



From Boom to Ban: The Implications of India's Online Gaming Act, 2025

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Abstract

The Promotion and Regulation of Online Gaming Act, 2025, marks an important turning point in India's digital policy landscape. It introduces a nationwide ban on real-money games in India, a major regulatory shock that has affected several companies and employment in the sector. The government claims that the bill is a safeguard to society against addiction, fraud, and social harm. We examine the gaming industry's growth potential in India, its economic contribution, and the implications of the ban, drawing on the experiences of China's restrictive model and Korea's success in E-Sports. Given the specific context of India, this Act may offer a regulatory approach that protects consumers, while ensuring sustainable growth practices for the country's online gaming economy.

Keywords: Online Gaming Act 2025, E-Sports, Digital Policy, Real Money Gaming, Gaming Regulation, Digital Economy

Introduction

The passage of the Promotion and Regulation of Online Gaming Act, 2025 (henceforth the Online Gaming Act) marks an important turning point in India's digital policy landscape. Approved by both houses of Parliament, the law introduces, for the first time, a national framework to regulate the fast-growing online gaming industry. For years, this sector expanded rapidly by working around legal grey areas and uneven state laws. While some states attempted outright bans, a lack of central legislation allowed

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many platforms to continue operating freely. This article examines the context, implications, and some global comparisons to understand the objectives of the new law.

The Online Gaming Act represents a significant change in India's digital policy, aiming to protect society while promoting safer and more responsible online gaming. The Act establishes a Central Authority that will regulate, categorise, and monitor online games. This Authority will also address disputes and complaints related to online gaming (IEIC & WinZO Games, 2025). The Act defines three types of games:

1. E-sports: These are competitive, skill-based games recognised under the National Sports Governance Act of 2025. Players can pay entry fees and win prizes, but gambling and betting are prohibited.
2. Online Social Games: These include recreational or educational games that do not involve real money. Subscription models are permitted, but wagering is not allowed.
3. Online Money Games: These games are completely banned. Any game that involves money—whether based on skill or chance, including those using virtual tokens that can be exchanged for cash is illegal.

The government introduced this law to combat addiction, fraud, and illegal money transactions, especially via real money games. Real Money Games are games where you put money to play, and you can win or lose real money depending on the result of the games. Some of these include fantasy sports, rummy, poker, and casual betting apps. These money-involved online games have been already under allegations of laundering large sums of illicit money. Furthermore, the National Investigation Agency (NIA) has alleged that terrorists are using these platforms to sanitise their illegal funds. Online vigilance groups have previously warned that these platforms attract young people through gaming chatbots, which are linked to issues like drug use and terrorism.

The companies running real-money games gain popularity by initially offering games free of charge. Over time, they create an obsession among gamers, ultimately leading them to illegal betting options. When players run out of money, these companies often provide loan opportunities. Their marketing strategy, which includes advertisements featuring celebrities, helps establish trust among public. There have been numerous requests from various states in India to regulate these companies. However, most of the games operate from outside the country, making it challenging for the government to control them effectively.

Earlier in 2023, the Central Government proposed laws to regulate these companies instead of enforcing a complete ban. Initially, the government aimed to control these companies through strict regulations but later acknowledged that this approach had been ineffective. Realising that other methods were also unsuccessful in managing these companies, the government ultimately decided to impose a ban through legislation.

Legal Framework and Industry Response

The foundation of Indian online gambling laws is rooted in the Public Gambling Act of 1867, established during the British colonial period. For many years, Indian online gaming companies managed to navigate legal challenges by exploiting loopholes in the existing gambling laws associated with this Act. One significant loophole is the classification of games into "games of skill" and "games of chance." A game of chance is defined as one that relies entirely on luck, while a game of skill is characterised by the necessity of player skill.

