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It's a Sure Win! Experimental Evidence on Overconfidence in Betting Behaviour

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As sports betting continues to surge worldwide, concerns about excessive gambling are also on the rise. To explore the drivers behind sports betting, we conducted an experiment examining how regular sports bettors in urban Tanzania value bets and form expectations about winning probabilities. Our findings reveal that participants assign higher certainty equivalents and winning probabilities to sports bets than to urn-and-balls lotteries with identical odds, even though their chances of winning are no different. Coupled with novel survey data on betting frequency and motivation, our experiment suggests that sports betting may exploit bettors' overconfidence in predicting sports outcomes, potentially exacerbating their financial losses.

Keywords: Betting , Overconfidence , Expectations , Framing
