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The Role of Rural Revitalization Investment Funds in Advancing Common Prosperity: Mechanisms, Challenges, and Strategies

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Abstract: The Rural Revitalization Investment Fund serves as a crucial financial instrument for advancing rural revitalization and promoting common prosperity. It aims to address financing and land-use challenges faced by rural industries through financial support while fostering coordinated industrial development. The fund primarily operates through equity direct investment and the "mother fund + direct investment" model, with an increasing emphasis on combining government guidance with social capital participation. However, challenges persist, including a shortage of professional talent, insufficient institutional innovation, and weak industrial foundations in rural areas. To enhance the fund's effectiveness, it is recommended to strengthen professional team management, clearly define its strategic positioning, implement strict supervision, innovate operational mechanisms, and prioritize environmental and social responsibility. These measures will ensure that the fund contributes to rural revitalization while promoting sustainable development and common prosperity.

Keywords: Rural revitalization investment fund; Financial support; Common prosperity

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1. Background and nature of rural revitalization funds

In his article *Emphasizing the Priority of Addressing Issues Relating to Agriculture, Rural Areas, and Farmers, and Mobilizing the Whole Party and Society to Promote Rural Revitalization*, the current President of the People's Republic of China stated, "To develop rural industries, we must ensure that farmers have work to do and money to earn [1]. We should establish a pattern of complementary advantages and cooperative division of labor within the industrial chain between enterprises and farmers, allowing farmers to share more of the value-added benefits of the industry." The article also highlighted that "many policy obstacles and pain points have been widely reported in the development of rural industries, with the most prominent being difficulties in acquiring land and obtaining loans."

Rural revitalization cannot be achieved without strong financial support [2]. Fully promoting rural revitalization and facilitating integrated urban-rural development is not only a key political responsibility for the financial industry in supporting national strategies but also a crucial opportunity for the industry to achieve high-quality development.

As a new approach to integrating industry and finance, rural revitalization investment funds serve as medium- and long-term equity capital that facilitates the two-way flow and equal exchange of talent, land, and capital between urban and rural areas, thereby stimulating endogenous drivers of rural revitalization. These funds effectively address widespread capital shortages and land acquisition difficulties encountered by governments, market entities, and industrial capital in advancing rural industries in China [3].

In implementing rural revitalization funds, government guidance plays a central role while also leveraging market-based resource allocation. Government finance serves as an essential catalyst by offering policy concessions and tolerating a degree of risk. Additionally, by establishing a “safety cushion” for potential risks and optimizing fund operation platforms [4], the government can effectively encourage private capital to participate in rural development projects.

Regarding industrial development, the investment scope of rural revitalization funds extends beyond agriculture. From a broader perspective of promoting comprehensive rural industrial prosperity, these funds facilitate close linkages and coordinated development among the primary, secondary, and tertiary industries in rural areas [5].

2. Current development status of rural revitalization investment funds in China

In recent years, rural revitalization investment funds have demonstrated continuous growth. According to statistical data from Agriculture Intelligence, as of the end of 2023, the total management scale of rural revitalization funds nationwide had reached 164.239 billion Chinese yuan, reflecting a year-on-year increase of 12.80% [6]. Currently, 177 rural revitalization funds have been established across 25 provincial administrative regions, with Guangdong, Jiangsu, Anhui, Shandong, and Sichuan ranking among the top five provinces in terms of the number of funds. Among these, Guangdong, Guizhou, and Shandong have fund management scales exceeding 20 billion Chinese yuan, with Guangdong approaching 40 billion Chinese yuan [7]. These funds have played a crucial role in alleviating financing difficulties in rural areas, promoting agricultural development, and increasing farmers’ incomes. Additionally, they provide valuable insights for other developing countries seeking to adjust their policy frameworks.

The issuance of rural revitalization industrial funds is primarily concentrated in economically developed regions such as Guangdong and Jiangsu [8]. The eastern coastal areas, characterized by strong government finances, well-developed rural infrastructure, and rapid economic growth, are more conducive to the establishment of such funds. Despite recent growth, the overall number of issuances remains relatively low, with most funds being government-led [9]. Moreover, regional enthusiasm for regulating the establishment and operation of these funds is limited, with only a few provinces, such as Jiangsu and Zhejiang, having introduced specific management measures.

In practice, the model of government guidance combined with social capital participation has gained increasing attention [10]. However, social capital faces several challenges, including fundraising difficulties, high financing costs, and a scarcity of high-quality projects. These challenges are particularly pronounced in the agricultural sector, where long investment cycles, slow returns, and high risks reduce its attractiveness to investors [11]. Amid growing economic downward pressure and the increasing flow of capital toward high-return industries, rural revitalization funds continue to face significant obstacles.

