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THE RISING TIDE OF FINANCIAL CRIME- PONZI SCHEME: A PROFILE ANALYSIS OF VICTIMS

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ABSTRACT

Financial crime in the form of Ponzi schemes continues to pose significant socioeconomic and psychological consequences, particularly in developing communities where trust-based networks strongly influence investment decisions. This study examined the demographic profiles, contributory factors, and lived experiences of Ponzi scheme victims in Barangay Santa Ana, Nasipit, Agusan del Norte, Philippines. Anchored on Greenspan's Theory of Gullibility, the research employed a qualitative descriptive design. Fifteen victims were selected through purposive sampling and participated in semi-structured face-to-face interviews. Data were transcribed, translated, and analyzed using thematic analysis supported by NVivo 14. Findings revealed that victimization transcended age, gender, educational attainment, and income levels, indicating that demographic variables alone do not sufficiently explain fraud susceptibility. Three primary factors influenced participation: testimonial persuasion within kinship and community networks,

enticement of unusually high financial returns, and limited financial literacy. The consequences of victimization were categorized into three overarching themes: incapacitated financial situation, emotional and mental disturbance, and positive reframing. Participants experienced prolonged indebtedness, insomnia, guilt, and loss of institutional trust; however, many demonstrated resilience through cognitive reframing and work-centered coping strategies. The study contributes to the limited Philippine-based literature on Ponzi scheme victimization by foregrounding victims' perspectives and emphasizing the interaction between relational trust and psychological vulnerability. The findings underscore the necessity of community-level financial literacy programs, strengthened regulatory enforcement, and psychosocial support mechanisms to mitigate recurring fraud victimization.

KEYWORDS

Ponzi Scheme, Investment Fraud, Fraud Awareness, Scam Prevention, Investor Behavior And Victim Vulnerability

INTRODUCTION

Background

Ponzi schemes are deceptive investment schemes in which the investments made by subsequent investors fund profits for earlier investors. Individuals can become involved in Ponzi schemes without the need for aggressive persuasion, provided that the instigator can establish an appearance of trustworthiness, often relying on their personality and charm.

Financial crime, particularly in the form of Ponzi schemes, has emerged as a global concern with severe consequences for individuals and economies alike. The challenges in accurately gauging the scope of such criminal activities complicate the task of addressing them effectively. These schemes are not restricted by geography, affecting nations of all sizes and industries, from small local businesses to multinational corporations. The repercussions of Ponzi schemes extend beyond the immediate victims, often leading to financial ruin for a broader array of stakeholders, including investors, creditors, employees, and even customers (Nanda et al., 2019).

This research study aims to explore Ponzi schemes through the lens of victims, assessing their demographic profile, contributing factors, and their effects. Currently, limited research in the Philippines delves into Ponzi schemes from the victims' viewpoint. Consequently, this study will make a valuable contribution to the existing body of knowledge by bridging this research gap, marking a pioneering effort of its kind.

The future findings of this research could benefit a range of stakeholders, including investors, investing companies, law enforcement agencies, the general public, students, and future researchers. The study's outcomes could be valuable for investors, helping them

recognize and avoid the growing threat of investment scams. Investing companies stand to gain insights into the nature of investment scams, their potential impact on their operations, eroding investor trust, and strategies to mitigate such risks. This research sheds light on susceptibility to scams, providing awareness to the public aligned to the victim's perspective encountering a fraudulent investment offer and to any law enforcement agencies in formulating more laws and policies regarding this fraud. Students, mainly those studying criminology, can play a pivotal role in disseminating knowledge and the research's findings to contribute to the gradual reduction of scam victimization in the future. Additionally, the research findings can serve as a valuable resource for future researchers, offering essential insights for identifying related issues and conducting their studies.

Objectives of the Study/Statement of the problem

This study aimed to discover diverse life experiences and identify recurring patterns and aspects within the profiles of victims of financial crimes, particularly those involving Ponzi Schemes. It was conducted in Sta. Ana, Nasipit, and Agusan del Norte from October 2023 to May 2024.

