

The Role of Salam and Parallel Salam in Achieving Economic Development: A Case Study of the Agricultural Bank of Sudan

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Abstract

This study addresses the role of Salam and Parallel Salam in achieving economic development through a case study of the Agricultural Bank of Sudan during 2012–2022. It aims to evaluate the contribution of these two Islamic financing formulas to supporting productive activities, particularly agricultural activities, and to identify the main challenges and risks associated with their practical application.

The study adopts a descriptive documentary approach, drawing on documentary and secondary sources, including official reports and publications issued by the Agricultural Bank of Sudan and the Central Bank of Sudan, literature on Islamic finance, academic studies, and Sharia standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

The study describes and analyzes the application of Salam and Parallel Salam in the Sudanese banking context, focusing on their contribution to productive activities and economic development. It also examines the challenges and risks associated with their application and identifies possible areas for improving their effectiveness. The findings indicate that Salam and Parallel Salam can direct financial resources toward real economic activity, support agricultural production, and stimulate economic activity. However, their effectiveness is affected by production and delivery risks, price fluctuations, marketing, and storage. The study highlights the importance of developing follow-up and risk-management mechanisms and improving the marketing and institutional environment to enhance the efficiency of Islamic finance.

Keywords: application of Salam, Parallel Salam, Economic Development, risk-management

1. Introduction

Financial institutions are among the important tools for supporting economic activity, by providing financing mechanisms that help meet the needs of various economic activities and enhance the efficiency of resource allocation and support economic development.

Islamic finance is based on a set of Sharia principles and controls that direct financial resources toward legitimate economic and investment activities, and link financing to real economic activity.

The importance of the agricultural sector in Sudan is evident, as it constitutes a principal domain of productive activity, which makes the provision of suitable financing mechanisms one of the important

factors for supporting and developing agricultural production. 1

Among these formulas, Salam and Parallel Salam acquire particular importance for productive activities; the Salam contract provides financing by paying the price of the commodity in advance, on condition that it is delivered at a specified future date, which makes it suitable for activities that need financing before the completion of the production process. 2 Parallel Salam, as an independent contract, can also contribute to financing and managing Salam transactions, particularly with regard to marketing the commodities that are the subject of the Salam contract. 3

The Agricultural Bank of Sudan provides an important context for studying the practical application of these two financing formulas. Its experience makes it possible to examine how Salam and Parallel Salam are applied and to assess their potential contribution to supporting productive activities and achieving economic development.⁴

Accordingly, this study addresses the role of Salam and Parallel Salam in achieving economic development through a case study of the Agricultural Bank of Sudan during the period 2012–2022. The study focuses on the practical application of these two formulas, their contribution to supporting productive activities, and the challenges and risks associated with their application, relying on official reports and

publications, relevant literature, academic studies, and standards relating to Islamic finance.

Research Problem

Financing is one of the main drivers of economic activity, particularly in productive sectors that need adequate financial resources to support production and investment. Within the framework of Islamic finance, Salam and Parallel Salam represent two important formulas compatible with the provisions of Islamic Sharia, which can be used to support productive activities, especially agricultural activities that need financing before the completion of the production process.

The agricultural sector in Sudan represents one of the important components of economic activity, and needs suitable financing mechanisms to support production, marketing, and investment. The Agricultural Bank of Sudan has played an important role in financing agricultural activities through a number of Islamic financing formulas, including Salam and Parallel Salam. 5

Despite the potential importance of these two formulas, their practical application may face a number of challenges related to production, marketing, price fluctuations, financing risks, and the conditions surrounding agricultural activity. These challenges may affect the effectiveness of Salam and Parallel Salam in supporting

¹Aḥmad, 'Uthmān Bābakr; *Tajribat al-Bunūk al-Sūdāniyyah: al-Tamwīl al-Zirā'ī bi-Ṣiḡhat al-Salam, al-Bank al-Islāmī li-al-Tanmiyah, al-Ma'had al-Islāmī li-al-Buḥūth wa-al-Tadrīb*, Jeddah, 1418H, p. 27.

²See: Hay'at al-Muḥāsabah wa-al-Murāja'ah li-al-Mu'assasāt al-Māliyyah al-Islāmiyyah, *al-Mi'yār al-Shar'ī raqam (10): al-Salam wa-al-Salam al-Muwāzī*, 2023, pp. 209–210.

³See: Majma' al-Fiqh al-Islāmī al-Duwalī, *Qarār bi-Sha'n al-Salam wa-Taṭbīqātihi al-Mu'āṣirah*, Majallat Majma' al-Fiqh al-Islāmī, No. 9, Vol. 1, p. 371 ff.

⁴Aḥmad, 'Uthmān Bābakr; *Tajribat al-Bunūk al-Sūdāniyyah: al-Tamwīl al-Zirā'ī bi-Ṣiḡhat al-Salam, al-Bank al-Islāmī li-al-Tanmiyah, al-Ma'had al-Islāmī li-al-Buḥūth wa-al-Tadrīb*, Jeddah, 1418H, p. 12.

⁵Aḥmad, 'Uthmān Bābakr; *Tajribat al-Bunūk al-Sūdāniyyah: al-Tamwīl al-Zirā'ī bi-Ṣiḡhat al-Salam, al-Bank al-Islāmī li-al-Tanmiyah, al-Ma'had al-Islāmī li-al-Buḥūth wa-al-Tadrīb*, Jeddah, 1418H, p. 27 and p. 32.

productive activities and contributing to economic development. 6

Previous studies have also addressed Salam and Parallel Salam from various Sharia, accounting, economic, and banking perspectives; however, there is a need for a study of their practical application and their developmental role through the experience of the Agricultural Bank of Sudan during the period 2012–2022.

Accordingly, the research problem consists in studying the role of Salam and Parallel Salam in achieving economic development through the experience of the Agricultural Bank of Sudan, relying on official documents and reports, relevant literature, academic studies, and standards relating to Islamic finance.

Research Objectives

The research aims to achieve the following objectives.

To study the role of Salam and Parallel Salam in achieving economic development.

To describe the practical application of Salam and Parallel Salam at the Agricultural Bank of Sudan during the period 2012–2022.

To identify the contribution of Salam and Parallel Salam to supporting productive activities, particularly agricultural activities.

To identify the most important challenges and risks associated with the application of Salam and Parallel Salam.

Research Significance

The significance of this study derives from the importance of Islamic finance in supporting productive activities and enhancing economic development. Salam

and Parallel Salam acquire particular importance in financing activities that need financing before the completion of the production process, especially in the agricultural sector.

The study also derives its significance from its treatment of the practical experience of the Agricultural Bank of Sudan during the period 2012–2022, and its endeavor to provide a better understanding of the application of Salam and Parallel Salam, the challenges associated with their application, and the possibility of their contributing to supporting productive activities and achieving economic development.

The results of the study may benefit Islamic financial institutions, policymakers, researchers, and other parties interested in developing Islamic financing formulas and enhancing their contribution to achieving economic development in Sudan.

Research Methodology

This study relies on the descriptive documentary approach to study the role of Salam and Parallel Salam in achieving economic development through the experience of the Agricultural Bank of Sudan during the period 2012–2022.

