

Research on the Agglomeration Effect of Financial Industry in Free Trade Zone

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Abstract: Since the 1970s, with the rapid development of economic integration and the rapid flow of financial resources, Chinese economic development has accelerated, financial institutions have become closer, and financial agglomeration has become increasingly obvious, showing regional attributes. In the process of economic development, the leading position of finance is becoming more and more unshakable, and financial agglomeration has become an important form of modern financial industry organization and development. The free trade zone has served as a key role in breaking through traditions, reforms and innovations in China. Based on the free trade zone, Chinese economy can develop more prosperously. 18 free trade zones established in China headed by Shanghai have made excellent achievements in Chinese economic reform. The establishment of the free trade zone has attracted a large number of financial institutions to settle in with its reform and innovation advantages. The embryonic form of financial industry agglomeration has emerged. With the continuous development of the free trade zone, Chinese financial industry agglomeration effect has also appeared. Based on this, this article studies the agglomeration effect of the financial industry in Chinese free trade zone.

Keywords: Free Trade Zone; Financial Industry; Agglomeration Effect

Introduction

Agglomeration of the financial industry in a free trade zone can improve competitiveness, and it also has a radiating effect to promote regional financial development. It can be seen that the agglomeration effect of the financial industry plays a very important role in the economic development of the established area. However, since the establishment of the free trade zone, the agglomeration effects of the financial industry are not all on the same level. This has had a great impact on the development of the respective trade zones. Therefore, it is necessary to study the factors that affect the free trade zone. This article starts with the relevant theories of financial agglomeration in the free trade zone, and interprets the concept of financial agglomeration in the free trade zone. On the basis of this definition, the formation mechanism and influence of economic agglomeration in the free trade zone are explained ^[1].

1. The connotation of the phenomenon of financial industry agglomeration

Financial industry agglomeration refers to a group of related companies, service providers, professional suppliers, manufacturers in related industries, and related institutions (such as professional education and training institutions, standardization organizations, and industry associations, etc.) in some areas within a specific area. With the help of the advantages of geographic regional agglomeration, effective market competition is formed, a specific agglomeration point of specialized production factors is constructed, and regional agglomeration effects, external effects, scale effects and inter-regional competition effects are formed ^[2].

Some economists believe that the agglomeration of industries can bring about the effect of knowledge spillover, and this effect will also show an upward trend with the shortening of spatial distance. Generally speaking, the cluster effect has positive significance for financial institutions or industries. Through the agglomeration of industries, the sharing of financial experience and technological innovation can be realized. Economists have conducted research on the European market

economy and found that the financial industry is not very compliant with the market, but the industrial agglomeration of financial institutions will have a great impact on the market economy.

2. The agglomeration characteristics of financial industry in free trade zone

2.1 The agglomeration of the financial industry has certain regional characteristics.

The regional characteristics of the financial industry are mainly reflected in the regional characteristics of industrial agglomeration. The agglomeration of a local financial industry is affected by the economy of the region. Therefore, different financial industry agglomeration areas have differences in financial resources and development capabilities. The financial industry in different free trade zones caused by the differences in these regions will have different degrees of attraction to enterprises, and this difference in resources will only make the difference in regional financial resources more obvious. This makes the financial industry agglomeration effect more obvious.

2.2 The financial industry cluster in the free trade zone has room for growth.

On one hand, the increase and agglomeration of the number of financial companies belong to the quantitative level, especially in the newly established free trade zone. The number of financial institutions and financial talents is growing rapidly, and financial products and services are gradually diversified; when the scope of finance is somewhat different. With the expansion, the financial system of the free trade zone will gradually improve, and the efficiency of resource allocation will gradually increase, which will ultimately benefit the improvement of the operating efficiency of the financial industry.

