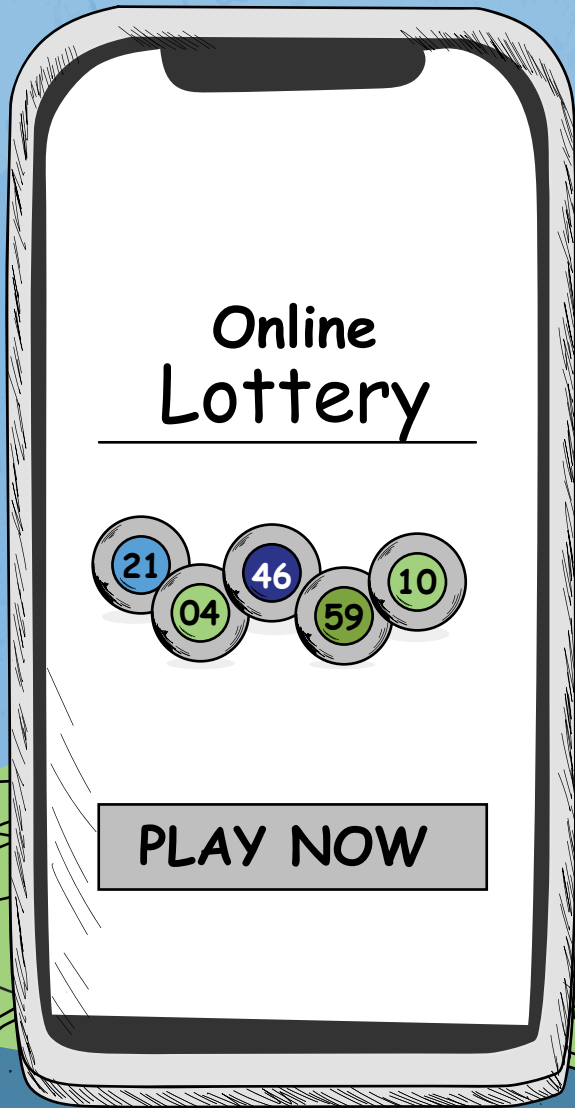




# LOTTERY IN INDIA

White Paper  
January 2024





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**PAHLE INDIA FOUNDATION**  
PUTTING INDIA FIRST TO MAKE INDIA FIRST

# Lottery in India

**White Paper**

January 2024

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# Executive Summary

## Introduction

Lottery, a game of chance where winners are selected randomly through draws, allows participants to win significant sums of money (rewards) with relatively small levels of investment (risks). At the same time, there is considerable risk in placing financial wagers on lotteries, given that the results of lotteries are based purely

on chance. As a result, lotteries are often regarded as a regulatory challenge, from a legal and ethical-moral perspective. Yet, lotteries present a paradox. Lotteries have been widely used throughout history to raise money for charity, good causes, and revenue for the state through state-run lotteries and/or a tax regime wherein

lotteries are regulated. Thus, apart from amusement and recreation, lotteries have been sources of revenue for welfare activity around the world.

## Ban versus Regulation

There have been several debates on the ethical-moral and socio-economic implications of running lotteries in India. In examining the trade-offs between bans and regulations, it is also important to assess the feasibility of bans. Banning lotteries will essentially result in the industry going underground, endangering player safety, exposing participants to frauds and malpractice, and loss of revenue for the government. If people are still playing despite the ban, which seems to be the case in India, it is critical for governments to consider effective regulation to protect consumer interests, especially of the vulnerable. Regulation offers an opportunity to implement the best practices from responsible gaming frameworks and player protection mechanisms across the world to ensure people can, if they so wish, participate in lotteries in a safe environment while returning significant revenue to the state.

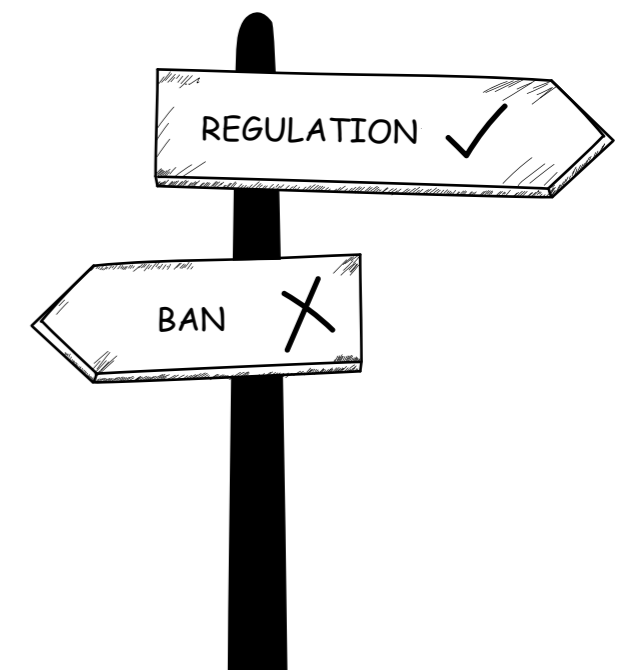
India's Law Commission Report of 2018 on Gambling and Sports Betting stated that while it is desirable to ban betting and gambling, it is difficult to prevent these activities altogether. Therefore, regulation of such activities is recommended, as opposed to banning them altogether. Bans, as we know, are near-impossible to enforce in a digitally-enabled, connected world and this has

exposed the Indian populace to a variety of gaming options which include those offered by offshore entities many of which are illegal.

Lotteries of a digital nature can — and are — played by participants via their phones or laptops even in States where lotteries are banned. Digitalization has effectively blurred geographical boundaries and poses a serious challenge to the regulations in place for activities like gaming (games of skill or chance) given their quarter-century vintage (Lottery Regulation Act, 1998, followed by the Lottery Regulation Rules, 2010). Indeed, lotteries are an exemplar of the need to adopt a nuanced approach to the economics of bans and the urgent need for a comprehensive review of extant legislation.

In essence, banning any activity or trade puts additional administrative burden on and necessitates allocation of additional resources by the State for its enforcement, all the while earning no additional revenue for welfare or social initiatives.

*Regulation offers an opportunity to implement the best practices from responsible gaming frameworks and player protection mechanisms*



## Lotteries as Means for Good Causes

Globally, the total sales of lottery tickets amounted to \$384.7 billion in 2021; the total funds returned to society were \$93.2 billion (World Lottery Association Compendium 2022). The National Lottery in the UK, for example, contributed \$4 billion to good causes in the year 2021 alone. This, in turn, was used to fund Olympic teams, sports, and arts & culture in the country.

The Indian lottery market is conservatively estimated to be around

# \$33 billion annually

(across all States and Union Territories and considering non-participation of minors) with corresponding revenue for the government projected to be approximately \$26 billion, including potential earning in the form of taxes and profit at \$ 12 billion, **which could be used to fund social sector schemes.** To put this number into perspective, the financial outlay for India's key development programs for FY 2023-24 are as follows:

<b>\$7.2 billion</b> MGNREGA (Rural Employment Guarantee)	<b>\$8.4 billion</b> Jal Jeevan (Water) Mission
<b>\$4.5 billion</b> National Health Mission	<b>\$4.5 billion</b> National Education Mission

The lottery market is projected to grow at an Average Annual Growth Rate of 5.1% in India to reach \$44.3 billion by 2030.

Apart from its immense revenue potential, the lottery industry would generate employment opportunities for both skilled and semi-skilled workers. If the latest technology and best practices worldwide comes into the sector, not only would transparency be radically enhanced but the digitalization of the lottery sector will create employment opportunities in the IT and ITES sectors.

## Extant Regulatory and Operational Structure of Lotteries in India

The sector is dominated by paper-based lotteries wherein tickets with pre-printed numbers for draw-based games are sold through physical retail channels. This mode of operation faces serious challenges in high volume transactions, compromising integrity and security of overall operations and undermining player protection and transparency. A series of audit reports by the office of the Comptroller and Auditor General (CAG), a statutory body, on State lotteries highlight regulatory and operational lapses resulting in massive revenue losses for respective lottery-operating States. Issues such as delayed processing and disbursement of prize claims, lack of proper maintenance of records pertaining to tickets (printed, sold,



unsold and prize-winning tickets), and verification of prize-winning tickets have been flagged by successive CAG reports.

Some small Indian States operate online lotteries which are sold in other states (where sale of lottery is legal) but the software and hardware used has been found not to be certified by the Standardisation Testing and Quality Certification Directorate, leading to a reprimand from the Central (Federal) Ministry of Home Affairs.<sup>1</sup> Such lapses only add to the negative social perception around lotteries in India, exacerbating cultural sensitivities. A better regulated industry that ensures fair play and transparency incorporating global best-practices, would enable constructive and positive engagement of players with the industry.

Audit reports underline non-compliance in depositing of sales proceeds, following standard operating procedure for draws, and maintenance of central servers among other issues. The operation of lotteries in India can thus be characterized as being marked by low revenue generation, opaqueness (in terms of revenue earned, technology used, utilization of revenue etc), lack of innovation regarding the types of games offered (there's a ban in place on a wide range of types of lottery), sub-optimal use of digital retail channels, and an absence of a data-driven approach towards collecting player details to generate insights helpful in designing games and player protection measures.

The lottery sector's current operational model is one where States are involved

1. <https://sansad.in/getFile/loksabhaquestions/annex/179/AU2613.pdf?source=pqals>

**The role of licensed private players in government lotteries is restricted mainly to selling and marketing of government lotteries.**

in day-to-day activities such as designing of games, printing of tickets, tendering, conducting draws, and disbursement of prizes, quite apart from monitoring the industry and ensuring compliance. The role of licensed private players in government lotteries is restricted mainly to selling and marketing of government lotteries. Technology — software, servers, applications — is brought in by licensed private entities in the case of online lotteries. Apart from the gaps in the operational structure, lapses in regulatory provisions abound — in terms of player protection the age-limit of participants is not defined; there is no proper provision for grievance redressal; audit and/or disclosure obligations vis-à-vis revenue earned, utilization of revenue et.al. are inadequate; the archaic, restrictive definition of online lotteries from the 2010 Lottery Rules has not been updated, and more.

