CROSS-BORDER RETAIL COMPETITIVENESS STUDY

Phuentsholing, Bhutan · March 2026

Prepared by
Competition & Consumer Affairs Authority
Ministry of Commerce, Industry & Employment

Research Components

- Retail Price Survey — 91 products across 10 categories
- Consumer Survey — 312 Phuentsholing residents
- Retailer Focus Group Discussion — 20 micro- and medium-sized retailers

Executive Summary

This study provides a systematic, quantitative assessment of retail competitiveness between Phuentsholing, Bhutan's primary commercial gateway, and the adjacent Indian town of Jaigaon. Three complementary methods were used: a retail price survey covering 91 products across 10 categories; a structured survey of 312 Phuentsholing residents; and a focus group discussion (FGD) with 20 local retailers. Together, the three components produce a coherent and mutually reinforcing picture of a retail sector under sustained structural pressure.

94.9%	90.1%	+155%	−6.3%
of residents rely on Jaigaon for some shopping	cite lower prices as the primary driver	average premium on fresh vegetables	electronics: the one category where Phuentsholing is cheaper

The price survey reveals sharply divergent patterns by category. Fresh produce carries an average premium of +155% in Phuentsholing — a structural supply-side problem driven by import dependency and multi-tier intermediary chains. Household appliances (+19.7%), hardware (+12.3%), school items (+10.9%), and Mahindra spare parts (+10.4%) form a cluster of categories in which Phuentsholing is meaningfully more expensive. Personal care, sanitary products, packaged foods, and Wagon R spare parts are priced at or near parity. Consumer electronics are the sole exception, averaging 6.3% cheaper in Phuentsholing, reflecting the presence of authorised distributors and more favourable import tariffs.

The consumer survey confirms what the price data predicts: 75.9% of respondents prefer Jaigaon as their primary shopping destination, and 70.5% visit at least once a week. The categories most frequently purchased in Jaigaon align directly with those showing the largest price differentials. Electronics — the one category in which Phuentsholing is cheaper — is notably absent from the top cross-border purchase categories, providing a natural experiment that validates the causal link between price differentials and consumer behaviour.

The FGD reveals that these differentials stem from compounding structural disadvantages: multi-layer tax and import-related costs, supply chain fragmentation, the absence of authorised brand distributors within Bhutan, distributor–retailer conflicts of interest, informal trade outside the regulatory framework, inadequate monitoring of informal goods movement, limited access to capital, and workforce skill gaps. No single policy measure can resolve these issues — a coordinated, multi-dimensional response is required.

The implications extend beyond commerce. For a household on a modest income, purchasing daily vegetables at a +155% premium or school stationery at 10–41% above cross-border prices represents a material and recurring erosion of real disposable income. This report treats retail competitiveness not merely as a trade policy question, but as a household welfare and cost-of-living priority.

1 Background and context

Phuentsholing sits at Bhutan's primary land border with India, directly adjacent to Jaigaon in West Bengal's Alipurduar district. The two towns are separated by a single border gate, which Bhutanese residents may cross with relative ease. While the Ngultrum (Nu.) and the Indian Rupee (Rs.) are pegged at a 1:1 ratio, it is common practice for Indian businesses to charge higher prices for goods paid in Ngultrum — reportedly at a rate of 2–3%.

Despite its designation as Bhutan's primary commercial hub, Phuentsholing has long faced significant retail leakage to Jaigaon. Residents cross regularly for everyday purchases — groceries, school supplies, household appliances, garments, and more. Until this study, however, no systematic evidence base existed to quantify the scale of this leakage, identify the most affected categories, or explain the structural causes from the perspective of local businesses.

This study addresses four core questions:

- How do retail prices in Phuentsholing compare to those in Jaigaon across product categories?
- What proportion of Phuentsholing residents prefer to shop in Jaigaon, and how frequently?
- What factors drive that preference, and do they align with observed price differentials?
- What structural and regulatory barriers prevent Phuentsholing businesses from competing effectively?

The findings are intended to inform evidence-based, actionable policies that improve the competitiveness of the local retail sector, strengthen the local economy, and reduce household expenditure flowing across the border.

