

The Impact of Rural Residents' Consumption on Economic Growth in Anhui Province

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Abstract

Consumption is an indispensable economic behavior in economic life, and is the most basic and irreplaceable. Residents' consumption is an important factor driving economic growth, and rural areas account for a high proportion of it. As the income of rural residents continues to rise, the consumption level of farmers continues to rise, and the consumption structure continues to upgrade, which has contributed to the economic growth of our province. In the reports of the 18th and 19th CPC National Congress, the strategic guidelines of "accelerating the establishment of a long-term mechanism to expand consumption demand" and "improving the institutional mechanism to promote consumption and enhancing the fundamental role of consumption in economic development" were proposed respectively. Rural residents' consumption market has great potential and is a stabilizer of national economic growth. This paper selects the relevant data of Anhui Province from 1997 to 2020 and constructs an econometric model to study the impact of rural residents' consumption on the economic growth of Anhui Province. The results show that the consumption level of rural residents has a positive impact on the economic growth of Anhui Province.

Keywords

Anhui Province; Rural residents' consumption; Economic growth.

1. Introduction

The fundamental issue of the national economy and the people's livelihood is the issue of "agriculture, rural areas and farmers", which is also the key project of building a moderately prosperous society in an all-round way. As consumption has gradually become an important factor and main driver of economic growth, rural residents' consumption, as the main body of consumption demand, has become an important force to promote economic growth. Since the beginning of the 21st century, the consumption expenditure of rural residents in Anhui Province has increased rapidly. As a new socialist country, China has a huge gap between urban and rural areas, which is very different in terms of income, quality of life and consumption level. From the overall consumption level, the consumption level of rural residents is lower than the average level. Since the reform and opening up, investment and foreign trade have become the main forces driving China's economic growth. The consumption as a driving force for economic growth, especially the consumption of rural residents, is seriously insufficient. Therefore, we need to focus on the consumption of domestic rural residents and expand the consumption demand of residents. Consumption is not only the ultimate goal of social production activities, but also the driving force of economic growth and development. The report of the 20th CPC National Congress pointed out that efforts should be made to expand domestic demand,

strengthen the fundamental role of consumption in economic development and the key role of investment in optimizing the supply structure.

At present, China's economic development mode is gradually driven by domestic demand, among which improving the rural consumption market has practical significance. By improving the consumption level of rural residents, creating a diversified consumption mode of rural residents, building a multi-level consumption structure of rural residents, and upgrading the consumption concept of rural residents, so as to effectively improve the consumption speed and total amount of rural residents. Further promote the economic growth rate and economic growth volume under the normal development of China.

2. Literature Review

At present, most scholars believe that the research on rural residents' consumption can promote economic growth and has a positive pull effect. Liu Guohua (2014) pointed out in the analysis of the impact of rural residents' consumption on economic growth in Hunan Province that expanding rural residents' consumption demand is particularly important for stimulating domestic demand and promoting economic growth. Han Qiang (2016) analyzed the relationship between rural residents' consumption and economic growth in Shanxi Province and drew the following conclusions: rural residents' consumption in Shanxi Province can promote the economic development of Shanxi Province, and the economic growth in Shanxi Province in turn stimulates rural residents' consumption. There is a long-term balanced and stable relationship between the two. Tan Chundi et al. (2016) reached the following conclusion in the study of rural residents' consumption and economic growth. It is what we need to do at present to meet the consumption demand of residents as much as possible. The consumption demand is in a process of constant change, and its change is related to the change of economic growth, which will have a restraining or promoting effect on the economy. Gong Maogang and Liu Zhaowei (2017) pointed out that the consumption of rural residents in China is an important factor in promoting economic growth, and basic consumption plays a greater role in economic growth than the development of enjoyment consumption. Shen Yingchun (2018) believed that as an investment-oriented country, the decline in investment efficiency and overcapacity caused by excessive investment fully demonstrated that adjusting and optimizing the economic structure is an important measure to achieve sustainable economic development in China. In this case, giving full play to the pulling role of consumption in economic growth has become an important direction of China's economic restructuring. Hou Xinmeng (2019) established VAR model for Granger causality test and impulse response function analysis. The empirical results show that the impact of basic consumption on economic growth is not obvious, while the development consumption has a positive sustainability on stimulating economic growth; Simply increasing farmers' income without guiding them to change their consumption structure is not conducive to the sustainable and healthy development of the economy. Zhang Shouli (2020) selected relevant data from 29 provinces in China, built a panel data model, and empirically analyzed the regional differences between rural residents' consumption and economic growth in China. The results show that the consumption level and consumption structure of rural residents in different provinces of China have significant differences in their impact on economic growth, and both have a positive impact on economic growth. However, there are differences in the size of the promotion, among which the consumption structure of rural residents contributes the most to economic growth. Fang Min (2022) pointed out in the analysis of the pulling effect of the change of rural residents' consumption demand on economic growth that the change of rural residents' consumption demand is not the main reason for driving the growth of GDP, and the growth of rural residents' consumption has not significantly promoted the growth of GDP, and the consumption expenditure of rural residents cannot match

