THE PROMOTION AND REGULATION OF ONLINE GAMING BILL 2025: A DEATH KNELL TO THE ONLINE REAL MONEY GAMING INDUSTRY

Vaibhav Raut and Jacob N J[1]

Abstract

"Online Real Money Games would have been a bigger problem than drugs", this is how the Electronics and IT Minister, Ashwini Vaishnaw, introduced the Promotion and Regulation of Online Gaming bill in the parliament on 19 August 2025. This bill was passed on 21 August 2025, thereby enacting the Promotion and Regulation of Online Gaming Act 2025. This article examines whether what would have been a 'bigger problem' has been solved post the prohibition of Online RMGs through the introduction of the Act. It examines whether the Parliament was able to achieve consumer protection, reduce addiction, and ensure financial integrity through the act. The authors conduct a critical examination of the transition from regulation to prohibition and contend that prohibition has neither extinguished the demand nor mitigated the user harm. On the contrary, demand has displaced activity to black markets, eroded consumer safeguards, and increased enforcement burdens after the enactment of the act. Conducting a comparative analysis of the gaming frameworks in the UK and Australia, the article demonstrates that structural licensing, independent oversight, and compliance mechanisms enabled through technology provide for a more effective governance framework. While many solutions, such as risk-tiered licensing and stakeholder limitations, have been proposed in the existing literature, the authors of the article propose a structured, multifaceted solution that blends innovative legislative design, institutional independence, and a multi-stakeholder governance model. The paper contends that in digital markets, prohibition is less effective for sustainable governance, but transparent and accountable regulation is.

I. INTRODUCTION

The online real money gaming (RMG) industry in India has witnessed exponential growth, riding on the wave of the country's digitalisation, owing to inexpensive internet availability, smartphone penetration, and flourishing acceptance of digital payments. Skill-based gaming platforms, particularly in segments such as fantasy sports and online rummy, emerge as key factors for this growth, bringing significant domestic and foreign investment, resulting in direct and indirect employment, and substantially contributing to the tax revenues through GST and income tax.[2]

The government first attempted to regulate by substituting rulemaking and compliance mechanisms. However, the trend changed with the enforcement of the Promotion and Regulation of Online Gaming Act, 2025,[3] which prohibited online real money gaming altogether because such activities were addictive, financially ruinous and needed consumer protection.[4] However, this article

[1] Authors are Second-year Law Students at Maharashtra National Law University, Mumbai.
[2] Sachin P Kumar & Associates, 'Online Gaming in India and the Tax Conundrum' (Sachin P Kumar & Associates, 2025) https://sachinpkumar.com/online-gaming-in-india-and-the-tax-conundrum/accessed 09 February 2026.
[3] Promotion and Regulation of Online Gaming Act 2025.
[4] Promotion and Regulation of Online Gaming Act 2025, ch III.

contends that the chosen instrument prohibition is poorly calibrated to achieve these goals. This regulatory change has transformed the industry, moving demand to offshore platforms, reducing the visibility of regulation and consumer protections.

This article interrogates India's re-orientation from regulation to prohibition. The article, through comparative analysis along with a critique of policy instruments, posits that a well-designed regulatory framework is more effective in several ways for the governance of digital markets.

II. INDIA'S ONLINE GAMING FRAMEWORK:

A. Evolution of the Online Real Money Gaming Industry in India

The evolution of the Online Real Money Gaming (RMG) Industry in India is closely related to the country's broader digital transformation and the rise of a platform-based economic activity. In its early phase, online gaming emerged through internet cafes and browser-based games.[5] It remained a niche form of entertainment constrained by limited internet penetration, high data costs, and an underdeveloped digital infrastructure. During its growth phase, the proliferation of smartphones and social networks created a fertile ground, while monetisation opportunities were minimal because of the weak payment system.[6]

The entry of Reliance Jio changed India's internet economy.[7] Post 2016, the cost of mobile data fell sharply. Whilst digital payment systems like UPI and e-wallets have become widely adopted, making micro-level transactions possible. RMG platforms such as Dream11, MPL, etc. reaped the benefits of these conditions to build profitable businesses.[8] By 2020, FDI in Indian gaming surpassed $1.5 billion, backed by Sequoia Capital, Tiger Global, and Tencent. The sector witnessed an annual growth rate of about 28% from FY20 to FY23, reaching a market size of Rs16,428cr, with RMG making up the largest share of monetisation.[9] This rapid growth brought increased regulatory and societal scrutiny. Concerns around addiction, financial losses, and youth exposure rose, leading to policy discussions and varying state-level actions.

