

# Research on the Organizational Form and Operational Characteristics of Rural Collective Economy

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## Abstract

According to the classification and summary of the three constituent elements of rural collective economy, the existing organizational forms of rural collective economy can be summarized into four basic types: Collective operation, Joint-stock cooperation, Mixed operation and professional cooperation. The organizational form of collective operation implements "collective ownership, collective operation and distribution according to work", the organizational form of joint-stock cooperation implements "common ownership, cooperative operation, distribution according to work and distribution according to factors", and the organizational form of mixed operation implements the institutional arrangement of "collective leadership, enterprise operation and distribution according to factors", The form of professional cooperative organization implements "family contract, cooperative operation and unified service".

## Keywords

Rural Collective Economy; Economic Organizational Form; Operational Characteristics.

## 1. Introduction

The organizational form of rural collective economy is the specific arrangement form and management mode adopted by agricultural and rural production relations in real economy. In rural collective economy development, the Communist Party of China and the Chinese people give full play to their pioneering spirit and gradually come up with the diversified organizational forms of rural collective economy that cater to local practice. Although there are many practical models for exploration and innovation in rural collective economy and the specific operational modes and arrangements at all levels are different, the basic classification and summary are made according to the three constituent elements of rural collective economy — property right system, production and operational mode and interest distribution formula. The existing organizational forms of rural collective economy can be summarized into different types. This paper focuses on the following four basic types of organizational form — collective management, joint-stock cooperation, mixed management and professional cooperation.

## 2. Institutional Arrangement and Main Characteristics of Collective Management Organizational Form

Under the collective management, the means of production are jointly owned by the village collective members, and the mechanism of "collective ownership, collective management and distribution according to work" is implemented. Examples in this category include the Baoshan Village of Pengzhou City in Sichuan province. As for the property right system, "collective ownership" is implemented. Meanwhile, "collective management" is implemented as the management mode. A distribution system based on distribution according to work is generally implemented as the distribution mode.

### *Case 1: Collective management organizational form — Baoshan Village, Pengzhou, Sichuan province*

Baoshan Village is located in the northwest of Chengdu Plain. In 2019, the per capita income of the village was 77,259 RMB yuan and the tax paid was 58.95 million RMB yuan. It has been rated as one of the top ten demonstration villages (towns) for the revitalization of well-off villages in an all-round way in China, the national advanced primary party organization, the national culturally-advanced village and the top ten villages of collective economy in Sichuan. The development model of collective economy in Baoshan Village is as follows:

#### (1). Property rights arrangement of its collective economy.

The cultivated land in Baoshan Village was contracted to households in 1983. After 2000, it was transferred to the collective at the price of 1000 yuan/mu per year. Two thirds of the cultivated land in the village was transferred to the agricultural development company under Baoshan Group for integrated management. Collectively owned construction land, collectively owned forest land and public service facilities are all collectively owned and private ownership is not allowed. The forest land contracted to farmers are collectively quantified and invested in collective economic organizations with the villagers' group as the unit.

#### (2). Profit distribution model.

The distribution methods of Baoshan Village are: Welfare share dividend, share dividend according to capacity limit, risk sharing dividend, salary, bonus, residual value salary and length of service share dividend. This distribution method solves the contradiction between public accumulation and individual distribution under the collective wealth growth mechanism.

#### (3). Organizational and management mode.

Baoshan Village implements the integrated management system of village and enterprise under the leadership of the CPC committee. The village Party committee has decision-making power. The secretary of the Party committee concurrently serves as the chairman of the group and regularly holds collective discussions to discuss major issues. The leadership of the Party committee ensures the right development direction of the collective economy and the sharing of reform interests.

