

Entrepreneurship Development in Transport Sector of Bangladesh: A Study on Chittagong City

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Abstract: The success of economy highly depends on the transport facilities available within the country. The importance of transport business is rising day by day due to the development of highways, increasing trends of inter-district businesses and to confirm equal development of different regions. A lot of ideas, credit systems, banking facilities, leasing facilities related with transport sector are developed by the Vehicles Sellers, Bankers, Leasing Organizations, Researchers and Transport Business Organizations. Due to various kinds of facilities and multi diversification of this sector a number of entrepreneurs emerged in the country after independence. As a port city, the importance of carrying goods across the country from Chittagong is endless. But yet the entrepreneurs are facing a lot of problems relating to transport business as because of changes of business environment and growing complexities. The study attempts to bring out various social, cultural, environmental, demographic and motivational factors that stimulate entrepreneurial innovation in the transport sector. The authors also tried to point out the prospects of this sector so that it can be one of the vital sources for generating employment opportunities.

Key words: Entrepreneurship, transport, Bangladesh

Introduction

An adequate and efficient transport system is a pre-requisite for both initiating and sustaining economic development. In Bangladesh, as a least developed country, all types of business activities are done in the urban areas, so transportation is very important to provide facilities to the peoples of every parts of the country. The transport system of Bangladesh consists of roads, railways, inland waterways, two seaports, maritime shipping and civil aviation catering for both domestic and international traffic. At present there are about 21,000 kilometers of paved roads, 87,000 kilometers of rural roads. Apart from these road-networks, there are about 12,000 kilometers of paved roads in Metropolitan Cities, Pourashavas and Thanas (GOB, 1998).

In case of road transportation, there are so many varieties and probably these sorts of varieties may not be available in the other parts of the world apart from the Indian subcontinent. Different types of manually driven vehicles, such as rickshaw, van for passengers as well as for carrying goods are available in Bangladesh. Moreover, there are so many motor driven vehicles like Scooters, Taxis, Buses, Mini Buses, Double Deckers, Trucks, Three Wheelers and so on are available.

Road transportation involves major market share of total transport sector and it needs huge investment. A lot of problems, opportunities and entrepreneurial innovations emerge in this sector. Again, among road transportation, Truck and Covered Van owners' control major market share. Since for the betterment of our economy this sector is contributing a lot especially in Chittagong. This study makes an attempt to identify factors influences the entrepreneurs, their education, investment, problems and opportunities. This paper also suggests some measures to overcome their problems.

Materials and Methods

The paper is the product of the combinations of desk study, online information and empirical survey. In order to practically assess the various factors, a survey was carried out by the authors at Chittagong City on the basis of a set questionnaire containing elements relating to strengths, weaknesses and impact of the factors on entrepreneurs. We choose those entrepreneurs who are contributing their efforts for carrying goods from one place to another place by using trucks and covered van for our convenience. We select 40 sample entrepreneurs that are randomly selected. In these selected sample enterprises, there are 2000 employees are working. The data related to employees are collected from their office records. The collected data are tabulated and analyzed without giving any reference to any type or nature of organizations in order that findings are narrated without any bias or forbearance or favour. The data and information were collected during the period of September 2002 to February 2003. Thus, the present study is confined to Chittagong City and covered only a few enterprises, which are carrying goods by using Trucks and Covered Vans. However, findings from this paper depict a clear understanding of the position of entrepreneurship development in transport sector in Chittagong.

Terminology Used in the Study

Entrepreneurship: Simply, entrepreneur means who initiate new things in business to earn profit. Any person, who

takes initiative with the hope of earning profits knowing fully well that there is risk in it, is an entrepreneur (Chowdhury, 1980). It may also be defined as one who enjoys a distinct status and plays a crucial role in the success of business firms. This status is by virtue of one's position as owner or promoter or a member of the management team from which he can influence the objectives, policies and results of the business units (Habibullah, 1985). Thus, the essence of all such definitions lies in the recognition of the fact that embraces such type of activity as is helpful in promoting economic development (Rahman, 1985).

