



The Indian Journal for Research in Law and Management

Open Access Law Journal – Copyright © 2025

Editor-in-Chief – Dr. Muktai Deb Chavan; Publisher – Alden Vas; ISSN: 2583-9896

This is an Open Access article distributed under the terms of the Creative Commons Attribution-Non-Commercial-Share Alike 4.0 International (CC-BY-NC-SA 4.0) License, which permits unrestricted non-commercial use, distribution, and reproduction in any medium provided the original work is properly cited.

LAW & ESPORTS IN INDIA: THE LEGAL FOG AND THE WAY FORWARD

- *Ananya Rajshekhar*

INTRODUCTION

Thanks to the rise of competitive video gaming, or esports, the latest developments in the country are exciting. Esports also has several probable economic and cultural benefits, not only because of the growing and engaging gaming community, but also because of the investments coming in from both the domestic and the international markets, and the involvement of the youth. Such rapid growth, however, raises the challenge of putting in place appropriate legal and regulatory structures, particularly given the inconsistent and active legal disputes concerning the classification of real money games as gambling, and the intersecting world of online games and gambling.

In an attempt to mitigate this situation, Parliament has enacted the Promotion and Regulation of Online Gaming Act, 2025. This Act is the first of its kind legislation aimed at containing exploitative online money gambling, and at the same time, fostering the growth of esports and social gaming in India.

HISTORICAL AND LEGAL BACKGROUND: FROM OLD LAWS TO NEW REALITIES

The implementation and historical context of gambling and gaming laws in India primarily focuses on the Public Gambling Act of 1867¹, which was during the colonial period, and mainly addresses the physical establishment of gambling businesses. With the digital

¹ The Public Gambling Act, 1867, No. 3, Act of Parliament, 1867 (India).

revolution, this Act became outdated, largely because it did not recognize online gambling and hybrid games of skill and chance.

The scenario was further complicated since under the Indian Constitution, gambling regulation is a state subject (Entry 34, List II), resulting in a patchwork of regulatory divergence. Numerous states have implemented a wide range of at times, conflicting laws on both online and offline gambling and gaming.

Judicial interventions, particularly in the K.R. Lakshmanan case of 1996², established the legal distinction between “predominantly skill-based” games and purely chance-based gambling which exempted rummy and horse racing from prohibition. With online fantasy sports and various gambling apps, the platforms are offering real-money stakes combining skill and chance in ways that have blurred the clarity of the doctrine. The aggressive promotion of online cash games, which has resulted in severe financial distress and addiction, has exposed the need for reform to address the societal harms.

Legislative Overview: The Promotion and Regulation of Online Gaming Act, 2025

Objectives and Scope

Balancing consumer protection and market development, The Act: -

- Prohibits all online money games (OMGs) in all forms with any scope that comprise any digital game in which a play stake money or any monetary or non-monetary prize is awarded.
- Officially recognizes and promotes esports as a skill-based sport, thus fostering the organization of esports tournaments, granting esports participants and institutions registration rights, and giving esports institutions the support of the state.
- Promotes the use of social games as safe non-monetary recreational and educational pastimes.
- Creates a Central Regulator with investigative, adjudicative, and enforcement Powers.
- Applies to all games that can be reached by Indian users, irrespective of where the operators are located.

² K.R. Lakshmanan v. State of Tamil Nadu, 1996 (2) SCC 226.

Detailed Classification of Online Games

The Act introduces a pivotal, tripartite classification, fundamental to legal clarity and enforcement:

1. ONLINE MONEY GAMES (OMGS)

In broad terms, each online game in which a player invests currency, or a proxy like credits or tokens, and stands a chance to earn a monetary or other material reward, constitutes as Online Money Game (OMG). This definition also captures all betting and wagering games, whether they are games of skill, games of chance, or hybrids of both.

The unequivocal approach to prohibition signifies a legislative policy aimed at placing the greatest possible distance between users and incidents of exploitation and addiction due to gambling, as well as other socially detrimental consequences. Therefore, the Act compels the prohibition of not just the gameplay, but all promotional, advertising, and financial inter facilitation activities associated with it.

Prominent examples include fantasy sports, online rummy and poker, and other real-money competitions.

2. Esports

The Act also distinctly recognizes esports, defining them as organized multiplayer skill-based competitions governed under the National Sports Governance Act, 2025. Such competitions are exclusively determined by each player's technique, tactics, and mental skills.

Esports platforms are not bound by OMG prohibition, and they receive the benefits associated with licensing, funding, and facilitation of tournaments. This is a crucial recognition of esports in India's economy and sports framework.

3. Social Games:

Encompassing digital games offered without monetary stakes, including casual, educational, and recreational games. These games examples like quiz games or word

puzzles are promoted and encouraged under the Act as safe and wholesome online pastimes.

THE REGULATORY AUTHORITY AND ITS POWERS

The establishment of a National Online Gaming Authorities stands as the Act's regulatory linchpin. Empowered with comprehensive jurisdiction over online gaming, its functions include:

- **Game Classification:** Assess whether a game qualifies under OMG, esports, or a social game.
- **Licensing:** Issuing licenses to operators and sponsors of esports and social games.
- **Enforcement:** Investigating breaches, conducting searches, removing and confiscating evidence of a digital or physical nature, and prosecution.
- **Blocking:** Under the Information Technology Act, blocking unlawful gaming sites, apps, and other related content.
- **Financial Oversight:** Along with other financial entities and regulatory agencies, stopping financial movement related to illegal games.
- **Consumer Protection:** Handling the management of grievance redress systems particularly on the compliance of data and protection of players.

Investigative and Enforcement Powers

Under certain conditions, the Authorities have the ability to conduct searches and make arrests without a warrant, intending to quickly dismantle illegal gaming operations. This is vital, especially considering the technologically advanced offshore and online operators that need to be investigated.

