



Assessing the Impact of Franchising Clothing and Textile Enterprises in Benue State, Nigeria

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Abstract: The study assessed the impact of franchising clothing/textile enterprise in Benue State. Objectives were to assess the awareness of franchising, examine the impact of clothing/textile franchising enterprise on employment generation, identify the challenges of franchising in Benue State, and the way forward. Sixty-five clothing stores across Benue were assessed. Questionnaire was used for data collection. The findings of the study are inadequate media publicity, lack of franchise general regulation, and ignorance about franchising leads to low level of awareness. Franchising contributes to public policy initiatives of employment creation and poverty reduction, revenue generation, and sustainability. Also, lack of start-up capital, difficulties in accessing finances, and inadequate infrastructure are some of the challenges of franchising in the State. The way forward includes that government policies towards franchising should be favorable, and banks and other money lenders should make cash available to people who may want to engage in franchising, among others. In conclusion, since franchising does generate employment for Benue State, it should be made known to the people to invest in it. The study therefore recommended that, government and other sectors should create adequate awareness through media, seminars and workshops on franchising.

Keywords: Benue State, Clothing, Enterprise, Franchising, Textile

1. Introduction

The impact of franchising is over warming today in the hospitality industries; clothing and textile industries are not left out. Franchising according to Baresa et al. (2017), is a business relationship in which the owner of a business is granting the right of sale of certain products or services within the designated territory in certain time period, or gives the person

or group the right to use his trade name, trade mark or brand, products or services, and the person or group uses his productive or service business knowledge and experience, or the way of doing business. According to the International Franchise Association (IFA) (2018), franchising is “simply a method for expanding a business and distributing goods and services through a licensing relationship.” Franchising is, therefore, a form of business organization involving an agreement and licensing relationship between a franchisor, the company supplying the product or service concept, and the franchisee, the individual or company selling the goods or services in a certain geographic area; where the franchisor not only specify the products and services that will be offered by the franchisees and also provide them with an operating system, brand, training and support in managing the business(IFA, 2018). Franchising is considered an alternative to direct market entry given its ability to afford the natural and artificial persons as the franchisees, the opportunity to enter into a well-known and established businesses, where management advice is provided; and the charges on the use of the franchise right is considered less expensive compared to the cost of setting up independent businesses; it has ability of generating new jobs yearly as well as enhancing sales volume and value (Scott, 1995).

Franchising of business enterprises has stood out for playing a prominent role in the economy of developed and developing countries. According to the International Franchise Association (IFA, 2020), there is a definitive positive result of franchises in America in direct correlation with the creation and maintenance of jobs. Nearly 9 million people in 2017 were employed at one of the 801,153 franchises in the U.S. 60% of new jobs are created by small businesses, and 45.5% of jobs created by franchise are in the clothing/textile sector. Every state has at least 6% of its non-farm workforce employed by a franchise with 33 states at 10% or higher (IFA, 2020). Additionally, franchising is a source of jobs in places where it exist. In the United States, it has created 18 million jobs and in China, five million (Dant et al., 2011). Franchising has played an outstanding role in economic growth, and its boom has undoubtedly happened in countries like Brazil and Mexico, where there were 2,703 and 1,499 brands, respectively in 2013 with 114,409 stores and 73,000 stores in Brazil and Mexico respectively (Fadairo et al., 2017).

In Nigeria, franchising is gaining grounds among small businesses. It is an alternative to forming a new business from the scratch. Franchising is so fundamental and so responsive to changing economic conditions in Nigeria that many ailing companies are revitalized through franchise arrangements (Nzelibe, 1990). Reasons given among others for the failure of small businesses are lack of capital and know-how. However, franchising helps in reducing, if not eliminating, these factors since entrepreneurs operate under the umbrella of a successful company, thus, giving rise to what Stanton (1981) regarded as “entrepreneurship franchising”.

