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Abstract

Purpose: The aim of the study is to assess role of regulation in the growth of fashion industry in Nigeria.

Methodology: The drawing and interpretation of research findings and implications which is not a quantitative impact evaluation, was done. A qualitative textual evaluation method was used in this research. Textual analysis consists of review and interpretation of scripts and articles and their inferential context.

Findings: the regulatory framework acted as a disincentive for firms operating in Nigeria. The government regulations and policies have raised the costs of doing business and made business operations unsuitable for SME's. The existing regulatory framework other than the interest rate policies and laws in Nigeria does not provide for an environment or framework for growth and expansion of clothing retail companies. The regulatory agencies have not set up strategies and structures to support growth of the industry especially through knowledge sharing, protective policies or an agency support framework

Unique contribution to theory, practice and policy: The existing government regulatory framework does not provide for a conducive environment for growth and expansion. This therefore calls for review of existing laws and regulations to make the market friendlier for growth of clothing companies. The government should develop an agency to support the clothing retail sector, review taxes and macroeconomic policies that enhance more growth of the industry.

Key words: *regulation, fashion industry, policies, laws*

Introduction

The manufacturing sector in Nigeria in 2004 accounted for over 20 percent of the country's Gross Domestic Product (GDP), provided employment opportunities to about 300,000 people in the formal and 3.7 million persons in the informal sectors of the economy. The textile sub-sector constitutes an important component of the manufacturing sector in the country. It is one of the key sub-sectors targeted under the country's strategy for economic recovery (Republic of Nigeria, 2003). In the first decade following the country's independence in 1963, manufacturing output in Nigeria increased at the rate of 9-10 percent per annum on average, with notable expansion in the textile and garments production. At the time, public policy targeted import substituting industries for promotion (IPAR, 1996). The main policy instruments for such promotion included a combination of tariffs and import quotas supported by foreign exchange allocation measures. The exchange rate was also generally overvalued to contain the costs of imported raw materials, and credit and interest rates were implicitly subsidised for manufacturing enterprises. The textile and clothing industry developed into a leading manufacturing activity in Nigeria, both in terms of size and employment. It employed about 30 percent of the labour force in the national manufacturing sector. The industry also supports the livelihoods of over 200,000 small-scale farmers by providing markets for cotton. The success of the textile and clothing sub-sector during the import substitution period can be traced to the policy by the government that ensured a backward integration of the textile mills. Between the time of Nigeria's independence and the end of 1990, the government systematically introduced controls in the sector: it helped cooperative societies buy ginneries from colonial settlers, controlled marketing margins, fixed producer prices and invested heavily in textile mills. The government also protected the local industry by imposing a 100 percent duty on imported goods. This ensured rapid growth of the local textile industry hitting an average production capacity of over 70 percent.

Nigerian trade unions have been greatly affected by the crises in the textile industry. The collapse of the industry has seen a majority of workers being declared redundant. This means significant loss of membership by the unions and the erosion of confidence of workers in the capacity of trade unions to organise, protect and promote the welfare of workers. The revival of the industry, especially through the EPZs has not helped in improving the situation either. This is mainly due to the restrictive nature of the country's regulations particularly on trade union re cognition and collective bargaining. Most of the EPZ firms have, for example, not recognised the relevant trade union body mandated to organise workers within the industry.

The government has the overall responsibility of setting laws, rules and regulations that enhance decision making and rationality of outcomes in the business environment. Consequently, the government has absolute authority in regulating conduct of business and competition amongst institutions and firms. Government rules, regulations and laws are often commonly known as the regulatory framework (Hanan, 2011). The social theory posits that the government acts in the best interest of the majority. Consequently, government policy and the regulatory framework is aimed at getting the best out of the institutions and firms for the best interest of the population. Consequently, social good must be achieved by the government through different regulatory frameworks. Frequent changes in the regulatory framework has an adverse effect on business growth and expansion. In an environment where the regulatory framework often changes, businesses will rarely grow due to unpredictability of the environment as well as uncertainty by investors about the security of their investments and returns (Kuratko, 2016).

