

Beyond the Veil: The Influence of Islam on Female Entrepreneurship in a Conservative Muslim Context

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[Abstract] Although there is a well developed corpus of knowledge concerning female entrepreneurs in developed nations, relatively less is known about counterparts in developing and transitional economies. This paper uses a survey of 180 women entrepreneurs in Bahrain to examine the influence of various socio-economic factors on their decision to choose entrepreneurial careers. We find human capital to be instrumental in respondent's choice of business, type of financing sought, and level of networking. The expectation that ties to religious groups would confer an advantage when doing business in an Islamic country was not supported. Nevertheless, women who abided by Islamic customs were accepted in a typically male-dominated business world.

[Keywords] Islamic female entrepreneurship; Shari'a and entrepreneurship; Bahraini women entrepreneurs

Female entrepreneurship is a rapidly growing phenomenon in high, middle, and low-income countries. However, despite worldwide growth, it is less common in Middle Eastern and North African countries (MENA) than other parts of the world. Data from the World Bank Country Enterprise Survey (2003-2006) report the following frequencies of female businesses ownership-North America (31%), Europe and Central Asia (24%), East Asia (20%), Latin America (20%) and MENA countries (13%). This difference is particularly striking given significant progress by MENA women in education, social development, and labor force participation since 1970. Between 2000-2005 MENA women's share of the labor force increased from 25% to 27% and they comprised 36% of new entrants in the labor market in 2005 (World Bank, 2007).

MENA countries are predominantly Muslim with the Koran shaping the fabric of daily life for Muslims and Shari'a (Islamic law) governing the legal and economic framework in which businesses operate. The Koran prescribes for women rights, responsibilities, and restrictions that differ greatly from non-Muslim countries. For example, the precept *qiwama*, stipulates patriarchal responsibility towards women along with their support and protection. As a result, workplaces are segregated by gender and in conservative countries women require permission of a male family member to engage in activities outside the home (Kavossi, 2000). The precept *wasta*, establishes the predominance of male networks and requires men to assist women in gaining entrée to those networks. Consequently, women rely on men for access to business networks because the Koran enjoins direct contact with males who are not related by either blood or marriage (Pipes, 2004).

This paper explores the research question "How is female entrepreneurship shaped by Islamic traditions and Shari'a in a conservative Muslim context?" It draws on a sample of 180 female Bahraini entrepreneurs to investigate the impact of Islam and Shari'a on their choice of business (traditionally female activities such as retail and food service versus non-traditional activities such as engineering or manufacturing); the role of social capital in conferring better access to funding and business networks; and whether women who demonstrate a strong commitment to Islam are more successful in obtaining funding from Islamic banks and accessing business networks.

Literature Review: Female Entrepreneurship in a Non-Western Context

Few studies have been made of female Muslim entrepreneurs operating in an Islamic context. Indeed, the bulk of research has focused on female poverty and illiteracy. Notable exceptions are studies by Shabbir and D' Gregorio (1996) in Pakistan; Singh et al. (2001) in Indonesia; Mc Elwee and Al-Riyami (2003) in Oman; Dechant and Lamky (2005) in Bahrain and Oman; Yetim (2008) in Turkey;

and Azam-Roomi and Parrot (2008) in Pakistan and Essers and Benschop's (2009) study of female Muslims in the Netherlands.

The preceding studies uncovered significant overlap with research conducted in developed nations. These include a preference for enterprises in traditionally female, service-based industries (Coleman, 2002; Dechant & Lamky, 2005); difficult access to capital (Izyumov & Razumnova, 2000; Verheul & Thurik, 2001; Mitra, 2002; Dechant & Lamky, 2005); gender-based perceptions that limited access to funding (Scherr et al., 1993; Coleman, 2002; Azam-Roomi & Parrot, 2008; Essers & Benschop, 2009) and business success dependent on network connections and membership in business associations (Lerner et al., 1995; Chan & Foster, 2001; Dechant & Lamky, 2005; Yetim, 2008).

Hypotheses

Islamic law or Shari'a prescribes protection of women through the creation of a moral and supportive business environment. The principle, *qiwama*, stipulates patriarchal responsibility (Kavossi, 2000) and the principle *wasta*, requires men to assist women by permitting entrée to their networks (Ahmed, 1998). Modesty requires that women veil their sexuality by wearing the hijab—a scarf that covers their hair. The hijab, a strong signal of fidelity to Islam, accords its wearer respect, protection, and all of the privileges due the faithful. It is, therefore, likely that female entrepreneurs who wear the hijab will receive preferential access to business networks. Thus, Hypothesis 1a: Female entrepreneurs who demonstrate a commitment to Islam by wearing the hijab are more likely to gain access to business networks.

