

IMPACT OF URBANIZATION ON COUNTRY'S ECONOMIC DEVELOPMENT: OPPORTUNITIES AND CHALLENGES

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Methods. This study is based on secondary data, which includes data from the World Bank, the United Nations (UN) and various academic studies. The methods used include: Comparative analysis – to assess the economic impact of urbanization in different countries; Statistical review – to study the relationship between urbanization rates and economic growth; Case study method – to analyze successful urban policies and problems.

Results. The study found: Urbanization is a catalyst for economic growth: cities are the main driving force of the economy, where investments, employment and services are concentrated. A factor that promotes innovation and technological development – urban environments create opportunities for the rapid development of start-ups and technology companies. Expanding the labor market – urbanization creates new jobs and stimulates economic activity. Urbanization also fosters infrastructure development. The relationship between growth and urbanization is usually described in terms of traditional economic analysis, which clearly explains this phenomenon in terms of its own analytical approach. The same thing happens when claims about the relationship between growth and urbanization are based on the correlation between the level of urbanization and per capita production. Modern urbanization requires improvements in the areas of transport, energy, water supply and communications. Urbanization also is connected with attracting investment. Cities are attractive to investors because urban environments contribute to productivity and market expansion.

Novelty. The study discusses the impact of urbanization not only on the economy, but also on social and environmental factors. It presents the role of technological urbanization, including the concept of "smart cities". It shows how urbanization can be managed based on the principles of a green economy.

Practical value. For policymakers, the results of the study will help government and municipal leaders improve urban planning and economic policies. For the business sector, the analysis of urbanization will help companies and investors to discover new opportunities in cities. For society - the studies show the impact of urbanization on the quality of life and the reduction of social inequality.

Keywords: urbanization; urban infrastructure; sustainable urban development; well-managed urbanization.

Statement of problem. Urbanization (from Latin «Urbanus» – of the city, urban) is a complex fusion of closely interconnected socio-economic phenomena, driven by the growing

role of cities in all areas of public life. It is manifested in the concentration of economic and cultural life in urban centers, the emergence of giant cities (metropolises), and more.

The process of urbanization has already transformed the world map, where cities and urban areas offer a wide variety of services, products, and job opportunities to millions of people.

Urbanization is a process of social transformation, during which the proportion of urban population increases as a result of their migration from rural areas to cities and the widespread adoption of urban lifestyles. Urbanization is one of the defining factors of modern economic and social development. The rapid growth of cities is directly linked to economic development, innovations, and improvements in the standard of living.

Urbanization is one of the key processes of modern society, influencing both social and economic structures. The pace of urban development is particularly accelerating in developing countries, where cities have become centers of economic activity. Studying the economic aspects of urbanization is crucial for understanding how this process can create new business and employment opportunities.

Urbanization is one of the most important factors in the modern global economy. The rapid growth of cities, the development of urban infrastructure, and population concentration are the main driving forces of economic transformation. It creates new opportunities for innovation, employment, and investment growth, playing a significant role in shaping global economic dynamics.

Aim of the paper. The specific objectives of the study are:

- To analyse the economic opportunities of urbanisation. How does urban growth contribute to economic development, investment and employment?

- Assess the challenges of urbanisation. What are the main economic and social problems associated with urban growth?

- Developing solutions – How can sustainable urban policies be implemented to optimise economic development? Recommendations for both policy makers and businesses are developed.

The importance of the study is reflected in several key aspects:

- For academics – the study empirically examines the economic impact of urbanisation,

which can be used to inform future research and create new models of urban development.

- For policy makers – the results of the study will help governments and municipal leaders improve urban planning and economic policies.

- For the business sector – the urbanisation analysis will help investors, businesses and start-ups adapt to the economic environment of cities and discover new opportunities.

- For society – the study will reveal the impact of urbanisation on quality of life and social inequalities, helping to raise public awareness.

Materials and methods. This article is based on secondary data that includes data from the World Bank, the United Nations (UN) and various academic studies. Comparative analysis, statistical review and case study methods were used.

