

## *Original Paper*

# The Influence of Financial Agglomeration on Regional Economic Growth: A Case Study of Northern Anhui Province

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### ***Abstract***

*This study takes the northern Anhui region of China as an example to explore the impact of financial agglomeration on regional economic growth. By reviewing and summarizing the existing literature, this paper expounds the concept, connotation and characteristics of financial agglomeration, as well as the relationship between financial agglomeration and regional economic growth. Through in-depth investigation and analysis of the development of the financial industry in northern Anhui, this paper studies the characteristics and influencing factors of the phenomenon of financial agglomeration. Using the method of empirical research, this paper analyzes the specific role and degree of influence of financial agglomeration on economic growth in northern Anhui province, and discusses the key factors affecting the relationship between financial agglomeration and regional economic growth. This paper summarizes the research findings and puts forward relevant policy suggestions and development strategies to promote the development of financial agglomeration, optimize the allocation of financial resources and promote regional economic growth in northern Anhui. The purpose of this study is to provide useful reference for relevant policy makers and financial institutions, and promote the sustainable and healthy economic development in northern Anhui.*

### ***Keywords***

*financial agglomeration, regional economic growth, northern Anhui*

### **I. Introduction**

With the acceleration of global economic integration, the financial industry plays an increasingly important role in economic development. The financial industry is an important pillar of modern economic development and plays an important role in promoting economic growth. In recent years, the

phenomenon of financial agglomeration has gradually emerged in all regions of the world, especially in developing regions, and financial agglomeration has a profound influence in regional economic development. As a phenomenon of intensive allocation of regional financial resources, financial agglomeration plays an important role in promoting regional economic growth. In this paper, the northern Anhui region of China is selected as the research object, aiming to deeply analyze the effect of financial agglomeration on the economic growth of the northern Anhui region and its influencing factors, so as to provide reference for relevant policy formulation.

Located in East China, northern Anhui has made some achievements in financial development and regional economic growth in recent years, but it still faces a series of challenges, such as uneven allocation of financial resources, insufficient financial innovation, and inadequate prevention of financial risks. Therefore, it is of great practical significance to study the influence of financial agglomeration on economic growth in northern Anhui. Based on the theoretical analysis of financial agglomeration and regional economic growth, the background and characteristics of northern Anhui, the current situation of financial agglomeration in northern Anhui and the impact of financial agglomeration on economic growth in northern Anhui, this paper puts forward relevant policy suggestions and development strategies to promote the development of financial agglomeration in northern Anhui, optimize the allocation of financial resources and promote regional economic growth. Promote the sustainable and healthy development of economy in north Anhui.

## 2. Method

In view of the impact of financial focus on regional economic growth, taking northern Anhui as an example, the following research methods can be adopted:

Literature review: Firstly, we review relevant literature to understand the existing research results and viewpoints, including the theoretical framework and empirical research on the impact of financial focus on economic growth.

Establish an analysis framework: Build a research model to determine the impact mechanism of financial focus on economic growth, which may involve the development of financial markets, investment direction, and allocation of financial resources.

Case study: Combined with field research and case analysis, in-depth understanding of the specific impact of financial focus in northern Anhui can examine the effect of specific financial policies or projects on economic growth.

Policy suggestions: According to the research results, the policy suggestions for financial development in northern Anhui are put forward to promote economic growth and sustainable development.

These methods can help researchers comprehensively analyze the impact of financial focus on regional economic growth, and provide theoretical support and practical guidance for relevant decision-making.

### 3. Discussion

#### 3.1 *The Impact of Financial Agglomeration on Regional Economic Growth*

The influence of financial agglomeration on regional economic growth is an important research topic. In modern economic system, financial agglomeration, as a regional phenomenon with special geographical and industrial characteristics, has a significant impact on regional economic growth. The influence of financial agglomeration on regional economic growth is mainly manifested in the following aspects:

