

Political Economy of Small and Medium-Scale Enterprises in China: Lessons for Nigeria

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Abstract

In recent times, Small and Medium-Scale Enterprises (SMEs) have shown positive impacts on the growth of nations' economy worldwide. In the face of dwindling sources of economic revenue among developing economies, SMEs are gaining prominence in the area of employment generation, profit maximization, increase in governmental revenues, and availability of both luxury and necessary goods amongst others. The Chinese experience to a large extent has exposed plethora of gains that stems from diversification and increase of sources of government's revenue via investment in Small and Medium-Scale enterprises. This no doubt portends significant lessons for the improvement of SMEs in developing countries like Nigeria. Hence, this paper is interested in examining the political economic implications of SMEs in China and the attendant lessons they have for Nigeria. In doing this, data is sourced from secondary sources and the content analysis was relied on for data analysis. The Neoliberal theory of political economy was applied as theoretical framework. Findings of the paper show that SMEs in China are centrally controlled by the Chinese state as against that of Nigeria and thus has formed one of the reliable sources of revenues for the Chinese economy overtime. It is recommended that if significant control is exerted on the SMEs' industries, it will help the Nigerian economy in its bid to diversify her mono-product economy.

Keywords: *Small and Medium-Scale Enterprises, Political economy, Revenue, Economic diversification*

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Background to the Study

Since 1990s, Small and Medium-Scale Enterprises (SMEs) in China have created 75 per cent of the incremental industrial output value. SMEs have also dominated in most industrial sectors of China: over 70 per cent of the gross output value in the food, papermaking and printing industries, over 80 per cent in the garment tannery, recreation and sports outfit, plastic and metalwork industries, and over 90 per cent in the wood and furniture industries. Small and Medium-Scale Enterprises in Chinese SMEs have played an important role in stimulating economic growth, increasing employment, expanding exports and promoting science and technology innovations. In terms of economic growth, the output value, sales revenues and tax revenues of SMEs in the industrial sector accounted for 60, 57 and 40 per cent respectively of the total of all the industrial enterprises (Chen, 2002).

Amplifying the above, Chen (2002) had opined that there were about 2.4 million Small and Medium-Sized Enterprises at the end of 2001 in China, accounting for 99 per cent of all registered corporations. If those SMEs such as self-employed businesses, leasehold farm households and individual partnerships that are not legal are also included, the number is far larger.

In spiky contrast to the above, there appears a sharp decline and resultant depreciation of indices of economic growth when SMEs in developing nations are critically appraised. Rather than evolve practical measures geared towards improving the operation, structures and viability of SMEs in developing countries, state policies are often times weak and inconsistent in this light. Although some gains are evident for developing countries, they have not been as significantly high in terms of requisite returns expected.

Additionally, Aremu and Adeyemi (2010) citing Basil (2005) discovered that the majority SME's in developing countries like Nigeria die inside their first 5 years of existence thanks to scant capital, lack of focus, inadequate research, over concentration on one or 2 marketplace for finished product, ignorance, lack of correct book keeping, irregular power offer, infrastructural inadequacies (water, roads etc) lack of correct records or lack of any records in any respect, inability to separate business and family or personal finance, lack of business strategy, inability to tell apart between revenue and profit, inability to obtain the correct plant and machinery, inability to interact or use the correct caliber employees and cutthroat competition. Arising from the above, the Chinese experience in Small and Medium-Scale Enterprises (SMEs) to a large extent has exposed plethora of gains that stems from diversification and increase of sources of government's revenue via investment in Small and Medium-Scale enterprises. This no doubt portends significant lessons for the improvement of SMEs in developing countries like Nigeria.

Objectives of the Study

Relating the above background, the study intends to:

- i. Critically appraise the political economy of SMEs in China
- ii. Establish the attendant lessons it portends for SMEs in Nigeria

Conceptual and Theoretical Review

Small and Medium Scale Enterprises

A lot has been said and written about SMEs the world over. It has also formed the subject of discussions in so many seminars and workshops both locally and internationally. As defined by

the National Council of Industries (2010) Small and Medium Enterprises (SMEs) refer to business enterprises whose total costs excluding land is not more than two hundred million naira (N200, 000,000.00) only.

