

The Impact of Chinese Urban Household Income Structure on Consumer Behavior

Yang Jiao

North Minzu University, Yinchuan, Ningxia, 750021

Keywords: income structure; consumer behavior; Chinese urban household

Abstract: In recent years, with the continuous deepening of economic system reform, China's economy has continued to grow at a high speed. However, the proportion of consumer demand, investment demand and net exports to China's GDP growth has been in an unbalanced state. Insufficient consumer demand has always been a major problem in China's macroeconomic operations. Although the government can design and implement public policies that stimulate household consumption based on economic theory, the actual effect of public policies depends on the consumer's consumption behavior response. Therefore, it is particularly necessary to study the consumption behavior of Chinese residents.

1. Introduction

Since the end of the 1970s, China's economic system has begun to explore the transition from a planned economy to a market economy, and has achieved remarkable results. China has changed from a poor and backward agricultural country to a world factory and the second largest economy. At this stage, it is difficult for China to rely mainly on exports to achieve economic growth. Expanding domestic demand has become a necessary condition for achieving sustainable development. The main driving force of the economy has been transformed from the old troika (investment, export, consumption) to the new troika. (consumption, service, new technology). In addition, the rapid transformation and rapid growth of China's economy not only shocked the international community, but also caused earth-shaking changes in the lives of more than one billion Chinese people. The wage income continued to rise, and household consumption patterns and structures also changed rapidly. At the same time, there are many achievements in the study of consumer consumption, but mainly focus on the macro level, using the life cycle, liquidity constraints, preventive savings and other theories to study China's savings and consumption issues. In recent years, the use of household survey data to study the consumption of Chinese residents is also increasing, mainly to investigate factors affecting household consumption, such as budget constraints, life cycle hypothesis, and permanent income hypothesis. In this paper, the total household consumption is explained as an explanatory variable, and different family characteristic variables are used as explanatory variables to conduct regression analysis to understand the consumption decision-making behavior of different families.

2. Research Background and Significance

The relationship between consumption and the economy is simple and complicated because consumption and economic development are interrelated and mutually reinforcing relationships: economic development will increase consumption levels, consumption levels will increase and economic growth will be promoted. It has a role; complexity is because there is a direct correlation between consumption and income, and the amount of income, the structure of income, and the regional differences in income are subject to the trend and level of overall economic development. Therefore, to explore the income structure of urban residents in China and the urban residents' consumption behavior under the influence, it is necessary to look at the current macroeconomic background and explore the trajectory and laws of economic changes in depth. The income level of residents is an important factor that directly affects the size of the market. However, there are more

than one factor that affects the income level of residents. Apart from the impact of income distribution and consumption policies, macroeconomic conditions will become the main constraints. In 2012-2014, the macroeconomic strategy of promoting the development of the real economy with the virtual economy promoted from the national level and driven by government advocacy made China's financial market active, and the overall improvement of the overall economy promoted the increase of household income. However, with the weakening or stalling of the original economic growth engine (such as manufacturing and real estate), before the new growth momentum has been added to the horsepower, the overall downward trend of China's economy has once again inhibited the desire of urban households' income growth. reality. At the time of the opening of the 13th Five-Year Plan, it is a very realistic topic to study and explore the changes that the new economic growth dynamics can bring to the income and consumption of urban residents.

Household income and consumption are a barometer of economic development, which can reflect the state and level of economic development to a certain extent. Due to the imbalance of economic development in China, the family income structure and consumption characteristics of urban residents can reflect the state of economic development and are more representative. Since the income level of residents directly determines the purchasing power of consumers, economic development depends on income, while income level depends on consumption. The low income level is not conducive to stimulating effective demand, is not conducive to promoting economic development, and is not conducive to social harmony and stability. This is an economic phenomenon that must be avoided. To this end, the State has proposed in the "12th Five-Year Plan for National Economic and Social Development" guidelines to "build a long-term mechanism for expanding domestic demand and promote economic growth to rely on consumption, investment, and export coordination." In order to maintain China's economic and social stability and healthy development. In 2015, Premier Li Keqiang hoped to launch new economic momentum through "mass entrepreneurship and innovation" and use "double innovation" to make the economy develop better, so that the contribution of consumption to economic growth will be further increased by 60%. In this context, the practical significance of studying the income and consumption of urban households lies in: analyzing the law of the influence of household income structure on consumer behavior; finding out the more important part of the income structure of urban residents to maintain stable growth. According to the research results, suggestions for adjusting the economic structure and transformation and upgrading.

3. The Status Quo and Dynamic Analysis of the Income Structure of Urban Households in 3 Cities

According to the income theory proposed by the famous American economist Friedman, the various incomes of urban households in China can be divided into persistent income and temporary income. Obviously, consumers' consumption expenditure will be determined by their persistent income, which is not only the rational psychology of consumers, but also more in line with the Chinese people's consumption attitude and consumer culture. This is for the further study of urban residents' income structure and consumption behavior. The impact is meaningful. However, it should be emphasized that the dynamic analysis and understanding of the income structure of urban households in China is inseparable from the in-depth reform of China's economic system and the rapid development of the economic level. Thus, the further evolution of the future income structure Only can give reasonable prediction. Taking the statistical analysis of the income sources of urban residents in China in 2014 as an example, the main component of the growth of per capita disposable income of urban residents in 2013 is still based on stable wage income, and the growth of operating income is relatively stable. It shows a rapid growth trend, and the government's efforts to increase social security and transfer payments are also developing. Among them, the increase in wage income is still the most important component of the income structure of urban households. However, in the face of such a conclusion, we should also see the changes and laws of the staged development. Especially since the outbreak of the global financial crisis in 2008, the Chinese economy has entered a stage of rapid development through recovery and adjustment. The recovery

has accelerated the diversified development of the investment structure, and the urban residents' operating income and property income have entered a stage of rapid growth. Together with the promotion of the transfer income of the residents by the national policy, the urban residents have entered a large adjustment in the income structure. period. Although the stock market in 2015 experienced a big ups and downs, private financial wealth management products have blossomed everywhere. In the case of shrinking business industries, the income of urban households has indeed undergone new structural changes, thus affecting its consumption behavior.

