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Consumption Status of Rural Residents in Shanxi Province

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Abstract After the analysis on the consumption changes of rural residents in Shanxi Province during the 30 years since the reform and opening up, it indicates that, their consumption scale has been expanding, the consumption level has been greatly promoted, the consumption structure has been gradually becoming reasonable and the consumption quality has been obviously improved. An analysis is also conducted on the influencing factors constraining the consumption demand of rural residents, mainly including the farmers' lack of capacity to increase income and inadequate support for consumption; heavy burdens on farmers and instable income expectation; bad consumption environment and increasing constraints on consumption demand; less consumption goods suitable for farmers; unsound security system which affects the immediate consumption of farmers; backward consumption concept which restricts the improvement of consumption level. At last some corresponding countermeasures and suggestions are proposed, namely, maintaining the constant income growth of farmers so as to improve their purchasing power; establishing modern circulation network in rural areas so as to ensure a smooth channel for commodity market; enhancing the rural infrastructure construction so as to improve the consumption environment of rural residents; producing marketable commodities so as to meet rural market demand; perfecting social security system so as to improve the consumer tendency of farmers.

Key words Rural residents, Consumption, Shanxi Province, China

Rural consumption plays a powerful role in driving economic growth. To develop rural market and stimulate consumption demand of rural residents are of great significance to expand domestic demand and promote the constant, rapid and sound development of national economy. In rural market of Shanxi Province, great consumption potential and low consumption level have been coexisting for a long time, the settling of their conflict plays an important role in the constant and rapid development of Shanxi economy. Based on the data from *Shanxi Statistical Yearbook*^[1] and through the analysis on the consumption status of rural residents in Shanxi Province in the 30 years since the reform and opening up, the study explores the influencing factors constraining their consumption demand, in order to search for a path suitable for Shanxi to develop its rural market.

1 Consumption change of rural residents in Shanxi Province since the reform and opening up

Since the reform and opening up, with the tremendous increase of rural residents' incomes, their consumption demand has also been greatly promoted, the consumption structure tends to rationalize and the life quality has got significantly improved. Especially since the late 1980s, the overall development of market economy brings plenty of social materials, constantly improves the life of rural residents and provides good environment and chances for rural development.

1.1 Consumption scale keeps expanding and consumption level gets obviously promoted Since the reform and opening up, with the improvement of social productivity, the incomes of rural residents maintain a rapid growth and the consumption demand improves significantly (Fig. 1), the consumption level keeps forging ahead, the overall living standard of rural residents in Shanxi Province has experienced three important stages from subsistence stage to more than subsistence stage to well-standard standards^[2]. During the 30 years, the per capita net income of rural residents keeps improving from 101.61 yuan in 1978 to 3 665.7 yuan in 2007 with a net increase of 2 591.93 yuan. As for the eight aspects (food, clothing, sheltering, household goods as well as services, medical health care, transportation and communication, education and recreation and other consumption level) of rural consumption in particular: the per capita consumption in their food, clothing, shelter and articles in 2007 are 1 033.68 yuan, 260.88 yuan, 392.78 yuan and 120.86 yuan respectively, an increase of 17 times, 20 times, 44 times and 29 times respectively by comparing with 1978; the consumption levels of medical care, transportation and communication, education and recreation, and others all experience a substantial increase to 874.34 yuan, increasing by 239 times^[1], which reflects that the consumption concept and level of rural residents have seen historical changes.

1.2 The consumption structure tends to rationalize and the consumption quality improves significantly With the tremendous improvement of farmers' incomes and consumption level as well as social progress, the consumption structure and quality of rural residents gradually become reasonable, traditional consumption concept has changed, the consumption structure has shifted from the means of subsistence-oriented type to the means of enjoyment and development-dominated

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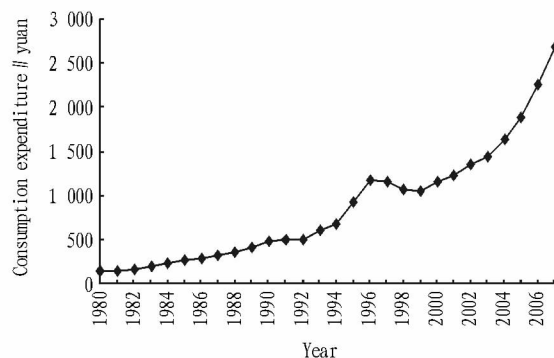


Fig. 1 Per capita consumption expenditure variation of rural residents in Shanxi Province from 1980 to 2007

type^[3], the pursuit of high-quality consumption has become the consumption fashion of new-generation farmers.

