

CHAPTER 1

INTRODUCTION

1.1 Background

In the modern age of technology, the everyday consumer is influx with a variety of information, received from the world wide internet. Among the sea of information lies a form of entertainment clandestine to both profit the consumer and the company in question. Online gambling is one of these variable forms of entertainment with a mix of business. This includes all the apps and sites that provide casino games, sports betting, poker, fantasy sports, and lotteries. But what begins as sporadic enjoyment for millions of people can escalate into severe gambling-related issues. In reality, gambling disorder is included under substance-related and addictive diseases in the mental health disorders classification system of the American Psychiatric Association, right alongside issues like alcohol and opiate use disorders., it can lead to significant harm.

Take for example what betting entails, involving staking money or assets on an uncertain outcome, typically in games of chance, sports events, or other situations with unpredictable results. The essence of betting is the binary nature of its result: the participant either gains from their wager if their prediction is correct or loses their entire stake if they are wrong.

Betting is inherently speculative and offers no middle ground or safety net. This makes it distinct from other financial activities like investing or insuring, where risks and outcomes are managed differently.

Another element is that of risk, the action of it, the risk-taking if you may, which can be often referred to as speculation, is characterized by the willingness to undertake substantial short-term risks with the potential for high returns. Such speculation often involves informed decision-making based on trends, economic conditions, or other predictive indicators. While speculation shares a degree of uncertainty with betting, it generally allows for strategic planning and the possibility of partial recovery of capital, depending on various entailed conditions. Betting, at its core nature stands to have the element of surprise, unpredictability and a high risk and severe lack of risk mitigation to boot, to put it simply an all or nothing proposition in which its legality is highly disputed in many nations.

The primary topic of discussion is a newly arisen form of online gambling platform known as Gacha. Gacha Online gambling has recently garnered attention due to its widespread impact, specifically manifesting itself in forms of various mobile applications (Gacha). Gacha originates its term from Japanese capsule toy based vending machines, where a typically small sum of money is spent for a chance to receive a gift or random toy, that gift/toy in general is very difficult to get but not impossible enough for the player/person to get, which in turn gives them hope in receiving the

gift/toy in question, hence increasing spending and building addiction.

In the modern age however the system of gacha has been rampantly growing specifically in the platform of both online games and mobile games. Gacha or the Gacha system refers to a mechanic existing and usually hidden within mobile games where this system of gambling is applied, where users, spend the in-game currency in order to achieve the rewards to gift that they desiree, note that this in game currency can only be purchased with real money, hence the severity of consequences is heightened due to the fact that the player uses actually money, pertaining the possibility for losses on their part. These mechanics are explicitly design with the hope (for the user) to obtain and receive their desired item, these items (in game) can vary, from online character avatars, digital cosmetics, or bonus packages, which have various degrees of values and rarity depending on the Gacha tupe which all can be adversely easily accessed through both legal platforms and illegal/ private online websites and proxy servers. It has become popular because it can easily disguise itself on computer or cellphone screens as game applications, investment management sites, or digital platforms sharing gambling-related content.¹

The popularity of Gacha games stems from their ability to disguise themselves as harmless game applications on computers or cellphones.

¹ Hildeman, Kiara. 2022. "Glorified Gambling: Moral and Legal Issues within the Gacha Gaming Industry." Washington Journal of Law, Technology & Arts. December 7, 2022. <https://wjta.com/2022/12/07/glorified-gambling-moral-and-legal-issues-within-the-gacha-gaming-industry/>.

They can also masquerade as investment management sites or digital platforms sharing gambling-related content. This deceptive nature makes it easy for users to engage with these games without fully realising the potential for harm.²

The implications of Gacha games are profound. Players can quickly become addicted to the thrill of acquiring rare items, leading to excessive spending and financial strain. The hidden costs and gambling-like nature of these mechanics have sparked debates over their ethicality and the need for regulatory oversight. Gacha systems prey on psychological vulnerabilities, particularly among younger audiences, and can lead to severe financial and psychological consequences. Predatory gacha games frequently employ aggressive monetization tactics, such as promoting limited-time offers to create a sense of urgency and fear of missing out (FOMO), prompting players to make impulsive purchases. Progression in these games is often hindered by paywalls, making significant advancement or content completion nearly impossible without spending money. Additionally, these games require a substantial amount of in-game currency to make meaningful progress or obtain desirable items, and this currency is often expensive to purchase with real money.³

² “How Does Gacha System Monetize Mobile Games Effectively?” 2022. Asoworld.com. ASOWorld. January 9, 2022. <https://asoworld.com/blog/how-does-gacha-system-monetize-mobile-games-effectively/>.

