

# **DIFFERENCE BETWEEN INVESTMENT, SPECULATION AND GAMBLING**

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# 1. Defination

- Investment

-Employment of funds  
On assets With the aim  
Of capital apprication.

- Speculation

- Buying and selling  
Of securities  
Within a very  
Short period of time.

- Gambling

- Taking high risk  
not only for high  
return but also  
Also for thrill and  
Thrill and joy.

## 2 . Objective

- Investment

- Capital gain + regular income , safety and stability of returns.

- Speculation

- Only to gain high return .

- Gambling

- rational people Gamble for fun excitement or thrill.

# 3 . Nature

- Investment



- Carefully planned.  
and scientific

- Speculation.



- Planned.

- Gambling



- Unplanned

# 4 . Risk

- Investment



- Low risk.

- Speculation



- Moderate to high risk

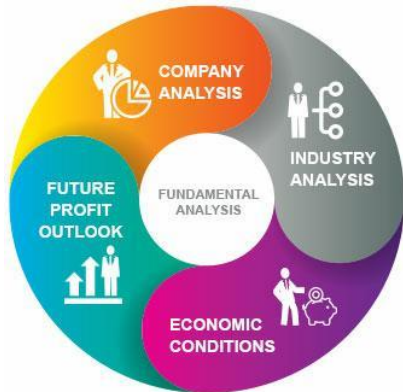
- Gambling



- High risk

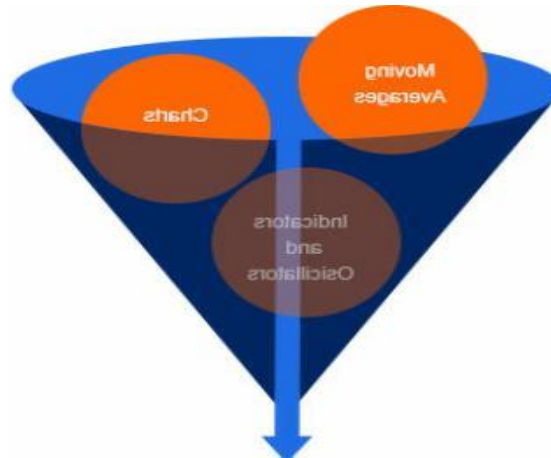
# 5. Analysis

- Investment



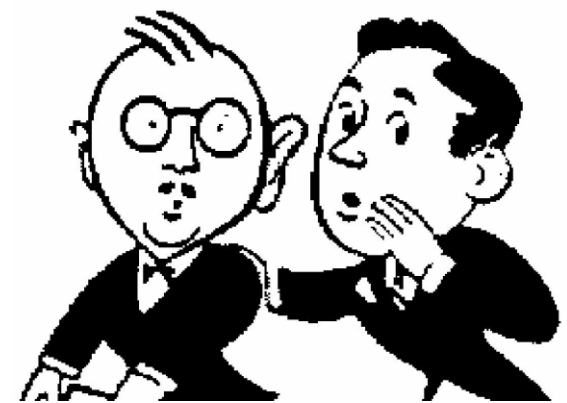
- Fundamental analysis

- Speculation



- Technical analysis

- Gambling



- No analysis (tips & rumors)

# 6 . Period

- Investment



- Long term.

- Speculation



- Short term

- Gambling



- Short term

# 7. Return

- Investment



- Current income  
(Interest , dividend).  
Low return

- Speculation



- Capital gain.  
High return

- Gambling



- Capital gain  
High return



# 8 . Example

- Investment

- Can be stocks, bonds , MFs , interest bearing accounts , real estate , gold and anything investor believe will produce income ...

- Speculation

- Stocks , options , futures etc...

- Gambling

- Horse race , Lotteries, card games, Casino's , online betting etc....

# Example of coin toss game :-

	INVESTMENT	SPECULATION	GAMBLING
You bet	Rs. 100	Rs. 100	Rs. 100
Correct call-You get	Rs. 250	Rs. 200	Rs. 150
Incorrect call-You lose	Rs. 100	Rs. 100	Rs.100
% of time you need to be right to break even	40%	50%	66.6%
On a great day (always right)	You make money	You make money	You make money
On an ordinary day (right half the time)	You make money	You break even	You lose
On a bad day (always wrong)	You lose money	You lose money	You lose money
Rationally this is a	<b>Great position</b>	<b>Fair position</b>	<b>Losing position</b>
<u>In summary</u>	There is reasonable Expectation of profit	The payoffs is in line with the risk	One is taking a chance, payoffs is not in line with the risk

thank you!