Furthermore, Small and Medium-Scale Enterprises (SMEs) occupy a place of pride in virtually every country or state. Because of their (SMEs) significant roles in the development and growth of various economies, they (SMEs) have aptly been referred to as “the engine of growth” and “catalysts for socio-economic transformation of any country.” SMEs represent a veritable vehicle for the achievement of national economic objectives of employment generation and poverty reduction at low investment cost as well as the development of entrepreneurial capabilities including indigenous technology.

Other intrinsic benefits of vibrant SMEs include access to the infrastructural facilities occasioned by the existence of such SMEs in their surroundings, the stimulation of economic activities such as suppliers of various items and distributive trades for items produced and or needed by the SMEs, stemming from rural urban migration, enhancement of standard of living of the employees of the SMEs and their dependents as well as those who are directly or indirectly associated with them (Basil, 2005).

International agencies and organizations (World Bank, United Nations Industrial Development Organization (UNIDO), International Finance Corporation (IFC), United Kingdom Department For International Development (DFID), European Investment Bank (EIB) etc are not only keenly interested in making SMEs robust and vibrant in developing countries but have also heavily invested in them. Locally, the several Non-Governmental Organizations such as Fate foundation, Support and Training Entrepreneurship Programme (STEP), the Nigerian Investment Promotion Commission (NIPC), the Association of Nigerian Development Finance Institutions (ANDFI), as well as individual Development Finance Institutions (DFIs) have been promoting the growth of SMEs in Nigeria through advocacy and capacity-building initiatives, and have continued to canvass for better support structures for operators in the SME subsector (Basil, 2005).

Country Indicators for Micro Small Medium Enterprises (MSMEs)

More specifically, the MSME Country Indicators database contains information on the following:

- i. The total number of formal MSMEs in the economy and the number of MSMEs per 1,000 people (MSME density);
- ii. A breakdown into micro, small, and medium enterprises based on the number of employees, where such data is available, or based on other variables such as annual sales;
- iii. The formal MSME share in total employment;
- iv. The income group of the economy based on GNI per capita, based on the World Bank Atlas method (from the World Development Indicators);
- v. Time series data going back 20 years for some economies, for the following variables: the number of formally registered MSMEs, MSME density, breakdown by size of MSMEs, and MSME share in total employment; and
- vi. Estimates of the number of MSMEs in the informal sector for 16 economies (UN, 2006).

Theoretical Framework

The study adopts the neo-liberal theory of political economy. Neo-liberalism is a contemporary form of economic liberalism that emphasizes the efficiency of private enterprise, liberalized trade and relatively open markets to promote globalization. Neoliberals therefore seek to maximize the role of the private sector in determining the political and economic priorities of the world. Neo-liberalism seeks to transfer control of the economy from public to the private sector, (Cohen, 2007:28) under the belief that it will produce a more efficient government and improve the economic health of the nation.

Neo-liberalism and Small and Medium-scale Enterprises (SMEs)

It is assumed by this study that, the relevance of SMEs can only be fathomed by a neoliberal state which permits the freedom of the individuals to engage in productive activities that can ensure the overall development of the state. This of course cannot be possible without a state controlled market which is mostly the case in states that cares more. As maintained by Munck (2005), the possibility of a “self-regulating market” is a core assumption in classical liberalism, and an important presumption among neoliberals as well.

