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# Difference of Life Expenses among Rural Residents

—A Case of Anhui Province, China

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**Abstract** Literature review on the status of consumption difference of rural residents and its causation analysis is carried out. Most researches introduce the status and causation of consumption gap in rural residents from different aspects, which mainly analyze the obsolete data from the macroscopic angle by measuring methods. Only a few researches analyze the data in recent years from the provincial angle by using Theil index as the analysis index. Therefore, taking Anhui Province as an example, Theil index is selected to calculate the consumption gap of rural residents in Anhui Province in the years 2003–2008, according to the sample survey of rural households in Anhui Province in the years 2004–2009. Through the analysis of living consumption expenditure of rural residents, consumption change and its various internal causes are studied. Result shows that differentiation change of food and residence consumption expenditure is the major reason for the differentiation change of living consumption expenditure. Proportions of other expenditures are relatively small, having little impact on the living consumption of rural residents. Based on this, suggestions are put forward in order to minimize the difference in living consumption expenditure in rural areas, such as enhancing the income level of middle and low-income family in rural areas, improving the reform of education and health care, and strengthening the construction of rural road.

**Key words** Rural resident, Consumption gap, Theil index, Anhui Province, China

The level of resident's living standard is evaluated according to the income level and consumption level. Since the reform and opening up, consumption level of rural residents has been greatly increased due to the rise of income level. Data show that per capita net income of rural residents in China is 134 yuan in the year 1978 and the per capita expenditure is 116.5 yuan. In the year 2008, rural per capita net income is 4 761 yuan and per capita average consumption is 3 661 yuan. With the increase of rural residents' expenditure level, the gap in rural residents' expenditure is widening. Based on this, Anhui Province is taken as an example, because the urbanization level, per capita consumption level, and per capita net income of rural residents are all close to the national average. By measuring the consumption expenditure differences of rural residents in Anhui Province in the years 2003–2008, the internal change of life expenses is analyzed in order to explore the main factors affecting the consumption expenditure differences of rural residents.

## 1 Literature review

By analyzing the related references in recent years, we find out that there are two main aspects in the research on consumption expenditure differences of rural residents. One aspect is the overview of consumption differences of rural residents. Fu Tao *et al.* measure the provincial differences of 30 provinces and the regional differences in western, central and eastern China in the years 1993–2003. Research result shows that regional difference of household consumption in China is mainly reflected in western, central and eastern China<sup>[1]</sup>. Shi Yong *et al.* study on the differences of education expenditure in rural

residents in China. Result shows that the gap in education expenditure of rural residents is narrowing, but this tendency is reversed in the year 2006, which is caused by the different household income levels and the transformation of family education needs<sup>[2]</sup>. Based on the cluster analysis of single index panel data, regional differences of rural residents' income and expenditure in Anhui Province are studied, indicating that there are differences in the rural residents' consumption expenditure in Anhui Province, and the differences and income level belong to equilibrium difference<sup>[3]</sup>. The other aspect is the cause analysis on consumption differences of rural residents. Peng Haiyan uses extended linear expenditure system and panel data model to analyze the effects of income level, demand elasticity, and income distribution on consumption demand structure of rural residents in China. Research result shows that income level is the fundamental factor determining the consumption structure status of rural households<sup>[4]</sup>. Liang Junwei points out that income gap is an important factor causing the widening internal consumption gap in rural residents<sup>[5–6]</sup>. Wang Hongwei *et al.* study on the variation status and trend of rural consumption in China, pointing out the three factors and seven factors restricting the consumption expanding of rural residents<sup>[7–8]</sup>.

The above researches introduce the status and causation of consumption gap in rural residents from different aspects, which mainly analyze the obsolete data from the macroscopic angle by measuring methods. Only a few researches analyze the data in recent years from the provincial angle by using Theil index as the analysis index.

There is a great gap in the economic strength and the proportions of urban and rural population among different provinces in China, especially the eastern, central and western areas. Anhui Province located in central China is a major agricultural province, belonging to economically underdeveloped province.

Relevant information shows that per capita net income and per capita expenditure of rural residents in Anhui Province are 4202.5 and 3 284.1 yuan in the year 2008, which are 558.5 and 376.9 yuan lower than the national levels, respectively. In the year 2009, urbanization rates of Anhui Province and China are 42.1% and 46.6%, respectively. Thus, both of economic strength and urbanization rate of Anhui Province are a little lower than the national average levels. But the overall status of Anhui Province is close to the national level. Therefore, taking Anhui Province as the research object to study the income gap of rural residents is of representative significance. Combining with the sample survey of rural households in Anhui Province, Theil index is used to measure the consumption gap of rural residents in Anhui Province in the years 2003–2008 and the internal cause of consumption gap is researched by separating the consumption expenditure.