India has lacked a fully centralized and cohesive enforcement mechanism throughout its digital gaming space. Though, Orders and directives generated by the Authority are now legally enforceable and do establish such a mechanism.

COMPREHENSIVE BAN ON ONLINE MONEY GAMES

The most important provision is the unambiguous, comprehensive ban on online money games. This includes:

- Offenders will be punished with a three-year jail term and/or a fine of up to ₹1 crore for the first conviction.
- Repeat offenders will be punished with a jail term ranging from three to five years and a fine of up to ₹2 crores.
- Operators and promoters of illegal games will be punished with a jail term of up to two years and/or a fine up to ₹50 lakh.
- Liability will be both personal and corporate, extending to company directors and payment intermediaries with minimal due diligence exceptions.

The penalties are meant to signal the government's uncompromising attitude with regard to illegal online games and the addictive potential, exploitation and societal impact they pose.

CONSTITUTIONAL AND JURISPRUDENTIAL IMPLICATIONS

FREEDOM OF TRADE AND OCCUPATION

Article 19(1)(g)³ ensures that any individual may pursue a profession, trade, or business, with only reasonable constraints applied. However, the Act's outright prohibition on online money games does interfere with commercial freedoms. The Courts might assess whether this can be justified as:

- **REASONABLE:** Does it aim to protect some social interests, even if it partly limits commercial freedom, like public morality, health, or security?
- **PROPORTIONATE:** Does the restriction avoid needlessly tampering with legitimate games or other enterprises?

Excluding skill-based games, as per judicial precedent, may make the balancing exercise leaned more toward the potential for a challenge.

LEGISLATIVE COMPETENCE AND FEDERALISM

According to Entry 34 of List II of the Seventh Schedule, gambling is a state subject. Thus, the Act's uniform law and centralised regulation may be seen as overreaching the state's powers, as raised in Articles 245⁴ and 246⁵, which may raise issues of legislative competence..

³ INDIA CONST. art. 19 (1)(g).

⁴ INDIA CONST. art. 245.

PRIVACY AND DUE PROCESS CONCERNS

Warrantless searches and arrests, as well as the lack of explicit appeal mechanisms in any decision made by the Authority, warrant intrusion under the right of privacy and fair administrative procedure as set out in Article 21⁶, along with the principles of natural justice. There is a strong expectation for judicial clarifications on the limits and safeguards as litigation progresses.

IMPACT ON INDUSTRY AND STAKEHOLDERS

INDUSTRY TRANSFORMATION

- Gaming operators focusing on real-money activities shift attention to esports and social games to meet compliance regulations.
- Investments from private and overseas investors are driven by clear regulations, which also improves economic outlook.
- Esports infrastructure, training facilities development, and government-sponsored national league initiatives promote the maturity of the ecosystem.

CONSUMER AND SOCIAL BENEFITS

- Protecting at-risk-users, including minors, the financially vulnerable, and the general population from fraud and addiction to gambling, improves consumer confidence.
- Public health critiques targeting online gambling activities are also reduced.

RECOMMENDATIONS FOR ENHANCING THE FRAMEWORK

To realize the full scope and intent of the Act, policy and law experts suggest:

- Regulating esports and social games by licensing classification and unambiguous criteria, including the development of statutory rights of appeal and independent dispute resolution processes.
- Legal transition and exit strategies preserving existing user balances.

⁵ INDIA CONST. art. 246.

⁶ INDIA CONST. art. 21.

- Internal ongoing legal development on technology-to-law issues, including VR and gaming metaverse.
- Expanding digital literacy and mental health support integrated with other public awareness initiatives.
- Rational state-level gaming regulation with harmonization and alignment efforts.
- Multidisciplinary studies focusing on the socio-economic impact of esports.

CONCLUSION

The Promotion and Regulation of Online Gaming Act, 2025 indicates a breakthrough in India's regulation of online gaming. The Act, by firmly banning predatory online cash games and recognizing esports as legal competitive gaming, lays the groundwork for a balanced, open, and economically flourishing digital gaming sector. Constitutional issues, enforcement strength, responsive regulatory changes will be crucial in realizing the law's full potential, creating an innovative, secure esports ecosystem for the youth and economy of India.

REFERENCES:

Promotion and Regulation of Online Gaming Act, 2025; K.R. Lakshmanan v. Tamil Nadu (1996); Constitution of India Articles 19, 21, 245, 246; Parliamentary debates; Supreme Court proceedings; Government publications; Industry analyses.

1. <https://www.drishtiias.com/daily-updates/daily-news-editorials/regulating-india-s-online-gaming-industry>
2. <https://static.pib.gov.in/WriteReadData/specificdocs/documents/2025/aug/doc2025821618101.pdf>
3. <https://visionias.in/current-affairs/monthly-magazine/2025-09-04/polity-and-governance/the-promotion-and-regulation-of-online-gaming-act-2025>
4. <https://prsindia.org/billtrack/the-promotion-and-regulation-of-online-gaming-bill-2025>
5. https://en.wikipedia.org/wiki/Promotion_and_Regulation_of_Online_Gaming_Act,_2025
6. <https://www.granthornton.in/insights/articles/online-gaming-bill-2025-defining-safer-more-transparent-ecosystem/>

7. <https://www.taxmann.com/post/blog/analysis-ban-on-online-money-games-in-india-highlights-of-online-gaming-bill-2025>
8. <https://www.theedulaw.in/content/articles/218/Complete-Guide-to-New-Gaming-Laws-and-Regulations-2025>
9. <https://www.mondaq.com/india/gaming/1670964/game-over-for-online-money-game-an-analysis-of-the-online-gaming-act-2025>