



Cottage & Small Industry of Bhutan

Overview 2011



A. Background

Like in most countries, the Cottage and Small Industry (CSI) play a pivotal role in the overall industrial economy of Bhutan. CSIs in Bhutan account for more than 90% of the total number of industrial enterprises.

The scale of business in Bhutan is determined by the size of capital investment.

Current CSI Definition in Bhutan (MOEA)

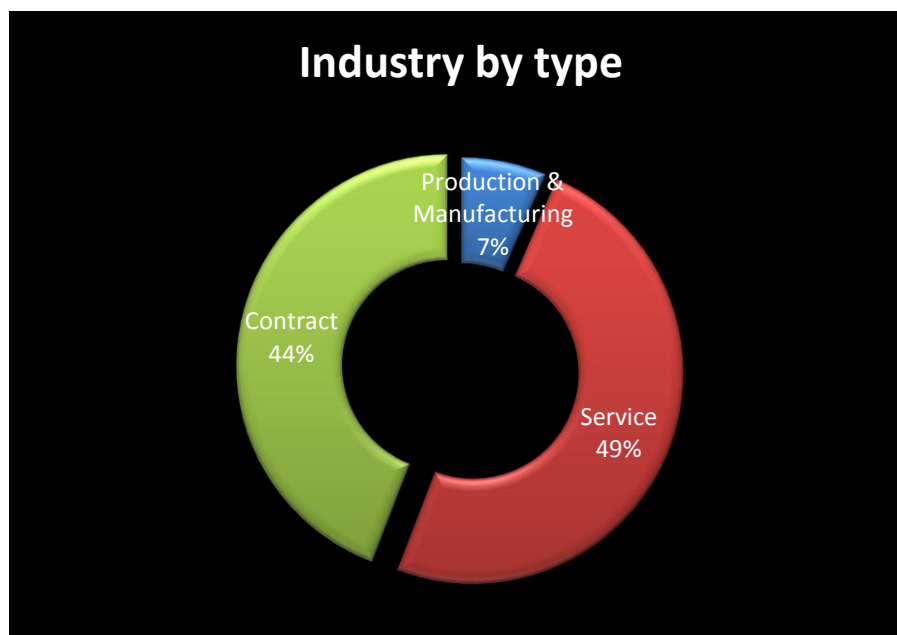
Scale	Investment (m Nu.)
Small	1-10
Micro (cottage)	< 1

Despite constituting more than 90% of the total number of industrial enterprises and contributing significantly to the national economy, Bhutan's CSI is characterized by problems such as outmoded technology, low economy of scale, supply chain inefficiencies, fund shortage, competition from imported goods and uncertain market scenario. Majority of the enterprises are very similar in nature and technology and there is a real dearth of innovation and diversification of products and services. The analysis and information provided pertains only to the CSIs that are licensed and record maintained by the Ministry of Economic Affairs.

B. Industry by type

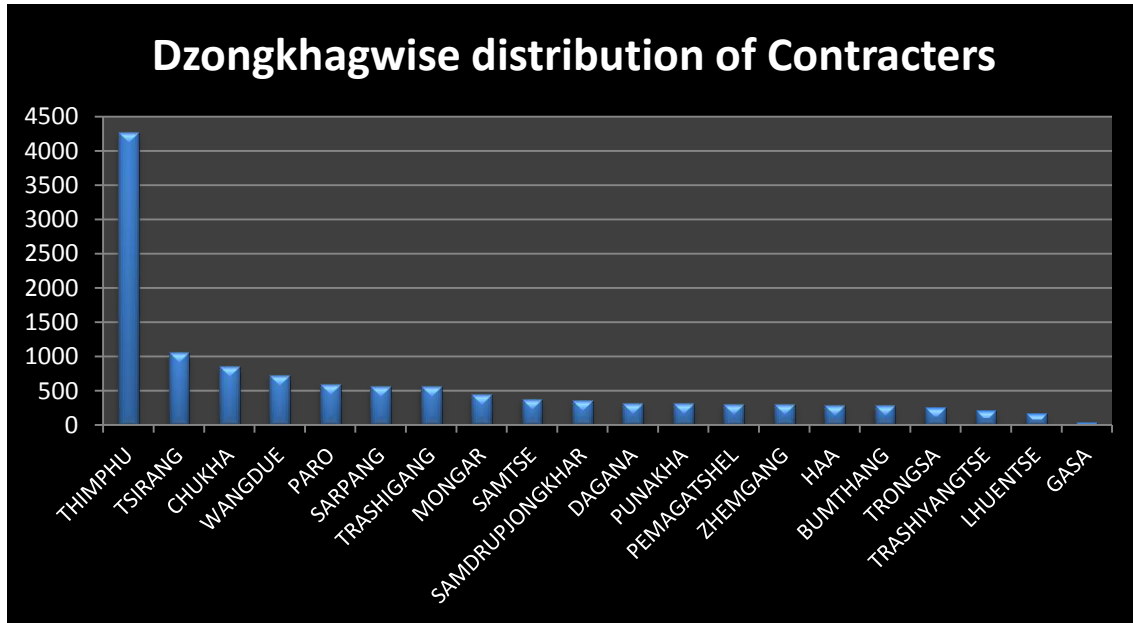
Industry in Bhutan is classified into three categories; Service, Production and Manufacturing (P&M) and Contract. While bars are considered a part of the service industry, this following information and analysis in this overview does not include bars.

