

Role of Women in Islamic Finance by Aly Khorshid

Introduction

An opinion that is often expressed from outside the world of Islam is that Muslim women are treated as second-class citizens, with few options or opportunities in life. Like most prejudices, this opinion is not based on much of a solid foundation. Whilst the equality gap certainly could - and should - be narrower, it would be wrong to assume that the problem is significantly worse than in Western society.

This chapter explores the historical, Quranic and contemporary roles of women, particularly in Islamic finance, and points out some notable women who have made contributions that simply would not have been possible were the imagined restrictions based on truth. The resulting picture is of an encouraging level of involvement of women that points to women having a bright future in Islamic finance at all levels of management and ownership of business.

Early historical background

To evaluate the effect of Islam on the status of women, we must discuss the status of women in pre-Islamic Arabia.

Some evidence shows that women before Islam were more liberated, particularly on marriage and worship, although women's status was in general poor because they had been deprived of their inheritances by men. Pre-Islam women were more or less the property of men, like any other world religions especially Hinduism, Christianity and Judaism.

Islam changed the structure of Arab society and to a large degree unified the people, reforming and standardizing gender roles throughout the region; Islam improved the status of women by instituting rights of property ownership, inheritance, education and divorce.

During the early reforms under Islam in the 7th century, reforms in women's rights affected marriage, divorce and inheritance. Women were not given such legal status in other cultures, including the West, until centuries later. Under Islamic law, marriage was no longer viewed as a "status" but rather as a "contract", in which the woman's consent was imperative. Women were given inheritance rights in a patriarchal society that had previously restricted inheritance to male relatives; they were supposed to be the property of the man, and if the man died everything went to his sons. Muhammad, however, by instituting rights of property ownership, inheritance, education and divorce, gave women certain basic safeguards. Prophet Muhammad granted women rights and privileges in the sphere of family life, marriage, education and economic endeavours, rights that help improve women's status in society.

In terms of women's rights, women generally had fewer legal restrictions under Islamic law than they did under certain Western legal systems until the 20th century. For example, a restriction on the legal capacity of married women under French law was not removed until 1965.

Cairo Declaration of Human Rights in Islam (CDHRI)

On 5 August 1990 there was a declaration of the member states of the Organization of the Islamic Conference (OIC), which provides an overview on the Islamic perspective on human rights, and affirms Islamic Shariah as its sole source. CDHRI declares its purpose to be "general guidance for Member States (of the OIC) in the field of human rights". This declaration is an Islamic counterpart of and a response to the post-World War II United Nations' Universal Declaration of Human Rights (UDHR) of 1948.

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Female Figures in the Quran

Important Quranic women abound, in a list that includes Eve (God created Adam and Eve and had them live in Paradise), who along with Adam committed the first human sin by eating fruit forbidden by God; the wives of Noah and Lot; Sara, wife of Abraham; the mother and sister of Moses; the wife of Moses; Asiyah, wife of the Pharaoh; the wife of the Pharaoh, known in some traditions as Asiyah; the Queen of Sheba (Bilqis); the wife of Imran (father of Mary); Isa's grandmother is not named in the Qur'an but is referred to in narratives (in the Judeo-Christian tradition, she is identified as Hannah). According to the Qur'an, Imran and his wife were old and childless, and she invoked God for a child, Mary (a key female character in the Qur'an and the mother of Jesus). The name of Miriam frequently appears in the Qur'an alongside that of Isa (Jesus) in the format "ISA Ibn Miriam" (meaning Jesus, the son of Mary), and the woman who complained to Muhammad

The History of Women in Islamic Trade and Finance

The history of women in Islamic trade and finance is not adequately written. At first sight, Muslim women's stories (and the general interest in them) seem to focus on family matters like marriage, divorce and children. Stories about the Prophet's wives focus, in most cases, on the Prophet and their relationship with him rather than their own activities, personalities and interests. Five examples will be dealt with below: Khadija, Hind, Zaynab, Shifa' and Ijliah.

Khadija bint Khuwailid

Khadija is often proudly pointed out as the first Muslim and one of the Prophet's greatest spiritual, emotional and material supporters. She is known as a businesswoman who employed young Muhammad and then married him. After that, details are scarce, except for the children she had, her reaction to the prophetic revelation and a number of beautiful stories about angels greeting her. Questions beyond that might not be compatible with habitual thought patterns:

How did she become the rich businesswoman she was at a time when newborn girls were sometimes buried alive?

What were her arrangements with Muhammad (a) regarding the work he did for her and (b) how she continued business after their marriage?

