

Aspects of Muslim Participation in the South African Economy

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This article attempts to outline the Muslim contribution to the economy in South Africa. This is based largely on the author's work as an investment professional. The lack of data specific to Muslims is a constraint on full coverage of the topic but Johannesburg Stock Exchange (JSE) information provides some indicators. The analysis is therefore limited to a subset (JSE) of the *formal* sector.

Background

Before the transition to democracy in 1994 the disenfranchised majority, including almost all Muslims, were excluded from the mainstream South African economy. The discrimination of the apartheid era has had a huge negative impact on the ability of Muslims to contribute to the growth of the economy.

Muslims are largely concentrated in the major cities of South Africa. Muslims of south-east Asian origin are predominantly resident in the Western Cape. Muslims from south Asia are predominantly resident in the other provinces around major urban areas and the smaller outlying rural towns.

The "Malays" were brought to the Cape largely as slaves and therefore were for a very long time restricted to manual labour. By contrast, people from the Asian subcontinent were brought to Natal as cheap labour for sugar-cane plantations. Their numbers were subsequently augmented by voluntary immigrants from the Asian subcontinent who left their homelands to seek better prospects. These historical factors have had a significant impact on the contribution of Muslims in the various regions of South Africa.

Western Cape

Muslims in the Cape are employed as artisans by and large. Muslim women work in the clothing sector, which has borne significant job losses over the last few years as a result of GATT (General Agreement on Trade and Tariffs) and cheaper labour in the East. Evasion of import duty has also contributed to the uncompetitive nature of goods produced in South Africa and to the concomitant decline of the clothing manufacturing sector. A more recent significant factor is the dramatic weakening of Asian currencies against the dollar and rand which will contribute to higher unemployment in 1998. Muslim organisations will have to be prepared for this eventuality and its socio-economic effects.

Muslims of Indian origin are generally traders, mainly shop owners and supermarket retailers. Muslim-owned manufacturing and service businesses of any significance in the country can be counted on one hand. However, from 1996 there has been a visible acceleration in the number and success of Muslim-owned businesses, some of which may have been in existence for many years. One example is LA Stores, recently listed successfully on the JSE with a market capitalisation in excess of R319m. Another is Brimstone, an unlisted investment trust primarily owned and managed by Muslims, which has total assets worth over R100m.

KwaZulu-Natal

There are two listed Muslim-owned businesses in this province: the AM Moolla Group, a clothing manufacturer, and Maxtel, cellular service provider to the taxi industry. However, listings and performance on the JSE have been mediocre in both cases. The market capitalisation of the AM Moolla Group has fallen to R86m from R155m since its listing in October 1997. Similarly, the market capitalisation of the Maxtel Group, owned by the Jhetam family, has fallen to R4m from an estimated R25m.

In respect of the AM Moolla group, the poor share price performance is largely due to the threat of profit erosion by the cheaper competition from the East. To counter this threat, the group has

moved some of its manufacturing to lower labour cost areas such as Maputo in Mozambique. Inevitably this occurs at the expense of local jobs and local economic growth.

There are a number of unlisted Muslim-owned clothing stores and manufacturers which employ a significant number of people in KwaZulu-Natal. However, as in the Western Cape, the clothing sector has been declining in size. Nevertheless it is estimated that KwaZulu-Natal is the region where Muslims make the highest contribution to the economy.

Other provinces

No Muslim-owned businesses are listed on the Johannesburg Stock Exchange other than those based in the Western Cape and KwaZulu-Natal. However, Muslims own a significant number of unlisted manufacturing and retail businesses in Gauteng and the other provinces. Anecdotal evidence indicates that Muslim businessmen are a force to be reckoned with in the retail sector. Apart from urban-based businesses, they have generally also done well from retail trade in rural areas because of limited competition and their entrepreneurial skill.

Datu Samsudin, a Malaysian businessman now resident in South Africa, has acquired significant property and banking interests here. A number of other international businessmen have acquired significant investments since the beginning of a democratic order in 1994.

Muslim individuals

Increasing numbers of Muslim individuals are key decision makers in large listed corporations. An example is the finance director of Imperial Group, a superb performer on the JSE and worth R11bn. Much of the Imperial Group's value has been generated by organic growth, a significant contributor to the economy.

Noteworthy also are the Muslim individuals who occupy key positions in the asset management industry and contribute to investment decisions for funds in excess of R13bn. Included in this number is a partner in a major stock broking firm. Such decision-making roles have a significant impact on resource allocation in the economy.

Muslims are also finding a place as non-executive directors of significant listed companies in South Africa. Ahmed Sadek Vahed from the AM Moolla Group and Fatima Jakoet from the Western Cape are two examples. Moreover, a significant number of Muslims are starting to make visible contributions in their professional capacities as accountants, auditors, architects, lawyers, quantity surveyors, structural engineers, urban planners and so on.

Beyond the corporate arena, more and more Muslims are key players in the political economy of government. A Muslim heads up Investment South Africa, a Section 21 company promoting investment in South Africa; the former auditor-general of Gauteng, Cassiem Gassiep, is now the national deputy auditor-general and a top official in the Department of Finance who reports directly to the Director-General.

Islamic banks

The ill-fated Islamic Bank was established in Gauteng and opened branch offices in Cape Town and Durban. Its recent liquidation amidst allegations of mismanagement has had a negative impact on both Muslim individuals and organisations who lost millions of rands. The collapse of the bank is not expected to have a significant impact on the broader economy. In addition, the government invoked a deposit protection scheme for the first time to protect the individual Muslim investor from loss up to R50 000. This may support the view that Muslims are an important component of the economy.

Another Islamic bank in South Africa is Al Barakah Bank, which is part of the Middle-Eastern Dallah Group. However, both this bank and the defunct Islamic Bank are insignificant in comparison with the assets controlled by the broader banking sector in South Africa.

Conclusion

Historically artisans and traders, Muslims contributed in a small way to economic growth in apartheid South Africa under difficult and discriminatory circumstances. The transition to democracy has freed Muslims for an expanded economic role and their contribution to economic

growth is increasing. More Muslims are emerging as key decision makers in professional firms, government and business.

There is probably a need for Muslim economic empowerment, however. This is illustrated by the fact that market capitalisation of Muslim-owned firms at R410m represents 0,4 per cent of the total JSE market capitalisation of R1 148 000m. This is very low in relation to estimates of the Muslim component of the total population as between one and two per cent.