

# **Innovation in Grassroots Fiscal Governance Driven by "Institutional + Technological" Dual Engines: The Case of "Six Expense Categories" Oversight Reform in Yuanzhou District, Yichun City, Jiangxi Province**

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**Abstract:** Deepening fiscal system reforms below the provincial level and enhancing grassroots fiscal governance efficiency form a crucial foundation for modernizing national governance. This paper takes the "Six Expenses" supervision reform in Yuanzhou District, Yichun City, Jiangxi Province as a typical case study, constructing a three-dimensional analytical framework of "Institutions-Mechanisms-Technology" to systematically examine its innovative practices in institutional standardization, mechanism operation, and technological empowerment. Findings reveal: First, institutional standardization forms the foundation for refined governance. Second, mechanism coordination ensures institutional implementation, driving capacity enhancement. Third, technological intelligence acts as an important support for realizing the closed-loop management of the whole fiscal supervision process. The mutual reinforcement of institutions, mechanisms, and technology propels grassroots fiscal governance from "passive compliance" to "proactive efficiency enhancement." This study not only validates the applicability of the "institutional + technological" dual-drive model in grassroots finance but also provides replicable insights for deepening fiscal system reforms and enhancing governance effectiveness nationwide.

**Keywords:** Fiscal System Reform; Grassroots Fiscal Governance; Institutional Innovation; Yuanzhou District

## **1. Introduction**

Finance serves as the foundation and vital pillar of national governance [1]. As the "nerve endings" of the fiscal system, grassroots finance

directly impacts the implementation of public policies, the quality of public service delivery, and the trust relationship between government and citizens. Currently, guided by the modern fiscal system reform objectives of "clear delineation of powers and responsibilities, coordinated fiscal capacity, and regional balance" [2], addressing the long-standing governance challenges at the grassroots level-namely, "overemphasizing distribution while neglecting management," "prioritizing input over performance," and "rigidity upon collection and chaos upon decentralization"-has become a critical issue for deepening reforms.

In recent years, a series of reform initiatives centered on "zero-based budgeting," "comprehensive performance management," and "digital oversight" have emerged from central to local levels, aiming to drive a profound shift in fiscal management from "input-oriented" to "outcome-oriented." For instance, Anhui Province established a "1+3" zero-based budgeting reform system focused on "setting standards, controlling costs, and strengthening performance"; Hubei Province has dismantled rigid expenditure patterns by fully abolishing budgetary bases and enhancing resource integration [3]. While these reforms have yielded results at higher levels, how their principles and measures take root at the township level-transforming into operational, sustainable, and effective daily governance practices-remains an area warranting deeper observation.

Existing academic research primarily unfolds across three dimensions: First, at the level of fiscal systems and the delineation of responsibilities, scholars widely focus on structural contradictions in intergovernmental fiscal relations. Classic studies such as those by Jia Kang and Bai Jingming [4] and Jia Kang and Yan Kun [5] early on pointed out that the fiscal

predicament at the county and township levels stems from the mismatch between responsibilities and fiscal authority, proposing reforms to reduce government tiers and clarify responsibilities at each level. This approach has been continued and developed in subsequent studies. For instance, Wang Dejuan<sup>[6]</sup> and Hou Kefeng<sup>[7]</sup> systematically analyzed the institutional roots of unclear delineation between responsibilities and expenditure obligations below the provincial level, as well as the mismatch between fiscal resources and responsibilities, using Inner Mongolia and counties/townships nationwide as case studies. They proposed transitioning to a four-tier government structure and implementing categorized reforms. Yang Zhigang and Zhang Bin<sup>[8]</sup> also emphasized simplifying government fiscal tiers while cautioning against a "one-size-fits-all" approach and stressing regional differences. Cui Yunzheng<sup>[9]</sup> argued from fiscal decentralization theory that standardized decentralization plays a foundational role in improving local fiscal systems. Second, at the budget performance and fiscal management level, as the focus of national governance shifted toward enhancing efficiency, research shifted from "distributing funds" to "spending with accountability." Ma Caichen and Ma Liuding<sup>[10]</sup> explored the dual impact of the "provincial direct control of counties" system on grassroots budget performance management, acknowledging its potential to enhance management efficiency while highlighting challenges in performance evaluation and application. Luo Xuejing<sup>[11]</sup> and Miao Zeyu<sup>[12]</sup>'s case studies further reveal common practical challenges at the grassroots level in implementing comprehensive budget performance management, including unscientific indicator systems, weak performance awareness, and ineffective application of results. Wang Xiuhua<sup>[13]</sup> was among the first to highlight the urgency of establishing budget performance management mechanisms for grassroots project funds. Third, at the level of grassroots governance behavior and incentive mechanisms, some studies have begun to address the human factors and organizational behavior logic within reforms. From a central-local governance perspective, Lü Wei et al.<sup>[14]</sup> revealed how interactions between top-down design and local behavior influence reform outcomes, offering a dynamic lens for understanding policy

