



THE INDIAN TOY INDUSTRY VOCAL FOR LOCAL



Export-Import Bank of India

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Indian Toy Industry: Vocal for Local

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Executive Summary

Over the years, the global toy industry has evolved significantly, becoming a powerhouse of innovation, entertainment, and economic growth. Besides, the industry also plays an important role in preserving and promoting the local crafts, traditions, and cultural heritage. Traditionally, the toy industry has been labour intensive with a competitive edge in wages being the most important deciding factor for production. However, with the changing times, technology has started playing a crucial role in transforming the way toys are made, sold, and used.

The growth in the toy industry is propelled by several factors. Regions such as, inter alia, South East Asia, South Asia, Central Asia and the Middle East, have a very high population of children, translating into a vast market for toys. Rising disposable incomes and new consumer segments are also the major growth drivers in the industry. The toy industry is also rapidly evolving to embrace sustainability, innovation, comprehensive learning, and safety.

Global Market

China is estimated to account for about 70% of the global toy production. China's dominance in the global toys market started to emerge from the 1980s. China's accession to the World Trade Organization (WTO) in 2001 gave further wings to the sector through rapid exports, eventually leading to China becoming the world's largest toy manufacturer. China's global exports of toys have increased from US\$ 10 billion in 2003, 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 top producers of toys globally are the USA, the Netherlands, Germany, the Czech Republic, Taiwan, and the UK.

The top exporting countries of toys in 2022, after China were the USA with exports of US\$ 4.6 billion during the year, Germany (US\$ 4.5 billion), Czech Republic (US\$ 3.7 billion), Vietnam (US\$ 3.1 billion) and Japan (US\$ 3.1 billion). Segment wise, the top exporters of tricycles, scooters, pedal cars, and similar wheeled toys; dolls' carriages; dolls, and other toys (HS 9503) in 2022 were China with a share of 68% in global export, followed by Czech Republic (4.5%), Germany (3.4%), Vietnam (2.3%), and the Netherlands (2.3%).

For video game consoles and machines, table or parlour games and amusement machines operated by coins, banknotes etc. (HS 9504), the top exporters in 2022 were China with a share of 51.3% in global exports, the USA (7.4%), Japan (6.5%), Germany (4.7%), and Hong Kong (3.9%). Lastly, for festival, carnival, or other entertainment articles (HS 9505), the top exporters in 2022 were China (86.8%), the Netherlands (2.2%), the USA (1.4%), India (0.9%), and Germany (0.9%).

As per fDi Markets, the USA is the largest recipient of investments in the toy (dolls, toys, and games) sector, globally, accounting for over 15% of total FDI during the period 2003-2022. The other top recipients of FDI were China with a share of about 11% in global FDI, Mexico (9%), Vietnam (6%), the UK (5%) and France (4%).

Toy Industry in India

While China remains the dominant player in toy industry, there are emerging signs of weakening of its dominance in this industry due to rising wages, reducing profit margins and geopolitical shifts. The myriad changes happening in the global toy industry provide significant opportunities to India to secure a greater position in the global toy market. India may also capitalise on the prospects posed by major global toy manufacturers who are seeking to diversify their production hubs and are laying greater emphasis on sustainability, quality, and good governance.

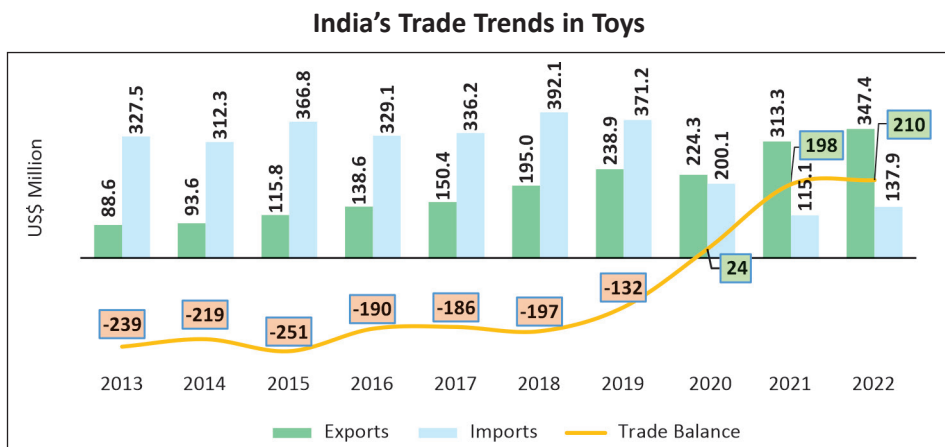
The Government of India, in line with its vision to 'Make in India' for an 'Aatmanirbhar Bharat', is increasingly focusing on tapping the untapped export prospects of the toy industry and working towards establishing India as a global toy and gaming hub. While the domestic toy production data is not maintained centrally, 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.

Currently, the toy industry in India is highly fragmented, dominated by the unorganised sector which holds about 90% of the market share. The top toy segments in India in 2023 were plastic and other toys, construction sets and models, toys for toddlers and kids and dolls and stuffed toys, among others. Toys categories such as dolls, soft toys, baby and infant toys, and board games are highly labour-intensive and there is substantial potential for manufacturing of these products.

The Government of India has been providing major policy push to tap the potential of India's toy industry. Few of the policy initiatives being implemented are introducing the National Toy Action Plan to provide comprehensive support to make India a global toy manufacturing hub; Scheme of Funds for Regeneration of Traditional Industries (SFURTI); creation of Common Facility Centres with the latest machines, design centres and skill development; mandatory quality certification; hike in import duty for toys; and the District as Export Hubs initiative, among others.

India's foreign trade performance during the last decade has seen a dramatic change, with the industry registering a trade surplus 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.



Source: ITC Trade Map; India Exim Bank Research

However, India's exports 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 on HS 9503 from 20% to 60% in February 2020, and further to 70% in March 2023.

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. In contrast, although the UK has remained the second largest export destination, its share in India's total exports has reduced from 19% in 2013 to 8% in 2022. Further, European nations like the Netherlands, Denmark and Sweden have emerged as the top ten toy export destinations for India in 2022 apart from Mexico. For imports, India's sources have become more diversified during the past decade. As compared to 2013, when 92% of the toy imports were from China, in 2022 China's share reduced to 57% with the Netherlands, Sri Lanka, the UAE and the USA, among others, emerging as important import sources.

Segment wise, India's exports have been the highest in wheeled toys, dolls, recreational models, puzzles and others (HS 9503). India's exports in wheeled toys, dolls, recreational models, puzzles and others 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. Notably, the imports have contracted by an AAGR of 6.2% during the period, from US\$ 270.2 million in 2013 to US\$ 60.4 million in 2022.

Over the time period of 2013 to 2022, India has been a net importer of videogame consoles and machines, parlour games, and amusement machines (HS 9504). India's exports of video game consoles grew at 12.1% from US\$ 14.3 million in 2013 to US\$ 36.6 million in 2022 while the imports grew at an AAGR of 7.2%, from US\$ 41.7 million to US\$ 55.7 million.

As regards trade in festival, carnival and other entertainment articles (HS 9505), during 2013-22, India has maintained a consistent trade surplus,

with the same rising from US\$ 18.9 million in 2013 to US\$ 121.7 million in 2022. The exports witnessed a steady increase over the decade, growing from US\$ 34.4 million in 2013 to US\$ 143.6 million in 2022, at an AAGR of approximately 19%. India's imports of festival articles saw an increase from US\$ 15.6 million in 2013 to US\$ 21.9 million in 2022, growing at an AAGR of 11.2%.

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

Karnataka was the highest exporting state in India for tricycles, pedal cars and similar wheeled toys, dolls, reduced-size scale recreational models, puzzles and others (HS 9503) in FY 2023, followed by Maharashtra, Tamil Nadu, and Uttar Pradesh. For video game consoles and machines, parlour games, and amusement machines (HS 9504), Maharashtra was the top exporting state and accounted for about 40% of India's exports in the segment during FY 2023. For festival, carnival and other entertainment articles (HS 9505), Uttar Pradesh was the top exporter with a share of about 50% in India's exports in the segment in FY 2023.

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. Many of these GI tagged toys have also been identified as focus products under the Districts Export Hub (DEH) initiative. A multifaceted approach is required to tap their export potential, focusing on investments in quality control measures and standardisation to meet international safety standards. This entails providing training and capacity-building programs for artisans, enhancing production processes, and obtaining necessary certifications to instil confidence among international buyers. Travel packages for experiencing toy clusters may also be designed at district level to provide cultural experiences to tourists. Further, international collaborations with the concerned distributors, retailers, and cultural organisations, and innovative marketing initiatives, would help boost their 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 should also increasingly shift towards more eco-conscious toys. Sustainable toys are made of renewable materials such as wood, bamboo, wool, among other such materials. The several ways in which sustainable practices can be integrated into the industry include the re-purposing of single use plastic through recycling and adopting sustainable packaging that uses biodegradable materials. The increasing demand for sustainable toys may also be leveraged to provide an impetus to the growth of India's traditional toy industry as it already uses eco-friendly processes and raw materials. 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.

Greater Market Access through FTAs

In recent times, India has signed several Free Trade Agreements (FTAs) both bilaterally as well as with regional blocs to strengthen the trade linkages. The India-UAE CEPA and the India-Australia ECTA, both signed in 2022, are providing duty free access to India's toy exports. It is assumed the same

will be considered while engaging with other developed countries during negotiating future FTAs. Along such lines, India may continue pushing for duty free access for its toy exports in future trade agreement negotiations also. For FTAs that are already in practice, greater market access may be sought through further reduction of the tariffs imposed in FTA review rounds like that with the Association of Southeast Asian Nations (ASEAN). In cases where Indian toys have witnessed no substantial export growth despite enjoying duty-free access, like in the case of the India-Japan CEPA, synergy may be built between top imported product categories in the importing countries and export competitive product categories in India.

Focusing on Markets with High Toy Demand

The Study identifies potential export markets for Indian toys based on various parameters like the percentage of the country's total population under the age of 14 years, its AAGR of global toy imports from 2013-2022, global toy imports in 2022 as well as India's toys exports to that country in the same year. Accordingly potential export destinations have been identified in the regions of Europe, Asia, Africa, and Latin America and Caribbeans. Thus, the key import markets identified are the Netherlands, the UAE, South Africa, and Mexico. Greater focus may thus be given by Indian toy makers towards targeting these exports markets.

Resolving Taxation Issues

Irregularities in the GST rates imposed on different toy segments is hindering the growth of the industry. As per the Central Board of Indirect Taxes and Customs (CBIC), HS 9503 (tricycles, similar wheeled toys, dolls, reduced-size scale recreational models, puzzles, and other toys) alone attracts three slabs of GST – 5%, 12% and 18%. Several toy manufacturers have also raised concerns regarding the re-classification of non-electronic toys to electronic toys even upon the slightest of product modifications, thereby attracting a higher rate of GST. The high rate of import duty imposed on several equipment used commonly in the toy manufacturing process such as injection molding machines, extrusion machines, and laser cutting and engraving machines, is another issue that needs to be resolved to ease the cost burden on MSMEs.

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. For traditional toy segments, organising e-commerce training workshops at toy clusters, ensuring access to adequate digital infrastructure and catering to additional customer segments would help boost their e-commerce exports.

For modern toy segments, the Department for Promotion of Industry and Internal Trade (DPIIT) could develop a Global Champion Programme in which, based on criteria like the companies' sales, exports, level of innovation in products etc., companies may be selected and provided all rounded support such as grants for R&D and marketing, 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 the R&D through the increased establishment of toy-related Common Facility Centres which bring together the necessary facilities like raw materials, machinery, skill training, design studio, information centre, etc. under one roof. Incorporation of new features and technologies such as artificial intelligence (AI), augmented reality (AR), virtual reality (VR) should also be looked into. 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.

There has also been some discussion regarding the introduction of a Production Linked Incentive (PLI) scheme for the toy industry that will help increase toy exports from India.

Setting up Toy Export Promotion Council

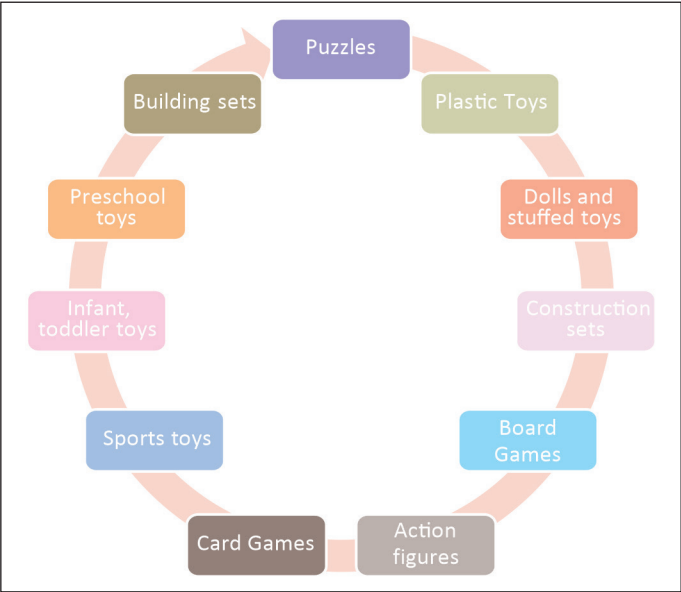
In order to capitalise on the export potential of the toy industry, effective export promotion strategies tailored to the industry's unique strengths and opportunities are essential. In this regard, export promotion of toys in India may be better facilitated by the establishment of a dedicated 'Toy Export 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). Streamlining promotion activities for toy products under one dedicated body will bring more clarity to the stakeholders including the manufacturers, retailers, importers, artisans etc. about the export ecosystem. The proposed council may provide support in the much needed areas which may include, export promotion by facilitating participation in toy trade fairs, and capacity building programmes; information dissemination by acting as a one-stop shop for trade information pertaining to India's export procedures and documentation, schemes on export financing, global toy market trends, potential markets, etc; database maintenance by creating an official database for production and export statistics; and lastly, ensuring adherence to international safety standards by providing assistance to the exporters in meeting the safety standards of the destination markets and in keeping them abreast with the latest developments in the area.

1. Emerging Prospects for Toy Industry

Overview

The toy industry is a dynamic sector within the broader consumer goods market. Beyond its role as a source of entertainment for children, the industry plays a crucial part in shaping their cognitive, emotional, and social development. Over the years, the toy industry, globally, has evolved significantly, becoming a powerhouse of innovation, entertainment, and economic growth. Besides, the industry also plays an important role in preserving and promoting the local crafts, traditions, and cultural heritage.

Figure 1: Broad Toy Categories



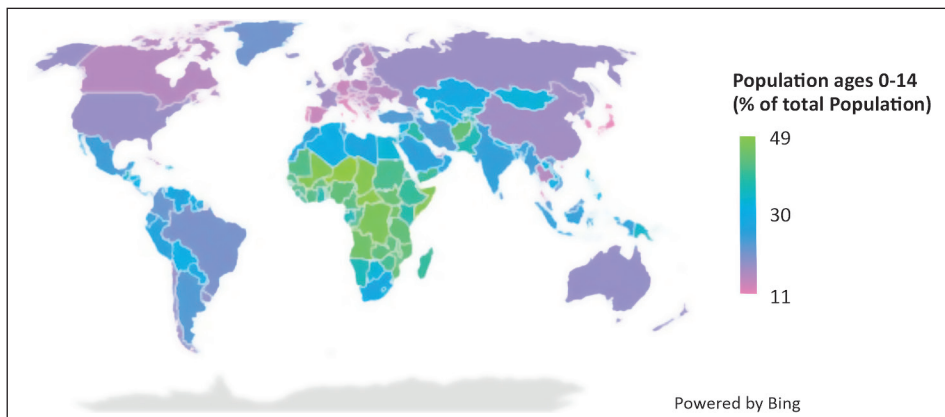
The toy industry comprises both traditional toys, rich in history and culture, and modern toys, symbolic of technological advancements and innovation. Traditionally, the toy industry has been labour intensive with a competitive edge in wages being the most important deciding factor for production. However, with the changing times, technology has started playing a crucial role in transforming the way toys are made, sold, and used.

Today, the segments having high shares in global toy revenue are those meant for toddlers and kids, construction set and models, dolls and stuffed toys and plastic toys¹.

