



Effect of Government Policies on Building Competitive Advantage of Local Manufacturing Companies. A Case of Clothing Manufacturers in Gasabo District, Rwanda

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Abstract: The general objective of this study was to assess the effect of government policies on building competitive advantage of local clothing manufacturing companies in Gasabo District, Rwanda. The study population was 223 including 178 clothing manufacturer staff members and 45 local leaders operating in Gasabo District and local leaders. Due to the small population size, the researcher employed a census method rather than a sampling approach. The research relied on documentation, interviews, and questionnaires to compile its findings. In order to find descriptive and inferential statistics, the researcher used SPSS version 25. The findings show an R value of 0.865, indicating a strong positive correlation between predictors (inspection policies, business registration policy, and licensing policy) and competitive advantage among local clothing manufacturers in Gasabo District. The R^2 value of 0.748 means that approximately 74.8% of the variance in competitive advantage can be explained by these three policy areas. The regression results show that a one-unit increase in business registration policy leads to a 0.396-unit increase in competitive advantage ($B = 0.396$, $t = 6.828$, $p = 0.000$). Similarly, a one-unit increase in licensing policy results in a 0.255-unit rise in competitive advantage ($B = 0.255$, $t = 4.474$, $p = 0.000$). A one-unit increase in inspection policy contributes to a 0.287-unit increase in competitive advantage ($B = 0.287$, $t = 6.674$, $p = 0.000$), confirming their significant positive influence. Clothing manufacturers are encouraged to stay updated on regulatory requirements and engage in proactive licensing and inspection processes.

Keywords: Government policies, business registration policy, licensing policy, inspection policy, competitive advantage, local clothing manufacturers.

How to cite this work (APA):

Gikundiro, E. B. & Dushimimana, J. D. (2026). Effect of Government Policies on Building Competitive Advantage of Local Manufacturing Companies. A Case of Clothing Manufacturers in Gasabo District, Rwanda. *Journal of Research Innovation and Implications in Education*, 10(3), 711 – 722. <https://doi.org/10.59765/zsx8>

1. Introduction

Government policies play an essential role in shaping the competitive advantage of local manufacturing companies globally. Effective government policies are crucial as they provide the framework within which companies operate, guiding them toward achieving their goals while navigating challenges in the manufacturing industry. The impact of these policies can be observed across various regions, influencing company strategies, market behavior, innovation potential, and overall competitiveness (Ali & Anwar, 2021).

In Rwanda, government policies play an important role in shaping the competitive landscape of manufacturing.

The "Made in Rwanda" campaign reflects the government's commitment to enhancing local manufacturing growth and innovation. This initiative emphasizes the necessity for local producers to compete against foreign counterparts and seeks to improve the overall competitive advantage of the Rwandan manufacturing sector. Policies associated with this campaign promote access to financing, technical support, and skill development initiatives tailored for manufacturers (Sikubwabo, 2024).

Research has highlighted the critical effect of government policies on educational programs and the overall preparedness of the workforce in Rwanda. Effective planning related to human resources in

initiatives such as vocational training directly influences the performance of the Rwandan manufacturing sector. Enhanced education policies designed to align skills with market needs boost local manufacturers' operational capacities, leading to strengthened competitiveness in various sectors (Mugorewase & Kwenya, 2024).

The selection of business development services as a strategic initiative in Rwanda further shows the importance of government policies in enhancing the performance of local manufacturing enterprises. Government policies that provide favorable taxation, access to networks, and capacity development programs empower small and medium enterprises (SMEs). A study indicated that government regulations significantly moderate the relationship between business development services and enterprise performance, ensuring that youth-owned businesses are better positioned to take advantage of emerging market opportunities within the manufacturing sector (Hakizimana *et al.*, 2023).

Rwanda's implementation of plastic bans and circular economy policies has forced local manufacturers to adapt by finding alternative materials and technologies. While such regulations initially pose challenges due to compliance costs, they also present opportunities for manufacturers to innovate and differentiate themselves in the market. As manufacturers align their operations with government sustainability objectives, they can enhance their brand loyalty and appeal to eco-conscious consumers, thereby gaining a competitive edge (Oguturu *et al.*, 2023).

Government policies that promote gender inclusivity in business enable women-led manufacturing firms to leverage specific growth strategies and competitive advantages. Such policies contribute to the empowerment of women in business, allowing them to play a significant role in economic development while fostering innovation and creativity in the manufacturing sector (Mutabazi & Gitahi, 2023).