Modern world economy. Its importance in the modern world economy is as follows:

Urbanization as a Catalyst for Economic Growth Cities are the main driving force of economic development. The growth of urbanization supports the expansion of the production and service sectors, which leads to an increase in national income. According to World Bank research, more than 80% of economic activity is concentrated in cities in developed countries. This fact indicates that cities play a significant role in the development of the global economy.

Innovation and Technological Development Cities are the epicenter of innovation and technological progress. Startups and technology companies develop more rapidly in urban environments, where the necessary infrastructure, specialists, and investments can be mobilized. For example, Silicon Valley is a successful synthesis of urbanization and technological innovation.

Expansion of the Labor Market and Employment Opportunities. Urbanization creates new jobs and supports the development of the labor market. The concentration of economic activities in cities encourages growth in various sectors-services, industry, and technology, which in turn creates new employment opportunities.

The Impact of Urban Infrastructure on the Economy Modern cities require well-developed

infrastructure for transportation, energy, water, and communication, which strengthens economic growth. Highly developed urban centers create better conditions for businesses, attracting more investments.

Urbanization and Investments. Cities are attractive locations for investors because the urban environment provides opportunities for higher productivity, market expansion, and the introduction of innovations. As the urban economy grows, the volume of foreign direct investment also increases.

Global urbanization trends refer to the ongoing urbanization processes worldwide that define how cities are changing and how populations are transitioning from rural to urban environments. These trends encompass various factors, including demographic, social, economic, and ecological changes.

The factors that contribute to the expansion of cities and the concentration of populations in urban areas are the main drivers of urbanization. These include:

- **Economic Development** – The expansion of industries, services, and innovative sectors. By creating jobs, cities attract rural populations.

- **Employment and Income Opportunities** – Cities offer more and better-paying job opportunities, which drive rural migration.

- **Infrastructure Development** – Improvements in transportation, energy, water supply, and communication support urban expansion.

- **Migration** – People leave rural areas and move to cities due to better living conditions, education, and healthcare accessibility.

- **Technological Advancements** – Digital platforms, innovative urban projects, and the concept of «smart cities» accelerate the pace of urbanization.

- **Globalization** – The entry of international corporations and investments promotes the expansion of cities and the formation of urban hubs.

- **Demographic Growth** – Natural population growth also increases the size and density of cities.

- **Political and Social Factors** – Government decisions that support city development and changes in social structures, such as increased social and cultural activities in cities.

- **Environmental Factors** – In some rural areas, harsh economic or ecological conditions, such as natural disasters, soil degradation, and climate change, reduce the quality of life and often force people to leave rural areas and migrate to cities.

- **Education and Professional Opportunities** – Cities offer greater access to education and professional development programs, which is a key driving factor of urbanization.

In the interaction of these factors, urbanization becomes a complex process that affects both local and global levels. Urbanization creates conditions that support not only the growth of startups but also powerful economic transformation, where technologies and innovations accelerate the development of economic processes. The development of urban infrastructure is directly linked to economic growth, as it simplifies business processes and increases productivity.

The process of urbanization is an interrelated and mutually reinforcing phenomenon. Based on the experience of developed countries, it can be said that urbanization is associated with a growing income level and improvements in social indicators (social indicators include life expectancy, education level, infrastructure, access to social services, and more). Urbanized countries, with higher income levels, stronger institutions, and stable economies, are also more resilient to global economic fluctuations. There is sufficient research empirically confirming the relationship between the increase in the proportion of urban population and the rise in per capita income. A positive correlation is observed between these two indicators. In general, urbanization, civilization, and economic growth serve as mutually reinforcing factors.

Urbanization not only refers to the physical expansion of cities but also encompasses large-scale economic changes. With the help of innovations and technologies, urban infrastructure becomes one of the key drivers of economic development. Cities that successfully integrate technology into their development become more competitive in the economy and create favorable environments for startups and large companies.

- Properly managed urbanization is one of the main paths to sustainable economic growth

and social well-being. Properly managed urbanization involves the development and management of cities and urban areas in a way that ensures sustainability, long-term success, and correctness, while providing better living conditions for people living in cities, in economic, social, and ecological terms. Its main features include:

- **Environmental Sustainability** – Urban development that preserves natural resources, protects ecosystems, and promotes the use of renewable energy.

- **Economic Sustainability** – Cities must develop economic models that promote job creation and business growth.

