



Determinants of decline in selected textile manufacturing firms: A study of Kano metropolis

A.B. Yusuf^a

^a Department of Business Administration, Faculty of Management and Social Sciences, Ibrahim Badamasi Babangida University, Lapai. Nigeria

ABSTRACT

The massive and frequent rate of textile industry closure in Nigeria is a disturbing phenomenon. The main objective of the study is to identify the determinant of decline in selected textile manufacturing firms in Kano, Northern Nigeria. Cross sectional survey design was adopted in which relevant primary data was collected by means of questionnaire instrument. A sample of 184 was selected from the population of 4405 employees of two selected textiles manufacturing firms in Kano, Northern Nigeria using stratified random sampling with proportionate sample size allocation. Data collected were analysed using multiple regression analysis. The results of multiple regression analysis show that influx of foreign textile fabric and the use of obsolete technology does significantly contribute to the decline. The study concludes that inadequate investment in modern textile technology led to production of low quality textile products which resulted in the collapse of textile industry in northern Nigeria. It recommends investment in technological innovation and improvement to transform the industry.

Key words: Textile, Cross-sectional Survey, Technology, Kano.

1. Introduction

Textile industries have traditionally been the starting point of economic autonomy. The industrial revolutions of England and United States both began with textiles. China, Korea, Taiwan, Singapore and Hong Kong are all success stories; each has expanded its manufacturing capabilities after beginning with textile (Frazer, 2007). The textile industry is a good economic development starting point because it can employ unskilled workers, train them and make them skillful in a particular production process: Nigeria has a huge supply of unskilled workers due to its large population and other factors such as pervasive poverty and illiteracy. In addition to a large pool of labour, Northern Nigeria also has large a supply of cotton (Babadoko, 2007).

Handmade traditional textiles have been produced in Nigeria for many years but real industrial production of textile is a recent activity. Textile mills in Kaduna and Kano from inception were conceived as

vertically integrated mills to process locally sourced raw materials(mainly cotton) through spinning for production of yarn, weaving for the production of grey cloth, dyeing, printing and finishing for the production of finished textiles (Aguiyi, Ukachia Onyegbulum and Nwankwo; 2011)

In his effort to industrialize the north, Sir Ahmadu Bello established the Kaduna textile mill (KTL) and Kano textile factory in Gwammaja. The idea was to process the large quantity of cotton grown by farmers in the north since cotton is the primary raw material for textile industry. Other related factories such as weaving and spinning enterprises spring up at the same period, thus between the 1970's and 1960's the two cities were transformed into textile base. These factories became popular in the production and marketing of textile materials such as Atampa, African prints that were highly sought after within the West African sub-region.

Furthermore, between 1970's and early 1960's, Kaduna State and Kano State had over 50 functional textile factories but it is today a dumping ground for textile from Asian countries. Before the collapse of the industry in Kaduna and Kano the government derives as much as N4 billion per annum from textile related taxes and levies as reported by MAN (2011). But for over a decade now, the closure of these factories and the low capacity utilization or production capacity of existing ones is of great concern and the succeeding government had not been able to address the situation. Many of the workers that were laid off are still out of jobs, while taxes in billions derived by governments from these factories had become a thing of the past.

Over the last few years, Nigerian textile industry has become less competitive in the global market place as competition increases; the process of carrying out business strategy is being challenged. This pressure includes swift development in modern textile machines, the cost of acquiring and implementing the technology, employees training to go along with what is obtained, and preference among Nigerians for foreign textile fabric, especially when considered in the light of its effect on made in Nigeria wax. Thus, the decline of the sector was more pronounced as the conventional handloom faced severe competition from power loom. Many textile factories close shops in Kano, Nigeria, out of 27 textile manufacturing firms in the metropolis only two are presently functioning. Can the decline in textile manufacturing firms in Kano be attributed to influx of foreign textile fabric?, what is impact of imported textile fabric on the Nigeria textile industries. The study intends to investigate the influx of foreign textile fabric in Kano metropolis as a determinant of textile manufacturing decline.

