

## Notes and Comments

# Financial-Asset Accumulation by the Noncorporate Private Sector in Pakistan 1959/60 to 1965/66

by

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### INTRODUCTION

A detailed investigation into the sources of domestic saving and its uses by various sectors can provide us with a more complete insight into behaviour with respect to saving, portfolio selection, and the pattern of financial inter-relationship among sectors. The saving(s) of each sector is defined as the excess of its income ( $y$ ) over its expenditure on current consumption ( $c$ ), *i.e.*,  $s = y - c$ . Saving (dissaving) by a sector is equivalent to increase (decrease) in the net worth (NW) of that sector over the previous year. A sector that saves must either acquire financial assets, *i.e.*, money and other financial claims, reduce financial liabilities or acquire real assets. In formal terms,  $s = \Delta \text{ net worth} = \Delta (\text{financial assets} - \text{financial liabilities}) + \Delta \text{ real assets}$ <sup>1</sup> [8]. It is quite clear that saving may be reflected in a change of net financial assets or in a change in real asset; a change in net holdings of financial assets may indicate either saving or a change in holdings of real assets. It is even possible, albeit unusual, that an increase in the level of financial-asset acquisition is associated with a negative saving ( $y < c$ ) by a sector. However, while it does not measure the level of saving by a sector, the net acquisition of financial assets does reflect the extent of transfer of resources (both stock and flow) by the sector to other sectors.

A sectoral analysis of the saving and investment in an economy is usually carried out by dividing the economy into four distinct sectors: private household, business, government, and foreign. In this paper we had to depart from the convention of dividing private household and business (corporate and non-

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<sup>1</sup>For a discussion of the problems of valuation changes, see Section IV of this paper.

corporate) into two distinct sectors for a number of practical limitations. Like other underdeveloped countries, the distinction between household and noncorporate business saving is often indistinct in Pakistan. This characteristic of the economy holds not only for the agricultural sector and the petty business sector but for the relatively organized noncorporate sector as well. This explains why there is a general scarcity of data on saving when these two sectors are identified as distinctly separate sectors.

In this paper we propose to estimate the current pattern of growth of net financial-asset accumulation by the noncorporate private, *i.e.*, private household and noncorporate business, sector in Pakistan. It would have been preferable and more useful if the nonfinancial-asset acquisition by the noncorporate private sector could also be estimated. Unfortunately, we had to limit ourselves to the estimation of only the financial magnitudes primarily because little data are available on investment in real assets in the noncorporate private sector. However, our estimation of the composition of various forms of financial assets establishes an important link between national-income accounts and flow-of-funds analysis. Secondly, it also provides insight into the behavioural pattern of the noncorporate private sector and may be useful in public policy formation. Finally, as mentioned earlier, our computation shows the extent of transfer of resources from the noncorporate private sector to other sectors of the economy.

In their estimation of the noncorporate private saving in Pakistan from 1949 to 1962, S.R. Lewis Jr. and M.I. Khan [1] limited themselves to the acquisition of financial assets and have omitted all real assets *e.g.*, ".....construction of housing, changes in stocks held by individuals ....., real investment by the farmers and by small business in fixed assets....." [1, p. 3]. They neglected the estimation of these nonfinancial assets due to the lack of adequate and reliable data. They admitted that some of these components are important parts of noncorporate private saving and their failure to include these components "may result in serious errors" [1, p. 3]. The sharp fluctuation of financial-asset accumulation by the noncorporate private sector as a percentage of the gross domestic product also suggests that neither the ratio of real-asset to financial-asset acquisition is a stable one nor the magnitude of real-asset acquisition can be relegated to insignificance. According to the estimate by Lewis and Khan, incremental financial-asset accumulation as per cent of gross domestic product did oscillate between 4.0 and 0.8 over the years 1956-62. The financial-asset acquisition by the noncorporate private sector varied roughly between 15 and 65 per cent of gross domestic saving during the same period. We are inclined to believe that saving by the noncorporate private sector is much more stable than what is suggested by such sharp fluctuations. The fluctuations can be meaningfully explained only by recognizing the possibility of sharp variation in the ratio of real assets to financial assets in the portfolio of the noncorporate private sector. It is obvious that because of the omission of real-asset

acquisition their estimate of saving by the noncorporate private sector, besides being an underestimation, raises some conceptual problems in the interpretation of their estimate as saving, as insisted upon by Lewis and Khan.

Lewis and Khan [1] observed that since no estimate of personal disposable income was available it was necessary to look at the balance-sheet changes or use the changes in net-worth method of estimating saving. The balance-sheet items which they employed to estimate noncorporate private saving are:

- a) individual's holding of cash, demand and time deposits,
- b) equity in life insurance funds, equity in pension and provident fund,
- c) holding of postal and other governmental saving accounts,
- d) individual's holding of equities of corporations and cooperatives.

The authors have deducted loans to noncorporate private sector by the commercial banks, cooperatives and other agencies, *e.g.*, the Agricultural Development Bank of Pakistan (ADBP), the House Building Finance Corporation (HBFC), and the Pakistan Refugee Rehabilitation Finance Corporation (PRRFC). The estimates are given on a calendar-year, rather than a financial-year, basis. All their figures are in current prices and there has not been any adjustment for price-level changes.

