

# Fostering financial resilience to promote financial inclusion among smallholder farmers by Ebdaa Bank in Sudan

## 1. FINANCIAL EDUCATION (FE) CONTEXT

Sudan with a population of over [45 million people](#), with most of people living in rural areas. The level of financial literacy in the country is low [with adult literacy rate standing at 60.7%](#). No notable studies explain what money management skills are acquired from different social settings, however, a study conducted by [Eltahir Mohammed Omaima in 2015](#) highlights that this crucial life skill among the youth is generally acquired informally from parents or through interactions with other people with sound financial knowledge and working in the financial sector.

Financial inclusion, a crucial development priority, is vital to advancing economic and financial development while fostering more inclusive growth and greater income equality. [It can promote economic growth as people make better financial decisions, participate in productive activities and cope with unforeseen shocks.](#)

**Table 1: Population and financial inclusion indicators**

Population in million (2022)	47,958,856
Density	21.3/km <sup>2</sup> (55.2/sq. mi) (202nd)
<b>Financial Inclusion Indicators</b>	
Access to bank account (2014)	15.2%
Savings in formal institutions (2014)	8%
Borrow from financial institutions (2014)	4%

*Source: [Economy of Sudan](#)*

According to the [World Bank Group's First Initiative](#), the Government of Sudan has over the years, introduced various direct and indirect interventions to support and drive financial inclusion. The direct interventions include: the establishment of a Microfinance Unit within the Central Bank of Sudan (CBOS) in 2007, the mobilisation of the Central Bank of Sudan and donor support (credit lines and technical assistance) to the microfinance sector, and the introduction of regulations in 2009 that required commercial banks to allocate at least 12 percent of their total financing portfolio to microfinance. According to the CBOS' Microfinance Unit, by March 2022, 6.6% of Sudanese banks' portfolio consisted of microfinance products.

The government also established a credit registry in 2011, which is credited for the increase in lending (particularly in the microfinance sector) and reduction in Non-Performing Loans (NPLs). Efforts to strengthen collateral frameworks are also underway to establish a collateral registry for both immovable and movable collateral. Finally, the government has taken initial steps to introduce digital payment systems and is also allowing financial institutions to use agents for the delivery of financial services, particularly in rural areas.

The financial inclusion agenda has had major drawbacks, which can mainly be attributed to narrow and fragmented interventions that lack clear targets, as well as limited mechanisms to track progress in financial inclusion. In addition to three strategic plans for microfinance launched until 2007, a National Financial Inclusion Strategy is being developed. Sudan will benefit from this strategy by catalysing a more inclusive financial ecosystem, robust data analytics, financial infrastructure and enabling regulations to support the integration of the unbanked and underbanked segments of the population ([National financial inclusion strategies: Current state of practice 2022](#)).

## 2. INTERVENTION APPROACH

### Financial literacy needs assessment

Sudan is one of the African countries with lower levels of financial inclusion, however, the government has been making various efforts to foster financial inclusion. According to the [World Bank Index \(2014\)](#), 15% of adults aged 15 and above had a bank account, 8% saved in a formal financial institution and 4% borrowed money from a formal financial institution. This indicates the low levels of financial inclusion in Sudan.

Sudan is also considered as one of the countries with lower rates of financial inclusion compared to other Arab countries, where the percentage of those who benefit from financial services in banks and other financial institutions is about 5%, despite the presence of 37 banks and 44 microfinance institutions. This is

because most financial services target people in urban areas, while most of the population, including smallholder farmers, reside in rural areas (Central Bank of Sudan).

In line with the above statistics and as part of this intervention to offer crop insurance solutions in Sudan, the project team conducted a baseline survey to assess farmers' knowledge on insurance and general financial literacy. The findings highlighted that most farmers did not understand how agricultural insurance works and were bad at managing their personal finances. Therefore, there was a need to build a strong foundation of knowledge on credit, savings and insurance, particularly credit-linked climate risk insurance solutions for the agriculture value chain (AVC) stakeholders and smallholder farmers.