As of December' 2011, there were 27,982 licensed cottage and small scale enterprises in the country. Bhutan's CSI is largely dominated by the service and contract industry, accounting more than 90 per cent of the total enterprises.



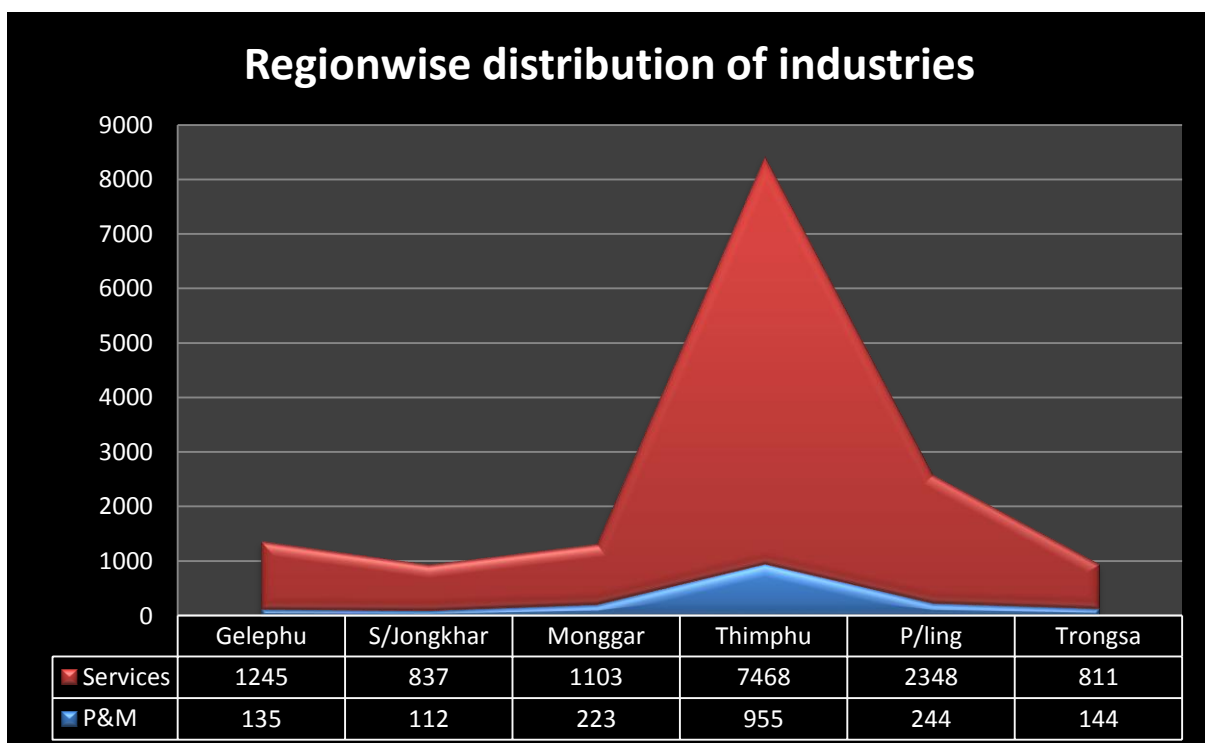
C. Distribution of small contractors

For a country of its size and population, Bhutan does have a significant number of contractors. There are 12,357 small contractors, with the maximum under Thimphu Dzongkhag and the lowest in Gasa Dzongkhag.



