OCCASIONAL PAPER 5

NEGOTIATING INFORMALITY: BAZAARS AND THE STATE IN URBAN PAKISTAN

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EXECUTIVE SUMMARY

THIS PAPER EXAMINES WHY A LARGE SHARE OF PAKISTAN'S ECONOMY REMAINS UNDOCUMENTED DESPITE THREE DECADES OF STATE EFFORTS TO TAX THE BAZAAR (WHOLESALE AND RETAIL) SECTOR. DRAWING ON ETHNOGRAPHIC FIELDWORK IN LAHORE'S MARKETPLACES, IT ARGUES THAT INFORMALITY IS NOT SIMPLY EVASION BUT A NEGOTIATED OUTCOME OF CONFLICT AND COLLUSION BETWEEN AN ENTRENCHED, ORGANISED CLASS OF BAZAAR CAPITALISTS AND THE STATE ACROSS MULTIPLE TIERS OF GOVERNANCE. TRADERS CONVERT PLACE-BASED SOCIAL CAPITAL, DENSE ASSOCIATIONAL NETWORKS AND CIVIC PROMINENCE INTO THE 'HOLDING POWER' THAT SUSTAINS UNDOCUMENTED ACCUMULATION. BY FOREGROUNDING THESE MICRO-FOUNDATIONAL, RELATIONAL MECHANISMS, THE PAPER RECASTS THE INFORMAL ECONOMY AS A SITE OF POWER AND ACCUMULATION FOR DOMINANT GROUPS, NOT JUST SURVIVAL FOR MARGINAL ONES — WITH DIRECT IMPLICATIONS FOR DOCUMENTATION AND TAX POLICY.

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INTRODUCTION

At a World Economic Forum (WEF) meeting in Riyadh in April 2024, Pakistan's recently appointed Finance Minister, banker-turned-technocrat Muhammad Aurangzeb, said that the 'undocumented economy remained the biggest challenge for the country'.[1] In saying so, he joins a lengthy list of Pakistani policymakers across successive governments going back to 1997 to have emphasised documentation of the informal economy and a consequent expansion of the tax base as a key policy objective.

This emphasis stems, in part, from a diagnostic consensus that identifies the state's narrow fiscal base and low tax-to- Gross Domestic Product (GDP) ratio as one of the main causes of the country's developmental stagnation since the late 1990s. During this period, Pakistan's tax-to-GDP ratio has hovered around 11 per cent. In 2024, interest payment obligations consumed more than 70 per cent of the federal government's revenue. All other expenditures, including any development spending, were made by taking on more debt.[2]

By way of external encouragement, broadening the tax net through increased documentation has featured heavily as a key conditionality of the nine IMF programs the country has entered into on account of recurring balance of payment crises in the last three decades.

In this context, policy consensus has converged on a particular sector of the economy as a core part of the documentation challenge: wholesale and retail trade (WRT), or what is informally known as the bazaar sector. Headline numbers shared by the Federal Board of Revenue (FBR) cite the mismatch between the sector's total

[1] R. Usman, 'Digital Transition Key to Tackle Undocumented Economy: Finance Minister Aurangzeb', *Dawn*, 29 April 2024, https://www.dawn.com/news/1830246 (accessed on 11 April 2026).
[2] *Economic Survey of Pakistan 2022*, Islamabad: Ministry of Finance, 2022; *Pakistan Economic Survey 2024*, Islamabad: Ministry of Finance, 2022, https://www.finance.gov.pk/survey/chapter_22/PES01-GROWTH.pdf (accessed on 21 November 2022).

contribution to GDP and its share in tax revenue at 18 and 2.5 per cent respectively. Of the nearly 3 million bazaar sector businesses, less than 300,000 filed a tax return for the preceding tax year (2012–13).[3]

Efforts to expand documentation of the bazaar sector have been ongoing during this time across political regimes of all types. In June 1998, Prime Minister Nawaz Sharif's Pakistan Muslim League (Nawaz) (PML(N)) government which commanded a two-thirds majority in Parliament, attempted to extend the General Sales Tax (GST) net onto the retail sector through a clause in the annual budget. Similarly, in 2000 and 2001, during martial law of General Pervez Musharraf, a documentation drive was launched through a Documentation of Economy ordinance and a National Tax Survey, aimed at assessing turnover of bazaar businesses.

In 2010, the Pakistan People's Party (PPP)-led coalition government made an aborted legislative attempt to institute a reformed GST at point of retail. Its successor, the PML(N) government attempted three measures between 2014–16— ballot-based audits of self-reported income for bazaar businesses; higher withholding tax on banking transactions for non-registered entities; and the extension of sales tax on small retailers, all of which were unsuccessful in enhancing documentation or raising revenue.

Following its victory in the 2018 election, the government of Pakistan Tehreek-e-Insaf (PTI) under Prime Minister Imran Khan attempted a documentation reform by making submission of a copy of the Computerised National Identity Card (CNIC) for all transactions above PKR 50,000 (US$180 approx.) mandatory in a bid to plug information gaps across the value chain. This too was aborted after 6 months, as was the 2022 attempt by the previous PML(N) government to impose a fixed Income Tax regime through electricity bills on commercial users, most of which are wholesale and retail businesses.

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The repeated failure to achieve the stated objective of increased documentation and higher revenues from the informal economy can be explained in different ways. A common argument in popular discourse is to focus on the contours of economic policy-making and the degree to which it is shaped by the 'absence of political will'.[4] Another set of explanations focus on the Pakistani state's — especially the tax machinery's — limited bureaucratic and technological capacity to monitor and regulate economic activity. These are subsumed under larger discussions about 'poor or biased governance' which characterise conversations around Pakistan's political economy in recent years.[5]

There is value in such explanations that prioritise technical or institutional issues concerning dynamics of policy-making processes and the competence and intention of state actors. However, they remain incomplete without paying due consideration to the politics that ultimately determines the success or failure of reform efforts. There is thus a need to pay closer attention to political factors, such as the state's relations with business lobbies and the role of collective action by associations representing the bazaar sector. In this vein, this paper argues that the persistence of informality in the bazaar sector should be understood as a political outcome emerging from the configuration of power relations between state functionaries, political actors, and bazaar traders.

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[3] Naeem Ahmed, 'Wholesale and Retail Trade Sector in Pakistan', *FBR Quarterly Review, October-December 2012-13*, 1 February 2013.

[4] Ehtisham Ahmad, 'Why Is It so Difficult to Implement a GST in Pakistan?', *The Lahore Journal of Economics*, vol. 15, 1 September 2010, pp. 139–69.

[5] Ishrat Husain, *Pakistan: The Economy of an Elitist State*, 2e, Oxford: Oxford University Press, 2020.

Within frameworks that look at the interplay of developmental outcomes with politics over longer time periods, the political settlement approach (PSA) remains a valuable one for our purpose. What is common across all analyses drawing on the PSA is a focus on the reproduction of a particular configuration of benefits and returns for specific groups.

