AN OVERVIEW OF THE SPORTS BETTING INDUSTRY IN NIGERIA: HOW TO OBTAIN A GAMING LICENSE; ECONOMIC BENEFITS, LESSONS TO BE LEARNT, SOCIAL IMPACTS, & THE FUTURE

The Nigerian sports betting and gaming industry has grown astronomically in the last two years. This exceptional growth can be attributed to the large population [especially the number of youths, increased access to digital telephones, successful internet penetration and increased access to internet-enabled devices [which includes, telephones, ipads and other portable devices].

This growth has been so phenomenal - we can see signs all over Africa. On Thursday, 17th May, 2018, another milestone was attained with a multi million sponsorship deal from online betting platform, BetLion Uganda, specifically for the Uganda Cranes. We caught up with the Group CEO of BetLion, Oliver Bates, who said:

“The sheer love of football in Sub-Saharan Africa has given us, as operators, an obvious initial focus in sports development. We at BetLion, in our financial and operational support for the Uganda Cranes, are not unique. From Nigeria to Kenya, national football teams and wider sports development are being supported tremendously by the online betting industry. We look forward to continued growth and will continue to support the development of sports across Africa”.

Governments across Africa as well as private sectors are beginning to wake up to the trends with many sponsorship and marketing opportunities available across the continent. It is no surprise everyone wants in on 'the action'.

Nairabet was Nigeria's first domestic online sports betting site, which boasts well over 100,000 customers. It offers sports and live betting and the option to play casino games. It is licensed and regulated by the Lagos State Lotteries Board. Others include BetNaija, Winners Golden Bet, and Merrybet. You won't have to search much to find various other sports betting sites that cater to the Nigerian market. Nigerian sports bettors will are generally able to place sports wagers anywhere, anytime using the mobile services offered by these online sports books.

HOW TO OBTAIN A GAMING LICENSE & CURRENT REGULATION:

The Criminal Code Act establishes most gaming law in Nigeria, with the relevant sections being most recently updated in 2004.

Obtaining a gaming license in Nigeria requires approval from several operators. The main operators are the Nigerian Investment Promotion Commission (NIPC), Special
Control Unit against Money Laundering (SCUML), and the National Office for Technology Acquisition and Promotion (NOTAP).

Some operators are also required to secure a Capital Importation Certificate, and liaise with the Federal Inland Revenue Service (FIRS) to get a Tax Identification Number and register for Value Added Tax (VAT). Operators should ensure they comply with the laws with regards to which games they offer. Only games that comply with Section 57 of the Nigerian National Lottery Act can be offered legally, which include lotteries, sports betting / pools and bricks and mortar casinos.

On the state level, the Lagos State Lotteries Board (LSLB) has issued over 40 licenses to operators (LSLB, 2017). The board has started to implement measures to strengthen the regulatory framework through increased transparency. These measures include providing and updating their data to include operators whose licenses have been suspended. Other states are also realizing the revenue potential of the gaming industry.

One of the biggest problems here is that the government may be missing out on extensive tax revenues because of two issues. As in many nations, the proliferation of overseas sites that do not pay taxes in the country is costly, of course. But there’s also regulatory confusion that may be leading to less taxation than should be taxing place, with the National Lottery Regulatory Commission being uncertain whether it should be collecting from state licensed operators.

It has been suggested by researchers that the way in which the entire gaming industry is regulated needs a review and extensive overhaul so that there can be stronger oversight and more consistency across the country.

For now there are too many overlaps between state and federal laws and many foreign investors have described the legislation as convoluted. Federal law makes no reference to internet gaming at all! State legislatures should begin developing robust regulatory regimes for legal sports betting that emphasize compliance, market competitiveness, and cooperation among all stakeholders.

**ECONOMIC BENEFITS:**

A leading report on Gambling in Africa published in 2016 by KPMG reeled out some startling numbers on the sports betting industry in Nigeria. As at 2016, the leading sports betting company, “Bet9ja rakes in an average monthly turnover of $10m while the number 2 player behind Bet9ja, NairaBet makes an average turnover of $3m-$5m, a 20-30% margin on profit”.

The sports betting industry has been able to leverage on Nigeria’s huge football culture. Some of the big leagues, such as the English Premier league, and the Spanish La Liga, have millions of fans in the country - betting provides Nigerians the opportunity to earn from what they love. Betting houses can now be spotted in almost every street in Lagos, new ones are propping up daily, with subscribers in store and online daily. In addition,
Business Monitor International (BMI) research forecasts 182 million mobile subscribers in 2021, from the current 153 million. The expectation is that as the number of internet subscribers increase, so will the number of gaming users.

According to a recent investigation, roughly “60 million Nigerians between the ages of 18 and 40 are involved in active sports betting. On average, these punters spend around 3,000 Naira (about $15) every day on bets”. Accordingly, almost 2 billion naira is spent on sports betting daily in Nigeria, which is nearly 730 billion Naira a year!

If the industry can be taxed effectively, it could mean a new and large source of income for the national coffers, helping to further develop this increasingly powerful player on the regional and world stages. We would hope this has a knock on effect for the sport of football in Nigeria [we hope].

It is noteworthy that the recent foreign exchange crisis resulting in the weakening of the Nigerian naira has placed a severe strain on businesses in Nigeria. The software and hardware solutions for gaming, used by operators are typically sourced from foreign providers and as such, operators tend to pay more than previously negotiated due to fluctuations in the currency.

**SOCIAL IMPACTS:**

Although the gaming industry has had a positive impact on the economy by providing business and employment opportunities, there is a need for strong regulatory frameworks to be developed to protect society from the socio-economic effects of gambling. A poll that investigated why Nigerians bet on football games weekly, revealed that “Nigerians bet on football because it is a way to make quick money, distraction from the high rate of unemployment and human greed, among other reasons”.

