



## Regulating India's Online Gaming Industry

The editorial, titled "[Blanket Ban on Online Money Gaming: The Wrong Answer.](#)" was published in The Indian Express on 25/08/2025. The article argues that while the government's concerns about gaming addiction, financial losses, and fraud are valid, a ban is not the most effective solution and advocates for a more balanced regulatory approach.

**For Prelims:** [Online gaming](#), [BharatNet](#), [National Broadband Mission](#), [5G](#), [IT \(Intermediary Guidelines and Digital Media Ethics Code\) Rules 2021](#), [Animation](#), [Visual Effects](#), [Gaming](#), and [Comics \(AVGC\) Promotion Task Force](#), [E-sports](#), [Software Technology Parks of India \(STPI\)](#)

**For Mains:** Gaming Industry in India: Related Challenges & Way Forward

The passing of the **Promotion and Regulation of Online Gaming Bill, 2025**, has raised concerns over the blanket ban on [online money gaming in India](#). While the government aims to address issues like gaming addiction, mental health, and financial losses, such a **ban may not be the most effective solution**. As India, **with its burgeoning digital economy, emerges as a significant gaming hub**, a more balanced approach focusing on regulation rather than outright prohibition would effectively address these issues while fostering the continued growth of the industry.

## What Are the Factors Driving the Growth of the Gaming Industry in India?

### ▪ Technological Enablers:

- **Improved Internet Infrastructure and Connectivity:** Initiatives such as [BharatNet](#) and the [National Broadband Mission \(NBM\)](#) are focused on providing high-speed internet to rural and remote regions.
  - The [5G rollout](#) has further boosted internet speeds and lowered latency, crucial for a smooth gaming experience.
  - As per the **Mordor Intelligence report (2023)**, the gaming market in India reached USD 2.2 billion in 2023 and is expected to grow to USD 8.6 billion by 2028, implying a [CAGR of 27.4%](#).
- **Affordable Access to Data and Smartphones:** This **technological democratization** has played a key role in the widespread adoption of online gaming across various socio-economic groups.
  - A recent survey by **MoSPI** reveals that over **85% of Indian households now own smartphones**, with internet access available within the premises for 86.3%.
  - Mobile phones contribute to **90% of the gaming market in India** as compared to about 37% and 62% in the US and China, respectively.
- **Increasing Integration of Cutting-Edge Technologies:** The integration of technologies

such as [Augmented Reality \(AR\)](#), [Virtual Reality \(VR\)](#), cloud gaming, and [blockchain](#) has significantly enhanced the gaming experience and unlocked new possibilities for innovation.

- The AR and VR segment is **expected to achieve a CAGR of 9.74% by 2029**.

#### ▪ Policy & Cultural Shift:

- **Government Support and Regulatory Measures:** Initiatives like the [IT \(Intermediary Guidelines and Digital Media Ethics Code\) Rules 2021](#) have provided a regulatory framework for online gaming, addressing concerns about harmful content and addiction.
  - The establishment of self-regulatory bodies and the [Animation, Visual Effects, Gaming, and Comics \(AVGC\) Promotion Task Force](#) have aimed to promote the industry's growth and development.
  - Also, the government's recent **recognition of gamers in the Content Creators Award** is a significant step in enhancing the overall gaming sector.
    - The **Create in Indian Campaign** further aims to empower content creators and innovators in India.
- **Cultural Shift and Changing Perceptions:** The [Covid-19](#) lockdown accelerated the adoption of online gaming as a form of virtual entertainment and social interaction.
  - The online gaming industry's turnover in India **experienced a 50% growth during the pandemic lockdown**, with the national average gaming time reaching 4.1 hours per day, up from 2.5 hours pre-Covid.
    - This shift in engagement **gradually changed perceptions, transforming online gaming from a casual activity** into a legitimate career path.
- **Rise of E-sports and Recognition:** The inclusion of e-sports as a medal event at competitions like the [Commonwealth Games 2022](#) and the [Asian Games](#) has significantly elevated its status, establishing it as a legitimate sporting activity.
  - This recognition has been further reinforced by the success of **Indian teams and players on global e-sports platforms**, which has not only enhanced the industry's profile but also inspired a new generation of aspiring gamers.
  - **DreamHack Hyderabad 2024** featured tournaments in various games, attracting participants from across the country and promoting the e-Sports ecosystem.

