

Foreword

The Governor, State Bank of Pakistan, constituted a Committee on Rural Finance in July 2001 under the chairmanship of Mr. Jahangir Khan Tareen to address the various problems faced by the rural financial system in the country. In view of the crucial role of rural support programs and cooperative credit in rural finance, the Committee had co-opted Mr. Rashid Bajwa, CEO, NRSP and Mr. Shoukat Hayat Durrani, former Chairman of Federal Bank for Cooperatives, as members of the Committee. The Committee represented an assortment of experienced people with direct and indirect long-term association with agricultural credit, rural financial institutions and general problems of rural finance.

The Committee was given the task of examining the country's existing rural financial system and suggesting a blueprint of reforms aimed at developing a viable, efficient and self-sustaining system that could address the weaknesses and inadequacies of the rural financial system in Pakistan.

The Committee held ten meetings, which were attended by most of the members. In addition to examining the current situation of rural finance, the Committee went into details of demand and supply of rural credit and the need for the required institutional, organizational and administrative changes. In this connection, the Committee met and interviewed various segments of society associated with the delivery of rural financial services. In particular, the Committee and/or its sub-committees met 'Aartis' (commission agents) in the major cities of the country and studied the prevalent market conditions as well as market perception of policies and credit availability. The Committee also met high-ranking officials of commercial and development banks and life insurance companies. The Committee held several meetings with senior officials of the Post Office Department to examine their possible role in mobilizing savings, performing treasury functions and other aspects of payments system in the rural areas.

The conclusions and recommendations of the Committee reflect the unanimous views of its members which emerged from discussions and deliberations on the various aspects of rural finance.