

# *A Review Study on Government Behavior in Public Service*

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**Abstract:** Local authorities actions in China revolve around 4 main areas: economic, market, social and public services, but an evaluation of China's fiscal revenues and expenditures shows that there is a massive imbalance between central and local fiscal revenues and expenditures. Although most of the national regularly occurring budget revenue is neighborhood general public budget revenue, nearby governments bear significantly extra responsibility than the central government. In the past two decades, the shortfall of central common public budget revenue and expenditure has been smaller than the shortfall of neighborhood general public budget income and expenditure, and local finances are in deficit all 12 months round. Fiscal pressure has led to a lack of incentives for the government to construct public services. Secondly, the "entrepreneurial" dilemma of local governments leads to the willingness of the authorities to focus resources on "fast-impact" construction, whilst the long transmission cycle of public service building has limited effect on monetary growth, making it difficult to solve the pressing financial needs of neighborhood governments. Finally, considering the assessment and promoting of Chinese government officials, local officers lack the incentive to "plant trees before them and let others take gain of them." Only by establishing evaluation and promotion standards for officers that are in line with the current era and improvement direction and reforming China's revenue distribution mechanism can we promote the long-term development of public services.

## **1. Characteristics of Government Operations**

### **1.1. Overview of Governmental Behavior**

The features of local governments in China are broadly summarized into 4 areas: economic regulation, market supervision, social management and public services. Local governments' behaviors are all headquartered on these four aspects.

Economic regulation behavior: (1) Assume the duty of national macroeconomic regulation and control. It formulates applicable local economic insurance policies and ensures the implementation of macro-control policies at higher levels; (2) courses the benign operation of the regional economy,

promotes the social and economic restructuring of the region, and enables the most practical distribution of social resources in the region; (3) regulates the income distribution in the place through local finance, taxation and different economic means to acquire fairness in the local society.

Market regulatory actions: (1) defining and keeping various ownership rights in the market, enhancing property rights protection, improving the efficiency and equity of market transactions, and protecting the legitimate rights and hobbies of the market from infringement; (2) maintaining, controlling and regulating the local market economic order via local government actions, rationalizing the policies of market competition, and eliminating monopolies; (3) actively establishing and retaining a good local market financial environment, and trying to create a safe and dependable legal environment and social integrity environment [1].

Social administration behavior: (1) planning local social organizations and social groups, fostering more than one subjects of local social governance, and merchandising multi-subject collaborative governance; (2) creating a complete neighborhood social regulation (management) and system, and implementing public safety and social management projects in the regional society to assurance local social order and social stability; (3) formulating and implementing social protection systems and measures to provide social welfare, insurance, relief, charity, etc., and put into effect corresponding social policies to maintain social equity; (4) control public affairs other than local political and financial affairs, such as education, science, culture, health, sports, transportation, communication technology development, etc.

Public provider actions: (1) providing public services to neighborhood communities (energy, drainage, transportation, post and telecommunications, communications, environmental protection, disaster prevention, etc.); (2) imparting public services to local communities in the economy, such as funding in government and state-owned enterprises, price subsidies to rural financial activities. scientific research funds, etc.; (3) providing social public offerings to the local community consisting of culture and education, health, science and technology, social security, social security, etc.; (4) providing safety management, security prevention, early warning and emergency disposal of public emergencies, combating and cracking down on all kinds of unlawful crimes, investigating and resolving social conflicts, etc. to the local community.

## 1.2. Local Government Leadership Structure

China has a unified state machine that emphasizes centralized power, with the subject to the twin leadership and supervision of higher-level governments and the people's congresses at their own level. The countrywide governments at all levels are a unified state administrative organ underneath the unified leadership of the State Council [2]. At the same time, after the implementation of the tax sharing device in 1994, different percentages of tax revenue are attributed to the central government, localities, and central-local sharing, and the levy standards, establishment, cancellation, approval authority of neighborhood governments at all levels, and performance evaluation of neighborhood governments all belong to the central government. Under the unified leadership of the state, local governments at all ranges are required to exercise their administrative powers in accordance with the law (except for the legal guidelines of the National People's Congress and the People's Assembly, other than the administrative regulations promulgated with the aid of the State Council and the administrative regulations of higher governments, etc.).

