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# **Gambling and Mobile Money Payments: A Case Study of Sports Betting in Uganda**

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## **ABSTRACT**

The usage of mobile money payment systems has become a popular means of transmitting money across different regions in Uganda because of its low transfer charges, quick and easy process, and availability among the unbanked and rural communities of the population. Around 400,000 customers are currently using mobile payment facilities processing around UGX 1.3 billion (US\$ 0.5 million) per day. In spite of Uganda's rising youth unemployment, which would seem to indicate that the youth do not have spare cash, the reality is that the country's youth--especially those in urban areas--increasingly participate in sports betting using cash as well as mobile money payments.

Nevertheless, there is a knowledge gap with regard to the drivers of sports betting (especially the mobile money payments system) and the socioeconomic implications of this phenomenon. Whereas some betters strike it rich, others continuously lose cash but are not about to stop participating, thereby keeping them in a vicious circle of poverty. This study examines the role of mobile money payments in the practice of gambling in general. Specifically, the study sought to examine the role of mobile money payments (making bets and receipt of payments) in the execution of sports betting in Uganda. An exploratory mixed-methods (qualitative and quantitative) research design was employed. We administered a questionnaire and collected more data using qualitative approaches.

The reasons for gambling among youth are not different from those for adult gambling. Young people who gamble report that fun, the opportunity to win money, and the excitement of gambling on games are the top reasons that they participate. Approximately 5.7% of shops offer online betting facilities. 55% of respondents use both cash and mobile money payments to place bets and to receive payments. Approximately only 25% (37) out of 104 sports betting shops in the country are licensed. This finding is corroborated by Okoth (2013) who reported that sports betting is a booming business in the country although most of the companies are operating illegally, which has significant policy implications for the regulatory environment within which sports betting takes place.

## 1. INTRODUCTION

Uganda's budget for the fiscal year 2012/13 noted that new technology was driving the country's efforts to improve financial inclusion--especially in the area of electronic money transfer as well as agency banking--and highlighted the tremendous growth of mobile money transfer as part of the range of services offered through mobile phones. Between January and March 2012, mobile money transactions worth UGX 551 billion (US\$ 214 million) were processed (PriceWaterHouseCoopers, 2012).

At the same time, the Republic of Uganda (2012) reported that the introduction of Value Added Tax (VAT) on the supply of betting, lotteries, and games of chance (gambling) encountered challenges in application. As a consequence, the Ministry of Finance, Planning, and Economic Development reinstated the VAT exemption on gambling and increased the gaming and pool betting tax from 15% to 20%. This measure was expected to generate UGX 4.3 billion (USD \$1.7 million). In Uganda, mobile money technology has been applied to further sports betting. A whole new sector has been created in the economy and it is the fastest growing of them all, due to cheaply available mobile phones. Since mid-2013, Ugandans who enjoy football have been making (and losing) money by placing bets by means of SMS. It should be noted that, wherever there is a mobile network now, there is sports betting. Those who use mobile money to place bets and receive payments do it because they do not want to be seen on the floor of betting parlors. For one to place a bet and receive payment, they register their mobile phone numbers with betting parlors with this facility. Betting

via mobile phones enables bettors to place a bet and receive payments any time and from anywhere. One bettor remarked: “with my mobile money service, I can place a bet and receive payment in the comfort of my living room or my workplace”.

