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# SPECULATION AND INVESTMENT: AN EMPIRICAL ANALYSIS

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**Abstract**

***Market analysis and forecasting are vital components of contemporary capitalist activity. Financial market participants create financial possibilities through their speculation of the present and engagement in the unknowable future. The activity of specialists who profess to conduct 'thorough studies' of economic trends and market movements is at the center of this process. This study employed a descriptive research design. It is a quantitative study that employed parametric inferential statistics to examine data using IBM SPSS v 22. The researcher chose a population of 200 customers of betting and investment firms living within Accra, Kumasi, and Takoradi located in Ghana. A sample size of 132 was recommended by the Raosoft sample size calculator to be used for the study at a 95% confidence interval. The research was unable to disentangle investment from speculation and conclude that all participants, whether on Wall Street, Ghana Stock Exchange, or even in game centers, are engaged in uncertain economic activities. Investing in equities or staying out of the financial markets entirely are both speculative activities. This study suggests that customers of betting and investment firms speculate whiles engaging in investment activities. The study results also clearly state that speculation and investment are closely related, affecting how Ghanaians carry out investment activities***

## Introduction

Over the years, investment has always been in the rich corridors, buttressing the statement that "the poor will always be poor, but the wealthy will always become wealthy.". However, the business of investment has changed over time. Investment in the early 1950s was marked by a generation scarred by the 1929 stock market crash and the 1930s Great Depression. This made most people in the 1950s stay away from stocks. However, financial innovations have changed the narrative in recent times, thus bringing more people into the investment arena. A significant number of scholars have looked at the subject of investment from different perspectives. According to Rodriguez-Fernandez (2016), investment is the commitment of existing financial resources to attain bigger future benefits. It is an asset or object purchased with the intention of earning money or increasing in value (Burkhanov, 2020).

There is a gender disparity in investment decision-making because men are seen as risk-takers while women are perceived as risk-averse (Xie, Page & Hardy, 2017). In line with investment management, counsel can be sought from various sources: local banks, financial advisors, textbooks and internet resources, and, of course, the Bible. In Ghana, investment decisions are nearly totally influenced by future expectations (Das, Kuhnen & Nagel 2020).

Additionally, due to financial market uncertainty, most investors have diversified portfolios (Chen Peng,Zhang and Rosyida,2017). Such as real estate, shares, bonds, cash, and even alternative investments. The balancing of our assets, in the long run, may determine whether we maximize our profits and limit our losses. In recent times, many investors willingly commit personal or borrowed assets to investments to achieve higher returns, influencing their desire to engage in speculation and risky investments.

The Christian faith supports investment as many stories in the bible reference the attitude of investment. Job, who was seen as a perfect man in the sight of God, was said to have made a lot of investments for his children until his downfall. The scriptures support this that 'a good man leaves an inheritance for his children's children (Prov 13:22).

Similarly, the term speculation has been used interchangeably with investment. However, the two differ. The act of speculation involves trading a financial instrument involving high risk in the expectation of significant returns (Grobys & Junttila 2021). However, while speculation involves a variable time frame, high risk, and sometimes an asset purchase, investment is a long-term time frame with low risk as well as with the purchase of an asset (Juraevich et al., 2021). An example of speculation is where stocks are bought and sold the same day with the express intention of making a fast profit on slight changes in valuation.

Diversification has been a speculative strategy used by organizations and individuals to minimize losses and maximize gains (Tzouvanas, Kizys & Tsend-Ayush 2020). In recent times, there had been an extreme speculative demand for significant returns, which has resulted in the proliferation of pyramid and Ponzi schemes masquerading as real businesses, relying on people's greed and gullibility. This extreme demand is described in the Bible as discontentment and highly discouraged by the Christian faith. The scripture 'godliness with contentment is a great gain' (1 Timothy 6:6-11) supports it.

The purpose of this paper is to analyze the extent of the relationship that exists between speculation and investment in Ghana. There is, therefore, limited literature available. The research will serve as a foundational stage for further research and aid financial institutions in their policymaking.