China's governmental management structure is a product of the times, in line with the direction of history, and is of incredible significance in maintaining country wide unity and concentrating efforts on socio-economic and cultural construction; however, with the national renaissance, it additionally reveals the disadvantages of much less autonomy of local governments, resulting in low motivation [3].

## 2. Local Government's "Financial Power - Affairs Power Contradiction"

### 2.1. Central and Local Finances

Local authorities revenue is mainly composed of tax revenue, central authorities transfer, non-tax revenue and debt revenue. Tax revenues include central and nearby shared taxes and local taxes; central fiscal transfers mainly consist of general transfers (fiscal transfers), tax rebates and special transfers; non-tax revenues include: fifty one items in the Catalogue List of Administrative Fees and Charges of National and Central Departments and Units in 2017, 38 items involving nearby finances or local ownership, exceptional revenues (sewage charges, water resources fees), confiscated revenues, state-owned revenues, and local authorities revenues. fees), confiscated revenues, revenues from the reimbursable use of state-owned assets and state funds, different non-tax revenues (such as revenues from donations accepted in the name of the government, activity income generated from government monetary funds, government licensing revenues, lottery public welfare funds, etc.); debt revenues refer to loans obtained via the government from issuing treasury bonds in the domestic and overseas markets. Among all the above local government revenues land concession revenues have been the foremost economic source of nearby governments in the past two decades, which also gave upward jostle to the problems of land finance and urban funding debt [4].

After the implementation of the tax sharing system in 1994, the division of power between the central and neighborhood governments became obvious, and the saying "the central authorities is happy with its finances" emerged [5]. Under the tax sharing system, the central government's revenue consists of tariff, consumption tax, income tax of central enterprises, import VAT, sales tax of railway departments, head workplace of banks and insurance companies, urban development and maintenance tax, automobile buy tax and stamp duty on securities transactions.

Local government revenues encompass resource tax, property tax, urban land use tax, profits tax paid by local state-owned enterprises, collective businesses and private enterprises, vehicle and vessel use license tax, car and vessel use tax, business tax, urban renovation and construction tax (except for the national tax system), agricultural tax, slaughter tax, feast tax (all of which have been discontinued), land value-added tax, etc.

VAT, company and personal income taxes are shared between the kingdom and localities, with the central and local governments each accounting for fifty percentage of VAT, and the local governments accounting for forty percent of company and personal income taxes and the central authorities accounting for sixty percent.

The tax sharing system makes the financial stress of local governments rise, and many localities have to maintain a stability of income and expenditure through central switch payments. The current transfer payments in China mainly include three kinds of tax rebates, general transfer repayments and special transfer payments [6]. Tax rebate is a base rebate by using the central government to local internet income transferred to the central government in accordance to the approved income tax base of every place, which reaches 1,137,542 million yuan in 2020. General transfer payments or fiscal transfers refer to subsidies to areas (especially in central and western China) with fiscal gaps, which are not earmarked and are arranged via localities to address the issue of equalization of fundamental public services, reaching 6,957,023 billion yuan in 2020. Specialized transfer repayments are incentives or subsidies with designated purposes given to education, social security, agriculture, etc., attaining 776.592 billion yuan in 2020.

### 2.2. Local Land Finance and Urban Investment Bonds

Land finance cannot arise barring the tax-sharing reform. Before the tax-sharing reform, China's

finance implemented the fiscal lump-sum system, in which local revenues and charges were delineated and then lump-summed by localities to stabilize their own revenues and expenditures; in areas where revenues exceeded expenditures, the lump-sum was paid and the proportion of revenues retained was once calculated accordingly; in areas where expenditures surpassed revenues, the central government subsidized the distinction and localities lump-summed the use; the excess of revenues, which was initially stipulated to be kept entirely in localities, was once later changed to 50% of excess revenues of a hundred million yuan or more to be paid to the central government; the balance used to be retained at the end of the year; the system A sure year. This means that the local government's fiscal income can be fully used in the management of regional affairs and the building of public service facilities [7]. In order to make up for the financial gap, nearby governments have to seek extra-budgetary revenue and regularly move towards a monetary model based on land acquisition, improvement and concessions.

