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The Chinese-Nigerian Currency Swap Deal: Implication for SMES' Growth in Nigeria

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Abstract: *This paper examined the Chinese-Nigerian Currency Swap Deal: Implication for SMEs' Growth in Nigeria. The objective was to investigate the influence of Nigeria-China cash swap bargain on the enhancement of industrial development in Nigeria. The swap understanding considers banks in both Nigeria and China to among different purposes, make accessible liquidity in their individual currencies standards for the assistance and advancement of bilateral trade and ventures over the two countries, through the buy, sale and ensuing repurchase and resale of the Chinese Renminbi (RMB) against the Naira and the other way around. We believe this recently signed $2.5bn currency swap deal with China will be positive for SMEs and local manufacturers. Currency merchants imagine fortifying of the Naira in the close term as total FX request is required to move further far from the parallel market. In an emerging nation like Nigeria, there are a few financial conditions hindering significant improvement, in spite of numerous intercessions and strategy methodologies. Nonetheless, Small and Medium Scaled Enterprises (SMEs), if completely industrialized have been distinguished as being valuable in reducing destitution through riches and occupation creation. This sector can profit any government that creates it to the degree that it has the ability to grow a nation's GDP, produce charges and other income, and additionally help with getting soundness in the commonwealth of a nation. The paper therefore recommends that with a specific end goal to switch the over dependence of Nigeria economy on importation of goods from China, there is requirement for greater dependence on domestic sourcing of the bulk of inputs especially for the industrial sector with a specific end goal to help SME growth.*

Keywords*: Currency swap deal, SMEs, economy, growth, development, trade, investment, export, supply chain*

Introduction

The creation, growth, advancement as well as improvement of Small and Medium Scale Enterprises (SMEs) have given confirmation fundamental to the development and advancement of numerous nations; especially the industrialized and some developing nations like United States of America, China and India. In such nations, SMEs comprise of more than 98 percent of the whole organizations and have an influence in more than 65 percent of employment openings (Deen, 2003). Internationally, SMEs contribute more than 50 percent to the Gross Domestic Product (GDP) in industrialized nations. SMEs have noteworthy impact on the economies of some European, American and Asian countries that effectively received and adjusted it. In the U.S.A, SMEs framed more than 50 for every penny of the non-cultivate private GDP and also produced 75 for every penny new employments in the economy. By the end of 2008, it was assessed that the US economy has an expected population of 300 million, which was supported by around 6 million organizations. Among these organizations, 27% utilize under 20 people, 22% utilize under 50 people while around 18% utilize under 100 people (World Bank, 2001). Consequently, it ended up evident that SMEs have been fundamentally perceived as the spine of the economy and additionally assume an imperative job to make work openings, enhance estimation of HR, build up a reasoning of enterprise, underpins huge scale ventures and also set-up new business openings (Boniface, 2006).

Nigeria and China have fixed a $2.5 billion (Renminbi (RMB) 16 billion) cash swap bargain. The agreement, which is purely a trade of monetary standards, will make it simpler for Chinese producers trying to purchase visceral materials from Nigeria to get enough Naira from banks in China to pay for their imports from Nigeria. Indeed, the transaction will shield Nigerian agents from the cruel impacts of third currency fluctuations. The advancement came after The Guardian, in an ongoing report, grouped the two-sided commitment as one of the fizzled arrangements of the Federal Government, as two years after its introduction, nothing was accomplished and the transaction was held under mystery. As a result of this swap deal, Nigeria has emerged the third African country to have such an agreement with China.

The operationalization of this understanding will make it less demanding for most Nigerian producers, particularly Small and Medium Enterprises (SMEs), cottage industries in manufacturing and export businesses to import crude materials, spare parts and basic hardware to embrace their organizations by exploiting accessible RMB liquidity from Nigerian banks without being presented to the challenges of looking for other rare foreign currencies," he said. A budgetary expert and Managing Director of Cowry Asset Management Limited, Johnson Chukwu, said the $2.5 billion limit was useful for a begin, as they may have to expand it at the appointed time, thinking about the volume of exchange between the two nations. He portrayed the transaction as a system to smoothen two-sided relations, particularly as China is Nigeria's biggest exchanging accomplice, to open more opportunities for traders and manufacturers. Chukwu, in any case, communicated worry that making a decision by the present offset of exchange with China, Nigeria may have much to settle toward the end of the transaction, which includes dollar. He asked Nigeria's delegates to be "brilliant" about the change rate. The Managing Director and Chief Executive Officer of Financial Derivatives Limited, Bismarck Rewane, however opined that besides the facilitation of trade and bilateral smoothening, the assention would not have huge effect.