B. Evolution of Gaming Laws in India:

Betting and gambling are found on the state list in the Indian constitution (entry 34, schedule VII) and give states the main legislative ability to regulate games.[10] This has created a fragmented regulatory environment because some states have

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[5] Anirudh Koul and S Subramanian, 'Understanding Online Gaming Ecosystems and Policy Challenges' (2023) Proceedings of the ACM on Human-Computer Interaction <https://dl.acm.org/doi/10.1145/3543873.3585572> accessed 11 February 2026.

[6] Dr. Hitesh Vaswani, 'The Rise and Fall of "Online Money Gaming" Industry in India' (2025) 12(8) International Journal of Management and Social Science Research Review 58 <http://ijmsrr.com/downloads/260820257.pdf> accessed 13 February 2026.

[7] Tanya Daga, Vipul Chandra and Anas Malik, 'Effect of Reliance Jio on Digital India' (2018) 6(6) International Journal of Advanced Research 395 <https://www.researchgate.net/publication/326402460_EFFECT_OF_RELIANCE_JIO_ON_DIGITAL_INDIA> accessed 11 February 2026.

[8] Vaswani, 'The Rise and Fall of "Online Money Gaming" Industry in India' (n 6).

[9] EY India, 'New frontiers - Navigating the evolving landscape for online gaming in India' (EY, 8 December 2023) <https://www.ey.com/en_in/insights/media-entertainment/new-frontiers-navigating-the-evolving-landscape-for-online-gaming-in-india> accessed 11 February 2026.

[10] Constitution of India, sch VII, List II, entry 34.

laws that allow skill-based games, while others have restrictive or prohibitive laws. These states have the right to pass laws to regulate these activities under their respective jurisdiction. However, this legislative power is limited by fundamental rights, including article 19(1)(g), which provides for an individual to have the right to engage in a profession or run a business.[11]

The Supreme Court has repeatedly made a distinction between games that involve chance versus those which involve skill; therefore, games of skill are outside the definition of gambling and are considered a legitimate form of economic activity. The apex Court recognised that competing in competitions which require significant amounts of skill is a business activity and cannot be characterised as *res extra commercium,* meaning a thing outside commerce, as stated in *State of Bombay v. RMD Chamarbaugwala*.[12] The Court reaffirmed this principle in *K. R. Lakshmanan v. State of Tamil Nadu* by specifically stating that games that are primarily composed of skill require protection under Article 19(1)(g).[13] In its analysis, the Court also noted that the presence of elements of chance does not eliminate the consideration of skill. On the contrary, the determination of whether the game is predominantly based on chance or skill should be based on whether the game is largely determined by skill.

These precedents are given a new lease of life in the context of online gaming. Indian courts have increasingly held that the mode of activity does not alter its essential character, and games of skill are constitutionally protected irrespective of the mode. This context raises potential constitutional concerns regarding a blanket ban on online real money gaming under the Promotion and Regulation of Online Gaming Act, 2025. A blanket ban that fails to distinguish between skill and chance may be challenged as an unreasonable restriction under Article 19(6),[14] especially where it is disproportionate to its professed goals of consumer protection and harm prevention.[15]

The rising trend in online gaming had prompted the Indian government to consider regulatory oversight and develop a framework for regulating online gaming through legislation: the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Amendment Rules, 2023, was the first step in creating formal regulation of this sector.[16] As per the rules, the only type of online game allowed to be available for playing must have obtained permission from one of the Self-Regulatory Bodies designated (SRB).[17] The regulations were meant to try and create a balance between innovation and protecting consumers by imposing accountability on platforms and creating compliance frameworks for those platforms.[18] However, the impact of these regulations was limited.

[11] Constitution of India, art 19(1)(g).
[12] State of Bombay v R M D Chamarbaugwala AIR 1957 SC 699.
[13] K. R. Lakshmanan v State of Tamil Nadu (1996) 2 SCC 226.
[14] Constitution of India, art 19(6).
[15] Internet and Mobile Association of India v Reserve Bank of India (2020) 10 SCC 274.
[16] Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Amendment Rules 2023.
[17] Press Information Bureau, 'Government ushers in new era of responsible online gaming through strict guidelines for ensuring safety of Digital Nagriks and accountability of online gaming industry' (Press Release, Delhi, 20 April 2023).
[18] Mobile Ecosystem Forum, 'Online Gaming in India: An Evolving Landscape' (Mobile Ecosystem Forum, 1 November 2024) <https://mobileecosystemforum.com/2024/11/01/online-gaming-in-india-an-evolving-landscape/> accessed 13 February 2026.