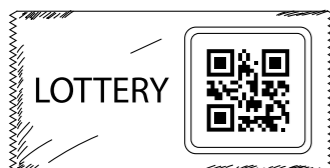
Regulations pertaining to gambling including restrictions on FDI and certain IT rules have prevented the modernization of lotteries and introduction of robust player protection mechanisms, as well as aided

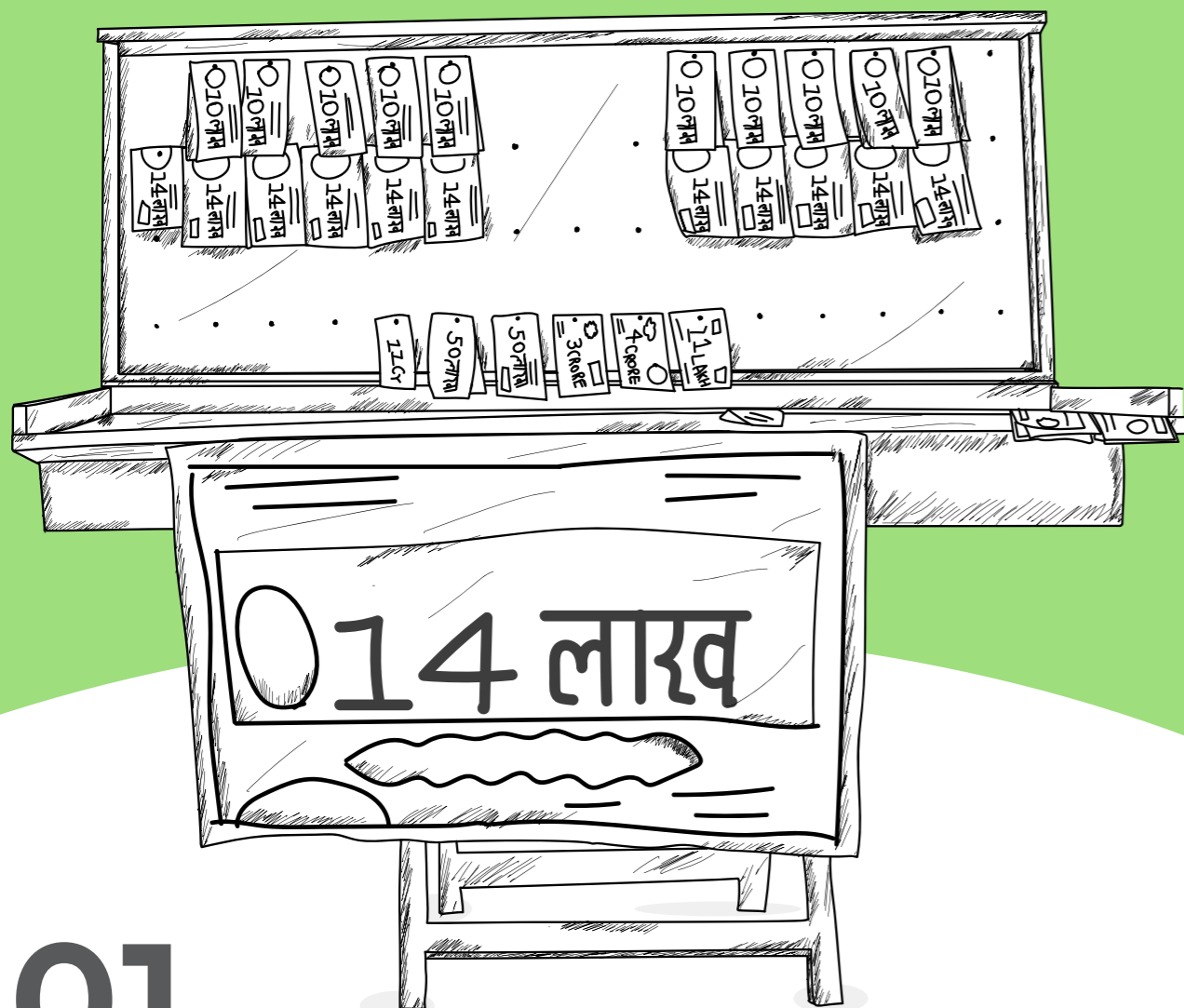
inefficiency. If India is to lead the way in technology sectors, the lottery industry ought not be ignored.

## Way Forward

The Indian lottery industry, which is both run and regulated by the government, is yet to be aligned with vision of Digital India to **make it more transparent, efficient, compliance-oriented and with enhanced player protection, all the while unlocking huge market potential which can benefit society** with targeted utilization of the revenue generated. Rapid penetration of smartphone and access to cheap data could be the key drivers to digitalization of the lottery sector. A data-driven approach is required to understand player profiles for designing of popular games as well as to implement enhanced player protection measures. **Digital Public Infrastructure (DPI) such as unique digital ID (Aadhar) and UPI (Unified Payment Interface) can be leveraged to digitalize lottery in India with specific KYC requirements.**

Reforms should be taken up at the regulatory and operational levels to facilitate bringing in the latest technology and expertise. This will also help in checking illegal offshore entities offering online games by providing safer gambling options and stop the haemorrhaging of government revenues.





# 01 Introduction

The Cambridge Dictionary defines lottery as 'a game, often organized by the state or a charity in order to make money, in which tickets with numbers are sold to people who then have a chance of winning a prize if their number is chosen'. In a lottery, a person places a wager on

an outcome that can win them money if the outcome does, by chance, indeed transpire. People purchase this 'chance', also called a lottery ticket, and the winner is decided by a draw from a pool of sold tickets. This makes the lottery a scheme where people participate in a draw

2. English. C. A. (2017). Cambridge Dictionary. Retrieved from Dictionary. [dictionary.cambridge.org/us/dictionary/english/teaching](https://dictionary.cambridge.org/us/dictionary/english/teaching).

hoping for personal gain in the form of cash or kind. Lotteries offer pathways for participants to win huge amounts of funds/rewards with relatively smaller levels of investment/risks.

At the same time, there is a level of risk in placing financial wagers in lotteries, given that the results of lotteries are based purely on chance rather than skill. As a result, lotteries are often regarded as a regulatory challenge, from both a legal and moral perspective, especially in societies with acute cultural sensitivities to all forms of wagers.<sup>3</sup>

## Evolution of Lottery in India

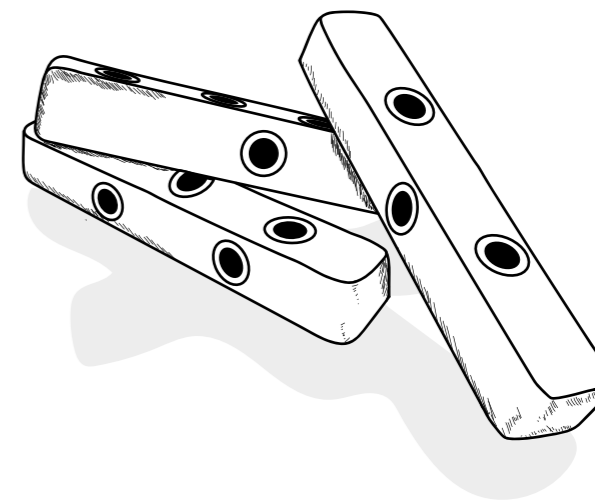
Betting and gambling have always been part of human civilization. India has a long history of playing 'games of chance', with perhaps the earliest instances of dice gambling being recorded in ancient Hindu texts such as the Ramayana and the Mahabharata.<sup>4</sup> **Gambling also finds mention in other Indian texts like the Rig Veda, Atharva Veda, and the Manusmriti.**<sup>5</sup>

In the colonial period, lotteries were introduced in Goa by the Portuguese, and in Madras and Calcutta (present-day Chennai and Kolkata respectively) by the British. In fact, the first instance

of a State-run lottery being used to raise money for the treasury comes from Lord Macartney's government in Madras in the 18th century.

*Goa used lotteries to raise funds for social welfare*

Similarly, the Portuguese colonial administration in Goa used lotteries to raise funds for social welfare and in 1947, established the Provedaria da Assistancia Publica (Institute of Public Assistance) to run lotteries on a monopoly basis and to coordinate various social welfare activities. Thus, lotteries were seen as mechanisms to raise public funds for socio-economic welfare in the colonial period. This may have contributed to their exclusion from the provisions of the Public Gaming Act of 1867, which placed bans on other forms of public gambling and the keeping of gaming houses.



3. Majumdar, B. (1975). Commentary on the Bombay Prevention of Gambling Act, 1887 (Bombay Act No. IV of 1887), as in Force in Maharashtra and Gujarat. Tripathi.

4. Law Commission of India. (2018). Legal Framework: Gambling and Sports Betting including Cricket in India. Government of India.

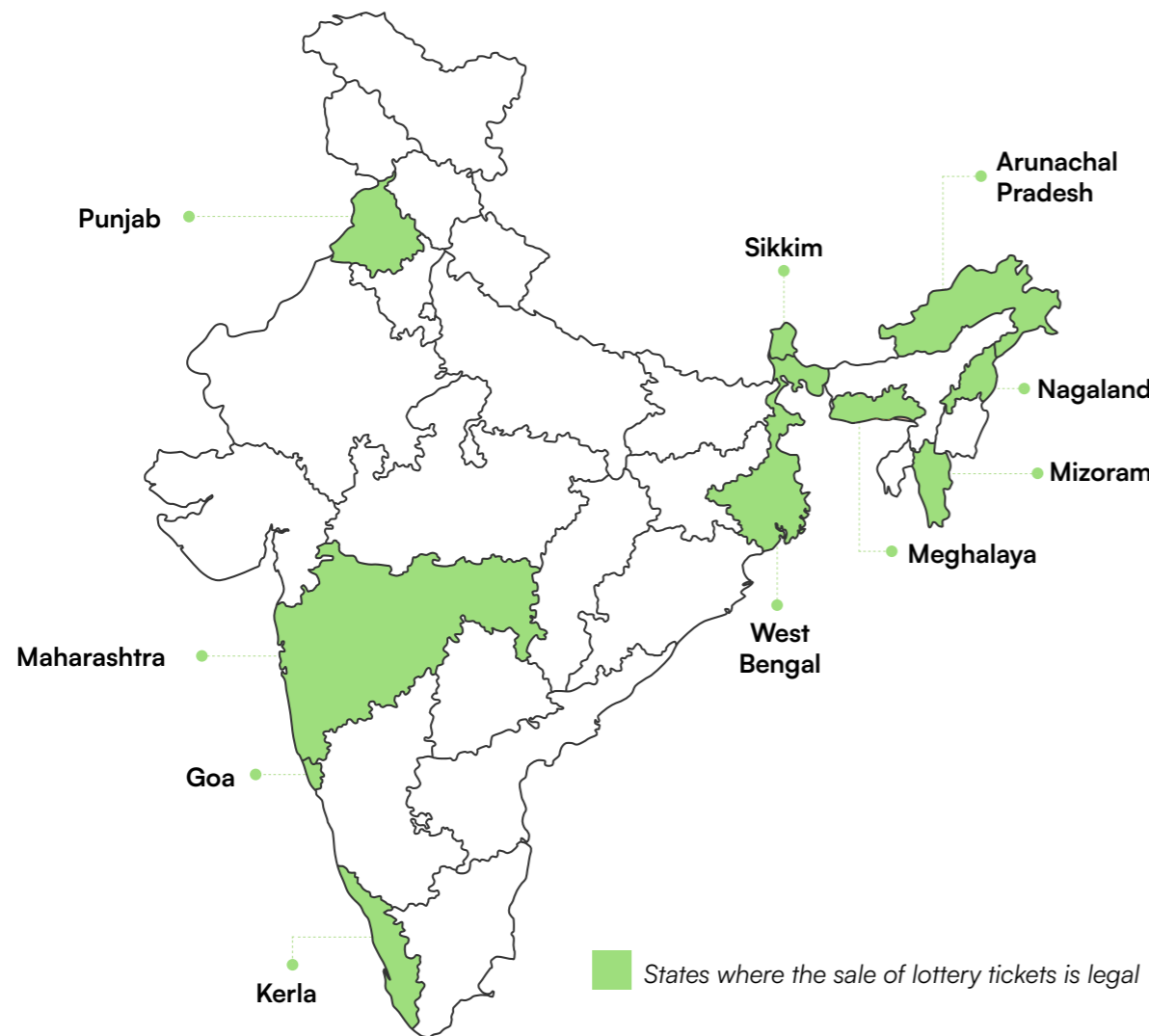
5. Law Commission of India. (2018). Legal Framework: Gambling and Sports Betting including Cricket in India. Government of India.

