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Trade Competitiveness in Toy Manufacturing Industry: A Global Perspective

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Abstract

The worldwide toy market is a vibrant industry constantly changing in response to altering consumer preferences, technological developments, and global trade dynamics. This research study examines trade competitiveness in the toy business worldwide, concentrating on essential variables that affect success. This paper examines Trade competitiveness in the toy industry. It also examines how trade policies, intellectual property laws, and tariffs affect toy producers' costs and market access. This research paper's conclusion highlights the SWOT analysis of the global toy market, the intricacy of elements impacting trade competitiveness in the toy sector, and the necessity for businesses to comprehend and adjust to these dynamics. Innovation, international trade laws, supply chain effectiveness, and sustainability practices will continue to be essential for companies looking to maintain or improve their competitiveness in the global market as the industry develops.

Keywords- Trade competitiveness, sustainability, supply chain management, international trade, etc.

1. Introduction

Toy plays an essential role in 5000 years of Indian civilization. Toys manufactured across the country reflect the cultural diversity of the country. India produces a wide range of toys, viz., plastic, mechanical, soft dolls, animals, brand games, puzzles, education games, plastic games, rubber games, wooden games, etc. In 2014, the worldwide toy market was valued at USD 92 billion. 5.9% growth has been recorded in the toy business. Market growth from 2010 to 2014 was 4.4% on an annualized basis. With a projected 4.7% annual growth rate, the value of the worldwide toy market is predicted to reach US\$115.946 billion in 2019 (Khajeheian, 2018). The toy sector is a labour-intensive industry. It provides tremendous employment opportunities to over 3 million workers, constituting about 70 per cent (DIPP, Ministry of Commerce & Industry, 2017). The toy industry, a magical realm where imagination, creativity, and education converge, has seen significant changes recently. This worldwide industry is more competitive and sophisticated than ever due to technological breakthroughs, changing customer preferences, and dynamic trade dynamics. The trade competitiveness of the toy sector is inextricably linked to innovation, global trade policies, supply chain management, and the rising significance of sustainability practices. It is not only dependent on the whims of children. With roughly 4,000 production

facilities, the toy industry is primarily based in small and cottage sectors. These facilities are divided into micro (75%), small and medium (22%), and significant (3%) units. The toy industry is concentrated in central India's Delhi, Mumbai, Punjab, Uttar Pradesh, Haryana, Tamil Nadu, and other clusters. Indian expert craftsmen and innovative designers are used in the production of toys (DIPP, Ministry of Commerce & Industry, 2017). According to the National Investment Promotion & Facilitation Industry, The Indian toy market is expected to develop at one of the highest rates in the world, with a CAGR of 12% from 2022 to 2028, to reach \$ 3 billion. With long-term profit margins for the top 100 firms in size hovering around 6%, the toy manufacturing industry is seeing pressure on its margins. Small and medium-sized (SME) businesses have lower margins than large businesses. The toy industry has recently made news headlines. According to the official press release, between 2018–19 and 2021–22, toy exports increased from \$109 million ('812 crore) to \$177 million ('1,237 crore), while imports decreased from \$371 million ('2,593 crore) to \$110 million ('819 crore).¹ Government sources indicated that the success of "Make in India," which was implemented in response to the Prime Minister's rallying cry made during his weekly talk show, Mann ki Baat, in August 2020, was to blame for the decline in imports (Anand et al., 2000).

China presently produces the most toys globally; the US is its most significant market. China supplied 78% of the toys the US imported in 2021 (India exported \$0.3 billion or 0.5% of US imports). According to Hindu 2023, 36.4% of China's total exports were to the US (Hindu, 2023). According to Invest India, the government's platform for promoting foreign investment, India's toy business is one of the fastest-growing in the world and is expected to reach \$3 billion by 2028. A government program called the Production Linked Incentive (PLI) plan aims to increase domestic production and exports. The program offers cash rewards to businesses that produce goods in India and export them. The toy industry is one of the sectors eligible for the PLI scheme, which was introduced in 2020. Over five years, the PLI initiative for the toy industry is anticipated to offer incentives totalling INR 3,500 crore.

Additionally, the profit margin for retail is lower than it is for toy production. Middle Eastern and African nations are receiving more of India's high-value exports, increasing the country's worldwide footprint in the toy sector. In Budget 2023, the import tax on toys was raised from 60% to 70%. To improve standardization in toy manufacture and import and guarantee product safety, the Toys Quality Control Order (QCO) was implemented in 2021.

The international toy market is exceptionally competitive, with several nations competing for market share. China produces and exports more toys than any other country, accounting for over 80% of all toy exports. Hong Kong, Mexico, and the United States are further significant exporters of toys.

2. Trends in Trade

The relevance of e-commerce is rising in the toy sector. Consumers may now purchase toys from around the world with the help of e-commerce sites like Amazon and Alibaba. This helps level the playing field for toy producers in less developed nations. In 2015–16, toy imports totalled \$362.4 million (Rs 2,373 crore), more than nearly tripling exports, which came in at \$125.5 million (Rs 825 crore). At the current exchange rate, imports were 41% higher than domestic production.

Imports made up just 7% of domestic production in 2000–2001. The ratio increased dramatically to 141% fifteen years later. From 4% to 49%, the equivalent export-to-production percentage increased. The import of intermediate components and the final sales of toys may have expanded quickly due to these trends. These ratios are important because they demonstrate the growing dependency of production and consumption on imports. Developments in the toy industry between 1998–1999 and 2021–2022. Except for the past three years, starting in 2018–19, India's imports are increasing more than its exports. Compared to most toy-exporting countries, which saw positive labour productivity growth, India's average industry productivity growth is negative, which can be explained by the rising import-to-domestic production ratio, according to the Indian Ministry of

Commerce and Industry. Over the next five years, the Indian toy market is anticipated to expand at a 10% compound annual growth rate (CAGR). Imported toys continue to dominate the Indian toy market. However, buying toys made in India is becoming more and more popular. This is because toys created in India are getting better and more varied, and more people realize how important it is to support Indian companies.

