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Indian Toy Industry: Vocal For Local

The global toy industry has evolved in recent times to become a powerhouse of innovation, entertainment, and economic growth. The industry plays a key role in preserving and promoting local crafts, traditions, and cultural heritage.

Today, the growth in the toy industry is propelled by several drivers, such as the growing population of children translating into a vast market for toys, rising disposable incomes and new consumer segments, to name a few.

As part of its strong commitment to create a better ecosystem for the toy industry, the Government of India has identified the sector as one of the champion sectors, with a long-term vision to create a global market for toys.

This Study brings forth the argument of tapping the latent potential of the Indian toy industry by being 'Vocal for Local', i.e., producing to cater to both the local demand as well as to meet the huge overseas demand of toys. By embracing changing trends and greater adoption of technology and sustainable practices, the toy industry in India can grow exponentially.

Global Market

China is estimated to account for about 70% of the global toy production. Its global toy exports have increased from US\$ 10 billion in 2003, holding a share of 30% in global exports to US\$ 83.3 billion in 2022, accounting for a formidable share of 65% in global exports of toys. Besides China, the other major toy exporting countries in 2022 were the USA, with exports worth US\$ 4.6 billion, followed by Germany (US\$ 4.5 billion) and the Czech Republic (US\$ 3.7 billion).

Toy Industry in India

The Government of India, in line with its vision to 'Make in India' for an 'Aatmanirbhar Bharat', is increasingly focusing on tapping the export prospects

of the toy industry and working towards establishing India as a global toy and gaming hub.

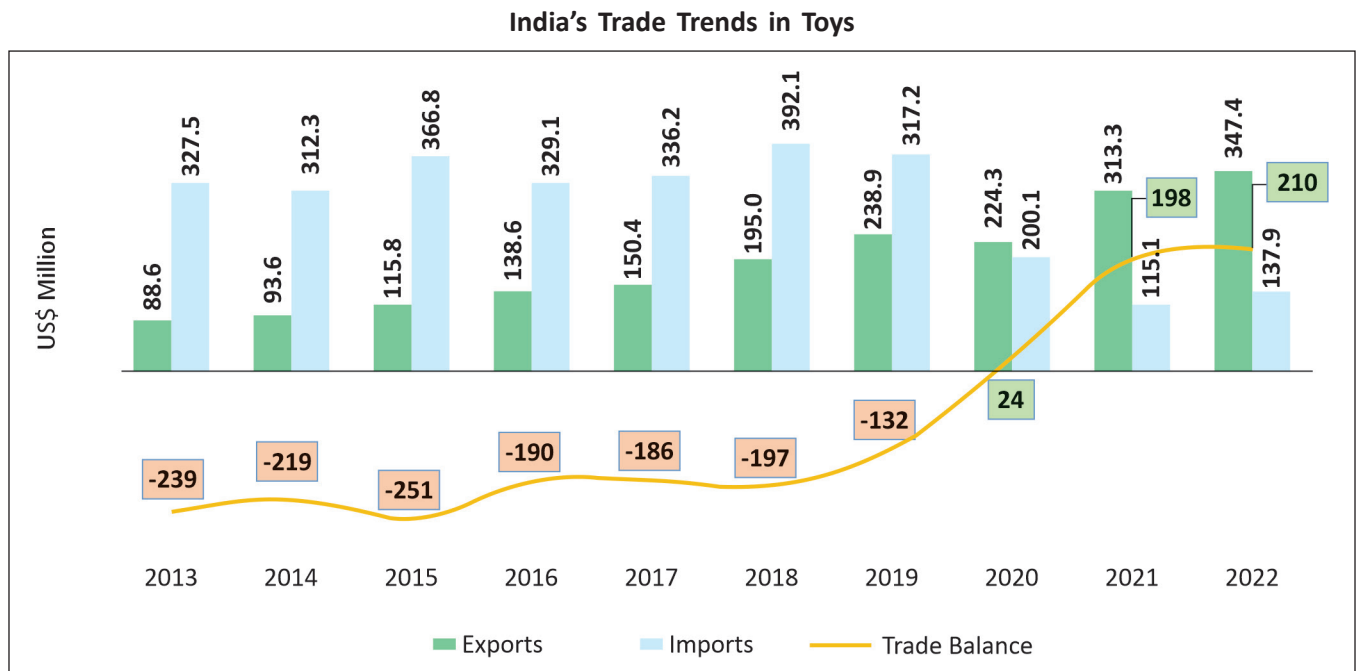
India's toy market was estimated to be valued at about US\$ 1.5 billion in 2022, and is expected to reach US\$ 3 billion by 2028, rising at a CAGR of 12% during 2023-28. The top toy segments in India in 2023 included plastic and other toys like construction sets and models, toys for toddlers and kids, among others. Toy categories like dolls, soft toys, baby and infant toys, and board games which are highly labour-intensive, hold substantial manufacturing potential in the country.