1.2.1 Food expenses constantly decrease. Food expenses had always accounted for the largest part of the total consumption of rural residents, but with the improvement of living standards, its proportion in the total expenditure presents an overall decreasing trend. Although the per capita food consumption of rural residents in Shanxi Province in 2007 is 1 033.68 yuan, 972.66 yuan more than that in 1978 with an increase of nearly 17 times^[1]. In view of the changes in the Engel coefficient of rural residents in Shanxi Province during 1978–2007 (Fig. 2), it shows an overall declining tendency from 64.32% in 1978 to 38.53% in 2007, a decrease of 25.79 percentage point. The steady declining of Engle coefficient constitutes the basic conditions for the upgrading of consumption structure and indicates the improvement of the commercialization degree of rural consumption.

The focus of food consumption has shifted from the expansion of quantity to the improvement of quality. The diet structure of rural residents in Shanxi Province had always been crop or grain-based, but with the increasing incomes and improving living standards, the staple food expenses are continuously dropping, while the expenses on those non-staple food, such as meat, egg, milk, vegetable, oil, sugar and so on, are increasing year by year. The per capita consumption of coarse grain has dropped from 219.61 kg in 1988 to 198.03 kg in 2007, while that of fine grain during the same period has increased by 18.65%. Compared with 1988, the consumption of edible oil in 2007 is 6.4 kg, an increase of 95.12%; that of meat is 7.09 kg, an increase of 108.53%; that of egg is 5.95 kg, an increase of 144.86%; that of poultry is 0.57 kg, an increase of 533.33%; that of fish and shrimp is 0.81 kg, an increase of 1 340%^[1].

1.2.2 The living conditions get obviously promoted. The housing expenditure of rural residents has increased and the housing quality has been improving. The per capita housing expenses of rural residents have increased from 8.84 yuan in 1978 to 392.78 yuan in 2007 with an increase of 383.94 yuan by nearly 46 times. Till the end of 2007, the per capita housing area of rural residents in the whole province is 25.80 m², 16.4 m² more than that in 1978 with an increase of nearly 4 times^[1].

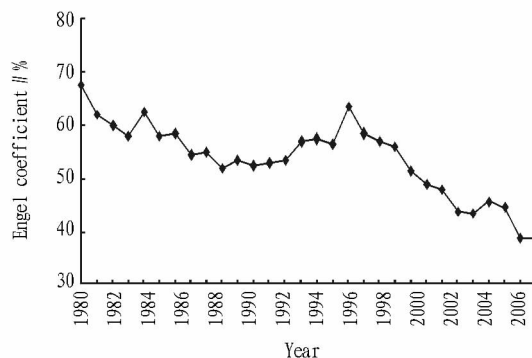


Fig. 2 Engel coefficient variation of rural residents in Shanxi Province from 1978 to 2007

Moreover, the reinforced concrete houses account for the most part of the new houses. More rural residents begin to pay attention to the interior decoration, housing quality and supporting facilities, currently there are already a considerable quantity of farmers moving into the tall buildings, and the interior decoration and convenient hygienic facilities begin to enter rural households.

1.2.3 The clothing consumption level is improving. The clothing consumption has improved from 13.02 yuan in 1978 to 260.88 yuan in 2007, an increase of 247.86 yuan^[1]. With the increasing clothing consumption, the rural residents of Shanxi Province change a lot in their clothes, they not only focus on the warmth retention of the clothes, but also proposes higher requirements for their quality and style. A large quantity of middle-high level cloth fabric and ready-made clothing enter into rural households, and the newest and most beautiful style and varieties are pursued. Rural residents tend to demand ready-made and high-level clothes and pays increasing attention to the style, design, quality and adornment of clothes^[4].

1.2.4 The consumption on education and recreation increases obviously. As the material living conditions improve remarkably, the spiritual life of rural residents is getting more and more enriched, besides of the constant satisfaction with their material consumption on food, clothes, articles, housing and transportation, they present higher and higher spiritual demand for recreation, education, culture and other services. The expenditures are mainly spent on buying TV, computer and other recreational and educational machine as well as education and entertainment services. During 1978–2007, the education and recreation expenses increase year by year and reach 874.34 yuan in 2007.

