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# Exploring Benefit-Sharing Mechanisms and Development Strategies in the New Rural Collective Economy

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**ABSTRACT**

Against the backdrop of the rural revitalization strategy, the development of new rural collective economies has become a key vehicle for activating endogenous momentum and achieving the goal of shared prosperity. This study focuses on its core institutional framework—the systematic optimization of benefit linkage mechanisms—to explore: the essential attributes and contemporary characteristics of new rural collective economies; the functional positioning and typology of benefit linkage mechanisms; and the institutional challenges encountered in practical operation, including imbalanced benefit distribution, inadequate risk sharing, and weakened oversight. Based on this analysis, the study proposes solutions: refining a differentiated distribution system based on factor contributions, establishing a multi-tiered risk buffer system, and creating a penetrative oversight network. An interest linkage mechanism characterized by clear property rights, aligned responsibilities and rights, and compatible incentives serves as the institutional foundation for uniting diverse stakeholders, weathering market fluctuations, and ensuring the sustainable development of the collective economy.

**KEYWORDS**

Rural collective economy; Benefit linkage mechanism; New rural economy

## 1 Introduction

China's rural modernization has entered a new phase of structural transformation, shifting its focus from enhancing productivity to reconstructing socioeconomic systems. While the household contract responsibility system unleashed farmers' productive vitality, the fragmented operational model now faces severe challenges from the economies of scale demanded by modern agriculture. The structural mismatch between small-scale farmers and market mechanisms has created a dual predicament of industrial hollowing-out and inefficient resource allocation, becoming a deep-seated obstacle to rural revitalization. Against this backdrop, the new rural collective economy bears the dual mission of breaking through traditional egalitarianism and reshaping rural governance. Its essence is building a development community through resource integration, enabling farmers' deep participation and equitable sharing. It is crucial to recognize that the formation process of this new organizational form directly addresses the core contradictions in rural property rights relations. Current policy practices indicate that collective economic development has moved beyond debates over "feasibility" and entered the methodological deep waters of "how to build." Among these, the benefit linkage mechanism —as the institutional hub for consolidating production factors, coordinating stakeholder behaviors, and distributing development outcomes—determines collective economic organizations' vitality and evolutionary sustainability.

## 2 The essence of new rural collective economy and benefit-sharing mechanisms

### 2.1 Definition, characteristics, and advantages of new rural collective economy

The new rural collective economy is rooted in the contemporary transformation of collective land property rights systems. It activates rural factors' market-oriented flow through systematic rights and capabilities restructuring. This model demonstrates the historical transition of property rights systems from abstract common ownership to quantified co-governance, establishing a clear-cut system of rules for the possession and disposal of collective assets. At the organizational level, it evolves from community-based closed structures to open, integrated platforms, with diverse forms such as village-enterprise collaborative bodies and regional cooperatives gradually maturing. Operationally, it adheres to market principles, achieving a sustained balance between profitability goals and member rights within a corporate governance framework. As an institutional solution to overcome the agency problems of traditional collective economies and the scale limitations of household-based operations, its core value lies in promoting cross-entity integration of factors like land and capital through equity ties, while safeguarding farmers' property rights via profit-sharing mechanisms. This institutional arrangement, balancing factor integration efficiency with incentive compatibility, provides a robust organizational foundation and innovative pathway for transforming rural development momentum [1].

### 2.2 Types, functions, and importance of benefit-sharing mechanisms

Benefit-sharing mechanisms serve as institutional glue for coordinated development among diverse stakeholders, manifesting in the following typical operational forms: Industry-based linkages built on market contracts enhance collaboration across industrial chains through stable contractual relationships like order-based production and service entrustment; Employment-based linkages centered on labor value establish a market-driven labor allocation system with compensation based on work output. These institutional arrangements collectively weave a network of risk-sharing and profit-sharing communities, serving as the institutional bridge for smallholder farmers to integrate into the modern economic system. The core function of this mechanism lies in serving as an institutional interface that attracts the orderly flow of high-quality external factors into rural areas, while simultaneously establishing farmers' principal status in the distribution of industrial value-added. Through a meticulously designed linkage system that reduces transaction uncertainty and enhances cooperative stability, it has become the central conduit supporting the virtuous cycle of collective economic organizations.