The Government of India has been providing major policy push to enhance the growth of the toy industry. Few of the policy initiatives being implemented include introducing the National Toy Action Plan to provide comprehensive support to the industry with a vision to make India a global toy manufacturing hub; implementing the Scheme of Funds for Regeneration of Traditional Industries (SFURTI) for creation of common facility centres and support to traditional toy clusters; mandatory quality certification; hike in import duty for toys; and promotion of toy exports under the District as Export Hubs initiative, among others.

India's foreign trade performance in toy products, during the last decade has seen a dramatic change, with the industry registering a trade surplus from 2020 onwards. Exports of toys from India increased from US\$ 88.6 million in 2013 to US\$ 347 million in 2022, growing at an AAGR of 17.1% during the period. However, India's exports still constituted a meagre share of 0.3% in global exports of toys in 2022, pointing at the need for further intensifying exports in the sector.

The imports, on the other hand, have fallen from US\$ 327.5 million in 2013 to US\$ 137.9 million in 2022, owing partly to the increase in Basic Customs Duty (BCD) on HS 9503 from 20% to 60% in February 2020. The BCD was further reduced to 70% in March 2023.

States like Karnataka, Uttar Pradesh and Maharashtra are some of the states that dominate the state-wise toy exports of India.



Source: ITC Trade Map; India Exim Bank Research

Destination-wise, the USA has increasingly become a potential export market for India, with its share in India's toy exports increasing from 29% in 2013 to 47% in 2022. European nations like the Netherlands, Denmark and Sweden have also emerged among the top ten toy export destinations for India in 2022. Notably, the UK, despite remaining as the second largest export destination, has seen a decrease in its share in India's total exports from 19% in 2013 to 8% in 2022.

For imports, India's sources have become more diversified in recent past. As compared to 2013, when 92% of the toy imports were from China, its share in 2022 has reduced to 57% with the Netherlands, Sri Lanka, the UAE, and the USA emerging as important import sources for toys.

Segment wise, India's exports have been the highest in wheeled toys, dolls, recreational models, puzzles and others (HS 9503). India's exports of these products during 2013 to 2022, increased at an AAGR of 18.8%, from US\$ 39.9 million in 2013 to US\$ 167.2 million in 2022. Festival, carnival and other entertainment articles (HS 9505) also exhibited a US\$ 121.7 million trade surplus, showing significant prospects.

India's Key Segment-wise Trade in Toys in 2022
(in US\$ million)

Toy Segment	Exports	Imports	Trade Balance
Tricycles, pedal cars and similar wheeled toys, dolls, reduced-size scale recreational models, puzzles and others (HS 9503)	167.2	60.4	106.9
Video game consoles and machines, parlour games, and amusement machines (HS 9504)	36.6	55.7	-19.1
Festival, carnival and other entertainment articles (HS 9505)	143.6	21.9	121.7

