

Research on Financial Management Problems and Countermeasures of Rural Cooperatives in Coastal Guangdong

Zufeng Zhong, Yuanpeng Lan, Hui Deng, Huade Huang

Business School, Lingnan Normal University, Zhanjiang, 524048, China

ABSTRACT

Whether the financial management of rural cooperatives in coastal Guangdong is standardized is related to the sustainable development and growth of cooperatives in the future. Therefore, this article analyzes the financial system, capital management, climate disaster response, and financial supervision of rural cooperatives in coastal Guangdong to identify the factors that affect the financial management status of coastal Guangdong cooperatives and the measures that can be taken to better promote the improvement of cooperative financial management. Finally, relevant suggestions and countermeasures are proposed based on the problems existing in the financial management of cooperatives.

KEYWORDS

Coastal economy; Rural Cooperatives; Financial management; Countermeasures and suggestions

1. INTRODUCTION

Coastal farmers in Guangdong have established 50000 rural cooperatives around rice, vegetables, Lingnan fruits (lychee, longan, banana, pineapple, citrus, grapefruit), and special economic crops (sugarcane, sisal, rubber). With its unique geographical and climatic conditions, the region has become an important production base for agricultural products such as rice, vegetables, Lingnan fruits (lychee, longan, banana, pineapple, citrus, pomelo), and special cash crops (sugar cane, sisal hemp, rubber). Against this backdrop, Rural Cooperatives in coastal Guangdong have emerged and play an important role in promoting local agricultural development and rural revitalization. By integrating resources such as land and farm implements, Rural Cooperatives in the region have achieved optimized allocation and efficient utilization of resources.

Cooperatives not only focus on agricultural production but also actively expand the industrial chain, including the intensive processing of agricultural products, innovation in circulation methods, and brand building, to adapt to market changes and upgrades in consumption structure. Rural Cooperatives can drive increases in farmers' income, enhance the market competitiveness of agricultural products, and promote rural revitalization. However, there are also some problems in financial management.

2. RELATED WORK

As an important organizational form for promoting rural economic growth and achieving common prosperity for farmers, the financial management level of rural cooperatives directly affects their operating efficiency and sustainable development capabilities. In recent years, research on the financial management of rural cooperatives has gradually increased in the international academic

community, especially focusing on discussions on governance structure, financial transparency, internal control, and information disclosure.

Regarding the practical issues of cooperative financial management, several scholars have found that rural cooperatives in many developing countries generally face problems such as weak internal control mechanisms, insufficient professional competence of financial personnel, and lagging information systems [1-3]. Chambo [4] pointed out in his study of rural cooperatives in Africa that many cooperatives have failed to establish standardized financial accounting systems, resulting in chaotic accounts and a lack of risk control capabilities. This situation is also reflected in rural cooperatives in coastal China, where some cooperatives have unclear accounts and misappropriation of funds in capital operations, affecting their credit and sustainable development [5-8]. To solve the above problems, international experience provides useful lessons.

Cooperatives in countries such as the United States and Canada emphasize member participation in the construction of financial supervision and information disclosure mechanisms, which effectively enhances financial transparency and member satisfaction [9, 10]. Borgen pointed out that cooperatives can improve the responsibility of managers through financial incentive mechanisms, thereby optimizing resource allocation [11].

The application of information technology in cooperative financial management has also become a research hotspot. Many literatures show that digital financial systems not only improve accounting efficiency, but also enhance the scientific nature and transparency of decision-making [12-14]. In addition, financial training and personnel quality construction are also considered important means to enhance the financial capacity of cooperatives [15-18]. Regularly carrying out financial training in rural cooperatives can improve the ability of grassroots accounting staff in budget control, costs accounting, and financial analysis [19].

In conclusion, existing research indicates that rural cooperatives generally have problems such as unsound governance structures, imperfect systems, and insufficient talent in financial management. Although Chinese scholars have conducted some explorations on related issues, there is still room for research in international comparison, institutional adaptation, and coastal area characteristics. Therefore, combined with the specific context of rural cooperatives in coastal Guangdong, a systematic analysis of the problems in their financial management, and drawing on successful foreign experiences, is of significant practical importance for promoting the healthy development of cooperatives.

