THE COOPERATIVES IN PAKISTAN
A CASE STUDY OF THE NORTH WEST FRONTIER PROVINCE

by

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INTRODUCTION

This study will trace the growth and development in Pakistan of the agricultural cooperative movement, since its official establishment in 1904. Particular emphasis will be given to the movement's development in the Northwest Frontier Province. Certain failures of the movement will be examined and possible improvements will be suggested.

Pakistan is an agricultural country and its economy depends upon its agricultural progress. Since there are thousands of small farmers who own subsistence farms ranging from five to twelve acres in size and who must borrow in order to buy agricultural and personal necessities, the importance of credit, self-help and the cooperatives is self-evident.

One of the most important functions of the agricultural cooperatives is the extension of credit to small farmers regardless of their meager holdings. Most of the funds for credit purposes are allocated by the federal and provincial governments. The government of Pakistan has been very active in attempting to better the lives of small farmers since 1947, and its participation becomes an important factor in the development of the cooperatives. This study will also describe the various policies, accomplishments and failures of the government in regard to agricultural cooperatives.

Some related subjects, such as the population explosion, land tenure, land reform and credit institutions, will be discussed in this paper. Although these subjects have no direct bearing upon the agricultural cooperatives, there is an indirect impact upon the lives of the

small farmers who constitute the bulk of the membership of the agricultural cooperatives.

This paper will cover the agricultural cooperatives in West Pakistan, with the cooperatives in the Northwest Frontier Province (NWFP) discussed in the most detail. The discussion is not as complete as one might wish, because material on the subject is scarce and difficult to find in the United States.

The office of the Registrar of Cooperatives in Peshawar, Northwest Frontier Province did provide me with some valuable material during my last visit to Pakistan. The Registrar of the Northwest Frontier Province has done some important work which has helped me a great deal in writing this paper. Consequently, this general description of the cooperative movement in Pakistan focuses on the problems and the needs for the future development of cooperation in Pakistan and particularly in the Northwest Frontier Province.

Most of the Pakistani measurements have been converted into English measurements for the convenience of the reader. Following are some of the conversions.

10 Rupees = approximately 1 dollar

1 Maund = 82.29 lbs.

1 Lac = 100,000

CHAPTER I

HISTORY OF PAKISTAN

Pakistan became independent from Britain and was established as a nation on August 14, 1947. The Muslim League Party demanded a separate homeland for Muslims on the Indian subcontinent, which was accepted by the British and the Indian National Congress, after considerable debate and struggle. The new nation had a rather unique geography, in that it had two parts which were separated from each other by 1,000 miles, with India in between.

West Pakistan has boundaries with China, India, Iran, Afghanistan and the Arabian Sea. It has an area of about 310,403 square miles. East Pakistan (now Bangladesh) is 55,126 square miles in area.[1] It is bordered by India, Burma and the Bay of Bengal.

According to a United Nation's estimate, Pakistan had a population of 127 million people in 1970. Of this number, East Pakistan had 69 million, whereas West Pakistan had 58 million. East Pakistan was thought to be the most densely populated area in the world. There were about 1,000 people per square mile.

Since East Pakistan is now an independent nation known as Bangladesh, this paper will be concerned with West Pakistan for the most part. When Pakistan received its independence in 1947, 80 percent of its population was involved in agriculture in one way or another. Even today, more than 70 percent of West Pakistan's population is living in rural areas

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[1]Richard F. Nyrop and others, Area Handbook of Pakistan (Washington, D. C.: U. S. Government Printing Office, 1971), p. 1.

and is involved in agriculture. Pakistan as it now exists, is divided into four provinces. They are Punjab, Northwest Frontier Province, Sind and Baluchistan. Tables 1 and 2 show the provinces, their population and their major occupations.

Table 1

Area and Population, Pakistan, by provinces and administered regions, 1972.

Province/Administered Units	Area (square miles)	Population (thousands)	Density (per square mile)
Punjab	79,284	37,374	471.39
Sind	54,407	13,965	256.67
Northwest Frontier	28,773	8,402	292.00
Baluchistan	134,050	2,409	17.97
Centrally Administered Tribal Areas	10,510	2,507	238.53
Islamabad Federal Territory	350	235	671.42
Total	307,374	64,892	211.11

Source: Pakistan, Finance Division, Pakistan Basic Facts 1972-73 (Islamabad: Economic Adviser's Wing, 1973), p. 7.

Economically, Pakistan was in chaos in 1947. However, by 1971, it had viable economic institutions. It has established a banking and credit system, developed fiscal and monetary policies, good public administration and has organized its agricultural sector. The economy is dependent on the agricultural sector. Forty-five percent of the national income comes from agriculture. However, agricultural development lags behind the rest of the economy and its production is

considered one of the lowest in the world. There are several reasons for this, which will be discussed later.

Table 2

Percentage distribution of rural and urban population, 10 years of age and above, in Pakistan, 1973-74.

	Total	Rural Areas	Urban Areas
POPULATION	100.00	100.00	100.00
Male	52.61	52.21	53.85
Female	47.39	47.79	46.15
CIVILIAN LABOUR FORCE	45.24	47.12	39.37
Employed	44.32	46.36	37.93
Unemployed	0.92	0.76	1.44
NOT IN CIVILIAN LABOUR FORCE	54.76	52.88	60.63
Male	11.23	9.62	16.28
Female	43.53	43.26	44.35
MAJOR OCCUPATION GROUPS			
Agriculture	57.32	70.61	6.54
Mining	0.45	0.28	1.07
Manufacturing	12.47	8.98	25.79
Electricity, Gas and Water	0.37	0.16	1.16
Construction	3.41	2.77	5.85
Wholesale & Retail Trade	9.89	5.53	26.56
Transport, Storage etc.	4.84	3.44	10.20
Financing, Insurance etc.	0.86	0.32	2.92
Community & Social Services	7.27	4.19	19.05
Others	3.12	3.72	0.86

Source: Pakistan, Finance Division, Pakistan Basic Facts 1973-74 (Islamabad: Economic Adviser's Wing, 1974), p. 13.

Climatically, Pakistan is hot and arid. Its rain fall averages between five to thirty inches per year. Most of the cultivation is done

in areas around the Indus River and its tributaries. More than half of the area cultivated is irrigated. It is said that Pakistan has the largest canal system in the world. Much of the system was developed during British rule. Tables 3 and 4 show the detailed utilization of available land.

Table 3

Land utilization, reported and unreported area for forest and cultivation in Pakistan, 1964-72.

Year	Total area	Area not reported	Area reported		
			Forest area	Not available for cultivation	Other uncultivated land excluding current fallows
1964-65	198,642	68,020	4,876	47,017	32,408
1965-66	198,642	67,520	5,153	46,210	32,160
1966-67	198,642	66,541	5,393	45,805	32,243
1967-68	198,642	67,262	5,635	46,776	31,374
1968-69	196,700	65,180	5,070	50,670	28,250
1969-70	196,700	65,910	4,550	50,400	28,310
1970-71	196,700	64,290	6,520	50,630	27,490
1971-72	196,700	64,410	6,890	50,080	27,600

Source: Pakistan Statistical Yearbook 1974 (Karachi: Statistics Division, Ministry of Finance, Planning and Economic Affairs, Government of Pakistan, 1975), p. 29.

Farming in certain areas of Pakistan could be considered subsistence farming. The size of farms varies from below one acre to over 150 acres. Fifteen percent of the total 4.86 million farms are under

one acre, while .01 percent are over 150 acres.

Table 4

Land utilization, reported area for cultivated land in Pakistan, 1964-72.

Year	Area reported					Total area reported
	Cultivated area					
	Current fallows	Net area sown	Total area cultivated	Area sown more than once	Total cropped area	
1964-65	11,319	35,002	46,321	5,140	40,142	130,622
1965-66	13,160	39,439	47,599	4,221	38,660	131,122
1966-67	13,476	35,183	18,659	4,116	39,299	132,100
1967-68	11,816	35,779	47,595	3,046	38,825	131,380
1968-69	12,540	34,990	47,530	4,080	39,070	131,520
1969-70	11,010	35,920	47,530	6,180	42,100	130,790
1970-71	12,110	35,660	47,770	6,110	41,770	132,410
1971-72	11,440	36,200	47,640	5,480	41,680	132,210

Source: Pakistan Statistical Yearbook 1974 (Karachi: Statistical Division, Ministry of Finance, Planning and Economic Affairs, Government of Pakistan, 1975), p. 29.

Table 5 gives a detailed picture of the various sizes of farms in Pakistan. Because of these small farms, it becomes apparent that cooperatives could play a very significant role in the development of Pakistan.

The major crops of Pakistan are cotton, which is a foreign exchange earner, rice, wheat, barley, corn, sugar cane, sugar beets, gram, tobacco, and pulses. Yields of almost all of these crops are very

low when compared with United States' standards, even though Pakistani land is usually irrigated. In 1964-65, 13,140,000 acres were utilized for wheat. This acreage produced only 4,518,000 tons. The yield was 9.4 maunds per acre (one maund equals 82.29 pounds). If we convert this into bushels per acre, the yield is 12.85 bushels per acre. However, the yield was increased to 18.45 bushels per acre in 1973-74. The acreage also increased from 13,140,000 acres to 15,105,000 acres in 1973-74.[2] The acreage will increase even more, because of two recently completed dams, Mangla and Tarbella.

Table 5

Number and area of farms classified by size in Pakistan, 1960.

Size of farm (acres)	Farms		Farm area		Cultivated area	
	Number (million)	Percent	Total (million acres)	Percent	Total (million acres)	Percent
Total Farms	4.86		48.93		37.25	
Under 1.0	.74	15	.33	1	.27	1
Up to 2.5	.86	18	1.34	3	1.15	3
Up to 5.0	.80	16	2.91	6	2.53	7
Up to 7.5	.58	12	3.55	7	3.13	8
Up to 12.5	.76	16	7.36	15	6.49	17
Up to 25.0	.73	15	12.53	26	10.71	29
Up to 50.0	.29	6	9.47	19	7.39	20
Up to 150.0	.09	2	6.54	13	3.89	10
Over 150.0	.01	..	4.90	10	1.69	5

Source: Pakistan Statistical Yearbook 1974 (Karachi: Statistical Division, Ministry of Finance, Planning and Economic Affairs, Government of Pakistan, 1975), p. 30.

[2] Pakistan Statistical Yearbook 1974 (Karachi: Statistics Division, Ministry of Finance, Planning and Economic Affairs, Government of Pakistan, 1975), p. 32.

CHAPTER II

POPULATION EXPLOSION

Despite the government's efforts to curtail population through Family Planning since the 1950's, the results have been discouraging. There has been a two to three percent increase in the population per year. The most unfortunate thing for a developing country is an unrestricted increase in population which ultimately destroys the ratio between population growth and economic resources. The increase in population creates unemployment which becomes an immediate threat to the socio-political fabric of a country and leads to unrest and instability. These increases also produce a tremendous waste of labor resources.

According to the 1962 and 1972 Pakistani government census, the total increase in population was from 42,880,000 to 64,892,000. However, the increases in the Northwest Frontier Province are not as apparent, because of its vast area. The determinant factors are not the available land ratio to the population of the province, but the availability of water resources, easy access to the agricultural markets and other necessary facilities.[3]

It is evident that the development of rural areas has not kept pace with population increases. Although more land is being cultivated as more dams and tube well schemes are built, population increases outstrip these developments. Malthusian checks and balances are in operation

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[3]Akbar S. Ahmed, A Strategy for Cooperation: A Study of the North-West Frontier Province (Peshawar, Pakistan: Sarhad Cooperative Union and the Board of Economic Enquiry, University of Peshawar, 1973), p. 9.

through natural disasters, starvation and disease. However, the mortality rate is going down because of improved medical facilities throughout Pakistan. The birth rate is higher in the Northwest Frontier Province, because of religious restrictions upon birth control, illiteracy, economic and other social factors. Akbar Ahmed points out that the province's incapacity to absorb all its population leads to the immigration of its people to other provinces.[4] There are more than two million people from the Frontier Province who migrated to the Sind Province. One million live in Karachi alone, which had a total population of about three and a half million people in 1972.

Recent technological developments and advances in the field of hybrid wheat (Mexican-Pakistani wheat) in Pakistan are being overshadowed by the increases in population. The so-called "Green Revolution" cannot keep pace with population increases. Sir Malcolm Darling, the famous founder of the cooperative movement, points out that most of the farms in Pakistan are small and uneconomical. With the increase in population, these farms will be even further fragmented. He also states that the increases in population will aggravate shortages and whereas there is no limit to the increase in population, there is a limit to the increase in cultivation of land. East Pakistan's case is self-evident.[5]

Colin Clark, a noted Australian economist, did some studies in Pakistan in 1953-54. He points out that if the Pakistani government adopts all the measures suggested thus far to increase the cropped area, only the existing population would attain a higher rate of employment.

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[4] Ibid.

[5] Malcolm L. Darling, Report on Labour Conditions In Agriculture in Pakistan (Karachi: Government of Pakistan Press, 1955), p. 3.

