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**“MAY I KNOW YOUR ETHNICITY PLEASE?”  
UNDERSTANDING THE SIGNIFICANCE OF ETHNIC AND  
KINSHIP TIES IN BUSINESS DECISION MAKING  
IN THE TEXTILE INDUSTRY OF PAKISTAN**

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**ABSTRACT**

*Through a detailed examination of the relationships of entrepreneurs in the textile sector of Pakistan, this article sheds light on the informal relationships that underlie business networks. It gives a detailed explanation on the role of informal institutions like kinship, ethnic and linguistic identities on the social network formation. The study of the networks of entrepreneurs in Pakistan raises questions models of impersonal, professional contacts can replace strong relationships based on personal affiliation and trust. Do business interests surpass ethnic and linguistic solidarities? To answer this question, a survey was held among entrepreneurs about their social networks to assess basic characteristics of social networks like size, network density, and strength of ties and study the impact of such factors on these network characteristic.*

**KEYWORDS:** *Social networks, ethnicity, structural holes, network density*

**JEL CLASSIFICATION:** *N30, M12, M15*

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## **1. INTRODUCTION**

The inspiration of this paper comes from the desire to define the entrepreneurial practices and networks in the case of Pakistan.

To begin this research, my natural approach was to look into the studies of entrepreneurship and economics and its various branches. But I realized soon enough that that this would be a naive and superficial attempt to develop the understanding of the business networks without taking into account the informal institutions in Pakistan.

Economic life is not isolated from the society however, in some cases, unlike in a western society; the custom of making the impersonal personal is a common practice in many developing countries.

Informal institutions such as ethnicity, kinship, clan/tribal ties play deeper and more meaningful roles in such societies and impact economic relationships as well. In an ethnically diverse country as Pakistan, such relationships, personal or professional rest on ethnic or clan/biradari based solidarity.

Large scale urbanization has taken place since the inception of Pakistan but relationships still maintain a traditional or “rural” feel. Kinship and ethnic ties are well respected and build the initial trust for any transaction.

Therefore, it becomes imperative to analyze such informal institutions and their role and place in the society to develop a deeper understanding of the business relationships and networks.

This paper attempts to capture the influence of informal institutions and the solidarity through them has on social networks of entrepreneurs and to what role do they play in defining the social

capital and the nature of social networks. The study took place in the cities of Faisalabad and Karachi where the social networks of power loom entrepreneurs were the subject of research. The following section gives an overview of the existing literature on social networks and social capital. It would be followed by a detailed analysis of the influence of informal institutions on the everyday life in Pakistan.

The third section would present an overview of the study setting and the last section would have empirical results from survey conducted about the social networks of entrepreneurs in the two cities.

## **2. THEORETICAL BACKGROUND**

### **2.1- Background- Pakistan, informal institutions and society**

Pakistan is one of the oldest inhabited regions of the world located in the region that was home to the Indus Valley civilization almost 5000 years ago. However, Pakistan as country is a recent development in world history, appearing in the world map only in 14, August 1947.

The exit of the British from the British India in the aftermath of the Second World War saw the creation of two nations of Pakistan and India through the division of the former colony of the British. Pakistan, or “the land of the pure” was created as a separate homeland for the Muslims of the Indian subcontinent.

The territory of Pakistan comprised of West Pakistan, which consisted of four provinces of Punjab, Sindh, Baluchistan and North West Frontier Province (NWFP)<sup>1</sup> and the territory comprising of Muslim majority regions of the Bengal province which came to be known as East Pakistan.

The division of the Indian subcontinent saw a major migration in the form of Muslims from other regions of India migrating to the newly created state of Pakistan. Similarly, Hindus and Sikhs who were residing in now what was called Pakistan migrated to India. The time of the partition created great chaos and was marred with violence and rioting among the Hindus, Muslims and Sikhs. In the aftermath of partition, a huge population exchange occurred between the two newly formed states.

About 14.5 million people crossed the borders, including 7,226,000 Muslims came to Pakistan from India while 7,249,000 Hindus and Sikhs moved to India from Pakistan. About 5.5 million settled in Pakistani Punjab and around 1.5 million settled in Sindh<sup>2</sup>.

Most of those refugees who settled in Punjab Pakistan came from Indian Punjab, Haryana, Himachal Pradesh, Jammu and Kashmir and Rajasthan. Most of those refugees who arrived in Sindh came from northern and central urban centers of India, Uttar Pradesh, Bihar, Madhya Pradesh, Gujarat and Rajasthan. Since all of them spoke Urdu as their mother tongue, they were lumped together as *Urdu-speaking* by the locals even though they were cultural differences among them.

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<sup>1</sup> The province has been renamed Khyber Pakhtunkhwa in 2010 after years of popular demands to be given a proper name that reflects the ethnic identity of its inhabitants, the Pakhtuns or Pashtuns.

<sup>2</sup> Not to be confused with the province of Punjab in India. At the time of Independence in 1947, the province of Punjab was divided between India and the newly created state of Pakistan. Both provinces are called Punjab.

The majority of Urdu speaking refugees who migrated after the independence were settled in the port city of Karachi in southern Sindh and in the cities of Hyderabad, Sukkur, Nawabshah and Mirpurkhas.

