INFLUENCE OF IMPORTATION OF SECOND HAND CLOTHES ON THE PERFORMANCE OF TEXTILE MANUFACTURING FIRMS IN NAIROBI

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DECLARATION

This research project is my original work and has not been presented for examination in this or any other university.

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D61/82326/2015

This research project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

This research project is dedicated to Mr. Patrick Mwenda and Mrs. Catherine Mwenda; my siblings, Eric, Geldine and Rita and my love Benedict for their thirst to see me succeed in this course.

TABLE OF CONTENTS

LIST OF TABLES

ABBREVIATIONS AND ACRONYMS

AGOA: African Growth and Opportunity Act

EAC: East African Community

KAM: Kenya Association of Manufactures

UN: United Nations

ABSTRACT

This study examined the influence of second hand clothes importation on the performance of textile manufacturing firms in Nairobi. The local textile manufacturing sector has been on a decline since liberalization of clothing Imports in 1990. This decline can be attributed to the clothing imports flooding the local clothing market and this study specifically sought to study the influence imported clothes have on the performance of these firms. In this study, an investigation of all the 29textile manufacturing firms in Nairobi was done. The study depended on information gathered through the use of questionnaires utilizing the five point Likert scale. The survey questions concentrated on the relationship between attributes of second hand clothes and performance of the firm utilizing the balanced score card measure of performance. The independent variables studied were, Quality, Price, Placement and Consumer tastes and preferences. With the guide of Statistical Package for Social Sciences (SPSS 24.0), the data gathered was analyzed into descriptive and statistical analysis based on a regression model. Tables were utilized to introduce the information diagrammatically while engaging information was given as logical notes. Of the 4 variables studied only 2; Quality and Placement were statistically significant to the study. The findings of the study depict Placement also as having an inverse relationship with performance of textile manufacturing firms possibly due to the huge investment it would take to put set up distribution channels and advertise. Also capacity limitations could be a factor in the ready availability of the firm's products in the market. There were limitations in the collection of data from these firms. Being private firms they were reluctant to provide information for fear of reprimand from their superiors and also they are not obliged to provide such data. The responses provided could also be affected by personal biases. This study preempts opportunities for further research on; effects of Chinese clothing imports on the performance of textile manufacturing industries and also the role of government in how the textile manufacturing firms perform in the long run.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Trade in second hand clothing in Kenya started in earnest upon liberalization of clothing imports in the early 1990s. Most of the used clothing originates from Europe and the US. The liberalization followed structural adjustments adopted by Kenya as part of the conditions given by the World Bank for advancing loans to the country. Further, in the mid-1990s the textile industry in Kenya faced a higher risk of collapse following unfavorable climatic conditions and subsequent closure of major textile manufacturing firms. This paved way for the thriving second hand clothing imports which proved to be more affordable and closed the existing demand gap in the clothing market. In 2005 approximately 80% of the Kenyan population was reliant on second hand clothing imports (Njuguna, 2006).

This study was guided by theories explaining the concept of international business and those that explore firm performance and competitiveness. Specifically, the Porter's diamond theory of competition was used in analyzing the competitiveness of firms in a particular jurisdiction as compared to firms operating in another as informed by the four pillars of firms' competitiveness. On performance the study adopted resource based view. This theory discusses the types of resources and capabilities possessed by a firm and how the firm can optimize them to improve its performance.

The Kenyan textile and apparel sector has seen a shift in its landscape from independence when the market was dominated by locally produced clothing to date when the second hand clothing is dominant. Kenya needed to open up its economy by relaxing its protectionist measures. Before import liberalization, the textile and

apparel industry had been an anchor industry in Kenya, accounting for approximately 30 percent of manufacturing sector employment, and indirectly employing thousands of cotton farmers (Omolo, 2006). Trade in second-hand garments went up considerably following institution of free market trade, from 0.00627 tons of garments in 1990, to 0.08 tons in 2010 (UN Comtrade 2009). Kang'ong'o (2000) observes that Nairobi county consumers in order of preference, would rather buy new imported clothes, second hand clothes and lastly locally manufactured clothes.

1.1.1 Concept of International Business

Bartlett & Ghoshal (2009) posit that international business involves a wide range of business activities taking place across national borders. Rugman & Collinson (2012) define Internationalization as the process and increasing tendencies of business firms to enter international markets. International business is brought about by the liberalization of trade in different jurisdictions. Liberalization is the process by which the government formulates policies to move economies from closed to open. Removal of trade barriers, privatization of state owned businesses and general reduction in restrictions on foreign firms and businesses are some of the hallmarks of liberalization (Rugman & Collinson, 2012).

International business is to a large extent dominated by developed nations like United States, Europe and Japan owing to their comparatively bigger endowments in financial and other resources (Bartlett et al., 2009). Technological advancement and investment in research and development coupled with highly skilled labor force enable these countries to produce superior products and services at a cheaper price. This sets them up for a competitive position in the international market. While International business is beneficial to all the participating countries, the developed countries get maximum benefits. (Broda & Winstein, 2010).

