

# *Changes and influences of income gap between urban and rural areas in Hefei*

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**Abstract:** In the 21st century, as the economic development of Anhui Province has been growing rapidly, the income gap between urban and rural residents in Hefei, the capital of the province, has been slowly widening and has become a major problem in the development of Hefei. Based on the current production development and economic influence of Hefei City, to analyze the progress of Hefei's economic development and the problems encountered in the development process, and obtain corresponding conclusions from the data analysis, and give corresponding solutions and corresponding suggestions. Moreover, data analysis and factor analysis methods will be used to analyze and study the issues related to urban and rural income and the current state of development. In the process of study and analysis, we have collected corresponding information, borrowed books, and accessed a large amount of information on the Internet to obtain corresponding data support. By analyzing the development status of the urban-rural income gap in Hefei since the new century to the current stage, aiming at the development status and causes of the urban-rural differential in Hefei, on this basis, we can deeply analyze the current status of urban and rural income changes in Hefei, and propose corresponding solutions.

## **1. Introduction**

### **1.1 Background of the study**

In recent years, with the rapid development of China's economy, the problem of urban-rural income gap has been the focus of social attention. As the capital city of Anhui Province and an important member of the Yangtze River Delta city cluster, Hefei City has experienced rapid economic development, but the problem of urban-rural income disparity is still significant in the process of urban-rural integration. In 2022, Hefei City continued to grow in terms of total economic output, optimised its industrial structure, and significantly increased its level of urbanisation, however, the differences between urban and rural residents in terms of income levels, employment opportunities, and social security still exist.

In terms of economic development, Hefei City continues to maintain a high economic growth rate in 2022, and the increase in per capita GNP and urbanisation level plays a positive role in narrowing the income gap between urban and rural areas. However, the differences between urban and rural areas in terms of resource allocation, industrial structure layout and labour force quality have led to the income gap between urban and rural residents remaining large. On the one hand,

urban residents have a clear advantage in terms of wage income and property income; on the other hand, although rural residents have seen an increase in transfer income, their overall income level is still lower than that of urban residents. According to the data released by China's Bureau of Statistics for Hefei City resident users to conduct a sample survey data show that in December this year, Hefei urban residents of daily consumption expenditure has reached 4,114 yuan, a slight increase of 7.6 per cent, 35.6 per cent of the consumption expenditure, down 0.2 percentage points compared with the previous year.

In addition, the existence of the urban-rural income gap not only affects the quality of life of residents and social equity, but may also have a negative impact on the sustainable development of the economy. For example, an excessive income gap may lead to a shrinking of the rural consumer market, which in turn affects the expansion of domestic demand and further economic development. Therefore, studying the changes in the urban-rural income gap and its impact in Hefei City is of great practical significance for the formulation of reasonable policies and the promotion of coordinated urban-rural development.

## 1.2 Literature Review

In recent years, with the rapid development of China's economy, the issue of urban-rural income gap has gradually become the focus of attention of academics and policy makers. Numerous studies have shown that changes in the urban-rural income gap are affected by a variety of factors, including the level of economic development, industrial restructuring, urbanisation process and policy intervention.

Fang Zihan (2023) analyses the trend of income gap between urban and rural residents in China from the perspective of the 'Belt and Road' initiative. The study found that the absolute gap between urban and rural areas widened from 12,000 yuan to 28,000 yuan during 2010-2021, and the income gap continued to deteriorate<sup>[1]</sup>. In addition, Zhu Jidong (2019) also pointed out that in the context of the 'Belt and Road', there are differences in the impact of foreign trade and foreign investment on the urban-rural income gap in different regions, with the impact of foreign trade in the eastern coastal region in an 'inverted U-shape', while the impact in the western region is in an 'inverted U-shape'. The impact of foreign trade in the eastern coastal region is in an 'inverted U-shape', while that in the western region is in an 'inverted U-shape', indicating that differences in the level of regional economic development have a significant impact on the urban-rural income gap<sup>[2]</sup>.

In terms of the relationship between urbanisation and the urban-rural income gap, Yang Yang (2022) takes Anhui Province as an example and finds that there is an inverted U-shaped relationship between the development level of new urbanisation and the urban-rural income gap. When the level of urbanisation development is low, the urban-rural income gap will increase with the advancement of urbanisation; while when the level of urbanisation is high, the urban-rural income gap will decrease<sup>[3]</sup>. Xiang Shujian et al. (2022) further point out that there are regional differences in the impact of urbanisation of the resident population and urbanisation of the household population on the urban-rural income gap, with urbanisation of the resident population dominating in the east-central region, while urbanisation of the household population dominates in the western region<sup>[4]</sup>.