The detailed analysis by Lewis and Khan of noncorporate private saving in the form of financial assets over the period 1949-62 indicates that a) there is considerable fluctuation in the size of the annual increase in financial-asset holding, b) there is little upward trend, if any, over the entire period. However, there are substantial changes in the composition of the annual increases in financial assets held by the noncorporate private sector.

In this study we have mainly extended the study of Lewis and Khan [1] by estimating the net financial-asset acquisition by the noncorporate private sector over the period 1959/60 to 1965/66 with a slightly different methodology than the one employed by Lewis and Khan. The period covers the entire second-plan period and the last year and the first year of the first plan and the third plan respectively. Being equipped with the data for the period, we are, therefore, in a position to evaluate the contribution of the noncorporate private sector to the Second Five-Year Plan and its expected future behaviour with respect to portfolio selection. Since we consider our present study as a companion paper of Lewis and Khan, we felt it unnecessary to repeat their methodology or analysis in detail. We have, therefore, reported their methodology in a very condensed form in Appendix to this paper to emphasize where and why we deviated from their method of estimation. It should be clearly noted, however, that our interpretation of the results is quite different from the one by Lewis and Khan.

## II. THE HYPOTHESIS

The Second Five-Year Plan of Pakistan was a success in some important directions. Between 1959/60 and 1964/65 the average annual rate of increase in GNP and per capita income was 5.5 and 2.8 respectively. The rate of gross domestic saving as per cent of GNP went up from 8.8 to 12.6 during the same period [6]. In general when the economy grows we expect a shift towards more specialization in saving and investment decision-making, *i.e.*, the *share* of direct investment (acquisition of real assets) in total saving by the noncorporate private sector should have a tendency to decline over time. We would, therefore, expect that during the period covered in our study the rate of increase of transfer of saving<sup>2</sup> from the noncorporate private sector to other sectors, *i.e.*, net financial-asset acquisition, would be greater than the rate of growth of saving by the noncorporate private sector. However, the profitable opportunity for such a shift from the real to the financial assets in the portfolio of the noncorporate private sector was inhibited by low (sometime even negative when the rate of inflation exceeded nominal interest rates on deposits) rates of return on financial assets. The weighted average rate of interest on deposits gradually climbed up from 1.14 per cent to 2.02 per cent from December 1961 to December 1965 [2, p. 94] — the rate was lower during the earlier period. As pointed out by S.A. Meenai, "the deposit rates in Pakistan between January 1959 and August 1965 continued to be governed by a deposit rates agreement amongst banks and failed to move closely in steps with the Bank Rate" [2, p. 95], the observation is equally applicable to the earlier period. On the other hand, the extraordinary amount of private housing construction in the pre-second-plan period, the investment opportunities by the noncorporate private sector, was a substantial outlet to saving [1]. What is more in the pre-second-plan period the investment opportunities by the noncorporate private sector in the profitable real assets were not very few because the economy was on the process of readjusting itself after independence and there was no significant competition from the relatively small corporate sector.

During the second-plan period the boom in the private housing construction subsided as the excess demand for housing had tapered off. There was another factor which probably reinforced the tendency of shift from the real to the financial assets. Greater availability of capital goods and industrial raw materials, due to higher rate of imports during the second-plan period, vastly increased the area of operation of the corporate sector because our licensing system favours capacity creation by the organized corporate sector. It is likely that the corporate sector encroached upon the noncorporate sector in these areas where profitable investment opportunities were the highest<sup>3</sup>. *In these circum-*

<sup>2</sup>The possibility and extent of transfer of savings (stock) is discussed in Section IV of this paper.

<sup>3</sup>Generally speaking, the increase in investment opportunities lagged behind the growth in saving by the noncorporate private sector.

TABLE I

## FINANCIAL-ASSET ACQUISITION BY NONCORPORATE PRIVATE SECTOR IN PAKISTAN

(in million rupees)

		1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66
1. Currency holding and bank deposits	estimate — I S <sub>1</sub>	286.400	147.200	206.100	688.300	890.800	699.600	1,331.200
	estimate — S <sub>2</sub>	239.300	128.000	289.700	709.600	1,042.500	898.500	1,590.500
	estimate — S <sub>3</sub>	179.500	91.400	285.600	522.600	922.500	796.900	1,487.200
2. Postal saving scheme		71,617	63.501	57.369	80.883	103.423	89.097	49.443
3. Provident fund		51.537	51.772	63.921	80.877	59.715	70.038	97.091
4. Life insurance		38.773	47.198	58.573	74.613	86.682	94.129	102.329
5. Corporate share-holding		110.000	186.210	271.463	168.870	170.400	281.700	80.000
6. Cooperative societies		55.880	75.000	160.000	196.136	176.638	191.880	180.800
7. Deductions*		58.829	79.405	88.731	85.896	73.178	73.178	102.540
8. (a) Net assets [est S <sub>1</sub> + (2+3+4+5+6-7)]		553.378	491.476	728.695	1,203.783	1,367.110	1,352.266	1,747.323
(b) Net assets [est S <sub>2</sub> + (2+3+4+5+6-7)]		518.338	472.276	812.295	1,225.083	1,518.810	1,552.166	2,006.623
(c) Net assets [est S <sub>3</sub> + (2+3+4+5+6-7)]		448.538	435.676	808.195	1,038.083	1,398.810	1,450.566	1,903.323
9. (a) Row 8(a) deflated by the CPI		555.378	477.950	683.835	1,128.299	1,236.979	1,157.330	1,436.825
(b) Row 8(b) deflated by the CPI		518.338	459.278	762.289	1,148.240	1,374.240	1,327.431	1,650.047
(c) Row 8(c) deflated by the CPI		448.538	423.809	758.441	972.898	1,319.632	1,240.860	1,564.590
10. (a) Row 8(a) deflated by the GNP deflator		555.378	467.182	699.323	1,128.194	1,297.068	1,220.258	1,511.525
(b) Row 8(b) deflated by the GNP deflator		518.338	448.931	779.553	1,148.156	1,440.996	1,399.608	1,735.833
(c) Row 8(c) deflated by the GNP deflator		448.538	414.140	775.619	971.726	1,327.144	1,261.325	1,646.473

