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# Management Results and Financial Status of Rural Collective Economy under the Background of Rural Revitalization

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**Abstract** Based on the analysis of financial statements, the performance and problems of rural collective economic organizations in their business activities were analyzed. It is believed that rural collective economy was developing continuously in a good way, with strong debt paying ability, but the operation ability and management efficiency need to be further improved. The operation was too conservative, and the asset utilization efficiency and profitability were weak. There were many unnecessary liabilities, and they developed mainly relying on their own accumulation. Therefore, it is proposed to crack the "talent dilemma" of rural collective economic operation and management, straighten out and clarify the relationship between rural collective economic organizations and villagers' self-governing organizations, correctly handle the relationship between collective accumulation and member distribution, adhere to the financial input of blood replenishment and transfusion, and make liabilities reasonable according to the management development.

**Key words** Rural revitalization, Rural collective economic organizations, Operating results, Financial position

## 1 Introduction

Rural collective economy is an important part of the socialist economy with public ownership as the main body. In the reported of the 20<sup>th</sup> CPC National Congress, it is clearly put forward that a new type of rural collective economy should be developed. At present, there are many problems in the development process of rural collective economy in China, and they affect the effective implementation of rural revitalization strategy. Previous studies are mainly qualitative analysis based on normative research, and few studies are quantitative analysis based on financial statements. In this paper, from the perspective of operating results and financial status, the problems in the rural collective economic activities are discussed, and corresponding countermeasures and suggestions are put forward, which is of great significance for promoting the sustainable and healthy development of rural collective economy and comprehensively implementing the rural revitalization strategy.

## 2 Interactive relationship between rural revitalization and rural collective economy

The development of rural collective economy and rural revitalization complement and promote each other. The development of rural collective economy is not only an important content of rural revitalization, but also the premise of rural revitalization, and rural revitalization can provide a fundamental guarantee for the development of rural collective economy.

Developing rural collective economy is an important content and precondition of rural revitalization. The core and key of rural revitalization is industrial revitalization. Rural collective economic

organizations can effectively promote the prosperity of local industries by developing collective economy to drive the development of local industries. Thus, it can not only provide more jobs for farmers, increase farmers' income, attract migrant workers back to their hometowns, and restore the vitality and popularity of rural areas, but also promote the return of more talents and capital. Moreover, the development of rural collective economy can provide solid economic foundation for improving rural ecological environment, enhancing grassroots governance ability and strengthening rural construction.

Rural revitalization is the fundamental guarantee for developing rural collective economy. The development of rural collective economy must have a good development environment and resource elements, and can provide a good policy environment, ecological environment, social environment, human resources, organizational resources and natural resources for the development of rural collective economy through industrial revitalization, symbol of talents, talent revitalization, cultural revitalization, ecological revitalization, and organizational revitalization.

## 3 Analysis of operating results and financial status of rural collective economy under the background of rural revitalization

**3.1 Definition of analysis content and data sources** Different from general business organizations, rural collective economic organizations not only undertake business activities, but also undertake part of the functions of rural governance and social services. Therefore, the functions of rural collective economic organizations and village committees cross each other, which is reflected not only in the composition of the statistical tables of income distribution and assets and liabilities of rural collective economic organizations, but also in the relevant provisions of the *Organic Law of*

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the Villagers Committee of the People's Republic of China. Based on this, this paper mainly focuses on the economic function and economic activities of rural collective economic organizations, so the analysis content is mainly related to the financial indicators of business activities. The data used in the analysis are from the *Statistical Annual Report of China's Rural Policy and Reform* (in previous years).

### 3.2 Analysis of the operation results of rural collective economic organizations

#### 3.2.1 Changes in the number of villages with operating income.

Among the rural collective economic organizations included in the statistics, the proportion of villages with operating income from operation rose rapidly from 47.32% in 2011 to 77.54% in 2020, and the number of "shell villages" declined year by year. The proportion of villages with an income of less than 50 000 yuan dropped rapidly, and the proportion of "weak villages" also reduced. The proportions of villages with an income of 500 000 to 1 million yuan and those with an income of more than 1 million yuan rose slowly, and especially the increase in the proportion of villages with an income of more than 1 million yuan was the slowest. The proportions of villages with an income of 50 000 to 100 000 yuan and those with an income of 100 000 to 500 000 yuan rose quickly, and the latter rose the fastest. The inverted pyramid was greatly changed, and the "olive-shaped" income composition was taking shape.

#### 3.2.2 Changing trend of annual income.

The operating revenue, operating income, current year income and peasant household distribution of villages included in the statistics showed a good growth trend. The operating revenue increased by 47.69%, and the operating income rose by 1.72 times. Current year income increased by 1.07 times, and the peasant household distribution had an increase of 46.93%. It can be seen that the increases of operating income and current year income were significantly higher than that of peasant household distribution.

