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NOMSA SIBANDA: United approach can help to ensure the online house doesn't always win

Too many South Africans view online gambling as their ticket out of poverty

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Nomsa Sibanda

While online betting generates some revenue, its addictive nature, economic leakage, and social harm demand stronger regulation and responsible gambling measures. (123RF)

Recent calls by CEOs of retailers to clamp down on online gaming have found a receptive audience. SA's online betting boom is raising the question: does it have a net benefit to society? Let us explore the good, the bad and the ugly of online gaming.

Starting with the ugly.

The gambling industry has expanded rapidly in recent years, driven primarily by the surge in online betting. Currently, gross gaming revenue accounts for about 0.8% of SA's GDP, double that of the UK and four times that of the US. According to the Old Mutual Savings & Investment Monitor, a staggering 52% of working South Africans engage in gambling, with 77% participating through online platforms. Alarmingly, gambling is no longer confined to discretionary spending; households are sacrificing essentials in a high-stakes chase for financial gain.

These trends are not surprising in a country ranked the most unequal in the world. When widespread economic hardship meets the relentless marketing of online betting platforms, it is easy to see why many South Africans are tricked into viewing gambling as their ticket out of poverty.

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Online platforms often deploy psychological mechanisms, which leverage limited-time opportunity, unpredictability and rapid repeatability to keep users engaged and spending. This has fuelled a deepening addiction crisis in SA, disproportionately affecting society's most vulnerable, including those dependent on SA Social Security Agency (Sassa) grants.

The Responsible Gambling Foundation reports that more than a third of individuals treated for gambling addiction are unemployed, while the remaining gamble to supplement their income. The Old Mutual survey suggests that more than 20% of Sassa grant recipients participate in online gaming. This, shockingly, means that SA taxpayers are funding the online gaming industry.

And what about the good?

Not much. The online gaming industry does contribute to the economy through limited tax revenue, limited employment, sports sponsorships and significant advertising spend.

The Western Cape and Mpumalanga collect about R1.4bn and R700m annually in gambling taxes, respectively, bolstering provincial finances. The national government also benefits to a small extent through VAT, as well as company tax. The unregulated market contributes none of the above.

And what about the less ugly but bad?

Despite these limited positives, online betting carries significant economic downsides, as many SA business leaders have recently warned. When we spend at a domestic business, the money circulates through the economy via payments to staff, rental, suppliers, VAT and income tax payments, and dividend payments to SA retirement funds.

Online betting, by contrast, funds advertising and sponsorships, pays limited salaries to a small workforce, pays some taxes as indicated above, and channels the rest abroad to a handful of offshore shareholders, with most of the industry being controlled by two offshore companies. The result is a weaker SA economic multiplier and more muted economic growth.

To make matters worse, online betting is taxed at lower rates than land-based casinos, creating an uneven playing field. That is despite land-based casinos investing substantial sums in domestic infrastructure, with long-term employment around their gambling and entertainment sites, including hotels, restaurants and theatres.

To address these challenges, SA must strengthen its regulatory framework through updated licensing rules, which target offshore operators and equalise tax treatment with land-based gaming to better capture online betting revenues. Meaningful reform will require political will and a commitment to ensuring that policy decisions are guided by accountability rather than influence, which may be challenging in an environment where political parties receive donations from the online gaming industry.

Research by the Bureau for Economic Research suggests introducing a 2% levy on deposits into betting accounts would somewhat offset economic leakage and help to curb gambling addiction. In parallel, enhanced oversight by the SA Reserve Bank and commercial banks is needed to monitor voucher and digital transactions more effectively.

Finally, aligning national and provincial gambling policies would promote consistency, fairness and stronger governance across the sector.

Protecting vulnerable people requires stronger, more responsible gambling measures. These should include stricter age verification, and spending limits based on affordability. The technology to enable this already exists, yet operators use it to extract every cent rather than to safeguard consumers.

Given online betting’s addictive nature, advertising should face restrictions similar to those imposed on cigarettes and alcohol.

From a regulatory standpoint, the path forward lies not in prohibition but in protection. As seen in other countries, SA must design systems that limit illegal gaming while shielding the vulnerable. A key starting point is closing the regulatory loopholes that online betting operators have long exploited, particularly outdated provisions on game types and licensing requirements.

History shows that illegal gambling flourishes wherever oversight is weak or fragmented, underscoring the need for a carefully revised Remote Gambling Bill. Regulators should place greater emphasis on promoting responsible gambling while ensuring national and provincial objectives are aligned.

While gambling may have a place in society, without urgent reform and firm enforcement of responsible practices, SA risks far more than entertainment.

Changing course will demand collective resolve from regulators, industry leaders and society itself to confront this growing crisis. Words alone are no longer enough; regulators must act now before the house wins for good.

• *Sibanda is an ESG analyst at All Weather Capital.*

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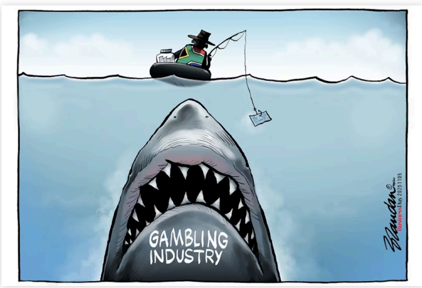

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