

Research on the Bankruptcy Ability of Rural Collective Economic Organizations From the Perspective of Functional Evolution of Bankruptcy

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Concerns that the bankruptcy of rural collective economic organizations may negatively impact the development and growth of the rural collective economy or even threaten the socialist public ownership system in China's rural areas often stem from a misunderstanding of the function of bankruptcy. Such misunderstanding dwells upon the function of bankruptcy in its initial stage. Bankruptcy is merely a means of settling credits and debts. When viewed from the functional evolution of bankruptcy, undergoing bankruptcy proceedings is not equated with the termination of legal subject status, nor would it pose any threat to China's rural socialist public ownership system. Provided that the market subject status of rural collective economic organizations is established, and their profit-oriented attributes are recognized, the bankruptcy mechanism offers a means and method for these organizations to resolve debt crises in times of financial distress, thereby assisting them in fulfilling their economic responsibilities. Denying the bankruptcy ability of rural collective economic organizations may seem protective, but in reality, it is detrimental.

Keywords: rural collective economic organizations, market subjects, collective economy, bankruptcy function, bankruptcy ability

Introduction

At the end of the year 2022, the Law of the People's Republic of China on Rural Collective Economic Organizations (Draft) (hereafter referred to as "Draft") was published on the website of China's National People's Congress for public opinions. The Draft consists of eight chapters with a total of 68 articles, providing comprehensive regulations on fundamental issues related to rural collective economic organizations. Of particular note is Article 6, Paragraph 1 of the Draft, which explicitly prohibits rural collective economic organizations from declaring bankruptcy. According to the Legislative Work Plan of the Standing Committee of the National People's Congress for the Year 2023, the Draft is scheduled for a second review by the end of year. Both academia and the communities of law practice agree that an in-depth discussion of this issue remains essential to ensure

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that the legislation is more scientifically drafted, to better serve the promotion of the development of rural collective economic organizations, and to consolidate the foundation of the rural public ownership system. According to the Legislation Law, a new statute typically should undergo “three readings” before it can be reviewed and passed. This process affords us the time and opportunity to engage in further deliberation regarding whether rural collective economic organizations should have the ability to go bankrupt. Through these discussions and debates, we seek to bring valuable insights to the legislation.

Presentation of Problem

Academic research on the bankruptcy ability of rural collective economic organizations can be broadly categorized into comprehensive studies and specialized studies. Comprehensive studies delve into whether rural collective economic organizations have the capability to file bankruptcy when addressing related issues concerning them. In comparison to the abundant literature in comprehensive studies, research outcomes in specialized studies appear relatively scarce. As of August 31, 2023, a search on the China National Knowledge Infrastructure (CNKI) using the title “bankruptcy of collective economic organizations” yielded only two academic papers. Within the existing body of research, two contrasting viewpoints have emerged: the non-bankruptability theory and the bankruptability theory.

Non-bankruptability Theory

The non-bankruptability theory asserts that rural collective economic organizations cannot settle credits and debts through bankruptcy procedures in the same way as other market entities (Chen, 2018). These organizations not only fulfill economic functions but also bear political responsibilities and duties related to social security and public services, all contributing to the realization of public ownership. Therefore, they cannot simply declare bankruptcy (Qu, 2018). This view constitutes the core argument for why rural collective economic organizations lack the ability to declare bankruptcy. Some scholars further justify this argument by emphasizing the uniqueness of rural collective economic organizations’ assets and the complexity of their functions. They argue that the bankruptcy of rural collective economic organizations is unnecessary, as these organizations are not actual market participants engaged in operational activities. It is not conducive to enhancing the interests of various parties; in fact, it may even lead to significant systemic risks and incur institutional costs far greater than the benefits. Starting from the perspective of bankruptcy procedures, it is also argued that their bankruptcy is not feasible (Fang & Ma, 2022). Another line of reasoning draws an analogy, arguing that farmers’ collectives, as the manifestation of public ownership, cannot go bankrupt. Therefore, rural collective economic organizations, which exercise rights on behalf of the farmers’ collectives, cannot go bankrupt, either. Similarly, governmental and self-governing entities, which are also special legal persons, cannot go bankrupt either (Wang, 2021).