2. Methodology

This particular study is concern with the influx of foreign textile fabric as a determinant of textile firm decline in Kano metropolis. This research is a survey research design. The population of the study consist of 4,450 of the two functional textile manufacturing firms in Kano at the time of the survey. The sampling design is stratified random sampling with proportional allocation as depicted below:

Table 1: Stratified random sampling with proportional sample size allocation

Selected Textile Firm	Status	Population	Sampling Fraction	Sample size
Angel Spinning Textile	Functional	950	0.13	50
African Textile Manu fac.	Functional	3500	0.48	184
Total		4450	1.61	134

The technique employed for data analysis is multiple regression. The goal of regression analysis is to obtain estimates of the unknown parameters. The regression model used:

$$\begin{aligned} y &= \alpha + \beta x + e \\ &= \alpha + \beta x + e(x_1, \dots, x_2) \end{aligned} \quad (1)$$

Where:

y=dependent variable (Textile decline)

α =Intercept or Constant

β = regression coefficient

x_1 = foreign textile fabric

x_2 = obsolete technology

e= error term

3. Empirical Results

Responses to the questions in the questionnaire were analyzed using inferential statistical methods of regression and ANOVA. The use of a five-point scale questionnaire (i.e. from "strongly agree" (5) to "strongly disagree" (1) in the present research was adopted. In order to identify the underlying dimensions of the variables in the questionnaire, the variables in the questionnaire were correlated. Table 2 presents the result of the model summary.

Table 2: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.87 ^a	.76	.74	0.094

Source: Author's Computation, 2016

Predictor: (Constant), foreign textile fabric

The Table displays R, R Squared, adjusted R Squared and the standard error. The R, is the correlation coefficient (the correlation between the observed and predicted values of the dependent variable). This is represented with a larger value R = .87 which indicated a stronger relationships.

The R squared is the proportion of variation in the dependent variable explained by the regression model. The model fit the data from the result which shows $R^2 = 0.76$, this means that independent variables (foreign textile fabric and obsolete technology) explains about 76% of the variation in the dependent variable (decline of textile manufacturing industry in Kano, Northern Nigeria). This is also justified by the adjusted R squared with the value .74 which has attempted to correct R^2 to more closely reflect the goodness of the fit of the model.

The need arises to assess the statistical significance of the results obtained in the study. Analysis of variance (ANOVA) is used to test the null hypothesis that the multiple regression in the population equals to zero. Table 3 displays the results of the ANOVA test for this study.

Table 3: Results of the ANOVA^b test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	36.026	3	12.009	13.182	.000 ^a
	Residual	337.974	371	.911		
	Total	374.000	374			

Source: Author's Computation, 2016

a. Predictor: (Constant), foreign textile fabric and obsolete technology.

b. Dependent Variable: Declining of Textile Industry

Table 4: Regression results

Model	Unstandardised Coefficient		Standardised Coefficient	t-Statistic	Sig.
	B	Std. Error	Beta		
Constant	4.431E-16	.049		.000	1.000
Foreign textile fabric	.218	.054	.218	4.057	0.000
Obsolete technology	.146	.052	.145	2.806	.005

Source: Author's computation, 2016

Similarly, Table 4 presents the result of ANOVA which confirms the result of Model Summary. Analysis of the result shows that the p value for the F statistic ($F_{cal} = 13.182$) which is significant ($0.000 < .05$). This indicates that independent variables are significant predictors of the dependent variable (Declining of Textile Industry). The Table also indicates that influx of foreign textile fabric and obsolete technology account for the declining situation of the textile industry in Kano metropolis with the results t 4.057 and 2.806 being significant at 5%.

4. Discussion

From the analysis of data collected from functional textile firms, it was observed that the respondents opinion clearly indicate that there is a significant decline in the operation of textile firms in Northern Nigeria. Majority of the respondents agreed that firms are battling with low level capitalization, massive importation of old and new textile fabric.

It can also be inferred that quality of Nigerian textile fabric is inferior compared to foreign textile products as majority of respondents strongly agreed that Nigeria consumers will readily purchase foreign textile fabric/wax because they feel that spending money on foreign fabric wax is more fruitful than local fabric/wax. This result collaborates the findings of Ladipo, Bakare and Olufayo (2012) that indicated consumers have bias in favour of products from developed nations such as USA, Europeans countries, China and Japan. This they associate with high levels of economic and technological development which translate into high quality and better performance of products.

Although, the findings of Zhou and Hui (2013) postulates that consumers may prefer high quality imported textile fabric, they do not blindly buy western goods and they may seek quality at a good price. And this also collaborates the earlier study of Cui (1997) cited in Ladipo et al who found that foreign textile brands may, lose their appeals as locally made goods increase in quality and attractiveness.