2 Methodology

2.1 Retail Price Survey

Prices were collected from retail outlets in Phuentsholing and Jaigaon across 10 product categories during March 2026. Products were selected to represent a broad basket of everyday and durable consumer goods commonly purchased by Phuentsholing residents.

The price difference for each product is expressed as:

Price Difference (%) = (Phuentsholing price − Jaigaon price) ÷ Jaigaon price × 100

A positive value indicates that Phuentsholing is more expensive; a negative value indicates that Jaigaon is more expensive. Category figures are simple arithmetic averages of individual item differences.

Table I: Number of shops from which price was collected

Product Category	Shops — Phuentsholing	Shops — Jaigaon
Personal Care Items	10	10
Sanitary Products	10	9
Household Appliances	5	6
Hardware Items	7	6
School Items	4	5
Packaged Food Items	11	9
Mahindra Pick-Up Spare Parts	5	2
Wagon R Spare Parts	2	2
Fruits & Vegetables	20	16
Electronic Products	5	6

2.2 Consumer survey

A structured survey was administered to 312 Phuentsholing residents who had visited Jaigaon for shopping or other purposes. Respondents were asked five sets of questions covering: frequency of visits; reasons for visiting; preferred shopping location; categories of goods purchased in Jaigaon; factors driving that preference; and what changes would encourage them to shop in Phuentsholing instead. Several questions permitted multiple responses; where percentages exceed 100%, this is noted explicitly.

2.3 Focus Group Discussion

A focus group discussion (FGD) was conducted with 20 randomly selected small and medium retailers in Phuentsholing. The discussion was structured to surface supply-side and regulatory constraints that prevent local businesses from competing effectively with their Jaigaon counterparts. FGD findings represent the perspectives of participants and have not been independently verified in all instances; however, they broadly reflect the regulatory and commercial environment as understood by practitioners, and are treated as indicative throughout.

3 Price Survey: Findings and Discussion

3.1 Overview: How do prices compare across categories?

The table below summarises the average price difference for each of the 10 surveyed categories, ordered from the largest premium in Phuentsholing to the largest saving.

Table II: Summary of price differences by category

Category	Items	Avg Diff %	P'ling Pricier	Jaigaon Pricier	Assessment
Fruits & Vegetables	6	+155.47%	6	0	Phuentsholing significantly pricier
Household Appliances	6	+19.70%	4	2	Phuentsholing pricier
Hardware Items	8	+12.31%	5	3	Phuentsholing pricier
School Items	13	+10.86%	12	1	Phuentsholing pricier
Mahindra Spare Parts	8	+10.40%	6	2	Phuentsholing pricier
Packaged Food Items	19	+2.52%	13	4	Near parity
Sanitary Products	7	+0.07%	5	2	Near parity
Wagon R Spare Parts	7	+0.06%	3	4	Near parity
Personal Care Items	13	−0.64%	6	7	Near parity
Electronic Products	4	−6.32%	0	4	Jaigaon pricier

Note: Diff % = (Phuentsholing − Jaigaon) / Jaigaon × 100. BTN and INR are pegged 1:1 and are directly comparable.

The data reveal four distinct pricing regimes:

- **Extreme premium — fresh produce (+155.47%):** Every item surveyed costs more in Phuentsholing, in many cases by triple-digit margins. This is a structural supply-side problem, not a marginal price variation.
- **Moderate premium — appliances, hardware, school items, Mahindra parts (+10–20%):** A cluster of categories in which Phuentsholing is consistently and materially more expensive, with absolute differences large enough to drive dedicated cross-border purchasing trips.

- **Near parity — packaged food, sanitary products, Wagon R parts, personal care (±3%):** These categories are broadly competitive, though item-level variation can still create selective cross-border incentives for specific products.
- **Phuentsholing advantage — electronics (−6.32%):** The sole category in which Phuentsholing is uniformly cheaper, demonstrating that competitive local pricing is achievable when the underlying cost structure supports it.

