



## Research on Pushing Effect of Urbanization on China Western Investment

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### Abstract

This paper introduces the basic connotation of urbanization and its relationship with economic growth. By analyzing the urbanization conditions in China western area, this paper summarizes the pushing effects of urbanization on investment in western area. Besides, this paper points out the specific ways for western area applying the new harmonious urbanization development strategy, offering a theoretical basis for investing in China western area.

**Keywords:** Urbanization, Investment, Pushing effect

### 1. Introduction

Urbanization is an important symbol reflecting social development and civilization of one country or region. It is a history process in which cities become more important in state economy and social life along with the transfer of economy and population toward cities and the fast rise of cities and populations due to industrialization. Urbanization is not only a process in which material civilization and spiritual civilization develop at the same time, and also a reflection of the integrated development of social politics, economy, culture, science and technology. Compared with rural areas, cities have rich and colorful life, better industrial base, complete structure, and more job opportunities, and develop fast. Therefore, cities can exert a strong attraction for investments, driving efficiency and effectiveness of investment, and pushing the development of economy.

### 2. Theory of urbanization

#### 2.1 Connotation of urbanization

In a wide aspect, urbanization refers to a process in which the proportion of people living in cities and towns to total population is rising. In this process, the number of cities is increasing and the size of cities is larger, what are caused by the development of social productivity. Population is centering toward cities. Urban material civilization and spiritual civilization are growing. Regional industrial structure keeps in changing. In an economic aspect, urbanization is a transfer from rural economy toward urban economy. It emphasizes on the re-combination of urban industry. The move of rural population toward cities is merely a superficial phenomenon. The nature of urbanization is the transformation and the re-combination of urban spatial structure and urban economic structure, and the creation and the spread of urban factors and urban economic relationship. In other words, it is the value creation process that takes non-agricultural production as the form, and the creation and spread process of life style.

#### 2.2 The relationship between urbanization and economic growth

To study the relationship between urbanization and economic growth, we can use the urbanization rate to evaluate the level of urbanization, and use the GDP per capita to evaluate the level of economic development. Figure 1 shows the change of urbanization rate and GDP per capita from 1991 to 2007 in China.

From this figure, urbanization has a prominent effect on economic growth. Along with the stable rise of urbanization rate, GDP per capita rises gradually. Especially after 2000, the effect of urbanization on economic growth tends to be more significant. The process of urbanization is always driving the economic development. The emergence of cities enlarges the scope of social division, and drives the further evolvement of social division. And the evolving process of division is a process of economic growth. The higher the level of social division is, the higher the level of economic development is. Urbanization makes separate and disordered population and capitals turn into a highly-intensive and ordered state. Productivity is improved greatly. The wealth created and accumulated in cities is far more than that in rural areas. Therefore, as cities where the industrial and service industries center in develop well, it greatly improves the level of local economic development.

### 3. The condition of urbanization in the west of China

In a macro aspect, not only the west of China, for the whole economic filed, urbanization and economic development are one organic body. The level of urbanization is an important index for evaluating a country's level of modernization. In the west of China, the urbanization is deepened further. But there is still certain problem.

#### 3.1 The urbanization rate is low.

In 2007, the urbanization rate in the west of China is merely 37.83%. The rate in the east is 60.47%. And the average of

China is 44.94%. The low urbanization rate barriers the improvement of national urbanization rate and restrains the development of economy in the west of China. Among 12 provinces and regions in the west of China, only Inner Mongolia and Chongqing has the urbanization rate that is higher than the average of China. Thereinto, in Guizhou and Tibet the urbanization rate is the lowest.

### *3.2 Cities are few and density of cities is low.*

Data show that China has 651 cities in 2007. 260 of them locate in the east of China, accounting for 40% of the total. However, there are 165 cities in the west of China, accounting for 25% of the total. By calculating the number of cities per 10,000 square kilometer, the density of cities in the east is 1.99 cities per 10,000 square kilometer, the middle 0.79 cities per 10,000 square kilometer, and the west 0.3 cities per 10,000 square kilometer. From this index, the east is 6.54 times of the west.