Specific Objectives
More specifically, this study has the following objectives:

- To determine the demographic profiles of victims of the Ponzi scheme;
    a. age;
    b. gender; and
    c. educational attainment
- To comprehensively discover the factors that contribute to the experiences of individuals impacted by a Ponzi scheme; and
- To determine the effects on the lives of the individuals being victimized by a Ponzi scheme.

THEORETICAL FRAMEWORK

The Theory of Gullibility (Greenspan, 2009) is central to understanding why individuals fall victim to Ponzi schemes. Gullibility, characterized by a lack of skepticism and discernment, involves trusting others despite indications that they may not have the best intentions. Fraudulent schemes aim to deceive individuals until they suffer losses. The concept of gullibility to elucidate the effectiveness of Ponzi schemes, suggesting that four key factors played a role in their success. As Greenspan (2009) stated, four factors contribute to victims' involvement in the Ponzi schemes: Gullibility Theory. These factors are situation, cognition, personality, and state of emotion. As per this theory, individuals who become victims often find themselves compelled to participate in the schemes when they observe others around them doing the same. It appears to signal to the victims that since others are already involved, it must be the correct thing to do.

The Theory of Gullibility provides a valuable framework for understanding how victims of Ponzi schemes become involved in these fraudulent activities. In the context of this study, the theory is applied to explore the factors that make individuals vulnerable to Ponzi schemes in the Philippines. Individuals who are socially isolated or under financial stress may be more likely to fall for Ponzi schemes due to emotional desperation or a need for quick financial relief. Additionally, the study will examine how cognitive factors, such as limited financial literacy or a lack of education, contribute to individuals' inability to recognize fraudulent schemes. Personality traits like optimism or impulsiveness may also play a role in individuals' decision-making processes, making them more likely to trust fraudulent investment opportunities without conducting proper research. Thus, it provides a comprehensive framework to understand the psychological and situational mechanisms that influence individuals' decisions to participate in Ponzi schemes. This theoretical approach will guide the study's investigation into the demographic profiles, contributing factors, and emotional responses of victims, offering insights into how these elements collectively lead to vulnerability to financial fraud.

Literature Review

A Ponzi scheme is a fraudulent investment tactic that attracts investors by promising unusually high returns while downplaying the associated risks (Wells, 2021). Initial investors receive payments from the funds invested by later participants, which is why individuals who join the scheme later often lose their entire investment when the system collapses. Moreover, Ponzi schemes typically aim first for well-regarded or influential community members. They will obtain substantial returns on their investment to endorse the project and motivate others to participate. All Ponzi schemes, however, tend to collapse. It occurs when recruiting new investors becomes challenging or when many request to withdraw their funds. This scheme requires a consistent flow of money from new investors and has little or no legitimate earnings. In terms of investor recovery, there are almost no cases in which all investors involved recovered 100 % of their investment. The average recovery rate is less than 40%.

Demographic Profile of Victims

The socio-demographic characteristics of victims of financial fraud encompass vital aspects such as age, gender, education, professional standing and financial literacy. In Age, Zunzunegui et al. (2017) indicated that individuals of various age groups, both young and old, could fall victim to fraud. However, recent studies conducted since 2013 have highlighted a prevalence of older individuals as victims. Meanwhile, in Gender, perpetrators typically do not target a specific gender; everyone is susceptible, yet Cheng (2016) discovered that females were predominant among victims of financial schemes, likely because women often handle their family's financial matters. Lastly, in Educational Background, Education is perceived as a determinant influencing vulnerability and the ability to become a victim. People often utilize the skills acquired through formal education in decision-making, even

in areas lacking expertise.Likewise, studies have shown vulnerability decreases as education and income levels rise (Lee & Soberon-Ferrer, 2017).