³ Fukui, Masanori, Masakatsu Kuroda, and Hiroaki Ohdachi. 2023. “Relationship between Motives for Gaming and Playing Gacha among University Students.” *DL.digra.org*. June 20, 2023. <https://dl.digra.org/index.php/dl/article/view/1913/1912>.

Another characteristic of predatory gacha games is the scarcity of high-value items. These games typically have very low drop rates for rare or valuable items, making it extremely difficult for players to obtain them without spending a significant amount of money. Moreover, they often do not clearly disclose the probabilities of obtaining rare items, leaving players unaware of how slim their chances actually are.⁴Efforts to address these concerns have included regulatory measures in some regions, such as requiring transparency about the odds of obtaining specific items and imposing age restrictions on Gacha games. However, the global and digital nature of these games presents challenges in enforcement and regulation. Predatory gacha games incorporate mechanics that closely resemble gambling, such as loot boxes or randomised draws, encouraging repeated spending to achieve desired outcomes. They use variable ratio reward schedules, where rewards are given out at unpredictable intervals, keeping players engaged and more likely to spend money. These games may also include a "pity" system that guarantees a rare item after a certain number of unsuccessful attempts, but the threshold is set very high, requiring significant investment. These games employ various psychological manipulation tactics.⁵ They encourage players to compete with friends or join guilds or clans where peer pressure can drive them to spend more to keep up or contribute. Progression is often intentionally

⁴ Shibuya, Akiko, Mizuha Teramoto, Akiyo Shoun, and Kumiko Akiyama. 2019. "Long-Term Effects of In-Game Purchases and Event Game Mechanics on Young Mobile Social Game

⁵ "Game Systems: An In-Depth Look at Gacha Boxes • Machinations.io." n.d. Machinations.io. <https://machinations.io/articles/an-in-depth-look-at-gacha-boxes>.

slowed down or made frustratingly difficult unless the player spends money to speed things up or enhance their abilities. Additionally, the game may send personalised messages or notifications that play on the player's sense of duty, loyalty, or guilt.⁶

Predatory gacha games frequently obscure the true cost of in-game purchases, presenting them in a way that misleads players about what they will actually receive. These games often use enticing descriptions and attractive visuals to lure players into making purchases, only for the players to discover that the value of what they bought is far less than expected. For example, a package might advertise a chance to obtain rare items but does not clearly disclose the exceedingly low probability of actually acquiring those items. This lack of transparency can lead players to spend more money in an attempt to get the promised rewards, resulting in unexpected expenses and a significant financial burden. The systems and mechanics in predatory gacha games are designed to be intentionally complex and opaque, making it challenging for players to understand the true cost of achieving their goals. These games often have multiple layers of currency, such as gold, gems, and tokens, each serving different purposes and often requiring real money to obtain. Navigating these systems can be confusing, as players must figure out how many different types of currency they need

⁶ Players in Japan.” *Simulation & Gaming* 50, no. 1 (January): 76–92. <https://doi.org/10.1177/1046878118819677>.

and in what amounts.⁷

The Progression systems in these games are often convoluted, with numerous stages, levels, and upgrades that each require substantial investment. This complexity makes it difficult for players to accurately gauge how much money they will need to spend to reach a particular milestone or to obtain a desired item. The lack of clear information about the costs and probabilities involved can lead to a cycle of continuous spending, as players are unsure how much more they need to invest to achieve their objectives.⁸

Game developers may also employ tactics to intentionally obfuscate the actual costs and benefits of in-game purchases. For instance, they might bundle desirable items with less valuable ones, making it hard for players to determine the true worth of the bundle. They may also use time-limited offers to create a sense of urgency, pressuring players into making quick decisions without fully understanding the long-term costs.⁹

One particularly concerning subset of online gambling is Gacha, a system found in many mobile and online games. Gacha mechanics involve¹⁰

⁷ Stavrou, Pilios-Dimitris. 2018. "Addiction to Video Games: A Case Study on the Effectiveness of Psychodynamic Psychotherapy on a Teenage Addict Struggling with Low Self-Esteem and Aggression Issues." *Psychology* 09, no. 10: 2436–56. <https://doi.org/10.4236/psych.2018.910140>.