As well the above many Urdu-speakers settled in the cities of Punjab mainly in Lahore, Multan, Bahawalpur and Rawalpindi.

The number of migrants in Sindh was placed at over 540,000 of whom two-third were urban. In case of Karachi, from a population of around 400,000 in 1947, it turned into more than 1.3 million in 1953. These Urdu speaking refugees came to known as Mohajirs<sup>3</sup> or *those who migrated* (Albinia, 2009).

In terms of area Pakistan ranks 36<sup>th</sup> among the nations of the world. Its territory is four times that of UK and twice of Germany. Within Pakistan, Balochistan is the largest in terms of area (347.190 square kilometers), but has the smallest population of about 7 million. Punjab with 55% of nation's population, that is 73 million, is the second largest in area (205.344 square kilometers).

Its combination of land and population makes it the center of Pakistan's society and culture. Sindh has an area 140.914 square kilometers and a population of about 26 million, but it is its mega-city Karachi, the national port, and major industrial and commercial center, that makes this province central to the economy and society of Pakistan. Historically NWFP and Balochistan are tribal societies.

Both provinces also have designated tribal areas which are self-administered, ruled by customary laws, and are bearers of distinct sub-cultures.

These two provinces have been the historic gateways to India, from central and western Asia. The geo-strategic position and strong martial traditions are the basis of their political and cultural role in Pakistan (Albinia, 2009). Azad Kashmir and Northern Areas are normally autonomous territories whose status remains to be decide after the resolution of the dispute with India. Each of these provinces, Azad Kashmir and the Northern Areas has a distinct culture of local communities, social norms, dialects, and even languages.

Pakistan's rich history is reflected in the racial, linguistic, and cultural diversity of its population. Periodic waves of invaders from Central Asia introduced new racial and cultural strains in the indigenous population of the area. Although the newcomers, were assimilated in local communities, their ancestral origins reflect into ethnic and caste identities such as Khans, Rajputs, Moghuls, etc (Albinia, 2009).

The variation of skin color and physical features evident in Pakistan's population can be traced back to the diversity of its racial and geographic origins.

The combination of cultural and linguistic difference has laid the groundwork for ethnic diversity in Pakistan.

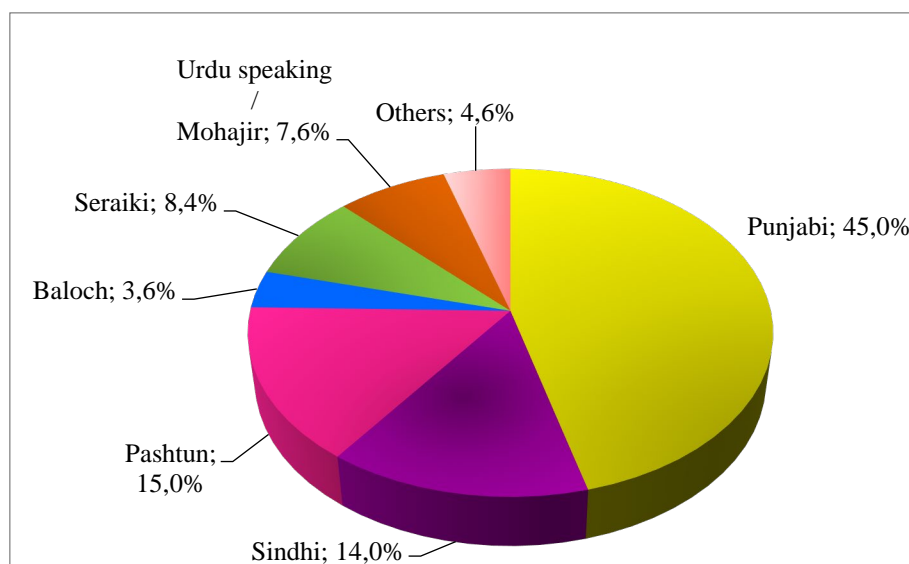
These differences were further sharpened by the British colonial policy of classifying people by ethnicity and caste. Pakistan's population falls into six major ethnic groups, those whose mother tongue is Sindhi, Balochi, Pashto, Punjabi, Saraiki<sup>4</sup> or Urdu; each coinciding with a cultural/linguistic area.

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<sup>3</sup> Mohajir and Urdu speaking are used interchangeably throughout this paper.

<sup>4 4</sup> It must be mentioned here that Seraiki, till the late 90s was considered as a dialect of Punjabi though the Seraiki nationalists have long fought for its recognition as a separate language and also for a separation of the province Punjab to create a Seraiki dominated province.

Classified by the criterion of mother tongue, as per the last census, the largest ethno-linguistic group was Punjabis 44.2%, followed by Pashtuns 15.4%, Sindhis 14.1%, Saraiki 10.1%, Urdu-speakers largely Mohajirs 7.6%, Balochis 3.6%. There are many minor ethno-linguistic groups in the Northern Areas, Azad Kashmir and within the major ethno-linguistic areas.