Despite the implementation of the "Made in Rwanda" policies aimed at boosting local manufacturing and reducing dependence on imports, the clothing manufacturing industry in Rwanda faces significant challenges limiting its competitiveness. Ongoing challenges such as the global supply chain disruptions and the economic impacts of the COVID-19 pandemic continue to spotlight the vulnerability of local manufacturers. A survey conducted by the Rwanda Private Sector Federation (RPSF, 2023) indicated that nearly 70% of manufacturing firms experienced a decline in productivity due to these external shocks, exacerbating the need for responsive and adaptive government policies to enhance resilience and competitiveness.

Rwanda has faced a significant social challenge in its domestic clothing manufacturing sector: despite considerable policy efforts to stimulate local production, local firms continue to struggle to compete due to high production costs, low domestic demand and stiff

competition from imported second-hand or low-cost garments, thereby constraining job creation and sustainable livelihoods. This situation creates a social problem in that many potential workers especially youth and women remain under-or unemployed, and the envisioned growth of the local clothing industry has not yet delivered broad-based socio-economic benefits (International Labour Organization, 2023).

The textile manufacturing sector illustrates these issues sharply. The only textile mill, Utexrwa, has experienced a decrease in capacity utilization from 40% to 20% due to stiff competition from cheaper imported fabrics (Competition stifling Rwanda's only textile factory, 2020). This decline raises concerns about the sustainability of local manufacturing businesses as they struggle to compete against imported products, which often offer similar or superior quality at lower prices.

Additionally, the purchasing habits of Rwandans, who frequently opt for secondhand clothing, exacerbate the situation for local manufacturers. High production costs, coupled with extreme competition, force manufacturers to operate below capacity, leading to inefficiencies. Current studies indicate a lack of strategic management practices that align with the sustainability of local manufacturers' competitive advantages (Wibabara & Njenga, 2023). Mugisha and Ngabonziza (2023), who reported that 65% of local manufacturers attributed their reduced competitive advantage to the inefficiency of policy implementation and a lack of tailored support mechanisms.

Moreover, Sikubwabo (2024), Mugorewase and Kwenya (2024), Hakizimana *et al.* (2023), Wibabara and Njenga (2023), Mugisha and Ngabonziza (2023) studied how effectively government policies support local manufacturers in adapting to these challenges. Previous researches highlight inadequacies in the study of business registration policy, licensing policy, inspection policy and competitive advantage, as most focus primarily on performance without addressing long-term sustainability.

In light of these gaps, a comprehensive analysis of these government policies is essential to understand their actual effect on building competitive advantage of clothing manufacturers in Gasabo District. This study was beneficial as it provided evidence-based insights to policymakers and industry stakeholders on how government policies can be better structured to enhance the competitiveness of local clothing manufacturers in Rwanda.

1.1 Specific Objectives

The general objective of this study was to assess the effect of government policies on building competitive advantage of local clothing manufacturing companies in Gasabo District, Rwanda.

Specific Objectives

1. To examine the effect of business registration policy on building competitive advantage of local clothing manufacturers in Gasabo District.
2. To assess the effect of licensing policy on building competitive advantage of local clothing manufacturers in Gasabo District.
3. To evaluate the effect of inspection policy on building competitive advantage of local clothing manufacturers in Gasabo District.

2. Literature Review

2.1 Theoretical Review

For this study, theoretical framework is a thorough look at and evaluation of the existing theories and ideas about the topic under study. It is the process of systematically analyzing and putting together information from different sources in order to get a full picture of an issue.

2.1.1 Institutional Theory

Institutional Theory is primarily attributed to Paul DiMaggio and Walter Powell, the foundational work that solidified the theory was published in 1983. Institutional Theory examines how institutions influence the behaviors and structures of organizations. It posits that organizations are not solely driven by market forces or efficiency. Instead, they are significantly shaped by the social, political, and cultural contexts within which they operate. Institutions establish norms, rules, and expectations that organizations must navigate to gain legitimacy and social approval (Usmany, 2024).

A fundamental aspect of Institutional Theory is the concept of isomorphism, which can occur in three forms: coercive, mimetic, and normative. Coercive isomorphism arises from formal and informal pressures exerted by other organizations, usually through laws and regulations. Mimetic isomorphism occurs when organizations imitate each other to reduce uncertainty, especially in ambiguous situations. Normative isomorphism results from professionalization and the establishment of norms that shape behaviors within a field (Farida & Setiawan, 2022).

Institutional Theory was appropriate for effect of business registration policy on competitive advantage of local clothing manufacturers in Gasabo District because it emphasized on how formal rules, such as business registration policy, shape organizational behavior and performance. In the context of local clothing manufacturers, complying with registration policies enhanced legitimacy, access to government support, and trust among stakeholders' factors that contribute to competitive advantage. The theory helped to explain how aligning with institutional norms improve market positioning and sustainability.