The distinction between games of skill and games of chance was recognised by the Supreme Court in *State of Bombay v. R. M. D. Chamarbaugwala* (1957). The case dealt with prize competitions, where the Court held that activities involving a substantial degree of skill would not be considered gambling and therefore fall outside the scope of gambling laws. This verdict allowed the gaming companies to operate and expand their markets in India without any legal concerns. With the advent of the internet, online-gaming companies began to leverage this law to establish their market in the country. Companies such as Online Rummy and Dream11 argued that their games fell under the category of games of skill when faced with legal challenges. Courts accepted their justifications, allowing them to operate in the country without hindrances (Mathrubhumi, 2025).

In dealing with this ambiguity, the Act has eliminated previous definitions and introduced the concept of online money games. According to this new framework, platforms that involve either skill or chance in games where money is at stake, specifically, those that allow individuals to earn money through investments, will be classified as online money games. Under the new regulations, individuals launching such businesses or those who are directly or indirectly associated with them may face penalties of at least three years in prison, fines up to one crore rupees, or both. Furthermore, if these businesses continue to operate despite the ban, there is now the possibility of permanently blocking those platforms. However, online gaming platforms, such as e-sports, will not fall under this illegal classification. These games are recognised by various sports federations

and require a certain level of skill to participate. Additionally, betting and gambling are not permitted on these platforms (IEIC & WinZO Games, 2025).

Another significant and controversial provision of the Act is the power granted to authorities to conduct searches and arrests without a warrant. While intended to combat illegal betting networks and financial crimes, such measures raise concerns about due process and the potential for misuse. This indicates that the legislation is not merely economic regulation but also a strong enforcement-driven legal intervention.

From the perspective of gaming companies, the Act represents a major regulatory shock. Firms such as Dream11, MPL, and Zupzee have consistently positioned themselves as part of the skill-based digital entertainment ecosystem rather than gambling platforms. They have also highlighted their contributions to tax revenues, employment, and technological innovation. However, critics argue that these platforms often blur the line between skill and chance through mechanisms that encourage prolonged engagement and repeated spending. The result is a fundamental conflict: while companies frame themselves as legitimate digital businesses, the state increasingly views them through the lens of public health and financial risk.

Economic Stakes and Policy Trade-offs

The economic implications of the Act are substantial. India is one of the fastest-growing gaming markets in the world, leading the global mobile gaming sector by accounting for 15.1 per cent of all downloads worldwide (Poddar, 2024). In comparison, the USA holds 7.6 per cent and Brazil 7.3 per cent. However, the high number of users does not translate into proportionate revenue (Tripathi et al., 2025). In 2024, India contributed just over USD 3.7 billion to the global market valued at USD 324, representing a little more than 1 per cent (Alomari et al., 2016). For context, the USA account for nearly 19.3 per cent of the revenue, while Japan contributes 8 per cent (Tripathi et al., 2025).

This disparity between user numbers and generated revenue presents both opportunities and challenges. India has 883 million smartphone users, with about 591 million identifying as gamers. However, Indian consumers tend to spend less on games compared to those in more developed markets. The gaming landscape in India is primarily mobile-first, with 90.4 per cent of gamers using smartphones, 6.1 per cent using PCs, and only 3.1 per cent using consoles. This trend leads developers to focus on mobile platforms, which limits the growth of PC and console gaming.

Despite these challenges, the future appears promising. By 2034, India's gaming industry is projected to grow to USD 60 billion, driven by rapid digitisation, low data costs, and a young population. Additionally, the industry is expected to create over 2 million jobs in areas such as game design, coding, creative arts, animation, and content creation. While India currently contributes little to global gaming revenue, its potential for growth is substantial.

This potential can be seen in terms of growing investments. Between 2019 and 2024, India's gaming sector attracted investments ranging from USD 2.8 billion to 3 billion, with nearly 90 per cent of this capital coming through foreign direct investments. The real money game segment was the primary attraction for these funds. Innovations like UPI-powered microtransactions have made this the dominant monetisation model in India, accounting for 86 per cent of total online gaming revenues.

Platforms such as Dream11, MPL, and Zupee thrived in this environment, becoming household names and contributing significantly to government revenue through Goods and Services Tax (GST). In Financial Year 2025 alone, the sector was projected to contribute approximately USD 2.2 billion (INR 20,000 crore) in GST collections, which would be nearly 1 per cent of India's total GST revenue.