**Figure 1: Ethnic distribution of population in Pakistan**

Source: By author

Much of the economic progress in Pakistan is concentrated around major cities. The Karachi-Hyderabad corridor in Sindh, and Lahore-Faisalabad-Gujrat triangle in central-Punjab has developed, as has the Peshawar valley. Southern and western Punjab, interior Sindh, southern NWFP and Balochistan, as well as tribal areas have not equitably shared in the economic development. Pakistan's society and culture have changed notably since independence. Modern institutions and organizations have permeated the traditional agrarian community and tribes. People are more mobile, relatively dependent on cash transactions, and subject to global technological influences and trends in consumption, yet family, and to a lesser extent blood-bonds, remain the core social institution. Today's Pakistan is different in many ways from what society was in 1947, yet it is not a new society. It maintains a continuity of traditions. Values and institutions remain tied to their historical roots. This inter-play between continuity and change is not unique to Pakistan, it is the story of all countries, it is the phenomena of the more things change; the more they stay the same. The purpose of this brief overview was to create a picture of the ethnic diversity of Pakistan in the reader's mind and to underline the pluralism of the Pakistani society.

This description lacks historical depths and finer analysis but that is beyond the scope of this paper and would digress us from the real purpose of this paper. In the subsequent sections, we shall examine the importance of ethnic and kinship based ties in everyday life in Pakistani society.

## 2.2 Social identity in Pakistan

Pakistani society and its informal institutions are rooted in primordial ties. Family, *biradari*, tribe, and ethnicity are structures that define an individual's place in society and inform her/ his beliefs and behaviours.

Despite linguistic, ethnic and geographic differences, families and clans of the four provinces have similar structures for example they are patriarchal in nature. These similarities arise from the common heritage of the Indus Valley civilization, centred on settled agricultural communities and influenced by tribal migrations from central Asia and beyond. The conquest by Muslim dynasties of Persian and Afghan origins created a new elite class who were installed in local communities by successive rulers. Tribal identities of the local population were overlaid with the conquerors' privileged status as *Ashrafs* (noble born) to form Muslim castes such as Sayyids, Qureshis, Ghaznavis, and Mughals. Former Hindu high castes on conversion to Islam kept their lands and ancestral identities as Rajputs, Jats, Junejos, Dars, etc. Craftsmen continued with their hereditary occupations and identities, classified in occupational castes, such as weaver, carpenter, barber, or potter. The untouchables became *musallis* (cleaners and scavengers), even after changing their religion. Thus the caste and clan identities evolved into a social system based on *zats* (castes), which correlated with land ownership and occupational specialization of high or low status.

Kinship means social relations based on blood ties and sometimes marriage bonds. All societies have kinship institutions of one form or another. In Western societies, kinship is a small part of the total social relations of an individual, but in Third World societies it looms large in a person's social network. Historically, Pakistani society, including its regional and ethnic components, has had strong kinship structures. Kinship is the larger group surrounding a family with which its members are tied in bonds of mutual support, obligations, common identity, and endogamy. It is called *biradari* (literal meaning brotherhood) in Punjab and parts of Sindh, *khel* (clan) or *kaliwal* (community fellow) among Pashtoons, *quom* or *zat* by Balochs. The basic structures of these groups bear strong similarities. *Biradari*, *khel* or *zat*, traditionally, has been the group for marrying in. Its members also have customary relations for gift exchanges at marriages, births, or other passages of life; obligations of coming to each other's help in adversity or solidarity; and protecting collective identity and honor (Qadeer, 2006; Mohmand & Gazdar, 2007; Tiwana, 2011).

In Pakistan, kinship ties have shifted in emphasis from focusing on internal relations to pooling of social power for external dealings with other groups and smoothing transactions. This shift has largely occurred in the last 50 years. Family and kinship bonds have been further strengthened, reviving traditional values. These social structures function as power blocks and social networks for their members in negotiating their way through economic and administrative institutions. The solidarity of family and kin is now also sustained by the power and influence exchanges among members.

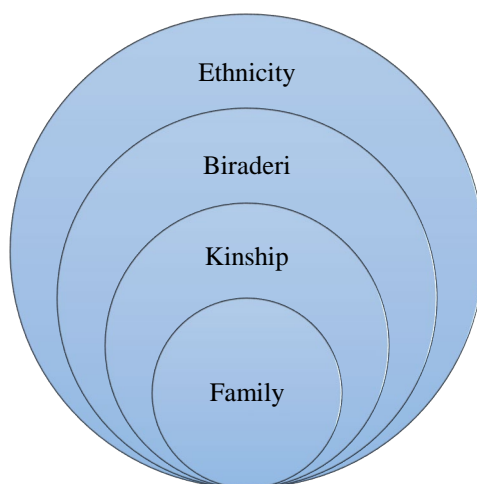
*Biradaris* or clans strike an internal bargain of expectations – support *biradari* members with your connections and in return they will use their influence on your behalf, particularly in dealing with public officials (Qadeer, 2006). This power exchange has become a significant function of kinship. The need for a patron to mediate with the state apparatus has increased in direct relation with the expansion in the role of Pakistan's state and its increasing inefficiency and corruption. The state's softness indirectly promotes kinship solidarity. The *biradari* or clan's role as the pooling of social capital has grown in recent times.