In a prominent exposition of the concept, economist Mushtaq Khan defines a political settlement as 'a combination of power and institutions that is mutually compatible and also sustainable in terms of economic and political viability'.[6] More recent work by Kelsall *et al.*, iterating on Khan's approach, defines it as an 'ongoing agreement among a society's most powerful groups over a set of political and economic institutions expected to generate for them a minimally acceptable level of benefits, which thereby ends or prevents generalized civil war and/or political and economic disorder'.[7]

Key across these and other accounts is an understanding of the relative power that groups possess, which allows for the realisation of specific goals. Khan labels this as 'holding power', defined as the capability of an individual or group to engage and survive in conflicts. Others build on this to identify it as a specific conception of power linked to the capacity of groups to acquire and maintain material benefits relative to other groups whose interests may conflict with theirs.[8]

Alongside economic resources, factors affecting relative holding power include representation within institutional hierarchies, traditional sources of authority, ability to mobilise ideologies, and histories of political mobilisation and success in past conflicts.[9] But as Goodfellow points out, limited attention is devoted to how 'holding power' is constituted. What are the mechanisms that allow groups to generate success in conflicts? What are the constituent resources that groups are able to draw on to shape socio-economic outcomes? In the absence of such considerations, there is an underlying presumption that group power is simply an outcome of structural conditions.

In the case under consideration, Pakistan's halted trajectory of capitalist development and piecemeal adoption of neo-liberal reforms since the late 1970s have certainly played an important role in shaping the relative balance of group power in terms of development-related outcomes. Domestic manufacturing has faltered in particular, export productivity remains elusive, and episodic growth spurts rely on the proliferation of import-led consumption distributed by the wholesale and retail sector, increasing the importance of the sector in accumulation processes as well as in the process of labour absorption.

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[6] Mushtaq H. Khan, 'Political Settlements and the Governance of Growth-Enhancing Institutions', London: SOAS, University of London, unpublished manuscript, 2010.

[7] Tim Kelsall, Nicolai Schulz, William D. Ferguson, Matthias vom Hau, Sam Hickey, and Brian Levy, *Political Settlements and Development: Theory, Evidence, Implications*, Oxford: Oxford University Press, 2022.

[8] Tom Goodfellow, *Politics and the Urban Frontier: Transformation and Divergence in Late Urbanizing East Africa*, Oxford: Oxford University Press, 2022.

[9] Pritish Behuria, Lars Buur and Hazel Gray, 'Studying Political Settlements in Africa', *African Affairs* vol. 116, no. 464, 1 July 2017, pp. 508–25; Hazel Gray and Lindsay Whitfield, 'Reframing African Political Economy: Clientelism, Rents and Accumulation as Drivers of Capitalist Transformation', LSE Department of International Development, Working Paper Series 2014, No. 14-159, October 2014.

Structural conditions only set the parameters of possibility between which politics unfolds. This paper thus turns its attention to the foundational mechanisms that undergird holding power in the bazaar sector which in turn sustains undocumented processes of accumulation. It argues that informality in this context is a negotiated outcome of both conflict and collusion between an entrenched, organised class of bazaar capitalists who possess economic, political and place-based social capital, and the state at multiple tiers of governance. Focusing on micro-foundational mechanisms, I posit that understanding the effective power of the bazaar requires an appreciation of specific, place-based relational dynamics.

In recent decades, bazaar capitalists (retail and wholesale traders and merchants, commission agents and transporters) have come to occupy prominent positions in the socio-economic and civic life of urban centres. This prominence stems from locational specificity. Traders operate in the same space, for a prolonged period of time, forming dense networks within and across marketplaces, most commonly in the shape of trader associations (commonly known as *Anjuman-e-Tajran*) as well ties of 'fraternal reciprocity' with state functionaries, local politicians and other business élites. Heightened social prominence in urban civic and political life also offers the bazaar an important route to backchannel negotiation with field-level bureaucratic staff from the tax authority and municipalities as well as officials, sometimes as high as cabinet members in the federal government

Bazaar organisations, and their related apex entities such as the All Pakistan Anjuman-e-Tajran (APAT), subsequently provide a perennial, mobilisational base for collective action efforts against unfavourable state policies. Shutter-down strikes of marketplaces and public protests have been frequently used against policy efforts to reduce tax-based informality. In the past eight years, there have been over a dozen province- or country-wide bazaar strikes in response to changes in taxation policy.

My argument draws upon phases of ethnographic fieldwork conducted between 2014–20, focusing on accumulation practices, social relations and the local politics of bazaar traders in a large wholesale market in Lahore. Additional fieldwork was carried out with the leadership and organisers of APAT during two phases of collective action against government documentation drives in 2015 and 2019. These accounts were supplemented with an archival analysis of official documents and newspaper records on state-led documentation drives between 1996–2023, and the history of bazaar-based political mobilisations going back to the mid-1970s.

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A study of bazaar politics in Pakistan speaks to two ongoing research concerns. First, and as mentioned earlier, it helps us situate the contours of a persisting political settlement through its basis in localised factors and, in turn, how these play out in specific settings. Much of the existing literature on political settlements tends to focus on national growth trajectories (and failures) with infrequent consideration paid to sectoral dynamics that underpin country-level outcomes. In recent work, there is a renewed call to study how settlements emerge and reproduce at the policy domain level, which can then be understood as the building blocks of country-level settlements.[10]

[10] For existing literature, see Khan, 'Political Settlements' and Kelsall *et al.*, *Political Settlements and Development*; for newer research, see Kelsall *et al.*, *ibid*.; Behuria *et al.*, 'Studying Political Settlements in Africa'; and Goodfellow, *Politics and the Urban Frontier*.

Second, a burgeoning literature on the informal economy has directed attention towards political aspects, focusing on how the state engages with informal sector actors and the range of outcomes that emerge from this engagement. This welcome attention to seeing informality as a political negotiation shapes the approach for this paper as well; however, where the paper departs is in its shift in focus from the social reproduction of subsistence-level workers and subaltern groups to the politics of accumulation among dominant fractions operating in the informal economy. While such a framing has been deployed for the study of 'illicit' borderland trade and smuggling, there is far less attention paid to the fact that large-scale and otherwise 'legal' economic activity in the Global South continues to operate under varying levels of documentation and visibility from the state.[11] There is thus a need to think about informality as a site for both subsistence and accumulation with an accompanying set of politics for each.

The remainder of the paper is organised as follows: Section 2 details the dynamics of the bazaar sector in Pakistan, providing a structural account for its evolution and scale since the late 1990s, as well as highlighting the state's approach toward it on the issue of documentation and taxation; section 3 draws on ethnographic research in a large wholesale market in Lahore to understand social relations and processes of accumulation for bazaar traders; section 4 looks at how the aforementioned social relations feed into collective action efforts and how informality is sustained through contentious action and political intermediation. Section 5 concludes and restates the links with wider research agendas.

BAZAARS AND INFORMALITY IN PAKISTAN

In recent years, total private consumption as a percentage of aggregate demand in Pakistan's economy has exceeded 85 per cent. A significant part of this consumption takes place through wholesale and retail trade (henceforth 'the bazaar sector'), which contributes 32 per cent within the services sector and 18 per cent to overall GDP.[12] After agriculture, it is also the single largest absorber of labour, accounting for 19 per cent of the total labour force.

A key defining feature of the bazaar sector is that it consists largely of small and medium-sized enterprises (2.4 million approx.) operating in both the formal and informal economy.[13] Based on Economic Census data, 98 per cent of all bazaar businesses have 5 employees or less, while 90 per cent have a declared annual turnover of less than PKR 1 million (US$3,590 approx.).[14] Informality in this sector primarily denotes all economic activity that is unregistered for sales and income tax purposes, or is, at best, partially compliant with existing tax regulations. Other aspects of informality include the persistence of informal credit practices and non-compliance with business registration, labour and health regulations. Estimates of the size of the informal economy in Pakistan place it 37.7 per cent of the formal economy[15] or an additional US$141 billion in GDP at constant basic prices.

