

Manuscript ID:
IJEBAMPSR-2025-020608

Volume: 2

Issue: 6

Month: December

Year: 2025

E-ISSN: 3065-9140

Submitted: 06- Nov.-2025

Revised: 10-Nov.-2025

Accepted: 15- Dec.-2025

Published: 31-Dec.-2025

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DOI: [10.5281/zenodo.18375025](https://doi.org/10.5281/zenodo.18375025)

DOI Link:

<https://doi.org/10.5281/zenodo.18375025>



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How to Cite this Article:

Hanamesh, & R, P. (2025). An Analytical Study of Growth Prospects and Challenges in India's Toy Manufacturing Sector. International Journal of Economic, Business, Accounting, Agriculture and Management Towards Paradigm Shift in Research, 2(6), 53–60. <https://doi.org/10.5281/zenodo.18375025>

An Analytical Study of Growth Prospects and Challenges in India's Toy Manufacturing Sector

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Abstract

This article examines the opportunities and challenges faced by the toy manufacturing sector in India. India is renowned for its traditional toy-making heritage, which dates back over 5,000 years. The industry generates significant employment opportunities and provides income to a large population dependent on this sector. However, changes in consumer preferences, along with the innovative designs and pricing strategies of Chinese toys, have created serious challenges for Indian toy manufacturers. This study is essential for assessing the existing opportunities and constraints within the Indian toy manufacturing sector. The research adopts a literature survey approach, drawing primarily on reports from various agencies and information published on websites and news sources. Initiatives such as the Atmanirbhar Bharat mission, the impact of COVID-19, and changing global market scenarios indicate substantial growth opportunities for the sector. Major challenges identified include the availability of foreign toys, increased import duties on raw materials and capital goods, and the introduction of stringent quality standards in toy production.

Keywords: MSMEs, CDMIA, TAI

Introduction

Toys play a vital role in shaping the culture and civilization of a society. Across India, toys reflect the nation's rich cultural heritage and diversity. The Indian toy industry manufactures a wide range of products, including plastic toys, mechanical toys, soft dolls, wooden toys, games, and battery-operated toys. Over the last decade, the toy manufacturing sector in India has undergone significant transformation in terms of toy types, designs, innovation, educational value, and creative appeal.

Traditionally, the toy sector has been recognized as a labour-intensive industry, providing employment opportunities to more than three million people, of whom nearly 70 percent are women. Toy manufacturing in India largely depends on local skills and craftsmanship, requiring artisans with creative talent and design capabilities. The industry primarily relies on indigenous manufacturers, with limited dependence on imports from other countries. Structurally, around 75 percent of the toy industry in India falls under the micro-enterprise segment, 22 percent comprises small and medium enterprises, and only 3 percent consists of large manufacturing units. Major toy manufacturing clusters are located in states such as Punjab, Uttar Pradesh, Delhi, Maharashtra (Mumbai), Tamil Nadu, and several central Indian states. Most toy manufacturing companies operate under the Micro, Small, and Medium Enterprises (MSME) category.

The marketing of toys involves addressing three stakeholders simultaneously: the child who uses the toy, the mother who is concerned about safety and space for play, and the father who focuses on affordability and expenditure control. Consequently, the primary target market for toy manufacturers includes middle- and upper-income groups.

According to Dale Hoiberg and Indu Ramchandani (2000), toys can be categorized into four major groups:

- Toys designed, developed, and produced by craftspeople.
- Metal and dynamic folk toys designed and produced by skilled and unskilled workers.

- Toys designed and developed by laypersons or invented by children themselves for personal use.
- Toys manufactured on an industrial or factory scale.

Toys Manufactured from Various Materials in the Indian Toy Market

The Indian toy market produces toys using a wide range of materials, reflecting both traditional craftsmanship and modern manufacturing practices. The major categories include:

Classification of Toys and Board Games Toys and board games can be broadly classified into the following three categories:



Objectives Of The Study

The primary objectives of the study are as follows:

1. To understand the overall structure of the Indian toy market sector.
2. To identify the opportunities available in the Indian toy manufacturing sector.
3. To examine the challenges faced by the Indian toy manufacturing sector.

Methodology To Achieve The Objectives Of The Study

The study adopts a **descriptive research methodology** based on an extensive review of existing literature related to the Indian toy market. Secondary data have been collected from various sources, including government reports, industry publications, research articles, and information available on websites and news portals. This approach helps in understanding the opportunities and challenges faced by the toy manufacturing industry in India.

