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# INDIA'S ONLINE GAMING & GAMBLING: FRAGMENTED STATE LAWS, SKILL VS. CHANCE DEBATES, AND EMERGING FEDERAL RESTRICTIONS

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Vasantha Sai Sree Vardhan Yadav, School of Law, Christ (deemed to be University)

## ABSTRACT

India's gambling and online gaming market is marked by considerable complexity and a **fragmented regulatory environment**, primarily due to the Constitution granting individual states the authority to legislate on betting and gambling. Historically, the legal landscape has been shaped by a crucial distinction between "games of skill" and "games of chance". Games of skill, such as rummy, poker, fantasy sports, and horse racing, have often received judicial and legislative protection, while games of chance are largely prohibited or strictly regulated as gambling. This has led to diverse state-specific laws, with land-based casinos permitted in only a few states and union territories like Goa, Sikkim, and Daman & Diu. Similarly, **online gaming regulation** for skill-based games and sports betting is legal and regulated in specific states such as Nagaland and Sikkim. Government-run lotteries operate under a federal act but are organized by individual states, with 13 states permitting them.

The regulatory framework is currently undergoing significant evolution at the federal level. New online gaming rules were introduced in April 2023, followed by a **controversial 28% Goods and Services Tax (GST)** on online gaming, casinos, and horse racing in October 2023, which has substantially impacted operators' costs. A major development is the **Promotion and Regulation of Online Gaming Bill, 2025**, which was approved by the Lok Sabha in August 2025. This landmark legislation introduces a **strict federal prohibition on online money-based and betting games**, their advertising, and related financial transactions, effectively **discarding the traditional skill vs. chance distinction** for games involving monetary stakes. The Bill establishes a central regulatory authority and aims to promote e-sports and social gaming. While this represents a move towards greater clarity, it also poses considerable challenges and legal uncertainties for operators, who must navigate stringent penalties, high taxation, and a patchwork of state and emerging federal laws, despite the immense potential of India's large, tech-savvy population and rapidly growing digital economy. The industry continues to advocate for a more unified federal framework to address these cross-state regulatory complexities.

**Keywords:** Gambling Laws India, Online Gaming Regulation, Skill vs. Chance, Federal Gaming Prohibition, State-level Gambling

## 1. INTRODUCTION

The emergence of betting applications and online gaming platforms has dramatically transformed India's entertainment and technology landscape in the last decade. With the rapid spread of affordable smartphones, the introduction of low-cost internet data, and the rise of digital payment infrastructure such as UPI, millions of Indians now engage with online platforms that allow them to place monetary stakes on games ranging from fantasy sports and rummy to poker and e-sports.<sup>1</sup> This digital revolution has blurred the traditional boundaries between gambling, gaming, and skill-based competitions.<sup>2</sup> It has also brought forward pressing legal, social, and regulatory questions that India's existing legal system—rooted largely in nineteenth-century colonial legislation—struggles to address.<sup>3</sup>

The Constitution of India places “betting and gambling” under Entry 34 of the State List (List II, Seventh Schedule)<sup>4</sup>. This constitutional allocation grants exclusive competence to the states to frame laws on gambling within their territorial jurisdictions. As a result, India does not have a uniform nationwide legal framework on gambling or betting.<sup>5</sup> Instead, the country is governed by a patchwork of state-specific legislations. For example, states such as Sikkim and Nagaland have attempted to regulate online gaming through licensing frameworks, while states like Goa and Daman have carved exceptions to permit casinos. On the other hand, states such as Tamil Nadu, Andhra Pradesh, and Karnataka have sought to impose prohibitions on online betting and gaming activities. Many other states continue to rely on adaptations of the Public Gambling Act, 1867<sup>6</sup>, a colonial-era law that was originally intended to curb common gaming houses and public gambling.<sup>7</sup>

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<sup>1</sup> J. Gurjar et al., *The Prevalence of Internet Gaming Disorder and Its Associated Factors Among College Students in Saurashtra Region, Gujarat, India*, 16 *Addiction & Health* 11 (2024), <https://doi.org/10.34172/ahj.2024.1451>.

<sup>2</sup> <https://www.scconline.com/blog/post/2025/07/04/is-online-gaming-skill-or-gambling-analysing-the-legal-grey-zone-in-india/>

<sup>3</sup> Khirod Chandra Maharana & Shyama Charan Acharya, *International Journal of Research Publication and Reviews*, vol. 4, no. 2, Feb. 2023, at 1449–55.

<sup>4</sup> Constitution of India

<sup>5</sup> INDIA, I.I.C.I., 2018. Legal Framework: Gambling and Sports Betting including in Cricket in India.

<sup>6</sup> <https://www.scconline.com/blog/post/2025/07/04/is-online-gaming-skill-or-gambling-analysing-the-legal-grey-zone-in-india/>

<sup>7</sup> <https://www.barandbench.com/view-point/the-promotion-and-regulation-of-online-gaming-act-2025-dawn-of-a-new-era-historical-background>

Central legislation, although limited in scope, has some influence. Statutes like the Lotteries (Regulation) Act, 1998, the Information Technology Act, 2000, and the Prevention of Money Laundering Act (PMLA), 2002, indirectly affect the functioning of betting apps. However, the principal regulation of gambling remains a state subject. This has created significant legal fragmentation: while one state may encourage skill-based gaming under license, a neighboring state may criminalize similar activities.<sup>8</sup>

An essential element in this discourse is the distinction between “games of skill” and “games of chance.” This distinction, deeply embedded in Indian jurisprudence, determines whether a game falls within the legal definition of gambling. In the landmark judgment of *Dr. K.R. Lakshmanan v. State of Tamil Nadu* (1996), the Supreme Court held that horse racing, being a game where skill predominates, is not gambling. Similar reasoning has been applied to card games such as rummy and online fantasy sports. The “predominance test” thus remains central to the interpretation of betting and gaming laws, yet its application to new-age digital platforms is far from settled.

Alongside legal uncertainties, the policy rationale for regulating gambling in India remains contested. Proponents of prohibition argue on grounds of morality, social harm, and public health, pointing to the dangers of gambling addiction, indebtedness, and its links to criminal activity. Advocates for regulation, on the other hand, highlight the economic opportunities associated with a legalized and supervised betting industry, including employment generation, foreign investment, and significant revenue collection through licensing and taxation. The debate is further complicated by India’s lottery system (regulated at both state and central levels) and casino regulations in states like Goa and Sikkim, which reveal the state’s ambivalent stance toward gambling—simultaneously prohibiting and permitting it depending on local contexts and economic considerations.

The rise of betting apps has added urgency to this debate. Unlike traditional gambling, online platforms transcend territorial boundaries, making enforcement of state laws challenging. Operators may be registered abroad, payments flow through digital wallets or cryptocurrencies, and users can participate across state lines. This raises important questions about jurisdiction,

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<sup>8</sup> <https://www.barandbench.com/view-point/the-promotion-and-regulation-of-online-gaming-act-2025-dawn-of-a-new-era-historical-background>

consumer protection, and regulatory consistency. It also reveals the limitations of state-specific legislations in the face of rapidly evolving digital technologies.

Against this backdrop, the present paper undertakes a comprehensive analysis of betting apps in India. It examines the state-by-state legal landscape, the central and state statutes governing gambling, the judicial evolution of the skill vs. chance doctrine, and the changing regulatory approaches to lotteries, casinos, and online games. It also explores the rationale behind India's gambling regulation, balancing social concerns with economic potential. Ultimately, the paper seeks to offer policy recommendations for a coherent, harmonized, and forward-looking regulatory framework that can address the unique challenges posed by betting apps in a digital India.

