

Impact of Banking Finance on Economic Development of Gum Arabic Traders in North Kordofan, Sudan

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Abstract

The study was conducted in Elobied Central crop market, Sheikan locality, North Kordofan, Sudan to investigate the Impact of Banking Finance on the Economic Development of Gum Arabic Traders in North Kordofan in term of income, livelihood. Moreover, the paper is intended to describe the impact of banking finance on the dynamic of Gum Arabic traders and companies in the market, beside the change of gum Arabic quantities and the improvement on the Marketinfrastructure and services during the financing periods. Primary data were collected via structured questionnaires based on stratified random sampling technique, while secondary data were collected from market records and documents. A set of research tools encompassing descriptive statistics, linear regressionand Kurskal – Wallis Test were used. The results of the study showed that the Banks provides Finance for the Gum Arabic Traders with increasing trend ($R^2 = 0.96$). All respondent indicated that the Banking finance led to increase their income mainly the city trader received high annual income compared to the village traders with is significantly different according to Kurskal – Wallis Test ($\chi^2 = 11.14***$). Also, the majority of respondents 99%, 95%, 93%, and 90% mentioned that the income generated from Trading in Gum Arabic contribute in covering living expenses, health, schooling, and social aspects respectively. The trend with regard to of number of the Gum Arabic stakeholders and Gum Arabic quantitiesat Elobeid Central Crops Market expressed different tendencies; number of registered traders showed increasing trend ($R^2 = 0.79$) and the number registered companies revealed slight increase ($R^2 = 0.57$), and the trend of Gum Arabic quantities showed increasing decreasing trend ($R^2 = 0.02$). Concerning the improvement in the Elobied Crop market, the majority of respondent 95%, 99%, and 98% reviled that the market infrastructure, market services and marketing information system was improved respectively.

Keywords

Banking Finance, Gum Arabic, Trades, Economic Development, Market

1. Introduction

Sudan is recognized as the world dominant leader in gum arabic production [2]. Gum Arabic is one of the Sudan's most important non-woodforest products (NWFs), in which the

country has recentlyprovided (71%) to the global market [11]. Gum Arabic as a product of smallhousehold farm system has a good comparative advantage and relatively higher international competitiveness in relation to other competing cash crops [7]. Producers of thiscommodity are scattered over widespread areas in the Gumbelt across Sudan that justifies presence of a

large numbers of market's stakeholders throughout its value chain [4],[5]. Seasonality of Gum arabic production is one of the most important factors which structure its marketing forces in Sudan. Unfavourable environmental conditions, coupled with market imperfections, commonly affect supply of Gum arabic commodity to the marketing sites [12]. The local marketing system of Gum arabic in Sudan is very difficult and complex [8]. In view of that, the rural traditional market is argued to have a damaging effect that underestimates the producer's prices below a reasonable level [7].

Fewer stakeholders often exist at assembly markets, which receives Gum Arabic commodity from domestic markets. Being a higher level market located at urban centers, a wholesale market gets Gum Arabic supplies from both domestic and assembly markets. Central markets are located in the big cities. There are some institutional problems exemplified in lack of credit provided for gum production and traders in terms of quantity and timing, poor and less effective marketing and storage facilities, in addition to lack of gum processing and local consumption [10]. The Central bank of Sudan in 2009 introduced a policy for Financing the Agriculture, Industry and Trades mainly the Gum Arabic Trading and established fund for financing the above important sectors. In fact, trading in Gum Arabic as strategic commodity need big amount of money to proceed. Therefore, what is the amount of Finance provided by the Commercial banks to the traders in North Kordofan, to what extent the Banking finance is benefit in increasing the income and improving the Livelihood of Gum Arabic traders, and is the fees and taxes deduct from the Gum Arabic traders used in improving the market infrastructure, services and market information system.

