

Research on the influencing factors of inter provincial urban-rural residents' consumption upgrading in China

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Abstract

This article aims to explore the evolutionary characteristics and influencing factors of the consumption structure of urban and rural residents across provinces in China. Based on inter provincial consumption data of urban and rural residents, this article analyzes the demand elasticity of eight major categories of consumption among residents, and examines the impact of factors such as urbanization rate and elderly dependency ratio on consumption upgrading. The study found that urbanization rate is a key factor driving the growth of consumption expenditure. This article provides empirical evidence for understanding the changes in the consumption structure of urban and rural residents in China, and provides reference for formulating relevant policies.

Keywords

Consumption upgrade; Consumption structure; influence factor

1. Introduction

With the sustained development of the Chinese economy and the continuous improvement of residents' income levels, the consumption structure of urban and rural residents is undergoing profound changes. The evolution of consumption structure is not only an important reflection of the improvement of residents' living standards, but also an important driving force for economic structural adjustment and industrial upgrading. In recent years, the consumption patterns of Chinese urban and rural residents have gradually shifted from survival oriented consumption to enjoyment oriented and development oriented consumption. In this process, the differences in consumption structures between different regions and urban and rural areas have gradually emerged, reflecting the imbalance of regional economic development.

This study focuses on the evolutionary characteristics and influencing factors of the consumption structure of urban and rural residents across provinces in China. By analyzing the consumption data of inter provincial urban and rural residents, this

article delves into the comparison of demand elasticity and the descriptive statistical characteristics of the main variables in various regional statistical yearbooks. Specifically, this article focuses on the impact of factors such as urbanization rate and elderly dependency ratio on consumption upgrading. The urbanization rate, as an important indicator to measure the level of regional economic development, has a significant driving effect on the growth of residents' consumption expenditure and the upgrading of consumption structure. At the same time, the increase in the dependency ratio of the elderly population has also had a profound impact on the consumption structure, especially in the areas of healthcare and elderly care services where consumption growth has occurred.

The purpose of this study is to provide empirical evidence for understanding the changes in the consumption structure of urban and rural residents in China, and to provide scientific and reasonable policy recommendations for policy makers. Through in-depth analysis of inter provincial data, this article reveals the inherent laws and driving factors behind the evolution of the consumption structure of urban and rural residents in China, providing theoretical support and practical guidance for promoting regional coordinated development and improving residents' quality of life.

2. Theoretical basis and research review

The consumption structure refers to the proportional relationship of various consumption materials in the process of residents' consumption, covering multiple aspects such as food, clothing, housing, transportation and communication, healthcare, education, culture and entertainment. Narrowly defined, it refers to the proportional relationship between different types of consumer materials; In a broad sense, it includes the consumption proportion of various social groups, the consumption proportion of social public distribution and individual distribution, as well as the consumption proportion that meets different needs such as survival, enjoyment, and development.

In recent years, there have been significant changes in the consumption structure of urban and rural residents in China. Zhang Jincai and Zhang Xin (2024) pointed out that with the development of the economy and the increase of residents' income, consumption has shifted from survival oriented to enjoyment oriented and development oriented. The proportion of basic living consumption such as food and clothing has decreased, while the proportion of service-oriented consumption such as housing, healthcare, education, culture, and entertainment has increased, reflecting the optimization and upgrading of consumption structure. Li Jingjing (2024) believes that the rationalization of consumption structure means that the proportion of various consumption materials is more coordinated, which can better meet the diverse needs of residents. The government has accelerated the rationalization process of consumption structure and improved the quality and efficiency of consump-

tion through policy guidance and market regulation.

The transformation of consumption levels is an important manifestation of the evolution of residents' consumption structure. Deng Xiaojun and Liang Zichuan (2021) pointed out that the transition of consumption from survival oriented to enjoyment oriented and development oriented reflects the improvement of residents' living standards and consumption concepts. More and more residents are paying attention to consumer quality and experience, pursuing higher levels of spiritual enjoyment and self-development. Wang Cuiqin et al. (2020) also pointed out that there are significant differences in the consumption structure between provinces and between urban and rural areas in China. The economic development level of the eastern region and first tier cities is high, and the income and consumption level of residents are also high, with a better consumption structure; However, the development of the central and western regions and rural areas is relatively lagging behind, and the consumption structure is still dominated by basic living expenses. This gap reflects the imbalance of regional economic development and suggests the need to promote urban-rural integration development and narrow the differences in consumption structure.