However, this higher rate would disappear in the face of future population increases.[6]

Increases in population also create problems in the sphere of education. Education is one of the most important principles of the cooperative movement. The example of Sweden could be cited here. The success of the Swedish cooperatives is due mainly to the people's high rate of literacy. In Pakistan, the Education Sector cannot keep pace with increases in population at the primary, secondary and adult education levels.

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[6](secondary quotation) James Russell Andrus and Azizali F. Mohammed, The Economy of Pakistan (Stanford, California: Stanford University Press, 1958), p. 26.

CHAPTER III

THE BEGINNING OF THE COOPERATIVE MOVEMENT IN THE INDIAN SUBCONTINENT

The idea of a village cooperative was first put forward in the modern world by a German named Raiffeisen in the later part of the 1800's. Raiffeisen was working for the German government in a small town when he became aware of the misery of the German farmers. They were unhappy and deep in debt. He proposed and founded a village credit cooperative after a long, hard struggle. This cooperative society succeeded and almost every village in Germany came up with credit cooperative societies. It should be mentioned here that the Indian Credit Cooperative Societies were based on Raiffeisen's principles, although some adjustments were made to fit India's social and economic patterns.

The majority of the farmers in the Indian subcontinent in the 1800's were subsistence farmers. Their meager incomes were not sufficient enough to support them through the year. They were in debt the year round. It is a well known fact that in the late 1800's, farmers all over the world needed credit and farm credit was very difficult to obtain.

Although commercial credit was available, farmers had difficulty obtaining it for several reasons. People involved in agriculture were not educated and were ignorant of the available facilities. The commercial banks were located far away in the big cities and there was a lack of efficient transportation. The necessary Infrastructure did not exist. The banks were reluctant to extend loans to ignorant, uneducated

people and were suspicious of their ability to repay loans. They were also suspicious of the farmers' integrity.[7]

In the absence of regular credit institutions, a lending class called the "Mahajan" developed. The Mahajans extended credit to farmers for agricultural purposes, as well as for non-agricultural purposes. The unfortunate thing was that loans extended to these farmers were at exorbitant rates. According to Wolf, "These are oppressive debts for which raiyats are charged from 25 to 75 and sometimes 100 percent and even more--one Registrar instances a case of 1,340 percent."[8] The word raiyats is used for small farmers in India.

This money lending class operated all over India, including the Northwest Frontier Province. The result was that almost 80 percent of the Indian farmers were in debt to these Mahajans. After partition in 1947, it was estimated that 36 percent of all rural families were in debt in Pakistan. The ratio of debt was 67 percent where the refugees settled.[9] The farmers who were in debt were required to sell their harvest either ahead of time or at harvest time at very low prices because the Mahajans refused to extend loans for the coming sowing season unless the farmers paid their past debts. The farmers also acquired loans for personal expenditures such as weddings, illnesses, and religious functions. The bulk of the money they earned went back to

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[7]Panchanandus Mukherji, The Co-operative Movement in India (Calcutta: Thacker, Spink and Co., 1917), p. 56.

[8]Ibid., p. 58.

[9]Hassan Ali, Report on the Need and Supply of Credit in the Rural Areas of the Punjab, Publication No. 101 (Lahore: Board of Economic Inquiry, Punjab, Pakistan, 1957), p. 7.

Mahajans and then new loans were acquired. The result was a vicious circle, in which some farmers lost everything they possessed.

Because of these deplorable conditions, the government of India started looking into the matter. Sir William Wedderburn, who was then District Judge of Poona, proposed to the government of Bombay in 1882 that an experimental, privately owned Agricultural Bank be established in the Purandhar Taluga in the district of Poona.[10] The purpose and function of the proposed bank was to extend low interest loans to the farmers on the basis of their honesty and face value.

The government of India was prepared to accept the plan, under which the old debts of the farmers to the Mahajans would be paid by the bank and then the farmers would repay the banks at new lower interest rates. The banks would have been given the power to recover their loans through the revenue courts if necessary. The interest rate was to be limited to 12 percent. However, the Secretary of State did not approve the proposals. The major criticism was that it was difficult for the government to liquidate the debts of the farmers and issue them new loans. Furthermore, the government did not want to be involved in the recovery of loans for private institutions, because it was politically unpopular. Although Wedderburn's proposals were rejected, he had introduced the idea of organized cooperative credit into India, which became a reality in 1904.

This bill of 1904 was framed by Sir Denzil Ibbetson, who defined the precise object of these societies to be:

> . . . the encouragement of individual thrift, and of mutual cooperation among the members, with a view to the utilization of their combined credit, by the aid of their intimate knowledge of one anothers' needs and capacities, and of the pressure of public opinion.[11]

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[10] *Ibid.*

[11] *Ibid.*, p. 67.

This bill simply provided that ten people could get together in a town or village and form a cooperative society. Registrars were appointed in each of the provinces to look after the cooperative credit societies. They had the authority to audit the books of these societies. The societies could raise funds through private and government loans for the purpose of extending them to their members. The liabilities of members of rural societies were unlimited, whereas urban societies had either limited or unlimited liabilities.

Soon after this act was passed, some inherent defects were found. One of the defects was that these societies had no protection other than extending credit. These deficiencies were remedied soon in the Cooperative Societies Act (Act II of 1912).[12]

According to this act, registration of any society was made possible. The liabilities of the central cooperative societies were limited, while the liabilities of the rural cooperative societies were unlimited. Local authorities were given the power to make changes and perform arbitration among members of the societies. Societies were also given the power to collect dues.[13] These above mentioned central cooperative societies were located at district levels and their membership consisted of rural cooperative societies and urban cooperative societies. The rural cooperative societies are the same as the primary agricultural cooperative societies, whose members are for the most part small farmers from the villages. Urban cooperative societies are non-agriculture in nature.

The Act of 1912 also authorized the cooperative societies to

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[12]Eleanor M. Hough, The Co-operative Movement in India (London: Oxford University Press, 1966), p. 49.

[13]Ibid.

participate in related fields of cooperation among farmers. The cooperative societies were granted the power to make rules for membership, methods of operation, and arbitration between members, as well as between members and the officers of the societies. After it was passed, organized cooperative departments were established in various provinces in order to promote, inspect, organize and supervise the cooperative societies. These departments collected data on the societies in an effort to insure that they were working under the rules and regulations of the Act. However, no organized effort was made to analyze and scientifically examine the data in order to formulate guidelines for future planning and development.[14]

Whenever special circumstances arose, the central or provincial governments appointed committees to remedy the problems. However, no systematic policy was formed to do research and evaluate the existing cooperatives. The International Cooperation Alliance suggested that:

> Many of the reports of these Committees of Enquiry are noted for vast information and depth of analysis presented on the working of Cooperatives in India. However, these committees examined the problem of Cooperatives in a very general way and no detailed field investigation was carried out to assess the working of different types of Cooperatives, analyze the problems faced and indicate the specific solutions to be adopted.[15]

Authors like Darling, Thorburn and Strickland, who are well-known in the history of the Indian Cooperative Movement, have made priceless contributions. They hailed the establishment of cooperative societies, cooperative credit banks and other institutions as alternate sources of credit to farmers. They pushed for social and economic changes which

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[14] Research in Cooperation in India--A Review (New Delhi: International Cooperation Alliance, Regional Office and Education Center for South-East Asia, 1965.

[15] Ibid.

resulted in breaking up the hold of the Hindu Mahajans on the villagers. Pakistan and the Northwest Frontier Province, inherited the Indian cooperative system and some government attention has been given to improvement of the system. However, even today, small farmers may have some difficulty obtaining credit.

C. F. Strickland, the Registrar of Punjab Province before partition describes the cooperative movement in this way:

> A cooperative society is a group of persons who join together to help one another for some object which they all desire. Whether it is to borrow money, to buy daily necessities or to sell the produce of agriculture or his trade, a single man by himself is helpless. He cannot compete with money lenders or merchants, and the smaller and poorer he is, the less able he is to deal with them on equal terms. In the same way, a man who lacks knowledge of improved methods of farming or cattle breeding finds himself unable to obtain the advice of experts, unless he can persuade a number of his fellow men to join with him in inviting their help.[16]

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[16] C. F. Strickland, What is Cooperation? (Lahore: Government of Punjab Publications, 1926), p. 1.

CHAPTER IV

SOME OF THE FUNCTIONS OF THE COOPERATIVES IN PAKISTAN

Credit and Savings

As was mentioned earlier, the Mahajans, who lent money to the farmers at exorbitant interest rates, once dominated the Indian subcontinent. After Pakistan became independent in 1947, the job of lending was taken over by the landlords and shop keepers because the Hindu Mahajans migrated to India. Since the farmers were poor and could not accumulate savings, they had to borrow from whatever sources they could find. Because of the vicious circle of poverty, they could not depend on their own meager savings.

Ragnar Nurksey describes the poverty cycle in this way:

> On the supply side, there is small capacity to save, resulting from the low level of real income. The low real income is a reflection of low productivity, which in its turn is due largely to the lack of capital. The lack of capital is a result of the small capacity to save, and so the circle is complete.[17]

He further describes the demand side of the cycle:

> On the demand side, the inducement to invest may be low because of the small buying power of the people, which is due to their small real income, which again is due to low productivity. The low level of productivity, however, is a result of the small amount of capital used in production, which in its turn may be caused at least partly by the small inducement to invest.[18]

However, it has been pointed out that in many Less Developing

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[17] Ragnar Nurksey, Problems of Capital Formation in Underdeveloped Countries (New York: Oxford University Press, 1953), p. 5.

[18] Ibid.

Countries even the peasants have some form of savings which could be channeled to proper use. Leduc pointed out at the Second Rehovoth Conference in Israel in 1963, that most of the poor farmers hoard their savings in the shape of precious metals like gold and silver. These savings lay there for years and are used for weddings, burials and family celebrations. Idle hoarding is negative. These idle hoardings can be put to use if the farmers are properly educated.[19]

It is important that farmers be supplied with sufficient credit in order to increase production by the use of better methods of farming and the implementation of developmental plans. The importance of credit to poor farmers in developing countries is summarized by Raanan Weitz in these words:

> All the participants agree that credit, either long term, medium term or short term, should serve as a tool for the development process. Therefore, credit operations should be directed in accordance with the framework of the plan, and as much as possible at the disposal of the regional development authority. Particular stress was laid on the importance of follow-up of a given credit, and a check on its results should be meticulous and continuous.[20]

The main objective of the 1904 Cooperative Credit Society Act was to raise funds by deposits from its members or non-members, the government, or other agricultural and non-agricultural cooperative societies. The collected funds were to be loaned out to the members at low interest rates. The other functions were to promote self-help, thrift, saving and capital formation among the members.

C. F. Strickland points out that:

> The objective of a cooperative society thus is to give the

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[19]Raanan Weitz, ed., Rural Planning in Developing Countries (Cleveland: The Press of Western Reserve University, 1966), p. 148.

[20]Ibid., p. 140.

> man who needs to borrow, a chance of borrowing on resonable terms and necessary purposes, provided that he is willing to repay punctually out of his income and only borrow so much as his income will enable him to repay.[21]

The credit needs of small farmers in Pakistan could be classified broadly into three groups time-wise; short term, medium term and long term. Short term loans are extended by primary credit cooperative societies for the duration of nine months or less. Primary credit cooperative societies are basic cooperative societies whose members get together in order to practice thrift and self-help. These short term loans are needed by farmers to buy seasonal requirements like seeds, to hire labor, and maintenance of families and cattle until harvest time. Medium term loans are extended for a period of about three years and could be repaid in installments. This type of credit is used for buying new livestock, implements and improvements to the land. Long term loans are extended for acquiring land, heavy agricultural equipment, sinking wells, constructing embankments and repayments of family debts or even servicing the current debts.

Some credit is needed to meet the so called "unproductive" needs of the farmers. The unproductive needs are mostly family needs and personal expenditures for social functions, litigation, education, illness, religious functions, house repairs and other similar expenditures. These expenditures make up the major part of the farmers' debts. The farmers promise to pay them back after the next harvest, but they accumulate for years. This is why the money lenders did so well by extending loans to rural people.[22]

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[21]Strickland, What is Cooperation?, p. 5.

[22]Andrus, The Economy of Pakistan, p. 137.

The primary societies, whether agricultural or not, were the main sources of credit to their members. Even today, these credit societies dominate the cooperative movement on the Indian subcontinent. Statistics show that in Pakistan, membership in these societies far exceeds the membership in other societies. The Share Capital of the primary cooperative societies has exceeded the Share Capital of any other cooperative society. It seems that the Working Capital of the primary societies was almost equal to the Working Capital of the Provincial Cooperative Banks in 1972-73.

The idea of thrift has been promoted among members through the years. In some instances, saving has been made compulsory among members in Pakistan. For the most part, the deposits of the members are the source of capital. In 1972-73, the Share Capital was recorded as Rs. 99,730,000 which was owned and accumulated by different societies. These amounts represent initiation fees, dues, rents and other dividends. Their reserves, including other funds amounted to Rs. 127,203, and by 1973, the Working Capital was Rs. 149,301,000.[23] In Pakistan at the present time, the different cooperative societies have been getting financial help from the provincial as well as the federal government. The government hopes that eventually these cooperatives will finance themselves. The soundness of a society depends upon the soundness of its Share Capital, reserves and Working Capital.

