GDAI GAME DEVELOPER ASSOCIATION OF INDIA



# FREEMIUM GAME ECONOMIES

INDUSTRY WHITEPAPER

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# Preface

India today stands at a defining moment in the evolution of its digital economy. With one of the world's largest gaming communities, a rapidly growing game development ecosystem, and increasing global recognition as a destination for interactive entertainment, the country has an opportunity to build a regulatory framework that simultaneously protects consumers, encourages innovation, and enables sustainable economic growth.

**The Game Developer Association of India (GDAI)**, as the national industry body representing India's game development ecosystem, fully supports the objectives of the Promotion and Regulation of Online Gaming Act, 2025 ("PROGA") and the Promotion and Regulation of Online Gaming Rules, 2026. The protection of consumers from illegal gambling, financial harm, fraudulent practices, and exploitative game design is an essential public policy objective and one that the legitimate game development industry strongly endorses.

At the same time, the diversity of modern digital games presents new regulatory challenges. Contemporary video games employ a wide range of progression systems, virtual currencies, rewards, collectables, cosmetic items, and gameplay mechanics that are fundamental to interactive entertainment and have evolved independently of gambling or wagering. Many of these gamified mechanics are now common not only across games, but also across digital products such as educational platforms, fitness applications, music streaming services, and customer loyalty programmes.

As digital products continue to evolve, it is increasingly important that regulatory frameworks distinguish between closed-loop game economies, which exist solely to facilitate gameplay, and systems that permit the transfer, redemption, or monetisation of value outside the game environment. Systems that provide real-world rewards but involve no user-funded stake raise a separate interpretive question. This paper primarily focuses on closed-loop game economies, where virtual value remains entirely within the game. Maintaining this distinction is critical to ensuring that regulatory interventions remain proportionate to the risks they are intended to address.

This whitepaper does not seek to dilute the consumer protection objectives of PROGA, nor does it advocate for exemptions for any specific product, company, or genre of games. Rather, it seeks to provide a principled, technology-neutral framework through which virtual currencies, progression mechanics, and freemium game economies may be evaluated consistently and predictably in light of the Act's legislative intent.

The paper draws upon established game design principles and the commercial realities of the global games industry to examine the distinction between closed-loop entertainment systems and games involving real-world economic value. It also proposes practical interpretative tools that may assist regulators in applying the statutory framework in a manner that is transparent, consistent, and future-ready.

India has the opportunity to establish a globally respected regulatory model that protects consumers while fostering innovation, investment, and creative entrepreneurship in the Indian gaming ecosystem. GDAI is committed to working collaboratively with the Online Gaming Authority of India (OGAI), the Ministry of Information & Broadcasting, the Ministry of Electronics and Information Technology (MeitY), policymakers, industry participants, academia, and civil society to support that objective through research, technical expertise, and constructive policy engagement.

# Executive Summary

The Promotion and Regulation of Online Gaming Act, 2025 ("PROGA") and the Promotion and Regulation of Online Gaming Rules, 2026 represent an important step in India's effort to establish a transparent, accountable, and consumer-centric regulatory framework for online gaming. The Act seeks to address genuine public policy concerns arising from online money games, including financial loss, addictive wagering behaviour, fraud, and consumer harm. These objectives are essential to the healthy development of India's digital economy and are fully supported by the Game Developer Association of India (GDAI).

At the same time, the rapid evolution of digital entertainment has resulted in increasingly sophisticated virtual economies that extend far beyond traditional concepts of wagering or gambling. Modern video games routinely incorporate virtual currencies, progression systems, experience points, energy mechanics, collectibles, cosmetic items, and other gameplay systems that enable users to advance within a game. These gamified mechanics have become fundamental to the design of interactive entertainment and are now employed across thousands of games available on major digital platforms, as well as in numerous non-gaming digital services.

**Recent regulatory discussions have highlighted the need for greater clarity regarding interpretation of terms such as “Other enrichment” and “Other stakes”. GDAI submits that “other enrichment” in Section 2(1)(g) shouldn’t treat the non-redeemable virtual currencies and progression mechanics found in nearly every free-to-play and freemium mobile game as “enrichment” sufficient to classify that game as an “online money game” (“OMG”). Applied consistently, this interpretation could potentially extend to a wide range of mainstream free-to-play games using similar closed-loop progression mechanics like match-3 puzzle games, city-builders, casual card games, and merge games alike — products understood globally and in India as recreational entertainment, not gambling.**

The central proposition of this whitepaper is that t**he existence of virtual currency is not, in itself, determinative of whether a game constitutes an Online Money Game.**

# This whitepaper sets out to do three things:

## 1st

**How the freemium revenue model works — optional purchases and advertising support the free-to-play model. (Section 1).**

**Separately, some free-to-play models, with no purchase, subscription, or entry fee required from the user at any stage, issue real-world rewards — vouchers, gift cards, or in some formats cash — to players, which the platform funds itself.**

## 2nd

**Why a closed-loop economy — one in which virtual currency can never be withdrawn, redeemed, or converted to a real-world asset, is structurally and legally distinct from an online money game and distinct from platform - funded real world reward - based freemium models.(Section 2).**