## 2. Historical Development of Gaming and Betting Laws in India

### 2.1 Early Legal Framework: The Public Gambling Act, 1867 (PGA)

The earliest codified gambling law in India is the **Public Gambling Act, 1867 (PGA)**, enacted during the colonial period.<sup>9</sup> The statute primarily targeted the suppression of public gaming houses by criminalizing the act of owning, operating, or visiting such establishments. The Act defined “common gaming houses” broadly and imposed penalties on both operators and players.

Notably, the PGA did not prohibit gambling per se but rather sought to regulate and restrict public forms of gaming perceived as disruptive to social order. It carved out exceptions for certain games of skill, laying the foundation for the judicial distinction between **games of chance** and **games of skill**, which continues to shape gambling law in India today.<sup>10</sup>

Although the PGA was a central legislation, gambling as a subject was subsequently placed under the **State List** of the Constitution, resulting in its adaptation across states in varied forms. Many jurisdictions continue to apply the PGA in its original or modified form, while others have replaced it with state-specific enactments such as the **Bombay Prevention of Gambling**

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<sup>9</sup> *The Public Gambling Act*, No. 3 of 1867, INDIA CODE.

<sup>10</sup> *Id.* § 12 (exempting games of skill)

**Act, 1887** or the **Karnataka Police Act, 1963**.<sup>11</sup>

## 2.2 Evolution of Gambling and Lottery Laws

Post-Independence, the fragmented nature of gambling laws persisted. With states exercising legislative autonomy, the legal landscape became a patchwork of prohibitory and regulatory statutes. Parallely, the Union government intervened in areas within its competence, particularly in regulating lotteries and digital transactions.

The **Lotteries (Regulation) Act, 1998** was a landmark statute enacted by Parliament to bring uniformity to the conduct of lotteries, which had become a significant source of state revenue.<sup>12</sup>The Act empowered states to organize, prohibit, or regulate lotteries while setting minimum conditions to prevent malpractices.

In the early 2000s, the rise of internet-based gambling introduced new complexities. The **Information Technology Act, 2000** extended central jurisdiction to cyberspace, indirectly impacting online gaming and betting apps.<sup>13</sup>Additionally, the **Prevention of Money Laundering Act, 2002 (PMLA)** was frequently invoked in gambling-related cases to curb illegal money flows and enforce financial accountability.<sup>14</sup>

Certain states, recognizing the economic potential of regulated gambling, went further by enacting modernized laws. For example, the **Sikkim Online Gaming (Regulation) Act, 2008** created a licensing framework for online games, while the **Nagaland Prohibition of Gambling and Promotion and Regulation of Online Games of Skill Act, 2016** explicitly recognized skill-based gaming platforms.<sup>15</sup> Goa, Daman, and Diu permitted casinos under their local statute, marking one of the earliest legal acknowledgments of land-based gaming establishments in India.<sup>16</sup>

## 2.3 Key Judicial Interpretations and Precedents

The judiciary has played a pivotal role in shaping India's gambling jurisprudence, particularly

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<sup>11</sup> *The Bombay Prevention of Gambling Act*, No. 4 of 1887 (Maharashtra); *The Karnataka Police Act*, No. 4 of 1963 (Karnataka).

<sup>12</sup> *The Lotteries (Regulation) Act*, No. 17 of 1998, INDIA CODE.

<sup>13</sup> *The Information Technology Act*, No. 21 of 2000, INDIA CODE.

<sup>14</sup> *The Prevention of Money Laundering Act*, No. 15 of 2002, INDIA CODE.

<sup>15</sup> *Sikkim Online Gaming (Regulation) Act*, No. 1 of 2008, INDIA CODE; *Nagaland Prohibition of Gambling and Promotion and Regulation of Online Games of Skill Act*, No. 6 of 2016, INDIA CODE.

<sup>16</sup> *Goa, Daman and Diu Public Gambling Act*, No. 14 of 1976, INDIA CODE.

by developing the doctrine distinguishing **games of skill** from **games of chance**.

In **State of Bombay v. R.M.D. Chamarbaugwala**, the Supreme Court held that competitions substantially involving skill are not “gambling” under the Constitution, thereby enjoying protection under Article 19(1)(g).<sup>17</sup> This decision established the principle that games of skill could be legitimate business activities.

Later, in **Dr. K.R. Lakshmanan v. State of Tamil Nadu**, the Court clarified that horse racing is a game of skill, as it requires knowledge of horses, jockeys, and training, thereby falling outside the scope of prohibited gambling.<sup>18</sup> Similarly, several High Courts have recognized rummy as a game of skill, provided it is not played in a manner constituting a gambling business.<sup>19</sup>

Most recently, the rise of fantasy sports platforms has prompted judicial scrutiny. In **Varun Gumber v. Union Territory of Chandigarh**, the Punjab & Haryana High Court held that fantasy sports involve substantial skill in team selection and strategy, thereby distinguishing them from gambling.<sup>20</sup> This approach was reinforced by the Supreme Court’s refusal to interfere with state court rulings upholding fantasy sports as skill-based games.

Through these precedents, Indian courts have consistently upheld the legality of skill-based gaming, while affirming the states’ authority to prohibit chance-based gambling.

### 3. Constitutional & Legislative Framework

#### 3.1 Constitutional Provisions

The constitutional scheme in India adopts a **federal division of legislative powers** under the Seventh Schedule of the Constitution. **Entry 34 of the State List (List II)** places “betting and gambling” exclusively within the competence of state legislatures.<sup>21</sup> This indicates that gambling is not a Union subject and was intended to be regulated primarily at the **local, cultural, and social level**, reflecting the diversity of Indian states. Consequently, the legality

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<sup>17</sup> State of Bombay v. R.M.D. Chamarbaugwala, 1957 SCC OnLine SC 12

<sup>18</sup> K.R. Lakshmanan (Dr) v. State of T.N., (1996) 2 SCC 226

<sup>19</sup> State of A.P. v. K. Satyanarayana, 1967 SCC OnLine SC 333

<sup>20</sup> Varun Gumber v. State (UT of Chandigarh), 2017 SCC OnLine SC 2170

<sup>21</sup> Singh, B., 1995. NINTH SCHEDULE TO CONSTITUTION OF INDIA: A STUDY. *Journal of the Indian Law Institute*, 37(4), pp.457-475.

of betting apps and gambling services varies significantly across India, with some states opting for regulation and others for outright prohibition.

At the same time, related subjects appear in the **Concurrent List (List III)**. “Lotteries organized by the Government of India or the Government of a State” fall under Entry 40, while **criminal law, contracts, and information technology** also lie within concurrent jurisdiction. This dual allocation allows Parliament to legislate on certain aspects that impact gambling indirectly, such as regulating **lottery schemes, online platforms, and financial crimes**.

Judicial interpretation has played a pivotal role in clarifying the limits of state and central competence. In **R.M.D. Chamarbaugwala v. Union of India**, the Supreme Court emphasized that gambling was *res extra commercium* (i.e., an activity outside the scope of fundamental rights like free trade),<sup>22</sup> thereby granting states a wide berth to impose restrictions. Similarly, in **Dr. K.R. Lakshmanan v. State of Tamil Nadu**, the Court held that games of skill cannot be treated as gambling and therefore enjoy constitutional protection under Article 19(1)(g).<sup>23</sup> These precedents reinforce that while the states remain supreme regulators of gambling, the Constitution safeguards skill-based gaming as a legitimate business activity.

