Chapter VII

THE DEVELOPMENT OF SMALL SCALE AND VILLAGE/COTTAGE INDUSTRIES AND RURAL CONSTRUCTION WITH REFERENCE TO KHUZESTAN

In 1909, the Anglo-Persian oil Company (APOC) was formed in the South with foreign assistance in technology, management, capital and even foreign labour force. The firm became one of the most largest in Iran; while in other parts of the country, even in the area near to oil establishment, production methods were primary in nature. The industrial development policy of Iran before the Second World War was to encourage the production of consumer goods including textile and sugar. Though secondary, the aim was also to establish capital industries such as cement, brick and steel, etc.

During the Second Development Plan (1956-62), small scale industries could not grow, though these could obviously help in tiding over the economic crisis by providing consumer goods and by increasing the distribution of purchasing power in the long term.

During the Third Development Plan (1963-68) the place of small scale industries was given due recognition, and some measures were taken to improve their working.
The Fourth Development Plan (1968-73) designated the first industrial estate at Ahvaz while three other such estates were proposed to be established at (1) Tabriz, where machine tool complex has been coming up, (2) Rasht where electrical equipment unit was being established and (3) Mashhad, where a traditional centre for sugar and textile was being set up. The estate at Tabriz could be developed into ancillary estate for making the components required by the large complexes. A survey has been underway for a few more estates to be established at Shiraz, Kerman, Yazd, Esfahan, and Tehran.

The Fourth Plan also stressed at providing additional employment. The Plan, therefore, approved of industrial credit for the purchase of machinery, industrial management of services and market surveys for new projects.

The Fifth Development Plan (1973-78) stressed at coordination between large scale and small scale industries. The programme and policies relating to small scale industries were proposed as follows:

(1) Survey of small scale industries to help/identify their complementarity with other industries.

(2) To provide technical and training consultancy and advisory services.

(3) To grant loans and credit facilities on easy terms to about 10,000 small scale industrial units.

(4) Establishing separate offices in specialised industrial and commercial banks for facilitating the disbursement of loans and financial assistance to small units.
(5) To encourage public enterprises to purchase goods produced by small industries.

(6) Functioning of contracting centre between small scale and large scale industries.

(7) To facilitate the establishment of small industries, provision of suitable infrastructural facilities were also proposed.

After the Islamic Revolution the authorities sent a team to prepare a report of available raw materials etc., to help facilitate economic development in Kerman, Ilam and East Azarbaijan provinces. The Government also sent a team to West Azarbaijan, Zanjan, Sistan Baluchestan and Mazandaran to prepare a plan to develop industrial estates at these places.

The Organisation of Small Scale Industries prepared a list which will give reference to small scale industries in the direction of achieving industrial independence of the country. However, during 1980-81, "in order to encourage private sector investment in small scale industries, as well as to provide the newly graduated jobless people with employment, the Government created 'Centres for Expansion of Production and Development Services'. By the end of 1980-81, 708 small industrial units in various fields of production were established. The banking system provided Rls. 11.5 billion in credits to these new units".¹

(1983-88) envisages to develop rural industries. The Plan also calls for a comprehensive study to increase the export of carpets and handicrafts during the period. It is estimated that the total value and share and value of carpets and handicrafts would be Rls. 90.1 billion ($1.04 billion approximately), and 17.1 per cent respectively.

Definition of Small Scale Industries

Small scale industry has been defined in many countries subject to the requirement and ideology of the country concerned. Each country adopted a working definition of small enterprises. In Iran, small scale industry could be defined as group of industries which produce products and industrial services, including factories, establishments of manufactures, urban establishments or rural industries.¹

The small scale industry in the Second Development Plan (1956-62) was recognised as that establishment employing 15 to 20 persons. The Third Development Plan (1963-67) approved for more development of this sector and two criteria were employed in defining a small enterprise. The two criteria are: (1) total investment should not exceed more than Rls. 4.0 million ($52,798 approx.), and (2) they must employ not more than 100 persons.

In 1968, the Council of Organisation for Small Scale Industrial Estates, adopted other criteria for identifying small industries. ¹ Small Scale and Cottage Industries are often further classified into 'Rural' and 'Urban' industries.
scale industries. There are four criteria in the definition of small scale industries:

1. Ownership and management must be 100 per cent Iranian,
2. The total investment (fixed capital) made in terms of plant and machinery must not exceed Rls. 5 million ($66,000),
3. Total number of persons engaged should not be more than 50,
4. The products should not be artistic in nature.

It was provided further that investment on land and building must not exceed more than 25 per cent of the total capital. This in effect means that any expansion will be limited to the same premises.

However, till 1962 industrial establishments were divided according to the number of employees: 1-10 persons, 11-50 persons, 51-200 persons, 201-500 persons, and 501 and more. In 1962 the industrial establishments were divided into two categories:

1. Small scale industries, which employed not more than 10 persons, and
2. Large scale industries which employed more than 10 persons.

However, the researcher feels that units absorbing less than 50 employees should be placed under the category of small scale industries.

The small scale industries could also be classified as:

(1) Artisan workshops, and (2) Industrial Home Works. Artisan workshops are those which engaged more than 10 persons, while Industrial Home Works are those which engage less than 10 persons.