In acknowledgment of these imperatives and keeping in mind the end goal to guarantee the acknowledgment of the potential advantages of virile SME in the economy, the Central Bank of Nigeria has stayed focused on the development and advancement of the small and medium scale enterprises in Nigeria. This position has been progressively reflected in the Bank's strategies throughout the years. In specific, the CBN has through its credit rules throughout the years, and as of late, required the recent business and dealer banks to distribute stipulated least of credit to the favoured areas including the SME. At the worldwide level SMEs in Nigeria have a better operational environment. The progression of exchange through WTO Agreements has given mindfulness through which SMEs could get to worldwide market. Another opportunity is the African Growth and Opportunity Act, which support imports from African nations to the United States.

On the basis of the foregoing, this study critically examined the implication of the Chinese-Nigerian currency deal on SMEs' growth and development in Nigeria. This study will examine how trading between the two countries will be done directly in their local currencies without any need for the dollar, and enabling the Chinese Renminbi (RMB) to flow freely within the Nigerian banking system. This advancement will enhance two-sided exchange between the two nations and cause overseas investment streams and financial participation helpful to the two groups.

Objectives of the study

The letdown of various economic measures implemented by different government has attracted intellectual dialogue amongst political and economic scholars. There are different opinions on explanations for the inability of Nigeria to make progress in her developmental quest. While some blame it on the foreign policy thrust of Nigeria state, others center it on domestic political environment. The school of thought that blames it on the foreign policy thrust advocates a shift from pro-west economic relation to a more favorable Asian axis for solution to the nation's underdevelopment. In response to this advocacy, Nigeria has accepted economic diplomacy as her foreign policy thrust since late 90's, Nigerian economic diplomacy has seen her opening its foreign relation more with China than most countries of the world especially now that there is economic downturn. The central objective of this work is to critically assess the implications of SMEs' growth in the currency swap agreement between China and Nigeria.

In the light of the above, other objectives are stated as follows:

i. To examine the influence of China's trade investment on the growth SMEs in Nigeria.

ii. To examine the influence of Nigeria-China currency swap deal on the enhancement of industrial development in Nigeria.

iii. To determine the influence of Nigeria-China currency swap deal on the creation of employment in Nigeria.

Literature Review

Theoretical Baseline

This paper adopts the Pecking Order and Tradeoff Theory as the theoretical foundation of this study

Tradeoff Theory

Scholars who developed the tradeoff theory (TOT) have proposed that firms supported by both equities and debts deal with two fundamental concepts of financial and agency costs (Aabi, 2014; Serrasqueiro *et al*., 2016). According to the TOT, financial leadership consists mainly of maximizing investors' equity by increasing the market value of the company (Aabi, 2014; Serrasqueiro *et al*., 2016). Proponents of the TOT have suggested that an optimal capital structure maximizes the value of the firm by balancing the prices and benefits of an additional unit of debt (Ghazouani, 2013; Serrasqueiro *et al*., 2016). In tradeoff theory, the interests of agents are dependable and valuable to the leader (Aabi, 2014). Firms achieve an optimum level of debt by harmonizing the benefits and costs of debt (Serrasqueiro *et al*., 2016).The problems of lack of access to resources by SMEs are mainly the effect of lack of informational transparency (Aabi, 2014). The lack of information transparency on the part of SMEs creates difficulty for external agents to identify their financial circumstances (Aabi, 2014). The information distortion, which characterizes the relationship between banks and SMEs, leads to exposure to credit control (Aabi, 2014).

There are conflicts of interest between the various parties involved in financing and borrowing (Aabi, 2014). SMEs have difficulty accessing credit, and the key constraint players are credit institutions (Aabi, 2014).