These modules were envisioned to increase basic levels of financial literacy, increase the uptake of insurance solutions, and create peace of mind for low-income families to confidently invest more on their farms, thereby increasing farm-level productivity in times of favourable weather events, and better financial resilience in times of adverse weather, such as drought and excessive rainfall.

The financial literacy campaigns focused on both the supply-side (reinsurers and insurers) and demand-side actors (smallholder farmers and aggregators from microfinance institutions [MFIs]) for agriculture insurance. The intervention highlights the following findings:

### ***Demand-side***

Smallholder farmers "self-educated" themselves on financial management their farm activities. As most of the target group lacked confidence in financial tasks, they needed practical financial training to increase their understanding so they could make educated decisions about their businesses to maximize profitability. They also expressed the need to create a support network to share business tips, and skills to increase their confidence and knowledge-sharing. Farmers were interested in leveraging agricultural risk transfer solutions backed by training and dissemination of information.

### ***Supply-side***

Over the years, underwriting and delivering agriculture insurance has been a struggle since farmers don't understand the products or how insurance works. The financial education campaigns and introduction of a gamification tool that simplified how insurance works in an interactive manner were a game changer as insurance companies realised that the low penetration wasn't due to lack of need or willingness but rather a lack of knowledge and awareness. Financial literacy is crucial to increasing insurance uptake and improving the livelihoods of the most vulnerable groups by boosting awareness and competence.

### **Main activity areas (goal, targets, resources & time frame) and outputs**

The financial education was targeted at smallholder farmers, most of whom are served by Ebdaa Bank for microfinance. The aim was to improve farmers' personal financial management and planning, and their understanding of risk transfer through insurance. The FE campaigns covered:

1. **Generic financial literacy:** This module included lessons on understanding financial literacy, budget management and cash flow, financial flow management, savings, credit and financial service providers.
2. **Risk management and agriculture insurance:** This included lessons on climate change and its impacts, good agronomic practices, introduction to insurance and agriculture insurance, training on weather index insurance as well as consumer protection.

The design and content delivery of the FE campaign followed a human-centred design approach; adapting the content based on farmers' needs and limitations gauged through a survey to effectively impact their decisions. The trainings were delivered by Trainers-of-Trainers (ToTs) and village champions.

The two-year annual trainings were delivered through both low- and high-touch methods using the following approach and interactive tools:

- i. Direct training through ToTs and village champions.
- ii. Media campaigns including video and audio content, such as video graphic films, musical torches, recorded radio sessions for live talk shows and SMS campaigns.
- iii. ResilientMe, an interactive simulation game, was launched during the second phase of the campaigns to help farmers understand insurance and how it works in a more interactive and practical way.

The FE campaigns not only achieved the targets but also yielded notable results which followed a process map to implementation that involved: designing a comprehensive guidance manual and handbook version 1.0, covering generic financial literacy and risk management through insurance based on the [baseline study results](#). The handbook was used as a tool of content delivery for training the network of trainers-of-trainers,

(TOTs) and village champions who directly trained the farmers at the village level. Year 2 of the intervention focused more on the mix of low-touch and high-touch methods that involved the creation and delivery of interactive videos, voice-overs and content for radio campaigns, as well as adaptation of the ResilientMe gamification tool to fit the Sudanese context and the target population.

**Outcomes:** In terms of the outreach, the project achieved the below results through the two phases of the training campaigns:

- **Phase 1:** 11,987 farmers (including 9,267 women) were trained directly using version 1.0 of the handbook; and 122 village champions, 31 ToTs (loan officers), and 14 Ebdaa and key partner staff were also directly trained.
- **Phase 2:** For the indirect training, the national radio campaigns and TV coverage of the trainings reached 4,399,206 listeners and 4.2 million viewers respectively; news coverage reached 45,591 viewers through social media video platforms; and SMS campaigns reached 150,000 mobile subscribers including Ebdaa Bank's customer base. For the direct training, the three interactive animation films, training handbook version 2.0 and the ResilientMe game reached 34,449 smallholder farmers (including 13,594 women), 193 village champions, 48 ToTs, and 59 Ebdaa and key partners' staff. The number of repeat farmers that attended phase two campaigns were 47 in total (0.39% of the total farmers trained).