[11] Max Gallien, 'Informal Institutions and the Regulation of Smuggling in North Africa', *Perspectives on Politics*, vol. 18, no. 2, June 2020, pp. 492–508; Barbara Harriss-White, 'Awkward Classes and India's Development', *Review of Political Economy*, vol. 30, no. 3, 3 July 2018, pp. 355–76.

[12] *Economic Survey of Pakistan 2022.*

[13] Wholesale, Retail and Trade (WRT) businesses can also be characterised as 'semi-formal' insofar that they may be partially compliant with regulations and/or they may be dealing with formally registered and compliant firms through the value chain.

[14] *Economic Census of Pakistan 2005*, Islamabad: Pakistan Bureau of Statistics, Government of Pakistan, 2005.

[15] Hayat and Rashid, 'Exploring Legal and Political-Institutional Determinants'.

The large number of businesses in the sector also corresponds with a wide variety of internal stratification — in turnover, employment and degree of informality. Most businesses in the sector can be classified as micro or small-scale, providing no more than basic subsistence to their owners. Therefore their role in overall accumulation dynamics, especially from the perspective of the scale of the informal economy, is limited. However, across the country, recent estimates by business associations show that approximately 300,000 enterprises can be classified as large (Tier 1) businesses, with turnovers above PKR 50 million (US$180,000 approx.) and employing more than 5 non-family workers. These include all wholesalers, bulk of whose sales are to other businesses as well as major retailers operating in shopping malls and bazaars of the largest cities. It is these enterprises where undocumented capital accumulation takes place on a larger scale, and where tax-related informality is most pervasive.

Since the late 1990s, consumption-driven growth, resting on loosening of import restrictions and a periodically overvalued Rupee, has played a significant part in the expansion of such businesses. The foundations of this form of growth can be traced to the martial law regime of General Pervez Musharraf (1999–2008).

Unlike the previous martial law regime of Zia ul Haq (1977–88), this one did not turn to Islam for social legitimacy or to coercion for maintaining order. Instead, its stated aim was to undertake rapid economic development and create a society of modern, globalised urban consumers. To achieve this end, the state undertook the most pervasive set of pro-market reforms to date. Most sectors of the economy were completely deregulated and made open to foreign investment, the average import tariff was further reduced to 25 per cent, major government-owned banks were privatised, and a number of restrictions on capital accounts were lifted.[16]

These reforms coincided fortunate exogenous circumstances like the resumption of foreign aid flows (averaging around 1 per cent of GDP per year) due to the war in Afghanistan and a dramatic increase in remittances from the Middle East and other regions. By 2004, money being sent back by Pakistani workers abroad had risen to US$4.5 billion.[17]

The economy grew by an average of 6 per cent between 2002–6, suggesting a turnaround from the stagnant 1990s. Upon closer inspection, however, it is clear that this boom was not the result of a structural transformation in the economy. The manufacturing sector experienced some growth, but most of it remained confined to the low value addition textile sector. Instead, what was driving the economy was growth in real estate investment, financial services, the stock market, and the consumption-oriented bazaar sector.

Buoyed by an improvement in macroeconomic fundamentals and excess liquidity generated by high remittances, the State Bank of Pakistan (SBP) slashed interest rates and encouraged a liberalised lending regime for the banking sector. Consumer credit grew from only US$120 million in 2000 to US$3.6 billion by 2007. About 40.6 per cent of this outlay was in the shape of personal loans, while another 30.7 per cent was for car financing.

The outcome of cheap credit was a rise in the propensity to consume for middle- and high-income households. This growth in demand (and in credit supply) catalysed an expansion in the bazaar sector. In Punjab alone, the six-year period between 2001–7 saw the number of retail and wholesale establishments grow by nearly 40 per cent.[18] The built fabric of both big and small cities transformed over the decade as vehicle ownership rose dramatically, new real estate investments generated urban sprawl and commercial spaces cropped up

[16] Matthew McCartney, *Pakistan: The Political Economy of Growth, Stagnation and the State, 1951-2009*, Abingdon: Routledge, 2013, p. 151.
[17] S. Akbar Zaidi, *Issues in Pakistan's Economy: A Political Economy Perspective*, 3e, Oxford: Oxford University Press, 2015, p. 128.
[18] *Punjab Development Statistics 2010,* Lahore: Bureau of Statistics, Government of Punjab, 2010.

everywhere to cater to the ever-rising tide of consumers. In 1999, the contribution of the bazaar sector to total GDP rose from 17 per cent to 21.3 per cent.

The import-led consumption-oriented foundations of growth have remained largely in place since the early 2000s, contributing to recurring balance of payment troubles, and a series of boom-bust cycles that have necessitated 9 trips to the International Monetary Fund (IMF). Additionally, the state's narrow fiscal base, reliant on custom duties from imports and income and sales taxes from large enterprises in the manufacturing sector has compounded the issue, with the state falling into ever greater domestic and external debt. It is in this context that mainstream policy thinking has converged on tackling the undocumented economy to broaden the tax base.

Among large bazaar sector businesses, concealment practices (eg., conducting cash-based transactions, under-invoicing, maintaining separate books, and dealing in un-registered/ smuggled/non-customs paid commodities) are the most common forms of informality. The extent of these practices varies significantly across businesses and across business types, depending on their position in the distribution value chain.

Among business-to-business transactions — done mostly by large wholesalers — the practices of concealment are numerous, ranging from under-invoicing and utilising all-cash transactions to fraudulent input tax adjustment and refund claims. As laid out in an important study by Jawad Ali Shah, one common form of the latter is 'Domestic Missing Trader' (DMT) fraud.[19]

DMT fraud operates in a chain. In Pakistan's case, one firm issues invoices to the other and so on. Usually, the first supplier (S1) issues sales invoices of the desired goods to a buyer without supplying them. The buyer in these cases is a well-established business operating in the formal sector, generally a manufacturer. S1's invoice gives the buyer right to claim input tax credit although they actually purchased those goods from unregistered suppliers in the informal sector. In order to reduce tax liability, the buyer now has legal claim of input tax against purchases, which never physically occurred. This can significantly reduce tax liability of the buyer.

For example, a buyer who made purchases worth PKR 10 million (US$35,900 approx.) from the unregistered or informal sector can reduce their payable VAT by PKR 1.5 million (US$5,385 approx.), assuming a 15 per cent rate of taxation). The self-enforcing mechanism of VAT demands that S1 has a large amount of output tax which must be deposited in the treasury but to this end S1 is backed by a chain of suppliers say S2, S3, S4, S5, and so on, who can provide the fake input tax credit to reduce the actual tax payment by S1 to zero or a negligible amount. One such network of suppliers who are criminally colluding with each other can deprive the exchequer to the tune of millions of rupees each month, exploiting the difficulty of audit and enforcement faced by the tax administration to get away with this fraud.[20] In recent years, improvements in technological systems have reduced the viability of fraud through flying (fake) invoices, although a number of leakages in business-to-business transactions still exist.

The prevalence of cash-based transactions and weak enforcement capacity make stock and turnover concealment a particularly common form of accumulation practice. While this happens across the value chain, it is particularly pronounced at the retail stage, given that principles of self-enforcement for sales tax documentation break down at the last stage, as end-consumers do not generate any information trails.

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[19] Jawad Ali Shah, 'Dynamics of Missing Trader Fraud in VAT Regime: Evidence from Pakistan', 2020, p. 7, chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://ntanet.org/wp-content/uploads/2019/03/Session1269_Paper1513_FullPaper_1.pdf (accessed on 17 April 2026).