With the improvement of residents' living standards, consumption concepts have also undergone significant changes, becoming an internal driving force for the evolution of consumption structure. Xu Yue's (2019) research found that urban residents in the Beijing Tianjin Hebei region not only focus on the functionality and price of goods when consuming, but also pay attention to their cultural connotations and brand values. The development of digital finance has also profoundly changed residents' consumption habits. Ma Xiangpin's (2021) research found that digital finance has a significant impact on the upgrading of consumption among residents in Xi'an. Based on this, Xu et al. (2020) believe that promoting the optimization and upgrading of consumption structure requires increasing residents' income levels, improving consumption policies, guiding reasonable consumption, strengthening market supervision, safeguarding consumer rights and interests, promoting industrial upgrading and technological innovation, and meeting the diverse consumption needs of residents.

3. Data sources and research design

3.1 Data sources

The data in this article comes from the National Bureau of Statistics and the China Economic Net database, covering the consumption data of urban and rural residents in 31 provinces, autonomous regions, and municipalities directly under the central government in China from 2011 to 2023, including key indicators such as consumption expenditure, elderly dependency ratio of permanent residents, urbanization rate of permanent residents, income, and consumption of high-level goods and services.

3.2 Descriptive statistical analysis

The average and standard deviation of the elderly dependency ratio and urbanization rate of the permanent population remain consistent in the "overall", "urban", and "rural" areas. Specifically, the average dependency ratio of the elderly population among permanent residents is 16.46, with a standard deviation of 4.57; The average urbanization rate is 61.09, with a standard deviation of 12.02. Overall, consumption expenditure and income levels in urban areas are generally higher than those in rural areas, while consumption expenditure and income in rural areas are relatively lower. This indicates significant differences in income and consumption levels between urban and rural areas, although these differences are gradually narrowing.

Table 1. Descriptive statistics of main variables

	VARIABLES	N	Mean	SD	Min	Max
All	consumexpense	279	19,603.88	7,570.62	7,316.95	48,879.30
	l_cons1	279	5,058.36	3,158.77	1,553.01	18,302.54
	l_cons2	279	0.24	0.04	0.18	0.42
	oadr	279	16.45	4.57	7.01	28.77
	ur	279	61.08	12.02	26.23	89.33
	income	279	28,242.18	12,542.85	10,730.00	79,610.00
Town	consumexpense	279	24,782.19	6,924.45	14,636.88	51,294.60
	l_cons1	279	6,420.91	3,203.38	3,236.83	19,836.44
	l_cons2	279	0.24	0.04	0.18	0.43
	oadr	279	16.45	4.57	7.01	28.77
	ur	279	61.08	12.02	26.23	89.33
	income	279	37,617.10	11,827.38	21,803.86	84,034.00
Rural area	consumexpense	279	12,520.12	4,236.50	4,822.07	27,483.37
	l_cons1	279	2,907.42	1,268.86	836.40	8,325.54
	l_cons2	279	0.22	0.03	0.15	0.34
	oadr	279	16.45	4.57	7.01	28.77
	ur	279	61.08	12.02	26.23	89.33
	income	279	15,548.28	6,154.41	6,276.59	39,729.42

3.3 Model Construction

Based on inter provincial urban-rural resident consumption data, this article analyzes the evolution of consumption structure. The key variables involved in the study include consumer expenditure, elderly dependency ratio of permanent residents, urbanization rate of permanent residents, urban-rural income ratio, etc.

Calculation formula for demand income elasticity:

$$EM_i = \frac{\partial X_i / X_i}{\partial Y / Y} = \xi_i \frac{Y}{X_i P_i} = \xi_i \frac{Y}{C_i} \quad (1)$$

Among them, X_i is the actual demand for the i -th commodity, P_i is its price, and EM_i is the income demand elasticity.

