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## **The Decline of Local Textile Industries In Ghana. A Case Study of Volta Star Textiles Limited in Jaupong, Ghana.**

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### **Abstract:**

*The study was carried out at Jaupong in the Volta Region of Ghana where Volta Star Textiles Limited is located. The qualitative research approach was adopted for the study and used to present data in a systematic manner. The data gathering tools used for the study were interview and questionnaire. A three page well-designed questionnaire copies were administered to the Sample Population made up of one-hundred and eighty (180) respondents. In all, majority (94%) of respondents who participated in the study were male while only (6%) were female. This shows a marginal gender imbalance at Volta Star Textiles Limited. A major finding of the study is that the high cost involved in production makes it difficult for the company to break even. This high cost can be linked to sporadic increases in utility tariffs and the high cost of raw material (cotton). The study further reveals that, about (70%) of machinery used at Volta Star Textiles Limited are obsolete. It is therefore recommended that government forms partnership with a strategic investor to recapitalize VSTL and position it to deliver on its short, medium and long term objectives.*

**Keywords:** Government, VSTL, Gender Imbalance, High Cost, Obsolete.

### **1. Introduction**

Apart from food and shelter, clothing is the third most important basic need of man. (Adu-Akwaboah, 1994). Clothing is made from a planular surface known as textiles or fabric through various constructional processes such as Crocheting, Knitting, Bonding, Braiding and Weaving. Textiles protect the body from cold, fire, sunlight and infection. Our homes are made attractive and more comfortable by the use of textiles. History tells us that the first man used leaves to cover himself when he realised his nakedness. These leaves were used to cover only the private parts. Later, animal skins, acquired through hunting and barks of trees were considered better to fight cold than leaves. As time went on, man did not only think of covering the body with just anything but the comfortability of the covering was also considered. This necessitated the use of animal furs and vegetable fibres which eventually led to the art of spinning and weaving.

In the late 1970s, the rise in the Ghanaian population resulted in high demand for clothing and the springing up of more local Textile companies; some of which included Ghana Textiles Manufacturing Company (GTMC), Juapong Textiles Limited (now known as Volta Star Textiles Limited), Akosombo Textiles Limited (ATL) and Ghana Textiles Products (GTP). These new companies developed rapidly at the time and produced large quantities of textiles to meet the high demands. This resulted in high turn-over, job satisfaction and increase in labour force. Most workers of these companies could cater for their families and safe enough for the future. The foreign exchange earnings of the country also increased appreciably. But this did not last. It was not long after, when situations started going bad. Most of the Textiles Companies laid-off their workers, resulting in hardship and complains here and there. The management of the then Juapong Textiles Ltd (JTL) did everything possible to contain the looming threat of shutting down the factory but this could not be sustained as the factory in 2005 totally shut down production due to high cost of production. However, in 2007, the then government led by President John Agyekum Kuffour refurbished the factory and opened it at a colourful ceremony in Juapong. To ensure the proper management of the newly refurbished factory, the government entered into a joint partnership with U-Rich, a Chinese Textiles and Garment giant. The old name of the factory, Juapong Textiles Limited (JTL) was also changed to Volta Star Textiles Limited (VSTL) as a form of rebranding. After the revamping, the factory began to make some meaningful gains until recently when things began to go out of order. This compelled the current government to take steps towards solving the teething problems. The most recent of such steps is the formation of a nine –member committee to look into the matter. This study therefore is a timely attempt aimed at investigating into the causes, effects and solutions of the imminent collapse of the company.

## 2. Literature Review

Cloth has been serving as a value trade commodity as early as the 11<sup>th</sup> century and continuing till the present time as a vital art form. Like all African textiles, Ghanaian cloth or textiles communicate at many different levels, through their bold designs, rhythm and motifs. Kudowor (2012) submits "I would like to draw attention to the current situation in the textile sector which has seen a decline since the 1990s." According to him, textile manufacturing outfits in Ghana have seen an erosion of their foundations by the large importation of cheap and inferior textiles into the market in at least the last decade. He further states that this has come to upset some what the traditional hierarchy of the local textiles which has affected even the quality of the textiles produced today. However, stakeholders in recent times are making all efforts to revive the flagging fortunes of the industry. He further intimates that the Ministry of Trade has instituted prohibitive measures to discourage the importation of these "spoiler" fabrics. Also, established industries like VLISCO, (GTP), ATL, Printex and others have also stepped up production levels to meet demands of the market and satisfy current trends with new designs.

