Pakistan's Big Businessmen: Muslim Separatism, Entrepreneurship, and Partial Modernization*

Hanna Papanek  
*University of Chicago*

In Pakistan, as in other developing countries, the role of indigenous capitalists has been an extremely complex economic, social, and political question. In the past few years, the very large business-industrial combines—the “Big Houses” or the “Twenty-two Families”—have been the focus of a great deal of political controversy. At this particular juncture, therefore, it should be useful to examine some of the aspects of the growth and development of the new capitalists of Pakistan in the context of the development of Pakistan as a separate state since 1947. By going back to the pre-Partition years, it may be possible to see some of the connections between the Pakistan movement and some of the big businessmen; similarly, a brief look at the first post-Partition decade should indicate some of the roots of the elite of the business-industrial class.

Three major themes characterize the development of this class and, in turn, provide some linkages to other aspects of Pakistan's society and economy. Muslim separatism, its probable economic and social antecedents, and its political expression is the first of these themes; its culmination in the creation of a separate state and an increasingly separate economy provided the initial impetus for the creation of a new Pakistani capitalist class. Another crucial aspect of the growth of Pakistan's economy—and of the major firms which emerged—is entrepreneurship of a vigorous, aggressive, and manipulative sort which is often characteristic of the initial phases of a

* This paper was written in January 1971 and presented at the annual meeting of the Association for Asian Studies, Washington, D.C., on March 30, 1971, before East Pakistan became the independent state of Bangladesh. Because the paper deals with events of the period before 1969, it has not been rewritten to take specific account of the events of 1971–72. The designation “East Pakistan” has been retained in this paper to describe a political unit during its period of existence and which has now become the independent state of Bangladesh. The research on which the article is based was supported by the Center for International Affairs, Harvard University, and carried out with the cooperation of the Pakistan Institute of Development Economics. The assistance of Pakistani colleagues is gratefully acknowledged. I am also indebted to Shahid Javed Burki and Gustav F. Papanek for their comments and criticism of this paper, but the responsibility for errors is, of course, mine.
Economic Development and Cultural Change

private-enterprise economy. Third, the rapid development of indigenous industrial enterprises, especially in cities which had been characterized by largely nonindustrial economic activities in pre-Partition days, had important consequences in terms of the social, economic—and, eventually, political—modernization of the country. At the same time, the entrepreneurs themselves underwent a process of modernization of values and life-styles. But, in both the broader sense of the modernization of the society and of the entrepreneurial class, the modernization was at best partial. In the present paper, the role of Muslim separatism and partial modernization will be stressed, especially since earlier discussions of the new class have tended to concentrate on questions of entrepreneurship and regional disparities in economic power between East and West Pakistan.¹

Separatism and Modernization

Since it became obvious, in retrospect, that the opportunities created by the establishment of a separate economy and by the large-scale emigration of Hindus, especially from West Pakistan, were the major factors in the initial establishment of the new Muslim capitalist class, it is tempting to speculate that this was the major root of the separatist effort of the Muslim League. Levin has indeed argued that “the process of capitalist competition pushed the big Muslim bourgeoisie on the path of religio-communal separatism, through the benefits promised to them by the formation of Pakistan.”² But, although big businessmen certainly profited from the establishment of the new state eventually, other factors seem to have been more significant in the establishment and success of the Pakistan movement. The economic arguments for separatism were more broadly based, although a careful historical analysis is needed to establish this aspect of Pakistan’s development. Some hypotheses are offered here which are relevant to the development of this approach.

While the creation of Pakistan represented the success of a political movement aimed at setting up a separate state for India’s Muslims on the grounds of religious differences and incompatibilities between them and Hindus, it is well known that some of the major supporting arguments used in making the case were based on the economic position of Muslims. In


Hanna Papanek

examining this argument, in retrospect, it is essential to distinguish specific groups in the Muslim population in economic terms and to relate their economic status and prospects to the extent of their participation in the separatist movement.

In such an analysis, it is indispensable to examine the nature of the division of labor within the Indian social structure and its relationship to factors of religious differences, on the one hand, and the distinctions between castes (or their non-Hindu equivalents), on the other. Obviously, the lines dividing Hindus and Muslims in socioeconomic terms in undivided India were extremely complex, and it was not possible to distinguish—in overall terms—between Hindus and Muslims along the lines of socioeconomic class differences. While in some regions, such as the Punjab, Muslims were generally cultivators, and many of the landlords and money-lenders were Hindus—a fact which had been recognized by the passage of the Punjab Alienation of Land Act of 1900—such religious distinctions often did not exist in other areas. Members of both religions were represented in all classes and most occupations in undivided India.

Instead, the economic distinctions between Hindus and Muslims were shaped in more indirect ways through the operation of the caste system. Within the context of this system, the division of labor between castes generally meant that a given occupation was the specialty of a given caste and that the entrance of outsiders into the occupation tended to be prevented by practices favoring fellow caste members in employment. This type of occupational specialization was common in both Hindu castes and Muslim "quasi-castes" or "communities," at all social levels. Similar occupations have typically been held by Hindu groups in one locality; Muslims, in another; sometimes Muslim and Hindu occupational groups coexist in the same village or larger region. It is probably accurate to say that, for the mass of Hindu and Muslim cultivators, artisans, and urban workers, there was not much difference in undivided India in economic terms in a given occupation between the two religions.

However, in the more modern occupations, particularly those for which a measure of formal education was required, caste and religious factors played a somewhat different role. Traditional claims to such occupations by particular castes were often weaker, and access to them might be open to members of several different groups in the population, depending on opportunities, political factors, the foreclosing of alternatives, and so on. Formal education, provided by the British, proved to be a critical factor in the degree of access to the newer occupations, and it is here that the consequences of the Muslim failure to enter new educational institutions for a generation or more after Hindus did so in the nineteenth century were very marked. The effects were likely to be felt most acutely in

---

the professions, government service, and in the more modern sectors of commerce and industry, all of which required varying degrees of modern education. It was undoubtedly also in these occupations that upward social mobility was likely to be most rapid. In terms of this analysis, then, one would expect that the individuals most highly motivated to join a separatist movement would be Muslims whose access to modern, middle-class occupations was felt to be foreclosed, or advancement made difficult, by the overwhelming dominance of Hindus in these same occupations. The continuing operation of factors which favored the entry of fellow caste members into a given enterprise or occupation probably exacerbated a situation in which Hindus were not only numerically more prevalent but also had the advantage of much earlier entry.

While these hypotheses remain to be more fully substantiated by detailed studies, an approach stressing the social structural characteristics of Indian society and their economic consequences would represent an important new method for analyzing the separatist appeal of the Pakistan movement. As will be shown, such an approach is particularly relevant to the role of private enterprise before and after Partition.

A closely related argument deals with a more general aspect of the dynamics of separatist movements. Such a movement, be it religious, racial, or linguistic, must aim for the mobilization of the entire group which it claims to represent. In the case of the Muslim League, its claim to represent all of India's Muslims tended to foreclose its ability to make more specific class-based appeals and perhaps also to minimize the importance of specific economic and social plans for the new state. The striking absence of well-developed economic plans by the Muslim League leadership—especially in comparison with Indian National Congress efforts in this respect—was probably one of the factors which later produced such a pronounced bias in favor of private enterprise by the early government of Pakistan (see next section).

Finally, it is also important to remember that no specific statements were made by advocates of separatism about the possible exchange of populations between the two new contemplated states until the very eve of Partition. It is difficult to imagine exactly what kind of vision of the new state of Pakistan was held by the leadership of the separatist movement if one remembers the extent of Hindu control over existing economic institutions in the areas which were to become Pakistan. What patterns of economic and political relationships were expected to develop without significant demographic and institutional changes? Apparently, Jinnah was alone in even broaching the possibility of a planned exchange of populations between India and Pakistan. In January 1947, in an interview with an English journalist, he "expressed his conviction that only a wholesale

---

exchange of minority populations between the future states of India and Pakistan could offer a solution to the ever-growing conflict between the communities.”\(^5\) The idea was categorically opposed by Gandhi as “unthinkable and wrong”; Nehru admitted that such a solution might be possible for the Punjab but would be disastrous to the survival of India if it were to be extended to other areas.\(^6\) After Partition had occurred, Liaqat Ali Khan stated (in Lahore on October 10, 1947) that, “although Pakistan would not refuse shelter to any Muslim settler,” he strongly opposed supporting the evacuation of Muslims from Indian areas outside the Punjab.\(^7\) Thus, while a systematic plan for the exchange of populations seems not to have been part of separatist thinking, the events which did occur make it necessary to question whether the dynamics of separatism, when once set in motion, do not inevitably lead to large-scale population movements. As broadly based studies of refugee movements will perhaps show, such population displacements may occur for reasons of underlying economic and political power, regardless of the intentions of the separatist movement. In any event, the development of Pakistan’s society and economy would have been very different if major population shifts had not occurred. The enormous opportunities facing businessmen and industrialists—especially after the Karachi riots of January 1948—were very closely related to the existence of an economic “vacuum,” particularly in West Pakistan, as will become clear in the later discussion.

