Research Article

The Effect of Economic Recession in Textile Manufacturing Industries in Nigeria

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Abstract: This research study investigated the effects of economic recession in textile manufacturing industries in Nigeria. Economic recession has disastrous ripple effects on manufacturing industries. A lot of manufacturing industries have gone into oblivion because of this malady. A sizeable income is lost by manufacturing industries during economic recession through reduction in share prices, low capacity utilization, labour turnover, unsold inventories and fall in commodity prices. A cross sectional survey was used to collect data for answering research questions and testing hypothesis in this research work. The data collected from questionnaire instrument were also analyzed using percentages. The research finding show that the effect of economic recession in manufacturing industries are low capacity utilization and factory closure, horrendous nosedive in stock market prices, delisting of share at the stock exchange, fall in commodity prices and low foreign direct investments. Horrendous nosedive in stock market prices has the foremost effect on manufacturing industries and this result in low investment in shares and expansion. A comparison of the effect of economic recession between Afprint and Enpee textile industries show that both industries rate horrendous nosedive in stick market prices as the major effect of economic recession. The variables that were hypothetically tested as the effect of economic recession has significant effect on Textile industries in Nigeria We recommend an economic reform program that will be able to tackle the problem of economic recession such as providing bailout fund, single digit interest rate, long term loan, resuscitation of decayed infrastructure especially, power and strengthening the stock exchange.

Keywords: Economic recession, factory closure, financial crises, labour turnover, manufacturing industries, Nigeria

INTRODUCTION

Background of study: In economics a recession is a business cycle contraction, a generally slowdown in economic activity (Meriam-Webster, 2008). During recession, many macro-economic indicators vary in a similar way. Production G D P, employment, investment spending, capacity utilization, household income, business profit and inflation all fall, while bankruptcies and unemployment rate rise. The National Bureau of Economic Research (2008) defines an economic recession as a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real G D P, real income, employment, industrial production and whole sale- retail sale. The global financial crises began in the united state of America and the United Kingdom when the global credit market came to a standstill in July 2007 (Avguoleas, 2008). The crisis, brewing for a while, really started to show its effect in the middle of 2008. Around the world stock markets have fallen, large financial institutions have collapsed or been bought out and governments in even the wealthiest nation have had to come up with rescue packages to bail out their financial systems (Abdul, 2009).

Nigeria industries were in shamble as a result of economic meltdown that bedeviled the economy of United States of America in 2008. Till date some of our industries, more especially in the Textile sector have not recovered from the effect of economic recession inspite of the bailout fund given to them by the government. The ripple effect of economic recession in our industries includes, low capacity utilization, horrendous nosedive in the stock market prices, high production costs as a result of general collapse of infrastructure especially power, labour turnover, factory closure, incredible shrinkage in investments and investors relocating their productive facilitates to neighbouring countries (Akin, 2010, Avguoleas, 2008).

The collapse of the existing infrastructure has tremendous effect on the manufacturing industries that uses diesel to power their plants during power outage. This increased cost of production, led to low capacity utilization and also made our industries increasingly less competitive in the global economy (Lyman, 2004). Economic recession created harsh economic climate in Nigeria, which is evidenced by high energy usage, climate instability, and increase in power tariff. 

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cost, high bank interest rate (22%) and high naira exchange to dollar (N154 to $US) etc. Some of the multinational companies like Dunlop plc and Michelin plc relocated to neighboring countries because of harsh economic climate. The horrendous nosedive in stock market prices reduced level of investment in stock in manufacturing industries. Many of the manufacturing industries were delisted in the stock exchange because of poor performance and closure and investors no longer acquire their shares. The issue of expansion was also made difficult in manufacturing industries by low stock prices and delisting of industries at the stock exchange. There were massive labour turnover (Layoffs) as a result of low capacity utilization and factory closure. Textile industry was the hardest hit with about 80% of its factory closed down. Most industries were producing below 50% capacity utilization. The dwindling state of the economy made naira rate of exchange to US dollar very unstable and tremendously high. It posed difficulty on importation of spare parts, equipments and raw material for manufacturing industries.

The finance minister during chief Obasanjo Civilian administration, Mrs. Nenadi Usman confirmed in her review of progress made by economic reform to turn around the economy, that Nigeria was in recession at the advent of their administration in 1999 (Vanguard 22 December, 2007). According to her, after 46 years of independence, Nigeria was finally beginning to realize her potential. The GDP growth rate had averaged 3 percent per annum over the proceeding decade with a population growth rate of 2.8 percent per year. The GDP per capital growth rate was an insignificant 0.2 percent. The economy by her review was plagued by poor performance and closure and investors no longer acquire their shares. The issue of expansion was also made difficult in manufacturing industries by low stock prices and delisting of industries at the stock exchange. There were massive labour turnover (Layoffs) as a result of low capacity utilization and factory closure. Textile industry was the hardest hit with about 80% of its factory closed down. Most industries were producing below 50% capacity utilization. The dwindling state of the economy made naira rate of exchange to US dollar very unstable and tremendously high. It posed difficulty on importation of spare parts, equipments and raw material for manufacturing industries.

Mrs. NenadiUsman also stated in her review that an external reserve stood at about $3 billion which could barely finance 3 months of import and that Nigeria GDP per capital fell less that of US$700 and was one of the lowest globally. And that a huge overhang of US$38 billion restricted our ability to secure additional resources for priority projects and development areas. According to her a history of high corruption mean that the limited development resources we have were vulnerable to squandering.