My Joy Online (2014) in its Feature Article states that the textile industry which was once the leader in Ghana's industrial sector, has been declining over the years due largely to trade liberalization policies and programmes, making it impossible for Ghana's textile products to compete with cheap inputs from Asia. It goes on to state that the industry, which once employed about 25,000 workers, now employs less than 4,000 and with no help in sight for the industry, the number is set to see further reduction. According to the source, in terms of taxes, revenue from the local government is hard pressed for cash to accelerate its development agenda.

Quarthey (2006) gives a detailed presentation as follows:

### Profile of the Textile Industry in Ghana

#### 2.1 Employment Levels

Ghana's textile industry employed some 25,000 people and accounted for 27 percent of total manufacturing employment in 1977. However, by 1995, employment within the sub-sector had declined to a mere 7,000. In the year 2000, it further declined to 5,000. As the situation continues to deteriorate, employment continues to decline; as at March 2005, the four major textile companies in Ghana employed a mere 2,961 persons.

	1975	1995	2000
Output(million yards)	129	46	65
Employment	25,000	7,000	5,000

Table 1: Employment within the Textile Industry  
Source: Library Research (2014)

By mid 1970s, about 16 large and medium sized textile companies had been established in Ghana. However, inconsistent government policies over the years have contributed greatly to the decline in the sub-sector's activity levels. As at 2002, the four major companies that survived the turbulence in the sub-sector are the (GTMC), ATL, GTP and Printex. The decline in textile exports from 1992 to 1998 can be attributed to internal and external bottlenecks. Ghanaian manufacturers of textiles generally agree that the market, particularly within the ECOWAS sub-region due to trade barriers such as imposition of 20% duty by Cote D' Ivoire (contrary to ECOWAS regulations), transit tax collected at Benin, extortion by Nigerian authorities and the risk of currency devaluation are all responsible for the decline. Also, poor finishing of products and high tariffs charged on some export destinations of Ghanaian textiles were mentioned.

Abbey (2010) suggests that one way of protecting the textile industries is by seizing and destroying of fake textile products. He cited the example of a Task Force, made up of officials of the Ministry of Trade and Industry, CEPS, Ghana Standards Board and the Ghana Police Service who seized and burnt some 391 full pieces of pirated textiles worth Ghc 200 milion. According to him, the fabrics were seized from wares houses and open markets in Accra.

The various literature reviewed touched on the decline of the textile industries in Ghana but none was able to fully comment on the imminent collapse of Volta Star Textiles Limited. The research topic therefore can be said to be a viable one.

## 3. Methodology

### 3.1. Brief History

Juapong Textiles Limited was established in 1967 as a weaving mill and later the spinning mill was commissioned in 1975. The factory processes raw cotton into yarn and grey baft as its products. It has an installed annual capacity of 21 million yards of grey cloth at full capacity utilization.

The Juapong Textiles Limited closed down in June 2005 when Vlisco Ghana Limited who had the management responsibility and majority shareholding decided to pull out to concentrate on its core business of printing and finishing at its plant in Tema, Tex Styles Ghana Limited. The other shareholders before the demise of the company were the Government of Ghana and Freedom Textiles Investment Company of Hong Kong. The workers of the factory were paid their severance pays and the factory slated for liquidation. The Government of Ghana through the Ministry of Trade and Industry halted the liquidation in the same year, 2005 and acquired the plant with the intention of revitalizing it. The government of Ghana then became the 100% shareholder and that intervention later gave birth to the current company, Volta Star Textiles Limited.

