



India's Toy Story

This editorial is based on [Unboxing the 'export turnaround' in India's toy story](#) which was published in The Hindu on 31/05/2023. It talks about Indian Toy Industry and its emergence as net exporter from a net importer.

Prelims: National Action Plan for Toys, [Toycathon](#), [Make in India](#)

Mains: India's toy story: Significance, Recent developments, Challenges and Way Forward

India has recently turned a net exporter of toys, during 2020-21 and 2021-22, ending decades of import dominance. Over the past 3 years, toy imports came down by 70% and exports went up 61%.

The achievement is widely credited to the '[Make in India](#)' initiative launched in 2014, and related policies, official press releases claim. Moreover, in 2020, the Prime Minister reportedly also spoke of promoting toy manufacturing, in his talk show, 'Mann ki Baat'.

While it is true that India's dependency on Chinese toys reduced and the former's exports improved in the recent months, the scale of exports is still miniscule and close to 200 times smaller than that of China's.

What is The State of India's Toy Industry?

- India's toy industry is minuscule. India hardly figures in the global toy trade, with its exports at a mere half-a-percentage point.
- In 2015-16, the industry had about 15,000 enterprises or establishments, producing toys valued at Rs1,688 crore and employing 35,000 workers.
- Registered factories — those employing 10 or more workers on a regular basis — accounted for 1% of the number of factories and enterprises, employed 20% of workers and produced 77% of the value of output.
- However, during the one and half decades between 2000 and 2016, industry output was halved in real terms (net of inflation) with job losses.
- Imports accounted for up to 80% of domestic sales until recently. Between 2000 and 2018-19, imports rose by nearly three times as much as exports.
- Earlier, about 80% of the toys were imported, with crores of rupees going abroad.
- According to a joint report by industry body [FICCI](#) and KPMG, the India's toy industry is expected to double from USD 1 billion in 2019-20 to USD 2 billion by 2024-25.

What are the Driving Forces behind the Growth of India's Toy Industry?

- **Huge Consumer Base:** India has a large population of children aged 0-14, which accounts for about 26.62% of the total population. This creates a high demand for toys and games in the

country.

- **Rising Disposable Income:** India's **GDP** growth and rising middle-class population have increased the purchasing power of consumers, who can now afford to buy more toys for their children.
- **E-commerce:** The proliferation of online platforms and digital payments has made it easier for consumers to access a wide variety of toys and games from different brands and regions. E-commerce also helps toy manufacturers and retailers to reach a larger customer base and reduce operational costs.
- **Government Support:** The government of India has launched various initiatives to promote the domestic toy industry, such as vocal for local toys campaign, **Toycathon**, Aatmanirbhar Toys Innovation Challenge, etc. These initiatives aim to boost innovation, quality, safety, and competitiveness of Indian toys and reduce dependence on imports.
- **Shifting Preference:** According to the Toy Association report in 2018, 67% parents believe in STEM-focussed toys as their primary way to encourage science and math development in young children. Shifting preference from conventional toys towards modern and hi-tech electronic toys is strengthening the market growth.
- **Going Global:** Toy sector is also going global, as manufacturers are scouting new markets and increasing exports to the Middle East and African countries. India's latest surge in toy exports was majorly due to the United States. India was its 9th biggest source.
- **Protectionism:** India turning a net exporter of toys is mainly due to rising protectionism and less, perhaps, on account of expanding domestic capabilities. The call for Vocal for Local campaign has the huge impact on this growth.

What is the Significance of Toy Industry?

- **Child Development:** Toys aid cognitive, physical, social, and emotional development in children.
- **Entertainment and Recreation:** Toys provide amusement, relaxation, and imaginative play.
- **Education and Learning:** Toys facilitate learning, foster curiosity, and teach essential skills.
- **Economic Impact:** The toy industry generates revenue, jobs, and supports related businesses.
- **Innovation and Technology:** Toys drive innovation and incorporate technological advancements.
- **Cultural Influence:** Toys reflect cultural values, trends, and promote diversity.

What steps have been taken by the Government to aid growth of Toy Industry?

- **Promoting Start-ups:** The Government has called upon start-up entrepreneurs to explore the toy sector. The Government has also urged industry players to support local toys and reduce reliance on foreign goods. Educational institutions have been asked to organise hackathons for students to innovate in toy technology and design, including online games, to reflect Indian ethos and values.
- **Increasing Import Duty:** The government tripled the import duty on toys and its components from 20% to 60% 2020. It was further increased to 70% with a view to cut inbound shipments of these products and boost domestic manufacturing activities.
- **Mandatory Quality Certification:** The Government has made toy quality certification mandatory to revive the indigenous industry. The Government began enforcing quality control for imported toys from September 1, 2020, to ensure that only products conforming to standards enter the country.
- **National Action Plan for Toys:** An initiative by the Government of India to promote the domestic toy industry and make India a global toy hub. It involves 15 ministries and various interventions such as setting up toy production clusters, launching schemes to incentivise manufacturing and exports, strengthening R&D and quality standards, integrating toys with education, and organising toy fairs and exhibitions.
- **Scheme of Fund for Regeneration of Traditional Industries (SFURTI):** The Ministry of Micro, Small & Medium Enterprises (MSME) has approved 19 toy clusters under the scheme.

What are the Challenges before India's Toy Industry?

- **Foreign dependence for sourcing raw materials:** Indian manufacturers specialize in board games, soft and plastic toys, and puzzles, etc. Companies have to import materials from South

Korea and Japan to manufacture these toys.

- **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:** High **GST** rates on toys are another challenge for the toy industry in India. At present, the GST rates on electronic toys are 18%, while non electronic toys attract 12% GST.
- **Lack of Infrastructure:** Poor infrastructure and absence of end-to-end manufacturing facilities hinders the sector's growth. There is a lack of adequate testing labs, toy parks, clusters, and logistics support for the toy industry in India.
- **Cheap Alternatives:** Competition from cheap and low-quality imports from countries like China is another challenge for the Indian toy industry. China accounts for 80% of the toy imports in India, which affects the domestic toy manufacturers adversely.
- **Unorganized and Fragmented:** Indian Toy Industry is still significantly fragmented, with 90% of the market being unorganized because of which harnessing the maximum benefit becomes very difficult.

What should be the Way Forward?

- Enhance manufacturing capabilities for high-quality, competitive toys through technology and skilled labour.
- Promote **small and medium enterprises (SMEs)** with support, skill development, and financial assistance.
- Foster collaborations and partnerships to drive innovation and gain market access.
- Focus on stringent safety and quality standards to build consumer confidence.
- Embrace digital transformation to expand reach and tap into online markets for toy sales.
- Encourage toy libraries and integrate toys into education for holistic child development.
- Diversifying the product portfolio and catering to the changing preferences and needs of the consumers. This may include developing educational, digital, traditional, and customized toys that appeal to different age groups and segments.
- Adopting eco-friendly and circular practices in the toy value chain, such as using waste and recycled materials, designing sustainable packaging, and creating reuse and reshare models.

Drishti Mains Question:

India has a huge potential to become a global hub for toy manufacturing and exports. Discuss the challenges for India's toy industry and suggest measures to overcome them.