

AN ASSESSMENT OF PAKISTAN'S CORPORATE INVESTMENT CYCLES AND POLITICAL UNPREDICTABILITY (2000-2022)

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OVERVIEW

The political upheavals which further act up during election seasons hence leading to the formation of uncertainty that hampers corporate investment in Pakistan. Emerging here is an understanding of how political risk of such volatility impacts corporate decisions in the specific aspect of investment and recommendations that can be advanced to foster a more stable investment environment in the future.

THE ISSUE AT HAND

Elections, and political instability in Pakistan bring about uncertainty which is a raw factor for any firm looking to invest heavily. This environment is perilous to industries that feel the impact of political changes in their market such as the healthcare, telecommunications and energy industries. The volatility expected over and after the elections is also another reason while businesses become reluctant to invest.

CORE INSIGHTS

1. Firms tend to cut down on their expenditure especially in the run up to the elections due to uncertainty of changes in policies. This retreat is especially apparent in fields that are sensitive specifically to government policy and therefore signifies the impact of political vagueness on investment.
2. During periods when there is increased Political Risk, corporate managers are likely to hold more cash instead of investing – this is conservative. These actions are in line with theories expounding the ‘wait and see’ mode of operation of business corporations with the view of avoiding firm locking investment decisions until the political winds change.
3. When it comes to political rights, the investigation revealed to the author that it has a negative impact on investment, or as the author puts it rather unexpectedly, instability. On the other hand, a lower extent of economic freedom, such as aspects the strength of property rights and limited regulations, leads to investment.

4. This seems to be typical after election period when a new political regime is ushered in, there is a bouncing back of corporate activities. This is an indication that firms are in anticipation of other signals before they undertake major outlay.

POLICY RECOMMENDATIONS

- For the government to enhance the confidence of the investors, then it should ensure that economic policies are maintained and run for the full term without being altered soon after a new government is formed or the control is changed hands. A 'Charter of Economy' might help to be useful to some extent in freeing economic policies from the influence of political cycles.
- The most important action is to construct a political environment: stable. This include preserving good institutions, having consistent legal structures and reducing volatility risks that may lead to a shift in the business environment.
- Business activities that are sensitive to political changes should be availed of special considerations in the form of grants or insurance in order to prepare for lean seasons.
- The governments should not let political shocks undermine business confidence and should not cease interaction with the business community especially during election years.

CONCLUDING THOUGHTS

The volatility of political situation and specifically when linked to the investment of the enterprises of Pakistan substantiates how important is stable and foreseeable economic environment. Unless the government adopts these recommendations, it is unlikely that it will be possible to devise the right conditions for the further growth of new corporate investment – a factor that is crucial for sustainable economic development.