1.1.2 Importation of Second-hand Clothes

As per the United Nations (UN), the trade in second-hand apparel has quadrupled in size since the early 90sto US$5.9 billion in 2011 from US$1.4 billion (UN Comtrade, 2009). The United States remains the largest exporter of used attire with a fair estimation of nearly US$709 million, with the United Kingdom following at US$508 million worth of second hand apparel export value, and Germany at US$441 million. They together control 44.3% of the second hand clothes export market estimated at a value of US$4 billion. The biggest importers of second hand clothing are; the Russian Federation, Pakistan and China. African countries, including Kenya account for approximately10% of the import market value.

This may pale in comparison to the leading importers, however it is worthy to note that Sub-Saharan Africa region lags behind with a significant negatively valued balance of trade value of USD 0.8 billion as at 2009, (UN Comtrade, 2009). Baden & Barber (2005) posit that used clothing accounts for above 30% value of the clothing market and beyond half of total clothing volumes traded in several countries in Sub-Sahara Africa. Purchase costs of used clothing do normally range in between10-20% of the original price and the effect of this on the volumes sold cannot be ignored (Field 2005).

There was a total ban on trade of second hand clothing in Kenya until 1991.This embargo on used clothing by the Kenyan government was reinforced by taxation policy of levying a 100% duty on imported used apparel. This was aimed at safeguarding the interests of the local textile industry stakeholders being mainly the manufacturing firms. On gaining independence, the textile industry was considered an anchor employment source as it had on its payroll 30% of Kenya's population (Omolo, 2006). In 1991, courtesy of economic stimulus policies fronted by IMF, the

Kenyan government adopted them and this resulted in the liberalization of the local economy. Kenya had to uplift the embargos on used clothing and as a result, the local market was flooded by imported used clothes (Murunga 2007).

1.1.3 Firm Performance

Gao (2010) portrays performance as components that prompt proficiency in activity, empower the development of a business, and its capacity to react to the chances and threats in its environment. Rahut et al. (2010) states that gainfulness, acquiring, operational procedure, profitability, effectiveness, use and liquidity, capital sufficiency, development and forcefulness and piece of the overall industry as a portion of the customary strategies used to gauge firm execution. As per Santo and Brito (2012) firms measure their performance to get data that will empower the firm administration to put in place measures to improve performance and profitability.

Kaplan & Norton (1996) proposed the balanced scorecard as a measure of performance for firms. This approach measures performance from four perspectives namely;financial viewpoint which looks at the firm's financial performance; customer viewpoint refers to a firm's outcomes from the perspective of its clients or other key players that the business serves; internal process sees performance through the focal points of the quality and efficiency in the firm's production systems or other key business processes and in conclusion Training and development viewpoint which sees performance through the eyes of employees framework, adopted culture and other capacities which is vital to achievement of the organizations goals.

1.1.4 Textile Manufacturing Firms in Nairobi

According to the Kenya Association of Manufacturers (2016), there are 29 textile manufacturing firms in Nairobi. In the mid-1980s the textile business was a major sector in Kenya's economy in estimate employing more than 20% of a million farming

households and around one-third of the total work force in manufacturing. Notwithstanding, the sub-division began falling from 80's through to 90's. In 1993, liberalization of the Kenyan Economy enhanced Competition in Kenyan textile industry (Nyang'or, 1994).Since the progression of the economy in 1990, the flood of second hand clothing into Kenya likewise turned into a headache that decreased the capacity utilization in the textile plants to around half (Ikiara & Ndirangu, 2004).

Growth of the textile manufacturing sector over the years has been adversely affected by high energy costs and poor transport causing a scale down in the operations of such firms and in some instances employee layoffs (Kenya Association of Manufacturers (KAM), 2015). Awino (2012) posits that changes in government policy have caused shrinkage in the public sector participation in textile manufacturing, paving way for private sector dominance in the sector. The Kenyan government as of now does not give financial assistance to the cotton sector in the form of: developing cotton, value bolster for makers, ginning or promoting. It has in any case kept on giving subsidizing to the small-scale cotton planters in type of arrangement of sowing seeds as a nourishment security measure and free warning administration, expansion administration and research (ACTIF, 2013).

1.2 Research Problem

The performance of textile manufacturing firms has been dwindling over the last 3 decades since liberalization of importation of second hand clothes in the early 90s. Mutisya (2012), notes that the effect that importation of apparel is responsible for the poor performance posted by the sector year in year out. The clothing industry is typically first amongst the pack when prioritizing on economic sectors which a nation focuses on when laying out an economic industrialization blue print (Gereffi&

Frederick 2010).The textile and clothing industry occupies a critical economic position, in terms of trade, employment and FDI, in the economic development of Kenya (Frimpong, 2011).

Ontita (2016) while studying the outcome of inventory management practices on the performance of the clothing manufacturing companies in Kenya, observed that failure by the firms in the sector to adopt modern inventory management practices was responsible for the dismal industry performance. Mutisya (2012) examined the effect of Indian manufactured textile products on the Kenyan textile industry, attributes the fall of the clothing industry in Kenya to cheaper and more competitive products from India and Asia in general. Ready availability of cotton, with India being the world's third biggest producer of cotton, investment in information technology and fund schemes, puts Indian textile industry at a more competitive position than Kenya. Rael & Bernice (2012), studied the performance and challenges of the Kenyan textile industry in the era of liberalization and found that liberalization further dimmed the performance of the textile industry with the exports to the US from Kenya falling and those from Asia rising between 2005 and 2007.

