

Full Length Research Paper

Problems and prospects of automobile workshops in Bangladesh

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These days have witnessed a rapid growth of automobile industries all over the world. Although Bangladesh is a poorer country and densely populated, a large number of people works abroad and earn a large amount of foreign exchange. Millions of remittances come into our economy every month, which helps boost our economy and as such, some people have resources to modernize their life-style through the use of modern and new models of vehicles, and other amenities of life. A large number of vehicles are plying on the roads that need repairs and other services. Because of this opportunity, a large number of automobile workshops have been established and are operating throughout the country. There are about 17000 workshops all over Bangladesh. Almost all the workshops are of homogeneous type and as such 50 of such workshops were selected for the study which was considered quite sufficient. Considering the time and cost constraints, those units of workshops were randomly selected from different parts of the Dhaka city and the country. Data were collected through a set of questionnaires by one investigator and the researcher himself. Findings reveal that there are little problems of working capital and technical know-how and to solve these problems, they need financial help and techno-managerial training. The study discloses that small workshops had earned from Tk. 2000 to Tk. 3500 (US\$ 30 to US\$ 50) per day and spent Tk. 1000 to Tk. 2100 (US\$ 15 to US\$ 30), the medium workshops' earning varied from Tk. 3500 to Tk. 6000 (US\$ 50 to US\$ 90) and the big workshops earned Tk. 5000 to Tk.15000 (US\$ 70 to US\$ 215 and spent Tk.3500 to Tk.10000 (Us \$50 to 142). All of the workshops (95%) were running at a profit. The study discloses that small, medium and large workshop had earned from 2000 to 15000 Tk per day. The large owners can earn net income of 30% after payment of expenses. The large workshops can utilize 80% of the total capacity and the rest is utilized.

Key words: Automobile workshops, economy, development, Bangladesh.

INTRODUCTION

Automobile workshops are category of small industry that contributes only 8.8% to the GDP. The repairing workshop plays an important role in the economy of Bangladesh through maintaining motor vehicles in an efficient manner which helps in making transport services more efficient.

Automobile workshops and repair shops can be divided

into several categories. Firstly, there are the auto parts stores that also maintain service operations. A majority of automobile repair workshops are independently owned and operated businesses. In the US, these shops are the only individuals authorized to perform warranty and recall repairs by the manufacturers and distributors. In the European Union a recent law allows motorists more

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flexibility in selecting where they can get their car serviced (The EC Block Exemption Regulation 1400/2002, (October 2003)).

The development of physical infrastructure not only accelerates the pace of economic growth of the country but also firmly supports the development of social and other sectors. Transport occupies the lead position among physical infrastructures. The development of transport directly influences the development of both productive and social sectors, the former represented by agriculture, industry, commerce etc and the latter represented by education, health etc. Taking this reality into consideration, special attention has been given to the development of the transport sector from the very beginning of the planned development.

As road transport makes it possible to extend customer services to their very door steps, its importance is obviously increasing for the provision of efficient services. The need for repairing services can hardly be over emphasized, as there are larger demands for repairing workshops.

Background of the automobile workshops

These days are marked with enormous improvement in roads, highways and transportation system in Bangladesh. A large number of vehicles and motorcycles are plying on these roads. These vehicles need servicing and repairs every time they are operated and used. Temporary servicing and repairs workshops were set up by the road sides and the highways to provide petty repairs and servicing to those vehicles and motor cycles. When the vehicles ply on the roads or during their movements through roads they need some services to keep them fit for plying.

It is, thus, inevitable that some repairing workshops should be set up near the road side to render services to the vehicles when they go out of order or become inoperative. On the basis of this need some repairing workshops were set up near the road side and it was found that these workshops were very helpful for the operations of the vehicles. Within a short time, the number of vehicles increased enormously and many workshops were set up. This is the background of the automobile repairing workshop in Bangladesh. Nowadays, many roads and high ways are built and hundreds and thousands of vehicles are found plying on those roads. In order to provide services to those vehicles to make them operative, a large number of workshops have been established.

