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# Obstacles to Rural Residents' Consumption in China and the Countermeasures

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**Abstract** On the basis of relevant statistical data, this paper analyzes the obstacles to rural residents' consumption in China as follows: the consumption structure is restricted critically; the consumption environment cannot meet the need of social development; the traditional consumption concept has not yet been changed; the social security system is not sound; the support of rural finance is short. Pointed countermeasures for eliminating the obstacles to rural residents' consumption are put forward as follows: first, adopt effective measures to elevate the level of farmers' income; second, strengthen the credit support of rural finance; third, quicken the pace of modernized development in rural areas; fourth, construct perfect rural social security system.

**Key words** Rural residents, Consumption, Obstacles, Countermeasures, China

Through three decades of reform and opening, the socio-economic development of China is greatly promoted and people's living standards are further promoted; farmers' income is gradually increased and living standards of farmers is prominently improved; the rural residents' consumption level is also gradually promoted; the total consumption increases rapidly and the ratio of consumption paid by money increases; people's dependence on food becomes increasingly low. But impacted by China's system and historical factors, in comparison with the consumption in developed foreign countries, there are many problems and flaws regarding the rural residents' consumption in China, which critically hampers the economic development of China. These problems and flaws are not propitious to the current goal of expanding domestic demand and developing economy. At present, China's socialism has stepped into the key period of comprehensive development, and transforming economic growth mode and expanding domestic demand have become the important momentum and source of economic growth. Promoting the development of rural economy, increasing farmers' income, and promoting the level of rural residents' consumption is not only the need for expanding domestic demand, but also the inevitable requirements of better promoting new socialist village construction. In-depth analysis of the current rural residents' consumption in China, are of great significance in better developing China's rural economy, realizing economic growth and realizing the goal of building a moderately prosperous society in all respects. This paper analyzes the obstacles to rural residents' consumption and puts forward pointed countermeasures for eliminating the obstacles to rural residents' consumption are put forward.

## 1 Obstacles to rural residents' consumption in China

### 1.1 The consumption structure is restricted critically

Reasonable consumption structure can help raise the consumption level and living standards of residents, promote the optimization and upgrading of consumption structure. In the mean time, it can also effectively promote the economic development of China, and play the significant role in promoting healthy and circular development of the national economy. Although China's economy develops to some extent, it does not bring a corresponding increase in consumer demand, therefore, the related issues become more prominent, such as uneven economic development and urban-rural dual structure<sup>[1]</sup>. Due to low educational level of rural residents in China, when working, they can only be engaged in calling which requires relatively simple business skills. It makes the income of rural residents lack stability, the income level of rural residents not high, and the income growth not enough. Thus the income level of rural residents is lower than the income level of urban residents for a long time, and the gap is increasingly expanding, which makes the average purchasing power of rural residents lower than the average purchasing power of urban residents.

We can find that in the year 1978, the consumption level of rural residents was 138 yuan, the consumption level of urban residents was 405 yuan. When in the year 2008, the consumption level of rural residents was 3 756 yuan, while the consumption level of urban residents was 13 526 yuan<sup>[2]</sup>. Through decades of development, although the consumption level of rural residents and urban residents has absolute growth, the gap between the consumption level of rural residents and urban residents is getting larger. Farmers' management of agriculture bears dual risk of the nature and market, which increases uncertainty of farmers' income. At the same time, as the level of prices increases, the disposable income of farmers decreases to some extent and the consumer demand which grows at high

speed cannot be answered, therefore, it makes the purchasing power of China's rural residents relatively low, and impedes the increase of the consumption level of rural residents. In comparison with the developed foreign countries, there are more shortcomings in the consumption level of rural residents in China, yet to be further rectified.

### 1.2 The consumption environment cannot meet the need of social development

Rural consumption structure is closely linked to the industrial structure in rural areas, and the rural consumer market can promote adjustment and optimization of the rural industrial structure<sup>[3]</sup>. At present, the rural market develops insufficiently, which cannot meet the diverse needs of rural households. The consumption environment of China's rural residents is relative poor, and it cannot adapt to the requirements of current social development. In China's vast rural areas, especially the central and western regions, the living standards are poor and the construction of infrastructure in rural areas is short, which is difficult to meet the needs of rural development. In spite of the ceaseless efforts in recent years, it still can not meet consumer demand. Some areas still lack roads, incapable of communicating and exchanging with the outside world, which thus significantly inhibits the consumption level of rural residents. In addition, China's rural distribution system is far from perfect. The rural commercial networks are not perfect and most of them are small traditional networks. Being that the scale of production and management of self-employed laborers is relatively small and stocking channels are in chaos, therefore the phenomenon of operating fake and shoddy goods sometimes occurs, and the big-ticket consumer goods that meet rural residents' consumer demand still need to be purchased from city. These factors lead to the slow consumption of rural residents in China, and the existing distribution system can not meet the needs of the rural market at all.

