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Study on Characteristics of Consumption Demand and Its Constraints of Rural Areas in China

YANG Yan-hui *

Research Institute of Southwest Nationalities, Southwest University for nationalities, Chengdu 610041, China

Abstract Combining the statistic data of 1997~2009, this paper analyzes the income of farmers in eight minority areas, structure of consumption demand, the marginal propensity to consume and its constraints factors on eight minority provinces, finally, concludes with some specific proposals. That includes increasing peasant's income, strengthening rural infrastructure construction, establishing perfect rural social security system and promoting reasonable and healthy consumption of peasants.

Key words Rural resident, Consumption demand, Constraint factor, Minority areas, China

Rural Market is an important part of market economic growth and also the key factor of promoting domestic demand. Pulling the consumption demand of peasants in minority has a great significance to the normal economic running in the minority areas or even the whole nation. The condition of the consumption demand of minority areas directly affects the rural market in minority areas.

The research on this field always lays particular stress on the nationwide macroscopic level, the attention to the rural consumption market in west minority area is not enough, especially the research on the constraint factors of developing rural consumption market in minority areas is few^[1-5]. The author takes researches on the peasant consumption in eight minority areas, analyzes its constraints factors and puts forward suggestions and countermeasures.

1 Consumption demand characteristics of peasants in minority areas

1.1 Obvious improvement of the whole consumption level Since 1997, along with the rapid growth of our rural economy, peasant income in minority areas has a big increase. The average annual increase of net income per person of peasants in Neimenggu is 20.1%, that of Ningxia is 25.4%, Guangxi is 13.5%, Guizhou is 14.7%, Yunnan is 19.4%, Tibet is 16.2%, Qinghai is 18.7% and Sinkiang is 20.7%. The average annual increase of the eight minority areas is 18.3%. It is in the same pace as the income increase. The integrate consumption level of peasants has an obvious improvement. From 1997 to 2009, the consumption expenditure per person of peasants in the eight minority areas has increased 2.5 times,

from 1 232 yuan to 3 057 yuan, with average annual increase of 12.3%. Among the increase, the food expenditure per person has increased 1.8 times, and that of clothing has increased 2.1 times, and 3.4 times in residence, 2.8 times in family appliance, 5.1 times in medical treatment, 9.8 times in communication and transportation and 2.6 times in culture, education and entertainment (Table 1-2).

1.2 The proportion of commercialization consumption has increased a lot Based on the increase of monetary income and improvement of purchasing power in minority areas, in peasant consumption expenditure, monetary consumption and objective consumption have occurred waxing and waning. The objective consumption has decreased year by year, and the monetary consumption is in the opposite. In 2009, the cash disbursement takes 68.5% of the whole living consumption in minority areas, 16.1% more than that of 1997. Especially, 80% of the increase of the consumption expenditure derives from the increase of monetary consumption. The cash disbursement of living consumption per person is 3 057 yuan, has increased 1 825 yuan, 1.5 times than that of 1997, with annual increase of 12.3%. Among them, commodity rate of food consumption has reached 52.2%, 10.6% more than that of 1997, monetary expenditure takes 87.5% in residence consumption, has increased 16.7%, the commercialization of other consumption is generally closed to 100%, the commercialization of rural family consumption has increased a lot.

1.3 Consumption structure has been optimized, the quality has been improved Along with the increase of peasant income and improvement of consumption standard, the peasant consumption structure also has an obvious improvement. Comparing 2009 and 1997, the food and clothing consumption respectively has decreased 8.1% and 1.5%. However, medical treatment, communication and transportation, culture, education and entertainment respectively has increased 3.3%, 6.4% and 5.5%. In 2009, the order of rural living consumption structure is food, residence, medical treatment, culture, clothing, appliance and transportation. (Table 2) The Engel coefficient in minority areas has decreased obviously.