The ongoing use of the skill and chance distinction, which the courts have continually used to protect skill gaming, continued to create uncertainties and inconsistencies in enforcement.[19] In addition, there were various issues associated with foreign-registered platforms, including tax evasion and money laundering, which the framework failed to address, creating additional regulatory gaps for the government.[20] To make matters even worse, the government imposed a 28% GST on the total value of the bet placed on an event, which placed economic pressure on operators without correcting the underlying structural issues.[21] These cumulative deficiencies surfaced the shortcomings of fragmented regulation and paved the way for more rigorous legislation, ultimately resulting in the prohibition-oriented approach that is now in place pursuant to the 2025 Act.

C. The Promotion & Regulation of Online Gaming Act, 2025

The Act was enacted against the backdrop of the rising online gaming industry in India. The industry was then characterised by concerns over addiction, financial fraud, money laundering, and consumer protection on the gaming platforms. It lays down a comprehensive framework aimed at promoting the gaming industry while prohibiting the harmful practices in connection with online betting and gambling. Numerous reasons accounted for why the Parliament decided to enact the Act; The key reasons included the increasing addiction and financial ruin of individuals, spike in cases of depression and suicides as a result of money loss, misuse of online gaming for engaging in illegal activities such as money laundering, terror financing and so on.[22] Further closing the legal loopholes was also a key motive; gambling and betting were already restricted under the BNS, 2023, but the online domain was largely unregulated. The Act was also introduced to promote the e-sports industry and social and educational games. However, the Act failed to fulfil its purpose.

The Act of 2025[23] introduced several key provisions. A few of the key provisions are related to the establishment of the National Online Gaming Commission, the establishment of the Online Gaming Appellate Tribunal, licensing of platforms, classification of games, consumer protection, compliance of platforms with PMLA, 2002[24] and FEMA, 1999,[25] development of e-sports infrastructure, and finally the prohibition of Online RMG and services. The article shall only engage with the provision concerning the prohibition of RMGs, as depicted under Chapter III of the Act.[26]

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[19] K. R. Lakshmanan (n 12).
[20] Financial Action Task Force, Money Laundering Risks in the Betting Sector (FATF 2021) <https://www.fatf-gafi.org> accessed 13 February 2026.
[21] Annapoorna, 'GST on Online Gaming, Casinos and Horse Racing' (ClearTax, 29 August 2025) <https://cleartax.in/s/gst-on-online-gaming> accessed 12 February 2026.
[22] Press Information Bureau, 'Promotion and Regulation of Online Gaming Bill, 2025' (Press Information Bureau, 21 August 2025) <https://static.pib.gov.in/WriteReadData/specificdocs/documents/2025/aug/doc2025821618101.pd f> accessed 12 February 2026.
[23] Promotion and Regulation of Online Gaming Act 2025 (n 1).
[24] Prevention of Money Laundering Act 2002.
[25] Foreign Exchange Management Act 1999.
[26] Promotion and Regulation of Online Gaming Act 2025, ch III (n 2).

III. ECONOMIC CONSEQUENCES OF PROHIBITION

A. Persistence of Demand in Real Money Gaming

Although the Act was enacted with the intent to mitigate addiction, its outcomes are subject to debate, as it may have reduced visible participation while also creating unintended market distortions. A fundamental flaw of the prohibition of RMGs is that eliminating consumer demand is not possible, as the market is demand-inelastic. The demand at large is driven by factors such as entertainment values, competitive incentives and digital accessibility. The empirical evidence available is clearly contradictory to a key claim of the Parliament that the Act will lead to the mitigation of user addiction.[27] The ban only pushes the users to offshore platforms. This is clear evidence of the persistence of real demand in the country despite the legal constraints imposed. Although intended to curb addiction, the sudden ban can result in a negative impact on the habitual gamers, with them suffering from withdrawal symptoms and switching to harder-to-monitor platforms, continuing their activity.[28]

B. Expansion of Black Markets & Erosion of Consumer Protection

It has been reported that after the introduction of the Act of 2025, there has been an upward spike in offshore betting platforms up to 14%[29] owing to the ban on online domestic RMGs. In the absence of legitimate online RMGs, the users rely on foreign platforms, which are beyond the jurisdictional reach of India. There have been several past examples where prohibition in markets characterised by persistent demand has led to the emergence of black markets. The pattern is consistent across sectors: the emergence of alcohol black markets in Gujarat following its declaration as a dry state,[30] and the proliferation of vaping markets in major cities despite its banning,[31] illustrate how demand is displaced rather than eliminated.

The most relevant example in the context of the paper is the Telangana government's 2017 ban on RMGs, the first state in India to adopt such a measure.[32] It is one of the most instructive domestic examples of prohibition in a demand-driven digital market. Despite the ban, empirical evidence suggests that over 94% of players continue to access offshore or illicit applications through

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[27] Sohom Banerjee and Pratyush Banerjee, Access to Offshore Betting Websites after the Online Gaming Ban: A Survey-Based Analysis (Delhi NCR) (CUTS International, December 2025) <https://cuts-ccier.org/pdf/research-report-access-to-offshore-betting-websites-after-the-online-gaming-ban.pdf> accessed 10 February 2026.

