

Competitiveness amongst businesses in some eastern towns

A. Background

In a market, where there are so many businesses competing, it drives businesses to become more efficient, encourages innovation and stimulates economic growth. Competition helps maintain price stability, promote customer focus and creates a fair and dynamic market that benefits consumers.

While Bhutan is generally a free-market¹ economy where competition is expected to thrive, this study will make an attempt to determine basic competitiveness in the markets by looking at the proportion of businesses to the population. This study will not only give an overview of the market but also other lessons on how to improve the scope and methodology of future studies. From such studies, it may be possible to make policy recommendations where obvious competition gaps exist.

B. Methods and Materials

The study covered eight different categories of businesses in six towns in the east. The list of businesses in the core town area were collected from the Regional Office of Commerce, Industry & Employment (ROICE) based at Monggar and was verified through physical visits since the numbers were not too many.

Table 1. Number of types of businesses in the core town area

	Grocery/ General	Restaurant	Hotel	Automobile w/shop	Pharmacy	Electronic	Hardware	Garment
T/gang	35	24	15	6	1	3	5	5
Kanglung	32	46	2	2	0	2	2	6
T/Yangtse	54	12	6	1	0	2	1	8
Doksum	15	9	1	1	0	2	1	0
Lhuentse	20	15	1	0	0	1	3	3
Autsho	51	34	1	1	0	1	1	1

Population figures from Population & Housing Census of Bhutan, 2017 were used to compute number of businesses per 1000 people.

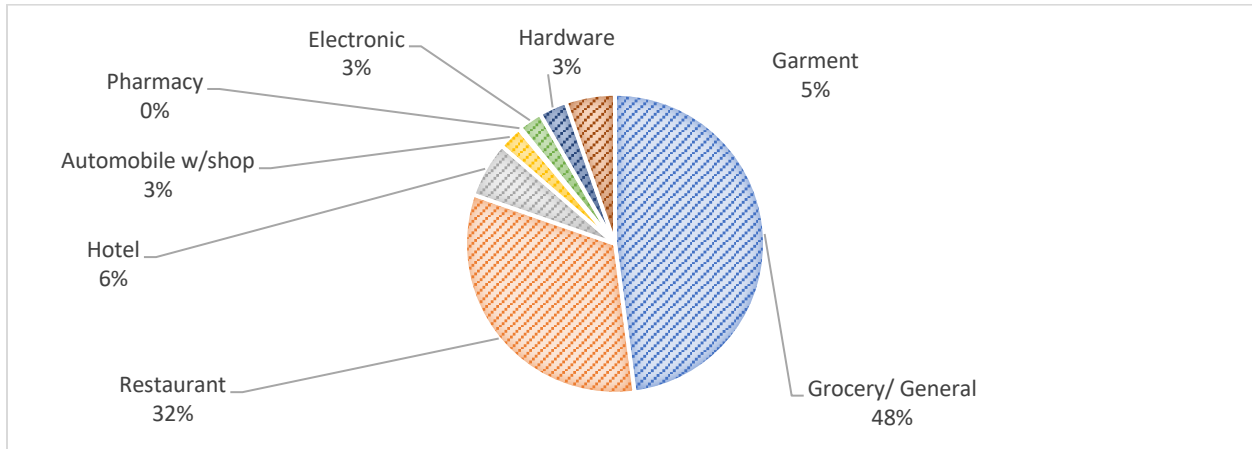
C. Results and Discussion

Though generally, more the number of businesses in a locality, higher the level of competition, there are no data available on what would should be the minimum number of business per capita to be considered a competitive market. This ideal number may not even be consistent amongst the type of business. Given there is demand for the product or service, the easier it is to start a business, the higher will be the number of businesses. In such sectors, the rate of market entry and exit of inefficient or unprofitable ones will be high.

¹ A free-market economy is an economic system in which prices for goods and services are set by the open market, not by a centralized government or authority.

General shops including grocery dominates the types of business followed by business such as restaurants, hotels, garment shops and automobile workshops (Fig. I). There was a general shortage of pharmacies in all these towns.

