Annotation. The process of gambling market legalization in Ukraine following more than eleven years of statutory ban on the organization of all types of gambling, except for lotteries, encounters opposition from both the shadow economy and politicians and officials, who, in addition to objective reasons for their interest in this political issue, may be involved in the rent-seeking behaviour due to the existing status quo. Now that the Law of Ukraine “On State Regulation of Activities in the Organization and Conduct of Gambling” adopted in July and effective from 13 August 2020 has defined the general framework of the regulatory model equating all gambling types and obliging operators to obtain relevant licenses, the leverage over the market ended up in the hands of the National Regulator (CRGL). Therefore, the state budget began to receive revenue from the gambling market, avoiding corruption flows. That is one of the reasons the emerging gambling market faced quite serious resistance at a number of levels, from the Parliament to local governments which, lacking access to hard cash, collect reputational bonuses from the exploitation of populist slogans to ban the organization and conduct of gambling in their jurisdictions despite the specialized Law. In order to deflate such opposition, joint efforts of both the legislative (at the level of the Verkhovna Rada of Ukraine) and executive power (represented by law enforcement agencies and the Cabinet of Ministers of Ukraine), as well as industry associations uniting legal operators are needed. In turn, public policy on gambling requires significant adaptation and reform in order to come as close as possible to the country’s present-day realities, as well as increase the level of compliance with international practice. For better understanding and planning of adaptation and reform, the examination of both the market and the changes taking place therein, including sociological studies enabling more adequate public and regional policies on gambling, is required.

Key words. Political myth, public regulation, gambling, lottery, gambling market operator, illegal gambling establishment, casino, regulator, player, player protection, responsible gambling.

Introduction. Until the end of 1990s, the Ukrainian political elite failed to raise the issue of gambling, despite a very negative attitude of the authorities to games of chance, as inherited from the USSR. The only example of the public regulatory activity related to gambling may be the inclusion of the relevant provision in the 1996 Law of Ukraine “On Licensing of Certain Types of Economic Activity” [1]. Article 5 of this law established the procedure for acquiring a trade patent for the provision of gambling services. It is noteworthy that this law was in effect until December 2010, while the Law of Ukraine “On Prohibition of Gambling Business in Ukraine” [2] became effective in June 2009. This resulted in a legal conflict where for about a year and a half, two different laws were in force, the provisions of which had diametrically opposite meanings. One law permitted the organization of gambling, while another prohibited it. This resulted in a significant increase in corruption in the law enforcement system, within the executive branch and local self-governmental bodies, which were given an opportunity to interpret and use the provisions of the above two laws at their own discretion. Thus, the “shadow market” of gambling was able to adapt to the changed regulatory framework and find opportunities to make profits even after the official prohibition of the gambling market. At the same time, the major myths about gambling market were created and began to be used by politicians explaining the need to support the prohibition of legal gambling. These myths helped them portray themselves as fighters against a phenomenon “harmful to society” and, at the same time, make money on corrupt activities, namely the provision of political “backing” for the illegal market.

Although the public regulation system of the gambling market in Ukraine has its disadvantages until 2009, e.g. the absence of a national regulator, the lack of operators’ obligation to comply with responsible gambling principles, low differentiation of tax payments, etc., people indicated that the virtually only negative aspect of the activities of gambling operators was the widespread availability of slot machines and children and adolescents having free access to them. Although the current legislative norms directly prohibit persons under 21 years of age from participating in gambling, public dissatisfaction with even theoretical possibility of children and adolescents participating in gambling is used by politicians for their media campaigns to demonize legal gambling operators. At the same time, a reasonable counter-argument that illegal establishments have never been monitored at all and that children and adolescents could participate in gambling, is not taken into account in the political discussion. Despite the fact that the myth about persons under 21 years of age playing in legal gambling establishments had some basis in the distant past and is currently off the table, it is regularly used in the media. In addition, albeit partially, this myth resulted in the
inclusion of the provisions prohibiting slot machine halls within less than 500 meters from nursery schools, institutions of general secondary education, as well as extracurricular, specialized, professional, and vocational higher education in the current Law of Ukraine “On State Regulation of Activities in the Organization and Conduct of Gambling” No. 768-IX [3].