In addition, land is naturally scarce as an important resource, and there is an upper restrict to the amount of land available. This makes land finance, which relies on land acquisition, improvement and concessions, unsustainable. As a result, the government, as a land "monopoly", has an incentive to push up land prices, which results in high property expenditures and an increased burden on the people [8].

Although local finance is no longer enough to support the building of public services, the central government continues to promote the process of "equalization of simple public services". Facing the double pressure of policy and finance, nearby governments can only find approaches to raise funds from different channels for the construction of basic public services, and city investment bonds were born.

Municipal bonds, additionally known as "quasi-municipal bonds", are issued by nearby investment and financing platforms as the predominant issuers of corporate bonds and medium-term notes, whose main commercial enterprise is mostly local infrastructure development or public welfare projects. From underwriters to investors, those involved in the bond issuance technique see it as a local government bond issue [9]. Market traders generally believe that there is an implicit warranty from the local government in the back of urban investment bonds, which additionally means that with the improvement of the solvency of city investment platforms, the risk of default on city investment bonds is subsequently reduced. Although the cash raised are usually invested in capital-intensive municipal projects with lengthy investment return period and public items nature, the operation mode of corporate bonds is fully adopted from bond introduction to design, approval to issuance, circulation to liquidation, which is actually the shell of the local authorities to realize its purpose of elevating municipal construction funds. From the perspective of the compensation period of local authorities "urban investment bonds", local public bonds should be repaid within 3 years, whilst most other forms of authorities liabilities such as urban investment bonds have a time period of 5-10 years. This means that urban funding bonds are medium- and long-term bonds to invest in long-cycle urban infrastructure construction, which brings extra serious maturity mismatch risks. At the same time, the 5-10 year maturity of bonds capability that the repayment period of each local bonds and urban funding bonds will span two terms of local governments, which makes it tough to avoid over-financing and over-indebtedness of "eating the food in advance". Not solely does it seriously affect the sustainable improvement of the region, it also leaves uncontrollable risks for banks to get better government loans as scheduled, making the quality of financial institution loans more challenging and for that reason prone to a new round of non-performing mortgage crisis.

From the point of view of the use of urban funding debt funds, in addition to investment in the construction of public provider facilities, for performance considerations, this part of the dollars may be used by neighborhood governments for performance projects, resulting in the repeated enlargement of the scale of urban investment debt. Although the applicable departments point out

that the issuance of local authorities bonds must be used for supporting central investment, if the energy of local bond issuance is not restrained and if there is no corresponding follow-up supervision measures, I am afraid it is hard to prevent these funds from being inflated, misappropriated, or even used for "performance projects".

### **2.3. Transfer of Economic Power up and Transfer of Authority down**

Upward shift of economic power and financial difficulties of county and rural governments. Under the tax sharing system, the central authorities can enjoy and dispose of relatively adequate and high-quality taxes, resulting in the attention of financial resources to the central government; neighborhood financial revenue is centred to the higher level of government, at the equal time, China's tax rebates and transfer payments are also dominated by the provinces. The "small horse-drawn car" type of decentralization has resulted in an imbalance of neighborhood finance and responsibilities. Take the community as an example, before 2019 the neighborhood was similar to a self-organized and self-managed social group, and its presence in the day by day life of residents was no longer strong. However, since the outbreak of the new crown epidemic, communities have taken on many matters such as the lives of regional residents, the motion of people, and epidemic prevention and isolation, which have exceeded the limits of what communities and street places of work can afford. The continued downward shift of affairs during the epidemic has positioned a heavy burden on the grassroots administration.

