

PONZI INVESTMENT IN NIGERIA: THE GREEDY QUEST FOR WEALTH IN THE FACE OF LOSSES

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ABSTRACT

The incidence, nature and effect of Ponzi schemes operations globally practiced and in Nigeria is explored in this study. Using both qualitative and quantitative surveys, we find that Ponzi schemes have thrived in Nigeria over the years and that their operations have done immeasurable harm to the national economy and private citizens. A series of questionnaire designed using the Heintzelman Greed Scale was administered to 3,500 respondents online. The response of a total of 3,200 respondents show that majority of them are willing to go the way of Ponzi investment regardless of the risk and cost associated with their action. We also found that greed is the major puller of investors into investment in Ponzi schemes. We recommend that the government should have policies and management of them to achieve greater awareness of the evils inherent in Ponzi schemes, strengthen the legal provisions and enforcement of penalties for Ponzi schemes promoters and to facilitate the whistleblowers' initiative in Nigeria.

Keywords: Ponzi Schemes, Greed, Heintzelman Greed Scale, Investors, Portfolio.

INTRODUCTION

As far back as 1981, the United States Department of Justice through its NCJ Number 80339 (1981) had defined a Ponzi scheme as “a white-collar crime ... a type of chain referral recruiting system in which victims are sold the right to sell others a specific product. Their real profit is earned primarily by recruiters developing new recruits, who find even more recruits, the sale of services or products is merely a cover” (Doherty & Smith, 1981, p. 1). Although this definition

may appear to be limiting with respect to the present-day activities of Ponzi schemes, it remains a succinct description on how contemporary Ponzi schemes operate.

There are several Ponzi schemes in Nigeria, and the number is growing daily, though some now disguise as online investment platforms. Ponzi schemes became popular in Nigeria with the unforgettable episodic crash of the infamous MMM scheme in 2016 (LawPavilion, 2022). Prior to its crash, the MMM had promised (and actually paid) some unbelievably high returns on their investment within a short period. Investors were paid for some time as much as between 30% and 100% return on their original deposit with the scheme within 30 days. No longer than one and half years later, the MMM crashed in Nigeria with investors losing hundreds of millions of Naira. Several other Ponzi schemes have since operated (some are still operating) in Nigeria, including Kash Doubler, Reget Cash, Ogafunds, ICharity, Ultimate Pennywise, Cyclor, etc. Early investment schemes in Nigeria such as Umana Umana and Planwell later turned out to be Ponzi schemes while MBA Forex and Nospecto defrauded unsuspecting investors several billions of Naira (Iyatse & Otaru, 2022).

Despite the extremely high risk attached to Ponzi schemes, many still invest their monies with them. The LawPavillon (2022) discovered that as much as 60% of Ponzi investors were pressured to invest in the schemes because of economic hardship while about 19% invested in them because of the quickness of returns on their investment. Furthermore, it was found that 10%, 8%, 2% and 0.7% adduced alternative source of income, poverty, low bank deposit interest rate and avarice respectively as reasons for investment in Ponzi schemes.

The losses to Ponzi schemes by Nigerians are huge. For example, Iyatse and Otaru (2022) reported that in the last 23 years, over N911.45 billion has been lost to Ponzi schemes. Decrying the paucity of adequate data on money lost to various Ponzi schemes, the authors list lack of requisite financial education, poverty, inadequate penalty for involvement, greed and endorsement by celebrities as factors that have generally pulled investors to Ponzi schemes. According to the authors, secondary school students are the highest victims of Ponzi frauds in Nigeria.

Divergent views exist on Ponzi schemes, ranging from ethical, legal, economic/financial, societal to psychological/behavioural perspectives. From an ethical and legal standpoint, Ponzi schemes are universally condemned. Critics argue that they are fundamentally deceptive, relying on the exploitation of trust and the manipulation of investors' desires for high returns with low risk. As these schemes collapse inevitably when new investments cease, they leave a trail of financial ruin for many. Legal authorities worldwide have classified Ponzi schemes as fraudulent, leading to severe penalties for perpetrators (Johnson, 2018).

Economists and financial experts have varied views on the broader implications of Ponzi schemes. Some emphasize their role in destabilizing financial markets by creating unsustainable bubbles that can cause wider economic disruption when they burst. The ripple effects of large-scale Ponzi schemes can undermine confidence in financial institutions and markets (Smith, 2020). Conversely, a minority view argues that while these schemes are inherently destructive, they can inadvertently highlight weaknesses in financial regulation and investor education, potentially leading to more robust systems and increased public awareness of investment risks (Brown, 2017).

The societal impact of Ponzi schemes is another area of diverse perspectives. Victims of these schemes often face severe financial distress, which can lead to broader social consequences such as increased reliance on social safety nets and mental health issues due to financial stress. Some social scientists suggest that these schemes thrive on and perpetuate a culture of greed and short-term thinking, reflecting broader societal issues (Davis, 2019). However, others argue that

they expose significant gaps in financial literacy, pointing to a need for better financial education to prevent individuals from falling prey to such schemes (Lee, 2021).

Psychologists and behavioural economists explore why individuals fall for Ponzi schemes despite the apparent red flags. The allure of high returns can overshadow rational judgment, a phenomenon often explained by cognitive biases such as overconfidence and herd behavior. Some experts argue that understanding these psychological factors can help develop better preventative measures, such as more effective investor education programs that focus on recognizing and avoiding fraudulent schemes (Peters, 2018).

Objectives and significance of the study

Empirical studies that validate the rationale for investment in Ponzi schemes in Nigeria, to our best knowledge, are rare. Most of the studies reviewed are qualitative exploration of concepts. Apart from assessing the effect of Ponzi investment, there is the need to examine the reasons why Nigerians invest in Ponzi schemes. Therefore, this study explores the nature, modus operandi, perceptions, legality, and what motivates investors to invest in Ponzi schemes. It surveys the effect of Ponzi schemes on individual investors, institutions and the national economy and also analyzes the concept and effect of greed as a chief motivator for such investment by empirically assessing the disposition of Nigerians to greed as the main factor that pulled them to investing in Ponzi schemes.

The significance of this study is self-evident, i.e., to provide knowledge to discourage ordinary Nigerians from looking to Ponzi schemes to realize their dreams. It is also to help the government to curb with this social problem that can have serious impacts on the national economy. Government policies and management of them are important in weakening, if not erasing the hold, Ponzi schemes have on Nigerians.