The study relies on documentary and secondary sources, including the official reports and publications issued by the Agricultural Bank of Sudan and the Central Bank of Sudan, books, academic studies, literature related to Islamic finance, and the Sharia standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

The study procedures consist in describing the information collected, organizing it, and analyzing it, with the aim of studying the

⁶Khān, *Tāriq Allāh*; Aḥmad, Ḥabīb, *Idārat al-Makhāṭir: Taḥlīl Qaḍāyā fī al-Ṣinā'ah al-Mālīyyah al-Islāmiyyah*, trans. 'Uthmān Bābakr Aḥmad, rev. Dr. Riḍā Sa'd Allāh, *Waraqat Munāsabāt*

raqam (5), Kingdom of Saudi Arabia, Jeddah, 1st ed., 1423H/2003, pp. 31–32.

practical application of Salam and Parallel Salam, determining their role in supporting productive activities, and identifying the challenges and risks associated with their application and their contribution to achieving economic development.

Research Scope

1. Subject-Matter Scope

2. The study is limited to examining the role of Salam and Parallel Salam in achieving economic development, focusing on the application of these two formulas in financing productive activities, particularly agricultural activity, and identifying the most important challenges and risks associated with their application. 7

3. Spatial Scope

4. The spatial scope of the study is represented by the Agricultural Bank of Sudan, as the field of application through which the study addresses the experience of using Salam and Parallel Salam in financing productive activities.

5. Temporal Scope

6. The study covers the period extending from 2012 to 2022, with the aim of studying the experience of the Agricultural Bank of Sudan during this period, and analyzing the application of Salam and Parallel Salam and their role in supporting productive activities and contributing to achieving economic development.

Previous Studies

First: Study by ‘Ā’ishah ‘Uthmān Abū Zayd (2002)

⁷See: Abū Zayd, ‘Ā’ishah ‘Uthmān, *Athar Sīghat al-Salam fī Tamwīl al-Qiṭā’ al-Zirā’ī: Dirāsah Taḥlīliyyah li-Tajribat al-Bank al-Zirā’ī al-Sūdānī (1990–2001)*, Master's thesis, Jāmi‘at Umm Durmān al-Islāmiyyah, Kulliyat al-Iqtisād wa-al-‘Ulūm al-Siyāsiyyah, 2002, pp. 102–103.

The study by ‘Ā’ishah ‘Uthmān Abū Zayd was entitled: “The Impact of the Salam Formula on Financing the Agricultural Sector: An Analytical Study of the Experience of the Agricultural Bank of Sudan (1990–2001),” a master's thesis at Omdurman Islamic University, Faculty of Economics and Political Science, Sudan. The study aimed to identify the impact of the Salam formula on financing the Sudanese agricultural sector, by analyzing the experience of the Agricultural Bank of Sudan during the period 1990–2001, and to show the extent of the contribution of the Salam formula to providing agricultural financing and supporting production, in addition to identifying the Sharia and economic problems associated with its application. The study relied on the descriptive analytical approach, through analyzing the data of the Agricultural Bank of Sudan and studying the reality of financing by the Salam formula and the extent of its contribution to supporting agricultural activity. 8

This previous study agrees with the current research in addressing the Salam formula as a tool for financing the agricultural sector, and in drawing on the experience of the Agricultural Bank of Sudan; however, the current research expands the discussion to address Salam and Parallel Salam together, and focuses on their role in achieving economic development during the period

⁸See: Abū Zayd, ‘Ā’ishah ‘Uthmān, *Athar Sīghat al-Salam fī Tamwīl al-Qiṭā’ al-Zirā’ī: Dirāsah Taḥlīliyyah li-Tajribat al-Bank al-Zirā’ī al-Sūdānī (1990–2001)*, pp. 1–3.

2012–2022, with attention to the challenges and risks associated with their application.

Second: Study by ‘Abd al-Muhsin Mirghanī ‘Abd Allāh Sa‘īd (2011)

The study by ‘Abd al-Muhsin Mirghanī ‘Abd Allāh Sa‘īd (2011) addressed the subject of financing by the Salam formula through a case study of the Agricultural Bank of Sudan during the period 2000–2010, and focused on the reality of applying the Salam formula and the problems facing the bank and farmers when using it to finance agricultural activity. It aimed to identify the obstacles facing banks and clients when applying the formula, to draw on practical experiences and practices in Salam financing, and to provide recommendations that help address the problems associated with its application.

The study relied on the descriptive analytical approach and the case-study method. It used the SPSS program to analyze the questionnaire data and drew on both primary and secondary sources. It found a considerable disparity in the prices of some crops between the planting and harvest seasons, and recommended reconsidering the pricing of Salam crops, establishing a specialized body for marketing agricultural products, and drawing on certain foreign experiences in addressing marketing and pricing problems.

This study is useful for the current research in understanding the applied problems associated with Salam at the Agricultural Bank of Sudan, particularly problems of pricing and marketing. The current research differs from it in its focus on Salam and Parallel Salam and their role in achieving

economic development, while studying a more recent period, namely 2012–2022.

Third: Study by ‘Umar Ḥamād Muḥammad Aḥmad and ‘Abd al-Raḥīm ‘Awaḍallāh al-‘Ābid (2013)

The study was entitled “The Role of Bank Financing in Developing the Agricultural Sector in Sudan: A Case Study of the Agricultural Bank of Sudan during the Period (1990–2014),” and aimed to analyze the role of bank financing in developing the agricultural sector, and to measure the impact of agricultural financing on a number of economic and agricultural variables, particularly agricultural production, cultivated area, and total agricultural output. The study relied on the descriptive analytical approach and the econometric approach, using annual data for the period under study, and employed the SPSS program to test hypotheses and analyze the relationships between the financing and agricultural-development variables.

The study showed a statistically significant relationship between the financing of the Agricultural Bank of Sudan and the variables associated with agricultural activity, and showed that an increase in agricultural financing contributes to increasing agricultural production, improving productivity, and supporting agricultural development. This study is close to the current research in linking financing, agricultural activity, and development; however, it addressed bank financing in general, while the current research focuses on Salam and Parallel

Salam and their role in achieving economic development. 9

Fourth: Study by Sakīnah Muḥammad al-Ḥasan (2013)

The study by Sakīnah Muḥammad al-Ḥasan (2013), entitled “The Economic Effects of the Salam Contract – The Case of Sudan,” addressed the perceived economic effects of the Salam contract and the actual effects of its application in Sudan, with a focus on the efficiency of the Salam formula in financing the agricultural sector, and on identifying its effects, obstacles, and proposed solutions. The study aimed to shed light on the economic effects of Salam, to verify the extent of its efficiency in financing the agricultural sector, and to identify its effects and obstacles in Sudan. It relied on the deductive and inductive approaches, used the SPSS program in analyzing the data, and defined its spatial scope as Sudan and its temporal scope as the period 1991–2013.

The study found that Salam has positive economic effects, and that its application can contribute to mobilizing idle resources and capacities, encouraging investment, and increasing demand for goods and services. It also showed that the application of Salam in Sudan covered both the rain-fed and irrigated sectors, and that among the most prominent obstacles are the determination of Salam prices and the large fluctuations in crop prices between the

beginning of the agricultural season and the harvest. 10

This study agrees with the current research in addressing the economic effects of Salam and focusing on the agricultural sector and its actual application in Sudan; however, the current research differs from it in addressing Salam and Parallel Salam together, and in focusing on their role in achieving economic development through the experience of the Agricultural Bank of Sudan during the period 2012–2022.