An example of this could be cited in East Pakistan (now Bangladesh). The Pakistan Academy for Rural Development at Comilla experimented with a comprehensive self-help program in the Comilla Kotwali Thana beginning in 1961. The goal was to mobilize savings and then

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[23] Pakistan Statistical Yearbook 1974, p. 32.

extend credit to members. Every member had to buy one share costing Rs. 10 and was required to deposit a certain amount every week. Members who were not punctual and who were disinterested, were screened out and a disciplined, interested group was left. All the savings were deposited at the Thane Central Cooperative. If a member needed money, he could draw from his savings. The membership increased from 1,860 in 1961-62 to 11,344 in 1968 and their savings rose from Rs. 83,553 to over Rs. 8,000,000.[24]

Under the Comilla program, a supervised credit program was implemented. The central cooperatives loaned money to primary societies at a rate of interest of 12 percent per year (7 percent interest plus a 5 percent service charge).[25] The members of the primary societies were charged 15 percent per year. The members could borrow more than five times the value of their shares and savings, but not more than ten times the value of their shares. Loans total Rs. 3,125,604, including overdue loans amounting to Rs. 74,793, were loaned out to members.[26] From this example, it can be seen that cooperative groups in villages can achieve substantial progress in mobilizing savings and extending credit to their members.

Problems in Credit Distribution

Utilization of credit

The average small farmer in most of the developing countries has not reached the stage where he understands the appropriate use of the

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[24] M. Habibullah, "Large Agriculture Farms in East Pakistan," Pakistan Economic Journal, XXX. No. 2 (1968-69), p. 53.

[25] Ibid. [26] Ibid.

credit extended to him. There is a lack of knowledge as to how to use the credit in the most efficient and profitable way. Most of the time, the loans are used for personal and family needs. It has been pointed out that in the initial stages of the agricultural development in the developing countries, the credit which is extended to small farmers has a consumptive character.[27] Since agriculture is also their way of life, it is difficult to differentiate between the use of credit for productive purposes and for non-productive purposes.

Passive attitude of the credit institutions

The credit institutions were suspicious that loans to small farmers might not be paid back. Therefore, more cumbersome methods were used to secure the surities for repayment. Big farmers received most of the loans because of their financial status. Moreover, the loans were often delayed and farmers could not get them when they needed them most. In Pakistan, the government has taken several steps in order to speed up and facilitate the extension of credit to small farmers.

Cooperative societies

Cooperative societies still need government support in regard to guidance, supervision, technical assistance and finance, although they have been in existence for about sixty years. This problem will be discussed later on in more detail.

Lack of supervision by the credit institutions

Credit institutions should see to it that loans are properly used. It must be seen that the growth of credit does not exceed the growth of

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[27]Konrad Engleman, Building Cooperative Movements in Developing Countries (New York: Frederick A. Praeger, 1968), p. 128.

agriculture. It should be vice versa.

Lack of well trained agricultural credit personnel

If credit institutions lack the trained personnel to make, supervise and collect loans, the success of the institutions will be in peril, no matter how adequate their lending services are.[28]

Repayment of loans

One of the problems facing the cooperative associations in Pakistan, particularly in Baluchistan and the Northwest Frontier Province, is that farmers do not repay their loans on time. The rate of default is high. As Wilfred Pine points out, the farmers do not feel as much an obligation to repay loans to the cooperatives, as they do to private credit institutions.[29]

Some Other Functions

Tube wells

Although Pakistan has a well established canal system, there is a great need for tube wells in certain areas. Irrigation is the most important factor in agricultural production. According to government estimates, 31,500,000 acres are presently irrigated by canals and tube wells, while 1,700,000 acres are irrigated by wells and 1,500,000 acres by water tanks and other means.[30]

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[28] Ted L. Jones, "Agricultural Credit Institutions," Institutions in Agricultural Development, Melvin G. Blase, editor (Ames, Iowa: Iowa State University Press, 1971), p. 182.

[29] Wilfred H. Pine, "Discussion," Institutions in Agricultural Development, Melvin G. Blase, editor (Ames, Iowa: Iowa State University Press, 1971), p. 184.

[30] Pakistan Economic Survey 1973-74 (Islamabad: Government of Pakistan, Finance Division, Economic Advisory Wing, 1974), p. 28.

In 1973-74, there were 7,948 public tube wells and 96,000 private tube wells in operation.[31] Subsidies are being extended to small farmers through the cooperatives for the drilling of new wells. According to the Third Five Year Plan (1965-70), it was decided by the planning commission that:

> In order to accelerate the tempo of this progress and to extend the benefits to smaller farmers, the subsidies being allowed at present on installation of open wells and tube-wells will continue during the Third Plan period.[32]

The same policy has been continued through the Fourth Five Year Plan.

Seeds

Under the Third Five Year Plan, the cooperatives in West Pakistan also took the initiative to introduce new farming methods. Improved seeds were bought and issued to the members. Better seeds and fertilizer were also distributed by the newly created semi-autonomous Agricultural Development Corporation. The use of genetically improved seeds will raise the yields. This has been seen in the case of Mexi-Pak wheat in West Pakistan. The I.R.R.I. rice is another good example.

The quantity of improved seeds which were distributed in 1964-65 was 31,000 tons. This amount was not sufficient and the distribution method was inadequate. In 1967-68, the distribution was well planned and 128,000 tons of seed, which included 40,000 tons of Mexi-Pak wheat and 2,000 tons of I.R.R.I. rice, were distributed among cooperatives and individuals.[33] It was recorded that the area under cultivation for

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[31] Ibid.

[32] Third Five Year Plan (1965-70), (Islamabad: Government of Pakistan, Pakistan Planning Commission, Ministry of Finance, 1968).

[33] Keith Griffin and Azizur Rahman Khan, editors, Growth and Inequality in Pakistan (London: Macmillan, St. Martin's Press, 1972), p. 84.

Mexi-Pak wheat increased from 0.25 million acres in 1966-67 to 2 million acres in 1967-68.[34] The yield was about 40 bushels per acre, twice the yield of local varieties. The acreage under cultivation for Mexi-Pak wheat has kept on increasing and the yield also continues to increase.

Marketing

One of the most crucial factors in agriculture is marketing. Some of the cooperative societies are involved in marketing the members' produce, joint purchase of agricultural equipment, seeds, fertilizer, hiring animals and implements for members, and building roads in the villages. The whole effort is to improve the conditions of the common villagers.

Ted Jones points out that in order to transform the small subsistence farms into viable, efficient and productive enterprises, there should be an increase in long and medium term loans, as well as an efficient market for agricultural produce. An increase in production should also coincide with an increase in demand for agricultural produce in the market with favorable prices.[35]

In Pakistan wholesale markets are called "Mandi." Farmers get together on certain days of the week and dispose of their produce. Different things are sold in different Mandis. Each Mandi specializes in one commodity. It should be mentioned here the place for the meetings might be the same, but the time of the meetings is different.

These Mandis are few in number, unorganized and unregulated.

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[34] Ibid.

[35] Ted L. Jones, "Agricultural Credit Institutions," Institutions in Agricultural Development, Melvin G. Blase, editor (Ames, Iowa: Iowa State University Press, 1971), p. 182.

Mahmood Hassan Khan says of the Mandis:

> They are often unorganized as to the conduct of auctions, the use of legal weights and measures, the charges on various functions, etc. Settlement of prices 'under cover' by the commission agents, extortion of a variety of charges without any services to the ignorant farmer are some of the common abuses.[36]

The prices for farm produce are generally depressed during and right after harvest in the village markets. There are several apparent reasons for this. Some of the reasons are listed below.

1. Lack of storage facilities in and around the villages.

2. During harvest, farmers are busy and cannot market their produce.

3. Farmers are generally in debt and the creditors buy their produce at low prices. Sometimes the crops are sold before the harvesting at some fixed low price.

4. In Pakistan the rainy season comes just after harvest and the villages are in a bad condition. The bullock carts cannot be used on the muddy roads of villages.

5. Farmers are in need of cash and therefore they have to sell at lower prices.

The government of Pakistan has intervened in the markets for agricultural produce quite frequently during the past 25 years. Compulsory procurement, fixation of floor and of ceiling prices, zoning of surplus and deficit districts, fair price distribution and rationing have all been used singly or simultaneously in Pakistan. In addition, the government has provided the rural areas with roads, as well as a

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[36] Mahmood Hasan Khan, The Role of Agriculture in Economic Development (Wageningen, Netherlands: Center for Agricultural Publications and Documentation, 1966), p. 116.

credit and legal framework for the conduct of business affairs.[37]

The Department of Marketing Intelligence and the Central Statistical Organization of the Central Government publishes periodic reports about daily, weekly and monthly wholesale and retail prices for different agricultural produce from different markets. Although the publications provide the market information with some time lag, it is valuable to the farmers.

It was proposed in the Second Five Year Plan that secondary level marketing cooperative societies be established. These secondary level cooperative societies handle and market the produce of the primary cooperative societies, as well as that of their own members. Under the Second Five Year Plan (1960-65), 500 large sized primary cooperatives, 65 marketing societies at the secondary level and 3,000 service societies were established. All of these societies were provided with storage facilities.[38]

Fertilizer

Cooperatives have been encouraging their members to use fertilizers. In the 1950's fertilizer was given to farmers free of cost. Later, in the 1960's, 50 percent of the cost was charged from the farmers. When the demand for fertilizers increased, the cooperatives started handling them. They receive the fertilizer from different sources at government controlled prices and resupply it to their members at low cost. Black markets are also dealing in fertilizer. At present,

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[37]Sarfraz Khan Qureshi, "The Performance of Village Markets for Agricultural Produce: A Case Study of Pakistan," Pakistan Development Review, XII, No. 3 (Autumn, 1974), p. 281.

[38]Third Five Year Plan (1965-70), p. 400.

fertilizers are scarce and expensive.

Plant protection

This is handled by the Department of Agriculture in cooperation with local cooperatives. The importance of plant protection is self-evident in respect to raising output. Because of the shortage of aircraft and funds, this program has remained inadequate. During 1971-72, only 2,700,000 acres were sprayed and the projected target for 1972-73 was 6,200,000 acres.[39] However, the target could not be met and the area sprayed was below this amount even in 1973. Only 4,550,000 acres were sprayed in 1972-73. Efforts were being made by the government to increase the acreage up to 10,590,000 by 1973-74.[40]

Cooperatives have been active in preventative measures as well as spraying the chemicals by hand pumps. Chemicals and hand pumps have been provided to cooperative members free of cost from the Provincial Agricultural Department. Preventative measures are being taken against seed born diseases in the storage houses.

Mechanization

The government of Pakistan has been encouraging small as well as big farmers to use modern machinery. It is said that medium sized tractors are not economical to run on small farms. However, cooperatives are educating their members to use tractors and threshing machines on a cooperative basis. The Provincial Agricultural Departments are providing modern machinery for farming at subsidized rates. Some cooperatives

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[39] Rafique Akhtar (ed.), Pakistan 1973 Year Book (Karachi: East and West Publishing Co., 1973), p. 251.

[40] Pakistan Economic Survey 1973-74, p. 29.

own their own equipment and repair shops. One example of this is the Comilla Cooperative Project in what was formerly East Pakistan.

Integrated Rural Development Programs (IRDP)

According to Salahuddin:

> Integrated Rural Programme comprises of actions making it possible and attractive for people in rural areas to become aware of and adopt improved technology, achieve enhanced levels of living in both social and economic dimensions; efficiently utilize, develop and protect the local environs as pleasant and permanent sites for living and working and to achieve full active partnership with their colleagues from the cities in participating in the social, political and economic life of the nation. Integrated Rural Programme includes those elements which are associated with farm production, productivity as well as other elements which directly support these and otherwise enhance the welfare of farm people.[41]

Under this program, the agricultural cooperative societies will be provided with supervised credit, technical help, machinery, seeds, fertilizers, and other necessary agricultural help. The government has opened centers which cover about 40-50 villages around them and the total number of these centers reached 65 by 1973-74. It is estimated that by 1975, the whole country will be covered by these centers.

The Integrated Rural Development Program is operated along lines recommended by the United Nations and the FAO. Laurence Hewes describes the IRDP this way:

> Integrated rural development planning involves synchronization of development operations, which in turn requires recognition of the systematic character of rurality. Even at primitive levels there is an organic arrangement through which natural, social, economic, and physical factors are linked in a complex relationship. Development planning should begin with a specific knowledge of this universe of complexes; rural development must be integrated because the rural system is inherently

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[41] A. F. S. Salahuddin, Development Planning and Financing (Karachi: Salahuddin and Salahuddin, 1973).

integrated.[42]

It is hoped that eventually the socio-economic gap between the rural and urban areas will be closed. Beside the other objectives, the government envisions self-sufficiency in the production of food.

