

УДК 334.7:79:004.738.5:796

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BUSINESS ASPECTS OF THE DIGITAL GAMING INDUSTRY AND ESPORTS

Abstract: the digital gaming industry and esports sector in India have seen exponential growth over the past decade, making them notable areas of economic and cultural impact. Leveraging advancements in technology and digitally active population, the gaming market has achieved rapid expansion in revenue, investments, and employment. This article examines the economic factor behind India's digital gaming and esports industry, including market trends, revenue forecasts, and major players. Additionally, it explores the infrastructural and social shifts driving growth, along with challenges such as regulatory and technological constraints. Through a comprehensive analysis, it highlights India's potential to become a global leader in the gaming economy.

Keywords: digital gaming industry, esports, India

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БИЗНЕС-АСПЕКТЫ ИНДУСТРИИ ЦИФРОВЫХ ИГР И КИБЕРСПОРТА

Аннотация: за последнее десятилетие индустрия цифровых игр и сектор киберспорта в Индии продемонстрировали экспоненциальный рост, что сделало их заметными областями экономического и культурного влияния. Используя достижения в области технологий и цифровую активность населения, игровой рынок добился быстрого роста доходов, инвестиций и занятости. В этой статье рассматриваются экономические факторы, лежащие в основе индийской индустрии цифровых игр и киберспорта, включая тенденции рынка, прогнозы доходов и основных игроков. Кроме того, рассматриваются инфраструктурные и социальные изменения, стимулирующие экономический рост, а также такие проблемы, как нормативные и технологические ограничения. Всесторонний анализ показывает потенциал Индии стать мировым лидером в игровой экономике.

Ключевые слова: индустрия цифровых игр, киберспорт, Индия

India's gaming industry, particularly digital gaming and esports, has emerged as one of the nation's fastest-growing entertainment sectors. Significant domestic and international investments have contributed to its growth, driven by a young market with affordable access to digital technology. However, understanding this evolution requires a closer look at India's business dynamics, market trends, economic impact, and the unique challenges in this space.

The Indian digital gaming market has undergone impressive growth over the past decade. In 2016, the industry was valued at approximately \$543 million. Since then, it has experienced substantial annual growth rates, driven mainly by the increasing popularity of mobile gaming, affordable internet access, and the rise of esports.

By 2020, the market value had doubled, reaching around \$1.1 billion. By 2022, it further expanded to \$2.6 billion, marking over a fourfold growth since 2016. This boom is largely attributed to mobile gaming, which constitutes a significant share of the market,

as well as the rise of online multiplayer games and esports.

Future projections indicate that by 2025, India's digital gaming market could exceed \$5 billion, with a compounded annual growth rate (CAGR) of approximately 28% from 2020 to 2025.

The key drivers of this growth are mobile gaming and esports, both of which are anticipated to continue thriving. Mobile gaming alone is expected to surpass \$3 billion by 2023, fueled by the high adoption rate of smartphones and affordable data plans. Meanwhile, the esports market, a relatively recent addition, is projected to grow at a 46% CAGR between 2021 and 2025 [1,2].