Majority of the respondents agreed that Nigerian textile firms have lose competitiveness due to poor trade practices and agreements, better substitutes of foreign textile fabric/wax, stringent government policies among others. This is in line with studies of porter (1980) Zammuto and Cameron(1985) Weitzel and Kim (1988) and Chowdhury (2014) that competitive environment have a significant impact on members firms. Most foreign firms in develop economics have presumably developed valuable resources and capabilities in their technology, delivery schedules and efficiency.

The use of obsolete technology by textile manufacture firms is considered to be one main reason for textile industry decline. A greater percentage of respondents agreed that, the problem of ageing or obsolete technology and inability to acquire the latest and up to date technologies in the textile firms is responsible for the decline in the industry. This finding is also in line with empirical studies of Aluko, Akinola and Fatokun (2004), Khan and khan (2010) and Amartey, Kudwo and Ankama (2014) who argue that inability to timely modernize the equipment and machinery has led to the decline of Nigerian textile firms, Pakistani textile industry and Ghana textile industry competitiveness.

5. Concluding Remarks

The Nigeria textile industry used to be the largest in Africa after Egypt and South Africa. It plays an important role in the economic development of the country and previously the largest employer of labour force in Nigeria after the civil service.

The study investigated influx of foreign textile fabric as a determinant of textile firms decline in Kano, Northern Nigeria. Based on the results of regression, textile firms decline is attributed to, low product quality and influx of foreign textile fabric.

The awareness of the significance of textile industry is very high but little or no effort has been put in place to revamp the moribund sector. In the view of the current crisis faced by the industry, its outlook remains bleak and therefore calls for pragmatic policies that will lead to restructuring of both local and modern textile manufacturing firms in Northern Nigeria.

Based on the findings and conclusion of the study, the following recommendations are made:

1. To facilitate restructuring of the decline textile manufacturing firms in Kano, Northern Nigeria, there is the need for adequate investment in the industry is a necessity. Therefore, managers in the textile industry should make adequate investment in the industry. Also, there is need for the government to improve their effort in this direction by making a policy that will enable investors to obtain soft loans.
2. Managers need to embrace new technological innovations that are a necessary prerequisite in the industry to enable them produce quality textile fabric of superior reliability at affordable prices thereby satisfying the needs of Nigerian's consumers/buyers of textile products.
3. Advocacy on the pride in using locally made Nigeria textile fabric should be done by the National Orientation Agency in conjunction with Federal Ministry of Information. This should be carried out at federal, state and local government levels.
4. Textile manufacturing firms Research and Development Department in conjunction with Standard Organization of Nigeria (SON) should ensure that textile fabric/wax are in conformity with prescribed and acceptable quality standard.

Bibliography

- Abdul M. (2012). The Nigerian Textile Industry. A way out of the economic meltdown. Retrieved on 15th August 2013 from
- Adamu, D. (2011). *Chinese take over textile business in Kana*. Sunday Trust Newspaper, 26th June pg 49.
- Aluko, M., Akinola D, and Fatokun S (2004). *Globalization and the manufacturing Sector. A study of Selected Textile Firms in Nigeria. A Journal of Department of Sociology and Anthropology, Obafemi Awolowo University, Ile-Ife.* 7(9), 2–7
- Amarty E.B., Amissah, R.K. and Ankama K.S (2014). The Decline of Ghana's Textile Industry: Its Effects on Textile Education in Ghana. *Journal of Art and Design Studies*. 33(3), 36-44
- Arasti Z. (2011). An Empirical Study on the Causes of Business Failure in Iranian Context. *African Journal of Business Management*. 5(17), 7488-7498
- Ashournia, D., Munch, J., Nguyen, D. (2014). The Impact of Chinese Import Penetration on Danish Firms and Work. Discussion Paper No. 8166, *Social Science Research Network (SSRN)*.
- Babadoko (2007). *The Death of Northern Textiles*. Business Economic Review. 3(11).
- Cinoli, M. and Dosi, G. (1988). Technology and Development: Some Implication of Recent Advances in the Economic of Innovation for the Process of Development. London West View Publication.
- Dauda, Y. A. (2010). Technological Change and Employment Relation in Nigeria: The Case of the Nigerian Duckworker. 47th Canadian Industrial Relations Association (CIRA); International Research Centre on Globalization (CRIMT) Conference on Employee Representative in the New World of Work; University Laval Quebec, Canada. 16th–18th June.
- Dauda, Y.A. and Akingbade, W. A. (2011). Technological Change and Employer Performance in Selected Manufacturing Industry in Lagos State of Nigeria. *Australian Journal of Business and Management Research*. 1(5), 32-43.
- Edoun, E.I and Netshiozwi, E.E (2015). Empirical Evaluation on China imports on employment in the South African textile industry. *Journal of Management Perspectives*. 13 (2), 15-26.
- Ekpunobi G.N. (2010). *Corporate Visioning as a Strategy for Organizational Transformation in the Nigerian Textile Industry*. Unpublished PhD Thesis submitted to the Department of Business Administration University of Nigeria, Nsukka.
- Eneji M.A., Oyinye I.J, Kennedy D.N and Rong S.L (2012). Impact of Foreign Trade and Investment on Nigeria' Textile Industry. The case of China. *Journal of African Studies and Development*. 4(5), 130-141.
- Frazer, G. (2007). "The Beneficial Nature of the Second Hand Clothing Trade in Sub-Saharan" *African Journal of Institute of Development Studies, University of Sussex*. 2(3), 30–43.

