

Impact of Government Policies and Regulations on the Indian Gaming Industry: A Critical Analysis

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Abstract

The Indian gaming industry has emerged as a dynamic and rapidly growing sector, yet its potential is significantly influenced by the regulatory framework imposed by the government. This research delves into the intricate relationship between government policies and the industry's development, aiming to provide a comprehensive analysis of their impact. By scrutinising key policy areas, including taxation, licensing, content regulation, and consumer protection, the study seeks to understand the challenges and opportunities arising from the current regulatory landscape. The research employs a multi-faceted approach, incorporating a thorough review of existing literature, a detailed examination of government policies, and an analysis of their implications for industry stakeholders. Through comparative analysis with other major gaming markets, the study identifies best practices and potential policy improvements for India. The findings highlight the economic, social, and cultural consequences of different regulatory approaches, and their impact on industry growth, job creation, and consumer welfare. Ultimately, this research offers actionable recommendations for policymakers to create a conducive environment for the gaming industry's sustained growth while addressing concerns related to social responsibility and consumer protection. By bridging the gap between industry needs and regulatory objectives, this study contributes to the formulation of effective policies that can propel India's gaming sector to new heights.

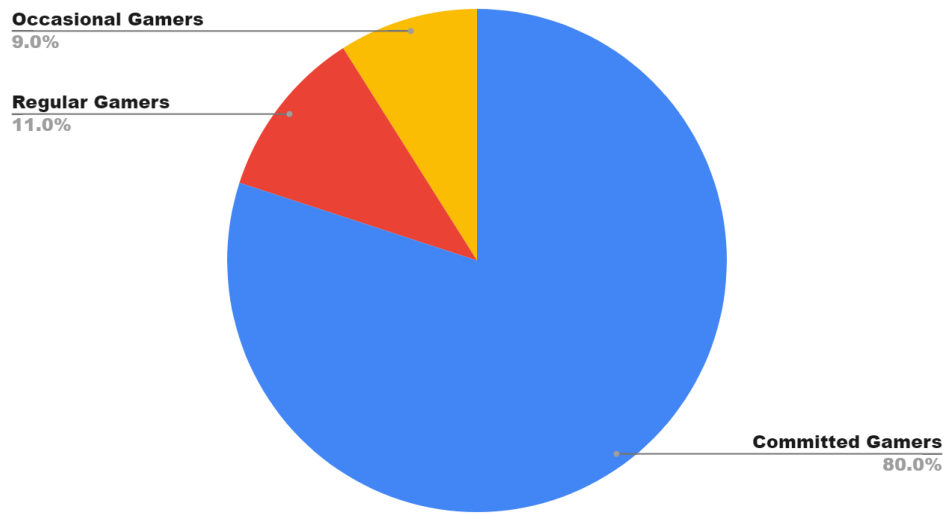
Keywords: Indian gaming industry, government policies, regulations, economic impact, social impact, industry development, policy recommendations, comparative analysis

Introduction

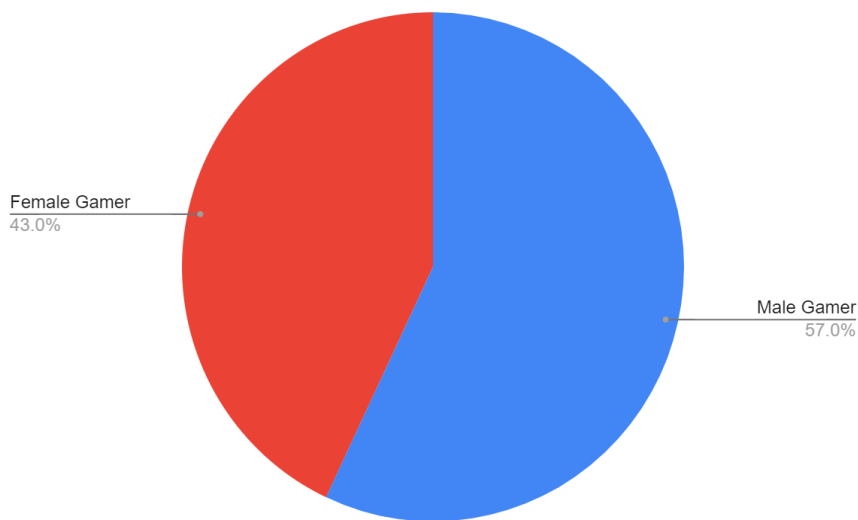
Brief overview of the Indian gaming industry and its growth

