

India As Global Hub For Toys

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Executive Summary

1. **The Indian toy industry, valued at \$1.5 billion, is expanding at a CAGR of 12.2%** during the forecast period of 2023-2028, driven by rising domestic demand and government initiatives like **Make in India**¹
2. Policy changes, such as increased import duties and the enforcement of Quality Control Orders (QCO), are encouraging domestic manufacturing. These measures also aim to improve product quality and strengthen India's position in the international toy market.
3. There is a noticeable shift in consumer preferences towards toys that are technologically advanced and focused on education. This reflects a growing interest in products that offer both entertainment and learning opportunities.
4. **The market is highly fragmented, with over 4,000 toy manufacturing units** spread across states like Karnataka, Tamil Nadu, Maharashtra, and Uttar Pradesh. Despite the large number of units, **the organized sector represents just 10% of the total industry.**² This indicates that the majority of production still occurs in small, unorganized setups.
5. Challenges such as inefficiencies in the supply chain and a continued reliance on imported materials are holding the industry back. Additionally, competition from established global players poses a significant hurdle to growth.
6. To establish India as a leading global toy manufacturing hub, investments in research and development (R&D) are critical. Alongside this, sustained policy interventions and efforts to upskill the workforce will be essential.
7. This report provides a detailed examination of the industry, covering market trends and the effects of government policies. It also explores the competitive landscape and outlines strategic opportunities for future growth.

I. Introduction

India has a rich legacy in toy-making, with a history of over 5,000 years. Excavations at Harappa and Mohenjo-Daro have revealed early examples of toys, such as small carts and figurines, reflecting the deep cultural roots of Indian craftsmanship. Over time, different regions developed unique toy-making traditions, like Rajasthan's Kathputlis, influenced by local materials and artistic styles. However, the Indian toy industry has significantly transformed in recent years. Until a decade ago, the market was dominated by inexpensive, mass-produced imports, primarily from China, leaving domestic manufacturers struggling to compete. **In 2023, this trend reversed, with India's toy exports surpassing imports for the first time, reaching \$522.2 million compared to \$517.7 million**³. This shift has been driven by government initiatives such as increased import duties, the introduction of the Quality Control Order (QCO), and the Make in India campaign, all aimed at promoting local manufacturing. Additionally, changing consumer preferences toward sustainable, educational, and technology-driven toys have further accelerated the industry's growth. As India positions itself as a global toy manufacturing hub, this document explores the factors driving this transformation, the challenges faced by the industry, and strategic recommendations for stakeholders to capitalize on emerging opportunities.

¹ [Source - Invest India](#)

² [Source - AEQUUS](#)

³ [Source - Blog, Bang Design](#)

II. Geographic Overview

The Ministry of Textiles has identified **13 toy clusters** across the country for the overall development of toy artisans.⁴

S.No	State	District & Cluster Location (Village & Block)	Craft	Classification (Under GI)
1.	Karnataka	Channapatna, Ramanagaram	Lacquer Toys	Registered
2.	Karnataka	Kinhal, Koppal	Kinhal Toys	Registered
3.	Andhra Pradesh	Kondapalli, Krishna	Kondapalli Toys	Registered
4.	Andhra Pradesh	Etikopakka, Kallashapatnam, Vishakhapatnam	Etikopakka Toys	Registered
5.	Telangana	Nirmal	Nirmal Toys	Registered
6.	Tamil Nadu	Mariamankoil, Tanjore	Tanjore Dolls	Registered
7.	Andhra Pradesh	Cuddapah, Laxmigaripalle	Raja Rani Dolls	Not Registered
8.	Uttar Pradesh	Varanasi	Wooden Toys	Registered
9.	Uttar Pradesh	Chitrakoot	Wooden Toys	Not Registered
10.	Rajasthan	Jaipur	Puppet / Kathputli	Registered

⁴ [IBEF](#)

S.No	State	District & Cluster Location (Village & Block)	Craft	Classification (Under GI)
11.	Assam	Dhubri, Asharikandi	Terracotta Toys	Not Registered
12.	Manipur	Keibull Sagram, Leikai, Bishnupur	Toys (Paper mache & Terracotta)	Not Registered
13.	Madhya Pradesh	Indore	Leather Toys	Registered

Table 1: Major centers of toy-making in India

III. Climate and Environmental Factors :

The environmental impact of toys is a huge issue, mainly because of the excessive use of plastic. The toy industry uses 40 tons of plastic to produce every \$1 million in revenue.⁵ Amazingly, 90% of the toys produced are from plastic. Many chemicals, such as heavy metals (including cadmium and lead), and other toxins like dioxins, were found embedded in plastic toys and absorbed by children through chewing on PVC toys.