### **3. Institutional Arrangement and Main Characteristics of Joint-stock Cooperative Organizational Form**

The organizational form of joint-stock cooperative is based on "common ownership and shared ownership by shares", adopts cooperation and association in the form of cooperation system, joint-stock system and joint-stock cooperative system, and implements the mechanism of "common ownership, cooperative operation, distribution according to work and distribution according to factors". Its typical examples include Chongzhou City, Sichuan province and Zhanqi Village, Tangchang Town, Sichuan province. As for the property right system, collective "common ownership" and members "shared ownership by shares" is implemented. Meanwhile, unified cooperative operation is implemented for the operation mode. Moreover, distribution according to the combination of distribution according to work and production factors is implemented.

#### *Case 2: Joint-stock cooperative organizational form -- Chongzhou City, Sichuan province*

Located in the west of Chengdu Plain, Chongzhou is a major grain producing area in Sichuan province. Since 2010, Chongzhou has explored the construction of "agricultural co-operation system". The specific methods are as follows:

#### (1). Land stock cooperation promotion.

The village collective standardized the land, converted the land contract right into equity, led 92,000 farmers to convert the management right of 316,000 mu (1 mu equals 666.66 square

meters) of land into shares in the form of land share cooperation, and established 265 land share cooperatives. The data show that the income of joining families exceeds 54,000 RMB yuan, which is higher than the 49,232 yuan of non-joining families (GUO et al., 2019).

(2). Interest binding.

The dividend method mainly adopts the method of minimum land guarantee and benefit dividend. For example, Yongquan land cooperative distributes its income in the form of "minimum guarantee + residual profit", in which the minimum guarantee is 700 yuan/mu/year, the residual profit (collective accumulation fund and public welfare fund: members: professional managers) is distributed in the proportion of 2:3:5, and there are also distribution methods such as sharing of excess production and proportional dividend of net income (MENG, 2018).

(3). Involving professional managers.

Professional managers compete for posts and manage the operation of cooperatives which inject "entrepreneurial talent" to and improve the production and management level of land joint-stock cooperatives. In order to better construct the management incentive mechanism and improve the "whole life cycle" policy system of professional managers.

(4). Promoting the socialization of agricultural services.

By building agricultural science and technology sharing platform and rural socialized service platform to provide professional services for the whole process of operation, and by building rural financial database and comprehensive service platform 850,000 mu of grain and oil bases in the province is covered with property right mortgage loans of 2.5 billion RMB yuan issued (TANG, 2021).

In the "agricultural co-operation system" of Chongzhou, the "collective", as the main body of agricultural land ownership, has the functions of organization, supervision and management, and the rights and powers of possession, use and income are realized one by one. The ownership rights and interests of the "collective" are mainly reflected in the extracted provident fund and risk fund, while the land contract rights and interests of collective members are reflected in share dividends. It is an effective organizational form of rural collective economy (ZHANG and YANG, 2017).

#### **4. Institutional Arrangement and Main Characteristics of Mixed Operation Organizational Form**

The organizational form of mixed operation is based on "collective participation and holding" and the collective capital adopts the institutional arrangement of "collective leadership, enterprise operation and distribution according to factors" by investing, holding and participating in the joint assets of the company and enterprise. The typical examples of this form include Wenjiang District, Chengdu City, Sichuan province; Yingxiu Town, Sichuan province, etc. For the property right system, mixed operation mostly takes the forms of joint-stock system, lease system, etc.; while for operation,, production and operation in the form of consortium is carried out. Distribution according to factors is implemented as its main distribution mode.

*Case 3: Mixed operation organizational form — Wenjiang District, Chengdu City, Sichuan province*  
Wenjiang District is located in the center of Chengdu Plain, with a total area of 277 square kilometers and a management and service population of 1.02 million. In recent years, Wenjiang District has seized the opportunity of reform pilot and actively explored the reform of rural collective property right system with "two shares and one reform". The specific methods are as follows:

(1).The system design gives consideration to farmers' democracy and provides the basis of reform policy. Based on the full participation of farmers, Wenjiang has formulated and issued eight policy documents on farmers' joint-stock cooperation, participation of rural collective economic organizations in project construction and equity management of collective assets, so as to ensure that there is a basis for reform and properly resolve contradictions, disputes and problems left in history.