Some of the answers can be found by drawing conclusions from various traditions. She inherited the import-export business from two previous husbands; as women in those days did not normally inherit, she probably kept charge on behalf of her children. Why did she not travel to Syria herself? Were business trips impossible or unacceptable for a woman, or were the children too young for her to get away? We do not know how many employees she had beforehand.

The agreement with Muhammad was apparently based on profit sharing, with her investing capital and administration and him investing the work. We hear how impressed she was with his reliability, but would that be enough for marriage, even considering that, in principle, the idea of a marriage contract is not too far away from a business contract? Perhaps this was a key point. But there was also another similarity. Both of them were committed to the cause of the poor: she had contributed to projects like sponsoring and running a hospital during the plague epidemics, and he had been involved in the Hilf al-Fudul movement to stand up for the rights of the underprivileged. Except that the business continued to be successful, we have no information about their respective agreements, but considering both their personalities and later Islamic property rules, they cannot have been far away from a similar partnership that lasted though the years of persecution and boycott after Muhammad started teaching in public until Khadija died.

In later societies where segregation of the sexes often limited women's access to the public sphere, especially among the ruling class, we repeatedly come across women who made profitable use of the rights guaranteed in Islamic law by managing and investing their property, either directly or through their agents. For example, going back to a class of slave soldiers with a high mortality rate among men, the Mamluks in Egypt used to leave the management of their property to their wives. Whatever the popular image, the harem system such as was practiced in the Ottoman Empire, was not necessarily an obstacle: comprising wives, daughters, indoor and outdoor servants and slaves as well as unmarried sisters and elderly relatives, it provided access to education and management skills. That is how many women became famous for sponsoring and managing awqâf, endowments for needy relatives or philanthropic endowments like hospitals, colleges, sufi convents, libraries, mosques or orphanage projects - but also roads, bazaars and rest-houses that paid for the former.

Hind bint 'Uqba

Hind is mainly remembered for the disgusting scene at Badr, mutilating the body of Hamza killed in battle as well as her pointed remarks when, after the Opening of Makkah, she became a Muslim. The connection is not often made with a report about her consulting the Prophet about helping herself from her husband Abu Sufyan's purse because he was too stingy to give her enough for herself and the child, and the Prophet's permission to do so within reasonable limits. This is taken as an illustration of a self-evident point: a woman has a legal right to support from her husband. The experience must have been humbling for her but did not break her spirit.

According to a later casual note, she was granted a substantial loan from the Baitul-Mâl (known to most Muslims as the contemporary treasury and social office) to start a business - interest-free, of course. If there had been anything extraordinary or controversial about this, the resulting debate would have left its traces in the records.

Zaynab bint Abi Mu'awiya

According to a hadîth (tradition), Zaynab "used to provide for (her husband) Abdullah (b. Mas'ûd) and the orphans who were in her care". She (and at least one other woman in a similar situation) asked the Prophet if it is permissible for a woman to give zakat to her husband and other family members and was encouraged to do so; this is because women are not legally obliged to support their families.

We come across a number of women who were involved in agriculture, home industry and crafts, or simply in "buying and selling goods". We hear about midwives, nurses, perfume makers and a number of other professions. Unlike domestic servants, they were self-employed - otherwise the advice they asked the Prophet for would have been different. We find their counterparts in all Muslim societies in later centuries.

Shifâ'

We know about how Shifâ' taught the Prophet's wife Hafsa to read and write and that the Caliph 'Umar employed her as a market inspector, i.e. she had to enforce the rules concerning measures, weights and business transactions. 'Umar was not exactly known as a feminist, but he does have a reputation for choosing the most competent candidates for government posts. Whether Shifâ' had to do the actual inspecting by herself or had a team to help her, the implications might sound alarming to Muslims who are convinced that women should not have positions where they can give orders to men. Perhaps that is why the case is not very well known.

However, this conviction, widespread as it may be, is hardly compatible with key concepts of the Qur'an that consider men and women "each other's protecting friends who enjoin what is good and prohibit what is evil ..." (9:71). It not only points out women in resistance against oppressive political authority, like Pharaoh's wife and Moses' mother and sister, but also the example of the Queen of Sheba, traditionally called Bilqis, who, after listening to her advisors, makes a much more constructive decision for the benefit of her people. There were certainly controversial debates about women in leading positions, but the outcome was mainly determined by the socio-cultural circumstances. According to Tabari, women can be judges in all cases. Abu Hanifa actually demanded that there should be women judges in every city in order that women's rights can be guaranteed. Even where women as rulers or judges were under debate, women were accepted as muftis, going back to the example of the Prophet's wife Aisha who made a considerable impact on the development of law and theology.