It is an important principle in the institution of the financial management gadget that the first level of government exists due to the fact it has to undertake certain governmental functions and then has the direct want to obtain the necessary economic resources through monetary allocations, and when the financial resources of the first degree of government cannot meet the wishes of this level of government to function its functions, it needs to be solved by exterior funds through switch payments. From this perspective, the essence of the financial management device is the check and balance of economic relations between governments, and the unification of responsibilities and rights of governments at all degrees is ensured by correctly defining the economic and administrative powers of governments at all levels. At present, the biggest problem in China's sub-provincial economic management system is the asymmetry between the monetary and service rights of governments at all levels, and there are defects in the allocation of service rights, the division of economic rights and the transfer payment system [10].

In phrases of general public budget income and expenditure, the central and local fiscal revenue degrees are roughly equal, but local fiscal expenditure money owed for more than 80% of the general public budget, whilst the proportion of the central government is much less than 20%. From January to December 2020, the national general public finances revenue was 182,894.92 billion yuan. Among them, the central regular public budget revenue was once 827.108 billion yuan, and the local general public price range revenue was 183.43914 billion yuan. 2020 January-December, the country wide general public budget expenditure used to be 245.588 billion yuan. Among them, the central general budget expenditure of 1184.087 billion yuan, the neighborhood general budget expenditure of 210.492.46 billion yuan [11].

### **3. Government Motives in Public Services**

Public services, as a government-led grant of social public resources, require strong financial support. Analysis of neighborhood government revenues and expenditures exhibits that the central government has surpluses while neighborhood governments often have shortfalls in revenues, and local governments' monetary shortfalls largely affect the building of public services. The "entrepreneurial" dilemma of local governments additionally encourages governments to focus their

resources on financial regulation and regional development, as economic increase is not only associated to officials' performance and promotion, but additionally can solve the problem of economic constraints of local governments. Secondly, officials do now not serve in the same region for too long, so officers will also focus on tasks that can get greater results in the brief term, the impact of public services on the universal development of the region requires a longer duration of time, government officials lack the incentive to do the work of "planting timber in the past, the next generation to take benefit of". China has always had a "performance appraisal" system, and the central and local governments are no exception [12]. The central government's appraisal of nearby officials is mainly about the neighborhood economic development (mainly GDP and fiscal revenue) in the course of their reign. This assessment criterion will prompt nearby officials to focus on promotion economic development all through their tenure, so as to attract the attention of the central authorities with bright achievements and thus gain political promotion. In the minds of some local officials, economic improvement serves their political advancement, and this notion is reinforced by way of the implicit formation of a competitive relationship among peer governments.

The motivation of governmental conduct in public services can be roughly divided into two categories: active pursuit of political overall performance and passive acceptance of planning; in terms of passive acceptance of planning, in the process of best and efficiency improvement and grant reform of basic public services, the governmental policy of buying basic public services has proliferated from pinnacle to bottom, and the promotion of service buy has the characteristics of strong goal accountability and has become an act linked to assessment goals. In order to attain positive incentives or achieve bureaucratic desires such as promotions, the next level of authorities will inevitably try to accomplish the target duties assigned by the higher stage as much as possible, and government departments are susceptible to hold passive acceptance of planning rather than proactive governmental motives. The strain to strive for political performance has turn out to be one of the motives of government motion logic and dominates the process of authorities action.

At present, the construction of public services is by and large in the form of government purchase, which has the following defects: First, the idea of government purchase is backward and insufficiently motivated, and the function of guidance is weak. On the purpose of authorities purchase of public services for social organizations, some human beings think that promoting social groups to provide public services is the implementation of greater policies, or to create an enlightened government image, and the enthusiasm in the promotion is noticeably reduced; some understand the purchase of offerings simply as the transfer of authorities functions, and pay too much attention to the discount of government burden, "dumping the burden" and ignore The public demand and the capacity of social organizations to undertake. Some local government departments are not clear about the problems in operation, wondering that the purchase of social organization offerings will damage departmental interests and make subordinate departments lose some work opportunities, so they are now not willing to take the initiative to transfer; some government departments are skeptical about the public provider capacity of social organizations and are now not confident to let go of social organizations to do it; others suppose that social organizations are easy to convey risks and cause instability [13].