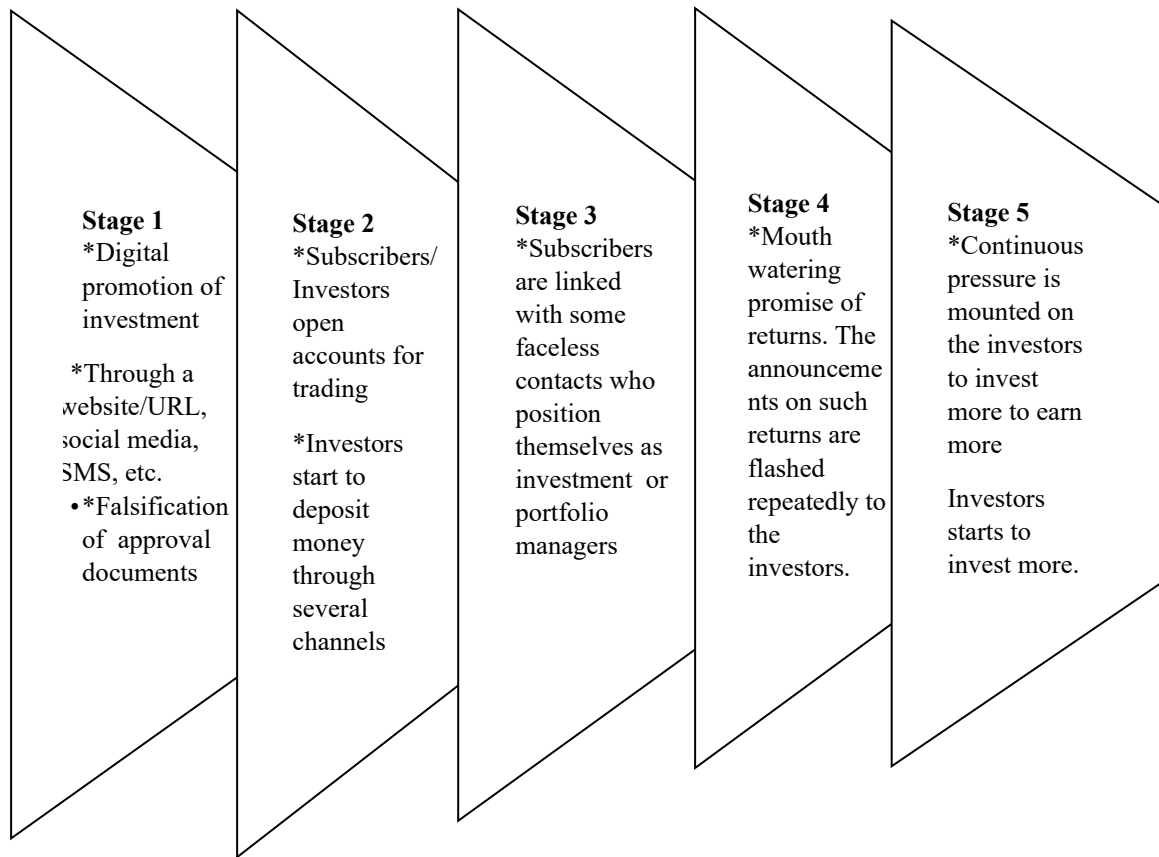
LITERATURE REVIEW

Ponzi Schemes

The Interpol Purple Notice (2019) described Ponzi schemes as a well-planned digital-based financial fraud system that robs “Peter to pay Paul”, a process that typically crashes without notice to investors. As revealed in Figure 1 (next page), Ponzi schemes start their operations by promoting their activities digitally, soliciting opening of trading accounts by heavily pressured investors. This process is dotted with “mouth-watering” and quick returns from investor’s initial investment. Eventually, as the demand for and withdrawal of returns outstrip deposits/investment, operators find themselves unable to meet the high returns. This inability inevitably leads to the crash of the scheme and closure of all their digital connections.

According to Barlev (2022), characteristically, Ponzi schemes operators present investors’ funds to them as profits on their investment while at the same time mounting pressures on them to invest more to earn higher returns. According to the Federal Bureau of Investigation (Federal Bureau of Investigation, 2020), “a Ponzi scam is an activity that guarantees a high return or dividends that are not available in traditional investments. Instead of investing the victims' money, the crooks pay "dividends" to investors who previously joined the activity using the first investors' money”.

Figure 1 Digital-based Modus Operandi of Ponzi Schemes



Source: Adapted from Purple Notice Interpol, 2019

Previously Carvajal et al. (2009) had pointed out that Ponzi schemes and other investment frauds could destroy the fabrics of a country's financial markets, even when such schemes were not highly developed. According to them, such investments were based on strategies of obtaining funds from investors through deception. Such schemes usually collapses when the demand for withdrawals is greater than new investment by subscribers.

Gaining or losing from Ponzi schemes has been described as a stroke of luck since they have extremely high liabilities to the investors for which there is no clear-cut investment to contain. Carvajal et al. (2009) submitted that Ponzi strategies take different forms from one country to another. It could be presented as a simple security (stocks/bonds) investment or trade in imaginary gold and other expensive metals, currency trading, real estate financing among others, Such investment claims are mere imaginary, with many gullible investors falling prey to them.

Although Ponzi schemes are believed to be unregulated, Carvajal et al. (2009) stated that some Ponzi schemes could actually operate under the shadow of regulated entities so that there would not be suspicion of their activities, at least, in the very short-run. The authors believe that most of such Ponzi schemes usually target specific group of people with common interest or affinity, such as professional, ethnic and religious groups.

