

# Research on urban operation strategy from the perspective of business administration -- a case study of Y city in China

Huang Weijie

Graduate School of Business, University of the Visayas (Cebu City, 6000, Philippines)

**Abstract:** Since the reform and opening up in 1978, China has achieved rapid economic development, continuous improvement of urbanization level and continuous growth of urban scale. Under the impact of the outbreak of COVID-19 and the world economic crisis, China's economic growth rate is also declining, and urban financial pressure and operation difficulties are becoming more and more serious, especially in the land finance model with Chinese characteristics. Because of the depression of the real estate industry, local governments can obtain financial revenue through land auction, but urban operation expenditure is constantly rising. Local governments are faced with great challenges in urban operation. Based on the perspective of business administration, this paper studies the optimization of land use planning, formulation of reasonable industrial development planning, and calculation of economic balance of urban operation in China's Y City, and introduces efficient and refined operation concepts of enterprises into the government's urban operation, so as to find new strategies for urban development of Y City. Hope to provide reference for sustainable urban development in China and even the world.

**Key words:** urban operation, business administration perspective, land finance model, sustainable urban development

## 1. Introduction

In recent years, due to the rapid development of China's urbanization, urban expansion is very rapid, but the rapid development of Chinese cities cannot be separated from the land finance model with Chinese characteristics. After the land reform after the founding of the People's Republic of China, land ownership in China is public, urban land is owned by local governments, and rural land is collectively owned by farmers. The so-called land finance means that the primary land development market is controlled by local governments. Local governments can obtain monopoly profits by expropriating farmers' land at a low price and turning it into urban construction land, and then selling the use right of urban land to real estate companies at a high price. Land finance has provided huge financial support for China's infrastructure construction and urbanization, in many cities, land sales generate more revenue than taxes to the local governments, helping China's cities achieve rapid economic take-off. However, local governments rely heavily on land transfer fees for economic construction, resulting in a serious land dependence problem. The negative effects of land finance are as follows: 1. Some farmers lose their land and become a factor of social instability. 2. Under the shortage of cultivated land resources, the expropriation of farmers' land has led to the further reduction of cultivated land. 3. When local governments continuously raise land prices to obtain income, real estate prices will also rise, and residents' consumption power will be reduced, resulting in insufficient social consumption. 4. Due to the shortage of high-quality land resources and the sluggish land auction market in recent years, local governments can no longer obtain stable land transfer income, which makes it difficult to realize the steady growth of local economy, and the difficulty of urban operation of the government also increases. Therefore, it is

necessary to put forward early warning for the risks of land finance in time, and find new urban development strategies, so as to avoid the severe damage to China's social economy caused by major systematic risks and ensure the sustainable development of cities.

The total planning area of Y city is 45 square kilometers, and the planned urban construction land area is 28.7 square kilometers. It is predicted to accommodate about 400,000 people. It is a regional central city, an economic and cultural central city, with relatively complete urban supporting facilities, but lagging industrial development, and a high degree of dependence on land transfer income of local fiscal revenue, with a high representative.

In recent years, many scholars have conducted in-depth studies on urban development in China, but their research perspectives mainly focus on how land finance affects urban development and the internal relationship between various factors that affect urban development. Wang, Yiwei (2021). Guided by China's urban governance, this paper studies the impact of land finance on sustainable urban land use. By clarifying the formation process of Chinese-style land finance triggering urban expansion, and conducting an in-depth analysis of the influence relationship and influence mechanism between land finance and urban sprawl, the research data was collected only in 2017, which will affect the timeliness of the measured and verified conclusions to some extent. Zhou He (2021). Taking the data of 35 Chinese large and medium-sized cities as samples, studied the impact of industrial agglomeration on China's regional real estate prices and found that industrial agglomeration has a significant positive impact on real estate prices, and industrial agglomeration can effectively improve residents' real estate purchasing ability, but did not put forward suggestions for the government on industrial planning and development. Du, Tongwei (2021). An in-depth study was conducted on the impact of financial institutional factors on the

financial sustainability of local governments in China, but the research results mainly focused on the analysis and suggestions of government finance. In addition to land transfer income, some scholars also explore the impact of industry and taxation on urban development. Huang Yan (2020) analyzed the impact of property tax instead of land finance on China's economic fluctuations and put forward policy suggestions. Reed(2009) and Pettit(2018) took Australia as an example to study the development of the country's real estate market and found that the real estate prices were generally not high and the urban development level was relatively average in areas with retail industry clusters and prosperous traditional service industries. In the financial industry cluster area, the real estate price is generally the highest, urban development.

