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Construction of Capital Going to the Countryside and the Sustainable Livelihood Model for Farmers

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Abstract

Capital going to the countryside is an inevitable trend in urban-rural integration and an intrinsic requirement for rural revitalization. This paper employs theoretical analysis and literature review methods to explore the impact of capital inflows on farmers' livelihoods and the construction of a sustainable livelihood model for farmers. The findings indicate that capital going to the countryside has both optimizing and disruptive effects on the livelihood environment and livelihood capital of farmers. Farmers' livelihoods are influenced by factors such as the scale of capital, the embeddedness of capital, regional characteristics, the policy environment, and the role positioning of grassroots governments. The construction of a sustainable livelihood model for farmers depends on enhancing the embeddedness of capital within social structures, optimizing the scale and structure of capital, fostering positive interactions, improving the alignment between benefit-sharing models and regional conditions, and achieving both structural and institutional transformation. Additionally, optimizing the policy environment and clarifying the role of grassroots governments are critical to this process.

Keywords: Capital Going to the Countryside; Urban-Rural Integration; Farmers' Livelihoods; Sustainable Livelihoods

1. Introduction

China′s rural areas are currently undergoing a critical phase of revitalization and development. The inflow of large amounts of capital into these areas has become a central element in the rural development strategy, reflecting both governmental policy and market dynamics (Zuo et al, 2021). This capital influx has significantly reshaped the rural landscape by improving labor and land configurations, enhancing resource allocation efficiency, and offering farmers greater livelihood opportunities. However, these changes also bring substantial disruptions to traditional livelihoods and established agricultural practices, raising concerns about the long-term sustainability of these shifts (He, 2014; Tu, 2014). Understanding the full impact of capital inflows is therefore crucial, as it directly affects the livelihoods of farmers and the future of rural development.

Farmers' livelihoods are central to the prosperity of rural economies and the well-being of rural communities. A sustainable livelihood, as defined in the context of rural development, refers to the ability of individuals or households to maintain or improve their standard of living in the face of economic, social, and environmental challenges. This can be achieved through the use of various forms of livelihood capital, such as human, social, natural, and financial assets (Chen et al, 2018). A livelihood is considered sustainable if individuals are able to withstand environmental shocks, recover from adverse conditions, and maintain or enhance their capabilities and assets for future generations without depleting natural resources. This study operationalizes the concept of sustainable livelihoods by examining the interaction between these forms of capital and the resilience of farmers to external changes and disruptions.

A key concept in this study is “capital embeddedness,” which refers to the integration of capital investments within local social, cultural, and economic contexts. The embeddedness of capital influences how external investments interact with local communities and economies, affecting both the effectiveness of these investments and the long-term sustainability of rural development (Feng, 2014; Guo, 2011). By examining capital embeddedness, this paper aims to show how investments that are deeply integrated into local social networks and cultural contexts are more likely to foster positive and sustainable development outcomes. The operationalization of this concept in the study will clarify how capital embeddedness can enhance farmers′ livelihoods by reducing transaction costs and fostering more equitable benefit-sharing models.

The academic debate regarding the impact of capital flowing into rural areas is divided into two opposing viewpoints. One perspective argues that external capital has the potential to transform traditional small-scale farming economies by utilizing modern development methods, thus improving resource use efficiency, promoting economic growth, and optimizing the allocation of labor in rural areas (Feng, 2014; Guo, 2011). On the other hand, some scholars contend that the introduction of external capital may disrupt traditional farming practices and force farmers to abandon their livelihoods, resulting in a shift from agricultural labor to industrial work. This shift could lower farmers′ income and exacerbate rural poverty, especially among small farmers (Ding et al, 2016). This paper aims to explore these opposing views and assess the conditions under which capital inflows can support sustainable livelihoods, with a focus on factors such as capital scale, embeddedness, regional characteristics, policy environment, and the role of grassroots governments.