implementation. Liu Bin and Xu Yuzhen<sup>[15]</sup> astutely identified the pervasive "accountability paradox" and evasive formalism at the grassroots level, tracing their roots to distorted incentives stemming from imbalanced authority and responsibility. Lei Dongye's<sup>[16]</sup> case study similarly echoes the implementation challenges in grassroots fiscal management reforms. These studies shift the focus to organizations and individuals, revealing the tension between institutional texts and implementation practices, offering crucial insights for this study's emphasis on the "mechanism" dimension.

However, existing research exhibits the following shortcomings: First, fragmented research perspectives. Studies at the institutional, performance, and behavioral levels remain relatively disjointed, lacking a systematic analytical framework that integrates these dimensions to examine grassroots fiscal governance innovation holistically. Second, superficial exploration of mechanisms. Most studies lack in-depth descriptions of "how reforms operate concretely," particularly falling short in process-oriented analyses of how "institutions" are implemented through specific "mechanisms" and how "technologies" embed and solidify these mechanisms. Third, shallow exploration of technology-enabled governance. While the digital trend is widely acknowledged, existing literature lacks in-depth case-based deconstruction of how technology functions not merely as a tool, but as a key variable reshaping governance rules, regulating discretionary power, and enabling closed-loop management.

Therefore, this paper selects the practice of Yuanzhou District, Yichun City, Jiangxi Province, which systematically advanced grassroots fiscal governance reform by focusing on the oversight of "six types of expenditures" as its breakthrough point. This case is selected because it addresses key weaknesses in township expenditure supervision and explores an integrated governance system of "institutions-mechanisms-technology"<sup>[17]</sup>. It offers useful insights for both practice and theory in grassroots fiscal reform. This paper aims to address the following core questions: Within the existing fiscal framework, how can the endogenous momentum of grassroots fiscal governance be stimulated through the systematic integration of institutional design, mechanism optimization, and technological application?

What insights does this experience offer for grassroots fiscal reforms nationwide?

## 2. Theoretical Framework

### 2.1 Core Essence of Grassroots Fiscal Governance Innovation

Grassroots fiscal governance refers to the systematic process by which township (subdistrict) governments mobilize, allocate, utilize, and oversee public resources through fiscal tools such as budgets, revenues and expenditures, and debt management to fulfill their socioeconomic functions. Its fundamental objective is to achieve a transition from "poor governance" to "good governance" [18]. Drawing on internationally recognized principles of good governance and the intrinsic requirements of China's fiscal system reform, effective grassroots fiscal governance should encompass at least the following core elements: First is statutory authorization and alignment of authority with responsibility. Fiscal activities must have legal basis, and the fiscal powers of each level of government and each department must correspond to their public service responsibilities. This is the cornerstone for resolving the dilemma of "power without responsibility" or "responsibility without power" and ensuring the effective operation of the fiscal system. Second is fiduciary responsibility and transparency. As trustees of public resources, governments must be accountable to the public for how funds are raised and utilized. Transparent budgeting processes, clear expenditure standards, and traceable fund flows are prerequisites for fulfilling this fiduciary duty. Third is performance orientation and cost-effectiveness. Fiscal management should shift focus from "how much was spent" to "what was accomplished" and "what outcomes were achieved." Through cost accounting, performance target management, and outcome evaluation, limited fiscal resources should be allocated to the most urgent and effective areas. Finally, technological empowerment and standardized efficiency. Leveraging modern information technology breaks down data barriers and silos in fiscal management, enabling end-to-end, penetrative digital oversight. Institutional rules are embedded as system protocols, using technological rigidity to ensure compliance and elevate management efficiency and standardization.