- **Social Equity** – Priority should be given to the needs of vulnerable groups, ensuring that all urban residents have access to housing, education, and healthcare opportunities.

- **Infrastructure** – Reliable, long-term urban planning based on efficient transportation systems, ecologically sustainable infrastructure, and a safe environment.

- **Cultural and Social Diversity** – Coexistence of people from different cultures, ethnic groups, and socio-economic statuses.

- **City Governance Effectiveness** – Well-functioning urban management institutions that implement city policies based on responsible and transparent operational principles.

- **Urbanization** creates both significant opportunities and serious challenges that affect the social, economic, and environmental aspects of cities.

Key opportunities include:

- **Economic Growth** – Urbanization contributes to faster economic development and job creation. Cities concentrate businesses, investments, and resources, which increases the country's gross domestic product.

- **Infrastructure development** – Urbanization promotes the development of urban infrastructure such as roads, transportation systems, electricity and water supplies. It also creates better services for citizens.

- **Access to higher education and healthcare** – Cities often provide easier access to high-quality education and healthcare. They also have a high concentration of professionals, which helps spread knowledge and skills.

- **Technological innovation and research centers** – Urbanization supports technological innovation because cities are home to many technology companies, research institutes and universities that create new ideas and technologies.

- **Consumer market and services** – Cities have a larger and more diverse consumer market, which gives companies more opportunities to quickly introduce new products and services.

Issues:

- **Environmental issues** – Urbanization often results in pollution (such as air, water and noise pollution), large amounts of waste, contamination of water sources and overexploitation of natural resources.

- **Overcrowding and housing conditions**. Large numbers of people moving to cities can lead to housing shortages, resulting in poor living conditions, the creation of abandoned areas and increased homelessness.

- **Urbanization in cities** can lead to traffic congestion and heavy transport congestion, causing delays for people and making it difficult to coordinate.

- **Social Inequality**. Urbanization often increases social inequality. Cities often have significant gaps between rich and poor, which can lead to social tensions.

- **Environmental Change**. Urban expansion often occurs at the expense of green spaces, leading to climate change and hampering biodiversity conservation.

- **Health Risks**. High levels of pollution and poor housing conditions, such as small living spaces and lack of sanitation, can lead to health problems, including respiratory and infectious diseases.

Recommendations for policy makers and businesses to effectively address urbanization and create sustainable and inclusive cities include:

- **Properly Managed Urbanization** – One of the key paths to sustainable economic growth and social well-being.

- **Multisectoral Collaboration** – Active cooperation with governments and local authorities to create a strong and sustainable urban ecosystem.

- **Government Policy** – The government must create policies that promote sustainable

urban development and improve transportation and housing conditions.

- **Affordable Housing** – The government's role is to promote the construction of affordable and accessible housing to create conditions for socially vulnerable and low-income individuals.

- **Infrastructure Improvement** – Investments in transportation, energy, and technological infrastructure are essential to support economic growth.

- **Inclusive Economic Policy** – It is necessary to implement policies that reduce urban inequality and promote the integration of all social strata into economic processes.

- **Promotion of Technologies and Innovations** – Supporting the development of the digital economy and innovative centers will encourage the sustainable growth of the urban economy.

- **Environmental Sustainability** – Urbanization should align with green development principles to reduce environmental impact and improve the quality of life.

For representatives of the business sector

- **Consumer-oriented development.** It is important for modern business to develop urban spaces and services that meet the needs and demands of citizens.

- **Job creation and education.** Business should implement programs to improve professional skills and qualifications, helping young people and various social groups both in the city and its surrounding areas to find work.

- **Considering the uniqueness of each city.** Business should be based on the use of local culture and resources, which will help to preserve the individual identity of the city.

- **Efficient use of city resources.** Business should focus on the efficient use of energy, water and other resources, which supports environmental protection and reduces business costs.

- **Corporate social responsibility.** Companies should strengthen their social responsibility and actively participate in the development of the city, taking into account both environmental protection and public welfare.

Modernization, urbanization and economic growth. It must be assumed that urbanization itself is a variable in the GDP measure, mean-

ing that a significant part of output and value added comes from the «city-building» phase, which essentially encompasses the main economic activities. It is also necessary to see how the different stages of the urbanization process affect growth, business cycles and the distribution of wealth (output) in different ways.

