieved is not an encouraging one, this due to the fact that international market prices are fluctuating continuously.
It is obvious now that FIBS gave more attention to import promotion than export, we do not agree with that, and it is against the state's declared policy.

3.7 Promoting Production and Employment-Craftsmen and Artisans

One of the main aims of the FIBS is to suggest small investors, particularly craftsmen and Artisans. In order to realize this objective, and due to the rest expansion of operations in this sector, a new professional branch "The craftsmen and Artisans Branch" was set up in Omurman to cater for growing needs of craftsmen and artisans. It is worth noting in this regard, that the annual conference of craftsmen and artisans held at the beginning of 1982 commended the Bank's support to this sector. In 1979 about 17% of the Bank's investment fund went to finance working capital for industry. In 1980, and 1981 more capital went to this sector, and in 1982 when the craftsmen and artisan branch was opened, the volume assistance made available to this sector amounted to LS.5 million, which reflects the positive contribution of the FIBS in promoting production
and employment in the industrial sector. This also marked a great shift from the common practice of the banking system in the country making available raw materials, machines and basic equipment for this sector is not an easy task, and the impact of such contribution on production and employment is very quick. It is worth mentioning that the International Fair of Khartoum - 1982 - awarded the stand of the Craftsmen and Artisans' Branch (of the FISS) the golden medal. This reflects the importance of the branch as a sector of production, and a sector which can lead to increased employment. In 1983 about 3.2% of the Bank's investment was directed to this sector, it is clear that the fund allocated for artisans is not enough in spite of it; it is an essential one according to the Bank's objectives, so more funds should be allocated for more economic development.

3.6 Conclusion

The generation of savings, and the way to reach new savers, is a different issue in a developing country like Sudan, where the people consume more than what is actually produced in the country. FISS according to the language of
figures has achieved a lot in this respect; and accordingly the rate of investment was increased. The matter which has its reflections on solving the problems of supply—basic and essential goods—in the country beside creation of more chances for employment and production due to small savers and investors.
CHAPTER FOUR:

THE CONTRIBUTION OF THE IDES IN SOCIAL DEVELOPMENT OF THE COUNTRY
CHAPTER FOUR

THE CONTRIBUTION OF THE LINE IN SOCIAL DEVELOPMENT OF THE COUNTRY

4.1 Introduction

Usually economists use the technique of cost-benefit analysis to reach the best line of investment, but two different points of view may be considered in doing such analysis, the private point of view and the public point of view. The first usually seeks profit, so it is concerned with financial analysis more than economic and social analysis which emphasises the total impacts of the project on the economy and people's life for now and the future.

According to the principles of Islam every investment project should take into consideration both the private and public interest. In this context the Islamic bank's aim is not to achieve only a high rate of profit, but also to seek equal distribution of income to serve social development, and to implement Islamic economics.
4.2 Zakat

The position of zakat (a religious tax which every Muslim or Muslim institution should pay) in Islam is very important. It is mainly to tackle the problems of the poor and to cater for them, without any revolt, it is their right. Zakat is the third pillar of Islam and one of its far important tenets, and Allah warned with punishment those who refuse to give it, so it is an obligatory matter in Islam, as Qur'an said.

Zakat also has specified its quantity and to whom it should go. The quantity of surplus money for which we should pay zakat is LE.278,571 and above, but this quantity should exist for a complete year, and the quantity which should be paid as zakat is only 2.5% of the total quantity available. Islam has specified eight channels into which zakat should go, and generally zakat aims to achieve social and economic benefits to the Islamic society, in addition to its worship function, the prophet expects his god's returns during his life and after death. Zakat as a social function can be summarized in:

(1) It is a tool of guaranteeing the individual's
Sakat is to make people hearts very close and lead to their solidarity, and Islam spread.

Sakat is a social umbrella protecting the debtors who cannot pay back their debts for any reason. Sakat as economic function, has a vital economic role in people's life, as taxes have effective role in the economic life to ensure specific consequences, also Sakat has vital role in the creation of economic balance. Also it leads to more employment of capital and to avoid capital accumulation without doing its basic functions. In addition to that it leads to redistribution of income, by taking part of rich people's money to be paid to the poor. Also it widens the purchasing power, and leads to more spending on consumption of goods and
lands and spending on consumption of goods and services, so it creates a kind of balance between money and commodities available in the market or society.

The items in which Zakat is sought are gold, jewels, goods, animals (camels, sheep, cattle), crops, and minerals.

The FIDC’s policy in collecting and spending Zakat is as follows:

1- The Bank receive gold, jewels, money, and gold coins Zakat from those who deliver it to its fund of Zakat, so that it may distribute it as stated by Shari'ah. In relation to the Bank’s clients, depositors in saving and current accounts have to write to empower the Bank to act on their behalf in paying Zakat. It is worth mentioning that the Bank pays Zakat on its capital, reserve, profit from its operations, and investment annually at a rate of 2.5%.
2.- The Bank's policy in relation to agricultural and animal product Zakat, is to receive their shares from the people - it can be in kind and the Bank is to sell it - also the Bank is ready to send convey to pastures and fields so as to help the poorers if they ask him to do so.

(3) Zakat Expenditure:

The main function of Zakat is to help the poor or at least to satisfy their basic needs so that they may ask people, and to make them able to be rich.

There are two kind of poor:

(1) Those who are not capable of gain, such as blind people, ill, old, women who lost their husbands, children who lost their fathers etc. These kind should be given quantities due to their needs or to give them salaries in fixed times during the year.