## 3rd

**A simplified, testable determination test — the Exit Door Test, that OGAI can apply consistently across applicants (Section 4), for closed-loop/open-loop/ platform - funded real - world reward - based freemium models.**

This paper primarily proposes a framework for distinguishing closed-loop game economies from online money games, based on the nature of the stake, expectation of return, and whether value can be transferred or monetised outside the game. **Systems that provide real-world rewards but involve no user-funded stake raise a separate interpretive question. This paper primarily focuses on closed-loop game economies, where virtual value remains entirely within the game.**

# 1. How Freemium Games Generate Revenue

"Freemium" — free access with optional paid enhancements, is the dominant commercial structure for mobile and casual games worldwide, powering the majority of top-grossing titles on the Apple App Store and Google Play.

## The core revenue streams

**Closed-loop system design of freemium games** is one where redemption or transfer of game currency is allowed but only within the game and has no value outside the game.

- They are free to access where players can download and play without paying.
- They have optional purchases where players may choose to buy virtual currency, cosmetics, characters, convenience or other digital content.
- There are gameplay rewards where players may earn coins, lives, XP or other rewards through play.
- No cash-out: Purchased or earned virtual value cannot be withdrawn or converted into real-world economic value.
- Purpose: The player participates for entertainment, progression and the game experience, not for financial return.

It typically draws on four revenue streams, used in combination:

- **In-app advertising:** rewarded video, interstitials, and banners, often exchanged for free virtual currency or an extra attempt/life within the game.
- **In-app purchases (IAP):** typically follow a two-step structure: a player pays real money to acquire virtual currency (coins, gems, tokens), and that currency is then spent inside the game to acquire cosmetics, convenience items, characters, or progression boosts. Critically, this currency flows in one direction only — into the game — and the items or balances it buys cannot be converted back into cash, withdrawn, transferred to a bank account, or traded outside the game's own environment for real-world value.
- **Sponsorships:** Branded spaces within the game
- **Subscriptions:** an ad-free experience — payment for continued access to the game.

Legitimate, transparent monetization pathways such as closed-loop IAPs and rewarded video ads provide domestic Indian studios with the commercial runway needed to build local intellectual property (IP). If closed-loop freemium models are inadvertently drawn into Online Money Game (OMG) compliance overheads, local indie developers will be disproportionately impacted, further shifting market share outward to foreign publishers.

## A note on platform-funded real world reward-based freemium models

**Some freemium games are entirely free to play, with no purchase, subscription, or entry fee required at any stage, but where the platform itself funds and issues real-world rewards — vouchers, gift cards, or in some formats cash — to players who complete gameplay objectives, drawing on advertising revenue, sponsorship, or other platform income rather than money staked by players**. Because the player parts with nothing to access the game or to become eligible for such a reward, this is best described as a **platform-funded real world reward-based freemium model:** the door to real-world value is open on the reward side, **but there is no cash flow in, since no stake, deposit, or fee has been placed by the player to earn the chance of that reward in the first place.**

These models raise a separate question under PROGA and should be considered independently from the closed-loop game economies that are the primary focus of this paper.

## Why free-to-play became the global standard

Over the past fifteen years, the global video games industry has undergone a fundamental commercial transformation. While early digital games were predominantly distributed through one-time purchases, the widespread adoption of smartphones, app stores, and continuous internet connectivity enabled a different commercial model to emerge: free-to-play ("freemium"). Today, this model represents the dominant form of distribution for mobile games worldwide and has become a cornerstone of the digital entertainment economy. Globally, Free-to-Play (F2P) mobile games generate approximately 88-90 billion annually, accounting for over 75% to 80% of total global mobile gaming revenue. (Newzoo Global Games Market Report and Visual Capitalist).

**The success of the freemium model reflects a commercial model designed to maximise accessibility by removing the initial financial barrier to entry**. By allowing users to download and begin playing without payment, developers are able to reach significantly larger audiences, **while generating revenue through a combination of optional in-app purchases, advertising, subscriptions, and premium content.**

This commercial model has transformed the accessibility of interactive entertainment. Users are able to evaluate a game based on its quality and entertainment value before deciding whether to make any discretionary purchases. **The overwhelming majority of players never spend money at all, yet continue to enjoy the complete gameplay experience through progression, gameplay rewards, advertising-supported mechanics, and time-based replenishment systems.**

The widespread adoption of the freemium model has also enabled independent developers and small studios to compete alongside larger publishers by substantially lowering barriers to user acquisition. **In emerging markets, including India, where price sensitivity remains comparatively high, free-to-play distribution has played an especially significant role in democratising access to digital entertainment and expanding the domestic player base.** India is currently the largest mobile game consumer globally by volume, exceeding 9.5 billion annual downloads (~15% of global app downloads) across an estimated base of over 500 million mobile gamers. (Niko Partners India Mobile Gaming Report).

The commercial success of this model has consequently established free-to-play as the prevailing standard across mobile gaming. **Many of the world's most widely played titles — including puzzle games, strategy games, sports games, role-playing games, racing games, educational games, and social multiplayer experiences, operate using this structure.** The model has become an accepted commercial practice across the global games industry because it provides a sustainable means of funding continuous content updates, live operations, community support, customer service, and ongoing product development.