## 2 Data source, research method and index selection

**2.1 Data source** Data are from the sample survey of rural households in Anhui Province in the years 2004–2009, which is a little different from the *Anhui Statistical Yearbook*. *Anhui Statistical Yearbook* divides per capita expenditure of urban residents into 9 groups according to the per capita net income, but the per capita expenditure of rural residents is not classified. The sample survey of rural households in Anhui Province divides per capita expenditure of urban residents into 20 groups according to the per capita net income. When calculating the Theil index or Geordie Coefficient of expenditure gap, too few groups will ignore the gap between groups and cause the low measuring results. Therefore, result of data selected is relatively accurate compared with the data in *Anhui Statistical Yearbook*.

**2.2 Research method and data selection** Theil index and Geordie Coefficient are indices usually used to measure the income and consumption gap. As for the same research object, Theil index and Geordie Coefficient have the same variation trend, though their values are different. Geordie Coefficient is widely used in the research on income and consumption gap, but it has some disadvantages. For instance, because its calculation method has relatively small weight to the low-income

group, Geordie Coefficient is not sensitive to changes in the proportion of low income group. Besides, it is difficult to use empirical data to measure the Geordie Coefficient.

Compared with Geordie Coefficient, it is easier to use empirical data to calculate Theil index. Besides, there is no weight given to different income groups during calculation of Theil index. And the measuring result does not affect the response to low income group. Theil index can calculate not only the changes in the overall gap, but also the contribution ratios of the gaps within group and among groups to the overall gap change.

Based on this, we select Theil index as the index to calculate the consumption gap of rural residents. The calculation method of overall Theil index is:

$$T = \sum q_i \log \frac{y_i}{u} = \sum q_i \log \frac{q_i}{p_i}, \quad (1)$$

where  $q_i$  is the proportion of the consumption of rural residents of the  $i$ th group in the overall consumption of rural residents in the whole province,  $y_i$  is the per capita expenditure of rural residents in the  $i$ th group,  $u$  is the average expenditure of rural residents in the whole province,  $p_i$  is the proportion of rural population in the  $i$ th group in the overall rural population of the whole province.

## 3 Result and analysis

**3.1 Analysis of the change in index** Living consumption refers to the overall expenditure in rural residents' daily life, an important index reflecting the peasant household consumption level in real life. Living consumption is the most close with the life of rural residents and is a kind of expenditure reflecting the consumption status of rural residents. Therefore, living consumption expenditure of rural residents is selected as the research object to study on the expenditure gap of rural residents in Anhui Province. Living consumption of rural residents mainly includes eight aspects of food, cloth, residence, household facility, transportation and communication, cultural education and entrainment, medical care, other goods and services. According to equation (1), living consumption of rural residents in Anhui Province in the years 2003–2008, as well as the Theil indices of eight aspects, is calculated by combining with the sample survey of rural households in Anhui Province in the years 2004–2009 (Table 1).

**Table 1 Theil index of various consumption expenditures of rural residents in Anhui Province in the years 2003–2008**

Year	Theil index of living consumption expenditure	Theil index of food consumption expenditure	Theil index of cloth consumption expenditure	Theil index of residence consumption expenditure	Theil index of household facility consumption expenditure	Theil index of transportation and communication consumption expenditure	Theil index of cultural education and entrainment consumption expenditure	Theil index of medical care consumption expenditure	Theil index of other goods and services consumption expenditure
2003	0.021 1	0.009 7	0.021 3	0.069 9	0.024 9	0.034 9	0.014 8	0.041 7	0.057 1
2004	0.024 5	0.010 6	0.023 8	0.087 2	0.032 8	0.028 8	0.021 0	0.052 3	0.046 7
2005	0.020 8	0.010 5	0.020 7	0.059 5	0.020 6	0.040 9	0.032 7	0.027 3	0.043 3
2006	0.025 0	0.012 1	0.028 0	0.082 5	0.037 5	0.041 1	0.038 1	0.026 4	0.026 5
2007	0.026 1	0.011 8	0.022 1	0.082 2	0.030 7	0.037 1	0.039 1	0.029 8	0.025 9
2008	0.022 8	0.012 7	0.024 6	0.055 2	0.028 6	0.035 6	0.044 4	0.020 2	0.028 2

Table 1 reports that the living consumption expenditure of rural residents shows an extending trend in Anhui Province in the years 2003 – 2008. Its Theil index is 0.021 1 in the year 2003, 0.024 5 in the year 2004, 0.020 8 in the year 2005, then rises in the years 2006 and 2007, and declines to 0.022 8 in the year 2008.