India's gaming industry is thriving, and it is one of the most essential and inventive industries in technology today. This industry has faced a number of challenges in the past few years. High tax rates, lack of support and lack of awareness were some of the major issues. Now, gaming is being accepted and getting the recognition it deserves. Mobile gaming has become a popular source of entertainment for people of all ages and from all walks of life in India, thanks to the accessibility and affordability of smartphones and high-speed internet. Localised games are likely to gain traction as penetration, ease of use, awareness, and, most importantly, a sense of familiarity increases. There is a huge sports fan base as well as availability of digital infrastructure in India. Online Fantasy Sports Platforms (OFSPs) could foster the growth of this sector. An increased user base, emerging technologies, and government support are a few of the underlying factors behind the increasing investment. (Khushi Kumar, 2021)

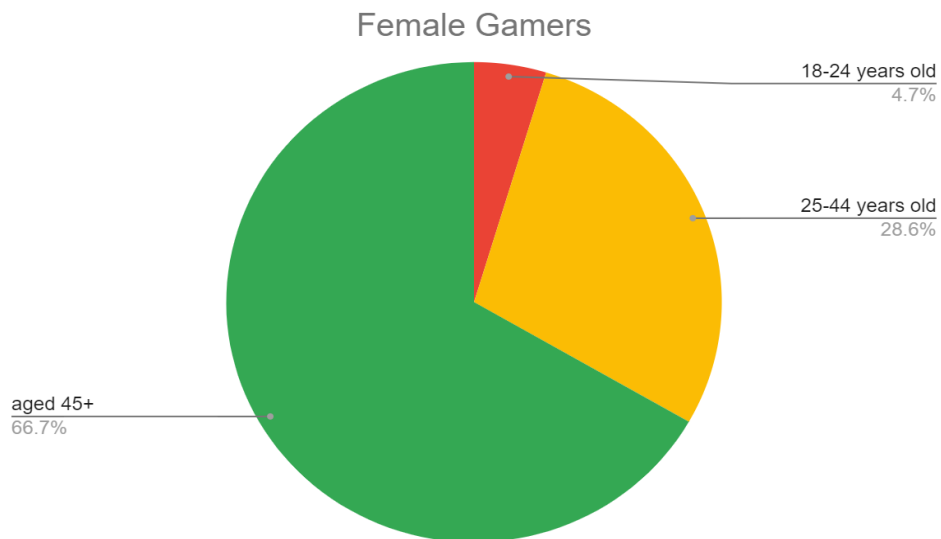
India has proved to be a game changer. Overcoming all the obstacles, from lack of awareness to high costs of supplies, Indian gaming Industry is proving to be one of the largest technology based sectors of the country. Mobile games are projected to dominate the gaming market as a result of smartphone penetration and easy internet connection. Emerging technologies such as AR, VR, AI, and cloud computing will help boost the industry by improving the performance and experience. The ban on Chinese apps opened a floodgate of opportunities for career advancement in game development as well as game playing. Many global tech giants and the government of the country are recognizing the untapped potential of gaming sector of India. In the next few years, investments in the industry will increase twofold, with Venture Capitalists, private equity, and a few strategic players gaining traction. (Khushi Kumar, 2021)