3. PROBLEM ANALYSIS

3.1. Data Source

This paper conducts an extensive investigation and analysis of the current financial management situation of farmers' professional cooperatives in Western Guangdong through various means such as field visits and questionnaire surveys. The survey period was from June to September 2024, and the survey subjects were influential members of the cooperatives, such as the chairman, vice chairman, and major professional farmers. A total of 50 questionnaires were designed and distributed in this survey, of which 38 valid questionnaires were returned. Among the 38 selected cooperatives, the sample cooperatives come from various industries such as agriculture, forestry, animal husbandry, and sideline production, and the samples are highly representative. The basic situation is shown in Figure 1:

Table 1. Data Sample Situation

Sample Industry	planting	Poultry farming industry	Aquaculture
Quantity	13	10	15

Through research, the following problems were identified in financial management.

3.2. Imperfect Financial System of Cooperatives

Guangdong's coastal areas are economically developed, but agricultural cooperatives have prominent financial management problems. As shown in Figure 2, first, there are many loopholes in the construction of the financial management system. The implementation of bookkeeping varies. Some cooperatives have outdated or complex systems, or even directly apply other enterprise systems, resulting in low efficiency and frequent problems. Second, managers have misconceptions about financial management, believing that strict control will limit their power, and they resist the implementation of relevant systems, resulting in the systems being a mere formality. They pay more attention to agricultural product planting and sales, and ignore the importance of financial management. In addition, the financial department lacks professional expertise and experienced accounting talents. Major financial decisions are mostly made by the legal person alone, and members of the board of directors concurrently serve as business supervisors, resulting in blind and arbitrary decision-making.

Although the legal person is familiar with agricultural planting, the lack of financial management knowledge hinders the improvement of the cooperative's financial management.

Table 2. Establishment of Enterprise Financial System

Sample size	Established and improved financial system	Lack of specialized financial staff
38	21	8

3.3. Irrational Capital Management of Cooperatives

Although Guangdong Province ranks first in the country in terms of GDP, its primary industry output ranks only eighth. Due to its geographical characteristics of a large population with limited land and abundant mountains with limited plains, agricultural development is relatively weak, leading to numerous problems for agricultural cooperatives in terms of capital raising and management. First, the limited business scope, single product offerings, and low profit margins of cooperatives restrict capital accumulation and capital turnover. Capital raising mainly relies on internal financing, with limited external channels. Due to the high risks, unstable returns, and small asset size of agricultural operations, the credit grade is low, making it difficult to obtain loans. Second, some cooperatives engage in defaults, loan arrears, tax evasion, debt evasion, and even fraud, which seriously damages their credit image, leading to distrust from banks and making loans difficult to obtain with small amounts. Furthermore, regarding fund utilization management, coastal planting cooperatives have a relatively large proportion of capital occupied due to special assets such as seawater irrigation systems and windbreaks, and invest more in special fixed assets such as seawater desalination equipment and coastal protection facilities, resulting in an unreasonable proportion of fund utilization.

3.4. Insufficient Estimation of the Impact of Climate Disasters on Financial Management

Due to the particularity of their geographical location, rural cooperatives in coastal Guangdong often face the threat of natural disasters such as typhoons. As shown in Figure 3, typhoon disasters have multiple impacts on the financial management of cooperatives: First, they bring direct economic

losses: strong winds, heavy rains, and floods brought by typhoons cause direct economic losses such as damage to crops, destruction of aquaculture facilities, and damage to agricultural machinery and equipment. Secondly, it poses liquidity risk: After the typhoon disaster, cooperatives may need emergency funds for reconstruction and restoration of production, which may lead to tight liquidity. If cooperatives do not have sufficient liquid funds reserves, they may need to borrow additionally, increasing the financial burden. Again, it will increase credit risk: Typhoon disasters may lead to a decline in the credit grade of cooperatives, increasing the difficulty of obtaining loans. Banks and other financial institutions may reduce loan amounts or increase Loan Interest Rates due to the damage to the Assets and decreased repayment ability of cooperatives, increasing the financing costs of cooperatives. Typhoon disasters have had direct and indirectly impacts on the financial risks of rural cooperatives in coastal Guangdong, and cooperatives need to take effective risk management measures to mitigate the financial pressure brought about by the disasters.