Fifth: Study by Muḥammad Hishām Jabr (2014)

The study by Muḥammad Hishām Jabr (2014), entitled “Salam Operations and Their Accounting Treatment,” addressed the Salam and Parallel Salam contracts from their Sharia, applied, and accounting aspects, within the framework of the Conference on Salam and Its Contemporary Applications at the Khartoum Forum for Islamic Financial Industry. It aimed to introduce the nature of the two contracts, to set out the most important Sharia rulings and controls relating to them, in addition to clarifying the accounting treatments for their implementation in contemporary Islamic banking in accordance with Accounting Standard No. (7) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The study relied on the inductive approach, through reviewing the literature relating to Salam from its jurisprudential, economic,

⁹See: Aḥmad, ‘Umar Ḥamād Muḥammad; al-‘Ābid, ‘Abd al-Raḥīm ‘Awḍ Allāh, “Dawr al-Tamwīl al-Maṣrifī fī Tanmīyat al-Qiṭā’ al-Zirā’ī fī al-Sūdān: Dirāsāt Ḥālāt al-Bank al-Zirā’ī al-Sūdānī Khilāl al-Fatraḥ (1990–2014),” pp. 227–230.

¹⁰See: al-Ḥasan, Sakīnah Muḥammad, al-Āthār al-Iqtisādiyyah li-‘Aqd al-Salam – Ḥālāt al-Sūdān, pp. 2–5, 31.

and accounting aspects, and analyzing the relevant accounting standard.

The study addressed the applications of Salam, including agricultural financing, and also examined the accounting treatment of Salam and Parallel Salam operations in terms of recognition, measurement, presentation, and disclosure. It concluded that the two contracts represent a genuine financing alternative in Islamic banking, with the possibility of establishing an integrated scientific framework for their accounting treatment. 11

This study agrees with the current research in addressing Salam and Parallel Salam and their importance in Islamic banking; however, the current research differs from it in its focus on the role of the two formulas in achieving economic development through the experience of the Agricultural Bank of Sudan during the period 2012–2022, whereas Jabr's study focused more on the rulings, controls, applications, and accounting treatment of the two contracts.

Sixth: Study by Muḥammad al-Fāṭih Maḥmūd Bashīr al-Maghribī (2015)

The study by Muḥammad al-Fāṭih Maḥmūd Bashīr al-Maghribī (2015), entitled “The Salam and Parallel Salam Formula in Islamic Banks,” was concerned with identifying the jurisprudential and applied aspects of the Salam and Parallel Salam formulas in Islamic banks, and with showing their role in financing various economic sectors, with a focus on the agricultural sector and the importance of

the two formulas in supporting productive activity. The study relied on the descriptive analytical approach, through addressing the jurisprudential rulings and banking applications associated with Salam and Parallel Salam and analyzing the reality of their use.

The study showed that Salam and Parallel Salam are among the important financing tools that can contribute to financing economic sectors, particularly the agricultural sector, providing the financing needed by producers, and achieving a degree of stability in financing operations. It also showed that the success of applying the two formulas is linked to compliance with Sharia controls, the development of administrative and accounting systems, and the improvement of risk-management efficiency.

This study agrees with the current research in addressing Salam and Parallel Salam together, and in its concern with the banking and applied aspects of the two formulas, particularly in financing productive and agricultural activities. However, the current research differs from it in focusing on the role of Salam and Parallel Salam in achieving economic development through the experience of the Agricultural Bank of Sudan during the period 2012–2022, thereby broadening the scope of analysis from the application of the two formulas to measuring their contribution to economic development. 12

¹¹ See: Jabr, Muḥammad Hishām, ‘*Amaliyyāt al-Salam wa-al-Mu‘ālah al-Muḥāsabiyyah Lahā*, pp. 2–18.

¹² See: Al-Maghribī, Muḥammad al-Fāṭih Maḥmūd Bashīr, *Ṣiḡhat al-Salam wa-al-Salam al-Muwāzī fī al-Maṣārif al-Islāmiyyah*, pp. 3–7, 45–48, 65–70.

Seventh: Study by ‘Alī Muḥammad Ṣaydūn (2016)

The study by ‘Alī Muḥammad Ṣaydūn (2016), entitled “Sharḥ al-Muqaddimah al-‘Azzīyah” (“Commentary on al-Muqaddimah al-‘Azzīyah”), addressed the jurisprudential aspects of Islamic financial transactions, clarified the Sharia controls governing Islamic financial contracts, and the achievement of economic justice and the protection of the rights of contracting parties. The study relied on analyzing the Sharia evidence relating to the various financial contracts and discussing contemporary applications, and found that adherence to the Sharia controls governing financial contracts contributes to achieving economic stability, protecting the parties to a contract, and enhancing confidence in Islamic financial transactions; it also confirmed the importance of the jurisprudential grounding of modern contracts in a manner consistent with the objectives of Islamic Sharia.

The current research benefits from this study in supporting the jurisprudential and foundational aspects of the Salam and Parallel Salam contracts; however, Ṣaydūn's study focused on the general jurisprudential aspect of financial transactions, whereas the current research focuses on the actual application of Salam and Parallel Salam at the Agricultural Bank of Sudan and their role in achieving economic development. 13

: Study by Waluyo & Rozza (2020)

The study by Waluyo and Rozza (2020), entitled “A Model for Minimizing Problems in Salam Financing at Islamic Banks in Indonesia,” aimed to explore the problems facing Islamic banks in Indonesia when developing Salam-financing products, and to propose ways of reducing these problems. The study relied on the exploratory descriptive qualitative approach, and used the documentary method in collecting data from academic journals and websites.

The study clarified that among the most prominent problems hindering the application of Salam financing are the unavailability of the capital needed for advance payment, a lack of knowledge and experience, a focus on profitability, the risk of capital loss, and certain problems associated with producer behavior. It also addressed Parallel Salam as one of the alternatives that Islamic banks can use in developing Salam products, while emphasizing the independence of the two contracts and the fact that neither should be linked to the other.

The study found that the risk of crop failure and farmers' inability to deliver products are among the most important risks limiting the application of Salam in Islamic banks, and proposed a model for reducing these problems that includes cooperation with agricultural insurance, establishing networks for marketing agricultural products, using Parallel Salam, financing producer groups, establishing an

¹³See: Ṣaydūn, ‘Alī Muḥammad, *Sharḥ al-Muqaddimah al-‘Azzīyah*, pp. 15–20, 20–31, 90–101.

agricultural bank, screening farmers before financing, and providing continuous awareness-raising and training. 14

This study agrees with the current research in addressing Salam and Parallel Salam, the financing of agricultural activity, and the risks of application; however, the current research focuses on the role of the two formulas in achieving economic development through the experience of the Agricultural Bank of Sudan during the period 2012–2022.

Ninth: Study by al-Mahdī 'Uthmān Muḥammad 'Uthmān (2020)

The study by al-Mahdī 'Uthmān Muḥammad 'Uthmān (2020) addressed the subject of financing by the Salam formula and its impact on profitability and liquidity ratios in Sudanese banks, applied to the Agricultural Bank of Sudan during the period 2001–2018. It aimed to analyze and evaluate the advantages and problems of dealing in Salam sale contracts, to identify how they are applied, to analyze the rate of their use compared with other financing formulas, in addition to estimating the impact of Salam financing on banks' profits and studying its impact on the liquidity ratio. The study relied on the descriptive analytical approach and the inductive approach, and drew in collecting its data on references, books, previous studies, periodicals, bulletins, and the annual reports of the Central Bank of Sudan. The study showed a direct relationship between financing by the Salam formula and the

bank's profits, such that an increase in Salam financing leads to an increase in profits, while it found that Salam financing does not affect the liquidity ratio; it also indicated that the use of the Salam formula by Sudanese banks was very weak. It recommended increasing Salam financing, developing collection methods and storage means in agricultural operations, and providing Sharia and technical qualification for bank personnel.