Growth Propelling Factors in the Sector

Demographic Trends: According to the World Bank, one fourth of India's population is children (falling in the age group of 0-14 years). In absolute terms, this is estimated at 358.6 million children as in 2022. Other regions such as South East Asia, Central Asia, and the Middle East and almost all African countries also have a very high population of children (Figure 2). This translates into a vast market for toys which could be suitably tapped as the numbers may continue to expand over the years.

Figure 2: Proportion of Population Aged 0-14 Globally



Source: World Bank

¹ Statista Market Research

- **Rising disposable incomes:** Furthermore, the rising disposable incomes also translate into greater spending on consumer products. According to the advanced estimates of MoSPI, India's per capita gross national disposable income is estimated to increase by 8.5% year-on-year to ₹2.1 lakhs in FY 2024. In addition, India's consumer market is slated to become the world's third largest by 2027 from its current fifth rank due to the rising number of middle to high-income households, as per a report by BMI. Similarly, other countries in the Asia Pacific are witnessing a rise in household incomes which would drive higher sales in the toys sector.
- **New consumer segments:** Besides children, there is another growing segment of toy users commonly termed as "kidults". These are people aged 12 and above who are spending more on toys such as action figures, design and engineering sets, and puzzles, amongst others. The prominence of superhero movies and comic books has fuelled the demand from this consumer segment in the recent years so much so that toy companies are creating and targeting content especially towards non-kids segments to increase their product sales. According to the NPD group, the "kidults" segment is responsible for one fourth of all the annual toy sales in the USA and are expected to be one of the biggest drivers of growth in the toy industry.

In addition, there are other major trends panning out in the toy industry which are likely to transform the production models and make space for new players.

Recent Shifts in Toy Industry

The toy industry is rapidly evolving to embrace sustainability, innovation, comprehensive learning, and safety. Some of the shifts happening in the toy industry are:

- **Sustainability:** Traditionally, plastics has been the predominant material used in the toy industry. However, growing concerns about health and environment are nudging toymakers to shift to sustainable materials and incorporate circularity in their production models.

Leading toy companies are bringing in major changes in their product designs and materials to keep up with the changing consumer preferences. For instance, the LEGO Group of Denmark has set the target of making all its packaging sustainable by 2025 and all its products sustainable by 2030. Since 2018, the company has started using bio-polyethylene, a flexible plastic derived from Brazilian sugarcane for making its LEGO elements.

Similarly, the Japanese toy company Bandai Namco Group has set a target of achieving decarbonisation by 2050. Hasbro has also been working towards creating more sustainable packaging. The company has managed to eliminate wire ties from packaging, has added “how to recycle” labelling to educate consumers about recycling, is eliminating styrofoam in new products and using recycled or sustainably sourced paper in packaging and in-box content.

- **Growing importance of STEM toys:** The role of toys has evolved to be much bigger than an object for children to play with. In fact, it is no longer restricted to mere playing and entertainment. Educators and parents globally, are according greater importance to toys as tools for furthering the development of a child’s imagination, conceptual learning, motor skills, and emotional quotient, among others. Many countries including India and the USA are also making toys a part of the educational curriculum in school

Consequently, Science, Technology, Engineering, and Mathematics (STEM) based toys are gaining increasing preference among consumers owing to the positive role they play in children’s hands-on learning, creativity, critical thinking, and problem-solving skills. The shifting preference to STEM toys is evident from their growing market. According to Fortune Business Insights, the global educational toy market size is projected to grow from US\$ 61.6 billion in 2023 to US\$ 106.3 billion by 2030, at a CAGR of 8.1%.

- **Stringent safety regulations:** Globally, there has been growing consciousness about a safe playing environment for children and accordingly the safety regulations pertaining to toys are being made

stricter. The EU, since 2009, through EU Toy Safety Directive 2009/48/EC, has been laying out safety criteria to be met for toys be marketed in the EU, putting in place strict requirements for chemical substances used, banning allergic fragrances, and setting limits for use of heavy elements like mercury and cadmium. The directive also mandated all toys sold in the EU to have a 'CE' marking, which serves as an assurance that the toy satisfies the essential safety requirements. Further, in 2023, the European Commission adopted a proposal to revise EU toy safety legislation aimed at achieving a higher level of child protection and reducing the number of non-compliant and unsafe toys on the EU market.

The UK has also amended its chemical requirements for toy safety, provisions of which are being implemented in phases. The regulations expand the number of allergenic fragrances to be restricted besides putting limits on certain chemicals content in toys.

Similarly, Australia, in 2023, amended the requirements for toys intended for children under three years of age. The standards have been made more stringent and requires the toy containing any type of battery, to have the battery compartment secured in such a way that the child is not able to access it. India too, made it mandatory for toys, whether domestically manufactured or imported, to meet Bureau of Indian Standards (BIS) safety norms since 2021.

- **Technological advancements:** Like other sectors, the toys industry is also riding on a wave of innovation. Interactive and technology driven toys, with augmented reality and virtual reality features are rapidly establishing their mark, globally. These toys provide immersive and engaging experiences to both children and adults alike. According to Mordor Intelligence, the smart toys market size is estimated to grow from US\$ 34.5 billion in 2024 to US\$ 109.9 billion by 2029, growing at CAGR of 26.1%.

The toy and gaming sector is also getting increasingly digitalised with leading toy companies paying considerable attention towards offering digital products and services besides their conventional product offerings.

For instance, many of the global toy companies² are focusing on video games, mobile applications, movies, etc. Similarly, a global firms³ is planning to create a new “intellectual property metaverse” that would establish communities for building deep, multifaceted connections.

Box 1: Toy and Play Trends for 2024

The Toy Association holds an annual “Toy Trends Briefing” to shed light on the latest trends in the industry which are predicted to drive sales, globally. For 2024, the trends highlighted by the Association are:-

1. Eco-lasting play: According to a survey undertaken by Toy Association on U.S. parents, 45% of parents under the age of 40 consider the environmental impact of a toy when making buying decisions. Thus, toymakers are expected to focus on sustainability, focusing on durability, craftsmanship, and a toy’s ability to adapt and grow with children as they age, among other factors.
2. Holistic play: Increasingly, toys are being preferred which besides promoting physical fitness, stimulate creativity, healthy emotional expression, and social interaction. Notably, many of the states in the USA are mandating play-based learning based on research that “playing with a purpose” leads to a deeper understanding of the curriculum.
3. Eerie Enchantment: Growing cultural interest in diverse genres across movies, TV, and literature is expected to see a surge in sales of toys in related categories that blur the lines between fantasy and reality.
4. Anime Mania: Anime is becoming popular with both teenagers and adults. The consumer community for anime is getting stronger and so is the demand for toys of these themes.

Source: The Toy Association

² Lego

³ Bandai Namco

China's Toy Story

China is estimated to account for about 70% of the global toy production⁴. In 2022, according to China's State Council Information Office, the retail sales in China's domestic market reached US\$ 12 billion, an on-year increase of 3.3%. In addition, China's exports to the world during the year equalled US\$ 83 billion.

China's dominance in the global toys market started to emerge from the 1980s, on the back of availability of cheap labour and strong policy push. Under the ambit of its 'Open Door Policy'⁵, China designated many coastal regions in its Guangdong and Fujian provinces as special economic zones in the year 1980. Based on the principles of free market system, these zones encouraged foreign investment, technology transfer and followed favourable tax policies.

Toys is one of the industries that received focus at the SEZs in Guangdong. Drawn by the lucrative incentives, several toy companies from Hong Kong and Taiwan moved their production to Guangdong and eventually multinationals began setting up their shops in the region.

China's accession to the World Trade Organization in 2001 gave further wings to the sector through rapid exports, eventually leading to China becoming the world's largest toy manufacturer. The Chenghai region in the Guangdong province, particularly, is a leading production hub of toys. Having presence of over 10,000 toy enterprises, the region is estimated to account for about 30% of the world's toys production⁶.

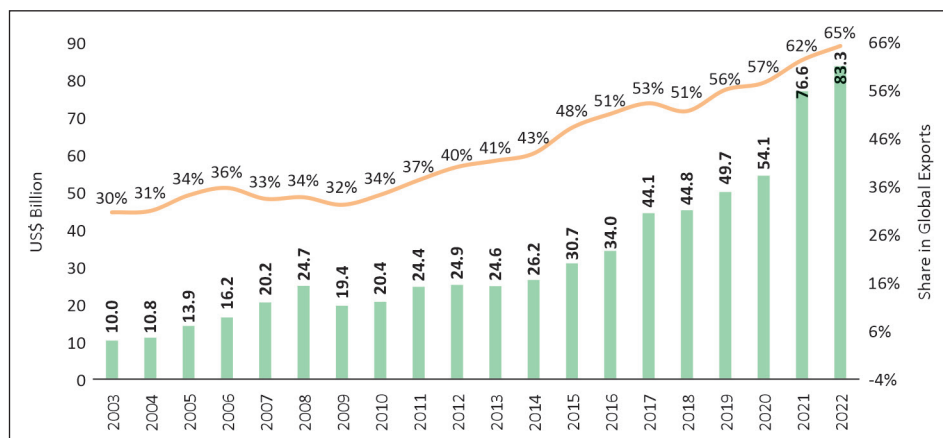
⁴ China's Toy Market. (2023). HKTDC Research

⁵ China's Open Door Policy, initiated in the late 1970s and further developed in the 1980s, was a set of economic reforms aimed at opening up China to foreign investment, trade, and technology. It marked a significant departure from the country's previous closed-door approach. Under the policy, China welcomed foreign businesses and encouraged economic cooperation with other nations.

⁶ Ibid.

The growth of China's toy industry may also be gauged by its export performance in the last two decades (Figure 3). China's global exports of toys⁷ have increased from US\$ 10 billion in 2003, 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. Most toy exports in China are produced for foreign brands on an Original Equipment Manufacturer (OEM) basis.

Figure 3: China's Global Exports of Toys



Source: ITC Trade Map; India Exim Bank Research

Other Top Producers

Besides China, the other top producers of toys globally are the USA, the Netherlands, Germany, the Czech Republic, Taiwan, and the UK.

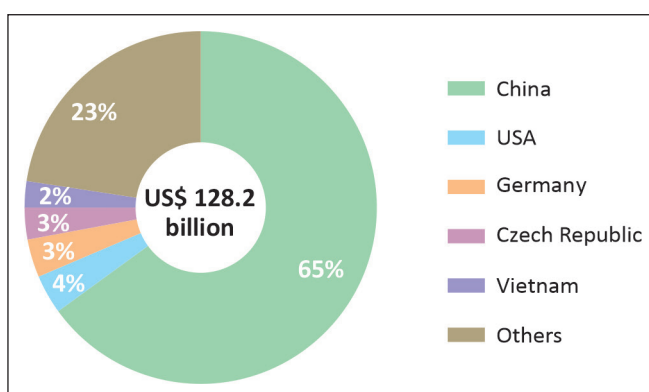
The toys sales in the USA stood at US\$ 28 billion in 2023, a decline of 8% y-o-y from the sales of US\$ 30.3 billion in 2022⁸. The top categories by sales were outdoor and sports toys; games and puzzles; infant, toddler, preschool toys; dolls; and building sets. However, a decline in sales was registered in categories like outdoor and sports toys, dolls, action figures, and explorative toys. Continued inflation and the resulting cautious spending trends are some of the reasons for the declining sales. Notably, in the last five years, the toy sales in the USA grew at an AAGR of 6.4%.

⁷ HS 9503, HS 9504, and HS 9505

⁸ Circana Research

The top exporting countries of toys in 2022, after China were the USA with exports of US\$ 4.6 billion during the year, Germany (US\$ 4.5 billion), the Czech Republic (US\$ 3.7 billion), Vietnam (US\$ 3.1 billion) and Japan (US\$ 3.1 billion) (Figure 4).

Figure 4: Top Global Toy Exporters



Source: ITC Trade Map; India Exim Bank Research

Segment wise, the top exporters of tricycles, scooters, pedal cars, and similar wheeled toys; dolls' carriages; dolls, and other toys (HS 9503) in 2022 were China with a share of 68% in global exports, followed by the Czech Republic (4.5%), Germany (3.4%), Vietnam (2.3%), and the Netherlands (2.3%).

For video game consoles and machines, table or parlour games and amusement machines operated by coins, banknotes etc. (HS 9504), the top exporters in 2022 were China with a share of 51.3% in global exports, the USA (7.4%), Japan (6.5%), Germany (4.7%), and Hong Kong (3.9%).

Lastly, for festival, carnival, or other entertainment articles (HS 9505), the top exporters in 2022 were China (86.8%), the Netherlands (2.2%), the USA (1.4%), India (0.9%), and Germany (0.9%).

As per fDi Markets, the USA is the largest recipient of investments in the toy (dolls, toys, and games) sector, globally, accounting for over 15% of total FDI during the period 2003- 2022. The other top recipients of FDI were China with

a share of about 11% in global FDI, Mexico (9%), Vietnam (6%), the UK (5%) and France (4%).

FDI into India was a meagre 1% of total global investments. Company-wise, Lego has been the top investor overseas, followed by Toys R Us, EurekaKids, Walt Disney, Smyths and Mattel. As regards source of investment for India, it was Denmark which reported to be the biggest investing country in toys during the period 2003-2022, followed by the USA, Spain, Japan, Hong Kong, the UK, Germany and Ireland.

India becoming a global toy manufacturing hub

The global value chain of toys is currently concentrated in a handful of countries, with China being the leading toy manufacturer. If the status quo remains, import dependence of countries like India in the toy sector, which is already high, will further exacerbate.

The myriad changes happening in the global toy industry provide significant opportunities to India to secure a greater position in the global toy market. India may also greatly capitalise on the prospects posed by major global toy manufacturers who are seeking to diversify their production hubs and are laying greater emphasis on sustainability, quality, and good governance.

By quickly adapting to the changing trends and drawing in foreign investments, India can place itself as a global toy manufacturing hub. Further, the competitive wages in India relative to other manufacturing countries, a large high-skilled talent base, improving ease of doing business, robust infrastructure, and a huge domestic market are already working as strong growth drivers in the sector.

Amidst this backdrop the Government of India is providing comprehensive support to promote 'Vocal for Local' in toys through various schemes, in a bid to end import dominance of the industry and register trade surplus. Toys have been recognised as one of the champion sectors with significant export potential. However, for rising as a global leader in the toy industry, a lot more needs to be done.

Against this backdrop, the Study attempts to identify the challenges faced by toy industry in India, and the opportunities present focusing both on traditional as well as modern toy segments. The study also brings forth the prevailing trade trends in the global toy industry and suggests a set of strategies that may enable India to boost production and exports in the sector and emerge as a leading toy manufacturer.

2. Indian Toy Industry

The Government of India, in line with its vision to 'Make in India' for an 'Aatmanirbhar Bharat', is increasingly focusing on tapping the immense export prospects of the toy industry and working towards establishing India as a global toy and gaming hub.

In fact, under the Make in India 2.0 initiative, toys have been recognised as one of the focus sub-sectors for promoting manufacturing and reducing import dependence.

While the domestic toy production data is not maintained centrally⁹, 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 2023-28¹⁰. India's rich legacy in toy-making coupled with cost competitiveness in labour, manufacturing prowess in polyester and related fibers, and policy push are strong driving forces for India to carve a successful manufacturing story for both traditional and modern toys.

Currently, the toy industry in India is highly fragmented, dominated by the unorganised sector which holds about 90% of the market share. Besides presence of global established market players in the Indian market such as Mattel and Lego, India's toy manufacturers are predominantly the MSMEs. Over 4000 in number, the toy industry units are concentrated mostly in NCR

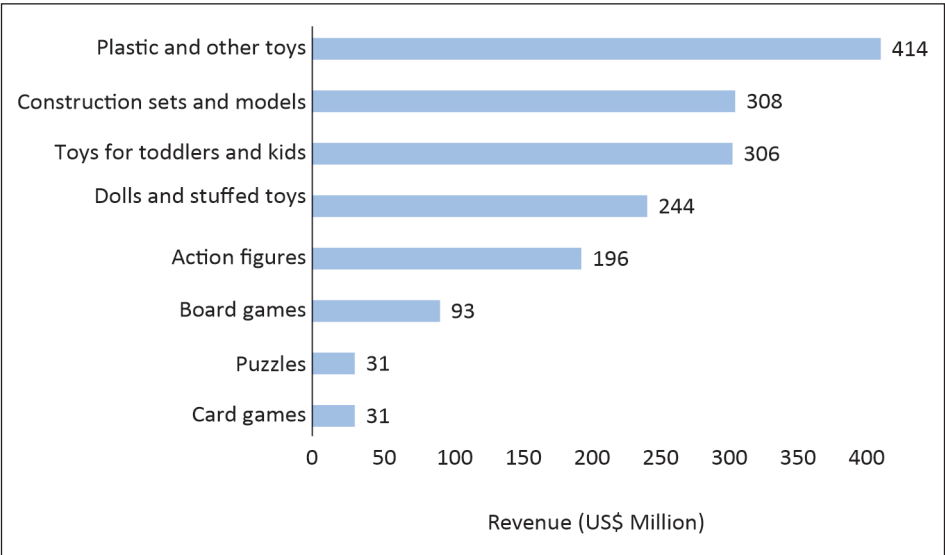
⁹ Ministry of Commerce & Industry's Response for Lok Sabha Unstarred Question no. 3222 answered on 9th August, 2023

¹⁰ Toy Manufacturing – Invest India

Delhi, Maharashtra, Karnataka, Tamil Nadu, and a few other clusters spread across the country¹¹.