Hansen and Field (2000) studied the fall of the clothing businesses in Zimbabwe and Zambia and noted that the decline was basically occasioned by enforcement of structural adjustment programs (SAPs). Traub-Merz (2006) in his article on the eventual fate of material and garments industry in the sub-Saharan Africa, observes that between 1981 and 2000, African material and piece of clothing generation and business declined, with many marrying this decrease with expanded imports of SHC, which was seen to make uncalled for rivalry with locally created garments because of its low costs.

Yun (2012) found out that the use of inventory control systems affects significantly the operational performance of firms. Fendo (2016) examined the relationship between adoption of global sourcing practices and performance of textile manufacturing firms and found that textile manufacturing firms' ability to adopt global sourcing practices determines its performance in the long run.

There is little prior research work done on impact of importation of second hand clothing on the performance of textile firms in Nairobi and little related research on other factors that affect performance of textile manufacturing firms both locally and regionally. Therefore, this study was meant to provide an answer to the research question; what is the influence of importation of second hand clothing on the performance of textile manufacturing firms in Nairobi?

1.3 Research Objective

The research objective of this study was to establish the influence of importation of second hand clothing on the performance of textile manufacturing firms in Nairobi.

1.4 Value of the study

The study will provide textile manufacturing firms in Nairobi and eventually the entire country and the EAC with insights on how to develop and implement strategies that will enable them to become and remain competitive in the apparel sector. These strategies will mainly touch on the firm's management practices.

This study's findings will also contribute to existing literature and be source of knowledge for existing scholars and a stepping stone for further research in this topical area as there is little literature existing in this study area even though it is a critical area of interest for the Kenyan economy as it directly touches on homesteads

earnings and consequently government earnings through taxes and also acts as a source of national pride on the global apparel manufacturing stage.

For policy makers and government, this study will bring to the fore the bottlenecks faced by the industries in their operations and how the government can come on board to address the same. This will assist mainly the government of Kenya to develop better policies, set up structures and dedicate more resources with the main aim of warding of the 'mitumba' influence and consequently making our textile manufacturing firms more competitive.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter examined the theories on which the study was based, related research work previously been done by other scholars and the research gaps that arise from this examination. Material used in this section was from books, journals, thesis and dissertations.

2.2 Theoretical Foundation

The study on the influence of importation of second hand clothes on the performance of textile manufacturing firms in Nairobi was guided by the Porter's Theory of National Advantage and the Resource Based View.

2.2.1 Porter's Diamond -Theory of National Advantage

Porter (1990) claims that the competitiveness of one organization is identified with the performance of different organizations in the related industry, accompanied with different factors through the value addition in client customer connections within a setting. This model gives an incredible system to break down the competitiveness of a specific industry inside a nation (Jin & Moon, 2006). This model has been utilized by governments in a few industries in deciding countries' upper hand (Jin & Moon, 2006).

Porter posits that the attributes of the business conditions of a nation influences its upper hand. He identified four mainstays of competitiveness of firms, these being factor endowments, state of product demand, related and support firms, and company strategic focus, organogram and rivalry; framing the nation's diamond, and their interrelations building up a country's capacity to be competitive (Grant, 1991). The government can also tweak the four determinants towards improving a nation's

competitive advantage. Kokonya (2014) notes that competitiveness can be evaluated domestically, regionally and internationally depending on the focus, however the most relevant definition of competitiveness in this study is the industry's ability to reclaim its share of the market based on its ability to be efficient and cost effective in its production.

2.2.2 Resource Based View

Resource based view highlights the effect of internal characteristics of a firm to its performance (Jambekar, 2008). The theory discusses the types of resources possessed by a firm and categorizes them into two; cooperative and strategic, and competitive and financial. It assumes that firms have idiosyncratic, not identical resources and that resources are heterogeneous Thus, organizations are a collections of resources, and the less the organizational collection of these resources the less the competitive advantage they possess (Lander & Liker, 2007).

RBV also focuses on capabilities; this refers to the accumulated knowledge in a particular organization resulting from the use of its existing resources in an efficient and effective way to achieve its final goals (Hausman, 2010).The four classes of capacities are: utilitarian, positional, social, and administrative differential. These capacities arise existing skills and expertise (functional), as inclinations of past activities (positional), because of the impressions of stakeholders of the organization (cultural), or from the firm's policies and procedures (administrative) (Vore, 2002). The more an association builds up these capacities in this manner, the more effectively it progresses toward bettering its performance (Maina, 2015).

2.3 Empirical Review

Hansen & Field (2000) arrived to a conclusion that the imminent fall of textile and apparel organizations in Zimbabwe and Zambia was essentially because of Structural Adjustment Programs. Field poses that Zimbabwean garment makers had stacked the entire fault for the decrease in their fortunes to SHC, nonetheless, they at long last gave the notion that the SHC trade was not the most detrimental factor working against them. The issues of the material and garments industry basically lie with the large scale financial effect of SAP, alongside decrease in production of cotton.