⁸ Columb, D., and C. O’Gara. 2017. "A National Survey of Online Gambling Behaviours." *Irish Journal of Psychological Medicine* 35, no. 4 (November): 311–19. <https://doi.org/10.1017/ipm.2017.64>.

⁹ Novaliando, Muhammad Abdillah, and Zeehan Fuad Attamimi. 2024. "Accountability of influencers in Creating Online Gambling Content." *Journal Equitable* 9, no. 1 (February): 72–86. <https://doi.org/10.37859/jeq.v9i1.6331>.

¹⁰ "Gacha Games Decoded: Controversies, Psychology, Coping Strategies." 2024. January 14, 2024. <https://theycyberexpress.com/gacha-games-decoded/>.

spending real money to purchase in-game currency, which is then used to receive random virtual items. These items can range from character avatars and digital cosmetics to bonus packages, each varying in value and rarity. The random nature of these rewards is akin to traditional gambling, where the outcome is uncertain but the potential for obtaining a desirable item keeps players engaged. This system is designed to exploit the psychological principle of intermittent reinforcement, where the unpredictability of rewards can create a strong compulsion to continue spending in hopes of achieving the desired outcome.¹¹

Struggling to resist the urge to gamble is a hallmark of addiction. For those addicted to Gacha gambling, the compulsion to continue playing and spending money can be overwhelming. This struggle often leads to financial problems, as individuals may spend beyond their means in pursuit of the elusive rewards offered by these games. The financial strain can exacerbate stress and anxiety, further contributing to the decline in mental health.¹² One fundamental issue in the digitization process in this country is the low level of digital literacy among the public. ice Minister of Communication and Informatics (Kominfo), Nezar Patria, announced that from 2017 to the end of 2023, over 24,640,451 people have participated in

¹¹ “Gacha Games Decoded: Controversies, Psychology, Coping Strategies.” 2024. January 14, 2024. <https://theycyberexpress.com/gacha-games-decoded/>.

¹² “The Impact of Online Game Addiction on Adolescent Mental Health: A Systematic Review and Meta-Analysis | Open Access Macedonian Journal of Medical Sciences.” 2021. *Oamjms.eu*, September (September). <https://oamjms.eu/index.php/mjms/article/view/6234>.

the National Movement of Digital Literacy (GNLD) program. Collaborating with 142 partners from diverse backgrounds, including academics, tech companies, and civil organizations, the digital literacy program has engaged 24,640,451 people across Indonesia by the end of 2023. A program which seeks to enhance the basic digital skills of citizens to and foster a productive digital environment. Kominfo promotes people to increase their digital literacy through the grant, which focuses on four important pillars: digital capacity, technology, society, and digital integrity.

These factors have been delivered through various modules, workshops, and other teaching methods offered by GNLD, though accessible to the public, still hardly utilized to its fullest capacity due to lack of awareness. On the other hand, digital literacy These include increased technology adoption in public services, economic activities, digital inclusion, citizen democratic participation, and the acceleration of human and economic resource development.¹³

Law enforcement against online gambling should be as vigorous as the spread of online gambling itself—consistent and relentless¹⁴. The goal is to ensure that online gambling organisers do not merely pause and resurface but are eradicated permanently. This means a formed target on primary

¹³ Collins, Ethan. 2023. "The Gacha Game Trap: Having Fun without Getting Hooked." Medium. November 9, 2023. https://medium.com/@ethan_20724/the-gacha-game-trap-having-fun-without-getting-hooked-2a17dd1b87fb.

