



India Becomes Net Exporter of Toys

For Prelims: [Make in India initiative](#), [License Raj](#), [Net Exports](#)

For Mains: Contribution and importance of toy industry for the Indian economy.

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Why in News?

Recently, The Indian toy industry exhibited remarkable growth, exports surged by **239%** and imports dropped by **52%** between **2014-15** and **2022-23** making India a net exporter.

- The toy industries are dealing with higher costs in China and struggling to find cheaper places to move their production.

What is the Status of India's Toy Industry?

- **Focus on the Toy Industry:**
 - Policy discussions have spanned from the old "[permit license raj](#)" era to the current '[Make in India](#)' initiative.
 - A study attributes the industry's recent success to '[Make in India](#)' initiatives.
- **Positive Shift in Trade Balance:**
 - Trade balance was **negative Rs.1,500 crore** in **2014-15**, but turned **positive from 2020-21**.
 - **This shift can be attributed to:**
 - Increased import duty from **20% to 60%** in **February 2020**.
 - Non-tariff barriers are like Quality control order (QCO) and mandatory sample testing.
 - COVID-19 disruptions Impacted imports globally.
 - **Decline in Net Exports in 2022-23:**
 - Despite high import duty, [net exports](#) fell from **Rs. 1,614 crore to Rs. 1,319 crore**.
 - This decline is more significant for toys (31%) compared to all toys (18%).

What led India to become a Net Exporter?

- **Tariff and Non-Tariff Barriers:** The increase in customs duty on toys from 20% to 60% in February 2020, and subsequently to 70% in March 2023, acted as a significant deterrent to toy imports.
 - Non-tariff barriers, such as the quality control order (QCO) and mandatory sample testing of each import consignment since January 2021, further restricted imports.
 - These measures aimed to reduce the demand for imported toys and protect the domestic industry.
- **Global Supply Chain Disruption:** The COVID-19 pandemic disrupted global supply chains in

2020-21, adversely affecting imports. As the global supply chain was restored in 2022-23, net exports reduced, indicating a correlation between supply chain disruptions and India's net export performance.

What are the Challenges?

- **Limited Domestic Productive Capabilities:** The analysis of data from the Annual Survey of Industries (ASI) indicates that there is hardly a steady rise in fixed capital per worker, gross value of output, and a decline in labor productivity.
 - This suggests that the domestic industry may not have experienced substantial improvement in its productive capabilities during the period under consideration (2014-15 to 2019-20).
- **Declining Labor Productivity:** There is a steady decline in labor productivity from ₹7.5 lakh per worker in 2014-15 to ₹5 lakh in 2019-20. This decline raises concerns about the efficiency and competitiveness of the industry, indicating potential challenges in enhancing productivity.
- **Foreign dependence for sourcing raw materials:** Indian manufacturers excel in producing board games, soft and plastic toys, puzzles, and similar products. However, to manufacture these items, companies often need to import materials from South Korea and Japan.
- **Lack of Technology:** It also seems to act as a barrier to the Indian toy industry. Most of the domestic toy manufacturers use outdated technology and machinery, which affects the quality and design of the toys.
- **High Tax Rates:** The toy industry in India faces challenges due to high GST rates. Currently, electronic toys are taxed at 18% GST, while non-electronic toys incur a 12% GST rate.
- **Cheap Alternatives:** The Indian toy industry faces competition from inexpensive and low-quality imports from countries such as China. China constitutes around 80% of toy imports into India, negatively impacting domestic toy manufacturers.
- **Unorganized and Fragmented:** The Indian toy industry remains largely fragmented, with 90% of the market being unorganised. This fragmentation makes it challenging to maximise the industry's potential benefits.

National Action Plan for Toys (NAPT):

The National Action Plan for Toys (NAPT) is a comprehensive plan launched by the Government of India in 2020 to promote the Indian toy industry, including traditional handicrafts and handmade toys, with the objective of establishing India as a global toy hub.

- The NAPT comprises 21 specific action points, coordinated by the Department for Promotion of Industry and Internal Trade (DPIIT) and implemented by multiple Central Ministries/Departments.
- The NAPT addresses various aspects such as design, quality control, innovation, marketing, e-commerce, skill development, and promotion of indigenous toy clusters.

Way forward

- **Balancing Protectionism and Competitiveness:**
 - Evaluate the effectiveness of protectionist measures and tariffs to ensure they provide a temporary boost to the industry without fostering long-term dependence.
 - Consider implementing protectionism alongside policies that encourage investments, foster innovation, and improve overall competitiveness.
- **Investment in Domestic Capabilities:**
 - Develop and implement investment policies that incentivize the toy industry to invest in modern technology, research and development, and skill development to enhance productivity and quality.
 - Provide financial and non-financial support to encourage the industry's growth, such as subsidies, tax incentives, and access to affordable credit.
- **Quality Control and Standards:**
 - Continue to enforce quality control measures like the quality control order (QCO) to ensure

that domestically produced toys meet international standards.

- Invest in establishing and promoting industry-specific standards to enhance the reputation of Indian toys in the global market.
- Implement eco-friendly practices throughout the toy value chain, including using recycled materials, sustainable packaging, and adopting reuse and reshare models to promote environmental sustainability.

▪ **Infrastructure Development:**

- Develop localized, industry-specific public infrastructure to support the toy manufacturing clusters. This could include efficient transportation, logistics, and production facilities.
 - Support small and medium enterprises (SMEs) through skill development, financial assistance, and other forms of support to foster growth in the toy industry.
- Facilitate collaboration between industry stakeholders, academia, and the government to identify and address infrastructure gaps.

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