Industrial restructuring is also considered an important factor affecting the urban-rural income gap. Zhao Liwen et al. (2018), based on inter-provincial panel data, show that both industrial structure advanced and rationalisation are conducive to narrowing the urban-rural income gap, especially in the long term, the role of industrial structure advanced is more significant<sup>[5]</sup>. In addition, Liu Jun et al.'s (2015) study also points out that industrial agglomeration helps to narrow

the urban-rural income gap, while the urban-rural human capital level gap and the degree of openness to the outside world widen the urban-rural income gap<sup>[6]</sup>.

In terms of policy intervention, Zhou Yan and Tan Kai (2021), from the perspective of pension insurance system reform, found that the contribution of pensions to the income gap of the older age group has been decreasing year by year, and that the reform of the urban-rural residents' pension insurance system has enhanced the ability of the social pension insurance system to regulate the income gap<sup>[7]</sup>. Du Chaoyun and Xiang Yanhong (2020), on the other hand, point out from the perspective of inclusive financial development that the increase in the level of financial inclusion can effectively reduce the urban-rural income gap<sup>[8]</sup>.

In summary, the changes in the urban-rural income gap are affected by a combination of factors such as the level of economic development, industrial restructuring, urbanisation process and policy intervention. Future research needs to further explore the interaction mechanism between these factors and provide more targeted recommendations for policy formulation.

## **2 Basic Concepts and Related Theories**

### **2.1 Basic concepts of income disparity**

#### **2.1.1 Income Redistribution**

In the existing distribution system, income redistribution refers to the difference between what the suppliers of each factor get in the income redistribution and what they get in the initial distribution. Taxation, insurance and social security are important ways of income redistribution for our residents. The essence of income redistribution is the transfer of social wealth. But our residents play an important role in redistribution, and in the process of income distribution, the government, because of its role as a regulator, can often determine changes in income distribution. Through the initial distribution of various production activities, such as taxing workers and taxing the country's tax revenue, the government then redistributes society's resources in the form of finances so that those who cannot directly participate in production activities and disadvantaged groups can receive a fixed income, achieving the goal and role of the state in regulating national income. As the market economy develops in an environment of strong volatility, the factors of production of workers in each different market will vary, so that the mode of distribution is transformed into the factors of production, which will inevitably have a certain impact on the income of social workers, thus causing an imbalance in the structure of the national income, and making the overall development of the society and the economic stability of the country affected. This requires Governments to use their own policy instruments to adjust the distribution of income among workers, so that workers with lower levels of income can receive a certain amount of income after the initial distribution, thus leading to an increase in income. It is because of this that social stability and equity can be redistributed.

### **2.2 Relevant Research Theories on Income Disparity**

#### **2.2.1 Neoclassical income distribution theory**

The main idea of the neoclassical theory of income distribution is that under the normal operating conditions of the market and the development of perfect competition in the market, income should be distributed according to the marginal contribution of the factors of production to output. The central idea of this theory is that all producers can claim and participate in the distribution of income. Marshall and Clark typify the neoclassical theory of distribution. From the

equilibrium pricing theory, the supply and demand for goods are analysed. The total output of the country is the only economic source of all the products produced by all the factors of production of the country.

### **2.2.2 Theory of Policy Tilt**

When exploring the causes of China's residents' income gap, some scholars tend to stand at the level of government policies, believing that the state should only adopt a series of policies to help promote local economic development and improve the real income of residents, such as taxation, finance, opening up to the outside world, etc. The implementation of these policies has promoted the economic development of coastal areas, which has led to the development of China's coastal areas outpacing the countryside, thus leading to a further widening of the income gap between urban and rural areas. At the same time, the situation has been aggravated by certain factors within the market, which have led to a huge inflow of domestic capital and a concentration of all kinds of talents. Some scholars in China believe that the government has narrowed the income gap between urban and rural areas mainly because the phenomenon of income inequality has spread to most areas of China as well as in the operation of the market economy, due to the differences in the perception of the market, which also leads to the phenomenon of widening the income gap. Since the new era, the Party Central Committee has taken the growth rate of regional GNP as its main reference. However, in order to develop the local economy, the local government often neglects the local income gap, which seriously hinders the management, formulation and promotion of development programmes. The main reason for this is that there are big differences between urban and rural areas in terms of geographical location, development space and talent training. This has led to the development of urban areas with great opportunities for development. The rural areas will gradually tilt towards the urban areas. Local governments will spend a lot of financial expenditure on cities because of the direction and trend of economic development. In turn, local economic development will be promoted, and the GDP will show a gradual upward trend. In such a development situation, the rural areas are always on the side of sacrifice. Therefore, the phenomenon of a widening income gap between urban and rural areas will become more and more obvious.

## **3. Analysis of the Current Situation of Urban and Rural Income and Changes in the Income Gap in Hefei City**

### **3.1 Analysis of urban and rural income status quo in Hefei city**

By analysing the current income status quo and income gap in Hefei, narrowing the urban-rural income gap has become the entire economic development of Hefei can rise to a new level of the main issues, therefore, as far as possible, and the urban and rural residents of Hefei and the main sources of income to carry out a comprehensive and detailed analysis of the research.