Table 1 also indicates the change situation of eight Theil indices constituting the living expenses:

(1) There is little differentiation change in food and cloth consumption expenditure of rural residents in the years 2003 – 2008. And the change tendencies of Theil indices are almost the same. Theil index declines or rises every other year. For instance, Theil index of food consumption expenditure is 0.009 7 in the year 2003, rises to 0.010 6 in 2004, declines to 0.001 05 in the year 2005, and rises in the years 2006 – 2008.

(2) Residence and household equipment have the same trend of Theil index. In the year 2004, Theil indices of residence and household equipment have increased by 0.017 3 and 0.007 9 compared with those in the year 2003. The two indices have decreased by 0.027 7 and 0.012 2 in the year 2005 compared with those in the year 2004, respectively. And then, they have increased in the year 2006, and have fallen in the years 2007 and 2008. At the same time, Theil index of residence consumption is the highest among the eight indices, indicating that the difference of residence consumption expenditure of rural residents is also the maximum.

(3) Theil index of transportation and communication expenditure is 0.034 9 in the year 2003, and 0.028 8 in 2004. Then, it increases in the year 2005 and 2006, and declines in the year 2007 and 2008.

(4) Theil index of cultural education and entrainment consumption expenditure has relatively great variation and shows

an increasing trend year by year. Their index increases year by year in the years 2003 – 2008, indicating that the gap in cultural education and entrainment consumption expenditure in rural Anhui Province is widening.

(5) Theil index of medical care consumption expenditure shows significant change. It shows a decreasing trend in general compared with that in the years 2003 and 2004. Theil index in the years 2005 and 2006 declines by 0.025 0 and 0.025 9, respectively, and rises a little in the year 2007, and again declines to 0.020 2.

(6) Theil index of other goods and services consumption expenditure has declined from 0.057 1 in the year 2003 to 0.025 9 in the year 2007, and it rises a little by 0.002 3 in the year 2008.

**3.2 Analysis of index growth rate** According to relevant data, we also calculate the growth rates of living consumption expenditures of rural and urban residents in Anhui Province in the years 2003 – 2008 (Table 2). Table 2 reports that growth rate of living consumption expenditure of rural residents is 18% higher than that of urban residents in Anhui Province. Among the eight indices of living consumption expenditure, growth rates of the household facility consumption expenditure, the transportation and communication consumption expenditure, the medical care consumption expenditure of rural residents are 4%, 31% and 41% lower than those of urban residents, respectively. Growth rates of the rest five consumption expenditures of rural residents are also higher than those of urban residents, indicating that the gap between rural and urban residents in living consumption expenditure is narrowing, but there are still certain differences in the household facility consumption expenditure, the transportation and communication consumption expenditure, and the medical care consumption expenditure.

**Table 2 Growth rates of per capita consumption of rural and urban residents in Anhui Province in the years 2000 – 2008**

Item	2003// Yuan		2008// Yuan		Annual average growth rate//%	
	Urban area	Rural area	Urban area	Rural area	Urban area	Rural area
Living consumption expenditure	5 064.34	1 596.27	9 524.04	3 284.11	1.88	2.06
Food consumption expenditure	2 238.91	734.75	3 905.05	1 454.18	1.74	1.98
Cloth consumption expenditure	558.07	79.55	1 010.61	180.04	1.81	2.26
Residence consumption expenditure	487.37	281.28	988.12	650.51	2.03	2.31
Household facility consumption expenditure	257.19	74.96	579.59	165.53	2.25	2.21
Transportation and communication consumption expenditure	502.72	184.64	920.77	280.63	1.83	1.52
Cultural education and entrainment consumption expenditure	536.2	87.14	1 160.14	294.84	2.16	3.38
Medical care consumption expenditure	318.2	126.07	633.93	199.44	1.99	1.58
Other goods and services consumption expenditure	165.69	27.87	325.82	58.94	1.97	2.11