Mrs. NenadiUsman further emphasized that the previous government had also neglected to invest in the development of our physical and human infrastructure. “In 1999 Nigeria was a country reeling from almost two decades of significant economic deadline” she said. The issue of whether Nigeria was in recession or not was laid to rest by Mrs. NenadiUsman’s review, which confirmed that Nigeria was in recession. The review also showed that Nigeria was already in recession even before the advent of US economic meltdown of 2008.

The recent US economic meltdown of 2008 affected most economies that had business link with US including Nigeria. United States of America (US) is a key player in the global economy and that is why the financial crisis that bedeviled its economy in 2008 had ripple effect on the economies of other countries (Akin 2010; National Bureau for Economic research, 2008).

Nigeria has witnessed series of economic recession since 1975 to date and no solution seems to be on sight in spite of our resource endowment and numerous economic reform program of Federal government. The ailing economy status has been ascribed to decade of mismanagement, corruption, political instability and military intervention into Nigeria politics and government. The economy is burdened by the biggest external debt in Africa, while its heavy dependence on crude oil revenue, let it vulnerable to the plummeting prices of the past years (Obadina, 1999).

The lingering effect of the various years of recession on the economy of Nigeria to present date has negative impact on our manufacturing industries. The profligate consumption pattern in the spendthrift years of early eighties, while oil revenue was fast declining resulted in huge deferred payments on trade transactions; all these have cumulative effect on the economy and manufacturing sector (Agugua, 2002).

Previous administrations in Nigeria have tried to introduce and implement different social, economic and political reforms. Such reform programmers could neither be described as success nor failure because they were abandoned halfway, calling into question the real intentions of the government of the day that might have introduced them.

Political stability in governance is an important requirement for conducive business environment. Frequent changes in policies and programmers as a result of intervention in governance renders business plans and projections useless. And no foreign investors will like to do business in a Chaotic and unstable environment. There must be stability and continuity in governance. Successive government must continue from where his or her predecessors stopped. But unfortunately, this is not the case with Nigeria. Nigeria incoming administrations abandon projects inherited from previous administration. Most of the federal and state owned industries and enterprises were abandoned in this way. This has negative impact on the manufacturing industries because of the needed infrastructure which is abandoned through this process.

The problem of global economic recession in manufacturing industries cannot be solved unless the Nigerian factors responsible for continuing existence of this malady is unraveled and salvaged with proper economic reform programme. Corruption and embezzlement of public fund is blamed for the stunted economic growth which have stymied all efforts at national development and industrial expansion (Eze, 2009). The stunted economic growth has serious negative impact on the manufacturing industries. The manufacturing industries are affected when it bothers...
on reserve to service imports, from where they obtained foreign exchange to import their spare parts, machineries and raw materials. The stunted economy has resulted to high interest rate, to unstable naira to dollar exchange rate and these affects manufacturing industries that rely on bank loan to finance their business and exchange to dollar for procurement of their spare parts, machinery etc. Our leaders have deliberately made wrong economic and development decisions leading to colossal loss in financial resources, which most often were borrowed. Loans were accessed from foreign banks meant for projects at home but the funds so borrowed never made it into Nigeria shores (Eze, 2009). They most often end up in foreign personal bank accounts of our leaders. The problem of Nigeria, begin and end with corruption. Once corruption is eradicated the problem of Nigeria and its persistent economic recession will come to an end. High level fraud and mismanagement of economic resources deprive the manufacturing industries and the entire citizens of Nigeria the needed infrastructure for existence and development.

The recent high fraud and mismanagement of fund in the banking sector by the people at the helm of affairs of the banks in 2008 has negative impact on the manufacturing industries. The money which would have been used to cater for meaningful projects was used in providing funds to bail out the affected banks by government.

Inadequate infrastructure especially power has sent many Textile industries into oblivion since they cannot operate at high cost of production and remain in business. Organizations as a centre piece of economic activities responds to economic recession in two forms, organizational downsizing and organizational decline (Lee, 2001). Whereas organizational downsizing is intentional proactive management strategy, organizational decline is an involuntary negative consequence of non-adjustment to adverse environment circumstances such as recession.

We chose to research on the effect of economic recession in manufacturing industries, because it is the foundation and indeed cornerstone of any national economy. Growth in manufacturing fuels other sectors of the economy, creating jobs, improving lives and providing fresh investments, opportunities even in non-manufacturing sectors and sustainable development.

**Objective of study:**
- To research into the effect of Economic recession in manufacturing industries in Nigeria
- To find out the most serious effect of economic recession in manufacturing industries in Nigeria
- To compare the effect of economic recession in Afrprint and Enpee textile manufacturing industries

**Research questions:** The study did utilize the following research questions;
- Why are some manufacturing in dustry closed down?
- Why are the shares of some manufacturing industries delisted at the stock exchange?
- What are the effects of economic recession in manufacturing industries?
- What effect has economic recession in foreign direct investments in manufacturing industries?

**Statement of hypotheses:**
The following hypotheses were also formulated to guide this study:

- **H$_{0}$:** Economic recession does not cause horrendous nosedive in stock market prices
- **H$_{1}$:** Economic recession does not cause horrendous nosedive in stock market prices in manufacturing industries in Nigeria
- **H$_{2}$:** Economic recession does not cause horrendous nosedive in stock market prices in manufacturing industries in Nigeria
- **H$_{3}$:** Economic recession cause horrendous nosedive in stock market prices in manufacturing industries in Nigeria
- **H$_{4}$:** Economic recession does not cause horrendous nosedive in stock market prices in manufacturing industries in Nigeria
- **H$_{5}$:** The shares of closed manufacturing industries were not delisted at the stock exchange as a result of economic recession
- **H$_{6}$:** The shares of closed manufacturing industries were delisted at the stock exchange as a result of economic recession
- **H$_{7}$:** There were no fall in commodity prices and some multinational companies did not relocate to neighboring countries as a result of economic recession
• **H₄**: There were fall in commodity prices and some multinational companies relocate to neighboring countries as a result of economic recession

**Significance of study:**
• To know the effect of economic recession in manufacturing industries in Nigeria
• To know how to tackle the problem of economic recession
• To proffer advice

**LITERATURE REVIEW**

A recession has many attributes that can occur simultaneously and includes decline in component measures of economic activity (GDP) such as consumption, investments, government spending and net export activity. The summary of measures reflect underlying drivers such as employment levels and skills, house hold savings rates, corporate investment decisions, interest demographics and government policies.