*lotteries were seen as mechanisms to raise public funds for socio-economic welfare in the colonial period.*

After Independence, Kerala was the first to introduce State-run lotteries in 1967, with two objectives — raising revenue for the State and providing employment opportunities to socio-economically weaker sections of society. Following Kerala's example, other States like Maharashtra and Tamil Nadu also

initiated lotteries to raise funds for socio-economic welfare programs, and to curb illegal gambling. At present, the sale of lottery tickets is legal in 10 Indian states : Arunachal Pradesh, Goa, Kerala, Maharashtra, Meghalaya, Mizoram, Nagaland, Sikkim, Punjab, and West Bengal (as shown in Figure 1 below).

Figure 1: Indian States where lotteries are legalised (as of 2023).



### Background to the White Paper

The bulk of lottery operations in India are paper-based, where tickets with pre-printed numbers are sold in kiosks near bus terminals, market, railway stations, and other public places with heavy footfall.

Online lottery is legal in some States such as Goa, Nagaland, Arunachal Pradesh, and Sikkim, which allow players to purchase computer-generated tickets at lottery terminals where the information about the sale of a ticket and the player's choice of any particular number (or combination of numbers) is simultaneously registered with a central computer server. This server is under the control of the organizing State that accepts, processes, stores, and validates online lottery transactions. The State also manages, monitors, and controls the entire online lottery system.

India is currently in the throes of leveraging digital infrastructure for the efficient delivery of services, and ensuring greater transparency and accountability in the pursuit of inclusive and sustainable development. It needs underlining that in this age of enhanced digitization and internet penetration due to cheap data and access to smartphones, the number of Indian mobile phone users has risen to one billion in 2023, from 34 million in 2010.

**The lottery industry, however, which is essentially government regulated-and-operated, is yet to be aligned with the vision of a Digital India** aimed at the digital transformation of the country with a commitment to innovation. Speaking



at the G20 ministerial meeting on the Digital Economy in 2023, the Indian Prime Minister iterated the country's potential as the global laboratory for testing-and-solutions for digital products given its expertise and diversity. He also highlighted the need for building a consensus around the principles that would ensure a secure, safe, and resilient digital economy.

Yet, the bulk of India's lotteries remain paper-based, and even the handful of States where so-called online lotteries exist face legal, regulatory and operational challenges. The CAG report on Sikkim, Nagaland and Mizoram, for example, highlighted the use of opaque technology prone to manipulation, negligible net earnings for the State through lotteries, and several non-compliances. Lotteries run and regulated by governments are yet to leverage digital infrastructure with an intent to adopt the latest technology thereby promoting greater efficiency, compliance, transparency, and user-safety as well as revenue maximization for stakeholders.

India is the world's leading nation when it comes to digital transactions, with robust UPI services and a digitally enabled national ID system in the form of Aadhar





recognized at the global level can be leveraged for making lotteries in India technology driven, transparent, efficient with emphasis on player protection.

In parallel, meanwhile, the Union (federal) Ministry of Electronics and Information Technology (MeitY) issued draft regulations in January 2023 for online gaming in India. The Centre's objective was to regulate the growing online gaming market, thereby ensuring player protection and fair play. The government is thus adopting a positive approach with an intention to regulate online gaming by providing a safe playing environment for users and raising revenue for the state, instead of banning it altogether in the face of negative social perceptions associated with the industry.

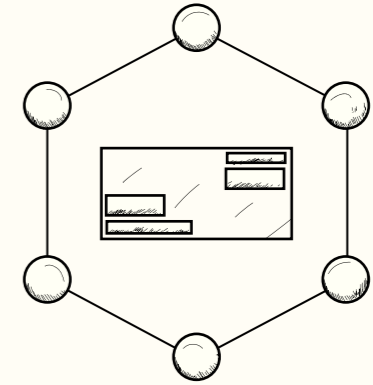
It is, thus, an opportune time to also re-examine the lottery industry in India — its legislative framework, practices in terms of player protection and fair play, and regulatory provisions. The over two-decade old legislation under which the sector is governed needs to be reviewed and its effectiveness assessed in the current context. This review of regulations and practices would help enhance industry credibility and acceptability among society, attract private players with expertise and capital to the industry, and help maximize the lottery industry's potential to raise revenues for good causes thereby allowing governments to access much-needed funds to invest in the social sector.

Against this backdrop, this White Paper seeks to fulfil the following objectives:

01

### To inform and create

awareness among various stakeholders in the lottery ecosystem and among the wider citizenry about global best practices pertaining to player protection, responsible play, and transparency, and make necessary recommendations for the upgradation of the Indian lottery industry.



02

### To evaluate

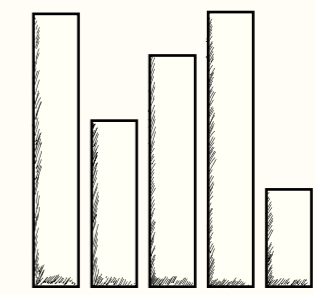
the current implementation model and industry practices of lotteries in India on critical parameters including but not limited to revenue utilization, player protection, transparency, and compliance architecture, and to identify scope for improvement in the same.



03

### To estimate

the potential revenue market for lotteries at a pan-India level and thereby project the potential revenue that can be generated for good causes through lotteries.



# 02 Global and Indian Lottery Market



## Global Lottery Market

According to the 2022 edition of the World Lottery Association's Global Lottery Data Compendium (GLDC), **total sales for WLA members amounted to USD 384.7 billion in 2021, while in the same year, the total funds returned to society came to USD 93.2 billion.**<sup>6</sup>

Overall sales in FY 2021 increased significantly from 2020, and sales specifically through digital channels

increased 44.6 percent from FY 2020 to FY 2021. In FY 2021, digital platforms accounted for 18.6 percent of WLA Members sales world-wide.<sup>7</sup> The top five lotteries across the world — in terms of lottery sales and revenue for social causes — are depicted in Figure 2 below.

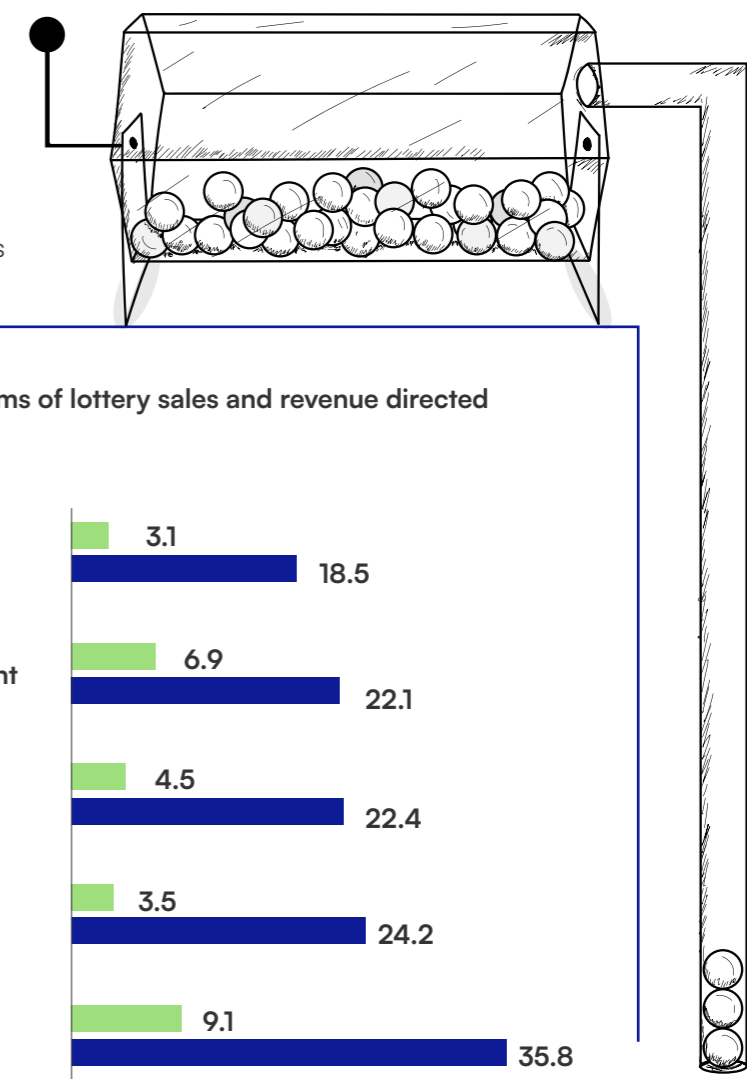
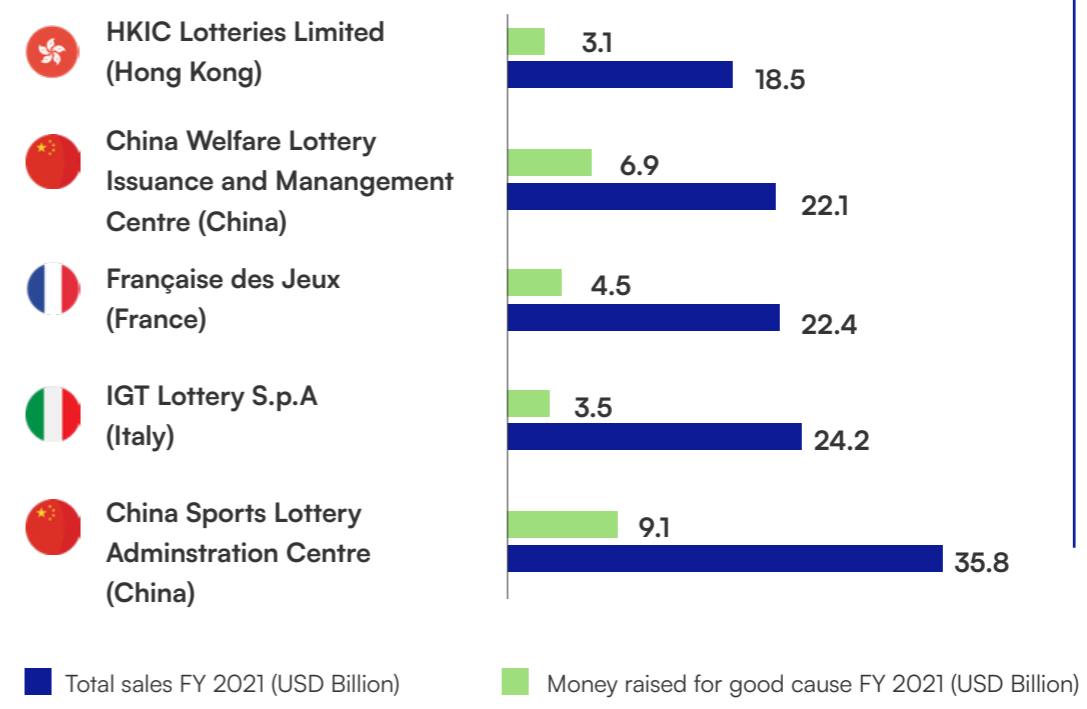


Figure 2: Top 5 Lotteries — in terms of lottery sales and revenue directed towards social causes (FY 2021)<sup>8</sup>.



6. World Lottery Association. (2022). Global Lottery Data Compendium. Author.  
 7. World Lottery Association. (2022). Global Lottery Data Compendium. Author.  
 8. World Lottery Association. (2022). Global Lottery Data Compendium. Author.

