

# On the Relationship Between the Adjustment of China's Industrial Structure and the Sustainable Growth of Local Fiscal Revenue – In Case of Inner Mongolia

Ke Zhang<sup>1,2</sup>

1. Kangbashi District Finance Bureau, Ordos 017010, China.

2. Institute of Finance and Economics, Ulaanbaatar 13381, Mongolia.

---

**Abstract:** This paper analyses the connotation of sustainable growth of local fiscal revenue and focuses on the relationship between industrial structure adjustment and local fiscal revenue growth. Taking Inner Mongolia as an example, it explores the existing problems in fiscal revenue in this province and proposes scientific and feasible optimization measures. The government should strive to consolidate the financial revenue base, cultivate new financial resources and comprehensively increase the tax contribution rate by improving the modernization level of the primary industry, promoting the intensive development of the secondary industry, and vigorously developing the tertiary industry and digital industry.

**Keywords:** Industrial Structure; Fiscal Revenue; Interrelated; Lifting Measures

---

## Introduction

The development trend of the local economy has an important impact on the level of local fiscal revenue. The adjustment of industrial structure can provide support for the steady growth of fiscal revenue, which in turn can counteract the development of the local economy. The two are interdependent, interdependent and development related. In this regard, if Inner Mongolia wants to achieve the goal of sustainable growth of fiscal revenue, it should optimize its industrial structure, vigorously develop high value-added industries, and explore new sources of finance to improve the current situation of fiscal revenue.

## 1. The relationship between sustainable growth of local fiscal revenue and local economy

The sustainable growth of local fiscal revenue not only reflects the trend of sustained economic growth but is also a practical guarantee for the long-term and stable development of local governments. The two are connected in the following three aspects. First, the fiscal revenue, the proportion of GDP and the level of regional economic development are compatible. The sustainable growth of fiscal revenue can directly show local economic development. Second, the sustainable growth of fiscal revenue can enhance the resistance of local finance to economic shocks. Third, the local economy conforms to the trend of industrial structure transformation and contributes to the sustainable growth of local fiscal revenue (Yong, 2012).

## **2. The internal relationship between industrial structure adjustment and sustainable growth of local fiscal revenue**

### **2.1 The relationship between the tax structure of the primary, secondary and tertiary industries and the sustainable growth of local fiscal revenue**

After a long period of development, the three major industries have experienced the development process of "retreat from one to two" and "retreat from two to three" in China. After the abolition of agriculture taxes, the proportion of the added value of the primary industry in GDP has gradually decreased, while the proportion of the secondary and tertiary industries has gradually increased. At the industrial structure level, the primary industry has the lowest contribution rate to financial revenue, and the secondary industry has the highest contribution rate. With the rapid development of the tertiary industry, it has become a new growth channel of financial revenue. Taking Inner Mongolia as an example, its financial source was mainly the secondary industry, but now it is developing towards the coexistence of the secondary and tertiary industries. It is worth emphasizing that the development of the secondary industry is accompanied by greater environmental pollution, which is not conducive to regional environmental governance. In contrast, the tertiary industry, with energy conservation and environmental protection and national support, will provide more support for the growth of fiscal revenue in the future (Tao and Liu, 2016).

### **2.2 The relationship between supply structure, ownership structure, and demand structure and sustainable growth of local fiscal revenue**

The change trend of the internal structure of each industry has a great impact on the level of the industrial structure, which is mainly represented by the dynamic change from the low level to the high level. It can also be seen as the change of the supply structure. A high-quality industrial structure helps to improve the tax contribution rate and ensure the sustainable growth of local fiscal revenue. The change in ownership structure affects local fiscal revenue, and the improvement of the state-owned economy contributes to the sustainable growth of local fiscal revenue. The demand structure mainly includes domestic and international markets. The current global economic downturn has greatly affected China's export investment and the sustainable growth of fiscal revenue. Therefore, the sustainable growth of local fiscal revenue is affected not only by economic growth but also by the internal supply structure, social demand structure and fiscal policy.

## **3. Problems in the structure of local fiscal revenue**

### **3.1 The financial revenue structure is not reasonable enough**

Taking Inner Mongolia as an example, in the local financial revenue system, the proportion of state-owned economy tax revenue has decreased year by year. In addition, the overall weak tax system has inhibited the role of main taxes, resulting in an unreasonable financial revenue structure. At the same time, the local tax system has not been perfect all the time. In addition to value-added tax, resource tax and other key taxes in the local system, which can provide a certain support for fiscal revenue, the remaining sporadic taxes are weakly related to economic growth. Value added tax, which has a high proportion of local taxes, is also significantly reduced due to various factors, and other taxes have more difficulty bearing the heavy responsibility of the main taxes.

