



ISSUES AND CHALLENGES IN MANAGEMENT OF  
WAQF ORGANISATIONS IN NINGXIA PROVINCE OF  
CHINA

BY

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A research paper submitted in fulfilment of the requirement  
for the degree of Master of Science (Islamic Banking and  
Finance)

IIUM Institute of Islamic Banking and Finance  
International Islamic University Malaysia

DECEMBER 2017

## ABSTRACT

Waqf institutions in China are facing several issues and challenges such as waste of charitable resources, difficulties in retaining Waqf assets, and low levels of professionalism of those involved in Waqf. The major reason for such problems is poor management mechanisms or mechanisms that are antagonistic to development of Waqf in China. The internal management mechanisms of these institutions continue to be designed and controlled to support personal ambitions and control as opposed to the more religious considerations advocated by Islam that align with the purpose of Waqf. Despite this formidable challenge that permeates Waqf in China, there has been a lack of research on these issues. This study aims to fill this lacuna in the literature by investigating and assessing the management mechanism and national governance of both general and Islamic aspects of Waqf in China. The study adopts a qualitative method using semi-structured interviews with five respondents comprising three managers of Waqf institutions and two religious consultants. The managers are from the Ningxia Hui Autonomous Region of China, while the religious consultants are among the most authoritative consultants who work with important institutions or organisations. The interview is conducted in Mandarin and is translated into English. The findings highlight several issues and challenges facing Waqf in China, including the lack of a defined aim, low level of capability and professionalism, narrow-mindedness, and poor levels of coordination. Other issues include brain drain, unstable performance, low qualification, and managerial neglect of Waqf managers. Lastly, the findings elaborate the relationships between China's national governance and Islamic governance. The findings of this study provide important inputs for the regulators and managers as well as Muslim scholars to improve the management of Waqf and enhancing its role in efforts to establish a better image of Muslims in the Chinese society.

## خلاصة البحث

مؤسسات الوقف في الصين تواجه عددا من المشاكل والتحديات؛ مثل ضياع الموارد الخيرية، والصعوبات في الاحتفاظ بأصول الوقف، وقلة خبرة المنفذين في إدارة الأوقاف. والسبب الرئيسي لهذه المشاكل هو ضعف الآليات الإدارية أو الآليات الإدارية التي لا تفي بغرض تنمية الأوقاف في الصين. ولا تزال آليات الإدارة الداخلية لهذه المؤسسات مصممة ومخططة لدعم الطموحات الشخصية لدى المنفذين والسيطرة على أموال الوقف بدلا من خدمة الوقف نفسه. وعلى الرغم من هذا التحدي الهائل الذي يعترى الوقف في الصين، كان هناك قصور في البحث حول هذه القضايا. وهذه الدراسة تهدف إلى سد هذه الثغرة من خلال دراسة وتقييم آلية الإدارة والقانون المدني للجوانب العامة والأوقاف الإسلامية في الصين. تنتهج الدراسة المنهج النوعي باستخدام طريقة المقابلة شبه المنظمة مع خمسة أشخاص يشغلون مناصب إدارية في ثلاثة مؤسسات وقفية من منطقة نينغشيا لقومية هُوي الصينية، وأثنين من المستشارين الدينيين الأكثر حجية من العاملين مع مؤسسات ومنظمات هامة. وتجرى المقابلة باللغة الصينية وتترجم إلى اللغة الإنجليزية. وكشفت نتائج البحث عددا من القضايا والتحديات التي تواجه الوقف في الصين، والذي منها عدم وجود هدف محدد لإدارة الأوقاف، وانخفاض مستوى القدرة وآلية إدارة لدى المنفذين، وضيق الأفق، مع ضعف التنسيق. والقضايا الأخرى المكتشفة من خلال البحث هي: غياب المفكرين، وعدم استقرار الأداء العملي، وقلة الأهلية، والإهمال الإداري لمديري الوقف. وأخيرا، توصل البحث إلى حتمية التفصيل بين القانون الوطني الصيني والحكم الإسلامي. كما قَدّم معلومات مهمة للجهات التنظيمية والمديرين وكذلك علماء المسلمين لتحسين إدارة الأوقاف وتعزيز دورها في المجتمع الصيني.

## APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a research paper for the degree of Master of Science (Islamic Banking and Finance).