The estimated market revenue of the toy industry in India in 2023 was estimated at US\$ 1.6 billion¹². The top toy segments in 2023 were plastic and other toys, construction sets and models, toys for toddlers and kids and dolls and stuffed toys (Figure 5). Toys categories such as dolls, soft toys, baby and infant toys, and board games are highly labour-intensive and there is substantial potential for manufacturing of these products in India.

Figure 5: India’s Estimated Revenue by Toy Market Type in 2023



Source: Statista Market Insights

India boasts of several traditional toy clusters which project the rich heritage of India (Table 1). These clusters are increasingly gaining importance as means for preserving India’s culture and for the commercial value that they can tap both in domestic and international markets.

¹¹ India achieving Aatmanirbharta in sunrise sectors: Toy and Gaming Sector, PIB (September 2022)

¹² Statista Market Insights

Table 1: Select Traditional Toy Clusters in India

State	Product
Andhra Pradesh	<ul style="list-style-type: none"> • Kondapalli - Wooden toys manufactured from softwood called Tella Poniki in the Krishna district. • Etikapokka - Wooden and lacquer toys manufactured in the Vishakhapatnam district.
Bihar	<ul style="list-style-type: none"> • Sikki - These are handicrafts created from Sikki or Golden grass, which is found in the Madhubani district.
Gujarat	<ul style="list-style-type: none"> • Thigda Dingla - These are dolls created from rag fabrics by women from Kutch households.
Karnataka	<ul style="list-style-type: none"> • Channapatna - Wooden toys made of ivory wood • Gokak toys - Wooden Fruits, vegetables, animals and birds made in Belgaum district
Maharashtra	<ul style="list-style-type: none"> • Sawantwadi - These are handcrafted wooden toys manufactured by residents of the Sindhudurg district.
Orissa	<ul style="list-style-type: none"> • Sambalpur - Wooden toys and dolls • Puri - Paper mache: wooden toys • Raghurajpur - Paper mache, clay and wood toys
Rajasthan	<ul style="list-style-type: none"> • Udaipur - Wooden toys • Bassi, Chittorgarh - Wooden toys
Tamil Nadu	<ul style="list-style-type: none"> • Choppu Saman - These tiny toys resemble miniature kitchen tools made of eucalyptus wood and have bright, polished edges. • Thanjavur dancing dolls - Type of bobblehead toys made of terracotta
West Bengal	<ul style="list-style-type: none"> • Natungram - Wooden dolls manufactured in the Purba Burdwan district. • Galar Putul and Babu Putul - Brightly coloured, these miniature dolls come in various forms of deities, animals, and humans.

Source: India Exim Bank Research

India also has several GI tagged products like the Channapatna, Kinhal, Etikoppaka, Kathputlis, among several others, belonging to different states like Karnataka, Telangana, Uttar Pradesh, and Rajasthan.

Table 2: Select GI Tagged Toys in India

GI Name	State
Channapatna Toys & Dolls	Karnataka
Nirmal Toys and Craft	Telangana
Leather Toys of Indore	Madhya Pradesh
Kinhal Toys	Karnataka
Leather Toys of Indore (Logo)	Madhya Pradesh
Varanasi Wooden Lacquerware & Toys	Uttar Pradesh
Etikoppaka Toys	Andhra Pradesh
Kathputlis of Rajasthan (Logo)	Rajasthan
Thanjavur Doll	Tamil Nadu
Kondapalli Bommallu	Andhra Pradesh
Ganjifa Cards of Mysore	Karnataka

Source: Intellectual Property India, DPIIT; India Exim Bank Research

Overall, the toy industry is composed of a large number of indigenous manufacturers in the unorganised sector and a few leading global companies in the organised sector. Although the domestic market is largely dominated by foreign players, there are several Indian toy manufacturers and growing number of toy start-ups contributing to the expansion of the industry.

Growth Drivers of India's Toy Industry

The toy industry in India is booming owing to several favourable factors. India's growing young population is seen as a major growth driver for toy manufacturing. As per the World Bank, 25.3% of India's total population fell within the age bracket of 0-14 years in 2022. This growing consumer base provides huge opportunity for toy manufacturers to produce traditional toy products as well as modern toys with innovative technology.

The e-commerce market of India, estimated to expand to US\$ 325 billion by 2030 is also expected to prove to be a popular sales channel for such toys given the particularly rapid growth of toy demand in tier-2 and tier-3 cities¹³.

¹³ Future of Retail - Emerging Landscape of Omni-Channel Commerce in India, Deloitte (June 2023)

The rising interest in STEM (Science, Technology, Engineering and Mathematics) toys coupled with the National Education Policy's emphasis on integrating the use of toys in the academic curriculum, is another major growth driver for the industry.

Box 2: Introduction of Toy Based Pedagogy in India

The National Council for Educational Research and Training (NCERT) has developed a handbook on toy-based pedagogy to promote the integration of indigenous toys and their pedagogy into the curriculum of school education, early childhood care and education, and teacher education. This will help teachers to select or create age-appropriate toys to explain various concepts to students. The handbook, besides describing the basic framework of toy-based pedagogy and experiential learning, also sheds light on how a variety of toys, especially the indigenous ones can be used at different stages of learning for the children.

For instance, the handbook illustrates how a game of Ludo can help teachers to teach mathematics skills like counting, addition, doubles etc. Similarly, the handbook has identified numerous toys and games such as nesting dolls, puzzles, rattles, balls, rocking horses, push and pull toys, audio story books, picture and memory cards, and abacus, among others, for enabling experiential and effective learning in schools.

These developments are slated to provide a huge impetus to the segment of educational toys in India.

The recently signed India-UAE CEPA and the India-Australia ECTA, both of which provide zero-duty market access to India manufactured toys, is another development which will likely facilitate the expansion of India's toy industry.

Further, the US retail giant Walmart aims to triple its exports from India to US\$ 10 billion over the period 2020-27, with domestically manufactured toys holding a major share, thereby aiding growth of India's MSMEs¹⁴.

¹⁴ Toys to have major share in Walmart's \$10 bn Indian exports target: DPIIT, Business Standard (January 2024)

Industry Specific Initiatives by the Government of India

The Government of India has been providing major policy push to tap the potential of India's toy industry. In 2020, it emphasised on increasing the production of indigenous toys while calling upon start-up entrepreneurs to "team up for toys". Following are among the various policy initiatives implemented pertaining to this sector -

- **National Toy Action Plan (NAPT)**

- ❑ Formulated by DPIIT, Government of India, the NAPT aims to provide comprehensive support to make India a global toy manufacturing hub, in line with the vision of 'Vocal for Local'. This plan involves 21 specific action points, being implemented in collaboration with 14 central Ministries/Departments including Textiles, Science and Technology, MSME, Women and Child Development, Education, and Information and Broadcasting, amongst others.
- ❑ The plan aims to promote designing of toys based on Indian values, culture, and history, using toys as a learning resource, organizing hackathons, and grand challenges for toys designing and manufacturing, monitoring quality of toys, restricting imports of sub-standard and unsafe toys, promoting indigenous toy clusters, boosting local manufacturing and incentivising toy manufacturers, among others.¹⁵

- **Scheme of Funds for Regeneration of Traditional Industries (SFURTI)**

- ❑ Being implemented by the Ministry of Micro, Small and Medium Enterprises, the scheme aids the creation of Common Facility Centres with the latest machines, design centres and skill development, to boost the growth of India's toy industry.
- ❑ The Ministry of Textiles is also providing need-based support to Toy Clusters in areas of designing and tooling, among others, to support the sustainable development of handicraft artisans.

¹⁵ Press Information Bureau (PIB)

- ❑ As on February 2023, under this scheme, 19 toy clusters spread across the country have been approved benefitting about 11,749 artisans with an outlay of ₹55.65 crores. Of all such approved toy clusters, 9 are located in Madhya Pradesh, 3 in Rajasthan, 2 in Uttar Pradesh, 2 in Karnataka and 1 each in Andhra Pradesh, Maharashtra and Tamil Nadu.
- ❑ Besides, two other major clusters are being established. In 2021, the foundation for India's first toy cluster, a self-reliant toy manufacturing ecosystem in the country was laid in Koppal, Karnataka by Aequs Infra. This cluster provides the required infrastructure including power, water, internal roads, and waste disposal facilities, as well as common facilities like customs, security, and a Centre of Excellence. The Koppal Toy Cluster (KTC) is expected to generate over 25,000 direct jobs, in addition to the 100,000 lakh indirect jobs, over a decade¹⁶. Spanning across 100 acres, another toy cluster is being developed by the Yamuna Expressway Industrial Development Authority (YEIDA) in Noida, the foundation stone of which was laid in September 2023¹⁷.

- **Mandatory Quality Certification**

- ❑ With the objective of restricting unsafe toy imports while also promoting the domestic manufacturing of toys, DPIIT implemented the Toys (Quality Control) Order, 2020, effective from January 2021.
- ❑ The QCO stipulates that toys catering to children of age group 0-14 years must conform to the physical, chemical, and electrical standards of safety set by the Bureau of Indian Standards (BIS) and bear the ISI Mark.
- ❑ It may be noted that goods manufactured and sold by artisans registered with Development Commissioner, Ministry of Textiles as well as products registered as Geographical Indication (GI) are exempted from this control.

¹⁶ Aequs

¹⁷ 142 plots handed over in Toy Park, units to start in a year, Times of India (September 2023)

- **Rise in Import Duty**

- ❑ The Basic Customs Duty (BCD) imposed on toys (HS 9503) was increased from 20% to 60% in February 2020, and subsequently to 70% in March 2023. This is expected to boost domestic manufacturing of toys and aid export growth by reducing import dependency.

- **District as Export Hubs (DEH)**

- ❑ The DEH initiative aims at converting each district into an export hub through identification of products/services from each district, constitution of District Export Promotion Committees, preparation of District Export Action Plans and providing infrastructural support along with skill development. Toys as products with high export potential have been identified in 16 districts in India under the initiative. These include –

Table 3: Districts with Export Potential for Toys under DEH

District	State	Identified Product
Krishna	Andhra Pradesh	Kondapalli Toys
Visakhapatnam	Andhra Pradesh	Etikoppaka Toys
Dhubri	Assam	Terracota Toys
Koppal	Karnataka	Plastic & Electronic Toys, Kinhal Toys
Ramanagara	Karnataka	Channapattana Toys and Dolls, Lacquer Toys
Indore	Madhya Pradesh	Leather Toys
Bishnupur	Manipur	Toys and Dolls
Imphal east	Manipur	Toys and Dolls
Imphal west	Manipur	Toys and Dolls
Jaipur	Rajasthan	Toys
Adilabad	Telangana	Nirmal Toys
Nirmal	Telangana	Nirmal Toys
Chitrakoot	Uttar Pradesh	Wooden Toys
Jhansi	Uttar Pradesh	Soft Toys
Varanasi	Uttar Pradesh	Lacquerware & Toys
Thanjavur	Tamil Nadu	Thanjavur Dolls

Source: DEH

Other government initiatives include the Directorate General of Foreign Trade (DGFT) mandated sample testing of each import consignment to limit sub-standard imports; granting of licenses to both domestic and international manufacturers; and promotional activities such as the Indian Toy Fair and Toycathon.

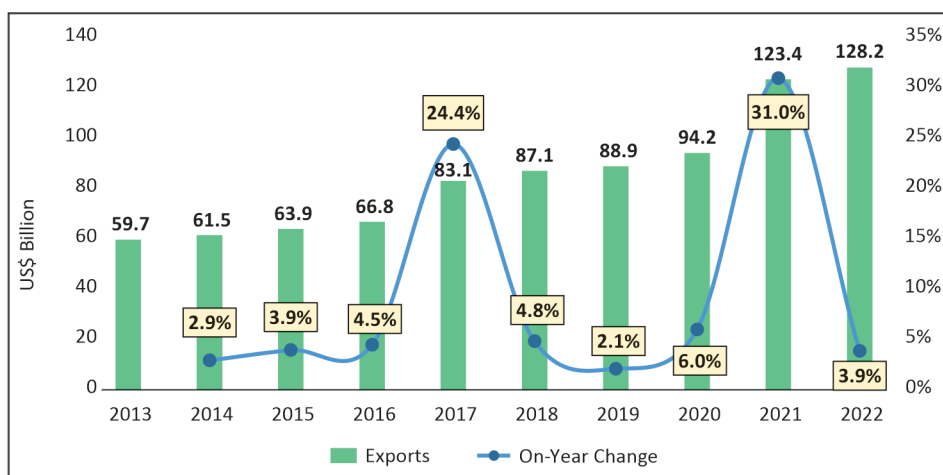
Overall, India has to its advantage several factors which coupled with the right policy initiatives are expected to provide an impetus to toy manufacturing in the country.

3. Global Trade Trends of Toys

Global Trade in Toys

Toys is a vibrant industry globally, as evident by its rapidly growing exports. The global exports of toys (HS 9503, 9504 and 9505)¹⁸ have more than doubled from US\$ 59.7 billion, a decade ago to US\$ 128.2 billion in 2022, growing at a robust AAGR of 9.3% during 2013-2022 (Figure 6).

Figure 6: World Exports of Toys



Source: ITC Trade Map; India Exim Bank Research

¹⁸ HS 9503 - tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; reduced-size "scale" recreational models, puzzles of all kinds; HS 9504 - Video game consoles and machines, table or parlour games, incl. pinball machines, billiards, special tables for casino games and automatic bowling equipment, amusement machines operated by coins, banknotes, bank cards, tokens or by any other means of payment; HS 9505 - Festival, carnival or other entertainment articles, incl. conjuring tricks and novelty jokes

The three toy segments considered in the Study include HS 9503: tricycles, pedal cars and similar wheeled toys, dolls, reduced-size scale recreational models, puzzles and others; HS 9504: video game consoles and machines, parlour games, and amusement machines; and HS 9505: festival, carnival and other entertainment articles.

Among these, the global exports of wheeled toys, dolls, recreational models and others have remained the highest, at US\$ 71.1 billion in 2022, constituting a share of 55% in total exports of toys, up from 31% in 2013.

Exports of video game consoles and machines, parlour games, and amusement machines, at US\$ 41.2 billion constituted a share of 32% in global toy exports, and exports of festivals, carnivals and other entertainment articles, at US\$ 15.9 billion, constituted a share of 12% in total toy exports in 2022 (Table 4).