4. Mechanisms and Impacts of Urban Residents' Consumption Behavior

At present, there is something in common in the academic community about the consumption needs of urban residents, that is, any consumption theory cannot avoid the impact of economic income on consumer behavior. That is to say, the level of economic and social development determines the income level of households, and the income status of households determines his spending power, although there are many factors affecting consumer behavior, including the level of income, interest rates, and interest rates. Fluctuations, consumption habits, consumption age, consumer psychology, consumer culture, family special needs, etc., but among these many factors, the economic status determined by household income is undoubtedly occupying the most important position. Therefore, the inherent logical relationship between income and consumption is unquestionable. The long-term income theory of the famous American economist Friedman believes that personal income can only be generated by a relatively stable and long-lasting income, and the temporary income can not be used because it is not fixed or durable. Consumption expectations. In other words, people's consumption does not change frequently with fluctuations in short-term income. This kind of consumption theory is especially easy for Chinese urban residents to understand. For example, urban residents rely on relatively fixed wage income to make loans for housing purchases, while those with incomes are difficult to make this plan. People's consumption is generally more rational. In order to maximize the consumption effect, ideal consumers must make planning decisions based on their persistent income. Current income is not enough, otherwise it is possible to make families The economic balance of payments is in crisis. In Western consumption theory, there is also the life cycle theory of Modigliani and Fisher's theory of intertemporal budget constraint. The view is that the consumption level of consumers depends mainly on their future income, depending on their expected income in their lifetime. This is consistent with Friedman's theory of lasting income in more connotations.

According to Friedman's theory of long-term income, it is necessary to first examine the income of urban households in China, which are persistent income and which are temporary income. This is necessary to study the internal mechanism of urban residents' consumption behavior. According to Friedman's explanation, the so-called persistent income refers to the income that consumers can expect or existing, and these incomes must meet the following conditions: First, the long-term nature of this income, that is, the expected income must be maintained. In the longer term, it should generally be more than three years. Second, the stability of this income can maintain a relatively stable income flow. Long-term and stable are still different. Long-term refers to the length of time. Stability refers to the smoothness and firmness of the process, or is stable and rising. Third, the reliability of this income, that is, the expected income can be used as a certain consumption. The basis and dependence, in addition to the time guarantee and stability requirements, must meet certain standards at the income level. In fact, this has returned to the issue of income levels. Therefore, it can be said that the long-term, stable and "achieving the standard" of income is the most basic condition for determining consumers' certain consumption decisions. The property consumption and automobile consumption of Chinese urban residents are most in line with this consumption mechanism. If they have a long-term, stable and relatively objective current income or expected income, their purchase plan or car purchase plan will be implemented; basically not It will rely on certain temporary incomes such as bonuses, proceeds from the sale of goods, overtime pay, etc. for long-term consumption planning, which is in line with most of the actual situation. Of course, persistent income and propensity to consume are only a physical logical relationship. Once

they are placed in a more specific and complex reality, the understanding of the consumption mechanism must be more detailed. In China, the nationals have a strong sense of saving, and the family's strong capital reserves will have a great impact on the consumption plan. In addition, due to the existence of accidental income (such as stock trading, lottery, inheritance, etc.), even if there is no persistent income, The concept of consumption will also change; also, the development of social security mechanisms will also open up consumer psychology; and under the new family planning policy, families in the childbearing age may adjust their consumption plans accordingly. In short, the internal mechanism of urban residents' consumption behavior is related to consumption conditions and consumer demand. It is a kind of expenditure behavior under the joint action of "leading" and "post pushing".

5. Conclusion

Urban residents have rich expenditure elasticity and price bombs for household goods and transportation and communication consumption, indicating that urban residents prefer to consume both types of goods while being affected by price factors. Therefore, the government should strive to increase the income of urban residents, while reducing fiscal revenues and subsidies and other fiscal policy measures to encourage enterprises to reduce production and operation costs to lower commodity prices, and thus achieve the policy objectives of promoting urban residents' consumption.

Acknowledgements

Supported by "the Fundamental Research Funds for the Central Universities", North Minzu University (2018XYSJJ04)

References

- [1] Mu Yueying, Qi Yuanhao, Song Tianminxin. Analysis of AIDS model of China's urban and rural residents' consumption demand system [J]. Economic Issues, 2001 (8).
- [2] Zhai Xuheng, Sun Wenxiang. Consumption Structure of Urban and Rural Residents: A Comparative Analysis Based on ELES Model and AIDS Model [J]. Journal of Shandong University (Philosophy and Social Sciences), 2003 (6).
- [3] Zhang Guangsheng. An empirical study on the impact of rural market development on farmers' consumption behavior [J]. China Rural Watch, 2002 (4).
- [4] Jiang Baichen. Empirical Analysis of Food Consumption Demand of Rural Residents in China: Based on Micro-consumption Data of Jilin Province [J]. China Rural Economy, 2007 (7).
- [5] Hou Shian, Zhao Henan. The Influence of Urban and Rural Residents' Income Sources on Consumer Behavior [J]. Journal of Zhongnan University of Economics and Law, 2012(6)