Pecking Order Theory

The pecking order theory served as the underlying theory that was used to reflect on the sourcing of funds by SMEs in Nigeria. Proponents of the pecking order theory contend that managers prefer financing from retained earnings, followed by debt, and then equity (Serrasqueiro, Nunes, & Armada, 2016). The proponents of the pecking order theory specified funding demands are within the limits of the accessibility of funds because the accessibility of funds is governed by different amount of information irregularity and related agency costs included in the various sources of finance (Serrasqueiro *et al*., 2016). Pecking order theory became one of the most influential theories of corporate capital structure, followed by agency theory, information asymmetry, and signaling theory (Degryse, Goeij, & Kappert, 2013; Serrasqueiro *et al*., 2016).

SMEs seem to adjust their investment plans to the principles of the pecking order approach and could use a form of borrowing ratio to achieve their funding policy, as maintained by the trade-off theory (Chimucheka & Mandipaka, 2015). Variations in debt are not the immediate goal of firms to get an optimum level of debt (Serrasqueiro *et al*., 2016). The desire to get an optimum standard of debt is the outcome of external financing requirements because when private funds are insufficient, firms prefer debt to external equity (Serrasqueiro *et al*., 2016).

An Outlook on the Currency Swap Deal

The Central Bank of Nigeria (“CBN”), on June 6, 2018, issued the Regulations for Transactions with Authorized Dealers in Renminbi (“Regulations”). The Regulations give the structure to executing the Bilateral Currency Swap Agreement ("Currency Swap Agreement/the Agreement") which was finished up on April 27, 2018, at a function in Beijing, China, between the Federal Republic of ("Nigeria") and China. The CBN and the People's Bank of China ("PBoC") executed the Currency Swap Agreement for their individual countries.

The swap deal is an agreement with a three (3) year tenor which allows both the CBN and PBoC to swap a determined amount of Fifteen Billion Renminbi (RMB 15 Billion) for Seven Hundred and Twenty Billion Naira (NGN 720 Billion). This amount is equivalent to US$2.5 Billion using an exchange rate of NGN305: 1US$.

As provided in the Regulations, the Currency Swap Agreement was purposely executed to:

- Finance trade and investment between China and Nigeria;
- Maintain financial market stability; and
- Facilitate other connected purposes as may be agreed upon by both countries.

Essentially, the Currency Swap Agreement tries to make a stage that gives Naira liquidity to Chinese firms and financial specialists hoping to work with Nigeria from one viewpoint; and furthermore gives Chinese Renminbi liquidity to Nigerian firms and investors hoping to work with China on the other hand.

The Currency Swap Agreement is designed to aid trade transactions among Nigeria and China before payments for transactions including the two nations can be made.
Accordingly, both the CBN and the PBoC will (subject to the most extreme sum showed under the Currency Swap Agreement), make accessible liquidity in their separate monetary forms for the help and advancement of exchange and investments between the two nations through the buy, sale, and consequent repurchase and resale of the Chinese Renminbi against the Naira and the other way around.

For this reason, under the Currency Swap Agreement, the CBN may direct fortnightly Renminbi offering sessions.

Nigeria-China Bilateral Trade Relation: The Historical Build-Up

China Nigeria bilateral trade and investment relation got a boost even during the period of informal ties between the two nations. In 1958, China's export to Nigeria was put at £1.4m it increased to £1.86m in 1959. Nigeria was the third largest market for Chinese export in Africa. However, whether it was China that was unwilling to patronize Nigerian goods or Nigeria had little to offer China trade wise, it became obvious that the benefits of China-Nigeria trade were accruing to China rather than Nigeria. It is also pertinent to point out here that China actually needed such a windfall as a way of building up external reserve for industrial purchase in Europe. Accordingly the need for Nigeria to be close to China because of trade during this period was out of the question (Ogunsanwo, 1990).