IV. Major Exporters and Importers in the World :

Aspect	Key Data
Trade Ranking	31st out of 96 product categories globally
Major Exporters	China (\$89B), Vietnam (\$5.91B), Germany (\$4.45B), The United States (\$4.39B), Japan (\$4.19B)
Major Importers ⁶	The United States (\$44.2B), Germany (\$8.74B), Japan (\$7.56B), The United Kingdom (\$7.2B), France (\$6.24B)
Demand BreakDown ⁷	Educational: \$6B, Construction (e.g., LEGO): \$10B, Action Figures/Dolls: \$10B, Electronic: \$15B, Board Games/Puzzles: \$9B, Outdoor/Sports: \$5B, Plush (e.g., stuffed animals): \$7B

Table 2: Global Toy Trade Overview (2023)

⁵ [Source](#) - Corpseed

⁶ [Source](#) - OEC

⁷ [The Global Trade Research Initiative \(GTRI\)](#)

V. Status Quo of the Toy Manufacturing In India:

- A. India's **market penetration is <1%** (domestic + exports) of the global toy market due to a lack of large-scale manufacturing facilities.

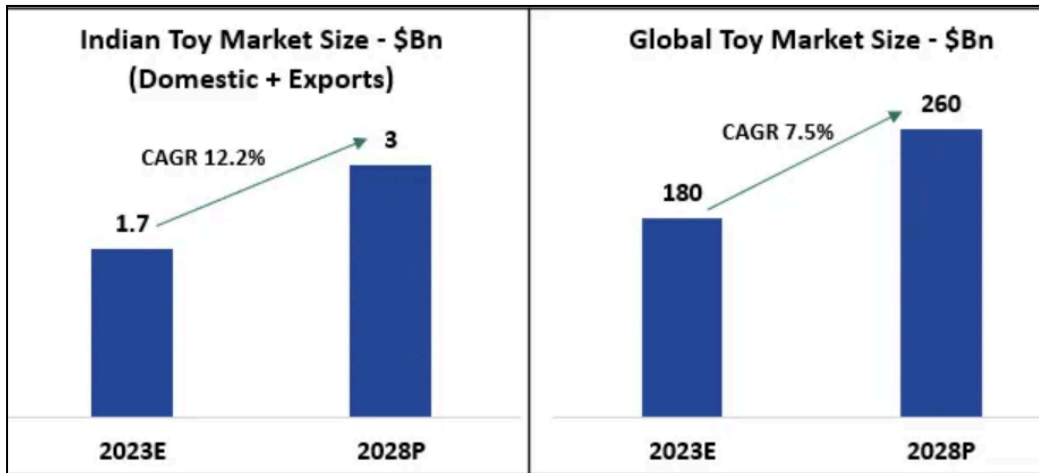


Image 1: India's Toy Market Penetration⁸

- B. India's import bill for toys from China dropped from \$214 million in FY13 to \$41.6 million in FY24, leading to a **decline in China's share in India's toy imports from 94% in FY13 to 64% in FY24**⁹
- C. India's toy exports dropped from \$177 million in 2021-22 to \$152 million in 2023-24
- D. The Indian Toy industry has witnessed remarkable growth in FY 2022–23, with a **67% decline in imports and a 240% rise in exports** compared to FY 2014–15.