Koo (2009) stated that under ideal conditions, a country’s economy should have the household sector as the net borrows, with the government budget nearly balanced and net export near zero. When these relationships become imbalanced, recession can develop within the country or create pressure for recession in another country. Policy responses are often design to drive the economy back towards this ideal state of balance.

Recession have psychological and confidence aspects. For instance, if the expectations develop that economic activity will slow, firms may decide to reduce employment levels, save money rather than invest. Such expectations can create a self-reinforcing downward cycle bringing about or worsening a recession (Samuelson, 2010).

The bursting of a real estate or financial asset price bubble can cause recession. For example Koo (2009) stated that Japan’s “Great Recession” that began in 1990 was a balance sheet recession”. It was triggered by a collapse in land and stock prices, which caused Japanese firms to have negative equity, meaning their assets were worth less than liabilities. Despite Zero interest rate and expansion of the economic supply to encourage borrowing, Japanese corporations in aggregate opted to pay down their debts from their own business rather than borrow to invest as firms topically do (Gregory, 2010).

Most mainstream economists believe that recessions are caused by inadequate aggregate demand in the economy and favor the use of expansionary macroeconomic policy during recessions. Strategies favored for moving an economy out of a recession vary depending on which economic school the policy makers followed. Monetarists would favor the use of expansionary monetary policy, while the Keynesian economist may advocate increase government spending to spark economic growth. Supply side economist may suggest tax cuts to promote business capital investment.

Some recessions have been anticipated by stock market decline. Siegel (2002) mentioned that since 1948, ten recessions were preceded by a stock market decline. The real estate market also usually weakens before a recession. However, real estate decline can last much longer than recessions (Shiller, 2009).

During an economic decline, high yield stocks such as fast moving consumer goods, pharmaceuticals and tobacco tend to hold up better. However when the economy starts to recover and the bottom of the market has passed, growth stocks tend to recover faster (NASAAQ composite index, 2011). Diversifying ones portfolio into international stocks may provide some safety, however economies that are closely correlated with that of the US may also be affected by a recession in US.

Productivity tends to fall in the early stages of recession and then rise again as weak firms close. The variation in profitability between firms rise sharply (Vaitletingan, 2009). This corroborates the finding of Oludayo and Okwara (2012) that although, the recent economic recession has ripple effect in many industrial organizations resulting in low productivity and negative consequence, however the impact have not been the same for every organizations. The point according to Oludayo and Okwara (2012) is that while some organization may have experienced the worst hit, like the Textile industry, others may have utilize the opportunities of the period as a brace up towards higher productivity, goodwill, motivation for employees.

Low skilled, low educated workers and young are most vulnerable to employment in downstream. After recessions in Britain in 1980s and 1990s, it took five years for unemployment to fall back to its original level. The problem of economic recession lies with indiscriminate laying off of staff with little or no premium placed on experience and requisite professional skill of staff (Elizur and Sagie, 1999). The danger of the consequences is often enormous as organizations affected by recession may lack visible team of management to sustain productivity as a result of layoff. The living standards of people dependent on wages and salaries are more affected by recessions than those who rely on fixed incomes and welfare benefit. The loss of job is known to have negative impact on the stability of families and individuals health and well being Vaitilingan, 2009.

Organizations as a centerpiece of economic activities responds to economic recession into forms, organizational downsizing and organizational decline (Lee, 2001) whereas organizational downsizing is intentional, proactive management strategy; organizational decline is an involuntary negative consequence of non-adjustment to adverse environment circumstances such as recession.
The immediate cause of economic meltdown of 2008 in US was rooted in housing market. It was the inability of numerous borrowers in the housing sector to pay, which is technically called, subprime default that caused the onset of financial crises. It has hurt investors and bankers in the housing market while raising the specter of a recession in the world economy (Femi, 2010; Avguoleas, 2008). The subprime sickness was able to spread to other sectors of the economy internationally because so many banks were exposed to housing mortgages, directly or indirectly in the processes of repacking and reselling mortgages as security for credits. The spread of risks involved means the spread of crisis when the bubble burst. The crisis brewing for a while started to show its effect in the middle of 2008. Around the world stock market have fallen, large financial institutions have collapsed or been brought out and governments in even the wealthiest nations have had to come out with rescue packages to bail out their financial system.

The initial response of the policy makers in Nigeria was meek. Either they did not understand the crisis or underestimated its magnitude and insisted that the fundamental of the financial system look impressively strong, even when the capital market was bleeding uncontrollably (Abdul, 2009). The minister of planning stated rather insensitively, that there is no problem in the nation’s capital market, this was at a time when market capitalization had dropped from N12 trillion to less than N9 trillion (Abdul, 2009). When finally they accepted there was crisis, they promised to rectify the abnormally.

