INDIA'S GAMING DILEMMA

The Gaming Boom and the Governance Gap: The Dark Underside of Online Gaming

BY EARTH NEWS POLITICAL DESK

In the span of a single decade, online gaming has undergone a transformation that few other digital sectors can rival. What was once dismissed as a fringe pastime has grown into a sprawling, deeply embedded ecosystem that now touches nearly every corner of modern life. From casual puzzle games on mobile phones to competitive multiplayer arenas and immersive virtual worlds, gaming has become both a cultural force and a commercial powerhouse.

But beneath the glossy surface of innovation and entertainment lies a more complicated story—one of financial vulnerability, regulatory ambiguity, and emerging national concerns. As India grapples with the consequences of this rapid expansion, it finds itself confronting a fundamental question: how does one regulate a digital phenomenon that is at once a source of economic growth and a conduit for risk?

The recently enacted Promotion and Regulation of Online Gaming Act, 2025, represents the government's most decisive attempt yet to answer that question. Yet, as a close reading of the Observer Research Foundation's Special Report No. 300 reveals, legislation alone may not be enough to address the complexity of the problem.

A Digital Playground Becomes a Parallel Economy

The rise of online gaming is inseparable from the broader story of digital connectivity. With billions of people now connected through smartphones and affordable data, gaming has become one of the most accessible forms of digital interaction. Globally, there are an estimated 3.6 billion gamers, and contrary to popular belief, the majority are not children but adults—many in their late twenties and thirties.

India mirrors, and in some respects amplifies, this global trend. With over 659 million smartphone users and an estimated 568 million gamers, the country represents one of the fastest-growing gaming markets in the world. What makes this growth particularly striking is its geographic spread. As highlighted in the report, nearly two-thirds of Indian gamers are located in smaller towns and rural areas, underscoring the democratizing reach of mobile technology.

Gaming is no longer confined to urban elites or dedicated consoles. It is woven into the daily routines of students, professionals, and even those in traditionally underserved regions. For many, it offers not just entertainment but social connection, competition, and even income.

Yet this very ubiquity has transformed gaming platforms into something far more consequential than digital playgrounds. They have evolved into parallel economies—complex systems where money flows, identities are constructed, and communities are formed.

The Shadow Side: Fraud, Exploitation, and Financial Drain

As with any rapidly expanding digital ecosystem, vulnerabilities have emerged alongside opportunities. One of the most pressing concerns is the intersection of online gaming with financial crime.

Real-money gaming platforms and unregulated betting applications have created fertile ground for exploitation. According to government estimates cited in the report, nearly 450 million Indians collectively lose around INR 20,000 crore annually through such platforms. This is not merely a statistic; it represents a significant drain on household incomes, often affecting individuals least equipped to absorb such losses.

Investigations have repeatedly uncovered sophisticated networks operating gaming-related scams. These networks exploit social media channels, messaging platforms, and even the dark web, using gaming interfaces as entry points. Funds are often routed through shell accounts, cryptocurrencies, and anonymous payment gateways, making detection and enforcement exceedingly difficult.

The scale of illicit activity is staggering. High-profile cases such as the Mahadev betting network have revealed operations involving tens of thousands of crores, with daily revenues running into hundreds of crores. Such figures underscore the systemic nature of the problem.

What makes gaming particularly attractive to criminal actors is its hybrid nature. It combines elements of finance, communication, and entertainment—allowing illicit activities to blend seamlessly into legitimate user behaviour.

Beyond Money: The Security Dimension

Financial crime, however, is only one part of the story. Increasingly, security agencies are turning their attention to the potential misuse of gaming platforms for more insidious purposes.

Modern multiplayer games are not just games; they are social networks in disguise. They feature voice chats, private messaging systems, and community forums—spaces where users can interact with a degree of anonymity that is difficult to monitor.

International studies have already documented how such environments can be exploited for extremist recruitment and propaganda dissemination. While India-specific data remains limited, parliamentary debates and security assessments have acknowledged the risk of gaming platforms being used for radicalisation and even terror financing.

The challenge here is twofold. First, the sheer scale of interactions—millions of users communicating simultaneously—creates a "needle in a haystack" problem for law enforcement. Second, the increasing use of encryption and offshore servers places many of these activities beyond the immediate reach of domestic regulators.

In this context, gaming begins to resemble earlier waves of digital disruption, where social media platforms were initially celebrated for their connectivity before becoming arenas for misinformation and manipulation. The difference is that gaming adds layers of financial transactions and immersive engagement, making the risks potentially more complex.

The Human Cost: Addiction, Isolation, and Distress

While financial and security concerns dominate policy discussions, the social and psychological impact of online gaming deserves equal attention.

Public health experts have increasingly warned about the addictive nature of certain gaming models, particularly those that incorporate reward cycles and monetisation mechanisms. The report notes rising instances of dependency, anxiety, depression, and social isolation linked to excessive gaming.

For adolescents and vulnerable communities, the risks are even more pronounced. Gaming can become an escape from real-world pressures, but in doing so, it may exacerbate underlying issues rather than resolve them.

Financial distress is another dimension of this human cost. Even in the absence of fraud, users often lose significant sums on real-money gaming platforms. In extreme cases, such losses have been linked to suicides, domestic conflicts, and family breakdowns.

These are not isolated incidents but symptoms of a broader systemic issue—one where digital design, psychological triggers, and financial incentives intersect in ways that can be deeply harmful.