This study differs from the current research in that its main concern was directed at bank profitability and liquidity, whereas the current research is directed toward studying the role of Salam and Parallel Salam in achieving economic development, while drawing on its findings relating to the application of Salam at the Agricultural Bank and broadening the scope of analysis to include the developmental impact and Parallel Salam. 15

Tenth: Study by Aḥmad Muḥammad 'Alī al-Jabālī (2023)

The study by Aḥmad Muḥammad 'Alī al-Jabālī (2023) was entitled “Obstacles to Financing by Agricultural Formulas in Jordanian Islamic Banks,” a study submitted for the degree of Doctor of Philosophy in Economics and Transaction Management at the Islamic Science University of Malaysia. It aimed to analyze the relationship between the obstacles to bank financing and the related government procedures, and their impact on the non-application of agricultural financing

¹⁴ See: Waluyo, B., & Rozza, S., *A Model for Minimizing Problems in Salam Financing at Islamic Banks in Indonesia*, pp. 1–5

¹⁵ See: al-Mahdī, 'Uthmān Muḥammad 'Uthmān, *al-Tamwīl bi-Ṣiḡhat al-Salam wa-Atharuhu fī Mu'addalāt al-Ribḥiyyah wa-al-Suyūlah fī al-Maṣārīf al-Sūdāniyyah*, pp. 2–3, 97.

formulas in Jordanian Islamic banks, with a focus on credit, operational, and market risks and bank profitability. The study relied on the quantitative approach, and used a questionnaire as a data-collection tool; the study population numbered 650 employees, while the sample numbered 242 employees working in departments and units related to Jordanian Islamic banks.

The study showed the existence of obstacles related to credit risks, including a weak awareness of agricultural contracts and the failure of some farmers to fulfill their obligations; it also showed the existence of operational obstacles related to the need for financially and religiously trained and qualified personnel, and market risks represented by the difficulty of marketing agricultural products, price instability, and the cost of services, in addition to obstacles related to bank profitability and the high cost of agricultural activity.

The study indicated the possibility of reducing these obstacles through government procedures, reducing taxes and fees, increasing government deposits held with banks, and opening domestic and foreign markets to agricultural products, along with supporting Islamic banks and encouraging them to apply agricultural financing formulas.

The study agrees with the current research in its concern with Islamic agricultural finance and the risks and obstacles that limit

the application of agricultural financing formulas; however, the current research focuses specifically on Salam and Parallel Salam and their role in achieving economic development through the experience of the Agricultural Bank of Sudan during the period 2012–2022. It also differs from it in methodology, as al-Jabālī's study relies on the quantitative approach and a questionnaire, whereas the current research relies on the descriptive documentary approach and secondary sources. 16

Eleventh: Study by Atah et al. (2024) – Nigeria

The study by Atah, U. I., Mohammed, M. O., Adeyemi, A. A., & Adawiah, E. R. (2024) was entitled “A Proposed Bay-Salam with Takaful and Value Chain Model for Financing Agriculture in Kano State, Nigeria,” and aimed to propose a model combining the Salam contract, Takaful, and value-chain financing to address the challenges facing the agricultural sector in Kano State, Nigeria, particularly weak access to financing, marketing and pricing problems, delays in financing, and the guarantee requirements and financial risks facing farmers and institutions.

The study relied on a critical analysis of the literature and existing models for financing agriculture in Nigeria, and drew on secondary data, and accordingly classified itself as conceptual research. It proposed combining Salam with Takaful and the value chain, such that the farmer receives financing in advance, Takaful contributes to

¹⁶See: al-Jabālī, Aḥmad Muḥammad 'Alī, *Mu'awwiqāt al-Tamwīl bi-al-Ṣiyagh al-Zirā'iyyah fī al-Maṣārif al-Islāmiyyah al-Urduniyyah*, p. 54.

managing certain risks, while the value chain links production, processing, storage, and marketing. It also addressed the possibility of using Parallel Salam within the marketing stage of products, while emphasizing the independence of the two contracts.

The study found that the proposed model can help address the problems of financing, marketing, pricing, guarantees, and risks, and that its application can contribute to increasing productivity, raising farmers' incomes, providing employment opportunities, enhancing financial inclusion, reducing poverty, and improving living standards and food security, as well as supporting economic growth and development. It recommended strengthening the application of the model, paying attention to risk management, providing training and awareness for farmers, and improving follow-up and evaluation.¹⁷

This study agrees with the current research in addressing Salam and Parallel Salam, the financing of agricultural activity, and concern with the risks of application; however, it focuses on a proposed model in Nigeria combining Salam with Takaful and the value chain, whereas the current research focuses on the role of Salam and Parallel Salam in achieving economic development through the experience of the Agricultural Bank of Sudan during the period 2012–2022.

Research Gap

A review of previous studies shows that they have addressed the Salam contract from multiple angles; some studies focused on the application of Salam in financing the agricultural sector, particularly the experience of the Agricultural Bank of Sudan, while other studies were concerned with the applied problems associated with pricing, marketing, storage, and the fluctuation of crop prices. Some studies also addressed the economic effects of Salam on bank profitability and liquidity, while other studies focused on the jurisprudential and accounting aspects and the Sharia controls of the Salam and Parallel Salam contracts.

As for the studies that addressed Salam and Parallel Salam together, most of them focused on the Sharia and applied aspects and risk management, or presented proposed models for developing agricultural financing, such as combining Salam with Takaful and value chains, or using Parallel Salam in marketing products and managing risks.

Despite the importance of these studies and the diversity of the aspects from which they addressed the subject, the research gap consists in the scarcity of studies that have combined the study of Salam and Parallel Salam, on the one hand, with the analysis of their contribution to achieving economic development, on the other hand, within a recent and temporally specific Sudanese banking experience. The current research

¹⁷See: Atah, U. I., Mohammed, M. O., Adeyemi, A. A., & Adawiah, E. R., "A Proposed Bay-Salam with Takaful and Value Chain Model for Financing

Agriculture in Kano State, Nigeria," Islamic Economic Studies, Vol. 32, No. 1, 2024, pp. 182–193.

therefore seeks to fill this gap by analyzing the experience of the Agricultural Bank of Sudan during the period 2012–2022, and showing the extent to which, the Salam and Parallel Salam formulas can be employed in supporting production, stimulating economic activity, and enhancing economic development. 18

General Commentary on Previous Studies

The review of previous studies shows that they have contributed to building a scientific foundation for the current research from the jurisprudential, banking, economic, and applied aspects; they addressed the concept of Salam and Parallel Salam, their conditions and Sharia controls, examined the reality of applying Salam in financing agricultural activity, and the problems associated with pricing, marketing, storage, and the fluctuation of agricultural-product prices, in addition to the risks facing the application of these formulas and ways of reducing them.

The current research has benefited from these studies in determining the conceptual and Sharia framework of the Salam and Parallel Salam formulas, understanding the reality of their application and their problems, and drawing on the findings relating to financing agricultural activity and risk management. It also benefited from the studies that addressed the experience of the Agricultural Bank of Sudan in

identifying the most prominent practical challenges associated with the application of Salam.

The current research is distinguished from previous studies by its focus on Salam and Parallel Salam together and by linking them directly to economic development, through studying the experience of the Agricultural Bank of Sudan during the period 2012–2022; thus, the research is not confined to jurisprudential grounding, describing the application, or identifying obstacles, but rather moves toward analyzing the economic and developmental role of the two formulas and the possibility of developing their use.¹⁹

Section One: Analysis of the Development of Salam Financing in the Sudanese Banking System

Subsection One: Development of the Volume of Salam Financing during the Period 2012–2022

This section relies on data from the Central Bank of Sudan during the period 2012–2022, with the aim of tracing the development of the volume of bank financing by the Salam formula, showing its trends during the study period, and the extent of the change in the volume of financing and its ratio to total bank financing. Analyzing this data helps to determine the level of use of the Salam formula within the Sudanese banking

¹⁸See: Şaydūn, 'Alī Muḥammad, *Sharḥ al-Muqaddimah al-'Azzīyah*, pp. 15–20, 20–31, 90–101.