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* Corresponding author. E-mail: yanhui.yang@126.com

1.4 Marginal Consumption Propensity is high, the potential demand is huge

Keynes Absolute Consumption Theory considers that consumption mainly decides on the income, expenditure and income has a steady functional reaction. Along with the increase of income, the consumption is increasing, but it doesn't increase in the same proportion of income, it is lower than the increase of income, the proportion of consumption increase and income increase is the marginal consumption propensity. In domestic circle, it is often made Keynes Absolute

Consumption Theory change into measurable mathematical model: $C = \alpha + \beta Y$

In the model, C is consumption level, Y is disposable income, α is necessary consumption (amount of consumption when income is zero), β is marginal consumption propensity. The paper adopts the above model, using *eview6.0* to make the regression analysis (OLS) of the living consumption and net income per person in eight minority areas from 1997 to 2009. The result is shown in Table 3.

Table 1 From 1997 to 2009, personal consumption in eight minority areas

Yuan

Year	Personal consumption totally	Food	Clothes	Residence	Household appliance and service	Medical and health care	Transportation and communication	Culture, education and recreational appliance and service	Other commodities and service
1997	1 232	731	96	155	59	47	33	87	24
1998	1 251	731	88	161	57	56	40	95	22
1999	1 223	719	85	144	56	54	39	102	24
2000	1 307	736	83	167	50	63	53	121	34
2001	1 342	711	88	196	56	73	65	116	37
2002	1 384	706	92	198	60	82	80	127	37
2003	1 476	730	96	227	55	87	109	143	27
2004	1 705	858	107	246	63	107	139	156	30
2005	1 982	980	130	284	77	169	169	132	39
2006	2 184	979	144	387	94	210	178	150	43
2007	2 512	1 124	171	452	108	243	186	176	53
2008	2 830	1 311	181	516	117	265	179	205	56
2009	3 057	1 329	204	574	141	310	190	249	59

Note: Data derive from *National Statistic Yearbook*.

Table 2 In 2009, consumption structure in minority areas of our country

Yuan

Area	Personal consumption totally	Food	Clothes	Residence	Household appliance and service	Medical and health care	Transportation and communication	Culture, education and recreational appliance and service	Other commodities and service
The Whole Nation	3 993	1 636	233	805	205	403	341	288	84
Inner mongolia	3968	1 579	272	609	148	466	391	417	87
Guangxi	3 231	1 573	92	678	158	276	193	205	57
Guizhou	2 422	1 094	125	588	115	175	152	133	39
Yunnan	2 925	1 410	137	497	148	313	178	198	45
Tibet	2 399	1 190	267	383	149	225	61	72	53
Qinghai	3 209	1 164	225	821	133	341	174	291	61
Ningxia	3 348	1 395	256	502	169	366	217	356	86
Xinjiang	2 951	1 226	261	515	107	319	158	317	47

Note: Data derive from *National Statistic Yearbook*.

Table 3 Ols estimate of between rural consumption per person and net income per person in minority areas

Area	Regression equation	F value	Consumption propensity parameter T value	Goodness of Fit R^2
Inner mongolia	$MMC = 99.05 + 0.78NMY$	514.18	22.71	0.98
Guangxi	$GXC = -35.80 + 0.84GXY$	192.85	13.89	0.94
Guizhou	$GZC = 53.14 + 0.78GZY$	452.91	21.28	0.97
Yunnan	$YNC = 38.60 + 0.90YNY$	156.69	12.52	0.93
Tibet	$XZC = -30.47 + 0.74XZY$	134.07	11.58	0.92
Qinghai	$QHC = -241.15 + 1.01QHY$	543.98	23.32	0.98
Ningxia	$NXC = 52.04 + 0.79NXY$	236.69	15.40	0.95
Xinjiang	$XJC = 310.48 + 0.65XJY$	162.22	12.74	0.93
Minority areas	$MZC = 26.4 + 0.81MZY$	496.01	22.27	0.98

Note: In the regression equation, C means consumption, Y means net income, the former two capitals means the first spelling of province. For example, GXC means peasant's consumption per person in Guangxi, GXY means peasant's net income per person in Guangxi. Data derive from *National Statistic Yearbook*.