In other countries we find only two criteria in the definition of small scale industries: The two criteria being: (1) Total investment made in Plants and machinery, and (2) The size of employment. "In total investment in the enterprises in terms of land and building did not exceed TK 2.5 million in Bangladesh, 1,00,000 Peso in Philippines, HK$ 2,00,000 in Hong Kong, and Rs. 1.0 million in India." While in term of employment, in South Korea 5 employees are the minimum to be employed in a small scale unit. In Philippines the size of employment is from 5 to 99 employees.

In the United States of America the industries which employ 250 persons, are known as small scale industries, and those employing more than 1,000 persons are known as large scale industries.

Small Scale Industries in the Iranian Economy

In Iran small scale and cottage industries provide new opportunities leading to industrialisation. Now we can consider

1 The Industrial Homework is either establishment in house or close to it.
factors impeding the growth of these industries:

(1) **Limitation of market**

The trend of market expansion is not so as to encourage large establishments, because national market is subject to national income and also the pattern of its distribution. Whenever the level of national income depresses and the distribution is unequal, the market remains small in size. When the level of income is low, people opt first for essential goods like food, clothes and medicine, etc. The households are leading to the expansion of industrial activities. It is only the rich class which is in a position to save.

(2) **Lack of Capital**

Iran as in case of other developing countries, had to start with a low availability of capital. When the national income compared to other developed countries has been low, the savings too have been less. In 1973, in spite of substantial growth rate in national income and rise in per capita income, there have been an absence of a well-organised money market and a proper capital market. As against this the private sector was more interested in investing their money in foreign collaborations. The small scale industries which could help boost economic activities leading to higher employment, income and output, remained starving of capital.
After the Islamic Revolution most of the joint venture industries were nationalised, and private sector seems to involve more and more in small scale industries.

(3) **Lack of technical and skillful managers**

In its primary stage of industrial development, Iran was woefully short of technical and managerial manpower. Iran also has been facing a scarcity of skilled workers.

(4) **Adjustability**

The large establishments always make errors which prove costly. For example, in forecasting demand and supply, degree of market absorption, and also miscalculation as regards industrial location, may often go wrong, meaning a lot of unproductive expanses. Whereas in small scale industries such mistakes could be avoided or, easily adjusted.

However, development of small scale industries will generate employment for both the urban and rural areas. Moreover, the small scale industries ensure an equitable distribution of economic activities between the regions. As such small scale industries could play a vital role in economic resurgence of Iran and also contribute to the generation of her national income.

The dispersal of small scale industries in the different
regions, often prevents the migration of unskilled and semi-skilled workers from the rural area and large cities, which often suffer with many maladies such as congestion and housing problems, etc.

Problems

Some of the problems being faced by Iran's small scale sector may be mentioned as under:

(1) **Workshop sites** - The lack of proper location and layout discourage the staff and causes frustration and insedirity.

(2) **Machinery and tools** - Some of the tools and machinery which are used by small scale industrial houses in Iran are too old and outdated. After 1963 the owners tried to purchase new machinery and tools suitable for their work but looking to the needs of modernisation and renovation, much more was required to be done by channelising heavy doses of investment and special assistance.

(3) **Raw materials** - Often the raw material is not of good quality and cannot be delivered in time. This results in a declining production and increase in prices of the commodities.

(4) **Mending and Nursery** - This is also a most important factor for production, because to keep the machinery in proper form for production, it is essential that repair workshops must extend a helping hand at reasonable price and without delays.

(5) **Human resources** - The Iranian workers face problems due to
lack of facilities for technical training, necessary tools, and unfavourable conditions of work, and such other limitations. These lacunae, in fact, persist in most of the less developed economies. Very little was done in the past to provide necessary technical and managerial training to the small scale entrepreneurs and managers scattered throughout Iran.

**Industrial Homework**

'Industrial Homeworks' undertake those manufacturing activities which are performed by the artisans producing goods and services in their own homes or a place close to their homes, with the help of family members or employees. These activities are helpful in providing jobs especially to poor homes and agriculturists. The peasants can be busy with the production of goods and services. This sector besides being labour-intensive requires lesser investment and, may work with a lower technological base.

The most important product of 'Iranian Industrial Homework' is carpet which accounts for more than 63.3 per cent of the total production by this sub-sector. The carpet producing units are scattered in most parts of Iran including Central Province, Esfahan, Char Mahal Bakhtiyari, East Azarbaijan, Kerman, Khorrasan, Fars and Hormuzgan provinces.

After the carpet industry, next is weaving and spinning
(cotton, silk and woollen) which occupies more than 11.7 per cent of the total production under the 'Industrial Homeworks'.

The food industry with 8.6 per cent and weaving and tailoring with 6.4 per cent follow the two above mentioned industries.