In an analysis of the government related factors that influence growth of SME's around the world, Harper (1984) found that the differences in the standards, procedures and regulations on various products and services was a major hindrance. According to the study, government-imposed regulations and standards on product specifications, environment, buildings and logistics are some of the challenges that face growth of small and medium enterprises. Further, the study noted that the domestication of international standards from industrialized and developed countries has remained an inappropriate business environment for growth and expansion of SME's. Harper (1984) further noted that high levels of taxation inhibited growth of

SME's through increased regulatory costs and acted as a disincentive for growth of small businesses in South Africa. The study concluded that the tax policy existing by then was complicated and incomprehensive for small businesses and SME's. This consequently, inhibited business and firm growth.

In America local governments adopted various laws and regulations so as to protect the local fashion market by limiting foreign firms' developments. These regulations have had direct impacts on the Foreign Domestic Investment which always affect the choice of entry modes. The Japanese government relaxed on international regulations set on the textiles and apparel trades which have enabled global firms to keep on shifting from their manufacturing operations to offshore markets which are low cost (Azuma and Fernie, 2003). In L.A fashion district most fashion brands are violating trade policies through defying their trade policies which extend to poor employee working conditions making them sweatshops hence the government has taken actions to overturn them by setting higher standards through over-riding corporate policy that are set to all stakeholders in the city's apparel industry (Garrels, 2007).According to Wood and Bischoff (2019) establishes that the regulatory system in South Africa is unfavorable to the smaller players in the fashion industry as compared to larger ones in which the small ones may choose to remain in that position or steer away from regulations which seem unbearable. In Nigeria there are various regulations that govern the apparel industry through the exports and imports in the sector, licenses are offered to firms operating in the industry. Export and Import licenses are renewed every year through the Ministry of Trade and Industry. Nigeria Apparel Manufacturers Exporters Association (NAMEA) with the other stakeholders in the local fashion industry bring different proposition for the regulations to be set by the Ministry of Trade and Industry (United Nations Development Programme, 2006).

Government has a way of intervening in different sectors of the known industries and strengthening clusters by facilitating creation of new ones. Cluster policy is increasingly common to developed countries unlike developed countries (Raines, 2000).Cluster policy brings together different programs and fulfils political needs by channeling government support to industries (Benneworth & Charles, 2001). Rosenfelt (2005) argues that most authors are in tandem that cluster policy development should not be entirely government driven but preferably business-driven. It's a framework policy which leads the way for different dynamics seen in clusters. Canadian fashion industry had various challenges, nationally and they had to analyze as to identify how the system worked in order to find its failures and maintain its successes. According to Baptista (1998) they had previously used approaches that were theoretical and had to change their point of view and after a thorough research they tried to use the cluster theory and come up with cluster policy for the industry. Buciuni and Finotto (2016) demonstrated that Fashion industry is one of the industries with the support of the government and it transitions well to the clusters, Clerici Tessuto came up with a business model which relied on the flexibility connections and networks of stakeholders for better interaction through faster response to the turbulent changes in the garment industry.

Methodology

This study used a behavioral approach to textual analysis while researching and writing this essay, compared to a behavioral approach, which would involve studying role of regulation in the growth of fashion industry. The drawing and interpretation of research findings and sense which is not a quantitative impact evaluation, was important in this context, which implies that qualitative and thematic analysis was most suitable in this study. This method don't need to have training the algorithm of analysis as the case for quantitative, so the findings could easily be captured. A qualitative textual evaluation method was used in this research. Textual analysis consists of review and interpretation of scripts and articles and their inferential context. As a tool of interpretation and significance, an observer is likely to misunderstand the original intent, especially in cross-cultural analysis, of the message writer.

Bogue (2007), nevertheless, reaffirmed its reliability and adequacy, in particular when the researcher pays attention to text itself. In this regard, Olson et al (1997) suggested more interpretation of the texts and their targeted audience in view of the time and environment in which they were written.

Literature review

Wanjohi and Mugure (2008) analyzed the key factors that influence growth of SME's in Nairobi County. Chief among the factors that were identified by the study was the government regulatory framework, policies, generally referred to in the study as the business environment. According to the study, government policies that were not stable and predictable, as well as grand corruption in the government promoted bureaucracies' and inefficiencies in the business environment which affected business growth and expansion. Further, the study by Wanjohi and Mugure (2008) noted that other government policies such as high tax rates, high business licenses and other fees attributable to government agencies negatively influenced growth plans for SME's in the country.