1.2.5 The ownership of durable consumer items increases rapidly. In recent years, both the quantity and quality of daily necessities of rural residents improve significantly, the markets for old "four big items" (bicycles, sewing machine, radios and wristwatches) and other durable consumer goods have been saturated, some of them even have died out of rural residents' daily life, high-level and brand new house electric appliance, such as washing machine, color TV, motorcycle, telephone, mobile phone and so on become more and more popular in rural areas (Table 1).

Table 1 Ownership of durable consumer goods of each rural household in Shanxi Province from 1978 to 2007

Year	Bike	Sewing machine	Clock	Watch	Radio	Tap recorder	Electric fan	Large furniture	Washing machine	Black and white TV	Color TV
1978	30.73	19.80	24.33	27.42	17.44						
1980	36.87	23.31	30.95	37.58	33.54						
1985	80.64	43.21	37.32	126.32	54.19	4.33	9.66	104.65	1.90	10.94	0.80
1990	118.33	55.19	49.01	195.43	45.15	17.83	41.36	168.73	9.12	39.72	4.72
1995	130.67	65.74	67.94	209.53	31.05	26.29	88.91	520.14	19.76	60.24	20.57
2000	128.24	N	N	N	N	24.67	47.43	253.62	51.71	41.05	63.48
2005	N	N	N	N	N	N	58.19		69.29	21.86	82.33
2007	N	N	N	N	N	N	N	N	76.28	N	102.05

Year	Refrigerator	Motor-cycle	Camera	Music centers	DVD player	Telephone	Microwave	Air conditioner	Mobile phone	Home computer	Private car
1978											
1980											
1985	0.06										
1990	1.22	0.89	0.70								
1995	1.33	3.33	1.05								
2000	10.33	25.00	2.57	6.05	0.05	16.10					
2005	14.43	39.29	4.81	8.29	16.67	50.29	0.29	1.00	27.52	0.57	0.33
2007	22.71	55.7	4.62	N	27.10	76.33	1.81	4.43	66.76	3.43	0.86

Note: "N" means that the item is no longer included in the statistic of that year.

2 Influencing factors constraining the consumption demand of rural residents

2.1 Farmers' lack of capacity to increase income and inadequate support for consumption From the data in the Yearbook^[1], the changes in the per capita net income and per capita living expenses of rural households in Shanxi Province from 1988 to 2007 could be obtained (Fig. 3). As seen from Fig. 3, the per capita net income and per capita living expenses of rural households basically change correspondingly. During 1988–2007, the per capita net income of farmers in Shanxi Province grows constantly, while still a large gap from the per capita disposable income of urban residents during the same period, and the urban-rural gap keeps widening instead of narrowing. In 2007, the per capita income of rural residents in Shanxi Province is 3 665.7 yuan, while the per capita disposable income of urban residents over the same time is 11 565 yuan, the income ratio of urban to rural areas is 3.15:1, the per capita net income of rural residents can only equal to 31.7% that of the urban residents. Due to the large income gap, the living expenditures of urban and rural residents are not in the same level. The per capita living expenses of rural residents in 2007 is 2 682.57 yuan, while that of the urban residents over the same time is 8 101.8 yuan, the consumption ratio of urban to rural areas is 3.02:1, the per capita net consumption of rural residents only takes for 33.11% that of urban residents. It is projected that the current consumption level in rural areas is only tantamount to the urban consumption level in 1990s, within the rural areas, the income gap is still enlarging. The different income levels result in the demands for different grades of consumer goods. The consumption level of some peasants who have prospered first is close to or even exceed the urban consumption level, but most peasants earn the average incomes, this kind of income difference finally leads to the formation of different demand levels of the peasants^[5].

The slow growth of farmers' incomes and the enlarging urban-rural gap restrict the improvement of the overall rural con-

sumption level. Especially, the farmers' income source is very single and dominated by agricultural income. Let's take the per capita income of rural residents in 2007 for example, the income from agriculture (which refers to the household income from the primary industry) is 1 860.38 yuan, accounting for 50.75% of the total income. While the non-agricultural income (including the wage income, the household income from the secondary and tertiary income, property income and transfer income) is 1 805.28 yuan, accounting for 49.25% of the total income. The long-term mechanism to increase the rural residents' incomes has not been established, which finally leads to the inadequate consumption capacity of rural residents.