Hence, acts of intervention in the economy from government agencies are therefore almost always undesirable, because intervention can undermine the finely tuned logic of the marketplace, and thus reduce economic efficiency. In the recent 'critical literature', David Harvey stands out as being one of the few who tries, in his *A Brief History of Neoliberalism*, to give the theory a wide-ranging definition, which in part harks back to the analyses submitted by Nawroth and Eecke (Harvey, 2005). He opined that:

Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices. The state has to guarantee, for example, the quality and integrity of money. It must also set up those military, defence, police and legal structures and functions required to secure private property rights and to guarantee, by force if need be, the proper functioning of markets (Harvey, 2005:2).

Furthermore, if markets do not exist (in areas such as land, water, education, health care, social security, or environmental pollution) then they must be created, by state action if necessary. But beyond these tasks the state should not venture. State interventions in markets (once created) must be kept to a bare minimum because, according to the theory, the state cannot possibly possess enough information to second-guess market signals (prices) and because powerful interest groups will inevitably distort and bias state interventions (particularly in democracies) for their own benefit” (Harvey 2005:2).

Harvey proposes with his definition to view neoliberalism, not as the rejuvenation of liberalism in general, but as a distinctive economic theory which in recent times has replaced a more mild-mannered embedded liberalism, i.e. Keynesian approaches to macroeconomic governance inspired by modern liberalism. It is apparent that Harvey sees neoliberalism not as a continuation of liberalism proper, but as something which lives independently of mainstream liberal values and policies.

Neoliberalism generally also includes the belief that freely adopted market mechanisms is the optimal way of organising all exchanges of goods and services (Friedman, 1980; Norberg, 2001). Free markets and free trade will, it is believed, set free the creative potential and the entrepreneurial spirit which is built into the spontaneous order of any human society, and thereby lead to more individual liberty and well-being, and a more efficient allocation of resources (Hayek, 1973; Rothbard, 2004).

According to Prasad, (2006:20), the following are the Tenets of Neo-Liberalism Include:

1. The Rule of the Market
2. Cutting Expenditures for Social Services
3. Deregulation
4. Privatization
5. Eliminating the Concept of "the public goods" or "community"

Research Method

This research is a descriptive study. To achieve the stated objectives of the paper, information is gathered from secondary sources of data. Materials on how SMEs has contributed and improved the Chinese economy which are organized in textbooks, journal articles, conference papers, newspapers and magazines were consulted. Specifically, we examined and relied on literatures from Small and Medium-Scale Enterprises Agency of Nigeria (SMEDAN), United Nations reports, Nigeria Bureau of Statistics release, Central Bank of Nigeria gazette and other related materials from Chinese authors.

Small and Medium-Scale Enterprises in Nigeria

Given the crucial role SMEs play in the industrial and economic growth and development of developing countries like Nigeria, the various governments in Nigeria have not and cannot afford to relax in their efforts towards making the SME subsector very vibrant and productive (Zoaka and Ogbu, 2017). According to SMEDAN (2010), SMEs contribute to over 55% of GDP and over 65% of total employment in high-income countries and account for over 60% of GDP and over 70% of total employment in low income countries, while they contribute about 70% of GDP and 95% of total employment in middle income countries (Deborah & Oluwaseun, 2015).

However, in SMEDAN's (2010:11) study of SME's in Nigeria, the following findings amongst many others were observed:

Total number of MSMEs in Nigeria stood at 17,284,671 (With micro standing at 17, 261,753, small at 21,264 and medium at 1,654). The initial start-up capital of micro enterprises significantly stood at less than fifty thousand Naira with small and medium enterprises averaging less than ten million Naira. MSMEs contribution to Nigeria's Gross Domestic Product stood at 46.54% in nominal terms for the year 2010. Manufacturing sector has the highest number of enterprises, followed immediately by Wholesale and Retail Trade, Repairs of motor vehicles and household goods. 57.5 percent of SMEs are sole proprietorship with 27.2 percent taking the form of Private Limited liability, with 97.4 percent of Micro enterprises taking the business form of Sole Proprietorship, and 2.4 percent partnership.