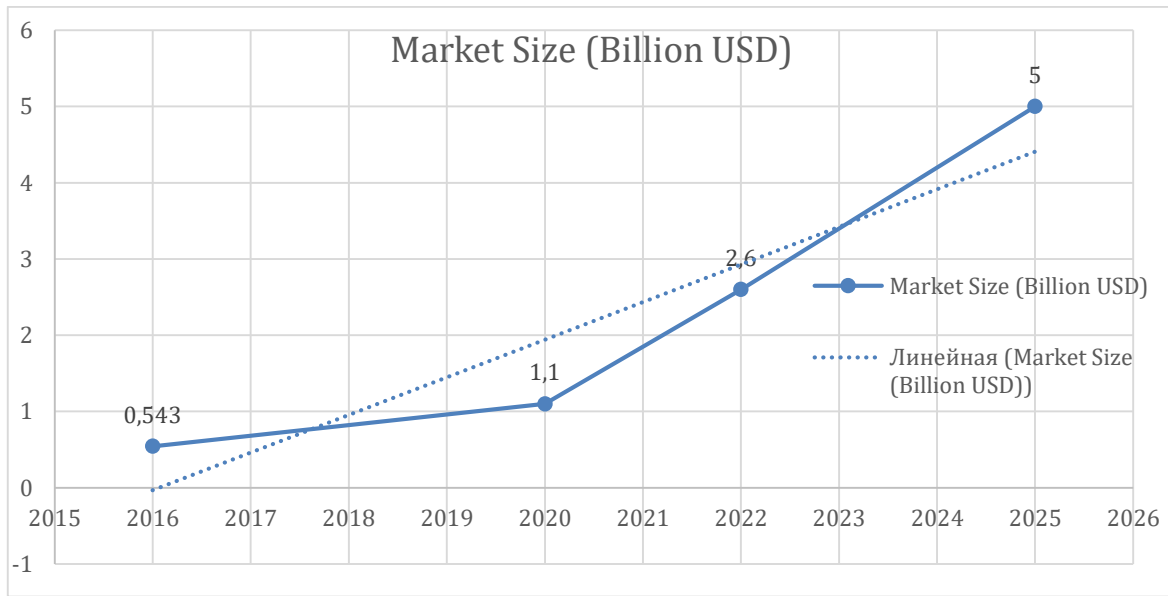


Figure1 – India’s market growth and revenue trends 2021-2025

Krafton and Nazara Technologies have played pivotal roles in shaping India’s gaming ecosystem, driving significant growth in the industry. Since 2021, Krafton has invested \$140 million in Indian startups like NODWIN Gaming, Loco, and Pratilipi, with plans to invest an additional \$150 million in the coming years. These efforts are aimed at building a sustainable gaming ecosystem, supported by large-scale esports events such as the BGMI Series, which attracts millions of viewers. Krafton has also adopted localized strategies, including collaborations with Bollywood celebrities, to engage Indian audiences effectively. Similarly, Nazara Technologies has been a key player since 2016,

making strategic investments to diversify and expand its portfolio. In 2018, it invested ₹164 crore (\$23 million) in NODWIN Gaming to bolster esports event production and acquired stakes in platforms like Sportskeeda and Halaplay to venture into fantasy and sports content. Its investment in Kiddopia, a gamified learning platform, and the acquisition of Turkey-based Publishme for ₹20 crore (\$2.7 million) reflect its global ambitions. Furthermore, Nazara raised ₹583 crore (\$80 million) through its IPO in 2021 to accelerate acquisitions and solidify its position. Together, Krafton and Nazara's investments have fueled the growth of esports, mobile gaming, and gamified learning, firmly establishing India as a rising hub in the global gaming industry.

India's gaming revenue comes from three main sources: in-game purchases, advertising, and sponsorships. In 2021, in-game purchases accounted for 55% of the industry's revenue, primarily driven by mobile games. Advertising made up 30%, with esports bringing in sponsorships from brands like Red Bull and Airtel, thus diversifying revenue beyond user purchases.

Esports has reshaped gaming careers in India, with over 1 million registered players and 500 million esports viewers annually. As an emerging industry, it creates revenue opportunities through sponsorships, merchandising, and streaming. High-profile tournaments, such as BGMI Series and Free Fire India Championship, have garnered millions of viewers, suggesting a shift in consumer engagement from traditional sports to esports [5,6].

India's gaming sector has created substantial employment opportunities in game development, digital marketing, and event management, generating over 50,000 direct jobs and 100,000 indirect jobs. The industry also supports other digital sectors like e-commerce and streaming services, adding economic value to India's digital ecosystem.

Socially, the growing acceptance of gaming has encouraged skill development and teamwork among youth. With educational institutions now recognizing gaming's potential, the positive impact on mental acuity and digital literacy among youth contributes value beyond economic benefits [3,4].

