The Inve-Spec Cheela: Teaching the Topic of "Investment vs. Speculation" Through a Story

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Abstract
Stories have been used to teach students at all levels of education since times immemorial and have proved effective in enhancing the level of interest of students. This article presents a story titled "The Inve-Spec Cheela" that can be used for teaching the topic of "Investment vs. Speculation" in the subject of Finance. The story has been written by the author and is regularly narrated by him to students during his classroom lectures. Feedback provided by students has suggested that students find learning through storytelling much more interesting than a regular lecture. It has been observed by the authors that level of attention of students is considerably higher during narration of the story and students are able to identify and explain the points of distinction between investment and speculation on their own after listening to the story.

Keywords: classroom lecture, storytelling, students' interest level, teaching finance.

Introduction
No one really knows what the first story ever told in human history was, but storytelling is an art that spans many civilizations and cultures, and continues to be a major part of our modern lives (Suwardy et al., 2013). The art of storytelling has been used by teachers since times immemorial. The importance of the use of stories in teaching and learning has been emphasised by Cooper (2007) through the following short story:

A story is told of a disciple and his Master. The diligent disciple would go to the great teacher day after day, month after month and sit at his feet, basking in the Master's instruction. The master would always teach his disciple through stories. One day, the disciple asked, "Master, why do you labor to teach me through stories; would it not be faster to teach me directly?" The teacher answered, "Bring me some water". Now the disciple knew his teacher to be a very formal and disciplined man. He had never asked for water at this time of the day. Nevertheless, he went immediately to fetch it. Taking a clean brass water pot from the ashram kitchen, the disciple went to the well, filled the pot with water and returned. He offered it to his teacher, who then spoke: "Why have you brought me a pot when I asked only for water?"

Narratives are one of the most powerful teaching tools available and are often regarded as central to the learning process (Devine, 2014). The objective of this article is to present a story that can be used by teachers at undergraduate as well as postgraduate level for teaching the topic of "Investment vs. Speculation" in the subject of Finance. This story has been written by the author and used by him during his lectures and has been found to increase students' level of interest and attention many folds as compared to a regular lecture. Feedback about the use of story that was provided by students and observations made by authors during the lecture have been discussed in a later section.
The story
Title of the story is "The Inve-Spec Cheela" and learning objectives of this story are that after listening to this story, a student should be able to differentiate between investment and speculation, differentiate between speculation and gambling, and critically appreciate the necessity of speculation in stock markets.

Once upon a time...
It was a sunny winter afternoon with a sweet chill in air that was getting toned up in bright sun. Radha, a ten year old, class six student at school was enjoying playing basketball in the courtyard of her grandparents’ home. It was winter break time at school and she had come to visit her grandparents in Dehradoon. She loved to spend her vacations at their bungalow in the valley, where the open courtyard boasting of Litchi trees, along with clean, fresh air from the Himalayas provided a comforting relief from the routine, hectic and polluted life of Delhi, where she lived with her parents. While she was playing, her grandfather, Mr.Gupta, along with a friend of his, Mr.Bose, returned from their leisurely stroll and settled in the chairs alongside a round table laid out in the garden. Radha interrupted her game and approached towards them while greeting Mr.Bose.

