

NEXT IAS

**DAILY EDITORIAL
ANALYSIS**

TOPIC

**ONLINE GAMING REGULATION IN
INDIA: RETHINKING THE PROG ACT,
2025**

www.nextias.com

ONLINE GAMING REGULATION IN INDIA: RETHINKING THE PROG ACT, 2025

Context

- The **Promotion and Regulation of Online Gaming (PROG) Act, 2025** was enacted to protect citizens from the harms associated with online real-money gaming and betting platforms. However, it appears to have pushed users toward **illegal offshore betting platforms** instead of reducing gambling activities.

About Online Gaming in India

- Online gaming in India includes **casual games** (puzzle, strategy, fantasy sports), **Real Money Gaming (RMG)** platforms, **online betting and gambling platforms, e-sports and competitive gaming**.
- It has witnessed rapid digital expansion due to rising smartphone penetration, cheap internet access, digital payment systems, and young demographic profile.
 - ♦ India today is among the world's largest online gaming markets.

Growth of the Online Gaming Sector in India

- India has over **500 million gamers**, and it is projected to grow significantly due to expansion of 5G services, digital payments ecosystem, increased investor interest, growth of esports and fantasy gaming.
- 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**.
- The online gaming industry contributes through employment generation, start-up ecosystem growth, tax revenues, and technological innovation.

Governance Framework of Online Gaming

- **Existing Regulatory Structure:** Online gaming regulation in India remains fragmented.
- **Constitutional Position: Betting and gambling** fall under the **State List (Entry 34)** of the Constitution.
 - ♦ States can legislate independently on gambling activities.
- **Union Government Oversight:** The **Ministry of Electronics and Information Technology (MeitY)** regulates online intermediaries under **Information Technology Act, 2000 and IT Rules, 2021**.
- **Recent Measures:** The Centre has blocked thousands of illegal betting URLs, issued advisories against offshore betting apps, and strengthened cybercrime monitoring.

Rationale Behind the PROG Act, 2025

- The PROG Act was introduced to protect youth from gambling addiction, prevent financial exploitation, reduce psychological harm, safeguard digital privacy, and counter money laundering through betting networks.
- The legislation aimed to prohibit or heavily restrict online money gaming platforms perceived as harmful.

Significance of PROG Act, 2025

- **Formalisation of the Sector:** Brings clarity, improves **investor confidence**, and ensures compliance.
- **Boost to E-sports Ecosystem:** Recognition of e-sports as a **legitimate industry** aligns with global trends.
- **Strengthening Digital Governance:** Reflects India's move toward **platform regulation and digital accountability**.
- **Consumer-Centric Approach:** Prioritises **user safety over profit-driven gaming models**.

Key Issues and Concerns in the Current Framework

- **Rise in Offshore Platform Usage:** Evidence suggests that users shifted from regulated domestic platforms to illegal offshore websites after the ban.
 - ♦ A study by **CUTS International** reported that offshore participation in Delhi NCR rose from **68.3% to 82%**; Tamil Nadu from **67.8% to 83%**; and Maharashtra from **66.7% to 91.7%**.
 - ♦ It indicates that prohibition did not eliminate demand; it merely redirected users to less accountable platforms.
- **Challenges in Enforcement:** Offshore operators use advanced evasion methods such as VPNs, proxy servers, mirror websites, and encrypted messaging platforms like Telegram and WhatsApp.
 - ♦ Authorities often struggle to block these networks effectively because users quickly migrate to new domains.
- **Cybercrime and Financial Fraud:** Illegal betting ecosystems are increasingly linked with money laundering, hawala transactions, identity theft, and fraudulent investment schemes.
 - ♦ Fraudsters used 'mule bank accounts' opened through poor villagers to route illicit money.
- **Weak Consumer Protection:** When users engage with offshore platforms, Indian laws have limited reach, grievance redress becomes difficult, users lack legal remedies, and data protection standards are absent.
 - ♦ It creates a major regulatory vacuum.
- **Limitations of Blanket Bans:** Paternalistic bans often push activities underground, encourage illegal markets, and reduce state oversight, and increase criminal involvement.
 - ♦ Digital products are especially difficult to ban because online access can bypass territorial restrictions.

Global Examples

- **United Arab Emirates (UAE):** It introduced a federal licensing framework, strict compliance standards, deposit limits, and consumer safeguards despite historically prohibiting gambling.
 - ♦ The objective was to reduce risks from unregulated offshore activity.
- **Sri Lanka:** Sri Lanka is establishing a **centralised Gambling Regulatory Authority**, expected to become operational by 2026, to regulate offshore online gaming within a domestic legal framework.

Way Forward: Regulation or Ban?

- **Shift Toward Regulated Frameworks:** India may consider licensing genuine operators, mandatory KYC verification, deposit and spending limits, age restrictions, and responsible gaming tools.
- **Strengthen Cyber Enforcement:** Authorities should improve real-time monitoring systems, AI-driven fraud detection, coordination between States and Centre, and international cooperation against offshore operators.
- **Consumer Protection Measures:** A robust framework needs to include grievance redressal mechanisms, data privacy safeguards, transparency in gaming algorithms, and mandatory warnings for addictive behaviour.
- **Public Awareness Campaigns:** Awareness programmes should educate users about financial risks, fraudulent platforms, addiction-related harms, and safe digital practices.
- **Revenue Utilisation:** Tax revenue from regulated gaming can support addiction counselling, cybercrime enforcement, public awareness initiatives, and digital literacy programmes.

Daily Mains Practice Question

[Q] Examine the challenges associated with online gaming regulation in India. Discuss whether a regulated framework is more effective than prohibition in addressing issues such as cybercrime, addiction, financial fraud and consumer protection.

Source: TH