Kinyanjui (2006) conducted a study on the effect of regulatory and government policy on growth of SME's in Nigeria. The study focusing on the regulatory framework noted that the framework acted as a disincentive for firms to the firms. The government regulations and policies have raised the costs of doing business and made business operations unsuitable for SME's. In addition, the study found that SME's found the compliance levels and costs to be prohibitively costly and beyond their ability. In addition, the SME's found the government regulations to be cumbersome and bureaucratic. Consequently, SME's found it easier and convenient to operate outside the realms of the law and regulatory framework (Kinyanjui, 2006).

Nalo (2006) in a newspaper article therefore concluded that it is the prerogative of the government to review and update its policies to ensure that they did not hurt the enterprises and that the business environment is conducive for business growth and expansion. Some of these includes: licensing, permits and business regulations which hinder growth and expansion of small businesses and enterprises. While government policy regulates the conduct of business, government support refers to aid and help provided by the government to foster growth of businesses. Government support is as important as regulatory framework is. According to Wanjora (2010) the government has the responsibility of providing support for growth and expansion of SME's. Government support may be in the form of monetary gains such as grants and cheap capital as well as non-monetary support such as subsidies, training and education. In addition, the government can provide a proactive regulatory environment that supports growth of SME's. All these factors are indicative of a government that supports the growth of businesses. According to Beck (2011), Paulson and Townsend (2012) the government has to provide support for growth of businesses at all times. Some of the innovative government support strategies include tax subsidies, infrastructural development, government purchase of products and services and training facilities. In addition, the government can support firms through sourcing markets for products and services produced in the country.

The regulatory framework is a key determinant of organization success and growth. Nzenga (2008) analyzed the key factors that influenced growth of insurance companies in Nigeria using a sample size of 34 insurance companies over a 3-year period. The study found that the regulatory framework was instrumental in informing and informing growth in the insurance industry. Nzege (2008) found that government regulations on interest rates which influence the cost and access to finance, regulations and laws on insurance and the taxation policy were the key regulatory framework factors that influenced firm growth amongst insurance companies. The regulatory environment was also identified as a key determinant of organizational growth by Kedogo (2018) in the study on factors influencing growth and development of SME's in Nairobi County. The study conducted using descriptive design on a sample population of 100 SME's in Nairobi county identified the registration process, taxation and interest rates as key factors that influenced growth and success of SME's. Government policy revolves around the conduct of business, tax policy, minimum wages, interest rates and environmental laws.

Yaron and Meoli (2017) note that government regulations on asset ownership has a strong influence on business growth. According to Yaron and Meoli (2017) restrictions on asset ownership such as land, forces firms and organizations to scale down on their operations and thus inhibit growth. Furthermore, government policy on assets ownership such as intellectual property and enforcement of contracts are other factors that influence growth of firms. According to Okibo and Makanga (2014) and supported by the findings of Yaron and Meoli (2017) a regulatory framework where intellectual property rights are rarely observed or protected and where contracts enforcement or dispute resolution is not upheld and expedited, investors are hesitant to invest and thus inhibiting growth and expansion of firms. This explains why the regulatory framework is very critical in informing investment decisions for investors.

Other government led efforts that influence expansion of firms is the human resource laws. According to Wijesiri et al. (2017) and Okibo and Makanga (2014) employee related regulations such as the minimum wages, number of leave days and the number of holidays influence growth of SME's around the world. According to Wijesiri et al., (2017), minimum wages is one of the key factors that influence growth and expansion of firms around the world. When governments set the minimum wage floors very high, it becomes an expense for the firm which derails its growth plans. Furthermore, Okibo and Makanga (2014) notes that government policies such as taxes, interest rates and wage limits are often expenses for the firm. When they are set very high, then the cost burden for the firm becomes very high and thus limiting the ability of the firm to expand and grow.

These sentiments are supported by the findings of Olu (2009) in the analysis of factors that influence the growth and expansion of firms in Uganda. According to the study government factors such as high license fees, interest rates, minimum wages and tax rates highly influence the ability of the firm to expand due to the increased expense burden imposed on the firm. Furthermore, Olu (2009) notes that some of these factors such as taxes and licensing fees inhibits the ability of the firm ability to acquire assets which deters growth and expansion plans for firms.