Gatawa M.N., Aliyu C.U. and Musa S. (2013). *Impact of Globalization on Textiles Industries: A Case Study of Some Nigerian Industries in Kano Metropolis*. Retrieved July 2 from www.dellubusiness_review.org/v-7n2/

Gherzi, T. (2011). *What caused Sub-Saharan Africa Marginalization in World Trade?* Retrieved on 15th August, 2011. @ .

Goyal, M. (2013). Decline in Organizations : A Review. *Administrative Science Quarterly* 97, (3), 109-220.

Gupta L.C., (1983). *Financial Ratio for Signaling Corporate Failure*. The chartered Accountant, 31(10) 697-714.

Jumejo M.A., Rohrac and Maitilo M.G (2007). Sickness in Small Scale Industries of indh; Causes and Remedies. A case study of Larkaa Estate area. *Australian Journal of Basic and Applied Sciences*. 1(4), 860-865.

Manufacturers Association of Nigeria (2010) *Industrial Review Bulletin* 3(1).

Manufacturers Association of Nigeria (2011). *Industrial Review Bulletin*. 3(9).

Manufacturers Association of Nigeria (2014). *Industrial Review Bulletin*. 4(11).

Modibo, I. (2007). *Requiem for the Textile Industry*. October 11, Daily Trust Newspaper

Nadvi K. and Thorbun J. (2003). *Vietnam in the Global Garments and Textile Value Chain: Implication for Firms and Workers*. Retrieved on 25 Aug. 2010. @ www.bcb.br/pec/wbs/ng/mps/2010.pdf

Ogunnaike O. (2010). *Nigerians Perceptions of Locally made Products*. A Study on Textile Fabric Consumers in Kaduna State. *Petroleum-Gas" University of Ploiesti Economic Sciences Series Bulletin*. 47(12), 30-36.

Olarenwaju J.P. (2010). *Boasting Capacity Utilization of the Textile and Allied Industries in Nigeria*. A Paper Presented at a Seminar Organized by the Raw Materials Research and Development Council (RMRDC) and manufacturers Association of Nigeria (MAN) at Lagos July 24 and Kaduna, Aug. 7.

Porter M.E (1980). The Contribution of Industrial Organization to Strategic Management. *Academy Management Journal Review* 6, 609–620.

Posso, A (2013). Enter the Dragon: Have Imports from China Hurt Wages in Manufacturing. *Asian Economic Journal*, 27 (3), 307-321.

Sandrey, R., Edinger, H. (2013). China's Manufacturing and Industrialization in Africa. African Development Bank – Working Paper Series No. 128.

Weitzel, W., and Johnson, E. (1989). Decline in Organizations: A Literature Integration and Extension. *Administrative Science Quarterly*. 34, 91-109

Zammuto, R.F and Cameron, K.S. (1985). Environmental Decline and Organizational Response". In Barry M. Staw and L.L. Cummings (eds). *Research in Organizational Behaviour*. 7, 223-262.

Zhou I. and Hui M. (2013). Symbolic Value of Foreign Products in the People's Republic of China. *Journal of International Marketing* 11(2): 36-58.