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## DECLARATION

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*This work is dedicated to my Father Ma Qiangcheng, Brother Bingjiang and my lovely Mother He Xiuhong*

## **ACKNOWLEDGEMENTS**

First and foremost, I would like to thank Allah (SWT) for all the blessing He bestowed upon me, my family and all human beings. I also thank Him for blessing me to be a student of knowledge, and for making my journey towards seeking knowledge tranquil and pleasant.

Secondly, I would like to thank my parents for their endless support and prayers in my journey of knowledge. I ask Allah to reward them endlessly and to grant them Janatul Firdaus. I also extend my gratitude to all my family members for their support, particularly my sisters and brother for their financial support and putting their trust in me.

Thirdly, I would like to thank my supervisor Dr. Salina Hj. Kassim for her magnificent advice and tireless effort in guiding me on how to be a good researcher and her patience. For that, I will always be indebted to her. I ask Allah to reward her and her family abundantly. Lastly, my gratitude goes to IiBF staff and fellow colleagues who helped me in my journey and contributed to my research.



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# CHAPTER ONE

## INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

Islam is a religion and way of life that advocates people to live in morality, peace, and firm faith at both personal and social levels. In the spirit of charity, Islam encourages people to help each other. To this end, it has legislated obligatory and voluntary mechanisms. Zakat is one of the five pillars of Islam and a ritual obligation for Muslims. Verse 73 from chapter 21 (Surah Al-Anbya) of the Holy Quran states: “we made them leaders who guided other people by our command and we sent them revelations to do good deeds, establish Salah and pay Zakat. To us alone did they serve.” Furthermore, Islam encourages people to donate in order to help the poor and renders it an act of worship. The Quran states in verse 273 from chapter 2 (Surah Al-Baqarah): “[Charity is] for the poor who have been restricted for the cause of Allah, unable to move about in the land. An ignorant [person] would think them self-sufficient because of their restraint, but you will know them by their [characteristic] sign. They do not ask people persistently [or at all]. And whatever you spend of good- indeed, Allah is knowing of it.” In this regard, Waqf plays a significant role as a mechanism for charity. It is an Islamic concept that awards legal protections and guidelines to charity while also seeking to improve its performance.

Islam is presently one of the five major religions in China. It has been present in China for more than a thousand years. These thousand years of evolution have helped the Muslims of China form a national and geographical character. There are approximately 25 million Chinese Muslims in China and they are made up of ten

minority ethnic groups. The ten ethnic groups are the Hui, Uyghur, Kazakh, Kirgiz, Dongxiang, Salar, Tajik, Uzbek, Tartar, and Baoan. Since the 1980s, the Chinese government has chosen a more pragmatic policy and interprets any religion as a personal matter, and officially there is freedom of religion (Yvonne, 2015). Following the implementation of national policies, Chinese Muslims have begun to develop in different areas, especially in regards to the economy.

China has always been regarded as a super country in terms of its territory, civilisation, cultures, and its economic performance in the 21<sup>st</sup> century. Analysts often describe the rapid rise of China as a major economic power within a short period of approximately three decades (1978-2008) as one of the greatest economic success stories in modern times (Wayne, 2015). In December 1978, the highest national economic development strategy was designed by Deng Xiaoping (1904-1997) and named the “Chinese Economic Reform and Opening”. It saw China began to implement nation-wide reforms in agriculture, state-owned enterprises, open-door policy, the price system, development of non-state sectors, banking and financial sector, economic and social infrastructure and social welfare system (Gregory, 2004), making “Deng’s leadership during the reform process was recognised to be effective and important in shaping China’s future.” China’s achievements today are the direct results of its economic reform and opening policy.

After centuries of development, Islamic culture has integrated into the local Chinese culture. Islamic approaches to charity have existed for centuries in China whereby mosques have acted as intermediaries to collect Zakat, Sadaqah, and other donations to relieve the suffering of people and meet the needs of the poor. With the

development of China's comprehensive national strength, many Chinese Muslim entrepreneurs have started establishing Islamic charity organisations by Waqf concept of Islam. Its Waqf sector is constructed yet informal as it is regarded as a personal or community matter. Most Chinese Waqf institutions are funded by the profits of a parent company or cash donation from other entrepreneurs. They are largely managed by individuals as opposed to committees or boards, and decisions are made depend on their discretion.