In small business communities or clans, primordial ties, including ethnic bonds, are a source of financial resources for businesses. Some ethnic groups, are known kin groups who have

oligopolies over textile, leather, and other consumer goods industries as well as some import–export businesses. Similar kinship dominations are observable in regional and local economies (Ahmed & Naeem, 2011) (Qadeer, 1997).

The failures of the state have contributed to the functional realignment of kinship ties, but there is also a feedback loop in this relationship. Kinship nepotism subverts rules and laws and erodes the state’s authority. The culture of patron– client in public affairs is sustained by kinship obligations. This is one illustration of the Pakistani state and society mutually locking each other in a cycle of personalized dealings and arbitrary modes of operation that conflict with the imperatives of an urbanizing and modernizing society (Mezzera & Aftab, 2009).

Community as a process and sentiment is strong in Pakistan. Its foundation lies in primordial ties. *Biradari*, *khel*, *quom*, or caste are the primary source of a sense of belonging for individuals. The sentiments and processes of such groups even permeate bureaucracies and professions. Military officers or members of the Federal Police or Tax services, for example, imbibe a sense of belonging, mutual obligations, and group identity reminiscent of a tribe or *biradari*. These organizations present an organization like face to the world outside, but internally they are divided along ethnic, sectarian, and caste lines. For example, an army colonel would show regard for any other officer even to the point of doing favors for him in relation to outsiders, but he would form groupings with those from his own ethnic, sectarian, or tribal background for promotions, postings, and perks. The point in making here is that even modern organizations in Pakistan have an underside of primordial ties and community sentiments.



**Figure 2: Layers of the society**

Source: By author

A study of the history of Pakistan would bring out very clearly the strong sense of ethnic consciousness that prevails within the society and has been able to mobilize political power. Since its inception, the Pakistani state and society has witnessed on many occasions a strong sense of ethnic identity among all the groups claiming more political recognition and cultural recognition.

### 2.3 Social life and informal institutions

How does ethnicity affect group relations and daily life in Pakistan? Ethnicity is visibly woven into the politics of the country, but it also underlies social relations and affects economic and social organization. Ethnicity comes into play at three levels: (1) as moral communities and linguistic/cultural solidarities of primordial uniformities, such as Punjabis, Pashtuns, and Sindhis; (2) as tribes, clans, castes, and *biradari* (groups bounded by endogamy); (3) as kinship and family groups. Ethnicity represents “roots” for an individual. It is what one is born with (Tiwana, 2011; Ahmed & Naeem, 2011).

Provincial ethnic communities are not organized as social structures, rather as solidarities that have a common heritage, language(s), values, beliefs, and myths but few, if any, formal institutions. They are moral communities. There are no provincial formal institutions that link members together except some political and cultural associations. Common expectations and a sense of belonging tie members to each other, but these subterranean bonds come alive in the political arena (Qadeer, 2006).

*Biradaris* in Punjab and clans and tribes in NWFP, Sindh, and Balochistan are the groups whose identity, values, approval, or ostracism have direct bearing on an individual’s status, heritage, and identity (Qadeer, 2006).

The prevailing provincial ethnicity is not the primary reference point for people’s behavior. For example, marriages are not contracted freely among, say, Punjabis or Pashtoons, but within specific clans and *biradaris* and even within these groups with cousins or other blood relatives. Kinship networks and clan identities map the everyday life of a Pakistani. They are the channels through which the broader ethnic bonds are routed.

In everyday life, ethnicity defines an individual and circumscribes her or his social network and community. One largely lives among co-ethnics and depends on them for emotional and social support. Underneath the formal organizational structures of public or private agencies are informal networks of provincial, linguistic, or tribal and caste solidarities (Qadeer, 2006).

Functionally, the extended family has become an arena for “power pooling,” in addition to the usual functions, for example, procreation and childcare, and emotional and physical support. It has become an informal corporate body that mobilizes members’ connections to negotiate for basic services, such as getting a child admitted to school, fixing a traffic ticket, fending off criminals, or care of someone who is hospitalized (Qadeer, *The Evolving Structure of the Civil Society and the State in Pakistan*, 1997). This function has reinforced family solidarity through the pooling of individuals’ influences, rendered necessary by institutional change and the inefficiencies of the state (Qadeer, 2006). Pakistan’s hospitals, schools, telephone companies, judiciary, police or businesses – in sum almost all organizations and institutions – operate on the basis of connections, power exchanges, and ethnic and clan/community loyalties (Qadeer, 2006).

Formal structures are overlaid with informal but persistent networks of personalized dealings, nepotism, or bribery and corruption. Even market transactions have an aura of personalized dealings. One is only assured of reliable dealings if one makes a personal connection to a storeowner. Trust is not generalized but flows along lines of familiarity. A process of “personalizing the impersonal” lubricates the institutional and organizational gears. Work ethics take a back seat to socializing and personal obligations.

### 2.4 Entrepreneurial social networks in Pakistan

In the light of the above explanations about the society in Pakistan and the theoretical background on the role of social networks in the earlier sections, I would attempt to analyze the

nature of social networks of entrepreneurs in Pakistan. The focus of the following sections would be to define empirically the nature of social networks of the entrepreneurs in Pakistan. The major questions that this paper seeks to answer are the following:

- 1) How are the social networks of the entrepreneurs formed?
- 2) What is the structure of the network?
- 3) What is the nature of ties in the network? Are they strong ties or weak?

