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**DAILY EDITORIAL
ANALYSIS**

TOPIC

**BUILDING A REGULATORY
FRAMEWORK FOR ONLINE GAMING
IN INDIA**

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BUILDING A REGULATORY FRAMEWORK FOR ONLINE GAMING IN INDIA

Context

- India's online gaming sector has evolved into a complex socio-digital ecosystem, with over **568 million gamers** and increasing real-money participation.
- However, concerns such as **financial fraud, addiction, money laundering, and national security risks** have necessitated a robust regulatory framework.

What is Online Gaming?

- Online gaming refers to **games offered on the internet, accessible through devices such as smartphones or computers**, including both **casual games** (entertainment-based), and **real-money games (RMG)** involving stakes. (MeitY, IT Rules 2023).
- The sector is projected to be a **multi-billion-dollar industry**, contributing to employment, innovation, and the digital economy.
- Around **80% of gamers worldwide are adults**, with the **largest group ages 18–34**, while the **average gamer is in their mid-30s**.
- **Mobile gaming** has emerged as the **dominant platform**, with **3.6 billion players globally**.

Growth of Online Gaming in India

- Rapid expansion due to **Digital India and smartphone revolution**: Roughly **659 million smartphone users**; & **over 568 million gamers** due to affordable data and widespread mobile penetration.
 - ♦ Dominance of **mobile gaming (~90% users)**;
 - ♦ Increasing participation from **Tier-2/3 cities and rural areas**;
 - ♦ Significant rise in **women gamers (~40%)**;
- Online gaming in India intersects with **financial systems, social networks, and security domains**. It identifies **three core imperatives**:
 - ♦ **Consumer protection** from financial and psychological harm;
 - ♦ **National security safeguards** against criminal and extremist misuse;
 - ♦ **Balanced regulation** to promote legitimate gaming sectors like e-sports;
- The **Promotion and Regulation of Online Gaming Act, 2025** represents a paradigm shift from fragmented self-regulation to **centralised state-led governance**, though challenges in enforcement, federal coordination, and technological adaptation persist.

Why Regulation is Necessary?

- **Economic and Financial Risks**: Estimated **₹20,000 crore annual losses** by users in real-money gaming;
 - ♦ Significant tax revenue loss due to illegal offshore betting markets operating outside Indian jurisdiction.
- **Cybercrime and National Security**: Gaming platforms have been used for fraud, terror financing, and radicalisation.
 - ♦ Encrypted communication channels within games hinder surveillance.
 - ♦ Cross-border operations by offshore platforms complicate jurisdiction and enforcement.
- **Social and Public Health Concerns**: Rising cases of addiction, depression, and financial distress — particularly among youth.
 - ♦ Documented cases of suicides and family breakdown linked to gaming losses.
 - ♦ An average of 13 hours per week gaming among heavy users raises welfare concerns.
- **Regulatory Vacuum**: Fragmented legal landscape — governed by a patchwork of the IT Act and state gambling laws.

- ◆ No unified registry or licensing system for gaming platforms.
- ◆ Persistent legal ambiguity between “game of skill” and “game of chance” — a distinction that has been exploited to bypass regulation.

Key Features of the Online Gaming Act, 2025

- **Comprehensive Ban on Real-Money Gaming (RMG):** Covers games of **skill, chance, or mixed nature**; and eliminates earlier legal loopholes.
- **Institutional Mechanism:**
 - ◆ Establishment of **National Online Gaming Authority (NOGA/NOGC)**
 - ◆ Functions: licensing, classification, grievance redressal
- **Strict Enforcement Measures:** Blocking powers under Section 69A (IT Act);
 - ◆ Penal provisions: imprisonment and fines up to 2 crore;
 - ◆ Ban on advertisements and payment processing;
- **Financial and Compliance Norms:** Mandatory **KYC and AML compliance**;
 - ◆ Integration with PMLA and financial intelligence systems;
- **Protection of Legitimate Gaming:** Promotion of **e-sports, educational gaming**;
 - ◆ Alignment with sports policy.

Challenges in Implementation

- **Offshore and Illegal Platforms:** Mirror websites and VPN access undermine bans; and lack of global enforcement mechanisms.
- **Technological Constraints:** Encrypted chats and ephemeral data; and difficulty in monitoring large-scale interactions.
- **Institutional Capacity Gaps:** Limited cyber policing expertise; and need for specialised gaming intelligence units.
- **Federal and Legal Issues:** Gambling is a **State subject** (Entry 34, State List); and potential centre-state conflicts.
- **Civil Liberties Concerns:** Risk of over-surveillance and misuse of blocking powers; and balancing regulation with privacy and freedom.
- **Economic Impact:** Loss of revenue and jobs in RMG sector; and industry concerns over excessive regulation.

Global Best Practices

- Countries such as the **UK, Australia, and South Korea** have adopted:
 - ◆ Age restrictions and gaming time limits;
 - ◆ Strong **identity verification systems**;
 - ◆ Regulation of in-game purchases and loot boxes;
 - ◆ Licensing regimes instead of blanket bans;
- These models emphasize **‘regulated freedom’ rather than prohibition**.

Way Forward: Towards a Balanced Framework

- **Hybrid Regulatory Model:** Shift from blanket bans to **regulated licensing of RMG**; and differentiate between low-risk and high-risk games.
- **Strengthening Institutional Capacity:** Dedicated **gaming cyber cells**; training in Open source intelligence (OSINT), and AI-based monitoring.
- **Technological Solutions:** AI-driven fraud detection, and real-time transaction monitoring.
- **International Cooperation:** Faster MLAT processes, and joint task forces to tackle offshore operators.

- **Consumer Protection Measures:** Spending limits, self-exclusion tools, and awareness campaigns and digital literacy.
- **Clear Centre-State Coordination:** Model law for states, and harmonised regulatory standards.
- **Transparency and Accountability:** Independent oversight body, and periodic audits and public reports.

Conclusion

- India's regulatory approach to online gaming reflects a **shift towards prioritising national security and consumer welfare**.
- The success of **Promotion and Regulation of Online Gaming Act, 2025** depends on **adaptive governance, technological capability, and cooperative federalism**.
- A balanced framework needs to ensure that **innovation in gaming thrives while risks are effectively mitigated**, making the sector both **safe and economically productive**.

Source: ORF Online

Daily Mains Practice Question

- [Q] Discuss the need for a comprehensive regulatory framework for online gaming in India. Highlight the challenges in their effective implementation.