#### **3.1.1 Analysis of the Current Situation of Hefei City Residents' Income**

According to the specific data of urban and rural income in Hefei in recent years, it can be seen that under the rapid development trend in recent years, the disposable income of urban residents has shown a clear upward trend in recent years, and this trend tends to be a phenomenon of steady growth, and it is expected that the per capita disposable income of urban residents in Hefei in 2022 will break through the per capita of 50,000 yuan in one fell swoop. 2016's income of urban residents in Hefei has reached 34,852 yuan. In 2016, the income of Hefei city residents has reached 34,852 yuan. And in 2020 this value has reached 48,283 yuan, an increase of about 14,000 yuan, almost 1.5

times, which has exceeded the national average. Under such a status quo of economic development, the income of urban residents in Hefei will increase steadily year by year. This can be found: The phenomenon of rising per capita disposable income from 2016 to 2020, in fact, this phenomenon is mainly due to the rising trend of wage income, transfer income, property income and business income. Wage income has now become the main source of disposable income in the distribution of property, the development of the region and the consumption level of the local people there is a strong correlation, and wage income dominates the consumption ability of residents. Wage income as the most direct and stable income of residents, wage income is the fastest increase. At the same time, most of the residents nowadays will carry out appropriate management of their own income, which also makes the operating income and wage income to a certain extent is linked. Through in-depth analysis and research, we know that residents will try to find ways to increase their business income after they have a stable income from work. By raising their income level and acquiring more wealth, they can have more property at their disposal and thus improve their quality of life.

In terms of the composition of income, wage and business income have risen, while the rest of the share of income is a declining phenomenon. Judging from the current social phenomenon, most urban residents divide their incomes reasonably, and make business investments and expenditures that are acceptable to them with an appropriate proportion of their incomes. This will lead to people trying to improve their property income, compared to other income, although property income has increased, but for the overall income level, per capita disposable income has not changed significantly, people will pay more attention to their own income, try their best to improve their wage income.

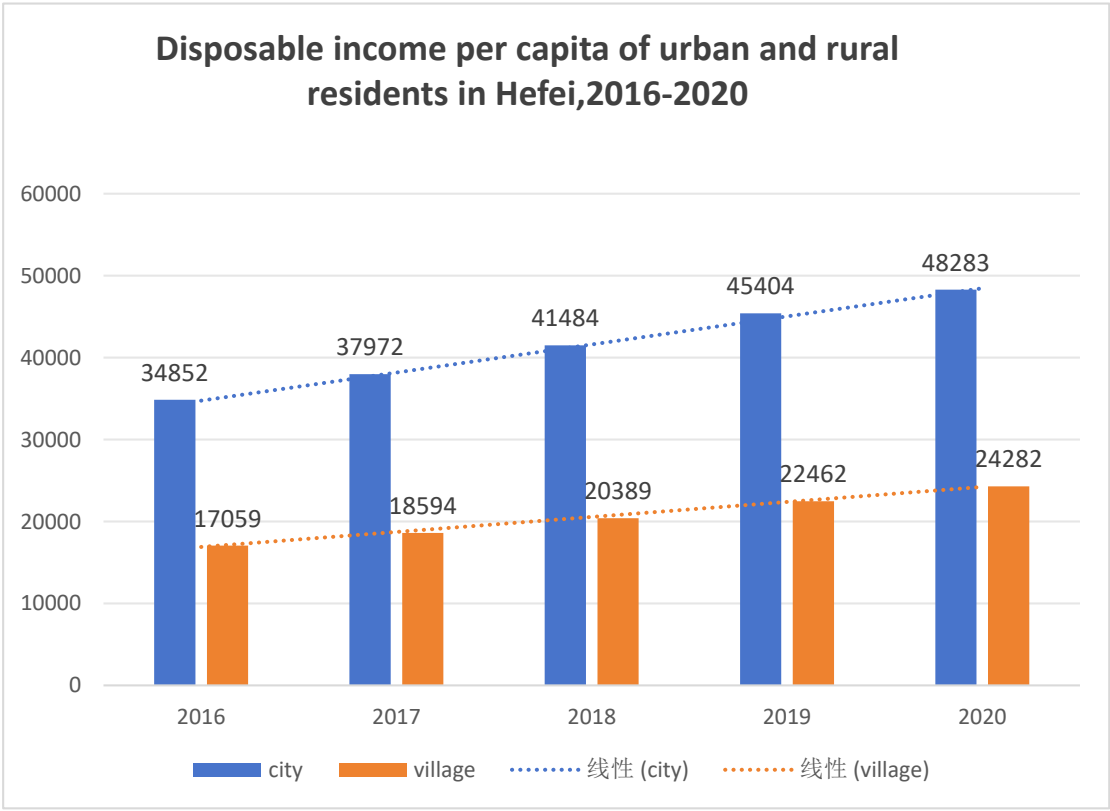


Figure 1 Per capita disposable income of urban and rural residents in Hefei, 2016-2020

### 3.1.2 Analysis of the current situation of rural residents' income in Hefei City

Through a variety of income policies, Hefei City, in order to narrow the income gap between urban and rural residents, it is necessary to improve the disposable income channels of farmers, so by analysing the status of farmers' income in Hefei City, it can provide a basis for the development and implementation of effective policy measures.