During the Nigerian civil war period, the country continued to be a good market for Chinese goods. For instance China's export to Nigeria stood at £5.4m in 1969, as against £3.7 in 1968. In 1970, the figure rose to £7.03 million, rising again in 1971. After this period however, subsequent years experienced a progressive decline in trade volume. For instance, while the value of trade was put at N 35.7m in 1981, it declined to N17.8m in 1982 and plunged further to N8.0m and N2.6 in 1983 and 1981 respectively. This falling trend could be credited to the measures used by the Nigeria government that brought about the import restriction during this period. The commodity composition of Nigeria's exports to Chinese shows that China imports mainly cocoa, beans and cashew nuts from Nigeria while Nigeria imported only light, industrial goods and chemicals from

China. However the balance of trade was in China's favour. The problem of trade imbalance between Nigeria and China attracted concern as far back as 1974 during Brigadier Shehu Yar Adua's visit to Beijing.

Benefits of Currency Swap Deal

The Currency Swap Agreement between Nigeria and China is significant in many respects. The deal will allow trading between the two countries to be done directly in their local currencies without any need for the dollar, and enabling the Renminbi (RMB) to flow freely within the Nigerian banking system. This advancement will enhance respective exchange between the two nations and induce outside investment streams and financial collaboration useful to the two groups. The significant cut on dollar demand by firms and investors doing business across the two countries will help protect their financial markets and boost their respective foreign reserves.

However, concerns stay with regards to the intensity of the Currency Swap Agreement to completely address the test of dollar request by merchants, since imports from China represent just 20 percent of Nigeria's yearly aggregate imports. The present yearly import bill of Nigerian undertakings moving products into the nation from China purportedly remains at NGN 1.7 Trillion, implying that:

1. The swap bargain measure of NGN 720 Billion can just deal with around 15 percent of Nigeria's yearly aggregate imports from China.
2. The residual 85 percent will in any case require dollars. Despite the worries raised, we trust the Currency Swap Agreement is a positive development. The decrease in dollar request anticipated that would be accomplished through the swap arrangement will supplement the CBN's present mediation by means of the Investors' and Exporters' FX Window in extending dependability in the market, by checking the rates of dollar shortage and conversion scale instability.

Also, we note that the NGN/RMB swap agreement will be particularly favorable to Nigeria's foreign reserves which have been on a steady rise since some measure of stability returned to the country's daily crude oil production and the international oil prices began an upward movement.
It is accordingly our firm conviction that the Naira will be emphatically affected by the CBN-PBoC coordinated effort and that the Currency Swap Agreement is a decent arrangement for Nigeria.

Concept of Small and Medium Scale Enterprise (SME)

Small and medium scale undertakings have been for quite some time perceived as an instrument of monetary development and advancement. This developing acknowledgment has prompted the responsibility of World Bank group on SMEs area as center component in its system to cultivate financial development, business and poverty easing. In the year 2004 the World Bank amass has affirmed generally $2.4 billion in help of small and medium scale enterprises (World Bank, 2001, Ayyagari *et. al* 2007). While the significance of small and medium scale endeavours has not been in question tragically grouping organizations into large and medium scale is emotional and introduced on various value judgment. Such grouping has taken after various criteria, for example, business, deals or venture for characterizing small and medium scale undertakings. As indicated by existing writing, the definition fluctuate in various economies however the hidden idea is the same. Ayaggari *et.al* (2003), Beckley (1988), fights that the "meaning of small and medium scale undertakings changes as indicated by setting, creator and countries". In nation, for example, USA, Britain and Canada small scale business is characterized as far as yearly turnover and the quantity of paid workers (Ekpeyong & Nyang, 1992). In Britain for instance small scale business is considered as that industry with yearly turnover of 2 million pound or less with less than 200 paid representatives. (In the same place) For the situation of Japan it is conceptualized as sort of industry, paid up capital and number of employee. Consequently, small and medium scale ventures are characterized as those manufacturing organizations with 100million Yen paid up capital and 300 workers. Those in discount exchange with 300million paid up capital with 100 representatives while those in retail exchange with 100million paid up capital with 50 workers (Ibid; 4). On account of Nigeria, you will scarcely observe an obvious definition that recognizes small and medium scale enterprises. However, the Central Bank of Nigeria in its monetary policies circular No. 22 of 1988 view small scale industry as those enterprises which has annual turnover not exceeding 500,000naira.(CBN; 1988) Thus in 1990 the Federal