SMEDAN (2010) went further to posit that:

Females account for 13.57 percent of ownership in the Sole Proprietorship and 86.43 per cent male ownership for SMEs. 43.60 per cent of business owners are in the 36-50 age groups, with 13.40 per cent under 36 years of age, 26.86 per cent between 51-60 years and 16.0 percent above 60 years of age. Personal savings (54.4% of surveyed businesses) is the main source of capital, followed by loan at 22.0 percent, followed by family source of capital at 16.7 percent. 51.7 percent monthly business turnover was recorded at below six million naira, followed by 21.5 percent at forty-five million naira in 2009.

In 2010, below six million-naira turnover recorded 78.7 percent concentration, followed by 7.9 percent recording a sales turnover of forty-five million naira. 89.2 percent of SMEs in Nigeria as at 2010 have their operational monthly cost below ten million naira while the second dominance category at 5.2 per cent is six to fifteen million naira (Deborah & Oluwaseun, 2015).

Averagely, 39.8 percent of SMEs make daily usage of alternative source of power in the range of 1-5 hours, while about 34.9 percent of the enterprises make daily usage of alternative source of power in the range of 6-10 hours, with about 12.0 percent making use of alternative source of power in the range of 16-20 hours. The total number of employees as at December 2010 was 32,414,884 persons, consisting of 39,478 persons in the small and medium enterprises with male employees dominating with 22,139 persons (56.08 percent) and 17,339 female and 32,375,406 persons in the micro enterprises, comprising of 18,662,943 males and 13,712,463 females (SMEDAN, 2010). Despite this feat, SMEs in Nigeria unlike the Chinese experience have not been deliberately factored into the mainstream sources of non-oil revenues due to perennial negligence of the market forces.

Characteristics of SMEs in Nigeria

A major characteristic of Nigeria's SMEs relates to ownership structure or base, which largely revolves around a key man or family. Hence, a preponderance of the SMEs is either sole proprietorships or partnerships. Even where the registration status is thus that of a limited liability company, the true ownership structure is that of a one-man, family or partnership business (Eze, 2014). Accordingly, Onah (2011) has highlighted other common features of Nigeria's SMEs as follows:

- i. Labour-intensive production processes and Poor product quality output
- ii. Concentration of management on the key man
- iii. Limited access to long term funds and Poor Capital structure, i.e. low capitalization
- iv. High cost of funds as a result of high interest rates and bank charges
- v. High mortality rate especially within their first two years
- vi. Over-dependence on imported raw materials and spare parts
- vii. Poor inter and intra-sectoral linkages - hence they hardly enjoy economies of scale benefits
- viii. Poor managerial skills due to their inability to pay for skilled labour
- ix. Absence of Research and Development and Poor access to vital information
- x. Poor documentations of policy, strategy, financials, plans, info, systems
- xi. Lack of adequate financial record keeping and poor staff training/Development
- xii. Poor management of financial resources and inability to distinguish between personal and business finance

- xiii. High production costs due to inadequate infrastructure and wastages
- xiv. Use of rather outdated and inefficient technology especially as it relates to processing, preservation and storage
- xv. Lack of access to international market

Small and Medium-Scale Enterprises in China

SMEs are an important part of China's economy. In 2007 a total of 4,459 large companies accounted for 0.19 percent of the total number of enterprises registered in the country; 4,2291 medium-sized businesses, or 1.78 percent; and 2,327,969 small enterprises, or 98 percent, of the total. Overall, SMEs account made up for 99.7 percent of the total number of companies operating in China at the time (Lekee, 2010).

Business revenue of SMEs accounts for 60.42 percent of total earnings; small enterprises, 6.54 trillion, or 23.70 percent. The industrial income of SMEs accounts for 66.28 percent; 11.77 trillion of the small enterprises are about 37.29 percent. The SMEs are increasingly playing an important part role in employment generation. Large enterprises in China employ 20,877.8 thousand individuals, or 18.11 percent of the total employment; medium enterprises, 35,464.3, or 30.76 percent; small enterprises, 58,947.8, or 51.13 percent (Basil, 2009).