Rugby, football, and cricket are especially popular in Uganda. Sports betting shops are plentiful, and bettors often pack inside to watch the results of the aforementioned sports on television. Sports betting companies in Uganda include, amongst others, Gaming international, Sports Betting Africa and Royal Sports Betting. It is common to find – at any time of the day – youths crammed in small sports betting shops, with receipts in hand, either trying to make bets or demanding payments. At such shops there are men who act as ‘advisors’ (offering predictions on which team could win) for a fee. Placing bets and receiving payments can now be done over the mobile money service platforms of various mobile network operators.<sup>1</sup>

In Uganda, gaming and pooling is currently regulated by the Gambling and Pool Act of 1967. However, effective 1<sup>st</sup> January 2014 every Casino was supposed to have paid UGX 10m (US\$ 4,000); Gaming and Pool betting UGX 5m (US\$ 2,000); agents UGX 1m (US\$ 400) while UGX 200m (US\$ 80,000) was set for every betting company as a Special Security bond, to qualify for an operational license. It should be noted that the Gambling and Pool Act of 1967 is also being amended as it does not comprehensively regulate gambling. For example, Muneza (2013) reported that “the recent heroics of a Iganga Arsenal

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1 SBA Powerball:  
[http://www.sba.co.ug/index.php?option=com\\_content&view=article&id=66&Itemid=61](http://www.sba.co.ug/index.php?option=com_content&view=article&id=66&Itemid=61)

supporter who lost a residential house after placing a personal bet with a colleague in an English Premier League fixture between Manchester United and Arsenal has woken up the government to set up harsh measures and regulations on sports betting and gambling”.

Although there is rising youth unemployment in Uganda, which would seem to indicate that the youth do not have spare cash, the reality is that the country’s youth especially those in urban areas increasingly participate in sports betting using cash as well as mobile money payments. However, there is a dearth of knowledge with regard to the drivers of sports betting (especially the mobile money payments system) and the socioeconomic implications of this phenomenon. Whereas some betters strike it rich, others continuously lose cash but are not about to stop participating, thereby keeping them in a vicious circle of poverty.

This study examines the role of mobile money service in the practice of gambling in general. Specifically, the study sought to examine the role of mobile money transfer (placing bets and receiving payments) in the execution of sports betting in Uganda. The study moved beyond the paradigm of sports betting as an individual pathology to consider sports betting as a form of exchange, the meaning of which varies significantly through time and space. This prompts us to ask questions that are neglected in the existing literature, including but not limited to: Who is participating in sports betting? What counts as sports betting in this context? What are the regulatory and other structural restrictions shaping the

experience of sports betting in this context?' What are the drivers of sports betting in Uganda? What is the role of mobile money payments in sports betting?

This study is organized into five sections and unfolds as follows. The next section reviews some related studies. Section 3 presents the methodological approach used. The study's results are covered in section four, whilst the final section concludes.

## **2. RELATED STUDIES**

Viewed from the perspective of psychology, gambling represents an escape into a fantasy world where great fortune can be attained easily. By contrast, sociologists focus on the social networks that develop among many gamblers. Participants in gambling establish friendship groups. For such persons gambling is a form of recreation and may even be their primary social activity.

A number of studies have been undertaken around the world to investigate mobile money technologies, including pricing of branchless banking (McKay and Pickens, 2010), social-psychological determinants of mobile communication technology use and adoption (Peters, 2007), mobile money transfer services in East Africa (Frost and Sullivan, 2009), the potential for mobile payments in Uganda (Duncombe, 2009), and mobile phone practices and the design of mobile money services for emerging markets (Chipchase, 2009; Mas and Morawczynski, 2009).

As opportunities to gamble have increased in the 21<sup>st</sup> Century, so has gambling research. Shaffer et al. (2006) used new strategies, methods, and

technology to examine citation trends and the growth of knowledge in the field of gambling studies. They examine 2,246 citations that were published between 1903 and 2003. By using multiple keywords to classify each citation into distinct topic areas, their study yielded a more comprehensive analysis than was previously available. Their results reveal that gambling-related research has grown at an exponential rate. The most prevalent topics explored within gambling studies citations have been pathology, risk-taking, decision-making, and addiction. Between 1999 and 2003, studies addressing epidemiology, drug abuse, comorbidity, and neuroscience became increasingly prevalent. Recent studies for example, Mallach (2010) and Gambling and Addictions Research Center (2012), have examined the socioeconomic impact of gambling.