¹⁴ "The Fine Line between Gambling and Gaming: The Short International History of Loot Box/Gacha and Regulations for All Game Devs | CS Agents," *Social App Support*, last modified October 9, 2018, <https://cs-agents.com/blog/history-loot-box-gacha/>.

online gambling platforms in the form of Gacha such as (Genshin Impact, State of Survival, Mobiles Legends Bang-Bang, Football Pess, Clash of Clans, Honkai Star Rail, Arknights, Pubg, Counter Strike, Clash Royale, Game of Kings, Pokemon Go, World of Tanks, World of Warships)

¹⁵However this strenuous efforts have been made For effective monitoring, the Ministry of Communication and Information has established a Cyber Patrol Team, which is supported by a negative internet site monitoring system operating 24/7. With the added factors of the ministry strenuous regulation of online gambling practice as pursuant to into the Electronic Information and Transactions (ITE) Law.

From 2018 until August 22, 2022 the Ministry of Communication and Informatics (Kominfo) has terminated access to 566,332 digital contents containing elements of gambling, including digital platform accounts and sites sharing gambling-related content.

These access terminations were based on findings from cyber patrols, public reports, and reports from government agencies identifying content with gambling elements. The Ministry's cyber patrols are supported by a negative internet site monitoring system, or AIS, operating 24/7 by the Informatics Application Control Directorate team. Terminating access is not

¹⁵ Demuyakor, John. 2021. "Battling Underaged Online Video Gamers: Probing the Negative Effects of Online Video Gaming Addictions on Young Adolescents." *AJMC (Asian Journal of Media and Communication)* 5, no. 2 (December). <https://doi.org/10.20885/asjmc.vol5.iss2.art3>.

the only measure taken by the Ministry to eradicate online gambling. They also promote digital literacy through the National Digital Literacy Movement program to protect the public from various negative digital content, including online gambling. This initiative involves collaboration with civil society communities, industry players, media, academics, government agencies, and other related institutions..

Additionally, gambling offers are frequently sent via private messages, making them difficult for the Ministry to detect and block¹⁶. These private communications allow gambling promoters to bypass public monitoring systems and target individuals directly. This method of outreach is particularly insidious because it leverages personal connections and trust, making the offers seem more legitimate and harder to track by regulatory bodies. However, this form of gambling is nuanced and easy to spot, unlike Gacha, since this case resides in the following.

In turn any gacha games have opaque systems and hidden costs, making it difficult for players to understand the true extent of their spending and the value they receive. This lack of transparency mirrors the practices of gambling operators, who often obscure the odds of winning and the costs involved. The high cost to participate in gacha draws, combined with very low probabilities of obtaining rare items, reflects the high stakes and low

¹⁶ Cosgwell, Kenzo. n.d. "The Dangers of Gacha Gaming." Revolution. <https://fhsrevolution.com/5653/opinion/the-dangers-of-gacha-gaming/>.

odds characteristic of gambling. Players may spend substantial amounts of money for a chance at a rare item, similar to buying numerous lottery tickets for a slim chance at winning a jackpot. Gacha games rely heavily on random number generation (RNG) for determining outcomes, making success largely dependent on luck rather than skill. This is a fundamental aspect of gambling, where outcomes are dictated by chance rather than any form of strategic play. Overall, the similarities between predatory gacha game mechanics and gambling practices illustrate how these games can exploit players through random outcomes, variable rewards, high costs, and psychological manipulation. Recognizing these parallels can help players make more informed decisions and avoid falling into excessive spending patterns associated with gambling-like behaviour.

For example, a very famous mobile game that has surfaced in Indonesia, **Genshin Impact** has made a significant impact in the gacha game industry, captivating players with its stunning character visuals and unique playstyles for each character. This appeal has led to high player engagement,¹⁷ particularly in terms of spending real-life currency. However, a concerning pattern of gambling behaviour has been detected among its players. The aim of this study is to understand the dynamics of gambling behaviour in Genshin Impact players from Indonesia. Using a phenomenological approach, this research involved interviewing five

¹⁷ “Game Systems: An In-Depth Look at Gacha Boxes • Machinations.io.” n.d. Machinations.io. <https://machinations.io/articles/an-in-depth-look-at-gacha-boxes>.

participants. The findings indicate that the game induces gambling behaviours, leading to addictive spending patterns as players strive to obtain desired items. This raises important considerations about the effects of gambling behaviour on individuals.¹⁸