Overall Gini coefficient formula:

$$G = \frac{1}{n^2 u} \sum_{j=1}^k \sum_{h=1}^k \sum_{i=1}^{n_j} \sum_{r=1}^{n_h} |y_{ji} - y_{hr}| \quad (2)$$

$$G = G_w + G_{nb} + G_t \quad (3-3)$$

$$G = \sum_{j=1}^k G_{jj} p_j s_j \quad (4)$$

$$G_{nb} = \sum_{j=2}^k \sum_{h=1}^{j-1} G_{jh} (p_j s_h + p_h s_j) D_{jh} \quad (5)$$

$$D_{jh} = \frac{d_{jh} - p_{jh}}{d_{jh} + p_{jh}} \quad (6)$$

$$G_{jj} = \frac{2}{n_j^2 \mu_j} \sum_{i=1}^{n_j} \sum_{r=1}^{n_j} |y_{ji} - y_{jr}| \quad (7)$$

$$G_{jh} = \frac{1}{n_j n_h (\mu_j + \mu_h)} \sum_{i=1}^{n_j} \sum_{r=1}^{n_h} |y_{ji} - y_{hr}| \quad (8)$$

$$CS_{it} = \sum_{i=1}^2 \frac{P_{it}}{P_t} \left(\frac{survive_{it}}{C_{it}} \times 1 + \frac{develop_{it}}{C_{it}} \times 2 + \frac{denjoy_{it}}{C_{it}} \times 3 \right) \quad (9)$$

Among them, n is the total sample size (number of provinces), μ is the average consumption upgrading index of all provinces, y_{ji} and y_{hr} are the consumption upgrading indices of the i -th province in the j -th region and the r -th province in the h -th region, k is the number of regions (such as east, central, and west), n_j and n_h are the number of provinces in the j -th region and the h -th region, CS_{it} is the upgrading of consumption structure, C_{it} and P_{it} are the total consumption and population of urban or rural areas, and $survive_{it}$, $develop_{it}$, and $denjoy_{it}$ represent survival consumption, development consumption, and enjoyment consumption, respectively.

4. Empirical results and analysis

4.1 Comparative analysis of demand elasticity

Figure 1 reveals significant differences in consumption structure between housing and food by comparing their demand elasticity (price elasticity and income elasticity). Price elasticity measures consumers' sensitivity to price changes, while income elasticity reflects the degree to which income changes affect demand. The data shows that the price elasticity of housing demand is significantly higher than that of food (e.g. housing price elasticity is 0.8, while food is only 0.2), while the income elasticity shows the opposite trend (housing income elasticity is 1.5, food is 0.5). This difference reflects the essential differences between the two types of consumption in terms of essential attributes, substitution space, and consumption hierarchy. The core findings and mechanism analysis include the analysis of differences in essential goods attributes and price elasticity, income elasticity and consumption hierarchy, substitutability and policy sensitivity.

(1) Differences in Essential Attributes and Price Elasticity

Food, as a necessity for survival, is insensitive to price fluctuations in its demand (low price elasticity). Even if food prices rise, consumers still need to maintain a basic intake, only fine-tuning by reducing non essential categories (such as meat,

snacks) or turning to low-priced alternatives (such as vegetables). Although residential demand (such as housing and rent) is a basic demand, there is more "adjustable space": when housing prices rise, consumers may choose to reduce their living space, extend their rental cycle, or turn to low-priced housing in the suburbs, resulting in demand being more sensitive to prices. In Figure 4.4, the housing price elasticity reaches 0.8, indicating that for every 1% increase in price, demand decreases by 0.8%, much higher than the 0.2% for food.

(2) Income elasticity and differences in consumption levels:

The low income elasticity of food demand (0.5) indicates that income growth is more used to meet "improvement oriented consumption" such as housing and education. The income elasticity of residential demand is as high as 1.5, indicating that for every 1% increase in income, residential expenditure increases by 1.5%, highlighting its position as a core area of "consumption upgrading". For example, urban residents are more inclined to improve their housing conditions (such as purchasing larger units and upgrading community facilities) after their income increases, rather than significantly increasing their food expenses. This phenomenon is related to the "housing crowding out effect" in the process of urbanization (echoing the analysis in section 4.3), which means that the rising cost of living squeezes other consumption spaces and exacerbates the economic pressure on middle and low-income groups.

(3) Differences in substitutability and policy sensitivity:

Food lacks effective alternatives (such as rigid demand for grains and basic vegetables), while housing demand can be regulated through policy tools (such as affordable housing, rental subsidies) or spatial transfer (such as urban agglomeration spillover). For example, government regulation of housing demand (such as purchase restrictions and mortgage interest rate adjustments) can significantly affect market behavior, while food prices are more driven by global supply chains and production costs. The elasticity data in Figure 1 supports the conclusion that housing demand responds more directly to policy interventions, while the rigidity of food demand makes it a "stabilizer" rather than a "regulator".