2. Impact of Capital Going to the Countryside on Farmers' Livelihoods

2.1. Impact on Farmers' Livelihood Environment

(1) Influence on Farmers' Livelihood

The foremost effect of capital going to the countryside is the gradual dilution of farmers' identity, leading to a forced specialization of agriculture(Geng et al, 2021). This, in turn, increases farmers' development opportunities. Additionally, capital concentration accelerates land aggregation, transforming land from fragmented plots into larger, concentrated areas. This forces farmers who lose land to seek employment in cities (Yang & Zhao, 2009). Furthermore, the influx of capital fosters the creation of new agricultural business entities, allowing farmers to engage with capital and absorb more labor force(Li et al., 2009). The substantial capital inflow also creates new job opportunities in rural areas, attracting former migrant workers back to the countryside, thus bridging the talent gap in rural regions(Wu et al., 2020).

The impact of capital on farmers' livelihood environment is multifaceted. First, as land is transferred, farmers can no longer rely on land to ensure their basic living standards, potentially leading to a loss of livelihood security(Yang, 2017). Second, as profit spaces are divided, the interests of small farmers are squeezed (Zhao et al, 2021).. Third, the lack of institutional protection exacerbates the situation. When farmers' interests are compressed, capital assumes control over market transactions and discourse, causing farmers to relinquish their well-cultivated land to enterprises for loans (He, 2014). Although farmers receive dividends, their personal income is significantly impacted, leading to a sharp decline in their earnings(Zuo et al, 2021).

(2) Disruption of Farmers' Livelihood Environment

Firstly, the scale of land transfer has expanded significantly, threatening farmers' livelihoods. In land transfers, urban industrial and commercial capital exacerbates the capitalization of land, directly impacting the stability of farmers' land transfer income(Wang, 2015). Farmers must sacrifice land resources while facing the risks and uncertainties associated with unstable development. At the same time, the stability of farmers' income has significantly decreased, offering no solid guarantees(Wu et al, 2021).

Secondly, the shrinking profit space affects the survival and development of small farmers. Collaborations between industrial capital and local officials create a fragmented interest group in rural development(Ding et al, 2016). In small-scale farming transactions, farmers are often squeezed by multiple parties, affecting the fairness of the transactions(Feng, 2014). Thirdly, the lack of institutional guarantees damages farmers' interests. Capital has a strong squeezing effect on small farmers, with capital enjoying an absolute advantage in market transactions(Zuo et al, 2021). As a result, many family farms must sign management agreements with enterprises(Guo, 2011). The government, focusing on political achievements, forms cooperative relationships with enterprises but fails to adequately consider the resource stocks of landless farmers and their future livelihood development. Moreover, deficiencies in institutional construction have exacerbated farmers' livelihood burdens.

2.2. Impact on the Formation and Accumulation of Livelihood Capital

(1) Human Capital

Capital elements represent farmers' overall knowledge level and technical acquisition capabilities, which subsequently determine the extent to which large-scale farmers can access other capital resources (Dong and Zhao, 2019). Affected by the urban-rural dual structure, farmers often have limited education, and many young adults migrate to cities for work, leaving behind middle-aged and elderly individuals in rural areas. After capital flows to the countryside, there is more policy and resource support, attracting farmers who have made achievements in cities to return to the countryside, thus providing rural areas with capital and technical support, benefiting human capital accumulation. Additionally, the influx of external capital creates higher demand for labor, enabling farmers to smoothly enter enterprises, where they can both access better work platforms and acquire more advanced knowledge and skills (Hong et al, 2018).

(2) Material Capital

Housing, roads, agricultural materials, and other essential infrastructure constitute material capital for farmers. Farmers' material capital can enable self-sufficiency, while also benefiting from state policies and material support (Liu and Xue, 2019). After capital flows to the countryside, the differentiation of material capital becomes more pronounced. General farmers can benefit more quickly from collaboration with enterprises, thereby increasing investment in housing construction and agricultural material procurement (Wan and Su, 2016). In contrast, small farmers have relatively little material capital, directly affecting their survival and development. Furthermore, some farmers, influenced by the "farmers moving upstairs" policy, use compensation for demolishing old houses to relocate to new districts. However, the lack of infrastructure in these new areas has led to dissatisfaction among farmers.