Bankruptability Theory

The bankruptability theory, on the other hand, contends that rural collective economic organizations do possess the ability to declare bankruptcy and should be allowed to do so. This theory can be further divided into two subcategories: the termination theory and the continuation theory. The termination theory includes the de-facto existence termination theory and the inevitable termination theory. The de-facto existence termination

theory suggests that when rural collective economic organizations undergo bankruptcy liquidation and deregistration, it signifies the termination of their legal status as special legal persons, but the rural collective economic organizations as factual entities do not cease to exist (Zhang & Cheng, 2022). The theory of inevitable termination posits that when rural collective economic organizations operate poorly and experience financial insolvency, they should undergo bankruptcy liquidation in accordance with the relevant market entity's exit rules. Subsequently, they should be deregistered, resulting in the termination of their legal status (Xu, 2020). The continuation theory, in turn, includes the limited continuation theory and the natural continuation theory. The limited continuation theory proposes that if a rural collective economic organization successfully improves its financial situation during bankruptcy reorganization or settlement, its existence shall continue. Termination will only occur after bankruptcy liquidation (Wu, 2021). The natural continuation theory asserts that rural collective economic organizations, in the event of bankruptcy, should adhere to the principle that rural collective economic organizations persist as long as the collective exists and should not be dissolved due to bankruptcy liquidation (Zhang, 2021). In concrete terms, debt exemption for bankruptcy should be incorporated into the bankruptcy system for rural collective economic organizations. The bankruptcy process should serve as an opportunity for their revival and should not impact their ongoing existence (Cui, 2022).

In the Explanations of the Law of the People's Republic of China on Rural Collective Economic Organizations (Draft) (hereafter referred to as "Explanations"), it is mentioned that, in order to protect collective land ownership, rural collective economic organizations are not allowed to go bankrupt. The Explanations also recognizes the potential debt risks and proposes that rural collective economic organizations may establish companies, specialized farmers' cooperatives, and other market entities in accordance with the law and bear debt liability up to the limit of their contributions (Chen, 2022). The use of the word "may" instead of "must" or "shall" in the Draft implies that rural collective economic organizations are not prohibited from directly participating in operational activities. Moreover, from relevant provisions, it can be inferred that these organizations are indeed permitted to directly engage in operational activities. Involvement in operational activities can potentially expose them to the risk of defaulting on debts. Even if risks could be segregated through the establishment of enterprises, they do not necessarily eliminate the risk of debt default. Of course, assuming that rural collective economic organizations possess bankruptcy ability, according to academic viewpoints, it does not necessarily lead to their termination. Moreover, even in the event of bankruptcy, land ownership should fall under exempted assets, and there should not be an issue about the transfer of land ownership due to bankruptcy. Indeed, whether rural collective economic organizations can have bankruptcy ability ultimately hinges on the understanding of the functions of bankruptcy. This issue demands systematic analysis and a return to fundamental principles.

Functions of Bankruptcy and the Possibility of Bankruptcy for Rural Collective Economic Organizations

The Initial Function of Bankruptcy

In regions with active economies, disputes over credits and debts often emerge. When a debtor is unwilling or unable to fulfill their obligations, it becomes imperative to protect the creditors' interests. Historical evidence suggests that the earliest written law addressing such debt settlement issues is the Code of Hammurabi, enacted before 1750 BC. It stands as the most extensive and complete existing compilation of ancient Babylonian legal

texts worldwide. This code stipulated that when a debtor could not or would not repay their debts, their relatives could step in to pay off the debts by providing labor and regain their freedom after a specified period. The Twelve Tables, enacted by the ancient Romans around 2,500 years ago, further established that a debtor, if unable to repay their debts due to insufficient assets, should discharge the debt with their own person. These rules for settling debts and credits not only aimed at safeguarding creditors' interests but also placed significant emphasis on personal penalties for debtors. In terms of specific institutional design, these rules applied to debts and credits involving natural persons and can be seen as the embryonic stage of bankruptcy systems, although it is difficult to claim that any fully established bankruptcy system existed during that era.

Thereafter, during the reign of Emperor Augustus in ancient Rome, the concept of *cessio bonorum* was introduced in the *Lex Julia* on Jurisdiction. In the Middle Ages, despite the dominance of religion in social governance, the rise of commerce along the coasts of the Mediterranean in Europe led to the emergence of commercial self-governing law and commercial customary law. Bankruptcy proceedings began to be specifically applied to merchants but continued to exhibit a strong punitive element due to the prioritization of protecting creditors' interests (Liu, 2010). During the Napoleonic era, the French Commercial Code was promulgated. Drawing upon the principles of commercial self-governing law and commercial customary law, it formalized the doctrine of merchant bankruptcy in the form of a written code, offering comprehensive regulations on merchant bankruptcies. Nevertheless, it consistently focused on safeguarding creditors' interests (Nie, 2013).