3. Operational mechanism of rural revitalization investment funds

The primary investment method of rural revitalization investment funds is direct equity investment, with funds raised through the issuance of fund shares and allocated specifically for investments in agricultural enterprises or projects. Fund managers are responsible for the operation and management of these funds [12].

China's rural revitalization funds typically adopt the "mother fund + direct investment" model. Under this structure, the mother fund collaborates with local governments, township governments, and private capital to establish sub-funds. Direct equity investment, in contrast, involves investing in companies with the potential for future public listing [13].

On one hand, by partnering with leading domestic fund managers through the mother fund, these funds leverage external resources and information advantages to mitigate investment risks while enhancing the stability of returns. Furthermore, by providing comprehensive support to collaborating fund managers and fostering mutual empowerment, the investment ecosystem can be continuously expanded to access higher-quality industrial investment opportunities [14]. On the other hand, by selecting high-growth and highly innovative companies for direct investment, transaction costs can be effectively reduced, thereby improving overall fund returns. Simultaneously, this approach facilitates the development of a fund management team characterized by strong focus, market sensitivity, and professional expertise.

4. Issues in the development of rural revitalization funds

4.1. Lack of professional talent

Rural industrial investment requires professionals with specialized expertise in fund management. These individuals must possess not only strong financial knowledge but also a deep understanding of agriculture and related industries. Moreover, the fund platform must integrate various industrial, human, and marketing resources to ensure that industry personnel can quickly adapt to the development trends of emerging sectors.

4.2. Insufficient innovation in systems and mechanisms

Rural industrial investment typically follows a limited partnership model, such as joint ventures between industrial funds and local government investment platforms responsible for industry introduction and operation. As companies develop, industrial funds eventually exit. Although this model provides flexibility, for enterprises with long-term development potential, predetermined exit periods may pose higher risks, preventing investors from benefiting from future growth [15]. The limitations and potential risks of the financial system are also closely linked to the dominant role of the government and state-owned enterprises in government-guided funds. Therefore, fostering industrial fund development requires appropriate policy support for private capital while allowing for controlled innovation in fund operation mechanisms.

4.3. Weak foundation for rural industrial development

Compared to urban areas, rural regions face constraints in investment and business environments. Projects supported by industrial funds often encounter challenges such as lower educational levels among personnel and difficulties in process implementation, increasing management complexity and affecting product quality and output. Additionally, rural industries primarily rely on left-behind labor forces, which acquire skills at a slower pace, further impacting industrial efficiency. The success of rural revitalization funds largely depends on their alignment with local needs, the robustness of governance structures, and their integration with broader rural development policies. Therefore, strengthening the rural industrial foundation remains a key priority.

5. Suggestions for leveraging rural revitalization funds

Firstly, professional team management should foster a sense of local attachment and responsibility. The effective management and operation of rural revitalization investment funds require localized and highly skilled professionals with expertise in finance, agriculture, services, and various industries. These individuals should possess a strong connection to local communities, respect for farmers' willingness to cooperate, and the ability to translate their commitment into practical actions. Since rural revitalization depends heavily on human capital, enhancing financial literacy and investing in financial education in rural areas is essential.

Secondly, the strategic positioning of these funds should be clearly defined to maximize their guiding role. The primary objective of rural revitalization investment funds is to stimulate endogenous growth and support the high-quality development of the rural industrial system. By offering return concessions and implementing error correction mechanisms, the government can encourage fund innovation, enabling social capital to focus on the investment value and potential returns of projects while mitigating concerns about investment risks.

Thirdly, strict regulatory oversight is essential. The entire process of fund-raising, investment, management, and withdrawal must adhere to relevant laws and regulations, ensuring clear ownership structures and preventing illegal or non-compliant activities. Additionally, targeted mechanism innovations can be explored, such as profit distribution models based on principles like "withdrawal and distribution" or "return of capital before profit distribution," fostering a virtuous cycle between industrial foundations and industrial development. At the same time, excessive administrative intervention by local governments in the investment activities of rural revitalization funds should be avoided, granting fund managers greater autonomy in decision-making.

Lastly, environmental and social responsibilities should be prioritized. During the selection of investment projects, environmental, social, and governance (ESG) factors should serve as key evaluation criteria to ensure that investments contribute not only to economic development but also to environmental sustainability and social well-being, thereby promoting long-term rural development.

Disclosure statement

The author declares no conflict of interest.

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