

Research on the Current Situation of Consumption Demand of Rural Residents in China

Benyao Sun
Zaozhuang University
Zaozhuang, China

Abstract—This paper selects the income and consumption data of rural residents in China from 2008 to 2017, comparing the income and consumption of rural residents and urban residents in a horizontal comparison and vertically comparing the consumption of rural residents in the past ten years. This paper analyzes the reasons for the lack of consumption of rural residents in China from the aspects of income factors, institutional factors and social factors, and proposes corresponding policy recommendations at the same time.

Keywords—*rural residents' consumption; current situation of demand; wage income*

I. INTRODUCTION

With the continuous deepening of reform and opening up, China has embarked on the fast track of economic development. In 2017, China's total GDP reached 82.7122 trillion yuan, with a year-on-year growth rate of 6.9%, ranking the second in the world. For the whole time, the trioka of consumption, investment and net exports has been driving China's economic growth to varying degrees. However, China's excessive economic development tends to rely on investment and net exports, and the contribution rate of consumption to the economy is in a low level. Economic growth relies too much on net exports, which will not be conducive to the long-term stable development of the economy. Therefore, it is the most basic method to expand domestic demand so that China's economy can be able to achieve long-term stable development. At present, Chinese domestic demand is insufficient, which is largely due to the insufficient consumption demand of rural residents. Therefore, expanding the consumption needs of rural residents is very important to promote the development of Chinese economy.

Although with the rapid development of China's economy and the general improvement of the living standards of rural residents, the consumption demand of rural residents has also increased, due to income, environment, and other factors, Chinese rural consumption level is still in a low level. According to statistics, as of 2017, China's rural resident population is 576.61 million, accounting for 42% of China's total population. This basic national condition determines the consumption demand of rural residents has a very important impact on the development of the national economy. Therefore, it is of great significance to study the current situation of rural residents' consumption demand in

order to further expand the rural market, improve the consumption demand of rural residents and promote the healthy development of the economy.

II. LITERATURE REVIEW

Hu Fangzhi and Yang Jinlei believe that the Engel coefficient of rural residents in China is declining every year, the consumption of residential consumption is growing rapidly, and the consumption of household commodities is gradually increasing. However, despite the great changes in the consumption of rural residents in China, the rural consumer market in China is still small in terms of consumption composition, consumption level and consumption scale. First, the rural residents' consumption composition is relatively simple; second, the rural consumption scale is small; third, the rural consumption growth rate is slow; fourth, the urban and rural residents' consumption level is relatively large [1]. Li Wei believes that rural residents have a conservative and frugal consumption concept, and traditional consumption concepts have a negative impact on consumption, which is not conducive to improving the consumption of rural residents in China [2]. Xu Jiaqing's point of view is that in order to improve the rural consumption environment, increase the consumption demand of rural residents, and develop the rural consumer market, in addition to the government's annual financial allocation, there must be new measures to absorb the idle funds in the society and establish agriculture development fund is a practical method [3]. Feng Licheng believes that increasing the uncertainty of rural residents' future income will increase the precautionary savings of rural residents, which will also reduce consumption. Therefore, it is necessary to develop and improve China's agricultural insurance mechanism objectively [4]. Zhang Fei believes that the reason for the small rural consumer market is the different public service system between urban and rural areas. The city occupies more national income, and the basic public service level in rural areas lags far behind the city [5]. Wang Ying believes that in order to increase the consumption power of rural residents, the first must to be done is to increase the income of farmers [6]. Ji Hong believes that affected by the level of economic development, the social security system is still not comprehensive in rural areas. Difficulties in raising old people, difficulties in curing diseases, and difficulties in going to school have led to an increase in the expenditure of farmers, so that there is not

much money for consumption, resulting in insufficient effective demand in rural areas [7].

The above-mentioned scholars' analysis of the current situation of rural residents' consumption demand can be summarized as follows: First, the scale of consumption is small, the level of consumption is in a low level, and the gap between urban and rural consumption is expanding; second, the structure of consumer demand is single; third, the consumption rate of the rural residents is low and showing a downward trend; fourth the consumption propensity of rural residents tends to decrease. The study of rural residents' consumption phenomenon is a supplement and deepening of previous research. It not only compares the consumption gap between urban and rural residents horizontally, but also vertically compares the consumption of rural residents in recent years.

III. CURRENT SITUATION AND PROBLEMS OF RURAL RESIDENTS' CONSUMPTION DEMAND IN CHINA

A. Current Situation of Rural Residents' Consumption in China

1) The rural residents' consumption expenditure is huge:

At present, the problem of insufficient consumption in the rural consumer market in China is still extremely prominent. Under the background of expanding domestic demand, the development potential of the rural consumer market is extremely great. From the perspective of the proportion of rural residents in the total population, according to the 2017 "China Statistical Yearbook" [8], the per capita consumption expenditure of rural residents accounts for only 31% of urban per capita consumption expenditure, and there is an enormous room for the improvement.