With respect to the role of the new capitalists in the process of “modernization,” several distinctions must first be made. In general, the definitions of modernity or modernization which have been developed stress the importance of cities and of factories in various ways. Lerner sees modernity as a “consistent whole,” a complex in which are associated such phenomena as “urbanization, industrialization, secularization, democratization, education [and] media participation.”\(^8\) Inkeles, in his cross-cultural studies of villagers and factory workers, has focused on an empirical complex of attitudes and values which could be defined as “modern.” These attitudes are often strikingly associated with numbers of years of formal schooling but sometimes even more so with numbers of years spent as a worker in a factory.\(^9\) Huntington, discussing political development, defines political modernization as “rationalization of authority, differentiation of structure,

\(^6\) Ibid., pp. 21–23.
\(^8\) Daniel Lerner (with Lucille Pevsner), The Passing of Traditional Society (Glencoe, Ill.: Free Press, 1958), p. 438.
and expansion of political participation" but stresses the fact that this is only the theoretical rather than the actual direction in which social, economic, and cultural modernization affect the movement away from a traditional polity.10 Bellah, in a discussion of the role of religion and modernization in Asia, notes that "increased effectiveness in goal attainment" must be accompanied by an "increase in the rationalization of the goal-setting process [otherwise] very serious pathologies can result." Such pathologies are the product of "partial or disturbed modernization, not the inevitable result of modernization itself."11

Some of the common elements which can be taken from these definitions and discussions of various aspects of modernization—and which have been variously elaborated in the larger literature in this field—apply to the role of the new capitalists in several different ways. First of all, it is clear that the development of new economic institutions by a relatively small group of owners and managers has social and political implications going far beyond the economic consequences. In Pakistan, the growth of manufacturing industries in large urban centers resulted in the creation of a new class of urban industrial workers, generally drawn from rural landless laborers, urban casual workers, and others. Despite the fact that industrial wage rates rose only very little in the decades following Partition,12 while industrial profits rose tremendously, especially at the beginning,13 the creation of this new urban class differentiated them from rural and urban casual laborers in economic terms, with probable long-range political consequences. The creation of an urban proletariat was clearly one of the early effects of economic "modernization"; the failure of the government to assure more equitable income distribution indicated one of the failures of the modernization process, resulting from increased political power by the industrial owners. Furthermore, new consumer goods began to be locally manufactured and to be more widely visible than ever before, while at the same time large masses of the population continued to be unable to buy such goods. Finally, the development of the new economic institutions provided many opportunities for great profit and very rapid social mobility by relatively few families and resulted in the development of a new group of businessmen and industrialists with higher status than most of them had ever had before. In terms of class formation, there is no doubt that the new state rapidly developed newly demarcated social groups in its structure, which included a group of nouveaux riches as part of the upper class, and a segment of the middle class engaged in business and manufacturing occupations in various capacities ranging from self-employed entrepreneurs to

10 Samuel P. Huntington, Political Order in Changing Societies (New Haven, Conn.: Yale University Press, 1968), p. 35.
managers and clerks. In addition, the industrial labor force, which occupied a position above that of the urban unemployed and casual workers and well above that of rural landless laborers, began to develop increasingly, especially in the larger cities where industries were concentrated.

The term “partial modernization” is also peculiarly applicable to the new rich themselves as well as to their efforts to adjust and assimilate to “the existing order [and to gain] political power and social status commensurate with their new economic position.” This group of entrepreneurs constitutes, in Pakistan, a clear example of persons undergoing value changes in the direction of modernization, with many of these changes apparently following their movement into new occupations rather than preceding this process. Among the most striking findings of studies of Pakistani industrialists, and of the survey of businessmen and industrialists on which this paper is based, are aspects of the “traditional” values and actions of those who became businessmen and industrialists in Pakistan. A large proportion of the new industrial-business class, particularly among the elite of this group, were persons who had been in some kind of business (more rarely, industry) before Partition, and very many of them belonged to Muslim “business communities” (see section 5 below). Their “traditional” values, going back two or three generations, at least, included a strong orientation toward profit, high importance attached to savings, willingness to take considerable risks, a pattern of migration in search of business opportunities by men who left their families behind, and acceptance of a view of Islam which sees trade as a valued occupation and the injunctions against “usury” as inapplicable to ordinary interest. With respect to values and attitudes not directly connected with their occupation, on the other hand, many of these men traditionally showed a distinct social conservatism, favoring arranged marriage within the quasi-caste community, purdah (segregation of women), and a rather simple middle-class life-style which emphasized conspicuous consumption only in highly visible public occasions associated with family status, such as weddings. With respect to education, the prevalent attitudes of members of “business communities” tended to be highly instrumental, that is, a minimum level of formal education was customary before an intensive period of business apprenticeship. Some of the changes which this group underwent following their economic success will be indicated in the more detailed discussion of twelve Big Houses later in this paper, in an attempt to give some support to the notion of “partial modernization” in one respect.

The view of “partial modernization” as “pathology” needs, however, to be discussed further. It may be more useful to see the pattern of development of Pakistan’s new capitalist class as being a logical outcome of the contradictions inherent in a private enterprise economy in which the consolidation

---

14 Huntington, p. 50 (based on Mancur Olson, Jr., “Rapid Growth as a Destabilizing Force,” *Journal of Economic History* 23 [December 1963]: 532).
15 G. F. Papanek, chap. 2.
of economic power by a small elite becomes transformed into considerable political power. Both the initial inclinations of the Muslim League in favor of private enterprise, and that of later governments favoring rapid economic growth, made it almost inevitable that such a consolidation of power was not resisted either by strongly established bureaucratic forces or through the exercise of controls by political parties responsive to a wide popular constituency. While it is therefore true that the "partial modernization" in the economic sphere was carried out very rapidly by the new business-industrial class of Pakistan, it would be wrong to assume that economic modernization, like political modernization, can be expected to proceed smoothly. The contradictions of power inherent in this process can certainly not be overcome by the frequently voiced hopes that, "if only" entrepreneurs were more educated or had a greater sense of "social responsibility" or "patriotism," there would be smooth economic modernization. The contradictions are inherent in the process not in the personnel, especially since, in their own terms, the entrepreneurs of Pakistan have shown both patriotism and social responsibility by having established enterprises at all, particularly in the early high-risk years from 1947 to 1952.

Private Enterprise and the Pakistan Movement
Writing in 1967, Chaudhri Muhammad Ali stated that "the movement for Pakistan was inspired by the urge to develop the human and material resources of Muslim homelands so as to promote the moral and material welfare of the people." Yet, in the days preceding Partition, the thrust of the Pakistan movement seems to have been primarily political, and there is little evidence that the separatist leadership was making specific efforts to address itself to economic problems beyond the general proposition that more opportunities would open up for Muslims in a predominantly Muslim state. With some exceptions—for instance, at their thirty-first session in 1943 at Karachi—the Muslim League apparently did not put high priorities on problems of planning for economic development or income distribution as central issues in themselves. The Indian National Congress, on the other hand, was more specifically concerned with these issues and more productive in terms of policy discussions and resolutions. One of the obvious reasons for this difference was the more deliberately ideological orientation of the Congress leadership, including both Gandhian and explicitly socialist approaches to economic problems. On the other

Hanna Papanek

hand, the Muslim League, which was trying to develop a position of exclusively representing all Muslims, may have found it difficult to make specific pronouncements which might have emphasized class differences among Muslims. Sayeed notes that “after 1945, there seems to be an attempt on the part of Jinnah to be all things to all people. It was true that he wanted Muslim capitalists to establish Muslim enterprises, but at the same time he was expressing grave concern about the gross inequalities that existed.”

At the same time, it is difficult to imagine that a political movement in whose Council the two largest groups were landlords (163 out of 503) and lawyers (145) would take a particularly radical stance on economic issues. Efforts in provincial Leagues to introduce resolutions calling for the nationalization of public utilities, public control of private industry, and a tax policy directed to a sharp equalization of incomes were not made part of the general policies of the Muslim League at the national level.

In the immediate circle around Jinnah, several big businessmen and industrialists played important roles, not only in helping to finance the Pakistan movement, but also in helping to organize businessmen, and in more specifically political roles. These men were also active in setting up private firms which were to fulfill important economic roles in the new state, as will be discussed in some detail.