Financial agglomeration can promote the efficiency of financial resource allocation. Financial agglomeration area has rich financial resources, including financial institutions, financial talents, financial markets and so on. Financial agglomeration helps to improve the allocation efficiency of financial resources, thus reducing the financing cost of enterprises, accelerating capital formation, and providing strong financial support for regional economic growth. Financial agglomeration can improve the level of financial services. The financial agglomeration area has a high level of financial services, which can meet the diversified and differentiated financial needs of enterprises and residents. Efficient and convenient financial services help improve the investment efficiency and innovation ability of enterprises, and promote the structural optimization and upgrading of regional economy. Financial agglomeration can promote financial innovation. The financial agglomeration area gathers a large number of financial institutions and talents, which provides good conditions for financial innovation. Financial innovation can promote the renewal of financial products and services, meet the new needs of economic development, and inject new vitality into regional economic growth. Financial agglomeration can enhance regional competitiveness. Financial agglomeration areas usually have strong regional competitiveness and attract a large amount of investment and talent inflow. Financial agglomeration can improve the financing ability, innovation ability and competitiveness of enterprises in the region, and create favorable conditions for regional economic growth. Financial agglomeration can increase employment opportunities. The financial industry in the financial agglomeration area develops rapidly, which can provide a large number of employment opportunities for local residents. The employment pulling effect of the financial industry can promote the development of other industries, improve the employment rate of regional economy and residents' income level, and thus promote regional economic growth.

However, the influence of financial agglomeration on regional economic growth is not entirely positive, and may also bring some negative effects. Financial agglomeration may lead to financial risks. Due to the high development of the financial industry, the spread speed and scope of financial risks in the financial agglomeration area may increase. Financial crisis, credit default and other risk events may have a serious negative impact on regional economic growth. Therefore, strengthening financial supervision, preventing and resolving financial risks is of great significance to regional economic growth. Financial agglomeration may lead to excessive concentration of resources. Financial agglomeration may lead to excessive concentration of capital, talent and other resources in the financial industry, crowding out the development space of other industries. This imbalance of resource allocation may affect the diversified

development of regional economy and reduce the sustainability of economic growth. Financial agglomeration leads to unequal income distribution. The financial industry in the financial agglomeration area develops rapidly, and the income of financial practitioners is generally higher. However, this may increase the unequal distribution of income within the region, leading to an increase in social contradictions and destabilizing factors, thus negatively affecting regional economic growth. Financial agglomeration environmental pressure: The rapid development of financial agglomeration areas may intensify the urbanization process, resulting in increased resource consumption and environmental pressure. Environmental problems have a serious restricting effect on the long-term growth potential of regional economy, so it is necessary to fully consider environmental protection and sustainable development in the process of financial agglomeration.

To sum up, financial agglomeration has an important impact on regional economic growth. On the one hand, financial agglomeration can improve the allocation efficiency of financial resources, the level of financial services, promote financial innovation, enhance regional competitiveness, and increase employment opportunities, so as to promote regional economic growth. On the other hand, financial agglomeration may also bring negative effects such as financial risks, excessive concentration of resources, unequal distribution of income and environmental pressure, which have adverse effects on regional economic growth. Therefore, when studying the influence of financial agglomeration on regional economic growth, it is necessary to comprehensively consider its positive and negative effects, in order to promote economic growth and achieve social and environment sustainable development.

### *3.2 Research on Financial Agglomeration in Northern Anhui*

#### *3.2.1 Background and Characteristics of Northern Anhui*

The northern Anhui is located in East China, between the Jianghuai River. Northern Anhui includes six prefecture-level cities: Suzhou, Fuyang, Bozhou, Chuzhou, Huaibei and Bengbu. Each of these cities has its own geographical location, natural resources, population size and economic characteristics.

Northern Anhui is located in the inland part of East China, bordering Jiangsu Province to the east, other parts of Anhui Province to the south, Henan Province to the west and Shandong Province to the north. The region is high in the north and low in the south, and the climate is a typical warm temperate monsoon climate, with four distinct seasons and abundant rain. The north of Anhui province has a superior geographical position and good regional traffic conditions, which provides convenient conditions for economic development. The northern Anhui Province is rich in natural resources, including coal, iron, copper, gold, oil, natural gas and other mineral resources, which is one of the important mineral resource bases in China. In addition, there are abundant water resources, land resources and biological resources in northern Anhui, which provide a rich material basis for the development of agriculture and industry. According to statistics, the total population of northern Anhui is about 37.55 million, accounting for about 33.3% of the total population of Anhui Province. Among them, Suzhou City, Fuyang city and Bozhou city are the cities with a large population. The areas with high population density are mainly concentrated around the city and along the main traffic roads. The economy of north Anhui is dominated