## Why replay mechanics exist

Modern free-to-play games use mechanics — lives, energy, virtual currencies, XP, daily rewards, character unlocks, cosmetics, battle passes, that let players continue, replay, or progress. These are sometimes mistaken for prize-like rewards, but they serve a different function.

Modern games are meant to serve as long-term entertainment services, not one-time products. Replay mechanics are the primary tool for sustaining this long-term engagement: they regulate gameplay pacing, create a sense of progression, and reward skill or persistence **but they are not designed to distribute wealth or provide financial gain.**

The same pattern appears well beyond gaming: language-learning streaks, fitness milestones, streaming recommendations, all sustain participation, not economic enrichment.

**Treating replay mechanics as "enrichment" simply because they enable further play would conflate basic digital product design with the distinct harms that PROGA targets, incorporating mainstream entertainment products never regarded as gambling.**

### Purpose of Replay Mechanic

| Replay Mechanic | Purpose in Game Design | Economic Benefit Created? |
|---|---|---|
| Extra Lives | Continue Playing | No |
| Energy | Controls gameplay pacing | No |
| Coins | Progression and upgrades | No |
| Gems | Unlock optional content | No |
| XP | Character progression | No |
| Daily Rewards | Encourage return visits | No |
| Battle Pass | Seasonal progresstion | No |
| Characer Unlocks | Expanded gameplay options | No |
| Cosmetic Items | Personalisation | No |

Figure 1 – Purpose of Replay Mechanics in Game Design

# 2. Closed-Loop vs Open-Loop Game Economies

**GDAI proposes the following categories of gaming economies that can be used to categorise the universe of games at present.**

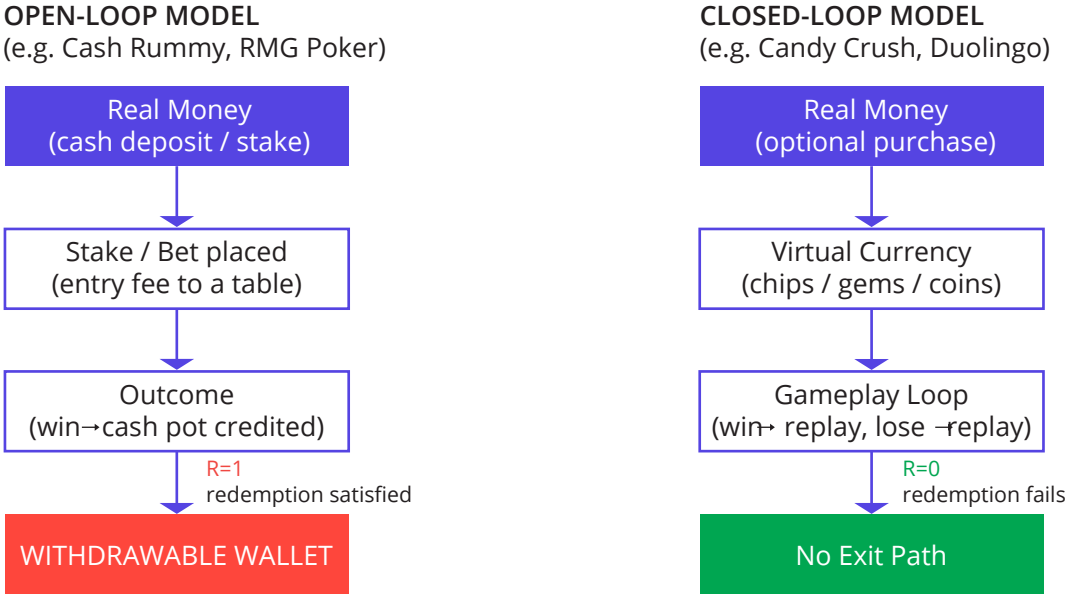
## Categories

**Closed-loop model:** Value can enter (by purchase or free grant) but can never exit the platform with real-world monetary worth. Virtual currency in a closed-loop system cannot be withdrawn as cash; cannot be redeemed for goods, services, or gift cards; cannot be transferred outside the game's own social features; cannot be sold on a developer-sanctioned secondary market; **and has a single functional use — continued participation in the game. This aligns with the RBI definition of closed system PPIs as well (given in section 2.2).**

**Open-loop model:** Presence of an entry fee, cash deposit, or credit which is deliberately built as a bridge back to real value, through cash-out, redemption, or transfer. Real-money fantasy sports, withdrawal-enabled poker platforms, and cash-rummy apps are open-loop by design — **the entire proposition is the expectation of extracting more money than was deposited.**

**Platform-funded real world reward-based model :** The games are entirely free to play, with no purchase, or entry fee required at any stage, but where the platform itself funds and issues real-world rewards — vouchers, gift cards, or in some formats cash — to players who complete gameplay objectives.

Note: Esports, though having the existence of similar elements like registration fee and performance based prize money has a separate carveout in the PROG Act and should not be conflated with the OMG category.