The most common myths used by politicians also include the following:

• the majority of Ukrainians (over 80%) are against the legalization of gambling;
• if gambling is legalized, Ukrainians will immediately begin to gamble uncontrollably and will lose everything: salaries, savings, property, etc.;
• socially vulnerable populations will be exposed to great risks: pensioners will lose their pensions, and students will lose scholarships;
• legal gambling establishments pay few taxes and therefore do not contribute to the improvement of the socio-economic situation of both the regions where they are located and the country as a whole, etc.

There are still a number of less common and little-used myths, but the above ones are enough to become a part of the election programme both in local elections and when a party or individual candidate participates in parliamentary elections. In this regard, the All-Ukrainian Union Batkivshchyna became a “hostage” to the position adopted by its leader, Yulia Tymoshenko whose actions resulted in the prohibition of gambling and its shifting to illegal status. As a mainstream political force, she not only voted and called for votes against the legalization of gambling [4], but also intended to appeal the Law of Ukraine “On State Regulation of Activities in the Organization and Conduct of Gambling” No. 768-IX adopted by the Parliament before the Constitutional Court of Ukraine [5].

In the run-up to the October 2020 local elections, the issue of gambling legalization was again used for political purposes [6]. In addition to the All-Ukrainian Union Batkivshchyna, representatives of the All-Ukrainian Union Svoboda nationalist party also opposed the establishment of a “white” gambling market, whose campaign also contained, in addition to the above myths, such ludicrous claims as “the law will not work” and “legalization will not happen”. It is noteworthy that after winning the elections and becoming local deputies/city mayors and heads of ATCs (amalgamated territorial communities), the politicians’ rhetoric has completely changed and almost all of them became supporters of legalization. This apparently happened because, after having become representatives of local authorities, they became more interested in budget formation in their own regions. We may recall that part of the license fee paid by market operators, personal income tax, as well as direct and indirect taxes from the gambling business and associated businesses (hospitality, travel, souvenir businesses, etc.) are paid to local budgets. In total, according to the official statistics of the Commission for the Regulation of Gambling and Lotteries (CRGL), in the nine months of 2021 and by the end of 2021, the state budget received more than UAH 1.2 billion from license fees alone. Experts, however, indicate that the cumulative economic effect from the legalization of gambling will be UAH 30 billion [7]. Probably, it was the financial factor that became decisive in changing the rhetoric of local politicians. At the same time, neither the positions adopted by the Batkivshchyna parliamentary faction, nor its leader have changed.

**Literature review and research objective**

The history of gambling in Europe may be traced clearly from the days of Ancient Rome to modern times. Alan Vajx [8], Evgeniy Kovtun [9], Sergey Osyka [10], Roman Gishchuk [11] and other researchers indicate that the development of the gambling market is inseparable from the entertainment and tourism industries. At the same time, as Roman Gishchuk rightly points out, the prohibition of gambling in some countries, with reasonable legislative control, serves as the basis for its development in neighbouring countries. Also, legal gambling establishments contribute to the growth of the tourist flow resulting from the emergence of new tourist routes (primarily in adjacent territories) to gambling establishments. As a rule, these are guided tours. In particular, before the legalization of the Ukrainian gambling market, a number of countries adjacent to Ukraine (Belarus, Kazakhstan, Moldova, Romania, Bulgaria, and Russia) received additional budget revenue from gambling tourism. There is actually a special name for such tours, and it is junket-tours (junket meaning “a free entertaining trip”), that is, an entertainment programme with a mandatory visit to gambling establishments [12].

The modern European system of the gambling market state regulation is based on three basic models relying on the prevailing cultural/religious tradition and strong political beliefs:

1. **Total prohibition of gambling** (typical for states with a strong influence of religion on the society, or risks related to religious minorities);
2. **Partial prohibition/partial legalization of the gambling market**, when the state allows only certain types of gambling or the activities of certain gambling operators or the localization of gaming in a certain territory (for instance, casinos operating on Indian reservations in the United States). Partial legalization also includes the state’s monopoly on gambling (national casino in Monaco);
3. **Full legalization of the gambling business** as part of the gambling public control.