It is expressed in Table 3, the living consumption and net income per person in eight minority areas are essentially corresponding to Keynes Absolute Consumption Theory. F Value

and T Value both can pass the test, goodness of fit are both more than 0.9. The average marginal consumption propensity in minority areas is 0.81, a little higher than the nationwide lev-

el in the same period. The provinces with the marginal consumption propensity lower than 0.8 include Inner Mongolia, Guizhou, Tibet, Ningxia and Xinjiang. Those more than 0.8 include Guangxi, Yunnan and Qinghai. Among them, the marginal consumption propensity of Qinghai reaches up to 1.01, that means the net income increases one yuan, the resident willing consumption is 1.01. Yunnan Province also reaches 0.9. It looks like inconsistent with the consumption theory, however, it gives us a new policy orientation. The policies of promoting domestic demand, home appliances going to the countryside and others can't follow the policy of "One size fits all". The country should pay more attention to the income increase of peasant in minority poverty-stricken areas, every one yuan increase of income can drive more domestic demand.

2 Constraint factors in developing rural consumption market in minority areas

2.1 Slow increase of peasant income Income factor is the key factor of restricting consumption. Seen from the thirty years since reform and opening up, the increase of peasant income directly affects the increase of purchasing power, peasant consumption and the development of rural market. In the initial stage of reform, the peasant income in minority areas has increased fast, with more than 10% average increase. In the same period, purchasing power of peasant also has increased fast, the consumption demand is very strong. In the late of 1980s, the focus of our economic system reform is inclined to city, the increase of peasant income reveals slowly. The increase speed is not only lower than urban residents but also much lower than the increase speed of GDP. It expands the gap between urban and rural areas and leads to a weak rural market, the market share reduces year by year. Compare the net income per person of peasant in minority areas to the whole nation, the absolute gap is bigger and bigger. It is 29 Yuan in 1997, and 1 390 Yuan in 2009. And it has a trend of be much bigger (Fig. 1).

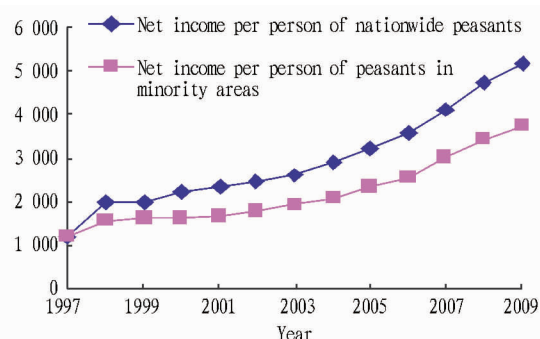


Fig. 1 From 1997 to 2009, the comparison of peasant's net income between minority area and the whole nation

2.2 Uncertainty of expected consumption With the influence of uncertainty of expected consumption, peasants don't want to spend more money in consumption. Although compulsory education is popularized in west area, the tuition is free for the students in compulsory education stage, however, the hospitalization costs of peasants increase a lot. In 2009, the hospitalization cost per person in the eight minority areas is 249

yuan, increases 4.0% than that of 1997. That of Inner Mongolia is 417, takes 10.5% of the total consumption, increases 6.5%. Besides, due to the living habit of rural residents in minority areas, most of their income has been deposited.

2.3 Bad environment of rural consumption Consumption environment is an important factor which affects consumption. Comparing to city, rural infrastructure like power supply, water supply and communication and others are backward. Comparing to the Middle-east developed rural areas, in west minority rural areas, the commodity information is blocking, transportation is inconvenient, connection between production and marketing is influent, buying, using, repairing and after-sale service is very inconvenient. All these lead to enthusiasm shortage of buying durable consumer goods of peasants. In addition, rural residents in minority areas have a low rights consciousness due to the low educational level. They often don't know how to complain when they have bought counterfeit and shoddy products, or it can't be solved even they have complained. All of these serious affect the consumption activity of peasants.

2.4 Old consumption concept of peasants Consumption not only connects with income but also governed by regional consumption concept, it is affected a lot by consumption culture. At present, the backward or even abnormal consumption concept in some rural areas in minority areas hasn't changed fundamentally. It expresses as three parts. Firstly, the self-development consciousness is bad. Some peasants in minority areas feel satisfied if they have enough to eat and wear. They don't want to earn more money to improve consumption level. Secondly, wasteful consumption is easy to see. They spend a lot in repairing temples, establishing graves, wedding and funerals. Thirdly, the idea is conservative and lack of premature consumption consciousness. Due to the imperfection of rural financial market, most peasant do not want to take loan in premature consumption. These factors greatly restrict the development of rural consumption market in minority areas.