Closed-loop economies trap value inside the app; open-loop economies let real money flow back out.
Figure 2 — Comparison between models.

## How the Reserve Bank of India treats closed system PPIs

The Reserve Bank of India under the Payment and Settlement Systems Act, 2007 treats a “closed system” PPI (prepaid payment instrument) — non-redeemable for cash, unusable outside the issuer’s own ecosystem — differently, including for licensing, from an “open system” instrument that can be redeemed. **The closed system PPIs fall outside RBI's licensing net.**

**A Closed System PPI is issued by an entity to facilitate purchase of goods and services from that entity only, cash withdrawals are not permitted, and these instruments cannot be used for payment or settlement of third-party services. Because of that narrow scope, the issuance or operation of closed system PPIs is not classified as a "payment system" requiring approval or authorisation by RBI, and such instruments are therefore not regulated or supervised by RBI.**

Under the PSS Act, RBI's authorization requirement attaches to entities operating a "payment system." **A closed-loop instrument — a retailer's own store credit, a single-merchant gift balance, an app's internal wallet usable only within that app — never functions as an inter-operable payment system moving value between third parties, so it never triggers that threshold in the first place.**

Note: GDAI stands cognizant of RBI's Draft PPI Directions, 2026 (April 2026) which tighten the closed-loop payments framework further where inactive PPIs must now be closed and balances refunded after two years, and marketplaces can no longer claim the closed-system exemption available to other issuers. While the closed loop PPI analogy remains a useful reference point for how Indian regulation treats stored value with no cash-out path, GDAI recognises this framework is evolving and should be cited as an illustrative parallel rather than a precise regulatory equivalence, reflecting our awareness that RBI is actively narrowing the boundaries of what counts as a genuinely closed system.

## Why the distinction is legally significant

GDAI submits that a **closed-loop virtual currency should not satisfy “other stakes” under Section 2(1)(j), which requires the thing in question to be (a) recognised as equivalent or convertible to money, and (b) purchased by paying money.** A non-redeemable currency earned predominantly through free play would fail on both counts: **it has no exchange value outside the game, and most units in circulation were never purchased at all.**

**Because “online money game” under Section 2(1)(g) is a three-part conjunctive definition — stake, expectation of winning, and enrichment in return of that stake — the absence of a redeemable stake, regardless of how satisfying winning virtual currency may feel, should keep the game out of the remit of an online money game.** A feeling of progress is not a redeemable financial return, and the statute ties “enrichment” to the stake placed, not the player’s subjective sense of advancement.

GDAI recognises, however, that models offering real-world rewards warrant appropriate safeguards, particularly in light of the concerns raised in the PIL proceedings initiated by the Centre for Accountability and Systemic Change (CASC) before the Supreme Court concerning platforms allegedly operating under the guise of social and e-sports games. Legitimate reward-based freemium models should be clearly distinguished from wagering or other models in which player participation is funded through pooled stakes or where the prospect of monetary return is linked to such stakes. To reinforce this distinction and promote transparency, GDAI supports appropriate safeguards for platform-funded real world reward-based models, including maintaining auditable records demonstrating the source of reward funding, clearly disclosing to users how rewards are funded and the conditions applicable to their receipt, and adopting reasonable limits on reward values and mechanisms designed to prevent the reward structure from replicating a wagering incentive. These safeguards would help ensure that real-world reward-based freemium models remain transparent, responsibly designed, and distinct from models involving monetary staking or wagering.

# 3. Interpretation of PROG Act and Rules

## The conjunctive structure of Section 2(1)(g) of PROG Act

**Section 2(1)(g) defines an "online money game" as one "played by a user by paying fees, depositing money or other stakes in expectation of winning which entails monetary and other enrichment in return of money or other stakes."** This is a causal chain of three cumulative elements, each independently reinforced by the Rule 9 determination factors:

**(a) Stake —** payment of fees, deposit of money, or "other stakes" (Rule 9(a)).

**(b) Expectation —** the payment or stake is placed in expectation of a monetary or other return (Rule 9(b)).

**(c) Redemption — enrichment must flow "in return of" the stake placed; Rule 9(e) guides to examine "the manner in which rewards, benefits, or in-game assets can be transferred, redeemed, monetised, or used outside the game environment."**

Rule 9 does not treat "winning virtual currency" as a relevant factor in isolation. Every one of its five factors — payment at any stage, expectation of return, the character of the fee, the revenue model, and redeemability outside the game — points toward the same question posed in Section 2: can the user extract real-world value from what they won? GDAI submits that where the answer is no, Rule 9(e) is not satisfied and hence does not support an OMG determination.

**GDAI also recognises OGAI's concerns around addiction, minors, excessive play, and financial harm. These are legitimate consumer-protection issues. GDAI's submission is that such concerns should be addressed through appropriate, responsible gaming safeguards based on industry-led/best practices informed framework and in consideration of the evolving gaming standards, and should not, by themselves, determine whether a closed-loop entertainment product is an online money game.**

## GDAI's interpretation of "other stakes"

The law (Section 2(1)(j)) says "other stakes" means something that (1) can be treated as equal to money or turned into money, **and** (2) was bought using money.