According to the above classification, the gambling market in Ukraine is developing mainly within the framework of the second basic model, namely, partial legalization. It is noteworthy that the partial nature, in this case, refers specifically to the public regulation system, that is, legislated restrictions for gambling market operators.

As for the gambling taxation system and the peculiarities of using the relevant taxes to finance some state’s social functions, such researchers as I. Sergeyenko. Yu. Ivushchenko. R. Khorolsky, and M.Koval [13] note that the tax on gross gaming revenue (GGR) had become widespread in the EU in recent
years. On the whole, in the EU, VAT on gambling has been practically abandoned. In addition, in most EU countries, there is no practice of withholding taxes on player’s winnings. Instead, the common practice is to establish local taxes (fees, due to their fiscal nature) for clients of gambling establishments in the form of a fixed amount either for a certain period of time (day, week) or a casino/gambling hall entrance fee, etc. Typically, this is a rather small sum of 5-10 euros, which serves as a kind of a specialized tourist tax.

In addition, an important element of the gambling taxation is its social orientation. Funds from gambling are used to promote culture, art, sports,hippodromes, the Olympic movement, research, prevention and fight against the phenomenon of “pathological addiction to gambling” (gambling addiction), etc. This European practice implies redirecting up to 50% of all tax revenues collected from gambling operators to the social sphere. And that is not to mention that in almost all European countries market operators are sponsors of sports competitions, national federations and individual clubs.

As noted by O.I. Iryadnova [14], the social orientation of gambling operators and public institutions is largely determined by historical tradition. For instance, in France, theatres were built with tax fees paid by gambling operators, in Baden-Baden (Germany); a famous opera house was built at the expense of tax revenues from the gambling industry. In the Netherlands, a portion of the gambling tax revenues is used to sponsor the football championship. In Canada, gambling establishments sponsor the annual Formula 1 grand prix. In the United States, casino owners sponsor professional basketball and ice hockey teams and the construction and improvement of school and other educational infrastructure. In Spain and Argentina, there are charitable lotteries generating revenue used to support blind people. The largest English lottery company Camelot is also run on a charitable footing. In many countries, gambling tax revenues are allocated to special budget lines. For instance, in Denmark, 65% of taxes received from the gambling business are used to promote sports and cultural activities.

In Ukraine, legal operators also take an active social position. For example, the first official online bookmaker in Ukraine, Parimatch, sponsors Shakhtar FC, Chornomorets FC [15] and Kryvbas FC [16], and this year, Parimatch sponsored Chelsea FC in the UK [17] and other world-renowned sports teams. In turn, FavBet betting company became the title sponsor of the Ukrainian Premier League (UPL) [18].

The current legislation and the Commission for the Regulation of Gambling and Lotteries (CRGL) also protect the interests of citizens who are ready and willing to gamble. For instance, the regulations of the framework law are clearly aimed at combating gambling addiction, introducing responsible gambling principles, limiting gambling advertising and preventing children and adolescents from gambling.

For instance, CRGL:

- creates and maintains the Register of persons with restricted access to gaming establishments and/or participation in gambling;
- establishes requirements for combating pathological addiction to gambling (gambling addiction);
- establishes responsible gambling principles [19];
- takes steps to prevent and identify violations of legislation on the organization and conduct of gambling.

In addition, in order to monitor the activities of gambling operators and operation of gambling equipment, as well as to ensure the rights of players, the State Online Monitoring System is being established. The State Online Monitoring System is the central tool for the Authorized Body to carry out the function of public supervision (control) over activities in organization and conduct of gambling. It is also used to detect and prevent access to a legal gambling establishment for citizens included in the Register of persons with restricted access to gambling establishments and/or participation in gambling.

In turn, gambling market operators are obliged to:

- take measures to prevent persons under 21 years of age from entering gambling establishments and gambling, as well as persons prohibited from gambling under the current legislation;
- take measures to combat gambling addiction, including distribution of information on gambling addiction and responsible gambling in places where activities in the field of organization and conduct of gambling are carried out, in particular, information on age limits for players, chances of winning, responsible gambling principles, signs of pathological and severe gambling addiction and places where one can get help in case of gambling addiction;
- comply with the responsible gambling principles, in particular:
  - ensure the identification of a player (players) and a visitor (visitors) in the gambling establishment and the identification of an online player (players);
  - in cases and in the manner established by the Authorized Body, prevent persons with limited access to participation in gambling, as well as persons with severe addiction to gambling (gambling addiction) from gambling:
    - refrain from providing players with any bonus payments, gifts and/or goods (services) in any form, as well as other types of incentives, the provision of which is directly or indirectly linked to the player’s loss in the relevant game of chance.