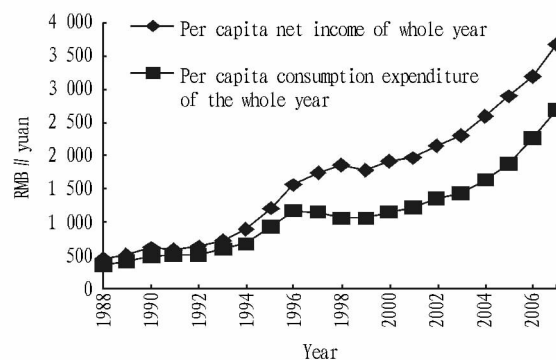


Fig. 3 Variation of per capita net income and per capita consumption expenditure of rural household in Shanxi Province from 1988 to 2007

2.2 Heavy burdens on farmers and instable income expectation Since the abolishment of agricultural taxes in 2005, the farmers' taxes expenses had fallen rapidly, their burdens had been lightened. But during the late years, due to the joint influence of increasing price of energy and raw materials and the growing costs, the price of some agricultural materials like fertilizer keeps rising a great deal, directly increasing the production costs of agricultural products^[6], nullifying the government subsidies provided by a series of preferential agricultural

policies to a certain extent and decreasing the farmers' incomes. Moreover, the preferential policies are not well implemented in many rural areas, the unwarranted pooling of funds, arbitrary charges, requisition of donations and fines still exist, which aggravates the instable income expectation of peasants and dampens their consumer tendency.

2.3 Bad consumption environment and increasing constraints on consumption demand The current rural consumption environment is not ideal. Firstly, some rural infrastructures, such as transportation, power and water supply and so on, are very backward, restricting the satisfaction of the consumption desire of rural residents objectively. Although some rural areas have built roads connecting each village, the level is still low; in some rural areas, the policy about the same electricity price as the urban area has still not been implemented, the CATV signals have not achieved an overall coverage and the water the rural residents use is still insecure, as a result, as for some commodities, the farmer could afford their price but could not bear the daily costs by using them or even could not use it. Secondly, the lagged after-sale services kill the initiative of the farmers to purchase commodities. The inconvenient installation and maintenance of durable consumer goods are commonly found in vast rural areas, what's more, the scientific and cultural quality of rural residents is not high, they lack the knowledge about the commodities and the interests of consumers, for example, some farmers buy substandard products but could not return and change; some buy new high-level electric appliance but could not successfully use it due to a lack of guidance; some commodities break down but could not be fixed and so on, which constraints the consumers' purchase to a certain extent. Thirdly, the ineffective market regulation leaves the rural market flooded with counterfeit products. Due to the dispersed rural market and weak regulation, the fake and inferior goods flood into the rural market, which do a lot of harms to farmers^[7]. These problems not only affect the healthy development of rural market, but also damage the interest of rural consumers and reduce their already limited purchase capacity.

2.4 Less consumption goods suitable for farmers Rural areas have got rid of the self-sufficient consumption pattern and greatly rely on the market. But although rural market offers a rich supply of different commodities, those which meet the farmers' needs are really very few, thus, lots of farmers do not know where or is unwilling to spend their money, which can be manifested in those aspects: at first, there are very few products with high quality but low price which fit into rural daily life needs, most businessmen take the rural areas as a good place to sell the old urban stock. Secondly, there are few products which satisfy the agricultural production needs, such as the equipments to process and store the agri-byproducts, agricultural production and transportation machines as well as other advanced agricultural production products, so the purchase desire of the farmers could not be aroused. Thirdly, the representative products which could further stimulate the farmers' consumption have not appeared yet. Especially that the products supply in the below county-level market is extremely limited, apart from daily necessities, there are quite few products

which could satisfy the farmers' needs, the rural market could not be closely connected^[8].