Muslims in commercial occupations also clearly felt that it was high time for Muslims to occupy more—and more important—positions in the economy, and these feelings were obviously shared by at least some of the political leaders. When Pakistani businessmen spoke of the early post-Partition years, they almost unanimously stressed their eagerness at that time to prove that Muslims like themselves could be successful businessmen and industrialists. In terms strikingly reminiscent of resentment against colonial rulers, many of them described how Hindu contempt of Muslim business skills had rankled, and how they had been angered by statements that Muslims “obviously” were not capable in business and finance or industrial management. This feeling was probably part of the general Muslim wish for greater access to jobs and for greater prestige in modern occupations in all sectors of the economy, which would be easier if Muslims were employers.

In any event, Jinnah made his government’s position explicit soon after Partition, with regard to the role of private enterprise, in the first “Statement on the Industrial Policy of Pakistan (1948).” In describing this policy to businessmen, he told the Eighty-eighth Annual Meeting of the Karachi Chamber of Commerce in April 1948 that:

19 K. B. Sayeed, personal communication.
21 Ibid., p. 225.
Government will seek to create conditions in which industry and trade may develop and prosper. I would like to call to your particular attention the keen desire of the Government of Pakistan to associate individual initiative and private enterprise at every stage of industrialization. Commerce and Trade are the very lifeblood of the nation. I can no more visualize a Pakistan without traders than I can one without cultivators and civil servants. I have no doubt that in Pakistan, traders and merchants will always be welcome and that they, in building up their own fortunes, will not forget their social responsibility for a fair and square deal to one and all, big and small.\textsuperscript{22}

It is not surprising, then, when businessmen recall that there was “not the slightest doubt in my mind that Jinnah and the Muslim League were in favor of private enterprise; there was no question at the time of any other system.”\textsuperscript{23}

These facts should dispel any tendencies to see the early post-Partition period, when Jinnah was still alive, as one in which private enterprise was being kept at bay. In 1970, Wahidul Haque wrote that “the leader of the revolution, Quaid-e-Azam, himself coming from a merchant family, unified all segments of the Muslim society in order to create a homeland for them free from feudal-capitalist-ecclesiastical oppression. After the death of the Quaid-e-Azam on September 11, 1948, the process of capitalistic development of the new state was launched under the hegemony of the bourgeois elite.”\textsuperscript{24} Whatever else might be said about the achievements of Jinnah and the Pakistan movement, it does seem to be evident that the actual alignment between at least some big businessmen and the Muslim League leadership had begun long before Independence.

When Partition came with its attendant horrors and violent population displacements, events further reinforced an initial government inclination toward private enterprise because the economy was in chaos, and the very small number of available government officials were needed for tasks other than the management of state enterprises. The result of the ambivalent position of the Muslim League leadership on the question of economic organization and power was that there existed no ideological commitment to any economic policies which might have counteracted, however faintly, the general disposition to continue the system as it stood.

The most clear-cut evidence of Jinnah’s relationship with businessmen before Partition is provided by the role which he personally played in the mobilization of Muslim businessmen through the organization of Muslim chambers of commerce and through the establishment of “nation-building”


\textsuperscript{23} Personal communication.

companies which were to function in the new state. In both these efforts, leading roles were played by men most of whom later came to Pakistan, where they rose to positions of importance in the economy. This group included Sir Adamjee Haji Dawood (the father of the present head of the Adamjee firm), the two Ispahani brothers (M. A. and M. A. H.), Mahomedali Habib (of the Habib Bank), Habib Ibrahim Rahimtoola, as well as several others who included men active in provincial League activities, such as G. Allana in Karachi. The families of most of these men already owned considerable wealth, and it is certainly not surprising that their firms became large and important in Pakistan. What is perhaps more interesting is that these firms remain politically highly visible and their names remain powerful symbols, even though, by the late 1960s, some of them were far outdistanced in economic terms by other big enterprise groups. While association with the Pakistan movement was an important factor in the initial rise of these firms, it is probable that wealth, business experience, and aggressive entrepreneurship were far more crucial. In the initial establishment of Pakistan's industrial giants, politics of the visible sort were not the key factor, as may become clearer in the discussion of the twelve largest Big Houses in a later section of this paper.

Chambers of Commerce
Trade associations and chambers of commerce have existed in the subcontinent for some time. Most of the associations were of the guild or caste type, usually organized by men of a single trade, often belonging to the same caste. A typical contemporary example of such associations are the numerous "Kirana Merchants Groups" which represent the interests of dealers in food grains and spices and are intended also to preserve harmony among members, most of whom happen also to be Memons. Other types of associations have also existed at least since the mid-nineteenth century: the Karachi Chamber of Commerce (which is now for foreign firms only) was founded in 1860 to advance and represent the interests of the merchants of the city, both indigenous and foreign.25

At the time of Partition, there were fewer than 100 associations of Muslim businessmen; the *Muslim Year Book*26 of this period lists eighty-eight organizations for undivided India, most being of the single-trade type. Very few were listed for areas which were to become Pakistan, reflecting the relative scarcity of Muslim businessmen in these areas. A few organizations had larger constituencies and some actual or potential significance as pressure groups. In 1932, some of the men connected with


the "New Muslim Majlis" in Calcutta founded the Muslim Chamber of Commerce in that city, and this chamber continued to be active. At the time of Partition, M. A. H. Ispahani was its president. In 1939, an All-India Muslim Chamber of Commerce was organized in Bombay, by S. M. Jamil, and was headed for several years by Sir Sultan Chinoy, who was prominent in Bombay civic and political affairs. One of the objectives of the Bombay-based chamber was "to secure organized action on all subjects relating to the interests of the Muslim business community" in addition to encouraging unanimity among Muslim merchants, and spreading commercial and economic knowledge among them.

In 1943, efforts for a Pakistan-oriented national organization of Muslim businessmen were begun by some in the group around Jinnah, which included M. A. H. Ispahani and Chinoy's son-in-law Habib Ibrahim Rahimtoola, with Nurur Rehman, secretary of the Calcutta-based chamber, as organizing secretary. There were evidently some problems connected with the setting up of this new organization, which was, in fact, competing with the Bombay-based group but had to be careful to avoid an open conflict with it, either on personal or ideological issues. Jinnah seems to have pressed hard for the formation of the new group, which finally held its first annual meeting in Delhi in 1945. The new Federation of Muslim Chambers of Commerce and Industry had as its stated objectives: "to focus commercial opinion and to represent the corporate and collective view of the Muslim commercial community; to play a vigorous and an ever watchful part in the political and economic life of the country." The first President was Sir Adamjee, apparently after negotiations to have this post held by Chinoy broke down. The statement of objectives stops just short of claiming an openly representative role for Muslim businessmen, and, although the federation was officially neutral politically, it was clearly in sympathy with the Pakistan movement. Both in the national and provincial chambers, leading figures were men who were also associated with the Muslim League and who had been active in business as well as civic affairs. The groups in Karachi and Lahore involved men like Yusuf Haroon, G. Allana, Nasir A. Shaikh, and Maratib Ali Shah (of the Wazirali family) in leading positions.

Whether the new federation had any direct political effect is not clear, but it does represent one of several instances in which the Pakistan movement...
mobilized Muslim sentiment through the creation of groups or institutions which were not particularly new in type, except that they were specifically by and for Muslims.

The "Nation-building" Companies

Another type of mobilization of Muslim sentiment and resources in the immediate pre-Partition period was the formation of new companies by a few Muslim big businessmen, mainly at Jinnah's urging. The fact that these companies were organized before Partition to meet some of the economic needs of the new state must have indicated to Muslim businessmen that the government of Pakistan might be expected to be favorable to private enterprise. Also, it is possible that they, in turn, influenced the leadership of the Pakistan movement in the course of the organization of the companies, at least in the sense of raising some issues of interest to them.

Four companies were organized in the period immediately before Partition; all were privately financed, owned, and managed by largely Muslim capitalists. Most of the investors in the four firms were either personally close to Jinnah or had gradually moved into positions of support for the establishment of a Muslim state, whether or not they themselves intended to migrate there. They came from families which were among the wealthiest Muslims in commerce and industry in undivided India: Adamjee, Ispahani, Rahimtoola, Dada (and other Bantva Memon), Habib (of the Habib Bank) and several others. Eventually, all these families did migrate to Pakistan, and most of them are among the leading business-industrial families today—but it is important to remember that many of them had not initially intended to do so.32 Until riots in their hometowns forced them to migrate (as was the case for the Bantva Memons), many of these families had planned to carry out their business activities in both of the new independent states, while remaining in their original places of residence. Their decision to invest in the new companies was based both on the expectation of good profits and the political significance of the move. The actual investments, however, represented only very small fractions of these families' total assets. It is also important to note, finally, that only one of the major investors in the four companies was a resident of the area which was to become Pakistan—Rustom Cowasjee, a Karachi Parsi shipping magnate.