Sadiraj and Schram (2000) posited that all that Ponzi scheme promoters do is to entice new entrants with unreasonably high returns which is actually paid in the short run with earlier

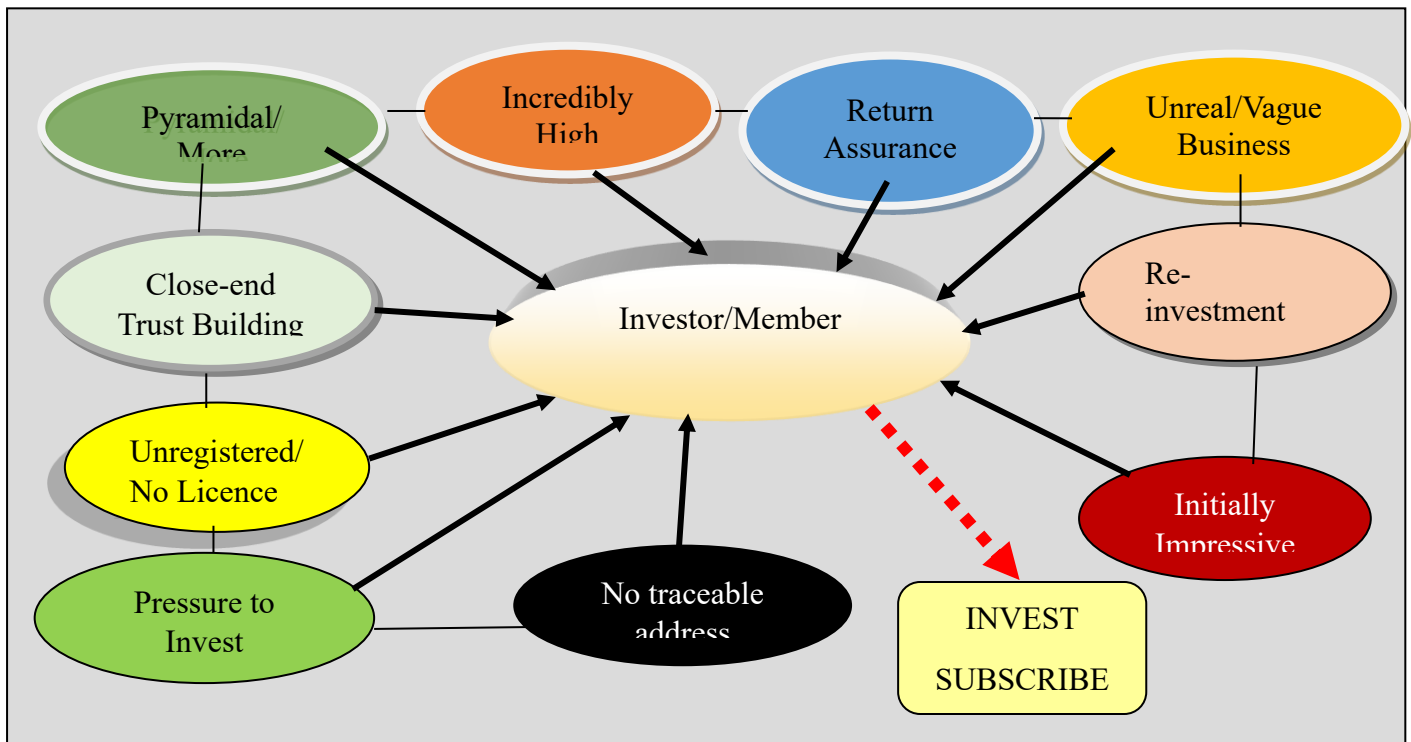
investors' money. The claim of profit on their investment simply does not exist because there is no investment in the first place. The authors categorized Ponzi schemes as typical “white-collar crime” ventures because they are characteristically non-violent.

The Nature of Ponzi Schemes

Many times, Ponzi schemes are usually run by highly intelligent and highly rated investment managers, e.g. Bernard Madoff, a highly rated Hedge Manager cum “National Association of Securities Dealers Automated Quotations (NASDAQ) resident, but a promoter of a highly sophisticated fraudulent Ponzi scheme which swindled some victims of more than \$50 billion. It is easy to recognize Ponzi schemes because almost all of them follow similar modus operandi as described in Figure 2.

According to Bale (2021), the first sign of Ponzi scheme is the unbelievably high returns on investment within a ridiculously short time. Sometimes, a double or more of the initial investment is promised and may actually be paid in the very short run. Bale believes that many Ponzi investors often fail to remember the saying that “if it is too good to be true, it is probably a fraud.” Another strategy of Ponzi scheme promoters is the assurance of the high returns. Bale notes that this assurance is intended to calm, motivate and activate the hidden avarice in potential investors to fall in line.

Figure 2 The Way of Ponzi Schemes



Source: Author's Impression (2024)

Ponzi schemes are characteristically based on ambiguous model that is not easily understandable. This is because the promoters would like to refer to their venture as investment rather than Ponzi. Common with such schemes is the constant use of high business and investment languages that mesmerize potential subscribers to ensure they do not know what the business model is actually.

Most times, Ponzi schemes are not registered or licensed by government agencies as they are owned by some faceless individuals, using an existing company name to make it appear that they have the support of the law. Munisamy (2019) stated that Ponzi schemes offer dubious claims and operate without registration licence. According to the author, such schemes operate falsely on the template of popular online investments like foreign exchange trading, cryptocurrency metal (such as gold trading) commodity investment, estate financing, and multi-level marketing among others. It was also found that Ponzi promoters sometimes present themselves as directors of companies.

A clear-cut strategy of Ponzi schemes is to mount sustained pressure on potential investors to act immediately as “the longer they delay, the more their losses”. Knowing that they would only last for a short period, Ponzi schemes operators create a sense of utmost urgency in their target investors, so it better “they act now or miss a lifetime opportunity to get rich”. Also, the sustenance of Ponzi schemes depends absolutely on a rising number of investors who put their monies in the scheme and leave it there for a reasonable length of time. Investors are pressured to re-invest their returns to earn higher returns from a supposed investment that never existed in the first place.

Until they finally collapse, Ponzi schemes claim of high performance subsists. Promoters create impression that their investment of investors’ funds is not subject to the vagaries of the markets, rather, it consistently performs well under all market conditions. Investments that do not subject to prevailing market conditions are Ponzis.

According to Bale (2021), “most Ponzi schemes start and end on the internet. They, as much as possible, avoid a physical location where people can walk into. However, newer Ponzi scheme promoters are becoming even more daring with each passing day that some now get office spaces and hire staff in order to look legitimate.”

Are Pyramids also Ponzi Schemes?

Typically, also, Ponzi schemes are built around investment pyramids. Promoters constantly advocate for more investors to subscribe while investors who bring others into the scheme are generously rewarded with cash bonuses. Such referrals serve as inducement and fear allayer because high number of investors build up confidence in them, shutting out, at least in the short run, the fear of sudden collapse of the scheme.

