

SMALL AND MEDIUM ENTERPRISES (SMES), THE HEART OF CHINESE ECONOMIC DEVELOPMENT: WHAT CAN AFRICAN GOVERNMENTS LEARN?

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ABSTRACT

The last few decades have witnessed the meteoric rise of China as a world economic champion in terms of development, growth and impact, a move that seems to destabilize the economic and political dominance of the Western countries. However, the Chinese economic growth is not an accident but is a well-orchestrated plan meant to transform the country and its business enterprises. From a state controlled socialist economy, China has adopted open door policy, market oriented approach and political changes meant to navigate the country into a global market leader. At the heart of Chinese economic development is the Small Medium Enterprises (SMEs) sector. Recognising the central role played by SMEs, the Chinese Government integrated SMEs agenda in its national and social development strategic planning leading to development of numerous legislations and policies meant to promote and boost SMEs growth. Currently SME businesses are spread in all major sectors from manufacturing, constructions, agriculture to service industries. Some laws implemented to promote SMEs include eradicating barriers to growth, establishing equal level playing ground rules for all businesses, promoting scientific and technological innovations, and creation of conducive competitive atmosphere. As a strategy to ensure local and regional growth of SMEs, the government classified the businesses in terms of their absolute advantage. The move has seen categorisation of development into four main categories, namely township and village-based enterprises, private enterprises, state-owned businesses (SOEs) and joint-ventures. It is this strategy that has seen industries rise in all major regions resulting to development and employment creation across China. Comparing the Chinese Government's role in supporting SMEs and African governments shows a sad reality. Although SMEs in Africa accounts for 95% of all businesses, 50% of GDP and 60% of employment, their rate of failure range from 50% to 90%. Unlike China, African governments have been accused of making it difficult for SMEs operations. With little or no incentives, SMEs have to contend with heavy taxes, high cost of production, lack of finances and poor legal and legislation structures. This paper presents Chinese Government as a model of how African countries can promote SMEs to steer development and transformation of their economies. The paper recommends that African governments prioritise SMEs as key pillars of economic and social development of individual countries and the continent as whole.

Keywords: Technology, reforms, taxation, town-village-based enterprises.