#### ▪ Economic Drivers:

- **Thriving Start-up Ecosystem and Investment Inflow:** India's vibrant [start-up ecosystem](#), supported by Start-up India and [Atmanirbhar Bharat](#) framework, has fostered the growth of numerous gaming companies and platforms.
  - These startups are driving innovation and catering to the **diverse gaming preferences of Indian consumers**, contributing to the expansion and evolution of the gaming industry in the country.
    - India has produced numerous gaming unicorns, including **Games24X7, Dream11 and Mobile Premier League**.
  - In the last few years, **gaming companies raised USD 2.8 billion from domestic and global investors**, amounting to 3% of total startup funding in India.
  - The government further supports the gaming industry through initiatives like the [Software Technology Parks of India \(STPI\)](#).
- **Foreign Direct Investment:** The allowance of 100% [FDI](#) in the gaming sector has opened up avenues for securing funding from international investors.
  - **NVIDIA has announced the launch of its cloud gaming service** in India in November 2025.

## How is the Gaming Industry Regulated in India?

#### ▪ Information Technology Act, 2000 and Related Rules:

- The IT (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021, amended in April 2023, laid down norms for online gaming platforms.
  - Online gaming intermediaries must ensure **unlawful or illegal content is not shared** on their networks.
  - Intermediaries offering money games are **required to register with self-regulatory bodies (SRBs)**, which verify whether a game is permissible.
- Section [69A of the IT Act](#) empowers the Government to block access to illegal websites or

links.

- Between 2022 and June 2025, **1,524 betting and gambling websites** and mobile apps were blocked.

▪ **Bharatiya Nyaya Sanhita, 2023:**

- **Section 111** penalises unlawful economic activities and cybercrimes.
- **Section 112** prescribes punishment for unauthorised betting and gambling.
  - Offenders face a **minimum of one year imprisonment**, extendable up to seven years, along with fines.

▪ **Integrated Goods and Services Tax Act, 2017 (IGST):**

- Illegal and offshore gaming platforms are regulated under the IGST Act.
- Online money gaming suppliers must register under the **Simplified Registration Scheme**.
- The Directorate General of GST Intelligence is authorised to direct intermediaries to **block access to unregistered or non-compliant gaming platforms**.
  - This ensures digital entities follow the same taxation rules as physical businesses.

▪ **Consumer Protection Act, 2019:**

- Prohibits misleading and surrogate advertisements.
- The [Central Consumer Protection Authority \(CCPA\)](#) has powers to investigate, penalise and take criminal action against offenders.
  - CCPA has issued advisories to **prevent celebrities and influencers from endorsing betting platforms**.

## Initiatives to Counter Online Gaming Risks



## What Are the Concerns Related to the Gaming Industry in India?

- **Regulatory Ambiguity and Fragmented Policies:** The absence of a unified and comprehensive regulatory framework for the gaming industry in India has resulted in ambiguity and uncertainty for stakeholders.
  - With **varying laws and regulations across states**, the policy landscape has become

fragmented.