Radha: “Hello Uncle, how are you?”
Mr.Bose: “I am just fine beta. God bless you!”
Radha: “Would you like some tea?”
Mr.Bose: “Oh sure, I would love some.”
Mr.Gupta: “And ask Gopu (their servant) to prepare besan cheela too alongwith.”
Radha: “Okay dadu.”
Mr.Bose: “What’s the matter, Gupta ji, besan cheela! It appears that your cholesterol report has come perfect this time.”
Mr.Gupta: “Cholesterol level is not perfect but the weather and the mood is! It has been a long time since I had a cheela with tea.”
Mr.Bose: “Yes, the weather sure is. But why is your mood in a celebration mode?”
Mr.Gupta: “Well, I talked to Munna (referring to his son and Radha’s father) yesterday and he told me something that has made me happy.”
Mr.Bose: “Really! What is the good news.”
Mr.Gupta: “He told me that he has decided to quit speculating in the stock market.”
Mr.Bose: “That’s good. I didn’t know that he used to do that.”
Mr.Gupta: “Oh yes, he used to do it and devoted a lot of time and energy to it.”
Mr.Bose: “As you know, I have studied and taught literature my whole life, I never really understood the stock market. When I was young, my father told me that the stock market is not for us. So, I have kept myself at bay and for me, stock market is something not to be ventured into, whatsoever may happen.”
Mr.Gupta: “Well, I think that stock market is not that bad that it should not be ventured into at all. The only thing that I tell Munna is that he should use it for the purpose of investment and not for speculation.”
Mr.Bose: “But I thought that stock market was all about speculation only.”
Mr.Gupta: “Oh no! It’s up to us; what we want to use it for.”
Mr.Bose: “But what do you mean by investment and how is it different from speculation?”

Investment
Mr.Gupta: “Well, Investment may be defined as commitment of funds for a long period of time with an objective of earning a justified return by taking a justified risk.”
Mr.Bose: “Oh my God! I asked you the meaning and you have told a definition as if you are writing an exam!”
Mr.Gupta (laughing): “I agree, Bose saheb. It did come out in a very formal way.”
Mr.Bose: “Never mind. But what did you mean by this justified return and risk?”
Mr.Gupta: “Well, I meant that while making an investment, an investor never takes a very high risk and therefore does not expect a very high return. The objective, while making an investment, could be to earn a regular income over a long period of time or to just enjoy watching the value of investment grow gradually.”
Mr.Bose: “And what do you mean by speculation?”
Speculation
Mr. Gupta: “Speculation is done with an objective of earning a very high return in a short span of time by taking a very high risk.”

Meanwhile, Radha came to the lawn carrying a tray containing a couple of besan cheelas.

Radha: “Dadu, Gopu will be bringing the tea in a minute. Enjoy these cheelas with green chutney for now.”
Mr. Gupta: “Thank you beta. Bose saheb, please have it.”
Mr. Bose: “Gupta ji, these cheelas will surely make my day.”
Mr. Gupta: “The chutney is a bit spicy. Be careful.”
Mr. Bose: “Sure. I will remember this cheela as inve-spec cheela since we are having it while discussing investment and speculation.”
Mr. Gupta (giggling): “Inve-spec cheela! That would be one of its kind.”
Mr. Bose: “So, do you mean that speculation is meant for making quick money?”
Mr. Gupta: “Yes, you have got it right. The objective of speculation is in extreme contrast with investment i.e. speculation is done with an objective of earning a high return quickly whereas investment is done with an objective of earning a moderate return over a long period of time.”

Meanwhile Gopu brought tea in a kettle and served it. Both the friends sipped tea while Radha, who was sitting beside them, was wondering why people always talk about money. Why are they so attracted by money when there are so many other, more beautiful things, in this world? At home in Delhi, her father watches only business news channels where a strip showing prices of shares keeps on moving from left to right continuously and here, her grandfather is also gossiping about the stock market.