According to Figure 1, the per capita net income of farmers in Hefei City has been growing rapidly, about 24,282 yuan, an increase of 17.2 per cent compared with the previous year, higher than that of urban residents by 3.6 percentage points in a slow upward trend, which also represents that the problem of farmers' disposable income has been improved, but the gap between urban and rural incomes is still a huge gap.

An analysis of the sources of farmers' income in Hefei City shows that among the per capita incomes, wage incomes account for almost half of the total, accounting for 52.2 per cent, while business incomes are the lowest, accounting for about one-third of the total. Of the components of residents' income, only work and transfer income grew, with transfer income increasing by 10.38 percentage points. In 2016, the main sources of per capita net income for rural residents in Hefei City were transfer income and real estate. These two sources increased by 24.48% and 14.75% respectively compared to the previous year, which were much higher than other sources of income. In recent years, with the rapid development of Hefei, land in the surrounding rural areas has been expropriated. As a result, the proportion of returning households has been increasing. The value of assets for those who have returned to their homes has also increased. Meanwhile, the rise in transfer income for farmers has had an increasing impact on their overall income.

### 3.2 Analysis of Changes in the Urban-Rural Income Gap in Hefei City

#### 3.2.1 Analysis of Income Profile

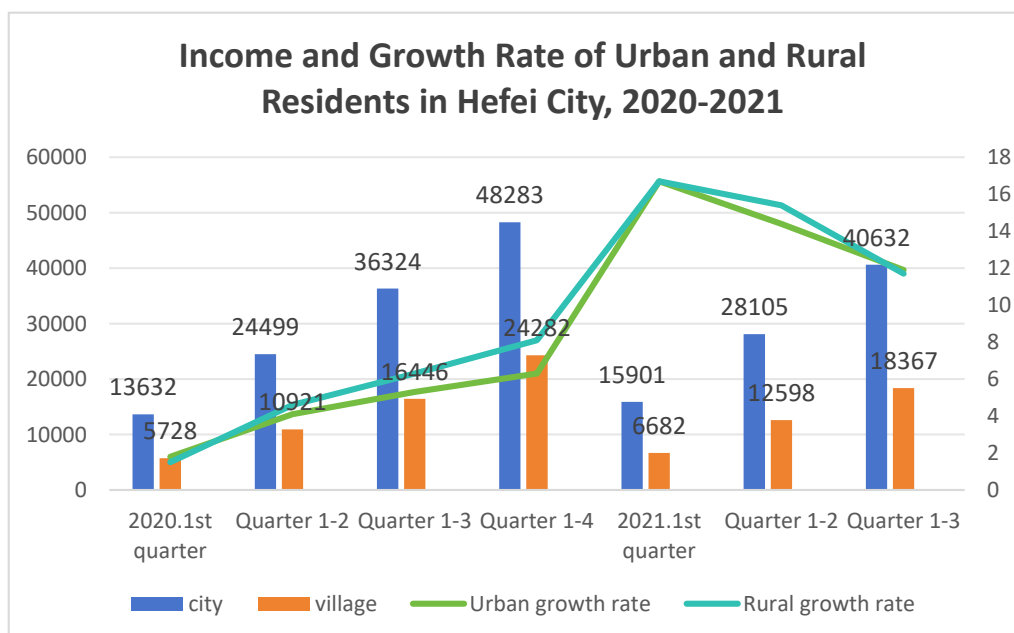


Figure 2 Income and Growth Rate of Urban and Rural Residents in Hefei City, 2020-2021

As can be seen from Figure 2, the income of urban and rural residents expanded significantly in the first quarter of 2020-2021, with the urban-rural income gap widening from 7904 to 9319 in 2021, an average annual increase of 800 in just two years. The analysis of the previous data shows



that the urban-rural income gap is obviously expanding compared to the previous income gap, which is basically a wave-like growth trend. It is basically a wave-like growth trend. Combined with China's economic development policies in recent years, it is found that Hefei's income gap changes are basically consistent with the country's economic development history. It can be considered from four aspects: the overall wage income of urban and rural residents in Hefei has increased greatly, and the ratio of wage income basically shows a downward trend year by year, mainly because of the prominent employment problems in recent years, the unemployment rate has increased, and most companies have begun to lay off employees, and it has increased by about 5,000 yuan from 10,402 yuan in 2020 to 15,264 yuan in 2021, and compared with 2020, the rural residents' Wage income increased from 5,728 yuan last year and 6,682 yuan in 2021 to 5.1 times in 2021, an average annual increase of 39.2 per cent. In terms of income share, urban residents' wages fell by 10 percentage points in two years. The share of rural residents' wage income in total household income increases from 47 per cent in 2020 to 52 per cent in 2021. The wage-income ratio has basically remained stable, falling from 3.23 in 2020 to 2.80 in 2021. the wage-income gap between urban and rural residents has been increasing year by year, with the total wage income of urban residents being 2.7 times higher than that of rural residents in the period from 2020 to 2021.