2.1.2 Regulatory Compliance Theory

Regulatory Compliance Theory analyzes how organizations adhere to laws, regulations, and standards

imposed by governmental and industry entities. It emphasizes the importance of compliance as a crucial factor in organizational legitimacy and operational success. Noncompliance can result in legal penalties, reputational damage, and financial losses, which is why understanding compliance mechanisms is vital for organizations across sectors (Alharafsheh & Ezmigna, 2023).

This theory outlines the processes through which organizations perceive, interpret, and enact compliance measures. Understanding the regulatory landscape involves recognizing various stakeholders, including regulatory agencies, advocacy groups, and competitors. Organizations must often navigate complex regulatory environments that vary significantly by jurisdiction, industry, and market conditions (Farida & Setiawan, 2022).

Regulatory Compliance Theory fitted on effect of licensing policy on competitive advantage of local clothing manufacturers in Gasabo District as it focused on how adherence to governmental and legal requirements, such as licensing, influences organizational outcomes. For local clothing manufacturers, obtaining proper licenses can serve as a signal of credibility and operational legitimacy, which may attract more customers, partners, and investors. This compliance was therefore a strategic asset, enhancing the firm's competitive edge in the market.

2.1.3 Dynamic Capabilities Theory

Dynamic Capabilities Theory was developed by David Teece, Gary Pisano, and Amy Shuen in 1997. Dynamic Capabilities Theory focuses on an organization's ability to adapt, integrate, and reconfigure internal and external competencies to address rapidly changing environments. This theory is predicated on the notion that in today's fast-paced and uncertain markets, past success is no guarantee for future performance. Companies need dynamic capabilities a blend of resources and skills that empower them to innovate and respond to change effectively (Farida & Setiawan, 2022).

At the core of this theory are three key components: sensing, seizing, and reconfiguring. Sensing involves identifying and assessing opportunities and threats in the environment. Companies leverage market research, feedback mechanisms, and trend analysis to anticipate changes. Seizing refers to the ability to capitalize on identified opportunities by mobilizing resources, designing new products, or entering new markets. Finally, reconfiguring entails the ability to transform and realign the organization's assets, processes, and capabilities to meet the demands of a changing environment (Alharafsheh & Ezmigna, 2023).

Dynamic Capabilities Theory was suitable on effect of inspection policy on competitive advantage of local clothing manufacturers in Gasabo District because it explains how firms adapt, integrate, and reconfigure internal and external competencies in response to

changes, such as regulatory inspections. Inspection policy often require operational adjustments and quality improvements. Local clothing manufacturers that respond proactively and innovate in response to inspections gained efficiency, improve product standards, and differentiate themselves thereby achieving a competitive advantage.

3. Methodology

This study used descriptive and correlational research design with quantitative and qualitative approach to describe and correlate variables, as is appropriate for this kind of research. Researcher conducted correlational studies to look at the connections between various variables.

The study population was 223 including 178 staffs from 8 clothing manufacturers (Rwanda C&H Garments Ltd, UFACO Garments Ltd, C&D Products Rwanda Co. Ltd, Pink Mango Asantii Rwanda Ltd, New Kigali Designers & Outfitters Ltd, Great Generation Garments Ltd, Vision Garment Ltd and T-KAY Garments) operating in Gasabo District and 45 local leaders.

Due to the small population size, the researcher employed a census method rather than a sampling approach. Instead of selecting a subset of the population, this method involved collecting data from every individual or unit within the population.

In order to ensure that the research was successful, the researcher thoroughly explored each objective. The research relied on documentation, interviews, and questionnaires to compile its findings.

This technique was used by the researcher to collect secondary data. In order to put together the materials for this study, the researcher analyzed and evaluated the texts' relevance to the study using documents, categorized them on manuscripts, and finally typed them into a computer. An essential part of this process is reviewing the relevant literature in an effort to locate global viewpoints upon which to construct a comparative assessment framework.

Questionnaires were sent to each participant. There were a lot of closed-ended questions on the survey of 5 likert scale (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree and 5: Strongly Agree). In order to answer a closed question, respondents must choose one response from a predefined list of possibilities.

In order to collect qualitative data and insights, researcher used a wide range of methods, techniques, and abilities while engaging with people. In order to conduct this research, it was necessary to collect data from Local leaders in Gasabo District, Rwanda.

The processing, analysis, and interpretation of the data came after data collection. The examination of the

obtained data was enhanced with the help of coding, tabulating, and editing.

Based on the perceptions gained from the pilot study, researcher made necessary adjustments to the instruments, or procedures to address any identified shortcomings. Pilot study conducted in Nyarugenge District with 10% of sample size.

