

Challenges and prospect of ghanian textiles



**ASSIGN
BUSTER**

\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [1. 1 BACKGROUND TO THE STUDY](#) \n \t
2. [1. 2 PROBLEM STATEMENT](#) \n \t
3. [1. 3 OBJECTIVE OF THE STUDY](#) \n \t
4. [1. 4 RESEARCH QUESTIONS](#) \n \t
5. [1. 5 METHODOLOGY](#) \n \t
6. [1. 6 SOURCES OF DATA](#) \n \t
7. [1. 7 ORGANIZATION OF THE STUDY](#) \n

\n[/toc]\n \n

The textile industry in Ghana once employed 25 000 people which represented 27% of total manufacturing employment in 1977(Quartey, 2006). These textile companies were producing very quality fabrics, textile brands and beautiful designs. These products from the local textile companies sold very well on the local market, other markets in the West African sub- region as well as on the world market. There was a high demand on the Ghanaian market for wax prints produced by these companies due to the fact that they were used in making traditional apparels like the kaba and slits and other exquisite wears. Besides being a source of employment to a lot of Ghanaians, the industry also made a significant contribution to the country's Gross Domestic Product, (GDP).

In the past few decades however, this once lucrative industry, has gone through some difficult times which has lead to the demise of production lines of most of the companies in the industry. Most workers have lost their job as

a result of the close the demise of most of these companies in the industry. The spinning and weaving departments of Ghana Textile Print, (GTP) which produced and continues to produce a very good textile brand of wax print As a result of this shut down, many of the employees in these departments lost their jobs. This company previously competed favourably with other international textile companies. When it comes to other textile companies such as Ghana Textile Manufacturing Company limited (GTMC), the story is not different for. In December of 2005, GMTC had to shut down its production.

Another producer in the industry that has suffered is the Juapong Textile, which supplied gray baft to GTP. This company had to be shut down completely due to administrative and production difficulty. In 2007, two years after the company was shut down, the government of Ghana reactivated the company under a new name The Volta Star Textile Limited, with the aim of resuscitating the distressed textile industry. The company could however not cope with the unfair competition and high cost of input. Other surviving companies, such as Printex are believed to be operating to be below capacity. Most of these companies which have survived import raw materials such as gray baft, semi-finished and bleached-cloth for printing. Akosombo Textile Limited (ATL), which is the one of the surviving local textile company in the industry also, has a similar story of below capacity production, high costs of inputs and unfair competition.

1. 1 BACKGROUND TO THE STUDY

In the 1960s Ghana introduced the Import Substitution Industrialization Policy. The Ghanaian textile industry was established during this period of

<https://assignbuster.com/challenges-and-prospect-of-ghanian-textiles/>

import substitution industrialization. Local industries and companies received a blanket of protection in form of tax breaks, high import duties and quotas imposed on imports.

In the 1980s however, the country shifted from the policy of import substitution to trade liberalization in order to overcome the limitations and adverse effects of the import substitution strategy. Under this regime of trade liberalization, barriers to trade were either removed or reduced significantly. This paradigm shift from import substitution industrialization to market based competition made sure that Ghanaian industries no longer operated under protective barriers. These industries were therefore forced to compete in both the export market and the domestic market based on their own efficiencies.

This new policy of trade liberalization allowed the free flow of goods and services between Ghana and the rest of the world. Most Ghanaian manufacturers have however argued that under this new policy of liberalization has led to the influx of cheap foreign goods which has led to severely damaging their industry and led to mass unemployment as a result.

One major industry in Ghana that has suffered from the new policy of industrialization is the textile industry. The textile industry which boomed during the period of import substitution industrialization with so many companies has now shrunken so much to just a handful. In view of the above argument, this study aims to look at the problems and challenges facing the textile industry and what prospects there are for the industry today.

1. 2 PROBLEM STATEMENT

There is a great potential for the textile and garment industry in Ghana to create lots of employment opportunities especially for the youth, majority of them being unemployed. It also has the ability to earn the country foreign exchange through the export of textiles and garments. However, the textile industry as a result of various trade policies, notably trade liberalisation, has been bedevilled with the influx of cheap textile from other countries especially China and Nigeria. The textile industry which had five plants plus cotton ginneries, employing about 25000 in 1975, 7000 in 1995 and 3000 workers in 2000 has been reduced to 3 plants and about 2, 961 employees by 2005 (Quartey, 2006) because of smuggling and fraudulent activities involving the copying of designs and logos from Ghana to pass of their products back to Ghana. Nigeria does not only subsidise textile production but has also banned the importation of textiles from Ghana, an ECOWAS member state despite the ECOWAS protocols. China is actively involved in passing off their textiles into Ghana by also using Ghanaian designs as well as falsifying the logos of the textile companies and that of Ghana Standard Board.

