



# Demonetisation and Indian gaming



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The Government of India on 8<sup>th</sup> November 2016, took the bold initiative of declaring two of the highest value currency notes in India to cease being legal tender. This had an immediate detrimental effect on the gaming industry in India, with certain casinos in Goa reporting that they had a substantial revenue loss, with some even claiming that they had shut their businesses for 2-3 days.

The casino operators stated that this was primarily because 95 percent of their patrons were domestic tourists. With the availability of currency being substantially low during the initial phases of demonetisation and limits to currency withdrawal, patrons did not have enough cash to play<sup>1</sup>. However with the currency crunch reducing, the gaming business may be heading back to normalcy.

Demonetisation has confirmed what was perceived - that the gaming business was substantially dependent on cash/hard currency. Post the demonetisation, it needs to be understood whether the players will change to betting through digital payment options or will it slowly move back to using cash/hard currency. A number of online gaming operators have claimed that their business has gained traction since demonetisation, as a number of players now prefer using digital modes of payment. This could have been spurred by the fact that a number of players did not have the hard currency to play, or use for entertainment. They chose to play from the comfort of their houses on the online gaming platforms. Now having experienced the ease of using digital transactions for gaming, they might not go back to cash gaming entirely.

The principle behind demonetisation was to combat undeclared money, i.e. money not declared by a person in his income tax returns. The Special Investigation Team appointed by the Supreme Court of India to look into the aspect of black money in India, had expressly stated that a large amount of black money was used in the gambling industry particularly in cricket betting<sup>2</sup>. With demonetisation, it is believed that the amount of black money has substantially reduced in the economy. Would this therefore not be the

1. Kaur.V, 'Goa casino businesses struggle to stay afloat post demonetisation', accessed on 11.4.2017 at <https://www.onlinebetting.in/2016/12/goa-casino-business-struggles-to-stay-afloat-post-demonetization/>

2. 'Curb betting in cricket to check black money: SIT'; The Hindu, 24<sup>th</sup> July 2015.

3. Sharma.N, 'Paytm's valuation rise 4.7% as demonetisation lends a helping hand', 15<sup>th</sup> December 2016, Bloomberg Quint.

4. 'Lucky grahak, Digi dhan: Rs. 1 crore jackpot for person making Rs. 1,590 digital payment', 9<sup>th</sup> April 2017, NDTV Profit.

5. Halliday.J, 'Brutal but effective: why team GB has won so many Olympic medals', 15<sup>th</sup> August 2016, the Guardian.

opportune time for the gaming businesses, particularly the legitimate ones, to capitalize by offering opportunities and commercially viable games to the public, so that players use their declared money and not black money towards gaming? The online gaming operators could demonstrate they are bona fide by encouraging digital transactions and implementing 'Know Your Customer' norms.

The Government of India in its 'Clarification for tax compliance for undisclosed foreign income and assets' has acknowledged that e-wallets/virtual cards may have been used for games of skill like poker and if income has been earned through this, then declaration for the same could be made like those made for bank accounts.

Demonetisation has increased the reach and availability of modes of digital transactions like e-wallets/mobile wallets. Valuations of some digital payment wallets have risen significantly post the demonetisation with Paytm valuation having risen 4.7 percent to Rs. 32,500 crores<sup>3</sup>. It seems like a natural corollary that since Indians are gradually moving towards digital currency, the apprehension to use digital money for gaming will gradually reduce.

NITI Aayog, the Government of India think tank, had introduced a lottery like scheme with daily, weekly and mega awards for consumers and merchants based on a draw of lots on 15<sup>th</sup> December 2016. On 9<sup>th</sup> April 2017 it was reported with great pomp that the President of India picked six winners from a draw of lots and declared prizes of Rs. 1 crore, Rs. 50 lakhs and Rs. 25 lakhs to the consumers using Rupay Debit Cards<sup>4</sup>.

This scheme was initiated for the laudable purpose of rewarding people moving towards digital transactions. If not termed as a lottery, it can be seen as akin to raffles run by non-profit organizations, whose profits are going towards charity/public purposes, thus being exempt from some of the provisions of licensing mandated by governments.

There has been a move in India to classify all national sport federations as Non-Government Organizations. Sport in India is in much need of funds to develop infrastructure, promote public well-being, develop grassroot programs and fund elite sports. It has been seen in the UK that sport has received GBP 350 million for Olympic and Paralympic sports between 2013-2017 from the National Lottery Fund, which led to the laudable performance of the UK Olympic and Paralympic squad<sup>5</sup>. India has the National Sports Development Welfare Scheme which was established in 1998 under the Charitable Endowments Act 1890. This fund is administered by a Council consisting of representatives of the Government of India, apex industry organizations like FICCI, CII and Assocham and representatives of sports control boards. The Government of India could explore running a welfare scheme for sports, where persons attending a sporting event across India in a given month, provided that they have bought tickets, are eligible to participate in this scheme. A lucky draw could be conducted quarterly whereby winners could be declared by drawing lots. This would spur the spectators to procure tickets for sporting events and, while enjoying the sporting extravaganza, they could also have a chance to win a jackpot.

#### \*About the author

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Vidushpat advises on issues pertaining to betting and gambling laws, league formulation and rights structuring, government policies, TV and broadcasting rights, sponsorship and merchandising contracts, tendering procedure, anti-doping, ticketing, venue hire and brand protection.