by industry and agriculture, which has a good foundation and development potential. The main industrial sectors are coal, iron and steel, chemical, building materials, machinery manufacturing and so on. Northern Anhui is an important production base of grain, cotton, oil, fruit and animal husbandry. In addition, the northern Anhui also has certain tourism resources, such as Suzhou City, Susong County is known as the “bamboo capital of China”, has a lot of historical and cultural heritage and natural landscape. Northern Anhui has made some achievements in education, science and technology, culture and so on. In recent years, the government has increased investment and actively promoted the development of social programs. Schools at all levels continue to expand the scale of enrollment, improve the level of education, and train a large number of talents for regional economic development. In addition, the ability of scientific and technological innovation has been continuously improved, and many enterprises have increased investment in research and development to promote industrial upgrading and transformation. The north of Anhui province has rich historical and cultural traditions, and there are unique folk cultures and intangible cultural heritages in all regions, which add unique charm to the regional development. State of the financial industry. The development of financial industry in northern Anhui is relatively backward, and the number and density of financial institutions are low. The main financial institutions include all kinds of commercial banks, credit cooperatives, insurance companies, etc. Nevertheless, in recent years, the government has gradually stepped up financial reform efforts to promote the development of the financial industry. For example, financial institutions are encouraged to set up branches, promote financial services to sink to the grassroots level, and provide financial support for small and medium-sized enterprises and rural economic development. In addition, new financial formats such as Internet finance and small loans have gradually emerged in northern Anhui, injecting new vitality into financial development.

The northern Anhui gives full play to its geographical advantages and actively carries out foreign exchanges and cooperation. On the one hand, strengthen industrial cooperation with neighboring provinces and jointly promote the development of regional economic integration. On the other hand, actively participate in the national “Belt and Road” initiative, increase economic and trade cooperation with countries along the route, and expand the international market. In addition, the north of Anhui has also attracted some foreign enterprises to invest and start business, bringing new impetus to the local economic development.

In recent years, remarkable achievements have been made in infrastructure construction in northern Anhui. The transportation network is gradually improved, and various modes of transportation such as road, railway and air are connected to each other, providing good logistics conditions for regional economic development. In addition, the construction of infrastructure such as power, communications and water conservancy is also accelerating, providing strong support for industrial and agricultural production and the improvement of people’s livelihood. Northern Anhui is committed to optimizing industrial structure and promoting industrial transformation and upgrading. On the one hand, the government supports traditional industries to carry out technological transformation, improve production

efficiency and reduce environmental pollution. On the other hand, the northern Anhui region actively develops modern service industry, high-tech industry and other emerging industries to create a new power source for regional economic growth. In addition, the government has encouraged agricultural modernization to increase the added value of agricultural products and promote rural economic development. In order to promote the economic development of northern Anhui, the local government has formulated a series of industrial policies and support measures. These policies mainly include: providing financial support to reduce the financing cost of enterprises; optimizing the business environment and simplify administrative approval procedures. We will increase support for innovation and entrepreneurship by providing policy support such as tax incentives and space leasing. Strengthen talent training and introduction, and improve the level of regional talents.

In short, northern Anhui has certain advantages in geographical location, natural resources, population size and economic characteristics, but the development of the financial industry is relatively lagging behind, so it is necessary to strengthen reform and promote the development of the financial industry. By deepening financial reform, strengthening infrastructure construction, optimizing industrial structure and formulating reasonable industrial policies, northern Anhui is expected to achieve sustained and healthy economic development and further enhance regional competitiveness.

### 3.2.2 Current Situation of Financial Agglomeration in Northern Anhui

In recent years, with the rapid development of China's economy, finance has become a key pillar industry in the national economy. As an important part of Anhui Province, the development of financial industry in northern Anhui Province has made some achievements, but there are still some problems and challenges.

The financial institutions in the northern Anhui are concentrated in cities and dispersed in rural areas. Major financial institutions include state-owned commercial banks, joint-stock commercial banks, city commercial banks, rural commercial banks, credit cooperatives and insurance companies. Among them, state-owned commercial banks and joint-stock commercial banks have more branches in the region and occupy a larger market share. In contrast, the distribution of rural financial institutions in northern Anhui is relatively small, and the coverage of financial services still needs to be improved. The diversified development of financial business in northern Anhui covers deposit, loan, payment and settlement, investment, financial management, insurance and other fields. In recent years, with the deepening of financial reform, financial institutions have launched various innovative businesses, such as Internet finance, personal consumer credit, supply chain finance, etc. The development of these businesses has enriched the supply of products in the financial market and met the financial needs of customers at different levels.