### *3.3 The size of cities is small and cities' functions can not be exerted completely.*

In China, among the cities with more than 1 million people, about 54% of them locate in the east, and only 18% in the west. The east has the absolute advantage. Cities in the east have large sizes and that in the west is small. This condition can not benefit the development of market economy or the integration of rural and urban economy. According to the function of cities, the service function of cities in the west, concerning the fields of trade, information, finance, education, science & technology, and culture, is weak. Therefore, the size and structure of cities in the west have evident defects. Functions of cities can not be exerted completely.

### *3.4 The quality of urbanization is worse.*

All indexes of west cities are lower than that of eastern and middle cities and the average of China. In 2007, statistical data show that the per capita income in cities is 14908.61 RMB, per capita disposal income is 14908.61 RMB, and per capita expenditure on consumption is 14908.61 RMB. In west cities, the numbers are respectively 12130.66 RMB, 11309.45 RMB, and 8177.49 RMB. These numbers show that the economy of west area is low, the infrastructure is lagged behind, the transportation is undeveloped, the environment is bad, and people's daily life is at a low level. Besides, most cities in west area are industrial cities. The comprehensive quality of cities is low. All these facts lead to the weak agglomeration function and weak reflection function of cities in west area. Western cities can not exert the economic coherence effect and the spread effect. The quality of urbanization is worse.

## **4. The pushing effect of urbanization on western investment**

Urbanization is an investment activity. It serves as an important power driving western economic growth and fixed asset investment. The three effects of urbanization are influential, including agglomeration effect, industrial correlation effect, and upgrade of economic structure.

### *4.1 The pushing effect of urbanization's agglomeration effect on investment*

Urban economy dominates regional economy. The process, speed, and level of urbanization stand for the level of regional economic modernization. The agglomeration effect means that economic activities happen together in a spatial aspect, which can realize lower costs, highly effective resource allocation, and rising economic benefits. Urban economy's fundamental features and basis associate closely with agglomeration. Agglomeration economic effect is a systematic power that aims at improving economic efficiency and decreasing economic costs by economy of scale and economy of scope, increasing the efficiency of investment.

Firstly, urbanization indicates the aggregation of people. It is a process of people moving and centering at a large scale. It happens naturally along with economic development and social progress. It is an objective process that is not under the effect of human will. It is resulted from rural area's powerful pushing power and cities' powerful pulling power. It not only transfers the great production factor ----- land resource, but also attracts rural surplus laborers to move in cities.

Secondly, urbanization is a process of agglomerating economic activities and resource factors together. As a large of population moves in cities, economic activities center in cities either. The agglomeration of economic activities include the agglomeration of factors, production, exchange, and exchange, which can benefit the rise of investment scale, the improvement of investment's technological efficiency, and production benefit, making the diversification of investment structure more rational.

### *4.2 The pulling effect of urbanization's industrial correlation effect on investment*

The industrial correlation effect means that one industry's development can cause related industries' development. The industrial correlation is the technological structure and products' needs structure of different departments and industries in production. It is a spatial structure of social productivity development.

The process of urbanization needs amounts of capital flow and material flow in production, circulation, and consumption, greatly enhancing the industrial correlation. It can drive the development of relevant energy industries and

the extension of relevant industries. For example, the real estate industry in urbanization can inspire more investment, concerning the development of construction material industry, metallurgy industry, machine industry, and finance industry, decorative draft, household appliance industry, textile industry, garden industry, travel industry, finance, and insurance industry. Urbanization pushes the close relationship of all industries and drives the activities of investment.

#### *4.3 The pushing effect of urbanization's economic structural upgrade effect on investment*

The nature of urbanization is to change social economic structure and people's production style, life style by pursuing the agglomeration effect, and finally actualize urban modernization and improve people's life quality.

Firstly, urbanization benefits the development of agricultural production. The process of urbanization makes amounts of rural laborers enter cities, and drives the agglomeration of rural lands. The scale of rural production is enlarging. Production technologies and labor tools are progressing. Agricultural productivity will be improved. On the other hand, the expansion of cities, the rise of urban residents, and the improvement of urban life will stimulate the rise of needs for agricultural products. Therefore, urbanization has a driving effect on agricultural production.