A Global Reckoning

India is not alone in confronting these challenges. Around the world, governments and international organisations are beginning to recognise online gaming as a domain requiring regulatory oversight.

Countries such as the United Kingdom, South Korea, and Australia have introduced measures ranging from restrictions on gaming hours for minors to strict identity verification requirements and controls on in-game transactions. These efforts reflect a growing consensus: gaming platforms must be treated not just as entertainment products but as regulated digital environments.

The United Nations and affiliated agencies have also acknowledged the potential of gaming spaces to function as unregulated social networks, capable of facilitating recruitment and coordination activities similar to those observed on mainstream platforms.

This global context is important because it highlights the transnational nature of the problem. Many gaming platforms operate across borders, and illicit networks often exploit jurisdictional gaps. Effective regulation, therefore, cannot be purely domestic; it must involve international cooperation.

India's Legislative Response: A Turning Point

Against this backdrop, the Promotion and Regulation of Online Gaming Act, 2025, marks a significant shift in India's approach.

At its core, the Act takes a firm stance against real-money gaming. By banning games that involve monetary stakes—regardless of whether they are based on skill or chance—it closes a long-standing regulatory loophole that had allowed certain platforms to operate under ambiguous classifications.

The law goes further by restricting advertising, payment processing, and financial transactions associated with such platforms. It also empowers the government to block non-compliant applications and websites, with stringent penalties for violations.

Equally important is the establishment of a National Online Gaming Authority, tasked with registering games, enforcing compliance, and adjudicating disputes. This institutional framework aims to bring much-needed coherence to a previously fragmented regulatory landscape.

At the same time, the Act seeks to protect and promote legitimate segments of the industry, including e-sports, skill-based gaming, and educational platforms. This reflects an attempt to strike a balance—curbing harmful activities without stifling innovation.

The Gaps That Remain

Despite its ambition, the legislation is not without its limitations. As the ORF report makes clear, several challenges persist.

One of the most significant is the issue of offshore operators. Many illegal gaming platforms are based outside India, operating through mirror sites and proxy servers that can quickly reappear even after being blocked. Enforcement, in such cases, becomes a game of whack-a-mole.

Another challenge lies in the absence of a comprehensive registry of gaming applications. Until now, operators have been subject to a patchwork of regulations, resulting in gaps that have been exploited by both domestic and international actors.

There are also concerns about the operational capacity of law enforcement agencies. Effective regulation requires not just legal authority but technical expertise, specialised training, and robust coordination mechanisms. Without these, even the most well-crafted laws risk remaining ineffective.

Perhaps most importantly, there is the delicate balance between security and civil liberties. Overly intrusive surveillance or heavy-handed enforcement could undermine privacy and freedom of expression, leading to legal challenges and public backlash.

Towards a Smarter Regulatory Framework

If there is one lesson to be drawn from the current moment, it is that regulation must be both comprehensive and adaptive.

First, there is a need for stronger collaboration between government agencies, technology companies, and financial institutions. Real-time monitoring of transactions, improved KYC norms, and tighter integration with anti-money laundering frameworks can help curb illicit activities.

Second, digital literacy must become a central pillar of policy. Users need to be aware not just of the risks but also of the mechanisms available for reporting and redressal. Parental awareness, in particular, is crucial in protecting younger users.

Third, international cooperation is indispensable. Given the cross-border nature of many gaming platforms, India must work with global partners to establish common standards and enforcement mechanisms.

Finally, the industry itself must be part of the solution. Responsible design practices, transparent algorithms, and robust self-regulation can go a long way in mitigating risks.

The Road Ahead

The story of online gaming in India is, in many ways, a microcosm of the broader digital transformation. It is a story of opportunity and risk, innovation and disruption, empowerment and vulnerability.

The Promotion and Regulation of Online Gaming Act, 2025, is an important step forward—one that acknowledges the complexity of the ecosystem and attempts to bring order to it. But as the ORF report makes clear, it is only the beginning.

The real challenge lies in implementation, adaptation, and continuous engagement. As technology evolves and new forms of interaction emerge, regulation must keep pace without stifling the very innovation it seeks to govern.

In the end, the goal is not to eliminate gaming but to ensure that it remains a space of creativity, competition, and connection—rather than one of exploitation and harm.

For a country as young, connected, and dynamic as India, getting this balance right is not just a policy imperative. It is a test of its ability to navigate the complexities of the digital age with both prudence and vision.

Online gaming in India has grown with breathtaking speed, turning smartphones into portals of entertainment, competition, and, increasingly, financial risk. What began as a harmless digital pastime has evolved into a sprawling ecosystem that mirrors the complexities of a parallel economy—complete with transactions, communities, and vulnerabilities.

At the heart of the concern lies the convergence of gaming with money. Real-money platforms, often operating in regulatory grey zones, have exposed millions to financial loss, with cumulative damages running into thousands of crores annually. For many users, particularly the young and economically vulnerable, the promise of quick rewards masks the reality of sustained losses.

Yet the risks extend beyond economics. Gaming platforms, with their private chats and global reach, are emerging as difficult-to-monitor spaces where criminal networks, and potentially extremist elements, can operate discreetly.

Add to this the growing evidence of gaming addiction, social isolation, and psychological distress, and the picture becomes more troubling.

India's new regulatory law is a necessary intervention, but it is only a first step. The challenge ahead lies in building a framework that protects users without stifling innovation—ensuring that the digital playground does not become a domain of unchecked harm.