About 58.4% of Nigeria oil export is US bound and up to 25% to Euro zone. 67% of our non oil export goes to Western Europe, 20% to Asia, while ECOWAS accounted for 11% in 2007. About 99% of foreign reserves and 85% of local revenues are directly derived from activities relate to oil which is at the centre of financial crisis. The stock of our foreign reserves is kept in European capital where financial market has stumbled and banks distressed. How can anyone think we are insulated from the financial crisis? International financial crisis which affect trade and investment flow are bound to impact on domestic (Abdul, 2009). The world economies are integrated financially. An economic recession that affect a key player in global economy like US, is bound to affect other economies of the world that has business link with US.

Despite the claimed immunity of our economy to vagaries of the economy of the Western countries, the impact of economic recession was outright disaster. Not only have we witnessed nosedive in stock prices, incredible shrinkage in capital investment, general collapse of public infrastructure, shutdown of factories and relocation of productive facilities elsewhere, the resultant rise in unemployment compounded by endemic corruption had all but grind the economy to a halt (Akin, 2010).

With its enormous financial and economic resource endowment, Nigeria is not supposed to be badly hit by economic recession. The ailing economy was as a result of decade of mismanagement, corruption and political instability (Agugua, 2002). Other nations with less resource endowment survived the impact of economic recession.

Some manufacturing industries are still comatose in spite of the bailout fund given to them by government. The manufacturing industries are faced with problem of infrastructure especially power, high naira exchange rate to US $, high bank interest rate and this makes our industries less competitive in a globalized economy (Lyman, 2004). The devaluation of naira by our previous administration in 1986, when they took IMF loan was the cause of high naira exchange rate (The Guardian May 14, 2010).

The credit squeeze in the bank introduced during banking reform were manifested in the reduction in the capacity utilization of manufacturing industries, as a result of lack of access to the working capital. Banks preferred giving short term loan to importers at high interest rate than to manufacturers who require long term loan at low interest rate. Manufacturers also find it difficult to borrow because of high interest rate of 22% and stringent security measures. No manufacturer will survive under this outrageous interest rate. The Capability of many firms to source raw materials were impaired by inaccessibility of loan from banks. Many consumer product distributors could not access loan to buy products from manufacturers. And this resulted to unsold inventories pilling in ware houses in the factory.

The galloping profitability of the banks by not bringing commercial lending rate below 10% to ginger industrial growth led to the collapse of industrial sector. The inexplicable credit squeeze which puts the government in competition for available funds against genuine would be investors had led to collapse of industries. The inability of the authority to wean the sector from the current predominant occupation of buying and selling paper money, on place of genuine investments in national industrial growth is a factor in collapse of manufacturing industries.

Dollar value vis-à-vis the naira has actually risen tenfold increase in our dollar savings as a result of economic downturn. It will be recalled that in spite of our pariah status during the regime of Gen Sani Abacha our naira exchanged, steadily for about N80 = US $ with a paltry reserve of $4bn or four months import cover for our overseas payments for goods and services supplied. Our reserve base now approached $45bn, but surprisingly the naira now exchange for N154 when it should be much less than N80 = $1 US in our austere period.

Nigeria needs to learn from industrial economies like Korea and Malaysia where interest rate is 15% and particularly Japan that sets Zero percent interest on
loans or purchase of industrial machines (Vanguard 21 August 2008). The central bank of Nigeria (CBN) in its intervention policy to revitalize ailing industries made available N500 billion fund to the Bank of industry to be accessed by industries at interest rate of 1%, payable between 10-15 years. It is hope that when the fund is fully accessed, industries will start running at full capacity and provide employment to the army of unemployed youths.

Our manufacturing industries cannot compete effectively in a liberalized market because of high cost of production. ECOWAS trade liberalization worsen the situation by allowing all kinds of products including textiles, tyre, beer, etc, to pass the border without payment of custom duties (Vanguard 27 October 2006). Protection of our industries against foreign competition by regulating importation of goods produced in the country is very vital.

Investing in labour intensive textile industries, resuscitating the existing ailing ones will help to address mass unemployment, reduce crime rate and poverty in the country, compared to unhelpful so called poverty alleviation programme of distributing motorcycle, tricycle etc which are not even produced in the country.

A total of 35 textile companies were closed down in Nigeria at the onset of economic crunch and 23126 employees lost their jobs (Funmi, 2007). Also between 2001 and 2010, a total of 837 firms closed down as a result of economic recession (Lay, 2010). The reason for the closure was the negative policies of some state and federal government to tackle economic recession, coupled with the harsh economic reform of the government. Some of the negative polices of some start governments were multiple taxation and levies. Not less than 834,000 jobs were lost during the period (Punch October 31 2010).

Although the manufacturing sector (including micro, small and medium size enterprises) has the potential to create wealth and employment, the sector has stagnated in Nigeria and its contribution to GDP and employment remain small. The activity mix in the sector is also limited, dominated by import dependent process and factors. Although reliable data are unavailable, rough indicators show that the capacity utilization in the sector has not come to the expected level since 1999 and the factor faces a number of constraints.

**RESEARCH DESIGN AND METHODOLOGY**

**Methodology:** A cross sectional design was used in this study. A cross sectional design is explanatory and exploratory and entails collection of data to answer research questions and relationship among variables (Asika, 1991). It was used to collect data for hypothesis testing. Descriptive method of analysis was used to distribute the relevant research variables using percentages. Z-test statistics was used for hypothesis testing using proportion of one or two samples. Z-test statistics was used in hypothesis testing because of large sample.

**The population of sample size:** The target population of study is 1284, comprising 402 staff of Afprint and 882 staff of Enpee. There are textile manufacturing company in Lagos metropolis.