\*Appendix Table A-6.

Source: Appendix A

stances the portfolio selection of the noncorporate private sector was expected to be in favour of financial assets rather than real assets.

### III. COMMENTS ON FINDINGS

Table I shows the change of net financial-asset accumulation by the noncorporate private sector in Pakistan during the years 1959/60 to 1965/66. Under various assumptions, as explained in the Appendix to this paper, we have made three different estimates of the growth of financial-asset acquisition. We have already mentioned that all figures in the paper by Lewis and Khan are in current prices. It is obvious that an increase (decrease) in the rate of financial-asset acquisition by itself may be illusory unless these magnitudes are deflated (inflated) by suitable price indices. Accordingly, we have chosen GNP deflator and Consumer Price Index (CPI) numbers to correct these magnitudes (Table I).

It is clear from Table I that the GNP deflator and the CPI numbers are not much different from one another and our analysis is not sensitive to the choice of the deflator. However, we preferred to use the GNP deflator to better facilitate comparison of financial-asset acquisition by the noncorporate private sector with other magnitudes related to GNP. The trend of growth deflated by the GNP deflator (row 10, Table I) is shown below:

$S_1$	=	272.368 (120.310)	+	177.584 t (26.900)	$R^2$	=	.897
$S_2$	=	179.449 (113.460)	+	221.974 t (25.370)	$R^2$	=	.937
$S_3$	=	143.616 (100.280)	+	208.536 t (22.420)	$R^2$	=	.945

All the trend coefficients are significantly different from zero at 99-per-cent level of confidence. To avoid any possible misunderstanding in interpretation we should mention that 1959/60 is an above-average figure in the Lewis and Khan series. These findings make an interesting contrast with the findings of Lewis and Khan who found that "there seems to be little, if any, upward trend in annual financial-assets accumulation over the entire period" (*i.e.*, between 1949 and 1962 — author) [1, p. 6]. It is quite a remarkable feature that the general trend has been maintained by most of the components of the financial assets. Between the period 1959/60 and 1965/66 (1964/65) the rate of financial-asset acquisition has gone up by 355 (296) per cent according to estimate  $S_3$  which in our opinion is more realistic than estimates  $S_1$  and  $S_2$ . However, it may be easily read from Table I that estimate  $S_1$  and  $S_2$  do not give much different growth rate than estimate  $S_3$ .

Although we have not estimated the magnitude of the real-asset accumulation, yet there are indirect evidences which show that the saving by the non-

corporate private sector has not gone up by 355 per cent over the period 1959/60 to 1965/66. According to a Planning Commission estimate the saving in 1964/65 over 1959/60 has gone up by 366 per cent in the public sector, 83 per cent in the corporate private sector, and only 17.6 per cent in the noncorporate sector [6, p. 7]. It should be noted that our estimation does not conform to the one by the Planning Commission. However, if the Planning Commission estimate for 1959/60 is even an approximation to reality than a 296-per-cent increase in the noncorporate private saving from 1959/60 to 1964/65 implies negative saving by the corporate private sector in 1964/65 because saving by the noncorporate private sector exceeds total private saving in that year. From these indirect evidences it is clear that during the years 1959/60 to 1965/66 the *share* of financial assets to the total saving by the noncorporate private sector has gone up, most likely, substantially. The rate of saving by the noncorporate private sector may have increased substantially over the second-plan period. The rise in the share of financial-asset acquisition in total saving, however, indicates that the rate of increase in profitable investment opportunities in real assets lagged behind that of saving. As we have noted earlier, the acquisition of financial assets by a sector implies transfer of resources to other sectors. It appears that the high growth rate of corporate sector during the second-plan period was financed by the noncorporate sector *at an increasing rate*.

It is noteworthy that during the year 1960/61 the level of net financial-asset acquisition declined as compared to that in 1959/60. It seems that the higher imports during 1960/61 coupled with contractionary monetary policy due to creeping inflation during the last half of the first-plan period were mainly responsible for such a phenomenon. From 1960/61 onwards the level of net financial-asset acquisition by the noncorporate private sector has gone up at a very fast rate. Our findings for the second-plan period contrast the observation by Lewis and Khan for the period 1949 to 1962 that there was little upward trend in the level of financial-asset acquisition by the noncorporate private sector.