## 4 Cause analysis of the gap in rural living consumption expenditure in Anhui Province

The main factors affecting the consumption of rural residents are the income level of residents, the price of goods and services, the interest rate of bank, the family wealth and the income distribution. And the income level of residents is the most important factor. For instance, per capita income of rural residents in Anhui Province has increased from 2 127.48 yuan in the year 2003 to 4 202.49 yuan in the year 2008. Correspondingly, per capita consumption level has also increased from

1 596.3 yuan in the year 2003 to 3 284.1 yuan in the year 2008. Change in income gap has greatly affected the variation of residents' consumption expenditure. Besides, changes in the price of goods and services and the national guidelines have also greatly affected the change in residents' living consumption expenditure. According to the relevant data, food consumption expenditure has the greatest proportion in living consumption expenditure, which is more than 43%, followed by the residence living consumption (more than 15%) and transportation and communication consumption (more than 8%). Proportions

of cloth, household facility, cultural education and entrainment, medical care, other goods and services are relatively small in living consumption expenditure, which are 6%, 5.2%, 12.5%,

7.9% and 2%, respectively, in the years 2003–2008.

The following conclusions can be obtained according to the change trend of consumption expenditures in Table 3:

**Table 3 Proportions of different consumption expenditures in living consumption expenditure of rural residents in Anhui Province in the years 2003–2008**

Year	Theil index of food consumption expenditure	Theil index of cloth consumption expenditure	Theil index of residence consumption expenditure	Theil index of household facility consumption expenditure	Theil index of transportation and communication consumption expenditure	Theil index of cultural education and entrainment consumption expenditure	Theil index of medical care consumption expenditure	Theil index of other goods and services consumption expenditure
2003	46.0	5.0	17.6	4.7	11.6	5.5	7.9	1.7
2004	47.5	4.8	16.5	4.2	11.0	5.1	9.0	1.9
2005	45.5	5.3	15.7	4.8	9.0	11.7	6.1	1.8
2006	43.2	5.7	15.6	4.8	9.8	12.5	6.8	2.0
2007	43.3	6.0	17.4	5.2	9.4	10.3	6.4	1.9
2008	44.3	5.5	19.8	5.0	8.5	9.0	6.1	1.8

(1) Food consumption expenditure has little proportion change in living consumption expenditure, but its proportion declines in the years 2005–2008 compared with the proportions in 2003–2004, from 46% in 2003 to 44.3% in the year 2008, indicating that with the improvement income level, Engle's coefficient of rural residents declines. However, food consumption of rural residents changes gradually from having adequate food and clothing to nutriment and healthy food. For example, per capita grain consumption of rural residents in Anhui Province has decreased from 229.51 kilograms in the year 2003 to 191.24 kilograms in the year 2008; while vegetable consumption per capita has increased from 80.97 kilograms in 2003 to 109.63 kilograms in the year 2008; and egg products and poultry consumptions per capita have increased from 5.04 and 4.27 kilograms in 2003 to 5.96 and 5.37 kilograms in 2008, respectively. Therefore, Theil index changes accordingly, since there are differences in the paying ability of nutriment among different income strata, which is also the reason for the rise of Theil index of rural food consumption expenditure in Anhui Province in the years 2003–2008.

(2) Cloth consumption expenditure has very small proportion change of living consumption expenditure. And in general, proportion in the years 2005–2008 is higher than that in the years 2003–2004, increasing from 5% in 2003 to 5.5% in 2008. Although proportion of cloth consumption expenditure increases, cloth consumption expenditure still accounts for a very small proportion in living consumption expenditure, which is less than 6%. Thus, change of cloth consumption expenditure has not led to the significant change in Theil index. Theil index of food consumption expenditure indicates that there are very small differences in cloth consumption among rural residents in Anhui Province, and the phenomenon of consumption inequality is not significant.

(3) Proportion of residence consumption expenditure in living consumption expenditure is only lower than the food consumption. Since most of the rural residents live in self-built houses, fluctuation of housing price has little impact on the living consumption expenditure of rural residents. With the improvement of income level of rural residents, peasant households have begun to pursue the improvement of living condi-

tions after meeting basic needs of food and cloth. For instance, among the new houses in rural Anhui in the year 2003, area of storied building is 0.57 square meter per capita. And it rises to 1.4 square meters per capita in 2008, an increase of 0.83 square meter. Moreover, area of new houses with brick-wood structure is 0.26 square meter per capita in rural Anhui in the year 2003, that with reinforced concrete structure is 0.54 square meter per capita. In the year 2008, area of new houses with brick-wood structure is only 0.2 square meter per capita, and that with reinforced concrete structure is 1.37 square meters per capita. It can be seen that capital inputs in housing construction and design are different between high and low income groups. In some rural areas, the high income residents live in self-built storied house; while the low income residents live in common brick and wood house, which leads to the great fluctuation of Theil index of living consumption expenditure in rural Anhui in the years 2003–2008.