(2) The second kind of poor people, are those who are capable of working to satisfy their
needs, such as craftsmen, truck-drivers and artisans, but they are not capable of acquiring the tools and means of production (equipment) or capital. People like these may be helped from Saket so as to buy such needs - production equipment or capital - and the result will be self-satisfaction, and even more production for the market. Part of Saket used to be given to the national Saket fund.

All the above depends on the quantity of Saket funds paid by the banks, and those who give shares to its Saket administration, besides that required to be sent as procedures - by the bank - for the situation of applicants for Saket, that the bank used to receive the applicants needs in certain formats, then to examine each case individually to reach the accurate needs of the individual.

From the experience of PKS, the most important items being available to the applicants for Saket are:
(2) Capital,

(2) Machines, [sawing-machines],

(3) Cash for urgent needs, maximum £5,000,

(4) Beer-casks refrigeration.

Funds a very important FIES established a special department to collect Zakat, and to distribute it on behalf of any persons who choose to send it to the Bank, or those who choose to send it to the Bank, or those who authorize the management to deduct it from their accounts with the Bank. So we have to differentiate between the Bank's own Zakat and the quantity sent to and authorized to deduct from clients accounts, although both are part of the Bank's activities.

It can be seen from Table (11) below, FIES in 1972 (its first year) distributed Zakat due on its own capital and profit, totalling £8,189,087 (part of which £5,723,000 was given to National Zakat Fund). In 1979, the Bank distributed Zakat totalling £8,189,767, i.e., an increase of 3%. In 1981 Zakat payable on capital and profits amounted to £5,623,177, and 1982 the amount reached £8,734,251. In 1983 the total amount of Zakat reached £5.1 million. It is obvious, that
Some banks allocate alarmingly a rate of 3.36% the sum of capital, retentions, capital reserve, and general reserve, less fixed assets, and despite its calculation after a complete year, it contributes with no respite fund to socio-economic development, as its quantity seems to be increased annually with a high proportion.

<table>
<thead>
<tr>
<th>Table (11):</th>
</tr>
</thead>
<tbody>
<tr>
<td>트랜's Share Distribution and Functions 1972-1983</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TTS's Bank</td>
<td>128,407</td>
<td>286,747</td>
<td>472,127</td>
<td>776,291</td>
<td>1,600,000</td>
<td></td>
</tr>
<tr>
<td>TTS's Donation</td>
<td>60,200</td>
<td>80,000</td>
<td>100,000</td>
<td>80,000</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>188,607</td>
<td>366,747</td>
<td>572,127</td>
<td>856,291</td>
<td>1,700,000</td>
<td></td>
</tr>
</tbody>
</table>


1.3 Lending Loan Farm (Credit Farm)

This mode available to the bank's partners - as an interest free overdraft - if they are faced with difficulties or unexpected needs. It is to be noted that the return from the original donations will improve the profitability of the
Partnership is the sole, i.e. of the semi-governmental corporations the Bank cannot finance wholly and so it gives them beneficent loans without profit, and the Bank benefit only from part of the hard currency repayment of these loans in the form of import documents for the operations which the loan was used to finance. These hard currencies the Bank invests in imports in partnership or sale for profit operations which produce a profit for the Bank's customers and the Bank itself. (1)

In addition to that FIIIC now only gives his employees - at individual level - and does not extend to other individuals outside the Bank. It is worth mentioning that higher studies students, medical doctor ... etc., were recommended to have these loans.

4.4 Services to Craftsmen, Truck-Owners and Artisans

Due to the continued confidence showed by customers and increasing demand for investment, the FIIIC decide to increase

the number of operational branches. One of the first three branches which were opened during 1957, is the Craftsmen and Artisan Branch-Dealer. The main object behind the establishment of this branch is to facilitate the tasks of those productive sectors and to generalize the services offered by the Bank, and also to achieve one of its important objectives, to assist small owners and inventors within the social development framework of the country.

For serving such people - craftsmen, artisans and truck-owners, the craftmen and artisan branch supplied some machines, equipment, raw materials, and other capital goods to these sectors at suitable prices.

But due to the shortage of this branch no statistical data were available. Even though, the Bank contributed to truck-owners, artisans and craftmen LE.1.69 million in 1982, and in 1993 LE.1.4 million.

As we mentioned in the previous chapter the fund allocated for such sector is not enough, so more attention should be paid to those people, and more branches to be opened with more funds to satisfy the increasing numbers in the above
fields.

4.3 OTHER SOCIAL ASPECTS

The other social aspects which can be found in the experience of the ITU are the system of cooperative insurance, grants, and donations.

The fourth article of the ITU Act 1977 stated that, one of Bank's objectives is to initiate corporations or companies, as affiliated institutions or to achieve its objectives. One of these companies is the Cooperative Insurance Company, which started operations at the beginning of 1970 with a capital of 10,1,000,000 of which 10,000,000 was primary. The company's establishment purpose is to complete the Bank's commercial transaction (the direct or indirect) with other parts participate in Bank's activities. It is unremarkable that the Islamic Cooperative Insurance differ greatly from the traditional known type, that the former don't want to compensate, but it is a reciprocal agreement between a group of similar credit institutions to cooperate the one who damage so as to avoid the effect by paying shares. And each of them pay his share as a grant to the one who affect, so the
pover is evident to be a member of the crew, if the characteristics are satisfied. This Islamic Insurance Company Ltd. is considered to be the first of its kind in the world, and it is highly successful due to the people intensive desire to participate in. That insurance premiums increased to Ls.1,699,073 in 1980 compared to Ls.273,339 in 1979 - i.e. an increase of 522%, and in 1981 Ls.2,590,000. The company realized a surplus of Ls.23,570 on its operations in 1979, and Ls.208,000 in 1980.