One of the interesting features of our findings is that the ratio of currency and bank deposits to the net financial-asset acquisition continued to be high—it varied from about 50 per cent to 75 per cent. Economic growth during the second-plan period and the expansion of the monetized segment of the economy have undoubtedly increased the transaction demand for money. It seems, however, that low returns on direct investments and other forms of financial assets were also an important causative factor in this direction. The impediments to the expansion and stabilization of the stock market and other capital markets do not appear to be the supply of funds but factors governing profitability, liquidity, knowledge, *etc.*

From the trend in bank deposits (Table II) it may be seen that the growth

of time deposits has been considerably higher than demand deposits. Factors which have strengthened the trend have been discussed in detail in [2].

TABLE II  
BANK DEPOSITS IN PAKISTAN

(in million rupees)

Period	Demand deposit	Time deposit	Total
End-June 1959	1,869.6	753.4	2,623.0
„ 1960	1,997.1	946.0	2,943.1
„ 1961	1,990.7	1,227.5	3,218.2
„ 1962	2,190.1	1,507.1	3,697.2
„ 1963	2,779.8	1,935.2	4,715.0
„ 1964	3,274.0	2,432.1	5,706.1
„ 1965	3,655.1	3,227.7	6,882.8
„ 1966	3,949.4	4,038.6	7,988.0

Source: [2].

It may be noticed in Table I that during 1960/61 and 1961/62 there was a significant shift in favour of bank deposits from currency. One of the reasons may be that Tax Amnesty Scheme (1959) gave an incentive to convert hoarded currency into time deposits. Moreover, the transfer of a part of the United States counterpart funds from the State Bank to the American Banks in Pakistan during 1960-62 might have some influence in increasing the time deposits. The significant reversal in favour of currency in 1965/66 may be partly due to large withdrawals from the banks during the outbreak of hostilities between India and Pakistan in September 1965. The deficit financing by the government sector during this period also accounts for such a shift. The steady growth in life insurance may be explained by the rising urban income. The various forms of tax concessions were also an incentive to buy insurance. However, in spite of the rising trend of life fund the total insurance still covers much less than 1 per cent of the population<sup>4</sup>.

<sup>4</sup>Total number of policies as on 31st December, 1964 was 341,101 [5].



#### IV. LIMITATIONS OF THE STUDY

In Introduction we have mentioned the equivalent of saving and changes in net worth. The use of such a formulation in an empirical work may be erroneous because there may be changes in net worth due to valuation changes independent of saving, *e.g.*, the price of financial assets may change with changes in interest rates and other factors. This particular problem, however, could not introduce any significant bias in our estimation. In the computation of incremental corporate share-holding, where such a valuation problem could have led us into this type of error, we have used the *flow* figures rather than incremental net worth.

A serious indictment against this paper may be that in estimating the incremental portfolio selection by the noncorporate private sector, we have failed to distinguish between financial-asset acquisition out of current saving (flow) and savings (stock). We have mentioned earlier that financial assets could be increased by decreasing the stocks of real assets held by a sector. Due to our method of estimation the sale of corporate shares by the noncorporate private sector to other sectors and purchase of any financial assets out of the sales proceeds also creates a false impression that financial-asset acquisition has gone up. It is, therefore, absolutely necessary to examine the importance of sale of real assets, corporate share or gold by the noncorporate private sectors to other sectors.

In discussing the sale of real assets, the transformation of certain segment of the noncorporate sector into the corporate sector should be distinguished from actual sale of real assets by the noncorporate private sector to other sectors. While the sale of real assets by the noncorporate private sector to the corporate sector probably is not significant, it may be significant with respect to the government sector. With the increasing level of expenditure on social overheads and urban development schemes by the government and other development agencies, there was some compensation payment to the noncorporate private sector for the acquisition of land and other assets. It appears that the sale of corporate shares by the noncorporate private sector to the other sectors is insignificant. The acquisition of gold by the noncorporate private sector has, however, increased over time. There is a vast inflow of private gold into West Pakistan from the Middle Eastern countries through illegal channels, and the government often expresses its anxiety over it. On the other hand, restriction of gold movement from West Pakistan to East Pakistan keeps the price level of gold high in the East Pakistan and has considerably dampened the incentive to smuggle gold out of East Pakistan to India. Since it is very difficult at this stage to conclude which side of the balance is heavier we have assumed that the difference between compensation payments to the noncorporate private sector and private acquisition of gold is not substantial to affect our conclusion significantly.

A further limitation of the study is imposed by a set of assumptions by Lewis and Khan in their estimation of accumulation of currency and bank deposits. The authors assumed that *all* incremental currency in circulation and 39 per cent of the incremental demand and time deposits are saving by the noncorporate private sector in the form of these assets. As their assumptions seemed to be too vulnerable we have also estimated the magnitude of changes of these assets under various alternative and more realistic assumptions.