[28] Yogonet International, '"The Indian online gaming regulatory landscape is complex, with a mix of outdated central laws and fragmented state regulations"' (Yogonet International, 27 May 2025) <https://www.yogonet.com/international/news/2025/05/27/106028--34the-indian-online-gaming-regulatory-landscape-is-complex-with-a-mix-of-outdated-central-laws-and-fragmented-state-regulations-34> accessed 10 February 2026.

[29] Prabhanu Kumar Das, 'Offshore Betting Platform Usage Increased Nearly 14% After Online Gambling Ban: CUTS Survey' (MediaNama, 5 December 2025) <https://www.medianama.com/2025/12/223-offshore-betting-rise-after-proga-ban-cuts-survey/> accessed 12 February 2026.

[30] Asha Jadeja, 'Gujarat is anything but a dry state. Decriminalise liquor, use tax revenue for development' (ThePrint, 13 January 2023) <https://theprint.in/opinion/gujarat-a-dry-state-decriminalise-liquor-use-tax-revenue-for-development/1310697/> accessed 13 February 2026.

[31] Amanda Sealy and Dr. Sanjay Gupta, 'Black market THC vaping products linked to lung illnesses' (CNN, 24 December 2019) <https://www.cnn.com/2019/12/24/health/black-market-vapes> accessed 13 February 2026.

[32] Anchal Verma, 'India's Telangana issues legal notices to real money gaming operators' (SiGMA, 15 May 2025) <https://sigma.world/news/indias-telangana-legal-notices-real-money-gaming-operators/> accessed 13 February 2026.

VPNs, Telegram groups, and similar channels.[33] It shows that the prohibition measure did not eliminate participation but rather displaced it into opaque and unregulated channels. This consumer behaviour characterized by persistence, highlights the inelasticity of demand in the RMG sector, where the consumers are steered not merely by legality but by accessibility, incentives, and platform design. This shift to offshore platforms significantly eroded consumer protection safeguards. Contrary to the licensed domestic operators, these platforms operate beyond Indian jurisdiction and are not obligated to statutory obligations related to KYC verification, AML compliance, or responsible gaming measures.[34] Consequently, users face heightened risks of fraud, unfair practices, and financial exploitation, with no efficient grievance redressal mechanisms.

From the lens of enforcement, Telengana's case study underscores structural limitations in regulating cross-border digital markets. While the prohibition erased compliant domestic operators, it did not prevent the continued operation of offshore entities, thereby giving birth to a regulatory asymmetry. The Telengana example thus illustrates a border governance paradox, where prohibition results in a reduction of formal market visibility without reducing participation, in the end amplifying the very risks it was meant to mitigate. Notably, while authorities retain some jurisdiction in the other analogous markets of vapes, alcohol, etc., the digital nature of online gaming further complicates enforcement. The resulting black market is characterised by opacity in financial flows and significantly heightened consumer risk.

These illegal entities operate outside Indian jurisdiction and are not subject to statutory compliance requirements, so core safeguards such as age verification, KYC protocols, and mandatory harm-mitigation tools are absent. The user vulnerability is further fuelled by the absence of grievance redressal mechanisms. In a regulated market, consumers may approach the institutional authorities; in the case of illegal markets, this option is not available to the users. Ironically, all the harms that the Parliament seeks to mitigate are flourishing with the loss of regulatory visibility. Instead of limiting harm exposure, the prohibition removes the regulatory architecture made to manage the exposure.

C. Economic Leakage & Enforcement Costs

In fiscal terms, the prohibition of RMGs has led to substantial economic leakage. As of the reports from FY 2024, RMG held a major chunk of the online gaming economy's revenue, accounting for 85.7% of the total shares valued at $3.2 billion.[35] The segment was further expected to reach $7.3 billion by FY 2029.[36] Within 90 days of the introduction of the Act, RMG platforms in India reported

[33] Sanjay Sahay, 'Was ban on online gaming a masterstroke? What really happened next?' (ETGovernment, 4 November 2025) <https://government.economictimes.indiatimes.com/blog/the-fallout-of-indias-online-gaming-ban-a-deep-dive-into-the-aftermath/125056955> accessed 13 February 2026.
[34] Financial Action Task Force, Money Laundering Risks in the Betting Sector (n 19).
[35] Kunal Doley, 'In online gaming, real money games are where the moolah is' (Financial Express, 10 July 2025) <https://www.financialexpress.com/business/industry/in-online-gaming-real-money-games-are-where-the-moolah-is/3910117/> accessed 12 February 2026.
[36] ibid.