Franchising in Nigeria makes a positive and significant contribution to the balance of payments in many countries, as it is frequently exported and is growing (Siebert, 2015). However, the nation’s trade balance has always been in deficit in favour of other nations and franchise balance shows high level of franchisees as Nigerians rather than franchisors. Nigeria as a developing nation, the propensity to capital formation for business investment is low (Okeke & Muo, 2010). Following this, generation of employment opportunity, sales volume enhancement and income generation as advantages traceable to franchising are not optimized

in Nigeria. Franchising in Nigeria is a well-utilized model for business expansion, used by both multinational businesses and local businesses in Nigeria. It can be said that the franchise sector in Nigeria has evolved from a state of not being well understood and utilized to a state where understanding of the franchise model is growing and actively being discussed (Nigeria-Country Commercial Guide, 2020). According to Nigeria-Country Commercial Guide (2020) report, the FCS in Lagos conducted a market research on identifying the U.S. franchises in the country, in 2018, and it was discovered that about 45% of the U.S. franchise operators do business in the Food and confectionary space followed by Health and Wellbeing, accounting for 18% while clothing/textile, construction, account for just 9% of total franchise operators each.

This work is aimed at assessing the impact of franchising on clothing/ textile impact on the economy of Benue State with regard to business growth and expansion, employment generation, sales volume and income generation. It will also examine the challenges faced by franchising as well as the way forward. Franchising is believed to be an engine for economic development of a nation, while businesses are faring well based on franchise relationships; Nigeria businesses are yet to have significant impact on the nation's economy based on franchise agreement (Agbonifoh et al., 2007). Franchise does not serve as means to yielding revenue to the nation (Nigeria) or as basis of economic development (Ndu-Okonko & Okonkwo, 2015). Following this, generation of employment opportunity, sales volume enhancement and income generation as advantages traceable to franchising seems not optimized in Nigeria. This problem is worth investigating to assess the impact of franchising on clothing/textiles enterprise on the economy of Benue State. This work will be of beneficial to those who would like to start up clothing and textile business. Potential investors who want to invest in clothing business but are limited by the technical knowhow and some initial startup cost will come to realize franchising as an ideal business strategy to start up their business as franchisees. The work was focus on clothing stores such as boutique and textiles stores in major towns of Benue State (Makurdi, Gboko, Otukpo and Katsina-ala). The major towns were considered for study because they are commercial areas in the Benue State. Specifically, the study's objectives are to;

- a) assess the level of awareness of franchising as a form of investment and business expansion in Benue State
- b) ascertain the impact of franchising of clothing/textile enterprise on business growth and expansion in Benue State.
- c) identify the challenges of franchising of clothing/ textile enterprises in Benue State.
- d) determine the solution on the challenges of franchised clothing/textile enterprises in Benue State.

1.1. Research Questions

The following questions are meant to guide the researcher in carrying out this research work:

- a) What level of awareness of the owners of business enterprises on franchising as a form of business strategy in Benue State?
- b) Does franchising of clothing/textile enterprises have an impact on business growth and expansion in Benue State?

- c) What are the challenges franchising clothing/textiles enterprises have in Benue State?
- d) What are the possible solutions on the challenges face by franchising enterprise in Benue State?

2. Materials and Methods

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2.1. Design for the Study

Descriptive survey design was adopted for this study. Descriptive survey provides wider information that characterizes all organizations in the population from which the sample was selected the study was carried out in four major town of Benue State.

2.2. Population and Sample

The population was 65 people comprising of owners and staff of registered clothing and textile business operating in Benue State (Benue State Ministry of Trade, Commerce, Industry; and Revenue Department). 225 clothing stores were identified, out of which 4 were franchised business with a total population of 65 people which constitute the population of study. There was not sampling for the population since it was less than a hundred, which is manageable enough.

2.3. Instrumentation

The instrument used for data collection was self-structured questionnaire titled Assessing the Impact of Franchising of Clothing/Textile Enterprise on the Economy growth of Benue State (AIFCTEEGBS).The questionnaire was assessed for content and construct validity by three validates. The instrument was try tested using 15 respondents that were not part of Population of the study .The result shows the coefficient of 0.6. This Indicate that the instrument is reliable.

2.4. Data Collection Technique

Sixty-five (65) copies of a questionnaire were administered to the owners, managing directors, management staff and junior staff of clothing and textile enterprise by hand from the researcher with the help of a research assistant

2.5. Data Analysis Technique

The data obtained were analyzed using influential statistics.