The data in Figure 2 show that the growth rates of property income and transfer income are very different in urban and rural areas. The growth rate in urban areas is lower than that in rural areas because of the impact of the policy. But the difference between them is growing year by year. Between 2020 and 2021, urban residents' property and transfer incomes increased by about RMB 3,000 or 75 per cent, or 35 per cent annually, while farmers' property and transfer incomes increased from RMB 2,144 in 2020 to RMB 6,828 in 2021, an increase of 215 per cent, or 107.5 per cent annually. This figure also shows a slight increase in its share at the national level, from 22.95 per cent in 2020 to 26.27 per cent in 2021 for urban residents and from 7 per cent in 2020 to 19 per cent in 2021 for those in rural areas. There is a slight decline in both the property income ratio and the conversion rate, as can be noticed by the data of disposable income of urban residents in each quarter, there is a significant decline in the property income ratio, which leads to no very significant increase in income in 2021.

The growth rate of business income of urban residents is higher than that of rural residents, but there is a significant decline in their business income ratio, and the figures between the two do not change very much: the business income of urban residents increases from RMB 1,661 in 2020 to RMB 3,488 in 2021, which is a full 57-fold increase; at the same time, the business income of rural residents also gets a certain amount of growth one after the other, and the share of urban residents' household income in the total income is proportion is higher, rising from 4.95 per cent in 2020 to 13.71 per cent in 2021, which is a big driving factor. The share of farmers' household income in total income decreases slightly, from 46 per cent in 2020 to 39 per cent in 2021. The ratio of operating income has declined sharply and perhaps will continue to show a downward trend.

The difference between wages and operating income increases every year. The difference between the two grew from \$4,801 in 2020 to \$11,776 in 2021, a full tripling of about three times. At the same time, the share of wage income and property transfer income is also increasing every year, from 30 per cent in 2020 to 43.77 per cent. This makes urban residents pay more and more attention to work and business income.

### 3.3 Specific performance

The income situation in 2020 has been slowly increasing in four quarters, in the first quarter, the urban-rural income gap became bigger, but from the change of data between 2020 and 2021, the income gap has shown signs of gradually narrowing under the current development conditions now.

First, from the point of view of income structure Hefei City, urban residents of large changes, wage income accounted for a lower proportion, while the proportion of operating income in the rise; rural residents income structure changes just the opposite of urban residents, wage income accounted for the proportion of the rise, but the proportion of operating income in the decline; but wages and operating income and accounted for the total income are basically unchanged, the basic urban residents accounted for about 75 per cent, rural residents accounted for the annual average of the basic Urban residents basically account for about 75 per cent of total income on an annual average, while rural residents basically account for about 89 per cent on an annual average. Secondly, from the point of view of the income gap, the difference between the income levels of rural and urban residents is still relatively obvious, with the most significant gap in the middle being wage income. Due to the acceleration of urbanisation in Hefei City, rural residents' wage income has risen sharply, and rural residents' household operating income has gradually transformed into property income, resulting in an increase in rural residents' property income and a decrease in operating income; Third, from the point of view of the percentage of pulling economic growth, with the year-on-year increase in social security standards in rural areas, the transfer of income has just become a powerful way to increase the per capita net income of rural residents in future.

#### **4. Analysis of factors affecting the urban-rural income gap in Hefei**

There are many factors affecting the urban-rural income gap, such as economic policies, the development of society, science and technology, production efficiency, the direction of historical development and changes in production methods. But the development condition of the society can affect the local urbanisation level, local investment and local employment rate and unemployment rate. Therefore, in order to better study the urban-rural income factors in Hefei City, it is necessary to carry out a systematic investigation and research on the urban-rural income differences in Hefei City. In order to provide reference for the suggestions as well as measures that can be better put forward later to improve the urban-rural income disparity.

##### **4.1 Influential factors**

(1) Uneven development of rural economy and difficulties in increasing farmers' income; the agricultural structure here includes both the production of agriculture and the market of agricultural products. Mainly embodied in: ① planting structure tends to be uniform, the quality is not high; ② agricultural industrial system development is not perfect, lack of characteristics; ③ agricultural products market system is not perfect; ④ low degree of industrialisation of agriculture, increase production but not increase income. However, from a worldwide perspective, the pattern of low agricultural productivity and low competitiveness of agricultural products in China has not been fundamentally improved. Therefore, it is still a very difficult task to substantially increase farmers' income from the perspective of raising agricultural income.

