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THE SIGNIFICANCE OF FINANCIAL ECONOMY IN THE DEVELOPMENT OF URBAN ECONOMY

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ABSTRACT

Studies point to a powerful link around investment in infrastructure and financial results. Regarding the excellent progress made by Iraq in offering fundamental services, there is a growing discrepancy between towns in distinct areas in their capacity and efficiency to finance the growth of facilities. Such unevenness affects long-term economic growth in metropolitan areas. This research discusses trends and the growing variety of mechanisms for funding urban infrastructure in particular and throughout the areas of the country. It also explores whether and how investment in infrastructure is linked to urban financial performance, using lagged variables to show both short-and medium-term impacts. Such investment has clearly reacted to previous unmet requirements and paved the way for future development. Here, too, the factors and significant events that triggered the rise of approaches and practitioners for urban economic development were examined, the urban pioneers worked jointly to define what they learned over the years, particularly what worked and needs to be maintained, and what did not work and should be enhanced. Concluded that most of Iraq's towns did not have departments or agencies for economic development, and federal policies focused on social programs, helping the poor, but without any true plans to boost urban economic growth or stop the urban blight. There is no doubt nowadays that state economy relates to the economy of the town. In other words, the urban environment gives most of a state's GDP, particularly capital, which is often the financial engine of this setting. Also overseas, beyond the state and even continental boundaries, there are towns of excellent financial significance. These are the so-called global cities that play a significant part in economic operations. There are a few towns (Baghdad, Tikrit, Mosul, etc.) that focus on economic operations that influence big geographic regions. This study shows the significance of the economic industry in the urban economy and how it consolidates a global city's status. These towns are the engine of the international financial system as they host the headquarters of the most significant and well-known global stock exchange markets, monetary supervisors, law firms, and consulting firms.

Introduction

Financial economics is an economic branch that analyzes resource utilization and allocation in economies where choices are made under uncertainty. Future events, whether linked to individual stocks, portfolios or the market as a whole, must often be taken into consideration in financial choices.

Urban economics is studying towns, what's going on in them, and why most individuals live there when there's a lot more room outside. In this section, we will study the spatial allocation of operation within and across cities (urban areas): the concept of the temporal balance where officials may travel throughout storage and to choose their ideal place will be our basic instrument. To comprehend urbanization, we need to consider the benefits of eliminating the distance between individuals: this facilitates goods transport, matching between employees and employers, circulating thoughts and spreading entrepreneurship, all of which can be sources of agglomeration economies. The discussion, on the other side, will also address urban issues such as urban poverty, segregation, and crime.

Review of Literature

There is no widely accepted definition of a financial center, but, in general, a financial center must have the following features¹: own stock markets, host countless international financial institutions, headquarters of world-renowned supervisory organizations, central banks, together with law firms and consultancy firms, all in the same way.

Financial centers have become a vibrant idea with effective methods for obtaining and maintaining the economic center brand². Authors such as Engelen și Glasmacher (2013)³ talk about the economic modernity of urban economic centers, pointing out their significance to the city economy and innovation. Briefly, economic centers can be described as places where major financial institutions are collected and where economic resources are significantly mobilized and redistributed.

The Index of Global Financial Centers (GFCI) establishes three axes that determine the profile of the financial center: connectivity, variety and expertise. The first axis, connectivity, according to GFCI, relates to how renowned the financial center is worldwide and to what extent non-resident experts believe there is a close link between that financial center and other economic centers. Diversity, the second axis, relates to the amount of areas of operation within a financial core (economic mediation, insurance, fund management, etc.). The last axis, specialization, relates to sector-related operations: investment management, insurance, professional services (redevelopment of business model, access to resources, sale and purchase of property, etc.)⁴. Because of a mixture of indexes, a financial center is regarded as competitive. GFCI scientists have grouped these indexes as follows: (1) human resources, (2) company climate, (3) market access, (4) facilities and (5) competitiveness (Yeandle & von Gunten, 2013, p. 32). For greater precision and comprehension of the technique of assessment, we will present each factor briefly. In terms of human resources, for example, the urban financial center analysis takes into account the index of human development (HDI), purchasing power, quality of life, number of economic and legal graduates, the index of human security, etc.