In contrast, Waqf in Malaysia is the responsibility of the Islamic Religious Council of each state. The State Islamic Religious Councils are empowered to administer and manage Waqf properties (Daud, 2015). Meanwhile, in China, there is no national religious department to manage the affairs of religious charity. All charity organisations and institutions fall under the Chinese Charity Law which formulated in 2016 by the national people's Congress of China and are not associated with any religion.

## **1.2 PROBLEM STATEMENT**

Charity is an important feature of Chinese society. Both traditional Chinese virtues and the Islamic worldview highly encourage charity for all communities. The Waqf institution is a significant intermediary that could help the Chinese government improve the welfare of the community. The purpose of Waqf is to reduce poverty in the community and enrich needy Muslims in order to be financially independent (Amuda, 2016). Recent statistics reveal that poverty is most concentrated in the northwest of China (Hu, 2005). Raymond (2015) reports that Chinese Muslims are concentrated in the vast north-western region (30% of the overall territory), including

three provinces (Shanxi, Gansu, and Qinghai) and two autonomous regions (Ningxia and Xinjiang). Many Chinese Muslims are poor and live hard lives, and non-Muslim charity organisations regularly provide assistance by giving various types of donations such as daily necessities, money, and education.

The natural disasters that have afflicted China in last 10 years have led to the emergence of more Muslim charity organisations. At the same time, in line with the strong economic performance of the country, the well-being of Muslim communities has enhanced significantly, and as a result, the number of Waqf institutions is increasing through voluntary personal and community supports from entrepreneurs, celebrities, and business associations.

Various factors in the Chinese society affect the existence of charity, such as policies, economic level, and operating system. These factors determine the quality of the charity performance. In this regard, good management of charity organization is of particular importance. In the case of China, mismanagement of charities influences the development of many charity organizations (Hu, 2017). In fact, major features of religious charities include the absence of standards, limited number, and that they are privatised. Many scholars (see, Zhao, 2010; Zhuo, 2012) think that the lack of standards in the use of charitable resources can result in wasting resources and private misappropriation. Zhao (2010) said that religious charity organisations are operated on a private basis due to China having a no specific policy for religious charities. This has resulted in charities being private and decentralised. After the Wenchuan earthquake event in 2008, many faults were exposed to the charitable activities undertaken by the religious bodies. Zhuo (2012) claimed that their charitable activities

are temporary, accidental, and occasional which render public welfare unstable. Poor management exacerbates these issues. Hence, this study explores the management mechanism in terms of the current system, defects, issues, and challenges of Chinese Waqf.

In addition, imperfect governance framework of Waqf is another key factor affecting the quality of performance around the world. Several studies have shown that Chinese charity section needs to improve the general governance, especially for religious charity organisations (see, for examples, Xu, 2007; Wang, 2011; Fang, 2016). From the Waqf perspective, Shariah-compliance of the Waqf should exist in the whole system for all situations, but due to the Chinese free-religion policy, the Waqf institutions and organisations lack a national Shariah governance system for the current situation and further development. From a general governance perspective, this issue remained a serious problem since regulations and policies are imperfect especially in the context of religious charity. Yuan (2016) pointed that “the legal documents’ system is scattered and belong to low level; and similarly, Feng (2014) also agreed that the position of charity governance is not clear and the restriction range is wide. This is due to the fact that the legislative methodology is not mature, with the many of the provisions are conflicting in the same policy”.

There is also the issue of low transparency level of individual Waqf organisations in China as compared to other countries. Obviously, the major reason for this problem is that the transparency level is controlled by personal supervision as religious charity groups are mainly led by the private will of the managers and the country does not have a perfect regulation system at the same time.



From the management perspective, Rininta (2012) mentioned that a major source of problems in managing Waqf is the unqualified Mutawalli (Waqf manager). Shahedur (2011) supported this by concluding that a serious problem is that Waqf properties are left idle due to procrastination of mismanagement. Overall, Waqf institutions in China are largely inefficient.

Given the pervasive state of mismanaging Waqf in China, it is essential to explore the management mechanism situation, issues and challenges of current practice and operation of Waqf institutions among the Muslims in China. To this end, this study explores the management levels of Waqf among Chinese Muslims in the northwest region of China. The Ningxia province is selected as the focus of this study since 2000. The results of the study would contribute to resolving management issues and challenges of Waqf in China.