¹⁹See: Abū Zayd, 'Ā'ishah 'Uthmān, *Athar Şīghat al-Salam fī Tamwīl al-Qiṭā' al-Zirā'ī: Dirāsah Taḥlīliyyah li-Tajribat al-Bank al-Zirā'ī al-Sūdānī (1990–2001)*, pp. 1–3; Sa'īd, 'Abd al-Muḥsin Mīrghanī 'Abd Allāh, *Athar al-Tamwīl bi-Şīghat al-*

Salam fī Da'm al-Qiṭā' al-Zirā'ī: Dirāsah Hālat al-Bank al-Zirā'ī al-Sūdānī, pp. 227–230; Jabr, Muḥammad Hishām, *'Amaliyyāt al-Salam wa-al-Mu'ālajah al-Muḥāsabiyyah Lahā*, p. 8; Şaydūn, 'Alī Muḥammad, *Sharḥ al-Muqaddimah al-'Azzīyah*, pp. 15–20.

system, and to identify the periods of expansion, decline, and fluctuation in its use, in a manner that paves the way for evaluating its role in financing economic and agricultural activity.

Table: Development of Bank Financing by the Salam Formula during the Period 2012–2022

Year	Salam Financing (SDG million)	Share of Total Financing
2012	459.8	1.9%
2013	665.3	2.0%
2014	1,464.2	3.8%
2015	1,622.9	3.0%
2016	2,499.7	3.0%
2017	728.5	0.6%
2018	2,030.2	1.4%
2019	4,112.0	1.6%
2020	9,107.0	2.6%
2021	50,458.0	4.7%
2022	58,287.9	3.3%

Source: Prepared by the researcher based on the reports of the Central Bank of Sudan for the years under study.

Analysis of the Development of Salam Financing during the Period 2012–2022

The data on bank financing by the Salam formula during the period 2012–2022 show that the volume of financing was characterized by fluctuation from one year

to another, with a general trend toward expansion in the volume of financing during the last years of the study period, particularly since 2019.

In the early years of the study period, financing by the Salam formula witnessed unstable development; it rose in some years and then declined in others, reflecting a varying degree of reliance on this formula in the structure of bank financing. Financing by Salam reached SDG 1,622.9 million in 2015, then rose to SDG 2,499.7 million in 2016, a growth rate of 54.0%. 20

This fluctuation is confirmed by what appeared during 2017 and 2018; financing by Salam declined from SDG 2,499.7 million in 2016 to SDG 728.5 million in 2017, then rose to SDG 2,030.2 million in 2018, a growth rate of 178.7% compared with 2017. Its share of total bank financing also rose from 0.6% in 2017 to 1.4% in 2018. 21

Turning to the subsequent period, the significance of 2019 and 2020 appears more clearly; the flow of Salam financing rose from SDG 4,112.0 million in 2019 to SDG 9,107.0 million in 2020, a growth rate of 121.5%, and its share of total bank financing rose from 1.6% to 2.6%. At the same time, total bank financing rose from SDG 260,206.8 million in 2019 to SDG 348,510.0 million in 2020. 22

The development appears more clearly in 2021; Salam financing rose to SDG

²⁰See: *Bank al-Sūdān al-Markazī, al-Taqrīr al-Sanawī al-Sādis wa-al-Khamsūn li-al-‘Ām 2016*, p. 62.

²¹See: *Bank al-Sūdān al-Markazī, al-Taqrīr al-Sanawī al-Sādis wa-al-Khamsūn li-al-‘Ām 2016*, p. 62.

²²See: *Bank al-Sūdān al-Markazī, al-Taqrīr al-Sanawī al-Sittūn li-al-‘Ām 2020*, p. 58.

50,458.0 million compared with SDG 9,107.0 million in 2020, a growth rate of 454.1%, and its share rose to 4.7% of total bank financing. This increase is considered one of the most prominent shifts witnessed by the Salam formula during the study period. 23

In 2022, financing by the Salam formula continued to rise in value, reaching SDG 58,287.9 million compared with SDG 50,458.0 million in 2021, a growth rate of 15.5%. However, its relative contribution to total bank financing declined from 4.7% to 3.3%, as a result of the rise in total bank financing at a greater rate, total financing reaching SDG 1,756,010.4 million in 2022 compared with SDG 1,085,021.8 million in 2021. 24

On the other hand, comparing Salam with Murabaha reveals the continued limited relative weight of the Salam formula in the structure of bank financing; Murabaha accounted for 73.5% of total bank financing in 2021, while the contribution of Salam amounted to only 4.7%. This indicates the continued dominance of Murabaha in the structure of financing, despite the notable growth achieved by the Salam formula in recent years. 25

Accordingly, the Salam formula is theoretically suitable for financing agricultural and productive activities. However, its use during the study period was characterized by fluctuation. A notable

expansion in financing occurred during the later years, particularly from 2020 to 2022.

Financing by Salam rose from SDG 9,107.0 million in 2020 to SDG 58,287.9 million in 2022; however, its relative weight remained limited compared with the Murabaha formula and some other financing formulas.

This development highlights the need to develop the mechanisms for applying the Salam formula, particularly with regard to marketing, storage, and the management of non-delivery risk, in addition to training bank staff and developing follow-up and collection tools, in a manner that contributes to enhancing this formula's capacity to serve agricultural and productive activities.

Section Two: Analysis of the Experience of the Agricultural Bank of Sudan in Applying the Salam Formula

Subsection One: The Position of Salam in Financing the Agricultural Sector

The Agricultural Bank of Sudan represents a suitable case for studying the practical application of the Salam formula, as it is a specialized banking institution for financing the agricultural sector and has used a number of Islamic financing formulas to meet the needs of producers and farmers.

The available data indicate that Salam is one of the formulas used to finance agricultural activity alongside Murabaha,

²³See: *Bank al-Sūdān al-Markazī, al-Taqrīr al-Sanawī al-Hādī wa-al-Sittūn li-al-‘Ām 2021*, p. 70.

²⁴See: *Bank al-Sūdān al-Markazī, al-Taqrīr al-Sanawī al-Hādī wa-al-Sittūn li-al-‘Ām 2021*, p. 70.

²⁵See: *Bank al-Sūdān al-Markazī, Taqrīr Taṭawwūrāt al-Iqtisād al-Sūdānī li-al-‘Ām 2023*, p. 97.

Musharakah, Mudarabah, contracting, and others. During the period 2015–2019, the share of Salam in agricultural financing was 3.0% in 2015²⁶, 3.0% in 2016²⁷, 0.6% in 2017²⁸, 1.4% in 2018²⁹, and 1.6% in 2019³⁰, with an average of approximately 1.92% during the period.

Subsection Two: Risks Associated with the Application of Salam and Their Management

Risk management is one of the essential elements for the success of applying the Salam formula in the agricultural sector, given the risks associated with it relating to production, delivery, prices, and marketing, in addition to operational and administrative aspects. To meet these challenges, applying the Salam formula requires developing mechanisms for following up and supervising the financing process from the contracting stage through to the receipt and marketing of the crops. Providing suitable channels for storing and marketing agricultural products also helps to reduce the risks associated with disposing of the commodity that is the subject of Salam, and enhances the bank's ability to recover its funds and achieve the expected return from the financing operation. The success of the Salam formula is thus not merely a matter of providing financing to farmers, but requires

an integrated system comprising financing, follow-up, storage, and marketing.