Also, SMEs have represented the backbone of China's economic growth since the commencement of economic reform in the late 1970s. The following brief historical overview of private sector development in the past three decades shows how SMEs emerged on the margins of the socialist economy, earned official legitimacy, and continue to thrive as an essential, flexible, market-oriented core of the Chinese economy. During the early years of the reform era, individual entrepreneurs who lacked stable wage employment in the state sector took advantage of the loosening policy environment to engage in petty commerce and trading. Private restaurants, retail stores, and rural household factories sprung up swiftly in reaction to gaps left by the socialist economy (Solinger, 1984).

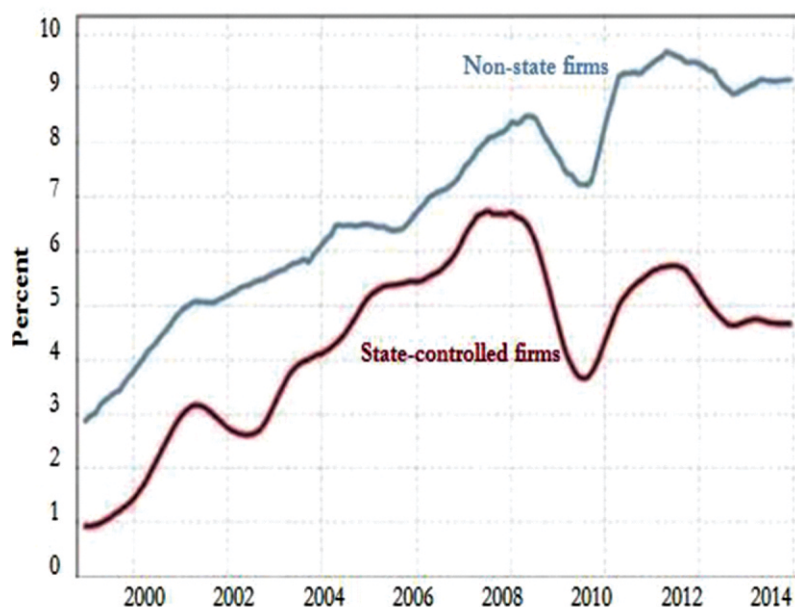
Although it was illegal to run private enterprises with more than eight workers until 1988, China's entrepreneurs nonetheless devised creative ways to disguise growing manufacturing operations by falsely registering them as 'collective enterprises,' which did not face any numerical limits on employees. Such businesses were called 'red hat enterprises' because they wore a politically acceptable registration status. The official ideological slogan of building 'market socialism with Chinese characteristics' left room for such practices which stretched the boundaries of the planned economy into increasingly unplanned sectors.

Ultimately, China's private entrepreneurs not only stretched, but also redefined the legal boundaries for profit-oriented activities (Tsai, 2007). As the ideological climate for private businesses relaxed in the 1990s, private traders, retailers, manufacturers, and even financiers flourished—often in quiet partnership with local government officials. By the late 1990s, nearly one-third of Chinese Communist Party (CCP) members, 'red capitalists,' were engaged in some form of private enterprise. In recognition of this politically awkward reality, then President Jiang Zemin revised the CCP constitution in 2001 to allow capitalist membership in the Party. Rather than marginalizing private entrepreneurs, the Party made the strategic decision to incorporate and legitimize commercial profit (Dickson, 2003). Official legitimization of red capitalists removed a major political barrier to larger-scale private enterprises.

Nonetheless, SMEs continued to account for the overwhelming majority of China's registered businesses throughout the 2000s. SMEs growth persisted even during the Hu Jintao administration that advanced the official slogan of 'promoting the public sector, diminishing the private sector' (*guojin mintui*). Large SOEs benefited from the policy environment of the mid-2000s. Yet the development of SMEs not only kept up, but surpassed the state sector in macroeconomic relevance to the Chinese economy.