3 Countermeasures and suggestions

3.1 Increasing peasant income No income, no purchasing power, and thus no consumption and much less development of rural market. So, increasing peasant income is the key point to solve the stagnant rural market in minority areas. Rural areas in minority areas generally belong to small-scale management and low-benefit peasant business model. Input-output ratio is low. The secondary tertiary industry develops slowly. It makes difficult to keep the peasant income in minority areas increasing. Therefore, establishing long-acting mechanism and ensuring the rapid growth of peasant income becomes the most urgent task of developing rural economy.

3.2 Increasing the construction of rural infrastructure, creating a nice consumption environment Improvement of consumption environment is good for converting potential consumption capability into real consumption demand. The popularization rate of household appliances in minority areas is relatively low. An important reason is the constraint of consumption environment. On the one hand, rural areas exist the problems of power supply, water supply, disfluency of television signal

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society of consumption needs a series of corresponding supporting social systems. We should improve the level of consumption of rural residents, strive to improve the level of social security for rural residents, and build a sound security system in rural areas. In fact, sound rural social security system is the key to the development of new socialist countryside, and the momentum of continuous growth of rural economy^[6]. In view of the status quo of imperfect social security system in rural areas of China, we should establish pension insurance system, rural medical insurance system, agricultural insurance system, and so on as soon as possible, suitable for the needs of rural residents in China, and play the active role of social security system. China's agricultural industry is weak industry, with the poor ability to resist risks. Therefore, we should continue to strengthen the construction of rural infrastructure, build rural water conservancy facilities, promote the agricultural ability to resist risk, increase the inputs in agricultural production, establish agricultural insurance mechanism, further promote the reform of agricultural insurance system, establish public-financial-support-oriented agricultural insurance system, encourage various kinds of funds to develop agricultural insurance market, form diversified funding sources, establish agricultural policy insurance company, and reduce the losses to rural residents, arising from the agricultural risk. We should establish and improve rural social endowment insurance system, eliminate the worries of rural residents, improve the rural cooperative medical care system, improve the relief system for disaster-stricken people in rural areas, so that the rural residents can be supported and hospitalized when old, and the consumption of rural residents is increased.

(From page 89)

and communication facilities. On the other hand, rural market is lack of pre-sales leading and after-sales service in appliances. Therefore, it is necessary to improve rural consumption environment and pay more attention to establish rural information network, management of rural market and rural finance market and so on.

3.3 Establishing perfect rural social guarantee system in minority areas The rural residents in our minority areas are like to narrow the immediate consumption and deposit their income. The main reason is worried about the consumption of establishing house, wedding, old-age care, medical treatment, children's education and so on in the future. Therefore, it is urgent to develop multilevel social guarantee system and establish perfect rural social guarantee system of medical treatment, old-age care, children's education and the system of subsistence allowances.

3.4 Promoting reasonable and healthy consumption of rural residents It is needed to enhance publicity and guidance specific to the consumption habits and mind of peasants formed in a long term. In addition, it should guide the rural residents to change the bad consumption habit like spending

3 Conclusion

Issues concerning agriculture, farmers and villages, are always the important issues related with people's livelihood, while the level of consumption of rural residents truly reflects the actual living quality of rural residents. In the context of stable propulsion of new socialist village, we should continue to expand domestic demand, increase capital for consumption of rural residents, adjust rural industrial structure, improve the rural market circulation system, crack down on harmful economic behavior for the rural market, develop and improve the rural financial system, strengthen the inputs of financial credit in rural market, actively develop and improve rural social security system, explore the security system in line with the rural characteristics, and accelerate the pace of constructing harmonious society.

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much money in repairing tomb, setting up a monument, wedding, funeral and so on. These bad consumption habits not only affect the purchasing power of rural residents, but also affect the expansion and development of rural market.

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