A very important forerunner of the four companies was the Habib Bank, which, in its turn, played a crucial role in the establishment of the later firms. The Habib Bank had been set up as a public limited company in Bombay in 1941 by the Habib family, who had previously been in internal trade and private banking. M. A. H. Ispahani recalls that it was after the revitalization of Muslim politics and the Muslim League by Jinnah in 1936, "in this politically charged atmosphere, that the Habibs decided to break the Hindu-British monopoly in the banking field. They were encouraged

32 Based on personal interviews with leading businessmen; it is important to note that, in retrospect, this was an embarrassing admission to make.
by Qaid-e-Azam and the Muslim League, and in their turn, to their eternal credit, were able to help and in some measure strengthen the Muslim League cause." The Habib Bank was subsequently appointed banker to the Muslim League Fund, the Pakistan Fund, and the Qaid-e-Azam Bihar Relief Fund. In early 1947, Jinnah reportedly "told Mr. Habib to pack up from Bombay and proceed to Karachi to establish the Habib Bank," in any event, the bank's headquarters were shifted to Karachi on August 7, 1947. In the immediate post-Partition period, it played an extremely significant role in transferring Muslim assets into Pakistan, both for small depositors and large accounts, although there are no exact figures available concerning the total transfers. The relations between Jinnah and Mahomedali Habib were apparently quite close. It may prove to be a significant personal detail that it was in 1937 that the Habibs became Isnasheri Shias, largely at Mahomedali Habib's urging. They had previously been Khoja Ismaili followers of the Aga Khan but later became key figures in the Khoja Isnasheri community. Jinnah himself was of course both a Khoja (by birth) and an Isnasheri Shia by faith. Because of Jinnah's apparently very high regard for Mahomedali Habib and Habib's important role in other business enterprises supported by Jinnah, it would be important to explore further the role of the Habib family and of the bank in the Pakistan movement.

The four "nation-building" companies included three new ones: an airline, a shipping line, and a bank, plus a reorganized existing insurance company. The airline, Orient Airways, was founded in 1946, at the specific request of Jinnah, by members of the Adamjee and Ispahani families. Its board of directors specifically did not include any Hindus, and ownership of shares was reported to be widespread among Indian Muslims, including Jinnah himself. After a difficult beginning, the airline came to play a role in the transport of refugees during Partition, but became really crucial to internal transportation and communication after the boundaries and hostilities between India and Pakistan became consolidated. In 1956, the Government of Pakistan organized Pakistan International Airlines Corporation as a government-owned corporation which took over Orient Airways and greatly expanded operations.

Muhammad Steamship Company was the largest and, in many ways, the most interesting of the four companies since it was a joint venture of several important commercial families. It is indicative of the strength of the single-family pattern of corporate organization that no joint venture among indigenous business families on a comparable scale has been

---

36 Ispahani, Qaid-e-Azam Jinnah, pp. 143-44.
organized in Pakistan since. It was clearly the pressures exerted by Jinnah and the leadership of Mahomedali Habib which made the company possible in the first place, but, even so, it survived as a joint venture only until 1963, when it passed into the control of a single family (Valika). Mahomedali Habib was one of the two largest investors in the company, but it was the position of respect and power which he held among Muslim businessmen and his commitment to active leadership in the company which persuaded most of the other large investors—who were commercial rivals—to join it. These others included one non-Muslim (Cowasjee), and six families of Bantva Memons, of whom three (Dada, Arag, and Adam) were among the largest food-grain shippers of the subcontinent. Habib Bank, Cowasjee, Dada, Arag, and Adam all ranked among the top thirty family business-industrial groups in terms of net assets in the late 1960s in Pakistan. The other, somewhat smaller investors in Muhammadi Steamship also play important commercial and industrial roles but have remained less prominent. The board of directors of the company, at its inception, included several prominent Muslim businessmen who were not major investors (Adamjee, Ispahani, Haroon, Valika) as well as another Parsi and a Hindu public accountant in addition to representatives of major investors.37

The insurance company was Eastern Federal Insurance, an existing firm which had been founded in 1932 for a specifically Muslim clientele by men associated with the “New Muslim Majlis” in the Calcutta corporation elections. This was the same group also involved in setting up the Muslim Chamber of Commerce in Calcutta. Abdur Rahman Siddiqui, editor of Morning News (Calcutta) developed the idea for the company, with the support of prominent Muslims including the Nawab of Bhopal, Ghulam Mohammed (later Governor General of Pakistan), and others. At an early period of this company, M. A. Ispahani agreed to place his business with it to provide further financial support.38 During the immediate pre-Partition period, the firm received additional financing and management from Sir Adamjee and H. I. Rahimtoola. By 1965, the management control of this company was in the hands of the Arag group together with the Ispahani family; much of its importance in the life insurance market (where there was by then a great deal of competition) was due to contract coverage of army personnel.

Muslim Commercial Bank was established in July 1947, a month before Partition, with Jinnah’s strong encouragement, by Sir Adamjee and M. A. Ispahani. The founder-directors of the new bank included men from the large commercial or industrial Muslim families (Ispahani, Adamjee, Dada, Arag, Amin Jute) as well as Khwaja Shahabuddin, who had been a prominent member of the first Muslim ministry in Bengal (1937-40) as well as, much later, a member of the Ayub government (most recently, 1965–69, 37 Interviews and personal communications.

38 Typewritten statement provided by Eastern Federal Union Insurance Co., Karachi (no author, n.d.).
Minister for Information and Broadcasting). Muslim Commercial Bank became a part of the Adamjee group of companies; in 1964, M. M. Ispahani was on its board of directors, along with members of the Arag and Valika families and two Adamjees, of whom one was chairman.39

Those business and industrial families which supported the Pakistan movement generally considered Pakistan a desirable goal, both from an ideological and commercial point of view, even though, as has been noted, some big business families did not intend to move there. The extent of their influence in the circle around Jinnah, of course, needs to be explored much more thoroughly than has been done so far—and the appearance of personal memoirs by these men, such as M. A. H. Ispahani’s volume, should prove extremely interesting. There is certainly no question that these businessmen understood the potential which might be offered by an independent Pakistan in terms of economic opportunities, but it would be a gross oversimplification to see this as the major causative factor in the separatist movement. Other forces of social and economic discontent were probably much more significant than simply a drive for capitalist expansion of markets—which of course played a role—and these forces need to be studied by social and economic historians.

In most of these efforts, only a small group of families was involved, most of whom were of western Indian origin. The Ispahani brothers, whose family came to Bombay from Iran in 1820, later shifting to Calcutta, were perhaps an exception. But, in this group, wealthy Punjabi business families were very few, the major exceptions being Nasir A. Sheikh of Colony, and the Muhammad Amin family (Amin Jute). The relations between Punjabi businessmen and the various competing Punjab-based Muslim political movements in the pre-Partition period need to be explored further in order to explain some aspects of the role of private enterprise in Muslim politics.

From a narrower point of view, it is important to follow the post-Independence business histories of the commercial and industrial families which were prominent in supporting the Muslim League. In retrospect, it is striking that, although most of these families have remained very wealthy and some have grown substantially in economic power, they constitute only a small segment of the most powerful Big Houses. Many of the most aggressively entrepreneurial and fastest-growing big firms had no connection whatever with the Pakistan movement, and none—with the exception of Gandhara, under Gauhar Ayub, son of President Ayub—was the result of political power directly transformed into economic terms. The usual transformation, of course, was the other way around and much less explicit. Some of the most politically active members of the Jinnah circle, among the businessmen, never came to hold leading positions among the Big Houses, such as Rahimtoola or Ispahani, despite their

39 Muslim Commercial Bank, Ltd., “Prospectus and Memorandum of Association,” mimeographed (Karachi: Muslim Commercial Bank, 1947); and idem, Annual Report and Accounts 1964 (Karachi: Muslim Commercial Bank, n.d.).
public reputations and their obvious considerable wealth. At the same time, however, these few men held powerful political offices in the government of Pakistan during various regimes, as was true for a few other leading business families, but very different from the generally prevailing pattern. In Pakistan, unlike some other developing countries, the first generation (post-Partition) of big businessmen were a group apart, rather than members of existing social or political elites who were expanding their spheres of influence into the economy. Although political influence obviously played an important role in the development of the Big Houses, it was not in itself sufficient for large-scale growth of the enterprises. The political power which relative newcomers, such as Dawood, Valika, Fancy, or Saigol, came to enjoy was the result of spectacular economic success and careful cultivation of informal contacts. It was the combination of such contacts, in the very early years, with aggressive and daring financial maneuvers, often of a sort which the more established enterprises found unacceptable, coupled with great skill in the use of existing regulations and incentives, which accounts for the spectacular rise of many of the newer firms. Considering the modest antecedents of some of the big businessmen and industrialists in Pakistan today—particularly those who were not closely involved with the Pakistan movement—it is important to examine some of the large family firms in somewhat more detail.