### 1.3 The traditional consumption concept has not yet been changed

The consumption concept of China's rural residents seriously inhibits the elevation of farmers' consumption level and improvement of consumption structure. With brilliant culture and long history, China has always been advocating thriftiness and embracing scrupulous consumption idea of avoiding insolvency, that is, it emphasizes the accumulation of wealth, not in favor of excessive consumption or consumption in advance, resulting in the faint consumption consciousness when China's rural residents cannot be guaranteed in the future, thereby it is enormously detrimental to fostering good consumption culture of rural residents. Meanwhile, China's rural residents are generally with low educational level and a slew of rural residents have not yet spurned backward traditional consumption concept and accepted novel and diversified advanced consumption mode. Deeply influenced by the traditional consumption concept, the lifestyle of ignoring consumption and focusing on accumulation takes shape. Part of rural residents show ignorant lifestyle, neglecting the phenomenon of the spiritual and cultural construction and consumption but paying sole attention to the material consumption in the process of life, which greatly impacts the expansion of consumer demand of rural

residents, mitigates the implementation effect of the state consumption stimulus program, and disarrays the normal production and life.

**1.4 The social security system is not sound** A good social security system in rural areas is the necessary condition for farmers to realize production. Due to long-term impact of the dual economic structure in China, as against cities and towns, the rural social security system in China still has many deficiencies. At present, the social security system for China's rural residents is still in its infancy. The infrastructure construction is not perfect, and the rural cooperative medical care and rural minimum living allowance system are yet to be further improved and perfected. The rural residents have the misgivings, faltering before consumption. Meanwhile, China's urban-rural income gap is large; rural Engel coefficient is large; the farmers have meager incomes; social security are not satisfied (Table 1). As rural residents are burdened with onerous cost of living, thus the rural residents have no extra income for consumption, making farmers' propensity to increase savings intensify. This will inhibit the consumption level of rural residents in China. The rural old-age insurance system in China is at the stage of exploration, and there are many problems and shortcomings, therefore China's rural social security system needs to be improved.

**Table 1 Disposable income per capita and Engel coefficient of urban-rural residents from 2000 to 2009**

Year	The ratio of disposable income per capita of urban residents and disposable income per capita of rural residents	Rural Engel coefficient-urban Engel coefficient//%
2000	2.787	9.7
2001	2.899	9.5
2002	3.111	8.5
2003	3.231	8.5
2004	3.209	9.5
2005	3.224	8.8
2006	3.278	7.2
2007	3.330	6.8
2008	3.315	5.8
2009	3.333	6.8

**1.5 The support of rural finance is short** Good credit support can effectively meet the consumer demand of rural residents and make the layout of rural consumption structure rational. At present, the development of China's rural financial system is not perfect, which can not effectively meet the financial needs of the rural market. The four major state-owned banks have withdrawn from the rural areas, taking away a lot of money, which makes the rural market all the more devoid of capital. Agricultural Development Bank aims to provide loans for enterprises of agricultural products, but the line of credit provided by Agricultural Development Bank each year is quite low, which cannot entirely meet the needs of the rural market. Agricultural Bank pins down the goal of market as urban development, and give up support for rural areas, which makes many small-and-medium-sized enterprises unable to get loans. Postal Savings Bank, in its infancy stage, whose various

measures are still in the exploratory phase and institution-building is not perfect, needs further to be strengthened and developed. The service aim of rural credit cooperative, which is as the main body of rural finance in China, should be to develop the rural market. However, to seek maximum benefits, rural credit cooperative offers a handful of micro-credit for rural areas, and the existing small loans can not meet the current needs of development at all, thus the credit needs of rural residents cannot be sufficed and they fail to conduct production, so that the standards of living is not improved and the efficiency of resource allocation in rural markets is low, which is extremely unfavorable to the development of rural market.