However, the issue of whether pyramid and Ponzi schemes are the same is a subject of debate. Vander-Nat and Keep (2002) stated that whereas the two are interchangeably used in describing a type of investment scheme taken as fraudulent, from a technical point of view, however, the two schemes operate differently. According to them, pyramid schemes involve rewards or returns based on number of recruited subscribers while Ponzi schemes may not necessarily depend on number of recruits but the investment and re-investment of members. In pyramidal schemes, each of the members/subscribers is expected to recruit (*entice*) a specified number of new recruits which will form the basis of their (recruiters) compensation. But in Ponzi schemes, subscribers are required to contribute money into a central pool from where their monies will be *invested*, and their rewards will be based on a percentage of their investment. Returns can be daily, weekly or monthly as determined by the Ponzi operators.

As noted by Vander-Nat and Keep (2002), in pyramidal schemes, returns will naturally be hampered by decline or stoppage in the number of recruits. In many cases, pyramid schemes take the nature of multi-level marketing (MLM) which is quite different from Ponzi schemes. MLM system recruit members who function as merchandizers who recruit others into a particular business line. Ponzi schemes usually grow faster than pyramidal schemes because the former

involves, in most cases, large investments or large number of subscribers. Vander-Nat and Keep (2002), however, noted that both pyramid and Ponzi schemes follow similar stages that includes initiation, validation, expansion and collapse.

Ponzi Schemes and the Law

Ponzi schemes are not only illegal but criminal in the eyes of the law. The business of investment of funds for profit purpose is carried out by legally licensed organizations such as banks, finance houses and other channels approved by the Central Bank and the government. Hence, all such businesses that are not approved by the existing laws and authorities are prohibited by the law. According to Nigeria's Section 67(1) of the Investment and Securities Act (ISA) (2007), "*No person shall make any invitation to the public to acquire or dispose of any securities of a Body Corporate or to deposit money with any Body Corporate for a fixed period or payable at call ...*". Therefore, operations of Ponzi schemes are a contradiction to the provision of the ISA, hence illegal and punishable under the law of the land. According to Section 2 of Nigeria's ISA, "*If an invitation to the public is made in breach of subsection (1) of this section, all persons making the invitation and every officer who is in default or anybody corporate making the invitation shall be separately liable to a penalty of N500,000 in the case of a body corporate and N100,000 in the case of an individual.*"

In addition, Sections 58(1) and 59 of the "Banks and Other Financial Institutions Act (BOFIA) (2004)" provide that "*no person shall carry on financial business in Nigeria other than insurance and stockbroking, unless it is a company duly incorporated in Nigeria and holds a valid license granted by the Central Bank of Nigeria (CBN)*". Since such schemes are not authorized by the CBN to operate, they are illegal in their entirety. Section 59(6)(b) of BOFIA specifically provide that "*participation in Ponzi schemes attracts a punishment of 5 years imprisonment or a fine of N1 million (one million Naira) or both as the case may be.*"

Greed

Why do Ponzi schemes thrive despite their risky venture? To a large extent, greed can be adjudged to be responsible. Zeelenberg and Breugelmans (2022, p. 1) defined greed as "getting more of what you want. It is an insatiable desire for more income, more possessions, more influence, more power, more sex, more privileges, more of anything good. Greed is a strong drive for acquisitiveness with respect to valued outcomes". Although some have asserted that greed can be good, bad or ugly, its effect on others is always negative. Wang and Murnighan (2011) stated that an individual's greed only benefits him at the detriment of others.

Greed elicits a wide range of opinions regarding its role in human behavior and society. Perceptions on greed are varied from philosophical and moral perspectives, economic and capitalist views, psychological and social views. Philosophically, greed has been condemned across various traditions as a vice. Aristotle (350 BCE), for instance, viewed it as an excess that disrupts the balance of virtues necessary for a good life. Similarly, many religious doctrines, such as Christianity, Buddhism, and Islam, regard greed as morally reprehensible, emphasizing the virtues of moderation and altruism. These views argue that greed leads to unethical behavior, societal harm, and personal dissatisfaction (Smith, 2020).

Conversely, in the context of capitalism, greed is sometimes seen in a more nuanced light. Classical economic theory, as espoused by Adam Smith, suggests that self-interest, which can border on greed, drives economic growth and innovation. This perspective argues that when properly regulated, the pursuit of personal gain can lead to broader societal benefits through

increased productivity and technological advancement (Friedman, 1970). However, unchecked greed is also recognized as a potential cause of economic crises, as seen in the 2008 financial meltdown, where excessive risk-taking driven by greed led to widespread economic instability (Krugman, 2009).

From a psychological perspective, greed can be understood as a complex and multifaceted emotion. Some studies suggest that moderate levels of greed can be motivating and lead to positive outcomes, such as ambition and perseverance. However, excessive greed is often linked to negative traits like narcissism and a lack of empathy. Behavioral economists study how greed influences decision-making, often highlighting its role in financial misjudgments and unethical behavior (Johnson, 2018; Kahneman, 2011).

Socially and culturally, views on greed can vary significantly. In some cultures, wealth accumulation is highly valued and seen as a sign of success, whereas in others, communal well-being and sharing are prioritized. The media and literature often reflect these diverse views, with characters ranging from the glorified wealthy entrepreneur to the vilified greedy villain. These cultural narratives shape public perceptions of greed and influence societal attitudes toward wealth and success (Jones, 2020; Williams, 2019).

Empirical Literature

Agba et al. (2018) felt that Ponzi schemes still thrived in Nigeria despite its attendant risks. Many Ponzi investors in Nigeria, according to the authors, claimed that such schemes provided succour during recent economic recession and improvement to their standard of living. However, what the operators would never reveal beforehand are the adverse effects of Ponzi investment. Apart from its negative effect on the individual investors, Ponzi schemes could have a debilitating effect on the overall economy by disrupting financial flows in the financial markets and diversion of funds to unproductive uses. With the substantial amount of money in the financial system going into Ponzi schemes, the banking system is deprived of investible funds which will considerably deplete productivity and capital formation, cut off accessibility to housing, impair health care provision and reduce access to good education in the city.