Conservative Islamic cultures tend to place restrictions on female mobility and a woman's ability to interact with people outside the home. These restrictions place significant constraints on a woman's ability to interact with people outside the home. Dechant and Lamky (2005) and Yetim (2008) note that female Muslim entrepreneurs often rely on family members to make introductions to potential business partners and other entrepreneurs. It is therefore likely that women with families supportive of their ventures are more likely to access business networks. Hence, Hypothesis 1b: Female entrepreneurs with a supportive family are more likely to gain access to business networks.

Human capital is an important variable for seeking funding and in successfully operating a business. Human capital, based on education and industry work experience, provides entrepreneurs with superior judgment, strategic vision and keen insight into customers and markets (Carter et al., 1997; Pennings et al., 1998). Although Middle Eastern women tend to pursue degrees in traditionally female areas such as liberal arts, nursing, and teaching, an increasing number of Gulf women pursue advanced degrees in professional and technical fields (El Guindi, 1985). Women with higher education are also more likely to have worked outside the home, and to possess business knowledge and skills that increase their probability of success. Therefore Hypothesis 2a: Female entrepreneurs with higher human capital are more likely to engage in a non-traditional business than women with lower human capital.

Female entrepreneurs with graduate degrees, a variety of work experiences, and managerial responsibility are likely to have confidence in their abilities to create a successful business, particularly a non-traditional enterprise (Gundry & Welsch, 2001; Mc Elwee & Al-Riyami, 2003). These women tend to be more optimistic about the survival and growth of their companies. Thus Hypothesis 2b: Female entrepreneurs in non-traditional business are more likely to have above average growth aspirations than women in traditional business.

Social capital arises from the norms, practices, and relationships in the structure of a particular society that translate into conventions concerning individual behaviour, expectations, and obligations. Social networks are important because they confer entrée to resources, broadly defined, that contribute to business success (Lerner et al., 1995; Renzulli et al., 2000; Chan and Foster, 2001; Yetim, 2008). Membership in a variety of networks may reduce obstacles to doing business (Renzulli et. al., 2000); allow entrepreneurs to enlist the help and advice of powerful members of both business and government (Gundry & Welsch, 2001; Lerner & Almor 2002); and provide access to important

information concerning technologies and markets (Guillen, 2000; Shane, 2002). These advantages may dramatically improve the entrepreneur's chances of success and may also create incentives to undertake ventures in non-traditional businesses. Conservative Islamic cultures tend to place restrictions on female mobility and a woman's ability to interact with people outside the home. Dechant and Lamky (2005) and Yetim (2008) note that female Muslim entrepreneurs actually rely on two distinct networks- one based largely on family affiliations, and the other based on sources outside the family such as business associates and business or trade associations. This peculiarity caused us to measure social capital from these two very different sources.

Hence the following- Hypothesis 3a: Female entrepreneurs with higher social capital arising from non-familial sources are more likely to engage in a non-traditional business than counterparts with lower social capital. Hypothesis 3a: Female entrepreneurs with higher social capital arising from familial sources social capital are more likely to engage in a non-traditional business than counterparts with lower social capital.

Traditional sources of funding for women entrepreneurs in conservative societies are typically fathers, husbands, or other family members (Greene et al., 2001; Mc Elwee & Al-Riyami, 2003; Azam-Roomi & Parrott, 2008). These sources typically provide capital sufficient for small scale, traditional businesses such as retail establishments, restaurants, and day care facilities. As women's aspirations rise and they strive to create large scale or high growth enterprises, traditional sources of funding are unlikely to provide adequate capital. Non-traditional sources (for Muslim women), such as banks, are the most likely sources of large scale financing. As Islam prohibits charging interest, Shari'a stipulates that both the lender and borrower share the risk and rewards of a venture, with profits and losses distributed across both parties in an equitable fashion. Lenders are therefore likely to select candidates who exhibit a high probability of success. One indicator of high potential for success would be large amounts of human capital. Hence, Hypothesis 4a: Female entrepreneurs with high levels of human capital are more likely to secure funding from Islamic banks.

Officials of Islamic banks, who are disproportionately male, are required by *qiwama* and *wasta* to aid women. It is, therefore, likely that female entrepreneurs who wear the hijab may be looked on favourably and receive preferential treatment from bank officials. Therefore, Hypothesis 4b: Female entrepreneurs who demonstrate a commitment to Islam by wearing the hijab are more likely to secure funding from Islamic banks.