### 3.1.1. Volta Star Textiles Limited Formative Era

A technical committee made up of former technical staff of JTL and officials from the Ministry of Trade and Industry was set up in 2005 by MOTI to ascertain the technical condition of the plant to support manufacturing activities. The committee, which was headed by Mr. Samuel Nartey of MOTI, submitted its report to the Ministry and indicated that the plant was technically sound to support textiles manufacturing. The Government through the MOTI then embarked on massive rehabilitation and refurbishments of the factory to position it to restart manufacturing.

Volta Star Textiles Limited was incorporated in 2007 and was commissioned the same year to commence production. Prior to the commissioning and resumption of production activities at VSTL, the Ministry of Trade and Industry had entered into a management contract with U-Rich, a Chinese Textile Firm to provide technical and managerial functions. Accordingly, a six-member Chinese expatriate staff arrived in the country in November 2006 and assumed the responsibility of running the factory. The details of the management contract agreement are with MOTI.

### 3.1.2. The Exit of The Chinese Expatriate Staff

At the end of almost two years under the Chinese administration, it became apparent that the Chinese Team was facing challenges in managing the factory as stipulated in their contract agreement. Key personnel issues as well as serious bottlenecks confronting the company such as the immediate financial requirement to kick-start the plant on commercial sustainable basis did not engage their attention. The Managing Director and other key Chinese office holders had deserted their post by the end of December 2008.

### 3.1.3. Review of Volta Star Textiles Management

By the last quarter of 2008, a committee was put in place at the ministry level to look into the operations and management of VSTL and come out with a recommendation. The committee was unanimous in its decision that the management contract between U-Rich and the Ministry be abrogated. The decision to abrogate the contract was however referred to MOTI legal department for advice.

In view of the management vacuum created by the exit of the Chinese expatriate staff, an Interim Management Team was constituted by the Ministry on 9<sup>th</sup> December 2008 to steer the affairs of the company until permanent staff and board were put in place. The team is made up of former technical staff of Juapong Textiles Limited and two officials from the Ministry of Trade and Industry who were to compliment the technical staff to provide Financial and Human Resource services. The team is headed by the Ag. Technical Director, Mr. Evans Agyagbo, also a former technical staff of JTL.

### *3.2. Research Design*

By the nature of this study, the Descriptive (Qualitative) Research approach was indispensable. This was combined with statistical methods to describe, interpret and analyze data in a systematic manner.

### *3.3. Population For The Study*

The Access Population of the study is made up of six-hundred (600) workers of Volta Star Textiles Limited. This includes three-hundred (300) permanent workers and three-hundred (300) contract workers. The Staff Structure is categorized into Top Management, Senior Staff and Junior Staff. The Top Management is made up of the Technical Director, the Head of Human Resource/Technical Services, Head of Spinning Department and the Head of Weaving Department. The Highest Educational qualification of the Top Management is Masters Degree. The Junior Staff have the lowest Educational qualification of B.E.C.E. The labour force is made of (100%) skilled labour with the male dominating.

### *3.4. Sample Population*

By the nature of this research, it was not possible to include all available population for the study. Therefore, only the Sample Population was studied. The Random Sampling Technique was used to arrive at a Sample Size of 180. This was calculated by finding 30% of the Accessible Population (600). Thirty Percent (30%) was selected because according Leedy (1974), for a quality work, at least 30% of the Accessible Population is a fair representation for an acceptable accuracy of results.

### *3.5. Research Instruments*

For an in-depth data collection, the questionnaire (survey) approach and interviews were combined. In all, 180 well-designed questionnaire copies were administered to the respondents. The table below shows the distribution of respondents per stratum.

<b>Respondents</b>	<b>Number</b>	<b>Percentage (%)</b>
Top Management	4	2.2
Senior Staff	50	27.8
Junior Staff	126	70
Total	180	100

*Table 2: distribution of respondents per stratum  
(Source: Field Data 2014)*

#### 4. Analysis And Interpretation of Data

This section of the research presents the statistical methods used in analysing data for the study. The study made use of bar charts and tables to analyse data. Two forms of data were collected for the study. These were: Primary Data and Secondary Data. The Primary Data were collected from the field while the Secondary Data were collected from books, journals, magazines and the internet. The Primary Data were edited, coded and analyzed using the SPSS computer software.