[20] Shah, 'Dynamics of Missing Trader Fraud in VAT Regime', *ibid*.

The principles of concealment are similar to the ones discussed in business-to-business transactions, with maintenance of secondary books and *benami* (lit., 'nameless') bank accounts (i.e., held under a proxy or fictitious name), issuance of fake invoices, and the under-reporting/suppression of sales by making cash-based transactions all being common practices at the retail stage. In a recent case, for example, a large shoe retailer

as found to have evaded sales tax of PKR 500 million (US$1.8 million approx.) by suppressing declaration of Point of Sale (PoS)-issued invoices to their customers.[21]

Turning to technological or capacity explanations for the persistence of such practices can only reveal part of the story. More centrally, concealment and evasion takes place in full visibility of the state, and often with the assistance of local state functionaries. In the next section, I detail how associational networks and social relations within the bazaar enable accumulation practices and contribute towards a negotiation of informality.

BAZAARS AND ASSOCIATIONAL LIFE

Through an ethnographic study of Madina Market in Lahore's Shah Alam bazaar, this section shows how bazaar businessmen govern their sites of business using the platform of the *Anjuman-i-Tajran*, the traders' association which fulfils a number of tasks that help maintain stability and autonomy in the functioning of the bazaar's largely undocumented businesses. Chief among these are carrying out informal dispute resolution outside of the purview of the highly dysfunctional formal legal system, and providing and maintaining localised public goods for the marketplace.

This section also demonstrates how ambitious and wealthy traders in particular utilise traders' associations to reproduce processes of accumulation and consequently their dominant class position. These traders often bear a financial burden in running associations in order to gain public prominence and legitimacy within a constellation of business and non-business circles.

Positions of leadership within the bazaar and the prominence that comes with them facilitate the development of patronage relations with municipal bureaucrats, police officers, tax officials, and politicians. These relations are operationalised through a variety of informal means (quotidian corruption involving exchange of bribes, gifts, and favours) and fraternal socialising in and outside of marketplaces. It is through such relations that particular traders are able to extract real material advantages for themselves and their marketplace peers from the state, most prominently the selective evasion of sales and income tax impositions.

Madina Market is the largest for one particular product category in both Lahore and the province of Punjab. Many of its businesses are housed in former residential properties that have been commercialised (both legally and illegally) over time. As a result, the marketplace has spilled beyond its original boulevard-facing front into the narrow streets of Lahore's historic Walled City.

During my fieldwork period (2014–20), there were 243 brick-and-mortar enterprises within its 'commonly-identified' boundaries of which 207 sold the primary good;[22] All primary good businesses specialised as licensed distributors and wholesalers of particular local and multi-national manufacturers. Within the 207 primary good businesses , 43 could be categorised clearly as élite traders. These were the businesses that

[21] Mubarak Zeb Khan, 'Rs 500m Sales Tax Fraud by Shoe Retailer Unearthed', *Dawn*, 12 January 2022, https://www.dawn.com/news/1668981 (accessed on 17 April 2026).

[22] The Madina Market, like all others in Shah Alam bazaar, was not officially designated or demarcated as such by local municipal authorities. Instead, the boundaries were informally acknowledged by traders in the marketplace who knew it as bounded by Shah Alam bazaar's main boulevard to the east, Circular Road to the south, Kucha Sultan Mehmood to the west, and Kamangaran Bazaar to the north.

controlled large, prominent shops, occupying the most easily-accessible locations in the marketplace. In the absence of any verifiable revenue or turnover figures, control of prime store front and warehousing facilities provided the best proxy measure of a business's financial health.[23]

Operating in the vicinity of Shah Alam bazaar itself is not cheap. According to the Federal Board of Revenue's (FBR) real estate valuation list, commercial property in Shah Alam bazaar was some of the most expensive in the city, as well as in the entire province. The official rate for the purposes of computing capital value tax and stamp duty was PKR 25,000 (US$90 approx.) per square foot;[24] however, this in itself was a major underestimation, purposefully kept so under pressure from property owners and real estate developers.[25]

Anjuman-i-Tajran was established in the late 1990s following the opening of a number of stores dealing in a specific range of products within the same neighbourhood of Shah Alam bazaar.[26] The proliferation and subsequent agglomeration of similar businesses was linked to several factors. As with other small and medium-sized industries, manufacturing of this particular good experienced considerable growth in the late 1980s and 1990s.[27] A number of enterprises that are now established names in the sector opened up during this time period. This period also saw the gradual deregulation of the import regime, allowing foreign manufactured goods in the same category (mainly from China) to enter the Pakistani market.

For their part, wholesalers offered the appropriate distribution channels that could link commercial clients and retailers in distant locations with the manufacturers. Further enabling demand was rapid growth in the residential and commercial construction sector which remains one of the biggest markets for this particular type of good, accounting for as much as 55 per cent of all sales.[28]

The agglomeration of wholesalers in Shah Alam bazaar was also down to its location which allowed it to service destinations outside of the city, and its prestige, which was widely recognised in the province:

> 'When a manufacturer wants to license out a new dealership, he has to assess a number of factors. Can this person help grow my sales? Will he be able to attract the larger customers? *Shahalami* is a 'brand name' and helps in achieving those targets. It's known to be for serious businessmen and serious buyers. That's why traders who set up business are going to be taken seriously.'[29]

By the late 1990s, issues of crowding in the marketplace along with concerns regarding cleanliness and security led to the pursuit of what traders call *apni khidmat aap* (self-help) solutions through a market-wide platform. This ultimately culminated in the formation of the Anjuman-e-Tajran Madina Market (ATMM), conceived as a democratically governed body responsible for resolving issues faced by its constituent members.[30] The idea

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[23] There was no systematic way of assessing revenue/turnover given the reluctance of traders to discuss monetary matters. However, a rough estimate based on observations over 10 months was that élite traders had sales over PKR 5 million (US$17,950 approx.) per month.

[24] Federal Board of Revenue, 'Rate of valuation of immovable properties in Lahore, under sub-section (4) of section 68 of the Income Tax Ordinance 2001', SRO 673(1)/2016.

[25] 'MCCI terms property prices undervalued', *Express Tribune*, Lahore, 5 July 2016.

[26] There is disagreement on the exact year in which the association was formed. Some accounts in the marketplace mentioned 1998 as the first year after its first election while others mentioned 1997 during which a 'caretaker' association had functioned (Interview nos 17, 22).

[27] Anita M. Weiss, *Culture, Class, and Development in Pakistan: The Emergence of an Industrial Bourgeoisie in Punjab*, Boulder: Westview Press, 1991.

[28] Interview no. 18.

[29] Interview no. 19.

[30] Unlike some business associations, ATMM carries no legal registration under any law. Pakistan's Trades Organizations Act 2013 (No. F. 9(15)/2012-Legis.) does not recognise localised marketplace bodies. Bazaar élites were also reluctant to initiate registration as a welfare organisation under the Societies Act 1860. This was because of the audit and book-keeping requirements that came with it, which was a cost no one was willing to bear.

of creating a formally named organisation was borrowed from other neighbouring marketplaces within Shah Alam that were already organised in some associational shape. The Readymade Garments Association had been active since 1981, as had the Glass and Crockery Merchants Association.[31] Shah Alam bazaar itself had a supra-market association called the 'Traders' Board' since the mid-1970s.