The relationship between growth and urbanization is usually described in terms of traditional economic analysis, which clearly explains the phenomenon in terms of its own analytical approach. The same happens when statements about the relationship between growth and urbanization are based on the correlation between the level of urbanization and per capita output. This is especially true because in both cases the indicator used necessarily includes the complex of goods in the creation of wealth, which implies the transition from rural to urban society.

According to Jacobs et al, the likely impact of flow and mobility across cities is now added to the so-called endogenous growth factors, which were the focus of all explanations about cities as centers of human capital and knowledge, always increasing on account of intergenerational processes leading to innovation (Jacobs, 2017). He also notes that developing countries have seen, over the last fifty years, processes of separation between business centers – including firms' headquarters and business services – and manufacturing and productive cities where industries locate (Duranton & Puga, 2015).

It is important to consider that policies that do not promote the small growth of megacities in favor of the more significant growth of secondary cities slow down overall growth.

For example, large cities such as Tokyo, Paris, London, New York, Munich and Amsterdam are within the top ten, out of the hundred most innovative in the world. In 2010, in fact, there were 634 cities with over 750 thousand inhabitants in the world.

Figure 1 shows the trend in urban population classified into four large groups: a) 1 Nexus innovation category (35 cities); b) 2 Hub innovation category (65 cities); c) rest of large cities (534 cities with over 750 thousand inhabitants); d) rest of the world urban population.

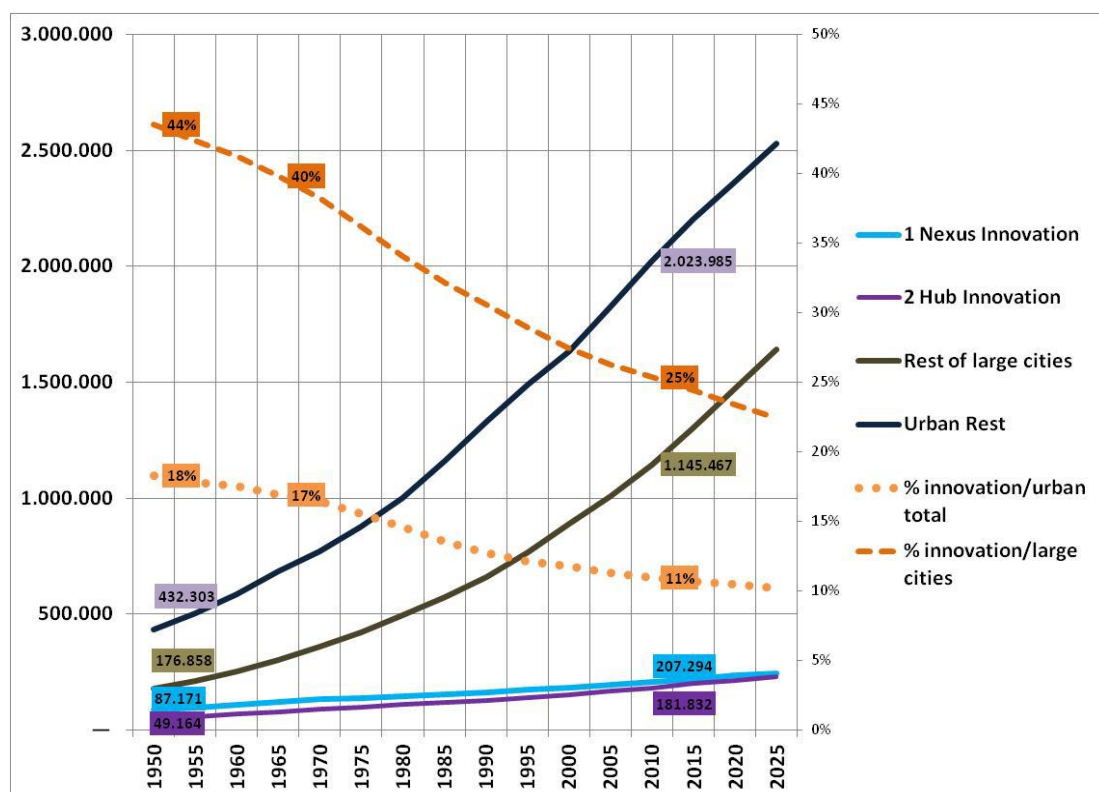


Figure 1. Trend in total urban population by types of cities and their size. Historical data for 1950–2010 and projected data to the year 2025 in thousands of people