Bosibori (2000), in her study on skill gaps of quality and production supervisors and performance of textile manufacturing firms in Kenya, found that Kenya lacks a defined human resources development plan. In comparison Bosibori posits that China and other Asian countries boast of a highly skilled labor force. Ikiara & Ndirangu (2004), observe that poorly trained labor force textile manufacturing firms to hire highly paid expatriates who put a further strain on their already high costs of operation. The balance scorecard singles out learning and growth as a key element of a firm's success. This involves continuous improvement of talent and innovation.

Kang'ong'o (2000) while studying the influence of customer ethnocentric tendency on the attitude towards imported and locally manufactured clothes, observed that among the consumers in Nairobi county had a comparatively negative attitude towards locally manufactured clothes. Okechukwu, Chike et al. (1999) attribute this consumer behavior the rule of origin. They observe that most consumers will be biased towards products from other more developed countries. Quality, price, durability and brand image are the attributes that affect customers' attitude where clothing is concerned (Kang'ong'o 2000).

Nakkeeran & Pugalendhi (2010), argue that ready availability of raw material-cotton in India and a large pool of cheap skilled labour is to credit for the competitiveness of India's textile manufacturing firms in the global market. India is ranked only second to the united states in global cotton exports. Government policies favouring small scale textile manufacturers in India like E-commerce platforms set up by Central Cottage Industries Corporation of India (CCIC), and technology up gradation fund scheme have been instrumental in the thriving of the Indian cottage textile industries. The government of Kenya has not made any particular efforts towards improving the sector (McCormick et al., 2004).

Ngulu (2010) in her study on the competitiveness of the Kenyan textile industry at the international market under AGOA, observes that the low capacity utilization of the industry, hinders it from enjoying economies of scale. She observes that south Asian textile producing countries have massive operations and large domestic markets and are thus able to produce at lower unit costs than Kenya. According to Porter (1985), cost advantage is achieved when a firms operational cost are lower than the competitors' allowing the firm to offer their goods at a lower price. Ngulu also cites high input prices in Kenya as one of the reasons for the non-competitiveness of the textile manufacturing industry.

Mutisya (2012) recommended for further study on the influence of second hand clothes on the textile manufacturing firms in Kenya. She cited technological advancements, change in customer needs, aggressive marketing and innovation as the greatest influencers on the performance of the sector in Kenya in the last two decades. Kotler (1991) argues that over half of a firm's revenue are driven by innovation.

According to Alberti & Pizzurno (2013) a firm's innovativeness and market knowledge affects performance more than technological knowhow. Innovation and technology is one of the strategies a firm can use to improve its competitive position in the market (Kamomoe, 2014).

Ogweno (2016) in his study on integrated marketing strategies adopted by second hand car dealers in Nairobi found that customers who preferred purchasing second hand vehicles were driven by quality, price and brand preference of these vehicles over their new counterparts. He also found that consumers, who tended towards second hand showrooms as opposed to new vehicle showrooms, were driven by the wide variety available in second hand showrooms.

Ontita (2016) sought to examine the effect of inventory management approaches on performance of textile manufacturing firms in Kenya. He found that adoption of effective inventory management approaches led to better performance by textile manufacturing firms. Fullerton et al (2003) observe that by implementing modern inventory management approaches, textile manufacturing firms would greatly improve performance.

2.4 Empirical Review and Research Gaps

The literature review covered the theoretical foundation and empirical literature that will be important in meeting the research objective. The Porters diamond theory of national advantage has been expounded on to enumerate on how a nation can make its industries more competitive in the face of a competitive global market. The resource based view on the other hand has been used to explain how a firm can up its performance by maximizing utility of the resources at its disposal.

The empirical review has focused on studies related to the importation of second hand items and subsequent effect on local industries as well as studies on different factors that affect firm performance with more bias on performance of textile manufacturing firms. In undertaking the empirical review it is important to bear in mind that existing literature on studies related to the influence of importation of second hand items on local manufacturing firms is scarce. Similarly, there is little research on the role of a free market on the dwindling performance of local industries in sub Saharan Africa. While second hand clothes importation has been a blamed for poor performance of local textile industries, leading to an intention to ban the trade in 2019 by East African states, there exists little literature to support this.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section aptly captured the research framework utilized by this study, together with the focus population, data collection and analysis techniques employed.

3.2 Research Design

Research design refers to the plan of conditions for gathering and examination of information in a way that expects to consolidate significance to the research objective with minimal resources spent (Kothari, 2006). Research design refers to the calculated structure into which focus into is directed; it comprises the blue print for the gathering, estimation and investigation of information (Kothari, 2006). The capacity of research configuration is to empower accumulation of significant information with brief period and cash spent.

A cross sectional survey design was employed by the researcher in this study. Descriptive research is premised on the act of observing and recording the behaviour of the specimen under study without interfering with it (Shuttleworth, 2008). This design alludes to an arrangement of techniques and systems that portray factors. It includes gathering information that shows occurrences, sorts, organizes, depicts and breaks down the information. Descriptive studies lay bare the factors by answering concerns such as; who, what, and how concerns (Babbie, 2008). This design was regarded fitting is on account that it would demonstrate an inside and out examination on how the second hand importations have influenced financial performance on the different textile manufacturing firms in Nairobi.