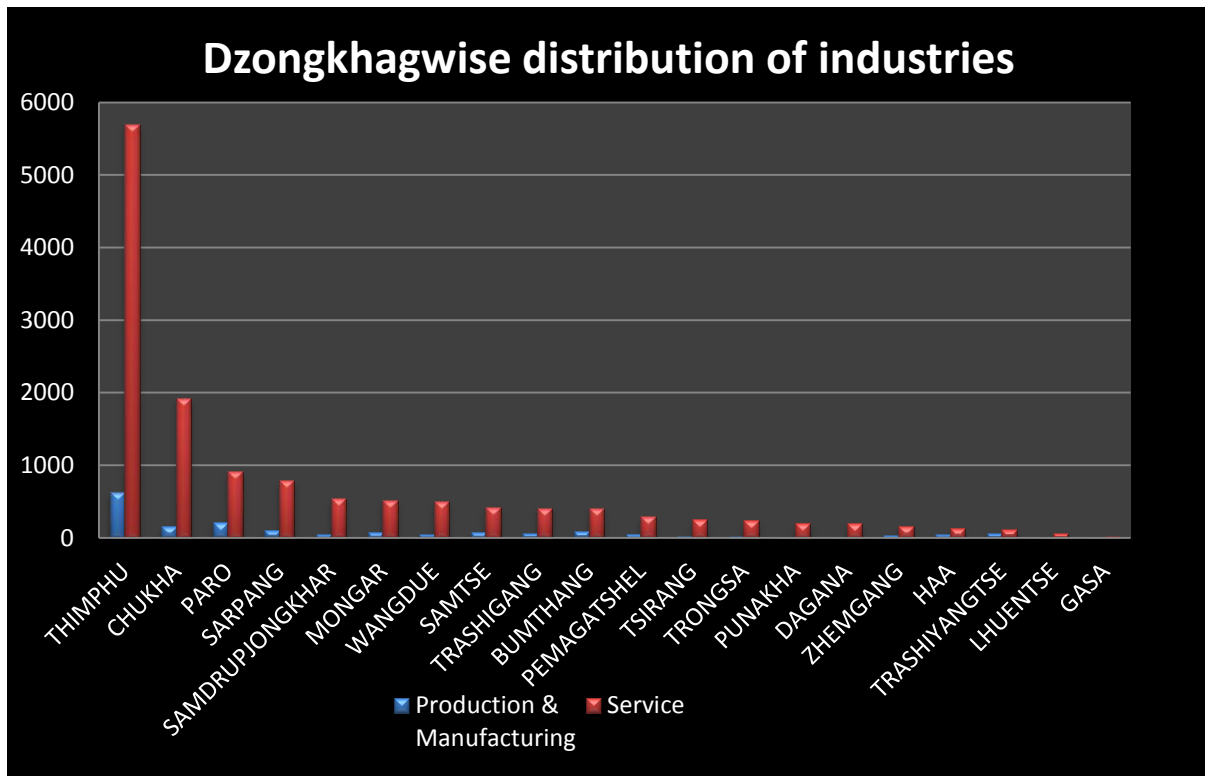
D. Distribution of Service and P&M industries

The Ministry of Economic Affairs has six Regional Trade & Industry Offices (RTIO) in the country. Each of these regional offices caters to several Dzongkhags.



Thimphu Region has the highest while Trongsa RTIO has the lowest number of licensed enterprises; in both service and P&M category. Thimphu RTIO caters to six Dzongkhags, with trongsa catering to just three Dzongkhags.