(3) Optimizing Structures Deeply, Increasing the Contradiction Between Supply and Demand for Capital

Financial capital represents the total amount of funds available to farmers, mainly consisting of government subsidies, deposit interest, and operating income (Wu and Jin, 2021). Before capital flowed to the countryside, farmers primarily relied on agriculture and livestock for economic profits, but the profit level was low, and small farmers' scale was small and fragmented, making it difficult to generate significant profits. After capital flows to the countryside, the demand for land and labor has significantly increased. With the introduction of advanced production factors, agricultural production efficiency has improved, and farmers' income structure has been optimized. Some farmers have even entered enterprises that relocated to the countryside, enriching their income sources and improving their economic levels (Ye and Zhang, 2009). However, the influx of capital has exacerbated the contradiction between the supply and demand for capital. As capital shifts towards agriculture, farmers' investment needs have significantly increased, but loan issues affect the continuity of capital supply. The increasingly strict requirements for bank loans, such as the need for collateral, hinder farmers' access to sufficient funds.

(4) Diversification of Land Management and Increased Operating Risks

In agricultural production, natural capital, especially land, is crucial to farmers' survival (Zhou and Lu, 2018) . Natural capital significantly influences the livelihood environment and the livelihood of farmers. Farmers' natural capital mainly consists of land area and land productivity. The size of land reflects the scale of land available, while land productivity measures the profit level farmers can obtain from the land. Capital going to the countryside has significantly impacted farmers' natural capital. On the one hand, it has enriched land management models, allowing farmers to choose land transfer or land trusteeship, among other models. Although the amount of land managed has decreased, it has created higher economic returns for farmers(Cheng, 2009). On the other hand, capital has promoted the intensive management of land, improving the attached economic value of land and the productivity of land products. Due to the low planting profits and the small scale and dispersed nature of small farmers, it is difficult for them to earn a profit from agricultural production. Capital going to the countryside has brought demand for land and labor suitability. By introducing advanced production elements, capital has significantly improved agricultural efficiency, and farmers' income from land has also increased.

(5) Improving Social Networks and Forming Stable Profit-Sharing Groups

Social capital has strong non-restrictive characteristics(Cheng, 2009). Capital flowing to the countryside has affected existing social networks in rural areas, and farmers will make different livelihood choices. Relationship orientation is an important feature of farmers' interactions, with personal relationships playing a key role. In the past, farmers engaged in similar production and transaction activities that were closely related. After capital flows to the countryside, rural social resources become more abundant, and new social networks are formed. However, the existing social structure in rural areas leads to significant disparities among social members in terms of resources. Small farmers, who have a strong family-based network, find it difficult to form emotional connections with external capital. External capital, focused on economic gain, tends to establish stable communication and cooperation with farmers who have strong family ties, forming alliances that then suppress small farmers. As a result, the distribution of benefits becomes more apparent after capital flows to the countryside, with large agricultural enterprises and rural entrepreneurs holding a significant portion of capital, thus forming stable capital interest alliances.

3. Key Factors in the Sustainable Livelihood Model for Farmers

The scale of capital and its embeddedness within local social networks significantly influence the sustainable livelihoods of farmers. Larger capital allows for better integration of resources, while smaller capital may align more closely with farmers' personal interests (Zhong & Guo, 2018). Moreover, capital embedded in local communities, particularly when entrepreneurs return to rural areas, fosters social trust and cooperation, ensuring more favorable development outcomes for farmers (Feng, 2014).

3.1. Capital Scale

The scale of capital is directly proportional to its ability to integrate resources and the efficiency of resource allocation. A smaller capital scale tends to have weaker competitiveness, less regulatory compliance, and is less conducive to achieving farmers' sustainable livelihood goals (Zhong & Guo, 2018). However, small capital, when integrated into agricultural production, is more closely aligned with the personal interests of farmers (Tu, 2014). In contrast, large capital, while also focused on the development of industry and services, requires the support of grassroots governments and village collectives to facilitate land transfers (Xinhua News Agency et al, 2021). Small farmers often fail to establish stable and reliable capital cooperation relationships with large capital (Zhang, 2016). External factors such as market fluctuations and funding shortages have a more significant impact on small capital. Cases where investors are unable to fulfill contracts due to funding gaps are common, directly impacting the livelihoods of farmers. Land reclamation also carries considerable risks. Although large capital also faces operational risks, investors must bear high sunk costs if they choose to withdraw, and strict corporate management offers farmers various avenues for compensation in case of operational issues. When large capital enters, the market risk for small capital increases, further limiting its development space and, consequently, affecting farmers' livelihoods.

