

Consumption Structure Problems and Optimization Strategies of Low-income Population in China's Rural Areas

ShiBin Ye

School of Marxism, Hechi University, Hechi, Guangxi, China

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Abstract: In recent years, the income and consumption expenditure of China's rural residents have been increasing, with the growth rate of consumption expenditure higher than that of income. With the declining of the consumption rate of urban residents year by year, the consumption rate of rural residents is rising. The overall consumption rate of rural residents in poverty-stricken areas is high, so it is difficult to build a sustainable consumption model. The consumption capacity of low-income population in rural areas is weak, and the expenditure pressure on non-necessities is increasing year by year. The residents' consumption structure in rural areas can be optimized in terms of forging an ecological lifestyle of controlling consumption, increasing the supply of public goods in rural areas, building an intensive commodity sales network and optimizing individual expenditure structure.

1 INTRODUCTION

1.1 Higher Consumption Rate of China's Rural Residents

In recent years, with the rapid development of China's economy, the income of urban and rural residents has increased rapidly, and the income gap between urban and rural residents has also been narrowing. From 2015 to 2020, the per capita disposable income of urban residents increased from RMB 31,195 to RMB 43,834, and the per capita consumption expenditure increased from RMB 21,392 to RMB 27,007. The per capita disposable income of rural residents increased from RMB 11,422 to RMB 17,131, and the per capita consumption expenditure increased from RMB 9,223 to RMB 13,713. The growth rate of consumption expenditure of rural residents was significantly higher than that of urban residents in the same period. The income and expenditure gap between urban and rural residents has also been narrowing, but the income gap between urban and rural residents was still greater than the expenditure gap. In 2015, the per capita disposable income of rural residents only accounted for 36.61% of that of urban residents. In the following years, the income growth rate of rural

residents was higher than that of urban residents, and the income gap between rural residents and urban residents narrowed gradually. By 2020, the per capita disposable income of rural residents was equivalent to 39.08% of the disposable income of urban residents. In terms of per capita consumption expenditure, the per capita consumption expenditure ratio of rural and urban residents increased from 43.11% in 2015 to 50.78% in 2020. In other words, by 2020, the per capita disposable income of rural residents was less than 40% of that of urban residents, while the per capita consumption expenditure reached more than 50% of that of urban residents. The growth rate of per capita consumption of rural residents was also greater than that of urban residents. In terms of the ratio of per capita consumption expenditure to per capita disposable income (consumption rate), the consumption rate of urban residents decreased year by year, from 68.58% in 2015 to 61.61% in 2020, while the consumption rate of rural residents remained stable at more than 80%, and reached the peak 83.19% in 2019.

Table 1: Income and expenditure of urban and rural residents from 2015 to 2020, website of China National Bureau of Statistics - Statistical Bulletin over the years(Website of the National Bureau of Statistics 2021).

Year	Urban residents			Rural residents			Rural / urban (%)	
	Per capita disposable income	Per capita consumption expenditure	Consumption rate	Per capita disposable income	Per capita consumption expenditure	Consumption rate	Income	Consumption
2015	31195	21392	68.58%	11422	9223	80.75%	36.61%	43.11%
2016	33616	23079	68.65%	12363	10130	81.94%	36.78%	43.89%
2017	36396	24445	67.16%	13432	10955	81.56%	36.91%	44.81%
2018	39251	26112	66.53%	14617	12124	82.94%	37.24%	46.43%
2019	42359	28063	66.25%	16021	13328	83.19%	37.82%	47.49%
2020	43834	27007	61.61%	17131	13713	80.05%	39.08%	50.78%

1.2 Higher Overall Consumption Rate of Rural Residents in Poverty-Stricken Areas, Resulting in the Difficulty to Build a Sustainable Consumption Model

In recent years, the income of residents in poverty-stricken areas has increased year by year, with the increasing consumption. From 2015 to 2019, the per capita income of rural residents in poverty-stricken areas increased from RMB 7,653 to RMB 11,567. With the growth of income, the per capita consumption expenditure of rural residents in poverty-stricken areas also increased from RMB 6,656 to RMB 10,011. In terms of residents' consumption rate, the consumption rate of rural residents in poverty-stricken areas has remained above 85% from 2015 to 2019, with about 5% higher

than the national per capita consumption rate of rural residents in the same period, about 20% higher than the consumption rate of urban residents in the same period, including 16% higher than the national average consumption rate in 2019. In 2019, the per capita disposable income of rural residents in poverty-stricken areas increased by RMB 1,196 and the consumption expenditure increased by RMB 1,055. The overall consumption rate of residents in poverty-stricken rural areas was too high and the balance was too small, which will seriously affect their savings and investment and reduce their ability to deal with risks in the future. The current urgent demand for consumption expenditure of rural low-income population has almost exhausted all their income. They can not plan long-term consumption and investment plans, but can only choose short-sighted consumption behavior.