The following graphs show that despite occasional dips in growth rates, the general arc of private sector growth, absorption of national employment, and contribution to industrial output has been robust:

Return on Assets of Chinese Industrial Firms by Ownership



Source: China Spectator, May 2, 2014.

Distribution Feature of Small Enterprises in China

Based on regional distribution, 68.58 percent of SMEs are located in the eastern area part of China, 20.14 percent in the mid-area of China, 11.28 percent in the western part of China. Small enterprises in the top five provinces make up 48.4 percent of all small enterprises. These provinces are all located in the eastern area of China, namely, Jiangsu, Zhengjiang, Guandong, Shanghai, and Shandong, which account for 11.6 percent, 11 percent, 10.4 percent, 9.9 percent, 8.9 percent, and 7.6 percent of all SEs, respectively. By industry distribution, the business revenue of manufacturing industry accounts for 52.8 percent, followed by the wholesale and retail industries (35.2 percent); construction (4.6 percent); and transportation and storage (2.6 percent), etc (Chen, 2011).

Graphical Definition of SMEs in China

Industries	Category	Big	Mid	Small	Micro
Agriculture, forestry, fisheries;	Revenue	>= 200 mil	5 mil to 200 mil	500 K – 5 mil	< 500 K
Industry	Employees	>= 1,000	300 -1,000	20 -300	< 20
	Revenue	>= 400 mil	20 mil – 400 mil	3 mil – 20 mil	< 3 mil
Construction	Revenue	>= 800 mil	60 mil – 800 mil	3 mil – 60 mil	< 3mil
	Total Asset	>= 800 mil	50 mil – 800 mil	3 mil – 50 mil	< 3 mil
Wholesale	Employees	>= 200	20 – 200	5 - 20	< 5
	Revenue	>= 400 mil	50mil – 400 mil	10 mil – 50 mil	< 10 mil
Retail	Employees	>= 300	50 - 300	10 -50	< 10
	Revenue	>= 200 mil	5 mil – 200 mil	1 mil – 5 mil	< 1 mil
Transportation	Employees	>= 1,000	300 – 1,000	20 - 300	< 20
	Revenue	>= 300 mil	30 mil – 300 mil	2 mil – 30 mil	< 2 mil
Storage	Employees	>= 200	100 - 200	20 - 100	< 20
	Revenue	>= 300 mil	10 mil – 300 mil	1 mil – 10 mil	< 1 mil
Post	Employees	>= 1,000	300 – 1,000	20 - 300	< 20
	Revenue	>= 300 mil	20 mil – 300 mil	1 mil – 20 mil	< 1 mil
Hotel&Accommodation	Employees	>= 300	100 - 300	10 - 100	< 10
	Revenue	>= 100 mil	20 mil – 100 mil	1 mil – 20 mil	< 1 mil
Restaurant	Employees	>= 300	100 - 300	10 - 100	< 10
	Revenue	>= 100 mil	20 mil – 100 mil	1 mil – 20 mil	< 1 mil
Telecommunication	Employees	>= 2,000	100 – 2,000	10 - 100	< 10
	Revenue	>= 1 bil	10 mil – 1 bil	500 K – 10 mil	< 500 K
Soft and IT	Employees	>= 300	100 – 300	10 - 100	< 10
	Revenue	>= 100 mil	10 mil – 100 mil	500 K – 10 mil	< 500 K
Real Estate Development	Revenue	>= 2 bil	10 mil – 2 bil	1 mil – 10 mil	< 1 mil
	Total Asset	>= 100 mil	50 mil – 100 mil	20 mil – 50 mil	< 20 mil
Property Management	Employees	>= 1,000	300 – 1,000	100 - 300	< 100
	Revenue	>= 50 mil	10 mil – 50 mil	5 mil – 10 mil	< 5 mil
Lease and business service	Employees	>= 300	100 – 300	10 - 100	< 10
	Total Asset	>= 1.2 bil	80 mil – 1.2 bil	1 mil – 80 mil	< 1 mil
Others	Employees	>= 300	100 - 300	10 -100	< 10