3.2. Capital Embeddedness

Capital going to the countryside is the result of the dynamic development of industrial capital and rural society. The embeddedness of capital has a significant impact on farmers' sustainable livelihoods. Entrepreneurs returning to rural areas are more embedded in the local social context, which significantly influences transaction costs and operational efficiency. This embeddedness also affects social trust and the perception of interests. Investors with strong embeddedness in the community can more comprehensively and accurately grasp farmers' interest perceptions and personal needs, which helps form interest groups and provides favorable conditions for farmers' sustainable livelihoods. As a result, the level of trust farmers place in investors increases, making transactions more rational and fostering long-term cooperative relationships.

3.3. Regional Characteristics

The regional economic and resource conditions of capital going to the countryside significantly affect farmers' livelihood models. In regions with high levels of endogenous benefit-oriented market development, capital going to the countryside is a result of market development. Competition and cooperation between capital entities have become common market development strategies. Farmers' active participation in the agricultural value chain is closely tied to established benefit distribution models and effective sustainable livelihood guarantees. In the suburban and exogenous benefit-oriented areas, land and policy benefits are key drivers for capital going to the countryside. There are clear conflicts of interest between farmers and capital, directly affecting the quality of sustainable livelihood guarantees for farmers. Multiple factors act as the main driving forces for capital going to the countryside in loosely organized benefit regions. Older farmers are the group most affected by capital going to the countryside. Apart from land capital, they lack other forms of capital, and their land capital is heavily impacted. They are highly sensitive to potential losses and risks, and they often struggle to establish mutual trust with local officials. Additionally, they have difficulty forming stable long-term expectations for the future.

3.4. Policy Environment

The policy environment is crucial for understanding the livelihood issues of farmers in the context of capital going to the countryside. The policy environment consists of policy opportunities, policy attributes, and policy positioning. Strategies such as rural revitalization, rural tourism, and urban-rural integration provide favorable conditions for capital to flow into the countryside while also facilitating the transformation and innovation of farmers' livelihood models. However, the differences in policies increase uncertainty and restrict the transformation and development of small farmers' livelihoods under the backdrop of capital going to the countryside. The lack of clarity in policies reflects the excessive autonomy of grassroots governments. This situation makes it easier for local governments to form close relationships with capital, leading to the creation of unreasonable distribution plans that impact farmers' sustainable livelihoods. Capital going to the countryside policies have both incentive and regulatory characteristics, which are interdependent and mutually restrictive. The inability to formulate policies that reflect both characteristics has weakened the stability of farmers' livelihood guarantees. If incentives are emphasized too much, capital will squeeze out small farmers; if regulation is prioritized, investment enthusiasm will decrease, negatively affecting farmers' sustainable livelihoods.

3.5. Role Positioning of Grassroots Governments

The role positioning of grassroots governments is a crucial factor influencing farmers' livelihoods in the process of capital going to the countryside. In capital inflows to rural areas, grassroots governments are not only essential for the success of capital landing but also serve as the source of social stability risks—this represents the paradox of government roles. The function of grassroots governments in capital going to the countryside significantly affects farmers' livelihoods, making local governments an important foundation for capital influx. If grassroots governments fail to adopt timely scientific intervention measures, the implementation of capital projects in rural areas will be hindered. Capital going to the countryside cannot function without government guidance and policy support, which significantly enhances farmers' livelihoods. Reasonable interventions by grassroots governments can effectively control transaction costs and improve the realization of investment expectations. However, government intervention has also triggered conflicts between benefits, efficiency, and fairness. Governments must actively resolve these conflicts, making it challenging to achieve both equitable distribution and farmers' sustainable livelihoods simultaneously.

4. Framework for Farmers' Sustainable Livelihood Model

This paper constructs a theoretical model for studying farmers' livelihoods based on the Sustainable Livelihoods Framework (SLF). The model links farmers with their livelihood contexts and uses a strategic combination of livelihood capital to achieve the livelihood goals of farmers. This approach helps to understand how to utilize farmers' livelihood capital and their coping strategies to pursue a path toward sustainable livelihoods. This study attempts to analyze the framework of farmers' sustainable livelihood models in rural areas based on the SLF theoretical model. For detailed information, refer to the following figure: Framework of Farmers' Sustainable Livelihood Model.