Table 4: Category-wise Global Exports of Toys (in US\$ Billion)

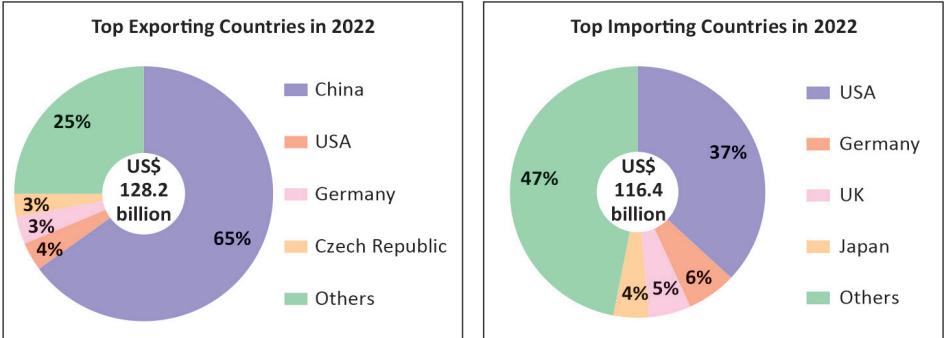
	Exports in 2013	Share in Toys' Exports (2013)	Exports in 2022	Share in Toys' Exports (2022)
HS 9503: Tricycles, pedal cars and similar wheeled toys, dolls, reduced-size scale recreational models, puzzles and others	31.1	52%	71.1	55%
HS 9504: Video game consoles and machines, parlour games, and amusement machines	23.3	39%	41.2	32%
HS 9505: Festival, carnival and other entertainment articles	5.3	9%	15.9	12%
Total	59.7	100%	128.2	100%

Source: ITC Trade Map; India Exim Bank Research

Globally, China has remained the undisputed leader in toy exports. China's share in global toy exports increased from 41% in 2013 to 65% in 2022. The top importing countries in 2022, on the other hand, were the USA with a share of 37% in global imports, Germany (6%), the UK (5%), Japan (5%), and France (4%) (Figure 7). Interestingly while the USA and Germany are both top

exporters and importers, China remains an exporter only and is not a key importer.

Figure 7: Top Trading Countries in Toys



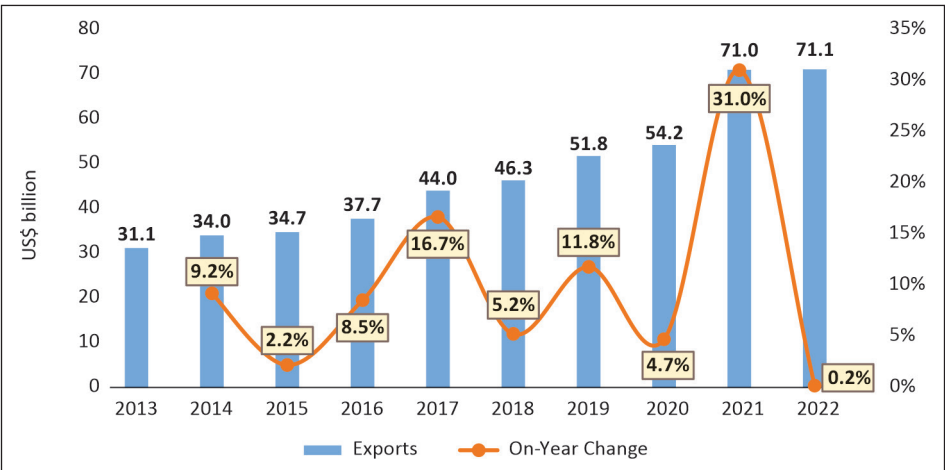
Source: ITC Trade Map; India Exim Bank Research

Segment-wise Trade

1. HS 9503: Tricycles, scooters, pedal cars and similar wheeled toys; dolls’ carriages; dolls; other toys; reduced-size “scale” recreational models, working or not; puzzles of all kinds)

During the period, 2013 to 2022, the global exports of tricycles, pedal cars and similar wheeled toys, dolls, reduced-size scale recreational models,

Figure 8: Global Export Trends of Wheeled Toys, Dolls, Recreational Models, Puzzles and Others (HS 9503)



Source: ITC Trade Map; India Exim Bank Research

puzzles and others have seen a steady rise. The global exports have risen from US\$ 31.1 billion in 2013 to US\$ 71.1 billion in 2022, growing at an AAGR of 9.9%.

The exports in the segment are largely flowing from China, amounting to US\$ 48.4 billion in 2022, a share of 68% in global exports. The other top exporting countries albeit with substantially lesser shares were the Czech Republic (4.5%), Germany (3.4%), Vietnam (2.3%) and the Netherlands (1.6%) (Table 5).

The largest importer in the segment, on the other hand, was the USA holding a share of almost 35% in global imports amounting to US\$ 22.2 billion, followed by Germany (6.4%), the UK (5.1%), Japan (4.4%) and France (4.3%).

Table 5: Top Global Exporters and Importers of Wheeled Toys, Dolls, Recreational Models, Puzzles and Others (HS 9503) in 2022

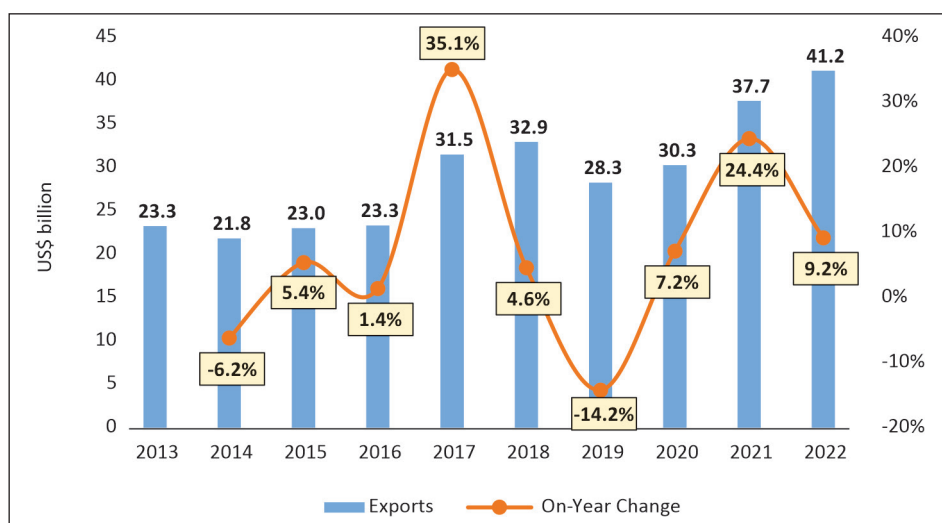
Exporter	Export Value (US\$ billion)	Share (%) in Total Global Exports	Importer	Import Value (US\$ billion)	Share (%) in Total Global Imports
World	71.1	100.0%	World	63.5	100.0%
China	48.4	68.0%	USA	22.2	34.9%
Czech Republic	3.2	4.5%	Germany	4.1	6.4%
Germany	2.4	3.4%	UK	3.2	5.1%
Vietnam	1.7	2.3%	Japan	2.8	4.4%
Netherlands	1.6	2.3%	France	2.7	4.3%
USA	1.4	1.9%	Canada	2.0	3.1%
Poland	1.1	1.6%	Netherlands	1.8	2.9%
Hong Kong	1.1	1.6%	Poland	1.7	2.7%
Mexico	0.9	1.2%	Italy	1.4	2.1%
Belgium	0.9	1.2%	Czech Republic	1.4	2.1%
Others	8.6	12.0%	Others	20.3	32.1%

Source: ITC Trade Map; India Exim Bank Research

2. HS 9504: Video game consoles and machines, parlour games, and amusement machines

Over the period 2013-22, the global exports of video game consoles and machines, parlour games, and amusement machines (HS 9504) have grown from US\$ 23.3 billion in the start of the decade to US\$ 41.2 billion in 2022, at an AAGR of 7.4%. The most significant jump in exports was seen in 2017, amounting to US\$ 31.5 billion, having grown at 35.1% from the previous year.

Figure 9: Global Trade of Video Game Consoles and Machines, Parlour Games, and Amusement Machines (HS 9504)



Source: ITC Trade Map and India Exim Bank Research

Similar to the trend in HS 9503, the global exports of HS 9504 are also concentrated in China. China accounted for half of the global exports of video games consoles and machines, parlour games, and other amusement machines with an export value of US\$ 21.1 billion in 2022. The other major exporters worldwide held substantially lesser shares in 2022 – USA (7.4%), Japan (6.5%), Germany (4.7%) and Hong Kong (3.9%).

As for major global importers in the same year, the USA topped the list, importing almost US\$ 15 billion with a share of 35.3% in 2022. The other

major global importers included Germany (7.1%), the UK (5.9%), Japan (5.6%) and France (3.8%).

Table 6: Top Global Exporters and Importers of Video Game Consoles and Machines, Parlour Games, and Amusement Machines (HS 9504) in 2022

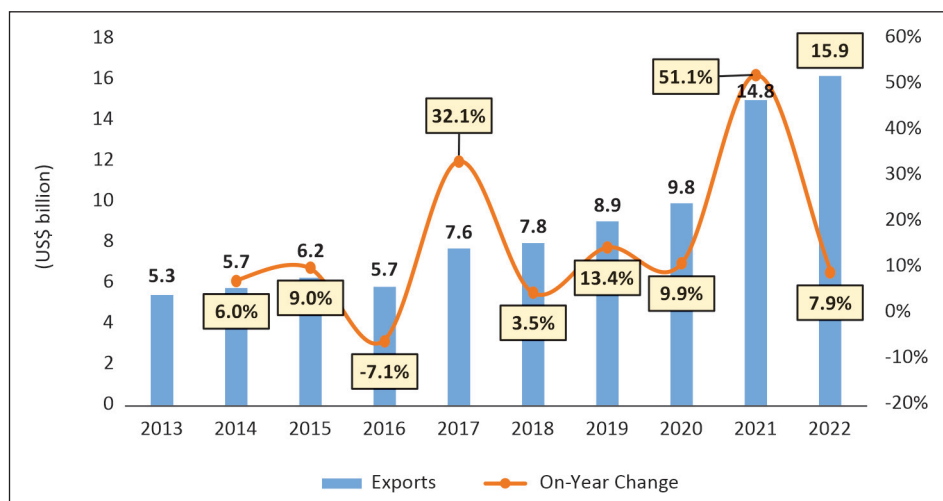
Exporter	Export Value (US\$ billion)	Share (%) in Total Global Exports	Importer	Import Value (US\$ billion)	Share (%) in Total Global Imports
World	41.2	100.0%	World	41.9	100.0%
China	21.1	51.3%	USA	14.8	35.3%
USA	3.0	7.4%	Germany	3.0	7.1%
Japan	2.7	6.5%	UK	2.5	5.9%
Germany	1.9	4.7%	Japan	2.4	5.6%
Hong Kong	1.6	3.9%	France	1.6	3.8%
Vietnam	1.4	3.3%	Canada	1.4	3.3%
Poland	1.4	3.3%	Poland	1.3	3.1%
Spain	0.8	2.0%	Spain	1.3	3.0%
Netherlands	0.8	2.0%	Netherlands	1.3	3.0%
UK	0.6	1.5%	Hong Kong	1.2	2.9%
Others	5.7	13.9%	Others	11.3	26.9%

Source: ITC Trade Map; India Exim Bank Research

3. HS 9505: Festival, carnival and other entertainment articles

The global exports of festival, carnival and other entertainment articles (HS 9505) have seen a steady increase over the last decade, growing from US\$ 5.3 billion in 2013 to US\$ 15.9 billion in 2022, at an AAGR of 14%. The largest increase in global exports of these products was seen post the COVID-19 pandemic in 2021 amounting to US\$ 14.8 billion, growing by 51.1% from the previous year. The exports further rose to US\$ 15.9 billion in 2022 (Figure 10).

Figure 10: Global Trade Trends of Festival, Carnival and Other Entertainment Articles (HS 9505)



Source: ITC Trade Map; India Exim Bank Research

In 2022, global exports of festival, carnival and other entertainment articles (HS 9505) were highly concentrated. China alone accounted for a share of almost 87% in global exports in the segment, with an export value of US\$ 13.8 billion. India was the 4th largest exporter for the product category holding a global share of approximately 1%. As for imports, the USA imported over half of the global imports of festival, carnival and other entertainment articles with an import value of US\$ 6.1 billion in 2022 (Table 7).

Table 7: Top Global Exporters and Importers of Festival, Carnival and Other Entertainment Articles (HS 9505) in 2022

Exporter	Export Value (US\$ billion)	Share (%) in Total Global Exports	Importer	Import Value (US\$ billion)	Share (%) in Total Global Imports
World	15.9	100.0%	World	11.0	100.0%
China	13.8	86.8%	USA	6.1	55.2%
Netherlands	0.3	2.2%	UK	0.6	5.0%
USA	0.2	1.4%	Canada	0.5	4.4%

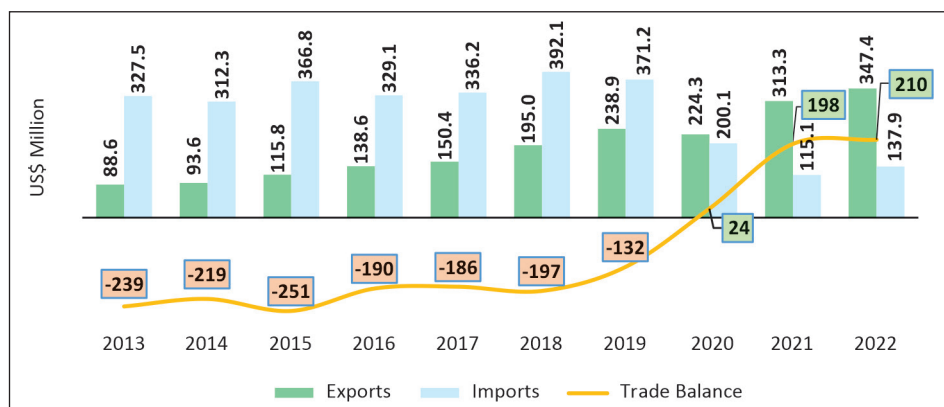
Exporter	Export Value (US\$ billion)	Share (%) in Total Global Exports	Importer	Import Value (US\$ billion)	Share (%) in Total Global Imports
India	0.1	0.9%	Netherlands	0.3	3.1%
Germany	0.1	0.9%	Germany	0.3	2.9%
Poland	0.1	0.7%	France	0.3	2.7%
Saudi Arabia	0.1	0.5%	Italy	0.3	2.3%
Belgium	0.1	0.5%	Australia	0.2	1.5%
Spain	0.1	0.5%	Mexico	0.2	1.5%
Mexico	0.1	0.4%	Spain	0.1	1.3%
Others	0.8	5.2%	Others	2.2	20.0%

Source: ITC Trade Map; India Exim Bank Research

4. India's Trade in Toys

India's foreign trade performance during the last decade has seen a dramatic change, with the industry registering a trade surplus from 2020 onwards as against high trade deficits seen previously (Figure 11). Exports of toys from India increased from US\$ 88.6 million in 2013 to US\$ 347.4 million in 2022, growing at an AAGR of 17.1% during the period. However, India's exports 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, and further to 70% in March 2023.

Figure 11: India's Trade in Toys



Source: ITC Trade Map; India Exim Bank Research

In FY 2023, the state wise distribution of toy exports of India is listed in Table 8. Karnataka was the highest exporting state in India for tricycles, pedal cars and similar wheeled toys, dolls, reduced-size scale recreational models,

puzzles and others (HS 9503) in FY 2023, followed by Maharashtra, Tamil Nadu and Uttar Pradesh. For video game consoles and machines, parlour games, and amusement machines (HS 9504), Maharashtra was the top exporting state and accounted for about 40% of India's exports in the segment during FY 2023. For festival, carnival and other entertainment articles, Uttar Pradesh was the top exporter with a share of 50% in India's exports in the segment in FY 2023.

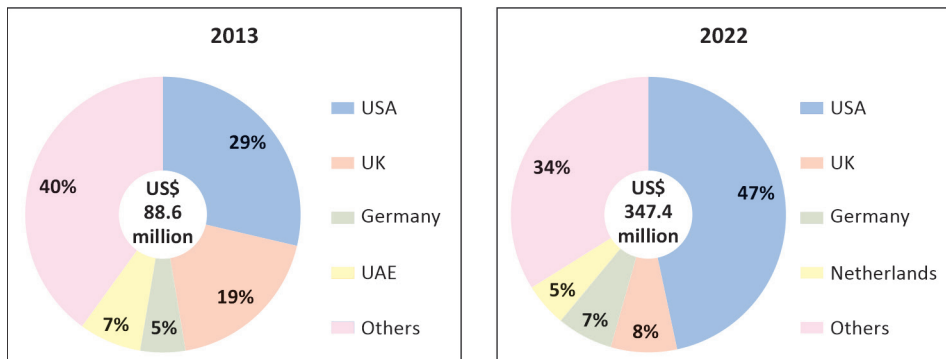
Table 8: State-wise Toy Exports of India in FY 2023

HS Code	Product	Total Exports (US\$ million)	Shares of Top Exporting States (%)
9503	Tricycles, pedal cars and similar wheeled toys, dolls, reduced-size scale recreational models, puzzles and others	153.9	Karnataka (36.0%), Maharashtra (23.8%), Tamil Nadu (13.7%), Uttar Pradesh (7.8%)
9504	Video game consoles and machines, parlour games, and amusement machines	34.4	Maharashtra (40.1%), Gujarat (19.5%), Punjab (14.5%), Uttar Pradesh (12.3%)
9505	Festival, carnival and other entertainment articles	137.4	Uttar Pradesh (50.4%), Rajasthan (13.4%), Delhi (11.8%), Haryana (11.1%)
Total		325.7	

Source: DGCIS; India Exim Bank Research

Destination-wise, the USA has increasingly become a key export market for India, with its share in India's toy exports increasing from 29% in 2013 to 47% in 2022 (Figure 12). In contrast, although the UK has remained the second largest export destination, its share in India's total exports has reduced from 19% in 2013 to 8% in 2022. Further, European nations like the Netherlands, Denmark and Sweden have emerged as the top ten toy export destinations for India in 2022 besides Mexico.