### 3.2 Central Laws

Although states are the principal regulators, Parliament has enacted several central laws that indirectly or directly govern gambling-related activities.

- **The Public Gambling Act, 1867:** One of the earliest colonial statutes, this Act prohibits the keeping of “common gaming houses” and punishes visiting such establishments.<sup>24</sup> While outdated in terminology, it continues to apply in many states, unless specifically repealed or replaced by state legislation. For instance, Maharashtra replaced it with the **Bombay Prevention of Gambling Act, 1887**, while others like Uttar Pradesh still rely on the original version.
- **The Lotteries (Regulation) Act, 1998:** Enacted to curb fraudulent practices in state-run lotteries, it prohibits private lotteries, establishes uniform rules for government-run

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<sup>22</sup> State of Bombay v. R.M.D. Chamarbaugwala, 1957 SCC OnLine SC 12

<sup>23</sup> K.R. Lakshmanan (Dr) v. State of T.N., (1996) 2 SCC 226

<sup>24</sup> *The Public Gambling Act*, No. 3 of 1867, INDIA CODE., <https://www.indiacode.nic.in/handle/123456789/2269>

schemes, and empowers states to ban or regulate lotteries within their territories.<sup>25</sup> Importantly, it prevents states from running lotteries in other states without their consent, highlighting the principle of cooperative federalism.

- **The Information Technology Act, 2000:** Though not gambling-specific, this Act provides regulators with significant power over online betting. Section 69A authorizes the government to **block websites and apps** deemed unlawful, while Section 79 outlines **intermediary liability** for platforms hosting gambling-related content.<sup>26</sup> These provisions have been increasingly invoked to target offshore betting platforms and unauthorized apps.
- **The Prevention of Money Laundering Act, 2002 (PMLA):** Given the high financial flows associated with gambling, this Act is central to addressing money laundering risks. Online betting operators often face scrutiny for foreign remittances and unaccounted payments, making them liable under PMLA provisions.<sup>27</sup> The Enforcement Directorate (ED) has initiated multiple investigations against offshore betting apps for alleged money laundering.

Together, these laws illustrate the **indirect but powerful role of the Union** in shaping India's gambling ecosystem, even though legislative competence largely belongs to the states.

### 3.3 State Autonomy in Gambling Regulation

The principle of federalism allows states to adapt, amend, or repeal the **Public Gambling Act, 1867**, crafting statutes that reflect local social attitudes and policy priorities. This has led to a **patchwork of state regimes** across India, ranging from permissive licensing systems to outright prohibitions.

A **prohibitionist approach** is followed by several states that have passed stringent amendments to ban both online and offline betting activities:

- **Telangana:** The **Telangana State Gaming (Amendment) Act, 2017** expanded the definition of gaming to include online platforms and prohibited games of skill when played

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<sup>25</sup> *The Lotteries (Regulation) Act*, No. 17 of 1998, INDIA CODE.

<sup>26</sup> *The Information Technology Act*, No. 21 of 2000, INDIA CODE.

<sup>27</sup> *The Prevention of Money Laundering Act*, No. 15 of 2002, INDIA CODE.

for stakes, effectively criminalizing online rummy, poker, and other real-money games.<sup>28</sup>

- **Andhra Pradesh:** In 2020, Andhra Pradesh amended the **Andhra Pradesh Gaming Act, 1974**, imposing a blanket ban on online games played for money, including those traditionally recognized as skill-based such as rummy.<sup>29</sup>
- **Karnataka:** The **Karnataka Police (Amendment) Act, 2021** initially banned online games for stakes, but this was struck down by the Karnataka High Court in 2022 for being unconstitutional, particularly with respect to skill-based games.<sup>30</sup> Nevertheless, the state continues to explore regulatory alternatives.
- **Tamil Nadu:** Passed the **Tamil Nadu Prohibition of Online Gambling and Regulation of Online Games Act, 2022**, banning online rummy and poker, though the Madras High Court previously struck down a similar law as overbroad.<sup>31</sup>
- **Kerala:** Initially permitted online rummy under judicial guidance, but later attempted to ban it through notifications, though the Kerala High Court quashed such attempts as unconstitutional.<sup>32</sup>

On the other hand, **regulatory or permissive models** have emerged in a few jurisdictions:

- **Goa, Daman, and Diu** permit licensed casinos under the **Goa, Daman and Diu Public Gambling Act, 1976**.<sup>33</sup>
- **Sikkim** regulates certain forms of online gaming through the **Sikkim Online Gaming (Regulation) Act, 2008**.<sup>34</sup>
- **Nagaland** licenses skill-based online games such as poker, rummy, and fantasy sports

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<sup>28</sup> Telangana Gaming (Amendment) Act, 2017, Act No. 29 of 2017 (Dec. 1, 2017) (India), <https://law.telangana.gov.in/pdf/Act%20No.29%20of%202017.pdf>

<sup>29</sup> The Andhra Pradesh Gaming Act, 1974, Act No. 27 of 1974 (Aug. 22, 1974) (Andhra Prad.), [https://www.indiacode.nic.in/bitstream/123456789/16405/1/act\\_no\\_27\\_of\\_1974.pdf](https://www.indiacode.nic.in/bitstream/123456789/16405/1/act_no_27_of_1974.pdf)

<sup>30</sup> All India Gaming Federation v. State of Karnataka, Writ Petition No. 18703/2021 (Karn. H.C. Feb. 14, 2022), [https://fifs.in/wp-content/uploads/2022/04/12.-All-India-Gaming\\_Kar-HC.pdf](https://fifs.in/wp-content/uploads/2022/04/12.-All-India-Gaming_Kar-HC.pdf)

<sup>31</sup> The Tamil Nadu Prohibition of Online Gambling and Regulation of Online Games Act, 2022, Act No. 9 of 2023 (India), [https://prsindia.org/files/bills\\_acts/acts\\_states/tamil-nadu/2023/Act9of2023TamilNadu.pdf](https://prsindia.org/files/bills_acts/acts_states/tamil-nadu/2023/Act9of2023TamilNadu.pdf)

<sup>32</sup> *Head Digital Works Pvt. Ltd. v. State of Kerala*, W.P. (C) No. 8918 of 2021 (Ker. H.C. Sept. 27, 2021).

