

CHAPTER –II

Cooperative Movement in Pakistan Historical Perspective

2.1. British Period

The cooperative movement was started in British India with the coming into force of the Cooperative Credit Societies Act, 1904. The main objective of this Act was to help small farmers by providing them agricultural credit at low rates of interest on self-help basis. But this could not meet the credit needs of the small farmers. Therefore, in 1912, an All India Cooperative Societies Act was passed to facilitate the organization of secondary level societies in the form of federations of primary societies in order to provide financial and administrative support to primary units. The scope of the cooperative movement was also widened through the Act which also provided for their involvement in activities other than credit.

Later on two committees – one headed by Sir Edward Maclagan in 1914 and the other in 1945 headed by R.G. Saraiya – were appointed to review the position and to suggest a development plan for the movement. The committees respectively recommended for “patient and persistent education of member’s. The movement progressed quite steadily in British India. During the Second World War it was used to distribute food grains and other consumer goods.

2.2. Post-Partition Developments

Although, after the partition many of its management staff migrated to India, the movement came forward and helped the nation in its difficult time. The cooperative movement branched out into diverse fields of commercial activities such as processing of agricultural produce, procurement and distribution of food grains and consumer goods and financing of wholesale and retail trade. But in 1953-54, due to inefficiency in commercial operations and complaints about willful mismanagement, the Government directed that the movement be withdrawn from the

Commercial field and assigned its traditional task of helping the farmer in agricultural production and marketing. In pursuance of this policy, the Punjab Government appointed a Cooperative Inquiry Committee in 1952 to review the position of the Cooperative movement. The committee recommended among other things that the Central Cooperative Bank should gradually withdraw from commercial loaning to individuals and should also exclude individuals from their membership.

This section is based on the following sources:

1. Centre for Administrative Research and Development Studies (CARDS) (1984), Agricultural Cooperative Movement in Pakistan: Perspective, Problems and Plan of Action, Lahore, Pakistan
2. Khan, M.A. (1971), Cooperative Dilemma, West Pakistan Agricultural University, Lyallpur.
3. Khan, M.A. and Khan, D.A. (1971), Cooperative Credit in Perspective: A Case Study of West Pakistan, (Mimeograph), West Pakistan Agricultural University, Lyallpur.

4. Sajidin, M. (1981), "Role of Cooperatives in Agricultural Financing: Pakistan's Experience", in The Institute of Bankers in Pakistan, Agriculture Credit – Pakistan's Experience, Karachi, Pakistan.
5. Punjab Cooperative Union, (1978), Hidayat Bray: Secretarian Anjuman Hayi Imdad Bahmi, Lahore.
6. Application forms for Registration of an Agricultural Cooperative Credit Society.
7. Various circulars of Federal Bank for Cooperatives.

Since the managing committees of the central banks were dominated by traders, who did not understand the purpose of the Government directive for the cooperative movement to withdraw from commercial activities, it took more than a decade to prevent the central banks from giving loans to individuals for trading.

During the late 50's one unit was created, and as a result the cooperative movements in all the four provinces were united. Previously, the structure of the movement was different in Sindh Compared with the Punjab and NWFP, and in Baluchistan it was almost non-existent. Thus the Registrar of One Unit of West Pakistan had to face different sets of laws and regulations. In 1959, the Government of Pakistan appointed a Credit Inquiry Commission, which was headed by Mr. Abdul Qadir, the Governor of the State Bank of Pakistan. One of the recommendations of the Commission was to vest more powers with the Registrar of Cooperative Societies, and to make the cooperative system simple by merging Central Cooperative Banks into a Provincial Cooperative Bank.

Most recommendations of the Commission were implemented, and Cooperatives were given bigger role in helping the farming community. Also, the status of the Registrar was raised as recommended by the Commission. Thus, after this the cooperative movement had not only to channel credit to the farmer, but also to organize the distribution of agricultural inputs such as fertilizer, seed and pesticides and arrange for the marketing of agricultural produce.

In order to help the movement 'in its extensive and more technical role, the Cooperative Development Board was established in 1962 with the purpose of creating the required capacity for development planning and project preparation on the one hand, and of promoting self-management within the movement. The Board was quite successful in implementing several development schemes for agricultural credit supply, marketing and processing.

The Government constituted another committee in 1963 to examine the working of the cooperative movement and to suggest plans for its reorganization and improvement. The committee suggested to change primary cooperative societies into Cooperative Development Societies, whose area of operation was more than a village. The function of these societies was not only to effect disbursement of credit, but they were also supposed to provide banking facilities to their members. Additionally, they could also undertake development work like installation of tube wells and building of officers, god owns, etc. The committee also favoured the idea of secondary associations at tehsil level.

In 1966, the Cooperative Board was abolished. The programmes run by the Board were either abolished or transferred to private businessmen. Moreover, the ordinances issued by the Government in this period gave more powers to the Registrar to recover over dues as arrears of land revenue. Still another ordinance declared the members of Managing Committee to be public servants as defined in the Pakistan Penal Code and they were covered by the anti-corruption laws.

As a result of these ordinances, the autonomy of the movement was curtailed and the control of the bureaucracy increased

The Cooperative Societies Reforms Order, 1972, was issued on 15th March, 1972. The main points of the Order were:

1. No individual would be a member of a Central Banks.
2. No person would be a member of the Managing Committee of a Cooperative Bank for more than two consecutive terms.
3. No trader would be a member of an agricultural credit or marketing society.

In 1976, the Federal Bank of Cooperative (FBC) was established with a share capital of Rs.200 million. The shareholders of this bank were: Federal Government, four provinces of Pakistan and the State Bank of Pakistan. The main purpose of this bank was “to provide credit facilities to the Provincial Cooperative Banks (PCB’s) and regulate their operations”.

After its establishment, the FBC provided increasing amounts to PCB’s and they in turn extended loan able funds to cooperative societies. A crash programme was also introduced to achieve faster growth in cooperative credit. Later on, the Government decided to provide mark-up free loans to small farmers through cooperatives in 1978-79. Initially, the maximum amount of mark-up free loan was fixed equal to Rs.6,000 which was raised to Rs.10,000 for a small farmer having farm size up to 12.50 acres. Moreover, FBC introduced various changes in the system of cooperative credit disbursement as a result of which the system was simplified. In pursuance of these policies, agricultural cooperative credit increase from Rs.95.43 million in 1976-77 to Rs. 1,610.19 million in 1984-85. The number of agricultural credit societies and their membership also increased. Similarly, the Punjab Province also experienced a fast growth in agricultural cooperative credit. The amount of this credit in Punjab was Rs.85.94 million in 1976-77 which rose to Rs.1,495.92 million in 1984-85¹.

¹ Government of Pakistan (1986), Agricultural Statistics of Pakistan – 1984, Ministry of Food, Agriculture and Cooperatives, Islamabad