asset losses of over $840 million[37] and the government faced an estimated shortfall of $670 million in GST, TDS and income-tax collections.[38] Experts warn that the bill would cost the exchequer an estimated Rs. 15-20k Cr. in lost tax revenues annually.[39] Secondary losses in advertising, fintech integration, and employment generation also accompany the loss of revenue. The industry, before the enactment, had directly employed over 1 lakh people and supported over 2 lakh jobs, but the picture changed after 21 August 2025, resulting in huge job losses.[40] In the fintech industry, major industries like Paytm and Mobikwik also suffered huge losses. Paytm's net profit fell 98% after recording an impairment of Rs 1.9 billion tied to First Games Technology.[41] Mobikwik saw an eightfold rise in losses.[42] According to the NPCI data, UPI transactions suffered a steep decline, with the transactions linked to gaming plunging from 351 million in July 2025 to 270 million in August 2025.[43]

Further, from the standpoint of enforcement costs, policing a ban on online RMG requires significant investment in terms of blocking technologies, monitoring cross-border traffic, and surveillance of user behaviour. The offshore operators often host servers in foreign jurisdictions, thereby protected from the reach of the domestic authorities. The platform blocking methods are easily surpassed by the users through mirror websites and encrypted networks, and the restriction on payment through cryptocurrencies and layered transaction systems.[44] Thereby imposing high enforcement costs on the state. This would require intensive use of resources and would divert the regulatory focus from other economic priorities. This regulatory divide between the domestic enforcement capability and the transnational digital markets results in a persistent governance deficit.

IV. COMPARATIVE ANALYSIS: FOREIGN JURISDICTIONS

The jurisdictions of the United Kingdom and Australia are chosen for comparative analysis to demonstrate that effective regulation leads to efficiency in consumer protection, revenue generation, and oversight.

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[37] Marjorie Preston, 'India real-money gaming sector writes down $840m in assets since August ban' (iGaming Business, 17 November 2025) <https://igamingbusiness.com/gaming/online-casino/india-real-money-gaming-ban-industry-losses/> accessed 12 February 2026.
[38] Viviana Chan, 'India's real-money gaming industry loses over $840M amid regulatory limbo: report' (Asia Gaming Brief, 17 November 2025) <https://agbrief.com/news/india/17/11/2025/indias-real-money-gaming-industry-loses-over-840m-amid-regulatory-limbo-report/> accessed 12 February 2026.
[39] Sampurna Panigrahi, 'All bets off as online gaming bill shakes industry & key players suspend "gambling" on their platforms' (The Print, 28 August 2025) <https://theprint.in/economy/all-bets-off-as-online-gaming-bill-shakes-industry-key-players-suspend-gambling-on-their-platforms/2730293/> accessed 13 February 2026.
[40] Shreya Maheshwari Goel, 'India's Online Gaming Market: Growth, Regulation, and the Ban's Economic Fallout' (India Tracker, 11 October 2025) <https://www.indiatracker.in/story/indias-online-gaming-market-growth-regulation-and-the-bans-economic-fallout> accessed 13 February 2026.
[41] Chan, 'India's real-money gaming industry loses over $840M amid regulatory limbo' (n 33).
[42] ibid.
[43] Ritu Singh, 'UPI gaming transactions value fall 26% in August after new law takes effect' (CNBC-TV18, 5 September 2025) <https://www.cnbctv18.com/business/finance/upi-gaming-transactions-fall-26-pc-in-august-after-new-law-takes-effect-ws-l-19668233.htm> accessed 13 February 2026.
[44] U Sudhakar Reddy, 'Inside the mirror maze: How banned betting apps stay one step ahead' (Times of India, 5 February 2026) <https://timesofindia.indiatimes.com/city/hyderabad/inside-the-mirror-maze-how-banned-betting-apps-stay-one-step-ahead/articleshow/127917324.cms> accessed 11 February 2026.

A. United Kingdom: A Mature Regulatory Model

One of the clearest examples of how online RMG can be regulated through integration rather than exclusion is provided by the UK. Rather than treating gambling as something that can simply be eradicated, UK law adopts the view that it is an enduring economic and social fact of life. This is the philosophy behind the Gambling Act 2005, which created a liberalised and well-regulated online gambling market, with operators all subject to a licensing regime that focused on managing harm rather than constraining demand.[45]

The UK's online RMG framework is based on the idea that regulation is about managing risk, not limiting demand. The Gambling Act 2005 sets three licensing goals that stop gambling from being a source of crime, ensuring gambling is done fairly and openly, and keeping children and other vulnerable people safe.[46] The Act makes it illegal to provide services without a license. However, they allow people to participate in the regulated market.[47] Regulatory implementation is entrusted to the Gambling Commission, an independent statutory authority whose 'License Conditions and Codes of Practice' impose binding obligations on operators, including anti-money laundering compliance, age and identity verification, and responsible-gambling controls.[48] In particular, Social Responsibility Codes require robust customer due diligence, self-exclusion mechanisms, deposit limits, and real-time behavioural monitoring.[49] Taken together, Regulated environments reduce gambling harm, not prohibition.