<sup>33</sup> *Goa, Daman and Diu Public Gambling Act*, No. 14 of 1976, INDIA CODE., [https://www.indiacode.nic.in/bitstream/123456789/6810/1/public\\_gambling\\_act.pdf](https://www.indiacode.nic.in/bitstream/123456789/6810/1/public_gambling_act.pdf)

<sup>34</sup> *Sikkim Online Gaming (Regulation) Act*, No. 1 of 2008, INDIA CODE., [https://www.indiacode.nic.in/bitstream/123456789/11161/1/the\\_sikkim\\_online\\_gaming-edited.pdf](https://www.indiacode.nic.in/bitstream/123456789/11161/1/the_sikkim_online_gaming-edited.pdf)

under the **Nagaland Prohibition of Gambling and Promotion and Regulation of Online Games of Skill Act, 2016**.<sup>35</sup>

- **Meghalaya** introduced the **Meghalaya Regulation of Gaming Act, 2021**, creating a licensing system for games of chance and skill, including online betting and casinos.<sup>36</sup>

This **fragmented legal framework** generates significant compliance challenges for operators of betting apps, who must adapt business models state by state. For consumers, it creates uncertainty as games considered legal in one jurisdiction may be punishable in another. Scholars and industry stakeholders have argued that this inconsistency calls for a more harmonized national framework or at least coordinated state policies to address the challenges of a rapidly digitizing gambling industry.<sup>37</sup>

#### 4. Judicial Framework: Skill Games vs Chance Games

The judicial framework governing gaming and betting laws in India hinges on a critical legal distinction between “games of skill” and “games of chance,” a dichotomy that determines whether an activity falls within the ambit of gambling regulation or is exempted as a legitimate business. Indian courts have consistently applied the “predominance test,” which assesses whether skill or chance is the dominant factor in determining the outcome of a particular game. If skill predominates, the activity is treated as a “game of skill” and falls outside the prohibitions of gambling laws—even if an element of chance is present. In contrast, if chance outweighs skill, the activity is categorized as gambling and is subject to legal restrictions or outright bans under various state statutes. The regulation of betting and gambling in India cannot be understood without examining the jurisprudential distinction between **games of skill** and **games of chance**. Courts in India have repeatedly relied on this classification to decide whether an activity falls within the ambit of state gambling prohibitions. This distinction is not just theoretical; it has shaped the survival of entire industries such as rummy clubs, poker

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<sup>35</sup> *Nagaland Prohibition of Gambling and Promotion and Regulation of Online Games of Skill Act*, No. 6 of 2016, INDIA CODE., [https://www.indiacode.nic.in/bitstream/123456789/15162/1/the\\_nagaland\\_prohibition\\_of\\_gambling\\_and\\_promotion\\_and\\_regulation\\_of\\_online\\_games\\_of\\_skill\\_act\\_2015.pdf](https://www.indiacode.nic.in/bitstream/123456789/15162/1/the_nagaland_prohibition_of_gambling_and_promotion_and_regulation_of_online_games_of_skill_act_2015.pdf)

<sup>36</sup> The Meghalaya Regulation of Gaming Act, 2021, No. 9 of 2021, § \_\_, MEGH. GAZ., Mar. 23, 2021 (India), <https://www.indiacode.nic.in/handle/123456789/17727>

<sup>37</sup> Global Legal Insights, *Gambling Laws and Regulations: India*, ICLG (Nov. 19, 2024), <https://iclg.com/practice-areas/gambling-laws-and-regulations/india>

rooms, and fantasy sports platforms like Dream11.<sup>38</sup>

#### 4.1 Definition of Gambling

Gambling, as conceived in Indian legal discourse, has historically referred to **wagering on events whose outcomes are uncertain and largely determined by chance**. The Public Gambling Act of 1867, one of the earliest statutes on the subject, criminalised the keeping of “common gaming houses” and defined gaming broadly, though it did not itself explicitly distinguish between skill and chance. Over time, state legislatures adopting or modifying this Act added more detailed prohibitions and exemptions.

Courts, however, filled this definitional gap by clarifying that gambling must involve an **element of chance that outweighs skill**. Thus, activities such as rolling dice, spinning a roulette wheel, or buying a lottery ticket were considered gambling because the result depended primarily on luck. In contrast, activities where **human knowledge, judgment, training, and experience** significantly affect the outcome were recognised as games of skill, even if chance played some role. This approach recognises that few games are purely skill-based or purely chance-driven; rather, the legal question is whether skill **predominates**.<sup>39</sup>

#### 4.2 The Predominance Test (Skill Vs. Chance)

The **predominance test** emerged as the doctrinal tool to separate permissible games of skill from prohibited gambling activities. According to this test, if skill is the dominating factor in determining the outcome of a game, the game does not amount to gambling even though chance might still play a part. Conversely, if chance is the dominant element, the activity is gambling and subject to state prohibitions.

This test serves multiple policy purposes. First, it prevents states from unnecessarily interfering with legitimate recreational or business activities where skill plays a decisive role. Second, it acknowledges the social harms associated with pure chance-based wagering, such as addiction, financial ruin, and criminal exploitation. Finally, it provides a **workable standard for courts**

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<sup>38</sup> Global Legal Insights, *Gambling Laws and Regulations: India*, ICLG (Nov. 19, 2024), <https://iclg.com/practice-areas/gambling-laws-and-regulations/india>

<sup>39</sup> *The Public Gambling Act*, Act No. 3 of 1867 (India), [https://www.indiacode.nic.in/bitstream/123456789/2269/1/AAA1867\\_\\_\\_\\_03.pdf](https://www.indiacode.nic.in/bitstream/123456789/2269/1/AAA1867____03.pdf)

to apply in new contexts, such as online fantasy sports and mobile poker, where traditional definitions may not fit neatly.<sup>40</sup>

### 4.3 Key Judicial Decisions

The Supreme Court's landmark ruling in *Dr. K.R. Lakshmanan v. State of Tamil Nadu* (AIR 1996 SC 1153) provided enduring clarity on this issue. The Court declared that "A game of skill... although the element of chance necessarily cannot be entirely eliminated, is one in which success depends principally upon superior knowledge, training, attention, experience, and adroitness of the player." In the *Lakshmanan* case, horse racing was analyzed and found to be a game of skill because the outcome was primarily influenced by the participant's judgment, research, and experience, rather than mere luck. This judgment entrenched the principle that games that rely primarily on skill—where players exercise judgment and strategy—cannot be classified as gambling under the Public Gambling Act, 1867 or related state laws.

Following *Lakshmanan*, the Supreme Court and various High Courts expanded the scope of this doctrine to card games and online gaming. Rummy, for example, was recognized in *State of Andhra Pradesh v. K. Satyanarayana* (AIR 1968 SC 825) as a game requiring considerable skill in memorization, combination, and calculation, with the role of chance largely limited to the initial deal. Poker, too, has been analyzed by High Courts as a game that can require a preponderance of skill over chance, particularly in longer tournaments or skill-intensive formats. The legal position of online rummy and poker, however, has become increasingly contentious with states like Tamil Nadu, Andhra Pradesh, and Kerala enacting amendments to prohibit these games, citing public order concerns related to addiction and youth welfare.

Fantasy sports present a contemporary frontier in the skill vs. chance debate, as reflected in extensive litigation surrounding platforms like Dream11. Indian courts—especially the Punjab & Haryana, Bombay, and Rajasthan High Courts—have repeatedly upheld the view that fantasy sports contests are games of skill. The courts ruled that participants must deploy extensive sports knowledge, player analysis, and strategic selection when constituting virtual teams, thus making outcomes primarily skill-based rather than fortuitous. In *Gurdeep Singh Sachar v. Union of India* (Bombay High Court, 2019), the court observed that Dream11's fantasy games demanded superior judgment and skill; the Supreme Court also declined to

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<sup>40</sup> *State of Andhra Pradesh v. K. Satyanarayana*, A.I.R. 1968 S.C. 825 (India).

intervene, cementing the legal footing of these platforms under Article 19(1)(g) of the Constitution (freedom to carry on a trade or profession).