“The Effects Doctrine”, To understand the issue further of how extraterritorial jurisdictions can be navigated is to first understand the “Effects Doctrine”. The key principle allows a state to assert jurisdiction over entities whose actions, although taking place outside its territory, cause harmful effects within its borders¹⁹. This principle is frequently used in areas like antitrust, securities regulation, and consumer protection, focusing on the impact of the conduct rather than its location. In the context of gacha games, this doctrine might apply if only The games are accessible to users within the state's jurisdiction²⁰. Harmful consequences, such as consumer exploitation or economic harm, occur in the local market. Extraterritoriality, on the other hand, refers to the broader concept of applying a state's laws beyond its borders. While extraterritorial jurisdiction typically requires strong ties to the state, such as citizenship or trade agreements, the effects doctrine specifically targets the impact on the

¹⁸ “Gacha System in Mobile Games: Everything You Need to Know - Udonis.” n.d. Udonis Mobile Marketing Agency. <https://www.blog.udonis.co/mobile-marketing/mobile-games/gacha-system>.

¹⁹ Hudson, David. 2024. “Secondary Effects Doctrine.” The Free Speech Center. July 2, 2024. <https://firstamendment.mtsu.edu/article/secondary-effects-doctrine/>.

²⁰ Gallows, Lucy. 2025. “Effects Doctrine.” Oxford Reference. 2025. <https://www.oxfordreference.com/display/10.1093/oi/authority.20110803095743360>.

local market²¹.

The effects doctrine is usually applied in a prescriptive context, focusing on subject matter and legislation. Under international law, it is not permissible to claim extraterritorial enforcement jurisdiction based on this doctrine. This means that remedies cannot be imposed on foreign companies concerning their actions and assets located outside the domestic jurisdiction. As most competition agencies exercise caution and typically limit their remedies to domestic matters only²².

The effects doctrine²³ in criminal law enables the extraterritorial enforcement of local laws based on the consequences that actions in one jurisdiction may have on another.²⁴ This principle allows states to claim jurisdiction over foreign conduct if it has significant repercussions within their territory. For instance, if a crime committed overseas, such as online gambling affecting investors or environmental violations impacting public health²⁵. The consequences in another country, that country may assert its right to prosecute or impose penalties. However, this approach introduces complex legal challenges concerning sovereignty and the limitations of

²¹ Ulfah Fadilah. 2021. "TINJAUAN YURIDIS PENERAPAN EFFECTS DOCTRINE TERHADAP TINDAKAN PELANGGARAN PERSAINGAN USAHA DI INDONESIA ." *Brawijaya Law Student Journal*. 2021.

²² Sukarmi, Sukarmi. 2021. "The Qualified Effects Doctrine in the Extraterritorial of Competition Law Application: An Indonesia Perspective." *Sriwijaya Law Review* 5, no. 2.

²³ "Effects Doctrine." 2024. *Concurrences.com*. Concurrences. April 9, 2024. conurrences.com/en/dictionary/effects-doctrine-118100.

²⁴ "Effects Doctrine." 2024. *Concurrences,Journal*. Concurrences. April 9, 2024. [conurrences.com/dictionary/effects-doctrine-118100](https://conurrences.com/en/dictionary/effects-doctrine-118100).

²⁵ Smith, Irwin. 2019. "Effects Doctrine - Irwin Law." Irwin Law. 2019. <https://irwinlaw.com/cold/effects-doctrine/>.

national laws.

Indonesian criminal law can effectively utilize the effects doctrine to assert jurisdiction over crimes committed outside its borders that have significant repercussions within the country, thereby addressing transnational criminal activities such as cybercrime, like gacha games and online gambling that impact its citizens and economy. This doctrine allows Indonesia to claim jurisdiction over foreign acts when they produce substantial effects domestically; for instance, if an online gacha gambling operation based abroad affects Indonesian citizens and violates national law, holding prosecution liable.. The legal framework, grounded in the principle of legality, posits that no act can be punished unless defined as a crime by existing laws prior to its commission e.g., Undang-undang (UU) No. 1 Tahun 2023 tentang Kitab Undang-Undang Hukum Pidana/ Indonesian Criminal Code 2023 and UU No.1 Tahun 2024 Infromasi dan transaksi Elektronik. However, the effects doctrine introduces flexibility in applying these laws to foreign conduct with significant domestic impacts. Indonesia may need to enhance international legal cooperation and treaties with other nations, facilitating the exchange of information and evidence for prosecuting cross-border crimes. Nonetheless, utilizing the effects doctrine presents challenges regarding sovereignty and potential conflicts with other jurisdictions' laws, necessitating careful consideration to avoid overreach and respect international legal norms.