The innovation of this study lies in the study of urban development from the perspective of business administration. The operation of a city is sometimes regarded as the operation of an enterprise, and the development of an enterprise needs to be human-centered. Therefore, urban development research should be carried out with the city as the center and the local government as the center. Put forward some strategies for sustainable urban development in China. At the same time, taking Y City as an example, this paper analyzes the optimization of land use planning, formulation of reasonable industrial development planning and calculation of urban operation economic balance in Y City of China, and proposes some specific measures and schemes through in-depth case studies, so as to provide reference for the sustainable development of Chinese cities. For local government officials, this case study can reflect on their urban operation ideas and formulate scientific urban development strategies based on their own realities, so as to effectively support the sustainable development of the city in the future.

## 2.Methodology

This paper studies urban development strategies from the perspective of business administration, using a variety of analysis methods, including literature research, statistical analysis and case study. The details are as follows:

1. Literature research. Literature research is the basis of this study. Through sorting out relevant research literature and books at home and abroad, a reliable theoretical basis is established for this study. Related concepts such as land finance, urban operation, industrial agglomeration, land planning and land economic balance calculation are sorted out. By collecting and analyzing existing problems in urban operation and domestic and foreign urban development experience, the research object and research value of this paper are more clearly defined. A large number of literature collation is also helpful to have a profound understanding of the formation basis of real estate price, the impact of industrial agglomeration on real estate price, the performance of China's real estate market and the characteristics of real estate price fluctuation, as well as the impact of China's industrial agglomeration on real estate price.

2. Statistical analysis methods. Combined with statistical analysis tools, by collecting and analyzing existing problems in urban operation, domestic and foreign urban development experience, comparative analysis of the proportion of various land uses in urban planning, a comparative model of urban income and expenditure balance is established, and land value and expected

income are taken as variables to conduct simulation analysis of urban operation. Thus, it can better analyze the existing problems in urban operation from the concept of enterprise operation and provide beneficial inspiration for empirical research and countermeasures.

3. Case study. Many previous studies made analysis based on universal laws. This study focuses on Y City as a case to conduct practical simulation. According to the development laws of Chinese cities, combined with the world's economic development situation and the latest urban development policy changes in China, By optimizing the land use planning of Y city in China, formulating reasonable industrial development planning, and calculating the balance of urban operation economy and other aspects of analysis, some specific measures and schemes are proposed through in-depth case studies to provide reference for the sustainable development of Chinese cities.

## 3.Results and discussion

### Result

1. Land use evaluation and optimization. According to the survey and calculation, the original planned residential land is about 937 hectares, accounting for 32% of the urban construction land, and the planned industrial land is about 114 hectares, accounting for 4% of the urban construction land. There are problems such as dominant residential land and insufficient industrial land; by comparing urban cases with good economic development, To optimize the land use in Y city, The new planning scheme covers about 337 hectares, Accounting for 11.6% of the urban construction land; The planned residential land area is about 723 hectares, Accounting for 24.9% of the urban construction land, Improve urban industrial land use, To strengthen investment attraction to do a good foundation for the next step, Continue to generate taxes and jobs through industrial development, Provide the foundation for sustainable urban development.

2. Overall estimate of economic balance. Through field research, data collection and statistical analysis, after the optimization of land planning, the comprehensive income and input cost of Y city can basically achieve the overall balance of income and expenditure. Income: land transfer is 33.781 billion yuan, including industrial land transfer 4.836 billion yuan, residential land 16.275 billion yuan, commercial land transfer 6.201 billion yuan, commercial and commercial and residential land 6.469 billion yuan; Cost: 35.185 billion yuan, of which the land purchase and storage cost is 20.874 billion yuan, and the construction cost is 14.312 billion yuan (excluding the construction projects in the central area, the construction cost is 10.641 billion yuan). Annual operating income and tax revenue: When the long-term industry is mature, it is estimated that the annual operating income of the planning area will be about 45.6 billion yuan, and the tax revenue will reach 2.3 billion yuan. According to the analysis, the land optimization can effectively alleviate the current fiscal deficit of Y city and provide an economic foundation for the local government to do a good job in urban operation.