The Rural Industries in Iran

The rural industries¹ in Iran completely resemble with the 'Industrial Homework', and occupy about 6 per cent of the total value added by industry and mining sector. The most important products of this industry include:

<table>
<thead>
<tr>
<th>Product</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carpet and Galim*</td>
<td>71.2</td>
</tr>
<tr>
<td>Food</td>
<td>7.9</td>
</tr>
<tr>
<td>Clothing</td>
<td>6.5</td>
</tr>
<tr>
<td>Wood industry</td>
<td>6.4</td>
</tr>
<tr>
<td>Others</td>
<td>8.0</td>
</tr>
</tbody>
</table>

* A short napped coarse carpet.

Handicrafts in Iran

Handicrafts have been traditionally important in the Iranian economy. This industry turns out about Rls. 6 billion ($ 80 million) worth of output, and provides employment to nearly

¹ Known also as village industries.
6,00,000 persons. Iran is known all the world over for her fine crafts work, including carpet, jewellery, silver work, fur, and rugs and leather products, miniature inlay work, silk, pottery and ceramics, embroidery, glass work, stone work, handlooms, blue beads, papier machie, metal work and wood carving etc.

Iranian handicrafts' major problem areas include: (1) marketing and supplies of raw material, (2) quality and design of products, and (3) increased competition from organised large scale industries, etc. These problems brought a decline in the quality of handicrafts. In 1965, the National Centre for Handicrafts in Iran was set up which was governed by the Ministry of Economy. This organisation was designated (i) to improve the welfare of people engaged in the handicrafts, and (ii) to remove the problems which have been retarding the growth of this sub-sector of the Iranian economy.

* * * * *

The industrial workshops providing facilities to the weaving, clothing and food manufacturing activities are scattered all over the country. According to Industrial Statistics Reports for the Iranian year 1342 (March 21, 1963 to March 20, 1964), more than 60 per cent of industrial workers and industrial workshops were engaged in the weaving, clothing and food manufacturing activities. The industrial workshops mainly concentrate on furnitures, mobel\(^1\) and basic metallic output activities.

\(^1\) Furniture pieces include sofas, etc.
which employ more than 90 per cent of the total industrial workshop workers.

From the foregoing account, we can infer that Iran like all other less-developed countries, has been lacking industrial thrust mainly due to the absence of a home base for her large scale manufacturing industries, though there exist ample human and non-human resources. The transnational 'Foreign Enclaves' in Iran in her oil, gas, petro-chemicals and large scale industries, were looking to the development of the type they desired. This by and large failed to 'Iranize' economic activities. The phenomenon has been described in Chapters VIII.

Most of the miscellaneous industries like gold smithing, watch making, stationery making, radio and air-cooler repairing, etc., are undertaken in units termed as industrial workshops (small scale). But, with the development of steel mill plant at Esfahan, and Ahvaz, most of the basic metallic workshops could be transformed into major industries of Iran. The industrial development in Japan indicates that the wide diversity both in the nature and stage of development of the small scale industry render it capable of turning out sophisticated consumer goods and capital goods. Iran can also make use of her resources, both human and non-human to help generate and vitalise such manufacturing industries.

However, during 1962-63 out of total industrial establishments numbering 97,492 units, 94,660 were industrial workshops
(small scale), while in 1966-67 their number reached to 1,08,920 units out of 1,12,482 units.\textsuperscript{1} The total value of goods and services produced by the industrial workshops was estimated at 43.2 per cent during 1963-64. This declined to 21.9 per cent by 1966-67, indicating a share of 29.5 per cent in the total value of goods and services. The growth rate of industrial workshops during 1963-67 was only 11.2 per cent, while the corresponding figure for industrial establishment stood at 91.4 per cent.

According to recent Census of population (1976) out of nearly 3,29,808 industrial establishments, involved in the process of production, 5,432 were large industrial establishments and 3,24,376 were small scale units or Industrial Workshops. Out of 3,24,376 industrial establishments, 1,73,408 units were located in rural areas. During 1976-77, about 1 million persons were reported to be involved in the different sub-sectors of industries: about 44,000 in large scale industries, more than 3,33,000 in the urban industrial workshops and 2,69,000 in the rural industrial workshops.\textsuperscript{2} During the same period, the total value added was Rls. 387 billion (about $ 5.49 billion), out of which Rls. 298.9 billion (about $ 4.23 billion), i.e., about 77.2 per cent was the share of large scale establishment,


\textsuperscript{2} Etalaat, Tehran, Iran, March 1, 1982, p.11 (Persian).
ESTABLISHMENT (in thousands) in Iran in 1976-77
STATEWISE DISTRIBUTION OF SMALL SCALE INDUSTRY

IN RURAL AREAS

1976-77
Rls. 78.7 billion (about $1.11 billion), i.e., 20.3 per cent of the urban industrial workshops (small scale industry), and Rls. 9.4 billion (about $133.0 million) or near about 2.5 per cent of the rural industries. A comparative study of these three groups would reveal that the comparative value added by large industrial establishments was 121 per cent more than that of the urban industrial workshops, and 822 per cent more than that of the rural industrial workshops.¹

Thus, it may be inferred that the due help and assistance to these units was not provided in the past leaving them to grow slowly as regards their contribution to the Iranian national income.

During the 9 months of 1980-81, about 125 items were selected for production in industrial workshops (small scale industries).