### **3. KARACHI AND FAISALABAD: TWO OPPOSITE CASES**

Karachi is the largest city, main port and the main financial centre of Pakistan, as well as the capital of the province of Sindh. It is spread over 3,527 square km in area, and has an estimated population of 13 to 20 million, while the total metropolitan area has a population of over 25 million. Karachi is the most populous city in the country, one of the world's largest cities in terms of population and also the 10th largest urban agglomeration in the world. It is Pakistan's premier centre of banking, industry, economic activity and trade and is home to Pakistan's largest corporations, including those involved in textiles, shipping, automotive industry, entertainment, the arts, fashion, advertising, publishing, software development and medical research. It was the original capital of Pakistan until the construction of Islamabad.

The city is located in the south of the country, along the coastline meeting the Arabian Sea. Karachi is an important financial and industrial centre and handles most of the overseas trade of Pakistan and the world, mainly the Asian countries. Karachi's contribution to the country's manufacturing sector is about 30% and the GDP of Karachi is almost 20% of the GDP of Pakistan. Karachi's GDP is attributed to its highly industrial base with high dependence on the financial sector. Textiles, cement, steel, food, financial services all contribute to the economy of Karachi.

Apart from this, major multinationals have their head offices in Karachi as well. Major newspapers and TV channels are also based here. Karachi is a truly cosmopolitan city with a diverse population, and a multi cultural society.

Karachi's population is predominantly Urdu speaking, though city's cosmopolitan population is composed of many ethno-linguistic groups from all parts of Pakistan as well as migrants from several different countries and regions. English is the language of business and government just like any other city of the country. The population and demographic distribution of the city has undergone considerable changes over the past 150 years.

At the end of the 19th century, the population of the city was about 105,000, with a gradual increase over the next few decades, reaching more than 400,000 on the eve of independence. Current estimates of the population range from 15 to 18 million.

The city's population is estimated to be growing at about 5% per year (mainly as a result of internal rural-urban migration), including an estimated 45,000 migrant workers coming to the city every month from different parts of Pakistan.

The city was, and still is home to a large community of Gujarati Muslims, who were one of the earliest settlers in the city. Important Gujarati Muslim communities in the city include the Memon, Chhipa, Ghanchi, Khoja, Bohra and Tai. Other groups include the Parsis, also originally from Gujarat, Marathi and Konkani Muslims from Maharashtra, Goan Catholics and Anglo- Indians. The independence of Pakistan in 1947 saw the settlement of the what is now the largest ethnic community in the city, the Muhajirs who migrated from India in search of a Muslim homeland and settled in Pakistan, that's why the culture of Karachi is very similar to any Indian Muslim dominant city and the city's first language is Urdu because of these Muhajir

unlike other parts of the country. Within the Muhajirs, there is also a sizeable community of Marathi Hindus and Malayali Muslims in Karachi (the Mappila), originally from Kerala in South India. Seraikis, Kashmiri, Hinko, Baloch and Punjabi peoples also are also settled here. The Pashtuns (Pakhtuns or Pathans), originally from Khyber Pakhtunkhwa, the tribal areas in the north of the country, and northern Balochistan, are now the city's second largest ethnic group in Karachi after Muhajirs. With as high as 7 million by some estimates, the city of Karachi in Pakistan has the largest concentration of urban Pakhtun population in the world, including 50,000 registered Afghan refugees in the city. Pakhtun from the dry lands of Khyber Pakhtunkhwa and tribal areas started migrating from Karachi's Pakhtun bus and minivan operators/drivers have an ethnic/tribal monopoly of the local transport. They provided a necessary service at a time when it was almost non-existent in the 1960s although over the years they coalesced into a strong-arm force and an economic monopoly, particularly with the arrival of Afghan transport mafias in the 1980s.

After the Indo-Pakistani War of 1971, thousands of Biharis and Bengalis from Bangladesh arrived in the city, and today Karachi is home to 1 to 2 million ethnic Bengalis from Bangladesh many of whom migrated in the 1980s and 1990s. They were followed by Rohingya Muslim refugees from western Burma and Asian refugees from Uganda. One under-privileged ethnic group are the Siddis (Negro - Sheedi) who trace their roots to African slaves from earlier centuries. Many other refugees from Iran and the Central Asian countries constituting the former Soviet Union have also settled in the city as economic migrants. There also exists a small Nepali population, large numbers of Arabs, Filipinos and an economic elite of Sinhalese from Sri Lanka. Expatriates from China have a history going back to the 1940s; today, many of the Chinese are second-generation children of immigrants who came to the city and worked as dentists, chefs and shoemakers. Karachi is furthermore host to a large number of western expatriates in Pakistan. During World War II, about 30,000 Polish refugees migrated to Karachi, at that time under British colonial rule. Many of these Polish families settled permanently in the city. There are also well-established communities of American and British expatriates. According to the census of 1998, the ethno-linguistic distribution of the city in 1998 census is: Urdu speaking/Mohajir 48.52%; Punjabi 13.94%; Sindhi 7.22%; Pashto 11.42%; Balochi 4.34%; Seraiki 2.11%; others 12.4%. The others include Gujarati, Dawoodi Bohra, Memon, Brahui, Makrani, Khovar, Burushaski, Arabic, Persian and Bengali. Karachi has been sometimes regarded as an ethnically segregated city, with 75% of the city regarded as being segregated along ethnic lines.