**Research Objectives and Research Question**

This study investigates whether investment is related to investment and finds out if one can invest without speculation. The following question is answered in the study:

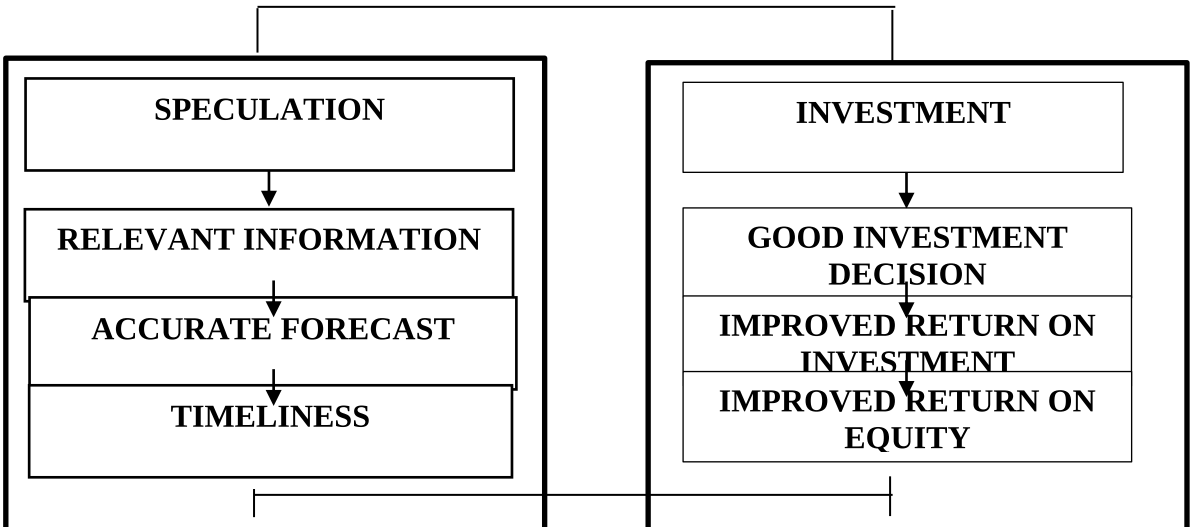
1. Is there a significant relationship between investment and speculation?

**Null Hypothesis**

1. There is no significant relationship between investment and speculation

**Conceptual Framework**

**Figure 1 conceptual framework**




***Source: Authors' compilation***

The thesis of this research work is that speculation through its dimensions of relevant information, accurate forecast, and timeliness can motivate investment by assisting the investors to take good investment decisions, obtain improved returns on investment (ROI) as well as improved returns on equity (ROE).

**Literature Review**

Speculation and investment are two necessary evils for human survival in this world. Speculation is tied to investment, and the two are positively correlated. Investment is defined as the postponement of the present consumption of money to increase money at a future date for consumption.

**Speculation**

Speculation in investments occurs when assets are purchased only to increase in value. Hong and Sraer 2016). This might include everything from buying shares perceived as takeover targets to taking out large loans to invest in real estate, futures contracts, art, or antiques (Mayo, 2020). According to Willett (2016), If such speculations yield a profit, it is due to a combination of favourable conditions and preliminary information rather than productive activity. Risks are taken not in order to help others but in order to gamble on future events. Indeed, in turbulent markets, speculation is driven by a desire to profit at the expense of the next loser who buys high and sells low. Pilbeam (2018). It is no coincidence that today's financial markets are dominated by the loser's speculation game rather than the winner's investing game. Critical modifications in the elements of investment have aided it.

According to Boyd, Harris & Li(2018),speculation may be defined as the acquisition (or sale) of goods with the intention of re-selling (re-purchasing) them at a later date, where the motivation is the expectation of a change in the relevant prices relative to the ruling price, rather than a gain derived from their use, any transformation effected in them, or their transfer between different markets.

**Investment**

Investment is a term which refers to an asset that is developed with the purpose of allowing funds to grow **(**Bodie and Kane, 2020). According to it is the process of allocating money with the expectation of a positive benefit in the future (Hartzmark and Sussman, 2019). Three essential investment features cannot be achieved without an amount of speculation (Itzkowitz, 2002). Firstly, According to Hussein (2016), there is a deferment of present consumption. Secondly, Biplob and Abdullah (2019) stressed that the individual has to forfeit spending. Thirdly, there should be an increased amount in hand for consumption at a future date (Keynes, 2018). Shen, Yu, and Zhao (2017) argue that the investor takes a risk to earn a higher return in this whole investment process. However, any investor's risk appetite depends on how much speculation the investor can do to achieve higher future earnings (Qadan, 2019).

## Research Methodology

### Data Collection

This study employed a descriptive research design. It is a quantitative study that employed parametric inferential statistics to examine data using IBM SPSS v 22. The researcher chose a population of 200 customers of betting and investment firms living within Accra, Kumasi, and Takoradi.

A team of trained interviewers collected data through convenient sampling. In all, 200 people were approached for the study. The interviewers addressed potential respondents and solicited their concerns in exchange for their involvement in the study. Interviewers asked a screening question to ensure that potential respondents engage in speculation and investment. Following the screening, a potential respondent was given a questionnaire to complete.