3.3 Population of the Study

This is the sum of characters with certain characteristics that the researcher is interested in (Kothari 2011).A study population is composed of objects possessing uniform characteristics occupying a certain space at any given time (Majumdar, 2005). According to KAM (2016) there were 29 textile manufacturing firms operating in Nairobi and its environs. These comprised the study population in this research. The whole population will be studied hence making this a census survey.

3.4 Data Collection

Primary sources were preferred in obtaining data. A structured questionnaire containing closed ended questions was used to collect the data. In this case, the questionnaires were administered to two middle and top managers of each company holding supervisory roles over daily activities in their organizations. The questionnaires were sent through electronic mail or hand-delivery. A 5-point Likert type scale was used to measure the output of each item.

3.5 Data Analysis

Miller (1991) observed that, to analyse data effectively one has to fully comprehend descriptive, inferential and test statistics aspects of objects under review. This studyadopted the use of descriptive and inferential statistics. The responses from the quantitative questions were analyzed using descriptive statistics; mean, standard deviation and percentages proportions. The findings from the descriptive analysis were presented in form of tables. Snijger & B osker (2000) observed that multiple regression analysis is crucial in drawing correlations between dependent variables. The multivariate model below was used.

$Y = a + \beta 1_{X1} + \beta 2_{X2} + \beta 3_{X3} + \beta 4_{X4} + \beta 5 \ _{X5} + \varepsilon$

Where;

Y = Firm Performance (dependent variable)

a = Constant

$\beta 1, \beta 2, \beta 3, \beta 4, \beta 5$ = Coefficients of determination

$X1$ = Quality

$X2$ = Price

$X3$ = Placement

$X4$ = Consumer tastes and Preferences

ε = Random Error Term

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This is a presentation of an analysis of data according to the set objectives. The results were presented using tables and statistical analysis. The raw data was assigned values, examined and analyzed as per the set objective which was to establish the influence of importation of second hand clothes on the performance of textile manufacturing firms in Nairobi.

4.2 Response Rate

The study targeted 29 textile manufacturing firms operating in Nairobi according to Kenya Association of Manufacturers Directory (2016). The objective of the study was to determine the influence of importation of second hand clothes on performance of textile firms in Nairobi. Out of the 29 firms to whom questionnaires were issued, 22 returned the questionnaires representing 75.86% response rate. Mugenda & Mugenda (2003) opine that response rates can be classified as; 50% - adequate, 60% - good and above 70% - very good indicating that at 75.86% this study's rate of response was very good.

4.3 Biodata

In this study, the proportion of years worked in the current position was established. Distribution of the sampled respondents was as follows; 9.09 % of the respondents had worked in the firms between 1 and 5 years, 18.18% between 5 and 10 years and 72.73%, More than 10 years as illustrated on Table 4.1.

Table 4-1 Number of Years in Current Position

Number of years in the current position	Numbers	%
a) Below 1 year	0	0.00%
b) 1 - 5 years	4	9.09%
c) 5 -10 years	8	18.18%
d) Above 10 years	32	72.73%
Total	**44**	**100.00%**

Source: Research Data, (2018)

4.3.1 Number of years the company operated in Kenya

In this study, it was established that the proportion of years the company has operated in Kenya. Distribution of the respondents was as follows; 5 % of the respondents had operated in Kenya for less than 5 years, 18% 5 - 10 years; 9 % 10 -15 years, and 68%, for more than 15 years as shown on Table 4.2.

Table 4-2 Number of Years Operated in Kenya

How many years has the company operated in Kenya?	Count	%
a) Less than 5 years	1	5%
b) Between 5 and 10 years	4	18%
c) Between 10 and 15 years	2	9%
d) More than 15 years	15	68%
Total	**22**	**100%**

Source: Research Data, (2018)

4.3.2 Company annual sales revenue.

In this study, it was established that the proportion of the firm's annual sales revenues in Kenya shillings. Distribution of the sampled respondents was as follows; 45% of the respondents had sales revenues in Kenya shillings of below 100,000,000 23% had between 100,000,000- 500,000,000, 14% had between 500,000,000- 1,000,000,000 and 18% had more than 1,000,000,000 as shown in Table 4.3.

Table 4-3 Firms' Annual Revenue

What is the firm's annual sales revenue in Kshs?	Frequency	%
a) Less than 100,000,000	10	45%
b) Between 100,000,000- 500,000,000	5	23%
c) Between 500,000,000- 1,000,000,000	3	14%
d) More than 1,000,000,000	4	18%
Total	22	100%

Source: Research Data, (2018)

4.4 Attributes of Second Hand Clothes

In this section respondents were asked to discuss how various aspects of second hand clothes had affected the performance of textile manufacturing firms in Nairobi. An array of statements was presented to the respondents for them to indicate their level of agreement on a Likert scale of 1-5; strongly agree-5, Agree-4, Neutral-3, Disagree-2 and strongly disagree -1.

The respondents were asked the influence of Quality as an attribute of second hand clothes on their firm performance, as shown on Table 4.4.

