

Financial Waste in the Southern Lottery Activities

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"Lottery tickets are sold everywhere". However, they are not enough attractive to many people's concerns. Therefore, adequacies of lottery activities have remained for a long time. In 2006, the government of Đà Lạt City drew the public's attention when it banned lot-

At present, lottery companies have a process of printing and selling tickets as follows:

In the financial structure of a lottery company, a large amount of working capital remains in the paper volume for 9 rounds of issue.

+ The volume of pa-

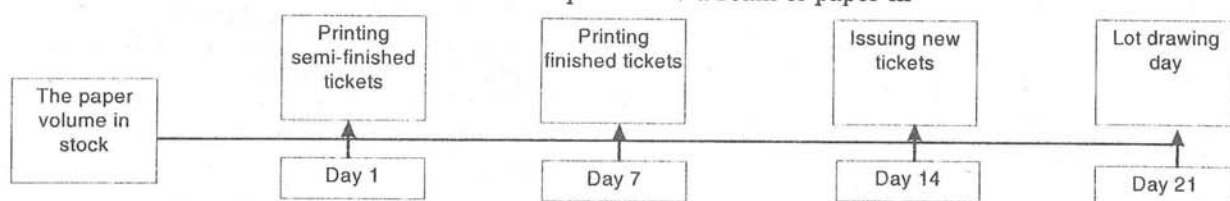
As a result, the lottery company must spend VND9 on buying paper if the cost is VND1 for each ticket.

Suppose lottery companies use the same category of paper for printing tickets (65cm x 61cm) with specifications:

+ a ream of paper in-

Moreover, the cost will amount to VND190 billion if printing 2,000 VND tickets as before. This shows a large amount of capital retained for buying paper and producing no profits in the lottery industry.

2. Financial loss due to low sales rate (30%)



tery sale at specific streets. In early 2007, violations in lottery business of the central provinces' lottery companies were disclosed on newspapers and

Table 1: Paper costs for printing tickets (Fort and Couché paper) - updated until December 27, 2006)

Type of paper	Number of sheets	Number of tickets	Cost (VND)	Cost/ticket (VND)
For printing VND5,000 tickets	500	18,519	200,000	10.80
For printing VND10,000 tickets	500	18,519	490,000	26.46

Table 2: Total paper costs of the southern lottery businesses in 21 cities and provinces

Price of ticket (VND)	Total tickets printed in a week (mil.)	Paper cost for a round of issue	Paper cost for 9 rounds of issue	If printing 2,000 -VND ticket, then paper cost:
5,000	145.8 mil.	VND1,574.64 mil.	VND14,171.76 mil.	Up 2.5 times.
10,000	47.0 mil.	VND1,243.62 mil.	VND11,192.58 mil.	Up 5 times

(Source: Calculations from Binh Dương lottery business - updated until December 28, 2006)

caused scandals. Although their activities have not been mentioned, the southern lottery companies (from Binh Thuận southwards) are bursting out the increasingly serious disease of financial wastes due to their organization and management.

I. INEFFECTIVE USE OF LOTTERY REVENUES

1. Large costs in ticket printing

per for three rounds of issue (according to the above process).

+ The volume of paper reserved for two rounds of issue.

+ The volume of paper sold for the following two months of issue (8 rounds). The paper cost is paid for four rounds of issue.

cludes 500 sheets.

+ A sheet can be used for printing 40 tickets.

+ The percentage of loss is 8%.

If they print 5,000 VND and 10,000 VND tickets as at present, the southern lottery companies must spend more than VND25 billion on buying paper.

All lottery companies compete with each other in increasing the number of tickets issued with a growth rate faster than the rise in the market demand with the aim to fulfill their annual planned targets. The oversupply inevitably results to falling sales. The 30%

Table 3: Paper waste due to oversupply

Type of tickets	Specifications	Number of ticket printed for a week	Weight of paper printed	Weight of tickets unsold
VND5,000	60 gr/m2	145.8 mil.	93,649 kg	65,555 kg
VND10,000	150 gr/m2	47 mil.	75,472 kg	52,830 kg

sales become common at present.

The price of waste paper is VND2,600/kg, so total wastes of the southern lottery companies are figured out as follows:

Low sales rate causes

business aimed at attracting a small amount of money from the public to establish a significant source of finance for social development. At present, VND5,000 is not a small amount of money for people. In

ing only 30%) in lottery business. The rise in ticket nominal value will pressurize lottery companies in their plan fulfillment due to falling sales and increasing risks when the prizes account for 50% (at

producing a VND5,000 ticket is only VND22.1, far lower than that of producing false a VND5,000 banknote. This fact really causes troubles to lottery companies.

III. CONCLUSION

Lottery activities in Vietnam begin to reveal shortcomings which will be unamendable if the pattern of organization and management remains unchanged as at present. The lottery sector should not have tickets printed prior to rounds of issue even though their face value is VND2,000, 5,000 or 10,000. Selling tickets through telephone will overcome limitations in the current method: saving costs of printing oversupplied tickets, preventing false tickets and civilizing ticket sale. This method should be tested before selling lottery tickets through specialized machines as in other countries. ■

Table 4: Financial wastes in lottery business for a round of issue

Weight of waste paper	Unit price	Sales of waste paper	Financial waste
118,385 kg	VND2,600/kg	VND307.801 mil.	VND2,510.459 mil.

not only a large amount of paper waste but also financial waste in printing costs.

many countries, the nominal value of a ticket is about US\$1 in accordance with their

most) while the income posts only 26.1% (discount of 13% commission for sellers).

Type of ticket	Printing unit cost	Number of ticket printed for a round of issue	Number of tickets unsold	Financial loss for a round of issue
VND5,000	VND11.3	145.8 mil.	102.06 mil.	VND1,153.278 mil.
VND10,000	VND17.0	47 mil.	32.9 mil.	VND559.3 mil.

The pressure that lottery revenue is an important resource for the state budget has led to high, impractical, and unfeasible plans of sales. The falling sales rate is causing great losses of VND4 billion due to paper and printing costs.

Tickets which are sold but not winning are discarded untidily. Therefore, the wastes also include costs of transport, distribution, cleaning and restoring the city view.

II. EVALUATION OF THE CURRENT SOLUTION

The Ministry of Finance and the southern lottery companies agreed to issue only VND5,000 tickets since July1, 2007 to reduce costs of paper, printing and transport. Has this solution brought positive results as expected after 6 months of implementation? Lottery

annual per capita income of US\$30,000. If this proportion is applied to Vietnam, the ticket price of VND5,000 must be in accordance with an annual per capita income of US\$10,000. However, Vietnamese per capita income reaches only US\$720. High nominal value is the main reason for falling sales (reach-

The solution also causes another risk to lottery companies. That is false tickets when agents return unsold tickets to them. A huge amount of tickets are traded within 24 hours, they are either winning tickets or waste ones. Even though lottery companies take a lot of measures to prevent false tickets, the cost of



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