Second, the economic taxation policy is not ample to guarantee. Although the funds purchased through our government are gradually included into the financial budget in accordance with the necessities of budget management, and the required funds are organized from the departmental budget funds or the accredited special funds and different established budgets, the functional departments can certainly only allocate funds for buy from the existing stock of funds, and do now not increase the total amount, and there is a battle of interest between the department's own wishes and the purchase funds, resulting in irregular sources of money for the purchase of services; purchase initiatives The cycle of purchase projects is generally one year, which lacks long-term



mechanism and is not conducive to the improvement of public provider quality. In addition, the introduction of the purchase service coverage is not accompanied by corresponding tax incentives or exemptions, social agencies to undertake the government's purchase of services to gain income, but still have to pay the applicable taxes and fees, social organizations have a heavy burden, which is not conducive to its true public services [14].

Third, the government lacks experience in working with social organizations, and the techniques are less standardized and more arbitrary. In authentic operation, many local government departments lack scientific proof and planning for the kind and scale of public services purchased, and the randomness is greater; the criteria for buying services are unclear, more regular and lacking in norms, and the pricing of purchased offerings is also more arbitrary; stereotypical administration of procedures, such as the allocation of purchase funds, too many approval procedures lead to social businesses advancing funds to provide public services; robust government inertia of thinking, using administrative The inertia of robust government thinking, the use of administrative means to intrude with social organizations, social organizations as subordinate departments, so that they lose their due flexibility; unclear division of powers and responsibilities, the authorities will improperly transfer the risks of task operation to social organizations. Fourth, the supervision mechanism. The system is not perfect. In the exercise of government purchase round the world, there is a situation of "emphasis on purchase, light supervision". For some troubles found in the process of public provider purchase, government departments mostly matter on traditional administrative work methods, without clear supervision obligations and processes, for some technical problems in the service, there is no special personnel to pay interest to, but only a frequent verbal urging, lack of systematic supervision, correction, guidance system. The government has now not yet adapted to the contractualized oblique management style, and there is an urgent want to establish a whole mature supervision system.

#### 4. Conclusion

According to present studies, the economic impact of public offerings is achieved through populace mobility. High quality public services make contributions to population agglomeration, including human capital; populace in turn has an impact on regional monetary growth. The period from the construction of public offerings to economic growth is too long, mainly longer than the officials' tenure in the region, and has little impact on the performance appraisal of authorities officials, even when other officials are vigorously growing the economy. Therefore, most officials choose to make investments government resources in monetary fields with faster "results", such as building industrial parks and industrial clusters, attempting to develop economic and fundamental public service facilities first earlier than developing non-basic public services in accordance to policy changes. The government is reluctant to take Shanxi as an example. Shanxi is well-known for its coal resources, and in addition to coal being an important strategic energy supply that the state encourages to develop, the government's performance is additionally the reason why the Shanxi government is vigorously mining. If the mining technique to do a good job in the prevention of pollution, planned and managed development of local coal resources, to entice high-quality talent to innovate the improvement of the whole coal industry chain, Shanxi will now not step by step towards the abyss of aid depletion.

The reason for this is that the local authorities put a lot of energy and resources into the fast-acting and unfavourable mineral mining, and got huge features in the reform and opening up and national infrastructure construction tide let the neighborhood government ignore the significance of opening up a long-term development path in Shanxi, or officers have no incentive to choose the "slow" long-term development path. Officials who do now not achieve results for the

duration of their term of office may additionally receive demotions, removals, and other sanctions, which can substantially affect the fate of a character (especially an official) and the family. I don't deny the existence of selfless people, but relying on belief alone without practical criteria for appraisal of officials can't solve the problem of authorities motives of "losing the greater exact for the lesser good".

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