The growth of the new capitalist class in Pakistan after Independence was determined in broad outline by the generally pro-private-enterprise position of the early governments, while the specific composition of the top of this class was influenced only in part by patterns of political involvement before 1947. The factors which became far more crucial in both the composition and the consolidation of power of the new class were the economic and political events following Partition and resettlement of immigrants, most particularly the pattern of occupational specialization in various regions.

The New Class
The development of a new class of largely Muslim industrialists and businessmen in the new state of Pakistan was the result of several related factors. The most important of these was the separation of India and Pakistan into quite independent economies, forcing a complete reorganization of trade patterns in both East and West Pakistan. In this connection, a close look must be taken at the specific economic policies of the immediate post-Partition period in order to determine the pattern of breakdown of trade relations between the two new states. It may be possible that people on both sides of the border were interested in seeing a definite economic separation and that the economic "vacuum" which resulted in Pakistan, for example, was more closely related to these policies than has generally been assumed.40 In addition, the almost complete emigration of

40 I am indebted for this suggestion to Shahid Javed Burki.
Hindus from West Pakistan and a much smaller outflow from East Pakistan resulted in a severe "vacuum" in some of the occupations and institutions providing goods and services, particularly in the nonagricultural sector, which had been manned largely by Hindus in urban areas.

Third, as has already been noted, the policies of the new government strongly fostered private enterprise and encouraged both commercial and, later, industrial investment by immigrant and resident entrepreneurs. Fourth, the heavy influx of Muslim immigrants and the economic and political needs of the new state provided strong pressures toward policies of rapid economic development. Economists have analyzed this process in some detail41 and have stressed particularly that government policies strongly supported industrial growth at the expense of other sectors, such as agriculture, and favored industrial locations in West Pakistan over those in East Pakistan, especially in the first decade or more.

All of these factors placed a premium on entry into business, first in commodity imports and later in the manufacture of basic consumer goods, particularly textiles. Because of the virtual interruption of trade ties with India, commodity importing was crucial in the immediate post-Partition years. In the early 1950s, the boom produced by the Korean War increased both the availability of foreign exchange and the demand for imports, rendering the import business extremely profitable. When this boom ended, the government's action in restricting further imports, particularly in textiles, caused many businessmen to shift rapidly into textile manufacturing. For economic reasons, and because it was possible to import foreign technology along with technicians, the manufacturing plants which were established in this early period were almost all quite large in size and extremely profitable. The pattern of opportunities, in which both accident and improvisation played an important role, was such that considerable assets could be accumulated in the immediate post-Partition period in commercial activities. Consequently, both established business families with large assets from pre-Independence times and comparative newcomers to big business were subsequently able to make the initial investments in large-scale industrial enterprises which generally formed the basis for the Big Houses.

The composition of the new class was deeply influenced by the exact nature of the economic disruption which occurred after Partition. The initial economic policies of the new government created first a group of Muslim businessmen who reaped very high profits from commodity-import trade, but who were then barred from this profitable line by the imposition of controls on textile and other imports during the foreign-exchange crisis following the end of the Korean War boom of the early 1950s. These circumstances made entry into business most likely for those

Hanna Papanek

who had experience in commerce, access to an existing network of commercial intelligence and credit, as well as fairly substantial assets; all of these plus even more substantial assets were required to make the subsequent entry into manufacturing industry.

An additional set of factors derived from the South Asian social structure accounts for the particularly important role played in Pakistan's economic growth by members of "business communities." Obviously, the existing economic opportunities placed a premium on the availability of large amounts of capital, business skills, and knowledge of suppliers, markets, and so on. While some of these factors might have been available to educated persons from other occupational backgrounds, such people lacked the incentives in the early years to enter business occupations, since they were often well established in existing positions. Refugees displaced from other middle-class occupations did try to enter business, but these enterprises were generally at a lower level, requiring little capital. But over and above the possession of individual skills and assets, members of business communities were affected by a set of additional factors which proved to be crucial.

Within the South Asian social structure, the occupational specialization of entire ascriptive groups, such as castes or their non-Hindu counterparts ("communities"), has meant, in the case of commercial communities, that a range of socioeconomic classes exist within the community and that a wide variety of commercial jobs, ranging from street hawker to company president, is held by members of the group. There may well be some specialization by a given community in a single group of products, such as grains or textiles, but there is a considerable amount of social mobility within the confines of the community. Group loyalties play an extremely important role in hiring and employment in commercial enterprises (though not in the case of factory labor). Potential entrepreneurs can come from various class levels within the community, which retains its strong emphasis on self-employment in business as the most desirable occupation, thus assuring a continuing supply of both manpower and entrepreneurial replacements. Within the business communities, there is also a well-functioning information network, producing not only intense rivalries among competitors, but also diffusion of information and a system for assessing credit worthiness, and much better access to credit facilities than would be available to unaffiliated individuals. Rivalry, information, and access to capital produced a tendency toward more innovative entrepreneurial behavior, especially in a situation with as many opportunities for business profit as existed in the early years of the new state.

At the same time, people in business occupations as a group held relatively low status with respect to the educated elites, even though wealth itself plays an important role in the status evaluation of individuals and

42 For a more detailed discussion of the structure and role of business communities in Pakistan, see H. Papanek, "Pakistan's New Industrialists and Businessmen."
families. Persons from other middle-class occupations, or wealthy landlords with available capital, were not highly motivated to shift to business in the early period. The relative lack of formal education of the first generation of entrepreneurs contributed further to this evaluation of the status of businessmen, and this was particularly true of the newcomers, especially the most enterprising ones.

These were some of the reasons why the entrants into modern industry in the first decade of Pakistan's existence were primarily men from business backgrounds who belonged to business communities. This pattern has been well documented by studies of Pakistan's industrial sector, such as G. F. Papanek's 1959–60 survey of industry and the survey of businessmen and industrialists on which this paper is based. The regional distribution of occupationally specialized Muslim business communities—whose historical origins are still not well understood—accounted also for the fact that entrants into industry were largely persons who had worked outside Pakistan areas before Partition, including many of western Indian origin. In this respect, one of the factors accounting for the domination of East Pakistan's commerce and industry by non-Bengali Muslims has been the relative absence of occupationally specialized Muslim Bengali business communities. Other significant factors for this disparity were, of course, political—such as the location of the capital at Karachi and the nature of economic policies.

The Twelve Biggest "Big Houses"

These factors in the development of the new class are shown particularly clearly in the business histories of the largest company groups. Among the largest of the Big Houses, it is obvious that early entry—in the first five years—into industry after Partition was a crucial factor in their rise to the top. By the same token, the largest company groups cannot be taken as typical of the development of an industrial class in Pakistan; in later years, other entrepreneurs moved into industrial activities from backgrounds in occupations other than those of the pioneering entrepreneurs. But, because of the great importance of the large companies in the economy—and in social and political matters as well—it is instructive to look at some of them more closely. The leading families which make up this top group have considerable political significance, both as symbols and as actors, but fully accurate facts are not available in detail, despite frequent public references to them. Systematic data, presumably available to government sources, will be needed to present a complete picture of the economic role of these families; the public records, such as annual company reports of public companies, show only a part.

In very general terms, the pattern of business organization in Pakistan (1971) closely resembles that of the private sector in India. Each of the

Big Houses is controlled by a single family, usually through a central private firm which may also function as a trading firm or which is an outgrowth of the original trading firm of the family. The central firm may also function as a managing agency for public limited corporations controlled by the family, or there may be separate managing agencies. Each family group among the Big Houses typically controls several industrial enterprises, diversified in terms of products. Families continue to exert effective control even though many of their enterprises have in recent years become public firms, if they were not public earlier, and the government has placed limits on the holdings permitted individual shareholders in order to dilute control. Many groups also include a commercial bank, an insurance company, and a private sales organization. Some also have a construction firm, an investment firm, a trading company which may even include a retail operation, and perhaps a shipping line. More recently, there have been investments in large agricultural estates as well as firms for the exploitation of natural resources, but these are relatively less important than the industrial ventures. Several of the industrial enterprises may be joint ventures with foreign firms. Many of the Big Houses have also established foundations as part of their group or have various kinds of trust funds handling charitable and educational activities. In addition to all of these, there is a complex pattern of directorships in public limited firms, in which members of the Big Houses play important roles in big ventures of other families. These may or may not indicate financial interests held in additional firms by members of a Big House.