## Global Best Practices

Lotteries are currently operated in various formats across the world. Some of the global best-practices related to the operationalisation of lotteries outlined below can serve as the foundation for reforming and modernizing the lottery industry in India:

### 1 Minimum age restriction in lottery participation

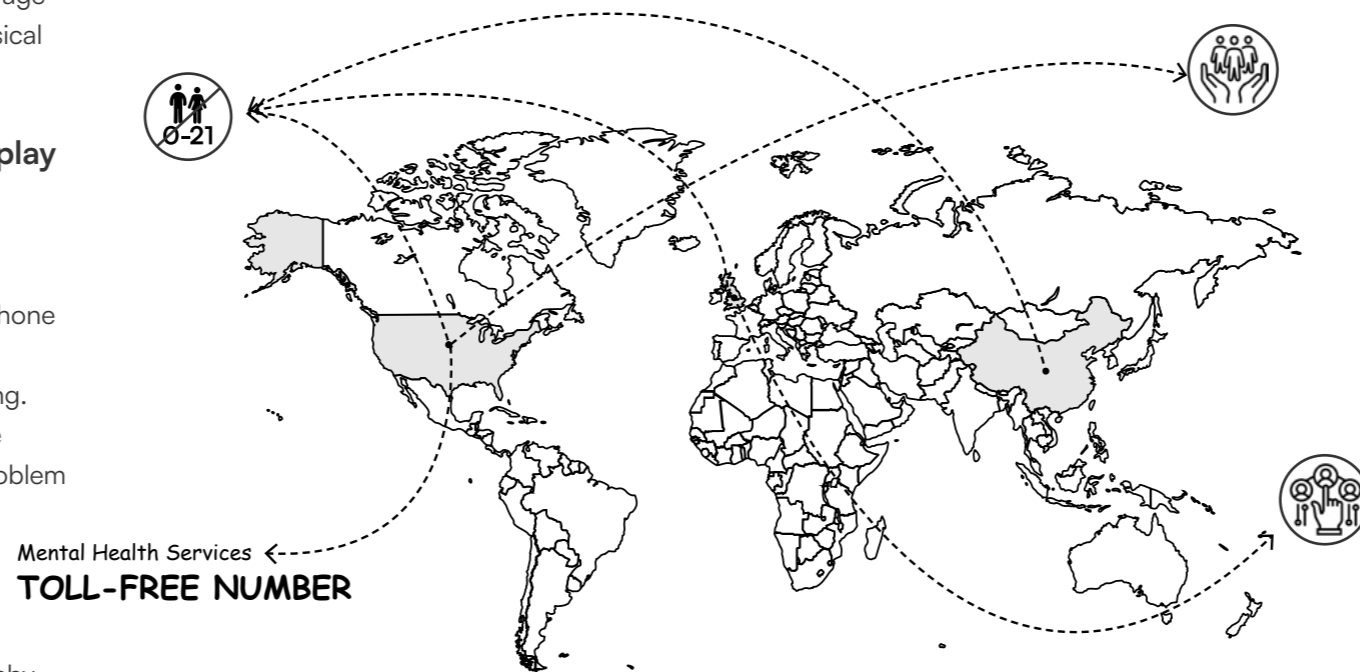
In countries like the UK, USA, and China, the minimum age for participating in the lottery ranges from 18-21 years. No minor (i.e., an individual under the age of 18 years) is permitted to participate in the lottery. **This ensures that minors do not engage in gaming activities based on chance.** Age restrictions are usually enforced by regular checks at retail points of sale, clear signage, and the mandatory requirement for ID and age verification in both digital and physical transactions.

### 2 Ensuring responsible play and player protection

In the USA, Louisiana State lottery tickets have to include a toll-free phone number for mental health services for compulsive or problem gambling. Retailers who sell lottery tickets are required to post a sign with this problem gambling referral information. Also, Louisiana State lottery law mandates the allocation of \$5,00,000 to the Compulsive and Problem Gamblers Fund, thereby

**lottery tickets have to include a toll-free phone number for mental health services for compulsive or problem gambling.**

ensuring that a part of the lottery proceeds is directed towards player protection and responsible play.<sup>9</sup> Best practices globally include comprehensive training programs for retailers and their employees on responsible gaming to prevent underage gaming, help identify and protect vulnerable groups, spot compulsive gamers prone to addiction, and ensure helpline referrals for risk-prone players. Further, **game design which is transparent in relation to the odds of winning, grievance redressal mechanisms and the draw process is also integral to best-practices.** Many games have in-built features related to responsible gaming including self-exclusion, spending limit et.al. A research and data driven lottery operation is essential for offering games which enhance user experience, are transparent, and ensure player protection



9. American Gaming Association. (2016). Responsible Gaming Regulations and Statutes. Author.

### 3 Legislation directing lottery revenue towards social causes

In the USA, revenue from lotteries is spent on a range of socio-cultural causes including education, art, sports infrastructure, and academic scholarships according to a given State's laws. For instance, **Pennsylvania uses its revenue from lotteries to support elderly citizens with rent rebates and property taxes**<sup>10</sup>. Similarly, in the UK, lottery revenue designated for good causes is passed on to the National Lottery Distribution Fund (NLDF), and funds within the NLDF are directed towards the arts (20 percent), sports (20 percent), national heritage (20 percent) and other charitable causes linked to health, education, and the environment (40 percent)<sup>11</sup>.

10. American Gaming Association. (2016). Responsible Gaming Regulations and Statutes. Author.

11. National Lottery Act. (2006). British Parliament.

12. National Lottery Act. (2006). British Parliament.

13. <https://www.national-lottery.co.uk/life-changing/where-the-money-goes#:~:text=To%20date%2C%20National%20Lottery%20players,funded%20project%20at%20some%20point.>

### 4 Involving private entities in lottery operations

In the UK, the National Lottery is a state franchised lottery that is regulated by the UK Gambling Commission. Day-to-day operations like infrastructure management, designing of games, marketing, sales, and all other services offered to players are outsourced to a licensed private agency on a revenue sharing basis. This model ensures there is a clear separation of roles and responsibilities, leading to greater efficiency and incentivizing operators and technical providers to grow responsibly<sup>12</sup>.

**Of the total revenue generated from the UK National Lottery**

**£8.19 billion**<sup>13</sup>

in 2023, the breakup for each segment is as follows:

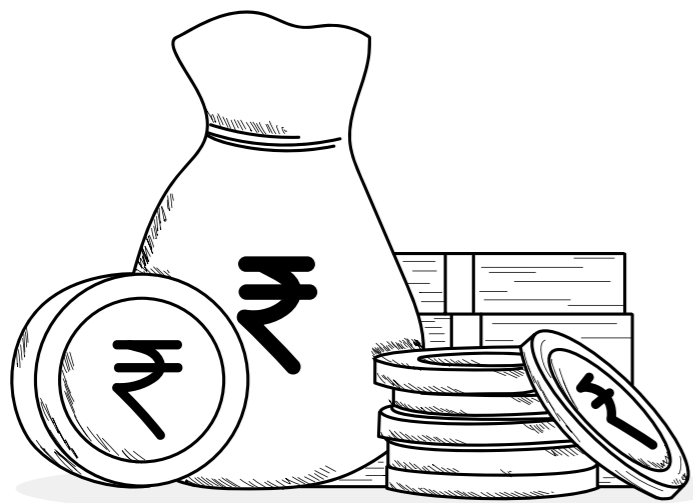
<b>57.3%</b> Prizes	<b>22.8%</b> Money raised for good causes
<b>12%</b> Duty paid to government	<b>3.1%</b> Commission to retailer
<b>1%</b> Profit to operator	<b>4% (approx.)</b> Operation Cost

## India's Lottery Market

Estimates prepared by market experts shed some light on the size of India's lottery market. According to Env Media, the overall market size of Government of India-run lotteries was INR 50,000 crore (USD 6.7 billion) pre-Goods and Services Tax (GST) i.e., in the late 2010s.<sup>14</sup> **We propose a methodology to estimate the current size of India's lottery market.**

### 1 Source of data

Revenue and sales data from the State of Kerala is used as the benchmark to produce national estimates for India's lottery market, while making appropriate assumptions. Kerala, being the State with the longest-running government lottery, generates significant revenue from lotteries. The State earned Rs 9,973 crore of non-tax revenue through lotteries in 2019-20, according to the data available on its official website. Estimates suggest that tickets to the tune of 8 to 9 million are sold daily in the State



with a population of 34 million; around ten million tickets are printed daily by the government. **All these factors make Kerala a relevant benchmark to use for estimating the potential of the Indian lottery market.**

### 2 Ticket Sales

Annual per capita ticket sale is calculated for Kerala considering the maximum non-tax revenue generated in a FY, average ticket price at face value, and population of the State. To calculate potential revenue from lotteries at an India level, per capita annual sale of lottery tickets from Kerala is taken as indicative value.

### 3 Ticket Price Calculation:

The ticket price used for calculation considers ticket price of weekly lottery schemes in Kerala (which each conduct a draw on seven different days) at face value (retail price of ticket minus GST) and excludes ticket cost of bumper draws which are much higher but conducted only few times annually on special occasions. **The ticket price at face value for estimating the Indian lottery market is set 20 per cent lower than in Kerala,** considering the high per capita income of the State compared to the national average and due to the fact that lotteries are already very popular in Kerala.

### 4 Age Limit:

Our estimate of the Indian lottery market size is provided for both conditions



— overall, and the recommended option wherein minors (age less than 18 years) are prohibited. **At present, approximately 69 per cent of India's population falls in the adult category** (aged 18 or above).

### 5 Taxes:

Currently, 28 per cent GST is levied on the full face-value of the ticket. Total revenue is calculated based on the retail price of the ticket i.e. total sales multiplied by retail price of ticket, while the non-tax revenue estimate excludes the GST component and is calculated based on the face-value of ticket i.e. total sales multiplied by face value of ticket. **In other words, total revenue at retail price can be arrived at by adding 28% GST on non-tax revenue.**

### 6 Limitations of the methodology:

The lack of reliable, publicly available data on lottery revenue, sales, and prize structures from States apart from Kerala makes the estimate prone to concentrated risk. Further, the estimation covers only paper-based lotteries since Kerala only operates paper lotteries. Paper lotteries are the most dominant form of lottery in India due to factors including the digital divide, reliance on physical retail points for purchasing lottery tickets, and uneven digital literacy. Also, there is a lack of publicly available data on the demographic and socio-economic profiles of lottery players which is needed to make the estimation more robust and precise.

Table 1: Estimating India's Lottery Market

## Kerela Lottery Market

### 9973

Total non-tax revenue calculated on face value of ticket (in Rs crores, 2019-20)

### 32

Average ticket cost at face value (in Rs)

### 311.7

Annual total number of tickets Sold (in crores)

### 3.4

Total population (in crores)

### 92

Average number of tickets purchased per capita

### 12468

Total lottery revenue in rupees crore (calculated at retail price of ticket @Rs 40 i.e. face value plus GST)

## Estimate of Indian Lottery Market

### 1.3

Total population (in billion)

### 92

Average number of tickets purchased per capita (as per calculation from Kerala figures)

### 119.60

Annual total number of tickets sold (in billion)

### 26

Estimated cost per ticket at face value (in Rs)

### 33.28

Retail price of ticket in Rs (Face value + 28% GST on Face Value)

### 3980

Total revenue potential calculated on retail price (in billion Rs)

### 3109.4

Total non-tax revenue potential for government calculated at face value of ticket (in billion Rs)

### 48

Estimated revenue potential calculated at retail ticket price (in billion USD)

### 33.2

Estimated revenue potential at retail ticket price (in billion USD) if minors are prohibited

### 37.4

Total non-tax revenue potential for government calculated at face value of ticket (in billion USD)

### 25.9

Total non-tax revenue potential for government calculated at face value of ticket (in billion USD) if minors are prohibited

Source: Kerala Lottery Directorate Website

Estimates suggest that with relevant age restriction preventing minors (below 18 years) from participating in lotteries, the Indian lottery market currently stands at roughly USD 33.2 billion annually while potential non tax revenue for the government at about USD 26 billion. The lottery market in India is projected to grow at an Average Annual Growth rate of 5.1% to reach USD 44.3 billion by 2030 from the currently estimated size of USD 33.2 billion taking into account population growth rate of 0.8%<sup>15</sup> and assumed GDP growth rate of 6%.

