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THE PROMOTION AND REGULATION OF ONLINE GAMING ACT, 2025: AN ANALYSIS OF ITS IMPACT IN THE ONLINE GAMING DOMAIN IN INDIA

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ABSTRACT

India has the world's second-largest internet population. The Promotion and Regulation of Online Gaming Act, 2025 has been a landmark legislation protecting and safeguarding the people from the drawbacks of online real money games (ORMGs) while promoting other e-sports and educational games. Though the gaming sector in India has contributed constructively to the country's economy, the Act is justified as it aims to shield people from predatory companies who have exploited the loopholes of the law to their advantage and causing heavy damage to the society as a whole. The major concerns being growing addiction, compulsive gaming habits, financial ruin and even suicide. The online gaming sector was majorly unregulated with no system of checks at all, giving opportunity to various anti-social and fraudulent minds to exploit the situation. The Act imposes a blanket prohibition on all ORMGs irrespective of whether they are games of skill or games of chance. A national-level regulatory authority is to be established for classifying and registering online games, deciding whether such games involve money transactions or gambling games. Thus, this Act is a landmark in the digital sector bringing about much needed regulative reforms. This research paper attempts to analyse the impugned legislation from different angles, going through

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established judicial precedents and exploring how artificial intelligence comes into the debate. The scholar attempts to explain the online gaming sector, the key reasons supporting and opposing the legislation, the long-standing precedence of 'skill-chance' distinction, related constitutional provisions and lastly how artificial intelligence influence the debate.

KEYWORDS: Online real money games, games of skill, games of chance, gambling games, artificial intelligence.

INTRODUCTION

The Online gaming sector has experienced a booming upsurge in India in the recent years. With rise in internet users, there has also been an incessant increase in participation in e-sports, social-gaming, and real-money platforms, including rummy and poker. The Promotion and Regulation of Online Gaming Act, 2025, received the president's assent and would come into force on 1st October, 2025, puts a 'blanket ban' on all 'real money online games' (ORMGs), but promotes e-sports and other social and educational games. The Act puts a ban on all ORMGs and completely departs from judicial precedents establishing the distinction between "skill" and "chance".

The legislation is aimed towards curbing addiction, financial ruin and stress caused by exploitative platforms that prey upon the vulnerable populace. As the online domain remained largely unregulated, it became conducive to the rise of numerous predatory gaming platforms that spread misleading promises of quick wealth. While digital technology and innovation have brought in tons of benefit and waves of development, the rapid growth of online games involving gambling and money transactions brought forth crippling impact upon the population.

RESEARCH METHODOLOGY

This paper is analytical in nature and the research is entirely based on secondary sources for presenting the analysis of the impugned topic and respective arguments

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from various angles. Secondary sources of information like newspapers, journals, legal websites, etc. have been used for the purpose of this research.

REVIEW OF LITERATURE

The Parliament passed the Promotion and Regulation of Online Gaming Bill, 2025 which became law in August 2025 on receiving the presidential assent, with the object to banning games run on online platforms, specifically games involving gambling and any sort of money transaction. The Bill's main concern is to safeguard the citizens from potential financial exploitation and ruin under the garb of online gaming, while at the same time it does promote other e-sports involving skill. The legislation's intention is set forth towards curbing addiction, financial ruin, social and economic distress caused by predatory gaming platforms. Since the lockdown phase, there has been an upsurge of online gaming platforms offering lucrative rewards to people and making misleading promises of quick wealth. The Bill reflects the Government's concern and effort towards leading the Indian citizens towards digitalization in a safe and constructive manner.

The issue is quite a serious one, that even the World Health Organization (WHO) has classified gaming disorder as a health condition which requires serious attention. This supports the decision of the Indian Legislature. Online gaming platforms, such as rummy, dream 11, games involving money transactions have caused immense harm. Some families have lost all their money, almost reduced to bankruptcy, youngsters being pulled into addiction, and some very unfortunate cases have also led to suicides. The Government took notice of all these major concerns and responded with a strict legislation.