2) The Engel coefficient of rural households has decreased year by year: In the early stage of reform and

opening up, the Engel coefficient of rural residents in China was about 68%, and the Engel coefficient of urban residents was about 59%. People's food and clothing problems had not been solved, and most people were still in need of basic living conditions. After the reform and opening up, Chinese economy has developed rapidly, and people's living standards have been continuously improved, which has caused the Engel coefficient of rural and urban areas in China to continuously decline.

3) Rural residents' consumption structure is gradually optimized and upgraded: According to statistics, the proportion of clothing expenditure of rural residents has been declining, from 6.87% in 2001 to 5.58% in 2017, down by 1.29 percentage points. At the same time, the proportion of rural residents' expenditure on health care has also increased significantly, from 5.2% in 2001 to 9.6% in 2017 with an increase of 4.4 percentage points. In addition, rural residents' spending on housing is also rising. It increased from 15.2% in 2001 to 21.5% in 2017. What's more, with the continuous advancement of the information age, people's proportion in transportation and communication is also increasing.

B. Problems in the Consumption of Rural Residents in China

1) The gap between urban and rural consumption expenditure is too large: What has reflected in "Table I" is the development history of urban and rural residents' consumption expenditure in China from 2008 to 2017. It can be seen from "Table I" that the consumption level of rural residents has been continuously improved for more than a decade, and the gap with urban residents' consumption is decreasing, but it is still large.

TABLE I. COMPARISON OF CONSUMPTION LEVELS OF RURAL RESIDENTS AND URBAN RESIDENTS IN CHINA FROM 2008 TO 2017

Time (year)	Rural residents' consumption level (yuan)	Urban residents' consumption level (yuan)	Comparison of urban and rural consumption levels
2017	11704	31032	2.7
2016	10783	29295	2.7
2015	9679	27210	2.8
2014	8711	25424	2.9
2013	7773	23609	3.0
2012	6964	23609	3.1
2011	6187	21861	3.2
2010	4941	19912	3.5
2009	4402	17104	3.4
2008	4065	15127	3.5

^a Source: "China Statistical Yearbook 2017"

2) The consumption rate of rural residents is low: Although the consumption level of rural residents is gradually increasing, the consumption rate of rural residents is continuously decreasing, and there is still a large gap compared with urban residents. In 2007, the rural household consumption rate was 9.09%, which was at a low level and

showed a trend of decreasing year by year. In 2014, it fell to 8.52%. Compared with the same period, the consumption rate of urban residents is relatively stable, and both were nearly 30%, which is much higher than the consumption rate of rural residents. Since 2016, China's rural

consumption rate has risen from a downward trend, but it is still at a low level.

IV. ANALYSIS OF THE MAIN FACTORS AFFECTING THE CONSUMPTION DEMAND OF RURAL RESIDENTS IN CHINA

A. The Root Causes of Insufficient Consumption Demand of Rural Residents

As we all know that income determines consumption, and income is the most important factor affecting consumer spending. The income of rural residents in China is relatively low. The residents have no fixed source of income, which makes the income of rural residents less. The amount of income directly affects the level of consumption of residents. Therefore, low income is the root cause of the lack of consumption demand of rural residents.

1) *Low operating income*: According to the survey, as shown in “Table II”, “China’s rural household operating income accounts for a gradual decline in the proportion of farmers’ net income. In 2008, the operating income of rural residents in China accounted for 51.1% of the net income of residents, and the proportion in 2017 fell to 37.4%”. However, the rural residents' operating income is low. The reasons are as follows: In rural areas, the rural residents' land is scattered and there is no scale of land; the production cost of the second crop is relatively high, the profit of crops is getting smaller and smaller. Third, the varieties of crops grown by rural residents in China are relatively simple, and the market transaction price is low. Fourth, many farmers are increasingly inclined to go out to work, which makes the utilization rate of rural land greatly reduced. It is precisely because of many factors that the rural residents' operating income is low, which affects the rural consumer demand.