The carpet industry

The Persian carpet industry enjoying a high reputation, occupies a high position, producing about 20 per cent of the non-oil exports. The Persian carpet industry depends on fine raw material including cotton, wool, silk and colour. The carpet industry is mainly concentrated in Central province, East Azerbaijan, Esfahan, Charmahal, Bakhtiyari, Khorrasan, Kerman, Fars.

¹ Etallat, Tehran, Iran, March 1, 1982, op.cit., p.10 (Persian).
Hamadan and Bandar-e-Turkaman. However, hand-made carpet industry which involves a great deal by farmers are being sold to dealers and exporters and are responsible for yielding additional income to the Iranian peasants. In addition to woollen carpets, tribal herds also manufacture their own kind of traditional carpets which are known as 'namadas'. The tribal people often have their own designs and colour. Their output is usually sold or bartered. The main regions producing these could be named Yazd, Kerman and Esfahan. Wool washing and combing are done in six factories: Qom (three), Esfahan (two) and Karan (one). At Mashhad and Arak, the Iran Company under the supervision of the Iranian Carpet Society, operates dye factories. At Karaj there is also a wool-processing plant. The Company has set up cooperatives for carpet weavers in the rural areas of the country.

The total value of carpet export has been given below:

Table 1

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of exports</th>
<th>Million $</th>
<th>Billion Rls.*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972-73</td>
<td>90.6</td>
<td>6.86</td>
<td></td>
</tr>
<tr>
<td>1973-74</td>
<td>108.0</td>
<td>8.18</td>
<td></td>
</tr>
<tr>
<td>1974-75</td>
<td>119.1</td>
<td>9.02</td>
<td></td>
</tr>
<tr>
<td>1975-76</td>
<td>105.6</td>
<td>8.00</td>
<td></td>
</tr>
<tr>
<td>1976-77</td>
<td>94.5</td>
<td>6.64</td>
<td></td>
</tr>
<tr>
<td>1977-78</td>
<td>114.5</td>
<td>8.07</td>
<td></td>
</tr>
</tbody>
</table>

* Calculated by the researcher.

Source: Bank Markazi Iran, Annual Report and Balance Sheet, 1979, p.152.
The data quoted above simply indicate the total value of carpet exports. The average percentage change from 1973-74 to 1977-78 was estimated at 9.8 per cent, while the carpets also show a percentage share change in the total non-oil exports. Their share in the total non-oil exports stand at 20.6 per cent during 1972-73, and at 21.0 per cent during 1977-78.

Silk and woolen industry is next in line after the carpet industry. The most important centres for hand-weaving are: Yazd, Azarbaijan, Khorrasan, Khuzestan, Gilan, Kerman and Esfahan. Kerman woollen fabrics' workshops produce beautiful shawls. Iran's silk industry is mostly concentrated in Yazd. In Yazd about 12,000 persons are engaged in this industry. In Khorasan, the hand-made woollen cloth is woven and used for quilt covers. In Gilan region, bed-spreads are made, while in Kerman and Esfahan golden brocades and cotton cloth, are made respectively. In Khuzestan, different kinds of cotton fabrics are produced.

However, about 45,000 hands are engaged in cloth weaving. Hand-woven cloth is produced for the domestic market, as well as for the international market. It is estimated that a total of 62,000 handloom units exist in Iran, out of which 36 per cent are located in the Yazd region, 16 per cent in Khorasan region, and 9 per cent in the Azarbaijan region. The rest are scattered all over the country.

Metal industry is one of the most ancient industries in Iran. The units are located at Zanjan and Karand, producing knives at
Bourojard. Dezful units produce Warsaw silver. The country is also known for her turquoise jewellery. Turquoise used to be explored at Neishapur. More than 7,000 kilograms are explored annually which is sent to Mashhad for cutting and selling into the market.

Esfahan is well known for silversmithy. The products are sold in the domestic as well as international markets. The silversmithy industry is localised at Shiraz, Tabriz, Tehran, Zanjan and Esfahan. The goldsmithy trade flourishes at Esfahan and Tehran. In Khuzestan province, at Abadan, Ahvaz and Khorramshahr, a tribe known as 'Soubei' is engaged in silver and goldsmithy.

At Zanjan more than 50 establishments are involved in making copper plates. Miniature and enamel works are done at Esfahan and more than 70 per cent of the products are exported to foreign countries.

Light cotton summer shoes (giveh) are produced at Abadan, Yazd, Khorasan, Bourojerd, Dezful and other cities of the country. Bakhtaran produces nearly 1,80,000 pairs per year. Pot making and stone plates making are mainly undertaken at Mashhad, Esfahan and Hamadan. Different products such as flower-pots, stands for candle sticks, dish and fruit bowls, etc., are produced from stones. At Hamadan there are some 200 pottery workers, carving fine pottery.
The glazed tiles and earthenwares units are scattered in different parts of Iran including Hamadan, Shahreza, Natanz, Esfahan, Tehran, Estahbanat, Mashhad, and Mazandran region. The products of Hamadan and Estahbanat are superior in quality than those produced in other cities of Iran. However, at Esfahan, Shiraz and Mashhad several glazed tiles manufacturing units are operating. Esfahan glazed tiles are very famous and are used for historical places and mosques. The Esfahan glazed tiles are also exported to the neighbouring countries such as Turkey and Pakistan, and Gulf countries, etc.