**In operating lotteries, the earnings for the Government come from two**

**sources:** Taxes (both direct and indirect) and profits. Indirect Tax, i.e. GST, is applicable at 28 per cent on the full-face value of the lottery ticket. Further, direct taxes in the form of income taxes are levied in case of lottery winnings above INR 10,000. Such winnings are taxed at 31.2 per cent as per Income Tax Rules (1961).

Therefore, upon extrapolating the Kerala figures of earnings for the government to a nationwide level, we can estimate the potential earnings that accrue to the government from lotteries operating across the country as highlighted in Table 2 below.

***the Indian lottery market currently stands at roughly USD 33.2 billion annually while potential non tax revenue for the government at about USD 26 billion.***

15. [https://main.mohfw.gov.in/sites/default/files/Population%20Projection%20Report%202011-2036%20-%20upload\\_compressed\\_0.pdf](https://main.mohfw.gov.in/sites/default/files/Population%20Projection%20Report%202011-2036%20-%20upload_compressed_0.pdf)

Table 2: Estimating potential revenue from lotteries in India.

<b>Estimated sales Revenue</b>	<b>\$ 33.2 Billion</b>
	<ul style="list-style-type: none"> <li>Revenue calculated at retail ticket price @ Rs 33.3 (assuming restrictions on the participation of minors)</li> </ul>
<b>Estimated Non-Tax Revenue for Government</b>	<b>\$ 26 Billion</b>
	<ul style="list-style-type: none"> <li>Revenue calculated at face value of ticket @ Rs 26 (assuming restrictions on the participation of minors, excluding taxes)</li> </ul>
<b>Indirect Tax</b>	<b>\$ 7.3 Billion (0.28*26)</b>
	<ul style="list-style-type: none"> <li>GST at 28 per cent at full value</li> </ul>
<b>Direct Tax</b>	<b>\$ 0.2 Billion (26*0.027*0.312)</b>
	<ul style="list-style-type: none"> <li>Levied at 31.2 percent of total prize winning (above Rs 10,000)</li> <li>2.7 per cent of total revenue at face value allocated for prizes above Rs 10000 (Kerala lottery data)*</li> </ul>
<b>Profits</b>	<b>\$ 4.4 Billion (0.17*26)</b>
	<ul style="list-style-type: none"> <li>Assuming 17 per cent profit on non-tax revenue (based on trend of profit percentage of Kerala State Lotteries)</li> </ul>
<b>Potential earning by government</b>	<b>\$ 11.9 Billion</b>
	<ul style="list-style-type: none"> <li>Indirect Tax (B)+ Direct Tax(C)+ Profit (D)</li> </ul>

\*Estimation based on prize structure of most popular Kerala weekly lotteries

The estimate above suggests that government can generate approximately USD 12 billion cumulatively through profits and taxes on government-run lotteries.

To put this number into perspective, the table below provides the total budget

outlay for key Central schemes for FY 2023-24. This suggests that the potential earnings from operating lotteries at the national level could be used to fund several nationwide welfare programs, improving incomes, and living standards of millions of marginalized households in India.

**government can generate approximately USD 12 billion cumulatively through profits and taxes on government-run lotteries.**

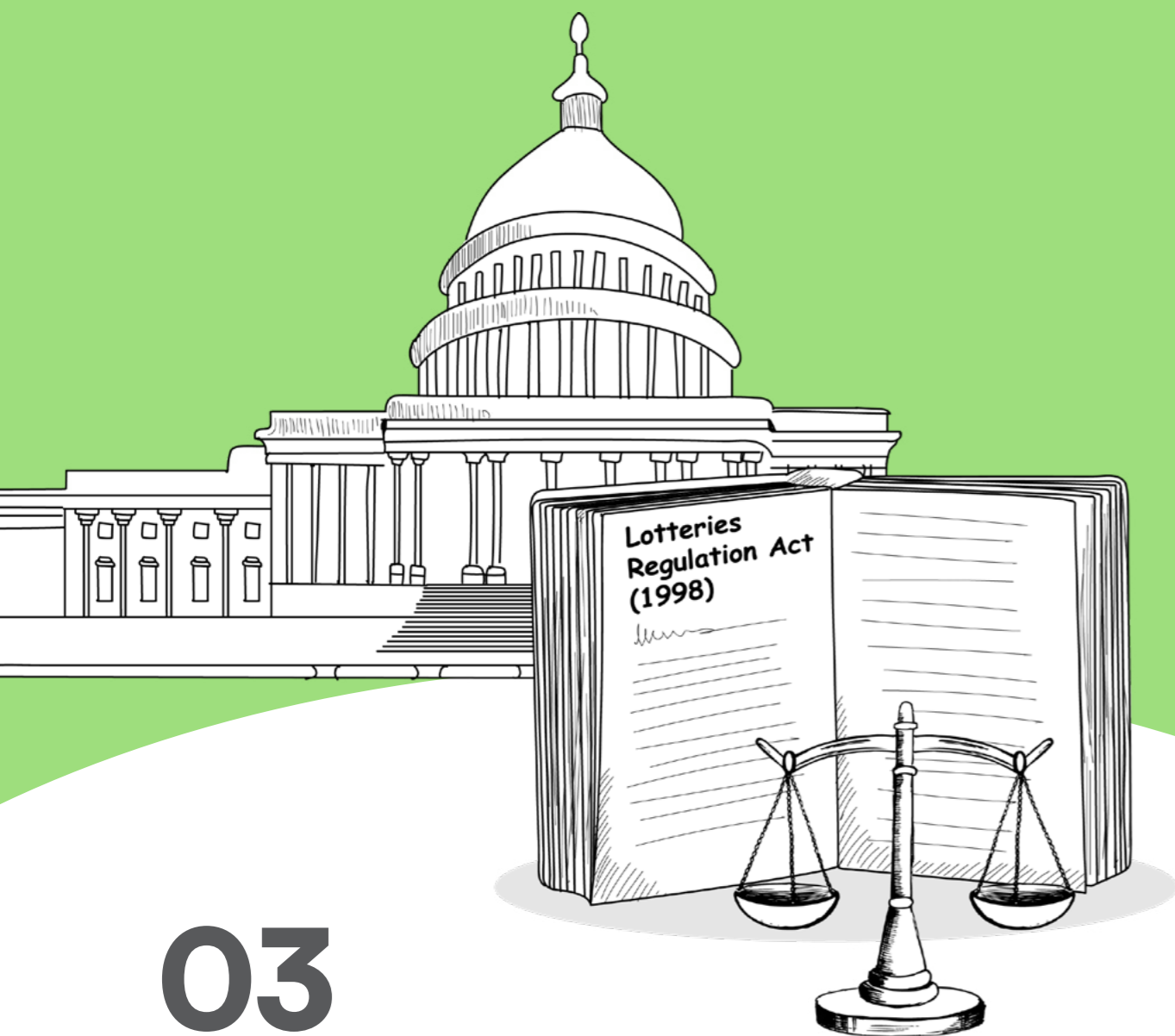
Table 3: Estimating India's Lottery Market

<b>MNREGA</b> (Rural Employment Guarantee)	<b>\$ 7.2 Billion</b>
<b>Jal Jeevan Mission (JJM)/ National Rural Drinking Water Mission</b>	<b>\$ 8.4 Billion</b>
<b>Ayushman Bharat - Pradhan Mantri Jan Arogya Yojna</b> (PMJAY)	<b>\$ 0.8 Billion</b>
<b>National Health Mission</b>	<b>\$ 4.5 Billion (approx)</b>
<b>National Education Mission</b>	<b>\$ 4.5 Billion (approx)</b>

A significant portion of the government's total pool of funds for social causes can come from the profits and taxes earned from operating lotteries. Going forward, it would be worth examining the ways

in which the proceeds from lottery sales can be innovatively employed to fund India's welfare projects, particularly in relatively underfunded areas such as health and education.

# 03 Regulatory & Legislative Frameworks for Lotteries in India



## Overall Framework

Despite apparent similarities, lotteries were excluded from the ambit of betting/gambling in the Indian legal system. The legislative field with respect to 'Lotteries organized by the Government of India or a State Government' falls under Entry 40 of the Union List, and 'Betting and Gambling' falls under Entry 34 of the State List. Under Clause (1) of Article 246 of the Constitution, Parliament is competent to make law qua Lotteries organized by the Government of India or the State Government; and, under clause (3) thereof, a State Legislature is competent to make law qua betting and gambling within the State.<sup>16</sup>

## Central Framework

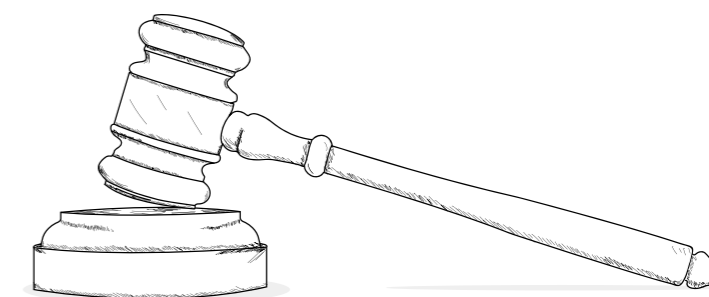
Three decades after the introduction of the first State-run lottery in India by Kerala, legislation was brought at the Central level to regulate lotteries in the year 1998. Central legislations governing lotteries in India are the Lotteries (Regulation) Act 1998<sup>17</sup> and Lotteries (Regulation) Rules 2010<sup>18</sup>. **The 1998 Act defines a lottery as 'a scheme, in whatever form and by whatever name called, for distribution of prizes by lot or chance to those persons participating in the chance of (winning) a prize by purchasing tickets.'**

Central legislations lay down the overarching framework of lottery regulation in India including the type of

lotteries that can be offered. The ban on single/double/triple digit lotteries, restriction on number of draws, hiring of private entities for marketing/distribution, printing of tickets, management of sales proceeds, audit and disclosure obligations, organizing of draws all fall under their purview.

Under Central regulations, private lotteries are not allowed to operate in India. States can run their lottery schemes according to the guidelines laid down in the Act and can also frame rules to implement various provisions of the Act. The legislation allows the State Government to appoint/license private entities/agents for marketing and distribution of State lotteries while key areas of operation like framing of schemes, printing of tickets, conducting draws, and disbursement of prizes are functions directly handled by the government.

Tickets from lotteries operated by one State can be sold in another State where lotteries are legal. Further, no State can ban lotteries organized by another State if they run their own lottery schemes. Only the Central government can



**States can run their lottery schemes according to the guidelines laid down in the Act and can also frame rules to implement various provisions of the Act.**

16. Law Commission of India. (2018). Legal Framework: Gambling and Sports Betting including Cricket in India. Government of India.