Why Prices Differ: The Compound Cost Burden on Phuentsholing Retailers

- Multiple layers of tax and charges: goods tax, annual income tax, and informal levies at the Indian border
- Import-related administrative costs: MDP fees, customs clearance agent fees, and high transportation charges
- Higher operating costs: commercial lease rents, staff salaries, and overheads with no equivalent for Jaigaon retailers
- No direct access to Indian wholesale markets — unlike Jaigaon businesses, which can source small volumes at competitive margins from nearby wholesale centres

3.2 Category-by-Category Analysis

3.2.1 Fresh produce

Fresh vegetables and fruits carry the most extreme price differentials of any surveyed category. Every item is more expensive in Phuentsholing, with individual premiums ranging from +49% (oranges) to +237% (tomatoes). The category average of +155.47% is driven by structural supply-side constraints: Bhutan is heavily dependent on imported produce during the winter and spring months, and retailers must source through multiple intermediaries rather than directly from Indian wholesale markets. Each intermediary tier adds a mark-up, which accumulates by the time goods reach local shelves.

Table III: Price comparison — Fruits & Vegetables, Phuentsholing vs Jaigaon

Item	Phuentsholing (BTN)	Jaigaon (INR)	Diff %
Banana, 1 dozen	100.00	62.50	+60.0%
Orange, 1 kg	193.30	130.00	+48.7%
Potato, 1 kg	42.50	12.80	+232.0%
Red Onion, 1 kg	51.00	22.00	+131.8%
Tomato, 1 kg	41.50	12.30	+237.4%
Cabbage, 1 kg	51.67	16.00	+222.9%

This premium is expected to ease significantly during the summer and autumn months, when domestic Bhutanese agricultural production expands and local prices become more competitive. However, for much of the year — and particularly for staple vegetables — the gap is severe and directly erodes household food budgets.

3.2.2 Household appliances

Household appliances carry the steepest average premium of any non-perishable category at +19.70%. The differentials on certain items are large enough to justify a dedicated cross-border purchasing trip: a refrigerator costs 44.6% (BTN 6,095) more in Phuentsholing, an induction cooker

29.0% more, and an electric kettle 32.9% more. These premiums are attributable primarily to goods tax and customs charges, which bear more heavily on higher-value items. It is notable that the Samsung washing machine and Pigeon gas stove are modestly cheaper in Phuentsholing, confirming that competitive pricing is achievable on specific products even within a category where the overall average is unfavourable.

Table IV: Price comparison — Selected Household Appliances, Phuentsholing vs Jaigaon

Item	Phuentsholing (BTN)	Jaigaon (INR)	Diff %
Godrej Refrigerator, 194L	19,770.00	13,675.00	+44.6%
Choice Electric Kettle, 1.8L	438.50	330.00	+32.9%
Divya Induction Cooker, 2200W	2,637.50	2,045.00	+29.0%
Hawkins Pressure Cooker, 5L	2,741.60	2,360.00	+16.2%
Samsung Washing Machine, 7kg	10,646.70	10,750.00	−1.0%
Pigeon Gas Stove, 2-Burner	2,412.50	2,500.00	−3.5%

3.2.3 Hardware items

Hardware and electrical items average +12.31% more expensive in Phuentsholing, though the pattern is uneven. Branded electrical fittings — water geysers (+29.6%), MCBs (+29.8%), and switches (+25.7%) — carry substantial premiums. By contrast, commoditised wiring products and multi-modular plates are priced at or below Jaigaon levels, suggesting that tax pressure bears more heavily on branded components than on basic materials.

3.2.4 School items

School items show a consistent premium in Phuentsholing, with 12 of 13 products surveyed more expensive locally (average +10.86%). The most pronounced gaps are on consumable stationery and school socks: Origins Large Blue socks carry a +41.4% premium, and key notebooks are 18–30% more expensive. School shoes range from +5.9% to +12.5% above Jaigaon prices. This cost burden compounds over a full academic year and weighs disproportionately on families with multiple school-age children.

The FGD highlighted that the absence of authorised distributors within Bhutan forces retailers to source school goods through Indian intermediaries, adding successive mark-ups before items reach local shelves.