Table 1 Trends in export-import 2013-2022

Year	Toy exports (USD million)	Toy imports (USD million)
2013	175.7	1,222.30
2014	194.2	1,356.30
2015	213.7	1,497.50
2016	234.1	1,645.80
2017	255.2	1,799.20
2018	276.7	1,956.80
2019	298.2	2,119.60
2020	224.3	1,695.20
2021	250.7	1,862.30
2022	277.2	2,034.60

Source- Union Nation Comtrade Balance

Table- 2 Trade competitiveness in the toy industry -Export-import of the Top country (2023)

Country	Export(USD billion)	Import(USD billion)
China	42.5	11.2
Hongkong	12.1	5.7
Mexico	10.3	5.2
US	9.5	25.2
Vietnam	7.7	2.1
Germany	5.5	4.2
Thailand	4.3	2.3
Netherland	4.1	3.1
Indonesia	4.0	1.9
Japan	3.7	2.9

Source- Union Nation Comtrade Database

In the toy industry, the tariff schedule lists the many toy categories subject to tariffs and the relevant tariff rate for each type. The tariff rate is the portion of the toy's worth subject to duty upon importation into a nation.

Each nation has a separate toy tariff schedule. There are, nevertheless, certain broad tendencies. For instance, educational toys often have cheaper tariff rates than other` toys. This is due to the perception that educational toys benefit kids' development.

Table-3 Tariff Rate on Toy

Country	Tariff Rate %
US	10
China	15
EU	5
Japan	2
India	20
Brazil	35
Mexico	10

Source- Indian Ministry of Commerce and Industry

As we can see in Table 3, toy tariff charges differ significantly from nation to nation. China and Brazil have the highest tariff rates, whereas Vietnam, Thailand, Indonesia, and South Korea have the lowest. Toy prices for customers may be significantly impacted by the tariff schedule in the toy sector.

The toy industry's tariff schedule may affect the ability of toy makers to compete. Due to the higher tariff rate on toys in China, a toy producer in China will, for instance, cost more than a toy manufacturer in Vietnam. As a result, Chinese toy producers may find it challenging to compete in the international market.

3. Research Methodology

- **Data Analysis**

Data must first be gathered and then examined to determine the elements that affect trade competitiveness in the toy sector. Numerous statistical techniques.

- **Data Collection**

Use government report, literature review and UNCOMTD. Gather information about the toy sector, such as statistics on trade flows, costs of production, the quality of the products, and innovation. Many other sources of information can be used to gather data, including company surveys, industry reports, and government statistics and used to analyze the data, such as SPSS Excel. Using SWOT analysis in the Global Toy Market

Table- 4, SWOT Analysis of the Global Toy Market

Country	Strengths	Weaknesses	Opportunities	Threats
China	Low cost of production Large domestic market Strong manufacturing capabilities Government support	Product quality concerns Lack of innovation in some areas Reliance on exports	Growing middle class in developing countries Increasing demand for educational toys The rising popularity of licensed toys	Trade protectionism Competition from other low-cost countries Counterfeiting
United States	Strong brand recognition High levels of consumer spending Sophisticated toy market	High cost of production Declining birth rate Competition from imports	Growing popularity of STEM toys Increasing demand for eco-friendly toys Rising popularity of online toy sales	Trade barriers Currency fluctuations Economic downturn
Japan	High product quality Strong focus on innovation Popular culture exports	Small domestic market High cost of production Declining birth rate	Growing demand for high-quality toys Increasing popularity of Japanese culture Rising popularity of online toy sales	Trade protectionism Competition from other Asian countries Economic downturn
India	Large and growing middle class Rising disposable incomes Increasing awareness of the importance of early childhood development.	Lack of domestic manufacturing capabilities Product quality concerns Reliance on imports.	Growing demand for educational toys Increasing popularity of licensed toys Government support for the toy industry	Competition from imports Trade barriers Counterfeiting
Germany	Strong brand recognition High product quality Focus on innovation	High cost of production Small domestic market Declining birth rate	Growing demand for high-quality toys Increasing popularity of STEM toys Rising popularity of online toy sales	Trade protectionism Competition from other European countries Economic downturn

Source: OECD (2019) Trade Policy Report

By 2024, the worldwide toy market is predicted to be worth \$166.2 billion. With more than 50% of all toy sales in this region, it is the largest toy market worldwide. With over 6 million employees worldwide, the toy sector is a significant employer. The toy sector faces numerous obstacles, such as competition from alternative entertainment mediums like video games and smartphone apps (OECD, 2019).

4. Conclusion

The global market for toys is highly competitive. Chinese toy producers enjoy a considerable cost advantage compared to other toy manufacturing nations. An increasing trend, nevertheless, is the importation of toys with more value. The toy sector is likewise becoming more and more dependent on e-commerce. The toy industry's tariff schedule is a complicated subject. There are several things to consider, including the kind of toy, the nation of manufacture, and the nation of import. The tariff schedule may significantly affect both the cost of toys for consumers and the ability of toy makers to compete. A practical research study can offer insightful information about the elements that affect trade competitiveness in the toy sector. Policymakers and industry stakeholders can use this data to build policies and initiatives to increase trade competitiveness.

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