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Real money gaming prohibition could set worrying precedent for India's digital economy

India's s decision to potentially ban real-money online games has blindsided the \$30-l industry, risking 200,000 jobs and billions in tax revenue. Executives say they were wo with regulators on tighter oversight—only to be outlawed overnight. Investors warn th potential move could erode confidence in India's digital economy.



Nimitt Dixit • • ETLegalWorld

Updated On Aug 20, 2025 at 05:05 PM IST • Read by 1237 Professionals





Illustrative

India's surprise move to potentially ban real-money online games has rattled investors and executives, many of whom say they were blindsided after years of working with regulators on self-governance.

Executives note the sector had collaborated with authorities on advertising guidelines, financial intelligence sharing, and identifying illegal operators. "We wanted regulations ourselves to prevent illegal gaming companies—but they banned us instead," said one senior industry executive who requested anonymity.

The Promotion and Regulation of Online Gaming Bill, 2025—cleared by the cabinet on Tuesday—prohibits all fee-based online games involving monetary rewards, whether based on skill or chance. E-sports are excluded. The bill also makes advertising and promotion of such games a criminal offense, punishable with severe penalties.

"This step is deeply disappointing and contrary to the expectations that this sunrise industry had from regulators," said Ranjana Adhikari, partner at Shardul Amarchand Mangaldas & Co. "In the past few years, this

industry has contributed significantly to India's digital economy and Make in India vision through tax revenue, job creation and innovation."

Billions in Investment, Jobs and Revenue at stake

Industry estimates suggest the ban could affect more than \$30 billion in capital already committed to the sector and displace 200,000 direct and indirect jobs. The government may also forgo over ₹200,000 crore in GST collections across the next five years.

"The irony is hard to miss," said Aaron Kamath, leader at Nishith Desai Associates. "The bill celebrates innovation, employment generation, and the digital economy, yet its provisions threaten thousands of highly skilled jobs in gaming and app development. Many platforms will shut down or move offshore, undermining India's own innovation and employment narrative."

Foreign investors are also alarmed. "Any serious investor banks on predictability of regulation and a stable environment," said Mihir Rale, partner and co-head of digital + and TMT practice at Cyril Amarchand Mangaldas. "This move could not only decimate a burgeoning sector overnight but also create a longer-term impact on the image of the country for serious capital to remain deployed."

Legal Reversals and Policy Whiplash

The bill's approach runs counter to decades of jurisprudence that has distinguished games of skill from gambling. "In landmark rulings of the Supreme Court and various high courts, games like rummy and horse racing have been consistently held to involve substantial skill and therefore do not constitute gambling—even when played for money," said Vaibhav Kakkar, senior partner at Saraf and Partners. "The proposed bill's sweeping ban risks undermining this well-established legal

precedent.”

“The proposed bill defines online money games broadly, capturing both skill and chance-based formats,” said Ankit Sahni, partner at Ajay Sahni & Associates. “This will create confusion and litigation, and risks striking down what has been settled law for decades.”

It also marks a sharp reversal from the government’s recent policy stance. “This proposed ban represents a sharp policy reversal, abandoning the Government’s earlier plan for industry self-regulation under the 2021 IT Intermediary Rules,” said Probir Roy Chowdhury, partner at JSA. “Such a drastic shift signals to investors that the Government can arbitrarily dismantle a thriving sector, creating significant regulatory risk.”

The government’s reversal is particularly jarring given recent court proceedings. An industry leader recalls when Tamil Nadu attempted to ban online gaming, the central government “supported the gaming industry and said they are regulated by us,” only to now propose the very prohibition it once opposed.

Kapil Chaudhary, partner at Dentons Link Legal, acknowledged the government’s consumer-protection concerns but warned of wider fallout. “Industry data suggests that such measures might result in substantial tax revenue shortfalls and job displacements. To safeguard foreign investment flows, policymakers should consider tiered regulations that differentiate between approved gaming formats.”

A Test for India’s Digital Economy

Officials say the prohibition is necessary to address “serious social, financial, psychological, and public health harms” including addiction, fraud, money laundering, and even terrorist financing. But critics say a

licensing and oversight regime would have been more effective.

“This could then happen in AI—if there’s uncontrollable risk, would you ban it too?” an industry insider asks, underlining fears about the precedent for regulating other emerging technologies.

“Blanket bans will only push the consumer to illegal sites, and expose the user to more vulnerability,” said Adhikari of SAM & Co. “There are better ways to regulate—set up a regulator, issue principle guidelines, register games for accountability and recognition, and let the industry continue contributing to the growth story of Viksit Bharat.”

For foreign investors, the concern extends beyond gaming. “For global players, the challenge lies in adapting to a regime that prioritizes national security over fragmented state regulations, ensuring compliance while advocating for proportionate measures that preserve the industry’s growth trajectory,” said Chaudhary of Dentons Link Legal. “Overly broad restrictions could inadvertently signal uncertainty to global investors, potentially redirecting capital to more accommodative markets. This could have unintended consequences forcing genuine players towards offshore platforms where the Govt. would also lose out on the GST revenue opportunity.”

Roy Chowdhury of JSA added that prohibition is unlikely to eliminate the problem: “As with sports betting, bans will only drive players toward illegitimate and predatory offshore platforms, ultimately limiting the government’s oversight and exposing Indians to greater harm.”

With significant tax revenue, investment and employment at stake, the coming months will test whether policymakers choose to refine the legislation or entrench prohibition. “A nuanced approach that distinguishes games of skill from games of chance, while ensuring

consumer protection and responsible gaming, is essential,” said Kakkar of Saraf and Partners. “Blanket prohibitions may not only be legally untenable but also economically counterproductive.”

Published On Aug 20, 2025 at 04:32 PM IST

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