- **Telangana** has banned all online gaming, **Andhra Pradesh** has banned online gambling, and Tamil Nadu has prohibited games like Rummy and Poker. Meanwhile, **Karnataka is considering a model similar to Chhattisgarh's**, allowing skill-based gaming but banning betting and games of luck.
- Moreover, the **absence of clear distinctions between skill-based gaming and gambling** creates regulatory uncertainty, leading to ethical debates and varying interpretations of these activities.
- **Online Gambling & Money Laundering:** The lack of adequate regulation has allowed **illegal offshore gambling markets** to flourish, resulting in harm to users and significant financial losses for the government.
  - Online gambling can be used as a means for [money laundering](#), where players can deposit large amounts of cash into online accounts and then withdraw the money in a legitimate form.
    - According to the 2021 **Global Report on Corruption in Sport by the UN Office on Drugs and Crime (UNODC)**, the illegal betting market is valued at approximately USD 350 billion, while the illegal gambling market totals around USD 1.7 trillion.
  - The **59th Report of the Parliamentary Standing Committee on Finance** noted that illegal betting applications can pose [national security](#) risks, such as using opaque payment routes, misusing the [Liberalised Remittance Scheme \(LRS\)](#), and financing criminal activities.
- **Rising Addictive Online Gaming Behavior:** Online gaming apps can hijack the brain's reward system, **causing intense "highs" from significant wins and leading to a cycle of "chasing losses."**
  - This neurological impact can result in financial ruin, psychological distress, and suicidal ideation.
    - A nationwide study found that **23% of youths experience stress** and negative thoughts due to online gaming, with **87% of students regularly playing online games**.
  - While the **Promotion and Regulation of Online Gaming Bill, 2025**, promises significant advancements in addressing the challenges of online gaming in India, issues related to ensuring safer gaming environments and safeguarding vulnerable users continue to persist.

↑ Digital Addiction → ↓ Productivity

- **Increasing Cyberattacks:** Online games collect sensitive data from players, including personal details and financial information, which raises concerns about **identity theft and data leakage**.
  - **Cyber Attack** risks threaten user safety and data protection in gaming, while users bypass restrictions using [VPNs](#) and **geo-blockers** to access illegal gambling sites.
    - In 2024, over **11 million gaming account credentials were exposed** in data breaches, highlighting the sector's vulnerability to cyberattacks.
- **Financial Risks in Online Gaming:** Individuals, particularly those in vulnerable demographics, are increasingly facing financial risks such as debt and economic hardship due to excessive spending on online gaming.
  - This situation **highlights the need for responsible consumer engagement** and underscores the importance of integrating ethical considerations into the gaming industry's practices.
    - For instance, a **17-year-old boy in 2020 spent ₹17 lakh** playing PUBG, which led to significant financial and emotional distress.
    - Approximately **45 crore Indians collectively lose around ₹20,000 crore** annually on online real-money gaming platforms.
- **Taxation Concerns and Sustainability Challenges:** The imposition of a 28% [Goods and Services Tax \(GST\)](#) on the total face value of bets has sparked concerns regarding the long-term viability of the gaming industry, especially for smaller startups and players.
  - Due to this, it is imperative that **high tax rates could drive many small gaming**