the speed of economic growth. Zhang Lu (2022) pointed out that with the development of economy, rural residents in all cities have high consumption desire to improve living environment and travel mode in the analysis of regional differences between consumption and economic growth of rural residents in Shandong Province by using ELES model. Rural residents' consumption plays a significant role in promoting regional economic development, while there is regional heterogeneity.

The existing literature has relatively rich research on the impact of rural residents' consumption on economic growth. Based on these literature, this paper will make further research on the impact of rural residents' consumption on economic growth based on the relevant data of Anhui Province.

3. Empirical Analysis

3.1. Selection of variable data

The range of data selected for this analysis is 1997-2020, and the data is from the China Bureau of Statistics over the years. Among them, the economic growth level of Anhui Province is expressed by the gross domestic product (GDP) of Anhui Province, the consumption level of urban residents in Anhui Province is expressed by the consumption of urban residents in Anhui Province (CXF), and the consumption of rural residents in Anhui Province is reflected by the consumption of rural residents in Anhui Province (NXF). After logarithmic transformation, LNGDP, LNCXF and LNNXF are respectively represented. The first order difference sequence is $D(LNGDP)$, $D(LNCXF)$ and $D(LNNXF)$. After transformation, the cointegration relationship of the original sequence will not be changed.

3.2. Stability test

This paper uses Eviews to test the unit root of economic variables as ADF test. First, the unit root test was conducted for LNGDP, LNCXF and LNNXF, and the results showed that the ADF values of LNGDP, LNCXF and LNNXF were greater than the critical value of the significance level of 5%. Then carry out unit root test on the difference sequences $D(LNGDP)$, $D(LNCXF)$ and $D(LNNXF)$ of the three, and their ADF values are less than the critical value. This shows that they are all single-integer sequences of first order.

Table 1. ADF test results of GDP, CXF and NXF

Variable	ADF value	Critical value	AIC	SC	Significance level	Stationarity
LNGDP	-2.60	-3.08	-3.41	-3.18	0.1138	Unstable
$D(LNGDP)$	-2.67	-2.56	-2.92	-2.82	0.0098	Stable
LNNXF	-2.21	-3.96	-3.41	-3.18	0.2114	Unstable
$D(LNNXF)$	-3.56	-2.67	-2.43	-2.33	0.0089	Stable
LNCXF	-0.07	-3.86	-2.61	-2.51	0.9390	Unstable
$D(LNCXF)$	-2.83	-2.66	-2.61	-2.51	0.0049	Stable

3.3. Establish VAR model

When establishing the vector autoregressive models of LNGDP, LNCXF and LNNXF, the optimal lag period should be determined first. By comparing the criteria and indicators with a lag of 0 to 6 orders, it can be concluded that phase 2 is the optimal lag period, at which time AIC, SC and other indicators are the smallest, that is, VAR (2) model is established. After that, the stationarity test of the model is carried out. After the test, all its characteristic roots are in the unit circle, so the VAR (2) model is stable.