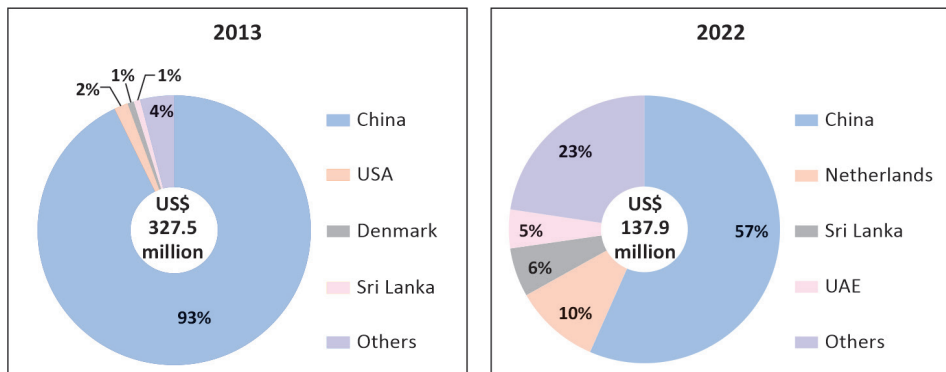
Figure 12: India's Top Export Destinations for Toys



Source: ITC Trade Map; India Exim Bank Research

For imports, India's sources have become more diversified during the past decade. As compared to 2013, when 93% of the toy imports were from China, in 2022, China's share reduced to 57% with the Netherlands, Sri Lanka, the UAE and the USA, among others, emerging as important import sources (Figure 13).

Figure 13: India's Top Import Sources for Toys

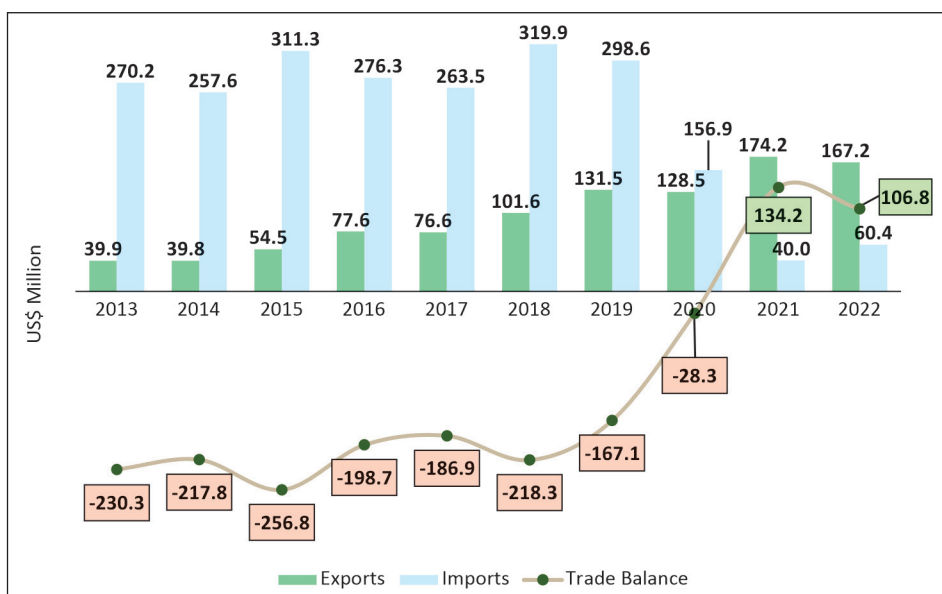


Source: ITC Trade Map; India Exim Bank Research

Coming to India, over the past decade, India's global trade in wheeled toys, dolls, recreational models, puzzles and others (HS 9503) has witnessed substantial shifts - particularly pre and post 2020 - owing to the Government of India's interventions and initiatives in the toy industry, among other such factors. Overall, from 2013 to 2022, India's exports of toys have grown considerably at an AAGR of 18.8%, from US\$ 39.9 million in 2013 to

US\$ 167.2 million in 2022. Notably, the imports have contracted by an AAGR of 6.2% during the period, from US\$ 270.2 million in 2013 to US\$ 60.4 million in 2022. (Figure 14).

Figure 14: India's Trade in Wheeled Toys, Dolls, Recreational Models, Puzzles and Others (HS 9503)



Source: ITC Trade Map and India Exim Bank Research

Consequently, India has seen a decreasing trend in the trade deficit in wheeled toys, dolls, recreational models, puzzles and others, falling from US\$ 230.3 million in 2013 to US\$ 28.3 million in 2020 (Figure 14). From 2021 onwards, India recorded a trade surplus in the segment, at US\$ 134.2 million in 2021 and US\$ 106.8 million in 2022. This may be attributed to the rise in the basic customs duty (BCD) imposed on HS 9503 from 20% to 60% in early 2020, among other factors. In 2023, the BCD on toys was further increased to 70%.

For HS 9503, at 6-digit level, India trades only one product namely, tricycles, scooters, pedal cars and similar wheeled toys (HS 950300) (Table 9). Karnataka is observed to export 36% of all such toys in FY 2023, followed by Maharashtra (23.8%) and Tamil Nadu (13.7%).

Table 9: India's State-wise Exports of Wheeled Toys, Dolls, Recreational Models, Puzzles and Others (HS 9503) at 6-digit HS Code level in FY 2023

HS Code	Product	State	Export Value (in US\$ million)	Share (%)
950300	Tricycles, Scooters, Pedal Cars and Similar Wheeled Toys	Karnataka	55.4	36.0%
		Maharashtra	36.7	23.8%
		Tamil Nadu	21.1	13.7%
		Uttar Pradesh	12.0	7.8%
		Haryana	5.8	3.8%

Source: DGCIS; India Exim Bank Research

Table 10 lists out India's top district wise toy exports at 8-digit level for FY 2022 and 2023, as well as for FY 2024 till October 2023. As shown, Karnataka dominates the list with the presence of manufacturing districts like Belagavi and Ramanagara. Belagavi is known to have a manufacturing facility for plastic toys in the district's aerospace SEZ while Ramanagara, also known as the 'Toy-City' of Karnataka, is famous for the handmade lacquer wooden toys called Channapatna toys.

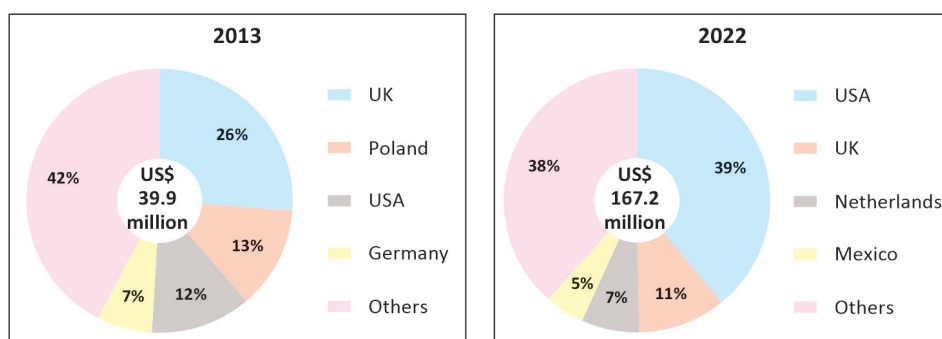
Table 10: India's Top District-wise Toy Export of HS 9503 at 8-digit HS Code Level

Year	State	District	ITCHS Code	Product	Export Value (US\$ million)
2021-22	Karnataka	Belagavi	95030090	Other	24.2
	Karnataka	Ramanagara	95030030	Dolls of Plastic	29.9
2022-23	Karnataka	Belagavi	95030020	Dolls of Metal	14.9
	Karnataka	Ramanagara	95030020	Dolls of Metal	10.9
	Odisha	Deogarh	95030020	Dolls of Metal	0.04
2023-24 (Up to Oct 2023)	Karnataka	Belagavi	95030020	Non-Electronic Toys etc.	10.7

Source: Ministry of Commerce & Industry, Government of India

Destination-wise, in 2022, the USA accounted for the largest share of India's exports in the segment, holding a share of 39.1%, followed by the UK (10.7%), the Netherlands (7.0%), Mexico (4.8%) and Germany (4.4%) (Figure 15). In comparison to 2013, the USA saw its share in India's total toy exports more than triple from 12.2% of total exports to 39.1% while that of the UK fell more than half its share in 2022 – from 26.2% of total exports to 10.7% in 2022.

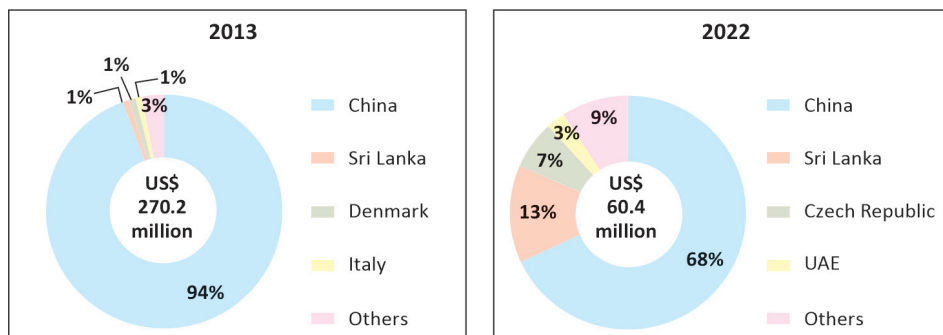
Figure 15: India's Top Export Destination for Wheeled Toys, Dolls, Recreational Models, Puzzles and Others (HS 9503): 2013 & 2022



Source: ITC Trade Map; India Exim Bank Research

India's import sources for wheeled toys, dolls, recreational models, puzzles and others are highly concentrated (Figure 16). China held a share of 68.1% in India's total toy imports at US\$ 41.1 million in 2022. This is also in line with China being the world's largest exporter of the segment in the same year. Nevertheless, India's import dependence on China in the category has reduced significantly, in relative terms, as observed by the drop in the share of total toy imports – 94.3% in 2013 to 68.1% in 2022. In 2022, there was a relative diversification in India's top toy import sources with countries like Sri Lanka, Czech Republic, the UAE and Malaysia being among the other major import sources.

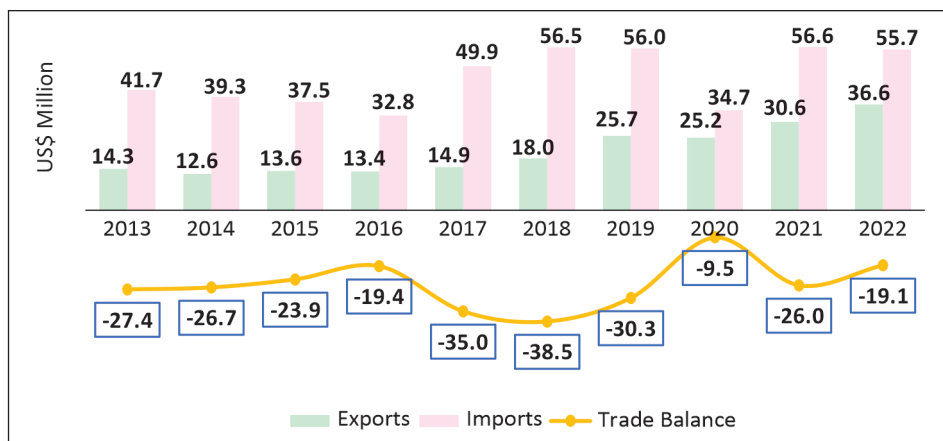
Figure 16: India's Top Import Sources for Wheeled Toys, Dolls, Recreational Models, Puzzles and Others (HS 9503): 2013 & 2022



Source: ITC Trade Map; India Exim Bank Research

Over the time period of 2013 to 2022, India has been a net importer of video game consoles and machines, parlour games, and amusement machines (HS 9504). Imports in the segment grew at an AAGR of 7.2%, from US\$ 41.7 million to US\$ 55.7 million, seeing substantial fall during the COVID-19 pandemic in 2020 before reaching pre-pandemic levels in 2021. India's exports of video game consoles grew at a relatively higher rate of 12.1% from US\$ 14.3 million in 2013 to US\$ 36.6 million in 2022 (Figure 17).

Figure 17: India's Trade in Video Game Consoles and Machines, Parlour Games, and Amusement Machines (HS 9504)



Source: ITC Trade Map; India Exim Bank Research

At the 6-digit HS code level, other articles for casino game, parlour game etc. (HS 950490) accounted for the largest share of exports at 62.7% in FY 2023, followed by playing cards (HS 950440) at 28.4%. Maharashtra was the top exporter of other articles for casino game, and parlour games in FY 2023, with a share of 44.2% in India's exports. Maharashtra was also the leading exporting state for video games consoles and machines. Gujarat was the leading exporter of playing cards and other games operated by coins, bank notes, bank cards, and Uttar Pradesh led in exports of articles and accessories for billiard (Table 11).

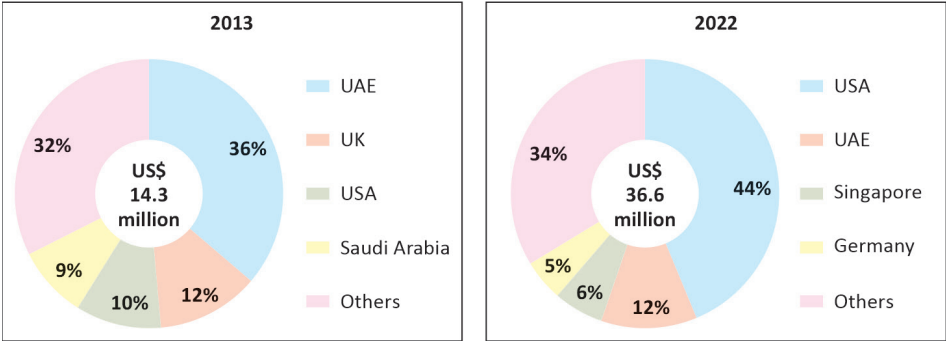
Table 11: India's State-wise Exports of Video Game Consoles and Machines, Parlour Games, and Amusement Machines (HS 9504) at 6-digit HS Code level in FY 2023

HS Code	Product	Export Value (in US\$ million)	Share (%) in Total HS 9504 Exports	Top State Exporters
950420	Articles and accessories for billiard	0.4	1.2%	Uttar Pradesh (46.0%), Delhi (30.9%), West Bengal (10.5%), Maharashtra (7.2%)
950430	Other games, operated by coins, bank notes, bank cards	1.8	5.3%	Gujarat (84.1%), Punjab (4.8%), Telangana (2.5%), Maharashtra (2.3%)
950440	Playing cards	9.8	28.4%	Gujarat (45.7%), Maharashtra (36.8%), Delhi (5.0%), Uttar Pradesh (4.7%)
950450	Video game consoles and machines	0.8	2.3%	Maharashtra (72.7%), Uttar Pradesh (12.7%), Delhi (9.3%), Haryana (4.4%)
950490	Other articles for casino game, parlour game etc.	21.6	62.7%	Maharashtra (44.2%), Punjab (22.7%), Uttar Pradesh (16.0%), Haryana (5.1%)
Total		34.4	100.0%	

Source: DGCIS; India Exim Bank Research

India’s largest export destination for video game consoles and machines, parlour games, and amusement machines (HS 9504) in 2013 was the UAE with a share of 36.2% in exports in the segment during the year. In 2022, UAE dropped to being the 2nd largest export destination, with the USA occupying the top spot with a larger share of 43.7%. The duty-free access granted by the UAE to India’s toys under the India-UAE Comprehensive Economic Partnership Agreement (CEPA) presents an opportunity to the Indian toy exporters to further increase exports to the UAE.