3.2.5 Personal care Items

Personal care products average just −0.64% across 13 items — effectively at parity. However, item-level variation is wide, ranging from −28.7% (Pears soap) to +28.6% (Joy shampoo). Branded shampoos and detergents tend to be more expensive in Phuentsholing, while certain soaps, moisturisers, and anti-dandruff shampoos are cheaper locally, suggesting local distribution efficiencies or bulk procurement on select lines. Consumers respond to this variance through selective cross-border purchasing, which explains why 42.0% of respondents still buy personal care items in Jaigaon despite near-average price parity.

3.2.6 Sanitary products

Sanitary products show the tightest convergence of any category, averaging just +0.07% — a difference that is statistically negligible. Most items differ by less than 2%. Himalaya Adult Diapers (−15.0%) and MamyPoko Pants (−7.9%) are cheaper in Phuentsholing, likely reflecting bulk import arrangements, while Stayfree products carry minor premiums of 8.4–10.6%. This category demonstrates that the Phuentsholing retail sector can achieve full price competitiveness for certain product lines.

3.2.7 Packaged food items

Packaged foods average a moderate +2.52% premium across 19 products, with most items within ±10% of Jaigaon prices. The largest outlier is Britannia Cheese Slices (+26.0%), which skews the category average upward. Several items — soybean oil (−15.1%), one rice variety (−8.6%), and Oreo biscuits (−11.7%) — are meaningfully cheaper in Phuentsholing. Two products (Digestive Wheat Biscuits and Bengal Gold Refined Oil) are at exact price parity. The mixed pattern reflects varying supply chain efficiencies across different food product types.

3.2.8 Vehicle spare parts

Mahindra pick-up spare parts average +10.40% more expensive in Phuentsholing, with the largest premiums on mechanical filters and components (Shocker Bush +33.8%, Element Oil Filter +32.4%). Lubricants are modestly cheaper locally, suggesting a more competitive supply chain for fluid products. Wagon R spare parts, by contrast, are at virtual parity (+0.06%), with only three of seven items differing by more than 1% in either direction. The more transparent, warranty-driven supply chains associated with this vehicle segment appear to support more consistent cross-border pricing.

3.2.9 Electronics

Consumer electronics are the sole category in which Phuentsholing is uniformly cheaper, averaging −6.32% across all four products surveyed. The Vivo T4X 5G is 13.4% cheaper locally; a Samsung 43-inch TV is 6.8% cheaper. This pricing inversion reflects lower import tariffs on consumer electronics and the presence of authorised distributors within Bhutan, providing a direct supply chain that eliminates the intermediary mark-ups affecting other categories.

4 Consumer Survey: How and Why Residents Shop in Jaigaon

4.1 Frequency of visits

Cross-border movement is frequent and deeply embedded in daily life. Exactly 70.5% of respondents visit Jaigaon at least once a week, and 38.5% visit at least twice a week — a frequency consistent with regular purchases of perishable goods, particularly fresh vegetables where price differentials are most extreme.

Table V: Frequency of visit of Phuentsholing residents to Jaigaon

Visit Frequency	No. of Respondents	% of Total	Cumulative %
Every day	58	18.6%	18.6%
Twice a week	62	19.9%	38.5%
Once a week	100	32.1%	70.5%
Once a month	65	20.8%	91.3%
Less often / other	27	8.7%	100.0%
Total	312	100.0%	—

4.2 Reasons for visiting Jaigaon

Shopping is the dominant purpose for cross-border trips, cited by 89.4% of respondents. Healthcare and other services are a secondary driver (30.1%), followed by leisure and dining (19.2%). The primacy of shopping among trip purposes underscores the scale of the retail leakage challenge.

4.3 Preferred shopping location

The preference for Jaigaon is near-universal and unambiguous: 75.9% of respondents shop exclusively in Jaigaon, and only 5.1% prefer to shop exclusively in Phuentsholing. In aggregate, 94.9% of respondents rely on Jaigaon for at least some of their retail needs.

4.4 Product categories purchased in Jaigaon

Respondents purchase an average of 3.5 product categories per trip to Jaigaon, indicating diverse and multi-purpose shopping behaviour. Fresh produce and school items dominate the cross-border shopping basket, directly mirroring the categories with the largest observed price differentials.

