Innovations for Poverty Action

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Timeline
2015-2016

Sample Size
1,708 sports bettors in Kampala

Research Implemented by IPA
Yes

Gambling in Uganda: Are Large Expenses and Financial Constraints Driving the Popularity of Sports Betting?

Abstract

Sports betting has emerged as one of the fastest growing forms of gambling, with new technologies facilitating its rapid spread into new markets in developing countries. What explains the persistent popularity of sports betting despite such a low rate of return from participation? While many people assume that gamblers are motivated by fun or a poor understanding of odds, this research explores another theory in Uganda: that a need for large amounts of cash without access to savings or affordable credit is contributing to its popularity. Using reported expenditures and betting behavior, a savings intervention, and two “lab-in-the field” exercises, this research suggests that financial constraints contribute to the demand for betting. This research adds to the evidence on the motivation behind gambling and shows how financial constraints and large expenses can lead to risky financial decisions.

Policy Issue

Gambling is a global industry worth nearly half a trillion dollars. Over the past decade, sports betting has emerged as one of the fastest growing forms of gambling, expanding into the developing world with the help of new technologies. While gambling can be a valued source of entertainment for many participants and a source of tax revenue for local governments, it can also be a source of harm in the form of increased crime, debt, and addiction. Determining appropriate policy requires a better understanding of the reasons why people gamble. Both fun and a misunderstanding of odds feature in the literature on the motivations behind gambling. However, as sports betting has exploded in popularity over the past decade in developing countries, a new theory has emerged: Could a lack of access to credit and savings among the poor be driving the interest in sports betting?

Given the poor odds of winning, evidence supporting the theory that a demand for sports betting is driven by large expenses has different policy implications than other drivers. Can small interventions that encourage savings--such as the provision of savings boxes--reduce demand for gambling? If these simple activities can reduce betting demand, then larger interventions may be even more impactful.

Context of the Evaluation

The world’s largest markets for sports betting have traditionally been wealthier countries. However, its popularity has increased dramatically throughout Uganda and the developing world over the past 15 years.

Within countries, the most intensive betting is often found in poor communities. The background of the participants in this study reinforce this reality: most live at or below the poverty line but spend a considerable portion of their weekly earnings on betting. A 2016 study found that 37 percent of adult men in Kampala have placed bets in the past year.

There are also many limitations to financial management in this setting. Credit in Uganda is expensive and there are not many options for savings. Fewer than half of respondents in the study thought they could get a bank loan if they needed one, and interest rates are as high as 25 percent over six months with informal lenders charging even higher rates. This constrains opportunities for accessing the resources needed for large expenses. In this context, sports betting emerges as an enticing potential source of readily available cash despite low returns on participation.

Details of the Intervention

This research evaluates whether demand for betting is increased by unmet needs for “lumpy,” or large, expenditures. Through a sample of 1,708 self-employed 18 to 40-year-old men in Kampala with weekly incomes below US$50, the research explores this question in several ways:

1. **Reported Expenditures:** This part of the study looked at reported earnings, expenditures, and betting behavior to explore the relationship between winnings from betting tickets and expenditures on different types of goods using data from 957 participants included in a series of five visits.
2. **Savings lockboxes:** A random selection of bettors in the same sample received a small wooden box to encourage savings. This part of the study sought to understand whether improving individuals’ ability to save with a simple, less-risky financial alternative to gambling would decrease sports betting.

3. **Two "lab-in-the-field" exercises**: A "lab-in-the-field" methodology aims to understand people's preferences by offering a series of choices in their own context, i.e., "the field." In the first, participants discussed a desired expense. They were then given the option to choose cash or betting tickets. In the second simulation, participants conducted a budgeting exercise to better calibrate their ability to save before choosing between betting tickets or cash. Respectively, these exercises show the effects of salient anticipated expenditures and perceived saving ability on peoples' demand for betting tickets.

Results and Policy Lessons

Across activities, findings show that in the absence of less risky alternatives for generating income, demand for betting is partially driven by demand for available cash needed to make single, large, expenses. Of those interviewed, **79 percent mentioned that their primary motivation for betting was to get money.** Only 15 percent cited "fun" as the primary reason for gambling. Information gathered on behaviors, earnings and expenditures following wins from betting supports this. The results of the intervention in which bettors were offered **a small wooden box to encourage savings** showed that even this small option **significantly decreased demand for gambling**.

In the lab-in-the-field exercises, **men who were asked to reflect on a large anticipated expense were 16 percent more likely to choose the largest number of betting tickets** instead of the cash option. **Those who participated in the budgeting exercise and learned that their ability to save was better than previously believed were 44 percent less likely to choose the maximum number of tickets**. These two results demonstrate that when a large expense was in participants' minds, it encouraged them to gamble. Improving ones' perceived ability to pursue an alternative strategy reduced the appeal of betting.

The results of these activities support the idea that **betting is often motivated, at least in part, by peoples' needs for useful sums of money to make even modestly sized expenditures. This effect is exacerbated when peoples' alternative ways of accruing cash savings are limited.** Given the consistency shown across findings, it is unlikely that the prevalence of betting would be so high if better options were available. Large desired expenses and the lack of choices to better manage them is increasing the pursuit of risky strategies for generating money quickly. This is worrying because men with the lowest incomes tend to spend the most on betting, potentially affecting household expenditures and investments.

Policymakers and the media have recently highlighted social concerns linked to gambling including loss of scarce household resources, reduction in savings, domestic violence, addiction, and suicide. This research shows that ensuring better financial services for marginalized groups--those that increase affordable options for credit and savings--can reduce risky gambling in Uganda and elsewhere.

April 01, 2021