(2) The lagging development of non-agricultural industries in the countryside has led to a decline in farmers' incomes; non-agricultural industries refer to non-agricultural production in rural areas, which is carried out by township and village enterprises and farmers. Although some farmers have gradually shifted from relying mainly on agricultural production to focusing on non-agricultural industries, the reality of rural development in recent years has shown that the development of non-agricultural industries in the countryside is not optimistic: ① The growth of the income received by farmers from township and village enterprises and the income from going out to work has slowed down. This is the current stage of China's rural residents to obtain non-agricultural income of the two major ways, but also China's rural residents per capita net income of the two



major sources. ②The reduced absorption capacity of rural enterprises for labour has reduced their contribution to farmers' income increase; with the reduction of employment-absorbing capacity, the development of the rural collective economy has become more and more difficult. At the same time, with the continuous improvement of the market economic system, market competition is becoming increasingly fierce, the market order is becoming more and more standardised, the flexible mechanism of township enterprises has lost its relative advantage, coupled with the national policy of ecological protection efforts continue to strengthen, some of the pollution, ecological damage to the serious, wasteful use of resources of the township enterprises of the survival of the development of the serious constraints. Against this background, many township enterprises have been closed down, resulting in a large number of farmers being laid off, and the wages received by farmers from township enterprises have also been reduced. (iii) The development of individual business is not as good as that of urban self-employment. Family non-agricultural industry is the main way to develop rural non-agricultural industry. In recent years, a series of policies have been introduced in order to promote the development of self-employment, and farmers should seize this opportunity to accelerate their development.

(3) The emergence of a large number of surplus rural labour and the lack of work opportunities for a large number of young adults have led to a decline in farmers' incomes and slow development. The way out for surplus rural labour is obviously in the towns, while the urbanisation process is lagging far behind the transfer of rural labour. ① The degree of urbanisation is low; the low level of urbanisation has led to a large number of surplus rural labour remaining in the countryside: ② The construction of towns and cities lags behind and the overall level is low, restricting the development of the tertiary industry and the transfer of labour. Small towns can absorb a large number of rural surplus labour, which is conducive to adjusting and optimizing the structure of agricultural industry, reducing the population of the primary industry and increasing the population of the secondary and tertiary industries.

(4) The burden on farmers has increased, and the increase in farmers' monetary income cannot be commensurate with their increased economic burden. In recent years, our government has attached great importance to the burden of farmers and introduced many policies and regulations, but the burden of farmers in some areas is still very heavy. In the past, the reform of rural taxes and fees has been initially attempted nationwide and has achieved certain results. Last year, the burden on farmers was indeed reduced, but because of the wide income gap between urban and rural residents, the burden on farmers has not been fundamentally eased. In addition, rural residents earn less than urban residents, but they have to pay much more taxes than urban residents, such as arable land occupation tax and agricultural tax.

(5) Problems in the education system. 'It is the basic policy of the State to develop the country through science and education, but for a long time there has been a great difference between the Government's investment in this area in urban and rural areas. The provisions on compulsory education are clear in the Constitution of China, but because the State does not provide a favourable educational environment for farmers, many of them are unable to enjoy compulsory education or to fulfil their obligations. Among other things, China's compulsory education plan states: 'In cities, all funds required by the government for the construction of new, extended or altered school buildings for primary and secondary schools shall be included in the infrastructure investment plan of the relevant unit according to the nature of the school to which they belong and shall be subsidised accordingly. The construction of school buildings in rural schools shall be self-financed by the townships and villages.' That is, urban primary schools are government-sponsored and funded by the government and local governments, while rural primary schools are founded by the farmers themselves and the farmers themselves. It's not just about building schools, it's also about allocating funds for education. Basic education in rural areas is basically 'private compulsory

education,' meaning that, except for the salaries of teachers in public schools, which are provided by the state and local governments, all other education is paid for by the peasants themselves. The government's inequitable approach to education has led to an imbalance in education between rural areas, which, if not effectively improved, will inevitably lead to a further widening of the income gap between urban and rural areas.

(6) Social security and welfare system factors. The dualistic social structure inevitably leads to a dualistic social security and welfare system. After peasants were excluded from urban work in the class and identity system, the social security and welfare system became directly related to urban residents. With an urban household registration, one is entitled to all kinds of benefits and social security, while those who do not have an urban household registration are left in limbo. There are other dualistic systems in the cities and the countryside, which leads to the fact that Chinese peasants have to pay for themselves. In the cities, all public facilities are built and spent by the state, the government and the people. In this regard, the citizens do not have to pay a single cent out of their income. But in the rural areas, they have to pay out of their own pockets for primary and secondary schools, health care, cultural programmes, road construction, water and electricity, and all the public facilities in the countryside. Private enterprises not only impose a heavy burden on farmers, but also prevent low-income rural residents from enjoying the same social welfare and public services as urban residents. A favourable external environment must be created in order to improve the quality of life of farmers.