If regulators interpret "other enrichment" in Section 2(1)(g) so broadly that it covers virtual currency even when that currency doesn't meet this two-part test, it would make Section 2(1)(j) pointless — because there would be nothing left for that section to actually do.

## The legislative purpose test

PROGA's preamble and legislative record identify the harm Parliament targeted as compulsive, addictive play driven by the promise of monetary return — platforms designed around getting users to chase back money already lost, at scale, with documented financial distress. Reading "other enrichment" to reach every progression mechanic, irrespective of redeemability, would extend PROGA's prohibitory reach far beyond that harm and into casual and social gaming — a segment the Act's own social-game and e-sport carve-outs were designed to preserve.

# 4. A Proposed Determination Formula for OGAI — The Exit Door Test

GDAI proposes that OGAI adopt a structured test that operationalises Sections 2(1)(g), 2(1)(j), and Rule 9 into a procedure any applicant or reviewer can apply consistently.

In a closed-loop game economy, virtual currency or digital items may be purchased or earned and then used within gameplay. GDAI's submission is that such virtual value should not be treated as a stake merely because it is spent within the game where it cannot be converted into, redeemed for, or transferred as real-world economic value.

GDAI proposes that OGAI adopt a structured test that operationalises Sections 2(1)(g), 2(1)(j), and Rule 9 into a procedure any applicant or reviewer can apply consistently.

**THE EXIT DOOR TEST**
(GDAI's proposed test for OGAI determination)

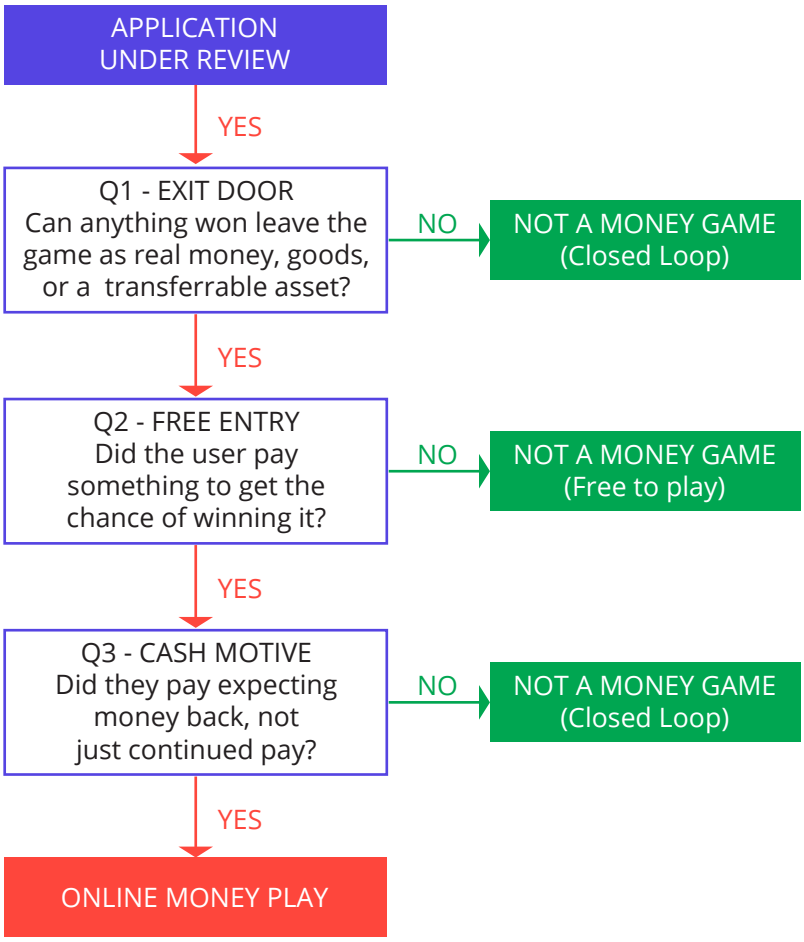



Figure 2 — The Exit Door Test

In a closed-loop game economy, virtual currency or digital items may be purchased or earned and then used within gameplay. GDAI's submission is that such virtual value should not be treated as a stake merely because it is spent within the game where it cannot be converted into, redeemed for, or transferred as real-world economic value.

- Applied to a closed loop game, Q1 is answered “No” and so the model is classified as “Not a Money Game (free to play)”.

- Applied to an open loop game, all three questions get a “Yes” response and gets classified as a “Online Money Game”

- Applied to a platform-funded real world reward-based freemium model in which players pay nothing to access the game but may receive vouchers, gift cards, or cash funded by the platform (see Section 1.4), the test resolves the same way: Q1 is answered “Yes” but Q2 is answered “No,” so the model is classified “Not a Money Game (free-to-play).”

**Understanding that game economies may evolve post-launch, GDAI recommends a periodic re-certification mechanism, e.g., annual self-certification by developer that no exit path has been introduced, with OGAI retaining the right to re-determine at any time.**

# 5. Compliance Risk Across the Freemium Games Industry

## The “other stakes” definition is too broad

Section 2(1)(j)'s definition of ‘other stakes’ creates an important interpretive question when applied to ordinary virtual currencies, credits, and digital items used in mainstream closed loop game design.