The passage of the Act has fundamentally changed the landscape of the gaming industry. By banning online money games, the law has put nearly 100,000 direct and indirect jobs at risk and has discouraged future investment. For investors who were counting on India's rapid growth in real money gaming, this regulatory change has created significant uncertainty. Online platforms such as Dream11 Circle, My11 Circle, Winzo, Zupee, and PokerBaazi have ceased operations as a result. The Act threatens a substantial portion of the gaming industry, which accounts for 86 per cent of India's gaming revenue. This could jeopardise jobs and foreign investment, raising concerns about India's goal of reaching USD 60 billion in revenue by 2034.

This raises a critical policy question: does a blanket ban effectively address social harm, or does it risk undermining a high-growth digital sector? While concerns about addiction, financial loss, and illegal transactions are valid, prohibition may not eliminate these issues entirely. Instead, it could push such activities into unregulated or offshore markets, making them harder to monitor and control.

Lessons from International Models

China's gaming industry offers both lessons and warnings for India. In 2021, the country's player base reached 666 million, contributing nearly one-fourth of global gaming revenue. This growth was powered by a strong industrial chain of developers, publishers, distributors, and tech providers, supported by investments from major tech firms and venture capital. As a result, China has become a global hub for innovation and gaming exports (Ou, 2022). However, the industry faced strict government regulations such as, requirement of approvals for all games, permitting only one hour of playtime for minors on weekends and holidays, and strict censorship for game contents. These measures have reduced domestic revenues and pushed companies to focus on international markets.

If China shows the risks of heavy regulation, South Korea highlights the power of e-sports when government, industry, and society work together. In South Korea, e-sports are officially recognized as a sport, giving professional gamers athlete status (Yoon, 2025). This allows them to get visas, use professional training facilities, and compete in major global events like the Asian Games (Jin, 2010). India's approach, however, diverges from both models by prioritising prohibition over either structured regulation or strategic promotion. This makes the policy experiment distinct, but also uncertain in its long-term outcomes.

Gaming in the Indian Context: Some Recent Evidence

While gaming offers huge economic opportunities, the threat of addiction cannot be overlooked. The World Health Organisation (WHO) officially classified "gaming disorder" in its 11th edition of the International Classification of Diseases (ICD-11). According to WHO, gaming disorder involves losing control over gaming habits, prioritising gaming over daily life, and continuing to play despite harmful effects. For a clinical diagnosis, these patterns must persist for at least 12 months and cause serious problems in personal, social, educational, or professional life (WHO, 2018).

In India, addiction to online money games has had severe social and economic consequences. Many are lured by the promise of quick earnings, leading to financial loss, family distress, and psychological harm. Cases of suicide linked to online gaming loss have risen sharply, with even senior officials reportedly misusing public funds due to addiction.

A 2022 KPMG study found that 40 per cent Indians aged 18–25 is influenced by online gambling advertisements. Kerala recorded 20 suicides related to online rummy between January 2019 and July 2022, while Tamil Nadu reported 44 such deaths between 2019 and 2024. Karnataka police

data show 32 suicides linked to online gambling since 2023, with most occurring in Bengaluru, and authorities believe the real figures may be higher. The government's response in banning real money games, comes in this context, calling the move both a public health necessity and an economic safeguard. The focus has now shifted to promoting e-sports and casual gaming as a way to encourage healthy play while reducing the risks of harm (Mathrubhumi, 2025).

Given the mounting pressures from various quarters, it is perhaps justified that India took a heavy-handed approach in passing the Online Gaming Act. While India is projected to grow in this segment, by creating millions of jobs and boosting the digital economy, the industry also faces problems like addiction and concerns related to security. The Act tries to balance growth with public safety. India can learn from China's stricter controls and South Korea's balanced approach that treats gaming as both sport and business. With the right rules, infrastructure, and awareness, India can grow responsibly, and this experiment with the new Act can offer some valuable experience.

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