### **3.2 Inconsistency between financial structure and ownership structure**

In recent years, the proportion of the output value of the state-owned economy has decreased, while the proportion of the nonpublic economy in GDP has gradually increased, but its contribution to finance is low, leading to the uncoordinated structure of

local fiscal revenue. Restricted by the system, when the public economy is in a difficult situation, the nonpublic economy can provide a guarantee for the steady operation of the local economy. The nonpublic economy is an important force in promoting the economic development of Inner Mongolia. However, the nonpublic economy in Inner Mongolia is facing setbacks in its development, which is characterized by limited profit space, difficulty in financing and insufficient innovation ability.

### **3.3 The industrial structure of local financial resources is low**

In recent years, compared with other provinces in China, the economic structure of Inner Mongolia has remained relatively old, which makes it difficult to provide a strong driving force for national economic development. With the development of the base economy, the order of the three major industries in the province has changed from "one, two, three" to "two, three, one". Although the level of industrial structure is high on the surface, the primary industry accounts for the largest proportion of social labor. This contrast is not consistent with the law of labor transfer as a transformation, which lowers the level of industrial structure and weak development potential.

## **4. Specific measures for industrial structure adjustment to promote sustainability growth of local fiscal revenue**

### **4.1 Improve the modernization level of the primary industry**

On the one hand, we will build local industries, strengthen grain production, achieve standardized production of wheat, soybeans, corn, potatoes, etc., and expand external sales channels. On the other hand, innovate the agricultural operation mode. Various preferential agricultural subsidy policies should be formulated, and social organizations and enterprises should be encouraged to wait for rural areas to carry out activities, especially scientific and technological enterprises. After cooperating with large local agricultural households, they will give full play to their technological advantages, move towards the goal of "rejuvenating Mongolia through science and technology", and promote the transformation of the primary industry into modern agriculture.

### **4.2 Promote the intensive development of the secondary industry and consolidate the financial revenue base**

Based on the existing industrial base, the local government of Inner Mongolia vigorously develops emerging industries. On the one hand, it should accelerate the infrastructure construction of the province and improve the utilization rate of provincial financial infrastructure funds. At the same time, importance should be attached to the construction of urban and rural projects and to improving infrastructure and public facilities. On the other hand, the development and transformation of the energy industry should be promoted. Adhering to the two-way development of the real economy and financial innovation, realizing the deep integration of the real economy and the digital economy, further increasing the development of smart mines and digital industries, exploring new growth points, striving to achieve the goal of 10 billion new output value, and making more contributions to financial revenue. (Yang, 2014).

### **4.3 Vigorously develop the tertiary industry and increase the tax contribution rate**

Compared with the primary and secondary industries, the tertiary industry has a relatively high impact on fiscal revenue in terms of total volume and growth rate. Inner Mongolia should actively adjust the industrial structure, promote the development of the tertiary industry, and increase the tax contribution rate. In this regard, the local government should take multiple measures to support small and medium-sized enterprises in the tertiary industry and reduce various administrative and institutional taxes. We will improve the financing guarantee system for small and medium-sized enterprises and provide them with more credit resources. Although the above

measures will reduce fiscal revenue in the short term, in the long term, the growth of small and medium-sized enterprises and the increase in market vitality will help to increase fiscal revenue. (Zhao and Pan, 2015).

## Conclusion

In summary, after the implementation of the tax sharing system reform, the central and local revenue distribution system was formally established. With the rapid development of the national economy, the defects of the local fiscal revenue system are gradually exposed. In combination with the actual situation of local economic development, we should deeply realize the connection between national industrial structure adjustment and local fiscal revenue growth, adopt the optimization and upgrading of the three major industries to improve the level of modernization, intensification, and informatization, and strive to explore new financial sources so that the tax contribution rate will increase year by year and achieve the steady development of the social economy.

## References

- [1] Tao, C.Q. and Liu, Z. (2016). The impact of local fiscal policies on the upgrading of industrial structure r -- taking 14 subprovincial cities in China as examples. *Journal of Nanchang University of Engineering*, p1-6.
- [2] Yong, X.D. (2012). Empirical Analysis of Industrial Restructuring Promoting Local Fiscal Revenue Growth -- Taking Jiangyin City, Jiangsu Province as an Example. *Financial and Economic Circles*, p31-32.
- [3] Yang, Z.Y. (2014). Research on Analysis and Improvement of Local Fiscal Revenue Structure. Tianjin University.
- [4] Zhao, L. and Pan, X.Z. (2015). The resource tax system and industrial structure in Inner Mongolia need to be adjusted urgently -- a study based on the relationship between resource tax and economic growth in Inner Mongolia. *Global Finance*, p44-46.