### 2.2 Functional Dimensions

Based on the above principles, this paper constructs a three-dimensional analytical framework of "Institutions-Mechanisms-Technology" to deconstruct Yuanzhou District's reform practices. The Institutional Dimension encompasses laws, regulations, policy documents, and management measures that constitute the fundamental rules of fiscal management—such as expenditure standards, approval authorities, and clearly defined oversight responsibilities. It provides a stable, predictable normative framework for all fiscal activities. The Mechanism Dimension refers to the dynamic organizational methods and processes that ensure institutional implementation—such as specific operational mechanisms for supervision, guidance, assessment, and incentives. It determines whether institutions remain "paper tigers" or take root in practice. The technical dimension encompasses the information platforms and tools supporting institutional and mechanism operations, such as integrated budget management systems, data sharing platforms, and intelligent early warning modules. It serves as both an "accelerator" and "reinforcer" for enhancing governance precision, speed, and efficiency. These three dimensions are interrelated and together provide a coherent analytical lens for understanding grassroots fiscal governance innovation.

## 3. Case Analysis

### 3.1 Case Selection and Data Collection

#### (1) Case typicality

This paper selects Yuanzhou District's "Six Expenses" supervision reform as a representative case due to its dual typicality: First, typicality of the problem—as a high-frequency expenditure area at the township level, the "Six Expenses" have long suffered from issues like ambiguous standards and weak oversight, representing a common shortcoming in grassroots fiscal governance. Second, it exemplifies practical innovation. Yuanzhou District has established a systematic, replicable, and effective governance model through a dual-drive approach of "institutional frameworks + technological solutions," providing a reference for similar regions.

## (2) Data collection

Data reliability and logical coherence were enhanced through multi-source materials-including policy documents and reform reports-using case analysis and triangulation verification.

### 3.2 In-Depth Case Study: Yuanzhou District's Multi-Dimensional Practice in Overseeing the "Six Expenses" Reform

Yuanzhou District's reform originated from a profound reflection on the widespread pain point of "excessive arbitrariness" in township fiscal expenditures. Reformers astutely targeted "six categories of expenses"-office expenses, meeting fees, training costs, travel allowances, official overseas travel expenses, land acquisition and demolition costs-as entry points and breakthroughs. These expenditures represent high-frequency expenditures in grassroots operations while simultaneously constituting regulatory gray areas due to ambiguous standards and significant discretionary leeway [17].

Institutional standardization forms the foundation for establishing refined governance. To address systemic loopholes, Yuanzhou District successively introduced the Implementation Plan for Deepening the Reform of the County-Level Management System for Township Finances (Trial) and a dedicated management system for the "six types of expenses." The core principle of these documents is "refinement." First, they clarify roles and responsibilities, clearly defining the boundaries between the District Finance Bureau as the "supervisor" and townships as the "executors," thereby preventing overlapping oversight or regulatory vacuums. Second, it refines expenditure standards and procedures, transforming broad regulatory requirements into specific clauses. Take Nanmiao Town as an example: its office expense management employs a "tiered and categorized" approach. Purchases under 300 yuan are permitted for autonomous procurement to enhance efficiency; those above 300 yuan require approval procedures; and expenditures exceeding 3,000 yuan mandate the preparation of detailed procurement plans in advance, with strict prohibition against splitting large amounts into smaller reimbursements. For land acquisition and demolition expenses, strict adherence to dedicated account management and earmarked

funds is enforced; village collective funds must be used *only after* democratic resolution by the villagers' representative assembly [13]. This "one expense, one detailed rule" model provides a clear basis for oversight and a standardized framework for implementation.