Ofori (2020) assessed how Ponzi schemes depressed the financial situation of the people in Ghana with a sample of 435 individuals. Agba et al. (2018) studied the effect of Ponzi schemes on the living standard of people in Calabar city, Nigeria. Using the response of a randomly sampled 190 residents, results of a multivariate regression analysis revealed that Ponzi investment depreciated the income of respondents and worsened their living standards. Carvajal et al., (2009) found that the damage done by Ponzi schemes is widespread, especially among people with limited sources of income and lack of means or ability to cover the losses. Such damage can lead to anger, irregular behaviour as well as massive loss of wealth and health. Financial markets can also receive some backlash from Ponzi schemes' failure since a chunk of what the markets would have gotten in terms of financial resources have been siphoned out of the economy by the schemes. Kasim et al. (2020) examined the factors that influenced investors in Ponzi schemes in Malaysia by assessing the modus operandi of the schemes, the victims' profile and the measures put in place by authorities to prevent it. The study, using semi-structured interview surveys, found that education, enforcement and regulation are three main elements that can help in preventing the fraudulent practices of Ponzi scheme operators in Malaysia.

This study is an attempt to contribute to the literature on the negative impacts of Ponzi schemes in Nigeria in order to generate greater awareness of the evils of the Ponzi schemes in order to strengthen the policies and management of them, especially in the legal provisions and

enforcement of penalties for Ponzi schemes promoters as well as the facilitation of the whistleblowers” initiative in Nigeria.

METHODOLOGY

Population and Sample of the Study

This study is both explorative and quantitative in nature. For explorative survey, we analyzed existing literature on the people’s perception and involvement in Ponzi schemes. For quantitative analysis, the study used the data from responses obtained from an online survey of 3,500 people through a structured Google questionnaire. The population of this study includes contacts and other respondents to the researchers’ requests to answer structured questionnaires posted to them on five social media platforms, namely, WhatsApp, Telegram, Instagram and E-mail and Messenger.

The Questionnaire and Response Analysis

This study used the Heintzelman Greed Scale (HGS) (Lambie & Haugen, 2019) to assess the response of interviewees on their levels of dispositional greed, insatiability, materialism, disregard to cost, and crave for wealth. The score ranges from 1 to 5 with higher scores reflecting higher greed levels. The questionnaire is structured to reflect four (4) different HGS research questions on insatiability, materialism, acquisition motivation and non-consideration of cost of losses from investment. Although there are other greed factors, these areas define individual’s disposition to greed. Each of the HGS areas contains seven questions aimed at getting a description of the responders’ disposition towards greed as a factor for engaging in Ponzi investment.

The responses obtained are analyzed with descriptive statistical techniques including charts and tables. Percentage and frequency distribution are used to determine the relative weight of the responses. Bar and pie charts are also used to explain the responses. The distribution and responses of the questionnaires are given in Table 1. A total of 3,200 (91.43%) out of 3,500 questionnaires administered were retrieved. The others (300) did not respond to the questionnaire.

Table 1 Questionnaire Distribution and Responses

S/N	Channel/Medium	Administered	Retrieved/Respondents	% Retrieved
1	WhatsApp	1236	1036	83.82
2	Telegram	1501	1481	98.67
3	E-Mail	329	323	98.18
4	Messenger	278	228	82.01
5	Instagram	156	132	84.62
	Total	3500	3200	91.43

Source: Field Survey (2024).

Empirical Analysis

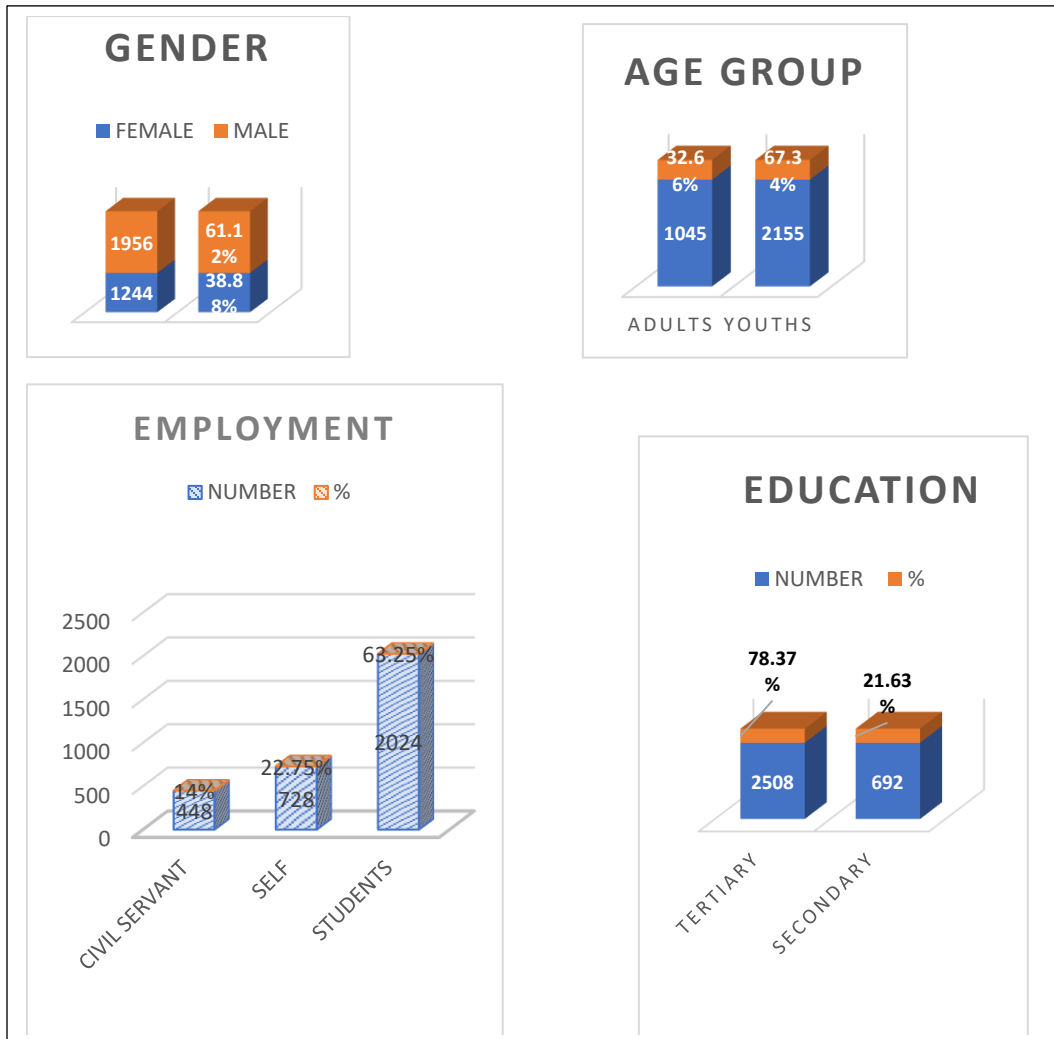
Greed and Ponzi Investment

In this section, we analyze the disposition of respondents broken into four different greed factors which are insatiability, materialism, acquisition and cost of desire.