The Functional Evolution of Bankruptcy

In 1706, in Britain, the Statute of Anne introduced a bankruptcy exemption system, signifying the shift from a bankruptcy system primarily focused on protecting creditors to one that also took into account the interests of debtors. Some scholars go as far as to argue that the bankruptcy exemption system is the dividing line between modern bankruptcy law and traditional bankruptcy law, and should be recognized as the soul of modern bankruptcy law (Xiang & Zhang, 2020). A typical example illustrating the functional evolution of bankruptcy is the Bankruptcy Act of 1978 in the United States, which underwent significant amendments in 2005. Within this legislation, bankruptcy inherently embodies the concept of "financial rehabilitation". Through the bankruptcy process of "rebirth through fire", both creditors and debtors have the opportunity to continue their existence, departing from the traditional winner-takes-all approach in bankruptcy cases and avoiding posing moral condemnation and legal sanctions against debtors. Under the concept of "financial rehabilitation", on the one hand, debtors are obligated to honestly liquidate their existing assets, utilizing all available assets except exempted assets for debt repayment. On the other hand, as a trade-off, the debtor will no longer be liable for any remaining portion of the debt (Tabb, 2017). This approach of exempting debt and providing protection for certain exempted assets (non-liable assets) shields debtors from becoming perpetual debtors burdened by overwhelming debts resulting from business failures, and it offers them an opportunity for a fresh start. Undoubtedly, this creates a social safety net with potential benefits for everyone, underscoring the humanitarian aspect of the law. Indeed, when taking into account the multitude of stakeholders impacted by the deregistration of a market entity, addressing its debt crises through bankruptcy rescue procedures while preserving the entity's legal existence through exemptions during bankruptcy liquidation also contributes to the continued and stable operation of the market economy and carries greater value. At this juncture, bankruptcy and business closure

have diverged. Bankruptcy no longer focuses solely on debt repayment and the punishment on debtors but is embedded with a rescue culture (Xu & Wu, 2021). Additionally, the term bankruptcy has shifted from being pejorative to neutral, becoming a method for balancing the interests of creditors and debtors in dealing with credit and debt matters.

In 1986, the Enterprise Bankruptcy Law (For Trial Implementation) introduced a bankruptcy system for state-owned enterprises, while the 1991 Civil Procedure Law established a bankruptcy system for non-state-owned enterprises. In terms of their concepts, both legislations were still in the early stages of bankruptcy functions, primarily concentrating on bankruptcy liquidation. The 2006 Enterprise Bankruptcy Law standardized regulations for all enterprises with legal person status. Building upon bankruptcy liquidation, it introduced bankruptcy settlement and bankruptcy reorganization. This marked a significant transformation in the concept of bankruptcy. In 2020, the Regulations of Shenzhen Special Economic Zone on Personal Bankruptcy introduced a personal bankruptcy system, which seeks to facilitate the economic rejuvenation of honest debtors. This represented a significant breakthrough in China's bankruptcy system.

In light of this, within the framework of the functional evolution of bankruptcy, bankruptcy only serves as a mechanism for debt settlement. Undergoing bankruptcy proceedings does not inherently result in the termination of rural collective economic organizations.

Settlement of Credits and Debts and the Necessity of Bankruptcy for Rural Collective Economic Organizations

Market Competition and Possible Insolvency

Alongside the reform of rural collective property rights, reshaping rural collective economic organizations has also been put on the agenda. Rural land owned by collectives is the property of the farmers' collectives. The practice of establishing the right to operate sub-contracted land on collectively owned land originated from sub-contracting the land owned by the collective to farmers' households. Since the later stages of the first round of sub-contracting, the sub-contracting relationship has remained relatively unchanged. This policy has persisted to the present day. The establishment of the right to use a homestead, with its legal foundation dating back to 1962, involves elements of public law intervention, and the right itself has no time limit. From this perspective, reshaping rural collective economic organizations is not solely aimed at representing rural collectives in establishing the right to contractually manage land for farmers' households or assisting in establishing the right to use a homestead. These tasks can be carried out by villagers' committees without the need to create specialized institutions, which would only increase the cost of institutional operation. Reshaping rural collective economic organizations aims to empower these entities to represent the farmers' collectives in exercising their collective property rights. Preserving and appreciating the value of collectively operated assets is the primary focus and responsibility of collective economic organizations when acting on behalf of the collectives to exercise their ownership rights (Zhang, 2021). Based on this, "the benefits generated by the development of rural collective economic organizations serve as a motivating force for farmers and social investors" (Xie, Xiao, & Wang, 2021, p. 93). Rural collective economic organizations should not merely function as custodians; instead, they should fully leverage collective resources and expand opportunities for collective economic development to make a substantial contribution to comprehensive rural revitalization.