UNDERSTANDING THE ONLINE GAMING SECTOR

As stated earlier, the online gaming sector has expanded widely for the past few years, getting its initial boost during the year of Covid-19. In today's world it stands as a

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major component of the digital economy. This sector has been classified into three distinct segments, each having its own distinguishing features and effects on the society. They are discussed briefly below:

- **E-sports:** These are competitive digital sports where teams or individuals participate in organised tournaments. Participation in e-sports requires certain level of skill sets, decision making, strategy and coordination. These are professional competitions which often involve organized leagues, large tournaments, and millions of viewers as well if such games are streamed in online platforms such as twitch or YouTube. These expand over a wide range of genres including battle royales such as league of legends, fighting games, sports simulations such as FIFA and so on.
- **Online Social Games:** These involve casual games that are played mostly as recreational activity. These games require presence of skill-set in the player and are mostly aimed towards providing entertainment, learning, or social interaction. These games are quite simple in nature, with user friendly modes and are quite safe and more or less do not contain any negative impact or consequences.
- **Online Money Games:** These are those games that involve money transactions. These may be based on either skill or chance or a combination of both. These are the category of online games that have raised major concerns regarding money laundering, financial ruin etc.
- **ARGUMENTS SUPPORTING THE PASSING OF THE ACT**

This widespread expansion of online gaming platforms and its practice among people has created more problems, not only for individuals for the nation as a whole. Though the nation has come far in the sphere of digitalization, we cannot let go of the fact that majority of the population are still under the shadow of proper digital education. Though majority of these have brought in

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numerous benefits, a few of them has found out and exploited the loop holes in the legal frameworks and has caused major troubles. Information Technology minister Shri Ashwini Vaishnaw in his address in the Rajya Sabha stated that according to an estimate around 45 crore people has faced the ill consequences of online money games and faced a loss of more than an estimate of Rs. 20,000 crores. Thus, the parliament has been quite vigilant in passing the Bill to protect and safeguard the citizens from being exploited.

KEY REASONS SUPPORTING THE DECISION

- **Addiction:** Most games are addictive in nature, while some in a good way, others, mostly games involving monetary transactions and those involving gambling causes deteriorating addiction on the people, especially among youths. These players become so compulsive that often, as if in a trance and greed for quick money, they lose their entire savings pulling their entire household to bankruptcy and debt.
- **Financial Ruin:** People participate in these online gambling games mostly in the hopes of striking it rich overnight. In such hopes, they often take leave of their senses and spend their entire fortune, and bringing themselves and their families under debt and financial ruin.
- **Fraud And Money Laundering:** The major concern regarding these online platforms has been for fraudulent activities and money laundering. These platforms are often used as disguised forums for channelling illegal transactions. Money laundering, which is the process of illegal concealment of the origin of money obtained from illicit activities, also known money. These are the major concerns of the government that they have tried to do away with this Bill.

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- **Threat To National Security:** These online gaming forums, as has been found out, has also been used for terror financing and illegal messaging. Thus, unrestrained use and propagation of these platforms pose serious threat to the security of the nation.
- **Closing Legal Loopholes:** Gaming and betting are largely restricted and often penalised under various laws and legislations, such as the Bhartiya Nyaya Sanhita,2025. However, not much regulation or check had been imposed on the online domain., which largely facilitated these gaming companies to find easy loopholes in the law and use it to their advantage. However, this Bill has helped to ensure that the same standards apply to games of the same nature even in the virtual or digital domain.
- **Mental Health and Suicides:** These games often tend to guide people towards depression and other mental disorders. Heavy financial loses bring the people on the verge of destitution. Such stress often led them to commit suicide. Thus, the Bill also seek to prevent such tragedies by banning these exploitative platforms.

The Bill comes with a very positive note and it does not go against online gaming as whole. On the contrary it does support and even promotes other e-sports and social and educational games. E-sports has been given the recognition of legitimate competitive sports. The central government has also taken the initiative to recognise and register social games that are safe and constructive. The games which are focussed on and dedicated towards the development of content on education, culture and other constructive skills are to be highlighted and encouraged.