Factors of Falling into the Ponzi Scheme

The primary psychological factors contributing to the susceptibility to fraud involve gullibility, risk tolerance, self-control levels, prior knowledge of financial matters, personality traits, and the ability to differentiate between true and false information (Frankel, 2015). In the gullibility theory, the first factor is the situation, representing external influences that drive victims to engage in Ponzi schemes. This circumstance is characterized by excessive trust in response to social and situational pressures on individuals (Button et al., 2019). People are often easily swayed by those around them, particularly family and friends, and breaking off relationships becomes challenging once a personal connection is established. On the other hand, according to (Jacobs and Schain, 2016), Cognition refers to individuals with lower intelligence or education levels who fail to apply their intellect when making decisions.As a result, individuals with limited investment knowledge, influenced by various factors, may decide to participate in investments without a thorough understanding.

Moreover, Personality as to where placing excessive trust in others can be viewed as interpersonal behaviour involving a reliance on trust. Similarly, a risky and impulsive personality can lead to gullible actions, particularly when investors become overly confident in their interactions (Greenspan & Woods, 2016). As stated by Yamagishi & Kikuchi (2016) stated that risk-takers may inadvertently become potential victims, challenging themselves within the belief of "high risk, high return". It reveals that investors exhibit prudence and are less prone to gullibility when they place significant trust. Furthermore, State of Emotion denotes the final component of the gullibility theory. It serves as the driving force for individuals seeking financial gain through participation in schemes like Ponzi schemes (Amoah, 2018). Such individuals often display greed and an urgent desire to accumulate wealth rapidly (Tennant, 2018). American studies reveal that those driven by eagerness and greed believe certain investments will yield substantial profits. Characteristics associated with individuals motivated by greed and susceptible to gullibility include carelessness, lack of interest in current scam news, and a tendency to take risks. Scammers exploit this inclination by enticing future profit prospects, triggering investors' greed (Button et al., 2019).

Effects of Ponzi Scheme Victimization

The impact of Ponzi schemes on the individuals deceived is severe, with certain victims expressing a sense of violation comparable to experiencing sexual assault. The primary ramifications encompass financial, emotional, behavioural, and health dimensions, with additional repercussions observed in employment, family cohesion, and the business community (Espinosa, 2020). In Financial Impact, financial loss signifies that victims were affected by financial losses to a greater extent because they have worked hard for their investments, which is not easy to recover. In addition, the Emotional Impact, according to (Yang et al., 2022) victimization has a devastating emotional effect on the

victims. They experienced anger, sadness, distress, and embarrassment. Ponzi schemes have also been found to cause physical and mental health problems for their victims. Moreover, in Mental Health Impact, it is found out that victims suffered from major depressive disorder and generalized anxiety disorder. Also, the risk of suicidality and major depressive disorder increased when - the financial loss was significant, there was a decrease in the standard of living due to the fraud, and if the victim had a previous history of depression. Further, depression could be more severe and lengthier as compared to most reactive depressions (Kasim et al., 2020). Furthermore, in Social Impact, many Ponzi scheme victims, possibly driven by the fear of societal disapproval, tend to accept the blame assigned to them. The emotional aftermath for these victims involves feelings of self-blame, shame, and guilt. They worry about facing social condemnation, believing they are perceived as deserving of their misfortune due to their greed and lack of judgment.

RESEARCH METHODS

Research Design

This study employed a qualitative descriptive design to examine the lived experiences of Ponzi scheme victims in Barangay Santa Ana, Nasipit, Agusan del Norte. A qualitative approach was appropriate due to the exploratory nature of the inquiry and the sensitivity of financial fraud victimization (Clark & Braun, 2020).

Semi-structured face-to-face interviews served as the primary data collection method, allowing participants to narrate their experiences while enabling focused probing. Thematic analysis was used to systematically identify patterns across narratives (Flick, 2018). Interviews were audio-recorded, transcribed verbatim, translated into English where necessary, and analyzed using NVivo 14 to generate codes, subthemes, and overarching themes.

Purposive sampling was employed to select participants who had direct experience with Ponzi scheme victimization (Krathwohl, 1998). This ensured the inclusion of individuals capable of providing rich, experience-based insights relevant to the research objectives.

Context and Participants

The study was conducted in Barangay Santa Ana, Nasipit, Agusan del Norte, Philippines. Based on the 2020 Census, the barangay has a population of 2,810 residents, representing 6.27% of Nasipit's total population. The community primarily depends on fisheries and marine-based livelihoods due to its coastal location.