The present paper is aimed to study the Impact of Banking Finance on Economic Development of Gum Arabic Traders in North Kordofan in term of income, livelihood. Moreover, the paper is intended to describe the impact of Banking finance on the dynamic of Gum Arabic traders in the market, beside the change of gum Arabic quantities and the improvement on the Market infrastructure and services.

2. Methodology

2.1. Study Area

The study was conducted in the (Central Crop Market of Elobied), Sheikan Locality, North Kordofan which is located within the semi-arid zone of central Sudan between latitudes 9°30' and 16°24'N and longitudes 27° to 32°E. The region is characterized as one of the most vulnerable areas in the country concerning desertification processes. The area is located at the heart of the Gum Arabic belt. North Kordofan lies in the north-east part covering an area of 110483ha, (Figure 1). The site is located in the Sahel zone, which refers to an ecological zone situated between the Sahara to the north and the Sahel zone to the south [3]. The mean annual temperature varies between 28°C and 30°C. The coldest months are December and January with mean temperatures of 14.1°C and 13.5°C, respectively, and the hottest months

are April, May and June with an average mean temperature exceeding 30°C [6] and [1]. The rainy season extends from June to October with the highest rains in August. Average rainfall estimated is 250-400mm. The main economic activities are rain-fed agriculture and livestock herding. The community constitutes rural (50%), urban (34%) and nomads (16%) with an annual growth rate of 1.45% [9].

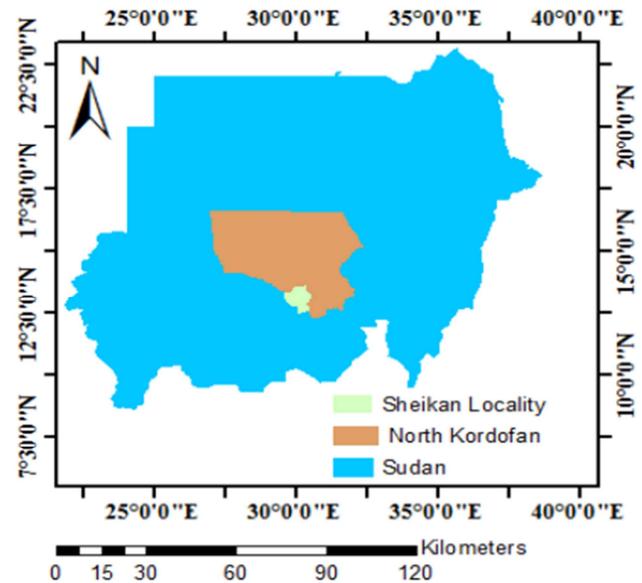


Figure 1. Location of the study area.

2.2. Data Collection

Data necessary for achieving the study objectives were obtained from primary and secondary sources through a combination of qualitative and quantitative collection tools. The primary data were collected based on stratified random sampling technique via a questionnaire designed and distributed randomly to 75 respondents from Gum Arabic traders at Elobied Crops Market. Furthermore, focus group discussions (FGDs) with key-informants from administrative unit of the market were conducted. The secondary data were heavily depended on market records and documents. These include time series data with regard to Gum Arabic quantities. Other quantitative data encompassed a number of active Gum Arabic traders and Companies. Moreover, the information comprised qualitative data in terms of status of infrastructures, services, and market information systems. The data were analyzed by using a set of research tools including descriptive statistical analysis, linear regression and Kurskal – Wallis Test.

3. Results and Discussion

3.1. The Finance Provided by the Commercial Banks to the Gum Arabic Traders at Elobied Central Crop Market

The Commercial Banks at Elobied provides Finance for the Gum Arabic traders Figure 2. Remarkable increase in the

amount of finance in 2009 with the general trend of increasing rate ($R^2 = 0.96$) as the result of the declaration of the central bank of the Sudan in 2009 as incentive for trading

in Gum Arabic as strategic commodity. This finance is increase the purchasing power of Gum Arabic Traders and deal with big amounts of Gum Arabic quantities.