1.2: Formulation of Issues:

In accordance to the topic of the thesis, the information in this paper shall discuss elaborate and illustrate on the following questions:

1. How can Gacha Gambling games be regulated appropriately in Indonesia?
2. How can we navigate jurisdictional challenges of holding illegal gacha gambling systems liable in Indonesia?

1.3 Research Purposes

The author's primary objective in creating the thesis is to address the aforementioned difficulties, in specifically

1. In order to illicit a proper and more detailed description on predatory Gambling in Gacha games.
2. To understand the jurisdictional complexities the protection of Indonesian users from predatory gambling game applications

1.4. Research Benefits

1. Theoretical benefits

This essay gives an advanced theoretical hypothesis on how foreign/multinational corporations exploit loopholes in international law and extrajudicial territory and will aid in the navigations on how such practices are illegally being used within the Indonesian digital app/gaming market. This is achieved by the identification of Gacha (a form of gambling) present in modern present day digital video game applications

and will embrace the discussion on how the illegal acts committed by the multinational corporations effects Indonesia, and extorts, cajole, manipulate and exploit Indonesians ranging from adults, especially children, who's generation is vehemently and constantly exposed to the online world in Indonesia.

2. Practical Benefits:

This thesis offers a formal thorough examination of how online gambling/Gacha is classified in Indonesia as a crime, committed by both multinational/foreign companies who provide goods and services to users, and to users who dabble in said illegal gacha gambling activity. Furthermore this will reveal the many cybercrimes involved and committed by corporations in violation of Indonesian law and present the complex relationship of practical, ethical and legal aspects of gacha gambling activities in Indonesia. By clarifying and identifying the present elements of gacha gambling in Indonesia this will serve as a driving force in both tracing what can be defined as online gambling and to further the safety of Indonesian citizens , particularly from both adults and younger children, whom are exposed to such games, due to the accessibility of the internet and other digital applications available in the modern age. This will promote a safer online space for all ages in Indonesia, and relieve any “gambling habit’s or unruly illegal behaviour within the digital space in relation to gambling, and be in accordance with the ITE Law of Indonesia.

1.5. Framework of Writing

This thesis will be structured into five primary chapters, which aim to facilitate the readers' comprehension of the thesis's debate

CHAPTER I INTRODUCTION

This chapter will present the main goals and ideas of this thesis, giving an overview of the increasing rise of Gacha games present in the Indonesian market, and how it is a crime in disguise and in direct violation of Indonesian Law

CHAPTER II LITERATURE REVIEW

This area will review various legal examinations of the bodies of literature that discuss gambling, both legally, practically and psychologically, through the use of scholar sources, legal papers, online sources, personal users, historical record and legal frameworks.

CHAPTER III: RESEARCH METHOD

This chapter outlines the methods of research utilized in this study. The study in question will explore the process of data collection, including but not limited to, analytical documents, legal books, and interviews of particular government officials. Moreover, the results obtained from this methodology will bring about consistent and accurate

results for the research in general.

CHAPTER IV: DISCUSSION AND ANALYSIS

This area of text contains the data compiled from the research obtained from the prior text, containing the established interviews, legal books, documents and historical precedents. This text will explore and discuss the motivations, patterns, behaviors, legal elements, political, legal and psychological obstacles and results. A comprehensive understanding of the fundamental dynamics is enriched through in-depth analysis of specific case studies and the subsequent consequences they yield.

CHAPTER V: CONCLUSION AND RECOMMENDATION

Based formerly of the analysis, this will consolidate the discoveries made by this thesis in question, the text will examine the micro and macro consequences of online gacha gambling in Indonesia, and will have a rigorous and detailed explanations on legal changes, policy and a more clean and clear definition of online gambling, specifically in the growing Gacha game industry.