TABLE II. VARIOUS INCOMES OF RURAL RESIDENTS IN CHINA FROM 2008 TO 2017

Time (year)	Average net income per person of rural residents (yuan)	Average per capita wage income of rural residents (yuan)	Average per capita net operating income of rural residents (yuan)	Average per capita net property income of rural residents (yuan)
2017	13432.4	5498.4	5027.8	303
2016	12363.4	5021.8	4741.3	272.1
2015	11421.7	4600.3	4503.6	251.5
2014	10488.9	4152.2	4237.4	222.1
2013	9429.6	3652.5	3934.9	194.7
2012	7916.6	3447.5	3533.4	249.1
2011	6977.3	2963.4	3222	228.6
2010	5919	2431.1	2832.8	202.3
2009	5153.2	2061.3	2526.8	167.2
2008	4760.6	1853.7	2435.6	148.1

^a Source: "China Statistical Yearbook 2017"

2) *Low wage income*: The so-called wage income of rural residents refers to the income earned by rural residents when they go out to work. This part of the income is very unstable. There are many reasons that affect the stability of income: First, because of the financial crisis, many companies are facing bankruptcy and a large number of layoffs. Migrant workers are facing unemployment, and jobs are very unstable. Second, migrant workers often face unequal treatment when they go out to work, and their legal awareness is not high. There is often a phenomenon of wage arrears, which increases the instability of wages. Third, because the development of rural areas in China is still relatively backward, many farmers have not received more education and training, which has led most rural residents to have no relevant skills. Fourth, many farmers work outside because of the lack of technical and adaptive capabilities. It is precisely because of the above reasons that farmers' wage income is low, and the expected income is uncertain, which leads to the reduction of the consumer market and affects the expansion of consumer demand.

3) *Low property income*: According to “Table II”, although the fiscal income of rural residents in China has continuously increased, the proportion of property income

to total income of residents has not increased significantly. This indicates that the property income of rural residents in China is still low.

B. Institutional Reasons Leading to Insufficient Consumer Demand in Rural Areas

1) *The rural social security system is imperfect*: Although the state is stepping up efforts to improve the social security system for rural residents, due to the late start of the social security system in China's rural areas and the poor foundation, the social security system in rural areas in China is still very imperfect and cannot guarantee the lives of residents. There is still a big gap compared with the city's social security system. It is precisely because the social security system in rural areas in China is still very imperfect, which increases the burden of people's lives, making people afraid to spend and seriously affecting the consumption needs of rural residents.

2) *Rural financial credit mechanism is not sound*: Chinese rural financial credit mechanism started late, the foundation is poor, the financial credit mechanism is still not fully established, and there are few financial institutions for rural areas. In addition, most rural residents do not have

stable income and do not have higher fixed capital and higher value collateral, which has led rural financial institutions to dare to lend to rural residents, or to bring less money. This has also led to the inability of rural financial institutions to obtain higher returns, thus inhibiting their own development, and to a certain extent, it is unable to meet the demand of some rural residents for loans, which has caused the shortage of rural residents' consumption demand in a certain way.

C. Social Reasons Leading to Insufficient Consumer Demand in Rural Areas

1) Rural residents have a poor consumption environment: China's rural areas are relatively scattered and the population is not concentrated. Especially in mountainous and remote areas, the consumption level is even lower. At the same time, due to the small number of commodity sales outlets in these places and the variety of products sold, the consumption demand of some residents who have the ability to consume can not be satisfied. Meanwhile, the infrastructure in rural areas of China is also relatively backward, which is difficult to meet the needs of rural residents' daily life, thus directly affecting the consumption needs of rural residents.

2) Rural residents' consumption structure is unreasonable: First of all, the Engel coefficient of rural residents in China is also the proportion of residents' food expenditures decreasing year by year, but its Engel coefficient is still high. Furthermore, rural residents in China still spend less on culture, education, entertainment and health care. Finally, there is still a phenomenon of backward consumption in the consumption of rural residents in China. Some residents only pay attention to material consumption and do not pay attention to spiritual consumption. Some residents still have extravagance and waste. Especially in some weddings and funerals, the phenomenon of extravagance and waste comparison is even more serious.

3) Rural commodity supply structure is unbalanced: Since most of the manufacturers are in the city, they all pay attention to the needs of urban residents, while ignoring the living needs of rural residents, which leads to the inability of rural residents in China to meet the demand for goods, while the rural consumers with consumption can not buy the product they are satisfied with. This has led to an imbalance in the structure of rural goods, which has caused the lack of consumer demand for rural residents.

4) Rural residents' consumption concept is conservative: In China, rural residents generally receive less scientific and cultural knowledge, being in a lower cultural level, and do not understand the problems of consumption. The consumption concept of rural residents in China is still relatively conservative. The consumption of most rural residents is still based on material consumption of which

savings are the mainstay, leading to the lack of consumer demand for rural residents in China.

