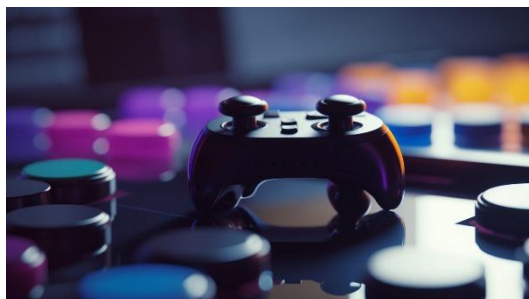


## Primus Report

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# Gaming startups increasingly concerned about legal and ethical implications of AI: Report



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### Article Content:

**Gaming-specific laws are evolving, with increasing attention on content regulation, data privacy, and ethical AI usage. Rajasthan, Karnataka, Telangana, and Maharashtra are pushing innovation through startup policies that indirectly support AI-led gaming ventures.**

AI adoption in India's gaming startups is on the rise, though still uneven across the ecosystem. NPC behavior (42.2%) leads as the most common use case, followed by enhancing animation pipelines (37.8%), procedural content generation (35.6%), and player personalization (33.3%). Despite these advancements, 1 in 5 startups still report no AI integration, reflecting untapped potential.

At WAVES 2025, Primus Partners along with Game Developer Association of India (GDIA) launched a report "India's \$9.2B Gaming Boom: Powered by 591M Players and AI" which revealed that as AI becomes more integrated into gaming, it collects and analyzes player data to enhance experiences, raising concerns about privacy and ethical use. Balancing AI automation with human creativity is crucial to maintain authenticity and emotional depth in games. Moreover, without diverse datasets, AI systems risk perpetuating biases, underscoring the need for inclusive data practices to ensure fairness in gaming.

AI adoption in India's gaming startups is on the rise, though still uneven across the ecosystem. NPC behavior (42.2%) leads as the most common use case, followed by enhancing animation pipelines (37.8%), procedural content generation (35.6%), and player personalization (33.3%). Despite these advancements, 1 in 5 startups still report no AI integration, reflecting untapped potential.

The gap highlights the need for greater awareness, accessible tools, and AI-focused talent to accelerate adoption. As games become more immersive and intelligent, AI is no longer optional—it's a strategic imperative for innovation and growth.

India's gaming startups are increasingly concerned about the legal and ethical implications of AI-generated content. A significant 62.2% are apprehensive about the use of copyrighted material in training datasets, highlighting the risk of infringement claims. Issues surrounding user data privacy and personalization ethics, as well as the potential for deepfakes or misrepresentation, are each cited by 46.7% of respondents.

India lacks a dedicated AI-in-gaming policy, but frameworks like the Digital India initiative and National Strategy on AI promote AI adoption across industries. Gaming-specific laws are evolving, with increasing attention on content regulation, data privacy, and ethical AI usage. Meanwhile, states like Rajasthan, Karnataka, Telangana, and Maharashtra are pushing innovation through startup policies that indirectly support AI-led gaming ventures.

Around 28.9% of the survey participants cited issues such as ambiguous IP regulations, unclear content moderation policies, and inconsistent guidelines across states—factors that create uncertainty for gaming startups in India.

"Fantasy Sports operates at the intersection of sports fan engagement, real-time data processing, and scalable digital infrastructure, making it an ideal playground for fueling innovation in AI. From utilizing AI models to deliver seamless user experiences to creating personalized and immersive gaming interactions, the sector exemplifies how AI can drive innovation in sports. With its deep user base and robust data pipelines, Fantasy Sports is uniquely positioned to advance India's leadership in AI and sports driven AI," said the Federation of Indian Fantasy Sports (FIFS).

AI has the potential to transform the gaming industry in exciting ways, but it should never overshadow human creativity. Rather than replacing human input, AI should serve as a complementary tool that enhances the creative process. Combining human talent with AI tools can create a more efficient and innovative workflow, where AI can handle repetitive and data-driven tasks, and humans can focus on vision, creativity, and ethics.

The Indian gaming industry, now valued at \$9.2 billion and powered by 591 million players, has over 1,900 gaming companies which provides employment to 1.3 lakh professionals, with players like Nazara Technologies, Nodding Heads Games, and JetSynthesys driving AI-led game development. Amid this momentum, AI is now no longer a fringe enhancement but is becoming the core engine redefining how games are imagined, created, and experienced.