### 2.3 Theory and practice of interest linkages in new collective economies

The logic of interest linkage in collective economies originates from the deep integration of institutional economics theory and cooperative organization ideology. Cooperative theory deconstructs the intrinsic process by which disadvantaged groups achieve market bargaining power through collective action. Distinctive practices have emerged across varied regional contexts: eastern coastal areas introduce professional management to enhance asset operation efficiency; traditional agricultural regions leverage grassroots organizational strengths to build collaborative consensus; ecologically sensitive zones stimulate stakeholder participation by restructuring natural resource rights. These explorations reveal the core mission of effective linkage mechanisms: serving as the pivotal hub for transforming static resources into dynamic factor assets. The scientific rigor of their design and the robustness of their operational efficacy profoundly shape the quality of collective economic evolution. The current focus of institutional innovation is shifting toward the fine-tuning and compatibility design of incentive mechanisms, driving the formation of more adaptive rural development governance paradigms.

## 3 Challenges in the new rural collective economy benefit-sharing mechanism

### 3.1 Inadequate benefit distribution mechanism and low participation

The existing collective economy distribution system exhibits significant institutional blind spots, severely limiting the participation enthusiasm of diverse stakeholders. The core issue manifests in the imbalance of returns between capital and labor factors. Industrial and commercial capital, upon entering the system, secures excess fixed returns. At the same time, farmers who contribute land management rights as equity face the dilemma of fixed returns, failing to share in the industrial value-added dividends fully. This manifestly unfair distribution pattern not only reinforces the dominant position of capital but also obstructs ordinary farmers' path to realizing their property rights, gradually eroding their motivation to participate. More critically, the incentive mechanisms for management and governance also suffer from institutional vacuums. The absence of market-based compensation tied to operational performance makes it difficult to attract professional talent, while the lack of accountability mechanisms breeds risks of insider control. When managers potentially exploit information advantages for rent-seeking, the foundational trust underpinning interest linkages is fundamentally eroded. This disordered distribution violates the principle of market-based returns for factors of production and undermines the genuine formation of a shared development consensus within the community [2].

### 3.2 Absence of risk-sharing mechanisms weakens resilience

Collective economic organizations confront multiple risks in market operations, yet current linkage mechanisms exhibit severe institutional gaps in risk responsibility allocation. Smallholder farmers face particularly acute gaps in risk protection. After investing their land management rights—survival capital—they lack risk funds to cushion operational failures and exit mechanisms to safeguard basic livelihoods. Due to the long-term nature of industrial cycles, the key obstacle deterring external investors from rural areas is the persistent absence of policy-based risk mitigation tools. Village collectives' compound risk is particularly alarming, as they must manage daily operational responsibilities and uphold organizational social credibility. This reality of blurred risk-responsibility boundaries drives all participants to adopt spontaneous contraction strategies during market fluctuations. When organizations encounter drastic external changes and fail to pool risk-resistance capabilities effectively, it exposes the inherent fragility of their internal coordination systems. Establishing multi-tiered risk buffers has become a core imperative to break through development bottlenecks.

### 3.3 Lagging supervision and management mechanisms with low operational efficiency

A transparent and fair regulatory framework should be the cornerstone for safeguarding interest linkages. In reality, however, supervision mechanisms often operate in a formalistic manner. Members' rights to information and oversight usually remain confined to institutional design. Despite most organizations establishing democratic structures like member representative assemblies, substantive oversight remains weakened by knowledge gaps and information barriers. Regulatory loopholes in financial operations are particularly pronounced, with concurrent issues like delayed financial disclosure, non-standardized revenue/expenditure approvals, and a lack of widespread independent audits creating institutional pathways for collective asset loss. Decision accountability at the management level also faces a vacuum of constraints, with significant investments lacking feasibility studies and project losses rarely leading to management accountability. This systemic failure of oversight mechanisms undermines the foundation of collective economic development and breeds an irreversible crisis of public trust. Sustainable organizational operation must rely on institutional restructuring centered on a penetrative oversight network [3].