Table 3. Impact of Typhoon Disasters on Enterprises

Sample size	Production affected by typhoons in the past three years	Enterprises that have already purchased disaster insurance	Typhoon response measures have been established
38	28	5	30

3.5. Lack of Financial Supervision

First, there is confusion in the guidance and supervision of financial management in the cooperatives. Due to the lack of a clear division of departmental responsibilities, the guidance and supervision of financial management are not in place, and an effective financial management system cannot be formed. Second, democratic supervision is often a mere formality and fails to play its due role. In the coastal rural areas of Guangdong, the influence of clans is strong, and the cooperative members have a weak awareness of democratic management, lacking the necessary requirements for the disclosure of financial information. At the same time, due to considerations such as controlling costs, the cooperative's business managers are also unwilling to actively provide financial information, which further exacerbates the problem of information opacity. In addition, the shareholders' meeting and the board of Supervisors have not played their due roles, and sometimes even exist in name only. The inaction of these institutions may lead to a lack of necessary supervision and checks and balances in the financial decision-making of the cooperatives, thereby affecting their healthy development. The enforcement of the statutory allocation mechanism for financial management is also inadequate. Cooperatives have failed to distribute dividends as required, which may be beneficial to ensuring the turnover of cooperative operating funds in the short term, but in the long run, this situation may significantly affect the enthusiasm of participating members and may even directly infringe upon the statutory rights of members, causing a serious impact on the statutory norms of the entire financial management work.

4. COUNTERMEASURES AND SUGGESTIONS

4.1. Standardize Government Guidance and Supervision

In the development process of farmers' professional cooperatives, the government's role is crucial. The government needs to accurately position its role, grasp the support for cooperatives, standardize their development, provide necessary resources, strictly control the allocation of agricultural support resources, and fulfill the responsibilities of a service-oriented government. The government should formulate policies to help cooperatives enter the financial and insurance markets with legal status, alleviate financing constraints, increase financing channels, reduce operational and management risks, and promote healthy development. The government also needs to unify the regulatory standards for

cooperative financial information across departments, clarify financial statement requirements, and ensure that the statement Basis is consistent.

This involves the guidance and supervision responsibilities of departments such as agriculture, industry and commerce, taxation, and finance on the financial information of cooperatives to ensure financial transparency and compliance. In addition, the government can provide support to cooperatives through measures such as providing technical support and consulting services, promoting cooperation and exchanges between cooperatives, strengthening publicity of laws and regulations, optimizing tax policies, and establishing risk compensation mechanisms to ensure their healthy and orderly development within the legal framework, and to contribute to agricultural modernization and the rural revitalization strategy.

4.2. Improving the Financial Management System of Cooperatives

To promote the financial health and sustainable development of farmers' professional cooperatives, it is necessary to improve the financial management and distribution system from multiple levels. First, cooperatives should stimulate autonomy and, under the premise of following the general framework, establish a standardized accounting system and a personalized accounting system, and actively optimize financial management processes. Secondly, high-salaried professional accounting personnel should be hired to establish and improve the financial management system, providing professional consulting and technical support. For larger cooperatives, collaborations with universities can be established to introduce advanced financial management concepts and technologies. In addition, improve the archive management system, set up independent financial management venues, and ensure financial information control and development stability. Regarding the distribution system, cooperatives need to establish a reasonable property rights system, standardize profit distribution, rationally allocate shares, restrict the minimum shareholding quota for members, and improve the property rights structure. At the same time, improve the profit distribution method, balance the relationship between members and shareholders, and combine "distribution according to work" and "distribution according to participating capital" to ensure reasonable returns for all parties.

In addition, incentive mechanisms will be introduced to allocate more resources to members with outstanding contributions, such as establishing special funds and individual outstanding contribution awards, to stimulate members' enthusiasm. Through the above measures, the cooperative can establish a more sound and efficient financial management and distribution system, improve financial transparency and efficiency, and promote long-term stable development.

4.3. Enhancing Members' Financial Management Literacy

Members of cooperatives are the core strength and beneficiaries of management and operation, so it is crucial to popularize financial management knowledge. Members need to understand financial disclosure information, participate in supervision, and avoid formalism. Government departments should strengthen the training of cooperative business managers, so that they clearly understand the difference between financial management and accounting, and recognize that the finance department is not only responsible for invoices, statements, and tax payment, but also participates in key tasks such as business decision-making, profit distribution, investment planning, and fundraising. Only when managers correctly understand financial management can the work be promoted efficiently. High importance should be attached to the management and training of financial personnel. Financial personnel should be selected through open and transparent assessment and recruitment to avoid internal designation, ensure professional competence, and standardize personnel management.

