

THE ROLE OF PRIVATE ENTERPRISE IN THE ECONOMIC LIFE OF PAKISTAN

IMTIAZ AHMAD

The role of private enterprise in the Economic Life of Pakistan at present is not playing its full part. The invaluable services rendered by private entrepreneurs in many countries of the world can justly claim an impartial inquiry into its possible utility in the economic development of Pakistan. State socialism has dispensed with private enterprise, but it would be incompatible with democratic principles, to be completely oblivious of the advantages and the important role which private enterprise can play in the economic life of Pakistan.

Our Government has avowed to follow democratic ideals and her economic policies so far enunciated manifest sincerity to that effects. Therefore State socialism does not fit in well with our national policy. On the other hand complete private enterprise will be unable to fulfill all the multitudinous functions connected with economic leadership. The role of private enterprise can best be appreciated if we adopted “mixed economy” — a happy compromise between State Enterprise and private enterprise.

In the working of “mixed economy” we shall be faced with inherent difficulties. We have to carefully co-ordinate the spheres of activities of the Government and private businessmen, and to avoid unhealthy competition between the two. The economic life of a country is intimately connected with her agriculture, industry, trade and commerce. Taking each of the above spheres of economic activity let us discuss the significance and the future role of private enterprise working in partnership with the State.

In spite of the six year plan our economy would remain predominantly agricultural. Nearly 80% of our population thrives on the produce of the land. Our agriculture is being maintained by private enterprise exclusively, except for crown lands. Right from poor tenant’s primitive wooden plough to big zamindar’s tractor breaking soil, we have the examples of private enterprise in its various forms. In spite of this, the role of private investment in big “zamindaries”, if we survey back from the British rule, has been a mean

one. The permanent settlement was thought necessary to infuse leadership in the economic sphere among the land owners so that they might invest capital to improve upon their production. But instead landlords have acted like distant suction pumps, sucking the fruit of labour and toil of the peasants with all the thoroughness that land laws could allow. They invested nothing, but expected much from the land. Tenants on the other hand were either not capable of spending or they were afraid to invest in lands that did not belong to them and where they had no security of tenure. Various legislations in the Provinces of Pakistan are a move towards abolition of big zamindaries, but more radical measures are necessary to ameliorate the lot of the poor peasants and stimulate the spirit of enterprise among them. Landlords were given ample opportunities to prove their worth, and now we must adopt other methods to improve production on the land.

If co-operative farming is tried in its manifold forms in our country, then it will stimulate private investments in the sense that people will take pride in improving their own land, free from the ravenous demands of the landlord. The co-operative spirit will have no sting of landlord-tenant tension. There "self-help through mutual help" will encourage people to pool their capital resources and mental faculties to devise schemes for improvement of their land. People will be no longer afraid to undertake lofty enterprises because they will be sure to reap its benefits. There will be nobody to usurp their rightful share; Government can encourage co-operative movement by granting reduction in water-rates and land-taxation relief to the co-operative farms. Although the success of the co-operative farms will depend upon private initiative and enterprise, yet, there are certain provinces where only State enterprise can succeed. The reclamation of barren land (*e.g.* the Development of Thai area), Anti-water logging measures, constructing new canals, opening of Agricultural Research laboratories to improve upon the quality of seeds and system of rotation of crops. In such big undertakings private investments will continue to be shy for sometime to come and till then government has to shoulder this responsibility. P.W.D. by constructing roads can facilitate business activity, develop markets and consequently encourage, private enterprise to take its rightful place in the field of Agriculture.

The role of the capitalist producers towards industrialization in Pakistan has become somewhat confused. They have not been able to determine their exact role in the new scheme of things and find themselves targets of attack from many sides. The predominantly agricultural area of the Indian sub-continent fell to the share of Pakistan, while Bharat comprised the industrial areas. It becomes imperative that proper attention be given to the development

of cottage, medium and large-size industries to rectify the unbalanced character of our economy. Land we have in plenty for the industries. The uncultivable waste can best be used for industrial estates. (A ready example would be the industrial estates round about Mungo Pir side — a healthy sign of progress). Labour is a commodity (though mostly unskilled) that is not scarce in Pakistan. The dearth of capital investments, whether by government or private entrepreneurs, in industries is the saddest part of the story. Capital investments are conspicuous by their very absence. Our businessmen are out for quick profits and are afraid to block up their capital in industrial enterprises. Here our government should give lead to the hesitant private entrepreneurs to undertake industrialization.

In industrial policy statement published in April 1948, the government declared that it would lay initial emphasis on the development of agriculture and industries based on the raw materials, available in Pakistan. Jute and textile industries are the notable examples under this head. The next priority would be given to medium and cottage industries and lastly the large scale industries would also be given proper attention.

In the above policy statement our government has in a general way circumscribed the spheres of State and Private Enterprises respectively. Government intends to nationalize all the monopolies and public utilities. Communication and transport services like Railway telephone service etc. are already nationalized. Road Transport will also be nationalized in Punjab and other provinces shortly. Public utilities, as a matter of convenience, efficiency and economy have always been regarded as belonging to the sphere of public enterprise. Telephone, radio, public health services fall under this category. So far the Government policy harmonizes with the general opinion except for the little displeasure of the road transport owners. Nationalization of Road Transport will eliminate rail-road competition and add to the central revenues.

Government is also according to the policy statement ready to allow foreign capitalists to invest provided 51% of the capital is subscribed by Pakistanis. Of course if indigenous capital is not forthcoming, then foreign businessmen can subscribe more. Some of the industries that come under this head are: Cement, Coal, Cotton spinning and weaving mills, Heavy chemicals, minerals, tanning and leather industries.