A term drafted with real-money stakes in mind could be applied to a virtual, non-redeemable currency in the case with closed-loop games. A case-by-case discretion in the absence of a published test may produce inconsistent outcomes across similarly situated, fully compliant developers.

## Illustrative exposure across mainstream, compliant closed loop gaming titles

Applying the rationale that winning replayable virtual currency constitutes “other enrichment,” would place the following mainstream, India-available titles at identical classification risk — none of which permit cash withdrawal or real-world redemption:

Illustrative Examples of Closed-Loop Gameplay Progression

| Game | Player earns virtual currency? | Can currency extend gameplay or unlock content? | Redeemable for money? | Should this alone constitute "economic enrichment"? |
|---|---|---|---|---|
| Battlegrounds India (BGMI) | ✓ | ✓ | ✗ | NO |
| Candy Crush Saga | ✓ | ✓ | ✗ | NO |
| Clash of Clans | ✓ | ✓ | ✗ | NO |
| Clash Royale | ✓ | ✓ | ✗ | NO |
| EA SPORTS FC Mobile | ✓ | ✓ | ✗ | NO |
| Free Fire MAX | ✓ | ✓ | ✗ | NO |
| Gardenscapes | ✓ | ✓ | ✗ | NO |
| Homescapes | ✓ | ✓ | ✗ | NO |
| Monopoly GO! | ✓ | ✓ | ✗ | NO |
| Marvel Snap | ✓ | ✓ | ✗ | NO |
| Pokémon GO | ✓ | ✓ | ✗ | NO |
| Royal Match | ✓ | ✓ | ✗ | NO |
| Subway Surfers | ✓ | ✓ | ✗ | NO |
| Temple Run 2 | ✓ | ✓ | ✗ | NO |

**Note:** The titles identified above are included solely as illustrative examples of games employing closed-loop virtual currencies and gameplay progression mechanics. Certain titles may also incorporate monetisation features, including loot boxes or other chance-based mechanics, that have been subject to regulatory or consumer-protection scrutiny in certain jurisdictions. Such scrutiny concerns the particular monetisation or gameplay mechanic and should not, by itself, be taken to characterise the closed-loop virtual currency structure of the game. For purposes of the analysis under PROGA, the relevant inquiry is whether the particular virtual currency or in-game value at issue constitutes a stake or enables monetary or other enrichment in accordance with the statutory framework, including whether such value can be transferred, redeemed or monetised outside the game environment.




Figure 6— Screenshots of games using in-app virtual currencies in a closed loop ecosystem

# 6. GDAI's Recommendations

## The "other stakes" definition is too broad

**1. Adopt a published determination framework.** GDAI recommends that OGAI use external redeemability and monetisation as an early screening factor when assessing closed-loop games. Where rewards and in-game assets cannot be withdrawn, transferred, redeemed, or monetised outside the game, this should weigh strongly against an online money game determination, alongside the other factors under Rule 9.

**2. Preserve the natural-justice sequencing already indicated in the Rules.** Rule 10 and Rule 21 both contemplate written notice of the grounds for a proposed determination, an opportunity to be heard, and a reasoned order. GDAI supports full observance of this sequence — including furnishing the specific grounds relied upon — before any blocking direction is issued under Section 69A of the IT Act in respect of a game whose registration or determination proceeding under PROGA remains pending.

These safeguards are particularly important where a determination may have the effect of restricting access to, or disrupting the operation of, a digital platform. The procedural safeguards recognised by the Supreme Court in Shreya Singhal v. Union of India in the context of Section 69A of the IT Act, including notice, an opportunity of hearing and a reasoned order, underscore the importance of transparent and proportionate decision-making before access is blocked. GDAI accordingly submits that, particularly where a game's regulatory classification remains under determination, enforcement measures should follow due process and be proportionate to the identified regulatory risk.

**3.**Gamification and real world rewards are pillars of the new age attention economy and currently the PROG Act leaves free-to-play, platform - funded real world reward games in a third, undefined category. This category would also benefit from regulatory clarity from OGAI so as to boost innovative yet compliant monetization pathways in newer game formats under the online social games category.

**4. Establish a working committee with the industry.** GDAI requests a working committee through which member studios can seek non-binding pre-determination guidance on novel monetisation mechanics (loyalty tie-ins, hybrid subscription models) before launch, reducing both regulatory uncertainty for developers and enforcement burden for OGAI.

**5.** GDAI is cognizant of the fact that **closed-loop classification for a game does not mean every game mechanic is beyond consumer-protection scrutiny.** Issues around minors, addiction, spending transparency, parental controls, age-appropriate design, secondary sales possibility in non-publisher authorized stores, secondary betting markets which might be running on some formats of online social games etc. can still be addressed separately without triggering game removal. **As a responsible industry association, GDAI would like to offer its services to OGAI, MIB, MeitY and other relevant government stakeholders to work on a mechanism to address these issues holistically.**

# 7. Conclusion

The Promotion and Regulation of Online Gaming Act, 2025 represents an important step towards protecting consumers from the harms associated with online money games. GDAI fully supports this objective and recognises the importance of ensuring that products involving wagering, monetary stakes, or real-world economic gain are subject to appropriate regulatory oversight.