Government of Nigeria characterized small scale ventures with the end goal of business bank credits as those undertakings whose yearly turnover does not surpass 500,000 thousand naira and for trader bank advance those endeavours with capital investment not surpassing 2million naira (barring the cost of land) or a minimum of 5 million naira. Ogechukwu (2006), contends that in the wake of SFEM (Second-tier Foreign Exchange Market) and SAP (Structural Adjustment Programme) era in 1993, this value has now been audited and therefore, expanded to five million naira. Since this happened, there might be a need to order the small scale industry into smaller scale and super-micro business, with a view to giving satisfactory impetuses and protection for the former. In that specific situation, any business or endeavour underneath the furthest reaches of N250, 000 and whose yearly turnover surpasses that of a house industry as of now put at N5, 000 for each annum is a small scale industry. (In the same place; 5). The National Directorate of Employment (NDE) idea of a small scale industry has been settled to a greatest of N35, 000. (In the same place; 5). In different words a specialty unit of at the very least $240 dollar is portrayed as a small scale business in Nigeria. That may not be the same in other countries, but that classification may be useful in developing countries, because of the low capacity of its small scale industry.

Problems Impeding the Development of SMEs in Nigeria

SMEs are known worldwide to experience some basic challenges, issues or restrictions, which whenever went up against can drive them to advance monetary development and improvement. A portion of the essential issues SMEs encounter in Nigeria incorporate the accompanying:

Inadequate Funding

Funding is seen in this paper as the most preventing element to the development and sustenance of SMEs towards adding to Nigeria's monetary development as far as yield of merchandise and services. Others incorporate inadequately arranged task proposal, feasibility investigation of the venture, fragmented and erroneous money related records and absence of progression plan in event of the entrepreneur’s exit (Aremu, 2010).

It is a well-established actuality globally that SMEs are subsidized by their proprietors' close to home or family savings. Nonetheless, the abnormal state of lack and thus low level of investment funds in Nigeria and different Less Developed Countries have made this source of funding for the establishment, development and advancement of new and existing SMEs latently low. This perhaps explains why most SMEs in Nigeria as a rule begin off with insufficient subsidizing and a short time later begin warming up for close down if outer assets from either the legislature or budgetary organization don't come (Ezeh, 2002).

Inadequate Infrastructural Facilities

The issue of temperamental and questionable supply of power, frail streets, lacking supply of water for both home furthermore, mechanical utilize, wasteful and expensive correspondence framework, among others, have for since quite a while ago blocked the development and advancement of SMEs in Nigeria. Nearly all SME operating in Nigeria have one or more power generating plants as an alternative source of power supply. The cost of obtaining, maintaining, sustaining and managing such generating plants are as a rule very expensive and this has made cost of production as well as prices of product very expensive, with the latter turning out to be more and more uncompetitive in comparison with the imported equivalent. It assessed the expense of giving fundamental infrastructural luxuries at 5% to 20% of the aggregate expense of setting up a manufacturing and processing industry in Nigeria (Osoba, 2003).

Low Capacity Utilization

This is unendingly gotten from the low interest for SMEs items attributable to their low quality tool as exorbitant prices. Therefore, sales as well as profits have remained relatively low leading to poor returns on investment. A study of about 39 SME's functioning in Nigeria showed that a lion's share of them worked at between 30%-35% of their set up capacity between 1995-1996 with sales and profit volume showing little increase (NCI, 2001). Erratic supply of electricity and deficient infrastructural courtesies has contributed straightforwardly to low limit utilization of the SMEs in the manufacturing sector in the country.

Poor Planning and Management

Management involves planning, coordination, organization and control of both human and natural resources in an organization to accomplish its set points and goals (Basil, 2005). Therefore, it involves getting things done fittingly and effectively through individuals. Nonetheless, a review of SMEs working in LDCs demonstrated that proprietors for all intents and purposes complete everything independent from anyone else without looking for consultation from professionals or experts. This has resulted to incompetence, wastefulness, wastage and under-use of assets accessible to the association. In actual fact, planning is the essential function of management (Gold, 2005). Most wastefulness, wastage and under-use of assets accessible to the association. business (Mogano, 2001).