Concurrently, strengthen financial literacy training for management personnel to enhance their financial management capabilities. Training can be implemented in cooperation with government departments, conducted regularly, and assessed for effectiveness to consolidate the quality of

financial personnel. Furthermore, attention to the financial management knowledge level of management personnel is also crucial, as they are responsible for the development direction and management strategies of the cooperative. The cooperative should provide training opportunities for financial personnel and offer subsidies and incentives to employees who actively improve their capabilities. Despite the difficulty in attracting high-level talent, achieving comprehensive computerized accounting and establishing dedicated financial management office space are conducive to financial information security and the construction of standardized systems. Through these measures, the cooperative can establish a professional and efficient financial management system, providing a guarantee for sustainable development.

4.4. Improve the Internal Financial Management Supervision Mechanism of Cooperatives

Cooperatives shall strictly implement rules and regulations in financial management to ensure standardized and transparent financial activities, and improve the internal supervision mechanism through the following measures. First, formulate reasonable authority regulations to avoid over-concentration of power and reduce the risk of decision-making errors. Decentralizing power can promote democratic decision-making and improve management efficiency. Second, conduct in-depth analysis and feedback of financial information to form a system of ex-ante control, in-process supervision, and ex-post assessment, assess operational risks in a timely manner, and avoid waste and misuse of funds. Third, strengthen internal audit and supervision, establish a supervision mechanism combining the general meeting of shareholders, the board of Supervisors, and members, convene regular general meetings of shareholders to disclose financial statements, strengthen internal audits, and ensure the legality and compliance of financial activities.

Lastly, focus on the segregation of incompatible duties, such as fund approval and payment, accounting and auditing, to ensure the effectiveness of internal control. Through these measures, cooperatives can establish a sound financial management system, improve capital efficiency, and promote healthy development.

4.5. Improve Capital Efficiency and Expand Financing Channels to Cope with Climate Disasters

In capital operation, farmers' professional cooperatives need to prepare budgets scientifically, especially considering the impact of climate disasters such as typhoons on capital liquidity, and reserve emergency funds to cope with unexpected losses. Cooperatives should accurately predict the dual capital needs of daily operation and disaster prevention, establish a dynamic cash management mechanism, ensure compliant capital flow, and strengthen supervision.

By analyzing historical revenue and expenditure data and market trends, idle funds should be reasonably allocated, with priority given to short-term financial products with strong liquidity and moderate risk, or disaster insurance products, to improve the efficiency of capital utilization. In terms of credit management, credit policies can be adjusted for disaster-affected members, such as extending payment terms or providing interest subsidies, while strengthening accounts receivable collection and safeguarding rights and interests in accordance with the law when necessary. To enhance disaster resistance capabilities, cooperatives need to broaden financing channels. In addition to internal financing, they can jointly establish a special disaster credit guarantee mechanism with financial institutions and introduce private capital to establish risk compensation funds. Credit guarantee institutions should combine the typhoon disaster risk assessment system to provide customized financing solutions for cooperatives, while financial institutions should issue post-disaster reconstruction loans through guarantee credit enhancement to help cooperatives alleviate financial pressure.

In addition, cooperatives can also explore the "insurance + credit" model, combining agricultural insurance with financing guarantee to build a more resilient financial security system and ensure sustainable operation even under extreme weather conditions.

5. CONCLUSION

The emergence of cooperatives has driven farmers to unite and form a scale, enhancing their competitiveness. The standardization of financial management is crucial to the development of cooperatives. The better the development of cooperatives, the more help and feedback they can give to farmers. The government and relevant units at all levels in rural areas should actively formulate scientific and effective financial management systems, enhance the prevention and response capabilities of rural cooperatives against financial risks, ensure the long-term sustainable development of rural cooperatives, and realize rural modernization.

In conclusion, agricultural cooperatives need to adopt a series of comprehensive measures in financial management, from improving the financial management system to enhancing the financial management literacy of members, and from establishing internal supervision mechanisms to improving the utilization rate of funds to cope with climate disasters. Each link is crucial to ensure the effective use of funds and the financial health of the cooperative. Through these measures, cooperatives can improve the profitability of funds, enhance market competitiveness, and bring more economic benefits to members.