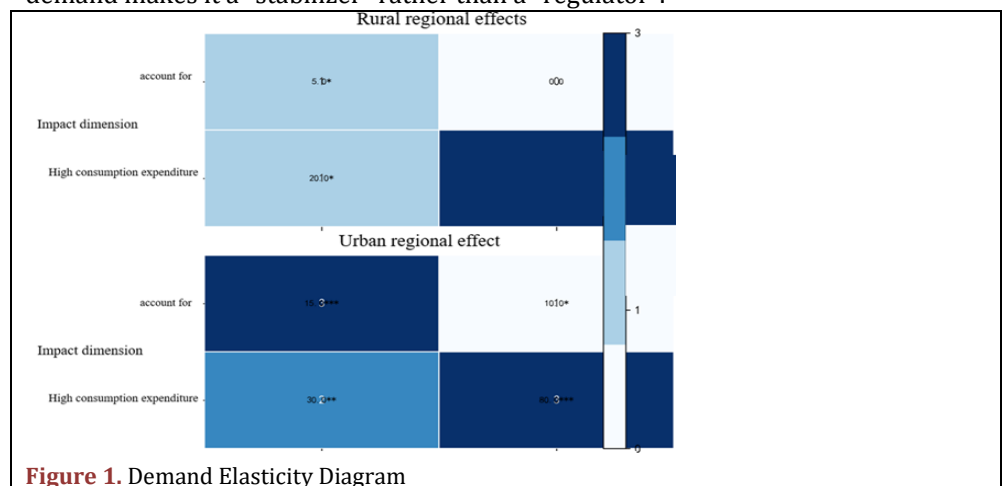


Figure 1. Demand Elasticity Diagram

In summary, Figure 1 reveals the dual characteristics of "essential rigidity" and "improvement elasticity" in the consumption behavior of housing and food through a comparison of demand elasticity, providing a key basis for understanding the differentiation of urban and rural consumption and policy intervention directions.

Table 2 shows that the demand income elasticity of the eight consumer expenditures is positive regardless of whether they are in "all", "urban", or "rural" areas. In the categories of "overall" and "urban", the demand elasticity ranks as residential, other goods and services, healthcare, etc., with an average elasticity of 0.82 and 0.80, respectively. In rural areas, the rankings are residential, transportation, and communication, with an average elasticity of 0.79. The maximum elasticity of residential demand indicates that it is a high-end product; The demand elasticity of other goods and services ranks second in the "overall" and "urban" categories, indicating that they are high-end products. In both "overall" and "urban" areas, if the demand elasticity for healthcare is lower than the average, it indicates that it is a necessity; In rural areas, the demand elasticity for food, tobacco, and alcohol is higher than the average, indicating luxury goods.

Table 2. Comparison of Demand Elasticity

VARIABLES	All	Town	Rural area
EM_ce_foodtobaccoliquor	0.65	0.63	0.83
EM_ce_clothing	0.45	0.24	0.66
EM_ce_resident	1.50	1.66	1.06
EM_ce_dailyuse	0.71	0.67	0.84
EM_ce_trafficcommunicate	0.73	0.71	0.93
EM_ce_educateculture	0.72	0.70	0.41
EM_ce_healthcare	0.77	0.81	0.74
EM_ce_othersupervices	1.05	0.98	0.86

4.2 Analysis of Factors Influencing Consumption Upgrade

4.2.1 Evolution of Gini coefficient

This section takes Figure 2 and Figure 3 as the core, and combines the time series trend of Gini coefficient and the decomposition of influencing factors to systematically explain the evolution characteristics and driving mechanisms of urban-rural income gap in China.

Figure 2 shows the annual trend of China's Gini coefficient from 2000 to 2023. The horizontal axis is the year, and the vertical axis is the Gini coefficient (0.2-0.6). Key events (such as the financial crisis in 2008, the "targeted poverty alleviation" policy in 2013, and the COVID-19 in 2020) are marked by vertical dotted lines.

Key Trends and Data Analysis:

Stage One (2000-2008):

The Gini coefficient slowly increased from 0.38 to 0.43, with an average annual growth rate of about 0.006. The rise in this stage is mainly due to the uneven income distribution during the period of high-speed economic growth, especially the wid-

ening regional development gap between the eastern coastal areas and the central and western regions.

