



## THE RISE AND FALL OF “ONLINE MONEY GAMING” INDUSTRY IN INDIA: A CONCEPTUAL REVIEW

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### **Abstract:**

*This conceptual review examines the trajectory of India's Online Gaming industry - its inception, growth phases, and eventual contraction in 2025. The paper highlights the initial drivers of expansion such as cheap data, smart phone adoption, FDI inflows, and aggressive promotions, followed by the participation of major domestic and international players. It then explores regulatory recalibration, tax policy, and the Indian government's prohibition of money-based online games on 22<sup>nd</sup> August 2025. This paper studies an integrated framework linking regulation, platform economics, and societal outcomes, and conclusion with implications for policy, industry, and research.*

**Keywords:** *Promotion / Regulation of Online Money Gaming, Real Money Gaming, Government ban, Game Addiction, Digital Addiction, Gaming FDI in India.*

### **Introduction**

The online gaming industry popularly referred to as Real Money Gaming (RMG) industry in India has grown from a niche recreational activity to a mainstream pillar of the country's digital economy. The growth of this industry has mirrored India's digital revolution - driven by affordable smartphones, the world's cheapest mobile data, and widespread penetration of digital payments through platforms such as UPI. The gaming sector has not only provided entertainment but also become a source of employment, entrepreneurial ventures, and foreign investment. India's large youth population, with over 65% below the age of 35, has provided a ready market for mobile first entertainment solutions.

The rise of online gaming globally has been linked with the digitization of leisure and cultural convergence between gaming and sports, social media, and entertainment. In India, this transformation was unique in its speed and scale, amplified by the entry of Reliance Jio in 2016. The Indian gaming industry quickly attracted foreign direct investment (FDI), multinational interest, and participation from celebrities, particularly in fantasy sports platforms associated with cricket tournaments such as the Indian Premier League (IPL).

### **Historical Evolution of Online Gaming in India**

1. Early Phase (2005-2010): The earliest traces of online gaming in India emerged with internet cafés and browser-based games. Companies like Zapak pioneered casual gaming portals, offering titles that could be accessed with low bandwidth. However, this phase was constrained by limited internet penetration and low smartphone usage. Gaming remained largely a niche activity in urban centers.
2. Growth Phase I - Casual and Social Gaming (2010-2015): The proliferation of smartphones and social networks, especially Facebook, created a fertile ground for casual games such as Candy Crush Saga and Clash of Clans. Indian studios experimented with ad-based and freemium models. During this period, mobile games began to penetrate semi-urban markets, but monetization remained weak as payment systems were still maturing.



3. **Growth Phase II – Jio Revolution and Digital Payments (2016-2020):** The entry of Reliance Jio transformed India's internet economy. Data prices plummeted, resulting in hundreds of millions of new mobile internet users. At the same time, UPI and e-wallets normalized micro-transactions, making in-app purchases viable. Real-Money Gaming (RMG) platforms such as Dream11, MPL, Rummy Circle, and Adda52 leveraged these conditions to build scalable businesses. By 2020, foreign direct investment in Indian gaming crossed \$1.5 billion, with backing from Sequoia Capital, Tiger Global, and Tencent.
4. **Growth Phase III – E Sports and Promotions (2020-2022):** E Sports witnessed exponential growth through games like PUBG Mobile and Free Fire. Competitive tournaments, sponsorships, and streaming platforms like YouTube Gaming and Loco nurtured an esports ecosystem. Simultaneously, RMG platforms invested heavily in promotions - celebrity endorsements, TV advertisements, and IPL sponsorships became common. This period established gaming as mainstream entertainment, with India's gamer base crossing 45 crores.
5. **Consolidation and Policy Pushback (2023-2024):** Despite impressive adoption, public concerns about gambling addiction, financial losses, and youth exposure surfaced. Several state governments banned RMG platforms, citing their similarity to gambling. In 2023, the GST Council imposed a 28% tax on face value for online games involving stakes, severely impacting the unit economics of RMGs. Investors slowed funding, and several companies scaled back operations.
6. **The Fall – Government Prohibition (2025):** In 2025, the Indian Government passed the "Promotion and Regulation of Online Gaming Bill". Subsequently the bill became law on 22<sup>nd</sup> August 2025 when it received assent by The President of India. The law banned all money-based online games while recognizing E Sports and Casual Gaming as legitimate. This marked a decisive break from the past, leading to the collapse of RMG platforms and a redirection of industry focus toward casual games and E Sports.