17. Lotteries (Regulation) Act. (1998). Government of India.

18. Lotteries (Regulation) Rules. (2010). Government of India.

prohibit lotteries organized by a State, after due diligence and examination of complaints received regarding the violation of compliances laid down in the

Act/Rules. In addition, there are other statutory provisions related to lotteries as listed in Table 4 below.

**Table 4: Statutory provisions related to lotteries in India.<sup>19</sup>**

### Indian Penal Code

Section 294 A prohibits keeping an office or place for the purpose of drawing lotteries except for state lottery or state authorized lottery.

### The Indian Contract Act, 1872 (Contract Act)

Section 30 states that an agreement by way of wager is void and unenforceable, but at the same time it is not forbidden by law and hence, cannot be termed illegal. In such a situation, no suit can be brought to enforce any winnings accruing out of winning a bet or gamble.

### Foreign Exchange Management Act, 1999

Remittances of Income from lottery winnings, racing/riding, sweepstakes etc. are prohibited under the Act. Foreign Direct Investment and investment by a person resident outside India is prohibited in lotteries.

### Information Technology (Intermediaries Guidelines) Rules, 2011:

Requires 'intermediaries' like internet service providers, network service providers, search engines, and telecom operators not to host or transmit any content which inter alia relates to or encourages gambling.

19. Law Commission of India. (2018). Legal Framework: Gambling and Sports Betting including Cricket in India. Government of India.



### Payment and Settlement Systems Act, 2007

Authorizes RBI to regulate all forms of payment and settlement systems in India including electronic payments. Powers granted under this Act have been used by RBI to restrict payment to illegal offshore gambling processors through online payment gateways.

*Currently, under CGST, lottery tickets attract a 28 per cent rate on the entire face value of the ticket.*

### Income Tax Act, 1961

Provision for Tax Deduction at Source (TDS) (30 percent of winning amount plus applicable cess, and surcharge) in cases of winnings from lotteries, crossword puzzles, card games or any other games and horse races.

### CGST Act 2017

State legislatures have the power to tax lotteries under Entry 62 of the State List thus before passing of CGST sale of lottery tickets attracted sales tax as applicable in each State. Currently, under CGST, lottery tickets attract a 28 per cent rate on the entire face value of the ticket. This high taxation of lottery tickets is owing to the lottery falling under the category of game of chance thus making it a form of gambling and betting.

### State Level Framework

While the Lottery (Regulation) Act 1998<sup>20</sup> and the Lottery (Regulation) Rules 2010<sup>21</sup> provide an overarching framework for implementing lotteries across the nation, Section 12 of the 1998 Act allows State Governments to frame specific legislation

to conduct and organize State lotteries according to the provisions laid down under the Act and Rules.

State lottery legislation defines provisions related to State-specific lottery operations. These include provisions related to the procedure for tendering

20. Lotteries (Regulation) Act. (1998). Government of India.

21. Lotteries (Regulation) Rules. (2010). Government of India.



**Goa and Sikkim have special legislations catering to online lotteries namely — Goa Online Lottery Rules 2023<sup>23</sup> and Sikkim Online Network Lottery Rules 2001<sup>24</sup>.**

for distribution/marketing agents, availability of adequate infrastructure (duly tested and certified in case of digital infrastructure), procedure for printing and sale of lottery tickets, maintenance of sales records etc. State laws and rules also detail out how draws are to be conducted and managed, including provisions for draw committees, mechanisms for disbursement of prize money (in terms of timelines from date of draw), and documents required for claiming prizes.

Further, States can have their own agreements in place relating to revenue sharing with private entities, qualification criteria for appointing marketing/ distribution agents, mode(s) of lottery operation (offline/online), and prize structure as per their specific requirements but within the broader framework laid down in the Central legislation. This is to ensure that State-level lotteries are operationalised in a manner that ensures flexibility and adaptation to the unique developmental and operational needs of each State.

Online lottery is defined in the Lottery (Regulation) Rules 2010<sup>22</sup> as ‘a system created to permit players to purchase lottery tickets generated by the computer or online machine at the lottery terminals where the information about the sale of a ticket and the player’s choice of any particular number or combination of numbers is simultaneously registered with the central computer server’.



This definition of online lottery only involves transactions wherein the purchaser visits an authorized lottery terminal (which is managed and supervised by the State Lottery Directorate) for purchasing lottery tickets. However, this definition does not account for web-based and app-based lottery schemes where an e-ticket can be generated.

There is considerable divergence in paper and online lotteries across various States. While States like Kerala and West Bengal run only paper lotteries and have banned online lotteries, others like Goa, Mizoram, Nagaland, Sikkim, and Arunachal Pradesh run online lotteries. In fact, Goa and Sikkim have special legislations catering to online lotteries namely — Goa Online Lottery Rules 2023<sup>23</sup> and Sikkim Online Network Lottery Rules 2001<sup>24</sup>. According to the Goa Online Lottery Regulation 2023<sup>25</sup>, a ticket is defined both in electronic form (an eTicket) and in printed form (via a Lottery Point of Sale Terminal).

22. Lotteries (Regulation) Rules. (2010). Government of India.

23. Goa Online Lottery Rules. (2023). Government of Goa.

24. Sikkim Online Network Lottery Rules. (2001). Government of Sikkim.

25. Goa Online Lottery Rules. (2023). Government of Goa.

Through this definition, Goa became the first State to expand the definition of online lottery to include e-tickets, which is a much-needed step keeping in mind the current age of digitalization and penetration of smartphones. The provision empowers the government of Goa to regulate the entire online lottery universe which, considering the fact that much of the offshore illegal lottery piece is operated through app or web-based platforms, is critical.

## Regulatory Gaps & Challenges

While India’s lottery industry is regulated by detailed Central and State legislations, regulatory gaps inhibit its modernization. In order to reform the lottery sector, the following regulatory gaps would need to be addressed:

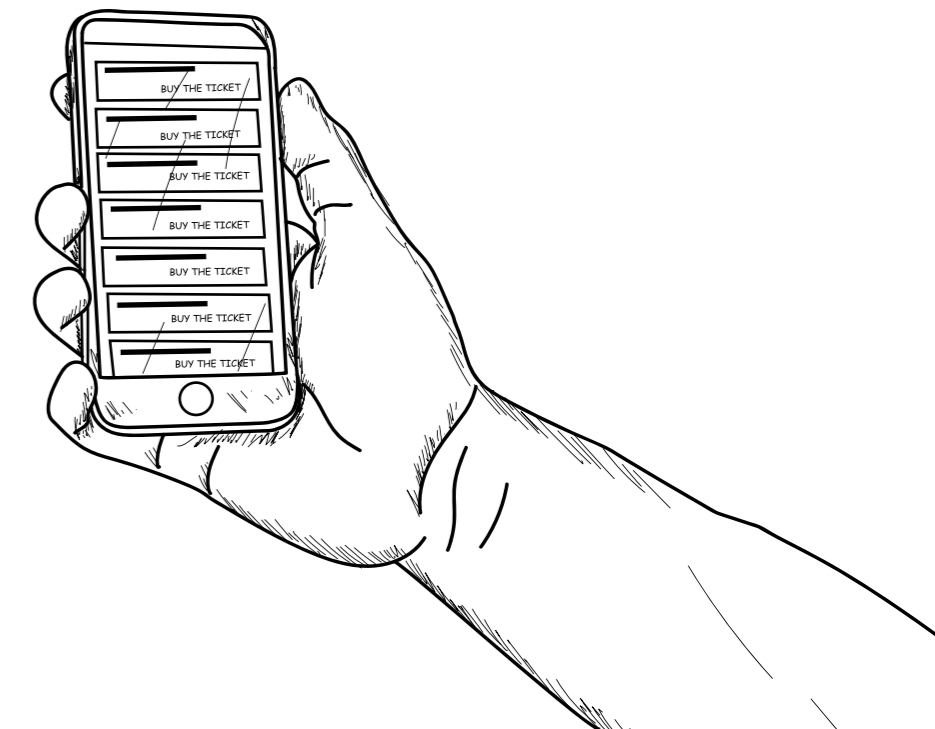
### 1 Restrictive definition of online lottery:

Both Central and State regulations provide a narrow definition of online lotteries which do not include lottery games offered through web or app-based platforms generating digital tickets/e-tickets. Present regulations define online lottery as a system wherein players can buy physical tickets generated online at designated and authorized lottery terminals with relevant transaction data stored simultaneously in a central server controlled by the Lottery Directorate. This definition may have been apt in 2010 when these rules were framed but with the smartphone penetration and cheap internet fuelling

online gaming, there is a need for a more expansive definition for online lotteries covering web and app-based platforms. Goa has taken lead by expanding the definition of online lottery and lottery tickets through the Goa Online Lottery Rules (2023), paving the path for effective regulation of lotteries in the digital age.

### 2 Lack of provisions for responsible and safe gaming:

Central and State legislations do not specify the minimum age of participation in State lotteries and do not mandate adequate KYC checks for players to prevent the participation of minors (under the age of 18 years). Further, Central and State regulations presently lack adequate provisions for mitigating the harmful effects of gambling and addressing the issue of chronic gambling. Finally, both the Central and State legislations lack provisions relating to the institutionalization of grievance redressal mechanisms to ensure that the interests of players are protected.





**Goa and Sikkim have special legislations catering to online lotteries namely – Goa Online Lottery Rules 2023<sup>23</sup> and Sikkim Online Network Lottery Rules 2001<sup>24</sup>.**

Take, for example, prize disbursement; both the licensed private agency and the government is involved in the process of prize disbursement. If the winning amount is below a certain threshold (generally less than Rs 10,000) the prize can be disbursed by marketing agents, while a state government official in the rank of Director is responsible for disbursing prize money above this threshold. CAG reports have routinely highlighted non-compliance and irregularities in prize disbursement, especially in cases of prize amounts below Rs 10,000. Also, licenses are offered lottery scheme or game wise and with a state running multiple schemes (sometimes more than 20), pose significant regulatory,

governance and compliance challenge. The revenue sharing model in most cases is pegged at MGR (Minimum Guarantee Revenue) wherein the government receives a fixed amount for each draw thus stifling revenue growth for the government and disincentivizing marketing and distributing operators from growing. Instead, revenue accrued by the government should be linked to total sales thus allowing governments to maximize revenue for good causes. FDI restriction in lottery prevent global players from bringing in latest technology and best practices in the bid to make Indian lottery more transparent with adequate provision for player protection and responsible play.