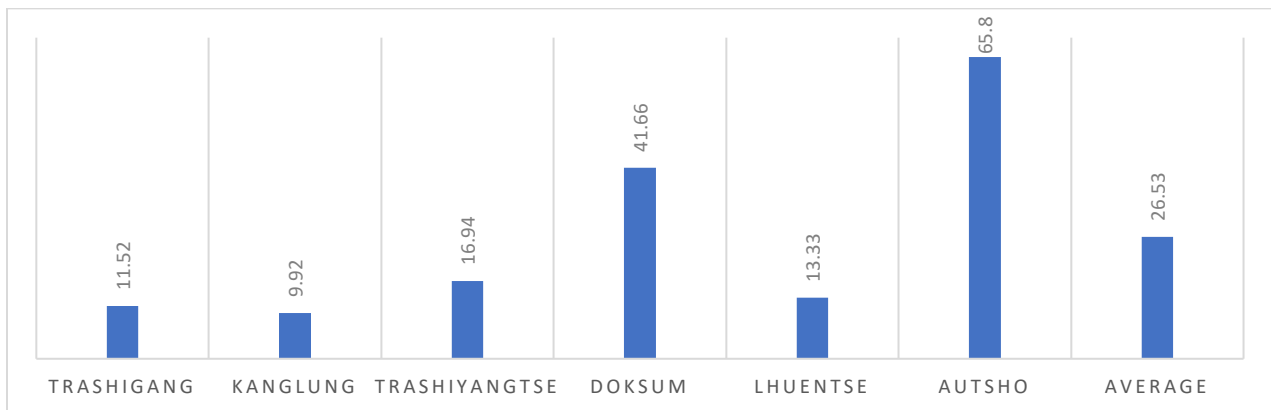
Fig. I: Percentage of business by type



(i) Grocery / General Shops

Groceries and general shops (selling an assortment of goods) are the most ubiquitous types of business in any location. The average number of shops per 1000 inhabitants is 26.53 (Fig. II). Autsho and Doksum have higher than average while other locations have lower. However, the scale (how big or small) of businesses needs consideration in future studies, as larger establishments would stock a more diverse range of goods and would have a greater market share.

Fig II. Number of groceries/ general shops per 1000 people

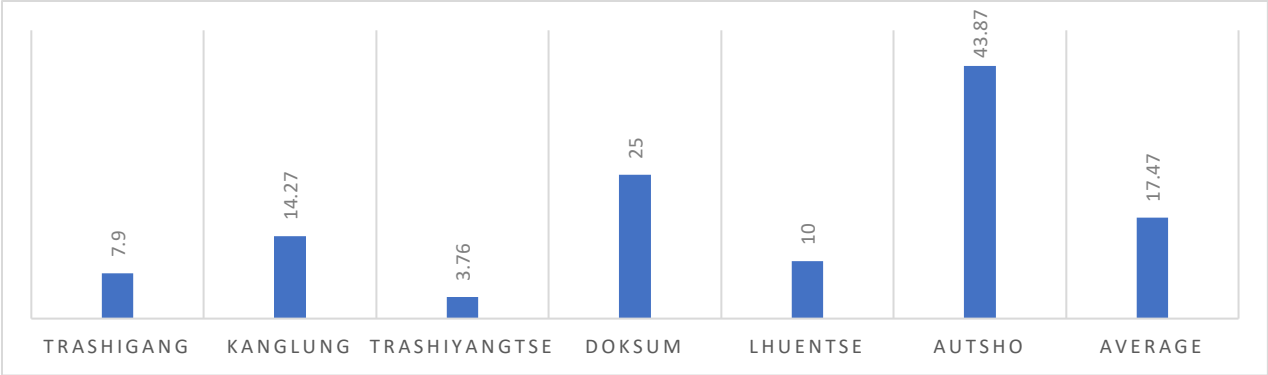


(ii) Restaurants and Hotels

The average number of restaurants per 1000 people is 17.47. Autsho and Doksum have the highest number of restaurants, while Trashiyangtse and Trashigang have the lowest (Fig. III). The high