##### 4.1. Demographic Characteristics Of Respondents

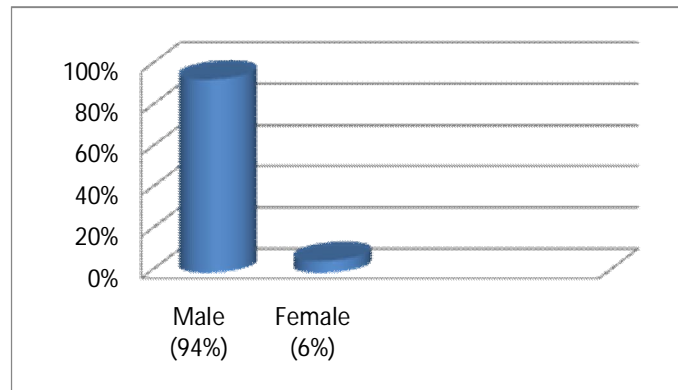


Figure 1: Gender Distribution of Respondents,  
Source: Field Data 2014

The Bar Chart above shows the Gender Distribution of respondents. As many as 169 respondents (workers) who participated in the study were male and this represents 94% of the Sample Population. Also, 11 respondents representing 6% of the Sample Population were female. This portrays a great gender imbalance which is not surprising because by the nature of the strenuous work that goes on in the factory, men will definitely dominate. However measures must be put in place to bridge the gap by employing an appreciable number of female workers.

Age Range	Frequency	Percentage (%)
15-25	25	14.0
26-30	80	44.0
31-40	60	34.0
41 and above	15	8.0
Total	180	100

Table 3: Age Distribution of Respondents  
(Source: Field Data 2014)

The age distribution of respondents (workers) is shown in table 3 above. It is evident from the data collected that majority of respondents (80) representing 44% of the Sample Population are between 26 years and 30 years. This is reflective of the nature of work that goes on in the textile industries in which a lot of youthfulness and energy are exerted. The lowest age range is 41 years and above, recording a frequency of 15 which is 8% of the Sample Population. The age range between 31 and 40 years recorded a frequency of 60, representing 34% of the Sample Population. Respondents with ages between 15 and 25 years recorded a frequency of 25 which is 14% of the Sample Population.

Educational Level	Frequency	Percentage (%)
Primary	0	0.0
JHS	5	3.0
SHS	165	92.0
Tertiary	10	5.0
Total	180	100

Table 4: Educational Level of Respondents  
(Source: Field Data 2014)

Table 4 above displays the level of education of respondents. It shows that as many as 165 respondents representing 92% of the Sample Population hold S.S.S.CE certificate. Only 5 respondents representing 3% of the Sample Population are JHS leavers while 10 respondents representing 5% of the Sample Population attended tertiary institution. However, no respondent is a primary school leaver.

Employment Type	Frequency	Percentage (%)
Permanent	90	50.0
Temporary	90	50.0
Total	180	100

Table 5: Employment Type of Respondent (Source: Field Data 2014)

In table 5 above, the employment type of respondents is specified. The table shows that 90 respondents representing 50% of the Sample Population are Permanent workers while another 90 respondents also representing 50% of the Sample Population are Contract or Temporary workers.

Department	Frequency	Percentage (%)
Weaving	80	44.0
Spinning	50	28.0
Marketing	20	11.0
Maintenance	15	9.0
Procurement	4	2.0
Security	7	4.0
Human Resource	4	2.0
Total	180	100

Table 6: Departmental Distribution of Respondents (Source: Field Data 2014)

Table 6 above presents the departmental distribution of respondents. It is evident from the presentation that the weaving department recorded as many as 80 respondents representing 44% of the Sample Population. However, the Human Resource and Procurement departments recorded 4 respondents each who participated in the study. This represents 2% each of the Sample Population. Additionally, 50 respondents from the Spinning Department representing 28% of the Sample Population participated in the study. This is followed by the Marketing department which recorded 20 respondents representing 11% of the Sample Population. The Maintenance department had 15 respondents representing 9% of the Sample Population. Finally, the security department recorded 7 respondents representing 4% of the Sample Population.