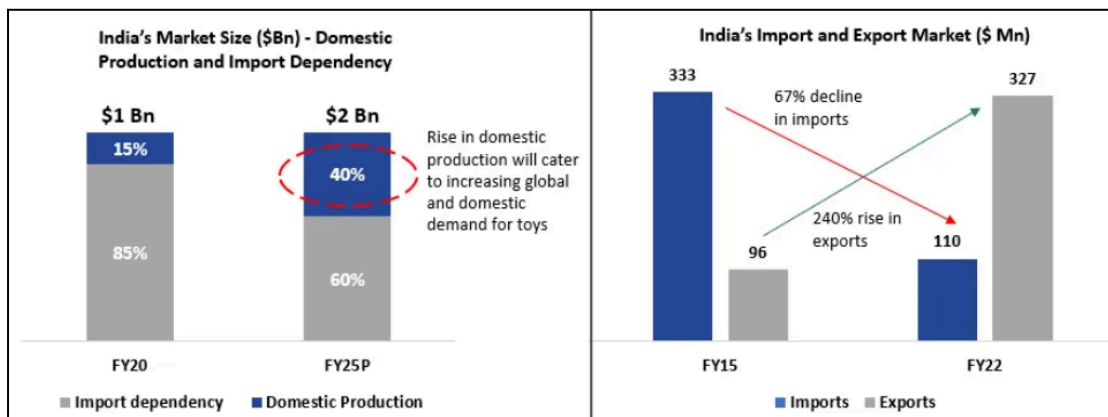


Image 2: India's Import-Export Composition¹⁰

- E. **Shifting Preference:** According to the Toy Association report in 2018, **67% of parents believe in STEM-focussed toys as their primary way to encourage science and maths development in young children.** Shifting preference from conventional toys towards modern and hi-tech electronic toys is strengthening the market growth.
- F. **In 2020, the Indian government raised the import duty on toys from 20% to 70%, making Chinese toys expensive.** In 2021, they also introduced the QCO lab, ensuring that foreign and local manufacturers

⁸ [IMARC Group](#)

⁹ [The Hindu, February 2025](#)

¹⁰ [KPMG, Forbes](#)

adhere to BIS standards. Failure to meet these standards could result in the rejection of toys, actively preventing the circulation of unsafe toys mainly from China.

- G. Since 2020, the government has implemented various policies to reduce dependence on Chinese toys and boost local manufacturing, focusing on ‘Made in India’ toys.
- H. To boost domestic toy manufacturing, the government has taken several key initiatives, such as — **Rs 3500 Cr PLI scheme** for Indian toy manufacturers, setting up toy manufacturing clusters, and the National Toy Action Plan
- I. **Cluster-based support** has been set by the government: **19 clusters supported under SFURTI and 26 by the Ministry of Textiles**
- J. Indian Toy Fair 2021, Toycation, and similar efforts encouraged innovation and branding but require sustained momentum.
- K. Toys for infant and preschool children under the age group of 0–5, constitute the largest share of total revenues in India.

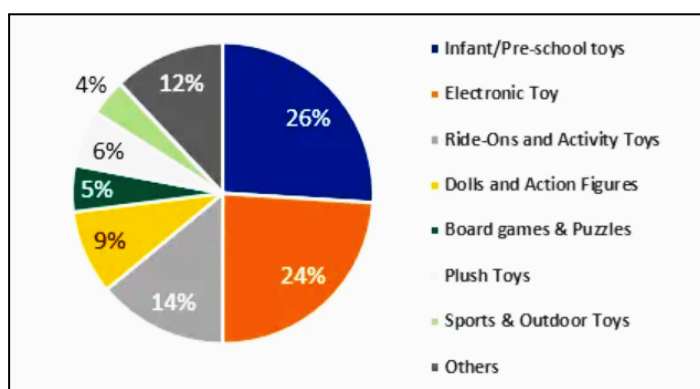


Image 3: Key Toy Categories In India¹¹

- L. According to the United Nations, India has more than 300 million children aged 0 to 14, making it the largest child population globally, accounting for 20% of the total. **By 2036, India is expected to have 17% of the world’s child population.** With the increasing disposable income of families in India and the rising child population, there will be an increase in domestic demand for toys.
- M. There has been limited innovation in toy manufacturing in India due to a lack of design and engineering skills. Currently, the government is establishing **toy design centers** focusing on R&D in different regions. This presents an opportunity that startups can explore.
- N. The market is highly unorganized and fragmented, with the organized sector accounting for only ~10%. **There are ~4000 toy manufacturers split into ~75% micro industries, ~22% MSMEs, and ~3% large-scale manufacturer,s** including notable names like Aequs and Micro Plastics.