The research supervisor verified that the questionnaires correspond to the aspects of the study before distributing them to the participants. Doing so guaranteed the reliability of the research tool. In order to achieve the aims of the study, the questionnaire had an adequate number of relevant questions. Before giving out the surveys to the general public, the researcher ran them through a series of tests to ensure their validity and reliability.

The multiple regression presented as follow:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where:

Y = Competitive advantage

β_0 = Constant term

X1 = business registration policy

X2 = licensing policy

X3 = inspection policy

β = Beta coefficient

ϵ = error term

The participants were requested to show respect by politely asking for their time and answering questions. Without prejudice or bias of any kind, participants were selected at random, irrespective of their race, religion, or sexual orientation. The researcher promised to utilize only the information provided for the reasons indicated in this survey, and to keep any other responses completely private. Respondents' identities were not requested by researcher on the survey in any way to ensure their privacy.

4. Results and Discussion

This section presents the findings, analysis, and interpretation of the research data collected to examine the impact of business registration, licensing, and inspection policy on the competitive advantage of local clothing manufacturers in Gasabo District.

4.1 Response Rate

This section discusses the response return rate of the survey administered to the respondents, providing an overview of the completeness and validity of the data collected.

Table 1: Response Rate

Questionnaire	Frequency	Percent
Returned and complete	205	91.9
Incomplete	18	8.1
Total	223	100.00

Table 1 presents the response rate of the administered questionnaires. The data show that 205 questionnaires were returned and complete, accounting for 91.9% of the total distributed, while 18 questionnaires were incomplete, representing 8.1%. This high return rate of complete responses reflects reliable participation and forms a solid foundation for valid statistical analysis in the study.

4.2 Descriptive Statistics

The researcher presented the findings in the form of figures and statistics, which provided the reader with a

more comprehensive knowledge of the findings. For descriptive statistics, respondents were asked to rate their level of agreement or disagreement on a 5-point scale, with 1 indicating Strongly Disagree and 5 indicating Strongly Agree. The mean values were classified into specific ranges: 1.0 to 1.8 as very low, 1.9 to 2.6 as low mean, 2.7 to 3.4 as neutral, 3.5 to 4.2 as high mean, and 4.3 to 5.0 as very high mean. The standard deviation used to determine whether the data is homogeneous or heterogeneous. If the standard deviation is less than or equal to 0.5, the data is characterized as homogeneous. In contrast, if the standard deviation surpassed 0.5, the data was classified as heterogeneous.

Table 2: Business registration policy and local clothing manufacturers in Gasabo District

	N	Mean	Std. Deviation
The registration process efficiency for local clothing manufacturers in Gasabo District facilitates business operations.	205	4.23	.768
The cost of business registration for local clothing manufacturers is reasonable and manageable.	205	4.63	.684
The time required for registration does not hinder business establishment for local clothing manufacturers.	205	4.39	.930
The legal documentation requirements for business registration are clear and straightforward for local clothing manufacturers.	205	4.33	.958
Overall mean and standard deviation	205	4.40	.835

Table 2 presents the respondents' views on the business registration policy for local clothing manufacturers in Gasabo District, focusing on efficiency, cost, time, and legal documentation.

The mean value for the statement, the registration process efficiency for local clothing manufacturers in Gasabo District facilitates business operations, is 4.23, indicating a high level of agreement among respondents; the standard deviation of 0.768 reflects some heterogeneity in the responses. The second statement, the cost of business registration for local clothing manufacturers is reasonable and manageable, has a mean of 4.63, categorized within the very high mean range, indicating strong consensus on the affordability of registration costs, with a standard deviation of 0.684 indicating heterogeneous opinions.

A local leader interviewed stated, "The recent improvements in the business registration process have truly transformed the landscape for clothing manufacturers in Gasabo District. The efficiency introduced in the process has made it easier for new businesses to start up and operate. Simplified procedures reduce the time and effort required, allowing

manufacturers to concentrate on creative designs and market strategies. This shift has been instrumental in fostering growth among local clothing businesses."

The statement, the time required for registration does not hinder business establishment for local clothing manufacturers, shows a very high mean of 4.39, reflecting a high agreement level; the standard deviation of 0.930 indicates heterogeneity in opinions. For the statement, the legal documentation requirements for business registration are clear and straightforward for local clothing manufacturers, the very high mean is 4.33, indicating a high level of agreement, while the standard deviation of 0.958 highlights notable heterogeneity in perceptions.

A clothing manufacturer officer interviewed shared, "The legal documentation requirements have made establishing and growing my business much more straightforward. Clear guidelines and readily available support streamline the registration process, which now feels less intimidating for new entrepreneurs. With this kind of structure in place, many of us have been able to focus on building our brands and increasing production.

The positive impact on business development in our community is evident."