The campaigns collectively reached a total of 46,389 unique farmers through the direct trainings between 2021-2022.

The lower percentage of women trained in campaign phase 2 compared with phase 1 is because of the differences in training locations in 2021 and 2022. In 2022, the trainings covered regions where women are engaged mainly in domestic services, rather than agricultural activities, which meant that the trainings could reach fewer women. Additionally, some regions are dominated by religious extremism and women and men are not allowed to mix. In regions such as the Western region, which does not experience religious extremism, it was possible to reach more women compared to the other five states.

With plans to incorporate financial education as part of its future core activities, Ebdaa Bank will integrate tailored financial literacy modules into some of their offerings with the aim of extending the intervention to reach more customer segments. This will be implemented in collaboration with other organisations such as IFAD, Mercy Corps and USAID, which are currently promoting a culture of financial education linked to financial services offered by commercial banks and other financial service providers.

### Financial sector partner

Ebdaa Bank for Microfinance, the financial sector partner for this intervention, is a private joint stock company that provides sustainable financial services to small entrepreneurs and promotes the culture of micro and small finance. The Bank of Innovation was established in Sudan through a partnership agreement between the Arab Gulf Programme for Development (AGFUND) and shareholders from the Arab and Sudanese private sector in 2013. Its target clients overlap with AGFUND priorities, which include empowering women and assisting people with special needs, in addition to providing job opportunities and developing skills through training and ultimately, sustainably improving living conditions. Ebdaa Bank has a clear operational purpose and is committed to its long-term goals highlighted below:



*Ebdaa branch network (operational in all blue regions)*

**Vision:** To become a sustainable financing institution that follows the best practices in the microfinance industry.

**Mission:** Increasing the productivity of small business in Sudan and supporting entrepreneurs, particularly women, to improve the social and economic status of the low-income population by providing distinct and sustainable financial and non-financial services that meet their needs.



**Objectives:** Providing sustainable financial and non-financial services to increase the economic, investment, and employment opportunities for the targeted groups; expanding to urban and rural areas by establishing of a network of branches and developing partnerships with different national and international microfinance programmes and organisations to promote the microfinance culture.

### 3. RESULTS ACHIEVED AND NOT ACHIEVED

#### Client-level

In the long-term, this intervention seeks to improve the financial well-being and livelihoods of the low-income population and in the interim it has had the below impact based on the results from an evaluation survey:

- i. **Skill application:** according to the baseline results only 36% of farmers understood and practised some form of budgeting, however, after the training, 92% of farmers from the sample group found it easy to use budgeting in their day-to-day life and positively impacted them.
- ii. **Impact on financial behaviour:** savings through assets were almost as popular as savings through MFIs. The asset-saving culture of most of the farmers, and Sudanese population at large, is linked to the need to accumulate personal wealth. When assessing their confidence and ability to understand financial processes, over 90% surveyed farmers cited that their ability to comfortably make financial transactions, fill in bank forms, understand bank statements, understand simple sales contracts, and make inquiries on their bank accounts had improved.
- iii. **Attitude towards financial services:** for insurance, almost 89% of the farmers were considering taking up insurance after the trainings compared to only 66% during the baseline survey. This is also supported by the number of individual farmers that registered for insurance in the 2021 season as part of the related product upscaling project. The campaigns were not limited to only Ebdaa Bank clients. However, even the farmers that did not belong to the Ebdaa customer-base expressed interest in more MFIs providing access to both credit and insurance offerings.