B. Benefits to the State

Structured oversight can have a significant positive financial impact, as demonstrated by the UK's regulation of real-money online gaming. According to the UK Gambling Commission, the '*Gross Gambling Yield*' of the gambling industry was approximately £16.8 billion in 2024–2025, of which the online sector contributed approximately £7.8 billion.[50] Online casino gaming generates billions of pounds annually through authorised operators, accounting for a sizable portion of this revenue. In addition to ensuring regulatory visibility and converting private gaming into measurable public economic benefit, stringent licensing and compliance requirements have also stopped illegal offshore penetration.

C. Why India Should Learn from the UK?

In fact, it is admitted that there is a demographic difference between the UK and India. However, the policies are on a similar line, which can be applied in India.

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[45] Gambling Act 2005.
[46] Gambling Act 2005, s 1.
[47] Gambling Act 2005, ss 33 and 67.
[48] Gambling Commission, Licence Conditions and Codes of Practice (Gambling Commission, 2025) <https://www.gamblingcommission.gov.uk/licensees-and-businesses/lccp> accessed 13 February 2026.
[49] Gambling Commission, Licence Conditions and Codes of Practice (Gambling Commission, 2025) paras 3.2.1, 3.3.1, 3.4.1, 3.5.1 and 3.8.1.
[50] Gambling Commission, Industry Statistics - Annual Report - Financial Year April 2024 to March 2025 (Gambling Commission, 25 November 2025) <https://www.gamblingcommission.gov.uk/statistics-and-research/publication/industry-statistics-annual-report-financial-year-april-2024-to-march-2025> accessed 11 February 2026.

The UK model clearly points to the demonstration of the need for regulation rather than prohibition policies with reference to demographic weakness and addiction potential. The models promise fiscal gains, protection of citizens, and channelling public demand into the system rather than allowing it to leak out into the external environment, and it is hoped that some economic and rational sense might be seen by the authorities and policymakers in India to replicate the same.

D. Australia: Restrictive but Regulated

The regulation of online gambling in Australia is governed by the Interactive Gambling Act 2001 (Cth) (IGA).[51] Although the legislation bans online casino gambling services targeted at Australian residents, it allows and regulates online sports betting and wagering services provided by licensed operators. The regulation is, however, subject to rigorous compliance. The Australian Communications and Media Authority (ACMA) is mandated to enforce the regulations regarding the IGA.

E. Australia's Online RMG Framework

The state regulators issue licences under local gambling statutes, for example, the Betting and Racing Act 1998[52] (NSW), which establishes a dual federal-state regulatory structure. At the federal level, the IGA, 2001 (Cth) bans the supply of certain unlicensed interactive gambling services to Australian residents, section 15–15C permits licensed wagering subject to strict compliance arrangements.[53] Licensees also have anti-money-laundering and counter-terrorism financing obligations under Parts 2 and 3 of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth), including obligations about customer due diligence and reporting.[54] The IGA requires identity verification,[55] while, as a further national measure, harm-minimisation tools include a National Self-Exclusion Register established under the Interactive Gambling Amendment (National Self-Exclusion Register) Act 2019 (Cth).[56] But, unlike the blanket prohibition model, Australia acknowledges enduring consumer demand and channels it into a controlled and supervised wagering ecosystem, regulating supply through licensing and compliance, rather than criminalising participation.

(i) Benefits to the State

In Australia, there is a significant amount of public revenue collected from controlled gambling activities. According to the state treasury reports and the data collected by the Australian Bureau of Statistics, the gambling tax revenues collected more than 6 billion AUD for the state and the federal government.[57] A

[51] Interactive Gambling Act 2001 (Cth).
[52] Betting and Racing Act 1998 (NSW).
[53] Interactive Gambling Act 2001 (Cth) ss 15–15C.
[54] Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) pts 2-3.
[55] Interactive Gambling Act 2001 (Cth) (n 53).
[56] Interactive Gambling Amendment (National Self-Exclusion Register) Act 2019 (Cth).
[57] Australian Bureau of Statistics, Taxation Revenue, Australia (Australian Bureau of Statistics, 2025) <https://www.abs.gov.au/statistics/economy/government/taxation-revenue-australia> accessed 13 February 2026.

significant amount of the revenues is collected from the licensing of online gambling.