Table 4-4 Quality Dimensions

	n	Mean	Standard Deviation
a) The company has an effective quality control department	22	4.75	0.58
b) Feedback from customers on the product quality is collected and utilised in product improvement	22	3.64	0.23
c) Modern technology has been adopted in production	22	4.52	0.47
Average Score		**4.30**	**0.43**

Source: Research Data, (2018)

From the analysis above, with an average score of 4.3, majority of the respondents agree that quality is a determinant of performance for the local textile manufacturing firms. The respondents at a mean of 4.8, strongly agree that having a strong quality control department is a crucial component in ensuring that quality products are produced. This is in agreement with the observation made by Kang'ong'o (2000) that while making a decision on whether to buy locally manufactured or imported clothes, quality is a key consideration by consumers.

The respondents were asked to discuss the influence of Price as an attribute of second hand clothes on their firm performance, as shown on Table 4.5.

Table 4-5 Price Decisions

	n	Mean	Standard Deviation
a) The company's products are competitively priced	22	3.45	0.17
b) The price point is within the reach of majority of local consumers	22	2.85	0.17
c) The product prices are as a result of extensive market research	22	4.45	0.46
Average Score		**3.59**	**0.26**

Source: Research Data, (2018)

The results in table 4.5 show that the respondents agree that their firms' product prices are as a result of extensive market research with a mean of 4.45. On the other hand at a score of 2.85, the respondents are unsure of whether the product prices are within the reach of a majority of local consumers.

The respondents were asked to discuss the influence of Placement as an attribute of second hand clothes on their firm performance, as shown on Table 4.6.

Table 4-6 Placement Decisions

	n	Mean	Standard Deviation
a) The company's products are readily available in the market	22	2.98	0.40
b) Prospective customers know where to get the company's products	22	3.27	0.22
c) The firm has a sufficient marketing and distribution budget	22	2.75	0.30
Average Score		**3.00**	**0.30**

Source: Research Data, (2018)

On different questions on the attribute of placement as shown in table 4.6, the respondents are non-committal on the influence of placement on the performance of their firms. The mean score of the responses is neutral at 3.0.

The respondents were asked to discuss the influence of Customer Tastes & Preferences as an attribute of second hand clothes on their firm performance, as shown on Table 4.7.

Table 4-7 Consumer Tastes and Preferences Dimensions

	n	Mean	Standard Deviation
a) The firm's products are in tandem with current fashion and style trends	22	3.86	0.26
b) The company has a research and development unit to research and advice on consumer needs	22	3.93	0.30
c) The firm employs seasoned designers to churn out contemporary designs to be produced	22	3.73	0.29
Average Score		**3.84**	**0.28**

Source: Research Data, (2018)

Respondents agree that customer tastes and preferences influence performance of their firms. The highest scoring factor being that 'the company has a research and development unit to carry out research and advice on consumer needs' at a score of 3.93. The overall average score from the three questions fielded is 3.84.

4.5 Regression Analysis

This section addresses the set objective 'to establish the influence of importation of second hand clothes on the performance of textile manufacturing firms in Nairobi. A multiple regression analysis was carried out at 95% confidence level and the results shown on tables 4.8, 4.9 and 4.10 below.

Table 4-8 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.780[a]	.609	.517	.61880

Source: Research Data, (2018)

The results in table 4.8 show the degree to which the attributes of second hand clothes influence the performance of textile manufacturing firms in Nairobi. The analysis produced a positive correlation coefficient (r) = 0. 780 which implies that the relationship between the dependent and predictor variables is strongly positive. A coefficient of determination, (r^2) =0.609 as shown in table 4.8 above, implies that the four predictor variables together predict about 60.9% of the performance of textile manufacturing firms in Nairobi while other factors outside this model predict 39.1% of the firms' performance.

Table 4-9 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.125	4	2.531	6.610	.002[b]
	Residual	6.510	17	.383		
	Total	16.634	21			

Source: Research Data, (2018)

Variance analysis was used to evaluate how significant the regression model was pertaining to differences in means of the dependent and predictor variables as shown on table 4.9 below. An F-value of 6.610 was produced by the analysis of variance which was significant at p=0.002. This depicted that the regression model is

significant at 95% confidence level. Thus the regression model is statistically significant in predicting how Quality, Price, Placement and Customer Tastes and Preferences influence the performance of textile firms in Nairobi, thus the objective of the research was addressed.

Table 4-10 Individual Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.043	1.547		0.674	0.509
	Quality	0.765	0.314	0.409	2.432	0.026
	Price	-0.37	0.19	-0.347	-1.951	0.068
	Placement	-0.452	0.135	-0.615	-3.349	0.004
	Customer Tastes and Preferences	0.306	0.155	0.33	1.965	0.066

Source: Research Data, (2018)

The findings on table 4.10 above show the extent to which each predictor variable can be used to forecast performance of textile manufacturing firms as per the regression model below:

Y =a+ β1x_1 + β 2x_2 + β3x_3+ β4x_4 + β5 x_5 + ε

Where;

Y = Firm Performance (dependent variable)

a= Constant

β1= 0.765

β2= -0.37

β3= -0.452

β4= 0.306

X1= Quality

X2 = Price

X3= Placement

X4= Consumer tastes and Preferences

ε = Random Error Term

The study equation can be presented as; **Y=1.043+0.765x_1+-0.37x_2+-0.452x_3+-0.452x_4**

Table 4.10 above shows that Price and Placement practices have negative coefficients, implying that these independent variables negatively predict performance of textile firms in Nairobi while Quality and Consumer tastes and Preferences have positive coefficients, implying that these independent variables positively predict the performance of textile firms in Nairobi. The results of the study further indicate that Quality (p=0.026) and Placement (p=0.004) are statistically significant to the study whereas Price (p=0.068) and Customer tastes and preferences (p=0.066) are statistically insignificant.