## **4.2 The Impact of Transfer Income on Changes in the Urban-Rural Income Gap in Hefei City**

### **4.2.1 Transfer Income**

Transfer income means all kinds of transfer payments from the state, units and social organisations to resident households and income transfers between resident households. It includes the government's transfer of income to individuals in the form of pensions, unemployment benefits, compensation, etc.; and the unit's transfer of income to individuals in the form of severance pay, insurance claims, housing provident funds, and inter-family gifts and support.

### **4.2.2 Impact of the urban-rural transfer income gap on the urban-rural income gap**

The main impacts are: firstly, the differences in transfer income payments caused by the differences in the level of economic development between provinces, municipalities and autonomous regions; secondly, the inequality in the distribution of transfer income between urban and rural areas caused by the income redistribution system that divides urban and rural areas, i.e., urban residents are able to enjoy a larger amount of governmental transfer payments, while the vast majority of peasants basically don't enjoy any governmental transfer payments.

In the above analyses, the main purpose is to conduct a more specific and detailed study of the relationship between the urban-rural income gap in Hefei and the city's economic development status. On the one hand, the rapid economic growth has a positive effect on promoting the reduction of urban-rural income gap in Hefei. On the other hand, other economic reasons in the income gap may also have an impact, so it is necessary to study the transfer income. Hefei urban and rural residents' transfer income has also been gradually rising in recent years. The income gap between urban and rural residents rises from about 8000 in 2020 to about 9000 in 2021, expanding by about 1000 in just one year. At the same time, the share of transfer income in the urban-rural income gap has grown by 5 per cent. This suggests that increasing the level of transfers and strengthening transfer capacity can also reduce the urban-rural income gap. Transfer income helps to better analyse the income gap problem in Hefei City and find better solutions.

## **5. Main conclusions and policy recommendations**

### **5.1 Main conclusions**

This paper mainly uses the factor analysis method to analyse the influencing factors of urban and rural income changes and specific change analysis method to analyse the ratio and growth of the data related to the study of the income gap, based on some of the main influencing factors and more targeted data, the overall analysis of selected influencing factors and the main data for empirical analysis.

From this, we can conclude that in order to increase the income of rural residents, improve their wealth value, and appropriately reduce the income of urban residents, in order to control the urban-rural income gap, we should use the fixed assets of the countryside for other investment and development, increase the consumption capacity of the countryside, and reduce the proportion of the primary industry in the economic policy. In addition, when China's GNP increases, the corresponding consumption capacity of the towns and villages will be improved, the per capita financial expenditure increases, better knowledge and education, rural land is fully utilised, the urbanisation rate is increased, expanding the proportion of industry and service sector can better control the income gap. Then this paper also for transfer income research and analysis, transfer income in income has become an emerging focus of attention. In the analysis report of Hefei City in recent years, the proportion of transfer income of rural labour force in rural areas of Hefei has been increasing, but the proportion of transfer income of rural labour force accounts for a relatively large proportion in rural areas, only five percent. Therefore, the research on the change of income gap of rural residents in China is of great practical significance. This paper argues that, for the size of China's urban and rural residents' income difference, the growth of farmers' transfer income is closely related to its expansion. Therefore, in order to better reduce the urban-rural income gap, we should continue to maintain a stable increase in the transfer income of rural residents, while reducing the transfer expenditure of urban residents.

### **5.2 Policy Recommendations for Reducing the Urban-Rural Income Gap in Hefei City**

By analysing the above general analysis, it can be seen that although Hefei's economy is developing at a fast pace, in general, the urban-rural income gap in Hefei is gradually narrowing. This requires us to stand in a new perspective, starting from the current development situation of Hefei City, to make an in-depth analysis of the main causes of this phenomenon, and based on this, to effectively protect the rights and interests of the disadvantaged groups in the development, that is, the farmers. Therefore, the relevant departments in Hefei should take corresponding regulatory measures to improve the living quality of farmers; at the same time, gradually improve the rural transfer payment policy to achieve the basic growth of transfer income, so as to further reduce the gap between urban and rural residents' transfer income. Therefore, this paper focuses on the following policy recommendations:

#### **5.2.1 Focus on promoting the employment of farmers and raising the level of rural income**

The government should make full use of its financial guidance, implement a more active employment policy, attract more factories and enterprises to the vicinity of Hefei, and provide more job opportunities for those farmers who are willing to work and have certain abilities. In rural areas, the government needs to strengthen vocational skills training and employment training, and constantly improve the employment training system for farmers to enhance their skills and elevate their competitiveness in the job market. At the same time, it should improve the basic quality of the

labor force, cultivate rural residents' management abilities to bring more wealth, and encourage contemporary college students to go to the countryside for entrepreneurship and investment. To achieve this, the local government should provide more policy support as well as economic help. For those who only want to engage in agricultural work, the government should make full use of their expertise and knowledge in agriculture to promote agricultural development, introduce scientific and technological advancements, and transform a large group of farmers into a high-efficiency, high-yield workforce. For those who have not yet given up agriculture completely, targeted training and employment assistance should be strengthened to help them transition to other industries, such as the secondary and tertiary sectors. For farmers who already have stable employment, the government can introduce high-quality vocational education resources from urban areas, provide more employment channels, enrich employment opportunities in rural areas, expand the local employment area, and promote local employment programs. Additionally, the government should stabilize the prices of agricultural products, reduce the additional costs of agricultural production, and ensure that counterfeit and substandard agricultural products do not circulate in the market. This will prevent significant damage to farmers' economic interests and create favorable conditions for increasing their income.