Further, Australia regulates the visibility of financial transactions and prevents leakage offshore through a legal wagering market. Efforts to crack down on offshore unlawful wagering sites continue unabated, and ACMA's enforcement reports authenticate the authority of the state to monitor and not restrict online wagering.[58]

(ii) Comparative lessons for India from Australia

Australia demonstrates that even in a jurisdiction with high gambling participation rates and strong moral concerns, the response is controlled regulation, not elimination. The first step to protect vulnerable populations requires the implementation of specific harm-minimisation methods instead of enforcing an outright ban. The second point establishes that federal and state parties work together to create clear regulatory frameworks which enable proper responsibility distribution. The state uses licensing to gain financial advantages while maintaining its right to control unlicensed businesses. The Australian experience shows India that structured regulations, which include AML compliance, independent oversight and technological enforcement, can protect consumers while balancing economic needs and preventing governance gaps that result from total bans.

(iii) Lessons from the U.K. and Australia

Effective transplantation of the regulatory models of the UK and Australia is conditional upon certain institutional preconditions, including an independent and technically competent regulator, surveillance systems that are financially robust, and coordinated at the federal and subnational levels. In the UK, the Gambling Commission operates with high institutional autonomy and enforcement competence, while the Australian model relies on coordination between the federal and state governments and on strong compliance ecosystems. In India, these conditions are partially existent in its existing digital public infrastructure, consisting of UPI-enabled financial traceability, Aadhar-based identity systems, and sector-specific regulatory experience in securities and telecommunications. However, disparities remain in regulatory coordination across states and in specialised oversight capacity for online gaming. Accordingly, adaptation, rather than replication, is necessary for India. India would necessarily need a unified statutory regulator, clearer jurisdictional allocation, and integration of technology-enabled compliance tools to align these models with domestic institutional realities.

The regulatory models demonstrate that prohibition is not necessary to combat demographic vulnerability and moral concerns, but structured regulation. Irrespective of social contexts, both jurisdictions convert the persistent demand

[58] Australian Communications and Media Authority, 'ACMA blocks more illegal offshore gambling websites' (Australian Communications and Media Authority, 20 June 2024) <https://www.acma.gov.au/articles/2024-06/acma-blocks-more-illegal-offshore-gambling-websites> accessed 13 February 2026.

for gaming into licensed and supervised systems, valuing harm reduction, transparency, and regulatory oversight. The UK model highlighted the effectiveness of independent regulation and licensing in generating fiscal gains while safeguarding consumers. Meanwhile, the Australian framework demonstrates that, even in jurisdictions with high participation, balancing moral concerns is possible through controlled access, federal-state coordination, and tailored compliance mechanisms. Combined, the models illustrate that regulation

Aspects	**UK**	**Australia**	**India**
Legal status of Online RMG	Legal, Licensed, and Regulated	Permitted by licensing, regulated under IGA	Prohibited
Regulatory Process	The Gambling Commission	Federal and State licensing	Statutory Prohibition
State Revenue	Higher profits (Taxes and Fees Charged)	Profit through Taxation	Foregone
Consumer Protection	Strong and Enforceable for licensed operators	AML, Self-exclusion, mandatory licensing	No regulation lacks such protection

V. RECOMMENDATIONS

A. Why Should Regulation be Adopted?

In digital markets, prohibition does not essentially extinguish demand but merely displaces it beyond the regulatory oversight. In contrast, the adoption of regulation will result in the formalisation of persistent consumer behaviour in an ecosystem subjected to supervision. The licensing of markets, rather than suppression, leads to the replacement of opacity in the market with transparency. It will also help in the tracking of financial flows, increase accountability from operators, and enable the measurement of consumer activity. The formalisation by providing a domestic alternative helps in reducing the incentive for offshore migration, thereby shrinking illegal platforms. Regulatory oversight enables harm reduction tools, such as ID verification, spending controls, and grievance redressal, tools that are unavailable in the black markets.

Regulation aligns economic reality with institutional control, converting the RMG industry into a taxable revenue, and further inculcates consumer protection. All these essentially suggest that in digital markets, plagued with cross-border accessibility and technological evasion, it becomes a necessity rather than a preference.

B. Implementation Feasibility

While moving from prohibition to regulation seems like a step, it can actually be done in a practical way using the systems and technology India already has. India has shown it can handle digital systems through step-by-step approaches. For example, the Reserve Bank of India's Regulatory Sandbox framework lets them test things in a controlled way before launching them. This approach has worked well.[59] India's Aadhaar system for verifying identities and the National Payments Corporation of India's UPI system for payments are already in place. These can be used for checking identities, monitoring transactions and making sure rules are followed in time, thus creating a regulator to oversee the sector is also possible.[60] The Securities and Exchange Board of India is an example of this kind of regulator.[61] A step-by-step licensing model can also help refine the system over time, so changing to a system is not just a good idea; it can actually be done by using and adapting the systems India already has. The existing frameworks can be used in a way to make it work.