The importance of auto-mobile workshops for the maintenance of vehicles

A simple look at the means of modern transport system reveals that the roads, bridges, and the airways occupy a

prominent place in Bangladesh. These means so far constitute the main organs of the modern national transport system. An analysis of the magnitude of passengers and goods transport services provided by the modern transport system clearly reveals the lead position occupied by the road transport. The role of this transportation system is definitely important in as much as taking passengers to their destinations and carrying goods are concerned. This is evident from the increasing contributions made by the modern-means of road transport like buses and trucks as well as from the increasing road lengths and an ever increasing number of vehicles plying on these roads. The importance of road transport is proven by the number of vehicles registered within three to four years which stands at a few hundred thousands. As the means of road transport make possible to extend customer services to their very door steps, its importance is obviously increasing in comparison to other means of transport.

Small scale technologies can be cost effective. Studies of seven technologies in six countries show that all the small scale technologies use less capital which is very scarce and use more abundant and cheap labor. Five of seven technologies were demonstratively more cost effective. Liedholm and Mead (1987) found that capital intensity was much higher in large scale firms than small scale firms.

When the rural and urban situations are analyzed, it was found that many youths both male and female are receiving education. Most of them after graduation are becoming frustrated because they have no outlet for their employment or facilities for earning for the family. As a result these types of families become poorer and in the future they come close to the poverty line. They lack skills and job experience for getting employment. Self-employment is viewed as a last hope in helping these people to become income earning members of the society. In the first instance, the unemployed educated youth are given training on awareness creation. In this training, they develop positive attitudes and take thorough preparations for self-employment. Subsequently, these people are given training on accounts keeping, planning, marketing and management skills. The auto-workshops have created avenues of employment for those unemployed youths with or without skills. Many uneducated youths are getting employment in these auto-workshops.

It has been found that the developing countries get small enterprise promotion stems largely from the widespread concern over unemployment. Reports on small enterprise promotion in recent years indicate the greater labor intensity of small enterprises and the importance of channeling a greater share of investments towards them. What is more questionable about small enterprise promotion programs, however, is the tendency in many countries to support only those new enterprises that are creating jobs. Only Tk. 35000 (US\$500) can create a job opportunity for a youth (US\$1=70).

Objectives of the study

The specific objectives of this study are:

- To evaluate the performance of repairing workshop with special emphasis on productivity, quality of the services, income and employment generation, technological improvement, import substitution of spare parts;
- To determine possibility of adopting local machinery this suits best to our production of goods and services;
- To identify the problems affecting growth and development of small scale repairing workshop; and
- To recommend measures for future development of small scale repairing workshop and to focus on the creation of employment opportunity by the workshops.

Major contribution of the auto-workshop

In particular, auto-workshop can make significant contributions to achieve social and economic objectives such as labor absorption, income distribution, rural development, poverty eradication, and balanced economic growth.

In the present era all progressive countries as a part of their development strategy have been intensifying their efforts to develop light engineering sector (LES) which acts as a prime mover for growing a country's industrial base. This sector supports very basic requirements of industrialization. It is an important role in keeping our mechanized agriculture running our transport sector rolling and manufacturing capital equipments for small scale processing industries. Light Engineering Sector occupies a unique position in the economy of Bangladesh as well and plays a vital role in the socio-economic development of the country (Nazneen and Zaid, 2010). They have greater potential to make significant contribution towards technological and economic development along with wide opportunities for employment generation. Many unskilled workers at least 5 to 15 persons have got employment in these workshops.

Definition

Definition of small enterprises

The definition of small-scale industries varies from country to country and from time to time as will be evident from the discussion as follows.

There are two criteria in defining a small enterprise: a) total investment made in terms of plant and machinery and b) the size of employment. Other considerations are location; economic, strategic, technique employed that is, manual skill and or use of machinery, extent of market, nature of the working time etc.