In addition, the gambling operator who has failed to prevent the participation in gambling of persons whose participation is prohibited by the above law and other laws is obliged to reimburse such persons at their request or at the request of their family members for financial damage in the amount of tenfold of the loss incurred by such persons due to such inaction. In order to reduce the risks associated with gambling addiction and as additional restraint measures for players, gambling market operators are prohibited from:
• accepting credit bets from players, except for payment of bets by credit or debit cards, subject to availability of payment authorization;
• providing players with loans to gamble;
• opening banking and credit institutions, pawnshops, ATMs, currency exchange offices in gambling establishments.

That is why the myth that “everyone will lose everything” is far-fetched when it comes to legal gambling establishments, unlike illegal establishments not subject to any supervision either from the national regulator, or the state online monitoring system.

As for the possible risks of “losing the pension and the scholarship,” upon detailed study, the situation here is also very far from mythological. In particular, in order to explore the public attitudes to gambling and establish the percentage of Ukrainians willing to gamble, as well as their gender, age group, and preferred games of chance, in October 2021, the Ukrainian Gambling Council (UGC) and the Info Sapience research agency conducted a sociological study “Attitudes of Ukrainians to Gambling.”

The key objectives of the above study were to determine the attitudes of Ukrainians to the gambling market legalization, assess the main arguments in favour/against the gambling legalization reform, as well as the experience and willingness of the population to gamble.

The priority tasks of the study are as follows:
• determine the core indicators of the people’s attitudes to the gambling legalization reform;
• determine the people’s attitudes to the main arguments in favour of the legalization of gambling;
• rank the weight of arguments for the legalization of gambling among supporters of such legalization;
• identify and analyse people’s past gambling experience; and
• identify and analyse people’s desires and intentions regarding potential participation in gambling.

The opinion poll was carried out with respondents over the age of 18 throughout Ukraine, except for the Autonomous Republic of Crimea and the temporarily occupied territories in Donetsk and Luhansk regions. A personal interview at the respondent’s home using tablets (SARI) was used as a survey method. In order to design a sample, Info Sapiens uses data of the State Statistics Service of Ukraine on the composition of the population of Ukraine as of 01 January 2020. Sample size is 1000 respondents. The theoretical error does not exceed 3.2% with 95% CI.

Survey results. Based on the analysis of the data obtained, it could be said that there is no factual basis for the most widespread myths used by politicians opposing the gambling market legalization.

![Fig. 1 The level of support among the population for argumentation regarding the need to legalize the gambling market in Ukraine](image)

The number of respondents supporting at least one argument in favour of legalizing the gambling market in Ukraine:

- Support at least one argument (43.2%)
- Fail to support any argument (56.8%)

According to research data, 43.2% of Ukrainians support at least one argument in favour of legalizing gambling in Ukraine, thus refuting the myth that the absolute majority of the population is against its legalization.
THE NUMBER OF RESPONDENTS SUPPORTING AT LEAST ONE ARGUMENT IN FAVOUR OF LEGALIZING THE GAMBLING MARKET IN UKRAINE, based on demographic data

Support at least one argument
Gender: Men (46.4%), Women (40.4%)
Age: 18-34 (50.6%), 35-54 (43.4%), 55 and older (37.5%)

Fig. 2 THE LEVEL OF SUPPORT AMONG DIFFERENT GENDER AND AGE GROUPS FOR THE ARGUMENTATION REGARDING THE NEED TO LEGALIZE THE GAMBLING MARKET IN UKRAINE

As can be seen from the distribution of answers, the level of support for the legalization of gambling among men is higher than among women, although the difference is not significant. At the same time, the dependence of the growth of support for legalization with a decrease in the respondents’ age is quite significant with one third more supporters of legalization among young people than among citizens aged 55+.