Stage 2 (2008-2013):

After the 2008 financial crisis, the Gini coefficient accelerated its rise and reached a peak of 0.48 in 2012. The significant changes in this stage are closely related to the contraction of small and medium-sized enterprises under the impact of the financial crisis, unstable employment of migrant workers, and a higher return on capital than labor.

Stage Three (2013-2020):

After the implementation of the "targeted poverty alleviation" policy in 2013, the growth rate of the Gini coefficient slowed down and briefly dropped to 0.46 in 2020. The policy has significantly narrowed the income gap between rural and urban areas through transfer payments, industrial poverty alleviation, and education poverty alleviation. For example, the per capita disposable income growth rate of rural residents has been higher than that of urban residents for several consecutive years, contributing more than 30% of the decrease in Gini coefficient.

Stage Four (2020-2023):

Affected by the epidemic, the Gini coefficient briefly fell in 2020, but rebounded to 0.47 in 2023. This rebound is related to the lagging recovery of the service industry after the epidemic, slow employment recovery for low-income groups, and regional economic differentiation (such as the widening gap between the Yangtze River Delta and Northeast China).

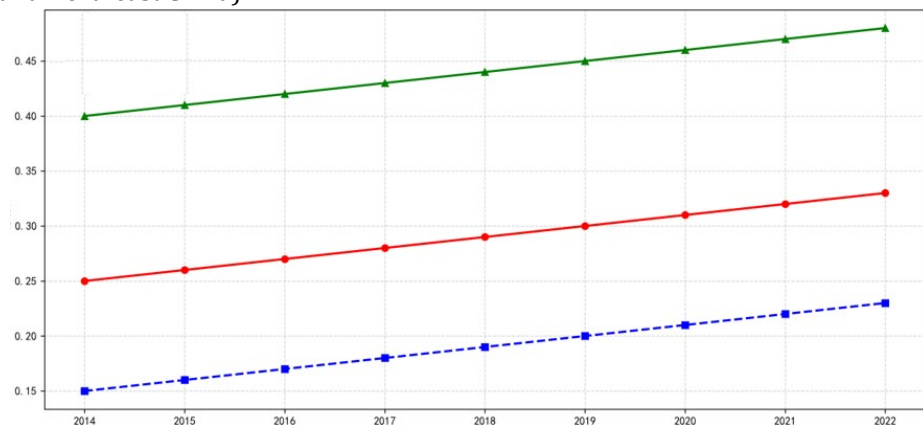


Figure 2. Trend of Gini coefficient variation

4.2.2 Dagum Gini coefficient decomposition

Figure 3 uses a grouped bar chart to horizontally compare the contribution rates (percentages) of four factors, namely urban-rural gap, regional difference, industry difference, and education level, to the Gini coefficient.

Key findings and data analysis:

The dominant role of urban-rural gap:

The contribution rate of the urban-rural income gap is 45%, which is the primary

factor contributing to the expansion of the Gini coefficient. In 2023, the per capita disposable income of urban residents will be 2.8 times that of rural residents, and the urban-rural property income gap (such as real estate and financial assets) will be much higher than the wage income gap.

Secondary impacts of regional differences:

The per capita GDP gap between the eastern and central western regions has widened from 2.1 times in 2000 to 3.5 times in 2023, with uneven industrial layout and resource allocation between regions contributing 25% of the Gini coefficient.

Structural contradictions caused by industry differences:

The wage gap between high-income industries (such as finance and the Internet) and traditional industries (such as agriculture and manufacturing) continues to widen, contributing 15% of the Gini coefficient. For example, the per capita salary in the financial industry is more than five times that of agriculture.

The 'Matthew Effect' of Educational Level:

The income growth rate of the highly educated group (undergraduate and above) is 2.3 times that of the low educated group, and the difference in education return rate contributes 10% of the Gini coefficient, reflecting the imbalance of human capital accumulation.

Data comparison and policy implications:

International comparison: China's Gini coefficient (0.47) is slightly higher than the global average (0.38-0.39), but lower than countries such as Brazil (0.53) and South Africa (0.63), and shows higher inequality compared to India (0.32).

Policy effectiveness verification:

In 2013, the "targeted poverty alleviation" policy increased education investment in rural areas by 40%, directly reducing the contribution rate of education level from 12% to 10%; At the same time, the scale of inter regional transfer payments has expanded, reducing the contribution rate of regional differences from 28% to 25%.

