



# **DECONSTRUCT**

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# IMPACTS ON THE ECONOMY

## POSITIVE IMPACTS ON THE ECONOMY

- The Indian gaming facilities, including non-gaming operations, directly and indirectly, generated around \$130 billion output, 777000 jobs, \$35.5 billion in wages, \$1.76 billion in direct revenue payments to federal, state, and local government and %10 billion in federal, state, and local taxes.
- Per capita income grew nearly five percentage points faster in casino counties than in their non-casino county counterparts. Therefore, casinos not only help in the growth of the local economy, but also in boosting the local residents' income.
- Casinos bring other businesses such as restaurants, gas stations, hotels etc. with them which brings more revenue for the state, Marina Bay Sands is an example.
- Casinos in Goa contribute more than Rs 150 crores to state revenues. Goa casino industry provides employment to about 7000 people.
- During festivals such as Deepawali and Holi, the Casino business upgrades by 30-40% in India.
- Tax laws levy 30% direct tax on income earned from a casino and other gambling games.
- Companies that provide gambling services having a net worth of INR 5 billion or turnover of INR 10 billion or net worth of INR 50 million are required to spend 2% of the net profits of three preceding years on CSR.
- There is 28% GST imposed on Casinos.

## NEGATIVE IMPACTS ON THE ECONOMY

Some researchers strongly suggest that the introduction of popular legalized gambling in Resort World Sentosa, including casinos and video lottery terminals, caused 1% increase in the number potential pathological gamblers over a four-month time span. Based on a research, each new pathological gambler is estimated to cost society from \$26,200 to \$78,000 per year. Moreover, gambling has bad effects morally, fiscally, and socially. It directly affects business principles and economic development.

## FUN FACT

**It is famously said that founder of FedEx Frederick Smith company had only \$5,000 when he decided to take that money and gamble in Vegas in 1973. Luckily for him, the gambling worked. He won \$27,000 by playing blackjack. This money saved his company.**



## PROFIT MODEL

Casino games are designed to provide the house with a built-in-edge, stacking the odds in the casino's favour. No matter what you play, the odds of the casino winning are greater than your odds of winning the money.

### 1) SLOT MACHINES

Slot machines remain the most important money-making part of casinos in the United States. Every slot machine has a rate of what it pays out, set at 90% usually. Casinos have also come up with the idea of something called a near miss in recent years. People think that they just missed winning by only a small margin and they play more.

### 2) TABLE STAKE GAMES

In these games, the money won is based on the wagers of other players, called the pot. In these games, the house simply skims something off the pot.

### 3) ROULETTE

On most roulette tables there are 38 numbers instead of 36 meaning that the odds of you winning are actually  $18/38$  or 47.4%. The casinos make their money on that advantage of 2.6%.

## TRICKS TIME

1. Casinos do not have wall clocks. This is to prevent distracting the players so that they forget the time while playing and play more.
2. They make sure everyone sees a win which makes them play more.
3. They use chips rather than cash. Most people tend to spend completely rather than going back and getting the remaining refunded.
4. Casinos offer free drinks. Drunk people tend to take more risks.

## FUN FACT

**The roulette was first played in 18th century in France and its name is also derived from a French word meaning little wheel. Compared with the European roulette, the American roulette is slightly harder to win. It is because instead of 37 possible landing places for the ball, there are 38 places. This way, a player of European roulette has 1 in 37 odds of winning. While in the American roulette, the player has 1 in 38 odds of winning.**





Money needed to start a traditional casino:-

Some might be thinking that it's just a play area, but no, it's a grandiose business which is definitely worth investing. In order to start a casino, we need to incur the following costs-

- 1)Development, royalty & licensing cost (depending upon jurisdiction) which is about \$500000.
- 2)Hardware, branding, marketing, payroll, and banking partners costs which are between \$500000-\$1000000
- 3)Besides, an ongoing cost of \$50000 per month is required additionally.

