The Urban Competitiveness of Southwest Cities in China Based on Factor Analysis

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Abstract: Factor analysis is an important way of data mining which can be performed using MATLAB, Python, and so on. We studied the urban competitiveness of Southwest cities in China using factor analysis. Two factors were extracted among 22 original variables. The factor score of cities was obtained using Python and were classified into three categories: Chongqing, Chengdu, Kunming and Guiyang are the first-tier cities; Baoshan, Pu’er, Lincang and Lijiang cities are of the lowest tier; the remaining cities belong to the second tier.

Keywords: Data mining; Factor analysis; Urban competitiveness

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1. Introduction
Factor analysis is an important way of data mining. The purpose of it is dimension reduction [1–3]. In this study, factor for urban competitiveness. Urban competitiveness refers to a city’s competitive advantage compared to other cities, its ability to create wealth. It is a comprehensive reflection of a city’s production capacity, quality of life, social progress and external influence in a certain period [4,5]. A city with a good competitiveness can not only improve the living standards of people in the region, but also promote the overall competitiveness of a country as well [6–8]. Therefore, the study of city competitiveness has been a hot topic for discussion.

We studied the urban competitiveness of 33 cities in southwest China using factor analysis in this paper. Among 22 original variables, we extracted two factors and obtained a comprehensive evaluation of the competitiveness about cities.

2. Factor analysis and original variables
2.1. Factor analysis
Factor analysis originated in the early 20th century, when scholars such as K. Pearson and C. Pearman made statistical analysis to define and measure intelligence [9]. Factor analysis is used to describe the covariance or correlation between the original variables with several potential and unobservable random variables (factors). It reflects most of the information of original variables with fewer independent factors, which can be expressed by mathematical models. P represents the original variables, the mean value of each variable (or after normalization) is 0, and the standard deviation is 1. Each of the original variables is expressed as a linear combination of factors as shown below.
\[
\begin{align*}
  x_1 &= a_{11}f_1 + a_{12}f_2 + a_{13}f_3 + \cdots + a_{1k}f_k + \varepsilon_1 \\
  x_2 &= a_{21}f_1 + a_{22}f_2 + a_{23}f_3 + \cdots + a_{2k}f_k + \varepsilon_2 \\
  &\vdots \\
  x_p &= a_{p1}f_1 + a_{p2}f_2 + a_{p3}f_3 + \cdots + a_{pk}f_k + \varepsilon_p
\end{align*}
\]

The above model represents the mathematical model of factor analysis, which can also be expressed as \( X = AF + \varepsilon \) in matrix form. \( F \) represents the factor loading matrix; \( a_{ij} (i = 1,2, \ldots, p; j = 1,2, \ldots, k) \) represents factor loading, it is the load of the \( i \)-th original variable on the \( j \)-th factor; \( \varepsilon \) represents special factors; it means the part of the original variables that cannot be explained by common factors and its mean value is 0.

The goal of establishing the mathematical model of factor analysis is to obtain the load matrix. This can be done using SPSS, MATLAB, Python, and many more. Python is used in this paper.

2.2. Original variables
There are many factors that affect the competitiveness of cities, such as the GDP, the fiscal revenue, the educational development, the infrastructure condition, and the degree of opening. After analyzing a large number of indicators in “2020 China City Statistical Yearbook”\textsuperscript{[10]}, 22 original variables were selected and the following indicator system was constructed (Table 1).