The sample size was determined using Yamane (1964) formula which is stated as follow:

\[ n = \frac{N}{\left(1 + Ne^2\right)} \]

where,

\[ N = \text{Population size} \]
\[ n = \text{Sample size} \]
\[ e = \text{Level of error (0.05)} \]
\[ I = \text{A theoretical constant} \]

\[ \frac{1284}{1 + 1284(0.05)^2} = 3.05 \]

Calculation of stratum Allocation using Kumar (1976) technique:

\[ n_h = \frac{n x N_H}{N} \]

where,

\[ n_h = \text{Stratum allocation} \]
\[ n = \text{Sample size} \]
\[ N_H = \text{Stratum population} \]
\[ N = \text{Overall population} \]

Stratum allocation for Afprint:

\[ \frac{305 \times 402}{1284} = 96 \text{ sample} \]

Stratum allocation for Enpee:

\[ \frac{305 \times 882}{1284} = 209 \text{ samples} \]

Hence the sample size was 305 comprising 96 staff of Afprint and 209 staff of Enpee.

**Sampling technique:** The simple random sampling technique was used to ensure that every member of the population has an equal chance of being selected into the sample.

**Instrument of data collection:** The data used for this research was obtained using carefully prepared questionnaires. A total of 305 questionnaires were distributed to staff of Afprint and Enpee industry. 166
Table 1: Demographic analysis of data

<table>
<thead>
<tr>
<th>Feature</th>
<th>Number of respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department: Administration</td>
<td>24</td>
<td>14.46</td>
</tr>
<tr>
<td>Accountancy</td>
<td>15</td>
<td>9.04</td>
</tr>
<tr>
<td>Production</td>
<td>71</td>
<td>42.77</td>
</tr>
<tr>
<td>Maintenance</td>
<td>16</td>
<td>9.63</td>
</tr>
<tr>
<td>Marketing</td>
<td>40</td>
<td>24.10</td>
</tr>
<tr>
<td>Total</td>
<td>166</td>
<td>100.00</td>
</tr>
<tr>
<td>Education: Primary</td>
<td>10</td>
<td>6.02</td>
</tr>
<tr>
<td>Secondary</td>
<td>30</td>
<td>18.07</td>
</tr>
<tr>
<td>Post secondary</td>
<td>76</td>
<td>45.78</td>
</tr>
<tr>
<td>University</td>
<td>50</td>
<td>30.13</td>
</tr>
<tr>
<td>Total</td>
<td>166</td>
<td>100.00</td>
</tr>
<tr>
<td>Marital status: Married</td>
<td>101</td>
<td>60.84</td>
</tr>
<tr>
<td>Single</td>
<td>65</td>
<td>39.16</td>
</tr>
<tr>
<td>Widow</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Divorced/separate</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>166</td>
<td>100.00</td>
</tr>
<tr>
<td>Age bracket: Below 30 years</td>
<td>25</td>
<td>15.06</td>
</tr>
<tr>
<td>30-39</td>
<td>74</td>
<td>44.58</td>
</tr>
<tr>
<td>40-49</td>
<td>45</td>
<td>27.11</td>
</tr>
<tr>
<td>59 and above</td>
<td>22</td>
<td>13.25</td>
</tr>
<tr>
<td>Total</td>
<td>166</td>
<td>100.00</td>
</tr>
<tr>
<td>Sex: Male</td>
<td>100</td>
<td>60.24</td>
</tr>
<tr>
<td>Female</td>
<td>66</td>
<td>39.76</td>
</tr>
<tr>
<td>Total</td>
<td>166</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Field Survey (2010)

Table 2: Distribution of responses on the effect of economic recession

<table>
<thead>
<tr>
<th>Feature</th>
<th>Number of respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low capacity utilization and factory closure</td>
<td>37</td>
<td>22.29</td>
</tr>
<tr>
<td>Horrendous nosedive in stock market prices</td>
<td>60</td>
<td>36.14</td>
</tr>
<tr>
<td>Delisting of shares at the stock exchange</td>
<td>15</td>
<td>9.04</td>
</tr>
<tr>
<td>Fall in Commodity prices</td>
<td>19</td>
<td>11.45</td>
</tr>
<tr>
<td>Foreign direct Investment</td>
<td>35</td>
<td>21.08</td>
</tr>
<tr>
<td>Total</td>
<td>166</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Field Survey (2010)

Responses were collected. 81 responses were collected from Afprint and 85 responses from Enpee industry. This represents 54.43% of sample size of the population which is a good representing for the study. The response rate in Afprint and Enpee Textile industry were 26.57% and 27.87%, respectively.

Data presentation and analysis: Demographic analysis of data: the Table 1 gives the features of the respondents used in the research.

Data analysis according to research questions:

Question 21 in the questionnaire instrument was used to answer the third research questions. Question 21 is which of the following has the foremost effect on the Textile industries in Nigeria? Low capacity utilization and factory closure, horrendous nosedive in stock market prices, Delisting of shares at the stock exchange, fall in commodity prices and low foreign direct investment.

Eighty five respondents from Enpee industry which constitutes 27.87% of responses rate were asked to rate any of the variable in Table 3, they considered as the major effect of economic recession in manufacturing industries. The highest response was recorded on horrendous nosedive in stock market prices (34.12%) followed by low capacity utilization and factory closure (23.53%). Low foreign direct Investment and fall in commodity prices had 21.18% and 11.76% respectively, while delisting of shares at the stock exchange had 9.41%.