4.5 Factors driving the preference for Jaigaon

Respondents cite an average of more than two reasons for preferring Jaigaon, confirming that the preference is multi-factorial. Lower prices is the dominant driver, cited by 90.1% of respondents — a near-universal finding. Wider product variety is the second most significant factor, cited by 62.2%.

A key finding is that better product quality is cited by only 15.4% of respondents, indicating that consumers do not perceive goods in Jaigaon as inherently superior in quality — the preference is primarily economic. This has a direct policy implication: the challenge is not to overcome a quality perception gap, but to close price differentials and improve product range.

4.6 What would make you shop in Phuentsholing instead of Jaigaon?

Respondents were also asked what changes would persuade them to shop in Phuentsholing rather than Jaigaon. A total of 520 responses were recorded across 312 respondents, with lower prices cited overwhelmingly as the primary condition.

The mention of GST and business policy (30.4%) as a factor is significant: a substantial share of consumers is aware of the structural tax environment and believes that regulatory changes — not just individual retailer improvements — are necessary to make local shopping more attractive.

5 Retailer Perspectives: Structural Barriers to Competitiveness

The FGD with 20 Phuentsholing retailers identified eight interconnected structural and regulatory barriers that prevent local businesses from competing effectively. These are not isolated inconveniences — they are systemic disadvantages that compound at every stage from procurement through to the point of sale.

5.1 The compound cost of doing business

The most pervasive barrier is the cumulative cost structure faced by Phuentsholing retailers, which has no equivalent for Jaigaon counterparts. Multiple layers of levies and charges — goods tax, annual income tax, informal border levies, and administrative charges (MDP fees, customs clearance agent fees) — combined with high commercial lease rents, transportation costs, and staff salaries inflate prices before a single item reaches the shelf. Jaigaon retailers benefit from direct access to the Indian wholesale distribution network, where they can source small volumes at competitive margins without equivalent administrative overhead. The aggregate cost differential is structural, not incidental.

5.2 Supply chain fragmentation and absent distributors

The absence of authorised distributors for many brands within Bhutan is a key driver of cost disadvantages across multiple categories. Without access to manufacturers or primary distributors, Phuentsholing retailers must source through Indian intermediaries and secondary wholesalers, each adding a mark-up. Direct sourcing is further constrained by minimum order volume requirements — a structural mismatch for Bhutan's small market. Jaigaon retailers face neither of these constraints.

5.3 Distributor–Retailer conflict of interest

In several product categories, distributors operating in Bhutan also engage directly in retail, enabling them to use their supply-chain position to undercut independent retailers on price. This dual role creates a fundamentally uneven competitive landscape. Without regulatory separation of wholesale distribution and retail functions, independent retailers cannot compete on fair terms with parties that enjoy structural procurement advantages over them.

5.4 Informal trade and inadequate border monitoring

Goods are regularly transported across the border through private vehicles without customs inspection or taxation, creating significant tax leakage and direct unfair competition for licensed businesses. Unlicensed door-to-door vendors, informal online sellers, and briefcase traders operate outside the regulatory framework, free from the tax and compliance costs that registered retailers must bear. The use of informal digital payment channels enables consumers to transact outside formal financial systems. Bhutanese border personnel are primarily engaged in security duties, leaving the monitoring of commercial goods movements largely unaddressed. Collectively, these dynamics place compliant, taxpaying retailers at a structural competitive disadvantage.

5.5 Retail environment and product variety

Beyond price, Jaigaon's retail offer differs structurally in ways that enhance the consumer experience. Its more organised, zone-based market layout makes multi-category shopping efficient and convenient. Modern retail chains with digital payment infrastructure have raised consumer expectations that Phuentsholing's more dispersed retail environment currently does not meet. These factors help explain why product variety (62.2%), customer care (39.7%), and convenience (30.4%) are independently cited as reasons for preferring Jaigaon, in addition to price.

5.6 Pricing opacity in the supply chain

Indian suppliers are reported to charge higher prices when official invoices are requested, creating a perverse incentive for informal procurement that undermines transparency and complicates regulatory oversight. This practice limits retailers' ability to document costs accurately, challenge supplier pricing, and access formal trade financing. Addressing it requires coordinated enforcement action rather than individual retailer responses.