(4) Household facility consumption expenditure accounts for a relatively small proportion in living consumption expenditure and shows an increasing trend from 4.2% in 2004 to 5.2% in 2007. During the research on relevant data, it is found out that the numbers of washing machines, refrigerators, motorcycles, color TV, DVD player, telephone (mobile phone and fixed telephone) in every 100 peasant households in rural Anhui in the year 2004 have increased by 4.94, 2.84, 6.61, 8.58, 7.16 and 18.33, respectively, compared with the numbers in 2003. And the numbers in 2007 is 19.67, 18.9, 21.03, 29.1, 18.23, and 62.49 more than those in 2004, respectively. Data show that with the improvement of household income, rural residents demand more household equipment and supplies, which leads to the proportion increase of household facility consumption expenditure in the years 2004–2007. Moreover, household facility consumption expenditure accounts for a relatively small proportion in living consumption expenditure; and there is little variation in its Theil index in the years 2003–2008, indicating that there is no significant change in household facility consumption expenditure in rural Anhui Province.

(5) Table 3 indicates that the transportation and communication consumption expenditure of rural residents in Anhui Province shows a decline trend in the years 2003–2008, which

has decreased from 11.6% in 2003 to 8.5% in 2008. According to the relevant data in *Anhui Statistical Yearbook*, mobile phones and fixed telephones in every 100 peasant households have increased from 58.75 and 20.65 in 2003 to 80.38 and 101.26 in 2008, respectively. Increase of communication tools indicates the popularization in rural residents. But the proportion of the transportation and communication consumption expenditure in living communication consumption declines, which is caused by the fall of the price of communication tools. For instance, transportation and communication price has increased by 1.5% in the year 2005, and declined by 0.2%, 0.9% and 0.3% in the years 2006, 2007 and 2008, respectively. This change trend is completely accordance with the change trend of Theil index of transportation and communication. It declines to 0.028 8 in 2004, and increases in the years 2005 and 2006, and then declines in the years 2007 and 2008, indicating that with the cost reduction of transportation and communication consumption, more rural residents have participated in this consumption, causing the corresponding change in consumption differences.

(6) Proportion of cultural education and entrainment consumption expenditure has risen from 5.1% in 2004 to 12.5% in 2006, and declined in the years 2005 and 2006. Thus, Theil index of cultural education and entrainment consumption expenditure is growing. These changes are related to both education policy and service price.

On the one hand, price of education and culture appliance has continued to rise since the year 2005. It increases by 2.1% in 2005, 0.9% in 2006, 0.8% in 2007, and 0.9% in 2008. Thus, residents will pay more due to the increase of service price and education and culture appliance. On the other hand, in the year 2007, China was exempted from paying tuition and incidental fees for their nine-year compulsory education in rural areas. And Anhui Province took one step ahead and tuition and fees for textbooks were waived for primary and middle school students in urban areas. Since the spring semester in 2007, tuition and incidental expenses has been waived for all the 8800 thousand children in rural primary and middle school in Anhui Province. Implementation of all these policies has reduced the household expenditure for compulsory education. But at the same time, the high expense in vocational and technical education, high school education, and college education leads to more cost in education, causing the widening gap in cultural education and entrainment consumption expenditure among peasant households. This is also a major cause of proportion decrease of cultural education and entrainment consumption expenditure in the years 2007–2008 and the increasing Theil index in the years 2003–2008.

(7) Change of medical care consumption expenditure is related to the national policy. Since the year 2005, proportion of rural medical care consumption expenditure in Anhui Province has been declined in general, as well as the overall expenditure differences due to the establishment of new-type rural cooperative medical system. Statistics show that 3 366 thousand rural residents join in the rural cooperative medical care in Anhui Province in the years 2003–2004, a participation rate of 75.5%. In the year 2008, a total of 45 239 thousand people

take part in the new rural cooperative, a participation rate of 90.2%. At the first half of 2009, the participation rate of new rural cooperative medical care has reached 93.4%. And the actual compensation ratio of rural residents in hospital, who have joined in the new rural cooperative medical care, has increased from 23% in 2003 to 46.1% in 2004. With the more participation rate of new rural cooperative medical care and the increase of medical compensation ratio, expenditure of rural residents in medical care consumption has declined accordingly. Thus, expenditure difference also decreases.