Table 2: Income and expenditure of rural residents in poverty-stricken areas (data source: calculated based on the relevant data of *China Rural Poverty Monitoring Report* over the years)(Household Survey Office of the National Bureau of Statistics 2020).

Income and expenditure (yuan / person)	2015	2016	2017	2018	2019	National average in 2019
Per capita disposable income	7653	8452	9377	10371	11567	30733
Per capita consumption expenditure	6656	7331	7998	8956	10011	21559
Food, tobacco and alcohol	2411	2567	2689	2808	3121	6084
Clothing	405	423	453	488	549	1338
Dwelling	1376	1543	1695	1995	2173	5055
Daily necessities and services	411	448	485	537	585	1281
Traffic communication	693	803	935	1045	1200	2862
Education, culture and entertainment	680	790	883	1017	1163	2513
Medical care	567	638	725	919	1054	1902
Other supplies and services	114	118	134	147	166	524
Balance of payments	997	1121	1379	1415	1556	9174
Consumption rate (%)	86.97	86.74	85.29	86.36	86.55	70.15

1.3 Weaker Consumption Ability of Low-income Population in Rural Areas

In recent years, the proportion of national residents' expenditure on food, tobacco, alcohol and other necessities of life has decreased year by year, including rural residents in poverty-stricken areas, the Engel coefficient of residents has been declining, and the living conditions of residents have been greatly improved. However, the proportion of food, tobacco and alcohol expenditure of rural residents in poverty-stricken areas in the total personal consumption expenditure was still higher than the national average. In 2019, for example, 28.8% of the per capita consumption expenditure of residents in China was spent on food, tobacco and alcohol, while the expenditure of rural residents spent on food, tobacco and alcohol in poverty-stricken areas accounted for 31.2%. in terms of consumption, continuously

reducing the expenditure proportion of this project can better reflect the improvement of the living conditions of the poverty-stricken people. However, this does not mean that the excessive proportion of food, tobacco and alcohol expenditure of specific population is unreasonable. In terms of ratio, the expenditure on food, tobacco and alcohol of rural residents in poverty-stricken areas in 2019 was higher than the national average, and there seems to be room for reduction of this expenditure of poverty-stricken population. However, in terms of specific amount, the per capita expenditure on food, tobacco and alcohol of residents in China was RMB 6,084, while that of rural residents in poverty-stricken areas was only RMB 3,121, with an average of about \$1.3 per person per day. The higher food expenditure ratio and lower actual amount of low-income population just show that their consumption ability is weak and they have to spend a considerable part of their consumption on survival expenses.

Table 3: Breakdown proportion of consumption expenditure of rural residents in poverty-stricken areas (*Annual Report on Income Distribution of Chinese Residents 2020*).

Proportion of various consumption items (%)	2015	2016	2017	2018	2019	Trend	National average in 2019 (%)
Per capita consumption expenditure	100	100	100	100	100	—	100
Food, tobacco and alcohol	36.22	35.02	33.62	31.35	31.2	↓	28.8
Clothing	6.08	5.77	5.66	5.45	5.5	↓	6.2
Dwelling	20.67	21.05	21.19	22.28	21.7	—	23.4
Daily necessities and services	6.17	6.11	6.06	6.00	5.8	↓	5.9
Traffic communication	10.41	10.95	11.69	11.67	12.0	↑	13.3
Education, culture and entertainment	10.22	10.78	11.04	11.36	11.6	↑	11.7
Medical care	8.52	8.70	9.06	10.26	10.5	↑	8.8
Other supplies and services	1.71	1.61	1.68	1.64	1.7	—	2.4

1.4 Increasing Expenditure Pressure on Non-Necessities Year by Year

For the consumption expenditure of rural residents in poverty-stricken areas, this article takes the data of 2019 as an example. In terms of the actual amount of expenditure, the expenditure of most projects was less than 50% of the national average level, and only the expenditure on food, tobacco and alcohol and medical care barely reached more than 50% of the national average level. In terms of the proportion of various expenditures, the proportion of expenditure on food, tobacco, alcohol, medical and health care of rural residents in poverty-stricken areas exceeded the national average consumption level. The items with

single consumption expenditure accounting for more than 10% included food, tobacco and alcohol, housing, transportation and communication, education, culture, entertainment and medical care in order from high to low. The total proportion of these five items reached 87%. The pressure on the growth of consumption expenditure of poverty-stricken residents mainly comes from transportation and communication, education, culture, entertainment and medical care. In most years, the growth rate of these three expenditures was much higher than that of total consumption expenditure and per capita disposable income. The above data show that the expenditure pressure on non-necessities of life of rural residents in poverty-stricken areas is increasing year by year.