In this study we have tried to include all the relevant components of financial-asset acquisition by the noncorporate private sector. There are a number of items which we could not include, although reluctantly, due to lack of data — published or unpublished. The items which could not be included in this study are provident fund of the corporate sector (both private and public), deposits in the nonscheduled banks, private holding of National Investment Trust units, deposits with the Industrial Development Bank of Pakistan and other industrial banks, *etc*<sup>5</sup>. In this respect we have definitely underestimated the magnitude of financial-asset acquisition. We only hope that the magnitude of the omitted items is not substantial.

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<sup>5</sup>For an excellent description of the Pakistan banking system, see [2].

## Appendix

### BACKGROUND DATA FOR ESTIMATING FINANCIAL-ASSET ACQUISITION BY NONCORPORATE PRIVATE SECTOR IN PAKISTAN: 1959/60 to 1965/66

In this appendix we discuss the sources of our final data and the method of estimating the net financial-asset acquisition for the period 1959/60 to 1965/66. As we have mentioned earlier, the objective of this paper was to enquire into the current pattern of growth of financial-asset acquisition by the noncorporate private sector in Pakistan. It is, therefore, quite natural that except for a few changes here and there the method of collection of data in this paper is essentially based on the article by Lewis and Khan [1].

One of the interesting departures from Lewis and Khan that we have made in this paper is to compute saving on financial-year basis rather than on calendar-year basis. This has an advantage of giving a comparable picture of the noncorporate financial-asset acquisition with other forms of saving. We have mentioned earlier that the study was based on the "changes in earned surplus" concept of saving. To examine the level and composition of financial-asset acquisition by the noncorporate private sector, we had to look through the balance-sheet of other sectors which are available in one form or the other. The particular items included in this paper are: currency holding, demand and time deposits, postal savings, provident funds of government employees — central and provincial, individual equity in life insurance, cooperative societies and holding of share in joint stock companies.

#### **Currency Holding**

The source of data is State Bank *Bulletins* from 1959 to 1966 [7]. To estimate saving in the form of currency by the noncorporate private sector, we assumed in our estimate I, following the arguments by Lewis and Khan, that the corporate and the government sector kept a constant amount of cash for day-to-day transaction over the period, *i.e.*, currency holding by noncorporate private sector =  $\Delta$  currency in circulation. The validity of the assumption may be questioned on good grounds but since we tried to stick to the assumptions of Lewis and Khan as much as possible we retained this assumption. It is quite clear that Lewis and Khan have overestimated the saving because with gradual expansion of the public sector and corporate business their holding of cash could not possibly remain at a constant level. To overcome these shortcomings we have assumed in estimate II, that 75 per cent of the incremental

currency in circulation is saving in the form of currency. Considering the gradual monetization of the economy and an observed high preference for cash over other financial assets, 50 per cent would probably be an underestimation in this respect. The estimates are given in Appendix Table A-1.

#### **Bank Deposits**

Bank deposits include demand and time deposits. The source of data again is State Bank *Bulletin* from 1959 to 1966 [7]. Following Lewis and Khan, 39 per cent of the changes in time and demand deposits have been taken as noncorporate private saving in the form of bank deposits in our estimate I. As mentioned by Lewis and Khan, individual deposits in banks remained constant around 39 per cent during the recent period.

Data published by the State Bank of Pakistan for the recent years show distribution of deposits among foreign, government and business sectors together with deposits by Trust Funds and individuals. We have found that for the more recent years, the share of individual deposits varied between 33 to 42 per cent but when deposits by the business sector are added to it there is considerable stability in the share of individual-cum-business deposits to the total deposits. Estimate II is based on the assumption that 50 per cent of the incremental business deposits and all the incremental individual and Trust Fund deposits are saving by the noncorporate private sector in the form of bank deposits.

In our judgment, a more realistic estimate would be based on the assumption that the deposits in and borrowings from the banks by the noncorporate business cancel each other. It may be noted that estimate III which is based on such an assumption resembles the estimates by Lewis and Khan. The estimates are given in Appendix.

Finally, we have combined estimate I of both the currency holding and the bank deposits and called it estimate  $S_1$  in row 1 of Table I. Similarly, estimate II of the currency holding has been combined with estimates II and III of the bank deposits and is termed estimate  $S_2$  and  $S_3$  respectively in row 1 of Table I.

#### **Life Insurance**

The data for life insurance funds are available only on a calendar-year basis. We have used moving-average method to convert the data from calendar-year to financial-year basis. The life insurance data include foreign and Pakistani life insurance companies and postal life insurance. The source of data on life insurance fund is the *Pakistan Insurance Year Book, 1966* [5].

#### **Postal Savings**

The source of data for postal savings is *CSO Monthly Statistical Bulletin, July 1967* [3]. The items included are:

- 1) *Deposits in and withdrawals from:*
  - a) Saving bank
  - b) Defence saving bank
- 2) *Issue and Discharge of:*
  - a) Cash certificates
  - b) Defence Savings Certificates
  - c) National Savings Certificates
  - d) Pakistan Defence Savings Certificates
  - e) Pakistan Savings Certificates
  - f) National Development Savings Certificates

To arrive at net balance for each year, withdrawals and discharges are subtracted from the total deposits during that year. The estimate is shown in Appendix Table A-2.

#### **Provident Fund**

Total contribution by the central and provincial governments employees plus interest payments minus withdrawals and disbursements has been taken to be the saving in the form of provident fund by the government employees. Although there is provision for contributory provident fund in most private and semi-government organisations, we had little choice but to omit this part due to lack of data. The source of data was budgets of the central and provincial governments for the relevant years.