3. Results and Discussion

Table 1: Response of the respondents on their level of awareness on franchising as a form of business strategy (N=65)

S/N	Items	Mean	Remarks
1	Inadequate media publicity leads to low level of awareness of business owners on franchising	3.93	Agreed
2	Lack of any form of franchise general regulation leads to low level of awareness of business owners on franchising	3.37	Agreed
3	Ignorance of business owners on franchising leads to low level of awareness on franchising	3.66	Agreed
4	Government did not create awareness to the public on franchising which leads to low level of awareness of business owners on franchising	3.97	Agreed

5	Lack of business incubators leads to low level of awareness of business owners on franchising	3.63	Agreed
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Table 1 results showed the responses of respondents according to their awareness of franchising as a form of business strategy in Benue State. On the opinion about media publicity, the respondents have agreed that inadequate media publicity leads to low level of awareness of business owners on franchising ((3.93), lack of any form of franchise general regulation leads to low level of awareness of business owners on franchising (3.37), and ignorance of business owners on franchising leads to low level of awareness on franchising (3.66). Government did not create awareness to the public on franchising which leads to low level of awareness of business owners on franchising (3.97). Lack of business incubators leads to low level of awareness of business owners on franchising (3.63). This shows that the respondents agreed with all the items presented.

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Table 2: Responses of the respondents on the impact of employment generation of franchising clothing/textiles enterprise in Benue State(N= 65)

S/N	Items	Mean	Remark
1	Franchising contributes to the public policy initiatives of employment creation and poverty reduction	3.21	Agreed
2	Jobs creation and employment generation	3.32	Agreed
3	Revenue Generation and Contribution to GDP	3.47	Agreed
4	Sustainability of Businesses.	3.49.	Agreed
5	Franchised clothing/textiles leads to high income generation to the state	3.08	Agreed

Table 2 indicates the mean of respondents on employment generation of franchising clothing and textiles enterprise in Benue State. Franchising contributes to the public policy initiatives of employment creation and poverty reduction (3.21), jobs creation and employment generation (3.32), revenue generation and GDP (3.47), help in the sustainability of businesses (3.47), and leads to high income generation to the state (3.49). This shows that respondents agreed with all the items as the impact of employment generation of franchising clothing/textiles enterprise in Benue State.

Table 3: Responses of the respondents on the challenges of franchising of clothing/textiles enterprise in Benue State (N=65)

S/N	Items	Mean	Remark
1	Lack of start-up capital is a challenge to franchising	3.15	Agreed
2	Difficulties in accessing finance is a challenge to franchising	3.12	Agreed
3	Inadequate infrastructure like electricity, roads, water etc. is a challenge to franchising	3.25	Agreed
4	Ineffectiveness of the judiciary is a challenge to franchising	3.29	Agreed
5	Existence of corruption and high crime rate is a challenge to	3.10	Agreed

6	franchising Embezzlement by corrupt managers of franchised enterprise	3.20	Agreed
7	Poor location of franchised enterprise outlets have effect the enterprise	3.25	Agreed
8	Multiple and high rate of taxes leads to low profitability on the enterprise	3.05	Agreed

Table 3 indicates the mean of respondents on the challenges of franchising clothing/textile enterprise in Benue State. Lack of start-up capital (3.15), difficulties in accessing finance (3.12), inadequate infrastructure like electricity, roads, water, etc (3.25), ineffectiveness of the judiciary (3.29), existence of corruption and high crime rate (3.10), embezzlement by corrupt managers of franchised enterprise (3.20), poor location of franchised enterprise outlets (3.25), and multiple and high rate of taxes leads (3.05) were all identified as challenges of franchising clothing/textile enterprise in Benue State. This shows that the respondents agreed with these items as the challenges of franchising in Benue State.

Table 4: Responses of the respondents on the solution to the challenges of franchising in clothing/ textiles enterprise in Benue state (N=65)

S/N	Items	Mean	Remark
1	Government policies towards franchising should be favorable to people	3.10	Agreed
2	Banks and other money renders should make cash available tor loaning for people who may want to engage into franchising	3.15	Agreed
3	Government should put infrastructure like electricity, roads, water etc. to ease the challenge to franchising	3.20	Agreed
4	Our judiciary should be effective in handling franchising agreement in time	2.56	Agreed
5	ICPC should always check corrupt practices to franchising	3.00	Agreed
6	The franchisees should endeavor to keep to the rules of the franchisor	3.22	Agreed
7	Franchised enterprise outlets should be set in strategy places where there will be flow of sales	2.50	Agreed
8	The government should regulates on multiple and high rate of taxes on the franchising enterprise	3.05	Agreed