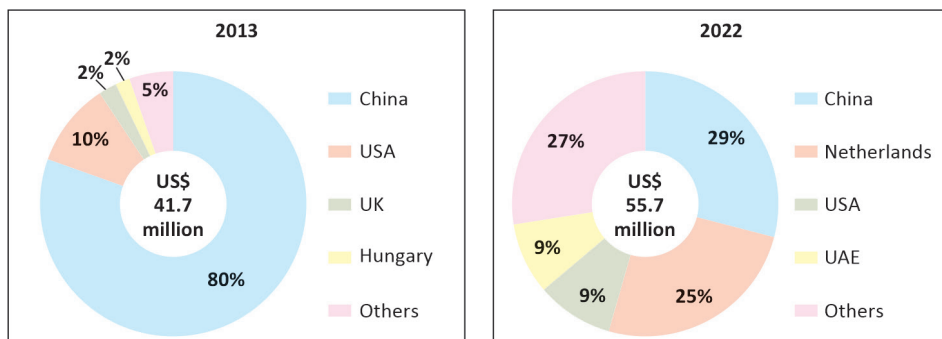
Figure 18: India’s Top Export Destination for Video Game Consoles and Machines, Parlour Games, and Amusement Machines (HS 9504): 2013 & 2022



Source: ITC Trade Map; India Exim Bank Research

India’s import sources of video game consoles and machines, parlour games, and amusement machines (HS 9504) have seen significant diversification over the decade. In 2013, India saw immense import dependency on China with over 80% of the imports coming from the country. In 2022, despite China still being the leading import source for India’s video game consoles and machines, parlour games, and amusement machines, the share decreased significantly to 29.1%, followed closely by the Netherlands (25.4%).

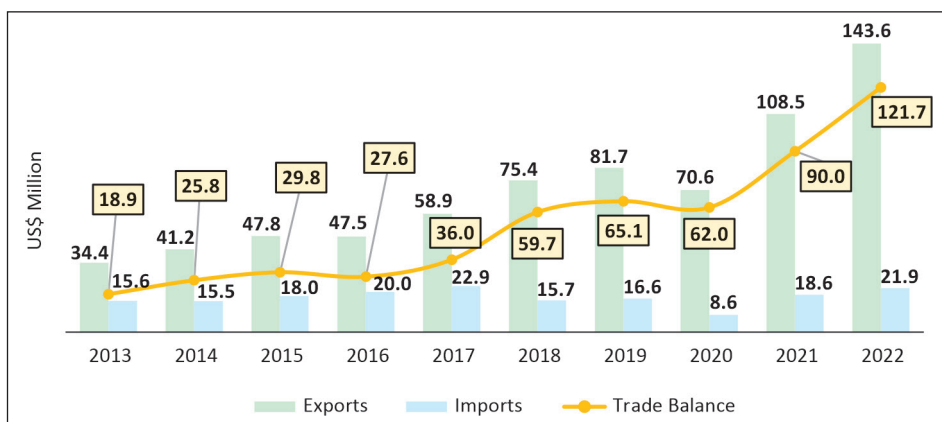
Figure 19: India's Top Import Sources for Video Game Consoles and Machines, Parlour Games, and Amusement Machines (HS 9504): 2013 & 2022



Source: ITC Trade Map; India Exim Bank Research

Over the time period of 2013-22, India has maintained a consistent surplus in the trade of festival, carnival and other entertainment articles (HS 9505), with the surplus rising from US\$ 18.9 million in 2013 to stand at US\$ 121.7 million in 2022. Overall, India's exports of these products witnessed a steady increase over the decade, growing from US\$ 34.4 million in 2013 to its highest value of US\$ 143.6 million in 2022, at an AAGR of approximately 19%. India's imports of festival articles saw a slow increase from US\$ 15.6 million in 2013 to US\$ 21.9 million in 2022, growing at an AAGR of 11.2% (Figure 20).

Figure 20: India's Trade in Festival, Carnival and Other Entertainment Articles (HS 9505)



Source: ITC Trade Map; India Exim Bank Research

At the 6-digit HS Code level, under HS 9505, India exports 2 products (Table 12). Articles for Christmas festivities (HS 950510) holds the majority share accounting for almost 89% of all such exports by India in FY 2023. Uttar Pradesh held the highest share in India's exports in the segment.

Table 12: India's State-wise Exports of Festival, Carnival and Other Entertainment Articles (HS 9505) at 6-digit HS Code level in FY 2023

HS Code	Product	Export Value (in US\$ million)	Share (%) in Total HS 9505 Exports	Top State Exporters
950510	Articles for Christmas festivities	121.6	88.5%	Uttar Pradesh (50.8%), Rajasthan (14.2%), Delhi (12.6%), Haryana (12.1%)
950590	Other festive articles	15.8	11.5%	Uttar Pradesh (46.6%), Maharashtra (12.3%), Tamil Nadu (11.6%), Rajasthan (7.2%)
Total		137.4	100.0%	

Source: DGCIS; India Exim Bank Research

At the district level, 2 products under HS 9505 at the 8-digit product classification surface in the top exported products of districts like Srinagar (Jammu and Kashmir), Tonk and Dausa (Rajasthan), Firozabad and Baghpat (Uttar Pradesh) and North Delhi over the past three fiscal years (Table 13).

Table 13: India's Top District-wise Exports of Festival, Carnival and Other Entertainment Articles (HS 9505) at 8-digit HS Code Level

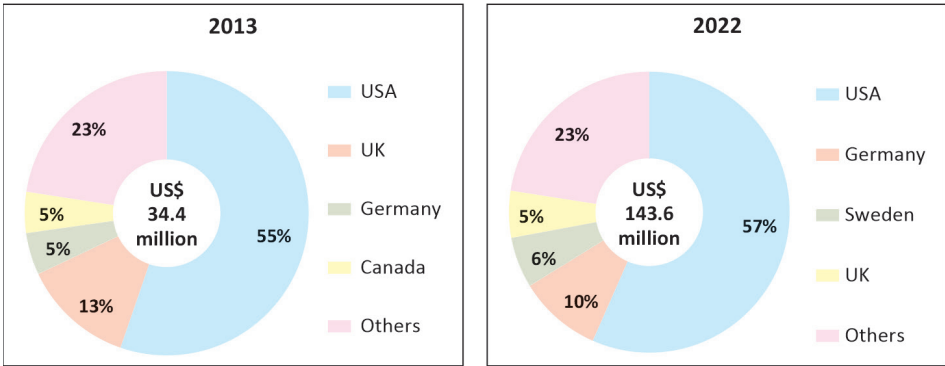
Year	State	District	HS Code	Product	Export Value (in US\$ thousand)
2021-22	Jammu & Kashmir	Srinagar	95051000	Articles for Christmas festivities	481.83
	Rajasthan	Tonk	95051000	Articles for Christmas festivities	465.63

Year	State	District	HS Code	Product	Export Value (in US\$ thousand)
2022-23	Jammu & Kashmir	Srinagar	95051000	Articles for Christmas festivities	783.41
	Rajasthan	Dausa	95059090	Others (carnival and entertainment articles etc)	64.73
	Rajasthan	Tonk	95051000	Articles for Christmas festivities	592.05
	Uttar Pradesh	Firozabad	95051000	Articles for Christmas festivities	1219.29
2023-24 (Up to Oct 2023)	Odisha	Puri	95059090	Others (carnival and entertainment articles etc)	0.02
	Delhi	North	95051000	Articles for Christmas festivities	4649.26
	Jammu & Kashmir	Srinagar	95051000	Articles for Christmas festivities	660.09
	Rajasthan	Tonk	95051000	Articles for Christmas festivities	523.72
	Uttar Pradesh	Baghpat	95051000	Articles for Christmas festivities	843.94
	Uttar Pradesh	Firozabad	95051000	Articles for Christmas festivities	1492.70
	Uttar Pradesh	Saharanpur	95051000	Articles for Christmas festivities	1907.25

Source: Ministry of Commerce & Industry, Government of India; India Exim Bank Research

For festival articles (HS 9505), upon comparing the year 2013 to 2022, India's top export destinations have been consistent – the USA received 55% of India's total exports in the segment in 2013 which increased slightly to 57% in 2022. The UK which was the 2nd largest export destination in 2013 with a share of 13% saw its share fall more than half to 5% in 2022, replaced by Germany (Figure 21).

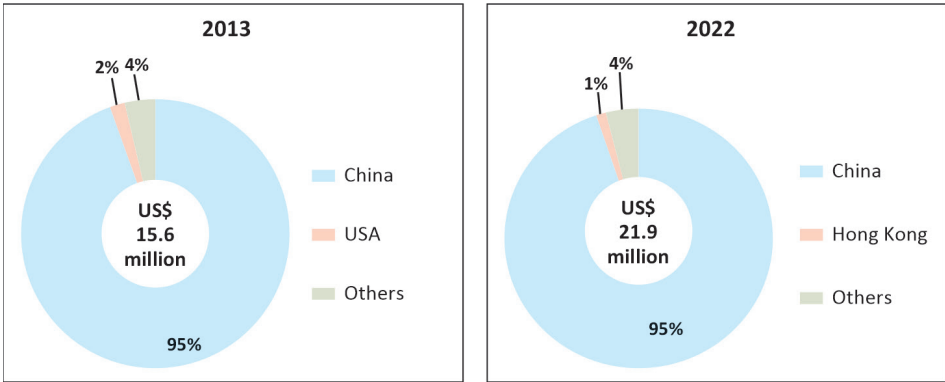
Figure 21: India's Top Export Destination for Festival, Carnival and Other Entertainment Articles (HS 9505): 2013 & 2022



Source: ITC Trade Map; India Exim Bank Research

India's import sources for festival articles (HS 9505) over the decade have remained highly concentrated. China has remained the top import source for India during 2013-22 with a steady share of 95% thereby reflecting India's overwhelming import dependency on the country.

Figure 22: India's Top Import Sources for Festival, Carnival and Other Entertainment Articles (HS 9505): 2013 & 2022



Source: ITC Trade Map; India Exim Bank Research

Overall, India's toy industry has witnessed immense growth since 2020 with trade balance shifting to a growing surplus, amounting to US\$ 210 million in 2022. Such a change can be attributed to various government efforts

including increased basic customs duty and quality control measures, among other such factors. Among the selected toy products, India traded the most in tricycles, pedal cars and similar wheeled toys, dolls, reduced-size scale recreational models, puzzles and others (HS 9503). The USA is observed to be a major export destination for India's toy products, consistent across most of the selected product classifications and time. India's import dependence on China is a cause for concern with the latter maintaining its position as the top import source for India's toys across the decade. Furthermore, states like Karnataka, Uttar Pradesh, Maharashtra are some of the states that dominate the state-wise toy exports of India.

5. Strategies to Boost India's Untapped Toy Industry

As India envisions becoming a top toy exporting nation globally, it is important to adopt strategies that will revitalise the Indian toy industry. The opportunities as detailed in the previous sections, are enormous. However, to tap the same, it is important both for the policy makers and the Indian toy industry at large to strive to secure deeper integration with the global toy value chains and to equip itself suitably.

Figure 23: Select Strategies for Indian Toy Industry



Source: India Exim Bank Research

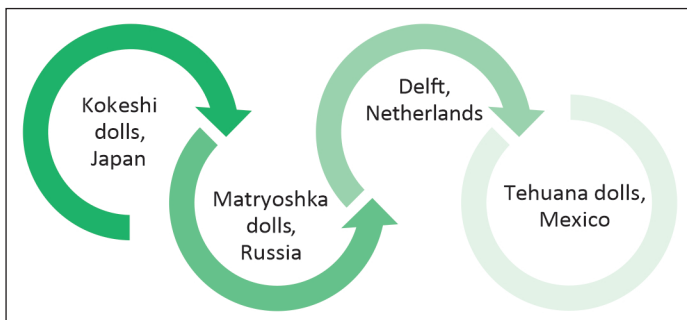
India stands in a position to be a viable alternative to key toy production centres like China and Vietnam. India’s “Vocal for Local” campaign, combined with schemes like the Toycathon and India Toy Fair, have drawn focus towards the Indian toy industry and ignited the prospects of a remarkable transformation in the industry.

This chapter highlights seven possible strategies for the Indian toy industry with a focus not only on enhancing scale, but also on creating mechanisms which will enable easy acceptability of Indian toys globally by adhering to international standards and practices.

Boosting Exports of GI Tagged Toys

Globally, countries have recognised the value of their traditional toys as ambassadors of their cultural identity on the international stage (Figure 24). For instance, Japan promotes Kokeshi dolls through cultural exchanges and trade partnerships while Russia highlights Matryoshka dolls in tourism promotions and cultural events. The Netherlands brands white ceramic toys, which are signature blue-and-white pottery known as Delft, as premium cultural products. Similarly, Mexico invests in artisan development programs to enhance the export potential of Tehuana dolls. Through strategic branding, export assistance, and cultural promotion, these countries are actively working to increase the global presence and marketability of their traditional toys.

Figure 24: Select Toys as Global Cultural Ambassadors



Source: India Exim Bank Research

In India, GI tagged toys hold immense cultural significance, embodying centuries-old traditions, and craftsmanship unique to different regions of the country. From the intricate Channapattana toys of Karnataka to the vibrant Kondapalli toys of Andhra Pradesh, each GI tagged toy reflects the rich cultural heritage and artisanal expertise of its origin.

However, while these toys are treasured domestically for their cultural value, there remains a significant opportunity to leverage their GI status towards boosting toy exports and strengthening the livelihoods of artisans across the country. Many GI tagged toys have also been identified as focus products under the Districts as Export Hub (DEH) initiative. Toys which have been accorded GI status as well as have been identified under the DEH initiative are mentioned in Figure 25.

Figure 25: Focus Toy Categories under the Districts as Export Hubs (DEH) Initiative Having GI Tag in India

Channapattana Toys & Dolls, Ramanagara district, Karnataka	Ganjifa cards, Mysore district, Karnataka	Kinhal toys, Koppal district, Karnataka	Nirmal Toys and Craft, Adilabad and Nirmal district, Telangana
Etikoppaka Toys, Visakhapatnam district, Andhra Pradesh	Kondapalli toys, Krishna district, Andhra Pradesh	Thanjavur dolls, Thanjavur district, Tamil Nadu	Leather Toys Indore district, Madhya Pradesh
	Wooden Lacquerware & Toys, Varanasi district, Uttar Pradesh	Kathputlis, Jaipur district, Rajasthan	

Source: India Exim Bank Research

To bolster the export potential of GI tagged toys from India, a multifaceted approach is required. Firstly, investments in quality control measures and

standardisation are required to ensure that GI tagged toys meet international standards of craftsmanship and safety. This entails providing training and capacity-building programs for artisans, enhancing production processes, and obtaining necessary certifications to instil confidence among international buyers. Collaborating with international distributors, retailers, and cultural organisations would also facilitate market penetration and promote Indian GI tagged toys in key export markets.

Travel packages for experiencing toy clusters may also be designed at district level to provide rich, cultural experiences to foreign tourists, keeping in mind their tastes and preferences. Through these tours, a lasting impact could be created on the potential buyers, boosting both exports of toys and allied services. Through strategic partnerships, innovative marketing initiatives, and supportive government policies, India can strengthen exports of GI tagged toys, contributing to the global marketplace of ideas and traditions.

Figure 26: Creating Global Markets for India's GI Tagged Toys



Source: India Exim Bank Research

Box 3: Placing Karnataka's Toy Town on the Global Map

Channapattana, a small town in Karnataka, India, is renowned for its unique wooden toys, popularly known as Channapattana toys. Crafted with precision and vibrant colours, these toys have earned Geographical Indication (GI) status, signifying their cultural and historical significance. While Channapattana toys have gained recognition domestically, their export potential remains largely untapped.

Channapattana toys hold significant export potential due to their distinct craftsmanship, eco-friendly materials, and cultural appeal. With growing global interest in traditional and sustainable products, Channapattana toys could capture niche markets worldwide. Based on discussions with a few artisans, it is ascertained that they are also increasingly receiving order enquiries from several countries.