3.4. Co-integration inspection

For non-stationary time series variables, the cointegration test is carried out. From the above results of the stationarity test, we can see that LNGDP, LNCXF and LNNXF are all first-order single integration, and there may be a cointegration relationship, so we carry out the cointegration test on them. Using EG two-step method, the following test results are obtained:

Table 2. Co-integration test results

Variable	ADF value	Critical value	AIC	SC	Significance level	Stationarity
Resid1	-6.29	-1.96	-3.04	-2.99	0.0000	Stable
Resid2	-4.32	-1.96	-2.15	-2.05	0.0003	Stable

From the above table, it can be concluded that at the 5% significance level, the t statistic value of ADF is less than the test threshold at the 5% significance level, so the residual sequence does not have unit root and is a stable sequence, so there is a long-term cointegration relationship between the economic growth of Anhui Province and the consumption of rural and urban residents in Anhui Province.

3.5. Granger causality test

Through the previous test, we can know the relationship between rural residents' consumption and economic growth in Anhui Province, that is, the long-term stable equilibrium relationship. Next, the Granger causality test is used to test whether there is causality between LNGDP and LNNXF, and the lag order is 1.

Table 3. Granger causality test of LNNXF and LNGDP

Causality assumption	F statistic	Adjoint probability
LNNXF is not Granger reason for LNGDP	4.2324	0.0575
LNGDP is not Granger reason for LNNXF	1.1080	0.3092

At the 10% significance level, when the original hypothesis "LNNXF is not Granger cause of LNGDP", the F statistic is 4.2324, and the P value is 0.0575. At the 10% significance level, the original hypothesis is rejected, and LNNXF can be considered as the cause of LNGDP; When the original hypothesis "LNGDP is not Granger cause of LNNXF", the F statistic is 1.1080, and the P value is 0.3092, so the original hypothesis cannot be rejected. Therefore, there is only one-way Granger causality between LNNXF and LNGDP, that is, only LNNXF can predict the changes of LNGDP in the future.

4. Conclusions and suggestions

From the above test results, it can be seen that the consumption of rural residents in Anhui Province has a promoting effect on the economic growth of Anhui Province, and the consumption of rural residents has an obvious promoting effect on the economic growth, so it is particularly important to expand the consumption demand of rural residents to stimulate domestic demand and promote economic growth.

(1) Promote the implementation of the rural strategy and increase the income of rural residents. Only by taking increasing the income of rural residents as the starting point, can we fundamentally expand the consumption demand of rural residents, accelerate the development of rural society, and gradually improve the economic development level of the whole Anhui Province. We should vigorously transform the mode of rural economic growth in Anhui, accelerate the adjustment of agricultural industrial structure, vigorously develop modern agriculture and characteristic agriculture, accelerate the industrialization and marketization of agriculture, and increase the operating income of residents. We should make full use of the favorable opportunity of the central government to implement the rural revitalization strategy,

resolutely increase investment in "agriculture, rural areas and farmers", improve the survival and development environment of agriculture and rural areas, and create good public infrastructure conditions for farmers to increase their income.

(2) We will improve the rural financial system. Financial institutions should continue to increase support for rural residents to increase production and income, and provide financial support for rural industries. Give full play to the leading role of the government, promote the sustainable development of "agriculture, rural areas and farmers" driven by finance, improve the financial service system, promote the high-quality development of rural financial services, realize the common development of finance and rural economy, strengthen supervision and management, prevent potential risks, vigorously develop rural consumer credit, and promote rural residents to consume in advance. Encourage large and medium-sized commercial banks to develop rural financial services in combination with their business expertise, and form a professional and sustainable rural financial supply mechanism by establishing and improving agriculture-related financial institutions. We will support the establishment of financial capital or participate in the establishment of various new rural financial institutions to provide a useful complement to financial support for agriculture.

(3) We will improve rural social security and poverty alleviation standards, and increase infrastructure construction in rural areas. In accordance with the principle of wide coverage, basic protection, multi-level and sustainable, gradually expand the coverage and solve the worries of the majority of rural residents. Under the sound social security system, rural residents' spending on old-age care and medical care has been greatly reduced, resulting in an increase in living consumption expenditure. We will encourage and support the development of medical-care integrated elderly care institutions with township and village health centers as carriers, and absorb social capital to build a number of appropriately sized rural elderly care homes, nurseries and day care centers in townships and villages. Increasing infrastructure construction in rural areas can promote the convenience of logistics and transportation, make it more convenient for residents to get the products they want, and increase their desire for consumption, so as to stimulate consumption.

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