Indian Toy Market – Overview

The Indian toy market was valued at approximately US\$ 1.23 billion in 2020. The history of toys in India dates back to the Indus Valley Civilization, nearly 5,000 years ago. Early forms of toys included bird-shaped whistles, monkey toys, and small and large carts made from natural materials such as clay, wood, stones, and sticks. This long-standing tradition highlights India's rich cultural heritage in toy making.

In recent years, the Indian toy industry has faced several challenges due to stringent rules and regulations introduced by the government, as highlighted by the Toy Association of India. However, technological advancements have enabled manufacturers to adopt modern machinery for producing innovative and contemporary toys. According to IMARC Group, the Indian toy market is expected to grow at a compound annual growth

rate (CAGR) of 12.2 percent during 2021–2026, indicating strong future potential.

Despite this growth, India remains heavily dependent on imports, fulfilling only about 20 percent of its domestic toy demand, while nearly 80 percent of toys are imported, predominantly from China. India imports approximately US\$ 600 million worth of toys from China, mainly comprising injection-moulded plastic toys and electronic toys. Chinese manufacturers are able to offer toys at lower prices due to economies of scale and export incentives provided by the Chinese government, making it difficult for Indian manufacturers to compete on price.

In response to intense competition, Indian toy manufacturers have begun focusing on improving toy designs, quality, safety attributes, and innovation. Furthermore, the COVID-19 pandemic, geopolitical tensions with China, and increases in import duties have led to a decline in

toy imports from China. At the same time, domestic demand for toys increased by nearly 25 percent during the lockdown period, as children remained indoors for extended durations.

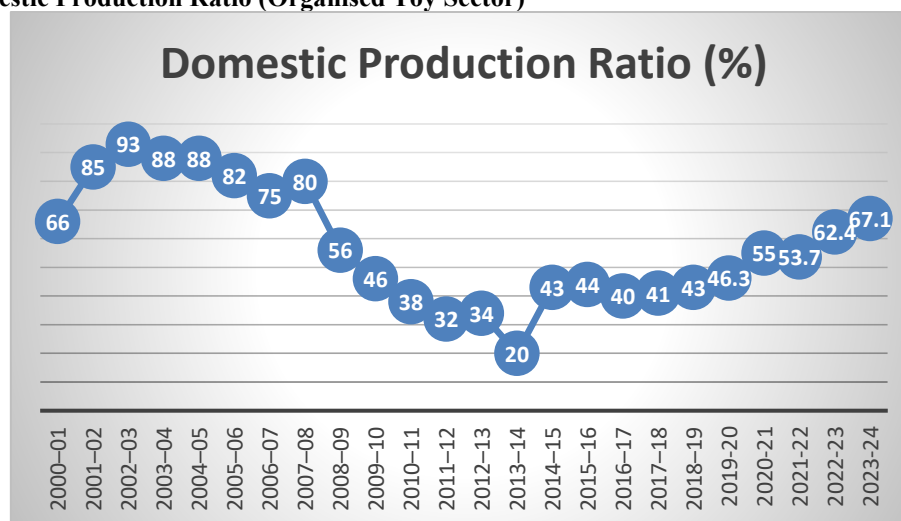
However, challenges persist. India continues to depend on imports of advanced machinery from countries such as Japan and South Korea for the production of electronic toys. High import duties on capital goods further increase production costs, placing additional pressure on domestic manufacturers. Although efforts are being made to boost local production, the toy industry remains largely labour-intensive and unorganized, with nearly 60 percent of units operating in the unorganized sector. Most manufacturers are small and medium enterprises employing fewer than ten workers, often facing shortages of capital, technology, and raw materials, which hinders rapid scaling of production.

Table: Trend in India's Toy Exports and Imports (USD Million)

Year	Exports (USD Mn)	Imports (USD Mn)
1988	~0.5	~1
1990	~1	~2
1995	~2	~5
2000	~5	~20
2005	~10	~50
2008	~25	~250
2010	~40	~300
2013	~50	~350
2015	~60	~320
2018	~75	~450
2020	~200	~300
2022	~250	~350
2024	~280	~320

1. India's **imports of toys rose sharply after 2000**, peaking around 2018 (~USD 450 Mn).
2. Exports have **remained low in comparison**, rising slowly to ~USD 200 Mn in 2020.
3. The **trade gap** indicates India is heavily dependent on imports, particularly from China, to meet domestic demand.
4. Post-2018, imports dropped sharply (likely due to COVID-19 and tariff changes), while exports began to grow.