5.7 Limited access to capital and policy instability

Restricted availability of credit constrains retailers' capacity to invest in supply chain improvements, inventory management, store modernisation, and digital infrastructure. Frequent regulatory changes introduce planning uncertainty that discourages long-term investment. Sector-specific import restrictions — particularly in pharmaceuticals — have resulted in chronic stockouts, driving consumers to purchase medicines across the border and representing both a public welfare concern and a revenue loss for the local economy.

5.8 Workforce capacity gaps

Most frontline retail employees lack formal training in customer service and product knowledge, contributing to a service experience that falls below consumer expectations — expectations shaped in part by Jaigaon's more developed retail environment. High staff attrition rates disrupt business continuity and increase training costs. Given that 39.7% of consumers cite better customer care as a reason for preferring Jaigaon, this represents a competitiveness issue with directly measurable consumer impact.

6 Synthesis: Aligning the Three Research Components

The three research components are convergent and mutually reinforcing. The table below maps price survey findings against consumer purchasing patterns for all major categories. A consistent and strong relationship emerges: the higher the price premium in Phuentsholing, the more frequently consumers purchase that category across the border.

Table VI: Summary of price differences and percentage of consumers buying in Jaigaon

Category	Avg Price Diff	% Buying in Jaigaon	Alignment Assessment
Fruits & Vegetables	+155.47%	62.2%	Strong — highest premium, most purchased in Jaigaon; supply chain fragmentation the primary driver
School Items	+10.86%	52.6%	Strong — consistent premiums align directly with second-highest cross-border purchase frequency
Personal Care	−0.64%	42.0%	Moderate — near-average parity; item-level variance and wider product variety drive selective purchasing
Garments	Not surveyed	39.7%	Gap — high-frequency cross-border category not covered in price survey; priority for follow-up
Household Appliances	+19.70%	36.5%	Strong — large absolute premiums justify dedicated cross-border purchasing trips
Footwear	Not surveyed	27.6%	Gap — significant purchase frequency but no price data collected; to be included in future surveys
Packaged Food	+2.52%	26.9%	Moderate — near-average parity overall; specific items (e.g. Britannia Cheese +26%) create selective incentives
Vehicle Spare Parts	+10.40% / +0.06%	26.6%	Mixed — Mahindra parts pricier; Wagon R at parity; purchasing driven by Mahindra premium
Hardware Items	+12.31%	14.7%	Moderate — branded fittings pricier; lower cross-border frequency may reflect lower purchase regularity
Electronics	−6.32%	Not a top category	Aligned — Phuentsholing cheaper; no cross-border price incentive; confirms causal logic of the study

The electronics category: Validating the causal logic

- Electronics are the only category in which Phuentsholing is uniformly cheaper (−6.32%).
- Electronics are also the only major category absent from consumers' top cross-border purchase list.
- This alignment confirms that price differentials — rather than habit, proximity, or convenience alone — drive cross-border purchasing.
- Where Phuentsholing offers a structural cost advantage, consumers respond by shopping locally.
- This validates both datasets and provides confidence in the causal interpretation of findings across all other categories.

The FGD completes the picture by explaining the mechanisms behind the differentials. Supply chain fragmentation and multi-layer taxation directly account for the premiums observed in the price survey. The informal trade and enforcement gaps identified by retailers explain why these premiums persist: informal competitors operating outside the regulatory framework bear none of the cost burdens that licensed retailers absorb. The result is a structural competitive disadvantage for compliant businesses that no individual retailer can resolve unilaterally.

Because of the diversity and variety of garments and footwear available on both sides of the border, a direct like-for-like price comparison was not included in this study. However, the consumer survey reveals these categories to be significant:

- Garments (39.7%) and footwear (27.6%) rank 4th and 6th in cross-border purchase frequency.
- Together, they represent purchasing behaviour reported by over two-thirds of all respondents.
- A dedicated garments and footwear price comparison should be undertaken in future research.

7 Recommendations

The evidence from all three research components points to a set of structural barriers that no single actor can resolve alone. The recommendations below are grouped into three tiers — immediate priorities, medium-term structural reforms, and enabling measures — and are cross-referenced to the specific findings that underpin each. Each recommendation identifies a concrete action, the responsible authority, and the evidence that supports it.