At the same time, the rapid evolution of modern game design requires regulatory principles that accurately reflect the functioning of contemporary digital entertainment. Virtual currencies, progression systems, replay mechanics, experience points, cosmetic rewards, and other gameplay features have become integral components of mainstream free-to-play games and closed-loop digital ecosystems.

GDAI respectfully recommends that OGAI adopt a clear, principles-based framework that distinguishes closed-loop game economies from online money games. The existence of virtual currencies, progression systems, or in-app purchases should not, by themselves, determine classification. The key questions should include whether the user has placed a qualifying stake in expectation of a return and whether value obtained through gameplay can be transferred, redeemed, withdrawn, or monetised outside the game environment.

To support the continued evolution of this framework, GDAI further recommends the establishment of a technical working group comprising representatives from **Online Gaming Authority of India (OGAI), the Ministry of Information & Broadcasting (MIB), the Ministry of Electronics and Information Technology (MeitY),** the game development industry, legal experts, economists, behavioural scientists, consumer representatives, and academic institutions. **Such a collaborative forum would enable emerging technologies and business models to be evaluated consistently while preserving the objectives of consumer protection and regulatory certainty.**

As the national industry body representing India's game development ecosystem, GDAI remains committed to working constructively with the Government and all stakeholders to develop evidence-based policy, share technical expertise, and promote responsible growth of the sector. We believe that consumer protection and innovation are complementary objectives, and that a transparent, proportionate, and technology-neutral regulatory framework can successfully achieve both.

India has the opportunity to become not only one of the world's largest markets for games, but also one of its leading creators of interactive entertainment and digital innovation. Achieving that vision will require regulation that is clear in principle, proportionate in application, and adaptable to technological change. India can establish a framework that protects consumers, encourages innovation, inspires investment, and serves as a global benchmark for the regulation of digital games.

GDAI and its member studios remain available to provide further technical detail, product walkthroughs, or data to assist OGAI in finalising such guidance.

# 8. Appendices

## Appendix A: Glossary of Key Terms

For the purposes of this paper, the following terms are used in their commonly accepted industry context unless otherwise indicated.

**Video Game**
"Video Game" means interactive content, played solely for the purpose of entertainment, in which one or more users take part in a structured audiovisual experience through user input on an electronic or digital device. Such devices include computers, consoles, mobile devices, cloud platforms, virtual reality (VR), augmented reality (AR), mixed reality (MR), and other digital interfaces. Any reward, prize, or benefit in a video game is non-monetary in nature: it has no real-world monetary value and cannot be redeemed, withdrawn, or exchanged for money or money's worth.

A video game may be played offline, over a local network, or online. It may draw on educational, artistic, cultural, fitness, social, or competitive themes and formats, provided the participation itself remains for entertainment. It may include gameplay mechanics such as progression systems, achievements, cosmetic items, leaderboards, multiplayer functionality, and virtual currencies or in-game rewards, provided these are non-monetary as described above and are usable only within the game or its ecosystem.

**The presence of gameplay mechanics such as virtual currencies, progression systems, achievements, cosmetic rewards, or replay mechanics does not, by itself, determine whether a video game constitutes an Online Money Game under the Promotion and Regulation of Online Gaming Act, 2025. Such determination should be made in accordance with the statutory requirements of the Act, including the presence of a stake, an expectation of monetary or other pecuniary gain in return for such stake, and the ability to realise value outside the game environment.**

**Battle Pass**
A seasonal progression system through which players unlock digital rewards by completing gameplay objectives. Rewards typically include cosmetic items, virtual currencies, character customisation options, and progression-related content. Battle Pass rewards generally remain within the game's closed-loop economy.

**Closed-Loop Virtual Economy**
A virtual economy in which all virtual currencies, rewards, and digital assets remain confined to the game or platform in which they are earned or acquired. Assets cannot ordinarily be redeemed for money, transferred outside the platform, or exchanged for real-world goods or services.

**Cosmetic Item**
A virtual item that changes the appearance of a character, object, or interface without altering gameplay outcomes or providing real-world economic value.

**Experience Points (XP)**
Points awarded for gameplay achievements that contribute to player progression, character development, or level advancement within a game.

**Freemium (Free-to-Play)**
A commercial distribution model under which users may access the core product without payment while optional purchases enhance, accelerate, or personalise the user experience.

**Gameplay Progression**
The structured advancement of a player through levels, objectives, skills, characters, or content based upon gameplay participation.

**Hard Currency (Premium Currency)**
Virtual currency typically purchased using real money and used to access premium digital content or optional gameplay enhancements. Unless redeemable outside the platform, hard currency remains part of a closed-loop virtual economy.

**Online Money Game**
A game involving monetary stakes or prizes capable of generating real-world economic value, as determined under applicable law.

**Open-Loop Economy**
A virtual economy that permits virtual assets or rewards to be redeemed, transferred, withdrawn, exchanged, or otherwise converted into real-world economic value.