Agricultural Education and Training

The agricultural education institutions at Peshawar, Lyallpur and Tandojam are catering to the needs of the agricultural sector. Increased funds have been allocated in order to expand and modernize these institutions. Research on different crops is being done at the research centers in Pakistan. The Agriculture Research Council is undertaking a comprehensive research project in collaboration with the United States' AID program and the Pakistani government, in order to facilitate agricultural research by obtaining technical equipment and assistance, training scientists and getting foreign advisors to different research centers and universities.

Extension services have been provided to farmers since 1959. These services include the demonstration of modern agricultural methods to the farmers through model plots and audio-visual aids. The extension agents work with different aspects of the agricultural sector and try to bring in new and efficient farm methods. They also help run adult education programs in rural areas. The agriculture department agents are trained to work with people in study circles, to approach and win the village leaders to their side and overcome the problems of resistance and indifference to the practice of new agricultural methods. Above all, the agents utilize discussion with the villagers to explore

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[42]Laurence Hewes, Rural Development: World Frontiers (Ames, Iowa: The Iowa State University Press, 1974), p. 84.

the possibilities of self-help and to arrive at plans through which they can take action, instead of waiting for the government or politicians to come and fulfill their promises.[43]

The Pakistani government supports cooperatives as an important part of its national and economic development planning. Therefore, the government also sees to it that its cooperative officials are trained and educated in order to adapt themselves to the concerned areas in Pakistan. An agent's adaptability to his territory is a very important factor.

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[43]Mary Jean McGrath (ed.), Guidelines for Cooperatives in Developing Economies (Madison, Wisconsin: International Cooperative Training Center, University Extension, University of Wisconsin, 1969), p. 190.

CHAPTER V

AGRICULTURAL CREDIT INSTITUTIONS

Primary Cooperative Societies

One of the three main sources through which agricultural credit is extended to farmers is the agricultural cooperatives. The primary cooperative societies are responsible for extending loans to their members. They get credit from the central cooperative banks. These central cooperative banks receive funds from the government, member societies and deposits from private individuals.

The Agricultural Development Bank of Pakistan

The Agricultural Development Bank of Pakistan is another of the main sources of agricultural credit. It was founded in 1960-61 by merging the Agriculture Development Finance Corporation (established in 1952) and the Agriculture Bank of Pakistan (established in 1957).[44] The Share Capital of the Agriculture Development Bank was increased from Rs. 100 million to Rs. 175 million during the Third Five Year Plan (1965-70). Since this bank has taken over the other two banks, its area of service has increased considerably. It can extend loans for storage facilities, warehouses, the processing of agricultural products, bee-keeping, cottage industry and acquiring farm machinery. In 1973-74, a total sum of Rs. 415,570,000 was disbursed to the agricultural sector in Pakistan. Table 6 shows the details of all loans extended to the

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[44] The Third Five Year Plan (1965-70) (Islamabad: Pakistan Planning Commission, Ministry of Finance, 1965), p. 422.

Table 6

Loans disbursed by Agricultural Development Bank of Pakistan by provinces and terms, 1969-74.

(Thousand rupees)

Province/term	Year				
	1969-70	1970-71	1971-72	1972-73	1973-74
Pakistan					
Total	91,345	92,687	80,009	169,094	415,570
Short term	18,813	11,524	14,489	76,350	194,460
Medium term	12,177	14,257	13,226	27,121	102,120
Long term	60,355	66,906	52,294	65,623	118,990
Punjab					
Total	70,113	73,260	59,293	105,970	236,890
Short term	10,274	5,725	7,339	42,334	127,920
Medium term	7,092	9,793	9,265	15,473	39,400
Long term	52,747	57,742	42,689	48,163	69,570
Sind					
Total	17,118	15,495	17,050	53,155	150,860
Short term	8,354	5,733	5,799	28,728	56,650
Medium term	3,413	3,128	2,876	9,611	53,910
Long term	5,351	6,634	8,375	14,816	40,300
N.W.F.P.					
Total	3,579	3,449	2,079	3,461	14,540
Short term	7,175	61	327	1,275	3,830
Medium term	1,574	1,274	825	1,016	5,580
Long term	1,830	2,114	927	1,170	5,130
Baluchistan					
Total	535	483	1,587	6,508	13,280
Short term	10	5	1,024	4,013	6,060
Medium term	98	62	260	1,021	3,230
Long term	427	416	303	1,474	3,990

Source: Pakistan Statistical Yearbook 1974 (Karachi: Statistics Division, Ministry of Finance, Planning and Education Affairs, Government of Pakistan, 1975), p. 104.

four provinces of Pakistan in 1969-70.[45]

Fresh loans were disbursed by the State Bank of Pakistan during the first nine months of 1973-74, which amounted to Rs. 366,200,000.[46] The revised allocation for 1973-74 limits Rs. 153,900,000 to cooperatives and Rs. 212,300,000 to the Agriculture Development Bank.[47]

Taccavi Loans

A third important source of agricultural credit is the Taccavi loans, which were established under the Act of 1883. They are extended for the improvement of land. The Second and Third Five Year Plans recommended that Taccavi loans be extended on a limited basis to those areas where institutional loans are not available. Taccavi loans are also given as grants from the government in cases of natural disasters and in time of distress.

Agricultural Loans by Commercial Banks

In the past, commercial banks were located in the industrial and agricultural centers. Small farmers could not get loans because most of them were illiterate, far from the banks and could not offer sufficient collateral. However, well-to-do farmers did receive substantial loans. Since 1974 the government has nationalized all Pakistani banks and a complete reorganization has taken place.

A scheme has been developed by the government under which commercial banks will advance short and long term loans to farmers for the purpose of financing agricultural inputs, purchasing cattle and tractors,

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[45] Pakistan Statistical Yearbook 1974, p. 104.

[46] Pakistan Economic Survey 1973-74, p. 75.

[47] Ibid.

payments to hired labor and agricultural implements. Loans are also extended for dairy farming, poultry, orchards, installation of tube wells and land improvements.[48]

During 1972-73, commercial banks extended Rs. 56,800,000 for agricultural production, while Rs. 12,500,000 were extended for buying tractors and tube wells. During 1973-74, the amount extended for agricultural production was Rs. 59,700,000 and for tractors and tube wells, Rs. 14,600,000.[49] Moreover, these banks have expanded their branches in order to reach rural areas. By March of 1974, 326 out of 484 semi-rural centers, each with a population of about 5,000, had a commercial branch.[50] The rest of the centers are being covered.

Rural Credit Fund

By the end of June 1973, a total amount of Rs. 23 million was set aside in the State Bank of Pakistan. A Rural Credit Fund Cell has recently been established in the State Bank of Pakistan. This cell is to provide medium and long term loans for agricultural development.

Credit Guarantee Scheme

The State Bank of Pakistan created a Loan Guarantee Fund during 1972-73 for the purpose of helping small farmers through commercial banks. The State Bank will guarantee all loans extended to farmers through commercial banks on a fifty-fifty basis. For this purpose, Rs. 20 million have been reserved by the State Bank.

Pass Book Schemes

Under the Loans for Agricultural Purposes Act of 1973, farmers are issued a pass book by a revenue officer showing the ownership of land,

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[48] *Ibid.*, p. 74. [49] *Ibid.* [50] *Ibid.*

its size, its value and similar information. The commercial banks issue loans against these pass books and inform the revenue officers of mortgages. This is done to encourage the banks to extend loans. Loans are extended for different purposes, mainly for agricultural improvement.

CHAPTER VI

OWNERSHIP AND TENURE OF PRIVATE LAND

During British rule a fuedal system developed on the Indian subcontinent. Zamindars and Jagirdars were created by the British for their own benefit. Zamindars were large land owners who rented most of their land in small plots to tenants. The Jagirdars received grants of at least one village from the ruler of the State in which the village was located. These grants were usually rewards for some service rendered to the British government in India. The Jagirdars had the right to collect taxes from the land under their jurisdiction, but they did not own the land. They usually had the right to keep all the taxes they collected. Although the Jagirdars did not own the land, they could confer ownership upon others.

Most of the land was owned by the Zamindars, who rented it to the tenants. Some of them retained small pieces of land which they cultivated themselves. The manner in which the land was rented and tenanted depended upon the social, cultural and economic conditions of the particular area. There were two types of tenants on private land; occupant tenants and sharecroppers.

Occupant tenants received certain rights from the Zamindars by following certain regulations. They could not be evicted, because they had the permanent right to cultivate certain portions of land. Those tenants paid taxes to the government and usually had to give half their crop to the Zamindar. They bought their own seeds and other supplies.

The sharecroppers, or non-occupant tenants, held their land on a year to year basis with only a verbal agreement between them and the Zamindar. They could be evicted at any time. They usually bought their own supplies and gave half their crop to the landowner.

The Zamindars were often a source of agricultural credit to the tenants and in this way exerted influence over them. Non-occupant tenants were seldom evicted if they could not pay their debts to the Zamindar, because they provided a constant source of labor. Hamza Alavi pointed out during his research in the Punjab that:

> The larger landowners do not evict the sharecroppers altogether. Instead, they leave them with a fraction of their former holdings, too small to provide a living, and thus force them to supplement their livelihood by casual and seasonal labour. In this way, a landowner keeps a tied source of labour, which he requires, especially for seasonal operations.[51]

He further states that:

> With the progressive reduction in the amount of land available for sharecropping, the sharecropper's terms have deteriorated and he is desperate to keep what little land he can. For this reason, his dependence on the landowner is greatly intensified.[52]

Another misfortune which the British introduced, was the collection of revenues from the small farmers. The Zamindars were given the power to collect revenue, which they passed on to the British government. This saved the government the expense of hiring tax collectors, but it did damage to small farmers.

According to Elliot Tepper:

> Collection of land revenues was turned over to Zamindars.

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[51] Hamza A. Alavi, "The Politics of Dependence: Villages in West Punjab," South Asian Review, IV, No. 2 (January, 1971), p. 119.

[52] Ibid.

> They were responsible for realizing annually a permanently established cash fee and turning it over to the Diwan. One tenth of the total could be kept by the Zamindar as his payment, plus any additional funds resulting from new lands brought under cultivation.[53]

Many abuses existed in the Zamindar and Jagirdar systems, some of which have been mentioned above. Other abuses included the collection of absolute rents and the use of forced labor. Contributions were collected by force from the tenants when there were weddings, births and deaths. The distribution of land was lopsided. The practice of usery increased, as did the number of peasants. Farming on a subsistence level became more common and the landowners had quasi-judicial and political powers over their tenants.[54]

The Zamindars came to own land in various ways. Some inherited it from their forefathers. Others were given land by the British government. Sometimes chiefs of large and powerful tribes would acquire land by force and become fuedal lords. Some communities paid revenues collectively to the government. A collection of communities acting in this way was called a'mahalwari'. Eventually strong local leaders would take over the land and become fuedal lords.

According to the 1951 census for Pakistan in Punjab, out of approximately 3.4 million cultivators, 49 percent were owners of all land tilled, 16 percent owned part and rented part of the land they tilled, 29 percent rented all their land and 6 percent rented and also worked for hire. About 3 percent of the total land was held by the

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[53]Elliot Tepper, Changing Patterns of Administration in Rural East Pakistan, Asian Studies Center Occasional Paper No. 5 (East Lansing, Michigan: Asian Studies Center, Michigan State University, August, 1966), p. 5.

[54]Ignacy Sachs, Agriculture Land Reforms and Economic Development, Studies on Developing Countries, Vol. II (Warsaw, Poland: Polish Scientific Publishers, 1964), p. 29.

Jagirdars and about 5.5 percent by the occupant tenants, while 52 percent of the land was cultivated by the non-occupant tenants.[55]

In the Province of Sind, during the same time, 76 percent of the cultivators (1,039,795) rented all the land they tilled and another 7 percent rented some land, as well as owned some. About 15 percent owned all the land which they tilled and less than 2 percent rented and also worked for hire.[56] It should be pointed out that 87 percent of the cultivated area in the Sind was owned by the Zamindars and about 1½ million acres were owned by the Jagirdars.

In the Northwest Frontier Province, about 40 percent of the cultivated land was owned by the farmers, and 42 percent of the land was cultivated by the peasant proprietors. About 10 percent was cultivated by non-occupant tenants.[57]

In Baluchistan, according to the census of 1951, about 61 percent of the cultivators owned their land and 14 percent were owner-tenants. About 15 percent were tenants.[58]

All of the above provincial statistics are from the 1951 Pakistani census. In the first part of the 1950's, Jagirdars were abolished throughout Pakistan. However, because of the economic and political powers which they had, their hold was not broken until 1958, when the military government took over and martial law was announced. Forced labor and illegal dues and cesses (or abwabs) were abolished throughout Pakistan in 1950-52. Both types of tenants were granted some privileges and the landlords took over some of the responsibility for taxes and other expenditures.

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[55] Andrus, The Economy of Pakistan, p. 123.

[56] Ibid., p. 125. [57] Ibid., p. 127. [58] Ibid., p. 128.