During the process of reshaping rural collective economic organizations, a clear distinction is drawn between the functions of villagers' committees, which function as self-governing bodies for villagers, and those of rural collective economic organizations. The former primarily focus on self-governing functions, while the latter are built upon economic functions and by nature characterized as private legal persons (He, 2023). Nevertheless, within the academic community, there is an ongoing debate about whether rural collective economic organizations should be involved in managing collectively owned assets or directly engage in operational activities related to these assets. Different perspectives include the profit-oriented theory, asset management theory, and multifunctionality theory, etc.

The profit-oriented theory argues that the profit-oriented nature is at the core of rural collective economic organizations; without it, they would lack a sustainable foundation (Xu & Cui, 2018). Land is a resource asset, and collective land ownership plays the role of upholding the public ownership system. Utilizing these resource assets for operational activities can not only promote growth and reinforce the strength of rural collective economies but also foster agricultural prosperity and increase farmers' income. The objective of reforming rural collective economic organizations is to transform them into genuine market entities (Yu, 2016). We should restore the economic organizational nature of rural collective economic organizations, strengthen their economic functions, and reduce their social functions (Guan, 2022). Some scholars even argue that rural collective economic organizations are considered for-profit legal persons within the framework of the Civil Code (Guo, 2019). The asset management theory suggests that rural collective economic organizations should independently engage in collective asset operations in accordance with the law (Wang, 2021). Asset operation typically constitutes a core component of asset management, which helps avoid market risks associated with direct operational activities and protects rural collective economic organizations from excessive debt burdens, thereby enabling them to better fulfill their functions and realize their value. The multifunctionality theory argues that rural collective economic organizations serve as the main actors in implementing the basic rural management system. They perform multiple functions that encompass not only the pursuit of economic efficiency but also the provision of public services (J. G. Gao & G. J. Gao, 2008). Some scholars even believe that rural collective economic organizations possess attributes of the legal persons who are public interest associations with a public law nature (D. Han, L. D. Han, Shi, & Wang, 2017).

In response to these debates, some scholars propose an "externalization of the embedding" approach. During the process of reshaping rural collective economic organizations, collective operational assets are typically "embedded" within the shareholding cooperation of rural collective economic organizations. However, this approach may not effectively eliminate risks. Therefore, it is suggested that the equity cooperation involving collective operational assets should shift from an "embedded" model to an "externalized" one. This entails stripping rural collective economic organizations of their direct operational functions and allowing collective operational assets to circulate freely in the market. Unlike resource assets such as land and non-operational assets, operational assets, once quantitatively assessed in terms of their equity, do not necessitate the nature of closed circulation or equality as statutory requirements. Conversely, the circulation of equity is an inevitable trend. Under the "externalization" mode, they may be named as "Joint-Stock Cooperative Enterprise of the Township (Village, Group) of XXX" and borrow relevant practices in corporate governance structures (Song, 2022). This perspective is essentially in line with the asset management theory. Rural collective economic organizations

typically do not directly engage in operational activities. If they need to do so, they should establish new business entities or collaborate with other market entities.