Ijlîya bint al-Ijlî al-Asturlâbi

Ijlîya was an astrolabe builder who had learned her father's trade and took over his business. An astrolabe, like its successor the sextant, is used for various calculations in astronomy and navigation. Obviously successful, she was employed at the court of Saif ad-Dawla in Northern Syria (944-967 C.E.).

Women are never said to have tried to find the "Philosophers' Stone", but they were active in sciences, medicine and religious scholarship. In the pre-industrial age, children usually learned their profession from their parents or relatives - normally boys from their fathers and girls from their mothers - but in scientific studies it was more a matter of interest. It was not uncommon for well-trained women to be employed as house teachers for the children of well-to-do families. In medicine, we hear of cooperation between a male and a female doctor: a young man studying to be a doctor got married with a young woman from a similar family, then they shared their work: the female doctor treated the female patients while her husband treated the male ones - either self-employed or in a hospital. But social norms of segregation did not always apply in study situations.

Among the numerous examples of men studying with women teachers is ash-Shâfi'i who studied with Nafisa (b. ca. 762 C.E.), or the traveller Ibn Battuta who studied with several scholarly women teaching at the colleges of the contemporary Muslim world. If travelling proved difficult for women they often overcame this obstacle by accompanying male family members or during the pilgrimage to Mecca that had a large number of males and females together which developed in later dates to a University-type education, or by meeting scholars from all over the world in male family presence; that has not been a problem since women have been acting professionally.

These examples from history show women making use, within the framework, of their respective contemporary local understanding of Islamic law and social conventions; these possibilities were open to all women and were simply a matter of free choice. For our modern times and the need for women's input into economic and family matters that meet the purpose of Islamic principles and modern demands, both in traditionally Muslim countries and for Muslims in the West, women are empowered to use their spiritual, intellectual and economic potential.

Women in Twenty-first Century Islam

The average spectator from Western countries might consider women in the Muslim world as introverted and restricted to their homes by their male partners. In fact real life is different, particularly markedly in the last few decades. Women in Islamic countries are now in charge of large corporations, are ministers and prime ministers and have reached top jobs and are imposing success on their own terms. As HE Queen Rania Al Abdullah of Jordan said on the subject, "The landscape is starting to change".

Women are now business owners in Jordan, Bahrain, Lebanon, Tunisia and the UAE. They are finding their own place in the business and community and creating opportunities for themselves and their participation in business is on an upward trend. Making a significant contribution in the booming economies, women's business networks have grown rapidly across the region. And not just business - the advancement of Arab women in all occupations, particularly in this millennium, is certainly impressive.

As HE Sheikha Lubna Al Qasimi, the UAE's Minister of Foreign Trade, says: "The participation of women in business and investment has become a key economic booster for the region and has empowered many women."

Salma Hareb, CEO, Jebel Ali Free Zone and Economic Zones World, said, "Women in the UAE are as much part of the corporate world as anywhere else on the globe. This signals a significant change in a society where women's roles used to be marked differently by our social customs earlier. Being an entrepreneur is about more than just starting a business or two - it is about having the attitude and the drive to succeed in business. Businesswomen in the Middle East are doing just that. We observe women as corporate heads occupying various decision-making positions in the public as well as the private sectors."

Arab first ladies are leading by example. These include, among others, women such as Princess Haya Bint Hussain, wife of His Highness Sheikh Mohammad Bin Rashid Al Maktoum, HE Queen Rania of Jordan, Mrs Suzan Mubarak, first lady of Egypt, HRH Princess Moza, wife of Sheikh Hamad bin Khalifa Al-thani Qatar Ruler.

Recent statistics show that women in the Gulf region represent 35% of the total Arab workforce. The UAE alone is home to more than 11,000 women entrepreneurs managing investments worth more than \$4 billion. Women are increasingly becoming very proactive investors; women investors

in the UAE now manage investment worth more than Dhs140 billion [\$38 billion]; and these numbers are growing at an extraordinary rate. Women have been involved in medicine, education, engineering, research, academics, sports, business, law or media; they are now judges and are involved with Muslim jurisprudence. Women's rights in the region have been progressively enhanced.

Over 40 per cent of the workforce of UAE, Bahrain, Kuwait, Egypt, Jordan, Morocco, Tunisia and Algeria is composed of women. Women hold 30 per cent of management positions in finance, 32 per cent of the transactions of the financial and banking sector is done by women, 20 per cent of management jobs in financial institutions are held by Women. The number of women heading businesses in the Middle East has grown significantly; there are a growing number of highly skilled Arab women in the Middle East region who are putting to good use their education, intelligence and creativity.