Lately, IFC's status has been affected by significant incidents around the globe. Cetorelli și Peristiani (2013)⁵ states that, owing to the disintegration of the Soviet Union, China's turn to an authentic market economy and the creation of the European Single Market, the markets quickly integrated, especially after 1990. These global changes encouraged the traditional economic centers and the need for financial services to create new companies created a few new places. As a result, some towns can be regarded international or global economic centers⁶: Paris, London, Frankfurt and Zurich in Europe; New York, Chicago and Toronto in North America; Tokyo, Hong Kong and Singapore hosting Asia's most strong economic centers.

Why are cities' economic centers so crucial? Well, by creating a comparison, Sassen merely replies this. He says that while industrial services are hardly able to survive, financial services make

supernormal profits⁷. The existence and concentration of countless financial services in localized forms enhances their global city status.

Discussion

Opening domestic economies to worldwide markets has returned urban areas within the same nation and international to a competitive position. City market has had the impact of defining the urban economy as basic to achieving domestic financial objectives, leading to a notable transition in the perspective of towns of domestic governments. High levels of urban economic growth are acknowledged as a consequence of greater productivity, increased capital density, higher concentrations of human capital, and higher infrastructure density.⁸ Six attributes can be identified by a competitive urban economy:

- i. the jobs generated should be high-skill, high-income jobs.
- ii. Production should develop towards products and services that are environmentally sound.
- iii. Production should focus on products and services with desirable features such as high-income demand elasticity.
- iv. In order to obtain complete jobs, the pace of financial development should be suitable without creating the adverse elements of overburdened economies.
- v. The town should be specialized in operations that will allow it to achieve control over its future, i.e. choosing between alternative futures instead of passively accepting its lot.
- vi. In the urban hierarchy, the town should be able to improve its place.

Globalization and worldwide economic integration procedures and rapid metropolitan economic development involve new financial and spatial planning and policy strategies to enhance the benefits of urban regions. Iraq's financial problems linked to an undiversified economy and increased dependence on oil, structural imbalances, relatively high rates of poverty and unemployment, fiscal pressures owing to security spending in the fight against Daesh, coinciding with a fall in oil prices, and slow advancement in reforms to increase national incomes. Government seeks to boost domestic and local financial activity by concentrating on non-oil industries to create employment, build productive ability, produce sustainable incomes and encourage the growth of the private sector and sustainable tourism. There would be a distinctive focus on enabling women to participate in the economy and the workplace. In the brief term, a limited number of bankable operations will be directed at attracting and crowding institutional investors in important sectors (e.g. oil and gas, telecommunications, energy and transport hubs). It will also create procedures for settling backlogs of the public sector due to the private sector and currently limit the ability of the private sector to access finance; these arrears have an impact on the productivity of the private sector and on donations to the overall economy. A further important aspect will be to ensure that local private businesses as well as small and medium sized businesses (SMEs) continue to have improved access to credit through various options. This may require structuring and promoting credit infrastructure with a view to increasing private sector financing in Iraq and facilitating and facilitating access to present credit lines of the Central Bank of Iraq (CBI) for small and medium-sized enterprises and extending their restricted coverage to commercial banks.

The primary aim of this research is to investigate patterns of growth of the financial economy across towns across distinct areas, and how investment in infrastructure can be linked to growing disparities in the performance of urban economies. Iraq's economy is gradually recovering from the profound financial strains of the last four years. Real GDP is projected to have increased by 0.6 % in 2018, thanks to a significant enhancement in safety circumstances and greater oil prices, reversing the contraction of 1.7 per cent seen in 2017. The non-oil economy accelerated and rose at 4%, while petroleum manufacturing was mildly lower than in 2017, in line with the OPEC+ contract. Recently, the Iraqi economy has obtained a boost of trust through the signing of several trade contracts with its

neighbors. Reconstruction attempts have been underway at a mild rate. Inflation stayed small at 0.4% in 2018, but mildly greater than in 2017, owing to greater national supply in relation to increasing food and transport expenses.