3. Analysis of the factors affecting the agglomeration of financial industry in free trade zone

3.1 Benefiting from Chinese economic opening at the economic level.

The financial agglomeration of the free trade zone is inseparable from the development of the economy. The economic factors of the financial industry agglomeration in the free trade zone can be conceptually divided into two parts, the real economy and the virtual economy. The category of the real economy, as long as it is for humans. The direct economic activities arising from life and survival can be summarized as the real economy, which mainly includes the entire process from the production of commodities to the completion of consumption. In fact, the so-called economic activity is essentially the exchange of commodities, and the economic development of a country benefits from the real economy, because only the development of the real economy can accelerate trade activities and promote the transaction volume of commodities, and there is commodity trading. It will bring about the flow of funds, which will also drive the development of the entire social economy. The establishment of a free trade zone is Chinese innovation and exploration on the road of economic development. Just like the reform and opening up initiated in the 1990s, the free trade zone is also a new attempt to change the system and promote Chinese external development. Economic opening promotes rapid economic growth. In fact, the development of Chinese free trade zone has to benefit from the continuous improvement of Chinese opening to the outside world since the reform and opening up, so that Chinese economic ties with the rest of the world can be strengthened, and the growing new economic needs will give rise to new changes and innovation ^[3].

3.2 The development of the virtual economy also drives the industrial agglomeration effect.

The so-called virtual economy is also a means to serve the real economy that has been continuously developed in recent years. The virtual economy is the securities certificates of related assets and related financial derivatives derived from the continuous accumulation of financial resources. These virtual financial products have perfected the shortcomings of the real economy, enabling people to use these virtual forms to carry out diversified financial activities, and enterprises can also avoid certain risks in this diversified way when performing asset maintenance and financial management, which indirectly promoted the development of financial resources in the free trade zone. In addition to the country's macroeconomic control, in order to have a healthy development of the country, it has also set certain preferential policies for the financial industry in the free trade zone. This is due to the boost from the political level, the independent choice of the environment and the real economy. The demand for development is driving the sound development of the free trade zone, attracting more financial companies to enter it through the accumulation of financial resources.

4. The impact of the financial industry agglomeration effect in free trade zone

4.1 Economically produce radiation effects.

A free trade zone is often a test field set by the state for the development of a region. To a certain extent, it will receive support from the state's policies, funds and talents. The fundamental goal set by the free trade zone follows the reform and opening. The idea is that the country has planned and positioned its development when setting up a free trade zone. The location of the free trade zone is to use better-developed cities to drive the surrounding relatively underdeveloped areas and take advantage of the radiation of geographic location, and to form an economic development network and realize the construction of an economic network.

4.2 Free trade zone has a demonstration effect

Considering the current development of Chinese free trade zone, in fact, the development process of the free trade zone is also crossing the river by feeling the stones. In the process of continuous exploration, it is constantly trial and error and then sum up experience. After China's first attempt to obtain experience and then replicate successful cases, it has 18 free trade zones, including large and small ones, that have been successively established in China. To a certain extent, it can be understood that the free trade zone is a pioneer of economic development.

4.3 Free trade zone drives innovation

The development of the free trade zone is essentially an economic innovation. In the process of starting from nothing, summed experience and perfected Chinese economic development theory. The success of our free trade zone has also given the impetus to continue. In the context of the continuous development of science and technology, the real economy cannot meet the needs of social development. On this basis, the free trade zone constantly explores to adapt to the new needs derived from the continuous development of the society, and the development of the financial industry in the free trade zone of China will also continue to innovate new models such as "interest rate marketization". The free trade zone will give the financial industry more freedom and space for development, and innovation will continue on this basis.

Conclusion

In summary, the agglomeration of the financial industry in the free trade zone is a reflection of the needs of the development of the times, and the agglomeration of the financial industry in the free trade zone is an innovative attempt, which has a driving effect on Chinese economic development. Demonstration fields can be formed to drive the economic development of economically weak areas, while continuing to provide innovative power for Chinese economic development. Therefore, at the current stage, China should continue to promote the financial industry agglomeration in the economic free trade zone to continue to help Chinese economic development.

References

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