Responses	Frequency	Percentage (%)
Very high	172	96.0
Very low	8	4.0
Total	180	100

Table 7: Responses to the question: "what can you say about the patronage of your products of late?" (Source: Field Data 2014)

In table 7 above, responses about the patronage of VSTL products have been collated. It is clear from the presentation that 172 respondents representing 96% of the Sample Population asserted that the patronage of VSTL products is very high. This is an indication that the causes of the imminent decline of VSTL do not have much to do with the patronage of their products. 8 respondents representing 4% of the Sample Population stated that the patronage of VSTL products is very low.

Responses	Frequency	Percentage (%)
True	2	1.0
False	178	99.0
Total	180	100

Table 8: True and False responses to the question whether the factory is making some gains. (Source: Field Data 2014)

Table 8 above showcases responses about whether or not the factory is making some gains now. The responses show that as many as 178 respondents representing 99% of the Sample Population stated that the factory was not making any meaningful gains. Meanwhile as low as 2 respondents representing just 1% of the Sample Population agreed that the factory was making some gains.

Responses	Frequency	Percentage (%)
True	175	97.0
False	5	3.0
Total	180	100

Table 9: True or False responses to the question whether the factory is making losses.

(Source: Field Data 2014)

Table 9 above displays responses about whether or not the factory is making some losses now. It is evident from the table that despite the high patronage of the of VSTL products, the factory is making losses. 175 respondents representing 97% of the Sample Population agreed that the factory is making losses while 5 respondents representing 3% of the Sample Population disagreed with the assertion that the factory was making some losses.

Causes	Frequency	Percentage (%)
High cost of production.	25	14.0
Unavailability of raw materials.	3	2.0
Erratic Supply of electricity	40	22.0
Lack of technical know-how	0	0.0
Lack of incentives for staff	5	3.0
No ready market for VSTL products.	0	0.0
Piracy of Designs.	10	6.0
Indiscriminate flooding of inferior textile products on the Ghanaian market.	15	8.0
Products from VSTL are less attractive due to poor finishing.	0	0.0
VSTL products are not patronised due to high pricing.	4	2.0
Lack of branding for local textile products.	13	7.0
Lack of commitment on the part of Government to develop VSTL.	60	33.0
Managerial inefficiency and corruption.	5	3.0
Total	180	100

Table 10: Possible causes of the decline of Volta Star Textiles Limited  
(Source: Field Data 2014)

Table 10 above tabulates the possible causes of the decline of Volta Star Textiles Limited. The lack of government's commitment to develop VSTL topped the number of respondents who answered questions concerning the possible causes of the decline of VSTL. In terms of numbers, 60 respondents representing 33% of the Sample Population answered that the government's inability to develop the VSTL was the main cause. Furthermore, 40 respondents representing 22% of the Sample Population agreed that the causes of the decline of VSTL can be linked to erratic power supply. 25 respondents representing 14% of the Sample Population admitted that high cost of materials can be blamed for the imminent decline of VSTL. Additionally, 15 respondents representing 8% of the Sample Population stated that the causes of the decline of VSTL can be linked to indiscriminate flooding of inferior textile products on the Ghanaian market. 13 respondents representing 7% of the Sample Population answered that lack of branding of VSTL products is one of the contributing factors of the decline of VSTL. Also, 10 respondents representing 6% of the Sample Population stated that the cause of the decline of VSTL can be connected to the piracy of designs. In addition, 5 respondents representing 3% of the Sample Population responded that lack of incentives for staff is one of the causes of the decline of VSTL while 4 respondents representing 2% of the Sample Population agreed that the causes are due to high pricing of VSTL products. Another 5 respondents representing 3% of the Sample Population stated that the decline is due to managerial inefficiency.