However, despite their growing popularity and export potential, Channapattana toy artisans encounter various challenges that hinder their ability to tap into global markets effectively. These include lack of exposure to international markets and little knowledge about how to export; challenges in ensuring consistent quality and compliance with international standards; limited access to technology and machinery; intense competition from mass-produced and cheaper alternatives; and financial constraints, among others.

The establishment of a toy cluster at Channapattana in FY 2021 has infused renewed vigour. However, the impediments to export persist, as reported by the artisans. There is a need to dedicate resources for constant capacity building among the artisans. Training and skill development programs may be provided to artisans on export procedures, quality control, and compliance standards. In addition, while the artisans get the opportunities to participate in domestic exhibitions, they do not have much exposure to international markets. There is thus a need to facilitate their participation in international trade fairs and exhibitions. Lastly, there is also a need to strengthen financial support to the Channapattana artisans to alleviate their financial constraints.

Source: India Exim Bank Research

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 potential of toy industry, it should increasingly look at incorporating sustainability, shifting towards eco-conscious toys.

Mostly, sustainable toys are made of renewable materials such as wood, bamboo, and organic cotton, among other materials, unlike the widely used plastic toys that not only generate plastic waste when discarded but also contribute to harmful emissions when produced. In view of aligning the industry's growth with sustainability goals, recycled plastic that meets safety standards is also used to produce toy products thereby re-purposing single use plastic.

Packaging can also be made of such recycled plastic or even biodegradable materials that help minimise plastic waste and promote reusability. Overall, such eco-friendly toys and packaging aid the reduction of carbon footprint and promote toys for children that are durable and toxin free.

The worldwide push for sustainability can also provide the much-needed impetus for the growth of India's traditional toys which are made from locally available eco-friendly raw materials. The Etikoppakka toys, for instance, which received the GI tag in 2017, are made from a light, soft wood locally known as 'ankudu' and coated with lacquer. There is no use of chemical substances in its production process.

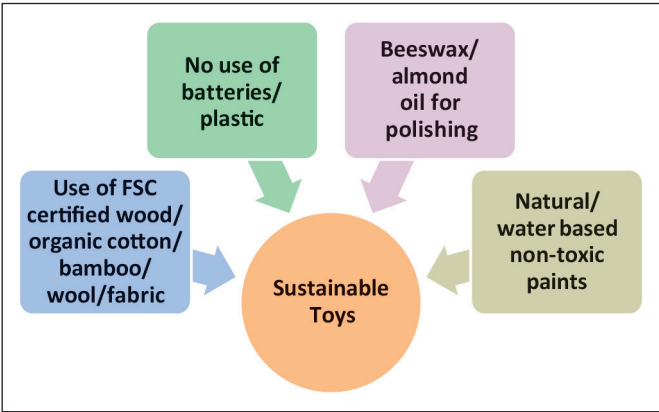
Channapatna wooden toys, another GI tagged toy product of India, is also made from locally available softwood or ivory wood before being painted using an organic lacquer, making them environmentally friendly and sustainable. A comparison between the Channapatna toys with the hugely popular plastic toys manufactured in China, revealed the former to be six times more energy efficient than the PVC toys from China¹⁹.

¹⁹ A Comprehensive Life-Cycle Assessment of Locally Oriented Small-Scale Toy Industries: A Study of traditional Channapatna Toys as Against low-cost PVC (Poly-Vinyl Chloride) Toys made in China, (Rangaswamy et al., 2018)

Apart from such traditional toys, global modern toy manufacturers are also increasingly adopting sustainable production practices. The major global toy manufacturer Mattel has introduced policies modelled around various sustainability goals. Mattel’s ESG strategy comprises three pillars, namely, sustainable design and development; responsible sourcing and production; and thriving and inclusive communities. Accordingly, the company has goals like achieving 100% recycled, recyclable, or bio-based plastic materials in both products and packaging by 2030; maintain 95% recycled or Forest Stewardship Council (FSC)²⁰ certified content in the paper and wood fiber used and lastly, reduce plastic packaging by 25% per product by 2030. To be eco-friendly, companies try to produce toys without metal, glue, paint or screws. They also must replace plastic with recycled materials. In spite of the challenge, there is a growing market for sustainable toys.

Along similar lines, major Indian manufacturing players must also integrate such sustainable and ethical goals into their sourcing, production, and packaging processes. The adoption of sustainable practices into the company policy will minimise the carbon footprint and create a circular economy within India’s toy industry.

Figure 27: Sustainable Production Practices by Global Toy Industry



Source: India Exim Bank Research

²⁰ FSC forest management certification confirms that the forest is being managed in a way that preserves biological diversity and benefits the lives of local people and workers, while ensuring it sustains economic viability. FSC-certified forests are managed to strict environmental, social and economic standards.

Greater Market Access through FTAs

Free Trade Agreements (FTAs) are an essential tool to increase export. India post the pandemic has signed several FTAs with developed countries globally. In this context it is pertinent to mention that the India-UAE CEPA and the India-Australia ECTA are providing duty-free access to India's toy exports. India in similar vein, may continue pushing for duty free access for its toy exports in future trade agreement negotiations also.

Greater market access of toys through the reduction of tariffs may be focused on in the upcoming FTA reviews like that with the ASEAN, for instance. Despite having the ASEAN India Trade in Goods Agreement (AITGA) in place, Indian toy exports in the region still face high effectively applied tariff (AHS) rates. Although Malaysia is the second largest importer of Indian toys in ASEAN, it imposes an AHS of 16.5% on HS 950430 (Other games, operated by coins, bank notes, bank cards) and 17.31% on HS 950490 (Other articles for casino game, parlour game). Thus, a reduction in the AHS imposed could result in higher exports of Indian toys to ASEAN countries. At the same time, it is observed that in Indonesia, Indian toys face AHS rates of 5%, while Philippines provides duty-free access for the same.

Even for trade agreements wherein Indian toy exports face 0% AHS, like in the India-Japan CEPA and the India-South Korea CEPA, export flows have seen no substantial growth. India's toy exports to Japan have grown from US\$ 1 million in 2013 to US\$ 1.9 million in 2022 while those to South Korea have risen from US\$ 0.2 million in 2013 to US\$ 0.7 million in 2022. Thus, country focused export strategies may be implemented that creates synergy between the top imported product categories in those countries and export competitive product categories in India.

Focusing on Markets with High Toy Demand

The study has identified potential export markets for Indian toys based on certain criteria namely, the percentage of total population under the age of 14 years in the country, its AAGR of global toy imports for the last decade, global toy imports in 2022 as well as India's toys exports to that country in the same year.

The age up to 14 years has been identified as detailed in World Bank Development Indicators, assuming that kids as they move to teenage generally graduate away from toys including those which may be educational or interlocking building bricks and construction toys.

Thus, the new identified markets as shown in the Table 14 include the top ten largest toy importing countries in different regions, sorted as per the decreasing AAGR for global toys over the last decade.

Interestingly, India has made almost negligible entry into any of the key importers of toys. While the sky is the limit for Indian toys globally, some of the countries where it has some inroads are the Netherlands, Sweden, Spain and Poland in Europe; the UAE, China, and Singapore in Asia; South Africa in Africa; and Mexico and Ecuador in the LAC region.

Table 14: Potential Markets for India's Toy Exports

Importers	Global Toy Imports in 2022 (US\$ million)	Import AAGR 2013-2022 (%)	Population under 14 years (%)	India's Toy Exports in 2022 (US\$ thousands)
Europe				
Poland	3094.8	18.1%	15.2	4123
Romania	674.9	13.1%	15.9	160
Hungary	659.9	11.6%	14.4	1347
Netherlands	3452.7	8.9%	15.4	17806
Greece	503.6	8.1%	13.9	595
Spain	2632.3	7.7%	13.8	5596
Slovakia	455.8	6.3%	15.7	78
Czech Republic	1801.4	5.6%	16.0	604
Sweden	803.2	4.8%	17.6	8984
Ireland	606.3	4.8%	19.6	1336

Importers	Global Toy Imports in 2022 (US\$ million)	Import AAGR 2013-2022 (%)	Population under 14 years (%)	India's Toy Exports in 2022 (US\$ thousands)
Asia				
Iraq	548.2	228.0%	37.7	-
UAE	1228.3	17.7%	15.2	8546.0
China	1723.8	11.9%	17.2	3677
Israel	377.6	10.8%	28.1	771
Taiwan	713.8	9.1%	-	144
South Korea	1495.6	8.7%	11.6	672
Saudi Arabia	634.1	7.6%	25.9	1125
Singapore	572.3	2.4%	11.8	3219
Japan	5217.1	0.8%	11.6	1873
Hong Kong	2010.3	-11.1%	12.0	507
Africa				
South Africa	271.8	-1.4%	28.6	1960.0
Djibouti	68.6	49.5%	30.4	7.0
Morocco	66.5	8.0%	26.6	47.0
Libya	51.3	19.1%	28.3	13.0
Egypt	39.7	5.0%	32.9	2.0
Ghana	34.1	95.1%	36.9	144.0
Tunisia	31.5	6.8%	24.8	-
Somalia	27.2	63.9%	47.2	1.0
Sudan	26.9	125.4%	40.9	3.0
Algeria	23.9	5.3%	30.6	0.0
Latin America and Caribbean				
Venezuela	125.0	16.4%	27.6	-
Honduras	50.6	11.3%	30.1	-
Guatemala	129.4	9.0%	32.4	14
Ecuador	123.8	6.4%	25.7	1712

Importers	Global Toy Imports in 2022 (US\$ million)	Import AAGR 2013-2022 (%)	Population under 14 years (%)	India's Toy Exports in 2022 (US\$ thousands)
El Salvador	49.8	5.7%	25.4	-
Chile	542.9	4.8%	18.3	1483
Mexico	2119.2	4.7%	24.5	9298
Bolivia	48.3	4.6%	30.8	0
Costa Rica	82.8	2.4%	20.2	11
Peru	323.7	2.2%	26.0	320

Note: '-' indicates unavailability of data

Toy here constitutes the following:

HS 9503: Tricycles, pedal cars and similar wheeled toys, dolls, reduced-size scale recreational models, puzzles and others

HS 9504: Video game consoles and machines, parlour games, and amusement machines

HS 9505: Festival, carnival and other entertainment articles

Source: World Development Indicators, ITC Trade Map; India Exim Bank Research

Resolving Taxation Issues

Irregularities in the GST rates imposed on different toy segments is hindering the growth of the industry.

As per CBIC, tricycles, similar wheeled toys, dolls, reduced-size scale recreational models, puzzles, and other toys (HS 9503) alone attracts three slabs of GST – 5% (toy balloons made of natural rubber latex), 12% (other than electronic toys; and dolls or toys made of wood, metal, or textile material) and lastly, 18% (electronic toys).

According to toy manufacturers, the slightest of modifications made to a non-electronic toy like the addition of sound or light, results in its re-classification as electronic toy thereby attracting a higher rate of GST. This issue therefore calls for a better uniformity in tax slabs pertaining to certain toy segments and improved clarity which would allow the toy industry to tap into potential market segments.

High rate of import duty imposed on several equipment used commonly in the toy manufacturing process is another such issue that needs to be resolved. At present, MSMEs are dependent on imports for procuring major toy making machinery. As in the short run, it may be difficult to rely completely on indigenous production of these machines, the duties on their imports may be brought down. Some of the machines commonly used are as follows:

Injection Molding Machines: Injection molding machines are commonly used in the production of plastic toys due to their ability to create intricate shapes and designs with high precision.

Extrusion Machines: Extrusion machines are essential for manufacturing plastic sheets, tubes, and profiles used in toy production. The complexity of extrusion processes and the need for customized equipment contribute to high import dependence for certain types of extrusion machinery.

Laser Cutting and Engraving Machines: Laser cutting and engraving machines are utilised for creating intricate designs and patterns on toy surfaces, particularly in wooden toys and decorative items.

Table 15: India's Imports of Select Toy Making Machines

Machine	India's Imports in 2022 (US\$ Million)	Import AAGR (2018-2022)	Basic Customs Duty
Injection Moulding machines	183.5	7.2%	7.5%
Extruders	149.1	15.4%	7.5%
Laser cutting machinery	153.0	8.3%	7.5%

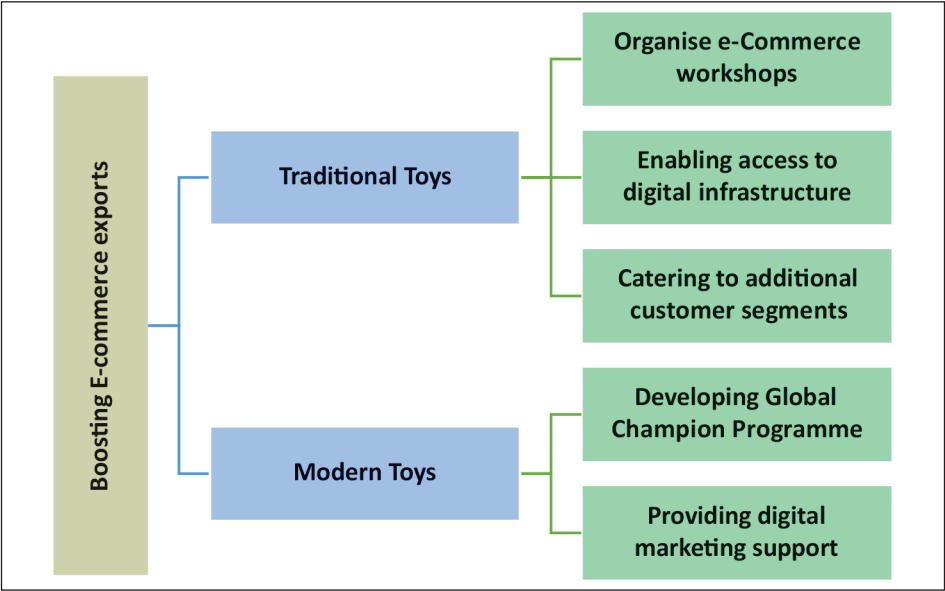
Source: ITC Trade Map; CBIC; India Exim Bank Research

In the longer run, for India to emerge as a global toy hub, indigenisation needs to be done at every step of the value chain. While relaxing import duties on the machinery would help in competitive toy manufacturing in India, in the longer run, the import dependence on these types of machinery highlights the need for investment in domestic manufacturing capabilities of these machinery. Innovation in this segment would enable to India to boost its toy machinery and services exports to other countries, particularly the countries with high toy demand in the Global South.

Boosting E-commerce Exports

According to a report by NITI Aayog²¹, the Indian market size for toys is a mere 0.34% of the global toy market size of US\$ 292 billion. Thus, for the Indian companies to expand, focusing on exports becomes vital. Further, according to the report, toys is one of 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.

Figure 28: Strategies to Boost E-commerce Exports



Source: India Exim Bank Research

E-commerce exports do not require considerable capital and provide the opportunities for direct contact with the end sellers, enabling customisation of products. These are favourable factors for traditional toy exporters whose forte lies in product quality rather than economies of scale. For boosting e-commerce exports of traditional toys, the following strategies are proposed:

²¹ Niti Aayog & Foundation for Economic Development. (2024). Boosting Exports from MSMEs.

Traditional Toy Segment

Organising E-commerce training workshops at toy clusters: The traditional toy clusters in India lack the wherewithal for exporting via e-commerce. All-rounded training programmes need to be created at the district level that focus on providing learning related to all areas of e-commerce exports including the legal requirements, product packaging, international marketing, branding etc. Amazon Global Selling is one such programme that provides support to MSMEs in exporting. The reach of the programme may be expanded to all toy clusters and more tailor-made training programmes may be initiated.

Ensuring access to adequate digital infrastructure: Every corner of India boasts of distinct toy crafts. However, many of these unique products do not gain traction because of less visibility. According to Internet and Mobile Association of India, there are around 762 million Indians who have not adopted internet yet, out of which 63% are rural Indians. 'Difficulty to understand the Internet', continues to be primary impediment along with lack of awareness, in rural India. For regional products to gain international focus, access to basic digital infrastructure like internet connection, smartphones, laptops etc. along with digital literacy are vital. Districts with toy clusters may assess the situation of digital infrastructure and digital literacy in their jurisdiction and fill the gaps accordingly.

