

Forward-looking perspective for women in Islamic finance



Asal Saghari is the counsel at King & Spalding. She can be contacted at asal.saghari@kslaw.com.

The conversation about achieving better representation of women among the highest leadership ranks has been an issue at the top of the agenda for businesses in recent times. There has been a heavy focus on the significance of diversity, with several studies illustrating that a more diverse workforce helps organizations achieve growth and success.

This is no different in the global finance industry, or the Islamic finance industry. Women's participation is growing, as is their involvement in decision-making processes. This is hugely encouraging as such engagement is positively correlated with a company's financial performance.

As Islamic finance continues to ramp up in the GCC, and globally, this article considers the role of women in Islamic finance over the course of 2022 and an outlook as to what 2023 is likely to hold.

Review of 2022

Women onboard and on boards: A growing necessity, no longer 'a nice to have'

In the GCC, there have been a number of key initiatives and developments to increase the participation of women on boards. These include the following:

- In 2021, the Emirates Securities and Commodities Authority set a quota for all listed companies to put at least one woman on their boards by 2025.
- The UAE's continued efforts to improve gender diversity in the boardroom have led to more women holding board positions in 2022 (8.9%), up from 3.5% in 2020, according to research undertaken by **Aurora50**.
- In 2022, Saudi Arabia appointed a number of women to senior positions in the government. Shihana Alazzaz was named the first female deputy secretary-general of the Saudi cabinet. Sheila Alrowaily (a former Saudi Aramco executive) was appointed as the first female to join the board of the Saudi Central Bank.

Such initiatives are prime examples of the desire to recruit and retain women at the highest ranks. A Deloitte survey (see [here](#)) from earlier this year said that within financial services institutions, women hold 21% of board seats, 19% of C-suite roles and 5% of CEO positions in 2021. Considering those figures used to be zero, the progress curve is clear. Change takes time.

This is a similar situation to the global Islamic finance landscape. While there are claims that the gender gap is much wider in the Islamic banking and finance industry, that does appear to vary across different countries. For instance, an Islamic country like Malaysia actually outperforms the Deloitte global data with 33% of senior roles held by women (see previous IFN article [here](#)). These achievements are to be celebrated.

Surge in ESG: The 'S'

ESG is gaining momentum globally and increasing in prominence in the finance and investment sector.

It is fair to say that there are a lot of similarities/overlap between ESG and the Islamic finance and investment principles, the fundamental principle being "doing less harm, and striving to do better".

Having said that the 'S' component of ESG (being the social aspect) has historically been less visible — but this is changing (and in our view ought to change). As part of that change, a central issue will be gender equality and the reinforcement of the number of women in key management positions.

It is in this context that we see the role of women in Islamic finance to continue to gain importance and grow as part of the ESG drive.

Islamic microfinance for women

Islamic microfinance refers to the Islamic financial services provided to low-income individuals or groups who are typically excluded from traditional financing. Most microfinance Islamic institutions focus on offering credit in the form of small working capital advances. We understand that in 2022 the market witnessed a number of such financings making advances to female-led small businesses in developing countries. Such advances play a pivotal role in the empowerment of women and fighting poverty.

Preview of 2023

Although progress is being made in terms of women on boards, there are still too few women in leadership positions. The overall progress remains slow and uneven. Achieving true diversity requires a real cultural shift (by truly understanding the significance of the role of women), regular review of the composition of the boards by businesses, removing barriers to entry and most importantly legislation.

As part of the global ESG agenda, we anticipate that 2023 will see more focus on the 'S' in ESG. We would hope that governments, regulators and standard-making bodies as well as organizations and stakeholders in the Islamic finance sector would follow suit and put a spotlight on achieving diversity.

More specifically and over the past year or so, in the conventional finance sector we have seen margin ratchets (ie increase or decrease in the margin) in ESG loans. Such facilities link these ratchets to ESG key performance indicators (ESG KPIs). Therefore, if the borrower meets the relevant ESG KPI (eg female board representation), it benefits from a reduced margin. We would hope to see gender integration as a profit rate ratchet in ESG-linked Islamic financing facilities.

Conclusion

As is the case with many discussions around diversity, there is a tendency to look back. A retrospective can be helpful, certainly when it comes to showing the progress that has been made in such a short time, but the perspective must be forward-looking. There are so many ambitious, enthusiastic and intelligent young women coming through in the Islamic finance sector who will be future leaders.

Think of the progress made in the last decade. And now think how much progress we can make in the next decade. ☺