Source: http://www.gov.cn/zwqk/2011-07/04/content_1898747.htm (关于印发中小企业划型标准规定的通知工信部联企业〔2011〕300号)

Small and Medium-Scale Enterprises in China: Lessons for Nigeria

From the above, it is pertinent to state that from the centrality and strategic organization of SMEs in China, certain lessons could be adapted and adopted for Nigeria's SMEs. They are highlighted and explained below:

i. **Localization-** SMEs in China are localized regionally. Centralized production in a certain region at a considerable quantity is one distinctive feature of small enterprise clusters in China. SMEs clusters are driven by leading major enterprises, followed by affiliate enterprises, self-developed enterprises clusters, leading to the gradual evolution of the one industry, one region and one product, one town type of operation. Its regional reach has brought about expansion of production (Li, 2005). The cable town in Guanlin for instance, the silk town in Shengze, and the small sewing machine clusters in Hengshan exemplify the concept of such a regionalized layout. The presence of a large number of related enterprises in the same region will facilitate skills upgrade and enhance competitiveness, which in turn could speed up the sector's pursuit of industrial clustering and technological innovation, as they take advantage of proximity, coordination, and ease of communication. In Nigeria, the productive enterprises like manufacturing of textiles products, footwear, hides/skin, leather materials could be regionalized within the North-Central zone of the country for ease of access to raw materials, market and labour. This will give the country certain level of comparative advantage as exemplified above and in turn yield increased output and value-chain in the fashion industries.

ii. Specialization- In China Small enterprise clusters' specialized operations help ensure their steady progress. Specialization comes about when enterprises clusters develop to a certain degree, resulting in the creation of professional divisions and steadily improving coordination. Along the way, some definite production processes will be spun off and turn into affiliated enterprises for some special processing. Hengshan town, for instance, is the production base of sewing machines for medium and heavy-duty materials. What started out as a small number of companies have grown to 162 parts manufacturing enterprises that now comprise the clusters of enterprises possessing a high degree of specialization. These produce over 200 kinds of parts for sewing machines annually. They supply both the domestic and export markets. Enterprises in clusters can make fully utilize infrastructure because of a centralized regional layout, and lower the utilization cost of infrastructures and services under the same level of supplying (Zhang, 2005). No gainsaying the fact that SMEs are not majorly specialized in Nigeria. Specializations of SMEs in the country are based on drive for immediate satisfaction of the enterprise owner and not necessarily the value of output on the economy. Hence, it is suggested here that SMEs in Nigeria should be specialized according to expertise and deposit of raw materials in the country. For instance, the Igbos of the South-East Nigeria can beckon on their expertise in the production of electronics and electrical gadgets while the Yorubas can contribute to this by bringing their knowledge product-packaging as their dominant area of specialty.

iii. Market-Orientation- Shengze, dubbed “Kingdom of Clothes and Quilts” has many enterprises producing textile and silk. It is also well known as an oriental silk market. This is an example of regional branding, a result of more efficiently run and more developed enterprises that have developed a niche for their extensive and sustainable brands. Thus mention thin silk lining or materials, and Shengze town in Wujiang easily readily comes to mind. The same is true for Hengshan town, which is known for its machines for medium and heavy materials; Wujin for its lamps; and Yangzhong in Jiangsu for its low-voltage electrical equipment. The efficiency with which these manufacturers are run can be seen in reduced costs of operation and increased profit, as have been the experience of more than 200 IT companies operating on the 12 sq. km land in the developed zone of Wujiang city (Zhang 2005). For Nigerian SMEs, this lesson is also an example of a centralized cluster of enterprises that can easily obtain the latest technological information from the market and spread it efficiently through interpersonal channels. As such, the Nigerian State could devote a greater part of their time and resources towards developing brands of markets by creating soft loans for enterprises and drumming support/orientations towards encouraging them to be profit motivated rather than existing for self gratification and satisfaction of personal needs.