(2).Establish and improve collective economic organizations and upgrade the corporate governance mechanism. Focusing on the "three organizations and four rights", a governance mechanism with the party organization as the core and the participation of collective economic organizations, autonomous organizations and social organizations is formed. This governance method can effectively realize the separation of politics and economy and promote the independent development of collective economy.

(3).Take marketization as the orientation and innovate the business model of collective economy. Wenjiang District has explored and formed the interest binding mechanism of "social capital + rural collective economic organizations + farmers" to achieve better performance for the collective, higher returns for the capital and more gains for the farmers.

Village level collective economic organizations set up village collective companies and preferred shares to participate in the construction by sorting out rural collective construction land and mountain, forest, water surface, mineral and other resources, and absorb other funds to participate in the joint stock, so as to obtain the share dividend income of "minimum guarantee + secondary rebate". Six projects have been completed and put into operation in Shouan Town, the pilot area, and 17 projects are under construction, attracting a total social investment of about 5 billion RMB yuan.

Through the whole chain interest binding mechanism, we can effectively revitalize the idle resources in rural areas, unblock the channels for social capital to go to the countryside, and realize benefit sharing among social capital, rural collective economic organizations and farmers. The collective assets of Wenjiang District increased from 241 million RMB yuan in 2007 to 956 million in 2020 (QIN, 2021).

## **5. Institutional Arrangement and Main Characteristics of Professional Cooperative Organizational Form**

The organizational form of professional cooperative takes "collective ownership and family contract" as the premise, family management as the main body, realizes professional cooperation among multiple subjects through agricultural specialized management, and implements "family contract, cooperative management and unified service". The examples of this organizational form include Gongxian County, Yibin City, Sichuan province; Miaoba Town, Dazhu County, Dazhou City, Sichuan province; Pengshan District, Meishan City, Sichuan province, etc.

*Case 4: Professional cooperative organizational form — Gongxian county, Yibin City, Sichuan province*

Gongxian County, located in the poverty alleviation and development area of Wumeng Mountain, is a large agricultural county with a total population of 430,000. In 2016, the proportion of "shell village" in the county reached 69.14%. To solve this problem, Gongxian County has actively innovated the development model of rural collective economy. In 2018, the villages without collective economy have been eliminated, and the rural collective operating income has exceeded 10 million RMB yuan.

On the one hand, service generated income is developed. In villages with weak foundation for collective economy, village collective economic organizations can establish intermediary

service organizations or companies or provide socialized service projects for the government, which have become important support for promoting agricultural technology. Alternatively, by providing supporting services such as labor and employment, a more stable and low-cost socialized service system is built. Or else, by providing farmers with all aspects of production services around agricultural production, rural tourism services and e-commerce logistics services, paid service income was gained for the village collective. For example, Fenghuang Village of Yuhe Miao Township set up a cultural tourism service team and a construction engineering service team to provide cultural tourism services and labor intermediary services, and the collective economy of the village realized an income of 109,000 RMB yuan. At present, 42 villages in the county have developed service income generating collective economy, realizing an income of 1.01 million RMB yuan, accounting for 10% of all collective economic income in the county.

On the other hand, take the lead in driving industrial development. In villages with underdeveloped industries, it is common to see a path featuring decentralized and extensive small farmers development, with average agricultural operation and little large-scale production. Collective economic organizations need to take the lead in their development. The collective economy starts with the processing of small-scale agricultural products, or first completes the construction of front-end facilities and seedling cultivation, and later introduces new agricultural business entities for comprehensive operation. All parties distribute income in the form of share dividends and quotas (GUO et al., 2019).

To sum up, there are great differences among regions and the organizational forms of rural collective economy are nonetheless diverse and rich in content. The above four basic types are the representative types, which do not fully cover all organizational forms in practice or the innovations in various regions. In addition, in the process of its evolution, the form of rural collective economic organization will continue to enrich and nurture more types that adapt to environmental reality and actual conditions, which also needs to be summarized and updated in follow-up research.

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