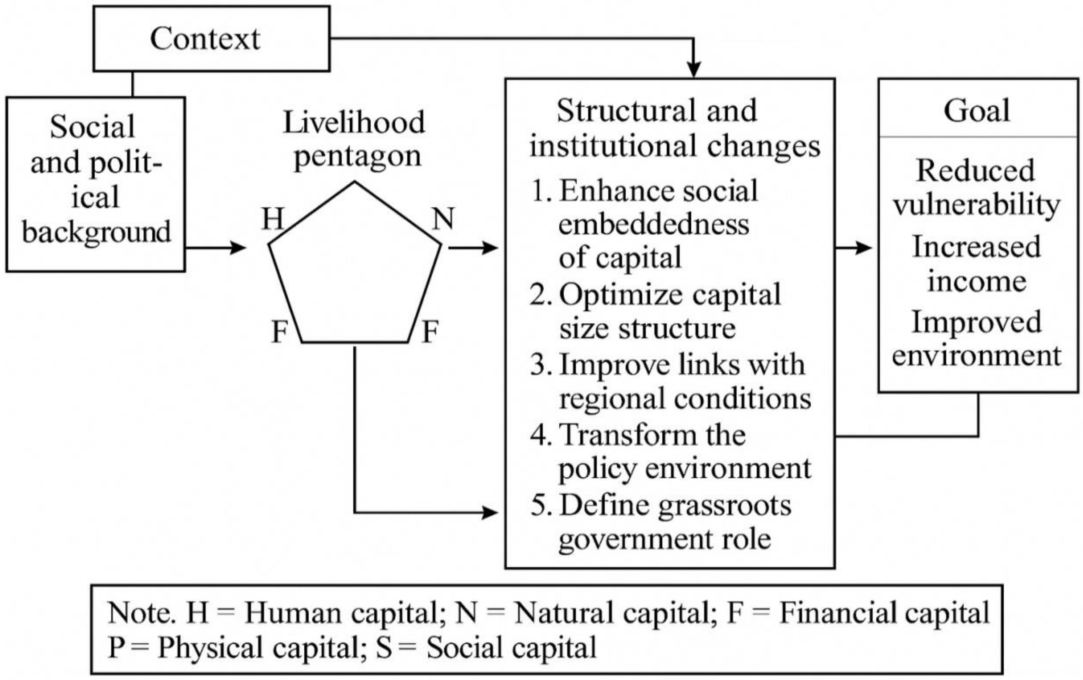

Figure 1. Framework of Farmers' Sustainable Livelihood Model

The conceptual model in this paper builds on the Sustainable Livelihoods Framework (SLF), which integrates various forms of capital (human, social, natural and financial) to assess the resilience and adaptability of farmers' livelihoods in the context of capital inflows. The Framework of Sustainable Farmer Livelihood Models outlines how capital inflows, together with regional characteristics, policy environment and the role of grassroots government, influence the sustainability of farmers' livelihoods. The detailed sustainable livelihood framework is presented in Figure 1. Framework of Farmers' Sustainable Livelihood Model.

4.1. The Goal of Enhancing Farmers' Sustainable Livelihood Levels

Capital inflows to rural areas have promoted the development of rural agriculture while simultaneously disrupting traditional livelihood patterns for farmers. As a result, farmers can choose different livelihood models based on local realities. Due to the complex nature of the factors involved, farmers face more livelihood risks and greater vulnerability. Therefore, it is crucial to establish a framework for sustainable livelihoods and effectively utilize livelihood capital to improve farmers' sustainable livelihood levels. The uncertainty of farmers' upgrading models is high, and the framework is quite flexible. Although the analysis framework cannot fully capture the relationships between different components, its primary goal is to protect farmers' assets and personal rights while improving livelihood levels. Increased income, improved quality of life, and access to more comprehensive welfare are key indicators of farmers' sustainable livelihood improvement. Livelihood security and development security are the main dimensions of farmers' livelihoods. The former represents the foundation, as capital inflows to rural areas should not compromise the basic livelihood of farmers. The latter represents sustainable livelihoods, and the development outcomes of capital inflows are key to improving farmers' sustainable income levels, with capital and farmers' interests becoming more closely aligned for sustainable benefits.