## 4 Strategies for improving the benefit-sharing mechanism of the new rural collective economy

### 4.1 Refining the benefit distribution system to stimulate the vitality of business entities

Reconstructing the benefit distribution system requires establishing a market-based evaluation mechanism for production factors, with its core being the dynamic equilibrium between capital appreciation demands and labor value protection. Land tenure holders' rights realization pathways should transcend fixed-income limitations by establishing flexible profit-sharing models linked to operational performance. This approach includes setting a guaranteed baseline income to safeguard subsistence rights while enabling shared industrial value appreciation dividends through variable equity dividend ratios. Management incentive system innovation requires integrating modern corporate governance logic, breaking operational performance into quantifiable metrics like return on assets and market share. Based on these metrics, tiered performance-based compensation and equity option incentive schemes should be designed. The distribution transparency initiative requires establishing institutional pillars: charters explicitly defining the contractual validity of distribution rules, decision-making authorization procedures via special majority votes at member representative assemblies, and real-time disclosure channels through village affairs digital platforms. The profound value of this composite institutional design lies in resolving the traditional dilemma of distorted distribution. It corrects market pricing biases for capital elements while reshaping managers' sense of fiduciary responsibility, ultimately catalyzing a shared consciousness of collaborative development among factor owners and operators.

### 4.2 Strengthening risk-sharing mechanisms to enhance resilience

The governance foundation for organizational resilience is establishing a framework where risk and responsibility coexist. Statutory contracts must define risk-sharing functions among parties: capital contributors bear limited liability proportional to their investment, labor participants share operational risks per contractual agreements, and collective organizations assume ultimate social responsibility. The risk reserve fund system must operate under standardized protocols, mandatorily allocating a fixed percentage of annual profits to establish non-redeemable guarantee funds. These funds should be segregated into specialized accounts for natural disaster compensation, market volatility stabilization, and technological upgrade reserves. Innovation in risk transfer mechanisms is particularly crucial: collaborating with insurance institutions to develop specialized agricultural futures and options products, linking with provincial agricultural guarantee platforms to establish credit risk circuit breaker mechanisms, and creating cross-regional mutual aid funds pools for collective economic risks. This governance logic aligns with the essence of social risk dispersion theory. Through a protective framework of primary risk retention (internal funds), secondary risk transfer (commercial insurance), and ultimate risk underpinning (government guarantees), it transforms inherently uncontrollable crises into actuarially manageable costs, constructing differentiated safety nets for entities with varying risk-bearing capacities [4].

### 4.3 Strengthening oversight to promote sustainable collective economic development

Sustainable governance capacity building relies on structural innovation within a multidimensional oversight topology. Reform of internal checks and balances should focus on substantive empowerment pathways, such as establishing member representative assemblies with veto rights over asset disposal, empowering independent supervisory boards with penetrative audit rights and operational management recommendation/impeachment authority, and creating collective litigation channels for dissenting shareholders. External oversight mechanisms should emphasize enhancing institutional rigidity. Statutory audits should expand to cover operational compliance and ecological benefits, while township economic management departments should be granted authority to review major contract filings and halt abnormal transactions. Supervisory effectiveness requires an evolutionary leap: shifting from financial compliance oversight to strategic risk prevention, transitioning from post-event accountability to process control, and evolving from administrative intervention to rule-of-law regulation. The ultimate value of this institutional revolution lies in constructing a transparent governance ecosystem. By reducing information rents to curb rent-seeking opportunities and leveraging blockchain technology for full-cycle asset transaction verification, collective members' trust in capital can be transformed into core social assets for organizational development [5].

## 5 Conclusion

The benefit linkage mechanism constitutes the core support system within the new rural collective economic system framework. Its design's precision directly determines the organization's vitality and evolutionary trajectory. An efficiently operating linkage system can bridge the structural gaps created by individual dispersion and fragmented factors, fostering an organic community where diverse stakeholders co-create value. Current institutional bottlenecks—manifesting as distributive imbalances, inadequate risk-sharing mechanisms, and weakened regulatory effectiveness—point to critical systemic innovation pathways.

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