*“I am Othman Koko from the Al Debeibat State. Last year, I financed and insured my farming with Ebdaa Bank, and due to the lack of rain, my farm did not produce. But thank God, I was compensated. This year, I took the financing and insurance for protection. Thank God, you can now see my produce. I expect to produce 18 sacks per acre. My advice to farmers is to take financing and insurance.”*

*“My name is Hajer Hamza Idress from the Um-Jagoga Village in Al Debeibat. I attended the financial education campaign that was held by Syngenta Foundation and Ebdaa Bank, and thank God I learned how to manage my savings and organise instalments.”*



To evaluate the impact of the financial literacy trainings, the smallholder farmers' portfolio recorded some trend changes in savings, credit (consumption and investment) and insurance between 2020-2022. The below table shows a sample of selected Ebdaa bank branch performance:

Trends -rate of change (2020 / 2021 / 2022):							
No.	Ebdaa Bank Branch	Savings -Rate of Change (%)		Female savings -Rate of Change (%)		Male Savings -Rate of Change (%)	
		2020 / 2022	2021 / 2022	2021 / 2022	2021 / 2022	2020 / 2021	2021 / 2022
1	Alsounoot	70.78	22.43	49.68	20.84	158.38	26.26
2	Aduzbd	69.71	31.69	62.87	31.31	81.73	32.29
3	Alrahad	28.13	64.72	36.47	61.23	13.12	72.32

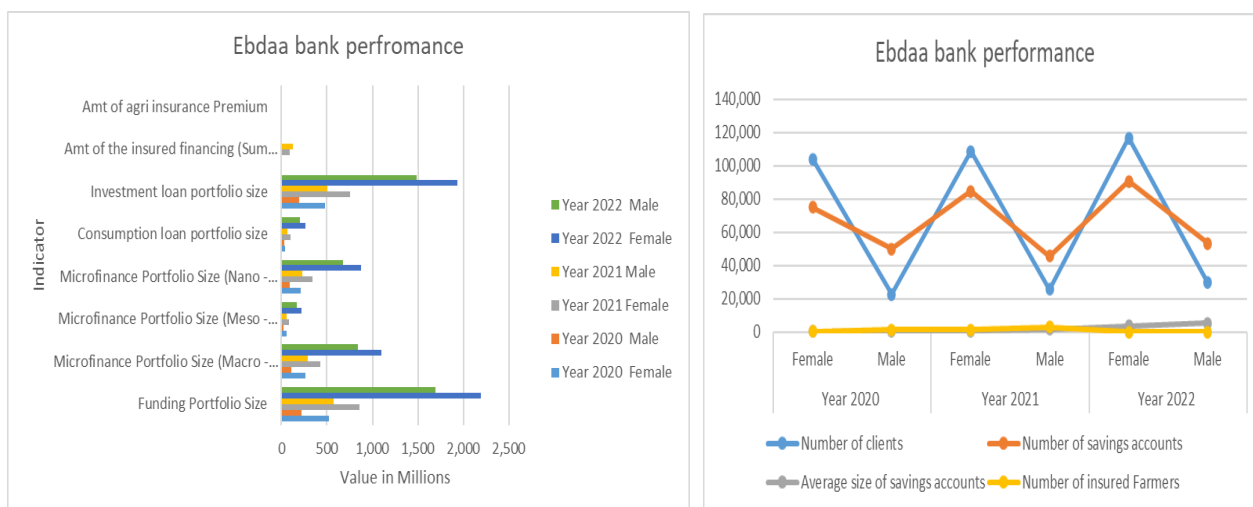
		Consumption loan portfolio Change Rate (%)		Investment Loan portfolio Change Rate (%)		Insured farmers Change Rate (%)	
		2020 / 2021	2021 / 2022	2020 / 2021	2021 / 2022	2020 / 2021	2021 / 2022
1	Alsounoot	357.04	151.98	131.41	654.04	-13.54	-100.00
2	Aduzbd	131.41	654.04	239.50	387.03	119.63	-100.00
3	Alrahad	141.64	411.75	141.64	411.75	38.17	-100.00

Performance trends in selected branches of Ebdaa Bank

Further investigation into the [correlation between financial literacy trainings in Ebdaa Bank branches and uptake of products and services](#), it was noted that there was an overall upward trend in the numbers of beneficiaries that signed up for savings accounts and agricultural insurance. A detailed analysis also shows that the monetary amounts for the two loan portfolios recorded a very significant change between the two years, up from 131.41% to 6.54%. This is because the inflation rate impacted the yearly change rate as more money had to be dispensed to the customers.