Gambling today is a multi-billion-dollar industry with global influence. For example, it is a prominent part of culture and a major financial contributor to society in Finland and many other countries where governments own, license, and regulate gambling enterprises. Most people in Western societies have some experience of gambling, and many buy a lottery ticket, play slot machines, or bet on sports as a regular part of their leisure activities (Raento, 2011). Over the past decades the gambling industry has grown massively, due to its entry into new territories, the increased popularity of gambling, and new innovations such as televised poker tournaments and online gambling as well as improvements in payments systems through the use of mobile money technology. The social, political, economic, and cultural implications of this change have been notable. Gambling scholarship is on the rise and its foci are broadening especially in the

social sciences and cultural studies (for example, Schüll (2012) and Gambling Commission, 2012).

There is no shortage of concern with the “problem gambler” in contemporary gambling studies, but the bulk of this work is dominated by psychologists, for whom the gambler appears as a carrier of cognitive distortions or a statistic of problem behaviours. In *Betting Their Lives*, Tepperman (2009) develops a sociological alternative focusing on problem gamblers’ gambling activities and the effects of these activities on their relationships. What is it like to live with a problem gambler? What are the day to day concerns that family members must contend with? How do they interpret and construct gambling activities? Furthermore, Tepperman (2009) provides firsthand accounts of the problem gambling lifestyle from respondents. These include amongst other things, money problems, time issues, increasing separation from family activities, and the predominance of negative emotional responses to increased gambling. These contrast not only with psychological portrayals, but also with media images, advertisements, and promotions that represent gambling as fun and glamorous. He notes the “sizeable gap” between the promotional illusions and the harsh circumstances inflicted on families by gambling problems. Although the research focus is on the “personal side” of problem gambling, problem gambling is presented as a “public issue”. Tepperman wants to focus on family regulation as way of dealing with problem gambling, but he also says, “to prevent problem gambling ... we must address the larger environment in which gambling is



structured and marketed by an aggressive global gambling industry” (Tepperman, 2009).

The argument remains the same that literature about gambling has focused mainly on pathology and addiction, but has not adequately addressed all of the social functions that gambling has, such as how it is a form of exchange and how it can be an alternative occupation for some bettors. This is the knowledge void, which this study attempts to close by examining the role of mobile money services in enhancing gambling.

### **3. METHODOLOGICAL APPROACH**

An exploratory mixed-methods (qualitative and quantitative) research design was employed for this study. Our methods were designed to fit our research questions. We spent time with ordinary people in settings where sports betting takes place, from casinos to sports betting shops. We were also interested in how people sports bet in private, with friends and kin. We reviewed available literature and data, and used qualitative approaches such as informal discussions (with sports betters and sports betting shop operators) as well as conducted in-depth interviews and focus groups discussions.

Research participants were recruited using the snowballing method whereby those who enrolled as respondents referred the research team to other persons who engage in sports betting. Contacts of the principal investigator and co-investigator who themselves engage in sports betting invited other participants and were asked to pass on information about the project to people

whom they felt would be interested in taking part as well. Additionally, we observed the betting activities on the floors of betting shops, had interactions with the owners of these betting shops, as well as regulatory authorities. Use was made of the various media reports (audio, audio-visual and print media) about the sports betting activities in Uganda.

We visited 85 betting outlets in and around Kampala City and held in-depth interviews with 30 who were all male and administered a questionnaire to 200 respondents. Respondents were recruited through a snowballing strategy whereby a respondent referred us to his peers as well as using managers of betting parlors. Majority of the respondents (80%) were in the 20-40 years age bracket.

#### **4. RESULTS**

Betting is a popular activity, which is undertaken by persons from all socioeconomic groups and age. The reasons for gambling among youth are not different from those for adult gamblers. Young people who gamble report that fun, opportunities to win money, and the excitement of gambling on games are the top reasons that they participate. In addition to these motivations, some adolescents feel that gambling is a way to socialize, make friends, relax, relieve boredom, feel older, escape daily problems, alleviate depression, and deal with loneliness.