Office-bearers of the ATMM were chosen through a popular vote, with the electorate being proprietors of businesses located in the marketplace. Each business, regardless of size or revenue, carried one vote. The duration of serving terms was agreed at 3 years, after which an election Commission was constituted, which was responsible for drafting voter rolls and finalising nominations. There had been 5 elections since 2000, with a year's delay in 2009 following a dispute between contestants. Since its foundation, the competition to govern the ATMM had taken place between two competing factions, the *Takbeer* ('Resolve') group and the *Ittehad* ('Unity') group.[32] The last election (2013) prior to commencement of fieldwork was won by the former.

The Association carried a large number of office-bearers and designations, created with the obvious intent to accommodate as many influential traders from within the winning faction. The main offices were Chairman, President and General Secretary who oversaw much of the Association's work in the market and managed its external relations. However, there was also a Vice-Chairman, a Senior Vice President, 5 Vice-Presidents, a Joint Secretary, a Finance Secretary, an Information Secretary, and 5 representatives from different sub-blocks within the market. The actual number of office-bearers changed with each election, depending on the number of promises made, and to whom, during the election campaign.[33]

Much of the informal mechanisms of governance, whether it is dispute resolution or the provision of localised public goods, are administered by wealthy bazaar traders who formed the competing factions in order to win associational office. Participation in bazaar politics and its attendant concerns can be viewed as a repertoire of activities that help reproduce the traders' material privileges, elevate their social status in a variety of business and non-business circles and, on occasions, provide a pathway to fulfil greater ambitions such as competing for political office.[34]

Holding representative office in a bazaar positions traders to deal with (and at times, take up office in) apex business organisations, such as the Lahore Chamber of Commerce and Industry (LCCI) or the APAT. These connections open up a constellation of business-related possibilities such as places on government-subsidised trade delegations to other countries, a direct voice in policy-making for the protection of sectoral interests and the discovery of business networks in other cities.

Also of considerable importance is the elevated status conferred on bazaar representatives by state functionaries and the political élite. Municipal administrators and police officers involved in urban governance prefer to deal with marketplace office-bearers rather than dealing with a large number of businessmen. This is also true for political representatives who engage with élite bazaar traders for the purposes of being seen

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[31] Interview no. 41.

[32] These names were frequently used as titles for trader factions across many of Lahore's bazaars. There was an 'Ittehad Group' in the Hafeez Centre Electronics Market, as well as one each in Urdu Bazaar, Moon Market and Old Anarkali. Other popular names include *Khidmat* ('Service') group, found in Hafeez Centre, Mall Road and Hall Road markets.

[33] My fieldwork caught the ATMM mid-term, as the last election was held in December 2013. Newspaper reports from the local Urdu press as well as field interviews confirmed that it had been closely contested. Participating candidates from both competing panels spent upward of PKR 1 million (US$3,600 approx.) collectively on the campaign.

[34] This is considered in greater detail in Umair Javed, 'Ascending the Power Structure: Bazaar Traders in Urban Punjab', in Matthew McCartney and S. Akbar Zaidi (eds), *New Perspectives on Pakistan's Political Economy: State, Class and Social Change*, Cambridge: Cambridge University Press, 2019, pp. 199–215. Suffice to say, a number of trader association office-bearers across the city have used their position as a launching pad for electoral politics. The most visible example from the Electric Market was that of the Member of the Provincial Assembly Mian Marghoob Ahmed, who participated in the mediation over a property dispute; he had earlier served as President of the market association in 2003, and was still considered a patron.

as attentive to the concerns of the business community. Subsequently, the relations forged through such interactions are central in opening up avenues of patronage that traders co-opt for themselves and their affiliates. Therefore, through processes of accumulating connections, prestige and recognition from other influential quarters, a set of economic actors — i.e., bazaar traders — are able to leverage a voluntary platform (i.e., the *Anjuman-i-Tajran*) to reproduce their privileged position in the urban social hierarchy.

For their part, bazaar traders weave a narrative of self-sacrifice to explain and rationalise their costly endeavours in associational politics. During my fieldwork, the ATMM was led by Malik Khalid. He was elected Chairman in January 2014, as head of the *Takbeer* panel. Most of the Association's business was carried out from his own office, situated at the back of his large shop 'Gujjar Primary Goods', just off the main Shah Alam bazaar boulevard.

Entering his office, the most noticeable item on display was the array of framed photographs on the rear wall. These featured him and other marketplace élites meeting a number of dignitaries from a variety of sectors. Some showed him receiving awards or letters of appreciation from office-bearers of the LCCI. Others were with local politicians, police officers and bureaucrats. Pride of place at the centre was reserved for a photograph with the then Governor of Punjab, Chaudhry Muhammad Sarwar. The photographs were a major signifier for both market traders and outsiders, curated specifically to show the array of networks he both operated in and could potentially draw on.

In his own words, Malik Khalid portrayed associational work with the ATMM as a form of *khidmat* or community service. In his portrayal, the bazaar and its constituent members exist as an enclosed social formation with shared obligations and responsibilities. The word most frequently used to describe this formation was *biradari* which literally translates as 'fraternity' or 'brotherhood' but is mostly commonly used in rural areas to denote a consanguineous kinship group.

> 'Many of us are now *shehri log* (city dwellers) so *biradari* does not exist as it used to for our fathers. Yet we exist as a community. I come here to the market every day. So do all the other *tajir* (traders). We face the same circumstances and same challenges. We also share each other's moments of happiness and joy. For all intents and purposes, we are a *biradari,* except not as 'Gujjar' or 'Sheikh' or 'Arain' ('Gujjar' and 'Arain' are farming/agricultural communities). Those are important identities too, but in the market we are here as a *tajir biradari* (traders' fraternity). So just like an Arain would help out an Arain in his time of need, a *tajir* should help out another *tajir*. By helping manage the market and addressing its problems, I am merely fulfilling my role as part of this community.'[35]

Another office-bearer added religious invocation to describe the moral economy of rights and obligations within the marketplace. More specifically, he drew on the Islamic concept of *haquq-ul-ibad* (rights of others over you) to explain and justify his participation in bazaar politics. In his formulation, helping resolve marketplace concerns was both a fraternal duty, as member of the *tajir biradari*, and a moral-civic responsibility, as a good Muslim.[36]

Other traders were accustomed to the rhetoric deployed by élites involved in bazaar politics since the notion of *khidmat* and sacrifice were frequently used in their election campaigns. Candidates from competing panels tried to differentiate themselves on the basis of their integrity and commitment to serving the interests of the market, and through a wide variety of material promises.

[35] Interview no. 8.
[36] Interview no. 13.