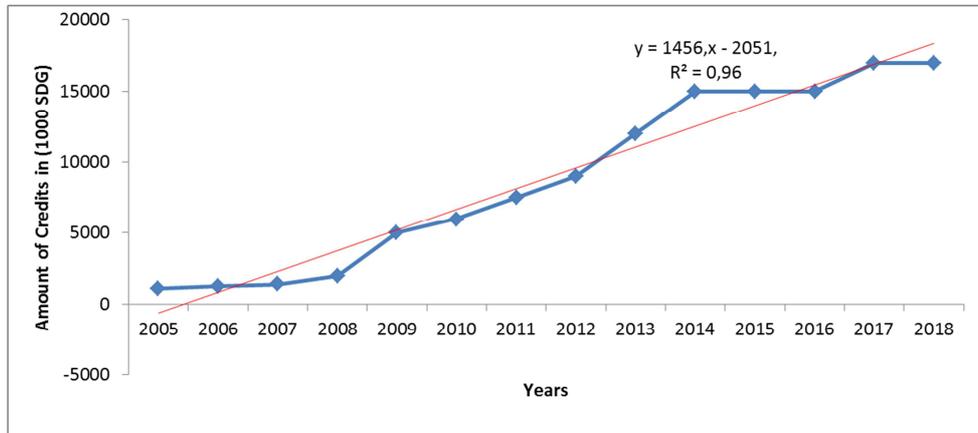


Figure 2. The amount of finance provided by the commercial Banks.

3.2. Impact of Banking Finance on the Income Generation of Gum Arabic Traders

The income generated from trading in Gum Arabic in the study area was express in table 1. It is obvious; the Gum Arabic Trades at Elobied Central Crop Market received high income compared to the village traders. The Kurskal –

Wallis Test showed significant different ($\chi^2 = 11.14^{***}$) between annual income of Gum Arabic traders at Central market (Elobied Crop Market) and villages traders. This is due to the fact that the City traders received Finance from the Banks and then deal with big lots of Gum Arabic transactions compared to the village's traders.

Table 1. Income Generation from Trading in Gum Arabic.

Descriptive Statistics		City Traders	Village Traders	Kurskal–Wallis Test
Annual income in SDG	Mean	41292	9050	11.14 ***
	Std.	41295	6299	

*** Indicates significant level at (1%)

3.3. Impact of Banking Finance on the Livelihood of Gum Arabic Traders

As the result of increasing the income of Gum Arabic Traders, the majority of respondents 99%, 95%, 93% and 90% indicated that the income from Gum Arabic used in covering

lining expenses, health, schooling and social aspects respectively table 2. This result clearly expresses the positive role of Banking Finance on the Livelihood of Gum Arabic Traders in the study area.

Table 2. Impact of Banking Finance on the Livelihood of Gum Arabic Traders.

Item	Attitudes of respondents %	
	Yes	No
Use the income from Gum Arabic trading in living expenses (eating and Drinking)	99	1
Use the income from Gum Arabic trading in Health	95	5
Use the income from Gum Arabic trading in Schooling	93	7
Use the income from Gum Arabic trading in social aspects	90	10

3.4. Impact of Banking Finance on the Dynamic of Gum Arabic Traders in the Elobied Crop Market

The number of active Gum Arabic traders is displayed in figure 3. Notable increase in the number of Gum Arabic Traders in 2009 and moderately decreased in 2010-2013 and increase again in 2014-2015 and sharp increase in 2016-2018.

The overall trend of Gum Arabic Traders is increasing trend ($R^2 = 0.79$). The fluctuation in the trend may be due to the fluctuation of Gum Arabic price.

3.5. Impact of Banking Finance on the Dynamic of Gum Arabic Companies

Regarding the number of active companies working in Gum Arabic trading figure 4. The trend showed remarkable

increase in 2009-2011 and sharp decrease in 2014 and in increase again in 2016 with overall trend of slight increase ($R^2 = 0.57$). The fluctuation in the number of active

companies may be due to fees and taxes paid by the companies.