4.2. Driven by Contextual Evolution

(1) Political

The transition from a dual urban-rural system to urban-rural integration. Under the dual urban-rural system, the administrative systems of urban and rural areas were independent, with clearly defined urban-rural boundaries. Farmers' ownership of land and other resources was strictly regulated, limiting market transactions. The lack of resource mobility impacted farmers' interests, forcing them to adopt low-yield livelihood models. After the introduction of urban-rural integration and rural revitalization, the institutional, administrative, and organizational boundaries between urban and rural areas became more flexible. Capital inflows can now integrate urban elements into agriculture, improving agricultural output and farmers' income. This change not only alters investment structures but also impacts farmers' livelihood strategy choices.

(2) Economic

The shift from one-way flow of resources to a bidirectional matching model. Rural areas in China have long been affected by capital outflows, and the irrational allocation of resources has hindered agricultural development. Capital inflows should focus on resource exchange, encouraging farmers to participate in agricultural production more actively and helping them enter higher-yield industries. Capital inflows to rural areas have promoted economic development while absorbing a large amount of rural labor, clarifying the funding needs of rural areas and providing farmers with opportunities to select high-profit livelihood models.

(3) Social

From a closed society to an open society. Capital inflows have accelerated rural population mobility, significantly changing land and property boundaries, and the clarity of village boundaries has continuously decreased. The previously closed rural collective has gradually opened, and social production has become a major trend. Capital inflows to rural areas have contributed to the rebuilding of rural social networks while also pushing for social stratification. The development of rural society and the movement and differentiation of social groups have become key factors influencing farmers' livelihoods.

4.3. Mechanisms of Structural and Institutional Changes

(1) Highlighting the Embeddedness of Capital in Local Social Networks

The embeddedness of capital in local social networks ensures the connection between small farmers and industrial capital by adjusting social structures. Farmers can use the social capital advantages within their networks to create a favorable livelihood environment and diversify their livelihood options. Entrepreneurs, farmers, and grassroots organizations play crucial roles in enhancing the social embeddedness of capital. Capital operators should actively promote a cooperative and win-win approach, creating favorable conditions for stable and sustainable capital operations. Farmers need to view capital operators rationally and engage in active cooperation with them based on the principles of mutual benefit. Grassroots organizations should coordinate and guide this process, fully showcasing the role and value of social networks, providing a solid foundation for the implementation and sustainable operation of capital inflows.

(2) Optimizing Capital Size Structure and Promoting Positive Interaction

Capital inflows require deep integration of resource elements and the optimization and restructuring of industrial structures to enhance economic benefits. This process, however, also involves the accumulation and concentration of risks. The market is a crucial factor in regulating capital flows to rural areas, but the limitations of the market mechanism require the government to fully demonstrate its guiding role, avoiding blind investments and mitigating the negative effects of investment failures on farmers' livelihoods. Grassroots governments must adjust investment scope, scale, and models accordingly. Different investment scales are suitable for different sectors, business models, and risk levels, and the government should adopt various incentive and regulatory strategies to minimize investment risks. Capital of various sizes should improve farmers' livelihood environments through fair competition and win-win cooperation.

(3) Improving the Coordination Between Benefit Models and Regional Conditions

The benefit model between farmers and industrial capital directly affects their sustainable livelihoods. The benefit model can be classified into loose and tight models. The loose model only protects farmers' basic livelihoods and does not provide favorable conditions for the long-term appreciation of livelihood capital. In contrast, the tight model achieves the goal of increasing farmers' livelihood capital but requires farmers to bear greater risks. Therefore, it is essential to select the appropriate benefit model based on actual circumstances. The system design should be optimized by considering multiple factors, and the principle of "self-interest first, using resources effectively" should be adopted to innovate the benefit model.

(4) Creating a Favorable Policy Environment

The policy environment is crucial for implementing sustainable livelihoods for farmers. It is necessary to continuously improve top-level design, with a focus on the coherence and systemic nature of policies. Reforms should strengthen the systems of property rights, investment and financing, social security, and regulatory incentives. The government should enhance the sustainability of farmers' livelihood capital by revitalizing property elements based on reforms in rural collective asset equity and property rights systems, promoting deep cooperation between farmers and capital. Public investment equity reforms for farmers have already been piloted in many regions, where infrastructure projects, involving both the government and village collectives, take equity stakes in industrial enterprises. This approach not only enhances the value of public assets but also promotes equitable distribution of benefits. The government should establish a scientific incentive and regulation system, define transaction rules, improve the regulatory mechanism, and create a rural market mechanism for transactions between capital and farmers. Clear market boundaries should be established, with a focus on honest operations and regulated business practices in rural areas. Furthermore, the government should establish a sound rural social security system to ensure farmers receive timely compensation when facing risks.