¹¹ [KPMG — State of Play Report](#)

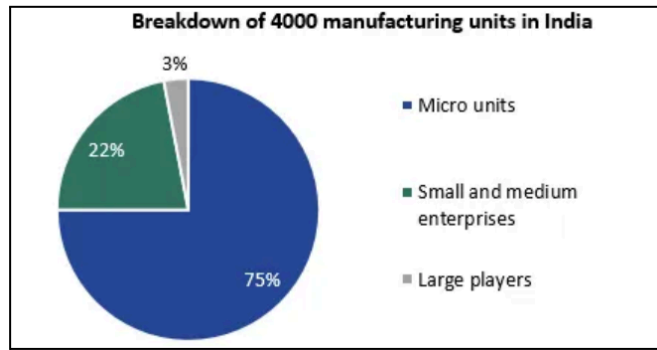


Image 4: Composition of Manufacturing Units In India¹²

O. Challenges:

1. **Micro and SME manufacturers:** They cannot operate at scale as they have capital constraints to work on large orders, no design capabilities, limited access to formal markets, unavailability of quality raw materials at the right price, and unskilled labor.
2. **Fragmentation:** The industry is highly fragmented, with around 90% of the market being unorganized. This fragmentation results in a lack of innovation and insufficient resources for investment in design, development, technology, and equipment.
3. **Quality Certification:** The introduction of mandatory quality certification has posed difficulties for traditional craftsmen who may not have the financial means to obtain these certifications. This requirement can hinder their ability to compete effectively in the market.
4. **High Import Dependency:** Indian manufacturers often rely on imported raw materials, particularly from countries like South Korea and Japan, which affects production costs and supply chain stability.

VI. Changes with the Budget 2025-26¹³:

- A. Decrease in Tariff rate with no change in Effective rate [With effect from 02.02.2025]:
 1. Parts of electronic toys¹⁴, for the manufacture of electronic toys: Before: 25 BCD + 2.5 SWS; After: 20 BCD + 7.5 AIDC
- B. Decrease in Tariff rate with a reduction in effective rate [With effect from 02.02.2025]:
 2. Parts of electronic toys: Before: 70; After: 20 (+20 AIDC)

VII. Policy Recommendations :

A. PLI Scheme:

[The industry is confident of a production-linked incentive scheme for the sector in FY25 even though several government officials have denied the government is considering a PLI scheme for the sector.]

1. The toy industry requires clusters that are integrated across the entire manufacturing value chain, offering advanced capabilities. **This includes specialized services such as packaging, tool-making, electronics, and paint making, which are essential for producing high-quality toys.**
2. This scheme could incentivize toy manufacturers to establish **both their production units and associated supply chain activities** (like tool-making or packaging) within these clusters.

¹² [Sports Goods Export Promotion Council](#)

¹³ [Budget Speech](#)

¹⁴ Under Tariff item 9503 00 91

3. Such incentives would reduce the financial risk for manufacturers, making it easier for them to invest in the creation of these global-scale ecosystems. Additionally, these incentives could help in the development of technology and R&D, which is crucial for staying competitive in the global toy market.

B. Export Incentives:

Provide export incentives for toy manufacturers that meet international quality standards and regulations. This could include export subsidies, reduced taxes on exported goods, or support for international marketing campaigns.

C. Simplification of Quality Mandates and BIS Certification:

1. Local Certification Authorities for SMEs:

- a. Create regional or industry-specific quality certification bodies that cater to SMEs and traditional craftsmen. These local bodies could work with small manufacturers to assess their production methods and offer a more affordable, accessible certification process.
- b. Expand BIS-approved third-party labs (similar to how China has multiple CNAS-accredited toy testing labs).

2. Cluster-Based Quality Certification:

- a. Implement a cluster-based approach, where small manufacturers and traditional craftsmen in the same geographical area can collaborate to obtain certifications as a group. This could involve shared resources, such as access to certification consultants and pooled funds to cover costs.
- b. Set up dedicated toy clusters (like in Greater Noida & Karnataka) with cheaper land, power subsidies, and common testing centers.

3. Financial and Tax Incentives for Certification:

- a. Provide tax breaks or financial incentives (such as low-interest loans) for traditional manufacturers who complete quality certification. The government could offer tax deductions on the costs incurred for obtaining certifications, or manufacturers could be exempt from certain taxes for a set period after certification.
- b. Stand-Up India & Mudra Loans
 - i. Mudra Loans (₹50,000 - ₹10 Lakh) for small manufacturers to meet certification costs.
 - ii. Stand-Up India Scheme for toy entrepreneurs from SC/ST and women-led businesses.