The overall mean for this section is 4.40 with a standard deviation of 0.835, demonstrating generally strong positive opinions toward business registration policy, with some heterogeneity in responses across all statements. According to Usmany (2024), streamlined business registration processes can significantly improve the performance of small businesses. Their study identifies the impact of favorable registration conditions which align with this research in Gasabo District, particularly regarding the efficiency of the registration process and the reasonable costs associated with business

registration. Specifically, the findings reflect the necessity of legal documentation requirements and the time required for registration to enhance overall business growth, demonstrating how effective policies can lead to competitive advantage.

The findings are consistent with Institutional Theory, which emphasizes the importance of compliance with business registration policy for gaining legitimacy in the market (Usmany, 2024). This study demonstrates that adherence to formal registration rules enhances the competitive advantage of local clothing manufacturers in Gasabo District, supporting resource access and stakeholder trust.

Table 3: Licensing policy and local clothing manufacturers in Gasabo District

	N	Mean	Std. Deviation
The licensing cost for local clothing manufacturers is affordable and does not discourage business growth.	205	4.54	.668
The renewal requirements for licenses are reasonable and not overly worrying for local clothing manufacturers.	205	4.15	.991
The complexity of the approval process for obtaining licenses is manageable for local clothing manufacturers.	205	4.45	.831
The duration of license validity is sufficient for the operational needs of local clothing manufacturers.	205	4.54	.825
Overall mean and standard deviation	205	4.42	.829

Table 3 evaluates the licensing policy of local clothing manufacturers in Gasabo District, focusing on affordability, renewal process, approval complexity, and license validity.

The mean of 4.54 for the statement, the licensing cost for local clothing manufacturers is affordable and does not discourage business growth, falls in the very high mean range, expressing strong agreement regarding affordability; a standard deviation of 0.668 indicates some heterogeneity in responses.

A local leader interviewed stated, "The licensing process has greatly contributed to the operational success of local clothing manufacturers. It serves as an indication of credibility, which has encouraged partnerships and investments in the community. A straightforward licensing procedure fosters trust among customers and stakeholders. This positive perception has reinforced the conviction that our local industry can compete effectively."

For the statement, the renewal requirements for licenses are reasonable and not overly worrying for local clothing manufacturers, the mean is 4.15, categorized within the high mean range; indicating strong positive agreement. The standard deviation of 0.991 shows some heterogeneity regarding renewal processes.

A clothing manufacturer staff interviewed commented, "The renewal requirements for licenses are straightforward and support the sustainability of our businesses. Compliance with these requirements ensures that we regularly evaluate our practices and maintain

standards. This process not only keeps us aligned with legal obligations but also encourages continuous improvement within our operations. Sustaining our licenses strengthens our market presence and fosters growth."

The statement, the complexity of the approval process for obtaining licenses is manageable for local clothing manufacturers, has a mean of 4.45, reflecting a strong consensus on manageability, accompanied by a standard deviation of 0.831 indicating heterogeneity in responses. The mean for the statement, the duration of license validity is sufficient for the operational needs of local clothing manufacturers, is 4.54, again reflecting strong agreement, with a standard deviation of 0.825 showing some heterogeneity in perceptions.

The overall mean for licensing policy is 4.42 with a standard deviation of 0.829, indicating favorable perceptions with some differences among respondents.

In line with Hu et al. (2022), robust regulatory frameworks promote fair competition among firms, which is crucial for enhancing business performance. Their insights align with the findings in Gasabo District, where compliance enforcement mechanisms and well-defined penalties for non-compliance play critical roles in fostering a stable operating environment. The clarity of inspection standards and regularity of compliance checks noted in the current research contribute significantly to customer loyalty and brand awareness, reinforcing the importance of effective regulatory policies.

The findings align with Regulatory Compliance Theory, which emphasizes the impact of adherence to licensing policy on organizational legitimacy (Alharafsheh & Ezmigna, 2023). This study demonstrates that obtaining

necessary licenses signifies operational credibility for local clothing manufacturers, attracting customers and investors while enhancing competitive advantage in the Gasabo District market.

Table 4: Inspection policy and local clothing manufacturers in Gasabo District

	N	Mean	Std. Deviation
The compliance enforcement mechanisms in place effectively promote adherence to industry standards among local clothing manufacturers.	205	4.10	.960
The penalties for non-compliance are clearly communicated and appropriately enforced for local clothing manufacturers.	205	4.55	.782
The inspection standards clarity helps local clothing manufacturers understand their obligations and improve their practices.	205	4.15	.984
The regularity of compliance checks is adequate to ensure consistent adherence to regulations among local clothing manufacturers.	205	4.49	.783
Overall mean and standard deviation	205	4.32	.877

Table 4 assesses the effectiveness of inspection policy in promoting compliance and industry standards.