Poor Education and Experience

Closely associated to the problem of planning and management is the low level of education and inadequate business experience among SME administrators in Nigeria (Alasan & Yakubu, 2011). These have given a clarification for the absence of spearheading, creative, imaginative, dynamic, vibrant and entrepreneurial skills and abilities necessary to effectively confront and tackle issues as they emerge.

Raw Material Management and Choice of Appropriate Technology

These are fundamental for growing and developing any business, be it large or small. The difficulty relating to small enterprises is the unavailability of quality and superior crude materials and also its organization at the suitable price and time (Nigerian Economic Summit Group, 2002). In Nigeria, the dominant part of these raw materials are not produced in the country but imported. What's more, a general evaluation made about local or privately made merchandise is the non-existence of uniformity and standardization in them.

Inadequate Conducive and Enabling Environment

The National Government financial and money related strategies in Nigeria as it identifies with business issues have been unusual, opposing, conflicting and every once in a while conflicting (Adebayo, 2003). This has generated a lot of problems for domestic investors as against their foreign participants who have the alternative of making Nigeria a dumping ground for their output. Associated to this is the issue of unlawful expenses (business advancement impose, business registration tax, business start charge, sanitation expenses, billboard fees, stickers etc) most often than not by state and local government agencies (tax force on this or that). As a result of this, SMEs in Nigeria do their tasks under surprising expense and ominous business condition.

The Currency Swap Deal: Implication for Building up Trade and Investment Capacity of SMEs in Nigeria

The Chinese government has adopted various measures to promote trade and investment relations between Nigeria and these measures include.

A) Taking positive measure to facilitate African product to enter China market and to give zero tariff treatment to part of export from less developing countries in Africa to extend the exchange scale and enhance the exchanging structure. China has signed free trade agreement or regional trade assignment with African countries and regional organization.

B) Africa is one of the regions that China government encourages enterprise to make investment. Chinese government formulate consummate related arrangement, disentangle venture strategies, improve guide and administration and bolster ground-breaking endeavours to contribute in Africa. She will continue to sign and carry out bilateral agreements to encourage and guarantee investment and avoiding double taxation to safeguard the legal right of investors.

C) Encouraging China's financial institutions to setup branches in Africa to provide effective financial service for China African trade

D) Strengthening information service system to create conditions to exploit African market (Onuoha, 2008).

According to the report of OECD (2016), SMEs must have the capacity to react rapidly and effectively to worldwide market signs to exploit exchange and investment openings and receive the rewards of the universal exchanging framework. This implies they should be focused and beneficial. Compelling business emotionally supportive networks are expected to upgrade intensity and efficiency of SMEs.

Development of a compelling business emotionally supportive network is additionally a key condition for the achievement of both exchange and investment ability building. It requires business bolster offices (counting monetary organizations), which are client situated and which have an exhibited ability of infiltrating the SME sector. Specific Submission include:

- i.) Take ventures to build the ability of monetary foundations to develop beneficial SME loaning programs, while organizing the advancement of creative answers for insurance issues, for example, the acknowledgment of more adaptable types of security, especially for SMEs with few settled resources; the utilization of group certifications and credit ensure plans for SMEs; more accentuation on income than asset reports in appraisal of borrowing ability; simple and successful advance application evaluation methodologies.
- ii.) Find a way to reinforce the business emotionally supportive network, through a delegate job, by building abilities in business administrations, both public and private (e.g. market, product and process information provision, accounting, market analyses and research, legal advice, transportation, express delivery, advertising).