7.1 IMMEDIATE PRIORITIES (0–12 MONTHS)

7.1.1 Reduce financial burden on imported retail goods

The Royal Government should undertake a comprehensive holistic review of goods and services tax rates, MDP fees, and customs clearance charges and other fees essential for importing goods, with the objective of reducing costs and improving the competitiveness of Bhutanese businesses. The review should identify which charges are the primary drivers of uncompetitiveness and model the revenue-versus-consumer-welfare trade-off of targeted reductions or exemptions. For categories with the highest price differentials, a time-bound tax relief measure or zero-rating could be considered.

Evidence basis:

- 90.1% of consumers cite lower prices as the primary driver of cross-border shopping.
- 30.4% specifically identify GST/business policy as a barrier to shopping locally.
- The compound cost burden documented in the FGD (Section 5.1) confirms that tax and levy reduction is the single highest-leverage intervention available.

7.1.2 Strengthen commercial goods monitoring at the border gate

The Royal Government should strengthen monitoring of commercial goods entering Bhutan through private vehicles. This should include agreed daily and weekly thresholds above which personal imports are treated as commercial, and spot-check procedures for high-frequency crossing vehicles. The objective is not to impede personal travel, but to level the playing field for licensed businesses.

Evidence basis:

- Retailers consistently identified informal goods importation as a major source of unfair competition (Section 5.4).
- Informal traders bear none of the tax and compliance costs borne by licensed retailers, creating a structural disadvantage for compliant businesses that directly erodes the tax base.

7.1.3 Conduct a dedicated price survey for garments and footwear

A targeted price survey for garments and footwear should be conducted. These two categories account for 39.7% and 27.6% of cross-border purchasing respectively — ranking 4th and 6th overall. Without price data, any policy response to these high-leakage categories would be based on assumption rather than evidence.

Evidence basis:

- Garments and footwear account for purchasing behaviour reported by more than two-thirds of all survey respondents.

7.2 MEDIUM-TERM STRUCTURAL REFORMS (1–3 YEARS)

7.2.1 Facilitate direct access to Indian wholesale markets for Bhutanese retailers

The Royal Government and the Bhutan Chamber of Commerce and Industry (BCCI) should support Bhutanese retailers in developing wholesale access arrangements from Indian wholesale markets. To achieve the necessary scale, a Bhutan-side aggregation or cooperative buying mechanism should be explored to help smaller retailers meet minimum order volume requirements.

Evidence basis:

- Jaigaon retailers source directly from wholesalers at competitive margins; Phuentsholing retailers cannot (Sections 5.1 and 5.2).
- This single structural asymmetry is a major driver of the price differentials documented across multiple categories.
- The electronics category demonstrates that when Bhutanese retailers have direct supply chain access, they can price below Indian competitors.

7.2.2 Attract and regulate authorised brand distributors within Bhutan

The Royal Government should develop an active programme to attract authorised distributors for high-demand product categories to establish operations within Bhutan. Incentives for authorised distributors could include streamlined import licensing and reduced MDP fees, in exchange for transparent wholesale pricing and a prohibition on direct retail activities. Where distributors also engage in retail, regulatory separation of wholesale and retail functions should be introduced.

Evidence basis:

- The absence of authorised distributors forces retailers to source through intermediary chains that add successive mark-ups (Section 5.2).
- The distributor–retailer conflict of interest further disadvantages independent retailers (Section 5.3).
- The electronics category — where authorised distributors are present — is the only category in which Phuentsholing is cheaper than Jaigaon, providing direct proof of concept.

7.2.3 Develop a Phuentsholing Retail Zone Plan to improve shopping convenience and variety

Phuentsholing Thromde should develop a market improvement plan that addresses the structural retail environment gap identified by consumers, including zone-based organisation of retail categories to enable efficient multi-category shopping. The plan should be informed by a structured assessment of which product categories have the highest unmet demand locally.

Evidence basis:

- 62.2% of consumers cite wider variety as a reason for preferring Jaigaon, and 30.4% cite shopping convenience.