However, traders who did not actively participate in associational politics or were not closely affiliated with either of the two factions appeared ambivalent about the professed motivations. One wealthy trader who studiously eschewed marketplace affairs, cynically pointed out the variety of gains ATMM office-bearers extracted from their position:

> 'In their (ATMM office-bearers') world-view, they are burdening us with their goodwill and favour (*ehsan)*. Every election, they will pick up a loudspeaker and commit to turning this marketplace into Dubai or Paris from their own pockets. Truth is they make plenty out of this. Executive Committee seats in the (Lahore) Chamber, dinner reception at Governor House. Every other day one of them is off to Guangzhou or Europe on *sarkari kharcha* (government expense). They showcase these connections to customers and clients to say "Look, we are trusted by so many people".'[37]

Smaller traders carried differing opinions about the intentions and motivations that drove big traders in bazaar politics. While nearly everyone acknowledged the prestige and reputational gains that were made from it, they also pointed out that the services rendered were important. One trader was slightly more sympathetic on this issue and saw it as a justified trade-off:

> '*Dekhain* (Look), neither I nor 90 per cent of the market has the time to run after *sarkari* (government) officers to get things fixed. When someone takes the time out, we all get something out of it. Now I know these people (office-bearers) aren't *doodh ke dhulay* (clean or pure-intentioned). They make their cut (take a monetary commission), so to speak. But as far as I am concerned, I think it's working. If someone is dissatisfied with the system, nothing stops them from challenging the status quo.'[38]

On balance, the gains accrued from participating in bazaar politics were apparent. Trader association office-bearers were indeed given preferential treatment and sanctified status by politicians, public officials and other business élites. In some cases, the gains were more blatantly material in nature and involved collusion of public functionaries. In two markets neighbouring Madina Market, municipal officials had outsourced the decision to allocate the *theka* (contract) for car and motorcycle parking stands to their respective *Anjuman*s. Informants in those marketplaces revealed that office-bearers had awarded the contract to their own frontmen, in collusion with the municipal officials and were raking in as much as PKR 1 million (US$3,600 approx.) per month from it.[39]

The fact that such an arrangement germinated was down to the privileged status accorded to élite traders by public officials. News stories from local media outlets frequently provide coverage of consultative meetings between those running traders' associations and local elected officials or bureaucrats. In the words of a former District Coordination Officer (DCO) Lahore[40], traders constituted an 'important pillar of society', who were 'integral in the development process and ensuring the economic well-being of other citizens'.[41] Thus, in his formulation, they were deserving of greater attention and consideration in public affairs.

The co-optation of the local state in rent-seeking patronage relations by bazaar traders in Lahore is in line with the 'class reproductive' accumulation practices of upwardly mobile capitalist groups in rural and urban South

[37] Interview no. 12.
[38] Interview no. 18.
[39] Interview nos 42, 43.
[40] District Coordination Officer (DCO)/Deputy Commissioner (DC) is the administrative head of the city/district and the seniormost bureaucrat in urban governance
[41] Interview no. 27.

Asia.[42] Such relations are central in extracting concessions and maintaining autonomy for the bazaar's undocumented business practices, and subsequently help bazaar traders cater to their friends in the marketplace. I focus on the processes that help operationalise such relationships and show that contrary to popular belief, big ticket monetary corruption (wherein traders simply 'buy out' public officials) is only one out of several features of the interaction between the two sets of actors. In fact, given that field bureaucracies are structured with long, often undefined tenures, these relations are more likely to operate along quotidian lines involving 'mundane' negotiations, the exchange of small gifts and favours, and fraternal socialising in and outside of marketplaces.

Even a cursory assessment of the statistics demonstrates that prosperous bazaar traders engage in large-scale avoidance or evasion of their tax liability. In my interviews, many traders in Madina Market and other commercial centres openly acknowledged this reality at a sector-wide level though they were, understandably, resolutely silent on their own complicity in it.[43] In doing so, they produce a variety of narratives about taxation ranging from the failure of the state to keep up its end of the fiscal compact, Islamic injunctions and even financial burdens. In the words of one trader, there were no obvious gains from paying income and sales taxes:

> 'The *Anjuman* (ATMM) is paying for garbage collection and security. Last year, the residents of my (housing) society pitched in from their own pocket to fix potholes and replace drain covers. All of this is happening while politicians sitting at the top are getting richer. It's clear where our taxes end up, so why should the *tajir biradari* pay more?'[44]

When I brought up the issue of how more taxes can help fund improvements to services that are largely used by the less fortunate (such as public health and education), the solution offered was a religious one:

> 'Islam makes no provisions for other types of taxation. It only has *sadaqa* (alms) and *zakat* (charity) as direct welfare of the *gharib* (poor) and *maskin* (destitute). If Pakistan was truly an Islamic republic, it would get rid of all these other taxes and just have *zakat* which people can offer on their own. Then you'll see how these problems won't even exist.'[45]

The trade-off between charity or philanthropy and taxation is one that frequently comes up in research on fiscal practices in Pakistan (Cyan *et al*. 2016). Survey data shows businessmen feel that they pay their due to society through indirect and private contributions, leaving no need for the state to ask for more.[46] Some of my informants echoed similar opinions, suggesting that their fiscal positions were already constrained by a variety of existing burdens:

> 'I pay sales tax on everything I buy from groceries to household appliances. I pay income tax on my mobile phone and electricity bill. Even my child's school fees include an advance tax deduction. On top of this, I contribute charity to the mosque and for disaster relief. If you combine all of these, you'll see traders are actually paying the most taxes in this country. If we pay any more we'll go bankrupt!'[47]

While the narrative of existing indirect and charitable burdens was meant to show how the bazaar's contribution was at par with other sectors, it did not align with the reality on the ground. Using publicly

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[42] Barbara Harriss-White, 'Awkward Classes and India's Development', *Review of Political Economy*, vol. 30, no. 3, 3 July 2018, pp. 355–76.

[43] A popular refrain was 'others do it, but we don't', but triangulating information through other interviews revealed that even those who insisted they didn't engage in such practices were fully involved as well.

[44] Interview no. 36.

[45] *Ibid*.

[46] *Individual Philanthropy in Pakistan*, Islamabad: Pakistan Centre for Philanthropy, 2011, p. 27.

[47] Interview no. 43.

available income tax returns data, I was able to match names with the National Tax Number (a unique identifier) of 27 out of the 43 élite traders in Madina Market. Out of those 27, only 13 had filed returns for the preceding tax year, and the maximum any one trader had paid in annual income tax was PKR 40,000 (US$143 approx.) (Federal Board of Revenue 2015). Based on the tax slabs in operation that fiscal year, it amounted to a gross personal income of roughly PKR 70,000 (US$250 approx.) per month or PKR 840,000 (US$3,000 approx.) per year. This is equivalent to the salary of a mid-level white-collar employee of a medium-sized business.

On the other hand, the consumption lifestyles of most traders posed a considerable contradiction with these figures. While they dressed modestly in monotone 'wash-n-wear' *shalwar kameez,* they often wore expensive watches ('Rado' gold brand being the most popular) and carried the latest Apple or Samsung mobile phones. The upper echelons of the bazaar lived comfortably in new and exclusive suburban developments, such as Bahria Town in South Lahore and Defence Housing Authority (DHA) in the East. Every year, they took, on average, a couple of trips abroad (such as to the Middle East for religious pilgrimage) and sent their children to high-cost private schools like Beaconhouse and Lahore Grammar which charge tuition fees of over PKR 20,000 (US$70 approx.) per month, in contrast to low-cost private schools that charge around one-tenth the amount.

The consumption patterns seen across both élite and non-élite traders in Madina Market show that their businesses were healthy and that their net profits received a helping hand from their attitude towards taxation. The fact that this reality is pervasive across much of the country's retail–wholesale economy, where businesses continue to function and thrive in their undocumented form, suggests some complicity of the tax authorities. Part of it is simply down to Pakistan's low levels of capacity within the tax bureaucracy, i.e., on account of its staff limitations and meagre resources. This automatically places a check on more comprehensive documentation and collection, and results in many businesses getting by without ever encountering the attention of tax officials.[48] But an equally, if not more, significant driver is the practice of collusion between tax officials and businessmen that results in purposeful evasion. This practice remains particularly salient in a commercial district like Shah Alam bazaar, which is both highly visible to local tax officials and widely acknowledged to be a lucrative hub of economic activity.