### 3.3 Basic financial situation

#### 3.3.1 Income change.

There are five types of income sources of rural collective economic organizations. Seen from the changing trend of income, the total income and five types of income all showed an increasing trend. From the average growth rate of income, the average growth rate of total income was 7.33%, among which that of subsidy income was the fastest (up to 14.67%), followed by investment income (12.42%). The proportion of income from contracting and handing over was the lowest (only 3.87%), followed by the operating income (4.49%); the growth rate of other income was basically the same as the total income (7.31%). Seen from the changing trend of income composition, other income remained basically stable, always maintaining between 22% and 24%. Although the proportion of operating income was always the highest (above 30%), it decreased by about 8%. The proportion of income from contracting and handing over fell by about 5%. The proportion of investment income was the lowest, and the maximum was only 3.53%, but it showed an ob-

vious upward trend. The proportion of subsidy income rose the fastest, increasing by more than 11%.

From the above analysis, it is seen that the total sum of operating income and income and the growth rate increased, but compared with other sources of income, the proportion declined; subsidy income rose rapidly, and its proportion was basically close to that of operating income. On the one hand, it reflected the increasing support of the country to the countryside. On the other hand, it also shows that the management capacity of rural collective economic organizations was not strong enough.

#### 3.3.2 Expenditure analysis.

The expenditure of rural collective economic organizations mainly included operating expenses, administrative expenses, cadre remuneration, newspaper and publication fees and other expenses. From the changing trend of expenditure, the total expenditure and the five expenditure items all showed an increasing trend. In terms of the growth rate of expenditure, the average growth rate of total expenditure was 6.82%, among which the growth rate of other expenditure was the fastest (up to 11.1%), followed by administrative expenses (8.85%) and cadre compensation (8%). The growth rate of operating expenditure was the lowest (only -0.98%), and it was the only expenditure item with negative growth. In terms of the changing trend of expenditure composition, the decrease in the proportion of operation expenditure was the fastest, reducing from 39.66% in 2011 to 19.10% in 2020; the proportion of cadre remuneration also decreased from 35.04% in 2011 to 32.75% in 2020. The increase in the proportion of other expenditure was the largest, and it rose from 33.54% in 2011 to 47.44% in 2020. The proportion of administrative expenses also rose from 27.8% in 2011 to 32.96% in 2020.

From the above analysis, it is seen that the average growth rate of operating expenditure was negative, and the proportion of operating expenditure decreased the fastest, indicating that the management ability of rural collective economic organizations was relatively weakened. However, for other expenditure not directly related to operation and management activities, the average growth rate and the increase of proportion were the fastest, showing that rural collective economic organizations did not focus on business activities well, and engaged in many affairs not directly related to business activities. Moreover, administrative expenses and cadre expenditure increased by a large margin, so it is needed to strengthen internal management, improve management efficiency, and reduce management costs.

### 3.4 Analysis of asset structure and solvency

#### 3.4.1 Analysis of current asset structure.

The inventory proportion of rural collective economic organizations increased slowly over the years, but it was still very low, and never exceeded 3% except in 2020. The proportion of short-term investment was also very low and had a downward trend. The proportion of monetary funds was very high and had a rising trend. Although the proportion of accounts receivable had a declining trend, it was still very high. This shows that rural collective economic organizations had

poor management ability and weak investment ability, and were too conservative, which to a certain extent affected the efficiency of asset utilization and profitability.

**3.4.2 Analysis of short-term debt paying ability.** Short-term debt paying ability can be measured by several financial indicators. Working capital is an absolute number and is closely related to the operation scale of an enterprise, so the current ratio and quick ratio are mainly analyzed instead of working capital. Through analysis, it is found that the inventory ratio was very low, so there was a small difference between the current ratio and the quick ratio. However, the current ratio was low, and the highest value was only 1.46, but there was an upward trend. In addition, the monetary capital accounted for more than 42% of the current assets in the past years, and the proportion of accounts receivable was more than 40%, so the short-term debt paying ability was very strong.

**3.4.3 Analysis of capital structure and long-term debt paying ability.** The capital of an enterprise consists of long-term debt capital and equity capital. The capital structure has a decisive impact on the long-term debt paying ability of an enterprise, and the capital structure and long-term debt paying ability are the concentrated embodiment of enterprise risk and value. Through analysis, it is found that from 2011 to 2020, the asset-liability ratio of rural collective economic organizations was always lower than 50%, and had a slow decline trend. The long-term debt-to-capital ratio was low. Although it had an upward trend, it was never more than 15%. In general, the long-term debt paying ability of rural collective economic organizations was strong.