It is also evident from an assessment of Iraq's economy that while ideology and politics are the main causes of violence in Iraq, they face exceptional difficulties in the reality that Iraq has an exceptionally youthful population and a large number of young males and females hopeless for professions, employment, wedding, home and family life. The CIA reports that an exceptional 36.7% of Iraq's inhabitants is between 0 and 14 years of era, and 19.6% is between 15 and 24 years of era, and Iraq is almost 70% urbanized. Its economy, politics, and social conflicts have been under severe population pressure for at least another two centuries.

It also traces the increasing trend of violence and inner conflicts between the Arab and Kurd and Sunni and Shi'ites, and demonstrates that the effect of ISIS is only component of a much wider model of violence and division that affects a much bigger proportion of the Iraqi population. Sectarian and ethnic tensions and struggles have also split the Iraqi population into metropolitan and regional sub-economies whose issues and inequities render it harder to attain domestic unity, safety and stabilization.

It is evident from the assessment that some of the struggles with ISIS have significantly aggravated the issues Iraqi Kurds and Arabs will have to agree on the magnitude, funding and scope of the potential Kurdistan Region. At the same moment, the increase of multiple militias and racial and sectary powers has improved the issues of land-sharing, political authority, and oil revenues between Sunnis and Shiites in a nation whose environment and population is approximately 70% urbanized⁹.

The theoretical and practical explorations shed light on some of the views on the implementation of economic clusters to metropolitan financial and social strategies. The article deals primarily with strategic problems and focuses on the key position of the ECs in enhancing assistance for urban planning. A model for empirical cluster studies directed at sustainable urban development is created on the grounds of a literature study.

Economic clusters (ECs): prospective functions in assistance of urban planning ECs are a key problem for metropolitan and regional development. As an economic-spatial entity, the idea of the ECs is of both scientific and practical importance to the economic and spatial spheres. It occurs frequently in modern discourses on metropolitan economic development policy. The implementation of the ECs to space strategies is uncommon. This requires a combination of spatial and non-spatial knowledge, theory and methodology. However, the ECs could possibly provide a concrete and significant idea for the assessment of complicated urban dynamics and a tool for improving scheduling assistance.

Economic clusters an exploratory scientific concept EC is related to a relatively geographically related group of functionally interlinked, interlinked or complementary undertakings sharing common local infrastructure and organizational climate. It is a concept that defines both urban structure and growth's economic and natural phenomena. It represents the close relationship between economic operation businesses and industry interactions. It also recognizes that such a relationship / interaction can lead to and, in turn, strengthen geographically the spatial convergence of economic activities. The EC concept provides a scientific context to explore economic and spatial occurrences theoretically. It builds on economists' interests in addressing agglomeration economies and geographers in determining manufacturing districts, both with a view on the rationale and impact of economic activity geographic concentration. Actually, the current problems concerning the globalizing economy and flexible production systems are contributing to the EC concept¹⁰. To promote urban growth, related changes in financial organization and the importance of localized markets are used. At the same time, local initiatives aimed at improving economic production emerged as a response to the growing competition between cities, primarily driven by economic globalization.¹¹. Place promotion or urban

marketing is acknowledged as significant element of urban policy¹². It is heavily linked to growth objectives and implemented by trying to construct and create (more) identity or (better) image through architectural aesthetics and uniqueness of society and culture. It is then possible to use established location photos as a marketing strategy or as a town advertising approach.

One of the aims of this research paper is to investigate the function of the ECs in improving the analytical and tracking ability of urban planning through better adjustment of metropolitan economic dynamics.