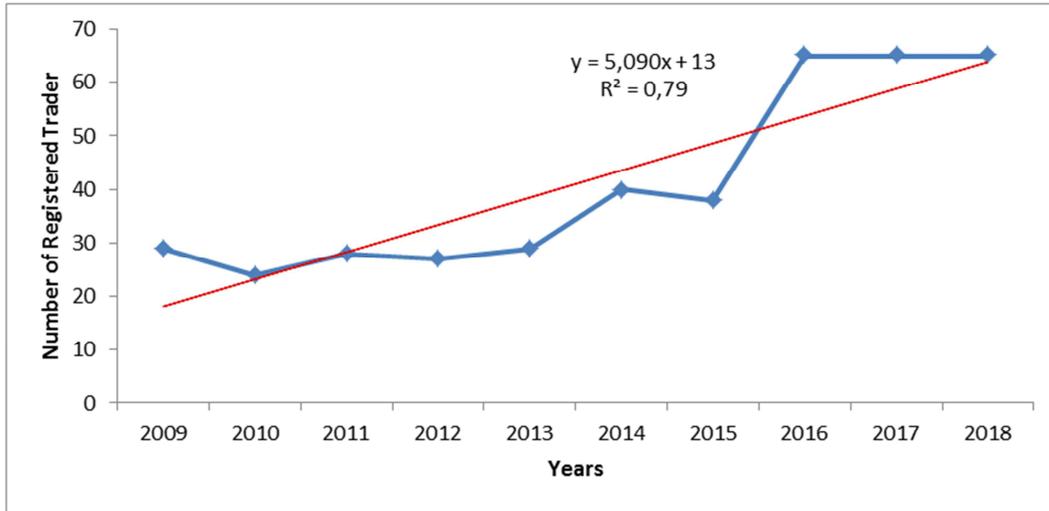


Figure 3. Dynamic of Gum Arabic Traders at Elobied crop Market.

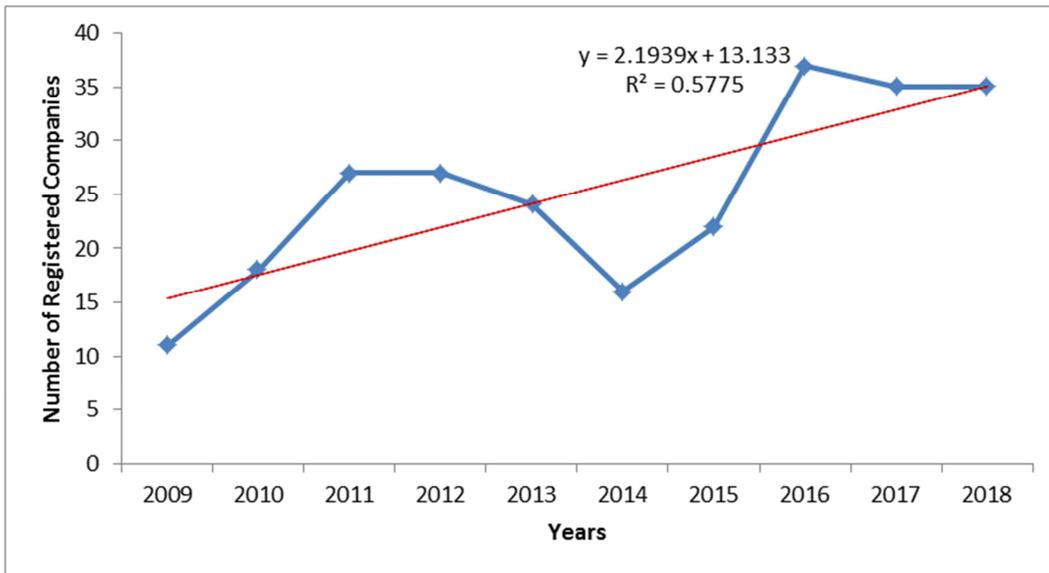


Figure 4. Dynamic of Registered Companies at Elobied crop Market.

