Online Gaming Market in India

For Prelims: Online Gaming, Gambling, Digital India, Game of Skill, Game of Chance, Betting

For Mains: Online Gaming and its Impact

Why in News?

A task force set up by the Ministry of Electronics and Information Technology (MeitY) has prepared a **final report of its recommendations to regulate the online gaming industry in India.**

What are the Recommendations of the Task Force?

- **Central-Level Law for Online Gaming:**
    - A central-level law for online gaming **should apply to real money and free games of skill**, including e-sports, online fantasy sports contests, and card games among others.
    - Casual games with no real money element in the form of stakes may be kept outside the scope of such rules, unless they have a high number of users in India.
- **A Regulatory Body for the Online Gaming Industry:**
    - It has also **recommended creating a regulatory body for the online gaming industry.**
    - The body will **determine what qualifies as a game of skill or chance,** and accordingly certify different gaming formats, seek compliance and enforcement.
        - A **"game of skill" is based mainly on the mental or physical level of expertise** of a player, rather than a chance.
        - A **"game of chance" however is determined mainly by a random factor of any type.** In games of chance, the usage of skill is present but a higher level of chance determines success.
- **Three-Tier Dispute Resolution Mechanism:**
    - A three-tier dispute resolution mechanism, similar to that prescribed under the **Information Technology Rules, 2021** for online streaming services, consisting of:
        - A grievance redressal system at the gaming platform level,
        - Self-regulatory body of the industry, and
        - An oversight committee led by the government.
- **Online Gaming Platform as a Legal Entity:**
    - Any online gaming platform (domestic or foreign) offering real money online games to Indian users will need to be a legal entity incorporated under Indian law.
    - These platforms will also be **treated as 'reporting entities' under the Prevention of Money Laundering Act, 2002.**
    - These platforms will also be required to **report suspicious transactions to the Financial Intelligence Unit-India.**
- **Regulation of the Sector:**
    - **By MeitY:**
        - **MeitY may act as the nodal ministry to regulate online gaming**, except for the e-sports category on which the Department of Sports can take the lead.

- The scope of the regulation by MeitY should **only cover online gaming, that is, games of skill.**
- The issues of online betting and gambling being games of chance in nature should be excluded from its scope, the task force is learnt to have recommended.
  - **By Information and Broadcasting Ministry:**
    - Certain other aspects of online gaming such as advertisements, code of ethics relating to content classifications etc. could be regulated by the Information and Broadcasting Ministry.
  - **Consumer Affairs Ministry:**
    - **The Consumer Affairs Ministry can regulate the sector** for unfair trade practices.

What is the Purpose of a Law at the Central Level?

- **Online Gaming being a State Subject:**
  - **Online gaming so far has been a state subject**, but according to the state governments, they find it **extremely difficult to enforce certain rules** like geo-blocking certain apps or websites within the territory of their state.
  - Also, there is a concern that **rules passed in one state are not applicable in another,** which has caused inconsistency in how the online gaming industry is regulated in the country.
  - State governments **also do not have enough blocking powers like the Centre** to issue blocking orders for offshore betting sites.
- **Societal Concerns:**
  - A number of **societal concerns that can arise from the proliferation of online games** in the country has also been highlighted.
  - There have been a **number of reported incidents of people losing large sums of money on online games**, leading to suicides in various parts of the country.
- **No Regulatory Framework:**
  - Along with that, **there is currently no regulatory framework to govern various aspects of online gaming** companies such as having a grievance redressal mechanism, implementing player protection measures, protection of data and intellectual property rights, and prohibiting misleading advertisements.

What is the Size of India's Online Gaming Market?

- **Revenue and Industry Growth:**
  - The revenue of the Indian mobile gaming industry is **expected to exceed USD1.5 billion in 2022,** and is estimated to reach USD 5 billion in 2025.
  - The industry in the **country grew at a CAGR of 38%** between 2017-2020, as opposed to 8% in China and 10% in the US.
    - It is expected to grow at a **CAGR** of 15% to reach Rs 153 billion in revenue by 2024.
- **Users Growth:**
  - India's percentage of New Paying Users (NPUs) in gaming has been the fastest growing in the world for two consecutive years**, at 40% in 2020 and reaching 50% in 2021.**
  - According to a report by EY FICCI (Federation of Indian Chambers of Commerce and Industry), transaction-based games' revenues grew 26% in India, with the number of paying gamers increasing by 17% from 80 million in 2020 to 95 million in 2021.

Way Forward

- **Robust Policy Framework:**
  - India's e-gaming industry needs **robust policy frameworks and digital infrastructure** to fulfill its potential, maximize revenue and foray toward being a global leader.
  - A government body that oversees operations, drafts progressive policies preventing societal issues, suitably classifies games of skill or chance, ensures consumer protection and combats illegality and crime is required.
- **Cooperation between Government and Gaming Companies:**

- Gaming companies **should also continue to work with the government to promote responsible gaming** by educating gamers and establishing best practices like conducting KYC checks, user authentication, etc to prevent illegal activities and financial dealings on their platforms.

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