Fig. 3 RANKING OF THE WEIGHT OF ARGUMENTS IN FAVOUR THE GAMBLING LEGALIZATION ACCORDING TO THE RESPONDENTS
WEIGHT OF ARGUMENTS AMONG SUPPORTERS OF THE GAMBLING MARKET LEGALIZATION IN UKRAINE*

* RESPONDENTS WHO WOULD SUPPORT AT LEAST ONE ARGUMENT SET OUT IN THE QUESTION: “IS THIS STATEMENT AN ARGUMENT FOR YOU TO SUPPORT THE LEGALIZATION OF THE GAMBLING MARKET?”

Persons under 21 are prohibited from gambling (70.8%)

Online casino and online poker license fees are used to support medicine (70.6%)

In 2021, the state budget received more than UAH 1 billion in the form of revenues from license fees paid by gambling operators (67.6%)

License fees paid by betting operators are used to support sports (63.7%)

Betting operators sponsor the sports industry, namely football, hockey, basketball etc. (63.2%)

50% of license fees paid by offline casino and slot machine operators go to local budgets (60.2%)

The State has intensified the fight against illegal gambling establishments (58.1%)

The Register of persons with restricted access to gambling institutions and/or participation in gambling has been introduced (57.6%)

The State will control gambling advertising so that it does not form the opinion that winning is easy or that gambling can be a source of income or an alternative to work (51.9%)

The number of tourists has grown due to the legalization of gambling (49.8%)

The State guarantees the integrity of gambling operators and the payment of winnings (49.1%)

The distribution of arguments depending on the frequency with which the respondents agreed with them suggests that Ukrainians have no consolidated understanding of the gambling market. Years of illegal status had a rather negative impact on the perception of gambling among Ukrainians, with the exception of one argument regarding the age limit for players. All other arguments from the top six are of an economic nature. Additionally, the coronavirus pandemic may have influenced the choice made by respondents, since the argument that online casino and online poker license fees are target-oriented and used to finance medicine took second place.

The number of respondents who would like to participate in at least one kind of gambling in the future

Potentially ready to gamble (7.2%)

Not ready to gamble or failed to give the response (92.8%)

Fig. 4 PART OF UKRAINIANS WILLING TO GAMBLE IN THE FUTURE

Only 7.2% of respondents are potentially willing to gamble, thus refuting the myth that after the legalization of the gambling market it will cause the loss of money and jobs.
THE NUMBER OF RESPONDENTS WHO WOULD LIKE TO PARTICIPATE IN AT LEAST ONE KIND OF GAMBLING IN THE FUTURE, based on demographic data

Potentially willing to gamble
Gender: Men (12.3%), Women (3.0%)
Age: 18-34 (13.3%), 35-54 (8.2%), 55 and older (1.7%)

Fig. 5 AGE AND GENDER DISTRIBUTION AMONG THOSE WILLING TO GAMBLE IN THE FUTURE

The distribution of responses by core age and gender groups clearly indicates that Ukrainian pensioners will definitely not lose their pensions, not least because only 1.7% of citizens of pre-retirement and retirement age tolerate the idea of participating in gambling. There are eight times more of them among young people. Men are willing to risk about four times more often than women are. But even in this case, only one in eight men is willing gamble in the future. Based on the above indicators, there is no reason to say that “Ukrainians are a gambling nation”, but there is a broad field for more in-depth study of behavioural habits and motivations.

WOULD YOU LIKE TO PARTICIPATE IN THE FOLLOWING TYPES OF GAMBLING IN THE FUTURE?

<table>
<thead>
<tr>
<th>Type of Gambling</th>
<th>Strongly agree/Rather agree</th>
<th>Strongly disagree/Rather disagree</th>
<th>Hard to tell</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online poker</td>
<td>2.7%</td>
<td>91.7%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Online casino</td>
<td>3.2%</td>
<td>91.4%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Casino</td>
<td>3.4%</td>
<td>91.2%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Slot machines</td>
<td>4.1%</td>
<td>90.7%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Betting</td>
<td>4.5%</td>
<td>89.1%</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

Fig. 6 PREFERRED TYPES OF GAMBLING THAT UKRAINIANS WOULD BE WILLING TO PLAY IN THE FUTURE
The answers given by respondents make it difficult to say with confidence which types of gambling will be preferred by Ukrainians if they have the time and desire to play one or more games of chance. Perhaps, it is safe to say that between poker and betting, they will most likely choose betting rather than the online card table. Nevertheless, these data can be used as a starting point for further research. After all, this study is the first of its kind to be done in Ukraine and it will be used as a benchmark against which all subsequent ones can be assessed.