For the betting app industry, these judicial interpretations have profound practical implications. Skill-based platforms—such as those focused on rummy, poker, or fantasy sports—often reference these precedents in crafting their business models, seeking judicial protection when challenged by state authorities. Courts' recognition of the predominance test and the exclusion of skill games from anti-gambling statutes have shielded such platforms from routine bans under older state laws. However, the patchwork of state amendments and the prospect of new central regulations keep the legal status of many online games in flux. Operators must remain vigilant, continuously monitor judgments and legislative changes, and customize compliance according to each jurisdiction. At the same time, players encounter changing access, as courts' findings on skill versus chance often directly affect the legality of specific apps and the scope of permissible online betting activity across India.

#### **a) Dr. K.R. Lakshmanan v. State of Tamil Nadu (1996) 2 SCC 226**

This landmark judgment is often cited as the starting point of modern Indian gambling jurisprudence. The Supreme Court examined the validity of horse-race betting and the operation of race clubs in Tamil Nadu. The Court held that horse racing was not purely a matter of luck. Instead, it required bettors to study the form of the horse, the fitness of the jockey, the weather, and track conditions. Thus, betting on horse races involved substantial skill and could not be equated with gambling.

More significantly, the Court held that gambling and wagering activities are **res extra commercium**—activities outside the scope of constitutionally protected trade or business under Article 19(1)(g). This meant that while legitimate skill-based industries could claim protection as trade, gambling enterprises could not. The case therefore struck a balance: it gave judicial recognition to the skill-based exception, while reaffirming the state's broad power to ban or regulate gambling.<sup>41</sup>

#### **b) State of Andhra Pradesh v. K. Satyanarayana (1968) 2 SCR 387**

In this case, the issue was whether playing **rummy** amounted to gambling. The Supreme Court

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<sup>41</sup> *Dr. K.R. Lakshmanan v. State of Tamil Nadu*, (1996) 2 S.C.C. 226 (India)

distinguished rummy from purely chance-based card games like flush or brag. It observed that rummy requires **memorisation of the fall of cards, strategic decision-making, and careful disposal of cards**, all of which involve skill. Consequently, rummy was held to be predominantly a game of skill, although the Court cautioned that running rummy clubs for profit could still attract penal provisions under state laws. This ruling became the foundation for the survival of rummy clubs across the country and is often invoked today by online rummy platforms to justify their legality.<sup>42</sup>

### c) Poker and Other Card Games

The legality of poker has been more contested and inconsistent. Some High Courts, such as the Karnataka High Court, have acknowledged that poker involves strategic thinking and skill. However, states such as Telangana and Andhra Pradesh amended their gambling laws to remove exceptions for games like rummy and poker, explicitly banning them when played for stakes. This divergence underscores the tension between judicial recognition of skill and state legislatures' insistence on prohibition in the name of public morality.

### d) Fantasy Sports Litigation (Dream11 and Others)

Perhaps the most significant judicial development in the last decade has been the litigation surrounding **fantasy sports platforms**, particularly Dream11.

- In **Varun Gumber v. Union Territory of Chandigarh (2017)**, the Punjab and Haryana High Court held that Dream11's format required players to apply substantial skill in selecting a virtual team based on players' past performance, pitch conditions, and other statistical factors. The Court concluded that chance played only a minor role, and therefore fantasy sports constituted games of skill.
- In **Gurdeep Singh Sachar v. Union of India (2019)**, the Bombay High Court reaffirmed this reasoning, further holding that the income earned from such games could not be classified as "gambling income" for tax purposes.<sup>43</sup>
- The Supreme Court declined to interfere with these rulings, thereby tacitly endorsing the

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<sup>42</sup> *State of Andhra Pradesh v. K. Satyanarayana*, A.I.R. 1968 S.C. 825 (India).

<sup>43</sup> *Gurdeep Singh Sachar v. Union of India*, (2019) (Bom. H.C.) (India)

skill-based classification of fantasy sports.

These judgments collectively provided a legal foundation for the booming fantasy sports industry in India, although they remain vulnerable to state legislations that attempt to impose blanket prohibitions.

#### 4.4 Practical Implications for Betting Apps

The judicial framework has far-reaching implications for the operation of betting and gaming apps in India:

1. **Survival of Skill Games:** Platforms offering rummy, fantasy sports, and certain formats of poker rely heavily on the judicial recognition of skill to claim exemption from state gambling laws. Without these precedents, such apps would risk immediate illegality.
2. **Uncertainty Across States:** Despite judicial support, apps face uncertainty because some states, such as Telangana and Andhra Pradesh, have legislated bans that include skill games. This creates a patchwork system where legality varies from state to state.
3. **Dream11 as a Precedent:** The acceptance of fantasy sports as skill-based has opened space for innovation in related sectors, including e-sports and strategy-based real-money gaming. However, each new format must independently pass the predominance test.
4. **Litigation Risk:** Even in states where courts have upheld skill games, legislatures may attempt blanket bans, leading to fresh rounds of litigation. Tamil Nadu's repeated attempts to ban online rummy are a prime example of this dynamic.
5. **Policy Implications:** The skill-chance divide provides a framework for balancing consumer protection and industry innovation. Yet, as online gaming evolves, courts and legislatures will need to adapt the predominance test to new technologies and formats.

The judicial framework on skill versus chance lies at the heart of India's betting app ecosystem. By carving out exceptions for skill-based games, courts have allowed certain forms of real-money gaming to flourish despite the general prohibition on gambling. At the same time, the recognition of gambling as *res extra commercium* empowers states to regulate or ban chance-based betting without constitutional restraint. The result is a delicate equilibrium—one that

sustains an emerging digital industry while leaving open the possibility of future legal battles as states attempt to assert their control.

## 5. State-by-State Legal Analysis & Comparison

The fragmented nature of India's federal system has resulted in a **patchwork of state-level gambling and betting laws**. While the **Public Gambling Act, 1867** serves as a central template, gambling and betting fall within the **State List (Entry 34, List II, Seventh Schedule of the Constitution)**, giving states exclusive authority to regulate or prohibit such activities within their jurisdiction. This has led to significant divergence in legislative approaches: some states have chosen to regulate certain forms of gaming, others have permitted casinos, while several have enacted blanket prohibitions on online games played for stakes. This diversity has critical implications for betting apps, which must adapt operations depending on state laws. For example, a fantasy sports operator might be legally permitted in Nagaland but face prosecution in Telangana.

### 5.1 Case Study: Sikkim — Online Gaming Regulation Act, 2008

Sikkim is a **pioneer in regulating online gaming**. The **Sikkim Online Gaming (Regulation) Act, 2008** created a licensing framework for offering online games such as blackjack, roulette, poker, and sports betting within the state. Initially, licenses allowed operators to offer games pan-India, but subsequent amendments restricted access only to within the geographical boundaries of Sikkim.

- **Rationale:** The government sought to generate revenue and boost tourism by creating a controlled, licensed ecosystem.
- **Practical Note:** While progressive, the limited territorial scope reduced its utility for nationwide betting platforms.

### 5.2 Case Study: Nagaland — Online Games of Skill Act, 2016

Nagaland introduced a **unique skill-based gaming law**: the **Nagaland Prohibition of Gambling and Promotion and Regulation of Online Games of Skill Act, 2016**. Unlike Sikkim, it focused exclusively on **skill-based games**, including chess, rummy, poker, fantasy sports, sudoku, and quizzes. Operators can apply for licenses if their games meet the

**predominance test of skill.**

- **Rationale:** To distinguish legitimate skill-based operators from illegal gambling outfits.
- **Practical Note:** Though the license is issued by Nagaland, operators often use it as a basis to claim legality in other jurisdictions, though this has not always been judicially endorsed.