(8) Proportion of other goods and services consumption expenditure changes a little with the minimum value of 1.7% in 2003 and the maximum value of 2% in 2006. Other goods and services mainly include jewelry, watch, cosmetics, religion, and other consumption services. Due to the restriction of income level and the high price of luxury goods, rural residents spend little money on luxuries. Besides, common people can afford the popular brands of jewelry, watch and cosmetics. Thus, gap in other goods and services consumption expenditure among rural residents is gradually decreasing; Theil index has declined from 0.057 1 in 2003 to 0.028 2 in 2008.

## 5 Conclusion and policy suggestion

Among the living consumption expenditure of food, cloth, residence, household facility, transportation and communication, cultural education and entrainment, medical care, and other goods and service, food and residence take a relatively great proportion in living consumption expenditure, which account for more than 43% and 15%, respectively. Theil indices of residence, cultural education and entrainment, transportation and communication, and medical care expenditures have changed greatly; and the Theil index of food consumption has increased from 0.009 7 in the year 2005 to 0.022 8 in 2008. Change trend of residence consumption Theil index is basically in accord with that of living consumption expenditure. Based on this, Theil index of living consumption expenditure in rural Anhui Province shows an ascendant trend in the years 2003–2008. Therefore, differentiation change of food and residence consumption expenditure is the major reason for the differentiation change of living consumption expenditure in rural Anhui Province in the years 2003–2008.

Based on the above analysis, the following policy suggestions are put forward in order to minimize the difference in living consumption expenditure in rural areas:

(1) Improving the income level of middle and low-income family in rural areas. Improving the income level of middle and low-income family can not only minimize the income gap among rural residents, but also improve the average propensity to consume and the marginal propensity to consume of rural residents. According to the Keynes' Consumption Theory, low-income family has the maximum marginal propensity to consume, followed by the middle-income family. And the high-income family has the minimum marginal propensity to consume. Therefore, income level of middle and low-income family should be improved in order to improve the consumption level of rural residents and to further minimize the gap between income and consumption.

(2) Improving the reform of education and health care. Among the eight parts of living consumption expenditure, education and medical care are most greatly affected by the national policy. "All people are well educated and patients are well treated" can eliminate the rural residents' worry about consumption, which improves the disparities in living consumption expenditure, enlarge the consumption of rural household, expand the rural consumption market, and further stimulate domestic demand. Moreover, China should strengthen financial support for technical education, secondary education and higher education, reduce the burden of rural residents in education, and minimize the gap of education and entertainment consumption expenditure among rural residents.

(3) Strengthening the construction of rural road. It is necessary to strengthen the construction of traffic infrastructure in rural areas, because there is gap in transportation and communication consumption between rural and urban residents in Anhui Province. A convenient traffic not only is beneficial to the travel of rural residents, but also promotes the economic development of rural areas.

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form and means may be mediated by both parties previously, and then be referred to the court for adjudication if the mediation fails.

**3.3.4** How to perfect relevant procedures and formalities in the credit circulation of housing lands. The credit circulation of housing land calls for the perfecting of relevant procedures and formalities. At first, to clearly define the ownership of the property is a prerequisite for its transfer, so is the registration of the ownership of housing lands a prerequisite for the transfer of housing lands. Only when the housing lands are legally registered and have legitimate land ownership certificate could the security of the circulation of housing lands be guaranteed. Secondly, as for the specific circulation procedure, it should get approved by the farmers' collective and then be reported to the land administrative department of the people's government at or above the county level to get approved and recorded, moreover, in order to prevent both parties in the transaction of lands from padding the price, the price should be determined by the asset appraisal institution based on the natural, locational and other practical conditions of the transferred housing hand.

## 4 Conclusion

The circulation of rural housing lands is a vital matter involving the immediate interests of more than 900 million Chinese farmers, the relevant theoretical studies should focus on protecting the farmers' interests, and we should also bravely conduct institutional innovation so as to explore an effective means for the circulation of housing lands. This thesis is only a preliminary research on the legal status, defects and countermeasures of circulating housing lands, it is hoped that more scholars would engage themselves in the legal problems in the circulation of rural housing lands so as to achieve the legitimate and effective circulation and protect the farmers' legal interests.

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