Towards Industrial Development:
Rural Re-construction in Iran

The Iranian economy has been predominately based on agriculture, followed by production of oil. Iran also exported agricultural products to the international market. During 1970s the Iranian economy was mainly dependent on oil production and exports. The share of oil production and the share of agriculture in the GNP have been analysed in the previous Chapter.

However, oil even this day continues to contribute near about 98 per cent of the total value of exports, while the remainder goes to agriculture and other traditional industries. This obviously speaks itself for a weak industrial base and structural imbalances in Iran.
Iran during 1970s became a major importer of agricultural products and the economy continued to depend on oil production and exports.

As discussed earlier, most of the population is living in Iran's rural areas. The Iranian population is estimated to increase from 39.32 million in 1981 to about 53 million by 1992, while 31 million will be settled in the urban area, 22 million will be in the rural area. Thus, we may expect a total increase of about 13 million in population. The rural population was expected to increase from the estimated 18 million to about 20 million by the mid-1980s. "Agriculture remains the major sector in terms of labour force employing some 33 per cent of the working population by late 1970s but contributing only 16 per cent to the GNP."\(^1\)

Till 1962, about 70 per cent land was in the hands of big landlords, who were few in number. These landlords, who lived mainly in Tehran, owned about 60 per cent of the total cultivable area. In January 1963, the first phase of the so-called land reform began. By 1971, the land reform was officially completed and about 2.3 million farmer families were affected by this agrarian reform. A large number of rural workers were made landless who moved to urban areas in search of employment. Migration of these workers accounted for 80 per cent of the decline in

the agricultural labour force during the period 1956-1966. The primary objectives were to (1) create an economic motivation for improvement in production, (2) to bring wealth and income distribution in the rural sector, and (3) to create middle class which the government began to use as political base. After the land reform the main problem was how to fill the financial and managerial gap created by the disappearance of the landlords. The new pattern was adopted to create 2.5 million small families, with an average ownership of 2.8 hectares. This policy increased the efficiency of new owner cultivator and brought an improvement in their standard of living.

However, there have been some problems which are briefly mentioned below:

1. Scarcity of water,
2. lack of fertiliser products, and
3. lack of machinery and equipment, etc.

To solve these problems, major steps were taken by the Government along with the implementation of land reforms including the establishment of:

1. Rural cooperative societies,*
2. agri-business,
3. farm corporation, and
4. production cooperatives

1. Rural Cooperative Societies

The rural cooperative societies were established at the start of the land reform. The aims of these rural cooperative

* After the Islamic Revolution, the Government is encouraging Rural Cooperative Societies and other organisations stopped functioning in Iran.
societies were stated to include (1) provision of credit facilities, because cooperative were partially set up as a channel, for supply of credit. The credit was alloted at a relatively low rate of interest. To provide more facilities, the Agricultural Credit Bank was converted into Agricultural Cooperative Bank, (2) Construction of warehouses in different parts of the country for storing and distributing consumer goods, agricultural inputs, and agricultural products, and (3) to saving the farmers from the unfair dealings with the middleman. Farmers used to sell their surplus production in the major wholesale markets and purchase their necessities from cooperatives.

In 1972, there were about 8,600 cooperatives which were established to cover 2 to 4 villages. The average membership stood at 200. The policy was to appoint the Managing Director from among the residents of the villages. This policy avoided competition and brought mutual understanding among the peasants.

At the end of Fourth Development Plan (1968-73) there were 12 rural cooperative unions. Their membership increased from 5,985 to 7,961 while the capital rose from Rls. 280 million (about $3.69 million to Rls. 1.6 billion (about 21.11 million). These unions were located at the cities (sharestan). Each union covered an average membership of about 60 cooperatives.

In 1973, with a view to efficiency a plan was made to amalgamate three to four societies to form a single society (the plan

1 Bank Markazi, Iran, Annual Report and Balance sheet, Tehran, Iran, 1973, p.68.
also envisaged extending cooperative facilities to the areas which were not hitherto served.

During the Fifth Development Plan (1973-78), about 208 rural cooperative societies were created. The total number of rural cooperatives reached to 2,925 units. The membership of rural cooperative societies increased to 9,18,000. During 1978-79, 17 new rural cooperative societies were formed, while their total membership increased by 39,000 persons. The total number of rural cooperative societies also increased, reaching to 2,942 during the period.

The Central Organisation for Rural Cooperation (CORC) operated with its offices both at the provinces (Ostan) and cities (Sharestan). A high school graduate with nine months extra training from Karaj and Shiraz Universities was appointed to effectively supervise for two to three villages. However, before the establishment of rural cooperatives, the continuing lack of finance pressed the farmers to rely on private sources and also their landlords (Malik). The peasants had to sell their crops as part of the loan agreements; thus, falling victims of exploitation.