Faisalabad, formerly known as Lyallpur, is the third largest metropolis in Pakistan, the second largest in the province of Punjab after Lahore, and a major industrial center in the heart of Pakistan. The city is an industrial centre with major railway repair yards, engineering works, and mills that process sugar, flour, and oil seed. Produce includes superphosphates, cotton and silk textiles, hosiery, dyes, industrial chemicals, beverages, apparels, pulp and paper, printing, agricultural equipment, Faisalabad's GDP (PPP) at \$55 billion.

The city was third behind Karachi (\$78 billion) and Lahore (\$60 billion). Faisalabad's GDP is projected to rise to \$87 billion in 2025 at a growth rate of 5.7%, higher than the growth rates of 5.5% and 5.6% predicted for Karachi and Lahore.

The textile industry of Faisalabad constitutes more than 65% of the textile export market of Pakistan, which itself forms 58% of total exports from Pakistan. This makes Faisalabad's share of total exports from Pakistan more than 40%. The emergence of Faisalabad as a major agriculture and industrial center created a great increase in the city's population. From a

population of 69,930 in 1941, it rose to 179,000 in 1951, an increase of 152.2% this was mainly due to the settlement of Muslim refugees from East Punjab and Haryana who came from India and settled in Faisalabad. The population rose to a future figure of 425,248 in 1961, an increase of 137.4%.

Faisalabad became a record in the demographic history for Pakistan by registering an overall population increase of 508.1% between 1941 and 1961. According to the estimate of the city is expected to have reached 2,793,721 in 2009. Punjabi and Saraiki are the main languages of Faisalabad, although Urdu is the primary language of a sizable population. Punjabi, Saraiki and Urdu are equally understood and spoken, whereas English is the language of commerce, business and law. Punjabi is the native language of the province and is the most widely spoken language in Faisalabad. Punjabi is the primary means of communication in both the city and adjoining rural areas.

According to the 1998 census, 74% of the population are Punjabis; 20.2% are Urdu speakers and the Seraikis, at 5.4%. Faisalabad just like other emerging cities of the country have essentially drawn peasants and workers from surrounding regions, but they are all Punjabis and the situation is entirely different from Karachi where migrants from all over the country are pouring in.

**Table 1: A snapshot of the basic figures<sup>9</sup>**

City	Population (persons)	Area	Annual Population growth rate	Literacy rate <sup>10</sup>	Urban population	Rural population	GDP per capita	Major industry/ sector
Karachi	9856318	3527 sq km	3.49%	67.4%	94.75	5,25	\$78 b	Financial services, electronic media, textiles, pharmaceuticals, cement, steel, heavy machinery, automobiles.
Faisalabad	5429547	5856 sq km	2.5%	51.9%	42.7	52.3	\$55 b	Pharmaceuticals, jewellery, textiles, agriculture, fruits

## 5. METHOD

A survey was conducted among the power loom entrepreneurs in the cities of Faisalabad and Karachi focusing on the social networks of the entrepreneurs. The methodology of the questionnaire followed Burt (2002) who has used a very similar technique to measure structural holes and strength of ties among the respondents. Mapping of the social networks was a tedious and time consuming task and required a three step process. As a first step, the respondents were asked to make a list of all the people including friends, family, relatives, acquaintances who he considers a part of his network to assess the size of the network. The second step was to ask the respondents about the structural holes in the network therefore, respondents were asked to illustrate how many of his contacts knew each other. This was supposed to give a picture of the density of the networks. The third step was to ask questions about characterises of all the people that the respondent considers in his network. Questions on duration of the relationship,

frequency of meetings with that person, entry in the social network, background (regarding ethnicity) of the contact and occupation of the contact were asked.

Table 1 provides a picture about how a social network is developed for the respondent. The respondents were asked, “How did you first meet the contact”

**Table 1: Entry in the network**

City	Through relative	Through friend	Through acquaintance	Others
<b>Karachi</b>	3,26%	40,07%	53,42%	3,26%
<b>Faisalabad</b>	37,3%	45,29%	14,75%	2,66%
<b>Pooled data</b>	24,15%	43,27%	29,69%	2,89%

Source: By author

It can be observed here that friends play a bigger role in bringing someone in the network in both cities however; the biggest difference in entry in networks can be seen in introductions through relatives. In Karachi the percentage of such introductions is very limited and maybe due to the lesser influence of kinships based ties in business networks since Karachi is more diverse in its population. Table 2 again draws attention to the difference in the networks of entrepreneurs in our sample.

**Table 2: Relatives as network members**

City	Relatives in network
<b>Karachi</b>	6,84%
<b>Faisalabad</b>	34,63%
<b>Pooled data</b>	23,9%

Source: By author

Relatives that are involved in work form a small portion of the work force in Karachi. In light on the above discussion on social institutions in Pakistan, it is easy to see that the term relative expands to broader level of kinship based ties and people might not be directly related to each other to be called the same fraternity. The case of Karachi supports the earlier discussion on the role of informal institutions in the society at all levels. Since Karachi is a home to migrant population from different parts of the country, the chances of extended families and kinship ties are smaller. Given the chance of being able to hire people from their own background, as in case of Faisalabad, it is very likely that family members and extended family ties would be included in the business. The question of trust and weak formal institutions make it important to hire people whom you know well and trust.