**5.3 Case Study: Goa, Daman, and Diu — Casino Model**

Goa, along with the union territories of Daman and Diu, is the only region in India with a **functioning casino model**. Under the **Goa, Daman and Diu Public Gambling Act, 1976** (as amended), casinos can operate in five-star hotels and offshore vessels with government approval.

- **Rationale:** The state positioned itself as a **tourism and entertainment hub**, balancing economic benefits with regulatory oversight.
- **Practical Note:** These casinos operate under strict license conditions and contribute significant tax revenue, making Goa a template for regulated gambling.

**5.4 Case Study: Telangana — The Prohibitionist Approach**

Telangana is among the strictest states in India regarding gambling and online betting. The **Telangana State Gaming (Amendment) Act, 2017** amended the existing *Telangana Gaming Act, 1974* to expressly prohibit online gaming, including games of skill such as rummy and poker, when played for stakes. By removing the traditional exception for “games of skill,” Telangana became the first state to introduce an absolute ban on both games of chance and games of skill conducted online.

- **Rationale:** The government justified this prohibition by citing widespread addiction, financial losses, and the social harms associated with gaming apps. The amendment’s stated aim was to safeguard vulnerable groups, especially youth, from predatory practices of betting and gaming operators.
- **Practical Note:** Telangana’s hardline stance places it firmly in the prohibitionist camp. Unlike Tamil Nadu and Karnataka, where courts have struck down overbroad bans, Telangana’s blanket ban has not yet been overturned judicially. This creates one of the most

hostile legal environments for online betting apps and fantasy sports operators, many of whom geoblock Telangana to avoid prosecution.

### 5.5 Case Study: Tamil Nadu, Karnataka, Andhra Pradesh — Prohibitionist States

These southern states represent the **opposite end of the spectrum**, having enacted **blanket prohibitions** on online gaming for stakes, including games of skill.

- **Tamil Nadu:** The **Tamil Nadu Gaming and Police Laws (Amendment) Act, 2021** banned online rummy and poker. Though the Madras High Court struck it down as unconstitutional, the state reintroduced the **Tamil Nadu Prohibition of Online Gambling and Regulation of Online Games Act, 2022**.
- **Karnataka:** Amended its **Police Act in 2021** to ban all online games involving money. The Karnataka High Court struck down the ban in 2022, calling it disproportionate. However, uncertainty persists as the state considers fresh regulation.
- **Andhra Pradesh:** The **Andhra Pradesh Gaming (Amendment) Act, 2020** removed the exception for games of skill, effectively banning all forms of online gaming for stakes.
- **Rationale:** These states cited public morality, addiction, and rising suicides linked to gaming losses as justification.
- **Practical Note:** Such prohibitions create high legal risks for operators; enforcement is aggressive.

### 5.6 Other States

- **Maharashtra:** Follows the **Bombay Prevention of Gambling Act, 1887**. It prohibits gambling but allows horse racing and lotteries. Online betting is not specifically regulated, creating ambiguity.
- **Delhi:** Operates under the **Public Gambling Act, 1955 (Delhi Amendment)**. No online gaming law exists, so central precedents and case law apply.
- **Kerala:** Permits rummy but attempted to ban online rummy in 2021 through a notification. The Kerala High Court struck this down in 2021, reaffirming rummy as a skill game.

- **Rajasthan:** No special online gaming law; relies on the **Public Gambling Act, 1867**, with adaptations. Fantasy sports operators rely on the Dream11 precedent to function.

### 5.7 Comparative Matrix

State/UT	Primary Law	Online Gaming Position	Licensing & Taxation	Penalties / Enforcement	Notes / Recent Developments (2023–2025)
Sikkim	Sikkim Online Gaming (Regulation) Act, 2008 (amended 2024)	Licensed online games (intrastate only)	Licenses issued; GST @ 28% as per 2023 decision	Heavy fines for unauthorized operators; interstate restricted	2024 amendment confined to parlors, reducing interstate impact
Nagaland	Nagaland Prohibition of Gambling and Promotion & Regulation of Online Games of Skill Act, 2016	Legal for licensed skill games (fantasy, rummy, poker, e-sports)	Licenses for skill games only; servers must be in India	Criminal liability for unauthorized operators	Unique skill-vs-chance licensing model; cited in Dream11 litigation
Goa, Daman & Diu	Goa, Daman & Diu Public Gambling Act, 1976 (amended)	Land-based and offshore casinos legal; online betting not expressly regulated	Casino licenses in hotels/offshore vessels; taxed under GST	Penalties for illegal gambling outside casino zones	Tourism-driven model; online regulation proposals pending
Tamil Nadu	Tamil Nadu Prohibition of Online Gambling & Regulation of Online Games Act, 2022	Blanket prohibition (including skill games like rummy & poker)	No licensing framework (all operators banned)	Heavy fines and imprisonment for violations	Litigation ongoing; HC struck down earlier ban, state persists
Karnataka	Karnataka Police (Amendment) Act, 2021	Blanket ban struck down;	No licensing framework yet	Ban stayed; enforcement uncertain	HC struck down ban; SC appeal pending,

		regulation pending			regulation awaited
Andhra Pradesh	Andhra Pradesh Gaming (Amendment) Act, 2020	Blanket ban on all online games, including skill games	No licensing; prohibition model	Strict criminal penalties for violations	Strictest enforcement among states; addiction cited as rationale
Maharashtra	Bombay Prevention of Gambling Act, 1887	Traditional prohibition; no clarity on online games	No online licenses; exceptions for horse racing	Operators prosecuted; ambiguous enforcement	Long-pending proposals for online regulation
Delhi (NCT)	Delhi Public Gambling Act, 1955	No specific online regulation; relies on central precedents	No licensing framework	Operators prosecuted under IT Act & Gambling Act	Fantasy sports operators rely on SC precedents
Kerala	Kerala Gaming Act, 1960 (amended)	Ban on online rummy struck down by HC; no licensing framework	No licensing; grey zone for online operators	Variable enforcement; operators rely on court orders	State mulling fresh regulation for online rummy & poker
Rajasthan	Rajasthan Public Gambling Ordinance, 1949	No direct law on online gaming; fantasy sports treated as skill games	No licensing; proposals under discussion	General prohibition; enforcement against betting apps	Fantasy sports upheld as skill games; lobbying for regulation continues

### 6. Evolving Legal & Policy Landscape

This section summarises how India’s legal and policy approach to lotteries, casinos, online gaming and betting apps has evolved in recent years (especially 2023–2025), outlines industry attempts at self-regulation, and places India’s regime in a short global comparative perspective (UK, US, Singapore). Key developments include continuing federal–state tension, central “overlays” for online activity (IT rules, GST), episodic state experimentation (Sikkim, Nagaland, Meghalaya), and vigorous litigation that keeps the legal position contestable.

## 6.1 Lotteries: central regulation vs state lotteries

India treats **lotteries** as a special category. The Lotteries (Regulation) Act, 1998 is the central statute that sets out when and how lotteries may be organised, but the Act also preserves **state autonomy**: a State may decide whether to run or permit lotteries in its territory and may frame the conditions for doing so. The Act criminalises unauthorised sale/organisation of lotteries and gives the Centre and States enforcement powers.