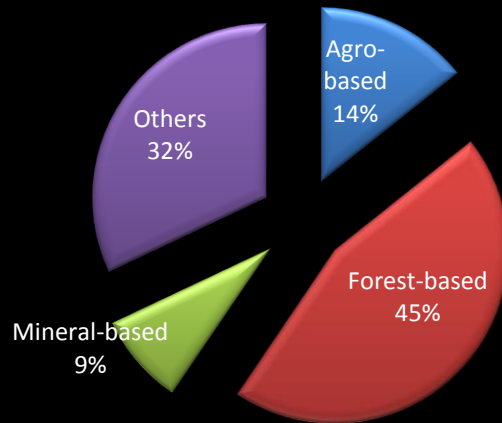
In terms of Dzongkhags, Thimphu has the highest number of cottage and small industries followed by Chukha; while Gasa Dzongkhag has the lowest with only 17 licensed enterprises.



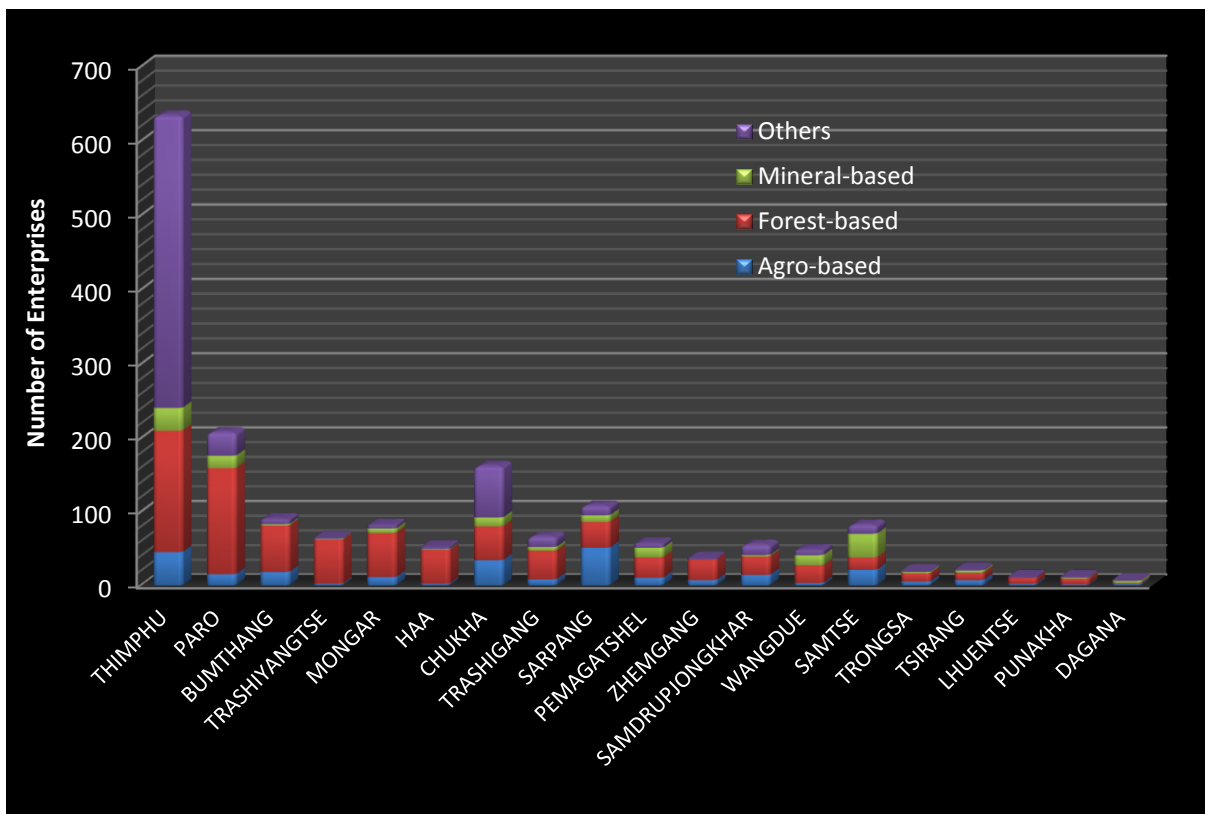
E. Industry by Raw material (sector)

Approximately 45 per cent of the P&M industry is forest-based, with timber being the main raw material. 14 % of the industry is agro-based using various horticultural and cereal crops. Mining is also an important sector.