Risks of Non-Delivery of the Commodity Sold in Salam (al-Muslam Fīh)

The risks of non-delivery of the commodity sold in Salam consist in the inability of the seller (al-Muslam Ilayh) to fulfill his obligation and deliver the commodity on the agreed date. This may be due to weak productive capacity, natural disasters, agricultural pests, or unforeseen economic conditions. Non-delivery may result in the bank's funds being tied up, or in the bank being obliged to purchase the commodity from the market to fulfill its obligations, possibly at a price higher than that agreed in the Salam contract. Reducing this risk therefore requires verifying the client's productive capacity before concluding the contract, following up the stages of production, and using suitable guarantees.

The importance of these risks increases in Parallel Salam, because the bank may be bound by two independent contracts; if delivery of the commodity in the first contract is not possible, or its market price changes, the bank may be obliged to purchase a similar commodity from the market to fulfill its obligation in the other contract, which may increase the cost and risks borne by the bank. ³¹

²⁶ Central Bank of Sudan, *The Fifty-Fifth Annual Report for 2015*, p. 68.

²⁷ Central Bank of Sudan, *The Fifty-Seventh Annual Report for 2017*, p. 74.

²⁸ Central Bank of Sudan, *The Fifty-Seventh Annual Report for 2017*, p. 74.

²⁹ Central Bank of Sudan, *The Fifty-Eighth Annual Report for 2018*, p. 65.

³⁰ Central Bank of Sudan, *Economic and Financial Statistical Review*, Vol. 60, No. 4, October–December 2019, p. 36.

³¹ *Al-Jabālī, Aḥmad Muḥammad 'Alī, Mu'awwiqāt al-Tamwīl bi-al-Ṣiyagh al-Zirā'īyah fī al-Maṣārīf al-Islāmiyyah al-Urduniyyah, Jāmi'at al-'Ulūm al-Islāmiyyah al-Māliziyyah, 2023, p. 54.*

Operational and Management Risks

The risks of Salam are not confined to credit and market risks, but also include operational risks that may arise as a result of inefficiency in internal procedures, personnel, or the systems used in executing the financing operation. These risks appear particularly when follow-up and oversight are weak, when the specifications of the commodity and delivery dates are not precisely determined, or when there is a deficiency in receipt and marketing procedures.³²

Accordingly, managing Salam risk requires clear procedures for follow-up and oversight. It also requires careful assessment of the client and the activity to be financed. In addition, banks should provide information on market and production conditions and ensure that staff are adequately qualified in executing and following up Salam contracts.³³

Market Risk and the Fluctuation of Commodity Prices

Market risk is among the risks associated with the application of the Salam formula, since banks may be exposed to fluctuations in commodity prices during the period extending between the conclusion of the Salam contract and the date of delivery and

marketing. A decline in the market price of the commodity upon its receipt may lead to a decline in its market value, which may adversely affect the expected return from the financing operation, particularly if the bank is unable to dispose of the commodity at a price that achieves the targeted return.

34

Management of Salam and Parallel Salam Risks

Effective management of Salam risk requires verifying the productive capacity of the party selling the commodity (al-Muslam Ilayh) before concluding the contract, studying the client and the activity to be financed, following up the stages of production, in addition to studying market conditions and providing the necessary information about it.³⁵

The use of suitable guarantees also helps protect the bank's rights in the event of the client's default or inability to fulfill his obligations, provided that guarantees are not a substitute for the credit and economic study of the client, but rather a part of an integrated system for managing financing.

Field follow-up acquires particular importance in agricultural financing, because the client's ability to fulfill his obligations is linked to the productive and

³²Hashshād, Bilāl, *Dalīluk ilā Idārat al-Makhāṭir al-Maṣrifīyyah: Mawsū'at Bāzil II, al-Juz' al-Thānī, Itihād al-Maṣārīf al-'Arabiyyah, Lubnān, 2005, pp. 37–39.*

³³Hashshād, Bilāl, *Dalīluk ilā Idārat al-Makhāṭir al-Maṣrifīyyah: Mawsū'at Bāzil, al-Juz' al-Thānī, Itihād al-Maṣārīf al-'Arabiyyah, Lubnān, 2005, pp. 40–41.*

³⁴*Al-Maghribī, Muḥammad al-Fāṭih Maḥmūd Bashīr, "Ṣiḡhat 'Aqd al-Salam wa-al-Salam al-Muwāzī wa-Taṭbīqātuhā fī al-Maṣārīf al-Islāmiyyah (wa-fī al-Ḍawābiṭ wa-al-Shurūṭ al-Shar'iyyah wa-al-Maṣrifīyyah – Tajribat al-Bunūk al-*

Sūdāniyyah), " Multaqā Fiqh al-Iqtisād al-Islāmī, Dā'irat al-Shu'ūn al-Islāmiyyah wa-al-'Amal al-Khayrī, Dubai, 2015, pp. 65–70.

³⁵Khān, Ṭāriq Allāh; Aḥmad, Ḥabīb, *Idārat al-Makhāṭir: Taḥlīl Qaḍāyā fī al-Ṣinā'ah al-Māliyyah al-Islāmiyyah, trans. 'Uthmān Bābakr Aḥmad, rev. Dr. Riḍā Sa'd Allāh, Warāqat Munāsabāt raqam (5), al-Bank al-Islāmī li-al-Tanmiyyah, al-Ma'had al-Islāmī li-al-Buḥūth wa-al-Tadrib, Jeddah, 1st ed., 1423H/2003, pp. 31–32.*

natural conditions that may change during the period of executing the contract. Continuous follow-up therefore helps to detect problems at an early stage and to take the appropriate measures to reduce their effects. 36

Managing market risk also requires following up changes in commodity prices during the period between contracting, receipt, and marketing, particularly when the bank retains the commodity after receiving it, since a decline in its price may lead to a reduction in the expected return from the financing operation. 37

As for Parallel Salam, the independence of the two contracts must be maintained, and the execution of one must not be linked to the other, because the default of the first contract does not exempt the bank from its obligations under the second contract. 38 A separate study should therefore be conducted for each contract, taking into account the Sharia, credit, and operational risks associated with it.

On the other hand, the problems of storage, transport, and marketing represent an important challenge to the success of Salam financing in the agricultural sector, because the bank's receipt of the crop does not fully achieve the economic objective unless it is able to store it and market it efficiently. Developing storage infrastructure and

marketing channels can therefore enhance the efficiency of using the Salam formula and reduce the risks associated with disposing of crops. 39

Section Three: Parallel Salam: Its Concept and the Controls Governing Its Application

Subsection One: The Concept of Parallel Salam and Its Legitimacy

Parallel Salam is one of the contemporary applications of the Salam contract in Islamic financial institutions, and is based on concluding two independent Salam contracts.

The bank is the buyer (al-Muslam Ilayh) in the first contract and the seller (al-Muslam) in the second. The parties to the two contracts differ, and each contract is independent of the other from the Sharia and legal points of view.

This application aims to enable the bank to manage and market the commodity that is the subject of Salam, while maintaining the Sharia controls governing the two contracts.

Parallel Salam is based on the original legitimacy of the Salam contract and on the principle of the independence of contracts.