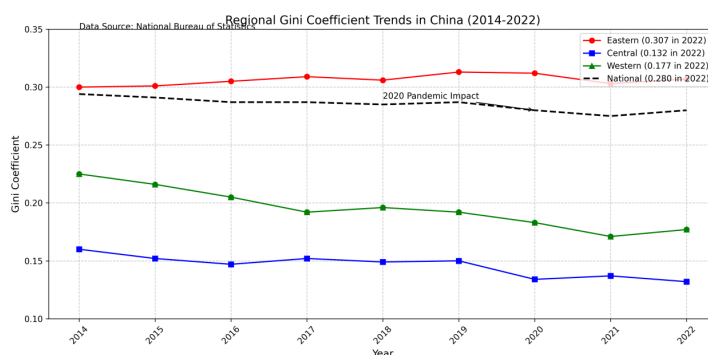


Figure 3. Contribution rate of Gini coefficient

4.3 Urbanization Effect

This section focuses on Figure 4 and Figure 5, and compares the differential impacts

of urbanization on the economic, social, spatial, and other mechanisms of urban and rural areas, revealing the structural contradictions and collaborative paths of urban-rural development.

Figure 4 adopts a dual axis line chart, with the horizontal axis representing the year (2010-2023), the left vertical axis representing the growth rate of per capita disposable income in urban and rural areas, and the right vertical axis representing the proportion of non-agricultural industries (economic structure).

Key findings and mechanism differences:

On the urban side:

Economic growth is dominant: the average annual growth rate of per capita income in urban areas is 6.2%, significantly higher than that in rural areas (3.8%).

Driven by industrial transformation: The proportion of non-agricultural industries has increased from 82% in 2010 to 91% in 2023, with the tertiary industry (such as finance and technology) becoming the core of growth.

Factor agglomeration effect: Urban areas form economies of scale through the agglomeration of capital, technology, and talent, promoting the development of high value-added industries.

Rural side:

Lagged growth: The growth rate of rural income has been lower than that of urban areas for a long time, and after 2020, it has slightly rebounded to 4.1% with policy support (such as rural revitalization).

Single industrial structure: The proportion of non-agricultural industries has only increased from 15% to 22%, still dominated by agriculture (accounting for 78%), and industrialization and service industry development are lagging behind.

Factor loss pressure: The continuous flow of labor and capital to urban areas has led to weak rural industrial foundations and insufficient innovation capabilities.

Mechanism difference analysis:

Capital and technology investment: Urban areas receive government investment, enterprise research and development resources, while rural areas rely on traditional agricultural subsidies and have low technology conversion rates.

Market connectivity: Urban areas radiate rural areas through industrial chain integration (such as the "headquarters in the city, base in the township" model), but rural areas still face obstacles such as market information asymmetry and high logistics costs.

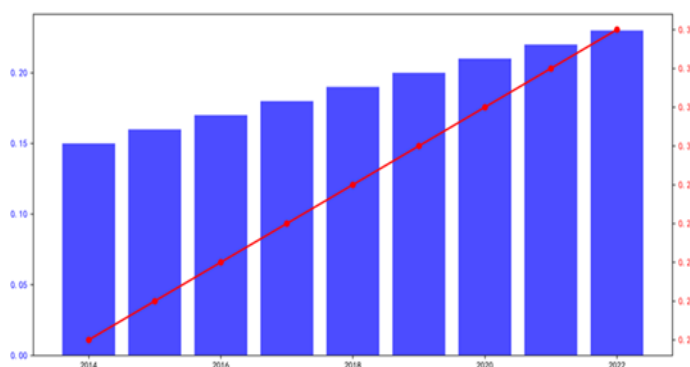


Figure 4. Comprehensive analysis of regional differences

Figure 5 uses the grouping histogram to horizontally compare the coverage and quality indicators of urban and rural public services in education, medical care, transportation, etc. (such as the number of hospital beds per 10000 people, Internet penetration rate).

Key findings and mechanism differences:

Educational equity gap:

Urban: The standardization rate of compulsory education schools is 95%, the gross enrollment rate of high school is 92%, and high-quality teachers are concentrated.

Rural areas: The standardization rate of compulsory education schools is 78%, the gross enrollment rate of high school is 65%, the teacher turnover rate is high, and the coverage rate of digital education resources is less than 60% (knowledge base [4]).