Demographic Characteristics of Respondents

Figure 3 describes the respondents' demographic information with respect to their gender, age, employment status, and educational attainment.

Figure 3 Respondents' Demographics



Source: Field Survey (2024)

Majority of the respondents (1,956 or 61.12%) are males while 1,244 (38.88%) are females. This implies that majority of Ponzi investors are males. While 1,045 (32.66%) are adults, 2,155 (67.34%) are youths. This is understandable as youths generally are more ambitious with respect to riches and material acquisition. A total of 448 (14%) of the respondents in the sample are civil servants, 728 (22.75%) are self-employed, and 2,024 (63.25%) are students. Again, this supports the fact that majority of the respondents are youths. As many as 2,508 (78.37%) of the respondents have gone (or are going) through tertiary education while 692 (21.63%) of them have secondary school as their highest qualification.

Disposition to Investment in Ponzi Schemes

This section deals with the analysis of the respondents' answers to questions relating to their dispositions with respect to investment in Ponzi schemes. The questions relate to their disposition

to insatiability drive, materialism, acquisition motivation and concern for the cost of their actions on others as they meet their needs. Following the HGS, the questions are designed such that all of them point to a similar direction as much as possible.

a) Disposition to Satisfaction/Insatiability

Table 1 contains the responses of interviewees to the seven questions relating to how insatiability will drive them to invest in Ponzi schemes. Insatiability is a state of not being satisfied with one’s present condition. Although human wants are insatiable according to elementary economic theory, a state of insatiability here is to remain unsatisfied even when a particular need is met. The responses are summed on the basis of whether the respondents strongly disagree (SDI), disagree (DIS), undecided (UND), agree (AGR) or strongly agree (SAG).

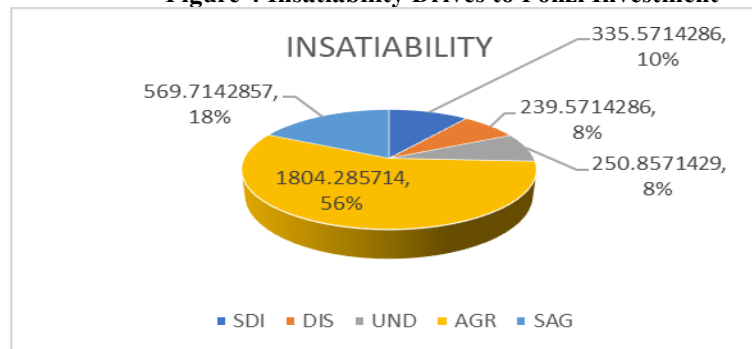
Table 2 Insatiability Leads to Ponzi Investment

S/N	HGS: Insatiability	Response				
		1: Strongly Disagree	2: Disagree	3: Undecided	4: Agree	5: Strongly Agree
1	I can’t have too much of my want, I don’t mind getting more through Ponzi	300	155	240	2210	295
2	What I already have is not enough, Ponzi can help!	100	205	715	1420	760
3	I am usually not happy with my financial state. But I want to be happy	75	111	49	2003	962
4	I often see myself in difficult financial position which I think Ponzi can solve	300	375	201	1920	404
5	I am longing to have more than I presently have regardless of the source	275	400	200	1605	720
6	I don’t really appreciate the much I presently have	1099	233	306	1442	120
7	What I have is far from what I need so I have to look elsewhere	200	198	45	2030	727
	Average Response	569.71	239.57	250.86	1804.29	335.57

Source: Author’s Field Survey (2024)

The average responses for all the questions (based on whether the respondents strongly disagree, disagree, undecided, agree or strongly agree), as shown in Figure 4, were used for inferential purposes.

Figure 4 Insatiability Drives to Ponzi Investment



Source: Author's Design (2024)

On the average, approximately 570 (18%) respondents strongly agree while 1,804 (56%) agree that they are insatiable and hence would invest in Ponzi schemes to meet their needs. 336 (10%) and 240 (8%) strongly disagree and disagree respectively. 251 (8%) are undecided. A total

of 2374 (74%) of the respondents therefore agree that they would invest in Ponzi schemes because they are presently insatiable with what they have.

b) Disposition to Materialism as Ponzi Investment Motivator

Table 5 contains the responses of respondents to the seven questions relating to their materialistic tendency as a motivator for investing in Ponzi schemes. Materialism is the unending quest to acquire more material assets. Luxury and ostentation characterize the one highly disposed to materialism.

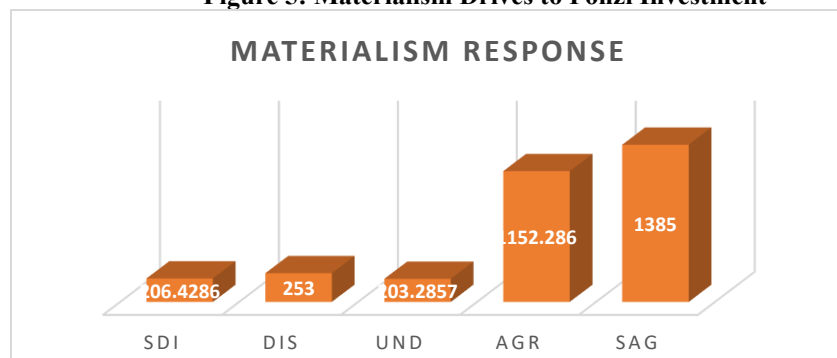
Table 3 Materialism Leads to Ponzi Investment

S/ N	HGS: Materialism	Response				
		1: Strongly Disagree	2: Disagree	3: Undecided	4: Agree	5: Strongly Agree
1	I passionately desire material property from any source	61	72	177	1002	1888
2	I love to have expensive things which regular income cannot buy	307	204	100	903	1686
3	I prefer luxury to the simple life	540	376	92	790	1402
4	More wealth, more happiness for me	10	75	233	1027	1855
5	I am willing to go extra mile to become wealthy, including Ponzi investment	273	400	544	929	1054
6	I cannot have enough material things	132	322	172	1414	1160
7	I want to be extremely wealthy within the shortest time possible	122	322	105	2001	650
	Average Response	206.4286	253	203.2857	1152.2 86	1385

Source: Author’s Field Survey (2024)

The average responses for all the questions (based on whether the respondents strongly disagree, disagree, undecided, agree or strongly agree) as shown in Figure 5 are used for inferential purposes.