Many of the subversive accounting practices mentioned earlier (*benami* transactions), under-invoicing and use of non-customs duty paid inventory were prevalent in Madina Market, happening in full view of the designated field office, Lahore's Regional Tax Office-1 (RTO-1). Tax and customs inspectors from the field office were frequent visitors to the marketplace and enjoyed fairly cordial relations with wealthy traders and bazaar leaders. Many of their visits were in the shape of lunch- or tea-time gatherings, usually in the shops of ATMM office-bearers. Lasting anywhere from between a quick 15-minute tea break to an hour long 'session', topics of conversations in such gatherings ranged from issues of domestic politics and the economy to more specific things like the harsh attitude of senior officers or potential transfers and postings in the tax bureaucracy. The general attitude between the two sets of actors was largely respectful and deferential, with each referring to the other through the use of honorifics, such as Malik *sahib* or Chaudhry *sahib*.

Such socialisation was not only limited to the marketplace but often took place outside it as well. On three occasions during my time in Madina Market, bazaar élites hosted *zehrana*s (receptions) for local tax and municipal administration officials in a nearby banquet hall. These gatherings involved participants from outside the marketplace such as other traders, political leaders and bureaucrats, and functioned as sites for

[48] Mujtaba Piracha and Mick Moore, 'Revenue-Maximising or Revenue-Sacrificing Government? Property Tax in Pakistan', *The Journal of Development Studies*, vol. 52, no. 12, 1 December 2016, pp. 1776–90.

networking. For their part, organisers took considerable pride in hosting what they called 'relevant personalities', and in providing the opportunity for other businessmen and public officials to interact with each other.

For bazaar traders, the material gains from strengthening social ties with tax officials were through two channels. The first was that tax inspectors would deliberately ignore the systematic under-recording of business revenues and incomes, thus providing traders with virtually a free hand in their self-assessment forms; the second channel was usually when sales tax returns or audits were due and tax inspectors would engage in purposeful deliberations with traders over the scale of assessments and liability.

While I never obtained permission to physically sit through such meetings, interviews with traders and retired tax officials revealed that these were essentially negotiation exercises designed to satisfy the requirements of both parties.[49] For example, in one such meeting, the designated tax inspector met with a trader in the company of an ATMM office-bearer. The latter was there to advocate on behalf of the trader, who had recently been served an audit notice over his sales tax self-assessment form. The tax inspector mentioned that this had been the consequence of increased pressure from the Commissioner (who heads the field office) to improve sales tax collections in this particular jurisdiction. After a lengthy back and forth, the ATMM office-bearer was able to broker an agreement between the two at a mutually acceptable amount, which was more than what the trader had initially (under)reported but still less than his actual liability.[50]

Such interactions were designed to arrive at positions that were mutually acceptable to two sets of actors who otherwise represented opposing goals. In particular, tax officials knew that their career prospects within the department were tied to meeting particular collection goals. However, given the expansive nature of undocumented activity and the high cost of monitoring and assessing business practices for accuracy, they had to rely on their relations with the businessmen to ensure these were met. Tax officials also knew that a more confrontational approach might result in higher gains in the short run but would increase their chances of being shunted out of the jurisdiction due to complaints and pressure being applied by influential businessmen and their politician friends on senior members of the tax bureaucracy.[51]

Thus, by forging beneficial relations with bazaar élites and their extended social networks, tax officials were able to develop a layer of protection that could see them continue working in a coveted and highly lucrative jurisdiction. In the words of a retired tax inspector:

> 'Positions in the Lahore office are like that hen (*sic*) which lays golden eggs (*sonay ki murghi*). Even the most honest inspectors will make something on the side and the less honest ones will become millionaires! And who doesn't want to be in Lahore? For those with children, the city offers good schools, good facilities. Once you get used to life here, it becomes very difficult to adjust anywhere else.'[52]

Career-related gains were not the only ones that tax officials obtained out of their relationships with bazaar traders. They were also often the recipients of gifts and favours that helped cement such relations. For example, on every *Eid-ul-Fitr*, the ATMM office-bearers would gift the local tax (property and sales/income)

[49] Interview no. 38.
[50] Interview no. 24. As documented in Piracha and Moore, 'Revenue-Maximising or Revenue-Sacrificing Government?', similar deliberations and negotiations (led by heads of traders' associations) are also widely prevalent in the domain of property tax collection which was administered by the provincial (Punjab) government's Excise and Taxation Department. While of a much smaller scale, this evasion is in some ways more blatant because the assessment of tax liability is based on a physical (and highly visible) asset, namely, commercial real estate.
[51] Interview no. 37.
[52] *Ibid*.

officials some unstitched cloth, usually of an expensive fabric like raw silk.[53] They would also send a box of sweetmeats for their families, and occasionally, some *Eidi* (monetary gift) for the children. The timing of these gifts did not coincide with any immediate need as far as the traders were concerned, nor were they given with the explicit expectation of reciprocity. However, they were instrumental in structuring fraternal ties, and helped created a sense of 'shared fate' as part of a conjoined social network.

WHEN PUSH COMES TO SHOVE

While fraternal relations and ties of material reciprocity constituted the primary source of bazaar traders' influence in the political sphere, periodic instances of conflict with the government witnessed a recourse to mass mobilisation and protest. Starting from the late 1970s to present times, utilisation of 'shutter power' by traders has proven to be a highly effective mechanism of influencing particular aspects of public policy in both economic and non-economic affairs.[54]

At a wider level, the bazaar's ability to mobilise on scale remains a major feature of the broader realm of contentious politics in Pakistan. Between 2005–2010, bazaar traders were the second-most mobilised occupational group after government employees, accounting for 15 per cent of all protests and strikes.[55] These included demonstrations against taxation efforts, state service delivery failures (electricity outages, gas shortages and law & order issues) and even cultural causes such as pan-Islamist solidarity protests and mobilisation in defence of Pakistan's anti-blasphemy laws.[56]

For mobilisation purposes, traders draw upon the *Anjuman-i-Tajran*s within bazaars and the associational networks formed through apex organisations to build momentum across marketplaces. Among other causes, this has allowed the sector to stave off sporadic efforts by various governments to document and tax their privileged (and undocumented) practices of accumulation over the last three decades. Major examples include a 2-week long strike in June 1998, when a previous PML(N) government attempted to extend the full General Sales Tax (GST) rate of 17 per cent onto the retail sector through a clause in the annual federal budget legislation. Using a variety of channels, bazaar élites acted through embedded ties with elected representatives in the legislature, operationalised backdoor contacts within the ruling party and carried out general strikes to pressurise, weaken and ultimately overturn the government's resolve.[57]

Two years later, in 2000, the military government of Musharraf launched a tax expansion drive through a 'Documentation of Economy Ordinance' aimed at assessing the revenue of wholesale and retail enterprises in major urban commercial centers.[58] To this end, the regime deployed soldiers and junior government officers to sit behind the counter at shops within selected marketplaces in Lahore in an attempt to gain an accurate estimate of turnovers. This effort too proved to be wholly unsuccessful in the face of repeated waves of bazaar strikes in urban Punjab and Karachi, including one that lasted for 11 successive days.[59] The power of bazaar traders to influence policy decisions in conflictual settings emerges even more clearly from this last example

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[53] Interview no. 11.

[54] Although the term 'shutter power' has been noted in academic literature only by Andrew R. Wilder, *The Pakistani Voter: Electoral Politics and Voting Behaviour in the Punjab*, Karachi: Oxford University Press, 1999, p. 105, it is used widely by bazaar leaders in their day-to-day discourse. It refers to the purposeful rolling down of steel shutters that cover shop-faces during the course of a strike.

