

Financial Issues

What is gambling?

Placing a wager or bet on the outcome of a future event with an unknown outcome.¹

What is speculation?

Investing money in business ventures, insurance or stock market activities.

Bankruptcy

In the current statistics gambling and speculation are not able to be separated when looking at the causes of bankruptcies.

Business bankruptcies

When an individual's bankruptcy is directly related to his or her proprietary interest in a business.

Number of business bankruptcies in Australia by cause (2006-07)¹

Cause	No.	%
Economic conditions	1,624	32
Lack of business ability	578	11
Excessive drawings	509	10
Personal reasons ²	502	10
Lack of capital	390	8
Excessive interest	264	5
Failure to keep proper books	185	4
Inability to collect debts	166	3
Seasonal conditions	77	2
Gambling or speculation	66	1
Other cause of not stated	669	13
Total	5,030	100 ³

The most common reported cause of business bankruptcy in Australia during 2006-07 was "economic conditions", which accounted for 32% (1,624 individuals) of cases. Other frequent reported causes include "lack of business ability" (11% of cases), "personal reasons" (10%) and "excessive drawings" (10%). "Gambling or speculation" was reported as the cause of 66 business bankruptcies, 1% of the total.

Number of business bankruptcies attributable to gambling or speculation in Australia (trend)⁴

Period	No.	% of all bankruptcies
2006-07	66	1.31
2005-06	49	1.14
2004-05	63	1.44
2003-04	48	1.11
2002-03	93	2.11
2001-02	244	5.52
2000-01	188	3.79
1999-00	96	2.30
1998-99	88	1.49
1997-98	94	1.94

In 2006-07, 66 bankruptcies were attributed to "gambling or speculation", an increase of 17 compared to the previous year. As a proportion of all business bankruptcies, "gambling or speculation" accounted for 1.31%, a slightly larger proportion than in the previous year, but significantly less than the rate in 2001-02 (5.52%).

Non-business bankruptcies

Where the bankrupt's occupation and cause of bankruptcy is not related to any proprietary interest in a business.

Number of non-business bankruptcies in Australia by cause (2006-07)¹

Cause	No.	%
Unemployment	6,543	32
Excessive use of credit	5,555	27
Domestic discord	2,559	13
Ill health ⁵	2,308	11
Adverse litigation	915	4
Gambling or speculation	842	4
Liabilities on guarantees	439	2
Other causes or not stated	1264	6
Total	20,425	100 ³

The most common reported cause of non-business bankruptcy in Australia during 2006-07 was "unemployment", with 6,543 cases reported, accounting for 32% of the total number. Other frequent causes of personal insolvency included "excessive use of credit" (5,555 cases or 27% of the total), "domestic discord" (13% of cases) and "ill health" (11%). In Australia, gambling or speculation accounted for 4% of non-business bankruptcies with 842 cases reported.

¹ Adapted from Tasmanian Gaming Commission (2004) Australian Gambling Statistics 1977-78 to 2002-03, A Report prepared by KPMG Consulting (including amendments).

Number of non-business bankruptcies attributable to gambling or speculation in Australia (trend)⁴

Period	No.	% of all bankruptcies
2006-07	842	4.12
2005-06	673	3.70
2004-05	480	2.94
2003-04	486	2.98
2002-03	541	2.86
2001-02	556	2.70
2000-01	496	2.51
1999-00	566	2.81
1998-99	247	1.21
1997-98	223	1.14

In 2006-07, 842 cases (4.12%) of non-business bankruptcies were attributed to gambling or speculation. As a proportion of all non-business bankruptcies in 2005-06, gambling or speculation accounted for a slightly lower percentile, 3.70%.

¹ Inspector General in Bankruptcy, Insolvency and Trustee Service Australia (2007), Annual Report by the Inspector General in Bankruptcy on the Operation of the Bankruptcy Act 1996, 2006-07.

² This includes ill health.

³ May not add due to round

⁴ Inspector General in Bankruptcy, Insolvency and Trustee Service Australia (various years).

⁵ Including absence of health insurance.