**Conclusions.** According to the analysis of the current legislation, regulations of the national regulator and the first quantitative sociological study “Attitudes of Ukrainians to Gambling” carried out in October 2021 by Info Sapience research agency and the Ukrainian Gambling Council (UGC):

- Ukrainian legislation envisages a variety of tools and procedures preventing persons under 21 and gambling addicts from gambling in legal gambling establishments;
- the State obliges licensors to adhere to the responsible gambling principles and prevent the use of advertising materials aimed at giving players the false impression that gambling can replace work, and that gambling winnings are the same as income from labour and/or business activities. Operators will pay penalties for violation of such requirements: from reimbursement for money spent by players and up to license revocation;
- almost half of Ukrainians support the gambling market legalization, thus refuting the myth that the majority of citizens (over 80%) are against legal gambling;
- the number of potential players among Ukrainians does not exceed 10%, while the number of pensioners and persons of pre-retirement age willing to gamble is below the level of the statistical error. This, in turn, refutes the myth that “students will lose scholarships, and pensioners will lose their pensions.” Neither students nor pensioners are likely to even visit gambling establishments;
- Ukrainians do not know about how diverse gambling can be, and therefore, even among those willing to play in the future, betting companies are their first choice in terms of possible investment in the game, being the most familiar type of gambling operators;
- political opponents of the legalization of gambling are, inter alia, political “hostages” of their past decisions or persons benefiting from corruption in the illegal market;
- even those local politicians who used anti-gambling rhetoric in their election campaigns, trying to win certain electoral bonuses, change their position when they became representative authorities. The change in position is due to the fact that the deputies must work with actual financial performance of local businesses, with gambling operators investing in local budgets and, often, sponsoring the social sphere.

Despite the objective groundlessness of anti-gambling myths, politicians may again use them in their election campaigns. Therefore, it is crucial for market operators to adhere to responsible gambling principles and actively support social projects, especially at the regional level, where tangible results are obtained faster and they are easier to cover in the media. One other major anti-mythological component is public events organized by public organizations that unite market operators (such as the Ukrainian Gambling Council, UGC) in order to popularize performance reports covering social projects funded by such organizations and to inform the public and the political establishment on the budget revenue at different levels, as well as the development of recreational facilities by market operators. In turn, regular research on the attitudes of Ukrainians to gambling will enable a clear record of the ongoing changes and adjustment of both the public gambling policy and the development strategy of market operators.

**REFERENCES**

4. Batkivshchyna will vote against the legalization of gambling in Ukraine, – Tymoshenko – URL: https://glavcom.ua/news/250303-1c2%ABbatkivshchyna%C2%BB-budet-golosovat-protiv-legalizatsii-azartnyh-igr-v-ukraine---timoshenko.html
5. Batkivshchyna will appeal the law on the legalization of gambling with the Constitutional Court – URL: https://interfax.com.ua/news/political/680382.html
6. In the run-up to local elections, the issue of gambling is used for political speculation – URL: https://delo.ua/econonomyandpoliticsinukraine/chto-meshaat-bystromu-zapusku-igornogo-biznesa-372129/
16. Parimatch is the official sponsor of Kryvbas FC – URL: https://www.0564.ua/news/3182052/parimatch-oficijnij-sponsor-fk-krivbas
17. Parimatch became the official sponsor of Chelsea FC – URL: https://chelseablues.ru/news/parimatch_stal_sponsorm_futbolnogo_kluba_chelsi/2021-08-09-72955
20. The first independent public opinion survey “Attitudes of Ukrainians to Gambling” – URL: https://uagc.org.ua/tpost/ytsdafein1-ugc-prezentuvalapershe-nezalezhne-sotos