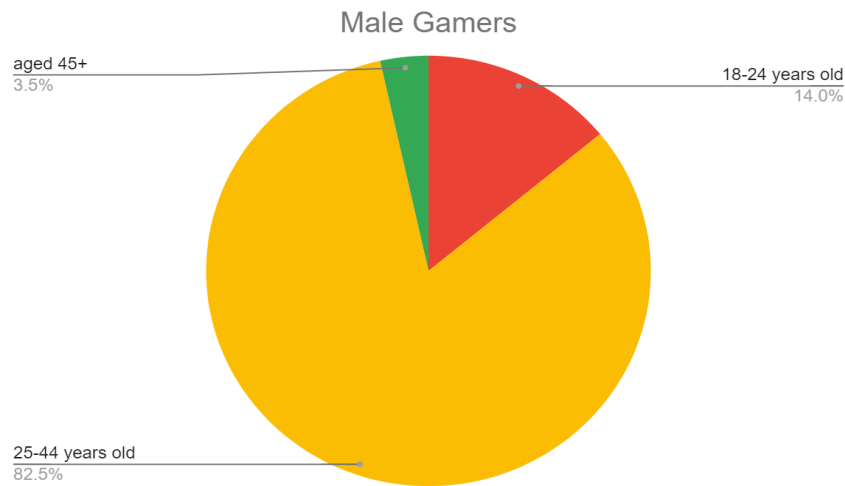
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Importance of government policies in shaping the industry

The survey conducted in Serbia points out that government support to the tax relief segment, as well as the modernization of curricula, which will satisfy the needs of the labour market and, thus, the gaming industry, would mean a lot to the domestic gaming industry. The needs for relatively small amounts of capital were also emphasised. Strengthening of the gaming industry can certainly be of great help in Serbia's process of transition to the digital economy.(Pitić, et al., 2020)

Government Policies and Regulations in India

- **Taxation policies: impact on game development, publishing, and player spending:** Gaming products like VR headsets, gaming consoles, graphic cards etc. were very expensive in India due to the high rate of taxes. More than 50% of the Indian population consists of middle-class households therefore, it was not a piece of cake to buy these supplies.(Khushi Kumar,2021)
- **Licensing and permits: ease of doing business, barriers to entry, and industry compliance:** Game development is a complex process that requires technical skills, creativity and logical reasoning. There are various career opportunities present in this sector, such as game designer, animator, audio engineer, game programmer etc. These career paths are appealing to the tech savvy youth. There are currently 623 gaming startups in India, with the number anticipated to rise in the future. (Khushi Kumar,2021)
- Loot boxes were banned by the government of Belgium, but it was found that most gaming companies either did not adhere to the ban or found ways of circumventing it. This also underlines an important challenge in successfully implementing the newly proposed online gaming rules in India. Importantly, the new rules have not specified punishment for violating the new online gaming rules by either the SRBs or OGI. Thus, several of the proposed industry-driven self-regulatory measures in the current rules should also be made legally binding on gaming companies and OGI to ensure adequate compliance, with the inclusion of specified punishments for its contravention.(Singh and Balhara,2023)
- **Consumer protection: addressing issues related to fraud, addiction, and responsible gaming:** A recent report showed that instances of fraud in gaming platforms rose 30 percent in quarter 1 of 2020 over the previous quarters. For example, an online video game platform Steam reported 24.5 million members using the service on April 4, 2020. Because many online games involve in-game currency, in-game purchases of game's resources including game outfits or extra lives or helper tools, and real-world currency (stored in wallets), they offer a target for fraudsters. (Bawa,2021)

Impact of Government Policies on the Indian Gaming Industry

The list of Indian game developers is growing steadily: 'Dhruva', founded in 1997, was the first Indian game developer to be engaged by a major international publisher to develop a game title. It is India's leading gaming

company that has built a solid reputation in the global game development community by developing games across multiple platforms. The other key competitor in the Indian game development market is Delhi-based Escosoft that has built its own game engine, thereby offering game developers a lucrative cost-effective option. Paradox Studios in Mumbai that has built a large game portfolio in multiplayer games and wireless video games, localises all its games at the Mumbai facility and provides games to more than 70 countries through international licensing. Mumbai-based Indiagames has crafted India's first 3D game, 'Yoddha'. The company's focus is on three main areas: advergaming, console gaming and wireless gaming. Indiagames has also designed a package for Indian children that will assess their gaming skills as well as have total parental control regarding the time and duration that children can play the games (Chaudhary, 2013)