Fifteen participants who had experienced Ponzi scheme victimization were selected through purposive sampling. Eligibility required prior involvement in a Ponzi investment scheme and willingness to participate in an interview. The participants reported varying

degrees of financial loss, including complete capital depletion, partial recovery, and loan-related indebtedness, providing diverse perspectives on the consequences of fraud.

Ethical Standards

Ethical compliance was strictly observed. Permission to conduct the study was obtained from the Barangay Captain of Santa Ana prior to data collection. Participation was voluntary, and informed consent was secured before interviews commenced. Participants were informed of their right to withdraw at any time.

The study adhered to Republic Act 10173 (Data Privacy Act of 2012) to ensure confidentiality and protection of personal information. Audio files and transcripts were securely stored and used solely for research purposes. Participants were assigned codes (e.g., Participant 1) to maintain anonymity. Academic integrity standards were also upheld throughout the research process.

Data Collection and Tools

Data were gathered using a semi-structured interview guide adapted from Amoah's (2018) framework on Ponzi scheme victimization. The instrument included two components: (1) demographic information and (2) experiential factors related to motivations and consequences of investment involvement, incorporating elements of the Theory of Gullibility (situational, cognitive, personality, and emotional state factors).

The data collection process involved securing permission, recruiting eligible participants, conducting interviews, and recording responses. Transcribed data were coded and analyzed through thematic analysis using NVivo 14, resulting in the identification of three major themes: (1) Incapacitated Financial Situation, (2) Emotional and Mentally Disturbed, and (3) Positive Reframing.

RESULTS AND DISCUSSION

1. The demographic profiles of victims of the Ponzi scheme in terms of age, gender; educational attainment, monthly income and amount invested.

Table 1. Demographic Profile of the Victims

Participant	Age	Gender	Educational Attainment	Monthly Income (PHP)	Total Amount Invested (PHP)
1	46	Female	College Graduate	27,000	140,000 (KAPA, FOREX, REGIME)
2	63	Female	High School Graduate	14,000	55,000 (FOREX, SERPAN)
3	57	Female	Elementary Graduate	15,000	35,000 (KAPA)
4	53	Female	College Level	14,000	410,000 (KAPA)

Participant	Age	Gender	Educational Attainment	Monthly Income (PHP)	Total Amount Invested (PHP)
5	36	Female	High School Level	3,000	1,000 (FOREX)
6	25	Male	College Graduate	Unemployed	10,000 (KAPA)
7	47	Male	College Graduate	7,800	70,000 (KAPA)
8	55	Male	College Graduate	84,000	5,000 (FOREX)
9	54	Female	High School Graduate	15,000	35,000 (KAPA, FOREX, EVER ARM)
10	37	Female	College Graduate	60,000	120,000 (KAPA, REGIME)
11	59	Female	High School Level	6,000	5,000 (FOREX)
12	66	Male	High School Graduate	20,000	200,000 (KAPA)
13	55	Male	High School Graduate	12,000	30,000 (FOREX)
14	55	Female	High School Level	16,000	5,000 (FOREX)
15	36	Female	Vocational Graduate	10,000	5,000 (FOREX)

Table 1 presents the age, gender, educational attainment, and monthly income of the 15 Ponzi scheme victims from Barangay Sta. Ana, Nasipit, Agusan del Norte. The demographic composition reveals heterogeneity across all variables, indicating that victimization was not restricted to a singular demographic group. Instead, the profile reflects a cross-section of community members, reinforcing the multidimensional nature of fraud vulnerability.

Age Distribution

The participants ranged from 25 to 66 years old, with the majority clustered in midlife and older adulthood (46 years and above). This age distribution is consistent with international research identifying older adults as disproportionately represented among fraud victims (Zunzunegui et al., 2017). Rosse et al. (2018) further argue that older individuals may be perceived as attractive targets due to accumulated assets and financial stability, factors that increase potential yield for perpetrators.