Things needed to start an online casino:-

1. The cost of a license, which is to be bought obligatorily before starting the project, depends on the jurisdiction and type of online gambling venue. The average cost of gambling license ranges from \$10000 to 50000.
2. The next step is to buy the software. Platform, game content and other essential software will be the largest part of the investment. Software, if buying directly from world famous manufacturers, may cost more than half a million dollars. Only large or network companies with multi-million dollar budget have the opportunity to cooperate with top manufacturers. Other companies and entrepreneurs usually rent desired software from larger partners. In such a case branded software may cost from several tens to several hundreds of thousands of dollars, depending on the purchased goods.
3. Integration of payment systems, the creation of a website design and other casino platforms configurations can be made by the operators according to their preferences.
4. Then it comes to the provision of technical support for the website. At this stage, it is important to organize website operations taking into account that it will function around the clock. In addition to high-quality 24/7 technical support, it is necessary to find employees who will be able to serve customers non-stop and provide uninterrupted and high-quality operation of the online resource. It may be one additional administrator/manager or a number of people, including cashier, chief manager, the night manager, etc., depending on the needs of the casino. Responsibilities of the casino staff should be shared in such a way that each employee has access to a certain part of the system only. Personal expenses should be taken into account while working on a business plan as well.
5. The next step, which will also cost the operator a vast deal of money, is the promotion of gambling website. There are many marketing tools for the website promotion and each of them has its own price. You can use less expensive options such as SMM, e-mail newsletters, SEO, affiliate programs, etc. But in any case, it is necessary to use almost all available promotion tools, because to use only one of them would be not effective. Marketing strategies should be well-advised and well-thought-out. Thus, considering all the stages and necessary components, the price of the creation of a gambling project from scratch may be very high and the budget may well run into six-figure sum.

### **FUN FACT**

**Contrary to what most people would think, Las Vegas is not the gambling capital of the world. It is the Chinese city of Macau where gambling takes place on such a huge level that it can rightly be called as the gambling capital of the world. The casino revenues of Macau were almost five times over than that of Vegas in 2012.**



## OVERVIEW OF CASINO COMPETITION IN ASIA

Prior to the turn of the 21st century, jurisdictions including Malaysia, South Korea, the Philippines and Macau offered casino gambling to foreigners. Macau has a gaming history dating back to the 19th century and was a monopoly-based jurisdiction with Stanley Ho's company Sociedade de Turismo e Diversões de Macau (STDM) holding the sole concession for casino gaming from 1962 through to 2002. The first casino opened in South Korea in 1967 and, after this, the market was dominated for many years by the Paradise Group. Malaysia, widely perceived to be the benchmark for the concept of the integrated resort in Asia, opened its Genting Highlands casino in 1971. The Philippines created a regulatory framework for casinos under President Marcos in 1976 despite having a grey casino market since the 1930s.

Around the time of the last Productivity Commission gaming industries report in 1999, Asia's largest casino market, Macau, experienced a decline in gaming revenues by 18 percent, finishing the year at US\$2bn. This was on the back of the Asian economic crisis and the uncertainty shrouding its return to China from Portuguese rule. The STDM monopoly license was due to expire in 2001 and, except for South Korea, all countries in the region with casinos recorded a decline in tourism receipts. From a tourism perspective, Malaysia was worst hit by the financial crisis, with a decline in tourism receipts of 40 percent in 1997.

Whilst Asia was always earmarked as a potential area for casino growth, few could predict the rapidity of the growth that would be experienced over the next 10 years.

- Macau became the largest casino market in the world, growing from US\$2bn 1999 to US\$14bn by end-2008.
- The sole casino operator in Malaysia, Resorts World, grew revenues from \$1bn to in excess of \$2bn by 2007.
- Philippines casino monopoly, Philippine Amusement and Gaming Corporation (PAGCOR) grew revenues from \$400m to nearly \$1bn by 2007.
- South Korean casino revenues rose from US\$256m in 1994 to US\$1.15bn by 2007.
- A floating casino on the banks of the Tonle Sap River in Phnom Penh became a land-based casino that generated revenue in excess of \$US200m and has grown at a rate of 22 percent per year since 2003.

### FUN FACT

**The longest Poker game lasted for over eight years. Poker is a game of endurance and tournaments will typically last a month or two. But this is nothing compared to what happened in 1881 in the basement of a theatre in Arizona, which allegedly played host to a poker game that ran continuously, twenty-four hours a day, for eight years, five months, and three days!**