Many Indian gaming companies have partnered with foreign companies to provide the gaming experience to children and adults alike. According to Pearl Research in San Francisco, several international publishers are increasingly investing in the Indian online games market either through licensing agreements or joint ventures. Kreed Games has partnered with the Hong Kong-based 'Inukshuk Asia' to bring an international gaming tournament to India 'to provide the Indian Gamer with the best of gaming entertainment and...provide Indian gamers the platform to come up and showcase their skills internationally'. (Chaudhary, 2013)

Challenges and Opportunities

Although the online gaming industry is still new to India, it provides bright prospects to the children and adults alike to get educated, entertained and employed. According to a 2011 Gartner report on the state of the gaming industry, mobile gaming is expected to see the largest growth percentage compared to consoles and personal computers (PCs), and it has grown 'from 15 per cent in 2010 to 20 per cent in 2015' (Heatwole 2011). As stated earlier, the gaming industry is growing at a very rapid pace where the online gaming market is expected to reach \$496 million by 2013 (Tata Strategic Management Group 2010). This makes it a great tool for edutainment, a combination of entertainment and education. In fact, several factors are at play in India concurrently that make edutainment viable in India. With the rising middle class and the cost of technologies going down, the newer forms of technologies are becoming more accessible. As a result, people are becoming more aware of these technologies and are demanding information that would be both educational and entertaining. In addition, a number of game developers are either partnering with game developers worldwide or have begun to develop games on their own that are suitable for the Indian market. Some of the factors playing a key role in making edutainment possible in India are: rising middle class, huge rural market, increased Internet and broadcast access, emergence of game developers, partnerships with foreign companies, availability of edutainment games, launching of gaming websites, etc. (Chaudhary, 2013)

Policy Recommendations

Investment into Research on Public Health Implications: There is also a need to invest in research to understand the gaming disorders and harms associated with gaming. The observations from other countries further support the need for the same. The experience from other countries suggests that several measures aimed at limiting the availability or accessibility of online games and harm reduction might not always effectively reduce the time spent on gaming and associated harms in the real world. The South Korean government introduced the "shutdown" policy in which children aged 15 years or below could play digital games only for a certain fixed duration on a given day and week. It also specified the time of the day during which they could play games, banning gaming during late night or school time. However, a subsequent study assessing the effect of this policy reported it to be ineffective in reducing the daily time spent on the internet or improving children's sleeping habits on a long-term basis over four years following its implementation.¹⁶ Further, it was also noticed that children found ways of circumventing these restrictions by creating fake adult accounts or using virtual proxy networks to access online games. This limits the effectiveness of restricting access as an isolated policy measure for reducing disordered or problematic gaming.¹⁷ Similarly, the Chinese government had introduced the "fatigue system" in which minor players (aged less than 18 years) were discouraged from playing online games after crossing a certain period of time by progressively cutting down their in-game rewards (e.g., digital objects required for gaining in-game powers/achievements) or experience points (e.g., required to progress one's level or stage in the gameplay) with increasing duration of gameplay. Also, frequent warning messages would appear on the gamer's device, alerting them about their excessive gaming time and the harms of excessive gaming. This policy measure is effective in significantly reducing

the desire to return to playing online games among players and was reported to be more effective than the shutdown policy in reducing the time spent on gaming in the long term.¹⁸ Thus, monitoring gameplay duration and introducing relevant regulatory measures like the “fatigue system” should be considered, especially among minors.

In conclusion, the new online gaming rules could pave the way for the much-needed regulatory framework that prioritises the well-being of those engaging in gaming behaviour. However, to ensure that these rules help achieve the desired outcomes, it is important that they are implemented in letter and spirit. Potential challenges to implement these rules should be addressed urgently and effectively.