4.6   Discussion of Findings

The multi-regression analysis shows that 60.9% variability in performance of textile manufacturing firms in Nairobi can be attributed to factors that consumers consider when purchasing second hand clothes; Quality, Price, Placement and Consumer tastes and preferences. Product quality, price, durability and brand image are the attributes that affect the customers attitude where clothing is concerned (Kang'ong'o 2000).

Twenty two firms participated in this research and awarded various scores, according to the Likert scale on their level of agreement on whether the factors discussed above influence the performance of a firm. The mean score awarded to different factors was: Quality was 4.3, Price 3.58 and Consumer tastes and preferences scored 3.84 meaning that the respondents agreed that they do affect performance of a firm. Placement had a mean score of 3.0 meaning that either respondent were either unsure or noncommittal on the influence of placement on performance. As noted by (Mutisya, 2012) technological advancements and change in customer needs were some of the influencers of performance in the textile sector in Kenya. The findings of this study further support this assertion.

The statistical insignificance of price(p=0.068) and consumer tastes and preferences (p=0.066) could be attributable to the fact that most of the textile manufacturing firms operating in Nairobi are Export Processing zones who mainly manufacture for the export market. Under the AGOA agreement for example, these manufacturers operate under contract manufacturing implying that price and design is dictated by the contract. Additionally, the other firms have over time been transitioning to corporate wear, that is, uniforms and protective clothing which are parallel to the second hand market. This is in agreement with Porter's propositions in the theory of national

advantage, that firms consider demand conditions in the countries they operate in in order to remain competitive (Porter, 1990).

Whereas placement is significant to this study, it is worthy to note that it has a negative correlation coefficient of -0.452 which points to an inverse relationship to performance of textile manufacturing firms. This could be attributed to the immense penetration of second hand clothes to areas of residence and by street hawkers which is not achievable by newly manufactured clothes. The explanation for this could be the comparatively low demand for new clothes or the underdeveloped distribution channels.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section is a detailed summary of the findings and discussions in chapter four and conclusions emanating from the study while offering recommendations and suggestions for further research and highlighting the limitations of this study.

5.2 Summary of Findings

Here is a recap of key findings of this study in line with the research objective which was to establish the influence importation of second hand clothes on the performance of textile manufacturing firms in Nairobi. To satisfy this objective, descriptive and statistical analyses were undertaken.22 firms participated in this research and awarded various scores, according to the Likert scale on their level of agreement on whether the quality, price, placement and consumer tastes and preferences influence the performance of a firm. The mean score awarded to different factors was: Quality was 4.3, Price 3.58 and Consumer tastes and preferences scored 3.84 meaning that the respondents agreed that they do affect performance of a firm. Placement had a mean score of 3.0 meaning that either respondent were either unsure or noncommittal on the influence of placement on performance.

Quality ($p=0.026$) and placement ($p=0.004$) were found to be statistically significant. Generally, the order of variability of the firms' performance by the independent variables was Quality ($=.765$), Consumer tastes and preferences (0.306), Price (-0.37) and lastly placement ($=-0.452$).

5.3 Conclusion

As represented in the summary above out of the 4 independent variables studied, Quality comes out as the leading factor believed to be key in determining performance of textile manufacturing firms. Whereas placement is statistically significant at p=0.04, it produced a negative coefficient implying that it is inversely proportional to the performance of textile manufacturing firms. This could be attributable to the comparatively underdeveloped channels of distribution by local textile manufacturing firms compared to the second hand clothes whose distribution trickles down to hawkers.

Price and consumer tastes and preferences are statistically insignificant meaning that local textile manufacturing firms do not consider these aspects in their decisions on what to produce for the local market and how much to sell at. This could be attributable to the fact that a majority of the studied firms specialize in production for export under contract manufacturing agreements or corporate wear production for example, uniforms, branded merchandise and protective wear, clothing for which the final consumer has no say in the price and product specifications.

5.4 Recommendations of the Study

This study recommends that textile manufacturing organizations adopt consumer driven as opposed to product driven approach in their operations. This will ensure that their products meet the quality, price and preferences of the customer.

As per the study findings, quality is one of the biggest determinants of firm performance and therefore more management effort should be directed towards investment in quality control mechanisms and modern production technology.

Further the government should ease the tax burden on the textile manufacturing industry by giving tax holidays to firms that produce for domestic consumption. This will enable the firms avail their goods to the market at a more competitive price point. To protect and revamp the textile manufacturing sector in Kenya this study also recommends that sale of imported apparel whether new or second hand should be controlled to give a chance to the local firms to operate on a level playing field.