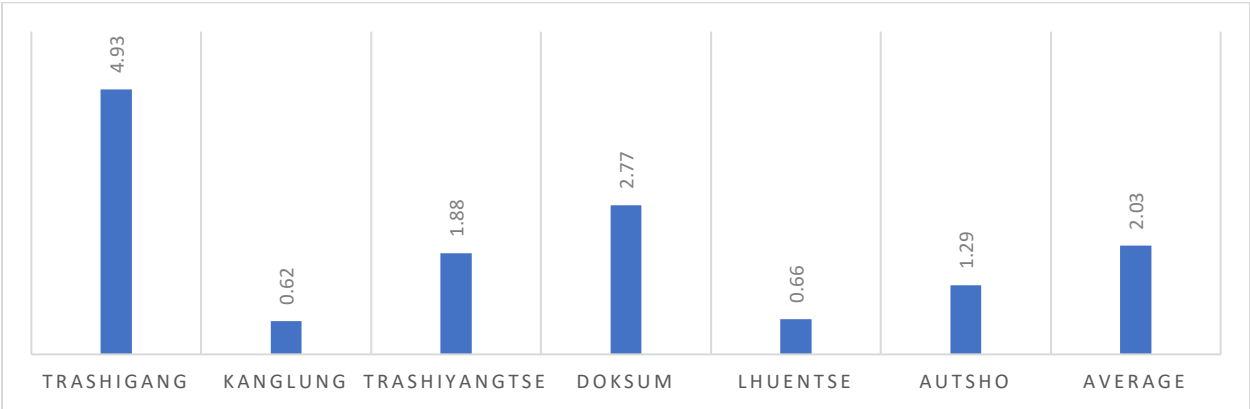
per capita restaurants in these Autsho and Doksum places can be attributed to the fact that these are basically transit towns catering to people plying back-and-forth Dzongkhag towns.

Fig III. Number of restaurants per 1000 people



On the other hand, Trashigang has the highest number of hotels (Fig. IV), while Kanglung, Trashiyangtse, Lhuentse and Autsho has lower than average. However, the size of the hotels (number of rooms/ beds) is not taken into consideration, though the number of beds per capita would be a better measure for such a study.

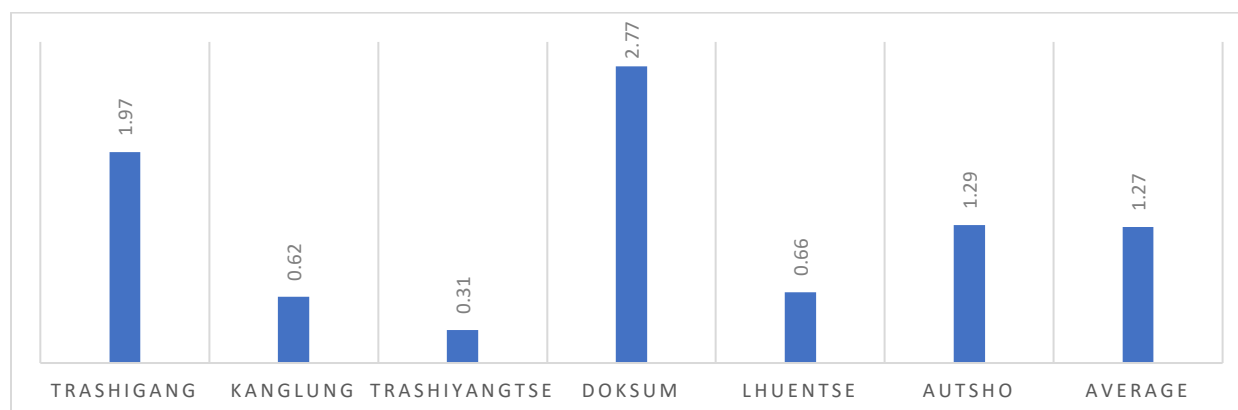
Fig IV. Number of hotels per 1000 people



(iii) Automobile workshop

For every 1000 people, the average number of automobile workshops in these six locations is 1.27. Doksum, Autsho and Trashigang has higher than average while it is lowest at Trashiyangtse at only 0.31 workshops per 1000 people (Fig. V). The higher percentage in Autsho and Doksum can also be attributable to them being transit towns.