Transport Businesses: There are various kinds of transport businesses available in this world. Businesses related with vehicles such as sales of vehicles, assembling and manufacturing of vehicles, uses of vehicles for passengers carrying or goods carrying are known as Transport businesses. Among these most popular types of businesses is Passenger buses and goods carriers like Trucks and Covered Van.

Findings and Analysis

Advantages of Transport Business: The entrepreneurs have chosen transport businesses because of the following advantages are available in this sector:

- (a) Since functions related to formalities and documentation to start such kind of businesses is too simple, one can easily start transport business.
- (b) The requirement of initial investment is minimum compare to other business.
- (c) The operation procedure of this business is very simple. Any one with minimum level of education can run this kind of business.
- (d) All kinds of vehicles are available in our country due to the existence of various distributors of world-class vehicles.
- (e) Various kinds of credit facilities are available to start transport business. These facilitates are offered by Banks, Leasing Companies and even by the Selling Organizations without any security.
- (f) One can make more profit by investing in transport business compare to similar amount of investment in other businesses.

Socio-Economic Impacts: Transport businesses are contributing a lot to the people of the society. Due to transport facilities, peoples are getting same products with cheaper price. Available transport facilities for people and carrying goods helps society to maintain equitable distribution of assets and confirm balancing in development of all parts of the country. Transport entrepreneurs are working to alleviate poverty ensuring actual prices of the farmers' products by their timely distributive efforts.

Innovations in Sales Services: Innovations in sales services are playing vital role to motivate entrepreneurs in this sector. Innovations begin with needs analysis and end with customer satisfaction (Cravens, 1991). They are mainly creative in nature. Innovation implies investment in new manufacturing equipment or any technical measure to improve methods of production or it might mean the whole sequences of scientific research, market research, invention, development, design, first production and marketing of new product. Innovation is purposeful, organized, risk taking and change introduced for the purpose of maximizing economic opportunities.

There are a lot of innovative sales techniques and services adopted by the auto sellers in Bangladesh. Among these the popular sales methods are:

- (i) **Cash Sales:** Under this system, all the sellers provide discount facility to the buyers. Basically corporate buyers, such that Partex Group, Confidence Group, T. K. Group, Royal Cement Industries Ltd. etc. are utilizing this facility. All of them bought a good number of vehicles at a time on cash and received discount facility.
- (ii) **Credit Sales (with a certain amount of Down Payment):** Under this system, buyers are getting a lot of facilities from the Company. According to the respondents entrepreneurs some sellers namely, Nitol Motors Ltd., Uttara Motors Ltd., Ifad Autos Ltd., Rangs Motors Ltd., etc. are providing guarantees to the banks without taking any securities in favor of buyers. Moreover, DP (Down Payment) is varying from entrepreneurs to entrepreneurs and the rate varies from 30% to 50%. Influential or reliable buyers especially enjoy the lowest down payment facility i.e. 20% to 40%. The interest rate on credit amount varies from 13% to 17%.
- (iii) **Credit Sales (0% Down Payment):** This idea first introduced by Nitol Motors Ltd. in Bangladesh. It encourages those buyers who have securities like land, building, etc. instead of cash. By using this system one can buy vehicles without paying any down payment and the interest rate is same as credit sales with down payment.