Similarly, (81) respondents from Afprint industry which constitutes 26.57% of response rate were asked to rate any of the variables in Table 3, they considered as the major effect of economic recession in manufacturing industry. The highest response was recorded on horrendous nosedive in stock market prices (34.12%) followed by low capacity utilization and factory closure (23.53%). Low foreign direct Investment and fall in commodity prices had 21.18% and 11.76% respectively, while delisting of shares at the stock exchange had 8.64%.

Delisting of share at the stock exchange had the least response in Enpee and Afprint industries. The response rate followed a set pattern in the two industries when comparing delisting of shares at the stock exchange and fall in commodity prices with each other. However, both industries rated horrendous nosedive in stock market prices as the major effect of economic recession. The responses were 29 and 31 for Enpee and Afprint industry respectively. These figures represent 34.12 and 38.27% of the respondent from Enpee and Afprint industries, respectively.

Text of hypothesis: The hypothesis of the study were formulated in form of Null (H₀) and alternate (Hₐ) hypothesis. The data got from questionnaires instrument had responses supporting either H₀ and Hₐ hence we opted to use test of proportions. We also decided to use Z-test statistic in testing hypothesis because of large sample. The appropriate sampling distribution for large sample is normal distribution. Proportion and the standard error of the distribution:

$$Q_p = \sqrt{\frac{P(1-P)}{n}}$$
Table 3: Distribution of responses on the effect of economic recession

<table>
<thead>
<tr>
<th>Variables</th>
<th>Responses from Enpee</th>
<th>%</th>
<th>Responses from Afprint</th>
<th>%</th>
<th>Total responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low capacity utilization and factory closure</td>
<td>20</td>
<td>23.53</td>
<td>17</td>
<td>20.99</td>
<td>37</td>
</tr>
<tr>
<td>Horrendous nosedive in stock market price</td>
<td>29</td>
<td>34.12</td>
<td>31</td>
<td>38.27</td>
<td>60</td>
</tr>
<tr>
<td>Delisting of shares at the stock exchange</td>
<td>8</td>
<td>9.41</td>
<td>7</td>
<td>8.64</td>
<td>15</td>
</tr>
<tr>
<td>Fall in commodity prices</td>
<td>10</td>
<td>11.76</td>
<td>9</td>
<td>11.11</td>
<td>19</td>
</tr>
<tr>
<td>Low foreign direct Investment</td>
<td>18</td>
<td>21.18</td>
<td>17</td>
<td>20.99</td>
<td>35</td>
</tr>
<tr>
<td>Total</td>
<td>85</td>
<td>100.00</td>
<td>81</td>
<td>100.00</td>
<td>166</td>
</tr>
</tbody>
</table>

Field survey, (2010)

The difference between sample proportion and hypothesized population proportion is divided by the standard error of the sampling distribution of proportion to provide test statistics.

Test value of Z was computed thus:

\[
\frac{\bar{X} - \mu}{\sigma} = \frac{\frac{X}{n} - p}{\sqrt{\frac{p(1-p)}{n}}}
\]

\[
\bar{p} = \frac{X}{n} = Sample proportion
\]

\[
\delta p = Standard error of proportion
\]

\[
\alpha = Level of significance
\]

The level of significance for the test is 95%. This makes the tabulated Z (i.e., Zα) to be +1.64. The acceptance region for the test becomes +1.64.

**Decision rule:** Accept H₀ if the value of computed Z falls within the acceptance region. Reject it and accept H₁, if the value of computed Z falls outside the acceptance region.

**Hypothesis 1:**

H₀: Economic recession does not cause low capacity utilization and factory closure in manufacturing industry in Nigeria

H₁: Economic recession cause low capacity utilization and factory closure in manufacturing industry in Nigeria

Question 5 on the questionnaire instrument was used to collect data for testing the first hypothesis

Question 5 is, will economic recession cause low capacity utilization and factory closure in manufacturing industry in Nigeria.

Table 4 showed that out of 166 respondents, 116 (68.88%) agreed that economic recession cause low capacity utilization and factory closure. Only 50 (30.12%) of respondents thought that economic recession does not cause low capacity utilization and factory closure in manufacturing industry in Nigeria.

Thus only 50 respondents supported the Null Hypothesis H₀. Let p stand for the probability that economic recession does not caused horrendous nosedive in the stock market prices. The sample size of the population is 305.

**Formulation of hypothesis:** We formulate the null hypothesis that the number of success sample \(x\) is equal to 50, H₀: \(x = 50\). The alternate hypothesis that the number of success sample \(x\) does not equal 50. H₁: \(x ≠ 50\).

\[
Z = \frac{\bar{X} - \mu}{\sigma} = \frac{\frac{X}{n} - p}{\sqrt{\frac{p(1-p)}{n}}} = \frac{0.0286286}{0.0286286} = -11.74
\]

**Decision:** Since \(Z_{cal} (-11.74) < Z_{α} (-1.64)\) it falls outside the acceptance region. We reject the Null hypothesis and accept alternate hypothesis H₁. Therefore economic recession cause low capacity utilization and factory closure in manufacturing industries in Nigeria and this has significant effect on Textile industries.

**Hypothesis 2:**

H₀: Economic recession does not cause horrendous nosedive in stock market prices in manufacturing industries in Nigeria

H₁: Economic recession cause horrendous nosedive in stock market prices in manufacturing industries in Nigeria

Question 6 on the questionnaire instrument was used to collect data for testing the second hypothesis.

Question 6 is, will economic recession cause horrendous nosedive in stock market prices?