2.5 Unsound security system which affects the immediate consumption of farmers The current social security system is still not perfect and could not cover the whole rural areas of Shanxi Province. In 2006, the tuition-fees exemption during the compulsory education stage was carried out in the rural areas of Shanxi Province, which is a beneficial policy for rural residents. But during the reform of our education system, the higher education is industrialized, the undergraduate and specialty education start to charge, one university student needs 10 000 yuan a year in average, therefore, the expected investment of rural residents in the future education of their children increases. What's more, since rural residents are not blessed with welfare benefits in their housing, medical care, retirement and so on, the expenditure on those things are solely borne by the rural residents themselves. Even if they had some money, they still should keep them for their old age and disease instead of consuming. Meanwhile, with the enhancing marketization factor, the risk expectation of rural residents is becoming powerful. All those existing factors mentioned above influence the immediate consumption of rural residents and disable many potential demands to transform into immediate consumption^[9].

2.6 Backward consumption concept which restricts the improvement of consumption level Since the educational degree of rural residents is generally very low, unreasonable consumption behavior and backward consumption concept are commonly found in rural areas. With the deeply rooted traditional living habits, some farmers cannot easily get used to modern consumption style and accept some new stuff, which affects the sales of some products in rural areas to some extent; moreover, most farmers cannot correctly understand and use the functions of some industrial products, as a result, some complex industrial products with multiple functions in the city are not marketable in rural areas, while some fake products sell quite well; on account of their backward consumption concept, closed mind and lack of information, the blind consumption behaviors are very popular among the rural residents, consumption comparing, consumption for personal relationship and superstition activities can be commonly found, which seriously affect the normal production and life consumption demands^[10].

3 Countermeasures and suggestions

3.1 Maintaining the constant income growth of farmers so as to improve their purchasing power A long-term income increasing mechanism should be established in Shanxi Province so as to effectively improve the incomes of its rural residents and promote consumption. Firstly, in agricultural production, the science and technology popularization should be strengthened, the route of increasing yield and income by science and technology should be adhered to so as to improve the comparative interest of agriculture^[11]. Secondary, the farmers should be led to the road of scale and industrialization production and overcome the conflict between small agriculture and large market, through entering into the market and extending the industrial chain of agriculture, the farmers could obtain the follow-up interest in the processing and sales link, as the in-

come level of farmers is increasingly improved, their consumption demands are effectively stimulated. Thirdly, a fair competitive environment should be created, the development of rural township enterprises and the tertiary industry in rural areas be greatly promoted, more job opportunities be created, the pressure of agricultural surplus labors be alleviated, the non-agricultural income of rural residents be increased, and the virtuous circle of developing rural industry to subsidize agriculture and promoting agriculture through industry could be realized. Fourthly, the urban household registration policy should be gradually relaxed, the transfer of rural surplus labor be well organized and guided, the allocation of rural labor resources be optimized, the labor productivity and income level of peasants be improved. Fifthly, the burdens of peasants should be effectively lightened and some effective measures should be adopted to put a stop for the arbitrary charges, irrational fines and illegal pitching of peasants.

3.2 Establishing modern circulation network in rural areas so as to ensure a smooth channel for commodity market

Compared with the urban areas, the rural areas are generally located in remote areas where the commodities circulation network is quite unsound. Therefore, the reform of agricultural products circulation system should be continuously deepened, the circulation channels of agricultural byproducts should be expanded, and the agricultural supporting and protective policy should be carried out as soon as possible. The government should change their emphasis on production while neglecting of circulation and formulate a market-oriented agricultural products circulation policy which meets the demands of market economy; encourage diversified economic sectors and various industrial organizations to participate in the circulation of agricultural products; take full use of current country fairs, construct professional wholesale market and build some diversified types and levels of agricultural byproducts wholesale markets^[12]. Through establishing modern rural circulation network, the smooth commodity circulation channels could be guaranteed, the farmers could purchase more conveniently and the rural consumption level could be improved.

3.3 Enhancing the rural infrastructure construction so as to improve the consumption environment of rural residents

The consumption level and living standards of rural residents could be improved through increasing the investment in rural infrastructure construction and perfecting the living facilities of farmers^[13]. The government should put limited fiscal capital into rural infrastructure construction, which could not only improve the production conditions of agriculture and township enterprises, but also transform the potential purchasing capacity of peasants into a real one through increasing peasants' income by hiring peasant workers. Next, the government should adopt effective measures and regulations to use and manage the existing infrastructure, And at last, through speeding up the infrastructure construction in rural water, electricity, transportation, communication, radio and television broadcast, a good environment could be created for rural household consumption.