The company constituted on the Islamic Co-operative principal is inclined to distribute all its surplus to the policy holders and retain the surplus for itself. In 1979 the company distributed $1 to the policy holders. [1]

In relation to grants and direct donations, the FIBS in addition to Makkah has donated generously to the building of some mosques, schools and to various religious and humanitarian causes.

In 1982 donations were extended to charitable cause and vital fields of education, health, mosques, teachers

of Quran, hospitals, women colleges, and charitable societies and so on which totalled more than 2,60,000, see Table (11). So it is clear that the Bank contributes to different socio-economic activities by way of direct donations.

Po doubt that FICQ is the first institution to introduce the Islamic insurance in the country, collect, distribute Zakat, give grants and donations in a proper way, but its institutions responsible for these task still very young, and more revisions were needed, also the funds donor were still not enough to be considered.

4.6 Conclusion

The contribution of the FICQ in the social development of the Muslim represents in Zakat, Benevolent loans, services to craftsmen, truck-owners and artisans, beside the services of Islamic Insurance Company Ltd., grants and donations.

In spite of the short period 1978-1983, the Bank's social contribution is significant - Additional contribution is expected, and better organization of Zakat, Benevolent loans, services to small investors, grants, donations is also expected, besides additional specialized branches for regions should be taken into consideration.
CHAPTER P V :  
AN APPRAISAL OF THE SOCIO-ECONOMIC CONTRIBUTION OF THE 
FISH IN THE COUNTRY'S DEVELOPMENT.
5.1 Introduction

We have already stated the Bank's contribution to economic development of the country, especially with respect to the generation of savings, investment of savings, attraction of foreign funds (business nationals abroad, Saudi capital, correspondents), facilitating importation of goods (petroleum, medicine, transport vehicles, machines, etc.), export promotion or better terms, expanding production and employment (craftsmen and artisans). Beside that we explained the contribution of the FIBS in the social development of the country, Sakkat, Dowelent loan (Cerd Fassar), services to craftsmen, truck- owners and artisans, insurance services, donations and grants.

We now wish to make an overall appraisal of the contribution of the FIBS in the country's social and economic development, and this chapter is devoted to this issue.
Generally, socio-economic development programmes differ from country to country, from period to another, from institution to another, and no doubt an Islamic corporation's objectives and programmes for socio-economic development differ from non-Islamic ones. Chapter five aims to focus on the problems facing the MNCs as an Islamic corporation working in a relatively Islamic environment, so the right correct list of constraints and obstacles from such new experience.

5.2 Socio-economic goals, objectives and policies

of the country and the Bank

The adverse economic trends of the late 1970's concentrated by worsening terms of trade for the Sudan, were reflected in the declining ability of the country to pay for essential imports. This in turn adversely affected production, especially in irrigated agriculture and the industrial sector, which suffered from lack of current inputs as well as inadequate capital replenishment. Most big projects in fact registered negative capital flow during the late seventies which, together with other factors, resulted in services loss of productive capacity. The economic and social development plans and
programmes have been formulated with numerous objectives and goals to satisfy the country's needs for social and economic development. According to the Ten Year Plan 1960/81-1970/71, the Five Year Plan 1970/71-1974/75, the Six Year Plan 1977/78-1982/83, and the Three Year Investment Programme 1980/81 - 1982/83, the following strategies, objectives and goals were stated.(1)

(2) The overall strategy for development aims at securing optimum utilization of the country's physical, human and financial resources, so as to raise national income and achieve accelerated growth in the economy as a means to achieve self-sustained growth. By doing so is to improve the living standards of all citizens, increasing the growth rate, and achieving social equity and balanced regional growth.

(2) Rehabilitation of the productive capacity of the economy, especially in agricultural and

(1) Cf. of G., Ministry of Finance and National Planning, the Ten Year, Five, Six, Economic and Social Development Plans, Three Year Investment Programmes 1980/81-1982/83 - (Chapters on objectives).
industrial sectors.

(2) Increasing capacity utilization and increasing productivity in all productive sectors.

(3) Maximizing exports and creating an efficient import substitution so as to level eventually to a balance in Sudan's foreign trade.

(4) Provision of necessary infrastructure for successful and efficient operation of the productive sectors.

(5) Expansion of greater participation by the private sector in economic development.

(6) Stimulating the exploitation of natural resources, especially mineral oil.

These objectives are not listed in any order of priority as each one is important in its own right, but the emphasis on short term concerns, however, should not imply neglect of the long term needs of the country.

The STIP's objectives and goals as stated in its Act of 1977, are as follows: [see Appendix A. (1)].
1- By vision of all banking, trade, investment in financial operations, besides participation in industrial projects, economic, housing agricultural, commercial and social developments, in any one area or outside the country.

2- Acceptance of all kinds of deposits, provision of productive bank-loan loans, on the bases that specific by the shareholders, depositors and investors.

3- Financing of various activities and projects for the private sector.

4- Acceptance of donations, grant, etc., and to direct them to their specified areas.

5- To participate with any corporations, in the same line under Shari'ah laws.

6- Initiation of institutions and activities—estate, commercial, industrial, agricultural or any
affiliates companies to achieve the above goals and objectives.