(5) Defining the Role of Grassroots Governments

In the process of capital flowing to rural areas, grassroots governments are particularly critical. They help safeguard farmers' sustainable livelihoods. When establishing partnerships with rural enterprises, local governments should accurately position themselves, coordinating the interests between industrial capital and farmers. The government must prioritize the protection of farmers' livelihood capital to achieve a mutually beneficial outcome between villages and enterprises. Grassroots governments should guide the introduction of capital to areas with weaknesses in rural development while actively fostering modern business models. In land transfer processes, the government must ensure farmers' interests are protected through institutional regulations and third-party oversight, avoiding capital extraction that undermines agricultural benefits. The government should guide farmers in exploring different business models, respecting their preferences, and strengthening the connection between farmers and capital. If capital harms farmers' interests, the government should provide a platform for complaints, minimizing farmers' losses. Additionally, the government should establish policy-backed guarantee companies to address financing issues for new business entities, promote rural microfinance reform, invest in sufficient poverty alleviation capital, and provide high-quality public services to farmers. Moreover, the government should deepen cooperation with industrial enterprises to actively implement agricultural training for farmers in the context of capital inflows.

5. Conclusion

Rural revitalization is the primary focus of the Party's current "Three Rural Issues" work. Rural revitalization and rural integration have promoted the healthy development of rural society. However, due to the limitations of livelihood capital and the lack of diversity in livelihood strategies, farmers' living standards and economic income remain relatively low. The external environment plays a highly positive role in the transformation of farmers' livelihood models. In social development, livelihoods are fragile, and farmers have relatively few ways to cope with external risks. Therefore, this paper, under the background of capital flowing to rural areas, proposes recommendations and measures for promoting the development of sustainable livelihood models for farmers.The influx of capital into rural areas has both positive and negative implications for farmers' livelihoods. While capital has the potential to improve the livelihood environment and foster sustainable development, it also brings risks and challenges, particularly for small-scale farmers. The role of grassroots governments in regulating capital flows, alongside the embeddedness of capital within local communities, is crucial for ensuring that capital inflows contribute to the long-term sustainability of farmers' livelihoods.

Clarifying the Role of Grassroots Governments.Grassroots governments play a critical role in the inflow of capital to rural areas and are indispensable in ensuring the sustainability of farmers' livelihoods. In cooperation with rural enterprises, grassroots governments should not blindly pursue narrow group or private interests but should clarify their role and actively guide cooperation between industrial enterprises and farmers to achieve mutual benefits. The government should focus on protecting farmers' livelihood capital, making the mutual benefit of rural enterprises the goal of rural development. Grassroots governments should guide capital into the vulnerable areas of rural development, promote agricultural production, and encourage the development of modern management practices in appropriate sectors. During land transfers under capital inflows, governments should protect farmers' long-term interests through regulations and third-party supervision to prevent the capital from exploiting the benefits intended for farmers. Furthermore, the government should fully encourage farmers to develop diversified business models, guiding farmers in capital transactions while respecting their preferences. When capital harms farmers' interests, the government must take measures to ensure farmers have effective avenues for complaints and sufficient rights to voice their concerns, minimizing farmers' losses. The government should address the financing difficulties of new business entities by establishing policy-backed guarantee companies, providing micro-credit for rural areas, and improving the reform of commercial micro-credit to enhance the investment base for farmers. The government should also use agricultural benefit projects and policies to provide high-quality public services and infrastructure for farmers. Additionally, the government should collaborate with industrial enterprises to integrate farmers' education and training into the entire process of capital flowing to rural areas.

Author Contributions:

Conceptualization, X. L.; methodology, X. L.; software, X. L.; validation, X. L.; formal analysis, X. L.; investigation, X. L.; resources, X. L.; data curation, X. L.; writing—original draft preparation, X. L.; writing—review and editing, X. L.; visualization, X. L.; supervision, X. L.; project administration, X. L.; funding acquisition, X. L. All authors have read and agreed to the published version of the manuscript.

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