Mechanism synergy ensures policy implementation and capacity enhancement. In institutional development, Yuanzhou District innovatively implemented a "zonal supervision" mechanism, dividing all townships (subdistricts) and industrial parks into zones with dedicated supervision teams and full-time supervisors [17]. This mechanism integrates online and offline oversight while balancing supervision with service. Supervisors not only monitor expenditure data in real time through the integrated budget system but also conduct regular on-site inspections. Crucially, the mechanism focuses not just on "finding problems" but on "teaching methods." Through centralized training, one-on-one coaching, and real-time online Q&A, it provides targeted guidance to grassroots financial personnel, effectively driving their transformation from "passive bookkeeping" to "proactive management."

Technological intelligence enables end-to-end closed-loop management, becoming a crucial driving force for the institutionalization and standardization of this reform. Yuanzhou District has fully integrated and deeply leveraged the Budget Management Integration System, enabling end-to-end online operations and closed-loop management from budget formulation to accounting. This facilitates real-time sharing of fiscal data between district and township levels. The system embeds expenditure standard rules based on institutional regulations. Any spending exceeding standards, scope, or suspected split reimbursement triggers automatic alerts and freezes subsequent approval processes, fundamentally shifting from post-event correction to preemptive prevention and in-process control. Furthermore, facial recognition technology has been introduced to strengthen identity verification at critical junctures, eliminating security vulnerabilities inherent in traditional password-based methods and ensuring operational accountability is traceable to individuals [17]. Through the tight integration of "systems," "mechanisms," and "technology," Yuanzhou District has constructed a multi-dimensional, comprehensive oversight

system for grassroots fiscal expenditures.

#### 4. Reform Outcomes and Deep Mechanism Analysis

Yuanzhou District's reform practices have yielded remarkable quantitative outcomes in the short term and catalyzed positive governance synergies. In terms of direct results, the reforms have delivered significant cost-saving effects and tangible benefits for public welfare. Taking Nanmiao Town as an example, post-reform expenditures on the "six categories of expenses" have seen a significant reduction, with particularly sharp declines in land acquisition/demolition costs and administrative overhead. District-wide, spending on these six categories has been substantially curtailed, while compliance rates in township operations have markedly improved and violation rates have drastically decreased. More profoundly, the saved fiscal funds have not remained idle but have been precisely redirected toward public welfare. Nanmiao Town allocated these savings to critical public welfare projects, including the "last mile" of water conservancy infrastructure, harmonious rural village development, and the construction of model public cemetery sites. This exemplifies the optimal allocation of fiscal resources—eliminating ineffective expenditures while directing funds toward productive areas—greatly enhancing residents' sense of fulfillment and support for the reforms. This approach shares the same logic as regions that centrally pool state-owned asset revenues for public welfare development.

From a deeper institutional perspective, Yuanzhou District's reform success hinges on the profound integration and mutual reinforcement of "institutional rationality" and "technological rationality." Technology serves as the "enhanced executor" of institutions. Even the most meticulously designed systems inevitably suffer from flexibility, delays, and oversights when reliant on manual review and oversight. The integrated budget system and intelligent early-warning functions transform textual provisions like "shall not exceed standards" and "must undergo approval" into rigid and standardized procedures with strong enforceability and automatically triggered control points within the system. Technology, with its objectivity, real-time capability, and inflexibility, ensures the authority and enforceability of the system. The system serves

as the "source of rule supply" for technology. The effectiveness of technology rests on clear, explicit rules. Institutional achievements like the "one fee, one detailed rule" framework establish precise warning thresholds and control logic for the system. Without refined expenditure standards, intelligent early warning would be impossible. Systems provide concrete scenarios and rule bases for technology application. Their integration jointly drives governance paradigm transformation, enabling three shifts in grassroots financial governance: First, transitioning from "human control" to "procedural control," reducing discretionary power and fraud risks; second, shifting from "post-event correction" to "pre-event and in-process prevention," enhancing management foresight and proactivity; Third, a shift from a focus on "compliance oversight" to balanced emphasis on both "compliance" and "performance oversight," laying the groundwork for advancing toward full-cost budget performance management. This practice aligns closely with the spirit of provincial zero-based budgeting reforms—which emphasize "breaking away from historical benchmarks, establishing clear standards, and strengthening performance"—representing a successful implementation of macro-level reform principles at the grassroots level through concrete, contextualized, and technology-enabled approaches.