V. SUGGESTIONS ON EXPANDING THE CONSUMPTION DEMAND OF RURAL RESIDENTS IN CHINA

A. Developing the Rural Economy and Improving the Living Standards of Rural Residents

First, the state must launch a macro policy to expand rural consumption. In terms of infrastructure, the state must increase investment in rural areas. In terms of benefiting farmers' policies, the state should attach great importance to the issue of agriculture, rural areas and farmers. Therefore, the state should adjust the price mechanism of agricultural products, rationally subsidize agricultural products, and develop rural economies and increase the income of rural residents through a series of macro policies that expand rural consumption.

Second, it will be necessary to vigorously develop the rural economy and narrow the urban-rural economic gap. It is important to continuously deepen the reform of the rural economic system and fundamentally improve the rural economy. Through the adjustment of the rural economic structure and the agricultural industrial structure, it will be a good method to vigorously develop high-quality, high-efficiency, high-value-added agriculture and increase the income of rural residents in agricultural production. It will also be a good way to vigorously introduce foreign capital, issue some economic policies that attract foreign investors, and encourage foreign businessmen to set up industries in the local area.

B. Improving the Rural Consumption Environment and Accelerating Urbanization

First, it must be improved of the rural consumption environment and the quality of life of farmers. First, what is needed to do is to improve the rural ecological environment, increase investment in the rural environment, and strive to improve the rural ecological environment. Second, it will be of great significance to strengthen rural infrastructure construction. In the future, the state will shift the focus of infrastructure construction from urban to rural areas, increasing investment in rural infrastructure, improving the quality of rural consumption, and expanding the consumption needs of rural residents.

Second, promotion of the pace of small urbanization must be continued. It will be necessary to lead the construction of cities and towns with scientific planning, and make overall plans for township construction and village construction. By accelerating the pace of construction of small urbanization, the consumption environment of rural residents will be improved, and the consumption demand of rural residents will be expanded.

C. Being Focused on Improving the Operating Income and Wage Income of Rural Residents

To improve the operating income of rural residents and improve the purchase price mechanism of agricultural

products, the government should introduce some policies to support agriculture and farmers, maintain the stability of agricultural prices, and ensure that farmers receive stable income. At the same time, it is necessary to introduce subsidies for agricultural products so that farmers can obtain stable income. In addition, with the continuous development of rural urbanization, at the same time, the compensation standard for land acquisition should be improved, so that the property income of farmers can be increased from multiple channels.

Wage income also accounts for a high proportion of the total income of rural residents and is the main source of income for rural residents. First, the government should increase investment in rural areas, set up training institutions, and strive to improve the work skills of rural residents so that they can get more job opportunities. At the same time, the government should also promote the transfer of rural surplus labor, improve the rural labor structure, and increase the employment opportunities of farmers. Finally, it must be improved of the subsidy policy for migrant workers after unemployment and retirement, establishing a minimum living security system for rural residents.

VI. CONCLUSION

China's rural residents have a population of nearly 600 million. If the government can effectively increase the consumption level of nearly 600 million farmers and open up a huge market in rural areas, it will be of great significance for expanding domestic consumption demand and promoting China's economic development. Therefore, accelerating the development of the rural consumer market and raising the consumption level of rural residents is not only conducive to improving the quality of rural residents in China, but also of great significance to the long-term stable development of Chinese economy.

REFERENCES

- [1] Hu Fangzhi, Yang Jinlei, Exploration of the Reasons for the Insufficient Demand for Agricultural Materials in China [M] Journal of Hubei Administration Institute, 2010 (3). (in Chinese)
- [2] Li Wei, How to Improve the Fiscal Policy of China's Rural Residents' Consumption Needs [J] Review of Economic Research, 2011 (32). (in Chinese)
- [3] Xu Jiaqing, Research on the Microfinance Problem and Countermeasures of Rural Credit Cooperatives in China [J] Rural Economy and Science-Technology, 2009 (12). (in Chinese)
- [4] Feng Licheng, Deep Thinking on the Development of Policy Agricultural Insurance [J] Heilongjiang Finance, 2009 (11). (in Chinese)
- [5] Zhang Fei, Factors Affecting the Consumption Demand of Rural Residents in China and the Countermeasures [J] Business Economy, 2011 (6). (in Chinese)
- [6] Wang Ying, Deep Reflection on the Consumption Demand of Rural Residents in China [J] Industrial & Science Tribune, 2010, (6). (in Chinese)
- [7] Ji Hong, Factors Affecting the Expansion of Consumption Demand of Rural Residents in China and the Countermeasures [J] Hubei Social Sciences, 2011 (3).(in Chinese)
- [8] China Statistical Yearbook 2017 [M], Beijing, China Statistic Press, 2017. (in Chinese)