iv. Socialized Coordination Service-oriented enterprises have developed systems that make efficient and coordinated operations possible. For example, Hengshan town in Wujiang city is widely known as the national hub for wool-sweater production. Producing 100 million sweaters yearly, the cluster of enterprises operating in this town carries out all operations—from production to distribution—in its base of operation. Order, transaction, packing, and delivery systems services are all also provided in a coordinated manner by those service enterprises. One town, for instance, has 3,500 enterprises producing wool sweaters; 600

enterprises handle the nationwide distribution; 500 others are engaged in affiliated operations; 400 enterprises produce materials; 200 are engaged in transportation; 100 enterprises repair equipment, all of them form an enterprise cluster with firm connection. Meanwhile, people, products, capital and information are all essential components of enterprises cluster, which collectively can accelerate the development of transportation, storage, telecommunications, restaurant, hotel, entertainment, education, sanitation, agency, financial insurance and real estate, etc. In contrast, it is apparently obvious that the gap between service and profit has not been bridged by the Nigerian state in their management of SMEs. As espoused by the neoliberals above, a convergence should be created where the activities of SMEs are coordinated in such a way that SMEs despite being profit oriented should be domesticated in such a way that they exist to create services according to societal needs and patterns of consumptions. This for instance will reduce the level of dumping and drive for the consumption of foreign goods and services.

v. Local Government- Local government units provide an enabling environment through appropriate policies and regulations as well as vital infrastructure, which are all essential to business. Small enterprises located in the areas between Shanghai and Zhejiang enjoy the convenience of having these facilities, which allow them to do business with local and foreign enterprises. Besides, local governments arrange for enterprise visits to other places, and organize them to participate in international trade exhibitions every year. These governments also support various spare part associations and service companies and provide technical and R&D services. If this is imbibed by the Nigerian state in its management of SMEs, it will encourage competition, increase employment opportunities for rural dwellers, douse the tension of economic insecurity associated with our mono-product economy and help to achieve fiscal federalism.

Conclusion and Recommendations

This study is conducted to determine the Political Economy of Small and Medium-Scale Enterprises in China and the attendant lessons which Nigeria can draw from it. It could be concluded that despite the fact that certain fundamental constraints are glaring in the performance of SMEs in Nigeria, it has immense contributions to the growth of the economy. Small and medium enterprise importance to capital formation in Nigeria cannot be contested. They supply complementary and competitive support to the overall GDP evidenced in employment and income generation of their owners to say the least. Having studied the Chinese SMEs however, contrasting differences are noticeable in the conduct, operation and management of SMEs when compared to Nigeria. These differences as discussed above formed the lessons Nigeria may garner from the Chinese experience. The study thus makes the following recommendations:

1. The SMEDAN acts should be amended to contain a central social coordination of SMEs in Nigeria in such a way that their operations and performance can be specialized, regionally located according to resource proximity and be driven by not just market orientation but also be subjected to control by the local governments
2. Government owned financial institutions like the Banks of Industry and Agriculture and other financial institutions like Commercial banks should be strongly encouraged to assist small and medium scale enterprises by providing cheap sources of finance and making their requirements for soft loan to be easier and affordable.

3. As a follow-up to the above, Banks should liberalize their lending policy. Premium should be attached to good feasibility report and skills rather than physical securities.
4. Small scale industrialists should try to develop good relationship with their suppliers, bankers, lawyers, management consultants, and indeed all experts and utilize their services so that the value chains/gains would be comprehensive.
5. Infrastructural development is key to the development of SMEs. It is one of the stimulating factors of SMEs in China which is apparently absent in the Nigerian clime. Hence, infrastructures like electricity, roads, markets etc should be overhauled and improved to aid the operations of SMEs in Nigeria.
6. Finally, market research should be carried out regularly by business owners to acquaint owners of industries and SMEs with the requisite knowledge and innovations in their areas of domain.

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