Arab countries have invested significantly in human resource development and in providing equal opportunities for both men and women to have access to education and other opportunities. That has helped in providing women with a proper education and skills. With more open-minded leaders of Muslim countries, there are increasing opportunities for women to do extremely well in the workplace if they have the qualifications and drive.

According to a report by the Hawkamah Institute for Corporate Governance based at the Dubai International Financial Centre (DIFC), women's businesses in the MENA region are among the most sizeable entities. A larger share of women are principal owners in family-owned businesses. They own close to 40 per cent of the individual firms in the region, and there is a direct correlation between corporate performance and women's participation on boards. Based on a survey conducted last year, among the Fortune 500 companies, those having more women board directors have shown stronger financial performance (in terms of return on equity, return on sales and return on invested capital) than those having the fewest women as board directors. Women business owners surveyed in the MENA region are well ahead of their counterparts in Western Europe and North America with respect to the size of their firms and many report substantial levels of revenue. It also says that the majority of the women surveyed in Bahrain and Tunisia are sole owners of their firms, at 59 and 55 per cent, respectively. This compares with 48 per cent sole owners in Jordan and the UAE, and 41 per cent in Lebanon. Most survey participants own established businesses and many have extensive years of experience.

On average, women in Lebanon have owned their businesses for 10.6 years, in Bahrain for 10.2, in Tunisia for 8.6, in Jordan for 6.1 and in the UAE for 5.9. Female-owned firms in the MENA region are as large, successful and tech-savvy as male-owned firms. Apart from being successful businesswomen, a number of Arab women have also excelled in the public sector. Even on a much smaller scale, micro-finance initiatives have helped scores of women across the region to gain access to financial services and enabled them to start up business ventures.

According to the report based on a survey of more than 5,100 male- and female-owned firms in eight MENA countries, of the formal-sector female-owned firms surveyed, only 8 per cent are micro firms and more than 30 per cent are very large firms employing more than 250 workers. Furthermore, the average age of female-owned firms is slightly higher than that of male-owned firms - 21 years across the region, compared with 18 years for male-owned firms.

The World Bank report adds that more women in the Middle East are individual owners than expected. It says:

"The share of women in the MENA region owning their firms individually instead of as part of a family is higher than expected. In Syria and Yemen, most women own their firms individually, at rates comparable with male individual ownership. In Egypt, Lebanon, and Saudi Arabia, however, the proportion of female-owned firms owned individually is significantly lower than that of male-owned firms."

Although women still do not have equal access to economic opportunity, they are in control of their own wealth according to Islamic principles. As a businesswoman or an entrepreneur, women in the Middle East have an amazing opportunity to step into their destiny and live out their full potential. However, in order to become more diversified and globally competitive, more needs to be done to empower women and address issues that inhibit female entrepreneurship.

A significant contribution by women to Islamic finance and to financial institutions has been noticeable in Malaysia, as well as in global finance. Women in Islamic financing are much more able to follow the principals of Shariah than are men because their main concerns are to details and efficiency; they are less likely to engage in speculative or risk-taking behaviour and the sale of financial assets. Women have become a powerful force in the economy, and this success should be recognized. Although there are still obstacles to overcome, there are a number of women who have reached the highest positions in financial institutions, as is shows in this survey:

American women constitute the largest economic force in the world, spending \$4.9 trillion a year.

The estimated growth rate in the number of women-owned firms was twice that of all firms. Women own an estimated 10.6 million firms that generate \$2.5 trillion in sales.

Women are expected to acquire 94% of the growth in US private wealth by 2010.

Women in the 2005-2006 school year will earn 59% of the Bachelor's degrees and 60% of the Master's degrees. The purpose of this chapter is to consider what might be the major obstacle for women over the years to playing a part in global financial institutions, particularly from an Islamic financing perspective. Women today face unique financial challenges, but with careful planning, these challenges can turn into opportunities. Financial advisors are dedicated to empowering women through education, support and knowledgeable advice.

Women are researching, educating themselves and taking more control of their finances. When it comes to investing, women make fewer mistakes, are more risk averse and more consistent during volatile market times. These positive investment tendencies are necessary when it is considered that women face unique challenges and pressures that make it essential for them to be proactive with their investments.

Some factors that are unique for women include the following:

Women live on average seven years longer than men;

Women earn 23% less than men, creating a risk of outliving their retirement savings;

Women currently influence 80% of financial decisions in the household;

On average, women take about 12 years off work to care for children or elderly parents compared with less than two years for men; and

American women constitute the largest economic force in the world.