### 3 Inadequate disclosure and audit obligation:

The current regulatory structure lacks adequate mechanisms for transparency and accountability. While Section 3.19 of the Lottery (Regulation) Rules 2010<sup>26</sup> mandates the organizing State to conduct an annual financial and system audits of various lottery schemes run by the State, it does not specify the time within which the State Government should publish the annual audit report. Further, while Section 3.3 of the Lottery (Regulation) Rules 2010<sup>27</sup> mandates the organizing State to publish full details of lottery schemes run by the government in the official gazette through notification, there are no mandates for the State

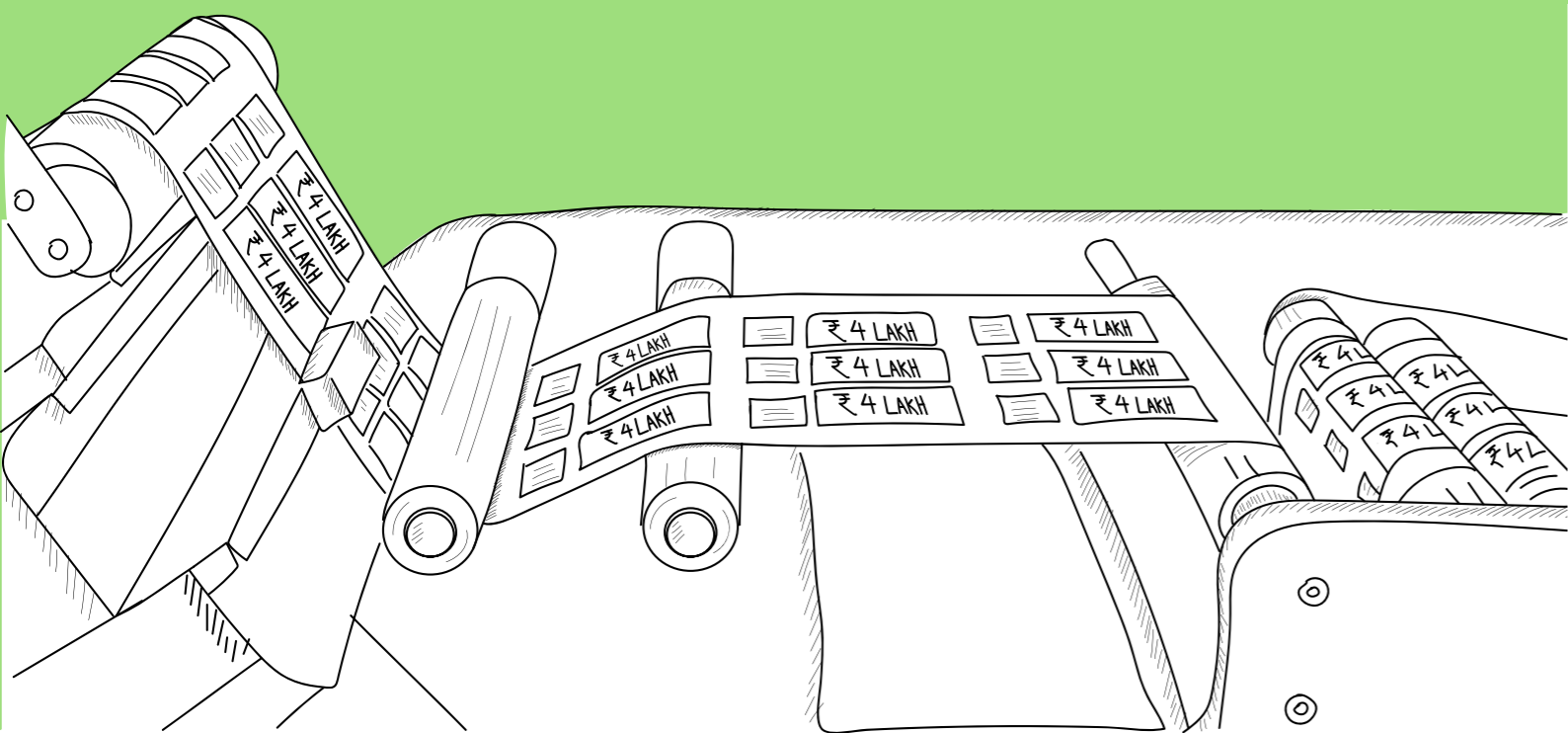
to provide information on utilization of revenue generated from a particular lottery scheme. Thus, the areas in which the funds from a lottery scheme may have potentially been invested (such as health, education, etc.) remain unclear. This poses serious challenges to overall accountability in public finance management.

### 4 Complex Licensing Framework:

The licensing framework adopted for hiring private agencies for distribution and marketing of State lotteries is complex, difficult to govern, and inefficient. First up, there are no clearly defined roles and responsibilities.

26. Goa Online Lottery Rules. (2023). Government of Goa.

27. Lotteries (Regulation) Rules. (2010). Government of India.



# 04 Implementation Challenges

## Implementation models for lotteries in India

### Role of government

In States where lotteries are legal, the State Lotteries Directorate is responsible for operationalizing lotteries as per the provisions laid down in the Central and State legislations. The State Government assumes an omnipresent role in lottery operations — including the framing of schemes, printing of lottery tickets, hiring private agencies for marketing and distribution, conduct of draws, prize distribution, maintenance of sales records et.al. and is also responsible for conducting financial and systems audits. Various government committees are formed — such as the Tender Committee, Draw

Committee etc. — to supervise and monitor different operational areas. This model requires a high level of expertise in technology and operations on part of government officials to enable them to operate and regulate lotteries, especially online lotteries. CAG reports on the State lotteries of North-Eastern States have more than once flagged the absence of IT experts in the lottery directorates, which dilutes the capacity of government to effectively regulate online lotteries and ensure compliance.

In the UK, a license is given to a private entity through a transparent selection process to operate the national lottery on behalf of the government for a fixed term. The private player is responsible for running the entire operation including bringing in the required technological innovation. The government is responsible solely for regulatory functions such as audit, licensing/hiring of distributors, and security. This separation of role is not only an ethical imperative promoting fair play but also enhances operational efficiency as private entities with the requisite expertise are allowed to operate the lottery while the government ensures fit-and-proper regulation and compliance.

### Role of private agencies

While privately-run lotteries are banned across India, private agencies are given licenses to market and sell State lottery tickets on a commission basis.

**In general, private players handle the following aspects of lottery operations:**

- Marketing and selling of lottery tickets through vendors/agents/.

- Disbursement of prize amount below a particular threshold (generally less than INR 10, 000).
- Installing, running, and maintaining the infrastructure required to run online lotteries.

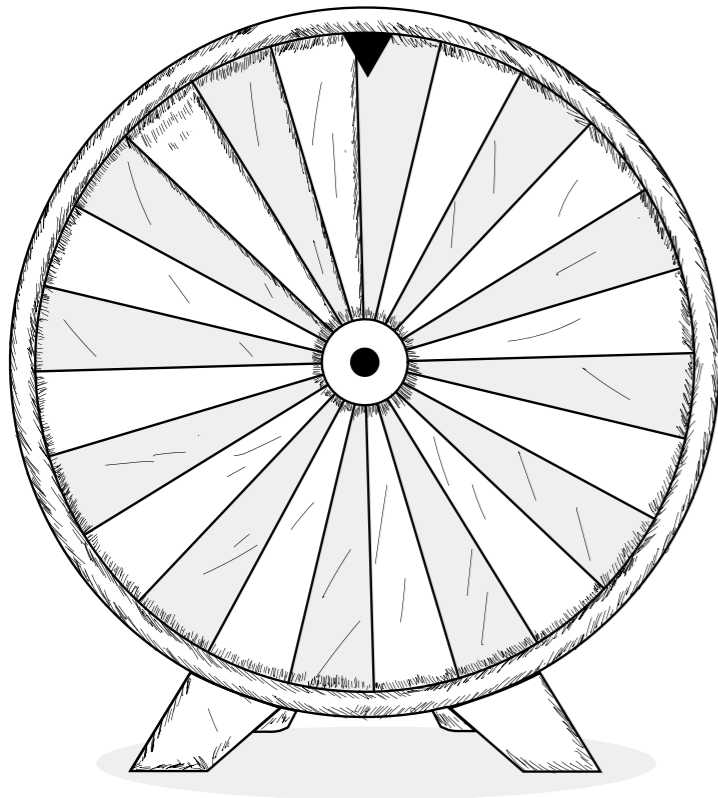
### Types of Lotteries

The Indian lottery market is dominated by paper lotteries wherein tickets with pre-printed lottery numbers are sold at kiosks. Indian lottery regulations prohibit single/double/triple digit lotteries along with prizes based on pre-announced numbers. Further, instant lottery games like scratch cards are not allowed as per the regulations in force. Draw-based games are offered in the form of weekly and bumper lotteries. Across the States where lotteries are legal, **there are broadly two categories of draws, namely regular and bumper. While regular draws take place daily, and sometimes more than once in a day, bumper draws are rarer, taking place only a few times in a year on special occasions such as big festivals.**



**The advent of the internet and access to smartphones and cheap internet access has fuelled the online gaming sector in India and across the globe.**

Both the ticket price and the prize are modest in regular draws while bumper draws carry huge cash prizes. The advent of the internet and access to smartphones and cheap internet access has fuelled the online gaming sector in India and across the globe. Indian lottery is still to leverage this digital revolution in the bid to design games which are innovative, provide greater user experience and transparency while integrating responsible gaming framework which includes self-exclusion, spending limit, grievance redressal, player education, treatment referral etc. Indian regulations restrict innovation in type of games offered and impedes incorporation of best practises in responsible gaming framework ensuring transparency and player protection. Reliance on draw-based games with pre-printed tickets is a fundamental reason behind this state of affairs. North-Eastern states operating online lotteries



did attempt to offer innovative games like Lotto (Sikkim) and Keno (Mizoram) but the technology and equipment deployed in operationalizing them was not certified or tested and thus lacked integrity and transparency. **To conclude, lottery games in India lacks in innovation, variety, transparency, player protection and user experience when benchmarked against global standards.** Lottery games needs to be research-designed with a player-centric approach to enhance user experience while ensuring responsible gameplay.

## Operational gaps and challenges

Presently, the approach towards running the lottery industry in India is driven more by the negative social perceptions and stigma around gambling, and less by the use of technology and evidence-based methods for reform. The limited types of games offered, and the lack of innovation in games designed, prevents the unlocking of huge market potential in India and the revenue that can be generated for vital social causes. It is observed that the Indian lottery industry operates at a much higher cost with lower profit margins when benchmarked against global industry standards. Lottery operations in India would benefit from modernisation — including the adoption of the latest technology and best industry practices.



### 1 Complex operational structure:

The regulatory and operational frameworks pertaining to lotteries are layered and complicated. While the Central regulations lay down key provisions, State legislatures are empowered to create their own rules — which can potentially create divergence in regulatory implementation. Further, **private entities currently have a very limited role in India's lottery landscape and the government is involved in day-to-day operation of lotteries.** The absence of a specialised agency/body in the form of a Gaming Commission dedicated to regulating lottery operations at arm's length, means the government is required to play the role of a regulatory body while also being involved in

day-to-day operations of the industry. Inefficiency leading to non-compliance and irregularities in lottery operations is the result.