It is clear that, according to the above stated objectives the State and the Bank, there are some similarities in the strategies and policies, but the main difference is that the Bank is working or supposed to work under the principles of Islam in every single operation. The State up to 1993 was governed by a non-Islamic law, but after the announcement of Shari'ah laws the picture was changed. The monetary and development policies are confused due to the international monetary and fiscal policies and the worse internal situation, but after the Islamisation of Sudanese economy the picture was changed, the sector which affects the activities of the financing and banking system (bank we are going to see the constraints to the Bank imposed by the former policy of the State).

3.1 Distribution of Income and Employment

Table (22), below shows us that the PEIS's income is growing gradually inside of the short period of operation, the distribution of Conces, Advances, profits and Suhur,
reflect the Islamic financial system. In 1970 there had been a clear shift in the bank's lending policy: "a distinct
though small - structure was set up during 1970 to go into
medium-term financing of industries in the small business and
artisan sectors. The main features of this policy are:

(1) an average financing period of three years;
(2) the bank charges reasonable profit ranging
between 10-15% (sic) on the tools or machines
or raw materials provided by the bank to the
clients". [1]

As suggested by Brown and Shaikh, "It is this
shift of strategy that "is a radical change in any appreciation
of the bank's activities and which is the subject of more
comment in a later section of this paper". [2] At the first
of 1970's the former commercial banks were nationalized,
later on, shortly in mid-1972's jointly owned private commercial

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Understanding of Islamic Banking in Sudan, the Case
of FEDO, BESO Seminars Series, Power No. 15, Khartoum,
May 1972, p. 22.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid Capital</td>
<td>3378</td>
<td>3660</td>
<td>3024</td>
<td>1974</td>
<td>5752</td>
</tr>
<tr>
<td>Other Funds</td>
<td>1507</td>
<td>3323</td>
<td>13276</td>
<td>2225</td>
<td>119100</td>
</tr>
<tr>
<td>Total</td>
<td>4885</td>
<td>7283</td>
<td>23238</td>
<td>24000</td>
<td>175700</td>
</tr>
<tr>
<td>Reserve</td>
<td>172</td>
<td>530</td>
<td>4150</td>
<td>8900</td>
<td>41300</td>
</tr>
<tr>
<td>Total Amounts</td>
<td>31137</td>
<td>87257</td>
<td>137280</td>
<td>277590</td>
<td>441280</td>
</tr>
<tr>
<td>Current Accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Local &amp; Foreign)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Accounts</td>
<td>2718</td>
<td>6096</td>
<td>66072</td>
<td>56372</td>
<td>79267</td>
</tr>
<tr>
<td>Saving Account</td>
<td>770</td>
<td>1325</td>
<td>7216</td>
<td>7787</td>
<td>11891</td>
</tr>
<tr>
<td>New Advances</td>
<td>27500</td>
<td>51500</td>
<td>73700</td>
<td>277900</td>
<td>441300</td>
</tr>
<tr>
<td>Outstanding Advances</td>
<td>12500</td>
<td>30460</td>
<td>57260</td>
<td>91560</td>
<td>126336</td>
</tr>
<tr>
<td>Net profits before</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reinvested Profits</td>
<td>200</td>
<td>730</td>
<td>473</td>
<td>734</td>
<td>1941</td>
</tr>
<tr>
<td>* Net profits/stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital (%)</td>
<td>38</td>
<td>50</td>
<td>50</td>
<td>110</td>
<td>112</td>
</tr>
<tr>
<td>* Net profits/total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity (%)</td>
<td>22</td>
<td>33</td>
<td>63</td>
<td>61</td>
<td>40</td>
</tr>
</tbody>
</table>

banks and foreign banks were allowed to open and operate their work joining banking in the country, besides that a new trend of Islamic banking also came in. The FIDS is the most significant of all policies and developments in Sudanese banking, which can be witnessed over the last few decades. FIDS reflects the gradual strengthening of the position of indigenous competitive capital vis-a-vis the traditionally dominant monopoly capital (both indigenous and foreign) with respect to their competing and conflicting claims for commercial bank credit. (1)

By lending the commercial banks advances and the FIDS advances (even of its very short experienced), as presented in Table (13) we will come to the fact that despite their very experience and great number, very little change in their overall pattern of lending is noticeable.

A cursory glance at the data on commercial banks credit that presented in Table (13) below, clearly shows that till

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the longest proportion about 50% of total credit was made up of short-term loans; more than 50% of all advances were extended to import-export merchants. Loans to agricultural and industrial investment purposes accounted for less than 20% of total advances. In relation to the specialized banks—Agricultural, Industrial and the Estate banks—the total amount of their lending is insignificant if compared to the total bank advances, and also the larger part of it is lent on short-term and not for capital investment purposes.

Taking into consideration that the experience of the FMB, though short, would indicate a lending policy which seems explicitly to favour smaller businesses, and is mainly directed to investment rather than trade and any other purposes, that is to say even the FMB’s advances are for trade credit, but mainly for importation of machinery, vehicles and tools of craftsman, artisans, truck-farmers or small producers in general. This fact can be seen in table (13) below, there is an increase in the average size of the Bank’s advances, supported by the Bank’s explicit strategy and anti-monopoly policy, but there is a shift to bigger borrowers.

Because of the data availability, I made a break here.
of the advances of the FIDS into sectors, so as to compare them with aggregated commercial bank advances.