ACKNOWLEDGMENTS

This work was supported by the Provincial Philosophy and Social Sciences Planning Discipline Co construction Project (No.GD23XGL107)

REFERENCES

- [1] Wanyama, F. O., Develtere, P., & Pollet, I. (2009). Reinventing the wheel? African cooperatives in a liberalized economic environment. *Annals of Public and Cooperative Economics*, 80(3), 361–392.
- [2] Abate, G. T., Francesconi, G. N., & Getnet, K. (2014). Impact of agricultural cooperatives on smallholders' technical efficiency: Empirical evidence from Ethiopia. *Annals of Public and Cooperative Economics*, 85(2), 257–286.
- [3] Majee, W., & Hoyt, A. (2011). Cooperatives and community development: A perspective on the use of cooperatives in development. *Journal of Community Practice*, 19(1), 48–61.
- [4] Chambo, S. A. (2009). Agricultural cooperatives: Role in food security and rural development [Report]. International Cooperative Alliance.
- [5] Ma, W., Zheng, H., Zhu, Y., & Qi, J. (2022). Effects of cooperative membership on financial performance of banana farmers in China: A heterogeneous analysis. *Annals of Public and Cooperative Economics*, 93(1), 5-27.
- [6] Zhong, Z., Jiang, W., & Li, Y. (2023). Bridging the gap between smallholders and modern agriculture: Full insight into China's agricultural cooperatives. *Journal of Rural Studies*, 101, 103037.
- [7] Yu, L., Nilsson, J., Zhan, F., & Cheng, S. (2023). Social capital in cooperative memberships and farmers' access to bank credit—evidence from Fujian, China. *Agriculture*, 13(2), 418.
- [8] Kong, S. T., & Loubere, N. (2021). Digitally down to the countryside: Fintech and rural development in China. *The Journal of Development Studies*, 57(10), 1739-1754.
- [9] Fulton, M., Hueth, B., & Lavoie, N. (2001). Cooperative conversions, failures and restructurings: An overview. *Journal of Cooperatives*, 16, 1–4.
- [10] Nilsson, J. (2001). Organisational principles for cooperative firms. *Scandinavian Journal of Management*, 17(3), 329–356.
- [11] Borgen, S. O. (2001). Identification as a trust-generating mechanism in cooperatives. *Annals of Public and Cooperative Economics*, 72(2), 209–228.
- [12] Valentinov, V. (2004). Toward a social capital theory of cooperative organization. *Journal of Cooperative Studies*, 37(3), 5–20.

- [13] Iliopoulos, C., & Cook, M. L. (2013). The efficiency of internal resource allocation decisions in customer-owned firms: The role of governance mechanisms. *International Journal of Agricultural Resources, Governance and Ecology*, 9(1/2), 12–27.
- [14] Bijman, J., Hanisch, M., & van der Sangen, G. (2014). Shifting control: The changes of internal governance in agricultural cooperatives in the EU. *Annals of Public and Cooperative Economics*, 85(4), 641–661.
- [15] Atmadja, A. T., Saputra, K. A. K., Tama, G. M., & Paranoan, S. (2021). Influence of human resources, financial attitudes, and coordination on cooperative financial management. *The Journal of Asian Finance, Economics and Business*, 8(2), 563-570.
- [16] Bontis, N., Ciambotti, M., Palazzi, F., & Sgro, F. (2018). Intellectual capital and financial performance in social cooperative enterprises. *Journal of Intellectual Capital*, 19(4), 712-731.
- [17] Khadka, C., Pandey, G., Poudel, A., & Cudnilova, E. (2024). Assessing financial management practices and accounting mechanisms in agricultural cooperatives: A case study from Nepal. *Management*, 12(3), 146-171.
- [18] Nair, A., & Kloeppinger-Todd, R. (2007). Reaching rural areas with financial services: lessons from financial cooperatives in Brazil, Burkina Faso, Kenya, and Sri Lanka. *Agriculture and Rural Development Discussion Paper*, (35).
- [19] Ortmann, G. F., & King, R. P. (2007). Agricultural cooperatives I: History, theory and problems. *Agrekon*, 46(1), 40–68.