### 3.5 Analysis of asset structure and operational capacity

**3.5.1 Matching relationship between asset structure and capital structure of rural collective economic organizations.** From the relationship between current assets and current liabilities, as well as the relationship between owners' equity and non-current assets of rural collective economic organizations from 2011 to 2020, it can be seen that the current assets of rural collective economic organizations over the years were greater than current liabilities, and owners' equity is greater than non-current assets. Therefore, rural collective economic organizations had a typical conservative asset structure.

**3.5.2 Analysis of operational capacity.** In view of the particularity of rural collective economic organizations, only the operating assets are analyzed, rather than the total assets of general enterprises. Through the analysis, it is found that the turnover rate of operating assets and accounts receivable of rural collective economic organizations were particularly low, and showed a downward trend, which indicates that their management efficiency and operating efficiency were not high. The direct cause of the low turnover rate of operating assets is the low turnover rate of operating current assets (because there is no operating current assets, it cannot be directly calculated and analyzed). According to the above analysis, it can be inferred that what affected the turnover rate of operating assets was not the proportion of non-current as-

sets, but the monetary capital precipitation and the turnover rate of accounts receivable which were too low, and it was also the root cause.

**3.6 Analysis of profitability** Through the analysis, it is found that the operating income and expenditure were relatively high, and showed an increasing trend, but this does not mean that the operating efficiency was good, mainly because the operating expenditure was small, leading to the increase of the proportion. Although the rate of return on operating assets was not low, it shows an obvious downward trend. The reason is that the operating assets increased rapidly, but the increased assets were not used effectively. Seen from the composition of the increase of operating assets, the operating fixed assets increased by 1.87 times, while the non-fixed assets rose by 2.41 times, that is, the main increase was from non-fixed assets. From the analysis of the ratio of operating income and expenditure and the return on operating assets, it can be inferred that most of rural collective economic organizations were engaged in short and quick business activities, making them conservative, and were not engaged in long cycle business activities. At the same time, this can also be illustrated from the proportion structure of long-term liabilities and current liabilities. Except 2020 when current liabilities were lower than 80%, other years saw current liabilities more than 80%.

**3.7 Analysis of liability expenditure** The liabilities of rural collective economic organizations were mainly divided into operational liabilities and newly created public welfare liabilities. By comparing the scale of liabilities, expenditure and input, it is found that operational liabilities far exceeded the expenditure for expanding reproduction, that is, there were unnecessary operational liabilities, and the utilization efficiency of liabilities was low. Many liabilities were not used for expanding reproduction. Meanwhile, there was a certain non-necessity to run public welfare undertakings debt, and public welfare debt far exceeded public welfare investment. Just because of the above reasons, the new debt remained high that year. After the increase from 2016 to 2018, the newly increased debt declined in 2019 and 2020.

**3.8 Analysis of owner's equity** Through the analysis of the proportion relationship and growth of different components, it is found that the owners' equity of rural collective economic organizations increased by 2.08 times, among which the proportion of undistributed income was the lowest, but showed an upward trend, and the increase was the largest, up to 5.30 times. The proportion of capital was medium, but showed an obvious downward trend, and the increase was the least. The proportion of public welfare funds was always the highest, and the rising trend was obvious, while its increase was moderate. This reveals that the capital invested by the government into rural collective economic organizations was insufficient. Meanwhile, rural collective economic organizations had insufficient ability to attract social capital and villagers' investment, and it mainly relied on the accumulation of rural collective economic organizations themselves.

## 4 Conclusions and policy recommendations

### 4.1 Main research conclusions

**4.1.1** Rural collective economy was developing rapidly and sustainably. The number of "empty villages" was decreasing, and the proportion of "weak villages" was also decreasing. The "olive-shaped" income structure was forming.

**4.1.2** The operation capacity and management efficiency of rural collective economic organizations need to be further enhanced. Operating income growth was not fast, and the proportion was declining. Moreover, operating expenditure was the only expenditure item with a negative average growth rate, and the proportion of operating expenditure dropped the fastest, by 19%. The growth of other expenditures unrelated to production and business activities was the fastest, and the increase of proportion was the fastest. Administrative expenses also grew faster, and the proportion increased by 5.2%.

**4.1.3** Too conservative in operation, weak in asset utilization efficiency and profitability, but strong in debt paying ability. The proportion of short-term investment was very low, and the proportion of monetary capital was very high; the proportion of accounts receivable was high, and the turnover was slow. The asset structure was typically conservative. They were mainly engaged in short and fast business activities, so that the efficiency of asset utilization and the profitability were weak. Because of this, its short- and long-term debt paying ability were strong.