### Financial sector partner-level

The Financial Education campaigns positively contributed to the performance of Ebdaa Bank, including changes in the number of clients, number and amount of savings as well as the loan portfolio. The Portfolio at Risk (PAR30) remained below 2.5% within the two years of the implementation of this initiative. In terms of the insurance offering, retention rate stood at 54.61% (yr. 2020/2021) with the total premium increasing from SDG1,642,806.82 in 2020 to SDG15, 552,745.08 in 2021. The growth trends are shown in the charts:



As demonstrated by the above graphs, there is a direct correlation between the financial education campaigns and overall improvement in the performance of the bank.

#### 4. LESSONS LEARNT

The implementation of the FE campaigns was a success in terms of design and delivery of the tools and modules. Despite adaptations to the implementation approach, such as introducing the gamification tool and training of ToTs, village champions and farmers, the latter being attributed to limited resources, the delivery was considered a success. In addition, the targets for direct training and indirect trainings through the various media channels were met as expected.

Despite the intervention being very resource-intensive, it encouraged and built smallholder farmers' confidence in understanding the various aspects of financial products and services. Additionally, Ebdaa Bank plans to continue driving the initiative in partnership with several other organisations, as a value-added offering for its customers and to continue encouraging the uptake of crop insurance.

Based on farmer feedback, key highlights include the need for practical financial trainings specifically for women in agriculture, as there is lack of clear guidance and support to address their low confidence in carrying out financial tasks. Another highlight is that farmers showed high interest in training topics to enhance their profitability, as well as creation of a support network amongst them to share business tips, skills and learn from others' experience.

In order to successfully implement a similar intervention, especially among the rural population, direct engagement with the smallholder farmers is critical as they appreciate physical presence of facilitators. The success of the FE efforts is highly dependent on local support i.e., leveraging trusted members of the society to mobilise the farmers within their areas of jurisdictions. Finally, as the Central Bank of Sudan is currently supporting implementation of financial education through MFIs and other financial service providers, there is potential for partnerships with institutions whose mandate is to improve financial inclusion as well as leveraging direct or indirect support from the governing body, to help accelerate such interventions.

Proper planning and setting up of risk mitigation measures for possible unforeseen challenges during implementation will contribute towards the project success. Apart from the unexpected Covid-19 lockdowns and movement restrictions, this project faced other challenges linked to the economic well-being of Sudan. As a result, better planning on a network of local implementation support is highly encouraged while leveraging existing organisations for execution. Throughout the implementation period, Sudan experienced rising inflation rates and as a recommendation, any financial support towards implementation in countries facing similar challenges, it would be essential to convert the local currency in instalments to avoid devaluation of the financial resource.

For successful continued implementation of FE campaigns, business models involving end-to-end players of the agricultural value chain may prove to be successful, as dissemination of financial literacy together with other services will be more effective in reaching farmers. In the case of Sudan, Ebdaa Bank's future intervention focusing on financial literacy for the farmer customer segment, involves setting up farmer resilient centres, based on Syngenta Foundation's farmer hub model. The resilient centres will provide holistic services to the smallholder farmers including access to credit-linked insurance, input-linked insurance as well as financial education initiatives. The network of resilient centres is expected to be sustainable, both for the value chain players (e.g., seed and input companies), as well as the entrepreneurs leading the resilient centres, thereby promoting the financial inclusion of those involved in agriculture.



*A financial literacy expert introducing the ResilientMe game to farmers in Umruwaba.*