Thus, primarily, this study intends to investigate the current issues and challenges in the management of Waqf institutions. From the development of the last 10 years, the asymmetry of theoretical knowledge of Islam and practice has led to very serious operational mistakes in Islamic philanthropy. Furthermore, this study investigates and explores the social environment of Waqf in China by analysing Islamic and national governance of Waqf. The internal management mechanism of Waqf institutions cannot be separated from the laws and regulations of the country and the Islamic governance is a necessary procedure for the implementation of Waqf. Consequently, this study explores the relationship between these factors to address the challenges facing Waqf in China.

### **1.3 PURPOSE OF THE STUDY**

Waqf in China emerged a few years ago with the earlier models or forms of Waqf are largely mosque-based. Fundamentally, the study aims to identify the meaning of Waqf in Chinese society among Chinese Muslims. It examines the existing Waqf model and management mechanisms in China and identifies the loopholes, issues, and challenges that need to be resolved. The study contributes to enhancing the Islamic legitimacy in Waqf in China and resolve social conflicts, such as to reduce the gap between rich and poor. It also enhances the overall image of Muslims in China that contribute toward national unity between Muslim and non-Muslim.

### **1.4 RESEARCH OBJECTIVES**

Performance of Waqf depends on various elements including the targets, the national legal and socio-economic conditions, human resources, and professional skills in managing the Waqf. Detailed information can help people assess and make decision efficiently. In the context of Waqf institutions, the developments in last decade may provide basic information about the critical success factors of Waqf in China and help to strengthen the sector in the future. The specific objectives of this study are:

1. To explore the current issues and challenges of Waqf in China;
2. To investigate and assess the internal management mechanisms of Waqf in China; *and*
3. To investigate the general and Islamic governance of Waqf in China.

## **1.5 RESEARCH QUESTIONS**

In line with the research objectives stated above, the study posits the following research questions:

1. What are the current practical issues, challenges, and social environment of Waqf in China?
2. How can the current situation of the internal management mechanisms in Waqf institutions in China be further improved?
3. What kind of governance can be implemented in current Waqf institutions in China?

## **1.6 SIGNIFICANCE OF THE STUDY**

This study hopes to contribute in several aspects related to the knowledge of Waqf and Chinese Waqf institutions. Firstly, in the knowledge of Waqf, the study contributes to the literature on Waqf and its management. An in-depth analysis of the literature shows that Chinese Waqf institutions need to improve their management.

Secondly, the study contributes to understanding the development of the Chinese Waqf sector by revealing its strengths and faults. As stated earlier, there has been lacked of studies in this area, especially in the context of China. It is set to enhance its scientific management from both Islamic and national aspects. It does so by encouraging high levels of self-management and efficiency. The finding of this study is expected to guide the management and governance of Waqf. It offers insight into the contemporary methods about the donation, project, and allocation. This will contribute to the quality management of Chinese Waqf institutions. The study also contributes to the Chinese Waqf sector by improving its governance by balancing

between national regulations and Islamic requirements. It contributes to Chinese Muslim communities in maintaining the unity and creating harmony with other ethnicities by establishing the Islamic principles of charity.

Thirdly, the beneficiaries include managers and professionals who are set to benefit from improved professionalism in Waqf. This is relevant given that Chinese Waqf institutions suffer from a lack of professional managers resulting in the mismanagement of the charity's resources. Hopefully, the study contributes to changing the level of transparency among Waqf institutions.

Fourthly, the findings of this study seek to generate greater awareness of charity among the Muslim and non-Muslim communities. The number of rich Chinese is increasing, but this has yet to translate into significant changes and increased contributions to charities and charitable causes. Doubtless, increased public awareness of the merits and good governance and management of resources would improve collection levels.

### **1.7 LIMITATIONS OF THE STUDY**

China is a vast country comprising 56 ethnicities and 34 provinces in 9.60 million square kilometres. Given the time limit of this research, it is impossible for the researcher to cover the entire country. Thus, this study focuses on the Ningxia Hui Autonomous Region of China which is the capital city Yinchuan. Yinchuan has a major Muslim population and several Waqf institutions.