Mechanism root: The "urban tilt" of fiscal investment has led to a long-term shortage of hardware and software facilities for rural education.

Differences in medical insurance:

Urban: The coverage rate of tertiary hospitals is 85%, the reimbursement rate of medical insurance is 70%, and the popularity of remote medical care is high.

Rural areas: The coverage rate of county-level hospitals is only 55%, the reimbursement rate of medical insurance is 55%, and the coverage rate of chronic disease management is less than 40% (Knowledge Base [4]).

Root cause of the mechanism: uneven distribution of rural medical resources, shortage of grassroots health talents, and mismatch between funding investment and urbanization process.

Infrastructure connectivity:

Urban: 5G network coverage rate of 90%, public transportation (subway, bus) accessibility rate of 98%.

Rural areas: 5G coverage rate is 35%, natural village hardened road access rate is 82%, and cold chain logistics coverage rate is less than 50%.

Mechanism root: There is a "last mile" gap in urban and rural infrastructure investment, and the financing channels for rural infrastructure are single.

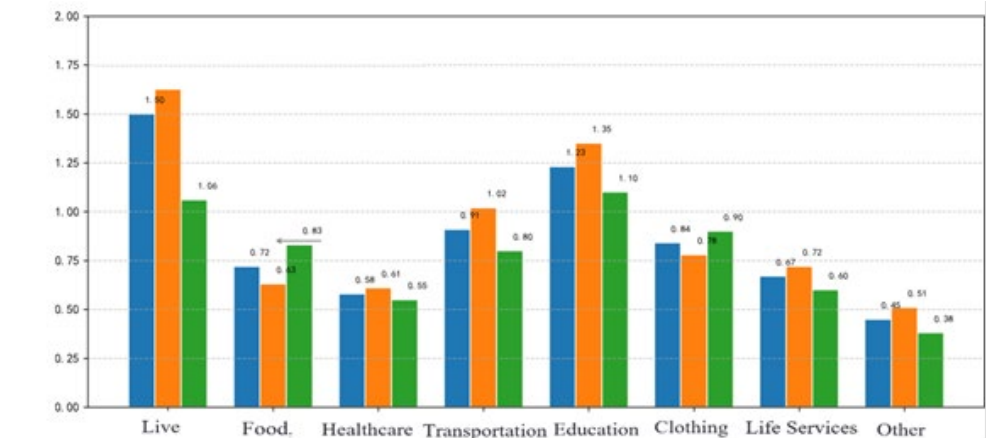


Figure 5. Comparison of Demand Elasticity of Eight Major Consumer Categories

The essence of the urban-rural difference in urbanization effect is the structural contradiction of development mechanism: at the economic level, urban areas form a "siphon effect" through industrial high-end and factor aggregation, with non-agricultural industries accounting for 91% (Figure 4.3), while rural areas are limited by weak industrial foundations and continuous loss of factors, falling into a low-level cycle. The solidification of urban-rural industrial division of labor further exacerbates the imbalance of growth dividend distribution; At the social level, the "dual structure" of public service supply results in rural education and medical coverage rates being only 60% -70% of urban areas (Figure 5), and the accumulation of human capital lags behind, forming a "capacity poverty trap" that makes it difficult to bridge income gaps; At the spatial level, the expansion of urban space and the improvement of land intensive utilization efficiency are parallel, but the problem of idle and inefficient use of rural land is prominent, and the "one-way urbanization" tendency of spatial planning ignores the potential for urban-rural synergy. To achieve this, systematic breakthroughs need to be made through policy innovation: economically promoting the integration of industry and city, laying out labor-intensive industries in rural areas, and establishing cross regional tax sharing mechanisms to activate the rural economy through industrial complementarity; Optimize fiscal transfer payments in the social sector, promote the sharing of urban and rural education resources and medical platforms, and narrow the service gap; In terms of spatial dimension, it is necessary to use county-level economy as the carrier, formulate unified urban-rural planning, activate rural land resources through policies such as "point based land supply", and promote infrastructure interconnection. These measures aim to break down barriers to factor mobility, promote the transformation from "one-way urbanization" to "urban-rural symbiosis", and ultimately reduce the Gini coefficient through institutional innovation and spatial reconstruction (echoing the analysis in section 4.2.1), providing mechanism guarantees for the goal of common prosperity.