However, the presence of a 25-year-old victim indicates that susceptibility transcends age categories. Rather than chronological age alone, vulnerability may be influenced by situational exposure, financial aspirations, and social persuasion. In line with the Theory of Gullibility (Greenspan, 2009), age may interact with emotional states and social contexts, particularly when individuals observe peers participating in investment schemes. Thus, while older adults appear prominently in Table 1, the data support a non-deterministic interpretation of age-related risk.

Gender Composition

Of the 15 participants, 10 were female and five were male. The predominance of female participants aligns with Cheng's (2016) findings that women frequently appear among financial fraud victims, potentially due to their active role in household financial decision-making.

Nevertheless, literature presents mixed conclusions regarding gender susceptibility. Bolimos and Choo (2017) suggest that men may be more vulnerable to certain forms of financial fraud due to higher risk-taking tendencies, while Benson and Simpson (2015) emphasize that financial fraud is largely opportunistic and does not systematically target one gender over another. The gender distribution in Table 1 should therefore be interpreted cautiously. While women constituted the majority in this sample, the data do not substantiate a gender-exclusive vulnerability pattern. Instead, they reflect localized social dynamics in which trust-based recruitment may operate within family and community networks.

Educational Attainment

Educational attainment among participants varied considerably: five college graduates, one college-level, one vocational graduate, four high school graduates, three high school-level individuals, and one elementary graduate. Notably, individuals with tertiary education represented a substantial proportion of victims.

This finding challenges conventional assumptions that lower education levels directly predict fraud susceptibility. Kerley and Copes (2022) suggest that individuals with limited education may be at higher risk due to reduced capacity to critically evaluate financial information. Similarly, Lee and Soberon-Ferrer (2017) argue that vulnerability decreases as education and income levels increase. However, Table 1 demonstrates that higher educational attainment did not function as a protective barrier in this context.

The findings align more closely with Greenspan's (2009) conceptualization of gullibility, which emphasizes situational and emotional influences over purely cognitive determinants. Individuals with formal education may still be influenced by persuasive testimonials, social proof, and trust in community members. As Button et al. (2019) note, fraud victimization often involves misplaced trust rather than intellectual deficiency. Thus, educational attainment should not be treated as a sufficient safeguard against financial deception.

Monthly Income

Monthly income among participants ranged from unemployment and ₱3,000 to ₱84,000, indicating representation across low-, middle-, and relatively higher-income brackets. This variability supports Tennant's (2018) observation that Ponzi schemes attract

participants across socioeconomic strata, particularly when framed as opportunities for rapid wealth accumulation.

The diversity in income levels suggests that participation was not confined to economically marginalized individuals. Rather, the scheme appears to have appealed broadly, likely due to promises of high returns and minimal risk—characteristics identified as common red flags in fraudulent investments (Baker & Puttonen, 2017). The willingness of individuals from varying income groups to participate underscores the influence of emotional drivers and perceived opportunity, elements central to the Gullibility Theory framework (Greenspan, 2009).

Integrated Interpretation

Collectively, Table 1 reveals that Ponzi scheme victimization in Sta. Ana cannot be reduced to a single demographic determinant. Age, gender, education, and income display significant variability, reinforcing the view that financial fraud operates through relational trust networks and persuasive mechanisms rather than strict demographic targeting.

The demographic diversity observed aligns with Button et al.'s (2019) assertion that fraud is not a victimless crime and that its impact cuts across social categories. Furthermore, the data support the theoretical anchoring of this study in the Theory of Gullibility, as situational pressures, emotional motivations, and trust dynamics appear to override traditional protective factors such as education and socioeconomic status.

In sum, Table 1 evidences that Ponzi scheme victimization in this locality reflects a convergence of demographic diversity and psychosocial vulnerability. These findings contribute to the limited Philippine-based literature on victim profiles and underscore the need for community-level financial literacy interventions that move beyond demographic stereotyping toward addressing relational and cognitive risk mechanisms

2. Factors of Falling into the Ponzi Scheme

The findings reveal that participants' involvement in the Ponzi scheme was shaped by relational trust, financial aspiration, and limited financial literacy. These dimensions did not operate independently; rather, they interacted dynamically in influencing decision-making. The table below shows the major factors that led to this schemes.