‘Financial losses pose the most immediate and compelling cost to the gambler in throes of his or her disorder. As access to money becomes more limited, gamblers often resort to crime in order to pay debts, appease bookies, maintain appearances and garner more money to gamble’. A country with high poverty level such as Nigeria must pay particular attention to betting regulation so as to avoid a complete breakdown in the moral fabric of society. Addiction to sports betting can also affect concentration at work and ultimately lead to a loss of employment.

Blaszczynski, A. & Silove, D. noted that criminal behaviors among adolescent gamblers may be more prevalent among adult gamblers, in part because the youths have fewer options for obtaining funds and had a greater susceptibility to social pressure among gambling peers. ‘In the UK, 46% of adolescents surveyed stole from their family, 12% stole from others, 31% sold their possessions, and 39% gambled with their school lunch or travel money’.
It is increasingly important to educate and guide our youth on the issue of gambling. More and more youths see sports betting as their ‘way out’ of hardship and this desperation often leads to debt. Considering the level of the industry's growth in Nigeria, and Nigeria’s already high rate of poverty, the government must ensure we do not mortgage our future [the youth]. This is need for proper regulation of the industry, as policies of checks and balances have to be in place.

Interestingly, a significant proportion of Nigerians polled (77%) attested to the high prevalence of betting and gambling in their locality; particularly amongst ‘respondents in the South-West (92%) and South-South (91%) geo-political zones, which recorded the highest prevalence’.

Sports’ betting is prevalent in most areas in Nigeria and seen as a source of entertainment to many. Individuals may feel pressured to take part in the activity without knowing the negative effects. There is a reason the slogan ‘Gamble Responsibly’ is used globally and Nigeria should take note. Nigeria does not have many support organisations that deal with gambling addictions such as BeGambleAware in the UK. Citizens are at risk of being vulnerable to the betting industry with no way out and usually no one to talk to about it.

LESSONS TO BE LEARNT FROM OTHER JURISDICTIONS:

This ties into the social impacts we discussed earlier. It is critical that the right measures are put in place to protect citizens from the sports betting industry but also from themselves.

Gambling addiction is a very real and serious problem, this has been recognized by the UK government with their increased betting regulations. There has been a recent crackdown of fixed-odds betting terminals (FOBTs) and the UK government has put a stake limit in place. Although this has been deemed highly controversial and political it shows the government taking steps to curb what is already a big social problem in the UK. Online gaming and sports betting machines in particular have left many with addictions and debt. Nigeria should take note and take preemptive steps to regulate how people bet and wh.

Suggestions include

The US Supreme Court recently struck down a federal law, Professional and Amateur Sports Protection Act (PASPA) that bars gambling on football, basketball, baseball and other sports in most states, giving states the go-ahead to legalize betting on sports.

PASPA didn’t outlaw sports betting because that was already illegal. Rather, PASPA banned states outside those given exemptions from regulating (and taxing) sports betting. Despite PASPA’s existence, the American Gaming Association (AGA) estimates at least ‘$150 billion a year is gambled on sports in the U.S. and 97% of that amount was bet illegally’. With PASPA stricken down, states now can establish their own regulated sports betting.
Many are expected to move quickly to establish sports betting as a means to increase their respective coffers. Nigerian states may want to follow suit.

**THE FUTURE OF SPORTS BETTING IN NIGERIA:**

Industry operators believe that as the numbers of internet subscribers keeps increasing, so will the number of game users, and there may be the need for mergers and acquisitions of fragmented small players in the industry. “The growing Nigerian gaming industry is fragmented, with many small players. As user behavior changes and spending needs increase, the industry could be forced to consolidate, in line with global trends.”

Partnerships have become important in delivering a successful gaming experience. Telecommunication and payment companies are making gaming more accessible to mobile users. A good example is Bet9ja has also recently formed a three-year partnership worth 200 million naira with Nigerian National League to enhance the Nigerian League within the sports betting segment. In addition, betting companies are partnering with mobile payment platforms, to offer attractive bonuses on stakes, thus attracting more customers.

Giving the prospects of the Nigeria’s gaming industry, there are opportunities for foreign technology companies and service providers to increase local presence through partnerships with Nigerian companies who can deliver different sections of the value chain. These services include provision of gaming software, sports feeds, odds, virtual games, managed IT services etc. This will help to create more jobs and build more a skilled workforce, leading to sustainable growth of the gaming industry.

This is already in practice as the President of the NFF, Mr. Amaju Melvin Pinnick signed for the Federation while Shehu Dikko, Chairman of the LMC and NFF 2ndVice President, signed for the league body in a deal that offer x1 BetThe contracts are for a period of three years in the first instance, with right of first refusal on expiration, and generally offer to 1XBET, rights of association with the Super Eagles (NFF) and the Nigeria Professional Football League (LMC).

1XBET would have extensive branding and advertising opportunities across the Nigerian National Team matches and events of the NFF, and are entitled to same across NPFL match venues and LMC events, including opportunity to support broadcast of NPFL matches. The company will equally benefit from coverage across NFF and LMC official websites and digital platforms.

The benefits to NFF and LMC include components of cash, Value-In-Kind and share of future revenue from Nigeria territory based on agreed parameters. As part of the VIK, 1XBET will procure (by paying the annual subscription) Install (match analysis
software) with full access for use by all the National Teams and all NPFL clubs, to aid the technical development and scouting of players of the National Teams and NPFL clubs. The company will also partner the NFF and LMC in various projects toward the development of Nigerian Football.

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