It is also impossible to cover all opinions and every segment of Waqf. Interviews or questionnaires are not enough to explain the relationship between the internal management mechanism and performance of Waqf. Another limitation is that the Ningxia Hui Autonomous Region of China cannot explain Waqf operations throughout China. Despite this, it is hoped that this study would provide an enriching input for further development of the Waqf sector, especially in China.

## **1.8 ORGANISATION OF THE STUDY**

The study is organised in the following sequence. Chapter one includes the background of the study followed by the problem statement and purpose of the study. It highlights the objectives of this study and the several research questions. Lastly, it mentions the scope and limitation of the study.

Chapter two reviews the literature and explains concepts related to Waqf, the Chinese Muslim community, management mechanisms, and the characteristics of Waqf, types of Waqf, and the administration of Waqf. The chapter describes the Chinese society, its economy and policies. It concludes by highlighting the importance of Shariah-compliance for Waqf institutions to encourage and supervise the managers and influence others.

Chapter three details the research methodology and design. It explains the use of interviews with top managers in selected institutions and organisations as a means to collect the primary information. Lastly, the chapter mentions the scope, objects, and limitations of the interview.

Chapter four highlights the major issues and challenges in the internal management mechanisms. For this, it draws on the primary information collected from Chinese Waqf institutions and interviews with the top management, consultants, CEOs (private company), and managers. The chapter exposes the potential problems and methods to improve the Chinese Waqf sector. It then refers to the viewpoints of Islamic banking and finance to improve the relationship between the management and performance of Waqf institutions. At the same time, it checks for Shariah issues in terms of governance and supervision.

Chapter five presents the findings of the research and concludes the study. Based on the analysis, it suggests recommendations to improve Waqf institutions in their management and boost their ability to help more people.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This chapter is divided into two sections. The first section introduces the concept of Waqf by reviewing the vast literature on Waqf. It begins by introducing Waqf in terms of its definition, principles, and the views of classical jurist views. It describes the types of Waqf and its characteristics and highlights the management experiences and Shariah governance of such institutions. This is followed by the legal and Shariah requirements of Waqf in terms of its creation, the conditions, and the Waqf property. This first section describes both the classical and contemporary aspects of the management of Waqf.

The next section introduces China's policies for the economy and religion. The development of the Chinese Waqf sector must observe those policies. After that, the current situation of Muslim communities in China is elaborated, the relationships between the economy, the religious charity sector, and the society are discussed from the contemporary perspective. The chapter ends by identifying the issues and challenges facing the Waqf sector in China.

#### **2.2 AN INTRODUCTION TO WAQF**

##### **2.2.1 Islamic Philanthropy**

With the development of the global economy, more and more people are paying attention to charity. Indicating that the public's awareness about charity has improved substantially. In the past few years, for example, 83% of people in the UK have used a

charity service, and eight out of ten people agreed that charities play a vital role in their local community (Andrés, 2016). Charities also differ in shape and size. John (2016) reported that people gave money to a good cause, helped a stranger, or volunteered time. Charity can be a measurement tool for the strength of a nation (Gao, 2013).

Charity can be based on religious or non-religious behaviour. The religious perspective advocates charitable behaviours as personal will and religious obligations. For instance, in the concept of Zakat in Islam, for example, Muslims set aside 2.5% of their wealth each year (in excess of what is required) to the poor (Chloe, 2015). Meanwhile, voluntary behaviours in Islam include Waqf and Sadaqah. Benaouda (2013) explained that Sadaqah is voluntary; it supports the compulsory charity known as Zakat as stated in verse 103 from chapter 9 of the Holy Qur'an and sometimes connotes any act of endowment (Waqf) established for the public interest. Other terms in use for charity include "atakhayri" (charitable giving), Zakat or "ushur" (religious tithing among Muslims and Christians), "birr" or "mabarra" (good works) or Sadaqa (voluntary beneficence) (Ibrahim, 2008).

To a great extent, charity is encouraged in Islam. Allah (SWT) says in verse 35 from chapter 33 of the Holy Qur'an that: "Indeed, the Muslim men and Muslim women, the believing men and believing women, the obedient men and obedient women, the truthful men and truthful women, the patient men and patient women, the humble men and humble women, the charitable men and charitable women, the fasting men and fasting women, the men who guard their private parts and the women who do so, and the men who remember Allah often and the women who do so – for