#### **Cooperative Societies**

The cooperative societies include primary cooperative societies and the central and provincial cooperative banks. The main source of data for cooperative societies is the *Pakistan Statistical Year Book* [4] published by the Central Statistical Office. The Central Statistical Office and the Departments of Agriculture of the provincial governments were also very helpful in the collection of data. The saving by the cooperative societies is computed by taking changes over the year in share capital plus loans and deposits held by the individuals minus advances, net or repayments. The details of the estimate are shown in Appendix Table A-3.

#### **Individual Share Holdings of Joint Stock Companies**

The "capital invited at Karachi Stock Exchange", as estimated by the Planning Commission in the evaluation of Second Five-Year Plan for various years, has been the basis for our estimation. We have assumed that out of total capital invited in the country roughly 40 per cent flows through Karachi Stock

Exchange. During the first-plan period about 50 per cent of the total "individual share holdings" were issued through the Karachi Stock Exchange. Considering the emphasis on deconcentration of industrial location during the second-plan period, our assumption may not be unrealistic. The detail of the estimate is presented in Appendix Table A-4.

#### Dissaving

In this note, we have made deduction for loan taken by individuals from the government, the House Building Finance Corporation (HBFC), the Pakistan Refugees Rehabilitation Finance Corporation (PRRFC), and the Agricultural Development Bank of Pakistan (ADBP). The details of the estimates are shown in Appendix Tables A-5 and A-6.

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## APPENDIX TABLE A-1

## CURRENCY HOLDINGS AND BANK DEPOSITS BY THE NONCORPORATE PRIVATE SECTOR IN PAKISTAN

*(in million rupees)*

	1958/59	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66
1. Currency in circulation	3,645.0	3,815.0	3,846.1	3,865.4	4,157.2	4,661.1	4,902.1	5,802.0
2. $\Delta$ currency in circulation		170.0	31.1	19.3	291.8	503.9	241.0	899.9
3. 75 per cent of row 2		127.5	23.4	14.4	218.8	377.9	180.7	674.7
4. Demand deposits	1,869.6	1,997.1	1,990.7	2,190.1	2,779.8	3,274.0	3,655.1	3,949.4
5. Time deposits	753.6	923.4	1,227.5	1,507.1	1,935.2	2,432.1	3,227.0	4,038.6
6. Total: (rows 4 + 5)	2,622.0	2,920.5	3,218.2	3,697.2	4,714.0	5,706.1	6,882.1	7,988.0
7. $\Delta$ In row 6		298.5	297.7	479.0	1,016.8	992.1	1,176.0	1,105.9
8. 39 per cent of row 7		116.4	116.1	186.8	396.5	386.9	458.6	431.3
9. Alternative estimate II		111.8	104.6	275.3	490.8	664.6	789.8	915.8
10. Alternative estimate III		52.0	68.0	271.2	303.8	544.6	616.2	812.5
11. Total: (rows 2 + 8) — S <sub>1</sub>		286.4	147.2	206.1	688.3	890.8	699.6	1,331.2
12. Total: (rows 3 + 10) — S <sub>2</sub>		239.3	128.0	289.7	709.6	1,042.5	998.5	1,590.5
13. Total: (rows 3 + 9) — S <sub>3</sub>		179.5	91.4	285.6	522.6	922.5	796.5	1,487.2

Source: [7].

**APPENDIX TABLE A-2**  
**INDIVIDUALS' SAVING THROUGH POSTAL SAVING SCHEMES IN PAKISTAN**

(in thousand rupees)

Forms of savings	Deposits/Withdrawals	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66
Saving Bank	(1) Deposits	313,966	343,182	349,987	382,369	418,644	413,463	393,570
	(2) Withdrawals	308,101	342,258	349,630	356,072	384,721	384,093	390,639
Defence Saving Bank	(3) Withdrawals	—	1	93	11	—	—	—
Cash Certificates	(4) Discharged	221	163	101	72	29	77	36
Defence Savings Certificates	(5) Discharged	15	11	9	5	4	7	4
National Savings Certificates	(6) Discharged	3,020	4,853	3,508	474	257	226	79
Pakistan Defence Savings Certificates	(7) Discharged	2,622	1,298	490	117	79	85	48
Pakistan Savings Certificates	(8) Discharged	16,438	15,287	14,059	14,778	11,899	14,349	21,790
National Development Savings Certificates	(9) Issued	93,089	99,194	98,552	99,421	113,082	113,173	120,604
	(10) Discharged	8,052	18,706	23,250	29,319	31,314	38,702	52,135
Saving [rows (1+9)—(2+3+4+5+6+7+8+10)]		71,617	63,501	57,369	80,883	103,423	89,097	49,443

Source: [3].