In the discussion on informal institutions and ethnic identities in Pakistan, it was extensively discussed that people have strong allegiance to ethnic/linguistic backgrounds. Such informal institutions give a sense of belonging to people and define their place in the society. It was also mentioned earlier that people want to mingle and engage with similar ethnic/linguistic background as themselves. This situation finds support empirically as well in this survey. When asked about the background of the contacts of the respondents, a large number had similar ethnic background both at city level and in the pooled data as seen in Table 3. In Karachi, the set of ties are more diverse in terms of the ethnic background.

**Table 3: Distribution of contacts according to ethnicity (in percentages)**

City	Same	Different	Do not know
<b>Karachi</b>	75,9%	24,1%	0
<b>Faisalabad</b>	94,25%	4,93%	0,82%
<b>Pooled data</b>	87,15%	12,34%	0,5%

Source: By author

Sustainability of a network is crucial if it is to be exploited for gaining competitive edge in the market. If a network does not last for longer than it cannot be a reliable determining factor for success. The various benefits of social networks as mentioned in the theoretical background can only be gained if they are sustainable for some period of time. Ties over a longer period of time have more trust and better understanding among its members reducing the chances of misunderstanding and confusions.

In Table 4, the evidence of relationships lasting for over 10 years is the highest for Faisalabad. For Karachi, it is only 12,05% which can be due to the reason that there is constant internal migration in the city and the likelihood of finding new business partners and generally meeting new people are higher. Despite this, it can still be found that generally almost half of the respondents in both cities have relationships lasting between 5 to 10 years.

**Table 4: Duration of relationship**

City	Less than 5 years	>5 years <10 years	>10 years
<b>Karachi</b>	31,92%	56,03%	12,05%
<b>Faisalabad</b>	5,12%	50%	44,67%
<b>Pooled data</b>	15,47%	52,33%	32,08%

Source: By author

Density of the network shows interconnectedness of the contacts and the structural holes in the networks. The higher this number, the more dense the network is. Referring to Table 5 below, in Faisalabad, the average density is more than in Karachi, presenting less structural holes which does not come as a surprise.

In Table 2, 94% of all contacts in the networks of entrepreneurs were of same ethnic/linguistic background and in line with the customs of the society, homogeneity in network contacts is preferred and the chances of knowing each other increasing in a homogenous network which makes it more dense as compared with a more diverse network in case of Karachi where there are more structural holes and the networks are less closed.

A reason for this is also that in Karachi, personal and professional relations do not overlap much. Personal networks are always shaped by the informal institutions of kinship, ethnicity, or linguistic identities.

A preference is always given to similar ethnic backgrounds for professional relationships as well but in case of Karachi, where the population is so multi cultural the possibilities of finding homogenous ties are less.

**Table 5: Average Network Density**

City	Average Network density
<b>Karachi</b>	0,42
<b>Faisalabad</b>	0,65
<b>Pooled data</b>	0,57

Source: By author

Tie strength was calculated as a sum of ethnicity of contact, frequency of meetings with contact and the duration of relation with contact. The value of this measure lies between 0 and 1. The higher this number, the stronger the tie. Tie strength is higher for Faisalabad as can be seen from Table 6.

**Table 6: Average Tie Strength**

City	Tie strength
<b>Karachi</b>	0,41
<b>Faisalabad</b>	0,65
<b>Pooled data</b>	0,56

Source: By author

We have taken similar ethnicity as a contributing factor for this measure and since in case of Faisalabad, we see homogenous ethnicity based contacts dominating the network, the strength of such ties is more than in the opposite case. The frequency of meetings with contacts and duration of relationships are also somehow determined by having similar background as it has been discussed in the section on background on Pakistani society.

**Table 7: Average Network size**

City	Average Network size
<b>Karachi</b>	8,21
<b>Faisalabad</b>	8,48
<b>Pooled data</b>	8,38

Source: By author

## 6. DISCUSSION

So far we have been able to draw a clear picture in our minds about the social setup in the Pakistani context. We have seen that ethnic/ linguistic identities play a great role in an average Pakistanis life. We have also seen that ethnic/linguistic identities have an impact on national politics and also that they continuously manifest themselves in the social lives of an individual. Social life, professional contacts and one's position in society is all revolving around his ethnic/kinship based ties. In a country, where ethnic/linguistic/kinship based ties are so important and which is so ethnically plural as well, how can one imagine the nature of social networks? It becomes too obvious from our discussion on the background on Pakistani society that a person's social network and his solidarity would be highly centred on those ethnic/linguistic based relationships. The brief details on the cities of Faisalabad and Karachi highlight two cases that are poles apart: on one hand is Karachi, which is ethnically diverse, cosmopolitan, and a city of migrants which belongs to none and yet is home to millions, and on the other hand is a relatively ethnically homogenous city which has seen no ethnic frictions and hardly deals with migrants from other parts (and ethnic groups) of the country. We can conclude that tendencies of homophily are strong in the society in Pakistan. Even if business relationships take place outside the established identities of ethnic and linguistic identities, personal relationships are hardly established outside them. It brings a disadvantage in restricting the social network in a case like Karachi which has a heterogeneous population. In such a situation

social networks would not overlap business networks. How far such tendencies affect the sustainability and strength of a business network could be an area of further investigation.