After concluding the first Salam contract, the bank may conclude another Salam

³⁶Al-Jarhī, Mabūd 'Alī; Abū Zayd, 'Abd al-'Azīm; Oweida, Adnan, *Handbook of Islamic Finance*, Ankara: ASBÜ Yayınları, 2022, p. 139.

³⁷Khān, Ṭāriq Allāh; Aḥmad, Ḥabīb, *Idārat al-Makhātir: Taḥlīl Qaḍāyā fī al-Ṣinā'ah al-Mālīyyah al-Islāmiyyah*, trans. 'Uthmān Bābakr Aḥmad, rev. Dr. Riḍā Sa'd Allāh, *Waraqat Munāsabāt raqam (5)*, Jeddah, 1st ed., 1423H/2003, pp. 31–32.

³⁸Al-Jarhī, Mabūd 'Alī; Abū Zayd, 'Abd al-'Azīm; Oweida, Adnan, *Handbook of Islamic Finance*, Ankara: ASBÜ Yayınları, 2022, p. 139.

³⁹Al-Jabālī, Aḥmad Muḥammad 'Alī, "Mu'awwiqāt al-Tamwīl bi-al-Ṣiyagh al-Zirā'iyyah fī al-Maṣārīf al-Islāmiyyah al-Urduniyyah," *Baḥth Muqaddam li-Nayl Darajat al-Duktūrāh fī al-Iqtisād wa-Idārat al-Mu'āmalāt*, Jāmi'at al-'Ulūm al-Islāmiyyah al-Māliziyyah, March 2023, p. 54.

contract with an independent party, for a similar or comparable commodity, without making the execution of either contract conditional upon the execution of the other.

The Accounting and Auditing Organization for Islamic Financial Institutions has regulated the rulings and controls of Salam and Parallel Salam in Sharia Standard No. (10).

The importance of Parallel Salam in banking applications is evident through providing the bank with a means of managing and marketing the commodities it obtains under the Salam contract, which can contribute to reducing certain risks associated with marketing and price fluctuation. This is provided that the independence of the two contracts is maintained and that they are not linked to one another.

Subsection Two: Sharia Controls for the Application of Parallel Salam

The correct application of Parallel Salam requires adherence to a set of Sharia controls that ensure the independence of the two contracts and the soundness of each. Among the most important of these controls are the following:

First: Independence of the Two Contracts

Each contract must be independent of the other in terms of its parties, rights, obligations, and effects, and the execution of one must not be contingent upon the

execution of the other, because linking the two contracts to one another may lead to a violation of the Sharia controls of the Salam contract.

Second: Non-Linkage between the Two Contracts

Neither contract may include a condition making its validity, continuation, or rescission contingent upon the other contract, since each contract represents an obligation independent of the other, and its Sharia and legal effects must arise separately.⁴⁰

Third: Difference of the Parties to the Two Contracts

The bank may conclude the Parallel Salam contract with a third party independent of the parties to the first contract, and it is not a condition that the parties to the two contracts be the same, so long as each contract independently satisfies its conditions and controls.⁴¹

Fourth: The Bank's Bearing of the Risk

The bank bears the risks arising from each contract independently, and linking the two contracts must not lead to the transfer of the risks of the first contract to the contracting party in the second contract. Bearing the risk is one of the important requirements that preserve the genuine nature of Islamic finance.

⁴⁰Non-linkage between the two contracts: see: Hay'at al-Muḥāsabah wa-al-Murāja'ah li-al-Mu'assasāt al-Māliyyah al-Islāmiyyah, al-Mi'yār al-Shar'ī raqam (10): al-Salam wa-al-Salam al-Muwāzī, p. 214 ff.

⁴¹See: Hay'at al-Muḥāsabah wa-al-Murāja'ah li-al-Mu'assasāt al-Māliyyah al-Islāmiyyah, al-Mi'yār al-Shar'ī raqam (10): al-Salam wa-al-Salam al-Muwāzī, p. 214 ff.

Fifth: Satisfaction of the Conditions of the Salam Contract

Both the original Salam contract and the Parallel Salam contract must satisfy the general conditions of the Salam contract, the most important of which are the advance payment of the capital, the precise specification of the commodity sold, the determination of the term, the ability to deliver, and the other conditions established by Sharia.

Parallel Salam thus represents a banking mechanism that can help in managing the financing and marketing operations associated with Salam; however, the soundness of its application remains linked to strict adherence to the independence of the two contracts and to each of them satisfying its Sharia conditions and controls, in a manner that enhances the efficiency of using this formula in banking applications.

Section Four: The Role of Salam and Parallel Salam in Achieving Economic Development

Subsection One: The Concept of Economic Development and Its Relationship to Salam and Parallel Salam
The concept of economic development has evolved in economic thought; it is no longer confined to an increase in output or a rise in average per-capita income, but has become a more comprehensive concept that includes an increase in productive capacity, an improvement in the efficiency of resource use, a rise in the standard of living, the enhancement of employment

opportunities, and the achievement of economic and social welfare.

Within the framework of the Islamic economy, development is linked to the concept of the cultivation of the earth (*'imārat al-arḍ*) and the growth of wealth by legitimate means, and to linking financial activity to real economic activity, in a manner that achieves benefit and limits practices that lead to exploitation or harm to society. Economic development in the Islamic conception is thus not separate from the Sharia controls and values that govern economic activity.

In this context, Islamic finance represents one of the mechanisms through which financial resources can be directed toward productive and investment activities. The Salam contract acquires particular importance in this field, since it is based on the advance payment of capital and the deferred delivery of the commodity, which provides the producer with the financing needed before the completion of the production process, particularly in the agricultural sector.

Parallel Salam can also support this role by providing the bank with an independent means of dealing with the commodity that is the subject of Salam and marketing it, provided that the independence of the two contracts is maintained and that neither is linked to the other. The relationship between Salam and economic development therefore extends beyond the provision of liquidity. Its effect reaches production and the economic activities associated with it.

Subsection Two: The Role of Salam and Parallel Salam in Supporting Production and Stimulating Economic Activity

Financing by the Salam formula enables the producer to obtain financing at a stage preceding the completion of production, which makes it suitable for activities that need liquidity at the beginning of the production cycle. The importance of this is particularly evident in the agricultural sector, where the farmer needs financing to purchase seeds, fertilizers, pesticides, and other production requirements before the start of the season, whereas the revenues of the activity are not realized until after production and harvest are completed. 42

Salam thus contributes to linking financial resources to real economic activity, and directing financing toward purposes related to production, which helps sustain the production process and improve the producer's ability to fulfill his obligations when the delivery date falls due. The effect of financing can also extend to the economic activities associated with agricultural production, such as the provision of production requirements, transport, storage, trade, and marketing, which enhances the interlinkage between the stages of agricultural activity. 43

The economic effect of Salam is not confined to the production stage, but extends to the post-production stage, particularly the marketing of agricultural

products. The Sudanese experience has shown that Salam financing has contributed to providing liquidity to farmers and financing agricultural operations, and has also helped in marketing some agricultural products, particularly in areas facing difficulties in transport and storage. 44

The bank's receipt of crops financed by Salam also enables it to dispose of them through domestic sale or export, thereby linking financing to the marketing stage and the disposal of agricultural products. The contribution of Salam to stimulating economic activity is thus linked to its extension across multiple stages of the agricultural cycle, beginning with financing and production, passing through receipt, and ending with storage and marketing. 45

Parallel Salam can enhance this effect by providing the bank with an independent means of dealing with the commodities that are the subject of financing and marketing them, provided that the independence of the two contracts is maintained and that the execution of one is not linked to the other. Salam and Parallel Salam can thus contribute to supporting the agricultural value chain, by linking financing, production, storage, transport, and marketing.