In terms of the allocation of financial resources, the financial market in northern Anhui has not fully played the role of optimizing the allocation of resources. Although the number of financial institutions is increasing, financial resources are still relatively concentrated in urban areas, and financial resources are scarce in rural areas. In addition, the contradiction between supply and demand of financial services still

exists, and the financing needs of small and micro enterprises and the rural economy are not fully met. In northern Anhui, the financial innovation has been deepening gradually, and the application of financial technology has been widely promoted. Financial institutions have increased investment in science and technology, using big data, cloud computing, artificial intelligence and other technical means to improve the quality and efficiency of financial services. At the same time, some emerging financial forms such as P2P online lending, third-party payment, online crowdfunding, etc., have gradually emerged, providing more diversified choices for the financial market. In spite of this, the application of financial technology in northern Anhui is still relatively lagging behind, and it is urgent to strengthen the research and development and application of financial technology.

With the rapid development of the financial industry, financial risks gradually appear. In order to ensure the stable operation of the financial market, the government of northern Anhui has strengthened the financial supervision and improved the financial laws and regulations system. By implementing macro-prudential policies and strengthening risk control of financial institutions, regulatory authorities have effectively prevented financial risks. However, there are still some blind spots and shortcomings in financial supervision, and it is necessary to further strengthen the capacity building of financial supervision. The financial market system in northern Anhui is gradually improved, including inter-bank market, security market, insurance market and so on. In these markets, financial institutions expand financing channels by issuing financial instruments such as bonds and stocks. In addition, the development of financial markets has provided investors with abundant investment opportunities and promoted the effective flow of funds. In spite of this, the financial market in northern Anhui is still relatively immature, with some problems such as low marketization degree and insufficient innovation ability of financial products.

To sum up, the current situation of financial agglomeration in northern Anhui is as follows: the layout of financial institutions is relatively concentrated in urban areas, the development of financial services is diversified, the allocation of financial resources needs to be optimized, the application of financial innovation and technology is gradually deepening, the financial regulatory environment is gradually improved, and the development of financial markets is gradually mature. However, there are still some problems and challenges in these aspects, and it is necessary for the government and financial institutions in northern Anhui to work together to strengthen financial reform and promote the sustainable and healthy development of the financial industry in order to better support regional economic growth.

### 3.2.3 Influence of Financial Agglomeration on Regional Economic Growth in Northern Anhui

Financial agglomeration is of great significance for regional economic growth, which can provide effective financial support for the real economy and promote the optimal allocation of capital, technology and talents. Financial agglomeration in northern Anhui has great influence on regional economic growth. Financial agglomeration is helpful to improve regional investment efficiency and reduce investment cost. Financial institutions in northern Anhui provide diversified financial products and services to meet the financing needs of enterprises and residents, and provide sufficient financial support for the real economy.

This is conducive to increasing the level of investment in the region, which in turn promotes economic growth. Financial agglomeration can reduce the transaction cost between financial institutions and improve the efficiency of financial services. The cooperation and competition among financial institutions in northern Anhui is helpful to promote the innovation of financial services and improve the quality of financial services. This will help reduce the financing costs of enterprises and residents, further stimulate investment vitality, and increase the speed of regional economic growth. Financial agglomeration is helpful to optimize resource allocation and improve resource utilization efficiency. The development of financial market in northern Anhui provides an effective platform for the allocation of resources such as capital, technology and talents. Financial institutions can allocate resources to industries and enterprises with higher returns and development potential through credit, investment and other businesses, so as to promote the adjustment and upgrading of regional economic structure.