Source: ITC Trade Map; India Exim Bank Research

Strategies to Boost India's Untapped Toy Industry

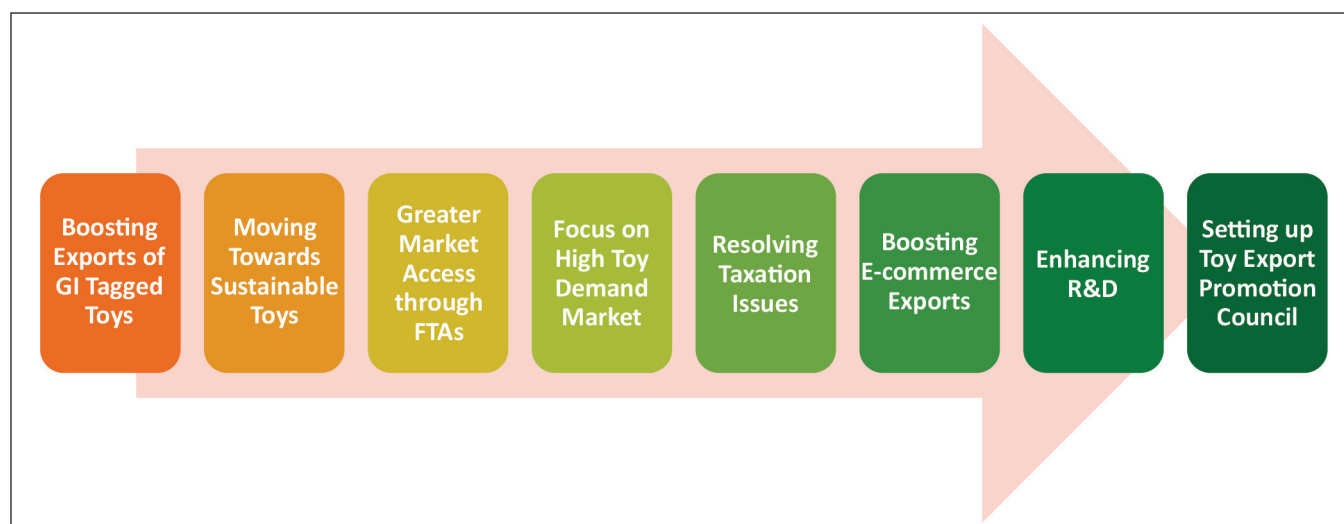
Boosting Exports of GI Tagged Toys

Geographical Indicators (GI) tagged toys of India such as the vibrant Channapattana toys of Karnataka and the Kondapalli toys of Andhra Pradesh, despite holding immense cultural significance, are yet to leverage their GI status towards boosting exports and strengthening the livelihoods of artisans across the country. A multifaceted approach is required to tap their export potential, focusing on investments in quality control measures and standardisation to meet international safety standards, providing training and capacity-building programs for artisans, international collaborations, among other measures that would help boost toy export growth.

Moving towards Sustainable Toys

Amidst a growing emphasis on circular economy, the market opportunities for sustainable toys are increasing. As India envisages to tap the toy industry, it may also increasingly shift towards more eco-conscious toys. The modern toy manufacturers of India also need to be encouraged to integrate such sustainable and ethical goals into their sourcing, production, and packaging processes.

Select Strategies for Indian Toy Industry



Greater Market Access through FTAs

Under the recent Free Trade Agreements (FTA) including the India-UAE Comprehensive Partnership Agreement (CEPA) and India-Australia Economic Cooperation and Trade Agreement Trade (ECTA), the partner countries are providing zero duty market access for exports of Indian toys. India while renegotiating the existing FTAs such as the FTA with ASEAN, may consider pushing for duty free access for its toy exports in future trade negotiations also. It is also important to implement country focused export strategies that create synergy between the top imported product categories in those countries and export competitive product categories in India. Besides, the focus needs to be laid on addressing the sustainability requirements of the importing countries.

Focus on High Toy Demand Markets

The Study identifies potential export markets for Indian toys based on analysing select parameters that demonstrate high demand for toys. The key import markets identified are the Netherlands, Poland and the Czech Republic in Europe, the UAE and Japan in Asia, South Africa and Djibouti in Africa, and Mexico and Chile in Latin America, among others. Greater focus may thus be given by Indian toy makers towards targeting these markets by understanding their market requirements.

Resolving Taxation Issues

Irregularities in the GST rates imposed on different toy segments is hindering the growth of the industry. For instance, the re-classification of certain toy segments upon the slightest production modifications, thereby attracting a higher rate of GST is a major issue pertaining to taxation. Further on, the high rate of import duty imposed on several equipment used commonly in the toy manufacturing process is another such problem faced by toy manufacturers in India.

Boosting E-commerce Exports

Toys are among the top e-commerce categories globally, in which India's share, however, is low. Given the preponderance of MSMEs in the toys industry in India, e-commerce exports pose tremendous opportunities for both traditional and non-traditional toy segments. Policy measures specific to both traditional and modern toy segments may be introduced such as e-commerce training workshops at toy clusters, additional interest subvention on credit, facilitation in export clearance for e-commerce, and logistics support, among others.

Enhancing R&D

Toy innovation plays a key role in boosting the growth of the toy industry. To match up with evolving toy production process and designs, India may step up the overall investment in R&D through the increased establishment of toy-related Common Facility Centres. Incorporation of new features and technologies such as artificial intelligence (AI), augmented reality (AR), and virtual reality (VR) should also be looked into. Further, given the National Education Policy's emphasis on integrating the use of toys in the academic curriculum, educational and STEM (Science, Technology, Engineering and Mathematics) toys is another area that may receive increased investments.

Setting up Toy Export Promotion Council

To capitalise on the export potential of the toy

industry, effective export promotion strategies tailored to the industry's unique strengths and opportunities are essential. In this regard, export promotion of toys in India may be better facilitated by the establishment of a dedicated 'Toy Export Promotion Council' as currently, India's toy products are partly covered by two separate export promotion councils namely, the Export Promotion Council for Handicrafts (EPCH) and the Sports Goods Export Promotion Council (SGEPC). The proposed council may provide holistic support in focus areas such as trade promotion, capacity building, dissemination of trade information, and assistance in adhering to international quality standards to boost India's toy exports.

To sum

Dedicated policy focus is required for the Indian toy industry to enhance the production capabilities and enable India to compete with other toy manufacturing giants like China. The timely implementation of such policies with a continuous follow up process would give the toy industry the much-needed fillip to participate in global value chains. Besides, by fostering innovation and bolstering manufacturing capabilities in both traditional and modern segments, India is positioned to establish itself as a global toy manufacturing and export hub.

The contents of the publication are based on information available with India Exim Bank. Due care has been taken to ensure that the information provided in the publication is correct. However, India Exim Bank accepts no responsibility for the authenticity, accuracy or completeness of such information.

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