**There is a lack of credible information around how lotteries are operated in India.**

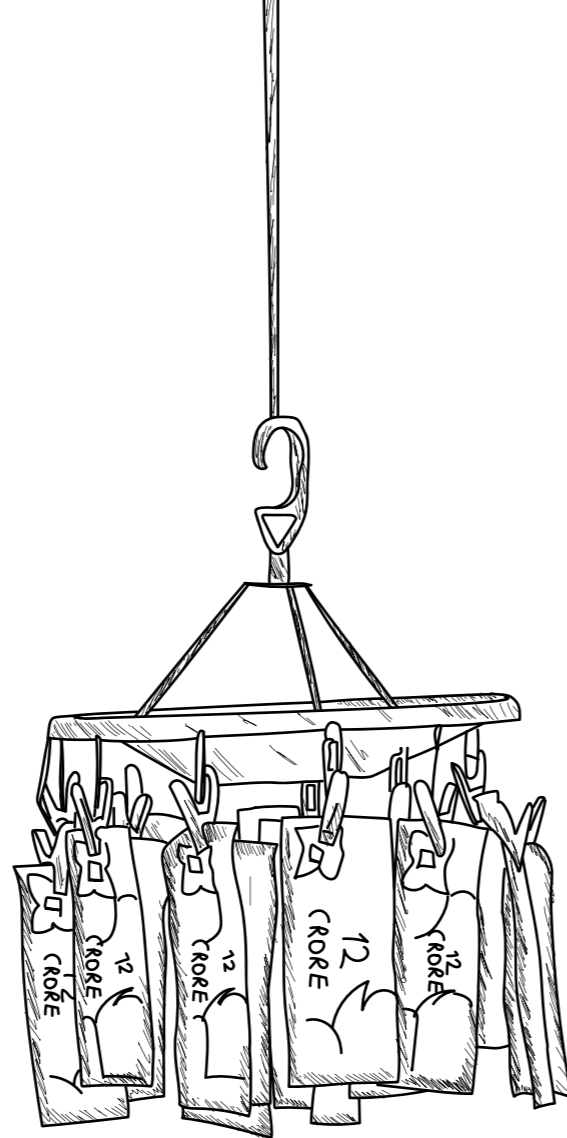
### 2 Lack of transparency and accountability:

There is a lack of credible information around how lotteries are operated in India. In fact, the websites of most Lottery Directorates (barring Kerala) provide little or no information with regard to scheme-wise sales of lottery tickets, revenue generated, utilization of revenue, and grievance redressal mechanisms. None of the lottery directorate websites release an annual report containing operational highlights; disclosures about the technology used in operations; information on the distribution channels

(agency, agents, vendors); employment and revenue data; details of the utilization of revenue for good causes; and measures taken to curb malpractices. The opaqueness surrounding the operation of lotteries erodes public trust and contributes greatly to the negative social perception around lotteries. Awareness among the populace about lotteries being legitimate forms of wagering with the potential to contribute to state revenues is minimal.

### 3 Reliance on inefficient paper-based lotteries:

The bulk of lottery sales are conducted by agents/vendors using physical retail channels. Paper-based lotteries are prone to issues such as loss of tickets during transportation, sale of defective or fake tickets, and the difficult and arduous task of maintaining records of tickets (sold, unsold, and defective). These are some of the challenges which reduce cost-savings and lower efficiency across the supply chain. Handling high volume transactions in the case of paper lotteries poses a serious logistical challenge compromising integrity and compliance, potentially leading to corruption. The CAG report on the operation of Kerala State Lotteries highlighted issues relating to fake tickets, more than one prize payout to a single ticket, and multiple claims on prize money. Additionally, the overreliance on paper-based lotteries implies that India's lottery industry does not adequately leverage the growing access to smartphones and cheap internet, which would offer greater cost savings and a more efficient marketing channel.



### 4 Inadequate use of technology:

Within India's lottery industry, modern technology has been unevenly deployed for streamlining functions and enhancing efficiency. For instance, Kerala has digitized its lottery supply chain using LOTIS (Lottery Information & Management System), a web-enabled, Cloud-based open solution for supply chain management; however, the lottery infrastructure related to marketing, services offered to customers, and game options remain outdated resulting in sub-optimal outcomes. The inadequate use of technology in lottery operations has resulted in fly-by-night operators rigging and manipulating lottery-related software, leading to fraud and non-transparency in operations.

### 5 Lack of data-driven approach:

The lottery industry in India lacks a data-driven approach: There is very little evidence of the use of powerful data analytics tools to monitor lottery operations with respect to sales, revenue, prize disbursal, and designing an appropriate action plan for enhancing and optimizing lottery operations. Digitization of the entire lottery operation and online games offered on digital platforms (web or app based) integrated with powerful data tools will help generate critical insights on user behaviour and the demographic profile of players accessing games. Analysis of the user-data will be crucial for designing consumer-centric games focusing on better user experience and effective measures to promote player safety and responsible gambling. Further, user-data like average time spent on

games, and average spending, gaming frequency (per day/week/month) can help in assessing the extent of the problem of gambling addiction and identify user accounts vulnerable to it (i.e., high risk consumers). This will help in designing harm detection algorithms and evidence-based countermeasures to address the issue of gambling addiction. A Player Account Management System allows for incorporating measures such as time limits and spending limits (maximum amount that can be spent on games daily/weekly/monthly) on the gaming accounts of vulnerable users. It would also provide players with the option of self-exclusion by requesting temporary freezing of the account and/or transaction if the player feels they may be exposed to fraud or the risk of addiction.

*Digitization of the entire lottery operation and online games offered on digital platforms (web or app based) integrated with powerful data tools will help generate critical insights on user behaviour and the demographic profile of players accessing games.*



# 05 Recommendations and Reforms

India's current regulatory framework and implementation model for lotteries has discernible gaps which reduce its overall effectiveness in promoting a healthy lottery eco-system. The regulatory framework needs to be updated to become more relevant to the present age of digitalization, affordable internet connections, access to smartphones, and proliferation of online lotteries/gambling. Policy recommendations for reforms in the lottery sector are categorized into two aspects — regulatory and operational.

## Regulatory Reforms

### Revision in definition of relevant terms within the regulations

- The definition of online lotteries - as stated in 2(e) of the Lottery (Regulation) Rules 2010 - should be changed to include lottery tickets generated digitally through a personal phone or computer accessing a web or app-based platform, thus widening the scope of the definition and making it more relevant to the contemporary milieu.
- Section 2 (d) of the Lottery (Regulation) Rules 2010 allows for the use of machines or other mechanical devices to select winning numbers. The Rules should be modified to include the use of a transparent digital tool to generate the winning number — thereby encouraging greater efficiency in lottery operations.

### Player protection and safe gambling

- By building upon best practices from across the globe, especially the UK, USA and China, State and Central regulations in India should specify the minimum age for participation in lotteries. In the case of account-based digital lotteries, a provision of digital KYC enabled by Aadhar/PAN to prevent underage play should be introduced.
- In cases where lottery tickets are sold at kiosks and terminals physically, there should be a proper retailer policy manual in place along with a mechanism for routine audits, especially surprise inspections, along with the provision of capacity-building initiatives for retailers.
- State and Central regulations should mandate the development of Grievance Redressal Mechanisms with appropriate guidelines and standard operating procedures (SOPs), specifying the steps to resolve complaints in a timebound manner. The helpline number for the grievance redressal cell and information regarding the mechanism to register complaints should be displayed in a manner which is easily accessible to any person accessing the State Lottery Directorate website/portal.

- A pool of mental health practitioners and social scientists with expertise in gambling addiction should be onboarded to guide the State Lottery Directorate(s) and develop online content on how to mitigate the impact of gambling addiction. All lottery tickets should include statutory warnings against lottery participation, the helpline number for the grievance redressal cell, and information on gambling addiction counselling centers.

### Relevant revisions to other statutory provisions related to lottery

- The Department for Promotion of Industries and Internal Trade (DPIIT) should consider relaxing FDI norms for government-run lotteries as FDI is currently disallowed in the lottery sector as a whole; FEMA regulations should be revised accordingly. This will promote the modernization of the Indian lottery industry, and help make it more transparent, efficient, responsible, and safe, all the while generating significant revenue for the state.
- Payment and Settlement Systems Act, 2007, which regulates the payment and settlement system in India including online payments, is a relevant piece of legislation which could be used to restrict offshore gambling entities from operating in India while granting relaxations to legal gambling like government-run lotteries in matters related to electronic transactions.
- Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021, should be amended to allow content related "legal" gambling like State-organized lotteries to be hosted on platforms.
- Section 30 of the Indian Contract Act of 1872 declares 'wagering agreements' to be null and void but not illegal. However, this is detrimental for the player participating in legal gambling (such as a State-run lottery) as they cannot obtain/enforce any contract related to the lottery

*Digitization of the entire lottery operation and online games offered on digital platforms (web or app based) integrated with powerful data tools will help generate critical insights on user behaviour and the demographic profile of players accessing games.*

in a court of law. Section 30 of this Act should be amended to exclude legal gambling like State-organized lotteries from the ambit of the 'wagering agreement.'

### Adequate disclosures and audit obligations

- Section 3.19 of the Lottery (Regulation) Rules, 2010, should mandate the State Government to publish annual audit reports on their website/ portal within a specified period of time in a financial year. Such audit reports should detail the total revenue generated, profit accrued to the State government, operational costs, utilization of revenue from lotteries in percentage terms across sectors and government schemes, compliance standards et.al.
- Section 3.3 of Lottery (Regulation) Rules, 2010, should be amended to mandate State governments to publish additional information such as odds of winning and planned utilization of revenue generated across different sectors and schemes.

### Operational Reforms

#### Government's role should restrict to supervisory and monitoring functions

- Elements of the UK model of lottery can be explored to reduce the government's involvement in the lottery sector, and to create more space for licensed private players.
- Indian State governments should be able to grant licenses to a private entity for running the entire lottery operation within the State, for a fixed period, and progressively be allowed to attract FDI.
- Separation of roles between the Government (responsible for regulatory functions like licensing auditing and security) and the private entity (responsible for day-to-day management and operation of the State-level lottery) will lead to greater compliance and efficiency .

### Fostering a technology and data-driven approach

- State governments should transition to online lotteries along with account-based online lotteries on web and app-based platforms to enable greater transparency and efficiency. This would help to bring down the cost of operation while ensuring greater revenue for the State.
- The digitization of lottery supply chains should be prioritized. This would be accompanied by the modernization of retail networks, adopting omni-channel approaches, leveraging both physical and digital retail channels for efficient management of high-volume transactions, proper management of records, monitoring, and data reporting.
- A data-driven approach should be pursued in designing games which enhance user experience and promote responsible gameplay. Use of data analytics tools integrated into games capturing data on demographic profiles and spending & gaming patterns is essential to achieve the said objectives. Player-centric games which are driven by research offer a better user experience along with responsible gambling features like self - exclusion, spending limits, and the temporary freezing of player accounts.
- User data and feedback should be collected and analysed to understand the extent of the problem of gambling addiction and identify problem gamblers. Further, data-driven measures to mitigate the impact of problem gambling should be developed.

### Capacity building of relevant stakeholders

- Training sessions should be planned to improve the skills/capacities of existing government staff — particularly in relation to digital tools required for effective monitoring of lottery operations and evaluation of the data generated. Developing necessary expertise at the department-level is important for monitoring online lotteries effectively. IT experts should be hired compulsorily within each State lottery directorate
- The capacity building of lottery distributors/

sellers on compliance aspects should also be prioritized. Training can include elements such as adherence to the minimum-age restriction, identification of problem gamblers, responsible gaming, not selling lottery tickets near schools/ colleges, and proper maintenance of records pertaining to the lottery tickets (sold, unsold and prize-winning).

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*Digitization of the entire lottery operation and online games offered on digital platforms (web or app based) integrated with powerful data tools will help generate critical insights on user behaviour and the demographic profile of players accessing games.*

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## Benefits for India

Implementation of the above reforms at the operational and regulatory level shall yield benefits across various domains as illustrated below:

### Economy

#### Benefits

- Additional revenue source to the tune of billions of dollars for the government.

### Social

#### Benefits

- Employment generation for citizens from vulnerable sections (physically disabled, unskilled and/or illiterate).
- Additional government spending for the social sector through revenue generated from lotteries for good causes.
- A lottery industry which ensures transparency, player protection, and responsible play.

### Technology

#### Benefits

- Modernization of government lotteries aligning them with the vision of Digital India.
- Development of the Indian gaming industry including the lottery sector by bringing in best practises/ technology aligned with global standards.

### Transparency

#### Benefits

- A lottery sector which is transparent, ensures security & integrity, promotes better compliance to the statutory obligations along with adopting global best practices.





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