Content regulation: impact on creative freedom, censorship, and age ratings: There is a need to introduce additional protective measures for safeguarding vulnerable population groups, especially children and adolescents. Family can play a key role in protecting the interests of this group. The role of parental knowledge, involvement, and control in reducing problem gaming and gambling behaviours should be a key focus area for policymakers and researchers. The available literature, mainly from Western countries, suggests that parents could modulate their child’s internet and digital media use (including gaming) and play a favourable role in multiple ways, including co-viewing or co-playing, practising good digital media use habits themselves and being a good role model for their children; imposing limitations on the extent of digital media consumption for their children with the active involvement of the children in deciding the mutually agreeable daily limits for internet use or gaming; enforcing restrictions on the types of digital media content that can be accessed; and engaging in conversations with their children about the themes, significance, perspectives, and impacts of the digital media they consume. The parents and other family members should be supported in playing a constructive role. This should include information about the risk of developing gaming and gambling disorders with playing certain online games, educating them about important risk factors and early warning signs and symptoms (e.g., spending increased time or money on online gaming), and informing them of the available resources for seeking help or more information about the same. Public education about the risks of excessive gaming and covert gambling through online games should also be emphasised. School-based prevention strategies such as teaching students about healthy digital media habits as part of their curriculum and sensitising them about the potential risks associated with its inappropriate use could be an effective approach to reduce the risk of developing problematic online gaming, gambling, and internet use in them. (Singh and Balhara,2023)

Strengthening the Focus on the Most Vulnerable: The strategies or measures needed to comprehensively address the public health harms due to online gaming behaviours should involve a combination of different approaches: (a) measures to reduce the harms associated with gaming to all, (b) measures to limit the exposure among those at risk or with signs suggestive of hazardous use, and (c) measures to provide adequate support and treatment services to people experiencing gaming-related harms or distress. In addition, these measures should not impede the development, availability, and accessibility of online games. Our understanding of the etiopathogenesis of gaming disorder and the harms associated with gaming is still evolving. Hence, balancing these two sets of driving principles concerning the country’s gaming industry is imperative. Although it is difficult to quantify how much to tilt in favour of either of these two, the interests of the most vulnerable must be at the core of these decisions. The new rules mainly focus on measures limiting online games’ availability that put users at a higher risk of experiencing financial and/or psychological harm. The main thrust is on banning online real-money games that involve wagering on the outcome(s) in the game. Measures such as displaying labels and warning messages about possible harms with online games, providing full disclosure about the amount of money spent by players both directly or indirectly in the game, and age rating of online games depending upon their content should also be equally emphasised. This will empower the users to self-regulate gaming and reduce related harms. Given that the new rules acknowledge that some of those who engage in gaming are likely to experience adverse consequences, the resources to support and help those at risk and those experiencing the adverse consequences and their caregivers must be created in the country.

Conclusion

This research has delved into the complex relationship between government policies and regulations and the Indian gaming industry, revealing a dynamic and multifaceted landscape. The findings underscore the critical

role of government in shaping the industry's trajectory, with policies serving as both catalysts for growth and potential impediments. While regulations are essential for ensuring consumer protection, fair competition, and revenue generation, excessive or poorly designed policies can stifle innovation, discourage investment, and limit economic opportunities for tribal nations.

The study emphasises the importance of a balanced approach that prioritises the unique characteristics of the Indian gaming industry while aligning with broader economic and social goals. Collaborative efforts between government agencies, tribal governments, and industry stakeholders are crucial for developing effective and sustainable policies. By fostering a regulatory environment that supports responsible gaming, promotes economic development, and respects tribal sovereignty, policymakers can create a framework that maximises the benefits of the Indian gaming industry for all involved.

Further research is needed to explore the long-term impacts of specific policies, to assess the effectiveness of different regulatory models, and to identify emerging trends in the industry. By building upon the foundation laid by this study, future research can contribute to the development of evidence-based policies that optimise the potential of the Indian gaming industry.

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