- iii.) Build up a national methodology for trade improvement and advancement, driven by the fitting Ministry, however which includes investment by every single key partner. The general target ought to be to expand the volume and estimation of fares and the quantity of exporting organizations. The technique should try to address the necessities of firms at various phases of export market advancement. It ought to likewise try to incorporate export support and advancement into a well-developed and successful business support network.
- iv.) Set up a solitary export advancement organization, which could be joined with an FDI work. In view of good practice in mature market economies, the foundation of such an office should isolate strategy making from policy execution. The agency should:
- • Operate in a financially situated way;
- • Be result instead of system situated;
- • Be staffed by individuals with important, functional business encounter;
- • Seek to be client-oriented,
- • Include private segment portrayal on its Management Board,
- • Be supported equivalent with its goals.
- v.) Develop trade backing, which incorporates:

  - The establishment of data about particular markets and potential clients;
  - Help in reaching potential customers or appropriate public and private intermediaries and business service providers;
  - Assistance with market visits.

- vi.) Build up an SME-FDI linkage 'offer', in view of the 'fit-to-supply' standard and, which incorporates the accompanying elements:

  - Improving the flow of information about potential local providers to potential MNC buyers and about supply chances to potential providers through the advancement of a national Website and additionally business directories, supplemented by 'meet-the-buyer' events.
  - Targeting suppliers on the premise of demonstrated capacities and responsibility to future enhancements,
  - Working intimately with MNCs by welcoming them to encourage potential suppliers to (a) understand their supply requirements (b) identify areas in which they have good opportunities to supply and (c) draw attention to weaknesses they must overcome to succeed. Such a middle person job fabricates common comprehension and trust among MNC and potential provider.
  - Helping SMEs/providers recognize needs and afterward to get to people in general and private help administrations they require.
  - Offering some type of money related motivating force to MNCs and nearby SMEs to take part in the linkage program. This could include contributing to the salary costs of engineers & administrators in MNCs who dedicated time to provider upgrade (Singapore); cash grants to promising providers to help with starting venture costs (Ireland); and financed training and consultancy essential for upgrading provider capacity (Chinese Taipei).

- Developing capacity building programs that incorporate inventory network and group activities, which perceive the potential for creating tiers of suppliers to maximize trickle down effects, including to micro enterprises as lower tier suppliers.

- vii.) Setting up modern parks, and when suitable, business hatcheries keeping in mind the end goal to give a fitting foundation to SME providers, dispatch bunch improvement initiatives, where possible, through public-private partnerships.

Towards Building a Formidable Small and Medium Scale Enterprises in Nigeria

For SMEs to thrive, favourable institutional frameworks are required. Unfortunately, their needs are often ignored by strategy-creators and lawmakers, who tend to target bigger partnerships. Also, they are usually left out when it comes to tax incentives or business subsidies. They suffer more than enormous organizations from the extensive weight and cost of bureaucracy, (World Bank, 2006). Just few SMEs have the fundamental money related or human resources to deal with these. Therefore, government can assist SMEs by:

Implementing inclusive reforms: Governments need to make the fundamental empowering structures and loosen up the weight of regulatory measures. Additionally, they can simplify business registration procedures and paperwork to make them cheaper, simpler and speedier. A World Bank report stated that "reforms expand the reach of regulation by bringing businesses and employees into the formal sector". The same report additionally reasons that the more noteworthy a nation's simplicity of doing business, the more noteworthy the quantity of jobs made in the formal segment on the grounds that the advantages of being formal, (for example, easier access to credit and better utility services) often outweigh the costs (such as taxes)." Most importantly, efforts must be reinforced to tackle corruption.

Providing financial and tax incentives: To urge SMEs to join the formal division, governments need to give impose impetuses to SMEs and endowments like those accessible to substantial enterprises or smaller scale business people, and also make arrangements for start-up reserves for SMEs.

Encouraging friendly regulatory environments: Governments ought to elevate public private organizations to draw in investment reserves and more elevated amounts of speculation, and set up measures to make financial specialist well-disposed conditions. Huge organizations and potential financial specialists require ensures that their ventures and foundation are not going to be expropriated.

Involving business in identifying necessary reforms: Increasingly, the business voice is being listened to in identifying the most needed reforms. The culture of bureaucrats telling bureaucrats what's good for business is gradually disappearing.

Export potential: SMEs contribute a huge offer of produced exports in most industrialized East Asian economies like China and India, extending from 31-56%, than less emerged African economies of under 1% in Tanzania and Malawi, for instance. There is along these lines the need to focus on policies that will promote the SMEs export potential to boost economic growth and development.