2. Agri-business

In 1968, a law was enacted to help tackle the problem of water scarcity and soil management. The law empowered the Ministry

1 Bank Markazi Iran, Economic Report and Balance Sheet, Tehran, Iran, 1978, p.34 (Persian).

2 Sometimes known as agro-industries. It has also been used to include meat and dairy complexes and large scale processing units.
of Energy to establish agro-industry companies. The government invited foreign companies and granted them 30 years' concession to make the maximum utilization of water resources in the cultivation of land. The companies from the United States of America and United Kingdom, with sufficient finance and technical assistance arrived to develop the land for intensive mechanised farming. The whole programme was under the supervision of the Ministry of Agriculture and National Resources.

However, the land using facilities provided by dams or groups of wells was known as 'Agricultural Poles Development'. These poles covered a very wide field including fish and poultry farming, fruit and vegetable production and processing, oilseeds production and processing, production of seeds and flowers, and food industries. The areas of Farz, Kurdestan, Lorestan and Azarbaijan, were selected as major poles for rural development.

The Islamic Revolution is giving boost to Rural Cooperatives as well. The table 2 indicates the total Union and Rural Cooperative Societies. The figures given in the table indicate that during 1976-77, the number of unions was 150; while during 1981-82 it reached to 160. The number of Rural Cooperative Societies increased from 2,886 during 1976-77 to 3,032 by 1981-82.
### Table 2

**UNION AND RURAL COOPERATIVE SOCIETIES DURING 1976-77 TO 1981-82**

<table>
<thead>
<tr>
<th>Year</th>
<th>UNION</th>
<th>COOPERATIVE FIRMS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Capital (Rls. M)</td>
</tr>
<tr>
<td>1976-77</td>
<td>150</td>
<td>3,221</td>
</tr>
<tr>
<td>1977-78</td>
<td>152</td>
<td>3,665</td>
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<tr>
<td>1978-79</td>
<td>153</td>
<td>4,010</td>
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<tr>
<td>1979-80</td>
<td>155</td>
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<tr>
<td>1980-81</td>
<td>158</td>
<td>4,405</td>
</tr>
<tr>
<td>1981-82</td>
<td>160</td>
<td>4,368</td>
</tr>
</tbody>
</table>


3. **Farm Corporations**

The third model is farm corporation which is based on amalgamation of small farms with a view to (i) improve management, (ii) maximise use of farm machinery, (iii) introduction of scientific methods of agriculture, (iv) increase in water supply, (v) expansion of the cultivated area, and (vi) improvement of marketing operations.

In February 1968, a law for the formation of farm corporations was approved by the Parliament (Majlis). In 1972, the number of Corporations was 27 units covering 164 villages and 1,05,848 hectares of land, out of which 37,801 hectares were under cultivation. There were 9,170 shareholders.¹ The policy intended to

¹ Decade of the Revolution (1963-1973), Resurrection of a Nation: A Miracle of Leadership, Echo Print, Tehran, Iran, p.22.
establish a total of 143 Corporations. The Corporations were designed to pool small and fragmented holdings for efficient use of agricultural inputs -- water, pesticides, and machinery -- to increase the yield and output, and to prevent further fragmentation. Consequently, they were established first in areas of small subsistence farming, so that the government could render an integrated service for increasing production.

The Farm Corporations have been functioning as Joint Stock Companies. The Corporations used farmers' lands against payment. The amount of share to be paid to the peasants was measured on the basis of the value of land. However, farmers were required to participate by renting and even by selling their land to those farmers who were interested to join the Corporations. Membership was opened only to those peasants who got land through the land reforms.

It may be noted that a Farm Corporation could be established when a majority of peasants were willing to join the Corporation. The Industries Corporations and Farm Corporations have been functioning both similar to each other as regard their operation and management. But, farm corporations' managers, technicians and accountants were being recruited by the Government. The Government also financed the irrigation drainage, roads, building and other village infrastructure. It also provided facilities for technical training. Similarly, soft loans were provided for investment in mechanisation, construction of warehouses, machinery
shed, housing and current operational expenses on the basis of approved annual plan.

During the Fifth Development Plan (1973-78), the number of Farm Corporations reached to 93 units; while the Plan designated for 143 units.¹

4. **Production Cooperatives**

Established in 1972, Production Cooperatives have been a new experiment in Iran. The objectives of Production Cooperatives were to (i) consolidate the gains of land reforms, (ii) to develop agriculture, and (iii) to increase the welfare of farmers. Though these Production Cooperatives resembled to Farm Cooperations, yet their mode of functioning have been primarily different.

In February 1971, the Production Law was approved² by the Government and the first Production Cooperatives was established in 1972. Production Cooperatives undertook to joint establishment of irrigation facilities, adoption of communal cropping pattern, joint cultivation, and marketing, etc.

The Fifth Development Plan (1973-78) envisaged formation of 60 Production Cooperatives. However, only 39 units could be formed. These Production Cooperatives emphasised on the initiative of individual farmers where each member could use his land according to the

² The main purpose of the Production Cooperative Law was to provide an alternative to the Farm Cooperation in large scale agricultural production.
'Manifesto of Production Cooperatives'. The land in this case remained in the ownership of the farmers, while in Farm Corporations, the area was operated under one unit, and farmers received no dividends or wages. Though the net income was divided among the shareholders. But in Production Cooperatives the gross production from individual farmers continued to belong to the respective farmers. In 1975, there were 24 Production Cooperatives which covered 126 villages and farm units consisting of about 37,000 hectares. As mentioned earlier, a total of 60 Production Cooperatives were designated during the Fifth Plan.