Mr. Bose: “Okay. As you have told, another contrast could be in terms of risk taken.”
Mr. Gupta: “True. In case of speculation, a very high risk is taken as compared to investment.”
Mr. Bose: “But why is risk said to be very high in speculation?”
Mr. Gupta: “Because while speculating, a person relies purely on intuition or tips forwarded by brokers and other traders. Such intuition or tips might prove fruitful sometimes and result in a profit but many a times, might also result in a huge loss.”
Mr. Bose: “But is the risk not present in case of investment at all?”
Mr. Gupta: “Well, risk is present in case of investment too. However, in case of investment, the risk involved is assessed carefully through a detailed analysis by an investor before investing. The investor, then, selects only those investments which match with his/her risk bearing capacity.”
Mr. Bose: “Say for example, young investors would prefer selecting equity shares whereas old, retired people like us would prefer selecting bank deposits more.”
Mr. Gupta: “Yes, we can say that. What to say of the youth, Bose saheb; young people tend to become overconfident, especially after studying a bit of finance in college. Once, before Munna’s marriage, what happened was that he took a personal loan from a bank for the purpose of investment in stock market. When I came to know about it, I explained to him that investment is never done from borrowed money; it is always done from our savings that we make out of our regular income. If he was using borrowed money then it cannot be termed as investment. Rather, it will qualify as speculation only.”
Mr. Bose: “Did you not get angry when he did so?”
Mr. Gupta: “No, no, Bose saheb, there was no point in being angry. If I would have got angry then he would have stopped telling me anything at all in future. He was a grown up boy who had just started earning and had to take his own decisions. I wanted to just advise him in his best interest.”
Mr. Bose: “Well, it was really mature of you Gupta ji. I would have surely scolded him if I would have been in your place.”
Radha was amazed at what her dadu just told about her father. She immediately spun a whole plan of how she would tell this to her mother when she returns back to Delhi. In a flash, she had imagined her mother's reaction too. She, somehow, used to enjoy doing chugli of her father to her mother and vice-versa and watch their subsequent reactions. What she did not know was that the chugli she did was already known to both her parents and rather, they used to enjoy her expressions during such chugli and used to react just for fun.

Mr. Gupta: “I always had a very healthy relationship with Munna. He used to share with me everything he was confused about and I have always praised him for that. I have seen one thing Bose saheb that you cannot make your kids do what you want; rather they would do it themselves when they believe in it. And in a way, it is a good thing.”

Mr. Bose: “You are right Gupta ji, I agree with you completely. It is only our generation that used to obey blindly what our parents used to command. I remember that, when I was young, my father stated clearly that he considered stock market equivalent to a gambling den and forbid me from entering it ever. I obeyed his command without a question.”

Mr. Gupta: "That was a different era, Bose saheb. Times are changing and so should we."

Mr. Bose: "That's true."

**Speculation versus Gambling**

Mr. Gupta: "Since the word 'gambling' has come up, let me emphasise that people often consider speculation and gambling as synonyms but there is a distinction between the two."

Mr. Bose: "Of course, a distinction should be there. The dictionary meaning of gambling is playing games of chance for money."

Mr. Gupta: "Yes, and primarily, that itself is the basis of distinction, that is, gambling is meant for entertainment through games of chance like card games or those based on a throw of dice. Even though money is involved in such games, the purpose of gambling is not to earn a return like it is in speculation."

Mr. Bose: "Okay, so we can say that gambling is a fun activity in which money lost should be considered as money spent for entertainment. Though, sometimes, instead of losing money, one might win money in gambling but that should be considered as a part of game only and not as a return earned."

Mr. Gupta: "Yes, and since the purpose of gambling is not to earn a return, the question of risk involved in gambling is altogether irrelevant."

Mr. Bose: "I get it; since the purpose of gambling is entertainment, the question of risk and return involved does not arise at all."

Mr. Gupta: "Yes, and if someone goes for gambling with the purpose of earning a return then that person will make a fool of one's self."

Mr. Bose: "But Gupta ji, there is one thing that I don’t understand?"

Mr. Gupta: “What’s that?”

Mr. Bose: "Just like gambling, why does the government not ban speculation in stock markets too?"

Mr. Gupta: "Well, Bose saheb, it is not possible to do so and is not feasible too."

Mr. Bose: "Why?"

Mr. Bose: "It's not possible because at the time a person buys or sells shares in a stock market, it cannot be known whether that person is actually making an investment or is just speculating. It is the intention of such person that would determine it."

Mr. Bose: “That’s true. As you have just told, if the shares have been bought after a careful analysis with the intention to hold the shares for a long time then it would be investment, otherwise not.”