CHAPTER VII

LAND REFORMS

Prior to the land reforms of 1959, each province in West Pakistan had attempted to reform its own land tenure system. In 1955, the four provinces, namely Punjab, Northwest Frontier Province, Sind and Baluchistan were united in one administrative unit called One Unit. Even after One Unit was established, not much was done for the tenants. Mahmood Khan analyses the situation like this:

> Even after the integration of the erstwhile provinces and states into one administrative unit in 1955, no attempt was made to use this excellent opportunity to give West Pakistan a uniform basis of land tenure system and other related matters. In retrospect, it is somewhat difficult to say categorically whether this ineptness on the part of the government was due entirely to the pressure of the landlords, or whether their residence in or around the center of political power in the province did not allow them to give any consideration to this crucial question.[59]

The coup d'etat which was staged by the military in Pakistan brought some action in regard to land reforms. Martial Law Regulation Number 64 brought about the following main features of land reform in Pakistan:[60]

1. An individual could not own more than 500 irrigated acres or 1,000 non-irrigated acres. However, a farmer could keep 150 acres of orchards in addition to the above ceiling.

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[59] Mahmood Hasan Khan, The Role of Agriculture in Economic Development, p. 132.

[60] Second Five Year Plan (1960-65) (Karachi: Government of Pakistan Planning Commission, June, 1960), pp. 183-188.

2. Compensation to the landowners was given in the shape of interest bearing bonds which could be redeemed after 25 years.

3. The land newly acquired by the government was to be sold to those tenants who were already cultivating the land. The price was nominal with an interest rate which was to be paid over a period of 25 years.

4. The occupant tenants automatically became the owners of the land which they were already cultivating.

5. All other tenants, the non-occupant tenants and the Hari of Sind were given legal guarantees that they could not be ejected by the landlord, without the approval of the revenue authorities.

6. The landlords could only get 50 percent of the produce from the tenants and they could not increase the tax liability of the tenants.

7. Landlords were prohibited from demanding illegal labor, kind or cash from their tenants.

8. In order to stop the further fragmentation of land, two concepts were clearly laid down. Farms of 12½ acres or less were declared to be subsistence farms in the Northwest Frontier Province, Punjab and Baluchistan. In the Sind, it was 16 acre farms. Secondly, an economic holding was declared as 50 acres in Punjab, Northwest Frontier Province and Baluchistan and 60 acres in Sind.

9. All Jagirs were abolished without compensation to the Jagirdars.

10. A fund of Rs. 10 million was created to help small farmers buy land.

As far as breaking up the large holdings in Pakistan was concerned, it was for the social benefit of peasants. Some economists suggest that

large holdings should be broken up and the land acquired by the government redistributed in plots of a size practical for the use of modern farming methods.[61]

According to Beringer, the land reforms of 1959 in the Northwest Frontier Province did not change the number of landlords who owned large holdings. The number of landlords who would be affected by the land reforms was small and a small number of landless agricultural laborers would be landowners. He suggested that upgrading of the subsistence farms was necessary, since the majority of the small farms were below what was considered subsistence size.[62] He further stated that the Land Reforms Commission failed to relate the problems of waterlogging and salinity which exist in the Indus Basin.[63]

Land reforms were undertaken in 1972 again under Martial Law Regulation Number 115. Some of its provisions are described below:

1. An individual could own 150 acres of irrigated land or 300 acres of non-irrigated land. It should be noted here that no extra land was alloted for orchards, stud farms or hunting land, as it was in 1959. Moreover, this ceiling applies to religious, charitable, and educational societies and trusts, except reorganized universities. The 1959 land reforms exempted these institutions.

2. Government employees are restricted to the ownership of 100

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[61] Richard W. Lindholm, "The Farm: The Misused Income Expansion Base for Emerging Nations," Journal of Farm Economics (May, 1961), pp. 236-246.

[62] Christopher Beringer, "Welfare and Production Efficiency: Two Objectives in Land Reforms in Pakistan," Journal of Pakistan Development Review (Summer, 1962), pp. 173-188.

[63] Ibid.

acres, unless they inherit the land.

3. All persons are required to declare their land holdings in excess of the ceiling, if they held such holdings on March 1, 1967 or December 20, 1971 or any date in between. This provision was made in order to detect those cases in which people tried to transfer land in order to dodge the land reform ceiling.

4. Land in excess of the ceiling was to be taken over by the government without compensation. However, the landowner had the right to retain any land he chose, as long as the amount was below the ceiling.

5. The transfer of land which was in excess of the ceiling after December 20, 1971 was declared void.

6. Tenants cannot be ejected unless it can be proven that they have violated a written agreement before a revenue court.

7. Landowners are responsible for the payment of land taxes, water taxes, the land's cesses and any expenditure on seeds.

8. The cost of fertilizers and pesticides must be shared equally by the landlord and tenant.

9. Landlords are prohibited from extracting forced labor from the tenants or leveeing any cess on them.

10. A tenant who was shown in the revenue records to have been cultivating a resumed land during 1971-72 was given first priority to receive the land free of cost.

11. Lands resumed from orchards, livestock farms, religious or educational societies and private hunting grounds were put to the best use by the government. When they were leased, the former owner had the right to lease them before anyone else.

Some Problems

The land reforms of 1959 were not fully implemented because of the social and political powers of the landlords, administrative incompetence and certain legal complications. The execution of the land reforms of 1972 has run into almost the same problems. According to Herring and Chaudhry:

> Under the reform provisions, implementation has been entrusted to the land revenue administration. It has been pointed out repeatedly that in the land revenue offices, expecially at the lower levels, the key functionaries of the implementation program are corrupt; misuse of power in pursuit of their personal interests is a characteristic feature.[64]

The reform act of 1972 did not allocate any funds for credit purposes to the new owners of the resumed lands.

The landlords are better educated and possess more political and economic powers compared to the peasants in the agrarian society. It has been noticed that tenants refrain from antagonizing the landlords, because the landlord can create insurmountable problems for the tenants. Moreover, the local authorities keep a good relationship with the landlords in case they need their help someday.

Since the 1972 land reforms, it is commonly known that several armed feuds have erupted between the landlords and the tenants in the Northwest Frontier Province. The government has intervened through the Frontier Militia, but feuds are still taking place in the remote areas of the province. Also in order to combat the tenants, landlords have made unions which are very well organized. In the atmosphere of this hatred and antagonism, the government has been taking firm actions in

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[64]Ronald Herring and M. Ghaffar Chaudry, "The 1972 Land Reforms in Pakistan and Their Economic Implications: A Preliminary Analysis," The Pakistan Development Review, XII, No. 3 (Autumn, 1974), pp. 245-279.

order to safeguard the tenants. D. G. Karve suggests that:

> Several somewhat drastic financial and legal features of the land reforms could be incorporated into the relevent laws with great popular support and without much effective opposition from the bigger landlords. The more systematic and sustained the task of pursuing the policy of agrarian reform and development to its ultimate end of changing the whole institutional pattern of rural life to ensure better production and better welfare could not be so easily accomplished.[65]

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[65] D. G. Karve, "Land Reforms and Agrarian Development in Developing Countries," Indian Journal of Agricultural Economics, XXI, No. 3 (July-September, 1966), p. 2.

CHAPTER VIII

PRESENT COOPERATIVES IN PAKISTAN

By 1925, the idea of cooperative societies was very well received in India. There were about 80,000 registered societies, out of which 15,000 were formed in Punjab Province. After partition, the cooperative societies experienced some setbacks because of the immigration of non-Moslem members and some officials to India. The Pakistani government reorganized the cooperative societies in 1947-48 and the movement was progressing once more. At the time of partition in 1947, the four provinces of West Pakistan inherited a total number of 15,242 societies with a membership of 576,000, their total loans and deposits were Rs. 222,624 and the total Working Capital was Rs. 275,817.[66]

The cooperative societies increased in number over the years because of Pakistan's Five Year Development Plans. During the First Five Year Plan (1955-60), the importance of cooperative societies was realized and proposals were made to develop the cooperative movement even further. The Second Five Year Plan recommended that:

> Cooperative farming is one device for accelerating agricultural development. Cooperative farming helps in overcoming limitations of small and scattered holdings, and is a means of increasing the size of the unit of cultivation, which should facilitate mechinization of agriculture; it ensures better marketing and better credit facilities to the farmers.[67]

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[66] Central Statistical Office, Economic Affairs Division, Ministry of Finance, Planning and Development, Government of Pakistan, 25 Years of Pakistan in Statistics 1947-72 (Karachi: Manager, Printing Corporation of Pakistan Press, 1972), p. 202.

[67] Second Five Year Plan (1960-65), p. 129.

Table 7

Cooperative societies by type, membership, working capital, share capital, reserves, loans and receipts, Pakistan, 1947-48.

(Thousand Rupees)

Classification	Number	Membership (000)	Share Capital	Reserve and other funds	Loans & Deposits held	Working Capital	Profits + or Loss -	Cost of Management	Loans advanced		Receipts from Loans repaid	
									Individuals	Societies	Individuals	Societies
	West Pakistan											
	1947-48											
Total	15,242	575	20,529	32,661	222,623	275,817	+3,764	3,110	82,222	193,672	76,642	171,736
1. Provincial Coop. Banks	3	15	2,077	4,253	85,927	92,257	+967	164	412	37,724	242	38,713
2. Central Coop. Banks	30	12	1,814	7,470	102,000	111,283	+1,204	754	29,601	112,644	28,306	92,999
3. Other Central Societies	27	1	362	327	2,946	3,634	+85	168	1,956	2,687	1,930	1,706
4. Agr. Coop. Societies	11,649	390	9,405	13,580	21,538	44,527	+1,303	788	43,408	11,741	37,791	10,481
5. Non-agr. Coop. Societies	3,533	157	6,871	7,031	10,212	24,114	+204	1,235	6,845	28,875	8,372	27,838

Source: Central Statistical Office, Economic Affairs Division, Ministry of Finance, Planning and Development, Government of Pakistan, 25 Years of Pakistan in Statistics 1947-72 (Karachi: Manager Printing Corporation of Pakistan Press, 1972), p. 211.

Table 8

Cooperative societies by type, membership, share capital, working capital, reserves, loans and deposits, Pakistan, 1972-73.

(Thousand rupees)

Classification	Number of societies	Member-ship (000)	Share capital	Reserve & other funds	Loans and deposits held	Working capital
1972-73						
PAKISTAN (a)	26,034	1,362	99,730	127,203	597,330	827,284
1. Provincial co-op. banks & other prov. co-op. societies	11	4	12,506	17,477	123,834	149,301
2. Central co-op. banks	153	21	17,817	50,217	303,627	371,700
3. Other central societies	104	26	11,149	11,699	51,170	75,441
4. Agricultural co-op. societies	20,326	927	38,267	36,366	70,903	149,812
5. Non-agri. co-op. societies	5,440	384	19,991	11,444	47,796	81,030

Source: Pakistan Statistical Yearbook 1974 (Karachi: Statistics Division, Ministry of Finance, Planning and Economic Affairs, Government of Pakistan, 1975), p. 13.

Table 9

Cooperative societies by type, profits and losses, loans and receipts, by two provinces of Pakistan, 1972-73.

(Thousand rupees)

Classification	Profit (+) or loss(-)	Cost of management	Loans advanced		Receipts from loans repaid	
			Individuals	Societies	Individuals	Societies
1972-73						
PAKISTAN (a)	(+)1,606	54,077	158,957	643,556	151,218	664,360
1. Provincial co-op. banks & other prov. co-op. societies	(-)2,088	1,358	4,816	121,249	4,833	124,623
2. Central co-op. banks	(+)1,236	15,498	42,231	463,400	45,506	484,587
3. Other central societies	(-)1,596	34,363	21,568	21,484	20,954	18,291
4. Agricultural co-op.societies	(+)2,981	1,490	73,944	31,251	63,335	30,351
5. Non-agri. co-op. societies	(+)1,073	1,368	16,398	6,172	16,590	6,508
NORTH WEST FRONTIER PROVINCE	(-)2,030	581	1,628	2,888	1,770	2,838
1. Provincial co-op. banks & other prov. co-op. societies	(-)2,138	432	371	1,616	360	1,770
2. Central co-op. banks	(+) 14	6	--	--	--	--
3. Other central societies	(+) 67	46	882	773	743	565
4. Agricultural co-op. societies	(+) 15	48	304	373	583	476
5. Non-agri. co-op. societies	(+) 12	49	71	126	84	27

Table 9--Continued

(Thousand rupees)

Classification	Profit (+) or loss(-)	Cost of management	Loans advanced		Receipts from loans repaid	
			Individuals	Societies	Individuals	Societies
BALUCHISTAN	(-) 192	222	3,968	989	3,676	62
1. Provincial co-op. banks & other prov. co-op. societies	(-) 142	165	3,589	974	3,642	62
2. Central co-op. banks	--	--	--	--	--	--
3. Other central societies	--	--	--	--	--	--
4. Agricultural co-op. societies	(-) 36	28	379	15	31	--
5. Non-agri. co-op. societies	(-) 14	29	--	--	3	--

(a) Totals are exclusive of data from Sind province.

Source: Pakistan Statistical Yearbook 1974 (Karachi: Statistics Division, Ministry of Finance, Planning and Economic Affairs, Government of Pakistan, 1975), p. 133.