Table (13):  
The FIDS’s Advances in Relation to Total Commercial Bank Advances 1972-1983  
(in L.E. Million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Bank</th>
<th>Total Bank</th>
<th>Short Term %</th>
<th>Trade</th>
<th>Industry</th>
<th>Agric.</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>FIDS</td>
<td>27.2</td>
<td>60.6</td>
<td>17.3</td>
<td>-</td>
<td>-</td>
<td>1.1</td>
</tr>
<tr>
<td></td>
<td>T.C.B.</td>
<td>169.2</td>
<td>78.7</td>
<td>34.5</td>
<td>47.1</td>
<td>0.6</td>
<td>17.6</td>
</tr>
<tr>
<td>1980</td>
<td>FIDS</td>
<td>51.5</td>
<td>89.5</td>
<td>0.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>T.C.B.</td>
<td>592.9</td>
<td>73</td>
<td>35.5</td>
<td>46.0</td>
<td>6.7</td>
<td>13.7</td>
</tr>
<tr>
<td>1981</td>
<td>FIDS</td>
<td>73.7</td>
<td>95.1</td>
<td>4.1</td>
<td>-</td>
<td>-</td>
<td>10.6</td>
</tr>
<tr>
<td></td>
<td>T.C.B.</td>
<td>777.6</td>
<td>76.2</td>
<td>37.0</td>
<td>37.0</td>
<td>0.2</td>
<td>18.6</td>
</tr>
<tr>
<td>1982</td>
<td>FIDS</td>
<td>135.0</td>
<td>97.0</td>
<td>2.0</td>
<td>2.2</td>
<td>-</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>T.C.B.</td>
<td>1145.3</td>
<td>74.7</td>
<td>40.0</td>
<td>39.7</td>
<td>0.3</td>
<td>16.0</td>
</tr>
<tr>
<td>1983</td>
<td>FIDS</td>
<td>73.9</td>
<td>97.7</td>
<td>4.3</td>
<td>-</td>
<td>-</td>
<td>4.4</td>
</tr>
<tr>
<td></td>
<td>T.C.B.</td>
<td>1375.0</td>
<td>72.6</td>
<td>46.1</td>
<td>60.0</td>
<td>0.3</td>
<td>13.6</td>
</tr>
</tbody>
</table>

Sources:  
However, it is also worth noting that the size of the FISH's average loan has increased from £5,377 thousand in 1979 to almost £1,100 thousand by 1983. Furthermore, the policy statements on the Bank's commitment to the small producer, artisans, craftsmen and truck-owners have reached £2,220 million in 1983, but to my mind it represents a smaller percentage of the total advances, even if their percentage rising 50%.

5.4 Social and Economic Stability in the Country

Migration is a well known phenomenon in any kind of society whether developed or underdeveloped. In the Sudan, migration has a long history, before the appearance of specialization in economic activities people used to migrate from one area to another seeking better life and available resources, so the periodic activity might be the origin of a very close phenomenon to migration in our country, but also people of Sudanese kingdoms in the North, Christian kingdoms, Muslim kingdoms had witnessed some kind of population mobility, both internal and external, e.g. East African Pilgrims earning in Sudan cross the western borders.

The Sudan is now witnessing a tremendous migration
Both internal and external, resulting from different causes, and different origins, of changing social distinction, leading to serious consequences for a developing country like Sudan. The consequences of migration such as losses in training manpower, raising of wages, gains in foreign exchange and remittances, reduction or increase in consumption of the country. In the result is that individual or group welfare is affected either positively or negatively, like the country's economy. The social and economic stability of the country in doubt will be affected by migration and vice versa. In spite of the very recent flow of Sudanes to Saudi Arabia, Gulf States and other Arab oil producing and exporting countries, the number has been growing at an extraordinary rate (one and a half million Sudanes are believed to be abroad either legally or illegally). Social and economic consequences resulted from such huge migration, in addition to what we mentioned, demographic consequences also effect

the country's economy (that birth rate is to be affected and consequently services and other needs). Social consequences include, with reducing educational level, loss of interest in civil service jobs, segregation of the family members, the emergence of a new class in business society (bakers and middleclass of manual section), increasing rates of certain crimes (from smuggling in tobacco, certificates etc.), loss of certain traditions and values, nuclear expansion of constitution due to high earnings and absence of husbands, and delay in marriages. Having this spectrum of migration consequences (whether it is internal or external migration), we expect the following:

(a) Growing differences and ethnic-tribal tensions.

(b) Existing expectations versus reality.

These two points in fact represent the reality of the Sudanese society, every individual is seeking to further his own interest and not independently. As the whole society is living a growing tension, developing highly unrealistic expectations, but their reality is by any measure getting worse and worse.

The growing differences and ethnic-tribal tensions are
something clearly noticeable in the regional imbalance of growth, and in the composition of the regional government cabinets and posts.

The outcome of all these aspects is the social and economic instability in the country, the matter which is with no doubt is existing, that rates of migration still continue, and the balance of payments deficits still huge, and the people's social and economic life is a continuous deterioration, rich people continue to get richer, and the poor are not. At the government level, high corruption (opulence) and small production and saving prevail. [1]

EIG's contribution to the social and economic stability in the country has been discussed in chapter four of this study, but the question seems to be very vast, and no doubt the task, under its Islamic principles stated objective is seeking to overcome part of the problem if not the whole of it.

5.5 The Constraints Imposed by the State

The problem that faces the SIFA on relating to the state are mainly those central which are usually imposed by the Central Bank in the banking system in the country. The Bank of Sudan is considered to be the supervisor of the commercial banks and the specialized banks, whether by the national, joint venture, Islamic or foreign. The main constraints that face the SIFA as a joint venture Islamic bank can be stated as follows:

1. The Bank of Sudan, as guide and supervisor of the banking system in the country, formulates from time to time rules and controls that govern the establishment of branches or commercial banks throughout the country after making a complete studies in those areas chosen for those branches. These studies include the time, which affects the commercial bank's policy.