Women have different styles of doing business

It will help us to understand the differences between women and men in doing business, and their approach and style of business. By style, we mean the way people choose to do business: What their priorities? How do they choose to communicate them? One of the biggest style differences is the relative importance individuals put on relationships and connection, as opposed to tasks. We have to ask few questions:

Are there real differences to how the brains of men and women work?

Do they have different styles of doing business, for example in their priorities or the way they communicate?

A survey conducted by Prudential Financial in February 2006 found that women are capable of taking financial decisions wisely, for example:

Only one in five women feel very well prepared to make wise financial decisions; the others admitted they need assistance;

43% of women's top priority is getting out of their debt;

53% of women are saving or investing their money; and

The majority of women place a priority on health.

There are now a host of women-focused products. Examples include:

Conventional products that already exist to cater for women investors, e.g.:

- o Women only insurance (Sheila's Wheels, Diamond)
- o Hotels catering to women travellers (Grange Hotels in London, Radisson SAS in Leeds)
- o Wealth consultation services specifically for women (Bramdiva, Coutts)

Products that cater for women's different investment needs, e.g.:

- o Women are more ethical investors
- o Women have an appetite for lower-risk, capital-protected products
- o Women have social restrictions in the access of ordinary products

Women-focused financial services, e.g.:

- o Products targeted on women as investors such as health, education and shopping benefits
- o Use of technology, including remote trading

o Promoting participation of women in finance

Different techniques of accessing women as an investor base taking into account cultural sensitivities, e.g:

o Companies run by women targeted at women investors

o Greater empowerment of women through education

o Building a local company, particularly in the Middle East in partnership with local investors.

Leading women in the Muslim world

Women influential in the development of industry:

Dr Zeti Akhtar Aziz, Governor of Bank Negara, Malaysia

Dr Rabiah Adawiah, Islamic finance Shariah adviser with the Securities Commission of Malaysia

Dr Shamshad Akhtar: Governor of the Bank of Pakistan

Her Excellency Sheikha Lubna Al Qasimi, Minister of Foreign Trade, UAE

HRH Princess Mashaeil bint Faisal, President of the board of the business women forum in Saudi Arabia

HE Suhair Al Ali, Minister for planning and International corporation, Kingdom of Jordan.

High profile business women in the region include:

Mona Al-Shinnawy, UAE: founding member of Durra

Lama Al-Sulaiman, Saudi Arabia: on board of conglomerate Rolaco, elected to Jeddah Chamber of Commerce

Thaira Karajeh, Palestine: operates only shopping centre in the West Bank

Hanan Saab, Lebanon: founder of Pharmamed, pharmaceutical and medical supply company

Other emerging markets

We end with some interesting statistics about women in business.

In Bahrain, 30% of finance sector employees are female.

In the Masrafy Bank, Kuwait, 40% of employees working in finance and property are female.

Malaysian women have set the pace in Islamic finance:

o Women head the authorities that regulate Islamic finance.

- o Malaysia created the first registered female Islamic finance Shariah advisor.
- o Jamelah Jamaluddin became the CEO of RHB Islamic Bank in August 2007.

In Nigeria, Lotus Capital, a provider of Shariah compliant investment products in West Africa, has Hajara Adeola as its Founder and Managing Director.

- In Iran and Pakistan:

- o there is an Islamisation of the banking system as opposed to parallel system as in Malaysia
- o interest-based banking is allowed as an exception to accommodate correspondent banking relations
- o Women participate in the banking sector in Iran.

The World's Women Billionaires

Out of 497 billionaires in the world, 35 (or 7%) are women. In the US, there has been equal opportunity for women only in the past 20 years. It was not until relatively recently that women could be found as chief executives of blue-chip companies. Twenty years may not be enough time to build the kind of fortune that lands a person on Forbes' World's Richest People list. There are self-made billionaires such as Oprah Winfrey, Nina Wang, Abigail Johnson, Miuccia Prada, Maria Aramburuzabala, Marilyn Carlson Nelson and others.

Summary

Women in Islamic financing are much more able to follow the principals of Shariah than men because of their tunnel vision on details and efficiency; they are less likely to engage in speculative or risk-taking and the sale of financial assets; they have certain limitations but overall performance is encouraging, particularly in Malaysia. One of the main difficulties is that the men do not give them enough opportunity for training, education, top jobs and responsibilities. I believe that women are capable of playing a larger part in Islamic finance, but they are either frightened of making mistakes or they are leaving the men to make the mistakes and they learn from them before taking the responsibilities.

I expect to see more women than before in top Islamic finance jobs, particularly in the fast growing businesses.

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