C. Regulatory Alternative

1. Structural Design for Regulation

The reformed framework should start by recognising statutorily Online RMGs as a regulated digital economic activity in place of a prohibited service. In place of a blanket ban, the Act should include provisions establishing an Independent Online Gaming Regulatory Authority, establishing differential classification and licensing tied to regulatory obligations, rather than prior proposals tying it to risks[62], tech-enabled oversight, which facilitates real-time reporting, and targeted harm reduction mechanisms like caps on deposits, assessments on affordability, and grievance redressal forums that are transparent.

2. Suggested Amendments

The Current scenario under PROGA, 2025.	**Suggested Amendment**	**Result**
Prohibition of Online Gaming Services under Chapter III.[63][63]	Substitute Chapter III with 'Licensing & Regulation of Online RMG'. Allow licensed RMG, provided compliance conditions are fulfilled.	Reduction in offshore migration and black markets as a result of the conversion from prohibition to supervised channelisation.
Absence of a structured classification mechanism for games.	Insert: New Section 8A: Classification of games based on (i) skill, (ii) randomness, & (iii) behavioural risk, allowing a multi-faceted reclassification by the regulator.	Provides for calibrated regulation in place of blanket bans, which provides for the preservation of legitimate skill gaming.

[59] Reserve Bank of India, Enabling Framework for Regulatory Sandbox (RBI 2019).
[60] National Payments Corporation of India, UPI Product Overview (NPCI 2025); Unique Identification Authority of India, Aadhaar Ecosystem (UIDAI 2025).
[61] Securities and Exchange Board of India Act 1992.
[62] Ananya Sonakiya and Anisha Tripathi, 'Promotion in Name, Prohibition in Practice: Reality of India's Online Gaming Law' (Tech Law Forum @ NALSAR, 10 September 2025) <https://techlawforum.nalsar.ac.in/promotion-in-name-prohibition-in-practice-reality-of-indias-online-gaming-law/> accessed 13 February 2026.
[63] Promotion and Regulation of Online Gaming Act 2025, ch III (Prohibition of Online Gaming Services).

The Current scenario under PROGA, 2025.	Suggested Amendment	Result
Licensing Model, which is devoid of any tech integration.	To amend the licensing provisions under Section 8(2) to introduce digital conditional licenses embedded with compliance obligations such as AML, harm monitoring, and data reporting.	This shall result in agile enforcement, auto-tracking of compliance, and a reduction in regulatory delay.
Limited Transparency Obligations	Insert new section 14 A: Mandating the logging of bets and results, which requires certified RNG audits and tamper-proof digital ledgers.	It enhances trust, prevents fraud, and enables regulatory auditability.
The uniform GST on RMGs, although this is external to the Act, is of high relevance.	Insert a new section, imposing a revenue and differential levy clause that empowers the Centre to notify graded levies corresponding to risk classification.	This will encourage innovation in low-risk games, further economically disincentivise harmful formats.
Grievance redressal relies on courts or voluntary mechanisms.	Insert a new chapter VI-A, establishing Statutory Online Gaming. It shall be the first digital ombudsman with binding powers.	It is faster and more transparent. It reduces the burden of litigation.
Enforcement via blocking powers and penalties.	Amend the Chapter dealing with the offences and penalties to add a section that provides for a real-time regulatory data interface.	This provides for algorithm-based AML detection and harm alerts. Inducing proactive enforcement.
Absence of structured industry participation.	Insertion of a new section, which provides for self-regulatory organisations and an advisory council.	Creates a multi-stakeholder governance model and an informed decision-making model.

VI. CONCLUSION

The culmination of all the impacts of banning online RMGs can be termed the *prohibition paradox.* The measures adopted by the parliament with the intention of protecting the consumers have inadvertently led to the intensification of user risk by pushing participation into spaces devoid of regulation. At the same time, the state suffers from a decrease in revenue, a fall in employment generation, a loss of visibility in the market, and increased enforcement costs. Focused on displacing the demand rather than regulating it, the prohibition changed an economically regulatable activity into a governance failure. The efforts of the government taken to mitigate the harm have externalised it, beyond the boundaries of supervision, accountability and fiscal capture.

The multi-faceted solutions suggested in the article thus seek to mitigate all the externalisation that has taken place as a result of the prohibition. The solutions provide for a transition to a regulatory model and to maximise the benefits of the transition. The approach helps the Parliament in realising its goal of consumer protection and promotion of the industry.

The article serves as a reminder that prohibition should not become the default legislative response to regulatory complexity. Complexities involving economic and technological realities are to be governed diligently.