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- **Article 19(6)²:** The Constitution³ along with providing right to freedom of trade also establishes that such right is not an absolute one. The State can legitimately put a reasonable restriction on such right in the interests of the general public.

ARGUMENTS DISCUSSING THE SHORTCOMINGS OF THE BILL

The impugned Bill (now an Act) has let go of any distinction between game of chance and game of skill. This can defy the age long judicial precedence of distinction given between game of chance and game of skill, that has existed since 1957. The Act tends to unilaterally ban all online games involving money transactions irrespective of what level of skill is used or whether it involves skill at all. This Act essentially deletes the *intelligible differentia* that the courts have time and again tried to establish.

GAMES OF SKILL VS GAMES OF CHANCE

Through a long line of judicial precedence, the courts have established the distinction between 'skill' and 'chance'. In *All India Gaming Federation v. State of Karnataka*⁴ the court upheld certain provisions of the Karnataka Police (Amendment) Act, 2021⁵ ultra vires the Constitution⁶ and struck them down. The reason cited was that those provisions banned certain online games that are played for stake. In this case the court investigated the distinction between game of chance and game of skill and came to the conclusion that even online real money games where players have to apply skill through special knowledge, judgement and attention cannot be classified as game of chance, rather to be classified as game of skill. In *DM Gaming (P) Ltd. v. State of U.P.*⁷,

² Constitution of India

³ Constitution of India, Article 19(6)

⁴ *All India Gaming Federation v. State of Karnataka* 2022 SCC Online Kar 435

⁵ Karnataka Police (Amendment) Act, 2021

⁶ Constitution of India

⁷ *DM Gaming (P) Ltd. v. State of U.P.* 2024 SCC OnLine All 5009

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the Court held that the games Poker and Rummy are absolutely game of skill and not game of chance.

However, we can clearly infer that the impugned Act has completely disregarded this specific distinction as it indiscriminately has put a ban on all 'real money online games', notwithstanding the level of skill involved in the game. It has completely disregarded the preceding judicial evaluation and has imposed a blanket prohibition on all real money games.

JUDICIAL PRECEDENCE

In two landmark judgements, the Supreme Court of India laid down the test of "dominant element" to determine the degree of skill required in a certain online game, as no online game can be completely a game of skill and always involve an element of chance. In *State of A.P. v. K. Satyanarayana*⁸ and *K.R. Lakshmanan v. State of Tamil Nadu*⁹, it was laid down that "dominant element" may be determined by considering certain factors like whether the playing of the game involves special knowledge, training, experience, expertise, attention, etc. The outcome of a game of skill shall be affected by the afore mentioned factors, on the other hand in case of game of chance the outcome depends very much on luck of the player and is independent of the aforementioned factors. Thus, games which involve the specific skill and expertise of the individual users are awarded constitutional protection.

The Supreme Court took up the particular example of the game rummy and held that for desirable outcomes in this game a certain level of skill and expertise is required.

⁸ *State of A.P. v. K. Satyanarayana*, 1967 SCC OnLine SC 333

⁹ *K.R. Lakshmanan v. State of Tamil Nadu*

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The Apex Court stated it “requires certain amount of skill because the fall of cards has to be memorised and the building up of rummy requires considerable skill in holding and discarding cards. We cannot, therefore, say that the gamer of rummy is a game of entire chance. It is mainly and preponderantly a game of skill.”¹⁰

LIVELIHOOD OF PROFESSIONAL PLAYERS: ARTICLE 19(1)(g)

Another major point of argument is that the government took no notice of the professional players who were making a living out of these online games. Thus, this blanket ban on all online games (games of skill) has deprived the constitutional and fundamental right to livelihood guaranteed under Article 19(1)(g)¹¹ of thousands of professional players who were sustaining their livelihood through these games. By foregoing the distinction between skill and chance, the Act has arbitrarily put an end to a legitimate source of income of professional players, also violating Article 21¹² which guarantees the right to livelihood. In *Jungle Games India Private Limited v. State of T.N.*¹³ the Madras High Court held that when a game though online, if based on use of skill rather than upon chance, then such game falls under the purview of legitimate business protected under Article 19(1)(g)¹⁴. Thus, this blanket prohibition on games of skill is a serious restriction on the right to livelihood, trade and profession.