3.6. Impact of Banking Finance on the Dynamic of Gum Arabic Quantities in Elobied Crop Market

The Dynamic of Gum Arabic Quantities as showed in figure 5. Indicate clear increasing of Gum Arabic quantities in 2009 which is the first year of the policy of the Central Bank of Sudan and then the trend showed decreasing rate of Gum Arabic

quantities ($R^2 = 0.20$). This may be due to argument that some quantities Gum Arabic sold outside the market to avoid the taxies and fees. In general the city traders received Gum Arabic quantities significantly different ($\chi^2 = 27.71^{***}$) than the village trade table 3. This due to fact that the City traders received Finance from the Banks and then deal with big lots of Gum Arabic transactions compared to the village's traders.

Table 3. Quantities of Gum Arabic purchased by City and village traders.

Descriptive Statistics		City Traders	Village Traders	Kurskal – Wallis Test
Quantity of gum Arabic in quintal	Mean	531	141	22.71 ***
	Std.	410	331	

*** Indicates significant level at (1%).

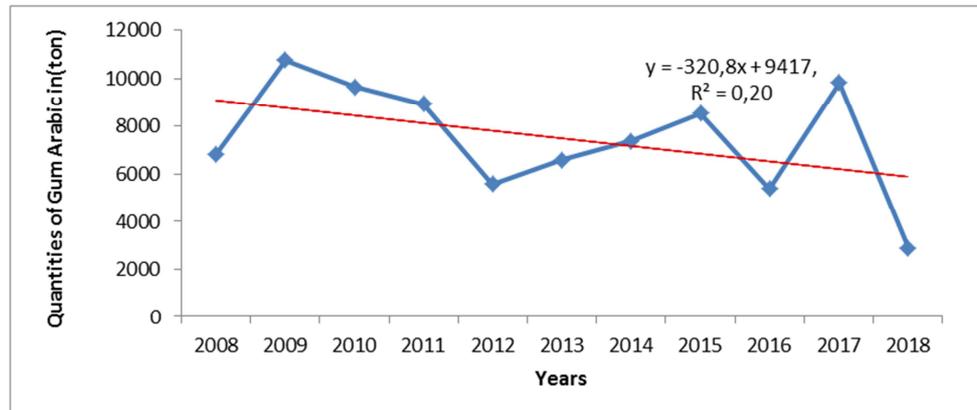


Figure 5. Changes in Gum Arabic Quantities at Elobied Crop Market.

3.7. The Improvement in the Elobied Crop Market During the Periods of Financing Gum Arabic Traders

In fact the Gum Arabic traders pay fees, taxes and duties for the sold Gum Arabic quantities at Elobied crop market. These amounts of fees, taxes and duties used in improvement of market infrastructure, services and market information system according to the perception of 95%, 99% and 98% of respondents respectively table 4. The result was in line with [7] who mentioned that the infrastructure and services at Elobied crop market were significantly improved in the same periods.

Table 4. Attitudes of respondents regarding the improvement in Elobied Crop Market.

Item	Description	
	Improved %	Not Improved %
Market infrastructure	95	5
Market Services	99	1
Marketing Information System	98	1

4. Conclusion

The current study concluded that there is remarkable increase in the amount of finance provided by the Banks for financing the Gum Arabic Traders. The Banking Finance makes the Gum Arabic Trader able to deal with big amounts of Gum Arabic quantities were increase the income of the Gum Arabic Traders and improve their livelihood. The number of registered Gum Arabic traders and companies is increase remarkably during the periods of Banking Finance. The Gum Arabic Traders pay taxes and fees for Elobied central crop market which result in improving the market infrastructure, services and marketing information system.

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