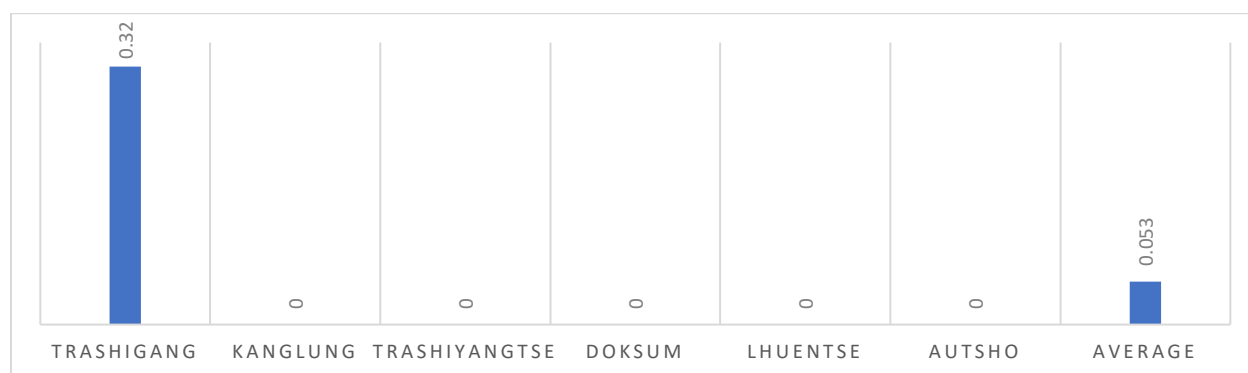
Fig V. Number of automobile workshop per 1000 people



(iv) Pharmacies

Apart from Trashigang town, none of the other towns have a pharmacy (Fig. VI). This could either be because of insufficient demand for pharmaceutical products to be a profitable venture or because of regulatory hurdles. The Bhutan Medicine Rules & Regulation, 2019 specifies that only a Competent Person² can engage in pharmacy retail and wholesale.

Fig VI. Number of pharmacies per 1000 people

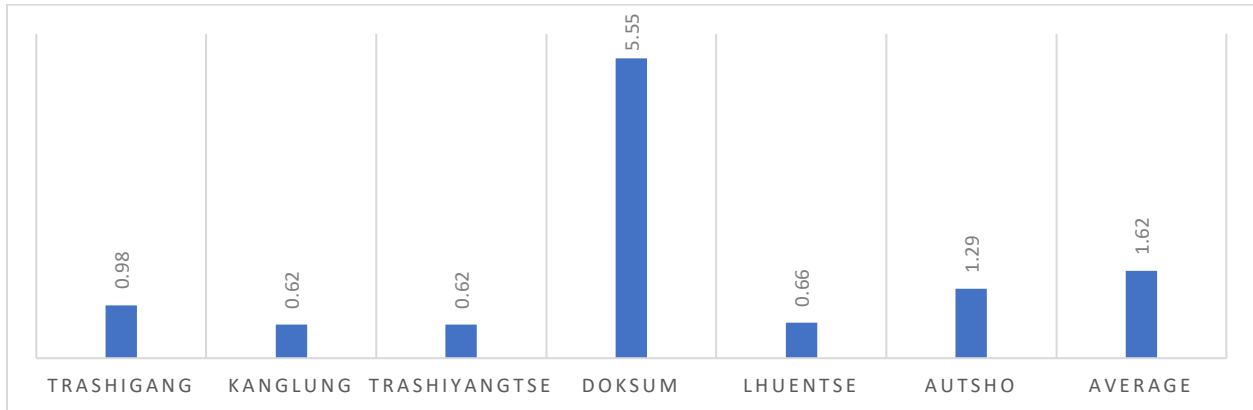


(v) Electronic Shop

For a small town, Doksum has the highest number of electronic shops at 5.55 shops per 1000 people. On the other hand, all other locations had less than 1.5 shops for every 1000 people (Fig. VII).

² As per BMRR, 2019; for registration of key personnel in the manufacturing of medicinal products as Competent Person, he shall have a Bachelor's degree in a relevant field with minimum work experience of two years or Diploma in relevant field with minimum work experience of five years.