### **5.2.2 Increase the wealth and income of the population and improve the quality of life in the countryside**

The government should increase its efforts to support the rural economy and formulate corresponding development plans. Through the development of poor areas and the construction of infrastructure, the government aims to make the development of rural areas more convenient and to increase the disposable income of residents. The government has also stepped up its exploration of strategic land and labour inputs for poor rural households, accelerated the construction of rural joint-stock cooperatives, and developed relevant agricultural production cooperatives and land development programmes. Increasing the proportion of rural residents' property-based income. Meanwhile, local authorities are actively creating and promoting reforms in the rural property rights system mechanism. By promoting the reconstruction of farmhouses, regulating land expropriation compensation, raising the level of compensation for expropriated farmers, and increasing income from housing ownership, they are working to transform rural residents' labor power into real wealth.

In addition, policymakers are implementing project-oriented strategic programs. Taking the original major local rural projects as a basic premise, they are promoting the transformation and modernization of the agricultural industry. At the same time, they are actively encouraging the development of an ecological circular economy to improve local production efficiency and agricultural output, leading the local people to gradually increase their focus on agricultural infrastructure. To support these initiatives, relevant departments are improving the corresponding supporting infrastructure. By providing better conditions and facilities for rural development projects, they are helping to advance rural industrialization, focusing on the development of high-level regional industries and special products, and building an industrial development service system supported by science and technology.

### **5.2.3 Increasing the transfer income of rural residents and promoting agricultural development**

To enhance rural development and support agricultural growth, the government must strengthen policy support for rural areas, which is essential for progress. This involves improving corresponding assistance programs and establishing a complete and professional system for creating new projects for rural development. In addition to these efforts, regulatory bodies should

continuously increase the scale of subsidies for agricultural economic development and expand the scope of economic assistance. These measures aim to provide more comprehensive support to farmers, ensuring they have the resources needed for sustainable growth. Furthermore, policy-makers need to continuously strengthen policy support that aids farmers in their development efforts. Actively formulating corresponding management programs to help promote the process of modern agricultural development is also necessary. This includes providing technical guidance and financial incentives to encourage innovation and efficiency in the sector. In the process of continuous improvement and refinement, the ultimate goal is to gradually establish a policy system that helps farmers increase their income by benefiting them directly. This will ensure that rural residents can enjoy the benefits of the policy to the greatest extent possible, ultimately contributing to their economic well-being and the overall development of rural communities. Increasing the integration and development of rural capital, so that rural capital can be fully utilised and value added. To continuously improve the agricultural development system, promote agricultural development technology, and strengthen the learning of basic agricultural knowledge, the government is taking proactive steps. In terms of property distribution, it is necessary to balance efficiency and equity, consolidate and strengthen the income distribution system, and increase economic support for agricultural development. Promoting independent research on new agricultural projects by rural residents, providing certain technical support and supporting facilities. These are also key measures being implemented to drive agricultural progress. Laying the conditions for rural economic development, the income distribution system has been continuously improved and strengthened. Therefore, at this stage when the overall economic strength of the city is increasing, we should firmly implement the policy of 'industry supporting agriculture and cities supporting the countryside'. This will reduce the difficulties faced in developing new development opportunities, enhance development efficiency, promote the rapid development of the rural economy and industry, and increase the wage income of the residents, thereby improving their living standards.

#### **5.2.4 Actively guiding entrepreneurship, relaxing the threshold of entrepreneurship, and increasing business income**

Nowadays, a large part of social entrepreneurship will fail, and the phenomenon of entrepreneurial failure in rural areas is even more common. Therefore, the local government actively encourages local talents to go to the countryside for entrepreneurial development, and gives certain financial help to relax the threshold of entrepreneurship. So that residents can devote more energy to better entrepreneurship, constantly improve their social experience, but also provide more jobs and create more wealth. To improve the development of the agricultural environment, promote the development of agricultural industrialisation, and enhance market competitiveness within the industry, the government is taking active measures. These efforts aim to ensure that some residents, who focus on rural areas with very good prospects for development, can actively participate in the creation of wealth in agriculture. Local governments should actively cooperate with the corresponding policies to improve the productivity of agriculture and increase investment in the development of agricultural infrastructure. The government is focusing on reducing the various materials and documents required at the beginning of a business, cutting the cost of starting a business, and increasing investment in business capital. These are essential measures to foster entrepreneurial development.

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