The statement, the compliance enforcement mechanisms in place effectively promote adherence to industry standards among local clothing manufacturers, has a mean of 4.10, signaling a high level of agreement, although the standard deviation of 0.960 indicates heterogeneity in responses, reflecting varying perceptions on compliance enforcement. For the statement, the penalties for non-compliance are clearly communicated and appropriately enforced for local clothing manufacturers, the mean is 4.55, indicating very high agreement on the clarity and enforcement of penalties, with a standard deviation of 0.782 highlighting heterogeneity in responses.

A local leader interviewed expressed, "The compliance enforcement mechanisms have significantly elevated the operational standards of clothing manufacturers in Gasabo District. Regular inspections ensure that manufacturers adhere to quality and safety norms, making certain that our products meet high standards. This commitment to quality has boosted consumer confidence in our local brands. It is encouraging to see how such measures have directly contributed to improving our industry's reputation."

The statement, the inspection standards clarity helps local clothing manufacturers understand their obligations and improve their practices, illustrates a mean of 4.15, classified as high mean, while the standard deviation of 0.984 shows notable heterogeneity in how respondents view the clarity of inspection standards. The mean value for the statement, the regularity of compliance checks is adequate to ensure consistent adherence to regulations among local clothing manufacturers, is 4.49, also reflecting very high approval, with a standard deviation of 0.783 indicating heterogeneity in responses.

A clothing manufacturer staff interviewed remarked, "Clarity in inspection standards has been a game-changer for our operations. Understanding what is expected during inspections has allowed us to enhance our production processes and ensure consistent product quality. These standards create a benchmark that drives us to perform better and meet customer expectations. The benefits extend beyond compliance; they lead to increased sales and customer loyalty."

The overall mean for this section is 4.32 with a standard deviation of 0.877, indicating positive assessments of inspection policy with some heterogeneity among respondent views across all statements. As observed by Tsiu, Mathabela, and Ngobeni (2024), business intelligence tools enhance the operational performance of small and medium-sized enterprises. This perspective aligns with the research on local clothing manufacturers in Gasabo District, where the licensing policy evaluated such as the costs of licensing, renewal requirements, and the complexity of the approval process impact the competitiveness and operational efficiency of the businesses. The findings emphasize the significance of having adequate duration of license validity in fostering an innovative advantage within the market.

The findings resonate with Dynamic Capabilities Theory, which focuses on how inspection policy influence firms' ability to adapt and innovate (Farida & Setiawan, 2022). This study demonstrates that local clothing manufacturers leverage inspection policy to enhance operational efficiencies and product quality, thereby sustaining their competitive position in a dynamic market environment.

Table 5: Competitive advantage of local clothing manufacturers in Gasabo District

	N	Mean	Std. Deviation
Local clothing manufacturers have a pricing advantage that allows them to compete effectively in the market.	205	4.20	.831
The innovation advantage of local clothing manufacturers contributes to their competitiveness in the industry.	205	4.33	.862
Customer loyalty is strong among consumers of products from local clothing manufacturers in Gasabo District.	205	4.25	.893
Brand awareness for local clothing manufacturers in Gasabo District positively influences customer purchasing decisions.	205	4.29	.787
Overall mean and standard deviation	205	4.27	.843

Table 5 explores how business registration, licensing, and inspection policy influence the competitive advantage of local clothing manufacturers in Gasabo District. The mean for the statement, Local clothing manufacturers have a pricing advantage that allows them to compete effectively in the market, is 4.20, indicating high agreement, with a standard deviation of 0.831 showing some heterogeneity in opinions. For the statement, the innovation advantage of local clothing manufacturers contributes to their competitiveness in the industry, the mean is 4.33, categorized as very high mean, showing strong positive agreement, with a standard deviation of 0.862 indicating heterogeneity in perceptions of innovation's role.

A local leader interviewed observed, "The pricing advantage of local clothing manufacturers is a crucial factor in our competitiveness. Local production reduces transportation costs and allows us to pass savings onto consumers, which helps us secure a loyal customer base. Additionally, the ability to quickly respond to market trends enhances our relevance. This agility is significantly beneficial for maintaining our edge as a local industry."

The statement, Customer loyalty is strong among consumers of products from local clothing manufacturers in Gasabo District, shows a mean of 4.25, reflecting a high level of agreement, accompanied by a standard deviation of 0.893 emphasizing variability in responses. The statement, Brand awareness for local clothing manufacturers in Gasabo District positively influences customer purchasing decisions, has a mean of 4.29, indicating a high level of agreement among respondents, with a standard deviation of 0.787 showing some heterogeneity in opinions regarding the impact of brand awareness on purchasing decisions.