There is widespread agreement among businessmen and some others as to the membership of the top group of Big Houses, but, beyond about ten or fifteen names, agreement becomes more difficult and the bases for choice vary. But the fact that a small group of families control a very substantial share of the country’s industrial assets has, of course, been clear for some time. Figures for 1959–60, for example, indicated that seven families controlled about one-fourth of all private industrial assets, and sixteen families about 40 percent of private industrial assets.44 Other estimates and calculations have continued to stress the role of the top families.

Here, a comparison has been made of two lists; one, a privately compiled ranking made by highly knowledgeable businessmen, based on estimated net worth of Houses, as of late 1968. This list includes families whose assets are mainly commercial, or in shipping or urban real estate, rather than mainly industrial; it does not include large landowners. The second list is based on totals of paid-up capital in public corporations controlled by Big Houses and listed on the Karachi Stock Exchange as published in late 1969 in the Pakistan Times.45 Because of the exclusive emphasis of the

44 G. F. Papanek, p. 68.
second list on industrial enterprises and public limited companies, the first
gives a somewhat more accurate picture of the largest business-industrial
houses. The two lists show a very high degree of agreement: the first five
names are identical, although differing somewhat in rank, indicating that
the top positions are held by families primarily in large industry. Out of the
first fifteen names on both lists, twelve are the same, again differing
slightly in rank. These twelve names are as follows, in order of net worth
as estimated by business informants: (1) Dawood, (2) Habib Bank,
(3) Adamjee, (4) Crescent (Mohd Amin Mohd Bashir, Ltd.), (5) Saigol,
Fancy, (12) Colony (Nasir A. Shaikh, Farooq Shaikh: undivided company.
On the business-informant list, the undivided company appears; but, on
the paid-up capital list, the two companies resulting from a split appear in
slightly different ranks).

In terms of net worth, the first eight Houses were estimated in late
1968 to be above ten crores rupees ($20 million at the official rate); of
these, the two or three leading Houses were thought to be worth almost
twenty crores. Of course, in comparison with large U.S. companies, these
amounts are quite small, but in the Pakistani context and in view of the
estimated starting assets of some of these companies, they are quite
startling.

If the list is expanded to twenty or twenty-five, it includes, in terms of
net worth, many of the very large commercial Houses which were also
active in undivided India, particularly Dada, Adam, and Arag (all Bantva
Memons), as well as some of the newer Punjabi Houses based on cotton
exports and industry, and a number of Parsis in industry, trade, and real
estate. The Ispahani family (so prominent in pre-Partition Muslim League
politics) is included toward the bottom of the list of twenty-five and fairly
well down the list ranked in terms of paid-up capital of public companies.

Most of the twelve industrial-commercial combines on the above list
are relative newcomers to large-scale industrial activity, even though the
scope of commercial activity in which some of them engaged—as did some
not on the present list of twelve—was very large in the Indian context.
It is quite clear that in undivided India there were few Muslim industrial-
ists who had large enterprises; in the group of twelve considered here,
only Adamjee in Calcutta was a large-scale industrialist. In addition, Baw-
any held several industrial enterprises in Rangoon. Some of the others
(Saigol, Colony) had begun relatively small industrial enterprises. At the
same time, several families in this group of twelve were very wealthy,
mainly as a result of successful commercial ventures, including govern-
ment contracting and especially army-supply contracting.

In the case of all twelve families, business activity was not a new
occupation but generally went back several generations. None of the pres-
ent heads of firms are new-entrants to business, although all of them have
undergone considerable shifts within their basic occupation in the sense of
moving from commercial to manufacturing operations and in vastly increasing the size of their enterprises. At the same time, only very few in this group belong to families who had so consolidated their commercial success in a preceding generation that they had been able to establish themselves in a fairly high status position. In very broad terms, high status in the generation preceding the major entrepreneurs of these twelve families had been achieved only by Adamjee and Wazirali, and to a lesser extent by Amin, Colony, Bawany, and Habib. Among the others, the most dramatic status change—from newcomer to magnate—was probably achieved by Dawood, Valika, and Fancy. The rest constitute a kind of middle group, where changes in wealth, economic power, and status were only slightly less dramatic than in the case of the most pronounced newcomers.

An interesting indication of these status changes is provided by the educational achievements of entrepreneurs. Among businessmen-industrialists as a whole, there has been a dramatic change in educational achievement between generations: the sons of the major entrepreneurs in large firms generally have achieved between five and ten years more formal education than their fathers. In a group of eighty-six business firms of various sizes, all holding import licenses, surveyed in the present study, 37 percent of heads of firms claimed they had at least ten years of formal schooling, while only 6 percent of their fathers had achieved this level. In a group of twenty-five very large firms surveyed, slightly over half of the current heads of firms said they had between zero and ten years of schooling while nearly 90 percent of their fathers were in this category. Not enough sons of heads of firms were old enough to make statistical comparison possible, but the data support a very large further shift upward.

Within the group of twelve Big Houses discussed here, a similar development has resulted in sharp differences within the group itself. Generally, in those families where wealth and high status had been achieved in an earlier generation, the major entrepreneurs of the twelve firms were educated at least to the level of matriculates or better (ten years of school or more), while the more newly mobile families had stressed formal education less than immediate entrance into business at the time when the major entrepreneurs of the present firms were growing up. Only five of the major entrepreneurs (i.e., men primarily responsible for the establishment and growth of the firm after Partition) in this group of twelve were educated to matriculation or better, including one B.A. and two B.Sc.’s. The remaining seven entrepreneurs were educated to levels below matriculation, including instances where formal education was very rudimentary indeed. Among some of these seven—and this includes major entrepreneurs who have since died or been replaced by a younger generation—knowledge of English was very scant at the time of Partition, although it was improved as the enterprises grew, sometimes by formal lessons.
In addition to their significance in terms of status, educational achievements are also important in another sense. The Pakistan experience makes it quite clear that entrepreneurial success, in the circumstances which existed, was much less dependent upon formal education than on other skills and assets. If formal education in the institutions provided by the British colonial administration could be said to have played a role in changing the values as well as skills of South Asian students, then it is likely that these particular values were not very important in the business context or in entrepreneurial activities. In fact, the biographies of businessmen collected in this study as a whole indicate that a basic level of educational achievement was important—that is, literacy, some arithmetic, and perhaps enough English to send and receive telegrams—but that very high levels of education—that is, beyond matriculation—were in some sense dysfunctional for business success. This was also indicated in G. F. Papanek’s survey of industrialists: men with low educational achievements were about as likely as men with high educational achievements to be successful entrepreneurs, if not somewhat more so.

Another dimension, religion and community, is also illustrated in this group of twelve Big Houses. All of these families are Muslims. While the top ranks of big business include several Parsi families (three out of the top twenty in terms of estimated net assets), only one of these three is primarily involved in large industry (Hirjina), while the others are in shipping, trade, urban real estate, and some industry (Cowasjee, E. M. Dinshaw). Parsis living in Pakistan areas did not enter large industry in the immediate post-Partition period, even though one might have expected them to do so because of their relative wealth, high levels of education and modernization, business skills, and established residence. In fact, however, the established Parsi business families did not make major industrial investments until much later, even though they did invest in large immovable enterprises such as hotels and urban real estate. The largest of the Parsi industrial firms (Hirjina) is controlled by a family which came to Pakistan after Partition from Bombay, in a highly unusual move, since there was almost no immigration or emigration by Parsis at the time of Partition. Large Hindu firms have also not played an important role in the Pakistan economy since the early 1960s, although G. F. Papanek’s industrial survey indicated that in 1959–60 Hindu-owned firms controlled 12 percent of private industrial assets, mainly in East Pakistan.

---

46 H. Papanek, “Pakistan’s New Industrialists and Businessmen.”
49 G. F. Papanek, Pakistan’s Development, p. 42.
An additional dimension of religious differences is closely related to occupational specialization of quasi-caste groups and to minority status. With only two exceptions (Hyesons, Wazirali), all the families in the top group of twelve belong to quasi-caste groups with a traditional occupational specialization in commerce, known as business communities. The Punjabis in this group often refer to themselves as “Chiniotis,” or at least as related to the Sheikhs specialized in business who are particularly concentrated in the West Punjabi town of Chiniot. In both group structure and historical development, the Sheikhs of the western Punjab are quite different from the business communities of western India, particularly those centered in Kathiawar, Gujarat, and Bombay City.