The Table 5 showed that out of 166 respondents, 100 (60.24%) agreed that economic recession cause

Table 4: Distribution of responses to question No. 5

<table>
<thead>
<tr>
<th>Nature of response</th>
<th>Number of response</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>116</td>
<td>69.88</td>
</tr>
<tr>
<td>No</td>
<td>50</td>
<td>30.12</td>
</tr>
<tr>
<td>Total</td>
<td>166</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Field survey, 2010
horrendous nosedive in stock market prices in manufacturing industry in Nigeria. Sixty six (39.76%) believed that economic recession does not cause horrendous nosedive in stock market prices in manufacturing industries in Nigeria. Thus only 66 respondents supported the Null Hypothesis $H_0$. Let $p$ stand for the probability that economic recession does not cause horrendous nosedive in stock market prices. The sample size of the population is 305.

Formulation of hypothesis: We formulate the null hypothesis that the number of success sample $x$ is equal to 66, $H_0$: $x = 66$. The alternate hypothesis that the number of success sample $x$ does not equal 66, $H_A$: $x \neq 66$.

$$Z = \frac{\bar{x} - p}{\delta p} = \frac{p(1-p)}{n} = \frac{0.5(1-0.5)}{305} = 0.0286286$$

$$\delta p = \sqrt{\frac{0.5(1-0.5)}{305}} = 0.0286286$$

$$Z = \frac{0.0286286}{0.0286286} = -9.91$$

Decision: Since $Z$ cal (-9.91) < $Z$ α (-1.64), it falls outside the acceptance region. We reject the null hypothesis and accept alternate hypothesis $H_A$. Therefore the shares of closed manufacturing industries were delisted at the stock exchange and this has significant effect on Textile industries.

Hypothesis 3:

$H_0$: The shares of closed manufacturing industries were not delisted at the stock exchange as a result of economic recession

$H_A$: The shares of closed manufacturing industries were delisted at the stock exchange as a result of economic recession

Question 7 in the questionnaire instrument was used to collect data for testing the third hypothesis. Question 7 is, were the shares of the closed manufacturing industries delisted at the stock exchange as a result of economic economic recession?

The Table 6 showed that out of 166 responses, 135 (81.33%) agreed that the shares of closed manufacturing industries was delisted at the stock exchange as a result of economic recession. Thus, only 31 respondents supported the null hypothesis $H_0$. Let $P$ stand for the probability that the share of closed manufacturing industries were not delisted at the stock exchange. The sample size is 305.

Formulation of hypothesis: We formulate the null hypothesis that the number of success sample $x$ is equal to 31. $H_0$: $x = 31$. The alternate hypothesis that the number of success sample $x$ does not equal 31, $H_A$: $x \neq 31$.

$$Z = \frac{x - 31}{0.0286286}$$

$$\delta p = \frac{0.1016393 - 0.5}{0.0286286} = -13.91$$

Decision: Since $Z$ cal (-13.91) < $Z$ α (-1.64). It falls outside the acceptance region. We reject the null hypothesis and accept alternate hypothesis $H_A$. Therefore the shares of closed manufacturing industries were delisted at the stock exchange and this has significant effect on Textile industries.

Hypothesis 4:

$H_0$: There were no fall on commodity prices and some multinational companies did not relocate to neighbouring countries as a result of economics recession

$H_A$: There were fall on commodity prices and some multinational companies relocated to neighbouring countries as a result of economic recession

Question 8 on the questionnaire instrument was used to collect data for testing the fourth hypothesis. Question 8, is, was there any fall in commodity prices and relocation of multinational companies to neighboring countries as a result of economic recession.

Table 7 showed that out of 166 respondents 125 (75.30%) agreed that there was fall in commodity price and relocation of multinational companies to neighbouring countries as a result of economic recession. 41 (24.70%) believed that there was not any fall in commodity prices and relocation of multinational companies to neighbouring countries as a result of economic recession. Thus only 41 respondents supported the null hypothesis $H_0$. Let $P$ stand for the probability that there is no fall in commodity price and relocation of multinational companies to neighbouring countries. The sample size is 305.

Formulation of hypothesis
We formulate the null hypothesis that the number of success sample X is equal to 41 Ho: x = 41. The alternate hypothesis that the number of success sample x does not equal 41. HA : x ≠ 41.

\[ Z = \frac{X - np}{\sqrt{np(1-p)}} \]

\[ \delta p = \sqrt{\frac{p(1-p)}{n}} = \sqrt{\frac{0.5(1-0.5)}{385}} = 0.0286286 \]

\[ Z = \frac{0.1344262 - 0.5}{0.0286826} = -12.77 \]

**Decision:** Since Zca (-14.03) < za(-12.77). It falls outside the acceptance region. We reject the Null Hypothesis and accept alternate hypothesis Hα. Therefore there was fall in commodity prices and relocation of multinational companies as a result of economic recession and this has significant effect on Textile industries.

**SUMMARY OF RESULTS**

- The effect of economic recession in manufacturing industries were low capacity utilization and factory closure, horrendous nosedive in stock market prices, delisting of shares at the stock exchange, fall in commodity prices and low foreign direct Investment.
- Horrendous nosedive in stock market prices was found to be the foremost effect of economic recession in manufacturing industries.
- Eighty five (85) respondents from Enpee Industry which constitutes 27.87% of response rate were asked to rate any of the variable in Table 3, they considered as the major effect of economic recession in manufacturing industries. The highest response was recorded on horrendous nosedive in stock market prices (34.14%) followed by low capacity utilization and factory closure (23.53%).
- Low Foreign Direct Investment and fall in commodity prices had 21.18% and 11.76%, respectively, while delisting shares at the stock exchange had 8.64%.