With rural collective economic organizations being defined as a specific type of legal person, their involvement in operational activities as market entities will become commonplace. Furthermore, among the reasons for designating rural collective economic organizations as special legal persons, transforming them into market entities is also an important one. The Supreme People's Court, in explaining these reasons, has explicitly stated that establishing the legal-person status of rural collective economic organizations is a manifestation of equal protection for all types of market entities, which shall diversify the methods of realizing collective economies and enhance their vitality. Central documents have also consistently emphasized the market entity status of rural collective economic organizations. While arguments in favor of the asset management theory and the multifunctionality theory have their merits, they often sidestep or even negate the market entity status of rural collective economic organizations. This fails to capture the value orientation of reshaping these organizations. To elaborate, from a historical perspective, although rural collective economic organizations have their origins in the people's commune system of the planned economy era, they inevitably exhibit significant differences from the latter in the context of the new era. While rural collective economic organizations bear the economic responsibility of preserving and increasing the value of collective assets, achieving their economic functions requires acknowledging their status as market entities, granting them the right to participate in market activities, and recognizing their profit-oriented nature. Such profit-driven nature of rural collective economic organizations is constrained by their special legal-person status, which allows these organizations to manifest specific unique features conferred by policy in their capacity as market participants. However, as market participants, they must engage in market competition and may encounter both gains and losses. As stated, market risks always exist in market transactions, and expect to always make profits without suffering any losses would diverge from the principles of a market economy (Xu & Shi, 2020). This suggests that rural collective economic organizations can directly use operational assets for economic activities and establish credit and debt relationships with the parties they transact with. Since debt is built on creditworthiness, if these organizations are mismanaged, it could result in a credit crisis and potentially lead to financial distress where their assets are insufficient to cover their debts.

Resolving Financial Distress

While their missions and responsibilities may differ from those of typical market entities, rural collective economic organizations, as participants in economic activities, share the necessity of preserving and increasing the value of collective assets through profit-oriented activities. Consequently, they encounter similar challenges when managing debt relationships. Given the strong connection between financial distress and rural collective economic organizations, there are significant uncertainties regarding whether isolating these organizations from bankruptcy mechanisms can effectively address their crisis and accomplish the crucial mission of developing and fortifying the rural collective economy. As collective economic organizations become increasingly market-oriented, collective assets will also align with the development trajectory of state-owned assets (Li & Zhu, 2022). If rural collective economic organizations engage in business activities and become insolvent due to mismanagement, effective resolution will become necessary. Depriving rural collective economic organizations of the ability to declare bankruptcy and thereby preventing their termination would obstruct the path to effectively

resolve their debt crises and may even facilitate unlimited debt expansion. This would significantly impede the development and growth of the rural collective economy. From both theoretical and legal text standpoints, debt repayment is a fundamental principle. When a rural collective economic organization finds itself unable to discharge its debts with the assets and is unable to use bankruptcy proceedings to address its credit and debt relationships, members of this organization will have to tighten their belts and refrain from distributing dividends until the debts are paid off. Moreover, when the rural collective economic organization has significantly eroded its credibility, other market entities, acting rationally and in an effort to mitigate risks, are unlikely to engage in further business activities with such an organization. As a result, the development and growth of rural collective economic organizations may become a castle in the air.

For creditors of rural collective economic organizations, the absence of a fair debt repayment mechanism leaves them without a certain expectation and may foster opportunistic behavior. Creditors with access to inside information could potentially secure preferential repayment opportunities, which will pose a significant threat to transaction integrity and hinder the advancement of business activities. Such practices run counter to the functioning mechanisms of a market economy. Bankruptcy is merely a tool and method for rural collective economic organizations to address debt crises during financial distress, not a means to strip them of their legal status. By excluding the possibility of repaying debts with resource assets ownership rights and non-operational assets, the bankruptcy of the rural collective economic organizations will not jeopardize the achievement of the public ownership system in rural areas. Bankruptcy liquidation procedures possess the function of debt exemption, which can be beneficial for members of rural collective economic organizations (Gao, 2022). If financial distress is not effectively addressed through debt resolution, it is akin to neglecting a severe illness and failing to seek timely treatment, ultimately leading to a situation beyond cure. It is imperative to grant rural collective economic organizations the ability to declare bankruptcy to address their debt crises. Denying them this ability may seem protective but can ultimately be detrimental.

Key Issues in the Bankruptcy of Rural Collective Economic Organizations

Bankruptcy Initiation, Liability Assets, and Bankruptcy Fraud

In terms of the fundamental rules of bankruptcy, both creditors and debtors may apply to initiate bankruptcy proceedings for rural collective economic organizations. Bankruptcy for rural collective economic organizations should be predicated on the condition that the organization has lost the ability to repay its debts or possesses insufficient assets to cover all of its debts. Once a court issues an order to accept a bankruptcy application, the rural collective economic organization in question is prohibited from conducting any business activities, except for essential operational activities approved by the court. A specific inspection period should be established following the declaration of bankruptcy for the rural collective economic organization. During this inspection period, relevant economic activities may be conducted, but the organization must provide reports of its income and related information to the court on a monthly basis.