Table 2**.** Summary of Themes and Subthemes on the Factors of Falling into the Ponzi Scheme

Major Theme	Subthemes	Description
Persuaded Through Testimonials	Influence of family and relatives	Investment decisions were influenced by encouragement from trusted family members and close relatives who had already participated in the scheme.

Major Theme	Subthemes	Description
Enticement of Promising Gains	Community endorsement	Participation was reinforced by respected community members such as local officials, police officers, teachers, and other influential individuals who appeared to legitimize the investment.
	Trust-based recruitment	Decisions were grounded on interpersonal trust and familiarity rather than formal documentation or legal verification of the investment.
	Promise of high returns	Participants were attracted by offers of unusually high interest rates and rapid financial growth within short periods.
	Risk-taking behavior	Individuals demonstrated willingness to engage in uncertain financial opportunities despite doubts or prior experiences of scams.
	Borrowing to invest	Some participants secured loans or used borrowed funds to increase their investment in anticipation of higher returns.
Limited Financial Knowledge	First-time investors	Participants lacked prior investment experience and demonstrated limited financial literacy regarding investment mechanisms.
	Overconfidence due to social proof	Confidence in the scheme increased after observing widespread community participation and initial payouts.
	Failure to verify legitimacy	Participants did not critically assess documentation, regulatory registration, or legal standing before investing.

The findings reveal that participants' involvement in the Ponzi scheme was shaped by relational trust, financial aspiration, and limited financial knowledge. These factors operated interactively rather than independently. Participants did not simply make impulsive financial decisions; instead, they moved through a process where skepticism was gradually weakened by testimonial persuasion, reinforced by early financial gains, and sustained by cognitive limitations in evaluating risk.

2.1 Persuaded Through Testimonials

The first theme underscores the centrality of interpersonal trust in shaping investment behavior. Decisions were embedded in kinship networks and social relationships where familiarity substituted for institutional verification.

Participant 8 shared:

(My wife's cousin got us involved, and I trusted him because we had a personal connection.)

Participant 1 similarly explained:

"My cousin, who is also a teacher, urged me to join because she had already tried it and received her payout. She wanted me to experience the same."

These narratives illustrate how relational proximity functioned as a legitimacy mechanism. Rather than verifying documentation or regulatory registration, participants relied on emotional trust and shared identity. Lewis (2021) explains that social and situational pressures heighten trust when participation is normalized by familiar individuals. Trust, therefore, became a heuristic substitute for formal validation. Even when doubts were present, social conformity influenced participation.

Participant 7 admitted:
"I had doubts at first, but since many had already received payouts, I just went along because my cousins and neighbors were involved."

The movement from hesitation to compliance demonstrates how testimonial reinforcement gradually neutralized skepticism. Community endorsement further amplified perceived credibility. The participation of authority figures created a socially constructed sense of legitimacy.

Participant 10 described:
"It was my husband's coworker, a police officer. We trusted them because many police officers were investing. They assured us the money would return."

Participant 4 reflected:

"Gi convince mi, wala pod mi ge pugos gi ganahan man pod mi sa storya... tanan barangay officials kami kuyoga..."
(We were convinced; no one forced us. All of us in the office joined together.)

The involvement of respected professionals reinforced perceived safety. Cross (2015) argues that fraud susceptibility is not prevented by professional status; instead, authority participation may strengthen collective confidence in illegitimate ventures Notably, procedural irregularities were recognized but minimized.

Participant 7 observed:

> "...mo butang lang kag kwarta, walay saktong documento. Niya tagaan rakag isa ka papel... Maong naka ingun gyud ko na wala gyud ni. Mi suway-suway nalang jod ko..."
> *(You just give money; there was no proper documentation. They just gave a piece of paper. I even thought something was wrong, but I still tried.)*

Despite visible warning signs, interpersonal trust prevailed. Wilkins et al. (2018) emphasize that Ponzi schemes rely heavily on persuasion rooted in familiarity rather than aggressive coercion. Selective presentation of early payouts further reinforced credibility (Badua, 2020).