The overall mean for this section is 4.27 with a standard deviation of 0.843, demonstrating favorable perceptions of competitive advantages associated with local clothing manufacturers, although there exists heterogeneity among respondent views on each factor contributing to competitiveness.

A clothing manufacturer staff interviewed reflected, "The growth of brand awareness among local clothing manufacturers has positively impacted the entire

industry. As more consumers recognize and trust our brands, it leads to increased sales and greater market visibility for all local products. Collaborations and collective marketing efforts have only strengthened this trend, creating a sense of community among local manufacturers. The resulting synergy promotes a thriving environment for all of us."

Findings from Shehadeh *et al.* (2023) also support this research, as their investigation into the effects of digital transformation on competitive advantage illustrates how innovation capabilities and entrepreneurial orientation enhance organizational outcomes. This aligns with the current research findings in Gasabo District, where effective inspection policies, including clarity in inspection standards and compliance enforcement mechanisms, contribute positively to competitive positioning. The effects on pricing advantage and customer loyalty highlight the critical role of strong regulatory frameworks within the local clothing manufacturing sector.

The findings specifically support Dynamic Capabilities Theory for competitive advantage, which underscores the need for firms to adapt their resources and capabilities in response to market changes (Farida & Setiawan, 2022). This study demonstrates that local clothing manufacturers' ability to innovate and improve processes in response to challenges enhances their long-term competitiveness in Gasabo District.

4.3 Inferential Statistics

This section presents inferential statistical methods, such as correlation and regression analyses, to examine the relationships between business registration, licensing, inspection policies, and competitive advantage.

4.3.1 Regression Analysis

This subsection discusses the regression analysis conducted to identify the predictive power of business registration, licensing, and inspection policy on the competitive advantage of local clothing manufacturers.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.865 ^a	.748	.744	.25661	1.894

a. Predictors: (Constant), Inspection policies, Business registration policy, Licensing policy
b. Dependent Variable: Competitive advantage

This Table 6 summarizes the regression analysis model, demonstrating that the predictors inspection policies, business registration policy, and licensing policy have a strong relationship with competitive advantage. The R-value is 0.865, indicating a high correlation between the predictors and the dependent variable. The R square value of 0.748 means that approximately 74.8% of the variance in competitive advantage can be explained by the three policies. The adjusted R square value of 0.744 indicates strong predictive power for the model. The Durbin-Watson statistic of 1.894 indicates no significant autocorrelation in the residuals.

The findings are supported by Effiong (2022), who emphasized that government policies targeting the

manufacturing sector, such as streamlining access to finance and improving infrastructure, are crucial for enhancing local manufacturers' competitive advantage in Nigeria. Their study illustrates the effectiveness of comprehensive policy frameworks in boosting manufacturing capacity and reducing reliance on imports. This study in Gasabo District indicates that similar inspection, business registration, and licensing policy significantly influence the competitive advantage of local clothing manufacturers. Both studies highlight the importance of effective regulatory environments in fostering self-sufficiency and enhancing the competitiveness of local industries, reinforcing the idea that strong policy support is essential for success in both regions.

Table 7: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	39.228	3	13.076	198.121	.000 ^b
	Residual	13.235	201	.066		
	Total	52.464	204			

a. Dependent Variable: Competitive advantage

b. Predictors: (Constant), Inspection policies, Business registration policy, Licensing policy

This Table 7 provides results of the ANOVA test, which assesses the significance of the regression model. The F-value of 198.121 and corresponding p-value of 0.000 indicate that the model is statistically significant, as the p-value is less than 0.05. This result confirms that business registration policy, licensing policy, and inspection policy collectively have a significant effect on the competitive advantage of local clothing manufacturers.

The findings align with the work of Mugorewase and Kwena (2024), who highlighted the critical effect of

government policies on educational programs and the overall preparedness of the workforce in Rwanda. Effective planning related to human resources in initiatives such as vocational training directly influences the performance of the Rwandan manufacturing sector. Enhanced education policies designed to align skills with market needs contribute to boosting local manufacturers' operational capacities, leading to strengthened competitiveness in various sectors. This connection illustrates the importance of comprehensive policy frameworks in improving performance and competitive advantage in manufacturing.