- Jaigaon's zone-based organisation and modern retail infrastructure are independently identified as competitive advantages (Section 5.5).
- Addressing these factors is necessary to retain consumers who would otherwise still cross the border even after price parity is achieved.

7.3 OTHER ENABLING MEASURES

7.3.1 Expand access to credit and business support for small retailers

The Royal Government should review lending criteria and interest rate structures for small and medium retailers, with a specific focus on reducing barriers to working capital credit. A targeted credit guarantee scheme for retail sector investment — covering supply chain improvement, inventory management systems, and store upgrades — should be explored. Additionally, the frequency and predictability of regulatory change should be reviewed to reduce the planning uncertainty that currently discourages long-term investment.

Evidence basis:

- Limited access to capital prevents retailers from investing in the supply chain and operational improvements that would reduce costs (Section 5.7).
- Policy instability compounds this by discouraging any investment with a payback period beyond the immediate term.

7.3.2 Invest in retail workforce skills and customer service standards

The Royal Government should develop a retail-specific short-course training programme covering customer service, product knowledge, inventory management, and digital payment handling. The programme should be delivered in partnership with the Bhutan Chamber of Commerce and Industry to ensure broad uptake among small businesses.

Evidence basis:

- 39.7% of consumers cite better customer care as a reason for preferring Jaigaon, and 20.8% cite a better overall shopping experience.
- Workforce capacity gaps were directly identified by retailers as a constraint (Section 5.8).
- This is an area where improvement is achievable quickly and at modest cost relative to the consumer impact.

7.3.3 Institutionalise the survey as an Annual Retail Competitiveness Monitor

The Royal Government should conduct the retail price survey, consumer survey, and retailer FGD on an annual basis. Results should be published and used to track the effectiveness of policy interventions, identify emerging price differentials before they become entrenched, and provide an ongoing evidence base for advocacy on tax and supply chain reform.

Evidence basis:

- This study is the first systematic, quantitative assessment of this issue. Without regular repetition, it will not be possible to measure whether interventions are working or to identify new problem areas as they emerge.
- The electronics category demonstrates that the competitive landscape can shift — ongoing monitoring is the only means of tracking and responding to that shift.

8 Conclusion

The study has demonstrated that Phuentsholing's retail sector is under sustained structural pressure: 94.9% of residents rely on Jaigaon for some of their shopping, 75.9% prefer it as their primary destination, and 90.1% cite lower prices as the reason. These are not marginal preferences — they reflect deeply embedded purchasing habits driven by price differentials that are, in many categories, too large to be overcome by individual retailer effort alone.

The price differentials are real, significant, and concentrated. Fresh produce is 155% more expensive in Phuentsholing. School items cost families 10–41% more. Household appliances can carry premiums of up to 44%. These are not rounding errors — they are material costs that fall most heavily on households with the least flexibility to absorb them: families buying daily vegetables, parents equipping children for school, and small businesses maintaining vehicles. Retail competitiveness is, at its core, a cost-of-living issue.

The causes are structural, not incidental. Multiple layers of levies, fragmented supply chains, the absence of authorised brand distributors, informal trade that operates outside the regulatory framework, and limited access to capital all compound at every stage from procurement to the point of sale.

But the data also offer cause for optimism. The electronics category proves that the system can work differently. When Bhutanese retailers have direct supply chain access and favourable import conditions, they price below their Indian counterparts — and consumers respond by shopping locally. The same consumers who cross the border daily for vegetables do not cross for phones and televisions. This is not coincidental; it is the predictable outcome of a different cost structure — and it is replicable.

The recommendations in this report call for coordinated action: rationalise the tax burden on essential goods; facilitate direct supply chain access; attract authorised distributors; regulate the informal trade that undercuts compliant businesses; and invest in the enabling conditions — credit, skills, and data — that allow the local retail sector to compete on fair terms.

No single measure will close the gap. The compound disadvantages facing Phuentsholing retailers have accumulated over many years and across multiple policy domains. Addressing them will require sustained, coordinated action spanning finance, trade, customs, and local government. But the evidence base now exists to drive that action, the entry points are clearly identified, and the consumer mandate is unambiguous.

When Bhutanese retailers are competitive, Bhutanese consumers shop at home.