Production & manufacturing industry by raw material



In almost all Dzongkhags, forest-based industry dominates, except in Samtse, where mineral-based industry is higher, while in Sarpang, agro-based industries dominate.

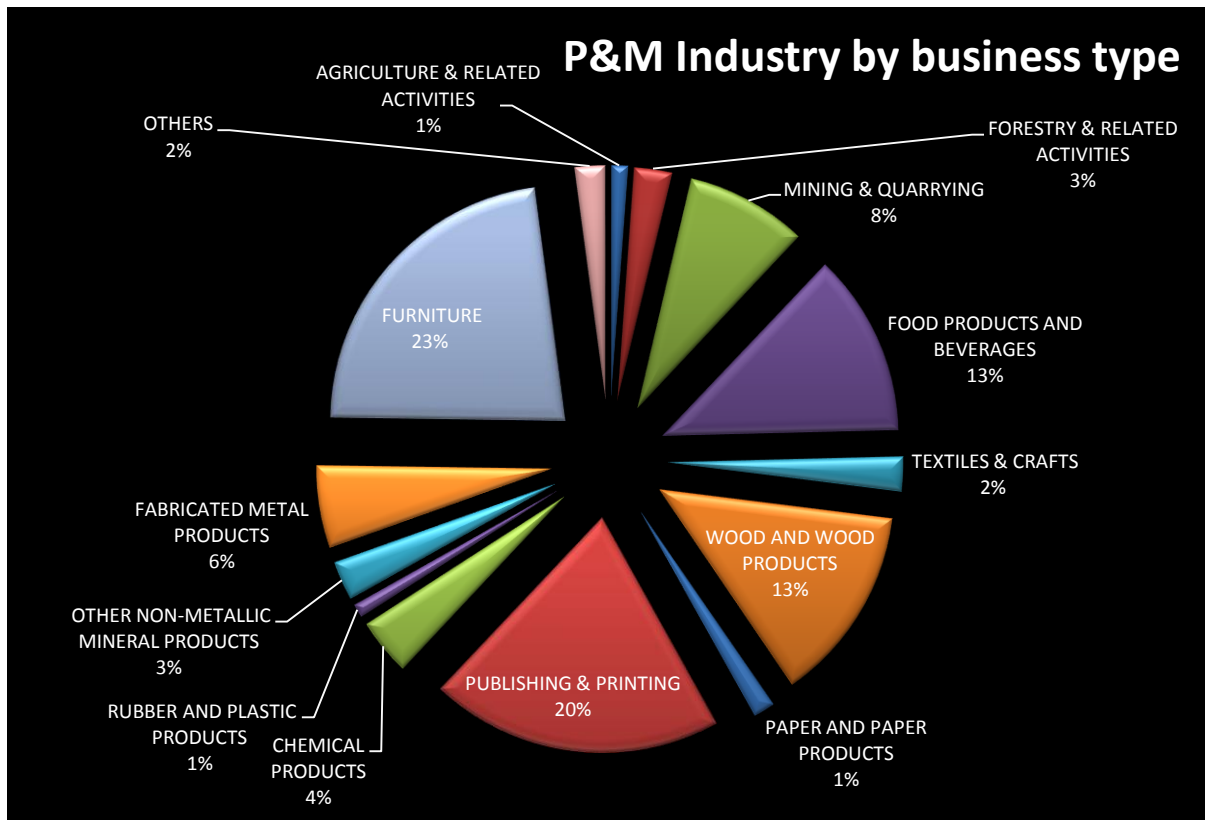


F. P&M and Service Industry by scale

In Bhutan, the overwhelming majority of the Service and P&M industries are at the cottage scale, with only 14 per cent being classified as small-scale. When segregated by industry category, this ratio is higher in the service industry as compared to P&M industry.