Table 8: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.229	.149		1.537	.125		
	Business registration policy	.396	.058	.395	6.828	.000	.374	2.672
	Licensing policy	.255	.057	.270	4.474	.000	.343	2.914
	Inspection policies	.287	.043	.312	6.674	.000	.568	1.759

a. Dependent Variable: Competitive advantage

This Table 8 presents coefficients for each predictor variable in the regression analysis, highlighting the impacts of business registration, licensing, and inspection policy on competitive advantage. The unstandardized coefficient for the constant is 0.229, indicating that when all predictors are held at zero, the competitive advantage is predicted to be 0.229. For business registration policy, a one-unit increase is associated with a 0.396 increase in competitive advantage, with a significance value of 0.000, illustrating a strong positive effect. The findings align with Alharafsheh and Ezmigna (2023), who evaluated the impact of business strategies on achieving competitive advantage within Jordan-based small and medium enterprises, identifying significant correlations between effective strategies and organizational performance.

Licensing policy demonstrate an unstandardized coefficient of 0.255, indicating that a one-unit increase in licensing policy results in a 0.255 increase in competitive advantage, also with a significance value of 0.000, demonstrating a significant positive influence. Jatmiko et al. (2021) examined strategies for micro, small, and

medium-sized enterprises, emphasizing that addressing business strategy and cooperation is vital for achieving sustainable competitive advantages. Findings from their study complement the current results, reinforcing the importance of effective licensing policy in bolstering the operational success of local clothing manufacturers.

Inspection policy show a coefficient of 0.287, indicating that a one-unit increase in inspection policy is associated with a 0.287 increase in competitive advantage, with a significance value of 0.000, demonstrating a positive impact. The emphasis on compliance mechanisms plays a critical role in enhancing performance outcomes. Research conducted by Kalaitzi and Tsolakis (2022) highlights the importance of organizational factors in promoting competitive advantage, reinforcing the significance of effective inspection policy in the operational landscape. The significance levels for all predictors are below 0.05, confirming relevance in enhancing competitive advantage among local clothing manufacturers, while the VIF values indicate no issues with multicollinearity among predictors.

Table 9: Hypotheses Results

Null Hypotheses	p value	Decision
H₀₁: There is no significant effect of business registration policy on building competitive advantage of local clothing manufacturers in Gasabo District.	p<0.05	Rejected
H₀₂: There is no significant effect of licensing policy on building competitive advantage of local clothing manufacturers in Gasabo District.	p<0.05	Rejected
H₀₃: There is no significant effect of inspection policy on building competitive advantage of local clothing manufacturers in Gasabo District.	p<0.05	Rejected

The results in Table 9 summarize the hypothesis testing concerning the effect of business registration, licensing, and inspection policy on building competitive advantage of local clothing manufacturers in Gasabo District. The first null hypothesis (H₀₁), which states that there is no significant effect of business registration policy on building competitive advantage, is rejected as indicated by the p-value of less than 0.05. This finding supports the assertion that effective business registration policy positively impact building competitive advantage of local clothing manufacturers. Similarly, the second null hypothesis (H₀₂) posits that licensing policy do not have a significant effect on building competitive advantage. This hypothesis is also rejected, confirming the positive effect of licensing policy on building competitive advantage, supported by the p-value falling below 0.05.

Lastly, the third null hypothesis (H₀₃), claiming there is no significant influence of inspection policies, is likewise rejected, indicating that inspection policy substantially contribute on building competitive advantage, as evidenced by the p-value being less than 0.05. Collectively, the rejection of all three null hypotheses affirms the vital role of these policies in building competitive position of local clothing manufacturers in Gasabo District.

5. Conclusion and Recommendations

5.1 Conclusion

The primary objective of this research was to assess the effects of business registration, licensing, and inspection policy on the competitive advantage of local clothing manufacturers in Gasabo District. Findings indicate that effective business registration policy significantly enhance competitive advantage by increasing efficiency and lowering barriers to market entry. Licensing policy play a crucial role in creating a manageable operational environment, positively influencing credibility and facilitating easier market access. Inspection policies, on the other hand, ensure adherence to quality standards, thereby enhancing consumer confidence and loyalty.

5.2 Recommendations

From the findings, the study recommends the following:

1. Clothing manufacturers should invest in continuous training and skills development focused on modern design, quality control, and customer trend analysis.
2. Local authorities should organize and coordinate periodic capacity-building

workshops for clothing manufacturers in partnership with vocational institutions.

3. Local leaders should facilitate regular networking forums where clothing manufacturers, designers, and textile suppliers can share experiences, form cooperatives, and collaborate to strengthen local value chains.
4. MINICOM should ensure uniform enforcement of inspection standards while providing training manuals and technical assistance to manufacturers on meeting quality and export standards.

5.3 Suggestion for Future Researchers

Future researchers are encouraged to examine the influence of stakeholder involvement on the competitive advantage of local clothing manufacturers in Gasabo District. Additionally, studies could explore the impact of training programs on enhancing operational performance, the role of risk management in achieving competitive advantage, and the effects of e-procurement practices on market positioning.

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