Figure 5: Materialism Drives to Ponzi Investment



Source: Author’s Design (2024)

On the average, approximately 1,385 (43.29%) respondents strongly agree while 1,152 (36%) agree that they are materialistic and hence would invest in Ponzi schemes to meet their needs. 206 (6.44%) and 253 (7.91%) strongly disagree and disagree respectively. 203 (6.39%) are

undecided. A total of 2,537 (79%) of the respondents therefore agree that they would invest in Ponzi schemes because of their crave for material things.

c) Disposition to Acquisition Motivation through Ponzi

Table 4 contains the responses of respondents to the seven questions relating to their acquisition motivation tendency which propels them to invest in Ponzi schemes. Acquisition motivation means the urge to acquire more and more notwithstanding what has been acquired.

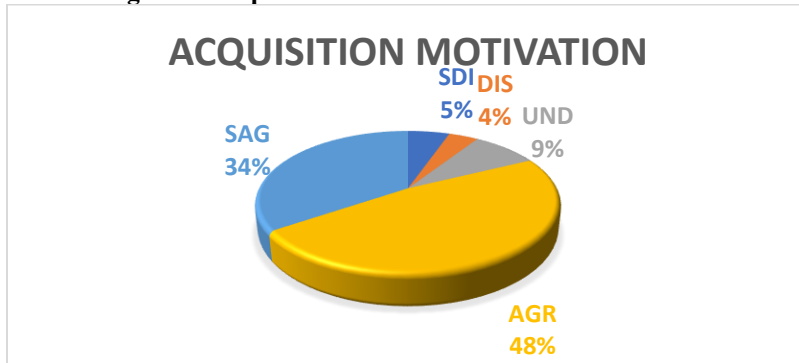
Table 4 Acquisition Motivation Through Ponzi

S/N	HGS: Acquisition Motivation	Response				
		1: Strongly Disagree	2: Disagree	3: Undecided	4: Agree	5: Strongly Agree
1	I love to get new things	171	20	321	1709	979
2	I don't like things becoming old	202	34	201	1904	859
3	The more I have the more I want to have which Ponzi will help me to have	300	380	322	1301	897
4	I will not stop acquiring what I want	20	65	300	455	2360
5	I have not acquired enough	15	55	505	1710	915
6	I desire for more gains and no losses even from Ponzi investment	188	75	10	2619	308
7	I want to acquire all that I desire through all means, including unusual investment	303	222	255	1012	1408
	Average Response	171.2857	121.5714	273.4286	1530	1103.714

Source: Author's Field Survey (2024)

The average responses for all the questions (based on whether the respondents strongly disagree, disagree, undecided, agree or strongly agree) as shown in Figure 6 are used for inferential purposes.

Figure 6: Acquisition Motivation Drives to Ponzi Investment



Source: Author's Design (2024)

On the average, approximately 1103.714 (34%) respondents strongly agree while 1530 (48%) agree that they have high acquisition motivation and hence would invest in Ponzi schemes to meet their needs; meanwhile, 171 (5%) and 121 (4%) strongly disagree and disagree respectively. With 273 (9%) undecided. A total of 2,634 (82%) of the respondents, therefore, agree that they would invest in Ponzi schemes because of their high acquisition motivation.

d) Disposition to How Meeting One’s Needs Costs Others

Table 5 contains the responses of respondents to the seven questions relating to how they consider the cost of their acquisition affects others which determines their readiness (or otherwise) to invest in in Ponzi schemes.

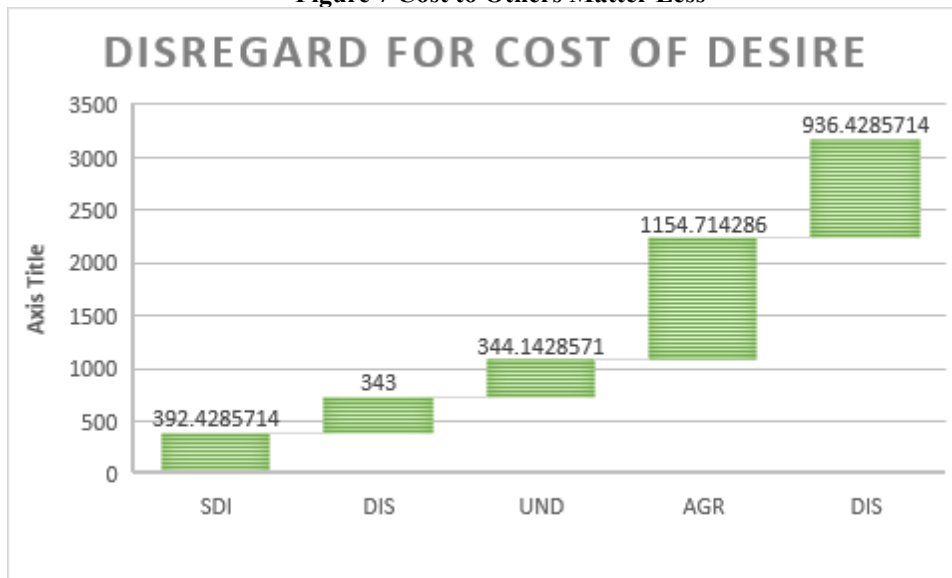
Table 5 Cost Matter Less

S/N	HGS: Disregard for Costs of Desire	Response				
		1: Strongly Disagree	2: Disagree	3: Undecided	4: Agree	5: Strongly Agree
1	I do not consider the cost to others when I want to acquire what I want	350	211	55	1544	1040
2	I do not really care if others are cheated so I can meet my need	411	205	755	979	645
3	What I get should be of greater value than everything else	388	458	877	888	589
4	I can forgo my friends to meet my desire	344	435	533	1019	869
5	I will do what I want at all costs, even if by crookedness	533	423	79	1887	278
6	I make use of others to have my way	321	345	10	874	1650
7	I don’t mind cheating others to meet my desire	400	324	100	892	1484
	Average Response	392.4286	343	344.1429	1154.714	936.4286

Source: Author’s Field Survey (2024)

The average responses for all the questions (based on whether the respondents strongly disagree, disagree, undecided, agree or strongly agree) as shown in Figure 7 are used for inferential purposes.