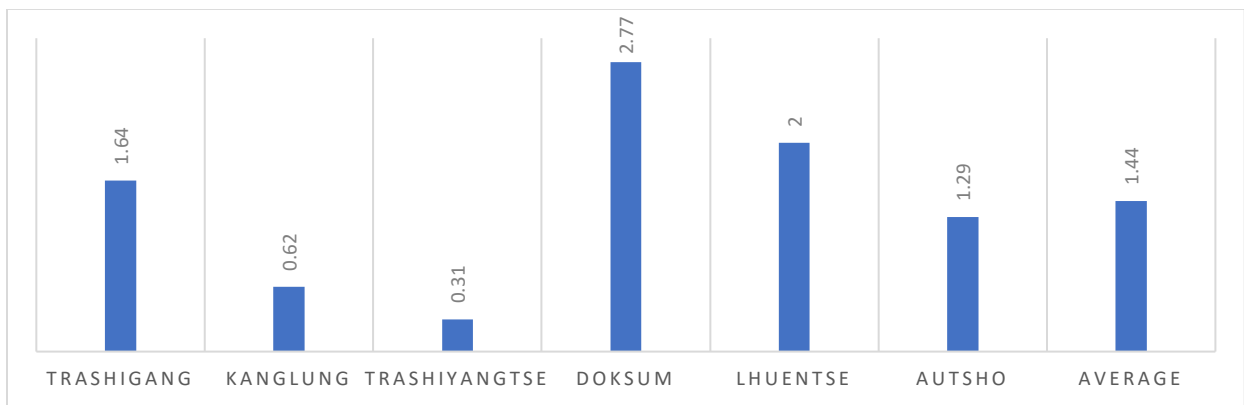
Fig VII. Number of electronic shops per 1000 people



VI: Hardware shops

The average number of hardware shops is 1.44. Trashigang, Doksum and Lhuentse had higher than average number while Trashiyanagtse had the lowest per capita number (Fig. VIII). Since there are no entry barriers into starting a hardware shop, the low proportion could be attributed to low aggregate demand for hardware goods.

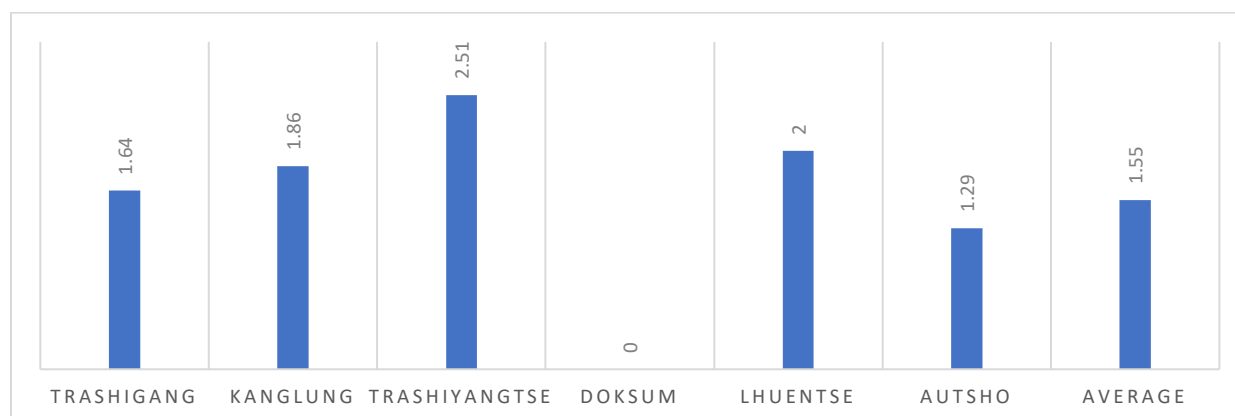
Fig. VIII: Number of hardware shops per 1000 people



VII: Garment shops

While Doksum had no garment shops, most locations had higher than average number of garment shops, with an average of 1.55 businesses per 1000 people (Fig. IX).

Fig. IX: Number of garment shops per 1000 people



The rate of growth of business is dependent on factors, such as volume of demand including the population's purchasing power, profitability of that business viz-a-viz cost and ease of sourcing, transportation and distribution, and also the ease (licensing requirement and access to finance and investment costs) of starting a business.

All of these businesses considered in this study are fairly low investment, part from constructing a building for a hotel or restaurant. One of the major challenges faced by businesses in all these locations is the apparent decrease in demand due to emigration of residents from these locations. There were no complaints regarding the difficulty to obtain a business license or access to finance or other regulatory hurdles.

D. Conclusion

This study on basic competitiveness in the common business sector is to kickstart CCAA's effort in monitoring and documenting market competitiveness in Bhutan. Currently, a national competition legislation is in the process of being drafted which may come to fruition in a few years. Drawing from the shortcomings of this study, designs will be improved so as to get a better overview of market competitiveness, identify gaps in competition and make recommendations to improve competitiveness for the benefit of consumers.