Approximately only 25% (37) out of 104 sports betting shops in the country are licensed. This finding is corroborated by Okoth (2013) who reported

that sports betting is a booming business in the country although most of the companies are operating illegally. This has significant implications for the regulatory environment within which sports betting takes place in Uganda.

The mobile money payment platform is being used by some sports gamblers to ensure all-day round betting, especially for the working class. Six sports betting shops--namely: Gals Sports betting; Royal Sports betting; World Star; Sports Betting Africa; 256 Bet.com; and Gaming International--offer the online betting facilities. 55% of respondents use both cash and mobile money payments to place bets and to receive payments. Football or soccer is the most popular sport that people bet on in Uganda. The English Premier League is the most popular of all soccer leagues to gamblers. The majority of gamblers are young adults (although there are also gamblers who are under 18 years of age)<sup>2</sup>. Sports betting has impoverished some gamblers to the extent that they borrow money in order to keep betting and eventually sell off their assets, including homes. Sports betting is also fueling vices like the use of tuition fees for betting, and theft. It has been reported in various media that some students in tertiary institutions of learning have missed graduation because they used their tuition fees for betting (Okoth, 2013).

Sports betting has given rise to a new version of the English language in Uganda. This includes amongst other terms: (a) "Over," when the team one bets to win does so with at least two goals without conceding a goal; (b) "Under," when the team scores one goal without conceding a goal; (c) "Handicap," which is a draw; (d) "Odd," the factor by which the amount of a bet is multiplied

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<sup>2</sup> As per Uganda's laws, someone under 18 years of age is a "minor".

depending on (a)-(c); and (e) “Bonuses,” additional winnings that depend upon the number of games on which a bet is placed. Some shops have also categorized their clientele into “ordinary” and “VIPs,” with the latter having a higher premium and payoff.

This study has unearthed questions for future research. These include, but are not limited to: Why are most betting shops (75%) unlicensed? Are the gamblers aware of the problem of gambling addiction? Is there any connection between poverty in general--and youth poverty in particular--and betting? Are there mechanisms for redress for gamblers who do not get paid by betting shops? Is betting the last resort for unemployed youths? What is the effect of betting on work ethics? What is the effect of betting on the welfare of gainers and losers? Have sports betting shops lived up to their obligation with regard to corporate social responsibility? What is the likely effect of betting on the mental health of gamblers? Is Ugandan society prepared for problem gambling? To respond to the adverse effects of gambling, Gambling Aware Uganda<sup>3</sup> provides support, information and advice to anyone suffering through a gambling problem.

## **5. CONCLUSIONS**

Sports betting is a new phenomenon in Uganda and is growing rapidly. At the moment, sports betting, which is spreading like wildfire, has overtaken casinos, lotteries, and poker in popularity. The immense popularity of European leagues such as the English Premier League, Spanish La Liga, Italian Serie A,

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<http://gau.org.ug/>

and German Bundesliga among a host of other popular events has helped to popularize betting. There is no adequate regulatory framework to protect underaged and vulnerable individuals, ensure that the games are fair, address the concerns of law enforcement, and enforce any limitations on the activity. Worse still, the operators are not obliged by any law to utilize proper safeguards to thwart underage and problem gambling, or to put in place systems to prevent money laundering. In Uganda, only persons aged 18 years and above are permitted to get involved in gambling, but the sports betting halls around Kampala city continue to overflow with teenagers as young as 13. There is a beehive of activity in the congested halls as the youth queue up to either place bets or collect their payments. The mobile money payment platform is primarily used by the working classes who prefer placing bets and receiving payments while at their places of work. Additionally, the working class prefers the mobile money payment platform because they do not wish to be openly seen queuing at the sports betting shops to place their bets.

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