Table 4: growth rate of income and expenditure of rural residents in poverty-stricken areas compared with the previous year (data source: calculated based on the relevant data of *Annual Report on Income Distribution of Chinese Residents 2020*).

Growth rate of income and expenditure (%)	2015	2016	2017	2018	2019
Per capita disposable income	11.69%	10.44%	10.94%	10.60%	11.53%
Per capita consumption expenditure	10.80%	10.14%	9.10%	11.98%	11.78%
Food, tobacco and alcohol	9.74%	6.47%	4.75%	4.43%	11.15%
Clothing	9.46%	4.44%	7.09%	7.73%	12.50%
Dwelling	10.61%	12.14%	9.85%	17.70%	8.92%
Daily necessities and services	7.59%	9.00%	8.26%	10.72%	8.94%
Traffic communication	12.68%	15.87%	16.44%	11.76%	14.83%
Education, culture and entertainment	15.25%	16.18%	11.77%	15.18%	14.36%
Medical care	10.96%	12.52%	13.64%	26.76%	14.69%
Other supplies and services	15.15%	3.51%	13.56%	9.70%	12.93%

2 ANALYSIS ON THE CAUSES OF UNREASONABLE CONSUMPTION STRUCTURE OF LOW-INCOME RESIDENTS IN RURAL AREAS

2.1 The Consumption Choice of Low-income Population Is Not Scientific Enough

In terms of the choice of different consumer goods, the purchasers bought goods with high price but poverty-stricken quality under the publicity of merchants due to the limitation of the total short-term disposable income and the lack of grasp of relevant knowledge. In the short term, the poverty-stricken people will spend less on these commodities and the consumption pressure will be low. However, the durability of such commodities is not enough, and consumers need to speed up the replacement cycle of supplies and spend repeatedly on similar commodities. In the long run, the poverty-stricken people may spend more on such goods than the non poverty-stricken people, resulting in increased expenditure pressure on the poverty-stricken people. In terms of different types of consumption behavior choices, the poverty-stricken people may prefer consumer goods that can immediately bring themselves a certain sense of satisfaction, rather than making more pragmatic choices. This short-sighted impulse consumption will inevitably lead to the compression of the expenditure on necessities of life of the poverty-stricken people, or lead to the further

reduction of the annual balance. Finally, it is even less possible for them to make scientific consumption planning choices.

2.2 Individual Imitation Caused by Population Consumption Habits

In terms of the choice of consumption behavior, there is phenomenon of follow-suit consumption. For example, in terms of the consumption of household appliances, the activities of home appliances to the countryside were carried out all over the country many years ago, "so that farmers' home appliance consumption is in advance, and farmers under credit constraints must reduce the current consumption of other products. (Zheng 2012, Jiang 2012, Lin 2012) Due to the mode of subsidized purchase, some rural families possess durable consumer goods that exceed their consumption level in advance. In 2019, the number of major durable consumer goods per 100 households of rural residents in China at the end of the year is very close to the average level of rural areas in China. In 2019, the per capita disposable income of rural residents in China was RMB 16,021, and the per capita income of rural residents in poverty-stricken areas in China was RMB 11,567 in the same year. In case that the actual purchasing power of some poverty-stricken families is insufficient, the follow-suit consumption in household appliances deprives the normal consumption expenditure of the families and affects the satisfaction of other consumption needs of family members.

Table 6: Ownership of major durable consumer goods per 100 households of rural residents and residents in poverty-stricken areas in 2019 (data source: *China Rural Poverty Monitoring Report 2020*).