Comparative advantages and disadvantages of all the three sales methods are discussed below:

Methods	Advantages	Disadvantages
Cash Sales	<ol style="list-style-type: none"> 1. Low price 1. Quick Delivery 2. Simple formalities to buy and sell 3. No question and complexities to recovery 	<ol style="list-style-type: none"> 1. Huge capital investment at a time 1. Not Suitable for small entrepreneurs
Credit Sales with DP	<ol style="list-style-type: none"> 1. Minimum initial investment 2. Monthly or daily installment facilities 2. Suitable for small entrepreneurs 	<ol style="list-style-type: none"> 1. Complex procedure of buying and selling 2. Time consuming system 4. Additional charges with principal 5. Not suitable for sellers in case of long term credit facilities
Credit Sales without DP	<ol style="list-style-type: none"> 1. No initial investment 2. Monthly or daily installment facilities 3. Suitable for small entrepreneurs 	<ol style="list-style-type: none"> 1. Complex procedure of buying and selling 2. Time consuming system 3. Highest charges with principal 4. Not suitable for sellers in case of long term credit facilities 5. Risky investment for both buyers and sellers due to large amount of installment.

Attitudes are mental states used by individual to structure the way they perceive their environment and the way they respond to it (Aaker and Day, 1980). The information was collected from the sample respondents regarding sales methods with the help of the following question: "Which method is suitable for entrepreneurs"? Table-1 shows the opinion expressed by the respondents in this regard. The surveyed data portray that 67% entrepreneurs preferred credit sales with DP due to lower amount of investment involved and installment facilities and 18% preferred cash sales for avoiding additional payment and only 15% preferred credit sales without DP due to complexities of the process and requirement of securities.

Owner's and Employees Educational Background: Table 2 depicts the educational background of the entrepreneurs and employees. The study shows 87.5% owners are literate and some of them are highly educated. Table-2 also shows that 30% have educational background upto S.S.C. and 12.5% are illiterate. Among the employees 40% are literate and on the basis of organization it is varied from school level to masters. The study reveals that educated entrepreneurs are running their businesses more successfully and effectively than illiterate entrepreneurs. But it is worthy to note that illiterate entrepreneurs are capable to run their businesses by appointing qualified employees. The study further reveals that maximum employees in this business are illiterate.

Employment Opportunities: Table 2 shows that the surveyed 40 entrepreneurs have created 2000 employment opportunities directly and indirect opportunities created about 3000. If the entrepreneurs are encouraged to set up their businesses in this sector by providing minimum facilities from the Government and private sector financial institutions that would be able to alleviate poverty.

Required Capital: The requirement of the capital is varying with the selection of office premises and with the nature of the business. But one can start his business with a capital of Tk.2, 00,000 only (Table 3). It is observed that 35% entrepreneurs started their businesses with only Tk.2, 00,000 to Tk.10, 00,000; 50% started with Tk.10, 00,000 to Tk.30, 00,000 and 15% started with Tk.30, 00,000 to Tk.50, 00,000.

Sources of the Capital: Table 4 reveals that most of the owners' i.e. 37.5% borrowed capital from transport organizations, 25% used parent sources, 20% borrowed loan from financial institutions, 10% started their business with own capital and 7.5% took help from their relatives.

Income Level of Employees: Income level of employees is shown in Table-5. On the basis of the size and nature of the business employees are drawing salary Tk.1000 to Tk.30000 per month. The study reveals that 40% employees income levels are of Tk.1000 to Tk.3000, 35% employees income levels are of Tk.3000 to Tk.5000, 20% are with Tk.5000 to Tk.12000 and the rest are varied with the employees skillness and quality.

Environmental Issues:The environmentalists, social reformers and consumers are worried about the adverse impacts on environment for illegal operations of environment destructive vehicles. They expect that the related personnel

Table 1: Sales methods preferred by entrepreneurs (%)

Sales Methods	(%)
Cash Sales	18%
Credit Sales with DP	67%
Credit Sales without DP	15%
Total	100%

Source: Calculated by the authors from primary data

Table 2: Educational background of entrepreneurs and employees (%)

Level of education of entrepreneurs	(%)	Level of education of employees	(%)
Graduates and Post-graduate	12.5%	Graduates and Post-graduate	3%
HSC	20%	HSC	8%
SSC	30%	SSC	9%
Below SSC	25%	Below SSC	20%
Illiterate	12.5%	Illiterate	60%

Source: Calculated by the authors from primary data.