Table 1. Urban comprehensive strength evaluation index system

<table>
<thead>
<tr>
<th>Level indicators</th>
<th>The secondary indicators</th>
<th>Unit</th>
<th>Serial number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic development index</td>
<td>Gross regional product</td>
<td>100 million yuan</td>
<td>X(_1)</td>
</tr>
<tr>
<td></td>
<td>GDP Per capita</td>
<td>100 million yuan</td>
<td>X(_2)</td>
</tr>
<tr>
<td></td>
<td>Total retail sales of consumer goods</td>
<td>10,000 yuan</td>
<td>X(_3)</td>
</tr>
<tr>
<td></td>
<td>Local general public revenue</td>
<td>10,000 yuan</td>
<td>X(_4)</td>
</tr>
<tr>
<td></td>
<td>Local general public expenditure</td>
<td>10,000 yuan</td>
<td>X(_5)</td>
</tr>
<tr>
<td></td>
<td>Annual savings balances of financial institutions</td>
<td>10,000 yuan</td>
<td>X(_6)</td>
</tr>
<tr>
<td></td>
<td>Average wage</td>
<td>10,000 yuan</td>
<td>X(_7)</td>
</tr>
<tr>
<td></td>
<td>Profits of industrial enterprises above designated size</td>
<td>10,000 yuan</td>
<td>X(_8)</td>
</tr>
<tr>
<td></td>
<td>Ratio of tertiary industry to GDP</td>
<td>Percent (%)</td>
<td>X(_9)</td>
</tr>
<tr>
<td>Degree of openness</td>
<td>Actual utilization of foreign capital</td>
<td>10,000 dollars</td>
<td>X(_{10})</td>
</tr>
<tr>
<td></td>
<td>Total import and export</td>
<td>10,000 yuan</td>
<td>X(_{11})</td>
</tr>
<tr>
<td></td>
<td>Number of students in institutions of higher learning</td>
<td>Person</td>
<td>X(_{12})</td>
</tr>
<tr>
<td>Technology and education</td>
<td>Number of students in secondary vocational schools</td>
<td>Person</td>
<td>X(_{13})</td>
</tr>
<tr>
<td></td>
<td>Books in the public library</td>
<td>10,000 volumes</td>
<td>X(_{14})</td>
</tr>
<tr>
<td></td>
<td>Number of patents granted</td>
<td>–</td>
<td>X(_{15})</td>
</tr>
</tbody>
</table>

(Continued on next page)
3. Mathematical model and main results

3.1. Premise of factor analysis

One of the main tasks of factor analysis is to extract and synthesize the overlapping information in the original variables into factors, so as to finally achieve the purpose of dimension reduction. Therefore, it requires a strong correlation between the original variables. The correlation between the original variables can be determined using the following ways.

(i) Calculate the correlation coefficient matrix

Calculate the correlation coefficient matrix of the original variables and observe its correlation matrix. If most of the correlation values in the correlation coefficient matrix are less than 0.3, the variables are weakly correlated, then these variables are not suitable for factor analysis.

(ii) Calculate anti-Image correlation matrix

The reflection image matrix mainly includes negative partial covariance and negative partial correlation coefficient. If the absolute value of most other elements (except the main diagonal element) in the image correlation matrix is small, and the value of the diagonal element is close to 1, it means that these variables are strongly correlated and are suitable for factor analysis.

(iii) Bartlett’s test of sphericity

Bartlett’s test of sphericity takes the correlation coefficient matrix of the original variable as the starting point. As for the null hypothesis, $H_0$, the correlation coefficient matrix is the unit matrix. If the observed value of the statistic is large and the corresponding probability $P$ is less than the given significance level $\alpha$, the null hypothesis should be rejected and the original variables are considered suitable for factor analysis. Otherwise, the null hypothesis is accepted thus the original variables are considered not suitable for factor analysis.

(iv) Kaiser–Meyer–Olkin (KMO) test

The KMO test is used to compare the simple correlation coefficient and partial correlation coefficient between variables. The KMO value is between 0 and 1. The closer the KMO value is to 1, the stronger the correlation between the variables, and the more suitable the original variables are for factor analysis. The closer the KMO value is to 0, the weaker the correlation between variables, and the less suitable they are for factor analysis. A commonly used KMO metric will be as the following: $> 0.9$ means a good fit, $0.8$ means suitable, $0.7$ means normal, $0.6$ means not suitable, $< 0.5$ means not suitable.

By using Python to obtain the correlation coefficient matrix and through the analysis of the correlation coefficient matrix, the variables we selected are suitable for factor analysis.