The most important Muslim business community of Kathiawar origin is the Memon; from the Bombay area come the Khoja Ismailis, the Khoja Isnasheris, and the Dawoodi Bohras. These four communities are—at least in Pakistan—cohesive, fairly structured groups, with some degree of internal organization, including some panchayat-like councils and some voluntary organizations. Each group is endogamous. In addition, there are some religious factors: the three groups from the Bombay area all belong to different sects of Shias, for whom religious observances and internal religious organizations are significant bonds of solidarity and marks of distinctiveness from other groups.

Overall, the distribution among the business families of various religious allegiances within Islam is as follows: Memons and Punjabi Sheikhs are Sunnis, while Khoja Ismailis, Khoja Isnasheris, and Dawoodi Bohras are Shias. Syed families are also Shia. Since the majority of Pakistanis are Sunnis, and since the most significant business communities—in terms of numbers and economic activities—are also Sunni, it is difficult to see the role of business communities as illustrative of a minority-group hypothesis in the usual sense. However, there is no doubt that the strong commitment to a business occupation, which is very prevalent among Memons, and to slightly lesser degrees in the other groups, does constitute a self-defining characteristic for members of these communities which differentiates them from others.

It is only in this very special sense of self-definition that the business communities might be considered “minorities” within the population. Although a wider discussion is beyond the scope of this paper, the role of Pakistani business communities does raise some questions about the generally accepted role of “minority groups” as entrepreneurs. In this view, a causal connection is sometimes assumed between a group’s minority status within the population, as defined in some generally accepted religious or racial terms (Jews, Chinese, Lebanese, etc., in various settings), and their entrepreneurial activities and successes. In the case of India and Pakistan, at least, the existence of occupationally specialized castes and communities raises the possibility of many other causal factors which may be more important.
Some reference has already been made to the fact that many Muslim businessmen and industrialists, whether originally from Pakistan areas or not, typically worked in non-Pakistan areas before Partition. The differences between resident Muslims and refugee Muslims, which are crucial in the political sense, need to be modified in the case of the business families to include also the category of “returnees.” The special significance of this category lies in the fact that, even if these families were engaged in business or manufacturing in places distant from their hometowns, the men often left their wives and children behind in the hometowns and also maintained a network of personal and commercial connections in their province of origin. This network often proved to be immensely important, either as part of the commercial enterprise carried on in distant places or as part of a new enterprise begun after Partition. For example, the large Punjabi firms which engaged in the export of cotton from the Punjab (such as Crescent and Nishat) built up their buying networks after Independence on the basis of existing personal and commercial connections within their home province. Similarly, those commercial firms in undivided India who had established branches in areas which became Pakistan were at an advantage in setting up their new distribution networks after Partition; this group included some of the very large Memon firms of food-grain dealers as well as others and is not restricted to returnees. Finally, the fact that so many Muslim businessmen and industrialists who became prominent in Pakistan had previously worked in non-Pakistan areas serves to indicate two important points. First, businessmen who were already established in Pakistan areas at the time of Partition apparently were less highly motivated to make early investments in new industrial ventures. Presumably, they had less liquid capital than newcomers, and their existing enterprises preoccupied them. Second, it reinforces the observations made in connection with Partition population movements that, in areas which became Pakistan, effective control of commercial and industrial enterprises was in the hands of non-Muslims.

Details concerning these various aspects of social and business background of the twelve Big Houses are presented in table 1.

In terms of numbers of Houses, this top group divides almost exactly into families of western Indian origin and families from the Punjab. After their migration to West Pakistan, of course, there has been a tendency to see all of them as undifferentiated “West Pakistanis,” and, although this is not true in terms of even recent origin, it is very largely true in terms of criteria of economic action. The absence of indigenous Bengalis from the ranks of the large entrepreneurs is very marked, but the absence of Muslims from the United Provinces and other areas with strong Muslim elite

TABLE 1
SUMMARY OF SOCIAL AND BUSINESS BACKGROUND OF THE TWELVE BIG HOUSES

<table>
<thead>
<tr>
<th>Name</th>
<th>Community</th>
<th>Family Origin</th>
<th>Business Headquarters Location, Pre-1947</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Dawood</td>
<td>Memon</td>
<td>Kathiawar (Bantva)</td>
<td>Bombay</td>
</tr>
<tr>
<td>2. Habib ...</td>
<td>Khoja Isnasheri</td>
<td>Bombay</td>
<td>Bombay</td>
</tr>
<tr>
<td>3. Adamjee</td>
<td>Memon</td>
<td>Kathiawar (Jetpur)</td>
<td>Calcutta</td>
</tr>
<tr>
<td>4. Crescent</td>
<td>Punjabi Sheikh</td>
<td>Western Punjab (Chiniot)</td>
<td>Delhi</td>
</tr>
<tr>
<td>5. Saigol ...</td>
<td>Punjabi Sheikh</td>
<td>Western Punjab (Chakwal)</td>
<td>Calcutta</td>
</tr>
<tr>
<td>6. Valika ...</td>
<td>Dawoodi Bohra</td>
<td>Bombay</td>
<td>Bombay</td>
</tr>
<tr>
<td>7. Hyesons.</td>
<td>(None)</td>
<td>Madras</td>
<td>Madras</td>
</tr>
<tr>
<td>8. Bawany</td>
<td>Memon</td>
<td>Kathiawar (Jetpur)</td>
<td>Rangoon</td>
</tr>
<tr>
<td>9. Amin ...</td>
<td>Punjabi Sheikh</td>
<td>Western Punjab</td>
<td>Calcutta</td>
</tr>
<tr>
<td>10. Wazirali</td>
<td>(None, Syed)</td>
<td>Western Punjab (Lahore)</td>
<td>Lahore</td>
</tr>
<tr>
<td>11. Fancy ...</td>
<td>Khoja Ismaili</td>
<td>Kathiawar</td>
<td>East Africa</td>
</tr>
<tr>
<td>12. Colony ...</td>
<td>Punjabi Sheikh</td>
<td>Western Punjab (Chiniot)</td>
<td>Lahore</td>
</tr>
</tbody>
</table>

groups is only somewhat less remarkable. In terms of the present headquarters of firms, at least in the late 1960s, all of the above firms (with the possible exception of Adamjee) were located in West Pakistan, although many had substantial enterprises in East Pakistan.

In terms of starting resources available at the time of Partition, there are substantial differences between the twelve firms, even given the very unsatisfactory nature of information on this point. Some of the firms which can be described as newcomers to big business are generally considered to have begun their enterprises with available assets considerably below one crore rupees ($2 million), and some estimates indicate that they have multiplied their net worth in twenty years by factors ranging from twenty- to sixty-fold. Outstanding in these terms, that is, modest beginnings and large growth, are Dawood, Crescent, Fancy, Valika, and Colony. Such dramatic rates of increase in economic assets do not apply to the same extent to many other business families who entered Pakistan with substantial assets and who have remained among the Big Houses without comparable increases in their holdings. This latter group includes many of the families who were most closely connected with the Pakistan movement, while the owners of some of the most rapidly growing firms were not.

In making the point that the top group of entrepreneurs (either the top twelve or top twenty or thirty) were not part of an already-existing elite but represented a newly risen group, three of the characteristics which have been mentioned are particularly relevant: prior wealth, prior political prominence, and educational attainments. On a combination of these three criteria, only very few families in this group could be considered to qualify or to have been even marginally accepted into existing elite groups. In terms of their life-styles, and despite the considerable wealth
of many families, most of these business families were essentially middle-class. It was not until the 1960s that conspicuous luxury spending by this group became obvious and widespread, even in terms of urban middle-class standards.

In the business histories of the larger sample of Pakistani businessmen as well as in the case of the group examined here, it also becomes quite clear that political or civic activity becomes important to a business family only when some manpower can be spared from the business. This is typically a task of the second generation or occurs quite late in the life of an entrepreneur after the firm has been well established. Civic activity within the “community” is likely to begin somewhat earlier and is considered to be a definite obligation to be met by prominent or wealthy persons. It is expected that their wealth and prestige should be used on behalf of the community to at least some extent. The most dramatic illustration of such a combination of activities and the use of leadership prestige to advance economic goals is provided by the Khoja Ismailis. One of the major functions of the well-known Jubilee “weighings” of the Aga Khan has been the collection of funds from his followers as a religious obligation. In the last such weighing, conducted in Pakistan in the early 1950s, these funds were collected in terms of shares in a finance corporation (Platinum Jubilee Finance Corporation), and capital was subsequently lent out to members of the community through credit cooperatives and other community institutions.51 A more common pattern is for prominent businessmen to be elected presidents of various community institutions in order to represent the community in the outside world, give personal donations, lend prestige to arbitration between contending parties, and provide business acumen and personal connections for the solution of financial problems. Such positions in the community may lead to wider recognition in business organizations or civic activities, but business leaders have generally been conspicuously absent from the world of politics as representative figures, except in a few rare instances. Of course, they have been reported to have played important roles in the financing of various political parties of both the Right and the Left, but these activities have generally not been well publicized. Nevertheless, prominent businessmen have been very significant symbolic figures in Pakistan’s political development, especially in the last few years.