According to Brand South Africa (2018) states that the Africa Growth and Opportunity Act has no issue with duty free imports and it allows free imports of apparel in South Africa hence an increment of exports to the US. In the current turbulent business environment with various emerging markets and trends, the manufacturing sector in South Africa has had to assert by doing away with protective tariffs, and inundation of cheap imports from Asia (Wood & Bischoff, 2019). Nigeria's exports in the apparel industry has immensely grown, despite its major competitors, the firms in the industry have created jobs hence a source of employment. Nigeria Apparel exports all go to United States which increased from 16 percent in 2004 to 37 percent in 2014 (Ministry of Industrialization and Enterprise Development., 2015). In the study it examined the role of the import and export policies in the fashion industry to fashion businesses.

Conclusion

The Australian government treated the apparel sector as a manufacturing industry and due to this policy that was put in place to shape the lucrative fashion industry and emerging trends were fairing badly. Australia's local apparel industries required a low skilled labor force and there were numerous outsourcing contractors outside the country; therefore, investigations and inquiries were done to find out on the impact of the industry policy and the challenges identified in the employees working conditions through their trade unions (Craik, 2014). Government's de-regulatory economic policies address the absence of economic policies that create industries that are more competitive and internationally positioned industries (Weller, 2007). The fashion industry in Japan had the status of being the largest export industry in country' national economy; in the last three decades it lost its reputation because of environmental changes and government policies. Brydges and Pugh (2017) describes the Canadian fashion industry as an orphan since the policies of the creative industry in the country fail to recognize the industry as well as independent fashion designers. The fashion industry was excluded from funding by the government, it left the fashion designers unable to access funding and support from the industry arts department, with organizations like the Canada council for the arts, Ontario arts council and Alberta Foundation for the art hardly included fashion in their mandate. This is because fashion was not viewed as a professional career.

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Consequently, social good must be achieved by the government through different regulatory frameworks (Hanan, 2011).

This study found that the existing Government policy did not significantly influence growth of Jade Collections and other clothing retailers in Nigeria. Government policies such as taxes, macroeconomic policies, regulatory framework and government purchase decisions did not support growth of clothing retailers in Nigeria. Nevertheless, the interest rate framework was identified as one of the few government policies that supported growth of clothing retailers. These findings resonate with those of Harper (1984) found that the differences in the standards, procedures and regulations on various products and services was a major hindrance. According to the study, government imposed regulations and standards on product specifications, environment, buildings and logistics are some of the challenges that face growth of small and medium enterprises.

Further, the study noted that the domestication of international standards from industrialized and developed countries has remained an inappropriate business environment for growth and expansion of SME's. Harper (1984) further noted that high levels of taxation inhibited growth of SME's through increased regulatory costs and acted as a disincentive for growth of small businesses in South Africa. The study concluded that the tax policy existing by then was complicated and incomprehensive for small businesses and SME's. This consequently, inhibited business and firm growth. Despite the differences in the timings and locations of the study, the findings of this study and those of Harper (1984) have similarities.

The negative influence of government policy on growth of Clothing retailers in Nigeria could be explained as captured in the discussions by Kinyanjui (2006). According to Kinyanjui (2006), the regulatory framework acted as a disincentive for firms operating in Nigeria. The government regulations and policies have raised the costs of doing business and made business operations unsuitable for SME's. In addition, the compliance levels and costs are prohibitively costly and beyond their ability. In addition, the SME's found the government regulations to be cumbersome and bureaucratic. Consequently, SME's found it easier and convenient to operate outside the realms of the law and regulatory framework (Kinyanjui, 2006).

the existing regulatory framework other than the interest rate policies and laws in Nigeria does not provide for an environment or framework for growth and expansion of clothing retail companies. The regulatory agencies have not set up strategies and structures to support growth of the industry especially through knowledge sharing, protective policies or an agency support framework.

Recommendations

The existing government regulatory framework does not provide for a conducive environment for growth and expansion. This therefore calls for review of existing laws and regulations to make the market friendlier for growth of clothing companies. The government should develop an agency to support the clothing retail sector, review taxes and macroeconomic policies that enhance more growth of the industry.

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