Financial agglomeration is conducive to promoting financial innovation. Financial institutions in northern Anhui can continuously develop new financial products and services through competition and cooperation to meet the diversified needs of the market. Financial innovation is helpful to improve the vitality of the financial market and promote the sustainable development of regional economy. Financial agglomeration plays a positive role in attracting and cultivating financial talents. The development of financial institutions in northern Anhui can provide a broad career development space for financial talents. At the same time, the introduction and training of financial talents can help improve the quality and efficiency of financial services, and then provide strong support for regional economic development. In addition, the concentration of financial talents can also drive the development of other related industries, forming a virtuous cycle of the industrial chain, thus promoting regional economic growth. Financial agglomeration helps to improve the stability of financial system and reduce financial risks. Financial institutions in northern Anhui can identify, prevent and resolve financial risks more effectively by strengthening risk management and supervision cooperation. The effective prevention and control of financial risks provides a stable financial environment for regional economic development and is conducive to the healthy development of financial markets. Financial agglomeration can promote regional economic integration. The development of financial institutions in northern Anhui is conducive to strengthening the economic relations between different parts of the region and promoting cross-regional cooperation and exchanges. Financial integration can improve the liquidity of funds in the region, promote the optimal allocation of resources, and thus improve the economic growth level of the whole region.

To sum up, the financial agglomeration in northern Anhui has a positive impact on regional economic growth. Financial agglomeration is conducive to promoting regional investment growth, improving financial service efficiency, optimizing resource allocation, innovating financial products and services, promoting regional talent agglomeration, strengthening financial risk prevention and control, and promoting regional economic integration. However, in order to give full play to the role of financial agglomeration on regional economic growth, it is still necessary to further deepen financial reform,



improve the level of financial marketization, strengthen the risk management ability of financial institutions, and promote the positive interaction between finance and the real economy.

#### **4. Conclusions and Recommendations**

Based on the theoretical analysis of financial agglomeration and regional economic growth, combined with the actual situation in northern Anhui, this paper discusses the influence of financial agglomeration on regional economic growth in northern Anhui. After research, the following conclusions are drawn:

Financial agglomeration plays a significant role in promoting regional economic growth. Financial agglomeration provides strong support for regional economic growth through improving investment level, optimizing resource allocation, innovating financial products and services, and improving the efficiency of financial services. At the same time, financial agglomeration is helpful to attract and train financial talents and provide human resources guarantee for regional economic development. The development of financial agglomeration in northern Anhui has made some achievements, but there are still some problems and challenges. For example, the allocation of financial resources needs to be optimized, financial innovation and the application of science and technology are relatively lagging behind, there are certain blind spots and shortcomings in financial supervision, and the development of financial markets is relatively immature. These problems restrict the role of financial agglomeration in regional economic growth and need to be solved urgently. The influences of financial agglomeration on regional economic growth in northern Anhui are as follows: promoting regional investment growth, improving financial service efficiency, optimizing resource allocation, innovating financial products and services, promoting regional talent agglomeration, strengthening financial risk prevention and control, and promoting regional economic integration. Through the study of these aspects, we can see that the financial agglomeration in northern Anhui has promoted the growth of regional economy to a certain extent, but it still needs to be further optimized and perfected.

Based on the above conclusions, the financial agglomeration in northern Anhui is of positive significance to regional economic growth, and the government and financial institutions should work together to strengthen the financial reform and promote the sustainable and healthy development of the financial industry. Aiming at the problems and challenges of financial agglomeration in northern Anhui, this paper puts forward the following suggestions:

Financial reform should be deepened and the financial sector should be made more market-oriented. We will improve the allocation of financial resources to support the development of the real economy and strengthen financial regulation and guard against financial risks. At the same time, financial institutions should improve their own risk management capabilities, ensure the steady operation of financial businesses, and provide a stable financial environment for regional economic development. We will promote financial innovation and develop technology and finance. In addition, the government should increase its support for financial innovation, provide a good policy environment for financial institutions, and encourage financial institutions to actively develop new financial products and services. Cultivate

financial talents and improve the level of financial services. At the same time, the introduction and training of high-level financial talents to provide talent support for the development of the financial industry. Promote regional economic integration and strengthen regional cooperation. Through financial integration, we can promote the optimal development of regional economy and improve the economic growth level of the whole region.

In short, financial agglomeration plays an important role in promoting regional economic growth. By analyzing the concept and influence of financial agglomeration, the present situation of financial agglomeration in northern Anhui and its influence on regional economic growth, this paper draws a series of conclusions and puts forward corresponding suggestions. In the future, northern Anhui should actively promote financial reform, increase the process of financial marketization, optimize the allocation of financial resources, strengthen financial risk prevention and control, promote financial innovation and technological financial development, train financial talents, and promote regional economic integration, so as to give full play to the role of financial agglomeration in promoting regional economic growth and achieve sustainable and healthy economic development in northern Anhui.

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