3.2. Extraction of common factors and comprehensive score

The characteristic roots from correlation coefficient matrix were obtained. And the cumulative sum of characteristic roots are as follows.
The cumulative contribution rate of two factors is 0.854. There are usually two ways to determine the number of factors. One way is to select the characteristic roots with eigenvalues greater than 1. The other way is to select the number of characteristic roots with cumulative variance contribution rates greater than 0.85 as the number of factors. In this study, two factors were selected using the latter way. The factor analysis model is as follows:

\[X_1 = 0.98942079f_1 - 0.12456659f_2 + 0.00552336\]
\[X_2 = 0.62563469f_1 + 0.21127558f_2 + 0.56421493\]
\[X_3 = 0.98741399f_1 - 0.12342195f_2 + 0.00977126\]
\[X_4 = 0.98923312f_1 - 0.13591814f_2 + 0.00294806\]
\[X_5 = 0.91271988f_1 - 0.37681267f_2 + 0.02499427\]
\[X_6 = 0.99374621f_1 + 0.06319377f_2 + 0.00849924\]
\[X_7 = 0.35457916f_1 + 0.06841186f_2 + 0.86963142\]
\[X_8 = 0.88227252f_1 - 0.21631166f_2 + 0.17482347\]
\[X_9 = 0.51198086f_1 + 0.27904327f_2 + 0.6603413\]
\[X_{10} = 0.96383675f_1 + 0.1889675f_2 + 0.03520754\]
\[X_{11} = 0.98565196f_1 + 0.06091338f_2 + 0.02472305\]
\[X_{12} = 0.9419085f_1 + 0.07658956f_2 + 0.1070938\]
\[X_{13} = 0.91119646f_1 - 0.34144132f_2 + 0.05313571\]
\[X_{14} = 0.93435233f_1 + 0.29142504f_2 + 0.04193414\]
\[X_{15} = 0.98963798f_1 + 0.13696161f_2 + 0.00189423\]
\[X_{16} = 0.97793352f_1 + 0.18735713f_2 + 0.00849015\]
\[X_{17} = 0.96868006f_1 - 0.14847978f_2 + 0.03961606\]
\[X_{18} = 0.83088756f_1 - 0.14221722f_2 + 0.28942364\]
\[X_{19} = 0.40645385f_1 + 0.2286361f_2 + 0.7828528\]
\[X_{20} = 0.97766424f_1 - 0.14560721f_2 + 0.02298138\]
\[X_{21} = 0.98141916f_1 - 0.15092655f_2 + 0.01403791\]
\[X_{22} = 0.83088756f_1 + 0.71916276f_2 + 0.07644893\]

From the factor analysis model, \(f_1\) is named as economic factor because of its high load on multiple variables of economic development indicators. \(f_2\) has a high load on the level of public facilities and general public financial expenditure, thus it is named as infrastructure factor.

Furthermore, we obtained the score function of factors and calculated the score for each factor. The comprehensive score and the ranking of cities are shown in Table 2.

Table 2. Comprehensive score and ranking

<table>
<thead>
<tr>
<th></th>
<th>(f_1)</th>
<th>(f_2)</th>
<th>Score</th>
<th>City</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3.57297</td>
<td>4.16697</td>
<td>3.63066</td>
<td>Chengdu</td>
</tr>
<tr>
<td>0</td>
<td>4.03169</td>
<td>-3.67407</td>
<td>3.28326</td>
<td>Chongqing</td>
</tr>
<tr>
<td>25</td>
<td>0.837016</td>
<td>-0.303642</td>
<td>0.726229</td>
<td>Kunming</td>
</tr>
</tbody>
</table>

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In terms of comprehensive scores, Chongqing, Chengdu, Kunming, Guiyang all scored more than 0, which means they belong to the top-tier. Chongqing has the highest score in terms of economic factor, which means that the economic development of Chongqing ranks first in southwest China, while Chengdu ranks second.

Except Mianyang, the comprehensive scores of the remaining 28 cities are all less than 0. Among them, Baoshan, Lincang, Pu’er and Lijiang are the minority communities in Yunnan Province, and they belong to the lowest tier of cities.

The remaining cities belong to the second-tier, in which most of the cities are located in Sichuan Province.

4. Conclusion
Factor analysis is an important way of data mining with the main purpose being dimension reduction. It is used to measure urban competitiveness in this study, which was performed by using Python. Among 22
original variables, two factors were extracted and scores were obtained for each city. The competitiveness of Southwest cities was evaluated through the scores obtained. In fact, factor analysis can be used for more original variables other than economy, such as education, psychology, and many more.

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