The total investment in the enterprise in terms of land and building, machinery and equipment and initial working capital did not exceed Tk. 15 million (US\$0.42 million).

In terms of employment, an enterprise having less than 50 full time employees was considered to be a small enterprise.

Characteristics of sample units

The study reveals the following characteristics:

- Sole trader form of business was the most popular among the sample as work.
- The study reveals that middle and upper middle aged entrepreneurs had dominated the scene. They constitute as high as 60%.
- Educational status of the entrepreneurs shows that about 70% had education up to high school level. The rest are of intermediate level.
- The sample entrepreneurs had business/ industrial experience in the range of 10 to 20 years.
- Majority of the sample units were managed by managers-cum-owners.
- Average number of workers in the sample units was 6 workers.
- Average total investment per unit was Tk. 1.50 lakh.
- 30% of the production time was lost due to power failure.
- Work environment of most of the sample units were not conducive to higher productivity.
- Self employment was the main motivating factor for starting and operating small business units.

METHODOLOGY

In order to achieve the pre-determined objectives of the study, a survey method was adopted. In this perspective a variety of tools and techniques were used. Elaboration of this activity is given as follows.

There were about 17000 workshops all over Bangladesh. Almost all the workshops are of homogeneous type and as such 50 of such workshops were selected for the study which were considered quite sufficient for the study. Considering the time and cost constraints, those units of workshops were randomly selected from different parts of the Dhaka city and different parts of the country. Data were collected through a set of questionnaire by one investigator and the researcher himself. Data were collected through phone calls.

The collected data were checked and inconsistencies were removed. Data were tabulated and analyzed.

More than 300 respondents 50 owner and 250 workers five from each sample workshops community people were also interviewed and owners of vehicles were discussed on the operations of the workshops. Meetings were held with community people, vehicles owners, workshops works to discuss the usefulness and operations of the workshops. Relevant literature automobile workshops were collected and gone through. Relevant materials were incorporated into this article. Data and Information were also collected through eye observations. Preliminary survey in Dhaka city was conducted for generating primary data needed to design the study.

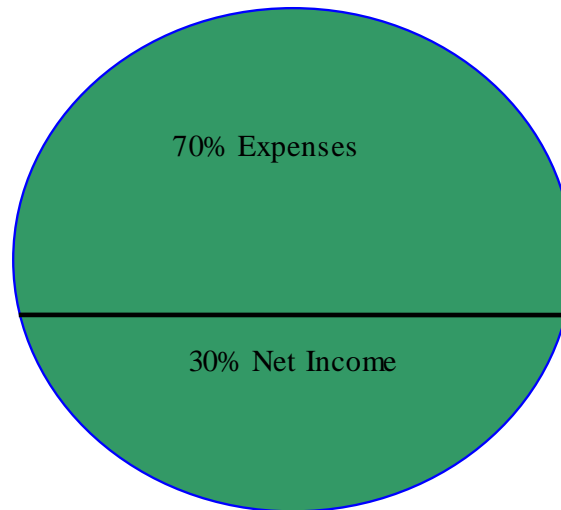


Figure 1. Diagram showing the income and expenditure of large workshops.

RESULTS

The study revealed the following:

The automobile workshops provide different types of services ranging from repairs to the replacement of engines.

The study discloses that small workshop had earned from Tk. 2000 to Tk. 3500 (US\$ 30 to US\$ 50) per day and spent Tk. 1000 to Tk. 2100 (US\$ 15 to US\$ 30), the medium workshops' earning varied from Tk. 3500 to Tk. 6000 (US\$ 50 to US\$ 90) and the big workshops earned Tk. 5000 to Tk.15000 (US\$ 70 to US\$ 215 and spent Tk.3500 to Tk.10000 (Us \$50 to 142) All of the workshops (95%) were running at a profit.

The workers in the course of time become owners of the workshops.