Figure 7 Cost to Others Matter Less



Source: Author’s Design (2024)

On the average, approximately 936 (29%) respondents strongly agree while 1154 (36%) agree that they care less of the cost of meeting their needs would affect others. and hence would invest in Ponzi schemes to meet their needs. 392 (12%) and 343 (11%) strongly disagree and disagree respectively, and 344 (11%) are undecided. A total of 2,090 (65%) of the respondents

therefore agree that they would invest in Ponzi schemes without minding the negative effect of their investment on others. In the context of this scale, the disposition of investors in Ponzi schemes agrees with that of the promoters of the scheme. There is no consideration for the loss of others as long as their needs are met.

DISCUSSION OF FINDINGS

This study examines the disposition of Nigerians to investment in Ponzi schemes. It explores the modus operandi of the schemes and how Nigerians react to the enticements of the schemes in the face of the losses they incur. Our findings are two-fold: Ponzi schemes operations negatively affect both individual and national economies and greed is the principal factor that motivates investment in Ponzi schemes. First, we found empirical evidences to support the belief that investment in Ponzi schemes deplete funds that would otherwise have been plugged into productive investment. Funds that should have been invested in the real economic sector are put into phony ventures that promised some “miraculously” high returns within very short periods. The investments are, however, lost to the faceless Ponzi promoters. The negative effect of Ponzi activities on the Gross Domestic Product of the country is obvious. Since the Gross Domestic Product is a function of investment, capital formation is depleted by funds stashed away in Ponzi schemes. The negative psychosocial effect on victims of Ponzi schemes is precarious. As pointed out in previous sections, many Nigerians have lost billions of Naira to Ponzi schemes since their operations commenced in Nigeria. there have been reported cases of victims committing suicide while some have become impoverished.

Second, our empirical analysis based on responses to 3,200 questionnaires administered reveal that Nigerians’ disposition to greed, defined in terms of non-satisfaction, materialism, acquisition motivation and consideration of others’ welfare, is positive and very high. They would readily invest in Ponzi schemes because they are not satisfied with their current financial and economic position, are highly materialistic, highly given to acquisition motivation and care less about the harm their search for wealth do to others.

Greed is characteristic of Ponzi investors and investment in Ponzi schemes are usually not for risk-averters and loss avoiders. Those who subscribe to such investment are well aware of the high risk inherent in them and the possibility of high losses. Findings in this study have shown that investors in Ponzi schemes are characteristically insatiate with what they have, materialistic and are always craving for more material things without consideration for the welfare of the nation, institutions and individuals other than themselves. Unfortunately, as evidenced in this study, many Nigerians are greedy when it comes to "miracle money making ventures" such as Ponzi schemes.

Ponzi Investment: A Disservice to Society

A notable study by Johnson (2018) investigated the psychological drivers behind investment in Ponzi schemes and the subsequent societal impacts. The study revealed that greed, driven by the promise of high returns, often clouded rational judgment, leading individuals to invest in clearly dubious schemes. The aftermath of such schemes typically included widespread financial loss, emotional distress, and a breakdown in trust within communities. It is known that the collapse of Ponzi schemes can devastate individual lives and entire communities. Victims often lose their life savings, leading to severe financial instability and increased reliance on social safety nets. This strain on public resources and social services highlights the broader societal cost of unchecked greed (Davis, 2019). Furthermore, the erosion of trust in financial institutions and investment opportunities can stifle economic growth and innovation, negatively affecting societal progress.

Our study's findings emphasize the necessity of prioritizing ethical behaviour and community welfare over personal gain. Greed-driven actions that disregard the well-being of others ultimately lead to societal harm. Conversely, fostering a culture of service to humanity can mitigate these negative effects. Policy makers should promote values such as empathy, integrity, and community support, and how individuals and institutions can work towards a more just and equitable society. To counteract the effects of greed and Ponzi schemes, the government should come up with policies and management of them. Perhaps a good place to start is the educational system. Meanwhile, policies should emphasize the importance of cultivating societal norms to development management programs that promote transparency, fairness, investors' protection, service to humanity and a belief system that views success as not solely measured by personal wealth, but by contributions to the common good.

CONCLUSION AND RECOMMENDATIONS

We explored a few salient issues on Ponzi schemes that are globally practiced as well as with a Nigerian perspective in this study. We find that Ponzi schemes have thrived in Nigeria over the years and that their operations have done immeasurable harm to the national economy by stifling the financial system of investible funds. Using a four-point Heintzelman Greed Scale on non-satisfaction, materialism, acquisition motivation and cost of desires, it was revealed that, notwithstanding their previous experiences, a greater percentage of respondents are willing to go the way of Ponzi investment regardless of the risk and cost associated with their action. We also found that greed is the chief motivator of investment in Ponzi schemes as shown by the results obtained from the analysis of the Heintzelman Greed Scale questions.

To effectively combat the menace of Ponzi schemes, the government should adopt a multifaceted approach focused on prevention, regulation, enforcement, and education. The government should enhance regulatory frameworks to detect and prevent Ponzi schemes. This involves tightening securities laws and ensuring stringent compliance requirements for investment firms. Also, there is need to increase the legal penalties for those found guilty of running Ponzi schemes to serve as a deterrent. Improved public education campaigns are crucial to prevent individuals from falling prey to these schemes. The government should launch initiatives to improve financial literacy, teaching citizens how to recognize and avoid fraudulent investments. Collaborations with schools, community organizations, and media outlets can amplify these efforts. The Nigeria Government should also give careful consideration to whistleblower's initiative, introduced by the Federal Government of Nigeria (FGN) a few years ago, to help in the fight to remove Ponzi schemes in the country.

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