Data and Statistical Analysis

This paper presents responses to a forty-item survey that was administered to sample of Bahraini entrepreneurs in late 2006. A sample of 464 entrepreneurs was gleaned from the Bahrain Businesswomen Society, local business directories, and recommendations from local female contacts. The seven-point instrument was written in English and then translated into Arabic. A small panel of graduate students was asked to critique the questionnaire for consistencies in language use and to ensure that business terminology was correct. The instrument was then back translated into English, checked for consistency, and retranslated into Arabic. Of the 464 surveys that were sent 187 were returned, seven of which were incomplete, for a response rate of 38%.

The three models used to test hypotheses utilize variables created from questionnaire items. The are as follows: Age = age of respondent (categorical); Hijab = observance of *Shari'a* (dummy); IslamBank = Islamic bank as source of funding (dummy); Network = index of three items measuring networking with other female entrepreneurs, colleagues, and business associations; Supportive = index of six items measuring amount of family support in the form of information, referrals, and encouragement; BusType = traditional or non-traditional business; GrowAsp = growth aspirations at the time of business founding (ordinal); HumCap = an index of four items measuring education, business experience, technical experience, and area of business (ordinal); Push Factors = an index of four items measuring dissatisfaction with income and type of work, difficulty in finding work, and need for work flexibility (ordinal); Pull Factors = an index of five items measuring desire for wealth,

power, social status, independence, and fulfilling employment (ordinal).

An ordinary least squares (OLS) model was used in most instances but in cases where a binary dependent variable existed, a logistic regression was used. Although this deviated from popular practice in social science research, we chose this because binary dependent variables would bias OLS estimates. Drawing on Robinson (2001) we aggregated several items in Model 1 to create indices based on Push and Pull factors. Push factors are negative influences such as underemployment, unemployment, job dissatisfaction, and the need for work flexibility to accommodate family obligations, that encourage women to engage in entrepreneurship. Pull factors are positive influences, associated with free choice, such as a desire for power and money, the motivation to improve their communities, and the need for self-fulfilment (Alstete, 2002). The same procedure was conducted on the variables Supportive, which measures how much a woman can depend on her family to support her entrepreneurial efforts, and Network, which measures social capital arising from non-familial sources.

Results and Discussion

Table 1 presents results from the model formulated to test H1a: *Female entrepreneurs who demonstrate a commitment to Islam are more likely to gain access to business networks*. The dependent variable Network measures the level of access respondents enjoyed to other business owners, work colleagues, and other female entrepreneurs. The model performed well (R-square=0.587). ANOVA results were robust with a large and significant F-statistic (F=30.335) implying that the model is able to predict variation in the dependent variable quite well. Table 1 reports a significant and positive value for the dummy variable hijab. Its coefficient estimate (B=1.138) allows safe rejection of the null hypothesis. The finding that women wearing the hijab will have greater access to business networks supports Hypothesis 1a. Additionally, Hypothesis 1b: *Female entrepreneurs with a supportive family are more likely to gain access to business networks* was also supported. For the variable Supportive the coefficient is positive and the statistically significant (B=0.396 and Sig=.000).

Table 1. Access to Business Networks

	B	Std. error	t-stat	Sig.
Constant	-0.393	1.327	-0.296	.767
Age	-0.208	0.167	-1.245	.215
Hijab	1.138	0.628	1.813	.072
HumCap	-0.224	.174	-1.289	.199
BusType (Trad =0, Non-trad = 1)	1.019	.779	1.308	.193
IslamBank	-0.035	0.406	-0.086	.931
Supportive	0.396	0.036	11.154	.000
PushFact	0.137	0.044	3.092	.002
GrowAsp*PullFact	0.037	0.020	1.884	.061
F	30.335			.000
R²	.587			
Adjusted R²	.567			

To test Hypothesis 2a: *Female entrepreneurs with higher human capital are more likely to engage in a non-traditional business than women with lower human capital*, a second model was created with business type (traditional or non-traditional) as the dependent variable. Table 2 shows that the

variables significantly impacting the choice between a traditional and non-traditional business are human capital ($B=2.280$), and future growth aspiration for the business ($B=0.945$). The highly significant, positive coefficient estimate, suggests that women with higher levels of human capital are more likely to choose non-traditional businesses. Furthermore, the odds ratio demonstrates that for every one-unit increase in human capital, the odds were almost 10 times greater that the respondents would chose non-traditional businesses. For the variable HumCap the value of $\text{Exp}(B)=9.775$. Thus, Hypothesis 2a is supported.