**Player Retention**
The ability of a game to encourage users to return and continue engaging with the product over time.

**Premium Currency**
See Hard Currency.

**Progression Mechanics**
Gameplay systems that reward continued participation through experience points, virtual currencies, character development, levels, missions, achievements, or similar mechanisms.

**Redeemability**
The ability of a virtual asset to be converte into money, money's worth, or another form of real-world economic value.

**Replay Mechanics**
Game design features that enable players to continue, retry, or extend gameplay through earned or purchased virtual resources.

**Reward**
A gameplay benefit earned through participation or achievement that enhances the entertainment experience but does not necessarily create economic value.

**Soft Currency**
Virtual currency earned through gameplay and generally used for progression, upgrades, or cosmetic purchases within the game.

**Stake**
Value risked by a participant for the possibility of obtaining an outcome that may produce an economic benefit.

**Transferability**
The ability of a virtual asset to move between users, platforms, marketplaces, or the real economy.

**Virtual Currency**
Digitally represented units of value used within a game or digital platform. Virtual currencies may be earned, purchased, or granted but do not necessarily possess real-world economic value.

## Appendix B: Closed-Loop Virtual Economies Across Digital Products

| Digital Product | Virtual Reward | Used Inside Platform | Redeemable Outside Platform |
|---|---|---|---|
| BGMI | BP / AG Currency | ✓ | ✗ |
| Candy Crush Saga | Gold Bars | ✓ | ✗ |
| Clash Royale | Gold | ✓ | ✗ |
| Clash of Clans | Gold / Elixir | ✓ | ✗ |
| Duolingo | Gems | ✓ | ✗ |
| Free Fire MAX | Gold | ✓ | ✗ |
| Monopoly GO! | Dice Rolls | ✓ | ✗ |
| Pokémon GO | Stardust / PokéCoins | ✓ | ✗ |
| Royal Match | Coins | ✓ | ✗ |
| Steam | Achievements | ✓ | ✗ |
| Spotify | Listening streaks/badges | ✓ | ✗ |
| PlayStation | Trophies | ✓ | ✗ |
| Apple Fitness | Achievement awards | ✓ | ✗ |

## Appendix C: Common Gameplay Rewards in Modern Games

| Gameplay Mechanic | Primary Purpose |
|---|---|
| Coins | Progression |
| Gems | Premium progression |
| XP | Character development |
| Energy | Gameplay pacing |
| Lives | Retry opportunity |
| Keys | Unlock content |
| Character Unlocks | Expanded gameplay |
| Cosmetic Skins | Personalisation |
| Battle Pass | Seasonal engagement |
| Daily Rewards | Retention |
| Crafting Materials | Item progression |

## Appendix D: Rule 9 under the Promotion and Regulation of Online Gaming Rules, 2026.

**Factors for determination.**

For the purposes of determination under rule 8, the Authority shall have due regard to all or any of the following factors, namely:—

(a) whether the online game involves payment of fees, deposit of money or other stakes, by whatever name called, at any stage of participation in the online game;

(b) whether users have an expectation of winning monetary or other enrichment in return for such money or other stakes deposited by them;

(c) whether the payment of fees or deposits is used, (i) in such manner that the online social game appears to be part of a competitive event between individuals or teams, conducted in multiplayer formats governed by predefined rules, or as payment of registration or participation fees solely for the purpose of entering the competition, or covering administrative costs for the event or as reward for performance based prize money; (ii) in all other cases, as payment for accessing the online game as subscription fee or one-time access fee; or (iii) as a bet, wager or any other stake in expectation of winning monetary or other stakes, including any winning out of such bets, wagers or any other stakes;

(d) the structure and operation of the revenue model of the online game;

(e) the manner in which rewards, benefits or in-game assets may be transferred, redeemed, monetised or used outside the game environment.

## Appendix E: About GDAI

Game Developer Association of India (GDAI) is the national industry body representing India's game development ecosystem. From school auditoriums to global stages, GDAI's efforts are building India's game development ecosystem. GDAI focuses on the key pillars of Policy, Education & Skilling, Incubation, Market Access and Community-building to facilitate business and opportunity for its member base of over 200 studios.

While the India Game Developer Conference (IGDC) has been the flagship conference for the last 18 years, bringing the community together to learn, connect, and grow, initiatives like Developer Day and Game Connect spark knowledge sharing in new hubs and colleges. GDAI has a large community with 18 state chapters and 1,000+ women engaged through its Women in Gaming (WIG) programme, which drives diversity. International delegations facilitated by GDAI showcase Indian talent at flagship events such as GDC, Gamescom, and the Tokyo Game Show.

GDAI's Board and Governing Council bring together the industry's leading experts and entrepreneurs — including leaders from Dhruva Interactive, Electronic Arts, Humyn Labs & KGen, JetSynthesys, Krafton, Lakshya Digital & Keywords, Nazara, Yesgnome and others — who bring deep experience across game development, publishing, technology, investment, and ecosystem building.

GDAI GAME DEVELOPER ASSOCIATION OF INDIA

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It does not constitute legal advice and does not represent the position of any single member company.