Catering to additional customer segments: Increasingly, toys are gaining importance for purposes beyond play. For instance, toys are gaining popularity as décor items in homes and in events, as gifting items, as souvenirs and as symbols of India's cultural heritage, among others. Besides, given that children have more and more toy options to choose from, traditional toys face challenges in retaining demand, leading to a need for constant experimentation and innovation. In global e-commerce markets, traditional toys hold incredible potential, tapping which requires the traditional toy sellers to map the global demand and package their products, accordingly, focusing on different utilities the product can offer.

Modern Toy Segment

Developing Global Champion Programme: The Amrit Kaal Vision @2047 envisages building of 100 Indian brands as global champions. In the toys sector, there are a select international brands which have established strong presence globally. However, in the Indian context such toy brands have not emerged. E-commerce offers a global platform to brands, thereby posing opportunities for Indian brands to become a global name.

Providing digital marketing support: Digital marketing is increasingly becoming crucial for establishing flourishing e-commerce businesses. Digital marketing encompasses activities ranging from brand building, analysing customer preferences and buying trends, social media and search engine optimisation, content marketing, and marketing campaigns, among others. MSMEs in India may not be able to invest in digital marketing as aggressively as their global peers. In this regard, policy support becomes necessary to provide a level playing field to the MSMEs in India on e-commerce platforms.

Accordingly, subsidies may be granted to MSMEs seeking to export via e-commerce based on certain eligibility criteria in the initial years of commencing operations. The amount of subsidy may vary from firm to firm depending upon the past annual sales. Financial assistance in undertaking digital marketing would help the MSMEs in the toy industry to design more effective and result driven strategies, either by establishing such units in house or hiring competent service providers in this area. Thus, adequate digital marketing support would enable the toy companies in India to compete on a global scale and expand their customer base exponentially.

Enhancing R&D

In order to match up with evolving toy production process as well as modern designs, India needs to increase its investment in the R&D of the toy industry.

Toy innovation is among the key aspects of R&D of this industry. It may include development of new products and designs that incorporate new features and technologies such as artificial intelligence (AI), augmented

reality (AR), virtual reality (VR) etc., as well as inclusion of various educational and sustainable elements. India can, in particular, also push for boosting growth of educational toys given the National Education Policy's emphasis on integrating the use of toys in the academic curriculum and the overall rising interest in educational and STEM (Science, Technology, Engineering and Mathematics) toys. Toys serve as effective tools to facilitate experiential learning as suggested by the policy, as well as promote critical thinking, problem solving and creativity among children. Integration of educational toys or STEM-focused toys in particular in the academic curriculum makes classroom learning more engaging and allows easier understanding of subjects' material.

Furthermore, toy innovation can also play an important role in creating toys that cater to the Indian consumer market specifically by showcasing different aspects of Indian culture, history, mythology, art, and literature. Establishment of toy design centres may facilitate such toy production for the Indian market that integrate the elements of both traditional and modern India with modern technology. This will help popularise both traditional Indian toys with their artisanal designs as well modern Indian toys. In order to boost linkages across academia and industry, collaborations can be made with say, engineering schools to build brick toys and various designing schools that can contribute to innovative toy designs.

Overall, India can also boost the establishment of toy-related Common Facility Centres in identified areas that may have an inhouse R&D team that focuses on innovative toys, rapid toy prototype designing, among other things that will foster greater growth of this industry. Such centres will bring together under one roof all the necessary facilities like raw materials and machinery, skill training, designing studio, information centre, among other things.

There has been some discussion regarding introducing a Production Linked Incentive (PLI) scheme for the toy industry. It is suggested that the same may be focused on toys that would require R&D, having the potential to increase exports in large scale from India.

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 'Toy Export Promotion Council'.

It may be noted that, at present, Indian toy products are partly covered by two separate export promotion councils namely, the Export Promotion Council for Handicrafts (EPCH) that promotes HS 9503 (tricycles, pedal cars and similar wheeled toys, dolls, reduced-size scale recreational models, puzzles and others) and HS 9505 (festival, carnival and other entertainment articles), and the Sports Goods Export Promotion Council (SGEPC).

Streamlining promotion activities for toy products under one dedicated body will bring more clarity to the stakeholders including the manufacturers, retailers, importers, artisans etc. about the export ecosystem. The proposed Council may identify the core areas of operations which could include -

Figure 29: Proposed Focus Areas of Toy Export Promotion Council



Increased participation in trade fairs/exhibitions

International trade fairs facilitate improved inter-industry networking, knowledge sharing, enhanced business opportunities, and greater penetration into international markets. The Nuremberg International Toy Fair held in Germany in early 2024, for instance, could be increasingly pursued for boosting sales of Indian toys. It is learnt that with over 50 participants, Indian toy manufacturers received orders exceeding US\$ 10 million.²² Indian

²² Indian Toy Makers receive huge orders at Germany's Nuremberg International Toy Fair, PIB

products overall received interest from buyers across countries like the US, the UK, South Africa, and Germany. This is an opportune time to intensify marketing of Indian toy products at international platforms to benefit from the China Plus One strategy increasingly being adopted by countries. The dedicated focus on export promotion by the proposed council would thus play a key role in strengthening toy exports.

The required assistance to participate in such events may be provided under the schemes of Marketing Development Assistance (MDA) and Market Access Initiative (MAI) set criteria by the proposed council as is being followed by existing export promotion councils²³. Support in setting up of information booths and display of product stalls may be provided for marketing and spreading awareness about Indian toys in unexplored potential markets.

Capacity building

The proposed council may assist with capacity building of India's toy industry through skill development programmes in areas of toy design, technology upgradation, quality compliance, sustainable practices of toy making, among others. Toy manufacturers may also be provided access to workshops/seminars on toy innovation, marketing, custom procedures, documentation, and the various common issues related to the toy industry. Further on, information dissemination is another major focus area where the proposed council can play a vital role by putting across any essential information that can aid the export growth of India's toys.

One-stop shop for trade information

A common problem found among the toy manufacturers is the lack of awareness about trade procedures. This calls for the proposed council to serve as a 'one-stop shop' for the provision of trade related information. This would facilitate reduction of information asymmetry among the involved agents and provide them with opportunities to export. The proposed

²³ For EPCH led activities, for instance, applicants that have completed 12 months of membership with the Council and have F.O.B. value of exports of up to ₹ 30 crores in the preceding year, among other criteria, are eligible to avail MDA benefits like travel expenses, charges of fair stall etc. as per different focus geographical areas like African countries, ASEAN +2, LAC, among others.

council may provide information pertaining to India's export procedures and documentation, schemes on export financing, industry specific government initiatives while also maintaining a directory of existing toy exporters. Further, systematic updates may also be provided regarding the global toy market trends, potential markets, country-specific quality, and safety standards, among other relevant information, to the concerned Indian toy manufacturers, exporters and importers. An export handbook focusing particularly on toys may be developed by the proposed council and updated at regular periods. Streamlined provision of information like this would result in reduction of any associated costs and delays.

Database maintenance

Currently, domestic toy production data is not maintained centrally. The proposed council may thus - besides tracking toy exports of India - set up an official database for the domestic toy production in the country that would then allow for comprehensive information with regards to the industry's overall manufacturing growth and the proportion of exports out of the same.

Lastly, by acting as a bridge between toy exporters and relevant authorities, other export promotional activities of the council may include organising cross-country delegation meetings of the toy industry, buyer-seller meets, interaction between the various entities of the industry with government bodies, resolution or clarification of various trade related issues. Given the need for a marketing push for Indian toys, the council can also engage in the permanent display of India's traditional and modern toy segments through say, the setting up of a toy specific museum.

Assistance in adhering to international quality standards

Given the paramount importance of a safe playing environment for children, all countries have established their own safety standards. Only those toys which meet the safety standards are usually permitted in their markets.

Toy safety standards worldwide generally include tests to judge the physical and mechanical safety aspects of toys like the presence of sharp edges,

possibility of choking hazards, and other aspects of flammability, electronic hazards as well as meeting the set maximum limits of various toxic materials. Presence of the required labelling, markings and third-party testing certificates are among other toy safety regulations used in several countries. Some of the key toys safety standards of select countries are given below-

Table 16: Select International Toy Safety Standards

Country/Region	Standards	Coverage
European Union	<ul style="list-style-type: none"> • Toy Safety Directive 2009/48/EC • In 2023, the EU published the proposal for a new EU Toy Safety Regulation 	<ul style="list-style-type: none"> • Lays down the safety criteria that toys must meet before they can be marketed in the EU. Toys that meet the essential safety requirements must bear the CE marking. • Proposed steps- <ul style="list-style-type: none"> □ Generic bans on the most harmful substances □ Introduction of a product passport that contains compliance information □ The proposed change from a directive to a Regulation
USA	<ul style="list-style-type: none"> • ASTM F963-23, The Standard Consumer Safety Specification for Toy Safety • Consumer Product Safety Improvement Act 	<ul style="list-style-type: none"> • Cover requirements and contain test methods for toys intended for use by children under 14 years of age • Sets standards for lead content, phthalate content, and other safety aspects of toys.
UK	<ul style="list-style-type: none"> • Toys (Safety) Regulations 2011 	<ul style="list-style-type: none"> • Set out the essential safety requirements that must be met before placing toys on the market in Great Britain.

Country/Region	Standards	Coverage
Australia	<ul style="list-style-type: none"> AS/NZS 8124 	<ul style="list-style-type: none"> The Australian Competition and Consumer Commission (ACCC) oversees toy safety regulations. There are safety requirements related to design, construction, and labelling.
Japan	<ul style="list-style-type: none"> Japan Safety Toy Mark Program Japan Food Sanitation Law 	<ul style="list-style-type: none"> ST mark certified on the basis of mechanical and physical properties, flammability, and chemical properties For toys designed for children under 6 years of age, likely to come into direct contact with their mouths, lab verified compliance is mandatory.

Source: Compiled by India Exim Bank Research

The standards keep evolving with time and for exporters, particularly the first-time exporters, ensuring adherence to the plethora of standards across countries may prove be a daunting task. The testing charges are also generally very high, acting as a deterrent for MSME exporters. For instance, the prices for EN 71 lab testing on imported toys can range from US\$ 500-2500²⁴.

In this regard, the proposed council may provide assistance to the exporters in meeting the safety standards of the destination markets and in keeping them abreast with the latest revisions in the standards. The council may create a safety adherence unit for the same, comprising competent experts in the area. For testing, the council may guide the exporters to the right testing laboratories to analyse and resolve the possible gaps such as in terms of exporters' accessibility to testing labs. For instance, the CPSC (Consumer Product Safety Commission) accepted Testing Laboratories in India for exports to the USA are located only in a handful of states in India, namely, Uttar Pradesh, Haryana, Karnataka, Delhi, Tamil Nadu, and Maharashtra. The

²⁴ HQTS

proposed council may map the demand for testing with supply and advocate for expansion of testing infrastructure, accordingly.

Box 4: The Toy Association – Aiding the Growth of North America’s Toy Industry

A private not-for-profit organisation, The Toy Association is North America’s business trade association that represents the industry’s involved agents like toys manufacturers, retailers, licensors among others. With an annual budget of about US\$ 20 million, the members of the association account for 93% of US toy and game sales, which amounted to approximately US\$ 40 billion in 2022.

While acting as the secretariat for the International Council of Toy Industries and the International Toy Industry CEO Roundtable, the association also chairs the committee that is responsible for reviewing the US’ ASTM F963 toy safety standard.

Apart from its regulatory services, The Toy Association, among other events, also organises the renowned North American International Toy Fair. This fair brings together industry players across product categories like pop culture collectibles, educational, games and puzzles, outdoor play items etc. Further on, the association also provides market research and industry report services and maintains toy-related data of US sales, exports as well as global sales. They are also involved in educational services such as conducting webinars pertaining to toy related topics and issues, and also provide programs related to safety regulations and credit sourcing for its members. Industry support is also given to inventors and designers, especially those involved in the production and marketing process of STEAM (science, technology, engineering, arts, and math) toys through its STEAM accreditation program. Through its other programmes, the association also involves young professionals and students with the toy industry related workshops, seminars and other networking opportunities.

Source: The Toy Association

Conclusion

To conclude, the toy industry in India holds immense potential that is yet to be fully explored in order to transform it into a significant economic driver of the country. Timely, dedicated policy focus for the industry is required to improve India's toy manufacturing capabilities, enabling it to compete with other toy manufacturing giants like China, more so given the growing trend of global toy manufacturers aiming to diversify their supply base. Coupled with other growth drivers such as fostering toy innovation and designing, bolstering domestic toy demand - both traditional and modern segments - and tapping into the export potential of the industry will also assist India to establish itself as a global toy manufacturing hub. By proposing increased duty-free access to India's toy exports in future trade agreements and also exploring new identified markets like the Netherlands, Singapore, South Africa, among others, will assist India to establish itself as a global toy manufacturing hub and achieve the vision of 'vocal for local'.

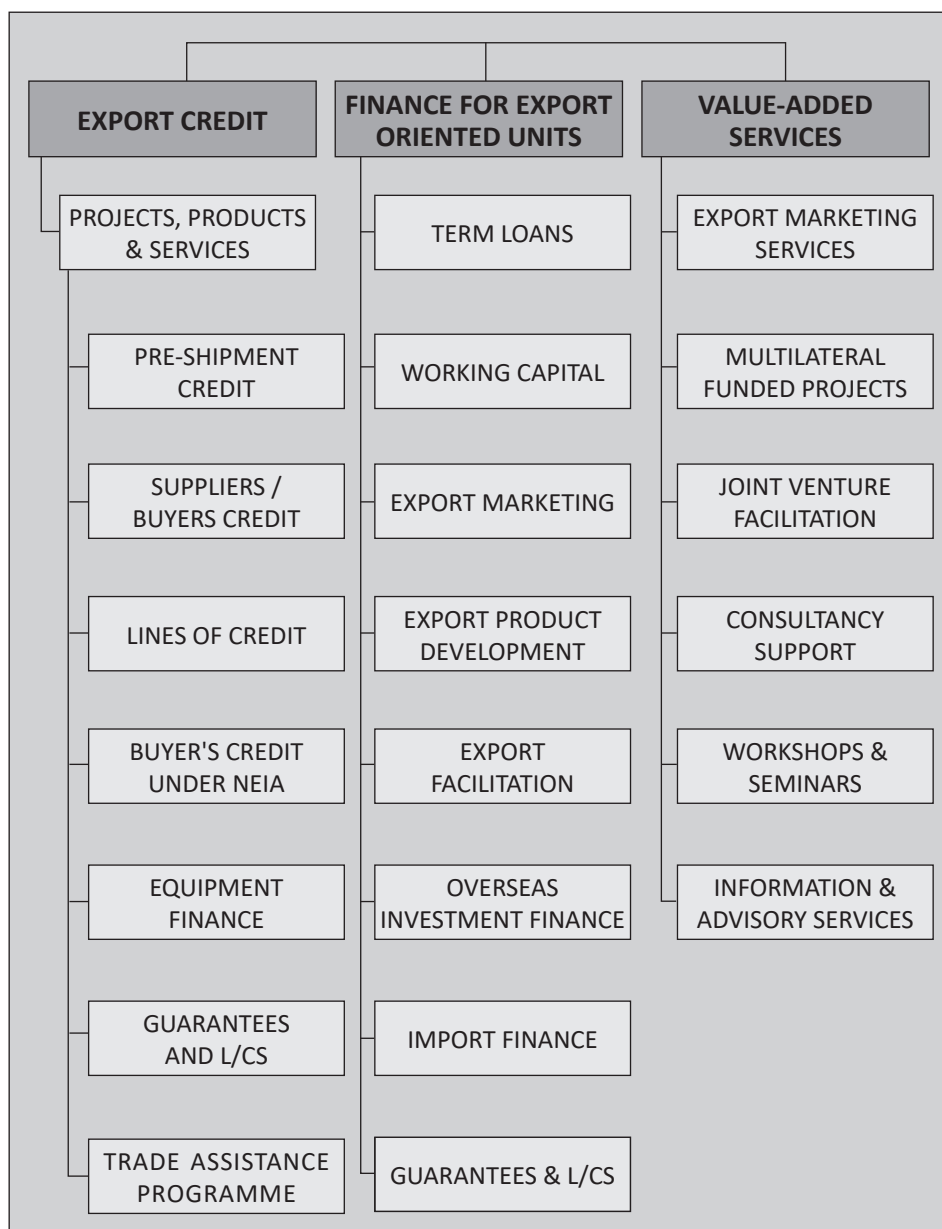
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