APPENDIX TABLE A-3

INDIVIDUALS' SAVING THROUGH COOPERATIVE SOCIETIES IN PAKISTAN

(in thousand rupees)

HEADS	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66
1) Share capital	9,70,00.0	10,90,00.0	12,40,00.0	12,94,00.0	14,59,92.0	16,61,43.0 (T)	18,26,30.0 (T)
2) Loans and deposits held	66,40,00.0	81,30,00.0	91,70,00.0	111,26,40.0	121,45,23.0	134,42,52.0 (T)	147,76,45.0 (T)
3) Total: (Row 1+2)	76,10,00.0	92,20,00.0	104,10,00.0	124,20,40.0	136,05,15.0	151,03,95.0 (e)	166,02,75.0 (e)
4) Change in row 3	14,98,80.0 (P)	16,10,00.0	11,90,00.0	20,10,40.0	11,84,75.0	14,98,80.0 (P)	14,98,00.0 (P)
5) Loans advanced to individuals	35,50,00.0	46,40,00.0	40,80,00.0	59,13,51.0	36,42,24.0	43,60,00.0 (a)	43,50,00.0 (a)
6) Loans advanced to societies	47,50,00.0	55,40,00.0	32,30,00.0	30,85,53.0 (d)	33,38,03.0 (d)	32,00,00.0 (d)	35,00,00.0 (d)
7) Loans repaid by individuals	30,40,00.0	41,60,00.0	40,20,00.0	37,40,00.0 (x)	37,40,00.0 (x)	35,40,00.0 (x)	37,40,00.0 (x)
8) Loans repaid by societies	43,20,00.0	51,60,00.0	37,00,00.0	52,10,00.0	38,21,90.0	44,40,00.0	44,40,00.0 (a)
9) Savings: (Rows 4+7+8—5—6)	5,58,80.0	7,50,00.0	16,00,00.0	19,61,36.0	17,66,38.0	19,18,80.0	18,08,00.0

Source: Cooperative Statistics from the Agriculture Departments of the Governments of East and West Pakistan. [4, p. 179]

Notes: Statistical data on cooperative societies of Pakistan are very much inadequate. Therefore any estimate on the basis of what is available is bound to be rather unsatisfactory. However, if any improvement is made in future, it will be adequately reflected in our future compilation. Precisely, the estimates given for the years 1963/64 to 1965/66 may not be very much far from the reality.

Estimates: P = Average 1960/61 — 1963/64 for which latest data were available.

T = Assuming that share capital constitutes about 11.5 per cent of estimates in Column (3). 11.5 has been the average percentage of row 1 to row 3 for 1959/60 to 1963/64.

d = Estimated on the basis of the trend of the last few years for which information was available. The figures are more or less arbitrary and are justified by the performance of the agriculture sector. It is assumed that during the good crop years, i.e., 1962/63 to 1964/65 there were less loans advanced to societies and at the same time more were recovered.

x = Average of Column (7) for the year 1959/60 to 1961/62.

e = Estimate on the basis of x.

## APPENDIX TABLE A-4

### INVESTMENT IN JOINT STOCK COMPANIES

(in million rupees)

Year	Capital invited at Karachi Stock Exchange	Investment by insurance com- panies in shares and stocks	Investment by commercial bank in shares and stocks	Cols. (2)+(3)	Net investment in joint stock companies at Karachi Col. (1) — (4)	Total* investment in joint stock companies' shares
1959/60	45.000	0.320	0.676	0.996	44.004	110.000
1960/61	75.000	0.420	0.093	0.513	74.487	186.210
1961/62	110.000	1.300	0.115	1.415	108.585	271.463
1962/63	71.000	0.700	0.752	3.452	67.548	168.870
1963/64	77.000	3.800	5.040	8.840	68.160	170.400
1964/65	121.000	4.500	3.760	8.260	112.740	281.700
1965/66	48.700	5.500	7.650	13.150	35.550	89.000

\*Assuming that out of total capital invited, the Karachi Stock Exchange represents 40 per cent. This is realistic in view of the fact that during the second-plan period more and more industrial activities were diversified towards the less-developed regions.

## APPENDIX TABLE A-5

## DISSAVING OF INDIVIDUALS IN PAKISTAN (REVISED ESTIMATE)

(in thousand rupees)

Sources of dissaving	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66
1) Loans from the govt. during the year	4,79,13.3	4,86,82.0	4,38,30.0	4,71,93.0	6,42,35.0	1,88,50.0	2,17,55.8
2) Loans from the govt. repaid during the year	1,75,95.0	2,46,97.0	2,47,65.0	1,91,27.0	2,58,02.0	2,27,91.0	1,57,50.0
3) Net Loans (row 1—2)	3,03,18.0	2,39,85.0	1,90,65.0	2,80,66.0	3,84,33.0	39,41.0	60,05.8
4) Total outstanding loans of ADBP during the year	9,19,04.1	13,69,08.8	19,50,97.2	23,41,56.0	28,30,10.0	32,26,35.9	35,96,97.8
5) $\Delta$ in row (4)	2,05,00.0	4,50,04.7	5,81,88.4	3,90,58.8	4,88,54.0	3,96,25.9	3,70,61.9
6) Total outstanding loans from HBFC	5,56,65.0	6,41,61.0	7,49,46.0	9,30,92.0	12,62,85.0	16,35,61.0	22,28,16.0
7) Total outstanding loans from PRRFC	1,10,40.0	1,29,60.0	1,36,53.0	1,42,79.0	1,43,47.0	1,45,65.0	1,47,83.0
8) Total of (rows 6 + 7)	6,67,05.0	7,71,21.0	8,85,99.0	10,73,71.0	14,06,32.0	17,81,26.0	23,75,99.0
9) $\Delta$ in row 8	1,80,11.0	1,04,16.0	1,14,78.0	1,87,72.0	3,32,61.0	3,74,94.0	5,94,73.0
10) Total dissaving (rows 3+5+9)	5,88,29.3	7,94,05.7	8,87,31.4	8,58,96.8	12,05,48.0	7,31,78.9	10,25,40.7

Source: Rows 1 and 2 from Budgets of the Governments of East and West Pakistan for the years 1959/60 to 1966/67.