Under the Third Five Year Plan 1965-70, the highest priority was given to the agricultural sector when it was revised in March of 1967. Under this revised plan, substantial amounts were allocated for the establishment of advanced institutions for agriculture and other related fields.[68] The agricultural sector is owned and operated by private individuals but government leadership is considered essential at this stage and the government hopes that many of its present functions in agriculture will be taken over by the private sector in the near future.[69]

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[68] Nyrop, Area Handbook of Pakistan, p. 377.

[69] Ibid.

CHAPTER IX

DIFFERENT TYPES OF COOPERATIVES

When Pakistan inherited the cooperative societies from British India in 1947, there were five different types. They were:

1. Provincial Cooperative Banks and other Provincial Cooperative Societies, some of which were still in operation in 1972-73.
2. Central Cooperative Banks.
3. Other Central Societies.
4. Agricultural Cooperative Societies.
5. Non-Agricultural Cooperative Societies.

Provincial Cooperatives Banks and Societies

There were three Provincial Cooperative Banks in 1947, which had a total membership of 15,000, the Share Capital was Rs. 2,077,000 and the Working Capital was Rs. 92,257,000. Whereas in 1972-73, there were eleven provincial banks, 4,000 members, Rs. 12,506,000 in Share Capital and Rs. 149,301,000 in Working Capital. The above data shows that although the membership of these banks have decreased from 15,000 to 4,000, the amount of Share Capital and Working Capital has increased during the period of 1947-72. Individual loans of Rs. 412,000 and society loans of Rs. 37,724,000 were extended and the recovery was Rs. 242,000 and Rs. 38,713,000 respectively in 1947. The profits for that year were significant in the light of the 1947 partition when conditions were not favorable. See Tables 7 and 9.

In 1972-73, Rs. 4,816,000 were extended to individuals and Rs. 121,249,000 to societies, whereas the recovery was Rs. 4,833,000 and Rs. 124,623,000 respectively. After deducting other expenditures, it shows a loss of Rs. 2,088,000. The Northwest Frontier Province and Baluchistan show losses in the activities of the Provincial Cooperative Banks in 1972-73. See Tables 8 and 9.

Central Cooperative Banks

There were thirty Central Cooperative Banks in West Pakistan in 1947. Total membership was 12,000 and Share Capital amounted to Rs. 1,814,000. Reserve and other funds totaled Rs. 7,470,000 and the Working Capital was Rs. 111,283,000. They extended Rs. 29,601,000 to individuals and Rs. 112,644,000 to societies as loans which were repaid as Rs. 28,306,000 from individuals and Rs. 92,999,000 from societies. See Table 7.

In 1972-73, the number of these Central Cooperative Banks rose to 153. Their membership also rose to 21,000 members. The Share Capital was Rs. 17,817,000, the Reserve increased to Rs. 50,217,000 and the Working Capital to Rs. 371,700,000. These increases are extraordinary. The farmers are still so poor that their savings are very meager. Individual loans of Rs. 42,231,000 were issued and Rs. 463,400,000 were extended to societies. The recovery from individuals was Rs. 45,506,000 and from societies Rs. 484,587,000. See Tables 8 and 9.

Other Central Societies

There were twenty-seven other Central Societies which had a total membership of 1,000 in 1947-48. The Share Capital amounted to Rs. 362,000, the Reserve and other funds to Rs. 327,000. Loans and

deposits held Rs. 2,946,000 and Working Capital Rs. 3,634,000. Loans which were advanced to individuals amounted to Rs. 1,956,000 and to Societies Rs. 2,687,000. The receipts from loans repaid were Rs. 1,930,000 from individuals and Rs. 1,706,000 from societies.

In 1972-73, the number of these other Central Societies rose to 104 and the membership to 26,000. The Share Capital went to Rs. 11,149,000 and the Reserve and other funds to Rs. 11,699,000. Loans and deposits amounted to Rs. 51,170,000 and the Working Capital rose to Rs. 75,441,000. Loans extended to individual members amounted to Rs. 21,568,000 and to societies Rs. 21,484,000 in 1972-73. The repaid loans from individuals came to Rs. 20,954,000 and from societies to Rs. 18,291,000. It should be mentioned that in this category, the amounts extended as loans to individuals and to societies are about the same. The record from 1947 to 1972 shows that societies were given more loans than individuals in this category. See Tables 8 and 9.

Agricultural Cooperative Societies

These are the primary societies and are important for their work in the villages. In 1947-48, the number of these societies was recorded as 11,649. The membership was 9,405,000 and increasing. Their Share Capital was Rs. 9,405,000. Reserves and other funds were recorded as Rs. 13,580,000, while loans and deposits held Rs. 21,538,000. Working Capital amounted to Rs. 44,527,000. Rs. 43,408,000 were loaned to individual members and Rs. 11,741,000 to societies. The repayments recorded from individuals amounted to Rs. 37,791,000 and from societies Rs. 10,481,000. Since these were primary agricultural societies, they extended more credit to their members than other societies. More than 43 million rupees were loaned to members and only Rs. 11,741,000 to

other societies. The ratio was almost 4 to 1. See Table 7.

In 1972-73, the number of societies reached 20,326 from the 11,649 of 1947-48. Similarly, there was an increase in membership. There were 927,000 members in 1972-73. The Share Capital was recorded as Rs. 38,267,000. Reserves and other funds came to Rs. 36,366,000. Loans and deposits held were recorded as Rs. 70,903,000 and the Working Capital was Rs. 149,812,000. Rs. 73,044,000 were loaned to individual members and Rs. 31,251,000 to societies. The recovered loans were Rs. 63,335,000 from individuals and Rs. 30,351,000 from societies. Even in this case a large amount was loaned to individual members rather than to societies. See Tables 8 and 9.

Non-Agricultural Cooperative Societies

With the passage of time after 1912, other community members also started cooperatives. Although they were non-agricultural in nature, they were organized in the same way as the agricultural societies.

In 1947-48, there were 3,433 societies in the four provinces of West Pakistan. They had a total membership of 157,000. The Share Capital of these societies came to Rs. 6,871,000. Revenue and other funds came to Rs. 10,212,000 and the Working Capital was recorded as Rs. 24,114,000. Loans were in great demand because of the settlement of refugees all over West Pakistan. Individual loans to members came to Rs. 6,845,000 and to societies Rs. 28,875,000. The individual members repaid the amount of Rs. 8,372,000 and the societies Rs. 27,838,000. See Table 7.

In 1972-73, there were 5,440 non-agricultural societies, with a total membership of 384,000. Their Share Capital amounted to Rs. 19,991,000. Reserves and other funds totaled Rs. 11,444,000. Loans

and deposits held came to Rs. 47,796,000 and the Working Capital was recorded as Rs. 81,030,000. Loans were extended to individual members totaling Rs. 16,398,000 and to societies totaling Rs. 6,172,000. Repayment of these loans was recorded as Rs. 16,590,000 from individuals and Rs. 6,508,000 from societies. See Tables 8 and 9.

Table 10

Kind, number, membership and Working Capital of the Cooperative Societies in the Northwest Frontier Province of Pakistan, 1973.

Kind of Society	Number of Societies	Membership	Working Capital (rupees)
1. Frontier Cooperative Bank Ltd., Peshawar	1	2,255	18,500,000
2. Hazara Central Cooperative Bank Ltd., Abbotabad	1	163	207,000
3. Other Central Credit and Non-Credit Societies	18	3,574	4,100,000
4. Agricultural Societies	2,700	105,283	10,470,000
5. Non-Agricultural Societies	242	10,750	3,587,000
Total	2,962	122,025	36,915,000

Source: Office of the Registrar, Cooperative Societies, Peshawar NWFP Pakistan, 1973.

CHAPTER X

COOPERATIVES IN THE NORTHWEST FRONTIER PROVINCE

After the creation of Pakistan in 1947, the cooperative movement had some setbacks. However, the cooperative societies took an active role in the building of a new nation. Since several trained non-Muslim officials from the cooperative banks left for India, a vacuum was developed, which was filled with people who did not have much experience. These cooperative banks also turned to commercial business, while the agricultural sector was neglected.

During 1973, there were 2,962 cooperative societies with 122,025 members and a Working Capital of Rs. 36,915,000 in the Northwest Frontier Province. Table 10 shows the kind, number, membership and Working Capital of the cooperative societies in the Northwest Frontier Province.

The Frontier Cooperative Bank Ltd., Peshawar

According to the 1966 West Pakistan Banks Ordinance, the function of a cooperative bank is to extend loans to its members, as well as to other cooperative societies. One of the functions of the Frontier Cooperative Bank is transferring funds from one cooperative bank to another. This bank is also considered to be the Apex Bank of the cooperative banks in the Northwest Frontier Province.

The Frontier Cooperative Bank gets its funds from the State Bank of Pakistan, subsidies from the central and provincial governments, deposits from the members and local bodies, investment income, interest on loans and

service charges from members. There are nineteen branches of the Frontier Cooperative Bank in various parts of the province. Most of these branch banks are located at district seats and some are located at sub-district levels (Tehsil). All of the major functions of these branch banks are controlled by the head office at Peshawar. It should be mentioned here that some of the cooperative branch banks in the provinces of Sind and Punjab are run autonomously. Experience has shown that these branches do not perform as well as they could under centralized control. Their financial weaknesses, inefficient staffs and localized control by a few individuals has contributed to their ineffectiveness. However, these branches are under greater check by the Cooperative Department and the State Bank of Pakistan.

Under the Integral Rural Development Program, the Apex banks have already opened three branches and are considering several more. Some branches will be opening shortly in the remote areas of the Northwest Frontier Province, such as Chitral and Dir. The Hazara Central Cooperative Bank, which appears in Table 10, is no longer active. It has been defunct since 1947.

Under the category of other central credit and non-credit societies, there are several different types of societies, such as the Frontier Cooperative Marketing Federation, Ulema Cooperative Association, Sugar Cane Cooperative Sale Association (numbering 8), Cooperative Farm Service Centers (numbering 5), Tube Wells Cooperative Union, Sarhad Cooperative Union and the Fruit Growers Federation.[70]

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[70]Ahmed, A Strategy for Cooperation: A Study of the North-West Frontier Province, p. 17.

Table 11

Credit societies in the North West Frontier Province, Pakistan, 1968-1973.

Name of the Districts	1968-69	1969-70	1970-71	1971-72	1972-73
1. Peshawar	310	309	309	309	307
2. Mardan	280	280	281	279	280
3. Hazara	309	313	313	313	312
4. Kohat	289	288	288	288	288
5. Bannu	238	238	238	238	238
6. Dera Ismail Khan	205	205	206	204	204
7. Swat (new district)	---	---	---	---	---
Total	1,631	6,133	1,635	1,631	1,629

Source: Office of the Registrar, Cooperative Societies, Peshawar NWFP Pakistan.

Agricultural Societies

There were twenty different kinds of agricultural societies in the Northwest Frontier Province in June of 1973. Agricultural societies include societies such as credit societies, consolidation of holdings, stock breeding, better farming societies, multi-purpose societies and all those societies which work for the well being of the rural people.[71] Table 11 shows the different number of cooperative societies over the years.

The non-agricultural societies are those societies which cater to the urban areas and include societies such as Thrift Societies, Urban Credit Societies, Industrial Societies and Housing Societies.

Agriculture Credit Societies are the main societies of the

[71] Ibid.

Table 12

Classification of cooperative credit societies as percentage of total in the Northwest Frontier Province in 1971-72.

Actual Classification	Percentage of Total
A--Viable Societies	0.2%
B--Viable Societies	3.4%
C--Poor Societies	43.0%
D--Defunct Societies	40.6%
New Societies	.2%

Source: Office of Registrar, Cooperative Societies, Peshawar, Northwest Frontier Province, Pakistan, 1973.

cooperative movement in the Northwest Frontier Province. These societies encourage farmers to save and also extend credit to their members. There are about 1,629 such societies with a membership of 35,421 and a Working Capital of Rs. 5,427,000.[72]

Over the past 25 years, the agricultural and non-agricultural credit societies in the Northwest Frontier Province have been increasing in numbers, but their performance is less than satisfactory. Table 12 shows the aggregate performance of these credit societies. In order to guage the performance of each society in the Northwest Frontier Province, the cooperatives' head office has devised a method through which one can see how well a cooperative has done. The performance is broken down into different classifications. A and B are for viable societies, C for poor and D for defunct.

Table 11 shows that the credit societies in the Northwest Frontier

[72] Ibid.

Province declined from 1,631 in 1968 to 1,629 in 1973. The Register of Cooperatives in the NWFP points out that Rs. 1,635,000 in principal and Rs. 426,000 in interest out of Rs. 5,192,000 in principal and Rs. 901,000 in interest were declared bad debt.[73] The bank's financial situation is not healthy and government loans have not been sufficient. The cooperatives have used some tactics such as arm twisting in order to recover the debts, which has resulted in a decline in membership. Also these credit societies have extended themselves very thinly over a large population and loans have been extended to un-family type cooperatives.

