Sansad TV Perspective: Regulating Online Gaming Industry

In the series Sansad TV Perspective, we bring you an analysis of the discussion featured on the insightful programme 'Perspective' on Sansad TV, on various important topics affecting India and also the world. This analysis will help you immensely for the IAS exam, especially the mains exam, where a well-rounded understanding of topics is a prerequisite for writing answers that fetch good marks.

In this article, we feature the discussion on the topic: **Regulating Online Gaming Industry.**

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Participants -

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- Dr Aruna Sharma: Member, Digitisation Committee, RBI
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Introduction

- India is the world's largest mobile gaming market in terms of application downloads.
- Revenue from online gaming grew 28% in 2021 to $1.2 bn and is expected to reach $1.9 bn dollar by 2024.
- Smartphone penetration and affordable internet is driving a surge in online gaming.
- India is home to over 275 gaming companies and more than 15000 game developers.
- However, serious concerns have been raised over the impact of online gaming on society, particularly its addictive nature. Shri Ashwini Vaishnaw, the Union Minister for Electronics and Information Technology recently said that the centre has started a consultation process with all the stakeholders and would soon come up with a proper policy or a new law on online gaming.

Banning of Online Games in India

Over the past two to three years, many states in India passed laws banning online games, primarily because children and young adults were losing money and being pushed to suicide. These laws have been challenged in courts by gaming companies.

- Telangana was the first state to promulgate an official ban on online gambling and betting in 2017. Following suit in 2020, Andhra Pradesh banned online gaming.

- In the same year, Tamil Nadu also amended laws to ban online gaming, but the Madras High Court struck down the Act, and the state government moved the Supreme Court against it.
- Similarly, in 2021, the ban on online rummy in Kerala was lifted by the Kerala High Court, stating that it is "a game of skill."
- Karnataka's legislation also banned betting and wagering in online games in October 2021. But following a case filed against it, the Karnataka High Court put a stay on the new law.

Ecosystem of Online Gaming in India -

There has been a major jump in the online gaming sector over the past 3-4 years, in terms of the number of startups and investments. There have been approximately 1.6 billion dollars of investment in the sector. During the covid period, online gaming saw a dramatic rise as consumers looked to find new avenues for entertainment, stress release and social connect.

A major part of the revenue comes from the pay-to-play model. These are usually games of skill. The Indian judiciary has clearly stated that games of skill are a legitimate business activity protected under Article 19(1)(g) of the Constitution of India.

- A "game of skill" is based mainly on the mental or physical level of expertise of a player, rather than chance. One of the most significant benefits of a game of skill is that it provides freedom to the players to explore their capabilities in the sport. These games invigorate the players to get accustomed to a certain set of rules while looking for ways to improve and implement different strategies through consistent practice.
- A "game of chance", gambling & betting, however, is determined mainly by a random factor of any type. In games of chance, the usage of skill is present but a higher level of chance determines success.

The gaming industry is now being seen as an important pillar of the economy. This upcoming sector could create lakhs of jobs in the country.

Addiction to Online Games-

- Many social activists, government officials and those in law enforcement believe that online games like rummy and poker are addictive in nature, and when played with monetary stakes lead to depression, mounting debts and suicides.
- However technical and behavioural measures can be put in place by all the online gaming platforms which can reduce addiction such as self-imposed time limits, indicators that show that a player is utilising more than his/her limits, self-regulation, etc.

Regulatory Framework needed in the Gaming Industry-

- Diligent KYC-driven mechanism for both gaming operators and also for players.
- Streamlining the process to obtain licences and renewals.
- Independent regulatory body that understands the nuances of the gaming industry as a sector with in-depth knowledge and clarity.
- One holistic central law which will govern the Indian online gaming industry. Clarity between games of skill and games of chance is required.
    - A central law will enable the Government to keep track of the industry players and will enable a mechanism to track unlawful applications and websites, thereby ensuring discontinuation and issuing of blocking orders.
    - The online gaming industry operates pan India and is not restricted to the boundaries of a particular state. The state's power to legislate is only limited to its territorial boundaries and activities that are intra-State in nature. Therefore, a central law is required.
    - There are also some offshore entities against which the State would have no enforcement powers. As per the Constitution, only the Indian Parliament can make laws having extraterritorial applicability.