2. The Bank of Sudan obligates the commercial banks to work within the acts and ordinances.
It is essential for the economy to regulate the banking system in the country, and although the TIBS has been exempted from some of these regulations, it still suffers from continuous changes in the regulations of the Central Bank and the government, especially those pertaining to ceilings of credit and advances.

The Article No. 41-2 of the Bank of Sudan Act of 1959 (amended 1962) read "The Bank can buy from the banks or reduce the money documents...", and it is a fact that most of the people do not believe in these papers but only accept cash. So this one problem which leads the Bank to borrow cash from the Central Bank to satisfy such needs, [1] The Central Bank also according to its Act, can ask the Bank to keep quantity of money as a reserve (20% maximum), this also effect...
the Bank's activities. (1)

5) The Bank of Egypt fixes the size of loans and landings and the credit for each bank's activity, and this is not the sole way for the Central Bank to restrict the size of banking credit, and every four months the Bank of Egypt specifies the credit ceiling for each bank, taking into consideration what had been agreed with the International Monetary Fund, and the government policies and circumstances concerning the financial issues. The PME as an Islamic Commercial Bank are greatly affected by these policies because its work is based on investment rather than other banking operations.

6) In addition to the above five points, the PME is working as new experience in semi-

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Islamic environment as a pointer in such fields in the country: this raises a lot of problems, at least in understanding the operations of this new idea.

3.6 The Problems Facing the System in Practice

Problems arise in finance operations either because of:

(a) Financing formula itself.
(b) The environment.

1) Risks Inherent in the Formula

- The partner enjoys a great deal of control over the operations (as a partner or as a manager) according to the Islamic formula which gives him the right to act, and according to the bank's policy of authorizing the partner to manage the partnership for himself and the bank.

2) There is a moral commitment on the bank to facilitate the procurement of the means of
3- The moral and legal nature of the partnership does not allow the bank to take securities from the partner in his capacity as partner, and so the securities the Bank requires are personal and are related only to the partner's good management and compliance with the terms of contract, so the risk here results from delay in repayment - as in the traditional banking system.

Risk Rising from the Environment

1- The customers sometimes do not understand fully the Islamic investment formulas. This problem is decreasing significantly now.

2- Some customers have low level of moral supplies, and may tamper with figures and records they are entrusted with.
It is difficult to arrive at the transaction rate and the profit-sharing ratios in the Sudan due to the lack of relevant precedents or literature. In the Sudan, for example, the custom prevalent is to share the profits of the bank equally between the parties but this is only practical within the framework of the family, relatives and associates. The RBS has thus practices started with profit-sharing ratios which some of the Bank customers consider to be low. In other cases, the Bank has started with low ratios and found it difficult to increase. These ratios may be revised (and have actually been revised) with a view always to give the customers the better share. In relation to deposits, current and saving accounts are guarantees, but investment ones are not, but they should be treated as the two.

If these are risky and problem facing the Bank's
operations in question. What are the necessary securities for the success of the bank's financial operations?

The answer is as follows:

1. The technical and economic study of each operation.
2. Investigation of the customer's financial position and the financial policy.
3. Physical securities or personal securities by a third party in favour of the customer.
4. Continuous supervision and follow-up directly at the branch and at the headquarters. In some cases, the bank has permanent representatives, or it hired in the factories where bank is involved, as in the case of oil mills. The file has noticed that continuous supervision and follow-up leads to sudden rising of the profit levels.
5. The marking on the terms of the contracts in such a way that they give the bank all the
The governance of banks is increasingly localized, and in the periphery, the authorities whatever necessary.

The general of funds entering into and going out of the operation through the determination of the need and the conditions of withdrawing and repayment, with a view to enable the bank to make full use of its funds.

Ordinary Islamic insurance at the bank's subsidiary Islamic Insurance Company.

There are some other types of securities used by other Islamic banks which the bank does not use at present. These are:

- Unilateral credit risks to cover the risks of non-repayment or default, as is done by Messer Social Bank of Egypt. This bank gives personal loans to students and employees and waives off the debt in case of the death of the borrower. This guarantee is not against
### Table (14): The Pem's Income Expenditure and Profit 1979-1983 (in $'s Million)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue</td>
<td>1.0</td>
<td>1.4</td>
<td>1.5</td>
<td>1.6</td>
<td>1.7</td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>1.4</td>
<td>1.7</td>
<td>1.8</td>
<td>1.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Net Profit</td>
<td>1.4</td>
<td>1.7</td>
<td>1.6</td>
<td>1.7</td>
<td>1.7</td>
</tr>
</tbody>
</table>

* Pem's net profit without its affiliated companies.


### Table (15): The Pem's Shareholders' Properties 1973-1983 (in $'s Million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders' Properties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid Capital</td>
<td>4.5</td>
<td>5.5</td>
<td>6.5</td>
<td>7.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Total of various reserves</td>
<td>0.1</td>
<td>0.7</td>
<td>0.8</td>
<td>0.9</td>
<td>1.0</td>
</tr>
<tr>
<td>Total of properties of shareholders</td>
<td>4.6</td>
<td>6.2</td>
<td>7.3</td>
<td>8.4</td>
<td>9.5</td>
</tr>
</tbody>
</table>

**Source:** As Table (14) above.

* This figure is too huge because of the funds (reserves) to establish the bank's new building which cost about $5.50 million.
Atlantic has an applied in a casual and
unusual manner. The FMB is considering
the use in the financing of craftsmen.