**Policy point.** Because lotteries are a major source of state revenue in some jurisdictions, many states operate state-run lotteries while others ban them for social-policy reasons. The central Act therefore provides a uniform legal skeleton but leaves important choices (whether to run lotteries; rules for sale) to state governments.<sup>44</sup>

## 6.2 Casinos: Goa & Sikkim as controlled exceptions

Casinos remain **exceptional** in India's otherwise restrictive landscape. Goa (and the union territories of Daman & Diu) permit land-based and offshore casinos under the Goa Public Gambling Act and later amendments that expressly enable casino licences for five-star hotels and authorised vessels. Sikkim has also permitted casinos and created a distinct licensing model for both physical and, historically, online operations. These jurisdictions use licensing, location-controls and fees as tools to capture tourism and tax revenue while limiting social spillovers.

**Practical implication.** The casino model in Goa and the regulated casino policy in Sikkim show that Indian states can accommodate regulated gambling if they adopt targeted licensing, physical controls, and fiscal safeguards.<sup>45</sup>

## 6.3 Recent trends (2023–2025): bans, litigation, GST, and regulatory tightening

### GST and taxation

A major industry inflection point was the GST Council's decision in 2023 to tax **online gaming**,

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<sup>44</sup> *The Lotteries (Regulation) Act*, Act No. 17 of 1998 (India)

<sup>45</sup> *Goa, Daman and Diu Public Gambling Act*, No. 14 of 1976, INDIA CODE.,

[https://www.indiacode.nic.in/bitstream/123456789/6810/1/public\\_gambling\\_act.pdf](https://www.indiacode.nic.in/bitstream/123456789/6810/1/public_gambling_act.pdf)

*Sikkim Online Gaming (Regulation) Act*, No. 1 of 2008, INDIA CODE.,

[https://www.indiacode.nic.in/bitstream/123456789/11161/1/the\\_sikkim\\_online\\_gaming-edited.pdf](https://www.indiacode.nic.in/bitstream/123456789/11161/1/the_sikkim_online_gaming-edited.pdf)

**casinos and horse-racing** at **28%**, assessed on the entry/face value of bets (the Council meeting and subsequent government moves in mid-2023). This change materially increased the tax incidence on operators and has produced litigation and industry pushback over the tax base and retrospective application. Reports and government releases at the time documented the decision and the industry reaction.

Many press reports in 2024–2025 tracked revenue collection increases and continuing industry objections; in 2025 there were public discussions about possible adjustments to the rate (reports of proposed reductions appeared in mid-2025).

### **Central “overlay” for online behaviour: IT Rules**

The **Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021**, as updated in April 2023, created express obligations for **online gaming intermediaries**: due-diligence, grievance redress, transparency on payouts/withdrawals, and traceability provisions for high-risk content/platforms. These Rules represent a central attempt to regulate online platforms’ conduct even where the underlying activity (gambling) is in the State List. The IT Rules therefore operate as a functional overlay for consumer protection and content moderation.

### **State bans, litigation and policy reversals**

Between 2021 and 2024 several states adopted prohibitionist laws (e.g., Andhra Pradesh 2020, Telangana 2017 amendment, Tamil Nadu’s 2021/2022 enactments). Many of these laws produced immediate litigation; courts have sometimes struck down overly broad provisions as disproportionate (for instance in Karnataka and Madras High Court decisions), but other state measures remain in force or are under appeal. The overall pattern since 2023 is therefore one of **legislative activism by some States and continued judicial review**, producing a highly uncertain compliance environment for operators.

### **6.4 Self-regulation attempts: industry codes and bodies**

Facing legal uncertainty and reputational risk, the industry has pursued **self-regulation**. Representative industry bodies (for example, trade associations for digital gaming operators) have circulated **Voluntary Codes of Ethics / Responsible Gaming frameworks** covering KYC, age-gating, spending limits, grievance redressal, and transparent advertising. These

codes aim to reduce political and regulatory pressure by demonstrating operational maturity and consumer-safety practices; they also seek to complement the IT Rules' obligations.

**Assessment.** Self-regulation is strategic: it helps firms engage with governments and may be persuasive in litigation, but it is not a substitute for statutory clarity. Regulators and courts typically treat voluntary codes as evidence of industry good practice but still expect binding safeguards (legislation or binding rules) for consumer protection.<sup>46</sup>

## 7. Rationale for Gambling Regulation in India

The regulation of gambling and betting in India has always been shaped by a complex interplay of moral, social, economic, and technological considerations. Policymakers face the dual challenge of mitigating harm while also harnessing the potential benefits of a regulated framework. The rationale behind India's gambling laws can be understood across four major dimensions:

### 7.1 Moral and Social Considerations

Historically, gambling has been viewed through a moral lens, often linked with concerns of immorality, addiction, and exploitation. Indian courts and legislatures alike have emphasized the social harms caused by unchecked gambling, such as financial ruin, family breakdowns, and associated criminality. Several state governments, including Andhra Pradesh and Telangana, have justified prohibitions on online gaming by citing suicides and indebtedness arising from gambling losses. Gambling addiction is also treated as a **public health issue**, comparable to substance abuse, necessitating regulatory intervention to protect vulnerable populations. State governments have repeatedly cited **addiction, suicides, and financial distress** associated with real-money gaming (RMG) as an imperative for prohibition or regulation. For instance, in Andhra Pradesh, when the state amended its gaming law in 2020, the government justification included reports of "widespread despair amongst the public, suicides due to losing money, severe addiction and consequent violent behaviour. Public health scholars also warn that gambling addiction can strain mental health infrastructure, lead to increased indebtedness, family breakdown, and associated criminal activities (loan sharks, fraud). While India does not yet have strong national data comparable to some Western

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<sup>46</sup> *Rethinking Online Gaming Regulation: India*, SCC OnLine Blog (Sept. 25, 2025), <https://www.sconline.com/blog/post/2025/09/25/rethinking-online-gaming-regulation-india/>

jurisdictions, anecdotal as well as media reports suggest significant financial losses by ordinary people due to online gaming. For example, recent reports estimate that people lose nearly **₹20,000 crore per year** through online real-money gaming in India.

## 7.2 Economic Considerations

Despite the moral concerns, gambling also presents significant economic opportunities. States like Goa and Sikkim have demonstrated how regulated casinos and online platforms can generate substantial revenue through licensing fees and taxation. Gambling also supports **employment, tourism, and allied industries**, including hospitality, technology, and entertainment. With projections of India's online gaming industry crossing billions of dollars in valuation, taxation and regulation could provide a sustainable source of government revenue. Thus, the economic rationale pushes for reform, even as prohibitionist states resist liberalization.

## 7.3 Technological Concerns

The rise of online betting apps has introduced unique challenges relating to **digital payments, cybersecurity, and anti-money laundering (AML)** compliance. Digital transactions in gaming apps often involve cross-border flows, cryptocurrencies, and micro-transactions, raising concerns of fraud, illegal money transfers, and regulatory evasion. Furthermore, without clear national guidelines, states face difficulties in monitoring offshore betting operators who target Indian players through websites and mobile applications. This technological complexity strengthens the case for **uniform regulation** at the central level, rather than a fragmented state-by-state approach.