Some scholars believe that only by segregating rural collective economic organizations from bankruptcy risks can we avoid endangering the security of collective land in rural areas (Chai, 2021). This perspective in fact blurs the distinction between bankruptcy liability assets and exempted assets and should not be adopted. As one scholar has expressed, the crucial aspect of the system lies in determining which property of the rural collective

economic organizations can be included in the bankruptcy assets (Yang & Liu, 2016). The nature of the property owned by rural collective economic organizations defines the boundaries between liability assets and exempted assets. This delineation, in turn, effectively addresses concerns about undermining the socialist public ownership system in rural areas, making it the core basis for legitimizing the granting of bankruptcy ability to rural collective economic organizations. For rural collective economic organizations, ownership with the nature of resource assets and non-operational assets holds a strong public interest attribute and may even carry the political responsibility of upholding the socialist public ownership system in rural areas. Therefore, they should be categorized as exempted assets. In contrast, operational assets, as they are not enough to cause intended changes and the loss of collectively owned immovable land assets or the loss of the survival security of collective members, should be categorized as bankruptcy liability assets (Chen & Zhou, 2022).

Similar to regulations in cases involving other market entities, during the bankruptcy of rural collective economic organizations, measures should also be taken to prevent fraud, intended to evade debts, harm creditors' interests, and disrupt market order. In general, if rural collective economic organizations and their persons in charge engage in any of the following behaviors, it may be considered a case of bankruptcy fraud: first, falsifying documents, such as fabricating debts or acknowledging debts that do not exist; second, inappropriately disposing of assets, like intentionally concealing assets or maliciously disposing of them.

Transition Between Bankruptcy Liquidation and Bankruptcy Reorganization

In bankruptcy reorganization, rural collective economic organizations, with authorization, can continue their business operations based on their anticipated future income. Debtors or bankruptcy administrators draft a reorganization plan and present it for approval at a creditors' meeting, which is then subject to approval by the court through a ruling. The repayment ratio in the reorganization plan should generally not be lower than the repayment ratio under the liquidation state. Some scholars suggest that only the reorganization procedure should be applied to rural collective economic organizations, and not the liquidation and settlement procedures (Zhou, 2021). This viewpoint is open to debate. Firstly, bankruptcy reorganization is contingent upon the fact that such a process is still possible. If reorganization is no longer necessary, the mechanism loses its value. Forcing reorganization may only worsen the debt situation of the rural collective economic organization in question. Secondly, when formulating a reorganization plan in a bankruptcy reorganization case, the repayment ratio of creditors' claims is typically not lower than the repayment ratio in a bankruptcy liquidation scenario. Otherwise, creditors would be unlikely to consent to the reorganization. Thirdly, resolving debt relationships through bankruptcy liquidation does not necessarily result in the termination of rural collective economic organizations. There is also no imperative need to establish new types of collective economic organizations, as doing so would only raise the operational institutional costs and might not yield substantial practical benefits.

While bankruptcy reorganization is intended to rescue distressed organizations, it is subject to certain limitations and conditions. Additionally, the initiation of bankruptcy reorganization is not always a necessity. Bankruptcy liquidation, when coupled with bankruptcy exemption, can help prevent the dissolution or ongoing liability of rural collective economic organizations following bankruptcy liquidation. The transition between bankruptcy reorganization and bankruptcy liquidation underscores the significance of the bankruptcy system for rural collective economic organizations in rescuing these organizations in distress and allowing for tolerance of failures.

Conclusion

Reshaping rural collective economic organizations and improving their governance structures offer institutional support for their business and management endeavors. Granting bankruptcy ability to rural collective economic organizations is an integral component of their governance structures, serving as a critical measure to assist them in resolving debt crises and facilitating their rejuvenation. In the legislative practice of rural collective economic organization laws, we should abandon the mindset rooted in the initial function of bankruptcy and keep in step with the evolving functions of bankruptcy. By embracing a strategy that includes bankruptcy exemption while maintaining the existence of rural collective economic organizations, we can establish effective institutional safeguards for their sustainable operation. This will enable these organizations to more effectively fulfill their responsibilities and functions, thereby contributing to comprehensive rural revitalization and the common prosperity of farmers.

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