Mr. Gupta: "Yes. Besides this, to ban speculation is not feasible too. In fact, it is said that speculation is necessary for providing liquidity in the stock market."

**Speculation - A Necessity**

Mr. Bose: “What! Speculation is a necessity! This is news to me. But why is that so?”

Mr. Gupta: "Well, as I said, it is necessary for providing liquidity in the stock market."

Mr. Bose: "What do you mean by liquidity in stock market?"

Mr. Gupta: "Well, by liquidity, we mean that one should be able to buy/sell securities in the stock market at the prevailing price on any day one wishes to. This would be possible only if there are a large number of sellers/buyers for all securities on all days."
Mr. Bose: "Okay. But why would the liquidity not be there if there is no speculation?"

Mr. Gupta: "If there were no speculation then there would only be 'investors' in the stock market who would buy or sell securities."

Mr. Bose: "True, so what?"

Mr. Gupta: "It's just that the number of 'investors' is much less than the speculators. Therefore, there is a possibility that on some days, none or a few investors are willing to buy or sell a particular security. On those days, the price of that security would depend on the whims and fancies of those few investors."

Mr. Bose: "Okay, I get it. If the number of buyers/sellers is small or negligible, then one might not be able to sell/buy securities on that day at all and moreover, even if there is a buyer/seller for those securities, such a buyer might not offer a fair price."

Mr. Gupta: "Yes, and therefore, it is said that the speculators provide liquidity in the stock market, that is, it is only because of a large number of speculators that anyone can sell or buy any quantity of securities on any day and that too, at the prevailing price."

Mr. Bose: "You are right. I never thought this way. I could have never imagined that speculators can also be important in a market."

Radha thought whether this means that what you do might not be good for you but it could be good for others. What a strange thing to say!

Mr. Gupta: "Of course, Bose saheb, every living being created by God is important and serves some purpose in this world."

Mr. Bose: "Now you are getting philosophical and the Sun is also going down. I better take your leave Gupta ji. Today's discussion was fun. I will remember today's inve-spec cheela for long."

Mr. Gupta: "Fine, Bose saheb, the air will get chilly soon. I also enjoyed today's walk and the discussion. See you tomorrow."

Radha got surprised when Mr. Bose said that the discussion was fun and kept on thinking how immensely does the meaning of fun changes with age.

**Discussion and Conclusion**

The author has observed during his lectures that whenever they use this story in classroom, the level of interest and attention of students is much higher as compared to a regular lecture. It appears that the students have been transported into a different world where they visualise the story according to their own past experiences. After the story was over, the students were able to list out the points of distinction between investment and speculation and between speculation and gambling with ease. They could also explain reasonably well, the reason because of which speculation is considered as a necessity in stock markets. This is in accordance with the conclusion drawn by Lordly (2007) where he has emphasised that storytelling can positively influence the learning environment through the glimpses of real-life experiences where participants recognise similarities in their own personal experience and knowledge and connections between different topics.

Comments given by students in their feedback include statements like "...the story made me feel as if I was there in the Dehradoon bungalow amid the fresh air of mountains in the story and that I was watching the characters talk to each other...". Another student commented that "...I could relate the young girl in the story with myself and realised that my parents might also have been simply enjoying my comments, when I thought that I was playing smart!...". One more comment was that "...I did not realise that I was studying a topic in finance at all during the lecture but after the story was over, I realised that I have understood the topic completely...". These comments are in accordance with the conclusion drawn by Geanellos (1996) that storytelling as a teaching-learning technique "engages learners, organises information, allows exploration of shared lived experience without the demands, responsibilities and consequences of practice".

On the basis of such comments and observations of the author during his lectures, it may be concluded that students really enjoy the use of this story during lectures and learn the said topic with ease too. It is therefore recommended that teachers who have to teach the topic of "Investment vs. Speculation" at undergraduate or postgraduate level may use the story titled "The Inve-Spec Cheela" during their lectures for a better teaching and learning experience.
References