However, on the eve of the Islamic Revolution the Rural Cooperative Societies and Unions. Joint Farm Corporations and Production Cooperatives stood as given in Table 3.

Agricultural Development Policy

In June 1975, a Law, known as 'The Law of Agricultural Development in Agricultural Zones' or 'Agricultural Development in Agricultural Poles' was passed which provided some momentum to agricultural development, though Iran continued to be a food importing nation. These authorities were to prepare an integrated rural development programme to provide all infrastructural facilities and all agricultural and technical services with the help of the Farm Corporations, and Production Cooperatives. According
| **RURAL COOPERATIVE SOCIETIES, UNIONS, JOINT FARM CORPORATIONS**  
| **AND PRODUCTION COOPERATIVES**  
| **(1974-75 - 1978-79)**  
| **Type** | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | **Percent changes**  
| | | | | | | **1977-78** | **1978-79**  
| **Rural Cooperative Societies** | | | | | | |  
| Number | 2,847 | 2,858 | 2,886 | 2,925 | 2,942 | 1.4 | 0.6  
| Membership (Thousand persons) | 2,488 | 2,685 | 2,668 | 2,983 | 3,022 | 4.0 | 1.3  
| Capital (Rls. million) | 4,678 | 5,690 | 6,962 | 8,385 | 9,353 | 20.0 | 11.6  
| **Joint Farm Corporations** | | | | | | |  
| No. of corporations | 65 | 85 | 89 | 93 | 92 | 4.5 | 1.1  
| No. of Shareholders | 22,778 | 32,506 | 33,663 | 35,444 | - | 5.3 | -  
| Capital (Rls.) | 992 | 1,381 | 1,420 | 1,515 | - | 6.7 | -  
| **Rural Production Cooperatives** | | | | | | |  
| No. of Cooperatives | 24 | 34 | 39 | 39 | - | 11.4 | -  

**Source:** Ministry of Agriculture and Rural Affairs, Central Organisation of Rural Cooperatives, Organisation of Joint Farm Corporation and Rural Production Cooperatives. Bank Markazi Iran, Annual Report and Balance Sheet, 1979, p.106.
to this Law, three Ministries were involved in the legal and executive power, including (i) Ministry of Agriculture, (ii) Ministry of Cooperatives and Rural Affairs, and (iii) the Ministry of Energy. The Ministry of Energy would prepare plans for irrigation like canals, and the Ministries of Agriculture and Cooperation and Rural Affairs, would prepare plans for consolidating and reallocating farm land in each pole, while in the Centre an Agricultural Development Council consisting of four ministers would coordinate and supervise regional plans and programmes. This policy would enable farmers either in the form of Farm Corporations, and Production Cooperatives, and to help organise themselves on other farms with not less than 20 hectares. If lesser than this, they would be required sell their lands to the Government. This policy also arrived at creating farming units of the agrobusiness.

However, in 1975, the average farmer was living on about 2.8 hectares of land. This could not provide a fair standard of living, even with the highest level of technology and management assuming 60 per cent of the income of the rural population to be earned from the farm activities. While by 1992 it is estimated that a minimum average ownership of 12 hectares would be needed to achieve a rural per capita income comparable to that of the urban population.¹

The Development of rural area could not be separated from the development of agriculture. There are certain factors to fill the gap between rural area and urban area which can be described here briefly: (i) Modernisation of agriculture, (ii) development of small towns known as 'agriculture towns', and (iii) preventing migration from rural areas to urban areas.

To raise the standard of living and to reduce the gap between the two sections, Iran needed heavy investment and proper planning. Here the planned achievements and future policy are described below.

The Third Development Plan (1963-68) was designated to bring an annual 4 per cent increase in agricultural production which is 22 per cent over the five year period of the Plan. The Plan also envisaged raising the standard of living of the Iranian farmers, and to bring more equitable distribution of agricultural income. The Plan approved Rls. 47,949 billion (about $ 632.90 million), the rural development receiving Rls. 4,933 billion (about $ 65.11 million). However, the result of Third Development Plan indicated that the rural area with 62 per cent of the population, did not have significant gains compared to that of urban area.

During the Fourth National Development Plan (1968-72), the main objectives for the rural development included extension of

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social justice and equal distribution of wealth among the farmers, a raising of the living standards facilitating family life and granting of technical and financial assistance to villagers.

Table 4 indicates the distribution of developmental credit, contributed by the public sector and the village community itself.

Table 4

DEVELOPMENTAL CREDITS FOR RURAL DEVELOPMENT AND RENOVATION 1968-73 (Rls. Million)

<table>
<thead>
<tr>
<th>Project</th>
<th>From Development credit</th>
<th>Contribution of village</th>
<th>Total</th>
<th>% age*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of potable water</td>
<td>3,500</td>
<td>1,475</td>
<td>4,975</td>
<td>37.09</td>
</tr>
<tr>
<td>Rural Health Facilities</td>
<td>3,300</td>
<td>1,540</td>
<td>4,840</td>
<td>36.08</td>
</tr>
<tr>
<td>Environmental sanitation and rural housing</td>
<td>1,300</td>
<td>1,300</td>
<td>2,600</td>
<td>19.38</td>
</tr>
<tr>
<td>Construction of model houses and housing loans</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
<td>7.45</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>9,100</strong></td>
<td><strong>4,315</strong></td>
<td><strong>13,415</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

* Calculated by the researcher.


