

## Narrowing gender gap challenges in Pakistan's Islamic finance industry

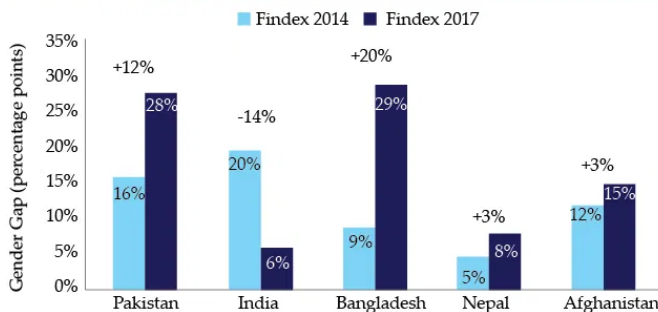
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The regulators of the financial sector in Pakistan have taken up the challenge to narrow the gender gap in the workforce as well as enable financial inclusion for women in the Islamic finance industry. The major thrust has come from the apex regulators: the securities regulator, the Securities and Exchange Commission of Pakistan (<https://www.islamicfinancenews.com/company/securities-and-exchange-commission-of-pakistan>) (SECP (<https://www.islamicfinancenews.com/company/securities-and-exchange-commission-of-pakistan>)), and the central bank, the State Bank of Pakistan (<https://www.islamicfinancenews.com/company/state-bank-of-pakistan>) (SBP (<https://www.islamicfinancenews.com/company/state-bank-of-pakistan>)). SARWAT AHSON writes.



The parliament, through the Companies Act, 2017, which is administered by the SECP (<https://www.islamicfinancenews.com/company/securities-and-exchange-commission-of-pakistan>), requires listed companies to have at least one woman on their management board. In March 2021, the SECP (<https://www.islamicfinancenews.com/company/securities-and-exchange-commission-of-pakistan>) issued a circular requesting the boards of directors of listed companies and non-bank financial institutions, including Islamic ones, to implement gender diverse policies. Beyond improving gender diversity ratios, board members are recommended to assess the gender pay gap and provide a conducive work environment and day care centers, as well as the provision of maternity leaves and such. The recent appointment of Dr Shamshad Akhtar as the chairperson of the Pakistan Stock Exchange (<https://www.islamicfinancenews.com/company/pakistan-stock-exchange>) is a welcome change.

Chart 1: Gender gap in South Asian countries



Source: State Bank of Pakistan

Approximately 30% of Modarabas have been able to comply with the requirement of the inclusion of women on their management boards. At the same time, bringing new initiatives to life in a pandemic-stricken economy would prove to be difficult especially when the Modaraba sector is dealing with a challenging regulatory framework. The Islamic mutual fund industry is also struggling to gain gender diversity where boards are concerned.

Similarly, the SBP (<https://www.islamicfinancenews.com/company/state-bank-of-pakistan>) has launched a draft policy titled 'Banking on Equality: Reducing Gender Gap in Financial Inclusion'. The SBP (<https://www.islamicfinancenews.com/company/state-bank-of-pakistan>) is working on both the demand and supply issues. On the supply side, the SBP (<https://www.islamicfinancenews.com/company/state-bank-of-pakistan>) is taking the initiative to improve the financial literacy of women which is in line with the agenda of financial inclusion. As for the demand, boards are being asked to set policies for gender diversity in the workforce.

Though data remains scarce and distorted, some figures which have surfaced from the **SBP** (<https://www.islamicfinancenews.com/company/state-bank-of-pakistan>) draft policy suggest only 13% of the staff of banks and 1% of branchless banking agents are women with only 6% at senior levels. The draft policy suggests that financial institutions including Islamic banks should set a target of 20% to increase female participation in the workforce by 2023. Given the cultural confines, maybe dedicated branches for women and hence a more qualified female workforce will serve to enhance the national policy agenda of financial inclusion. This would lead to the induction and training of more women.

Progress has been made on the Islamic banking front with the Islamic banks having at least one woman on the board of directors. However, the average workforce ratio of women in Islamic financial institutions is approximately 10%. The challenge of hiring women is enhanced by the mandatory dress code in Islamic financial institutions, which seems to be factored in as a primary source of differentiation between conventional and Islamic.

On the flip side, with Pakistan being a largely Muslim country, cultural and religious barriers to job requirements serve as impediments on the supply side. Some financial sector jobs require more grueling hours and traveling which serve as deterrents for many female professionals to join the workforce. However, technological changes soon may make these deterrents redundant.


Restrictions to pursue higher education to become Shariah (<https://www.islamicfinancenews.com/glossary/shariah-2>) experts serve to be a constraint in the progress for women to be employed in Islamic financial institutions. Shariah (<https://www.islamicfinancenews.com/glossary/shariah-2>) compliant mutual funds also have the same level of female workforce ranging from 12-13%. Recently, some initiatives have been launched to train and engage female scholars where they can familiarize themselves with practical issues of banking and finance.


The regulators' focus has started to translate into deeper policy changes in the financial sector. Various encouragement policies are already in place in leading Islamic banks such as daycare facilities and transportation services for female employees. The COVID-19 pandemic has brought about a cultural change in the form of working from home with flexible working hours and fewer work days which is surely in the favor of a more gender diverse workforce. These changes bode well for Islamic financial institutions whereby there has been a significant increase in various job openings in the Islamic mutual fund industry encouraging women to apply to achieve gender diversity. However, supply continues to be a challenge.


The **IMF** (<https://www.islamicfinancenews.com/company/international-monetary-fund>) reports that economic growth can be increased as much as 35% by narrowing the gender gap. Islamic financial institutions can play a positive role in providing enabling platforms and policies since technological advances provide women with a much better opportunity to gain a foothold in the workforce as well as to be financially empowered. Time is of the essence and with the regulators' support, Islamic financial institutions are on the right trajectory of blending the cultural, social and religious ethos with women empowerment.


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