With regard to other industries Pakistanis are given the option to subscribe upto 30 per cent of share and debenture capital. Industries like armament industries and other pertaining to national security will be completely owned by the State.

The policy statement of Pakistan Government is only a declaration of its intentions but how far this would be put into practice is a matter for imagination and conjecture. A correct picture is obtained only if we go deep into the present roles of State and private enterprises in Pakistan and find out on whose shoulders responsibilities and blames lie. What are the limitations in the way of private investors, and -what difficulties face the government in executing her policy.

Non Muslims were carrying the whole business of the areas which comprise Pakistan. Their mass migration to Bharat crippled our business and this heavy responsibility of going ahead with business was solely left to a few Muslim entrepreneurs who worked with non-Muslims in the pre-partitioned days. The new business recruits looked at the professionals for guidance. For these remaining businessmen there prevailed an unfavourable atmosphere. With the establishment of national government their profit incentives were reduced as compared under the British rule. They could not with clear conscience indulge in nefarious activities of black marketing.

The possible danger of nationalization acted as a deterrent to the expansionist tendencies of the private investors. They some-how feel despite government assurances that sooner or later their industries would be nationalized. They are content with the little industrial units they already have and are reluctant to invest more.

There has also developed in our businessmen the psychology of “wait and see”. They are not prepared to undertake risks and always look above towards the government to give them lead.

The vacillating policies of the high officials have to some extent created suspicion in the minds of the business community. The assurances of the ministers are nullified by their actions of a different type in another sphere. On one hand they promise to create demand for home-made goods, and on the other hand they allow the inflow of goods that could be easily managed at home. The BECO and former minister of Industries’ tangle is a notable example. The handling of the private sector in a “ mixed economy” requires a great deal of tact which unfortunately is lacking in the attitude of the government towards industrialists in Pakistan. Government has not enough resources and personnel to bring about comprehensive scheme of nationalization.” We cannot completely dispense with the services of private investors — their role in shaping the future of Pakistan industry is important.

The criticism of the governments attitude as prevalent now-a-days does not in any way prove that private industrialists are contributing their bit to national progress. Our capitalists are sitting tight on their hoardings. They

are shy in financing industries, but they are concentrating on speculative activity especially on the stock and commodity exchanges. This may be attributed to the refusal or inability of the business community to shoulder enterprises and face risks.

On careful analysis of the pace of industrialization and minor role of private enterprise, we perceive a definite degeneration of business morality as a whole due to corruption, administrative inefficiency and black marketing; Foreign customers have always complained about the fraudulent means employed by our businessmen. They pay no heed to grading and sampling of goods, but try to cheat customers by giving inferior quality of goods after showing a superior sample. The Pakistan Government has done well in having a department for standardization and grading of goods which are exported. This will restore confidence in our foreign buyers.

Shyness of industrial enterprise may also be due to the fact that our businessmen like to get accustomed to protected markets. They want that first they should be assured heavy protection before they undertake any enterprise. Tariff Board has been set to protect deserving industries, but indiscriminate protection can hardly benefit our State. Enterprising spirit to develop and expand basic industries is lacking at the present. But if the government supplies the necessary encouragement, the shyness of our industrialists will melt away gradually.

In the field of trade and commerce the vacuum created by the exodus of the non-Muslims is filling with comparative ease. In trade and commerce capital is relatively active because this enterprise requires skill not of a very high order.

Another reason for trade being popular with our business class is that it fetches them quick and huge profits. Businessmen consider their investments safe in importing consumer goods instead of heavy capital goods. In this way they reap quick profits. Thus private enterprise is employed in the import of consumer goods. Luxury goods like cars only deplete our foreign exchange unnecessarily. The government should impose restrictions on the import of luxury goods and allow only essential consumer goods. The slogan "Patronize Pakistan Products" seems to have fallen on deaf ears. State-trading can be a way out, but our State is already busy in solving monstrous problems like "the Refugee Rehabilitation problem" and "the Kashmir problem", and cannot undertake this heavy responsibility. Our government can by her policies divert private capital towards purchasing capital goods by granting them facilities like site, water, electricity etc. for the industries. In the last budget speech, the Finance Minister took encouraging steps by giving relief

to industries through adjustments and reductions in Income-tax, Business-Profit tax and custom duties. Such practical measures will surely break through the wrong notions and prejudices of our business community and make them more enterprising in productive channels.

The role of private enterprise cannot be viewed from purely economic perspective. Some socio-economic issues have profound influence on the stimulation of private initiative. Mass illiteracy is the greatest single factor which acts as a barrier for businessmen to understand their real role in the economic set-up of our country. They still believe that hoarding of wealth is the best way of preserving it. They are little aware that real function of wealth lies in its circulation, in its investment in productive channels.

Lack of business traditions is also responsible for the slow pace of private enterprise. But this cause will steadily lose its significance in the face of handsome returns from business undertakings. Realization will dawn upon them, and they will surely come forward to play their proper role.

Temporary causes of low investments may also be attributed to the non-devaluation decision of our government and political tension prevailing over Kashmir issue. With non-devaluation our capitalists did not quite know the strength of Pak rupee for sometime, and hence were afraid to transact business. Now however they are getting over this fear. Political tension has everywhere resulted in discouraging of private investments and as soon as the Kashmir dispute is settled, this deterrent will automatically vanish.

Reviewing the economic progress of Pakistan from the time of its inception, we have not much ground for pessimism. Though private enterprise has not come upto our expectations, yet we find every year has resulted in more of private investments than the previous year. Government should march ahead with its economic plans and policies and surely it will not be long before private enterprise catches up with the State enterprise to shoulder its due responsibilities.