Economic policy outlook the creation of the ECs relies very much on the socio-economic framework. The goals of policy and organizational agreements differ from place to place. ECs are a tool to stimulate backward areas in emerging nations, while ECs are pioneers in creative markets in developed countries. ECs are emerging in India and China as a fresh type of manufacturing room, intertwined with drastic economic restructuring and an organizational reform climate¹³. Cluster strategy is not a one-size-fits-all strategy¹⁴. While some of the best practices, such as Silicon Valley, are reflective, excellent practice is mainly focused on adjustment to local circumstances.

The fundamental arrangement is that the ECs are synergized intervention rather than zero-sum financial strategies¹⁵. A strong EC strategy will take together numerous support organizations, vendors, institutions and universities to satisfy the demands of a community of businesses or sectors.

This method includes multi-level action and includes distinct levels of government. At the micro level, local authorities generally apply cluster strategies to a community of companies with a strong organizational network and cooperative development schemes. The main is to create or form a favorable company atmosphere. Much of the studies on strategy has been dedicated to this dimension. On the other side, there is less worry about the strategic level that municipal or regional authorities should support. Although there is nothing incorrect with the emphasis on the company setting, local financial composition, circumstances and potential developments are mainly ignored. The assertion of creating ECs to promote regional development could be true or unrealistic¹⁶. The identity of clusters is as the main problem in economic policy. Identification could be used to address the difficulty often structural decrease, such as the vehicle cluster in the British West McCains¹⁷ or, more often than not, cluster initiatives are focused on current clustering potentials or weaknesses. Clusters may occur as a consequence of both difficulties and possibilities. EC choice should be focused on the local socio-economic framework and, if it is motivated by difficulties, a number of critical attempts can be anticipated to resolve current obstacles.

A Case study from Tikrit City

Expansion of the financial foundation and new sectors in rural vibrant urban sprawl, increased per capita revenue, increased demand for new buildings and rapid construction accelerating the process of urbanization. After 2000, the region has passed through a sequence of political occurrences. This political reform prompted fast urbanization in Tikrit City dramatically. The deep changes in the oil investment political economy led to significant financial incentive. As a result, there have been many projects and factories in the urban edge where expenses are smaller. This chapter seeks to comprehend how urban sprawl impacts the city's financial and political composition. The two issues were intended to accomplish this goal: "How has the economy affected urban sprawl?" And "How did the urban sprawl influence the political sphere?" In this perspective, as shown in Figure 10, among 50 surveyed respondents, 42 percent of respondents commonly cited political autonomy as one of the results of variables affecting Tikrit city's urban sprawl. In addition, this was due to the capacity of the region's political rulers to pursue friendly measures that promote security and peaceful coexistence among local and migrant individuals. Another significant factor also stated was economic reform, resulting in a huge attraction of both local and foreign investment by 12 percent. Other factors that have been discovered to contribute to change in the town structure, in relation to the above variables, are 10% business activities, 7% autonomous media, 24% democratic governance, and other less important

variables (Figure 1). According to one of the participants: "The series of political operations taking place in the region has a major impact on the city's financial status. This effect has a beneficial influence on the economic development of the town in particular, including by establishing companies in the private sector in distinct industries. Interpretation from this research is that the political autonomy given to the region has resulted in a rise in people's earnings and purchasing power. This is due to prosperity in the city's business operations and industry establishment. Therefore, in relation to the reality that several fresh investments and projects were introduced, the real estate market experienced enhanced prosperity. Because of its share of oil profits and comparative safety in the region, Kurdistan has become that component of Iraq with the biggest dynamics in its growth. Foreign investors are drawn and there is a clear economic boom. Investment concentration and new initiatives in the town attract enormous numbers of migrants in search of employment. This is not to exaggerate the fact that Kurdistan Region in general and Tikrit City in specific have seen such unpredictable growth and development that has never been seen in the past. Nevertheless, the city's sudden and unexpected development has always led to uncontrolled development, otherwise known as urban sprawl. Other variables influencing urban sprawl include bad low enforcement, absence of application of policies, urban rural migration, political instability, political conflict, allocation inequality.