Secondly, urbanization will bring about the development of industrialization inevitably. The agglomeration of population toward cities enlarges the needs for industrial products, which stimulates the production of daily industrial products and enduring products. Meanwhile, the development of agriculture and the improvement of agricultural productivity supply laborers for industrial development. Lots of urban residents possess different production skills, what offers multiple choices for different enterprises recruiting managers and workers.

Thirdly, urbanization drives the upsurge of the third industry. Cities, as centers of agglomeration, have more advantages in capitals, transportation, labor technologies, communication equipments, labor resources, and living conditions, which makes production activities center toward cities, generating a scale effect and economic effect. The agglomeration of people offers a possibility of developing the third industry. The scale production caused by agglomeration of economic activities has demands for basic service facilities concerning electric, water, railway, roads, and communication, offering necessary conditions for the upsurge of the third industry.

Fourthly, the process of urbanization can form a consumption model effect and an income increase effect. The change of people's consumption mode and the improvement of general consumption level can stimulate domestic needs, driving the improvement of investment level. Meanwhile, it optimizes present products' needs structure, further optimizing the industrial structure, and making the investment structure more rational.

### **5. The west of China applies the new strategy for harmonious urbanization development**

In order to allocate resources reasonably and exert the function of investment to a great degree, and make urbanization exert the positive effect on investment, the west of China can apply the new strategy for harmonious urbanization development from these aspects.

#### *5.1 Take large cities as centers and apply the city cluster strategy*

In order to deepen the process of urbanization, the west of China must give priorities to large cities with better conditions in development, enhance the division and coordination between cities and the degree of economic integration, and improve the spatial agglomeration ability of cities. Take city cluster, city band, and city circle as the main forms to develop large cities firstly. Then develop medium cities. Develop some special small towns. Realize the coordinative development of large, medium, and small cities.

By external needs generated by key areas and the radiate spread of industries, capitals, and technologies, transfer the impacts of industrialization and urbanization to small towns. Make small towns and center cities and large cities form reasonable function division, and form an integrated urban spatial structure system, driving the urbanization of the west of China. City cluster development can promote the coordinative development of large, medium, and small cities and small towns, forming a city group with high creative ability. It is the urgent and best choice for western cities following the trend of knowledge economy and economic globalization.

#### *5.2 Match with the new industrialization*

New industrialization stimulates cities' agglomeration function by creation. The industrialization requires for the agglomeration advantage of cities as spatial carriers. For different cities with special functions and resources, the agglomeration and the extension are different. Therefore, cities must position themselves clearly based on self conditions and the needs for new industrialization.

New industrialization drives urban geological spatial optimization and resources' intensive use. To reduce consumption of resources by scientific and technological innovation, technological change, industrial structure adjustment, and circular economy is the way supporting new urbanization. Therefore, new harmonious urbanization must use land resources collectively, pay attention to reducing pollutions, and focus on ecological balance.

### 5.3 Perfect cities' functions and improve cities' quality

In order to improve the effect of urbanization in west area, we must focus on cities' functions, guide urban construction, and improve cities' quality. Firstly, improve the level of infrastructure, drive the construction of modern integrated system, speed up the modernization of science, education, and culture, enhance public service function, and improve people's life quality. Secondly, improve the inheritance function of culture and dig out the excellent traditional culture of west area. Integrate history culture and modern civilization into cities' construction. Thirdly, improve the ecological carrier function, speed up the construction of city drainage works and the construction of greening work, and perfect the cities' environment. Meanwhile, develop the ecology industry, especially ecological agriculture, ecological industry, and ecological tourism industry, founding strong material base for harmonious urbanization.

## 6. Conclusion

The west of China is one of key investment areas in China. The process of urbanization pushes the investments in western area to a great degree. Analyze theories of urbanization reasonably, study its pushing effects on investments, strengthen the urbanization development strategy, and achieving a pushing effect on economic development in the west of China.

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Figure 1. Change of Urbanization Rate and GDP per capita in China.