Consumer goods category	Ownership of major durable consumer goods per 100 households of rural residents at the end of 2019	Ownership of major durable consumer goods per 100 households of rural residents in poverty-stricken areas in 2019	Ownership of major durable consumer goods per 100 households in contiguous poverty-stricken areas in 2019	Ownership of durable consumer goods per 100 households in rural areas of key poverty alleviation counties in 2019
Household car (set)	24.7	20.2	19.6	19.9
Washing machine (set)	91.6	90.6	90.8	90.4
Refrigerator (set)	98.6	92.0	91.5	91.6
Mobile phone (Department)	261.2	267.6	272.0	266.8
Computer (set)	27.5	17.7	16.5	18.0

2.3 Location Disadvantage Leading to the Rise of Consumption Costs

Based on the *China Rural Poverty Monitoring Report* published in 2020, by 2019, except for a few areas in Qinghai and Jilin, all natural villages where poverty-stricken households live have been connected by road and telephone, and the main roads to more than 99.5% of the natural villages where poverty-stricken households live have been hardened. The proportion of farmers who can take buses in the natural villages where the poverty-stricken areas are located is 76.5%, only 55% in Guangxi. In some remote villages, with relatively small population and long transportation distance, residents can travel only by renting cars, cluster carpool, or motorcycles by themselves. This increases the consumption expenditure of travel. For consumer goods purchased by rural residents, except for some agricultural products directly produced in the region, with the relatively low price, the prices of other commodities are basically the national unified price system. In addition to the profits of distributors and transportation costs, the prices of consumer goods in rural market towns are not lower than those in large and medium-sized cities.

2.4 Failure of Credit Mechanism Resulting in the Inability to Plan Long-Term Consumption

The current banking system has high requirements for residents' credit. Fixed income, personal or family property status and expenditure status are important references to review whether the conditions of credit granting are met. Rural residents in poverty-stricken areas do not know enough about credit, do not have a good understanding of credit, do not dare to borrow, worry about being unable to repay when due, and it is not cost-effective to pay interest. Some people also

think that the procedures are too cumbersome to handle.

3 OPTIMIZATION STRATEGY OF CONSUMPTION STRUCTURE OF LOW-INCOME RESIDENTS IN RURAL AREAS

3.1 Establishment of an Ecological Lifestyle of Controlling Consumption

The consumption behavior of rural low-income population is guided and standardized with moderate consumption morality, and people's arbitrary consumption and excessive consumption are prevented and controlled. "Moderate" appropriate consumption concept is cultivated to stop irrational desire consumption behavior in time. Publicity and education are strengthened, cultural popularization is expanded, ideological understanding is improved, and the awareness of self-moral restraint of rural low-income population is constantly strengthened to promote the formation of rational consumption patterns. Furthermore, the contradiction between savings shortage and bad consumption habits among low-income population are eliminated.

3.2 The Government Increased the Supply of Public Goods in Rural Areas

The relative shortage of public goods supply is bound to increase the consumption cost in rural areas and restrain the consumption demand and consumption ability of farmers, especially low-income population.

From the last kilometer of poverty alleviation road to the last kilometer of rural revitalization, infrastructure is the key. These infrastructures include hardware transportation, communication, Internet coverage, water and electricity for production and life, as well as the equalization and sinking of educational services, high-quality medical resources of the grass-roots society, and the construction of adequate pension and other social security systems. Whats more, this article explores a reasonable path to implement the construction of residents' consumer and operational credit system in rural areas.

3.3 Construction of An Intensive Commodity Sales Network

Many rural residents have low educational level and insufficient ability to identify commodity quality and function. The use and maintenance of various commodities need to seek after-sales support from merchants. They are in lack of bargaining power for commodity price and after-sales guarantee. Merchant are in a strong position in the rural sales network. Local governments should guide all kinds of online and offline formal commercial entities to step into the rural market, and increase the promotion of a mature large-scale online and offline sales system to cover counties and townships and extend to rural areas. A comprehensive business supermarket system is built at the county and township levels, the professional operation capacity is improved, and the after-sales service system is optimized. Costs are reduced and sales service quality is improved by means of systematization, specialization and integration.

3.4 Optimization of Individual Expenditure Structure

Education on residents' rational planning and personal and family consumption is strengthened, and residents are guided to take action to effectively reduce unreasonable expenses and optimize other kinds of expenses. The production and life of rural residents are integrated, and many consumer needs can be met by self-sufficiency. The restoration and development of courtyard economy in rural areas should be promoted, and consumer should be provided with goods for household needs in the form of independent production. Technicians should be selected to guide farmers to make full use of land resources and family resources, so as to appropriately plant products that can produce certain economic benefits.

4 CONCLUSIONS

Managers should take the initiative to understand macro statistical data, and conduct data analysis according to the situation of the region, to understand the actual consumption status of rural residents in the region. And use the big data resources provided by various Internet platforms to guide the planting of agricultural products, supply of consumer goods and distribution of commercial outlets. The synchronization of farmers' products into the market and consumption behavior should be promoted. A reasonable household consumption system should be built. We should apply for credit from financial institutions appropriately, plan premature consumption demand steadily, and reduce the pressure of emergency expenditure on household property.

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