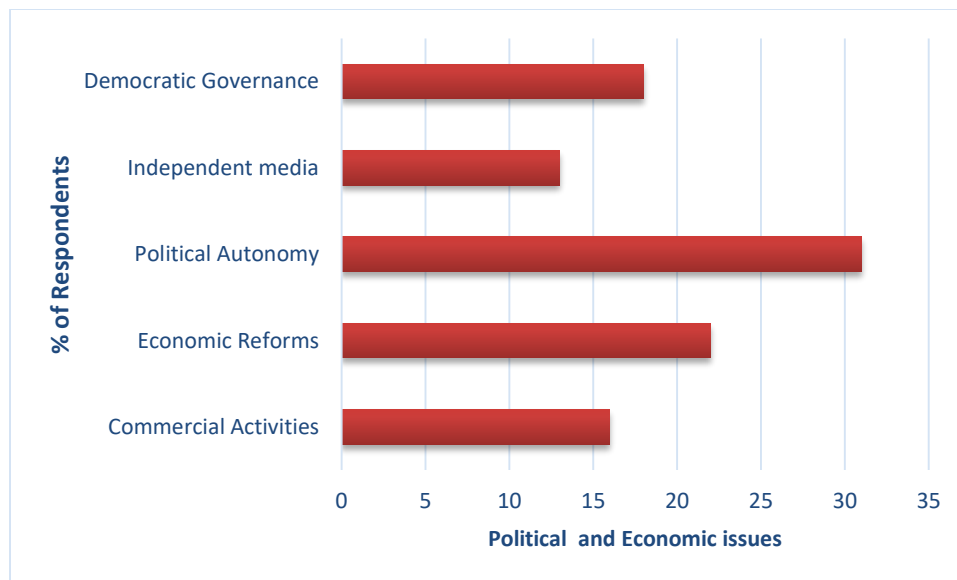


Figure 1: Political and Economic influence on city development

Concentrating around 1/6 of the world's GDP in just twenty metropolitan centers (which are not necessarily the biggest in terms of population numbers), global cities have been dealing with world finance despite the barriers that cyberspace creates. While internet transaction platforms and other such contemporary IT tools provide profit-maximizing alternatives, businesses will need a command center, a headquarters that will handle all operations. Consequently, the economic and financial clusters in general, will not vanish, but they will paradoxically strengthen and collect more and more profile businesses. Some of them join the fresh market niches offered by their place and some growing cyberspace services. More focused economic operations result in a diminished role for some financial centers or, more than that, some very significant international financial centers disappear. There will be advantages for those who will maintain their position through competitiveness and quality services. The revenue from economic operations is increasingly consistent so that in some instances it could even exceed the urban economy's fifty percent limit. Because of their enormous concentration of assets and talents, the global economic operations will definitely keep Iraqi towns as major economic centers. By working with their subsidiaries where they have exported certain financial services, they have the capacity to "pack the money in creative ways."

Conclusion

Many of Iraq's urban regions have grown sporadically. This research suggests that urban needs urgent practical policies and strategic plans for urban development that can regulate unplanned urban growth. New tools are required to monitor urban sprawl, measure the characteristics of the landscape and its distribution, and the extent of urban sprawl. In planning to promote the desired sustainable future urban development, the local government's function in urban settlements is crucial rather than being a facilitator for offering public services. This research can be used as suggestions to local government authorities to assist them generate sustainable urbanization process management by taking into account all elements of growth that require consideration of social, environmental, financial, political, and governance. Therefore, to enhance the quality of urbanization, equal consideration should be provided to the associated elements. Therefore, to regulate the dynamics of urban growth and minimize the undesirable effects of fast developments, more strategic instruments need to be established. In order to guarantee a fully considered re-distribution of urban population, provide appropriate and affordable housing, provide a better quality of urban life, and improve sustainable development linkages between urban and rural areas, it is essential to create efficient organizations backed by rigid legislation and legislation on urban growth management. Furthermore, revising the master plan and consulting professionals, scholarly professional organizations, designers and community organizations to update policies and strategies to fulfill fresh demands for the society.

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