Table: Domestic Production Ratio (Organised Toy Sector)



Indian Toy Market Drivers

The Indian toy market is primarily driven by a vast and expanding consumer base, which plays a crucial role in the growth of the toy industry in India. The country has a significantly young population, with nearly half of its population below the age of 25 years. This demographic advantage has resulted in a steady increase in domestic demand for toys.

Another major driver of the toy market is the rapid growth of academic and educational activities across the country. Increased emphasis on early childhood education, learning-based play, and skill development has led to a higher demand for educational and activity-based toys. Rising disposable incomes, particularly among the expanding middle-class population, have further supported market growth. With greater purchasing power, consumer spending patterns have shifted from traditional toys to modern alternatives such as battery-operated toys, building-set toys, puzzles, and high-end electronic toys.

The growth of e-commerce platforms has also significantly contributed to the expansion of the Indian toy market. Online retail channels provide consumers with access to a wide variety of toys,

detailed product information, competitive pricing, and convenience. Improved product quality, attractive features, and easy availability through digital platforms have accelerated the growth of the toy market in India.

Global Toy Market

The global toy industry was valued at approximately USD 275.75 billion in 2020 and is expected to grow at a compound annual growth rate (CAGR) of around 5 percent during the period 2021–2028. This growth is driven by several factors, including increasing parental preference for eco-friendly and sustainable toys, a shift from traditional toys and video games toward toys with cognitive and educational benefits, such as building sets and mobile-based gaming applications.

Additionally, the rising popularity of traditional play activities among younger generations is contributing to global market growth. In the context of toy manufacturing, the China Die and Mould Industry Association (CDMIA) estimates that the global toy market could reach USD 450 billion by 2030, highlighting significant long-term growth potential for the industry.

Table: India's Exports and Imports of Toys

Year	Exports (USD Mn)	Imports (USD Mn)
1988	~1	~5
1990	~2	~8
1992	~3	~10
1994	~4	~12
1996	~5	~15
1998	~7	~18
2000	~10	~25
2002	~12	~30
2004	~15	~40
2006	~20	~60
2008	~25	~80
2009	~22	~60
2010	~30	~120
2011	~35	~180
2012	~40	~250
2013	~55	~260
2014	~60	~300
2015	~80	~280
2016	~100	~320
2017	~120	~300
2018	~150	~450
2019	~160	~429
2020	~200	~444
2021	~211	~453
2022	~207	~463
2023	~217	~455
2024	~224	~471

Opportunities For the Indian Toy Market

The history of toy manufacturing in India dates back nearly **8,000 years to the Indus Valley Civilization**, where early toys such as whistle-shaped parrots, toy monkeys with movable parts, and miniature farm carts were produced using natural materials like bamboo, hay, mud, stones, and fiber fabrics. This strong foundation of traditional craftsmanship provides India with a unique advantage in the global toy market.

In the contemporary era, the adoption of modern technology, advanced machinery, and innovative mechanisms has enabled manufacturers to develop creative, educational, and interactive toys. With increasing emphasis on innovation and quality, India has the potential to emerge as a **global toy manufacturing hub between 2025 and 2030**, supported by the government's "*Vocal for Local*" and *Atmanirbhar Bharat* initiatives.

The government's strong focus on promoting domestic manufacturing has significantly enhanced growth opportunities for the sector. Leading global toy manufacturers are increasingly viewing India as an attractive manufacturing destination due to policy support, cost advantages, and a large domestic market. Key policy measures such as proposed increases in import tariffs, stricter certification and quality standards for imported toys, and the development of dedicated manufacturing clusters, factory plots, and investment zones are aimed at strengthening indigenous toy production.

Currently, it is estimated that nearly **90 percent of toys sold in India are imported**. As a result, higher import duties are expected to create a favorable environment for domestic manufacturers by reducing price competition from foreign toys. Although the full benefits of these initiatives may take time to materialize, they are expected to positively impact enterprises, employment generation, economic growth, and India's position in international trade.

The Atmanirbhar Mantra

As India advances toward greater self-reliance, industry participants anticipate significant growth in both capital investment and sales within the toy manufacturing sector. Under the *Atmanirbhar Bharat* initiative, India has emerged as a potential global manufacturing destination for toys. According to R. Jaswant, CEO of Funscool India, the country has the capacity to manufacture toys not only for domestic consumption but also for global markets. He notes that several international toy manufacturers are willing to source products from India and that Indian firms have increasingly been able to meet global quality and safety requirements.