3.4 Producing marketable commodities so as to meet rural market demand A lot rural markets have narrow sales, because most of the commodities in those markets are not needed

by farmers, while some urgently needed commodities are not available or hard to be maintained. As rural residents obtain relative purchasing capacity, the urban industry should take into account the consumption level and psychology of farmers, meet rural market demands, adjust industrial structure and take the satisfaction of rural demands as one long-term development strategy, so far as the products design is concerned, the products should be simple, good, cheap, characteristic and practical which meet the consumption habits of farmers^[14]. As for the after-sale service, the services of adjustment, maintenance and fitting supply should be provided, and the service system should be perfected. The efforts should be made in both the commodity itself and the after-sale services so as to meet rural market demand as much as possible and greatly promote the consumption level of rural residents.

3.5 Perfecting social security system so as to improve the consumer tendency of farmers Currently, the rural residents decrease their immediate consumption for saving, which will be mainly used for their future housing building, marriage, old age, medical care and children's education. Therefore, a multiple-level social insurance system should be developed, the social insurance system on rural medical care, old age and education as well as the minimum living standard security system for the poor families should be gradually perfected so as to remove the farmers' worries. Under the sound rural social security mechanism, the future expenditure expectation and the savings kept for the farmers' self-security would be lessened, thus, more incomes would be used for consumption so that the circulation speed of rural capital should be quickened, the capital use efficiency could be improved and the rural economy could be activated.

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benefit of enterprise and disturbing the daily operation. The judicial department should protect returning-home migrant workers' security of personal possessions and grimly punish those illegal behaviors of inflicting the damage on the developmental environment of enterprise.

Providing the financial policy support is the second important factor, specifically including the following aspects: first, reinforce the support of policy finance for the small-and-medium-sized enterprises and returning-home migrant workers' entrepreneurship. Second, give priority to developing the financial organizations to serve for the small-and-medium-sized enterprises and rural community; give full play to the rural credit association for serving the agriculture and small-and-medium-sized enterprises. Third, meet the diversified needs of enterprisers; develop the fixed assets mortgage loan, pledge of movable loan, personal entrust loan, natural security loan and mutual credit loan of enterprises in the same region, and industry; as for those promising prospect with advanced technology and high profit, we should adopt the way of combination of credit loan and mortgage loan as well as the package loan and package payment; loosen the loan amount and repayment time. Fourth, loosen the mortgage range in rural areas, for example, allow the property of enterprise in small towns including the collective owned land use right, the use right of the rural house sites and hilly land and the property of house as mortgage. Fifth, establish the credit support mechanism of the development of small and medium-sized enterprises and returning-home entrepreneurship^[2].

Promoting the finance and tax preferential policy also has a large proportion. This will make the returning-home migrant workers enjoy the same preferential policies as the foreign merchants^[7].

Reinforcing the entrepreneurship training degree and giving preference for returning-home migrant workers' land use are also the aspects of support the migrant workers want to get urgently.

The 5 aspects of support in Table 4 can also basically reflect the aspects of government support the returning-home migrant workers expect.

3 Conclusion

First, the returning-home migrant workers' entrepreneurship has transformed "the migrant labor rush" into "entrepreneurship rush", which becomes the new effective way to solve the employment pressure under the post-financial crisis.

Second, the motivation of returning-home migrant workers'

entrepreneurship is mainly ascribed to the individual factors. The economic need of individual and family, unfair treatment of city-town dual structure, and great employment pressure have a big proportion, while the social factors are also important, accounting for 30 percent.

Third, the main difficulties of returning-home migrant workers' entrepreneurship are respectively the difficult fundraising, complicated formalities of starting business, difficult benefit security, low quality of migrant workers, the inefficient implementation of government support policy, the land use restriction and so on. If these difficulties can not be solved well, then the returning-home migrant workers' entrepreneurship will be impeded.

Fourth, the required government support returning-home migrant workers' entrepreneurship can be embodied in 5 aspects: improve the service and management of returning-home migrant workers' entrepreneurship; provide financial policy support; promote finance and tax preferential policies; reinforce the entrepreneurship training degree; give preference for migrant workers' land use. From these, we know that returning-home migrant workers' entrepreneurship, different from the common investment introducing entrepreneurship, need more government support.

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