3. Analysis of industrial development strategies. The current situation of industrial development in Y city stays in the traditional real estate development mode, and the introduction of new industries lags behind. The absence of industrial planning, the lack of key or major projects detonated regional development, has not

yet formed a large-scale industrial function. According to statistics, in 2019, the added value of China's digital economy was 35.8 trillion yuan, accounting for 36.2% of GDP. It is expected to reach 60 trillion yuan by 2025. In combination with the actual situation of Y city, it has the industrial development strategy of taking big data as the center, build big data characteristic parks, and accelerate the introduction of a number of cloud computing and big data enterprises. According to simulation calculation, the operating revenue of Y city will reach 10 billion yuan in 2025 and reach 35 billion yuan in 2035.

#### Disussion

It is found that land use has an important impact on urban management. Urban land use is the basis for judging the mechanism, development direction and degree of sustainable use of urban land, Many scholars have analyzed this issue, For example, Wu Yuling, Qu Futian(2006) think, Urban economic development, land market development degree and the government's land policy are the main influencing factors of urban land use; Wang Jiating, Ji Kaiwen (2009) believe that the location characteristics of urban land resources, economic development level, population density, land investment intensity, GDP, land scientific research investment, environmental factors and so on are the important factors affecting urban land use; But from the study in city Y, Urban land use planning is greatly influenced by the management philosophy of local governments, When local governments expect short-term land income to ease the economic pressure, Will continue to increase the proportion of residential land, A huge short-term gains to real estate by selling residential land at high prices, But from a sustainable development perspective, Increase the proportion of industrial land use, Formulate industrial development plans according to the actual situation, We will vigorously develop the real economy, the digital

economy and other industries, Can enable local governments to obtain long-term and stable tax revenue, Make urban operations more sustainable.

## 4.Conclusion

This study closely follows China's special institutional conditions and social and economic development characteristics, and studies urban development strategies from the perspective of business administration. Taking Y city as a case, it analyzed the land use planning of Y city, formulated reasonable industrial development planning, and calculated the balance of urban operation and economy, and found that the local government, as urban operators, the concept of urban land use has an important influence on urban operation. The limitation of this study is that the study cases are not rich enough and can be further extended to different city types for comparative studies.

In China under the condition of land policy and special system, Chinese land finance influence on local government operating city, local government has the monopoly of land supply and distribution, encouraged the local government for huge short-term land transfer income, dependence on land finance and disorderly, excessive expropriation and transfer land behavior, thus created the unsustainable land finance and urban operation. In order to effectively control the local government of land fiscal irrational dependence, let local government officials can focus on the sustainable development of the real economy, must rely on the government this "visible hand", strive to solve the system level factors, attaches great importance to change the achievements system and special policy, from the source of economic development "land finance", the scale of local government land development, land finance strict management, constraints of local government officials power.

## References

- [1] Wang, Yiwei (2021). A study on the impact of land finance on sustainable urban land use. doctoral dissertation.Chinese University of Geosciences.
- [2] Zhou He (2021). Research on the impact of industrial agglomeration on regional real estate prices in China. doctoral dissertation. Jilin University.
- [3] Du, Tongwei (2021). Fiscal competition, soft budget constraint and local fiscal sustainability in China. doctoral dissertation. Jilin university.
- [4] Huang Yan (2020). The impact of property tax instead of land finance on China's economic volatility and policy recommendations. doctoral dissertation. University of International Business and Economics.
- [5] Malpezzi S. (2009)., The Wisconsin program in real estate and urban land economics: a century of tradition and innovation. Department of Real Estate and Urban Land Economics.
- [6] Reed, R., Pettit, C. (2018)., Real Estate and GIS: The Application of Mapping Technologies. Routledge.
- [7] Wu Yuling, Qu Futian(2006). Evaluation of land use intensity in the Development Zone of Jiangsu Province . Resources and Environment of the Yangtze River Basin.
- [8] Wang Jiating, Ji Kaiwen (2009). Analysis of influencing factors of urban land use in China —— empirical study based on data from 34 typical cities. Economic geography, 2009 (07): 1172-1176.