[55] Ahsan I. Butt, 'Street Power: Friday Prayers, Islamist Protests, and Islamization in Pakistan', *Politics and Religion* vol. 9, no. 1, March 2016, pp. 1–28.

[56] Amélie Blom, 'The 2006 Anti-"Danish Cartoons" Riot in Lahore: Outrage and the Emotional Landscape of Pakistani Politics', *South Asia Multidisciplinary Academic Journal*, no. 2, 31 December 2008, https://doi.org/10.4000/samaj.1652 (accessed on 17 April 2026).

[57] 'GST Rollout hits Major Snags', *The Nation*, Lahore, 21 September 1998, p. 11.

[58] *The Survey for Documentation of National Economy Ordinance*, 2000, Ordinance No. XV, 2000; passed on 24 May 2000.

[59] 'Strikes Weaken Documentation Drive', *Dawn*, Lahore, 20 October 2000, p. 14.

as it took place under an insulated authoritarian regime, and at a time when formal channels of participatory politics were still closed.

Similarly, during my fieldwork in Lahore, the bazaar's protection of its rent-seeking advantages with the state came to the fore once more. In 2013, the PML(N) government entered into a US$ 6.6 billion stabilisation lending agreement with the IMF to stave off a balance of payment crisis.[60] As part of the structural adjustment prescriptions, the government was asked to broaden and deepen the tax base beyond its narrow reliance on indirect levies, corporate firms and salaried employees in the formal sector.[61] This was primarily to address shrinking fiscal space for pro-poor development expenditure, which came in at less than 5 per cent of GDP in 2013.

The government's much-delayed response to IMF's tax reform exhortations came through the FY2016 federal budget, which included a 0.6 per cent withholding tax on banking transactions over PKR 50,000 (US$180 approx.) per day made by non-filers of income tax returns.[62] Devised by senior bureaucrats in the Federal Board of Revenue and Finance Minister Ishaq Dar, the idea was that a tax of this nature would drive up the number of tax filers and thus increase documentation of the economy.

While the tax impacted a wide cross-section of society, its impact was the greatest on bazaar traders who were accustomed to carrying out their business dealings through cash transfers using *benami* and undeclared personal bank accounts. As news of the new measure's passage by parliament filtered through to bazaars across the country, traders immediately broke out in protest against the government. On 5 July 2015, Lahore and Karachi witnessed business closures for 2 hours as traders and their workers (including those in Madina Market) participated in localised rallies and demonstrations within the confines of their marketplaces. Behind the scenes, national apex organisations such as various branches of the APAT and the Quomi Tajir Ittehad (QTI) initiated contact with elected representatives of the ruling party, and with bazaar élites in different marketplaces across the country. The consultations led to an agreement on putting pressure on the government through coordinated general strikes on the 1 and 5 August 2015.

The strike calls were well-heeded, as commercial activity across the country came to a complete halt.[63] Bazaar élites in Lahore and Karachi were also successful in gaining the support of goods and passenger transporters who were instrumental in enforcing a wheel-jam in all major cities.

Seeing the traders exhibit their 'shutter power', the threat of future strikes and loss of support from a key demographic instigated considerable panic among the ruling party, especially in its home province of Punjab. A host of top leaders, including the Chief Minister of Punjab Shehbaz Sharif urged the federal government to find a mutually agreeable solution immediately.

By mid-August, the pressure from a series of successful strikes and demonstrations, the urging of its own provincial government in Punjab and the growing anger of its elected representatives in Parliament proved to be too much for the federal government. Despite the IMF's strong insistence on retaining the withholding tax in its original shape, the Finance Minister caved into the demands of the traders and reduced the withholding tax rate by half (to 0.3 per cent) and altered the daily non-taxable limit to PKR 50,000 (US$180 approx.) from

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[60] 'Article IV Consultation and Request for an Extended Arrangement Under the Extended Fund Facility', *IMF Country Report No. 13/287*, September 2013.

[61] At the time of starting its latest IMF programme, Pakistan's tax-to-GDP ratio was a paltry 9.5 per cent, one of the lowest in the regions. The state's current (non-development) expenditures were 16.4 per cent of GDP, and its fiscal deficit had swelled to 8.2 per cent (*Pakistan Economic Survey 2016–17*, Islamabad: Finance Division, Government of Pakistan, 2017, p. 64).

[62] 'Senate Committee approves Tax on Bank Transactions', *Dawn*, Karachi, 10 June 2015.

[63] 'Traders Observe Strike against New Tax', *Dawn*, Lahore, 2 August 2015; 'Traders Observe Countrywide Strike', *Dawn*, Lahore, 5 August 2015.

each account instead of all accounts. To further placate them for not doing away with the tax altogether, the government decided to withdraw its plans of implementing sales tax registration on to retailers who had turnovers higher than PKR 5 million (US$17,950 approx.) per annum.

The success of traders in halting the government's policy shift was made possible by two major factors. First, it was helped by a strong consensus among the trading community in all four provinces on a strategy for mobilisation which included strikes, rallies and public demonstrations. Apex association leaders travelled widely to generate support among local trader associations, offering their office-bearers a seat at the table in government negotiations as well as greater access to chamber-related resources. Some local office-bearers felt an increase in their prominence having been visited by national-level trader leaders and were happy to cooperate. Thus, the cascading model of associational organisation — with apex entities at the top, regional leaders in the middle and marketplace associations at the bottom — was instrumental in making strikes successful.

Second, traders were helped by a lack of autonomy in the ruling party whose second-tier leaders and members were largely sympathetic to their concerns. The most telling aspect of this is that apart from the Finance Minister, the two other leaders tasked with bazaar sector consultations were PML(N)'s Lahore President and Business Community liaison Pervaiz Malik, and Mian Abdul Mannan (Member of the National Assembly from Faisalabad) who had earlier served as President of APAT (2010–13). Other politicians from a bazaar background, such as Mian Marghoob from Madina Market itself, were also key in pushing forward the bazaar's case with the Finance Minister as well as in meetings with the IMF. A recurring theme communicated by these politicians to the leadership was that alienating the bazaar was not a 'politically feasible' option for the ruling party given its role in constituency-level politics.

CONCLUSION

Through a study of associational dynamics in marketplaces and a snapshot of contentious mobilisation, this paper has attempted to lay out the processes through which the bazaar sector negotiates a continuation of informal and undocumented practices of accumulation. While the data here relates to 2015–17, the mechanisms highlighted remain in operation even in more recent instances where the government has attempted various documentation efforts.

More broadly, the case study provides insight into how group power is constituted and deployed in order to reproduce a particular configuration of rents and benefits under a political settlement. Structurally conditioned by a particular trajectory of capitalist development which saw Pakistan shift to a services-sector, consumption-oriented economy, the salience of the bazaar is tied to institutional dynamics of party and electoral politics as well as the associational work carried out by dominant actors within the sector. It is this interplay of structural, institutional and agent-centric factors that can help explain the persistence of informality in a large section of the economy.

The focus on traders has also helped elucidate the informal sector as a site not just for subsistence of subordinate groups but also as a site of accumulation and power for dominant ones. So far the politics of informality has been recast as a politics of 'survival on the margins' through the use of patronage relations and occasional contention. This can be supplemented by attention towards a parallel politics that draws on similar repertoires but by a completely different segment and in service of an entirely different power dynamic.

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