## 2 Pointed countermeasures for eliminating the obstacles to rural residents' consumption

At present, China's social development is in a critical period. In the face of problems and deficiencies surfacing in the process of rural residents' consumption in China, we should take into account the actual situation of development of China, to formulate the rural consumer development system in line with the actual needs of China.

**2.1 Adopt effective measures to elevate the level of farmers' income** At present, China's new village construction is advancing smoothly. Coordinating urban-rural development and bridging urban-rural income gap is always the concern of the party and the country, and the issue that must be addressed for China's new village construction. Thus, in the process of expanding the consumption of rural residents, we should constantly adjust the size and structure of expenditure on economic construction, vigorously develop high-efficiency and facilities agriculture, and improve the level of agricultural operations<sup>[4]</sup>. The rural residents should seize the favorable opportunity of current new rural development; accelerate the technological upgrading of varieties of agricultural products, through the opportunity of continuous adjustment of industrial policies; improve the quality and market competitiveness of agricultural products; effectively improve their income levels; promote the consumption of rural residents. In addition, we should strengthen and improve the educational level of rural residents; enhance the level of knowledge for rural residents; strengthen and improve migrant workers' capacity of public services and social management; give full play to the role to provide more employment opportunities for rural residents and create favorable living environment for rural residents; actively promote the industrialization management of agriculture; develop modern agriculture; encourage agricultural technological innovation; promote resource use rate; improve the income level of rural residents in China; establish a reasonable level of consumption.

**2.2 Strengthen the credit support of rural finance** Strengthening the support of credit policy is of great significance in promoting consumption of rural residents. At present, as state-owned banks withdraw from the rural market, it makes funds of rural market rapidly flow into city and the rural market lack financial policy support, which is extremely unfavorable to rural development. Therefore, we should continue to strength-

en the support of rural financial policy; give full play to the policy bank role of Agricultural Development Bank; through reinforcing loans for purchase of agriculture, grain, and oil and through supporting processing enterprises of agricultural products, increase the added value of agricultural products, extend the industrial chain and increase farmers' income; Agricultural Bank should divert the direction of development toward the countryside, actively and effectively support development of small and medium-sized enterprises in rural areas, and offer preferential support for some high-quality customers, in order to meet the credit needs of rural residents and increase the level of consumption of rural residents; Postal Savings Bank should actively explore a development path that is suitable for its own development, develop credit policies that meet the demand of rural market, and improve the layout requirements of the rural market; rural cooperatives, as the main body of rural finance, should give full play to the role of main body, actively explore small loans suitable for rural development, and perfect the term and limit of small loans, so as to ensure the needs of agricultural production. In addition, rural cooperatives should make the county capital all flow into the rural market, give priority of support to the planting industry and breeding industry, constantly increase farmers' income and improve levels of rural consumption. The rural market should also continue to improve the market, and meet the needs of rural market through establishing village banks and farmers' mutual aid team, so as to make the rural market develop ceaselessly.

**2.3 Quicken the pace of modernized development in rural areas** Development of rural areas needs the support of good development channels and systems. At present, in the face of the problems of inadequate infrastructure construction in China's rural areas and scant rural circulation system, we should continue to increase inputs, accelerate the transformation of China's rural public facilities, improve the infrastructure construction of China's rural roads, communications and so on, constantly improve rural consumption structure, realize the upgrading of consumption in the rural areas, and promote the equalization of basic public services in urban and rural areas<sup>[5]</sup>. Besides, we should vigorously develop the commodity circulation system in rural areas, strengthen the construction of rural supermarkets and stores, develop healthy modern logistics service system, provide multifarious products with different levels for rural residents, encourage and guide the social capital to invest in rural circulation domain, increase choices for rural residents and meet the diversified consumer demand for rural residents. We should strengthen the management of rural market, formulate regulations and measures for the rural consumer goods market, deal a devastating blow to the counterfeit field, further strengthen the supervision on rural market, create a good environment for consumption, drive the consumption of rural residents, and improve the levels of consumption in rural areas. At the same time, we should accelerate the development of township enterprises, quicken the pace of transfer of rural surplus labor forces, continue to extend the industrial chain of agriculture, improve the overall benefit of agriculture and construct modern new rural areas.

**2.4 Construct perfect rural social security system** The

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<sup>[6]</sup>. 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.

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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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