Another problem in the Ghanaian textile sub sector is the low output and low growth of industrial jobs. The above problems are exemplified by the fact that close to 23 000 workers in Ghana's textile sector have lost their jobs in a space of 20 years. On 17th of June 2005, GTP shut down its operations with the intention of resuming production depending on the performance of its product. In addition to this exercise, was retrenchment of employees, where over 75% of some 700 employees were on compulsory leave during the

period. Management was forced to take the decision due to the poor performance of its products, which was blamed on the influx of cheap and pirated wax prints.

In relation to the issue of unfair competition from foreign cheap textiles, Juapong Textile Company has been one of the very much affected industries. The company, back then had been supplying grey-baft to its sister company Vlisco Ghana Ltd, producers of GTP wax prints, but currently Vlisco has turned to foreign markets for the supply of grey-baft since it is cheaper. This and many factors accounts for the skeletal staff that has been left at the company's premises, while some 700 employees are left without a job. The company is also faced with the absence of modern machinery and equipment needed for rapid production culminating in its closure in June 2000 (Klutse, 2008).

Virtually all the textile industries in the country are faced with high cost of production in terms of cost of utilities, raw materials and remuneration of employees. A classical example is the Ghana Textile Manufacturing Company where high production costs have stifled production. This has resulted in a situation where employees of the company have dared the management of GTMC to declare a state of redundancy and pay them off.

Finally, the textile industry is characterised with low level of capital injection. A typical example is the case where JTL closed down in 2005, after the majority shareholder VLISCO Holland, which held a 62.5% share in the textile company, withdrew its share citing serious financial and operational

difficulty. The 10 days temporary closure of distressed GTP in which 700 of its employees were laid off led to the demise of JTL.

In the face of unfavourable competition from cheap Far East textile imports, the fortunes of these two factories is seen as a manifestation of the general despair to which the local textiles industry has sunk to.

1.3 OBJECTIVE OF THE STUDY

The main objective of the study is to assess the challenges and prospects of the Ghanaian textile industry with emphasis on Ghana Textile Printing Company.

Specifically the study seeks to:

Examine factors have contributed to the decline of the textile industry in Ghana

Examine policies that can be put in place to revamp the local textile industry

Examine the effects of the importation of cheap textile industry on the Ghana textile industry

Examine the major constraints that have affected the importation of Ghanaian textile.

1.4 RESEARCH QUESTIONS

What are the internal and external factors that have contributed to the decline of the textile industry?

What effects does the continued importation of cheap textile and garment import have on the textile industry?

What national economic policies can be put in place towards the promotion of growth in the textile and clothing industry?

What have been the major constraints on the export of Ghanaian Textile?

1.5 METHODOLOGY

The research seeks to look at the prospects and challenges of the textile industry in Ghana. The methodology will include all the instruments used for the study. This include the design of the research, the study participants, sampling and the procedure that will be employed to select the sample sizes, the study area or location and the research instruments that will be used to collect the data.

1.6 SOURCES OF DATA

The study will make use of both primary and secondary data. The primary data for this study would be collected quantitatively through the administration of questionnaires and qualitatively through interviews and focus group discussions of stakeholders in the textile industry. Secondary data to be used is from the Ministry of Trade and Industry Ghana Statistical Service and a survey conducted by Dr. Peter Quartey in 2005 studying the future of the Ghanaian textile and clothing industry. The results obtained quantitatively would be used to generalize whilst the qualitative data is aimed at obtaining an in depth understanding of the key issues and dynamics of the topic.

1. 7 ORGANIZATION OF THE STUDY

The study will be organized into six chapters. Chapter one will be a general introduction to the study. The chapter will discuss background to the study, problem statement, research questions and objectives, significant of the study and the general structure of the study. Chapter two will be discussed available and relevant literature related to the study. There will be a discussion of researches and works done by other researchers on the Ghanaian Textile Industry.

Chapter three will discuss the methodology employed by the researcher. The research design, target population, sample frame and sample size, sampling techniques, and sources of data will be discussed. The chapter will also dwell extensively on the instruments for data collection, the data collection process, and techniques for data analysis.

Chapter four will present a profile of Ghana Textile Printing Company. An analysis of will be discussed and analysed in this chapter.

Chapter five is the analysis of field data.

Chapter six concludes and also present recommendations put across by the researcher as a result of his field findings and conclusions.