#### 5. Insights and Outlook: Universal Implications for Deepening Grassroots Fiscal Governance Innovation

Yuanzhou District's "Nanmiao Experience" has begun replication across the district, its value extending beyond a single region to offer valuable insights for deepening grassroots fiscal governance nationwide. First, governance innovation must adhere to a systems integration mindset. Grassroots fiscal issues are deeply intertwined, and isolated breakthroughs often yield limited results. Yuanzhou's practice demonstrates that institutional reconstruction, mechanism innovation, and technological application must be planned as an integrated system and advanced simultaneously to achieve synergistic effects. Second, technological empowerment is the key pathway to solving oversight challenges. In the digital age, relying on labor-intensive approaches for fiscal supervision is no longer sustainable. Leveraging

platforms like integrated budgeting to achieve data interoperability and intelligent monitoring is an important and feasible route to enhancing grassroots fiscal oversight capabilities and achieving "vertically comprehensive" penetrative management. Finally, reform must ultimately be grounded in tangible benefits for people's livelihoods. The legitimacy of fiscal reform stems not only from procedural compliance but more fundamentally from tangible benefits for the people. Converting savings from administrative expenditures into visible, tangible livelihood projects represents the political wisdom needed to secure public support and ensure reform sustainability.

Looking ahead, Yuanzhou District's reforms can be deepened and expanded in the following directions. First, shift from expenditure oversight to comprehensive performance management. Current reforms focus on expenditure compliance. Future efforts could introduce cost-benefit analysis frameworks for township project expenditures and more closely link performance outcomes to budget allocations, driving grassroots governments to truly embrace the principle of "spending with accountability." Second, expand the application of "systems + technology." Explore integrating additional fiscal management modules—such as asset management, government procurement, and public debt—into the unified intelligent oversight platform. For instance, drawing from other regions' centralized management of state-owned asset revenues, leverage technology to enhance the utilization and redistribution of idle township assets. Finally, strengthen incentive-compatible mechanism design. Develop a scientific and equitable assessment system incorporating expenditure compliance, fund utilization performance, and improvements in people's livelihoods. Substantive rewards should be granted to townships demonstrating sound fiscal management, creating a positive incentive for "good governance."

## 6. Conclusion

Yuanzhou District in Yichun City, Jiangxi Province, has undertaken a significant reform of grassroots fiscal governance by focusing on the oversight of "six types of expenditures." This initiative serves as a vivid example of China's current efforts to deepen fiscal system reform and advance the modernization of national governance at the grassroots level. It

demonstrates that within the existing fiscal management framework, constructing a three-dimensional oversight system—characterized by institutionalized norms, mechanized operations, and technology-enabled empowerment—can effectively address the longstanding issues of arbitrary township expenditures and inadequate supervision. The core success formula lies in using refined systems as the foundation and modern information technology as the lever to drive comprehensive innovation in grassroots fiscal management—from philosophy to methodology—transforming fiscal funds from "passive containment" to "proactive optimization." This case profoundly illustrates that the underlying logic of fiscal system reform—aligning authority with responsibility—is not only reflected in the macro-level division between central and local governments but must also permeate the micro-management of every fiscal expenditure at the grassroots level<sup>[19]</sup>. Yuanzhou District's practice has precisely defined and strictly enforced spending responsibilities at the grassroots level through dual constraints of technology and institutional frameworks, ensuring fiscal authority is inextricably linked to public service obligations. It offers a clear, pragmatic, and effective reform path for numerous grassroots finance departments facing similar challenges: resolutely embracing digital transformation, deeply embedding technology within the fabric of fiscal management, thereby driving rigorous institutional enforcement and sustained improvements in governance effectiveness, ultimately strengthening the foundation of national governance.

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