Table 13

Consumer Cooperative Stores in NWFP 1968-73

Name of District	1968-69	1969-70	1970-71	1971-72	1972-73
1. Peshawar	15	15	15	16	19
2. Mardan	3	3	3	3	3
3. Hazara	6	7	6	6	6
4. Kohat	4	4	4	4	7
5. Bannu	--	--	--	--	--
6. D. I. Khan	1	1	1	1	1
7. Swat (new district)	--	--	--	--	--
Total	29	30	29	30	36

Source: Office of the Registrar, Cooperative Societies, Peshawar, North-West Frontier Province, Pakistan.

[73] Ibid., p. 99.

Table 14

Accumulated debt liability of Frontier Cooperative Bank and Cooperative Credit Societies in June of 1973.

1. The Frontier Cooperative Bank (payable to State Bank)	Rs. 2,350,000
2. Loans due from Societies to the Frontier Cooperative Bank	Rs. 5,192,000
3. Interest due on loans from societies	Rs. 901,000
4. Loans due from individuals to Frontier Cooperative Bank	Rs. 1,673,000
Total	Rs. 10,116,000
Bad Debts	
i. Societies (in Principal)	Rs. 1,635,000
ii. In Interest	Rs. 426,000
iii. Individuals (including compound interest)	Rs. 1,417,000
Total	Rs. 3,478,000
Grand Total	Rs. 13,594,000

Source: Office of the Registrar, Cooperative Societies, Peshawar, North-West Frontier Province, Pakistan, 1973.

Exhibit 1

THE ADMINISTRATIVE STRUCTURE OF THE FRONTIER COOPERATIVE BANK LIMITED

President -- the Registrar, Cooperative Societies, NWFP.

Board of Directors.

General Manager, Head Office, Peshawar Cantt.

Branches:

1. Peshawar Cantt.
2. Peshawar City
3. Charsadda (Peshawar)
4. Nowshera (Peshawar)
5. Mardan (Mardan)
6. Swabi (Mardan)
7. Haripur (Hazara)
8. Havelian (Hazara)
9. Abbottabad (Hazara)
10. Mansehra (Hazara)
11. Mingora (Swat)
12. Kohat (Kohat)
13. Thall (Kohat)
14. Bannu (Bannu)
15. D. I. Khan (D.I.Khan)

(Opened in July--August, 1973)

16. Charbagh (Swat)
17. Battal (Hazara)
18. Nahaqi (Peshawar)
19. Doaba (Kohat)

(Opening shortly)

20. Dir (Dir)
21. Chitral (Chitral)
22. Kalabat (Hazara)

Source: Akbar S. Ahmed, A Strategy for Cooperation, A Study of NWFP, p. 149.

Exhibit 2

THE COOPERATIVE DEPARTMENT OF THE NWFP

REGISTRAR: (Senior C.S.P. Scale)
Exercises all the powers of Registrar under the Cooperative Societies Act, 1925; registration, inspection, audit and powers of Collector for recoveries of dues of Cooperative Societies.

DEPUTY REGISTRAR: (Scale Rs. 750-75-1500)
Exercises all the powers of the Registrar subject to the control of the Registrar.

ASSISTANT REGISTRARS: 14 (Scale Rs. 350-35-525/40-925)

In Head Office	4:	1. A.R. Administration	2. A.R. Technical	3. A.R. Budget	4. A.R.RRC&AM
In General Line	8:	1. A.R. Hazara	2. A.R. Mardan	3. A.R. Peshawar	4. A.R.Kohat
		5. A.R. Bannu	6. A.R. D.I. Khan	7. A.R. Malakand	8. A.R.Sugar-cane Peshawar

Control and supervise the Cooperative staff of the district; act as drawing and disbursing officers, work as Registrar for Cooperative Societies having share capital of less than Rs. 25,000/-and exercise the powers of Collector for recoveries of cooperatives dues of Cooperative Societies.

Special Auditor 1: Conducts audit of all Cooperative Banks and other big Cooperative institutions.

Principal, Cooperative Training Institute 1: Prepares programme of classes, courses etc. of the Institute and takes training classes.

INSPECTORS: 43(including two Lecturers and one Auditor) Scale Rs. 225-15-300/16-380-20-480

General Line 40: Organize new societies, supervise the work of the Sub-Inspectors; supervise and conduct annual inspection of Cooperative Societies.

Lecturer 2: Help the Principal.

Auditor 1: Helps the Special Auditor in conducting the audits.

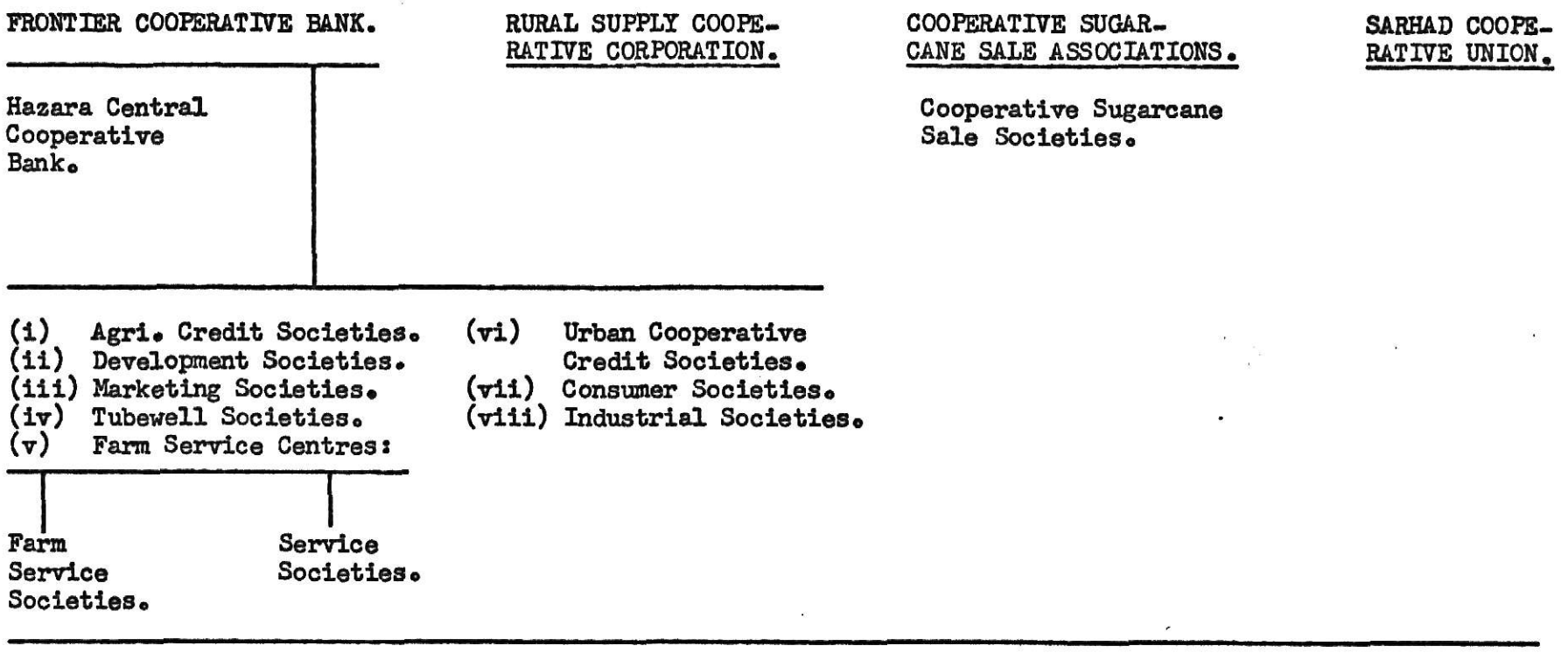
SUB-INSPECTORS: 103 (including Sub-Auditor) Scale Rs. 150-6-180/8-220/10-280
Organization, supervision and audit of Cooperative Societies. Help the Managing Committees, maintenance of record of societies, preparation of Qistbandi, annual statements of Cooperative Societies etc.

Sub-Auditor: Helps the Special Auditor in conducting the audits.

Source: Akbar S. Ahmed, A Strategy for Cooperation, A Study of NWFP, 1973, p. 148.

Exhibit 3

THE ORGANIZATION OF THE COOPERATIVE MOVEMENT IN THE NWFP



Source: Akbar S. Ahmed, A Strategy for Cooperation, A Study of NWFP, 1973, p. 150

Consumer Stores

There were thirty-six cooperative consumer stores in 1973 in the Northwest Frontier Province. Table 13 shows the distribution of these stores. It is noticeable that none of the stores are located in villages or the Tehsil (sub-district) level. The aggregate business of these stores amounts to Rs. 852,000 per year in 1973.

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[74] Ibid.

CHAPTER XI

PROBLEMS AND SUGGESTIONS *

Problems

There are numerous problems which are faced by the Northwest Frontier Province's Cooperatives. The following are some of the problems which the Registrar, Akbar S. Ahmed points out.

Bad debts

By June of 1973, the debt liabilities of the credit cooperatives and the Frontier Cooperative Bank amounted to Rs. 10,116,000 out of which Rs. 3,478,000 were bad debts. These bad debts include the compound rate of interest. The total debt liability amounted to Rs. 13,594,000. See Table 14.

Inefficient management of cooperatives

Exhibits 1, 2 and 3 show in detail the administrative structure of the NWFP cooperative movement. The managerial staff lacks the education and the necessary training in order to be competent personnel in the cooperative movement. Since cooperatives involve significant amounts of business transactions, it seems that the staff of cooperatives should be well trained as business managers, particularly at the primary societies level. It has been brought to the attention of the Pakistan Economic Planning Commission that the officers and the staff of the

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*Most of these problems and suggestions were pointed out by Akbar S. Ahmed, Registrar Cooperative Societies NWFP, Peshawar during a seminar in Peshawar University in the Spring of 1973.

cooperatives are not properly educated in the field of cooperatives, and there is a lack of training in marketing, industrial cooperation, manufacturing and processing (cottage industries in rural areas).

The staff also lacks training in Money and Banking which results in the improper sanctioning of loans with insufficient security. The power of the borrower to repay the loan is not scrutinized properly. The cooperative staff has failed to educate the cooperative members as to their rights and responsibilities in regard to the cooperative movement. The conversion of the Cooperative Training Institute at Peshawar into a college has been under consideration and when it takes place, a well trained and educated staff will be provided to the college in order to train cooperative officials. At present, the above mentioned institute is not well equipped for higher education and training.

Political interference

Although it would be an ideal situation if politicians were not brought into the cooperative movement, unfortunately this is not so. The landlords still have social, economic and political powers in the rural areas, which they exercise occasionally. According to Hamza Alavi:

> Independent peasant proprietors are numerous; the ways in which they are recruited to factions are more complex than simple recruitment of the economically dependent; they are more open to subversion by rival factions' leaders. They are therefore the object of most political activity in the villages.[75]

These independent tenants become the members of the cooperatives on the advice of their landlords and then the landlords manipulate the cooperatives for their own benefit. It is well known that most of the

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[75]Alavi, "The Politics of Dependence: Villages in West Punjab."

cooperative loans are being extended to well-to-do farmers in the villages, although the poor farmers need the financial assistance the most.

Guy Hunter points out that:

> In India and Pakistan the semi-political troubles of Cooperatives loom larger. Thorner quotes instance after instance where a single dominant family have captured the chairmanship of the Panchayat, the Cooperatives, the processing factory and the political branch. Holding so many different threads of influence, they are virtually unassailable.[76]

Since the birth of Pakistan in 1947, politics has played an active role in the primary societies with the blessing of cooperative officials. This activity led to the misapplication of considerable amounts and has created irregularities and self-perpetuation in the cooperatives' offices.

Inter-party struggle

Because of the economic and political powers of certain individuals in the cooperative societies, they become leaders of the associations. Their leadership is not confined to a single society. They lead almost all the different societies. The result is that the members are kept in the dark and are not fully informed about what is taking place in the societies. Eventually, this sharp division between the leadership and the members results in party struggles. The struggles sometimes go very deep and feuds erupt in the villages if efforts are not made to contain them. These struggles obviously retard the progress of the cooperative movement and the members lose their interest in it.

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[76]Guy Hunter, Modernizing Peasant Societies (London: Oxford University Press, 1969), p. 158.

Sudden structural changes

Sudden structural changes must be avoided and discouraged. Long range planning is required to improve the performance of the cooperative movement. Sometimes the decision-making process comes from the top of the cooperatives. This should not be the case at all. The cooperatives are based on democratic principles and should be rooted in the hearts of the members. The members are the ones who should make the decisions with the guidance of the cooperatives' managers. Some experimentation with cooperatives was done when the post of Assistant Registrar was abolished in 1967. When this experiment proved to be unsatisfactory, they were returned to their original form. These sudden changes in the structure of the cooperatives did not seem to benefit the cooperative movement.

Lack of training and orientation

If the cooperative movement is to be solidly based, then it is absolutely essential that cooperative training and education be given vitally needed attention. As was mentioned earlier, the cooperatives in the NWFP lack well trained staffs. There is only one college in Pakistan which offers training in cooperatives. This college is located in Lyallpur, Punjab. It is of paramount importance that the cooperative training institute in Peshawar be upgraded soon and meanwhile, the Rural Academy for Rural Development in Peshawar should take over the training. Education of the members should be undertaken by the field staff of the cooperatives.