In regard to Hypothesis 2b: *Female entrepreneurs in non-traditional businesses are more likely to have above average growth aspirations than women in traditional businesses*, The odds ratio for the variable GrowAsp $\text{Exp}(B)=2.573$ shows that female business owners who express high growth aspirations are more than twice as likely to engage in a non-traditional businesses. Thus, Hypothesis 2b is supported. This finding also suggests that the segment of women who choose non-traditional businesses may be as optimistic about success as their male counterparts.

Hypothesis 3: *Female entrepreneurs with higher social capital are more likely to engage in a non-traditional business than women with lower social capital* was not supported. The coefficient for the social capital variable (Network) is not significant ($\text{Sig}=0.142$). Greater access to social/business networks apparently has no effect on the type of business women entrepreneurs choose.

Table 2. Dependent Variable Business Type (Traditional/Non-Traditional)

		B	S.E.	Wald	Sig.	Exp(B)
Model	Age	-.043	.559	.006	.939	.958
	HumCap	2.280	.620	13.517	.000	9.775
	Network	.286	.195	2.156	.142	1.331
	GrowAsp	.945	.433	4.756	.029	2.573
	PushFact	-.005	.134	.002	.969	.995
	PullFact	-.166	.155	1.135	.287	.847
	Constant	-17.248	4.999	11.904	.001	.000
Omnibus Test	Chi-square	38.741				.000
Hosmer and Lemeshow Test	Chi-square	15.192				.056

Table 3 presents results from a third model created to test Hypothesis 4a: *Female entrepreneurs with higher levels of human capital are more likely to secure funding from Islamic banks*. The dependent variable in the logistic regression is funding from Islamic banks. The predictors on the right hand side are consistent with the preceding models. Results from the omnibus test and Hosmer and Lemeshow tests of statistical significance and goodness of fit show this model is robust.

Women with greater human capital are thought more likely to succeed than counterparts with lower levels of human capital. Their enhanced prospects for success imply that they have a smaller perceived risk of failure and are therefore more likely to receive funding from Islamic banks. The variable HumCap, which measures human capital, is significant and positive ($B=0.644$, $\text{Sig}=0.001$). Additionally, the odds ratio for HumCap $\text{Exp}(B)=1.904$ indicating that women with higher human capital are almost twice as likely to secure funding from Islamic banks. Thus, Hypothesis 4a was supported.

Table 3. *Dependent Variable Funding From Islamic Bank*

		B	S.E.	Wald	Sig.	Exp(B)
Model	Age	-.076	.207	.133	.715	.927
	Hijab	.592	.840	.497	.481	1.808
	HumCap	.644	.197	10.725	.001	1.904
	Network	-.099	.082	1.467	.226	.906
	Supportive	.107	.053	4.051	.044	1.113
	Constant	-5.316	1.734	9.397	.002	.005
Omnibus Test	Chi-square	17.057				.009
Hosmer & Lemeshow Test	Chi-square	11.775				.162

Women who show a public commitment to Islam by wearing the hijab are thought to have a greater likelihood of securing funding from Islamic banks because of their display of fealty to Islam and the requirement that men aid women. Nevertheless, results from Table 3 show a statistically insignificant odds ratio for the variable Hijab (Sig=0.481). Therefore, Hypothesis 4b: *Female entrepreneurs who demonstrate a commitment to Islam by wearing the hijab are more likely to secure funding from Islamic banks* was not supported. This counterintuitive result may be due to the ubiquity of the hijab. In other words it is so prevalent in Bahraini society that women consider it a requirement for doing business.

Conclusion

This paper sought to uncover some of the effects of Islam and Shari'a on female entrepreneurship in a conservative Muslim country. We began with the belief that there would be similarities with women's experiences in the developed world. Indeed, that was the case for some of the variables studied. For example, while sample entrepreneurs tended to enter traditional businesses those with greater human capital, arising from more education and business experience, forged into non-traditional areas. We were, however, surprised that social capital did not have an influence on the decision to enter a non-traditional business. At least in the North American and Western European context, being better connected opened greater opportunities for women in technology intensive industries. Islamic traditions played a significant role in women's lives. Those who wore the hijab enjoyed better access to business networks. In addition, women with families supportive of their ventures also had better access to networks.

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