A sample size of 132 was recommended by the Raosoft sample size calculator to be used for the study at a 95% confidence interval. One hundred and thirty-two respondents were chosen for the study using a convenient sampling technique. A self-constructed questionnaire was administered to 132 respondents, and the results were collected for data analysis during the same period. Based on the Cronbach Alpha, the self-constructed questionnaire had an internal consistency of 0.724 and 0.750 for speculation, Debit card, and Investment, respectively, which is significant than 0.7 according to George and Mallery (2013), who considers it to be reliable. The researchers applied parametric inferential statistics with the help of SPSS version 22, analyzing the correlation effect.

## Results and Discussions

The survey included 94 males and 38 females, with 70 respondents falling into the group of youth (15-34) year's old, accounting for 52.6 percent of the sample. The age group (35-50) is represented by 48 respondents, accounting for 36.1 percent of the sample. 13 respondents are between the ages of 51 and 65, accounting for 10.5 percent of the sample. Only one respondent falls into the Aged category, with an age range of (66 and over) years constituting 0.8 percent of the sample. 74 respondents have degrees, 16 have diplomas, 46 have postgraduate degrees, and 19 have secondary school certificates. Males were represented by 0 and females by 1 in the study for statistical encoding for gender interpretation. In the first phase of the questionnaire, respondents answered demographic questions about their gender, age, and educational level. Table 1 shows a breakdown of responses based on demographic characteristics.

**Table 1: Respondents categorized by demographic factors**

| Gender | | Age | | | | Educational status | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| males | females | Youth | Adult | Old | Aged(6 | SHS | Diploma/ | | | Post |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | (15-34) | (35-50) | (51-65) | 6 and over) | | Degree HND | Masters | graduate |
| 94 | 38 | 70 | 48 | 13 | 1 | 6 | 12 74 | 38 | 2 |

This research conducted a correlational analysis to assess whether speculation has a significant relationship with investment in Ghana. Table 2 summarizes the results of the relationship.

**Table 2: Results of Descriptive Statistics**

**Descriptive Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| SPECULATE | 2.508417508417509 | .703816649553766 | 132 |
| INVEST | 3.622053872053873 | .522396312722357 | 132 |

**Table 3: Results of Correlation**

**Correlations**

| | | SPECULATE | INVEST |
|---|---|---|---|
| SPECULATE | Pearson Correlation | 1 | .247** |
| | Sig. (2-tailed) | | .004 |
| | N | 132 | 132 |
| INVEST | Pearson Correlation | .247** | 1 |
| | Sig. (2-tailed) | .004 | |
| | N | 132 | 132 |

**. Correlation is significant at the 0.01 level (2-tailed).

**Hypothesis Testing**

Given that p=0.004, this is a significant value. Hence, the study rejects the null hypothesis, which states that there is no significant relationship between investment and speculation and concludes that there is a significant relationship between speculation and investment.

**Conclusion**

As the appetite for getting wealthier overnight increases, so thus insurgence of get-rich-quick schemes and other new legal ways of speculative investment in the different forms of lottery, betting, and gambling.

The research was unable to disentangle investment from speculation and conclude that all participants, whether on Wall Street or Ghana Stock Exchange or even in game centers, are engaged in uncertain economic activities. Investing in equities or staying out of the financial markets entirely are both speculative activities.

This study suggests that customers of betting and investment firms speculate whiles engaging in investment activities. The study results also clearly state that speculation and investment are closely related, affecting how Ghanaians carry out investment activities.

However, this is consistent with numerous studies that argue that most Ghanaians generally speculate whiles engaging in investment activities, especially for betting and investment firms living within Accra, Kumasi, and Takoradi customers. For instance, Max, Kriebitz & Luetge (2020) agrees that investment and speculation share too many similarities to be separated in a consistent way and that speculation is part of investment. Also, Cocconcelli (2017) emphasized that speculation modifies the investment decisions in the dry bulk shipping market. Lastly, Banner(2017) also holds that speculation lies somewhere between investment and gambling, and their relationship is based on the economic consequences of a particular transaction.

**Recommendation**

As technology advancement allows many people to undertake investment activities quickly, so does the risk and uncertainties, but as it matures and evolves, several emerging issues are worth increased attention. This research recommends that game-betting, lottery, and investment firms should be highly regulated to protect users. Additionally, specific legislation should be enacted to control gambling companies. Future studies may focus on the consequences of ethical judgments for various economic activities that are currently unknown and require additional knowledge regarding the impact of ethics on the financial market and investment decisions. Additionally, it would be beneficial to elucidate the patterns of commercial activity being defined as "investment" or "speculation." How do non-professionals and individuals determine whether an action is "investment" or "speculation"?.

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