Summary: Growth and Development of an Elite
The few Big Houses which have been discussed here are obviously not the whole story of Pakistan’s industrial and commercial development. But they have played an extremely significant role in economic as well as political terms, because of the extent of concentration of economic control in the

hands of a few, the speed of industrial growth, and the high political visibility of the industrial-commercial family combines. Within the general context of separatism, modernization, and entrepreneurship, the detailed data on individual large family firms begin to form something of a pattern.

To begin with, there is a definite overlap between the pre- and post-Partition periods in terms of the participation of big businessmen in economic activities connected with Pakistan. It is clear that the mobilization of Muslim businessmen in support of the Pakistan movement came rather late in the game—starting only after about 1943 in any serious way—and only very few big businessmen participated actively in the movement's leadership. Those who had been active, however, as well as those who had participated in setting up the "nation-building" companies eventually came to Pakistan. They brought large amounts of private capital into the country, and, as they felt assured of the pro-private-enterprise position of the new government, began to establish commercial and industrial enterprises.

At the same time, Muslim businessmen with almost no prior contact with the Muslim League leadership came to Pakistan and soon gained a realization of the opportunities which might be offered by the new state. These men were mainly newcomers to the ranks of big business, but they included a few extremely skillful and aggressive entrepreneurs who established themselves very rapidly in the front ranks of the new elite. With a few exceptions, these newcomers established new industrial enterprises more rapidly than the commercial Houses who had earlier been among the leading Muslim business groups. Among these relative newcomers, there are large numbers of Punjabi entrepreneurs—many of whom had been in business outside Pakistan before returning—who entered large-scale industry and became extremely powerful in the economy. In the list of twelve Big Houses, which emphasizes industrial interests more than commercial ones, the large majority consists of families with no prior connection with the Pakistan movement; a somewhat smaller proportion consists of families with relatively little prior wealth, although all had been in business before.

Obviously, the large commercial Houses are also still at the top of the business-industrial class, just below these top twelve, as an expansion of the list of Big Houses would show, although this has not been done in the present paper. This indicates the importance of large assets, business skills, and business connections in the establishment of large enterprises but also shows that the earlier political connections of the immigrant Muslim business families were less important than some other factors in the achievement of large-scale industrial control. At the same time, it is important to recall that many newcomers lacked all of these advantages and yet established enterprises which were the foundation of later Big Houses or somewhat smaller but still significant firms.

Another major feature of the business-industrial elite is the predominance of members of occupationally specialized business communities.
among the leading families. This is as true for the list of twelve analyzed here, as it is for a longer list of twenty-five or thirty; it is further supported by broader studies of all industrialists (as of 1960) and of segments of the business-industrial group (as of 1967–68). The significance of this business-community background extends over several areas of social and economic activity. On the one hand, members of business communities have had extensive training in business skills and established connections with a network of information and credit facilities within the community itself. In addition, membership in a business community serves to identify a person in terms of a significant network when his credit worthiness is evaluated by outside agencies or when he seeks employment. Rivalry between members of the same business community is also an important feature of the entrepreneurship shown by these people, as is the tendency for businessmen to imitate the business decisions of others whom they know, envy, and respect. Preference in hiring members of one’s own community further strengthens community bonds and also serves to insure a continuing commitment to business occupations by younger, lower-status members of the community who may later move up into entrepreneurial positions not pre-empted by the sons of wealthier families. These factors of a continuing supply of manpower for business occupations and their relationship to the business community’s typical tendency to include a range of socioeconomic classes are extremely significant aspects of the operation of these traditional social groupings in a modern economy. Additional features of the business communities include the prevailing traditional custom of arranged marriages within the group, which often affects the ownership and inheritance of assets, and a frequently highly conservative tendency with regard to the status of women and the role of formal education.

With respect to formal education, the business-industrial elite occupies an interesting position when compared with other Pakistani elite groups. In the case of earlier generations of businessmen, it was clear that the British system of formal education was of very limited use in commercial activities. Unlike those seeking admission into administrative, clerical, professional, or educational occupations, businessmen could generally carry out their occupations with very limited knowledge of English, limited vernacular literacy, and basic mathematics. This was even true, although to a lesser extent, with more modern business occupations such as manufacturing and foreign trade. Although Muslim businessmen did feel, in the years before Partition, that their opportunities were restricted through the competition of Hindu businessmen, this was based less on the Muslim lag in participating in English education than was probably true for others who joined the separatist movement.

The relation between formal educational achievements and status is indicated by several shifts between generations and among families. Among the twelve Big Houses discussed here, entrepreneurs from well-
established wealthy families were fairly well educated, while the newcomers to elite status are generally much less educated. In addition, there are very considerable intergenerational changes in educational attainment, both for the larger group of Big Houses (not listed here) and for other samples of businessmen and industrialists. This is particularly marked in the case of sons of very large industrialists and businessmen and will have some bearing on the future role of trained managers from outside the family in executive positions.

The relative lack of formal education by businessmen as a whole and big businessmen in particular has also been a serious problem in the achievement of status. Educated elite groups in Pakistan have tended to look down on businessmen and to assume a high level of corruption, inefficiency, and greed. Although this expectation was frequently confirmed, it also affected the particular pattern of relationships which developed among big businessmen, government officials, and politicians. A general feeling of working together to make Pakistan a reality, which often characterized government officials in the early years, existed between government and business to a much smaller extent. Educational achievement was one of the symbols used in maintaining some degree of social distance between businessmen, as a group, and members of the existing establishment.

Status, education, wealth, and political connections affect the role of big businessmen in the modernization process, particularly with respect to establishing connections with newer political forces emerging in the country. The small group of leading businessmen-industrialists who have developed Pakistan’s industrial establishments in the private sector have, of course, played an important role in the modernization of the country simply by developing industry. At the same time, there is no doubt that the concentration of economic control in the hands of a very small number of families has had very serious effects on the distributive aspects of growth. Both the overt and hidden participation of businessmen in various aspects of the administrative and decision-making process and in the activities of political parties has been in the interests of maintaining their pattern of control relatively unimpaired. Future relationships with new political elites will clearly be affected, not only by the existing power relationships between business and government, but also by a pattern of attitudes regarding the role of businessmen and their presumed status attributes which are held by other elite groups. Of particular importance in this respect is the role of entrepreneurship and educated management, since it is clear that the establishment of the large family combines was based on a particularly aggressive entrepreneurial style, which is now associated with business activities in general. One major question which will deserve careful consideration from several angles will be the future role of educated managers in executive positions in business firms and the relationship of these managers to interest groups and political parties.
A particularly salient feature of the role of the Big Houses is the absence of indigenous Bengali entrepreneurs, not only from among the top twelve, but essentially from the first thirty. This has been partly based on the historical development of Muslim society in Bengal and the absence of occupationally specialized business communities corresponding in structure and function to those from western India. However, the greater political power held by groups based in West Pakistan has played a crucial role in this process, particularly in the allocation of resources. The location of the capital in West Pakistan has also been of considerable importance in determining the location of businesses and industrial plants. The effect of the economic dominance exercised by big firms based in West Pakistan has been severely felt in East Pakistan, not only in terms of investment decisions, but also in retarding the development of an East Pakistani business and industrial middle class. In many respects, the feelings of Bengali Muslims vis-à-vis West Pakistani Muslims parallel those which were held earlier by Indian Muslims vis-à-vis Hindus—that their entry into the economy and into positions of political and administrative participation was retarded by other groups who had the benefit of earlier entry, greater starting assets, and more effective political support. In this context, it is very relevant to note that East Pakistani industrialists are reported to be among the important supporters of the Awami League leadership.

Despite the earlier lack of close relationships between the business-industrial elite and decision makers in government, except on an individual level, there is now a much closer tie between these groups, based on shared interests. To a very limited extent, this is indicated by an increase in intermarriage between important business and civil-service families and an increase in the number of young men from other elite backgrounds entering business occupations as trained executives. Although few big businessmen are running for political office in Pakistan, their role in the changing political situation is likely to become increasingly critical. The relationship between the leading families discussed here and the other entrepreneurial groups who have made later and small-scale entry into both manufacturing and commerce is also likely to change. In any event, the complex pattern of social, economic, and political antecedents and consequences in the growth of Pakistan's existing business-industrial elite needs to be understood to evaluate the role of this type of group in a developing, postcolonial society, in whose history separatism has played a crucial role.