HOW ARTIFICIAL INTELLIGENCE COMES INTO THE DEBATE

Artificial Intelligence has completely changed the domain of online gaming by making it more realistic and life-like. Taking the famous game into consideration, GTA 6,

¹⁰ K. Satyanarayana case, 1967 SCC OnLine SC 333

¹¹ Constitution of India, Article 19(1)(g)

¹² Constitution of India, Article 21

¹³ *Jungle Games India Private Limited v. State of T.N.* 2021 SCC OnLine Mad 2762

¹⁴ Constitution of India, Article 19(1)(g)

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artificial intelligence has enabled life-like elements where gaming elements react to the user's reaction, change the position and gives a real life like experience.

In online gambling games, AI makes personalised game recommendations, real-time odds adjustments, smarter customer support and advanced security. AI has changed quite the way of how one plays, bet and interact online, and that too with data-driven precision.

Like it has been previously discussed that some of the money games involve skill of the user, and its outcome is based on the expertise of the user, however, AI has really interjected that debate, as online games are no more purely played on the player's merit. AI tracks the typical gameplay habits of the user, their preferred providers, and typical spending. The newer generation of AI bots use natural language processing (NLP), which means they can comprehend human language and tone, further influencing their game.

How AI algorithm influences the user's risk perceptions, the user's sense of control, and betting strategies. Certain research shows that technology can influence certain cognitive mechanisms to influence decisions. By analysing the behavioural pattern of each user, the AI can anticipate the player's action, reaction, emotional vulnerability, which profoundly affects the outcome. The AI algorithm even personalizes the gaming sites in such a manner which also influences the type and category of content the user gets to experience. For example, when the algorithm sees that a player is about to log-off the game or is about to lose, it may present a bonus offer to the player. This mechanism too has been responsible for the compulsive behaviour of the players who participate in these games. The AI mechanism often adapts to each user's previous bets and attempts to incite risk taking.

Some other researches have also suggested that online gambling sites make use of sophisticated algorithms to present personalized bonuses and promotions which

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encourages a player's engagement. This is similar to how other social media platforms works where AI creates a repetitive cycle of anticipation and reward which may lead to conditioned psychological dependence.¹⁵

Thus, it can be inferred how Artificial Intelligence dilutes the distinction between skill and chance.

SUGGESTION & CONCLUSION

The Government has presented the argument that though digitalization in India has grown rapidly and along with-it growing rates of online gamers, there has been no set of rules or strong legislations to regulate these online platforms. These games have become a serious problem to the nation as a whole as many of these unregulated sites has become means of exploitation and addiction causing stress, financial ruin, depression and even suicides among citizens.

Simultaneously, the online gaming sector is one of the fastest growing industries of the economy. India has in the past few years emerged as a major gaming hub. This industry massively contributes to the economy, with increasing job opportunities and employment generation and global competitiveness. And, this blanket ban on all online games has dealt a heavy blow upon the online gaming industry. The Parliament completely dismissed the fact that a complete ban will have adverse effect

¹⁵ Clark L., Zack M Engineered highs: Reward variability and frequency as potential prerequisites of behavioural addiction. *Addictive Behaviours*. 2023;140:107626. doi:10.1016/j.addbeh.2023.107626. [\[DOI\]](#) [\[PubMed\]](#) [\[Google Scholar\]](#)

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on the economy, as these giant gaming companies greatly boosted the nation's economy. This ban would have direct and indirect impact on jobs as well.

Rather a more considered approach was called for. An approach focussing more on regulation and control would have been more welcoming. A balanced approach - like imposition of strict regulations, age restrictions, awareness campaigns and responsible and stringent gaming policies- might have been more effective than a blanket prohibition. The goal ought to have been finding a middle path that safeguard the players and also at the same time provides for a conducive environment for innovation and technology to upsurge and thrive in India.