Though a heterogeneous network might be considered effective for bringing in new information and ideas, it might not be the case in Pakistan since trust and bonds rely largely on ethnic and linguistic solidarities, outsiders would find it difficult to blend in such networks.

Thus, so far following have been established:

Participants of the supply chain are from diverse ethnic groups for Karachi. (annex Table 1)

1. In Faisalabad, the whole chain in the same ethnicity in almost all cases. (annex Table 1)
2. In Faisalabad, the social, business, personal networks are the same because of the homogeneity of ethnicity. (Annex Table 5)
3. In case of Karachi, there is segregation between personal and business networks due to the diversity in ethnicities. (Annex Table 5)
4. The density of the networks in both these cities is of great importance. In case of Faisalabad, the networks are dense because all participants of the value chain know each other at one level or the other due to the possibility of wide ranging nature of relationships that occur between them. i.e, personal or/and professional.
5. While on the other hand, since Karachi is a multi ethnic city, the possibility of having an ethnically diverse value chain is certain. However, there are clear boundaries between the personal and professional networks of the entrepreneurs. Personal networks are a manifestation of ethnic solidarity and homogeneity whereas professional networks showcase diverse ethnic relationships. Therefore, the density of the professional networks is less as chances of having many inter connected contacts are rare. (Annex Table 4)
6. There is large evidence to show that friction is present between all the ethnic groups in case of Karachi. This leads to mistrust while interacting with various groups for business purposes.
7. In Faisalabad, the demographics are pretty consistent and there has not been changes in the district unlike Karachi which faces large inter country migration yearly. It brings in people of diverse ethnic and cultural backgrounds and therefore the network of an entrepreneur is constantly being introduced to new people which is good for new information but building of trust always takes time and therefore, entrepreneurs rely on more formal methods of handling transactions (Annex Table 3).
8. Kinship ties are stronger in Faisalabad whereas in Karachi since marriages outside the biraderi are more common, such relationships were loose.

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## ANNEXES

**Table 1: A snapshot of the basic figures<sup>9</sup>**

City	Population (persons)	Area	Annual Population growth rate	Literacy rate <sup>10</sup>	Urban population	Rural population	GDP per capita	Major industry/ sector
Karachi	9856318	3527 sq km	3.49%	67.4%	94.75	5,25	\$78 b	Financial services, electronic media, textiles, pharmaceuticals, cement, steel, heavy machinery, automobiles.
Faisalabad	5429547	5856 sq km	2.5%	51.9%	42.7	52.3	\$55 b	Pharmaceuticals, jewellery, textiles, agriculture, fruits

**Table 2: Impact of Partition in 1947 on the demography and ethno/linguistic and religious structure**

Demographic indicators	Regional language as mother tongue (1941)	Regional language as mother tongue (1951)	Urdu as mother tongue (1941)	Urdu as mother tongue (1951)	% of Muslim population 1941	% of Muslim population 1951	% of Hindu population 1941	% of Hindu population 1951
Karachi	61.2	8.6	6.3	50	42	96	51	2
Faisalabad	97%	97%	4.2	3.6	40	96	57	1

**Table 3: Migration within provinces in Urban areas in thousands (from 1981-1998)**

Province	Migration within province	Migration from other provinces
Sindh (Karachi)	459 (3.1%)	1,099 (7.4%)
Punjab (Faisalabad)	1,747 (9.6%)	365 (1.6 %)

**Table 4: Ethnic diversity of the two provinces in percentages<sup>11</sup> (Urban areas as per 1998 census)**

Province	Urdu speaking	Punjabi	Sindhi	Balochi	Pashto	Seraiki
Sindh(Karachi)	28	8	40	6	2	9
Punjab (Faisalabad)	8	67	0	0	1	23

**Table 5: Province wise knowledge of second languages in percentages (Urban areas as per 1998 census)**

Province	Urdu	Punjabi	Sindhi	Balochi	Pashto	Seraiki
Sindh (Karachi)	54	16	30	4	3	16
Punjab (Faisalabad)	76	23	1	0	1	10

<sup>i</sup>The province has been renamed Khyber Pakhtunkhwa in 2010 after years of popular demands to be given a proper name that reflects the ethnic identity of its inhabitants, the Pakhtuns or Pashtuns

<sup>ii</sup>Not to be confused with the province of Punjab in India. At the time of Independence in 1947, the province of Punjab was divided between India and the newly created state of Pakistan. Both provinces are called Punjab

<sup>iii</sup>Mohajir and Urdu speaking are used interchangeably throughout this paper.

<sup>iv</sup>It must be mentioned here that Seraiki, till the late 90s was considered as a dialect of Punjabi though the Seraiki nationalists have long fought for its recognition as a separate language and also for a separation of the province Punjab to create a Seraiki dominated province.