⁴²See: *Al-Jabālī, Aḥmad Muḥammad 'Alī, Mu'awwiqāt al-Tamwīl bi-al-Ṣiyagh al-Zirā'īyah fī al-Maṣārīf al-Islāmiyyah al-Urduniyyah*, p. 54.

⁴³See: *Jabr; Muḥammad Hishām, 'Amaliyyāt al-Salam wa-al-Mu'ālajah al-Muḥāsabiyyah Lahā*, p. 11.

⁴⁴See: *Aḥmad, 'Uthmān Bābakr; Tajribah al-Bunūk al-Sūdāniyyah: al-Tamwīl al-Zirā'ī bi-Ṣiġhat al-Salam, al-Ma'had al-Islāmī li-al-Buḥūth wa-al-Tadrīb, al-Bank al-Islāmī li-al-Tanmiyah, Jeddah, Baḥth raqam (49), 1418H, pp. 63–64.*

⁴⁵See: *Aḥmad, 'Uthmān Bābakr; Tajribah al-Bunūk al-Sūdāniyyah: al-Tamwīl al-Zirā'ī bi-Ṣiġhat al-Salam, pp. 88–93.*

Subsection Three: Evaluation of the Developmental Role of the Agricultural Bank of Sudan Experience

The experience of the Agricultural Bank of Sudan reveals important potential for employing Salam in supporting agricultural activity; however, the preceding data and analysis show that the use of the formula was characterized by fluctuation during the study period, with a notable expansion in the volume of financing during recent years, while its relative weight remained limited compared with certain other financing formulas.

From the developmental point of view, the most important contributions of Salam consist in providing financing before production is realized, directing financial resources toward real economic activity, and supporting producers in providing production requirements. Its effect can also extend to transport, storage, marketing, and trade, which enhances the interlinkage between the stages of agricultural activity.

In contrast, production risks, non-delivery, the fluctuation of crop prices, and storage and marketing problems limit the efficiency of application and the potential for expansion. Achieving a sustainable developmental effect therefore does not depend solely on increasing the volume of Salam financing, but requires developing an integrated system for managing financing, follow-up, receipt, storage, and marketing.

Parallel Salam can also contribute to enhancing the efficiency of this system, particularly at the marketing stage, provided that the independence of the two

contracts is maintained and that neither is burdened with the risks of the other. Employing Salam and Parallel Salam within the agricultural value chain can thus enhance their capacity to support production and stimulate economic activity.

Accordingly, it can be said that the developmental role of Salam and Parallel Salam in the experience of the Agricultural Bank of Sudan is linked to the efficiency of application and the ability to address the risks and challenges surrounding the financing operation. The two formulas possess characteristics that make them suitable for financing agricultural activity; however, transforming this potential into a sustainable developmental effect requires a supportive banking, market, and institutional environment.

Conclusion

This study addressed the role of Salam and Parallel Salam in achieving economic development. It examined the experience of the Agricultural Bank of Sudan during the period 2012–2022, in light of the importance of Islamic finance in supporting productive activities, particularly agriculture.

The analysis showed that Salam is suitable for financing activities that need liquidity before the completion of the production process. It is based on providing capital in advance in return for the delivery of the commodity at a later time, in accordance with specified specifications and a specified term.

The experience of the Agricultural Bank of Sudan showed that the use of Salam was not constant during the years of the study, and that its relative weight remained limited compared with certain other financing formulas. This reflects the existence of a set of factors affecting the expansion in the use of the formula, the most important of which are production risks, price fluctuation, marketing and storage problems, and delivery risks, in addition to operational and administrative factors.

On the other hand, it is clear that Salam and Parallel Salam possess potential that can contribute to achieving economic development by supporting production, directing resources toward real activities, stimulating activities associated with the agricultural sector, and linking financing to production and marketing.

Accordingly, the study concluded that achieving the desired developmental effect from Salam and Parallel Salam does not depend on expanding their use quantitatively alone, but is largely linked to developing the institutional, banking, and market environment surrounding their application.

Findings

1. Salam is among the Islamic financing formulas suited to financing productive activities, particularly agricultural activity, given that it provides financing before the completion of the production process.
2. The experience of the Agricultural Bank of Sudan showed actual use of the Salam formula in financing agricultural activity; however, the level of its use varied during the years of the study.
3. Salam financing remained limited in relative weight compared with certain other bank financing formulas, despite its suitability to the nature of agricultural activity.
4. The success of applying Salam is linked to the bank's ability to manage the risks associated with production, delivery, prices, marketing, and storage.
5. Parallel Salam represents a mechanism that can help complete the financing and marketing aspects associated with Salam.
6. Salam financing contributes to linking financial resources to real productive activity, which gives it the potential to contribute to stimulating economic activity.
7. The potential economic effect of Salam financing can extend to the activities associated with agricultural production, such as transport, storage, trade, marketing, and agricultural services.
8. Fluctuations in the prices of agricultural products represent one of the most prominent challenges affecting the efficiency of applying Salam, particularly given the time lag between the conclusion of the contract and the delivery of the commodity.
9. Production risks and the inability to deliver on the specified date and to the specified specifications are among the fundamental risks

associated with the application of Salam in the agricultural sector.

10. The weakness of the infrastructure and services related to storage, transport, and marketing affects the efficiency of Salam operations and limits the potential for expanding them.
11. The process of applying Salam requires qualified bank personnel who combine Sharia knowledge with banking and technical experience relating to agricultural activity.
12. Providing financing alone is not sufficient to achieve the developmental effect of Salam; rather, financing must be integrated with production, follow-up, receipt, storage, marketing, and collection.
13. The experience reveals a gap between the theoretical potential of the Salam and Parallel Salam formulas and the level of their actual use, which calls for developing the mechanisms of application and risk management.
14. Salam and Parallel Salam can contribute to achieving economic development; however, the extent of this contribution is linked to the efficiency of application and to the economic, institutional, and market conditions surrounding them.

1. *Second: Most Important Recommendations*

2. In light of the foregoing findings, the study recommends the following:

1. Increasing attention to the Salam formula as one of the Islamic formulas suited to financing agricultural activity and productive activities.
2. Developing mechanisms for managing Salam risk, particularly production, delivery, price, and marketing risks.
3. Strengthening client-appraisal systems before entering into Salam contracts, taking into account productive experience and the ability to fulfill obligations.
4. Developing field follow-up of operations financed by Salam, in a manner that helps detect production problems at an early stage.
5. Improving storage and transport infrastructure, given its direct effect on reducing losses and raising the efficiency of marketing crops.
6. Developing channels for marketing agricultural products, in a manner that helps banks dispose of the commodities they receive efficiently and limits the risks of price fluctuation.
7. Deliberate expansion in the use of Parallel Salam, while adhering to the Sharia controls that require the independence of the Salam contract from the parallel contract.
8. Qualifying and training bank staff in the Sharia, banking, agricultural, and marketing aspects associated with Salam operations.
9. Developing agricultural information and data systems, in a manner that helps banks make more

accurate decisions regarding clients, crops, prices, and markets.

10. Strengthening coordination between the Agricultural Bank and the agricultural and marketing bodies, in a manner that helps improve information relating to production, prices, and marketing.
 11. Working to develop organized markets for agricultural products, in a manner that reduces marketing problems and limits the large fluctuation in prices.
 12. Encouraging applied studies that quantitatively measure the impact of Salam financing on production, productivity, income, employment, and other indicators of economic development.
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