India, South Korea, and European countries have shown distinct trends in the growth of their gaming markets, reflecting varying levels of maturity and unique regional drivers. India has demonstrated the fastest growth, with its market surging from \$543 million in 2016 to \$2.6 billion in 2022, registering a Compound Annual Growth Rate (CAGR) of 28% between 2020 and 2025. This remarkable expansion is fueled by affordable mobile technology, widespread internet access, and the burgeoning popularity of esports. In contrast, South Korea, a more mature market valued at \$18 billion in 2022, has grown at a slower CAGR of around 9% over the past five years. South Korea’s gaming landscape is dominated by PC gaming and esports, supported by robust infrastructure and government policies. However, growth is constrained by market saturation. Meanwhile, European countries collectively reported a market value of \$23 billion in 2022, with a moderate CAGR of 4-5% since 2018. Europe's gaming industry benefits from strong PC and console gaming segments, complemented by the gradual adoption of mobile gaming and subscription-based services like Xbox Game Pass. While India leads in rapid market growth, South Korea and Europe are maintaining steady progress due to their established ecosystems. Each region offers unique opportunities, with India poised to dominate mobile gaming, South Korea continuing its global esports leadership, and Europe exploring innovation in virtual and cloud gaming technologies [10,11,12].

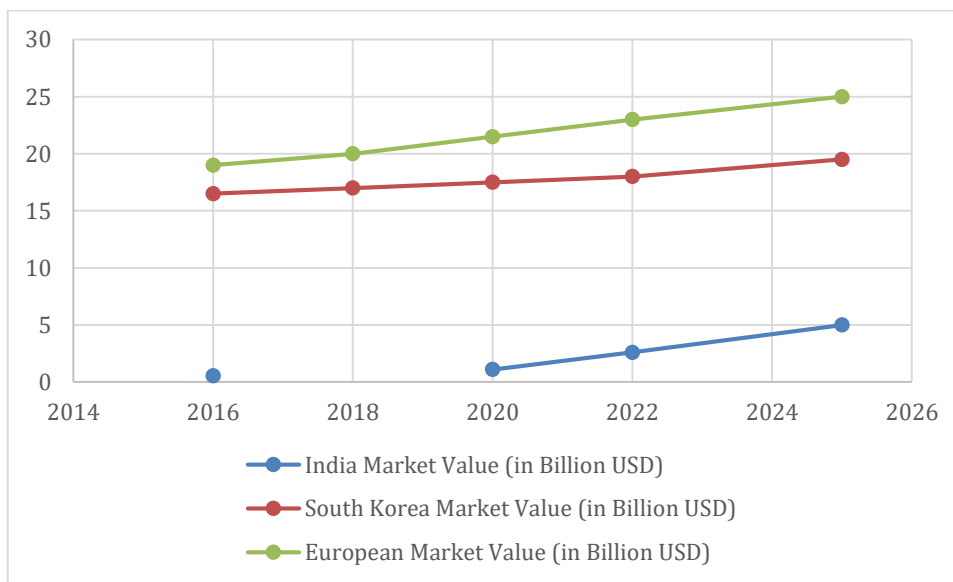


Figure2 – Market growth of India, South Korea, and European Countries

While the market continues to grow, there are critical challenges:

1. **Regulatory Concerns:** Some states have introduced restrictions on online gaming due to concerns about addiction and security. These regulations impact revenue models that depend on in-game purchases and tournament entry fees.

2. **Infrastructure Limitations:** Despite increasing internet penetration, high-speed connections required for competitive gaming remain sparse in rural regions, limiting the growth of console and PC gaming.

3. **Cybersecurity:** With the expansion of digital gaming, the risk of cyber threats has increased, necessitating robust security measures for user data and payment systems.

India's digital gaming and esports sector stands at a transformative moment. A young demographic, coupled with high smartphone penetration and rising digital acceptance, positions India as a global contender. To achieve this potential, the industry must address regulatory concerns, invest in infrastructure, and enhance cybersecurity. By overcoming these challenges, India can not only drive substantial revenue growth but also set a benchmark for sustainable digital entertainment [7,8,9].

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