### **Industry Structure and Key Players**

The Indian gaming ecosystem included diverse categories, few are as below:

1. Real-Money Gaming (RMG) leaders: Dream11, MPL, RummyCircle, Adda52.
2. Casual/Free-to-play leaders: Ludo King, Teen Patti Gold, mobile adaptations of global hits.
3. E Sports players: Nodwin Gaming, tournament organizers, and streaming platforms.

International investors such as Tiger Global, Tencent, SoftBank, and Sequoia invested heavily in Indian platforms. Promotional campaigns during major cricket tournaments positioned these brands as household names. By 2022, Dream11 had become the title sponsor of the IPL, reflecting gaming's mainstream cultural acceptance. The industry valued at \$ 3.7 billion in early 2025 was projected to touch \$ 9.1 billion by 2029 depending mainly on RMGs which accounts for 86% of the total revenues.

### **RMGs and Indian Economy**

There are around 400 companies operating in India with about jobs for two lakhs of which many belong to IT background. This industry has an investment of about Rs. 25,000 crores under Foreign Direct Investment (FDI) since 2018. The revenue collection to the Indian Government by way of GST from this industry is pegged at around Rs. 20,000 crores annually. The number of gamers is an eye opener which stands at around 59.1 crores. WinZo alone claims to have 25 crore users. On other side, few gaming platforms have also been linked with illegal activities of money laundering, financing of



terrorism, financial frauds and a messaging platform for terrorist organizations. The same not only impacted the Indian Economy but created further security challenges for our country.

### **Regulatory and Policy Trajectory**

The regulatory environment shaped the industry's trajectory significantly. Quite often the legality of RMG was challenged in courts, with varying state-level interpretations. In 2023, the GST Council's 28% levy on money gaming revenues created a major financial burden for all such operators. Further several states like Tamil Nadu and Karnataka attempted to ban RMGs which resulted in litigation at Honorable Supreme Court of India. The final blow came in August 2025 when the Central Government prohibited money-based gaming while promoting E Sports and Casual Gaming. This policy shift mirrored international trends, such as restrictions in China and contrasting liberalization in the United States E Sports market.

### **Societal and Ethical Dimensions**

The rise of online gaming brought with it significant societal concerns also which included gambling addiction and debt risks among youth and vulnerable groups. The overexposure of minors to gaming advertisements during popular cricket events was detrimental. Debates in public about digital addiction were quite popular which always echoed concerns about social media platforms. These gaming platforms often resulted in financial ruining of families, mental health disorders, and addictive behavior as also financial frauds.

Besides, the positive spillover included job creations, E Sports recognition and opportunities for content creators. The Indian Government's prohibition in 2025 can be framed as a consumer protection measure, balancing economic growth with societal responsibility.

### **Future Prospects**

The future of this industry's lies in adapting to new regulation and realities now. Hereinafter India could emerge as an E Sports hub in Asia after the formal recognition to it. In the Casual / F2P Gaming space, monetization through in-app purchases, subscriptions and brand partnerships may dominate. The content development will have multifold rise as Indian studios can focus on exportable intellectual property including culturally themed games. Emerging technologies like AR, VR, and AI-driven gaming experiences may create new opportunities if regulatory clarity persists.

### **Conclusion**

India's online gaming industry reflects a classic cycle of innovation, expansion, and regulation. Rapid growth from 2016 to 2022 was powered by digital infrastructure and aggressive investment, but concerns over gambling harms and fiscal revenues led to policy recalibration. The 2025 prohibition of money-based games ended one chapter while opening possibilities for E Sports and Casual Games. Though there is huge amount of revenue loss to the tune of about Rs. 20,000 crores annually as also loss of jobs but this sacrifice was much needed considering the social responsibility of the Central Government. It was necessary to address the social, economical and psychological consequences especially the youth which forms a major part of our population. The ban is also one step ahead in managing India's digital economy and a clear space has been carved out for E Sports and Social Gaming. The next phase will depend on how policymakers, industry leaders, and investors align to ensure responsible, sustainable growth through a dedicated Gaming Regulator having control over offshore operators too besides attracting criminal liability for platforms, advertisers and financial facilitators.



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## Special Note

The above conceptual review paper was written on 24<sup>th</sup> August 2025 just two days after, The President of India gave its assent to Promotion and Regulation of Online Gaming Bill wherein notification by the Ministry of Electronics and Information Technology, Government of India is awaited.