Solutions	Frequency	Percentage (%)
The government should invest more money into revamping the factory.	40	22.0
There should be an upward adjustment in the salaries of workers.	10	6.0
Management members of the VSTL should be re-shuffled.	2	1.0
Staff of VSTL must be given in-service training.	4	2.0
Raw material should be readily available and at a cheaper price.	20	11
More workers should put into the marketing of VSTL products.	10	6.0
The quality of VSTL products must be improved.	2	1.0
More workers should be employed to beef-up the workforce.	5	3.0
Farmers in Juapong and surrounding communities should be encouraged to engage in cotton farming.	15	8.0
VSTL products must be properly packaged.	8	4.0
There should be a reliable source of electricity.	64	36.0
Table	180	100

Table 11: Measures to avert the imminent decline of Volta Star Textiles Limited  
(Source: Field Data 2014)

Table 11 above presents various solutions to the imminent decline of VSTL. 64 respondents representing 36% of the Sample Population suggested that there should be uninterrupted power supply at VSTL. Furthermore, 40 respondents representing 22% of the Sample Population stated that the government should invest more money in revamping VSTL. Additionally, 20 respondents representing 11% proposed that raw materials should be made readily available and at a cheaper price. 15 respondents representing 8% of the Sample Population agreed that farmers in Juapong and surrounding communities should be encouraged to

engage in cotton farming. Also, 10 respondents representing 6% of the Sample Population stated that there should be an upward adjustment in the salaries of workers. As low as 2% respondents representing 1% of the Sample Population recommended that the management board of VSTL should be re-shuffled.

## 5. Summary of Findings, Conclusion and Recommendations

### 5.1. Findings

The main findings of the study have been itemised below:

- The main challenge confronting Volta Star Textiles limited presently is the inability of the company to utilize its large installed capacity as a result of inadequate working capital. The company is currently operating at 30% capacity utilization. Producing 6 million yards of grey cloth per annum. At full capacity utilization, the company is capable of producing 21 million yards of grey cloth per annum.
- Over the years, not much investment has been made in new machinery to enhance the plant's competitiveness.
- Most of the machinery at VSTL are obsolete and need replacement.
- There is a good and steady demand for VSTL grey baft locally and abroad.
- The supply of electricity at VSTL is erratic.
- High costs of electricity coupled with the high cost of raw materials have resulted in the high production cost of VSTL products.
- The remuneration of VSTL workers is relatively low.

### 5.2. Conclusion And Recommendations

Volta Star Textiles Limited is an asset of the people of Juapong in the Volta Region of Ghana. It is the main supplier of grey cloth to most local industries in Ghana and beyond. However, some of those harmful developments which contributed to the collapse of the factory in June 2005 are showing their ugly faces once again. They include the incessant increase in utility tariffs, government's failure of investing substantially in VSTL, increasing demand for better conditions of service and remuneration from the workforce which will definitely affect manufacturing cost, and the indiscriminate power outages. There is this saying that "once beaten, twice shy". The earlier the stakeholders concerned put pragmatic measures in place to salvage Volta Star Textiles Limited from the imminent decline, the better for the country Ghana.

For the purpose of this study, the following recommendations have been documented for consideration:

- Government needs to partner with strategic investors to recapitalize Volta Star Textiles Limited to position it to deliver on its short, medium and long term objectives.
- The obsolete machinery of VSTL which were bought since Dr Kwame Nkrumah's time must be changed with "state of the art" machinery.
- The government must ensure that there is a reliable supply of electricity at Volta Star Textiles Limited.
- Government should subsidize the utility costs of VSTL so as to cut down on production cost.
- The human capacity of the company must be developed through in-service training.
- Farmers in Juapong and adjoining communities should be encouraged to engage in cotton farming. This will make cotton more accessible and affordable.
- There must be a significant increase in the remuneration of all workers at VSTL.

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