Source: United Nations data (2012)

It is curious to see that, in 1950, the hundred cities nowadays considered best positioned in technological innovation accounted for 44% of the population of cities with over 750 thousand inhabitants, and in 2010 that figure fell to 25%, and to only 11% of the urban population. While these cities grew almost linearly, the rest did it exponentially. It is almost obvious that the thirty five innovation cities classified as 1 Nexus (which are central to several segments of technological and social innovation) and those classified as 2 Hub (central to innovation in very specific segments and industries) produce prototypes that are consumed and sometimes generated in the rest of the cities and urban areas.

Conclusions. Urbanization, as part of the global process, is a key driving force behind economic and social development, significantly impacting all regions of the world. However, the rapid growth of urbanization has created various challenges, which must be addressed to ensure the sustainable development of cities.

In this regard, the joint efforts of governments and businesses can serve as the founda-

tion for the successful development of urban ecosystems. Inclusive economic policies, innovative urban planning, green economy practices, and digital technologies – all of these components will support the sustainable and ecologically clean development of urban environments, driving economic growth and improving the quality of life for citizens.

Properly managed urbanization not only reduces negative impacts but also ensures long-term economic and social stability. Governments and businesses must work together to promote sustainable urban management, which will benefit both local communities and the national economy.

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ВПЛИВ УРБАНІЗАЦІЇ НА ЕКОНОМІЧНИЙ РОЗВИТОК КРАЇНИ: МОЖЛИВОСТІ ТА ВИКЛИКИ

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Методологія дослідження. Це дослідження ґрунтується на вторинних даних, які включають дані Світового банку, Організації Об'єднаних Націй (ООН) і різних академічних досліджень. Використовувані методи включають: Порівняльний аналіз – для оцінки економічного впливу урбанізації в різних країнах; Статистичний огляд – для вивчення взаємозв'язку між темпами урбанізації та економічним зростанням; Метод вивчення конкретних випадків – для аналізу успішної міської політики та проблем.

Результати. Дослідження показало: Урбанізація є каталізатором економічного зростання: міста є основною рушійною силою економіки, де зосереджені інвестиції, зайнятість і послуги. Фактор, що сприяє інноваціям і технологічному розвитку – міське середовище створює можливості для швидкого розвитку стартапів і технологічних компаній. Розширення ринку праці - урбанізація створює нові робочі місця та стимулює економічну активність. Урбанізація сприяє розвитку інфраструктури. Зв'язок між зростанням і урбанізацією зазвичай описується в термінах традиційного економічного аналізу, який чітко пояснює це явище в термінах власного аналітичного підходу. Те ж саме відбувається, коли твердження про взаємозв'язок між зростанням і урбанізацією ґрунтуються на кореляції між рівнем урбанізації та виробництвом на душу населення. Сучасна урбанізація потребує покращень у сфері транспорту, енергетики, водопостачання та зв'язку. Урбанізація пов'язана з залученням інвестицій. Міста привабливі для інвесторів, оскільки міське середовище сприяє продуктивності та розширенню ринку.

Новизна. У дослідженні обговорено вплив урбанізації не тільки на економіку, а й на соціальні та екологічні чинники. Представлено роль технологічної урбанізації, включно з концепцією «розумних міст». У ньому показано, як можна управляти урбанізацією на основі принципів зеленої економіки.

Практичне значущість. Для політиків результати дослідження допоможуть керівникам органів влади та муніципалітетів поліпшити міське планування та економічну політику. Для ділового сектору аналіз урбанізації допоможе компаніям та інвесторам відкрити нові можливості в містах. Для суспільства - дослідження показують вплив урбанізації на якість життя і скорочення соціальної нерівності.

Ключові слова: урбанізація; міська інфраструктура; сталий розвиток міст; добре керована урбанізація

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