**APPENDIX TABLE A-6**

**LOANS AND ADVANCES BY PROVINCIAL GOVERNMENTS (REVISED ESTIMATE)**

*(in thousand rupees)*

HEADS	1959/60		1960/61		1961/62		
	Advances	Repayment	Advances	Repayment	Advances	Repayment	
1) Advances to cultivators	{ East Pakistan	1,40,00.0	40,00.0	2,09,00.0	50,00.0	2,50,00.0	50,00.0
	{ West Pakistan	3,07,33.3	58,46.0	2,23,67.0	1,66,99.0	1,50,00.0	1,00,45.0
2) Advances under special laws	{ East Pakistan	—	—	—	—	—	—
	{ West Pakistan	—	—	—	—	—	—
3) Loans to govt. servants:							
a) House bldg. loans	{ East Pakistan	50,00.0	5,00.0	9,00.0	4,06.0	6,00.0	5,00.0
	{ West Pakistan	—	—	—	—	—	—
b) Advances for purchase of motor conveyance	{ East Pakistan	1,80.0	1,80.0	7,50.0	3,00.0	6,00.0	2,50.0
	{ West Pakistan	—	—	—	—	—	—
c) Advances for purchase of other conveyance	{ East Pakistan	20.0	20.0	1,00.0	75.0	1,00.0	75.0
	{ West Pakistan	—	—	—	—	—	—
d) Special advances	{ East Pakistan	20.0	7,64.0	11,35.0	2,17.0	—	5,50.0
	{ West Pakistan	—	—	—	—	—	—
e) Other advances	{ East Pakistan	—	—	—	—	—	—
	{ West Pakistan	—	—	—	—	—	—
Total loans to govt. servants W. Pak.		24,60.0	62,85.0	25,30.0	90,26.0	25,30.0	83,45.0
<b>GRAND TOTAL:</b>		4,79,13.3	1,75,95.0	4,86,97.0	2,46,97.0	4,38,30.0	2,47,65.0

*(Contd.)*

APPENDIX TABLE A-6 — (Contd.)

(in thousand rupees)

		1962/63		1963/64		1964/65		1965/66	
		Advances	Repayment	Advances	Repayment	Advances	Repayment	Advances	Repayment
1) Advances to cultivators	{ East Pakistan	3,01,00.0	8,50.0	4,00,00.0	75,50.0	—	60,50.0	—	80,50.0
	{ West Pakistan	1,00,00.0	96,30.0	1,30,00.0	1,06,20.0	1,30,00.0	81,35.0	1,15,40.0	79,65.0
2) Advances under special laws	{ East Pakistan	—	—	—	—	—	—	—	—
	{ West Pakistan	—	—	—	—	—	—	—	—
3) Loans to govt. servants:									
a) House bldg. loans	{ East Pakistan	15,00.0	5,00.0	17,00.0	8,00.0	20,00.0	9,00.0	18,30.0	10,00.0
	{ West Pakistan	—	—	—	—	—	—	—	—
b) Advances for purchase of motor conveyance	{ East Pakistan	5,75.0	4,40.0	5,00.0	4,85.0	7,50.0	5,20.0	5,31.0	5,00.0
	{ West Pakistan	—	—	—	—	—	—	—	—
c) Advances of purchase of other conveyance	{ East Pakistan	1,75.0	1,00.0	1,75.0	1,80.0	1,75.0	2,00.0	1,28.0	2,00.0
	{ West Pakistan	—	—	—	—	—	—	—	—
d) Special advances	{ East Pakistan	—	—	13,95.0	3,25.0	—	—	—	—
	{ West Pakistan	—	—	—	—	—	—	—	—
e) Other advances	{ East Pakistan	—	19,68.0	—	—	—	10,70.0	31,80.0	60,00.0
	{ West Pakistan	—	—	—	—	—	—	—	—
Total loans to govt. servants W. Pak.		48,43.0	56,39.0	74,65.0	58,42.0	29,25.0	59,16.0	45,46.3	17,46.1
<b>GRAND TOTAL:</b>		<b>4,71,93.0</b>	<b>1,91,27.0</b>	<b>6,42,35.0</b>	<b>2,58,02.0</b>	<b>1,88,50.0</b>	<b>2,27,91.0</b>	<b>2,17,55.8</b>	<b>1,57,50.0</b>

(e) Budget Estimate.

- Sources: 1. Explanatory memorandum on the budget for the years 1959/60 to 1965/66 of the Government of East Pakistan.  
 2. West Pakistan Budget, 1959/60 to 1965/66.  
 3. Budget in Brief 1966-67.