2. The creation of a losses equalization fund,
which is used to cover the losses. It is
different from the provision for bad and
doubtful debts. The FMB recently introduced
such a reserve in its operations.

5.7 The Future Plans Indicate the Bank's Contribution

The following considered as the future plans or
strategies of the FMB, and in our mind are the indicators of
its future contribution in social and economic development of
the Sudan:

1. To establish one or additional branches and
companies.

2. To widen the support of small producers and
investors, the owners of small industries,
craftsmen and artisans.

3. To enter in medium and long-term projects.
Conclusion

For the appraisal of the socio-economic contribution of the FIDC in the country’s development, first we compare and contrast the Bank and the state socio-economic goals, objectives, and policies, then we examined the distribution of income and employment and how the Bank contributes to that. Some points were also raised about the social and economic stability of the country. Lastly this chapter tries to specify the system constraints, those related to the State.
are these arise in practice, besides the solutions to overcome such problems, the future plans and strategies that indicate the EU's contribution were also stated.
FINDINGS AND SOME CONCLUDING REMARKS
1. The FIZH was established in 1976 as the first Islamic bank in the Sudan, and as a joint venture company with the assistance of Saudi capital and Arab-Muslim funds supported by President of the Republic of the Sudan, in a semi-Islamic environment.

2. The Bank has a well-stated objectives and strategies based on Islamic law, and working within Shariah-balanced activities taking into consideration the social, economic development of the country as one of the major objectives.

3. The FIZH's capital, deposits, advances as a percentage of total commercial banks, are progressively rising.

4. The Bank, in order to serve its objective, has initiated four affiliated companies and eight branches, and has also succeeded, through initiating more branches to cover a wide area in the country.
5. The Bank can, in spite of the constraints it faces in setting up its activities, forecast, because of its degree of success, the future trends in short- and long-term investment is considerable. Besides its role in economic development, by generating savings, investment, facilitating exports and imports and it tries to solve the country's urgent problems of cash-petroleum and drugs.

6. The Bank was faced with some problems related to the state and environment in which it practices its work or activities, but we found that the problems arise mainly from the environment in which the Bank operates, rather than the formula or rules of operation stimulated by Islamic.

7. The Bank still needs wise time and effort to refine and develop the rules of operation in order to meet various risks e.g. the risk of over-extension of the time-scale of operations, and risks associated with Islamic and long-term finance, but under the newly introduced Islamic laws the Bank is going to ever-
1. The main objectives and strategies are very ambitious and the NCR aims to contribute to social and economic development of the region.

2. Finally, the NCR is relatively successful and is going in the right direction according to its objectives, and it seems that initially the existing commercial banks were in no way directly threatened by the NCR's lending and borrowing practices integration of its extensive activities and its full loan portfolio, but the most crucial point is that in some periods the Bank has also been essentially and politically useful and this is important to economic operators within the region. Security and this might be similar to some other parts.
APPENDIX A. I

PROCEDURES:

- Object of partnership should clearly be defined both financially and time-wise.

- Contribution of each party in the total investment should be determined.\(^1\)

- Division of profit & loss between the parties should be agreed upon in advance. The formula currently employed by the Bank is as follows:
  - an agreed to percentage of the realized profit is given to the partner in consideration for his management role.
  - The residue is to be distributed between the partners according to their contribution in the "capital of the operation" or in any other percentage agreed upon.
  - Loss is strictly shared in proportion to contribution total investment.

\(^1\) Sometimes referred to as the "Capital of the operation and takes to include fixed and other assets. This is an important criterion in profit and loss sharing percentages."
the co-partner manages the operation and submits progress reports.

The bank reserves for himself the right of supervision and direction of the operation in case of failure.

Terms and conditions of the liquidation of the operation would be agreed upon in advance. In case of failure to comply with these conditions a penalty (usually in the form of reduction of management share in profits) may be imposed. (1)

(1) In the case of good performance incentive is the form of increase in management share in profits is allowed.
1. Arrival of application to branches and/or Investment Department.
2. Registration and classification.
3. Initial processing to ensure that the venture would fit in the investment policy of the Bank.
5. Evaluation of client would entail:
   (a) Financial ability
   (b) Managerial ability
   (c) Integrity
   (d) Past performance
6. Appraisal of the operation/venture would embrace:
   (a) Nature of vulnerability
   (b) Marketing aspects (Demand, surplus, prices, competition)
   (c) Technical aspects (for industrial projects)
   (d) Financial and commercial aspects
7. Course of action recommended by Investment Department.
8. Passing on of recommendations to top management for decision or transmission to Board Committees.
9. Decision-taking
10. Communication of decision to the applicant
12. Dispatch of contract agreement to concerned branch for action
13. Follow up and supervision of implementation
14. Taking necessary corrective actions
15. Liquidation of operation at the agreed upon date
APPENDIX EX. 2

HOW DID FISME NAME THE PROBLEM
OF INTERNATIONAL CO-OPERATION

BY

MORSE, MARVIN H. HOLS, LAWRENCE

GERALD DUGARD (1972)

As a bank offering its services in the sphere of international trade and money transfers for various reasons, Faisal Islamic Bank had to establish working relationship with the international banking community based on the interest principal.