Table 3: Initial and existing amount of capital of entrepreneurs

Enterprises (in %)	Starting capital (Taka)	Existing Capital (2-10 years later)
35%	2,00,000 – 10,00,000	10,00,000 – 20,00,000
50%	10,00,000 – 30,00,000	20,00,000 – 50,00,000
15%	30,00,000 – 50,00,000	50,00,000 – 1,00,00,000

Source: Calculated by the authors from primary data.

Table 4: Sources of finance of entrepreneurs

Sources of finance	(%)
Personal	10%
Parent	25%
Relations	7.5%
Financial Institutions	20%
Transport organizations	37.5%
Total	100%

Source: Calculated by the authors from primary data.

will operate their businesses in an environment friendly manner and environmental issues will be considered in various phases of decision-making process. The environmental problems that Third World countries like Bangladesh face vary with their stage of development, the structure of their economies and their environmental policies (World Bank, 1992).

The information was collected from the sample respondents regarding environmental issues with the help of the following question; "Have you done anything for making pollution free environment?" Table 6 shows the opinions expressed by the samples in this regard. The survey presents that 70% of the sample respondents did nothing for creating pollution free environment, which is too much harmful for the society.

Problems Faced by Surveyed Entrepreneurs:

The study has revealed the following problems:

(a) **Unequal competition:** Owners of small enterprises are facing unequal competition with the larger companies. Since small enterprise owners have limited numbers of vehicles, they have to hire vehicles from others, which involves additional costs. And for this the carrying costs of small enterprises are higher than larger enterprises. Due to this, a large number of small enterprises merged themselves with nearest large enterprises.

(b) **Illegal Tolls:** Though they have limited income but they have to pay a huge portion of the income to the illegal toll collectors. At the time of passing various stoppages and stations transport owners have to pay various kinds of tolls to the toll collectors.

(c) **Higher Rate of Interest:** Since maximum entrepreneurs have taken loan from vehicles selling organizations due to easy availability of loan, they have to pay more interest on the credit amount compare to bank's interest.

Table 5: Income level of employees

Income Level of employees	(%)
Tk.1000-Tk.3000	40%
Tk.3000-Tk.5000	35%
Tk.5000-Tk.12000	20%
Tk.12000-Tk.30000	5%

Source: Calculated by the authors from primary data.

Table 6: Attitude of entrepreneurs to the environmental issues

Response Patterns	(%)
Done something	20%
Done nothing	70%
No response	10%
Total	100%

Source: Calculated by the authors from primary data

(d) **Lack of Enough Support from Financial Institutions:** Credit sanctioning procedures of commercial banks are too complex. It involves security, time-consuming evaluation method of credit worthiness, which discourages entrepreneurs to take financial facilities from commercial banks. The problem of working capital arises due to non-availability of easy credit facilities from the financial institutions and delay in the collection of bills from the customers.

(e) **Social Status:** Most of the entrepreneurs expressed that the social status of the entrepreneurs are not yet up to the satisfactory level.

(f) **Lack of Skilled Manpower:** Most of the personnel in this sector are unskilled due to unwillingness of the employers to take professional training like diploma relevant to transport sector. Even employers are yet not aware about the necessity of education in this sector.

Conclusion

Bangladesh is an industrially backward country. The numbers of mills, factories and firms are inadequate. The scope of employment generation is very limited. So, it is necessary to create self-employment opportunities in the country. The study identified some problems related to entrepreneurship development in transport sector but it is possible to overcome these problems by government initiatives. Since it is easy to start transport business and it requires small amount of capital, unemployed people can easily take it as a way to work. If Government, various Financial Institutions and NGOs will take a plan together and implement it, transport business will become a simplest way to provide job opportunities for the unemployed people. If Financial institutions, NGOs and Government will arrange some vocational training programs for the interested entrepreneurs and provide credit facilities widely then there is no doubt that this business sector can contribute for the development of the country.

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