The result on Table 4 shows the possible solution to the challenges faced by franchising clothing/textiles enterprise in Benue State. Some of the identified solutions include: Government policies towards franchising should be favorable to people (3.10). Banks and other money renders should make cash available to loaning for people who may want to engage into franchising (3.15).Government should put infrastructure like electricity, roads,

water etc. to ease the challenge to franchising(3.20). Also our judiciary should be effective in handling franchising agreement in time (2.56). ICPC should always check corrupt practices to franchising (3.00). The franchisees should endeavor to keep to the rules of the franchisor (3.22). Also, franchised enterprise outlets should be set in strategic places where there will be flow of sales (2.50), and lastly, Government should regulate multiple and high rate of taxes on the franchising enterprise (3.05).

The findings on the awareness of franchising enterprise in Benue State showed that inadequate media publicity leads to low level of awareness of business owners on franchising. It was also find out that lack of franchise general regulation leads to low level of awareness of business owners on franchising. Finding also showed that ignorance of business owners on franchising leads to low level of awareness on franchising. Another finding shows that government did not create awareness to the public on franchising which leads to low level of awareness of business owners on franchising. These findings are in agreement with Li and Xia (2019) who stated the most important constraint of franchising as the general lack of familiarity amongst the private and public sectors, professional bodies and academics with the concept of franchising.

The findings on employment generation of franchising clothing enterprise in Benue State are that franchising contributes to the public policy initiatives of employment creation poverty reduction, revenue generation and contribution to GDP, help in thse sustainability of businesses, leads to high income generation to the state. This result is in congruence with the International Franchise Association (IFA, 2020), and Franchise Direct (2020) which indicated that the definitive positive results of franchises in America is in direct correlation with the creation and maintenance of jobs. According to them, nearly 9 million people in 2017 were employed at one of the 801,153 franchises in the U.S.

The findings on the challenges of franchising clothing/textile enterprise in Benue State showed lack of start-up capital, difficulties in accessing finance, inadequate infrastructure, ineffectiveness of the judiciary, existence of corruption and high crime rate, ineffectiveness of the judiciary is a challenge to franchising with the mean, embezzlement by corrupt managers, poor location of franchised enterprise outlets, multiple and high rate of tax in Benue State. This finding agreed with Franchise Business Review (2017) and Okeke and Muo (2010) who stated the disadvantages that go with franchising enterprise as loss of control, cost of franchising, restricted operating freedom, imposition of controls, difficulty in assessing the quality of the franchiser, and restrictions and tying contracts may be contained in the contract.

The finding on possible solution to the challenges faced by franchising clothing and textiles enterprise in Benue State are government policies towards franchising should be to favorable to people, banks and other money lenders should make cash available to loaning for people who may want to engage into franchising, government should put infrastructure in place, our judiciary should be effective in handling franchising agreement in time, ICPC should always check corrupt practices to franchising, the franchisees should endeavor to keep to the rules of the franchisor, franchised enterprise outlets should be set in strategic places where there will be flow of sales, and the government should regulates on multiple and high rate of taxes on the franchising enterprise.

4. Conclusion

Franchising is considered an alternative to direct market entry given its ability to afford the franchisees, the opportunity to enter well known and established businesses, where management advice is provided, and the charges on the use of the franchise right is considered less expensive compared to the cost of setting up independent businesses. Therefore, government should create adequate awareness through the print media, seminars and workshops on franchising as a business model for investment and expansion of business. Government should step up the establishment of business incubators to provide mentorship to business men and women as well as existing business on franchising as a form of business strategy. Government should provide adequate legal and institutional framework for the regulation of franchise in Nigeria. Government should provide adequate infrastructure such as electricity and good roads. Government should provide an enabling environment for business enterprises by granting tax holidays to infant businesses as well as a reduction in the rate of multiple taxes in the state. The judiciary should make more effective through judicial reforms for quick and effective handling of cases involving business contracts and agreements.

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Conflict of Interest

The author declares that there is no conflict of interest.

Author Contributions

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Data Availability Statement

The original contributors presented in the study are included in the article. Further enquiries can be directed to the corresponding author.

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