General lack of confidence

No institution can discharge its duties with vigor and enthusiasm

unless it is secure in itself. The security of the NWFP cooperatives is tied to the State Bank of Pakistan, the government and the cooperatives themselves.

The State Bank of Pakistan has a special responsibility in the flow of credit to the agricultural sector as it is a Central Bank in Pakistan. The State Bank has opened up a special Agricultural Cell which deals with the agricultural sector. It extends long and short term loans to the Frontier Cooperative Bank at a rate 2 percent below the Bank Rate. Although it has been active in advancing loans to cooperative banks, it has not performed as well as its counterpart in India. The State Bank of Pakistan has not supported the Frontier Cooperative Bank and without its support, the Frontier Cooperative Bank is not a strong financial institution.

The government of Pakistan sponsors and subsidizes the frontier cooperatives, yet some of its actions show that it lacks confidence in the cooperatives. The government has not clearly incorporated the cooperative movement into its schemes for economic planning. The government has not come up with liberal subsidies and large amounts of loans without interest. The government has not allowed the local bodies to deposit their surplus funds in the cooperative banks. It would enhance the people's confidence in the cooperatives if they did.

The attitude of the farmers

There are two basic problems in rural Pakistan. The adoption of modern methods in order to increase productivity has been going slowly. Secondly, because of the social organization of rural Pakistan, it is difficult for the farmers to save and then channel their savings productively.

Such programs as community development, cooperatives and rural extension have been successful to some extent in encouraging the use of more efficient and modern methods of production. The amount of progress, however, depends upon the personalities of the farmers, their education and social status in the village. The availability of land and equipment, the quality of demonstrations and the time involved in adopting new methods have influenced the farmers' decisions as well.

In many agrarian societies and in rural Pakistan in particular, it has been discovered that farmers will work hard in order to obtain more capital for social obligations like religious and cultural rituals. Their savings are very meager and besides these savings, they will borrow more to invest in religious and social events such as weddings, circumcisions, funerals and other social functions. They are willing to go into debt in order to provide dowries for their daughters. The cooperatives could help change the entrenched social patterns.

Some Suggestions

1. Bad debts should be written off through the rural funds provided by the State Bank of Pakistan. Some more funds should be allocated to the Frontier Cooperative Bank for future defaults. Checks should be made on those who receive loans to be sure they are being used for agricultural purposes only. Moreover, repayments or collection of debts should be made at harvest time.

2. Long term loans should be extended only against immobile property.

3. Technical assistance should be provided to the borrower in order to increase productivity.

4. Commercial banks should be encouraged to extend loans readily

against their pass books.

5. The State Bank should take the debt guarantee by 100 percent to commercial banks instead of the present 50 percent.

6. High rates of interest from the State Bank to the Cooperative Banks should be lowered considerably.

7. Small farmers should be financed properly and well in advance, the loans be made prior to the sowing season and seeds provided.

8. The cooperative staff and the officers should be well trained and educated in the field of business management, money and banking and cooperation. The government should approve the upgrading of the Cooperative Training Institute at Peshawar into a college, thereby, providing necessary tools and a highly trained teaching staff.

9. Political interference should be curtailed as much as possible and the members be enlightened of the principles of cooperation. Cooperative societies are no place for political competition. The members must be informed of the details of the happenings in the society. Cooperative officials should be discouraged from performing political activities in the societies.

10. The government should formulate long range planning and incorporate the cooperative movement into their central as well as provincial economic planning. Sudden structural changes should be avoided and discouraged.

11. The attitudes of the farmers toward modern methods should be changed through extensive demonstration of the techniques. Group discussions lead by the extension agent have proven to be very useful. Through the use of visual aids, new methods of production can be encouraged. Thrift should also be encouraged.

12. The new Integrated Rural Development Program should be encouraged throughout the NWFP. We have seen this type of successful experiment in the district of Comilla Thana in the former East Pakistan (now Bangladesh).

It was discovered at Comilla that rural development must not be forced or rushed. Once the farmers were made aware of the benefits of new methods, they willingly adopted them. Akhter Hameed Khan who was a Director of the Comilla Academy for Rural Development, has this to say about crash programs:

> My old eyes have seen many crash programmes. When crisis caused anxiety, the boss demanded a permanent solution from the officers. If the officers hesitated, the democratic boss cajoled, the dictatorial boss blustered. In any case, the underlings understood the steely look. Immediately the highest targets in the shortest time were fixed. If anyone urged realism, he was pushed aside.[77]

He further says:

> Jubilantly the crises was declared dead forever. But like Shelley's cloud, it refused to die. It arose again, 'like a child from a womb, like a ghost from a tomb.' Afterwards the officers complained that, shortchanged on resources and time, they were impossible tasks. They could not move mountains by faith. Crash programming was as specious as suggesting that a good hiker can reach Everest in one day because it is only six miles high.[78]

13. Careful long range planning is the most essential element in the process of agricultural development. The persistent development of land, institutions and skills would bring about favorable result in the long run and bring the country to self-sufficiency. The development of

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[77]Akhter Hameed Khan, Three Essays by Akhter Hameed Khan: Land Reform, Rural Works and the Food Problem in Pakistan, South Asia Series Paper No. 20 (East Lansing, Michigan: Asian Studies Center, Michigan State University, May, 1973), p. 37.

[78]Ibid.

a physical infra-structure in the agricultural sector would eventually bring about a high rate of productivity. The development of roads, drainage, irrigation and an institutional infra-structure would produce cooperation among different kinds of cooperative societies and a respect for self-help. Moreover, there is a surplus of labor available in the rural areas, which could be utilized in a productive manner.[79]

Akhtar Hameed Khan has been advocating long range rural development planning, but was opposed by some politicians in the government. He has had this to say about his experiences:

> Boss Munim Khan told me frankly, 'your ideas are useless because you talk of twenty years. I want self-sufficiency in two years. I will show you how I get it.' Two years later the poor boss was tottering on his throne while the one and a half million ton rice deficit was growing firmly.[80]

14. Movements and ideas would sell if they were promoted through the mass media. Cooperatives in the NWFP have not been receiving as much publicity as they should. People will join the movement if they are made aware of the benefits they would receive from joining. The frontier government has taken steps in this direction already and is putting programs about the cooperatives on radio and television. Since television is fairly new to Pakistan, the government should provide sets to each village, so the populace can watch their programs.

A monthly magazine should be published in the local language. Seminars could be arranged by the cooperative societies for the discussion of the various difficulties they are experiencing.

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[79] Ibid. [80] Ibid., p. 42.

CHAPTER XII

CONCLUSION

Since 1904, when the Cooperative Act was passed, not much has changed on the Indian subcontinent. In Pakistan, the 1965 Act did attempt some reorganization of cooperatives, which was not adequate in respect to today's demands and needs of farmers. There have been some radical changes in the agricultural sector, but cooperatives have not kept pace with recent changes. The lack of trained personnel in regard to marketing, finance and new agricultural techniques has widened the gap between the present and past.

Another problem exists outside the cooperative movement in attitude of the privileged class toward rural people. The system which prevails today in Pakistan, whether rural credit or rural administration, is hostile toward any change. People in control will manipulate matters to suit their own ambitions at the expense of small farmers. If changes take place for the betterment of the common villagers, they will adversely affect the privileged class. According to Akhtar Hameed Khan:

> The money-lenders, the traders, some political leaders, and the corrupt government officers might be hurt by the full-scale development of these models, for their privileged position would be demolished. Usury would be made very difficult; one hundred percent profit from trade would become difficult; and corruption by government officers would become comparatively more difficult if these institutions become very strong and powerful.[81]

The most recent reforms introduced in 1974 in cooperatives in the

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[81] Ibid., p. 32.

NWFP include the issuing of passbooks which show ownership of land and any mortgages and which facilitate the extension of credit from credit institutions. This step is in the forward direction and should be incorporated in all provinces of Pakistan.

It seems that the cooperative societies in Pakistan must educate and produce confidence in the villagers. The inclusion of the cooperative movement in the economic planning of the government and the allocation of more funds for credit to small farmers would bring about satisfactory results in the long run.

Self-sufficiency in agriculture has been the goal of every government since 1947. It could be achieved through a dedicated cooperative movement in the near future. More attention should be paid to the transformation of social values to economic values. Long range plans are needed in order to achieve this goal.

Up until recently, the most stress was put on single purpose societies. Now the emphasis should be shifted to the multipurpose societies in order to attract different people from different sectors of the society, which may in turn create more capital.

The role of women has been neglected for a long time in Pakistani society. The involvement of rural women could be achieved through productive means like rural cooperative cottage industries in the villages.

The cooperatives should propogate the philosophies of self-help and thrift among their members. The cooperatives should be run by the members, along the lines they desire, rather than by a government officer.

With all its faults and problems, the cooperative movement in Pakistan still promises a bright future to millions of small farmers

in the Pakistani villages. The cooperative movement inspires self-help, self-reliance and self-respect among the villagers and a hope for a better life for them and their children. According to the Northwest Frontier Province Registrar of Cooperatives:

> We in the developing countries of South Asia have little time to fight the great battle for poverty. Cooperation is a potent weapon in our arsenal. Let us use it completely, strongly and full.[82]

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[82] Ahmed, A Strategy for Cooperation: A Study of the North-West Frontier Province, p. 130.

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THE COOPERATIVES IN PAKISTAN
A CASE STUDY OF THE NORTH WEST FRONTIER PROVINCE

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AN ABSTRACT OF A MASTER'S REPORT

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MASTER OF SCIENCE

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ABSTRACT

Today Pakistan consists of four provinces, namely Punjab, Sind, North West Frontier Province and Baluchistan. According to the 1972 census, there are about 30,737,400 people living in Pakistan. Since East Pakistan is now Bangladesh, this study will deal mostly with West Pakistan.

Pakistan's economy is basically agricultural and almost 75 percent of its people live in the rural areas and are involved in agriculture in one way or another. Most of the farming in Pakistan would be considered subsistence farming.

Both during and after British rule, the small farmers in India were in debt to the local money lenders. These money lenders, called "Mahajans," extended credit to the farmers at exorbitant rates of interest. Because of the exceptionally high interest rates, many of the farmers lost their land to the Mahajans. According to Mr. Wolf, the farmers were charged interest rates as high as 75 percent, 100 percent, and in one case 1,340 percent. Because of these deplorable conditions, the government of India looked into the matter and finally passed the 1904 Cooperative Credit Bill. This act established the organized cooperative movement in India.

After Pakistan became independent in 1947, the government reorganized the cooperative societies. In 1947-48, there were 15,242 cooperative societies with a total membership of 576,000 people. By 1972-73 the number of these societies had increased to 26,034 and the membership to 1,362,000. Most of these agricultural cooperative societies were

involved in extending credit to their members at low interest rates. Although the amounts extended in credit in the late 1960s were low, they have tended to increase and in 1972-73, Rs. 158,957,000 were advanced to individuals and Rs. 643,556,000 to societies.

In order to facilitate the extension of credit to small farmers, the government of Pakistan established the Agriculture Development Bank of Pakistan and several other institutions in 1957. The development of the agricultural sector has been part of the First, Second, Third and Fourth Five Year Plans.

In the North West Frontier Province in 1973, there were 2,962 cooperative societies with a total membership of 122,025 members and a total Working Capital of Rs. 36,915,000. Out of the total 2,962 societies, 2,700 were agricultural societies with a total membership of 105,283 members and a Working Capital of Rs. 10,470,000. Besides the agricultural cooperative societies, there are other major cooperative societies, such as the Cooperative Marketing Societies, Ulema Cooperative Association, Sugar Cane Cooperative Sales Association, Cooperative Farm Service Centers, Tube Wells Cooperative Union, Sarhad Cooperative Union and the Fruit Growers Federation in the North West Frontier Province.

Some of the functions of the cooperatives in Pakistan include the provision of low interest loans to small farmers, the promotion of the idea of thrift, the education of their members in the modern methods of farming and the marketing of their produce at favorable prices. They also provided the necessary agricultural supplies, built schools, dispensaries, storage facilities and the necessary infrastructure.

There are several problems which confront the cooperatives in

Pakistan. The utilization of credit has not been properly supervised by cooperative officials and the agricultural loans have been spent on personal and non-productive items. Moreover, the recovery of loans from individual members has been difficult. The rate of default has been high in certain regions of Pakistan.

The cooperative officials are not well trained in the field of money, banking and marketing. The credit institutions are not very enthusiastic, as they are suspicious of the small farmers' ability to repay their loans. Therefore, the big landlords get most of the loans, which they do not need in the first place. Timing of the credit to farmers is also a problem. Loans are delayed and the farmers do not get them in time.

It is worth noting that since the Act of 1904, nothing has changed very much in the cooperative movement in Pakistan. Some reorganization has been done by the Pakistani government, but no radical changes have occurred. However, the recent land reforms of 1972 reform the cooperative credit system and allocate more funds to the cooperatives. Hopefully these steps will help improve the social, economic and political positions of the small farmers in Pakistan.