However, he also emphasizes that the Indian toy industry remains relatively small when compared to the global market and continues to face multiple

challenges. One of the major constraints highlighted is the **high cost of tooling**, which affects toy design, innovation, and product development in India. Despite these limitations, the sector demonstrates considerable potential for growth.

High import duties on foreign toys are viewed as a positive development, as they provide domestic manufacturers with an opportunity to expand production capacity and improve competitiveness. While it may be difficult for Indian companies to match China in terms of scale and volume, Indian manufacturers can command a premium in the global market by emphasizing ethical manufacturing practices, worker welfare, and consumer safety.

Such value-driven branding is expected to attract international toy companies, many of which are already reconsidering their dependence on China due to geopolitical tensions and anti-China sentiment in global markets. Despite relatively higher production costs, India's commitment to responsible manufacturing and policy support under the *Atmanirbhar Bharat* initiative positions it as a strong alternative global hub for toy manufacturing.

COVID-19 Influence on the Toy Market

The COVID-19 pandemic has reinforced several trends that were already influencing the toy industry prior to the crisis, particularly in the areas of digital transformation and home-based entertainment. With increased adoption of video games, e-sports, and digital learning tools—especially STEM-based educational platforms—2020 marked a significant shift toward online education and indoor entertainment.

Although certain traditional toy categories experienced a temporary surge in demand during the first quarter of 2020, the long-term trend indicates that toy manufacturers are repositioning themselves as multi-platform entertainment providers. Addressing concerns regarding competition from digital and video games, R. Jaswant, CEO of Funscool India, expressed optimism, stating that physical toys will continue to remain relevant despite the rise of internet gaming. He emphasized that Funscool has provided high-quality branded toys for over three decades and observed a substantial increase in demand for board games and puzzles during the lockdown period.

The pandemic also highlighted the strong purchasing power of the Indian middle class, which has emerged as a significant consumer force. Often compared to the scale of the European economy, the Indian middle class has shown evolving preferences, shifting away from traditional battery-operated toys toward creative electronic toys, intelligent play products, and branded soft toys such as giant teddy bears and panda toys.

Changing Global Scenario

Toy manufacturing has proven to be an effective means of revitalizing economies, as it generates large-scale employment for semi-skilled and unskilled workers, particularly women. As China increasingly focuses on higher-value and technologically advanced toys, a significant opportunity has emerged for developing economies such as India to expand their presence in the global toy market.

Countries like Vietnam have successfully capitalized on this shift by reforming policies and building a toy industry valued at approximately USD 4 billion within three years. India is now entering this global competition with the objective of establishing itself as a reliable and competitive toy manufacturing hub.

The growing acceptance of non-Chinese products worldwide is expected to create a substantial market gap, offering opportunities for new and emerging enterprises in India. This changing global landscape presents a favorable environment for startups and entrepreneurs, who are likely to find increased policy support, investment opportunities, and market access within the Indian toy sector.

Challenges For the Indian Toy Market

1. Availability of Foreign Toys in the Indian Market

Traditional Indian toys play a significant role in the development of children's motor and cognitive skills. However, following economic liberalization, the Indian toy market has witnessed a substantial inflow of low-priced foreign toys, particularly from China. These imported toys, including those of inferior quality, have increasingly dominated the Indian market, surpassing traditional and locally manufactured toys. As a result, many domestic toy manufacturing units have been forced to shut down, as Indian producers find it difficult to compete with cheaper imported toys, especially in the electronic and electric toy segments.

Table: Challenges of the Indian Toy Market

S. No.	Challenge	Description / Impact
1	Availability of Foreign Toys	Influx of low-cost imported toys, especially from China, has reduced demand for traditional and domestically manufactured toys, leading to the closure of many local units.
2	Increased Import Duties	Rise in import duties on toys (20%–60%) and raw materials (up to 200%) has increased production costs and retail prices, affecting demand and order volumes.

2. Impact of Increased Import Duties

The import duty on toys has increased significantly over time, rising from **20 percent to nearly 60 percent**. This escalation has raised the overall cost of toys in the Indian market, leading to reduced demand and cancellation of orders. Additionally, import duties on certain raw materials have increased by up to **200 percent**, further increasing production costs for domestic manufacturers. Higher prices discourage consumers, particularly price-sensitive households, from purchasing such toys, thereby affecting market demand.