**companies out of business**, stifling innovation and hindering the overall growth of the industry.

## What Measures Are Needed to Strengthen the Online Gaming Industry in India?

- **Need for Robust Regulation in Online Gaming:** There is an urgent need for comprehensive regulation in the online gaming industry.
  - While some state governments have attempted to ban online gaming, these efforts face challenges due to the **cross-border nature of the internet**.
    - The **Promotion and Regulation of Online Gaming Bill, 2025**, is a positive step forward, but it **should be revised to align with the evolving gaming industry** and India's economic landscape.
    - Additionally, improving regulatory clarity is essential, particularly concerning the effective implementation of **self-regulatory bodies** as mandated by the [IT Rules of 2023](#).
  - Establishing a **central body like the UK** would be a positive step toward standardising regulations and make the regulatory landscape clearer for the industry.
  - Stricter regulation of online real-money gaming should be introduced, including **age-gating measures**, responsible gaming features (such as **spending limits and self-exclusion tools**), and robust age-verification systems to ensure a safer environment for users.
    - **Mental health support should be integrated into the gaming ecosystem**, with platforms offering counseling resources and collaboration with mental health professionals.
  - Moreover, **public awareness campaigns** should educate players and parents on gaming risks.
- **Creation of a Whitelist and Producing Consumer Safety:** A whitelist of legal online real-money gaming (RMG) operators should be published and regularly updated to ensure that only compliant operators are allowed to function.
  - This whitelist would **enable payment gateways, hosting providers, and Internet service providers (ISPs) to serve only authorized platforms**, effectively blocking illegal and unregulated sites.
  - This measure would **promote consumer safety, reduce fraudulent activities**, and ensure that players engage with platforms that adhere to legal standards and fair practices.
    - By enforcing this system, regulatory authorities can **simplify enforcement, increase transparency**, and foster a safer and more trustworthy gaming environment.
- **Combating Illegal Gambling and Money Laundering:** Collaboration with banks and payment service providers is essential to establish protocols for blocking transactions to known illegal gambling operators.
  - By working together, **regulators and financial institutions can create real-time monitoring systems** to identify and prevent financial transactions directed towards unlicensed platforms.
  - This would help in **curbing illegal gambling activities**, ensuring that users are not unknowingly supporting fraudulent operators.
    - Additionally, such collaboration would reinforce the enforcement of regulatory frameworks, promote compliance with [anti-money laundering \(AML\) laws](#), and protect consumers from financial risks associated with unregulated gambling.
  - Lead efforts to develop **multilateral agreements with international organizations** and other countries to enhance cooperation in combating illegal online gambling.
- **Promoting Cybersecurity in Online Gaming:** To address the growing concerns of cyberattacks and data breaches in the online gaming sector, it is crucial to implement a comprehensive approach that includes **regular system audits, multi-factor authentication**, advanced intrusion detection systems, and strong encryption protocols.
  - Gaming platforms must collaborate with financial institutions to ensure secure payment

processing and work with **third-party security experts** for periodic vulnerability assessments.

- Additionally, user education on cybersecurity best practices and compliance with data protection regulations, such as the **EU's GDPR**, are **essential steps to safeguard sensitive data and prevent identity theft**, thereby building a more secure environment for players.
- **Dedicated Gaming Hubs and Incubators:** Establish specialized gaming hubs and incubators in major cities to promote innovation, collaboration, and talent development in the gaming industry.
  - Drawing inspiration from global practices like **Montreal's Gaming Hub, Singapore's Game Incubator, and South Korea's G-STAR**, these hubs would offer state-of-the-art infrastructure, mentorship, and resources for game developers, startups, and aspiring professionals.
  - This initiative **would help foster the growth of the gaming ecosystem**, nurturing local talent and positioning India as a competitive player in the global gaming industry.

## Conclusion

The online gaming industry has **emerged as a sunrise industry in India** and hence a balanced approach is required for regulation, with a focus on **GAME- Governance, Awareness, Monitoring, and Engagement**. By ensuring clear regulations, educating the public on gaming risks, implementing robust monitoring systems for security, and fostering collaboration among all stakeholders, India can create a thriving and sustainable gaming ecosystem. This approach will not only address current challenges but also **unlock significant economic and social potential, positioning India as a leader in the global gaming market**.

### ***Drishti Mains Question***

Evaluate the challenges and regulatory measures needed for the growth of the online gaming industry in India.

## UPSC Civil Services Examination Previous Year Question (PYQ)

### **Prelims**

**Q. Which of the following is/are the aim/aims of “Digital India” Plan of the Government of India? (2018)**

1. Formation of India's own Internet companies like China did.
2. Establish a policy framework to encourage overseas multinational corporations that collect Big Data to build their large data centres within our national geographical boundaries.
3. Connect many of our villages to the Internet and bring Wi-Fi to many of our schools, public places and major tourist centres.

**Select the correct answer using the code given below:**

- (a) 1 and 2 only
- (b) 3 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

**Ans: (b)**

### **Mains**

**Q. Discuss how emerging technologies and globalisation contribute to money laundering.**

**Elaborate measures to tackle the problem of money laundering both at national and international levels. (2021)**

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