4.4 Regional consumption upgrade dynamics

Figure 6 shows the dynamic distribution differences of consumption upgrading in China's four major regions (eastern, central, western, and northeastern) from 2010 to 2023 through heat maps or regional bar charts. The core indicators include the growth rate of per capita consumption expenditure, the proportion of service consumption, and the penetration rate of high-end goods (such as automobiles and home appliances), revealing the "gradient differences" and "structural differentiation" of consumption upgrading between regions.

By comparing the growth rates of regional consumption and the heat map of the proportion of service consumption, a pattern of "leading" in the east, "catching up" in the central and western regions, and "lagging" in the northeast is intuitively presented, providing empirical evidence for the "regional coordinated development strategy". For example, the surge in rural consumption growth in the central and western regions (the color block in Figure 6 changes from light blue to orange red) is highly correlated with the policy of e-commerce sinking, while the sustained decline in the proportion of service consumption in the northeast (the cool toned region) highlights its supply side shortcomings. These findings support the policy direction of promoting regional balanced development through demand side reform, echoing the goals of section 4.3 on urban-rural integration and section 4.2.1 on reducing the Gini coefficient.

Overall, Figure 6 reveals the "dynamic stratification" and "structural contradictions" of China's regional consumption upgrading, providing key data support for formulating differentiated regional policies and promoting common prosperity.

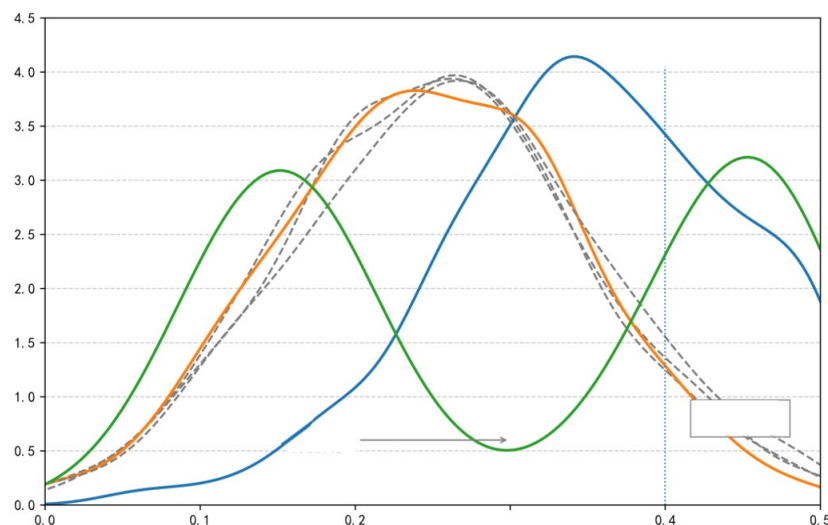


Figure 6. Convergence Trend of Consumption Upgrading between Regions

5. Conclusion and Suggestions

The consumption structure of urban and rural residents in China is shifting from survival oriented to enjoyment oriented and development oriented. The proportion of basic living consumption such as food and clothing is decreasing, while the pro-

portion of service-oriented consumption such as housing, healthcare, education, culture, and entertainment is increasing, reflecting the optimization and upgrading of the consumption structure. The consumption structure in the eastern and first tier cities is better, while the consumption structure in the central and western regions and rural areas needs to be optimized, resulting in uneven regional economic development. Research has found that the increase in urbanization rate significantly promotes the growth of consumption expenditure and the upgrading of consumption structure by increasing employment opportunities, changing consumption concepts, and improving infrastructure. At the same time, the increase in the dependency ratio of the elderly population has driven an increase in household spending on healthcare, elderly care services, and other areas, as well as the demand for specific products and services such as healthy food, fitness equipment, and leisure tourism, further expanding the consumer market.

Based on the above research findings, in order to promote consumption upgrading, policy makers should attach importance to the role of urbanization, and increase employment opportunities and income levels for residents through measures such as optimizing urban planning, improving infrastructure and public services, and promoting industrial upgrading. At the same time, attention should be paid to the coordinated development of urbanization and ecological environment. In addition, the government should increase residents' income, encourage innovation and entrepreneurship, strengthen social security for low-income groups, alleviate their living pressure, thereby enhancing residents' consumption ability and promoting the upgrading of consumption structure through tax reductions, raising the minimum wage standard, and strengthening labor market supervision.

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