3. Introduction of Quality Standards

Quality assurance is essential for the long-term development of the toy industry; however, the associated compliance costs have posed serious challenges. The Government of India mandated Bureau of Indian Standards (BIS) certification for toys, effective from 1 January 2021. While this initiative aims to ensure child safety and product quality, it has placed significant pressure on traditional artisans and small-scale toy manufacturers, particularly those from historic toy clusters such as Channarayana in Karnataka. Experts and producers argue that the stringent standards and tight deadlines have been disruptive for an industry that has existed for over a century.

4. Lack of Uniform Demand

Toy manufacturing is a labour-intensive activity, and the demand for toys is often inconsistent and short-lived. Many toys have a limited market life, influenced by trends, movies, and popular culture. For instance, toys related to movie characters often experience a surge in demand during a film's release, followed by a sharp decline, resulting in unsold inventory. Additionally, toy demand is seasonal in nature, largely dependent on school vacations and festive periods, creating uncertainty for manufacturers in planning production and inventory management.

3	Quality and Safety Standards (BIS)	Mandatory BIS certification has increased compliance costs and operational pressure, particularly on small-scale artisans and traditional toy clusters like Channapatna.
4	Price Sensitivity of Consumers	Higher toy prices discourage middle- and lower-income households, limiting market expansion.
5	Lack of Uniform Demand	Demand for toys is seasonal and trend-based, often linked to movies, festivals, or school vacations, leading to inventory risks.
6	Unorganized Sector Dominance	A large portion of the industry is unorganized, with limited access to capital, technology, and skilled labor.
7	Technological Constraints	Dependence on imported machinery for electronic toys increases costs and delays production.

Technological Constraints

In India, traditional wooden toys are primarily manufactured using artisanal skills and craftsmanship, which contribute positively to the sensory and cognitive development of children. However, changing consumer preferences and increasing exposure of children to advanced technology have altered demand patterns. Today's children are more inclined toward intelligent, interactive, and technology-driven toys, including electronic games and digital play systems.

To meet these evolving needs, local toy manufacturers must adopt advanced technologies and integrate information technology into toy design and production. This transition requires significant investment in modern machinery, technical expertise, and research and development. Recognizing this challenge, the Government of India has encouraged startups and technology-driven enterprises to collaborate with traditional toy manufacturers to enhance innovation and competitiveness.

At present, Indian toy manufacturers mainly specialize in board games, soft toys, wooden toys, and plastic toys. To expand into high-tech and electronic toy segments, manufacturers often rely on importing advanced machinery and raw materials from countries such as Japan and South Korea. High costs associated with technology acquisition and dependence on imported equipment continue to be major barriers to growth.

Conclusion

The Indian toy manufacturing industry possesses immense growth potential, supported by a rich cultural heritage, a large domestic market, and

favorable government initiatives. However, the sector faces significant challenges, particularly intense competition from Chinese manufacturers, high production costs, technological limitations, and compliance with stringent quality standards.

The Government of India has undertaken several measures to enhance domestic production and reduce dependence on imports, thereby creating new opportunities for the industry. Nevertheless, the toy manufacturing sector continues to experience a mix of opportunities and challenges. To strengthen its global competitiveness, it is essential to improve product quality in line with international standards while simultaneously implementing measures to reduce production costs.

A coordinated approach involving government support, technological innovation, skill development, and collaboration between startups and traditional manufacturers will be crucial for the sustainable growth of the Indian toy manufacturing sector and for establishing India as a global toy manufacturing hub.

Acknowledgment

The authors express their sincere gratitude to all individuals and institutions who contributed, directly or indirectly, to the successful completion of this research study.

We gratefully acknowledge the valuable insights and information obtained from various secondary sources, including government reports, industry publications, academic journals, websites, and news portals, which formed the foundation of this analytical study. The contributions of scholars and researchers whose works have been cited in this paper are also duly acknowledged.

We would like to express our sincere thanks to the faculty members and the Department of Studies and Research in Economics, **Vijayanagara Sri Krishnadevaraya University, Ballari**, for their academic guidance, encouragement, and constructive suggestions during the preparation of this manuscript.

Finally, we extend our heartfelt gratitude to our family members and well-wishers for their continuous support, patience, and motivation, which played a vital role in the successful completion of this work.

Financial support and sponsorship

Nil.

Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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