Delisting of shares at the stock exchange had the least responses in both industries. The response rate followed a set pattern in the two industries, when comparing delisting of shares at the stock exchange and fall in commodity prices with each other. However both industries rated horrendous nosedive in stock market prices as the major effect of economic recession. The responses were 29 and 31 for Enpee and Afprint Textile industry, respectively. These figures represent 34.12 and 38.27% of the respondents from Enpee and Afprint textile industries.

- The variables that were hypothetically tested in Table 4 to 7 as the effect of economic recession in manufacturing industry had significant effect on Textile industries and the variables were low capacity utilization and factory closure, horrendous nosedive in stock exchange, share of closed manufacturing industries were delisted in stock exchange, fall in commodity prices and relocation of multinational companies to neighbouring countries.
- Table 4 showed that out of 166 respondents, 116 (68.88%) respondents supported alternate hypothesis in the first hypothesis, that economic recession cause low capacity utilization and factory closure in manufacturing industry in Nigeria. Fifty (30.12%) of respondents supported null hypothesis that economic recession does not cause capacity utilization and factory closure in manufacturing industries in Nigeria. The Z calculated statistics value (-11.74) < Z α (-1.64) fell outside the acceptance region we reject the null hypothesis and accept alternate hypothesis that economic recession cause low capacity utilization and factory closure in Manufacturing industries in Nigeria. This has significant effect on Textile industries.
- Table 5 showed that out of 166 respondents, 100 (60.24%) supported the alternate hypothesis in the second hypothesis, that Economic recession cause horrendous nosedive in stock market prices in manufacturing industries in Nigeria. Sixty six (39.76%) respondents supported the null hypothesis, that economic recession does not cause horrendous nosedive in stock market prices in manufacturing industries in Nigeria. The Z calculated statistics value (-9.91) < Z α (-1.64) fall outside the acceptance region. We reject the null hypothesis and accept alternate hypothesis that economic recession cause horrendous nosedive in stock market prices in manufacturing industries in Nigeria. This has significant effect on textile industries.
- Table 6 showed that out of 166 respondents, 135 (81.33%) supported the alternate hypothesis in the third hypothesis, that the share of closed manufacturing industries were delisted at the stock exchange as a result of economic recession. Thirty one (18.67%) respondents, supported the null hypothesis, that the share of closed manufacturing industries were not delisted at the stock exchange. The calculation value of the statistics value (-13.91) <Z α (-1.64) fell outside the acceptance region, we reject the null hypothesis and accept the alternate hypothesis that the share of closed manufacturing industries were delisted at the stock exchange as a result of economic recession. This has significant effect on Textile industries.

- Table 7 showed that out of 166 respondent, 125 (25.30%) supported the alternate hypothesis in the fourth hypothesis that there were fall in commodity prices and some multinational companies relocated to neighbouring countries as a result of economic recession. Forty one (24.70%) respondents supported null hypothesis, that there were no fall in commodity prices and some multinational company did not relocate to neighboring countries as a result of economic recession. The Z calculated statistics value (-12.77) <Z α (-1.64) fell outside the acceptance region. We reject null hypothesis and accept alternate hypothesis, that there were fall in commodity prices and some multinational companies relocated to neighbouring countries as a result of economic recession. This has significant effect on Textile industries.

CONCLUSION

There are numerous effects of economic recession in manufacturing industries as shown in the literature review and statement of problem, but the most disastrous effect are those confirmed by the test on hypothesis of this study. The confirmed effects of economic recession in manufacturing industries in Nigeria are low capacity utilization, horrendous nosedive in stock market prices, delisting of shares of closed company at the stock exchange, fall in commodity prices and relocation of multinational companies to neighbouring countries.

Low capacity utilization can lead to factory closure if not keep in check. It can lead to layoff aspect of labour turnover. Horrendous nosedive in stock market prices can deter investors from buying shares of the affected companies. It can stall ambition of expanding ones business. Delisting of shares of closed companies can completely stop the ability of the company to source fund for recovery and expansion. Fall in commodity prices will leave a lot of companies with unsold inventories. And no company can survive when its stock of inventories pile in their warehouses without being purchased. Often time, the reasons for unsold inventories are due to competition and smuggling of cheap commodities to outrun the price of the locally produced ones. Some of the multinational companies notably Dunlop and Michelin Plc relocated to neighboring countries because of fall in commodity prices and high cost of production. The tyres these two companies were producing could not compete with cheap imported and used tyres. Textile industries were not left out in the problem. Textile industries could not compete with foreign manufactured textiles and used clothes smuggled across the border. The same problem was faced by Brewery industries; they could not compete with imported can beer that pass through Nigerian borders through ECOWAS trade liberalization policy.

It is pertinent to note that the main causes of low capacity utilization which is adjudged as the next foremost effect of economic recession in manufacturing industries is high cost of production. High cost of production is caused by numerous factors such as lack of infrastructure especially powers, high bank interest rate, high naira exchange rate to US dollar, etc.

RECOMMENDATIONS

- We recommend an economic reform program that will be people and manufacturers friendly such as providing bailout funds to companies affected by economic recession and ensuring that they access the loan at single digit interest rate.
- We recommend that Banks should encourage manufacturers by reducing the present high interest rate of 22% to single digit interest rate.
- Banks should cultivate the attitude and interest of giving manufacturers long term loan as opposed to their usual preference of giving short term loan to importers leaving manufacturers with nothing.
- The inexplicable credit squeeze by banks which puts the government in competition for available fund against genuine would be investors should be discouraged and stopped.
- Effort should be made to strengthen further our stock exchange so that investors confidence will be restored.
- Government should resuscitate the decayed infrastructures all over Nigeria especially power, rail road etc to reduce cost of doing business or manufacturing.

REFERENCES