4. Tiered Certification Standards:

- a. Introduce tiered certification standards that cater to different levels of manufacturing capabilities. This would allow traditional craftsmen to be certified at a lower, more attainable level, with the option to upgrade to higher standards as they grow and improve their operations.
- b. Introduce a risk-based certification process where:
 - i. Low-risk toys (wooden, non-electric) undergo a simplified approval process.
 - ii. High-risk toys (electronic, battery-operated) require stricter scrutiny.

5. Digitalization:

- a. The entire application process should be online, with a user-friendly portal for easy submission of documents and tracking of progress.
- b. Integrate with existing manufacturer databases to pre-populate certain information.

6. Streamlined Renewal Process:

- a. Simplify the renewal process for existing BIS-certified products with minimal additional documentation required.
- b. BIS can introduce a Green Channel for compliant manufacturers who have passed 3+ consecutive audits. (USA's CPSC Model)

7. Reducing Certification Costs

- a. Provide subsidies or rebates for first-time applicants, particularly MSMEs.

D. For STEM-focused Toys:

1. Subsidies and Grants for STEM-focused toys incentivize the R&D and innovation for STEM toys.
2. Form partnerships between toy manufacturers and educational institutions to design toys that complement the learning curriculum.

E. For Construction Toys:

1. Technology-Driven Manufacturing: Promote the use of advanced manufacturing technologies (e.g., 3D printing and robotics) to produce high-quality construction toys that can compete with major global players like LEGO
2. Focus on Sustainability: Given the growing demand for eco-friendly products, encourage the use of sustainable materials like recycled plastics or biodegradable alternatives for construction toys. Offer incentives for manufacturers that prioritize sustainability.

F. For Action Figures & Dolls:

1. Collaboration with International Brands: Similar to the construction toys sector, encourage collaboration or licensing with international franchises to produce licensed action figures and dolls based on global pop culture.

G. Plush Toys:

1. Licensing Agreements for Global Appeal: Secure licensing agreements with global entertainment companies to produce plush toys featuring internationally recognized characters from cartoons, movies, and TV shows.

H. Market Access:

1. Organize the India Toy Expo (similar to China's Canton Fair), showcasing BIS-certified manufacturers.
2. Organize industry connect events under MSME Sampark & Invest India.
3. Enroll toy manufacturers on ONDC (Open Network for Digital Commerce) for wider domestic reach.
4. Collaborate with Bollywood, IPL, and animated characters to endorse Indian toys.
5. Open Toy Zones in railway stations, airports & malls promoting Indian toys.
6. Mandatory government procurement of BIS-certified toys for Anganwadi schools.

VIII. Conclusion:

India has a rich legacy in toy manufacturing and has seen a significant shift in its role in the global toy market, especially with its toy exports surpassing imports in 2023. While the country has made strides, challenges such as fragmentation, high import dependency, and quality certification hurdles remain. To establish itself as a global hub for toys, India needs to focus on modernizing its manufacturing clusters, improving technological

capabilities, promoting sustainability, and supporting innovation in the toy sector. The proposed policy recommendations, such as PLI schemes, export incentives, simplification of certification processes, and specific strategies for different toy categories, can help create a conducive environment for the industry's growth. With strategic interventions and the alignment of public and private sector efforts, India has the potential to significantly increase its share in the global toy market and provide high-quality, innovative, and sustainable toys for children worldwide.

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<https://bangid.com/from-plaything-to-powerhouse-the-history-current-state-and-future-of-indias-toy-exports/>

Annexure I - Glossary

Abbreviation	Meaning
BCD	The basic customs duty (BCD) rate is imposed on imported goods. It is the standard rate applied before considering any additional duties or exemptions.
SWS	This is an additional charge on BCD, meant to fund government welfare programs. SWS is usually calculated as a percentage of BCD. (In the example, it's 2.5% of BCD before the change.)
AIDC	Agriculture Infrastructure and Development Cess (AIDC) is a tax imposed to generate funds for improving agricultural infrastructure. Unlike BCD, AIDC is not credited under GST, meaning it adds to the cost for importers. (In the example, AIDC increases from 0% to 7.5% in one case and 20% in another.)
STEM	Science, Technology, Engineering, and Mathematics
Tariff Item 9503 00 91	<p>This is a classification code under the Harmonized System of Nomenclature (HSN) used for customs purposes.</p> <ul style="list-style-type: none"> - 9503: Covers toys, including dolls, puzzles, and electronic toys. - 00 91: A more specific category for electronic toy parts.