**4.1.4** There were a lot of unnecessary debts, and rural collective economic organizations mainly relied on their own accumulation for development. Since operational liabilities far exceeded expenditure for expanding reproduction, and public welfare liabilities far surpassed public welfare input, there were many unnecessary liabilities. Financial subsidy income increased rapidly, and capital investment was less. Rural collective economic organizations were not well operated, and not attractive enough for social capital and villagers to invest and buy shares. Rural collective economic organizations mainly relied on their own accumulation.

### 4.2 Policy recommendations

**4.2.1** Selecting, cultivating and introducing rural collective economic management personnel. Firstly, when outstanding talents are selected to help rural revitalization, both management cadres and management talents with market economy concept, management ability and flexible mind should be selected. Secondly, the "leading goose" plan for rural revitalization should be vigorously implemented, and young and middle-aged talents with strong abilities and aspirations in rural areas are trained to become "leading geese" for rural revitalization and enrich them into rural collective economic organizations. Thirdly, through policy guidance, economic incentives and spiritual encouragement, outstanding migrant workers are attracted to return to their hometowns to start businesses and promote the development of rural collective economy.

**4.2.2** Gradually rationalizing and clarifying the relationship between rural collective economic organizations and villagers' self-governing organizations. In recent years, the reform of rural col-

lective property rights system has accelerated. The state clearly requires that if conditions permit, villagers' committee affairs and collective economic affairs can be separated. In accordance with the requirements of the state, the relationship between rural collective economic organizations and villagers' self-governing organizations should be straightened out and clarified step by step, and each of them should carry out its own duties and gradually separate functions, leadership positions and financial accounts, so as to build rural collective economic organizations into a market entity that can operate independently and be responsible for its own profits and losses.

**4.2.3** Properly handling the relationship between collective accumulation and member distribution. The income distribution of rural collective economic organizations should take into account the interests of all parties, attach equal importance to accumulation and distribution, and develop and improve people's livelihood simultaneously. The allocation quota and distribution ratio should be determined according to the income of the current year and the income that can be distributed. We should not focus too much on collective accumulation and development, but neglect the distribution among members. In respects of income distribution, the relationship between collective accumulation and member distribution should be properly handled, not only ensuring the sustainable development of rural collective economy, but also effectively sharing the fruits of collective economic development.

**4.2.4** Financial input should attach equal importance to blood replenishment and transfusion. To some extent, the blood-transfusion financial input makes rural collective economic organizations lack the development momentum, only pursue short and quick projects, and lack capital strength and risk ability to carry out the construction and investment of projects with long cycle, slow effect, big risk and wide range of benefits, while most agricultural projects are just such projects. Therefore, in order to enhance the capital strength of rural collective economic organizations, improve their ability to resist risks, and stimulate long-term operational investment, financial input should solve short-term problems and meet long-term construction needs, and emphasize on blood replenishment and transfusion.

**4.2.5** Making liabilities reasonably according to business development. In December 2021, the Ministry of Finance and the Ministry of Agriculture and Rural Affairs formulated the *Financial System for Rural Collective Economic Organizations*, in which it is clearly required that rural collective economic organizations shall not borrow money to run public welfare undertakings. The above research shows that rural collective economic organizations have more unnecessary debts. In the future, first of all, no more debts shall be incurred for the establishment of public welfare undertakings according to the requirements of the state. Secondly, during operational liabilities, it is necessary to reasonably plan the financing scale and financing period of liabilities according to investment needs, so as to avoid liabilities exceeding the invest-

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for subsequent strategic management.

## 6 Conclusions

In a complex business environment, the internal control organization of an enterprise must take the realization of the strategic goal of enterprise development as the starting point and actively participate in the entire process of operation and management. In this way, it can have a deeper understanding of the overall situation of the enterprise and better implement strategic management, so as to more accurately measure and evaluate the connection between the strategy formulation level and the policy implementation level. Through cultivating the strategic internal control thinking of the enterprise, extending the internal control object to the strategic level of the enterprise, improving the feed-forward impact of internal control results on corporate strategy, and establishing an internal control committee system, it is able to effectively give full play to the internal control and supervision functions from the perspective of corporate strategic management, improve the effectiveness of organizational operations and realize corporate value-added at the corporate strategic level. Enterprises should strengthen their scientific understanding of internal control work, improve management levels, carry out work in an all-round way, use internal resources of enterprises, and standardize market economic activities of enterprises, in order to achieve high-quality economic development in the new era. The strategy of an enterprise not only reflects its positioning, but also the direction of its future development.

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ment scale. Thirdly, it is needed to evaluate the economic benefits of debt financing, and give full play to the benefits of debt management.

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Therefore, the internal control department of the enterprise must be closely combined with strategic management to ensure the effectiveness and sustainability of the work. From the perspective of strategic management, it is recommended to take a variety of measures to improve internal control, so as to effectively prevent the potential risks of the enterprise and provide strong support for the long-term healthy development of the enterprise.

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