G. P&M Industry by business type

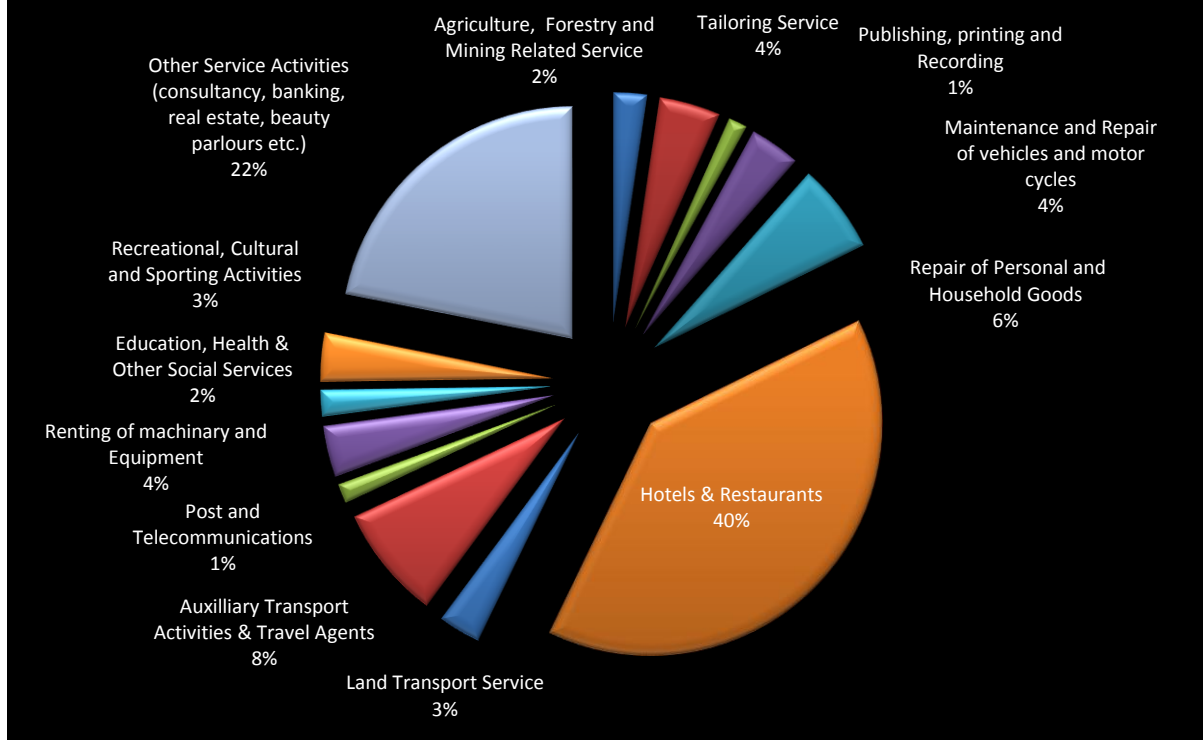
Businesses are classified based on the International Standard Industrial Classification (ISIC) code. Since the codes are very elaborate and specific, attempt has been made to group industry by the similarity in the type of businesses.



Manufacture of furniture, publishing and printing, manufacture of other wood based products, food and beverages and mining are some of the most dominant activities in the country. Firms which manufacture machinery and equipment and other innovative products are very low.

H. Service industry by business type

Service Industry by business type



The service sector is dominated by hotel and restaurant services. Other important service includes transport and travel agencies, workshops and other repair services.

I. Are all P&M and Service enterprises operational?

Not all licensed businesses are operational. A substantial proportion is only in paper and non-operational. 45 per cent of the P&M industries have not operating for various reasons, while 27 per cent of the service industries have shut.

J. CSI contribution to national employment

While a comprehensive survey has not been attempted, a fairly indicative figure can be obtained, considering the average number of employee per enterprise and the existing number of enterprises. As per the Enterprise Survey, 2011 wherein a total of 512 CSI enterprises (excluding contract) were surveyed, it was found out that CSIs employ an average of four people. With 11,079 enterprises (P&M and Services) operational, the total employment contributed by P&M and Service industry as of date is only about 44,316. Should contract be included in this, the employment contribution would be more than double.

K. Download

A softcopy of this brochure may be downloaded from the website www.moea.gov.bt

L. Acknowledgement

The Department of Cottage & Small Industry would like to thank all the Regional Trade & industry Office(s) for the data provided.

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