Workers have become proprietors through acquiring experience, skill and entrepreneurial ability. The owners of these sample automobile workshops were previously workers of the automobile workshops. But subsequently they become the owners of those workshops. At least 70 of the sample owners of the automobile workshop are from workers of those workshops. Some of these workshops are getting loan from the local banks for operating their workshops, but international agencies have not yet come forward to provide financial help to these industries which are considered vital for the growth of our economy.

In all 300 respondents (250 workers of 50 workshops and 50 owners of workshops) were interviewed. Almost all (100%) vehicle owners reported that workshops are essentially needed for them. About 65% workers reported that their monthly remunerations were lower and they were unable to maintain their families with their low

income they further added that they live with financial crisis and they also stated that payment was irregular. During the survey it revealed that 80% of the workshops were badly managed. Workshops were dirty and filthy atmosphere exists around the workshops. Almost 75% of the sample workers expressed that they had better relationship with the owners and their co-workers.

The study further reveals that the old and reputed workshop got most of the repairing works (80%) On the other hand new and unreputed workshops got (70%) got a few number of work order for repairing workshop. Most of the workshops owners were of more than 40 years of age. Only a few owners were found of below 35 years of age.

The study reveals that the workshop owner had to incur some costs of during the repair works. After payment of expenses there remains 30% net income (Figure 1).

It was found that after meeting the expenses the owner had made 25 to 30% net income as the labor charges of unskilled workers in Bangladesh is lower in comparison to other countries in the world.

The study exhibited that the workers (100%) did not receive any separate training for their works but the learning and earning goes on hands on hand continuously. Learning by doing and earned and learned at the same time and through this process un-skill laborers become semi skilled and skilled laborers. And then there are recruitment again un-skilled workers.

This process rotates in the workshop every time. It was found that various types of repairing works were performed by a workshop. It was also found that there were lot of workshop they were accomplish in every day without these workshop modern transport facilities would be jeopardized.

Almost 90% of the sample owners were educated. They

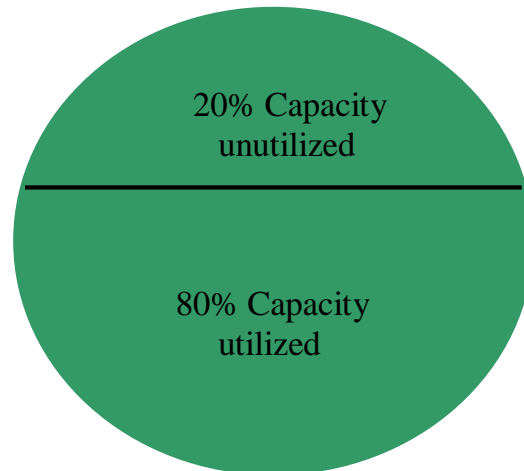


Figure 2. Diagram of the large scale workshops showing capacity utilization.

mostly completed high school education. On the other hand the workers were mostly uneducated. Only 25% sample workers had completed high school education and the rest were illiterate.

About 60% of the sample community leaders opined that the workshop was very useful to the vehicle owners and to the community people because some unskilled people of the community got employment opportunity in the workshops.

This type of repairing workshops can be set up by the road side in any location of the cities and towns which helps in dispersal of small scale industries and income distribution among the poor people of distant areas of the cities and towns.

The sample owners almost all (95%) reported that the small scale repairing workshops are helping the government in its poverty alleviation program.

All of the small workshop owners 95% pointed out that they need finance for the working capital.

Most of the big workshop owners reported that they need long term loan for buying modern machinery and equipments for modernizing their workshops.

All of the concerned people expressed their opinions that an international agency may come up to provide training to the workforce of the workshops and to provide financial assistance for modernizing these essentially needed repairing workshops.

DISCUSSION

Sample workshop owners earned a moderate income. No loss incurred by any owner. Workers pay is low and payment is irregular. Owners are of mid level age and education is at lower level. Workers are mostly uneducated. Employment opportunities are created for

the unskilled workforce. The workshops help in income distribution and dispersal of industries in various locations. The workshops help directly in the poverty alleviation program of the government.

