

Issues of Expansion of China Rural Resident Consumption

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Abstract: The international financial crisis on our economic development resulted in the inevitable impact on Chinese economy. In order to get rid of the impact, the expansion of domestic demand has been a crucial means of steady economic growth in China. However, the farmers over seven million account for a large proportion should be the main consumers in China. On the contrary, the current lack of domestic demand in China, which is mainly in rural consumption, is the lack of the critical issues of our efforts to expand domestic demand. This paper clarified the factors restricting China rural residents' consumption demand expansion, and on this basis explored the expansion of rural residents' consumption demand countermeasures. Empirical analysis was used to prove the low level of income of rural residents' constraints, and also to expose the fact that social security system was imperfect. Meanwhile, rural infrastructure restricted the consumption level of rural residents. The consumer market is an effective way to improve rural residents' consumption demand.

Key words: rural resident, consumption demand, income

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Consumption Status of China Rural Residents

Since the reform and opening up, the income and consumption level of China rural residents have greatly improved. The per capita net income of rural households increased from ¥133.6 in 1978, the beginning of the reform and opening up, to ¥4 761 in 2010. At the same time, the per capita living expenditure of rural residents rose from ¥584.63 in 1990 to ¥3 660.68 in 2010. Besides, the Engel's coefficient of rural residents dropped from 58.8% in 1992 to 43.7% in 2010. With the constant advance of reform and opening up, China national economy has witnessed considerable development, which has pulled the development of rural economy, constantly

elevated residents' income and consumption level and enhanced social total consumption ability. However, insufficient consumption, particularly insufficient consumption of rural residents, has restricted further development of China economy to a large extent.

Low total consumption demand of China rural residents

In 1992, per capita net income of Chinese farmers was ¥686.3, and in 2010, it increased by 6.94 times, ¥4 761, reaching a record high, but compared with urban area, the total income level of Chinese farmers was still very low. The growth rate of Chinese farmers' income had always fall behind that of urban residents and GDP, which accounted for the low total consumption level of China rural residents. According to the latest statistics, China total retail

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sales of consumer goods in 2011 was ¥12.5343 trillion (Liu, 2010), up 15.5% compared with 2010. The total retail sales of consumer goods in urban areas reached ¥8.5133 billion, occupying 67.9% of the total retail sales of consumer goods and the retail sales of consumer goods at and below county level reached ¥4.021 trillion, merely occupying 32.1%, of the total retail sales of consumer goods, less than half of the total retail sales of consumer goods in urban areas. The total retail sales of consumer goods in rural areas with 2/3 of China population only took up less than 1/3 of the total retail sales of consumer goods, fully demonstrating the low consumption level of China rural residents.

Constantly decreasing consumption rate of China rural residents

The consumption rate of Chinese residents is low, particularly in rural areas. In 1979, the consumption rate of China rural residents was 30.31%, which dropped to 9.08% in 2008, a decrease of up to 21.23%. The low consumption rate of China rural residents is not only related to the income level of China rural residents but also has a lot to do with quite different consumption structures of urban and rural residents in China. In China rural areas, self-sufficient natural economy has existed for a long time, market economy is not developed and farmers can satisfy their demands for daily necessities on their own to a large extent. Therefore, in this situation, the consumption demand of China rural residents seems lower. Besides, compared with the consumption rate of China urban residents, the consumption rate of China rural residents is on the low side. In 2010, the consumption rate of China urban residents was 26.4%, while the consumption rate of China rural residents was merely 9.08%, about 1/3 of the consumption rate of China urban residents. This gap is very dangerous. The consumption rate of China rural residents is too low, showing a constantly decreasing trend, in which case, it will be very hard to pull the consumption of rural residents.

Irrational consumption structure of China rural residents

From the perspective of consumption structure, the structure of each consumption expenditure of China rural residents is irrational, compared with that of urban residents. In 2010, Engel's coefficient of China urban residents was 37.9%, reaching a well-off level, while the Engel's coefficient of China rural residents remained as high as 43.7%, maintaining at the subsistence level. The consumption demand of rural residents is still dominated by meeting their basic living needs, leading to extremely insufficient consumption of durable goods. In 2010, the per capita clothing consumption expenditure of rural residents was ¥212, which is less than 1/5 that of urban residents. In 2010, the per capita food consumption expenditure of China rural residents accounted for 43.7% of total household consumption expenditure, but only 37.9% as for urban households during the same period. At the same time, rural residents had insufficient consumption of durable goods. As for the number of durable consumer goods owned by rural residents, except for motorcycles, the average number of motorcycles owned per 100 rural households was larger compared with urban households, the number of other durable consumer goods owned by rural residents was far less than that owned by urban residents.

Factors Restricting Expansion of Consumption Demand of China Rural Residents

Empirical analysis of low income level of rural residents being a key factor restricting consumption demand in rural areas

The sample used in the regression analysis is the annual data from 1992 to 2010 (The China National Bureau of Statistics, 2011). Per capita net income of rural households and per capita living expenditures of rural households were selected as economic growth indicators, represented by X and Y , respectively.

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