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The Influence of Financial Relations on Sustaining Rural Livelihood in Sudan: Reflecting the Significance of Social Capital in the Village Al Dagag, North Kordofan State

Abstract

Finance has been realized to be an imperative aspect of economic development. Economists have usually linked the financial development to the economic development of a country and to the alleviation of poverty as well. It would be easier to understand, explain and assess the effects of finance if it was linked to more specific and related approaches like the livelihood one. This research started with a vision to portray the Sudanese rural livelihood and the question whether microfinance is able to sustain rural livelihood. Al Dagag village in North Kordofan State, Sudan was chosen to be the research case study. However, many further questions arose due to using the inductive methodology of Grounded Theory. Throughout the entire research process different categories emerged from the data, which conceptualize the perspective of the rural people on livelihood and microfinance. This perspective suggested integrating the discussion of poverty and vulnerability within the livelihood thinking. The path to remodel the livelihood approach by use of the constructivist Grounded Theory methodology led to including the determinants of the rural livelihood such as the household composition and the decision-making process and household livelihood strategies. Moreover, the analysis of interviews prompted a focus on two types of capital, the economic including financial and the social capital, both of which seem to have a significant impact on rural livelihood. The significance of the social capital was revealed to be essential. It emerged from the data to shift the question of the research from the concept of microfinance to the concept of financial relations, which seems to include various types of financial institutions and practices that go beyond the concept of microfinance in its institutionalized or formalized way. Thus, indigenous financial mechanisms such as Shail and Sandouqs were examined in detail as their importance to the people’s livelihood was suggested and also the mechanisms of the social capital type like Wajib
and Nafeer, which were revealed to be the first choice of the respondents to deal with poverty and vulnerability and have tremendous effects on people’s livelihood. It has been revealed from the interviews that the microfinance in its institutionalized form (in the case of Al Dagag village provided by International Fund for Agriculture Development, IFAD, and the Agriculture Bank of Sudan, ABS) has left minimal impact on the livelihood of the rural people. Due to several problems presented in this research, from the perspectives of the rural people themselves, even after receiving microfinance from these institutions, the majority of respondents fare the same as before or are even worse off. The main result of this research shows that microcredit with a weak savings component and with no insurance mechanism is not sustainable in such poor and vulnerable situations.