Small workshops are in shortage of working capital. They need short term loan for that purpose. Big workshops owners want to modernize their workshops owners need long term loan for buying capital machinery and equipments.

Attention of the international agencies are drawn for help and assistance in the field of training and financial assistance for modernization of the workshops.

The large workshops can utilize 80% of the total capacity and the rest is unutilized (Figure 2).

(1) Small industries in Bangladesh are faced with the following problems:

- Lack of entrepreneurial spirit;
- Lack of working capital
- Difficulties in availability of spare parts and parts
- Management problems like book-keeping, costing, cost reduction, quality control etc.
- Lack of modern technical know-how;
- Provision of service industries like electroplating, tool making etc.
- Lack of training facilities for the auto-workers.

(2) The quality of the service was high because special care is taken in each case separately but productivity was low as the service was rendered by hands and used tools equipments which were mostly outdated and old. Income received by the workshop mostly was given to the workers as their remuneration that was mostly poor and thus it contributes to the poverty alleviation and employment creation. The study exhibited that abundant labor is available in Bangladesh and as such all of these workshops used labor intensive technology.

(3) Most of the repairing workshops used local technologies.

(4) The light Engineering workshops produce spare parts of the automobiles which were used by the Automobile workshops. In the past these spare parts had to be imported from India, China and other countries and thus saved our foreign exchange. The sample workers reported that they held better social position now as they were mostly ill treated when they were unemployed. The study indicates that the repairing workshops used the machinery and equipments that were produced locally which suits best to our production of goods and services. For ensuring quality services, they need modern computerized machines and for this purpose. They need financial assistance from the financial institutes and the foreign donors.

(5) Workshop owners are action-oriented, highly motivated individuals who take risks to achieve goals.

(6) The sample workshop owners who are mostly owners-cum-managers showed the traits of self-confidence, independence and, individuality.

(7) The workers were hard working and showed drive, initiative and stamina for work.

(8) The sample owners were found innovative and creative because the customers every day brought new problems and they had to solve those problems with generating new ideas and deploying their knowledge and intelligence. They had to give guidance and instructions to their workers for the operations of their workshops.

(9) A significant portion of the workshop owners exhibited initiative and independence in their day to activities they act on their own rather than former directions.

(10) Almost all the sample workshop owners express their opinions that the workshop owners liked to associate or to approach problems in order to solve them.

(11) About 40% of the sample workshop owners were found hopeful about the future and set goals and try to achieve time bound plans.

Recommendations

It is recommended that finance institutions should be encouraged to direct more attention to the needs of existing workshops. The supply of qualified entrepreneurs needs to be increased by the promotion of an enterprise culture stressing the role of the entrepreneur as a creator of wealth. The introduction of the study of entrepreneurship into the educational system, especially technical schools as a way of preparing is more students for self-employment. Increasing and improving business-management training opportunities based on more rigorous needs assessment.

- Facilities for training and credit should be provided to the auto workshops.

- Trade Associations – strengthening of the existing associations-formation of new general associations of entrepreneur and vocational traders to be encouraged.

- Land may be allocated to the auto workshops near the high ways and road side.

- Ancillary relationships with large units are an important potential source of strength to small scale workshops.

Conclusion

Though smaller amounts of capital is needed for starting and operating the auto-workshops, its contribution to the community as well as to the economy of our country is very large. Its contribution in terms of services to the society and productive employment among the poorer people is vital and helps dispersal of industries in the urban, semi-urban and rural areas of the country. Many uneducated youths get employment in these workshops and thereby alleviating poverty Small-scale non-farm enterprise, particularly in rural areas, is shown to be vital, if only because it is the only resort for those without land, or without the necessary skills to obtain wage employment, that is more remunerative than self-employment in the informal sector Small enterprise development schemes should concern over unemployment.

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