## 7.4 The Balancing Act: Liberty vs Protection

At the heart of India's gambling regulation lies a delicate balancing act between **individual liberty and state protection**. On one hand, the constitutional framework under the State List gives states the power to regulate "betting and gambling," allowing for regional variations based on local morality and policy preferences. On the other hand, excessive prohibition raises

constitutional concerns of violating Article 19(1)(g) (right to practice trade or business), particularly in the context of skill-based gaming. Courts, through cases such as *Dr. K.R. Lakshmanan v. State of Tamil Nadu (1996)*, have emphasized that not all games played for stakes amount to gambling, highlighting the need to balance freedom with protection against harm.

**In sum, the rationale for regulating gambling in India reflects a convergence of morality, economics, and technology, where policymakers must constantly adapt to societal concerns while recognizing the industry's economic potential.** These rationales show that regulation is not just normative (moral/social) but increasingly based on empirical economic and technological realities. The shift in tax policy, rising revenues, industry growth despite regulatory pressures, and emerging enforcement mechanisms all suggest that the Indian government is moving toward a more structured regulatory framework that balances the protection of citizens with enabling legitimate economic activity.<sup>47</sup>

## 8. Policy Recommendations

Given the fragmented legal landscape for online betting and gaming in India, policymakers and regulators face a pressing need for a **cohesive national strategy** that balances economic opportunity, consumer protection, and social welfare. Key recommendations are outlined below:

### 8.1 National Model Law with State Flexibility

- Develop a **central framework** under which states can implement localized rules. This ensures harmonization of core principles—licensing, taxation, consumer protection—while permitting states to reflect local moral, cultural, and social norms.
- Flexibility could allow states to permit or restrict certain types of games, similar to the U.S. state-level sports betting model, while maintaining baseline standards for online platforms.<sup>48</sup>

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<sup>47</sup> Vision IAS Team, *Ban on Real Money Games: Understanding India's Online Gaming Bill 2025*, Vision IAS Blog (2025), <https://visionias.in/blog/current-affairs/ban-on-real-money-games-understanding-indias-online-gaming-bill-2025>

<sup>48</sup> Drishti IAS, *Regulating India's Online Gaming Industry*, Drishti IAS Daily Updates (Sept. 5, 2023), <https://www.drishtiias.com/daily-updates/daily-news-editorials/regulating-india-s-online-gaming-industry>

## 8.2 Clear Definition of Games of Skill vs Chance

- Uniform legal clarity is needed to distinguish **skill-based games** (rummy, fantasy sports, chess) from **chance-based games** (roulette, lotteries, poker).
- A clear definition helps operators comply with laws, reduces litigation, and ensures constitutional protection for legitimate skill-based trade under Article 19(1)(g).

## 8.3 Licensing & Regulation of Betting Apps

- Establish a **tiered licensing system** for operators, including mandatory technical audits, server localization, and adherence to fair-play standards.
- Licenses should specify permissible formats, stake limits, and geographic restrictions, reducing legal ambiguity for platforms operating across state borders.

## 8.4 Consumer Protection Mechanisms

- Introduce **mandatory age verification** and KYC procedures to prevent underage participation.
- Require **responsible gaming tools** such as deposit limits, self-exclusion options, and warning messages for excessive play.<sup>49</sup>
- Encourage transparency in odds, payouts, and terms of service to protect consumers.

## 8.5 Taxation & AML Compliance

- Standardize **GST and other indirect taxes** for online gaming platforms to reduce litigation and revenue leakage.
- Implement **AML/KYC standards** similar to banking and financial sectors, ensuring that platforms prevent money laundering, fraud, and illegal fund flows.

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<sup>49</sup> *The Promotion and Regulation of Online Gaming Bill, 2025*, PRS India, <https://prsindia.org/billtrack/the-promotion-and-regulation-of-online-gaming-bill-2025>

## 8.6 Inter-State Coordination and Regulatory Sandboxing

- Encourage states to create a **regulatory sandbox** for emerging gaming platforms to pilot new formats safely.
- Set up an **inter-state coordination committee** to manage disputes, ensure enforcement of national standards, and harmonize policies for operators functioning across multiple jurisdictions.
- India's regulatory framework remains **fragmented**, with some states embracing licensing and skill-game regulation (Sikkim, Nagaland), while others enforce blanket prohibitions (Andhra Pradesh, Telangana, Tamil Nadu).
- Courts have played a crucial role in defining **games of skill vs chance**, creating constitutional safeguards for legitimate trade.
- Economic incentives, technological challenges, and social concerns continue to drive policy innovation, litigation, and regulatory experimentation.
- A **harmonized, transparent, and consumer-safe regulatory model** is essential to balance economic opportunity with social protection.
- Policymakers should pursue **national standards** while allowing states the flexibility to adapt rules to local conditions.
- Licensing, consumer protection, AML compliance, and inter-state coordination are crucial pillars for the next phase of India's gambling regulation.

**In sum, India stands at a crossroads:** regulated, transparent, and technologically robust frameworks could turn online gaming and betting into a safe, lucrative, and socially responsible sector. Conversely, continued fragmentation risks driving operators offshore, exacerbating social harms, and generating legal uncertainty.<sup>50</sup>

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<sup>50</sup> *Rethinking Online Gaming Regulation: India*, SCC OnLine Blog (Sept. 25, 2025), <https://www.sconline.com/blog/post/2025/09/25/rethinking-online-gaming-regulation-india/>

## 9. Conclusion

The study of India's betting apps and gambling regulation reveals a **deeply fragmented legal environment** marked by conflicting state legislations, evolving judicial interpretations, and emerging central interventions. On the one hand, states like **Sikkim and Nagaland** have attempted progressive licensing regimes, while others such as **Tamil Nadu, Karnataka, Andhra Pradesh, and Telangana** have imposed sweeping prohibitions. Meanwhile, **Goa and Sikkim's casino models** illustrate how gambling can be harnessed for revenue, employment, and tourism under strict licensing oversight.

The judiciary has played a **balancing role** by distinguishing between games of skill and games of chance, striking down blanket bans that encroach upon the constitutional right to trade under Article 19(1)(g). Cases such as *Lakshmanan v. Tamil Nadu* and the more recent *Dream11* litigation highlight that games predominantly based on skill merit legal protection. At the same time, addiction, suicides, and financial harm linked to online betting demonstrate why states perceive gambling as a **public health and social order challenge**.

Looking forward, the **future of betting app regulation in India** depends on reconciling three imperatives:

1. **Economic growth** through taxation, licensing, and tourism revenue.
2. **Consumer protection** through safeguards against addiction, fraud, and underage play.
3. **Technological governance** to address digital payments, AML compliance, and cybersecurity.<sup>51</sup>

The most sustainable pathway lies in adopting a **harmonized national regulatory model**, with clear statutory definitions of skill and chance games, supported by state-level flexibility. This would reduce litigation, bring transparency for operators, and create a **consumer-safe environment** that protects vulnerable groups while enabling legitimate innovation in the online gaming sector.

In sum, India stands at a decisive crossroads: continued prohibition risks pushing the industry

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<sup>51</sup> *Promotion and Regulation of Online Gaming Bill, 2025*, Press Information Bureau (Aug. 21, 2025), <https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=155075&ModuleId=3>

underground, while transparent regulation can transform it into a driver of economic growth, employment, and responsible entertainment. A **balanced, harmonized, and consumer-centric framework** is therefore essential for India's gambling and betting ecosystem in the digital era.<sup>52</sup>

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<sup>52</sup> Global Legal Insights, *Gambling Laws and Regulations: India*, ICLG (Nov. 19, 2024), <https://iclg.com/practice-areas/gambling-laws-and-regulations/india>