The data given above indicate that Rls. 13,415 million (about $177.07 million) were allocated for Rural Development. Out of this amount Rls. 4,975 million ($65.67 million or 37.09
percent went for the provision of potable water, Rls. 4,840 million (about $63.86 million) or 36.08 per cent was allocated for Rural Health facilities, Rls. 2,600 million (about $34.31 million) or 1.38 per cent was made available for Environmental Sanitation and rural housing, and Rls. 1,000 million (about $13.20 million) or 7.45 per cent was shared by the head Construction of Model Housing and Housing Loans.

During the Fifth Development Plan (1973-78), the plan allocated total fixed investment of Rls. 30 billion ($889 million) for rural development. It was projected that rural development would create an estimated number of 1,30,000 new jobs for farmers. The Plan also called for the provision of electricity to villages to be diverted from urban centres. Further, electricity was projected to be provided to 200 individual villages.

After the Islamic Revolution the Government abolished large agricultural companies. Most of the shares of these companies were owned by the foreign partners. These companies captured a large part of land from the peasants and continued to import agricultural products from their own countries.

According to Islamic Government\(^1\) "during the rule of affiliated regime of Pahlavi, imposition and inducement of consumption culture in the villages and the change of direction of agricultural products from what we really needed, resulted in intensification

\(^1\) Crusade for Construction (Jehad-e-Sazandegi), "An Introduction to Jehad-e-Sazandegi", Tehran, Iran, 1983, p.10.
of the poverty which was ruling over the villages. It also bore along with, the migration to the cities which in turn caused the fall of Iran's agriculture". In June 1979, the organisation of the Crusade for Reconstruction (Jahad-e-Sazandagi) was formed. The main aim of this organisation is to reconstruct Iran's rural areas, including agricultural, veterinary and animal husbandry, health care and hygiene, and other aspects of development fields. Table 5 indicates the achievements of Jahad-e-Sazandagi in Iran.

Table 5

ACHIEVEMENTS OF THE CRUSADE FOR RECONSTRUCTION IN VILLAGES
(June 1979 to June 1982)

<table>
<thead>
<tr>
<th>Constructed and Repaired</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Schools (units)</td>
</tr>
<tr>
<td>2. Public baths (units)</td>
</tr>
<tr>
<td>3. Mortuaries (units)</td>
</tr>
<tr>
<td>4. Mosques (units)</td>
</tr>
<tr>
<td>5. Clinics</td>
</tr>
<tr>
<td>6. Homes for needy villagers (units)</td>
</tr>
<tr>
<td>7. Construction of drinking water system (villages)</td>
</tr>
<tr>
<td>8. Gravelled roads (km)</td>
</tr>
<tr>
<td>9. Rural roads (km)</td>
</tr>
<tr>
<td>10. Construction of bridges (units)</td>
</tr>
<tr>
<td>11. Electricity Supply to villages (villages)</td>
</tr>
<tr>
<td>12. Construction of waterscapes (units)</td>
</tr>
<tr>
<td>13. Construction of miscellaneous buildings (units)</td>
</tr>
</tbody>
</table>

Source: Crusade for Construction (Jahad-e-Sazandagi): An Introduction, Tehran, Iran, 1983, p.34.
In January 1980, an agency was formed by the name of "the Literacy Movement" (to replace the Literacy Corps) which was established in 1963 as part of the so-called White Revolution to teach the villagers.

The Government adopted a policy to provide electricity to rural areas so as to boost the development of agriculture and small scale industries which would provide employment opportunities also at the rural level. By 1981, electricity was provided to 1,864 villages and the total for villages equipped with electricity reached to 9,666, showing an increase of 23.9 per cent over the previous year's total figure of 7,802.¹

In 1980, a new bill for Land Reforms was sent to the Parliament (Majlis) for approval. After the approval, land reform was partially implemented. But in 1983 the Bill was rejected by the Council of the Guardians of the Constitution.²

The First Five Year Plan of the Islamic Government (1983-88) emphasises the role and importance of agriculture in achieving independence for national economy. As such, it has given priority to this sector. The other aims of the Plan can be summarized as below:

² To supervise the acts of Parliament (Majlis) the Islamic Consultative Assembly and to guarantee its accordance with the Islamic Precepts and laws and Constitution, there is a Council called 'The Guardian Council of Constitution' which consists of 12 members.
1. To secure food material for the population of the country which is now about 40 million and is estimated to touch a figure of 78 to 80 million by the end of the century.

2. Attainment of self-sufficiency in agriculture which could prevent dependency of the country's economy.

3. To pay more attention to peasant and tribes.

4. To change the structure of the economy from a consuming to a production structure in the field of agriculture.

5. To change the direction of migrations in the country and its different parts with a view to check unwanted migrations.