For this reason it established correspondence relationship with banks to facilitate use of the services on our behalf. In case of direct money transfers, no special relationship is needed beyond没有什么 correspondence bank with ready balances in our current account with them to meet such obligations. Financially this is feasible. The correspondent bank can legitimately claim its commission on these services. No Shariah prohibition
Against this, the problem arises when PIBS asks a correspondent bank to add its confirmation to letters of credits opened on behalf of foreign suppliers to importers in the Sudan. (Suppliers ask for this as an added security for their payments). Either PIBS has to keep huge surpluses (in its account with the correspondent bank) to meet such obligations, which is financially difficult and unwise (as a lot of surpluses would be tied up for long periods without utilization), or it should ask the correspondent bank to cover its obligations, to the third party (i.e. the suppliers), while it seeks to replenish its account with the correspondent bank. This is in fact would be ‘lending’ by the correspondent bank for which PIBS would not accept to pay any interest. How then did we solve this problem?

We suggested to the foreign banks a mutual agreement revised and accepted by simple exchange of letters, to avail us this confirmation facility (up to an agreed limit of money) without charging interest should our accounts go red. In consideration we undertake to abide by the following:
(2) To make sure this matter of cash in our account to you with the invoice - that or until.

(3) And we forecast it as soon as possible, it is part of the understanding that we can't ask for any money on any balance due to us until the other fund's utilized our funds profitably. Therefore there is no condition set by the other party.

As partial security, the correspondent bank would, on making his examination, debit our account with a certain "Cash for this" which appears in the first item in its own account.

For authenticity, then, to be on this agreement, our only real interest is to keep sufficient balance in our correspondent bank accounts as cover the cash margin of the letters of credit and not the whole value of these letters.

This agreement is subject to our share in the "haris supervisory board", until the conclusion, was found to be controversial, an infringement of our local brands etc. As it was not a criticism or a potential fear (manifested by sharing enough not carrying the west) because in that we
Do not ask the other bank to lend us if the account goes red. Simply ask them not to charge us interest.

In practice this arrangement has been in working with such leading banks as Barclays Bank International, (U.K.), Wells Fargo (U.S.), Union Bank (U.K.), Commerce Bank (West Germany), National Bank of Pakistan (U.K).

The size of the facilities arranged with these banks is being increased from a figure of a few millions US Dollars in 1979 to tens of millions of US Dollars in 1982, and the cash margin security has gone from from the level of 25% - 30% in 1978 to that of 10% - 15% in 1981.

This reflects the growing confidence of these banks in the soundness and profitability of the Islamic Banking System.
The National Sudanese Islamic Bank Act, 1977
(1977 P.O. No. 9)

In accordance with the provisions of Article 106
of the Constitution, the President of the Republic hereby
makes the following Provision Order 6-

Title and Commencement

1. This Provisional Order may be cited as "The
National Sudanese Islamic Bank Act, 1977", and shall come
into force at the date of signature.

Interpretation

2. In this Act, unless the context otherwise
requires:

"Bank" means the National Sudanese Islamic Bank
established under section 3 (1) hereof,
and includes all the branches of such
bank or any company established by it.

"Property" includes the capital of the Bank and its
belongings.
Establishment

3. (1) There shall be established a Bank to be known as "The Postal Development Islamic Bank" and it shall be registered as a public Company in accordance with the Companies Ordinance, 1985. The main office of such Bank shall be in Khartoum.

(2) The Bank shall establish branches thereof in all parts of the country.

Object of the Bank

4. The Bank shall, in accordance with the doctrines of Islamic Law, strive to consolidate community development through performing all banking, financial, commercial and investment business. The Bank may, for achieving its objectives, establish Co-operative Insurance companies. It may also participate in the economic and social development activities set forth in the memorandum and articles of association thereof, within or outside the Democratic Republic of the Sudan.

Capital of the Bank

5. (1) The Bank shall have a capital which shall not
In less than six million Sudanese pounds.

(2) The memorandum and articles of association of the Bank shall provide the division of the Capital into shares and the percentages of shareholding.

(3) The subscription of the non-Sudanese side shall be paid in convertible currency.

Sections

6. The Bank shall be exempt from the application of:

(a) the laws regulating service and post-service benefits provided that the salaries, wages and post-service benefits which may be determined by the Bank shall not be less than the minimum provided for in such laws;

(b) the laws regulating insurance;

(c) the Auditor General’s Act, 1970 or any other enactment thereof;

(d) sections 42, 44, and 45 of the Bank of Sudan Act, 1929; provided that the said shall not curtail the powers of the Bank of Sudan to
supervise and direct the credit policy
of the Bank.

Exemptions

(1) All property and earnings of the Bank shall
be exempted from all types of taxation.

(2) All funds deposited with the Bank for the
purpose of investment shall be exempted
from all types of taxation.

(3) The salaries, wages, gratuities and pensions
of all employees of the Bank, the Chairman
and members of its Board of Directors and
the Shari'a Control Organization, shall be
exempted from taxation.

(4) In addition to the exemptions provided for
in sub-section (2), the Bank may enjoy any
exemptions or concessions provided for in
any other law.

Exchange Control

5. The Governor of the Bank of Sudan may exempt the
Bank from the provisions of the laws regulating the exchange
control within such limits as he may think appropriate.

1. (a) the property of the Bank shall not be confiscated, nationalized, subjected to requisition or expropriated;

(b) the funds deposited with the Bank shall not be attached or expropriated save in accordance with a judicial order.


FES, Economic Research and Statistics, Information Administration.
FES, (1979), The Bank’s Objectives and Operational Methods.
Sudan, Volume 9, No. 12, December 1983.