In the course of this study it was noted that most of the textile manufacturing firms produce corporate wear as opposed to retail. Therefore, making their products price inelastic. With the strengthening customs territory of the East African Community and the ban of second hand clothes in Rwanda, the industry can capitalize on the emerging market to leverage on the existing capacity.

5.5   Limitations of the Study

Impartiality is not guaranteed while using questionnaires to collect data as was used in this study majorly because the assumption of honesty and accuracy by that participants in their responses to the questions does not always hold. Respondents will tend to offer desirable and politically correct statements that are not necessarily representative of facts.

Some respondents were reluctant in to disclose information with regards tothe questions raiseddue to the fear of being reprimanded by their superiors. The respondents' confidentiality and that of the information they provided was assured. There was also attachment of a letter from the University of Nairobi authorizing the study and this also served the purpose of assuring the respondents on the purpose of the study.

The researcher could not verify the answers given by the respondents given the closed nature of the study population. The study population comprised of private firms who are not obliged to share information about their businesses on any public forum.

5.6 Suggestions for Further Studies

This study examined the influence of importation of second hand clothes on the performance of textile manufacturing firms in Nairobi, however, with the large inflow of cheap imports from China, there is a need to study the effect these imports have on the local textile manufacturing firms. The study could also be broadened to cover the leather industry.

Further research also needs to be carried out on the business operating conditions in Kenya, focusing on what makes imports cheaper than locally produced textile products. This would serve to advise both the management and the government on the steps to take in order to be more competitive both locally and globally.

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APPENDIX 1: QUESTIONNAIRE

SECTION A: BIODATA

1. Position/ Title held in the company

2. Number of years in the current position

      a) Less than 1 year ( )

      b) Between 1 and 5 years ( )

      c) Between 5 and 10 years ( )

      d) More than 10 years ( )

3. How many years has the company operated in Kenya?

      a) Less than 5 years ( )

      b) Between 5 and 10 years ( )

      c) Between 10 and 15 years ( )

      d) More than 15 years ( )

4. What is the company annual sales revenue in Kshs?

      a) Less than 100,000,000 ( )

      b) Between 100,000,000- 500,000,000 ( )

      c) Between 500,000,000- 1,000,000,000 ( )

      d) More than 1,000,000,000 ( )

SECTION B: ATTRIBUTES OF SECOND HAND CLOTHES

Based on the attributes of second hand clothes below (in bold), to what extent do you feel these factors have influenced your organization's performance? (1-strongly disagree; 2-Disagree; 3-Neither agree nor disagree; 4-Agree; 5-Strongly agree)

Quality	1	2	3	4	5
a) The company has an effective quality control department					
b) Feedback from customers on the product quality is collected and utilised in product improvement					
c) Modern technology has been adopted in production					
Price					
a) The company's products are competitively priced					
b) The price point is within the reach of majority of local consumers					
c) The product prices are as a result of extensive market research					
Placement					
a) The company's products are readily available in the market					

	1	2	3	4	5
b) Prospective customers know where to get the company's products					
c) The firm has a sufficient marketing and distribution budget					
Consumer tastes and Preferences					
a) The firm's products are in in tandem with current fashion and style trends					
b) The company has a research and development unit to research and advice on consumer needs					
c) The firm employs seasoned designers to churn out contemporary designs to be produced					

SECTION C: FIRM PERFORMANCE

In your opinion, to what extent have the aspects of firm performance below been influenced by importation of second hand clothes? 1= Not at all; 2 = Small extent; 3 = Moderate extent; 4 = Great extent; 5 = Very great extent

Financial Perspective	1	2	3	4	5
a) Sales volumes					
b) Marketing costs					

c) Research and development costs					
Customer Perspective					
a) Change in fashion trends					
b) Brand knowledge					
c) Purchasing power of customers					
d) Total value of the company					
Internal Processes					
a) Level of technological advancement					
b) Quality of apparel produced					
c) Firm efficiency					
Growth and Learning					
a) Employee skill level					
b) Innovation					
c) Technological advancement					

THANK YOU

APPENDIX 2: LIST OF TEXTILE MANUFACTURING FIRMS
IN NAIROBI

1. Alltex EPZ LTD

2. Apparels Trading Co. Ltd

3. Arax Mills LTD

4. Balaji EPZ LTD

5. Beberavi Collections LTD

6. Crown Fashions Limited

7. Global Apparels Kenya EPZ LTD

8. Industrial Promotion Services

9. Jaydees Knitting Factory

10. KEMA E.A Ltd

11. Kenya Trading EPZ

12. Kiira Textiles

13. Ladies Fashion Penny Galore LTD

14. Manchester Outfitters

15. Maridadi Fabrics

16. Midco Textiles

17. Mills Industries

18. New Wide Garments (K) LTD

19. Oriental Mills

20. Panah LTD

21. Premier Apparrels

22. Shawaz Textile Mills

23. Spinners & Spinners LTD

24. Straightline Enterprises

25. Sunflag Textile

26. Thika Cloth Mills LTD

27. Triaco Fine Textile Products

28. United Aryan LTD

29. Ziwa Garments and Apparels

Source: KAM, 2016