Aside from government, big companies can likewise bolster the improvement of a solid and dependable SME division by:

i. **Building supply chain capacity:** The many large corporations that source their supplies from developing countries require reliable suppliers. Large organizations can enable SMEs to end up more practical business partners by providing training in basic skills such as management, bookkeeping, business planning, marketing, distribution, and quality control. They can assist through technology transfers, direct investment in infrastructure, and the sharing of knowledge. These make SMEs more competitive, and additionally encourage their access to credit. All of this can benefit the large corporations by creating more effective and inclusive supply chains.

ii. **Rationalizing procurement procedures:** Numerous worldwide organizations utilize middle people to distinguish nearby providers. This can include an additional layer of expense to the activity, a budgetary cost that once in a while goes to the originator of the merchandise. It likewise includes time. By building relationships with SMEs, vast companies can remove the agents. This helps drive down expenses, accelerate conveyance and enhances quality.

iii. **Strengthening local distribution networks:** SMEs have local knowledge, comprehend local client requests, and approach remote areas. By contracting neighborhood SMEs to offer and disseminate their items in these business sectors, substantial partnerships can help reinforce the business ability and salary of nearby SMEs. At the same time, they can strengthen their own distribution networks and open up new markets for their products.

iv. **Improving standards:** Global companies are frequently asked about the operations of their suppliers, and thus can offer transparency along their supply chains. Big organizations can help their SME providers to agree to global principles, for example, ISO 14001. Such consistence can empower SMEs to contend in worldwide markets while in the meantime enhancing the general nature of providers to big firms.

v. **Improving environmental performance:** On the whole SMEs have extensive environmental impact, however, given the various challenges with which they are confronted, and the perception that their individual impact is not significant, it is unlikely that environmental concerns will figure high on their business agenda. By drawing in with SMEs, helping them with capacity building, and supporting them with consistence, especially with natural models, huge enterprises can encourage SMEs integrate sustainable development thinking into their production processes and operations.

vi. **Providing access to financial services**

SMEs require more prominent access to money related administrations and speculation capital. Large organizations have little trouble anchoring sizeable bank advances and private ventures. In the meantime, microfinance, comprising of little credits, tends to profit singular business people. SMEs fall in between and often struggle to obtain credit and loans, so that personal savings forms the major source of funding for most of them throughout much of the developing world. Many financial institutions in these developing societies are reluctant to fund SMEs because of perceived risks, high exchange costs and similar challenges. Hence credits to SMEs, when they can get them, tend to convey higher loan fees and shorter pay-back occasions. However things may be changing. Numerous expansive banks are currently cooperating with advancement offices and NGOs to serve the SME market.

Conclusion

In the light of the foregoing and within the frame of the present discourse, we therefore conclude that regardless of the concerns raised, we trust the Currency Swap Agreement is a positive development. The decrease in dollar request, anticipated that would be accomplished through the swap bargain, will supplement the CBN's present mediation by means of the Investors' and Exporters' FX Window in developing solidness in the market, by controlling the rates of dollar shortage and conversion scale instability. More so, windows of opportunity can then be open to Small and Medium Scale Enterprises in Nigeria to which fosters SME competitiveness and reduces the transaction costs for smaller companies. It is imperative to focus to the fact that the removal of regulatory and administrative barriers is expected to encourage enterprises operating in the informal economy to formalize their structures, which is a pre-condition for expanding their operations.

Recommendations

For Nigeria to attain industrial development on its currency swap dealings with China trade, certain recommendations are imperative which are as follows;

(1) With a specific end goal to invert the over dependence of Nigeria economy on importation of good from China, there is requirement for greater dependence on domestic sourcing of the bulk of inputs especially for the industrial sector with a specific end goal to support SME growth.

(2) Government should make polices and law which will aim at reforming industries in Nigeria to make them effective and efficient enough to produce some vital commodities to reduce the over dependence on the Chinese commodities.

(3) Government should outline some strategies, which should focus on sending our local engineers abroad to acquire more skill that may help the person to practicalize it after which such person will come back home.

(4) Government should impose some tax on those imported foreign goods to protect our local industrial product with the competitions.

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