2.2 Enticement of Promising Gains

While trust initiated participation, financial aspiration sustained it. Participants consistently cited the attractiveness of a 30% return. Participant 3 explained:

> "Ni ingon man gyud sila nga 'ang imohang 20,000, 30% ang interest niya binuwan ang pay-out'."
> *(They said ₱20,000 would earn 30% monthly interest.)*

Participant 1 added:

> "30% kuno ang makuha kada week... mas maayo lagi daw kay dali ra siya mo tubo..."
> *(They said we could get 30% weekly interest, much higher than usual returns.)*

The promise of unusually high returns overshadowed conventional financial reasoning. Obayumi et al. (2018) identify unrealistic returns as a core motivational driver in Ponzi participation. Participants interpreted high yields as opportunity rather than anomaly. Early payouts intensified commitment. Participant 4 detailed:

> "Kay tungod naka dawat na... mao to tung gi pangloan... Basta all in all 410,000 tanan..."
> *(After receiving payouts, I took loans. In total, I invested ₱410,000.)*

This progression illustrates a reinforcement cycle in which initial success reduces perceived risk and encourages escalation (Button et al., 2019). Risk-taking tendencies also surfaced. Participant 2 and participant 14 admitted:

> "...risk taker kay nidugang paman gani ko... Nagtapal na nuon kog 10,000."
> *(I'm a risk-taker; I even added more and ended up covering losses.)*

"...Maayo mo dalag storya maong baluk balik pod tag ka scam."
(They were persuasive, which is why we kept falling for scams.)

Yamagishi et al. (2016) note that individuals with higher tolerance for uncertainty are more vulnerable to high-risk, high-return propositions. Here, aspirational financial thinking outweighed caution. Borrowing to invest marked the peak of financial exposure. As Participant 4 narrated:

"Ato ni loan ko ug first bali 80,000 unya ni loan na pod ko ug ANTCO 140,000... Ni loan pa jod ko ug CFI..."
(I took a loan of ₱80,000, then ₱140,000, and another loan.)

Escalation reflects how reinforcement and optimism reduced sensitivity to accumulating risk.

2.3 Limited Financial Knowledge

Underlying testimonial persuasion and financial enticement was limited financial literacy. Several participants openly described themselves as first-time investors. Participant 3 and Participant 8 added:

"Wala kog alamag sapag invest, mao pa toy pinaka una nako."
(I had no knowledge about investing; it was my first time.)

"First time pa to nako... Mao bitaw tung ni invest ra kog 5000 ra..."
(It was my first time; that's why I only invested ₱5,000.)

Limited understanding of investment mechanisms constrained participants' ability to critically evaluate risk. Kadoya et al. (2021) found that lower financial literacy significantly increases vulnerability to fraud. Overconfidence was amplified by widespread participation. Participant 9 remarked:

"Pero wa gyud ko nagdahom nga scam jod to siya. Daghay nang-apil."
(I never anticipated it was a scam because many joined.)

Participant 4 similarly believed the scheme was legitimate because payouts were consistent. Kircanski et al. (2016) suggest that confidence inflation in unfamiliar contexts signals cognitive vulnerability, especially when social proof replaces analytical scrutiny.

The verbatim narratives demonstrate a patterned trajectory. Participants began with mild skepticism, which was gradually neutralized by trusted testimonials. High promised returns intensified financial motivation. Early payouts reinforced belief in legitimacy.

Limited financial knowledge restricted critical assessment. Escalation through additional investments or borrowing followed. Only after collapse did participants fully recognize the fraudulent nature of the scheme.

Importantly, vulnerability transcended educational and professional boundaries. Teachers, police officers, and other respected professionals were affected, reinforcing Cross's (2015) assertion that fraud susceptibility is socially mediated rather than strictly educationally determined.

The convergence of testimonial persuasion, financial enticement, and cognitive limitation explains how individuals transitioned from doubt to commitment. Preventive interventions must therefore address not only financial literacy but also trust-based recruitment structures embedded within community networks.

3. Effects of Ponzi Scheme Victimization

Table 3. Summary of Themes and Subthemes on Effects of Ponzi Scheme Victimization

Theme	Description
Incapacitated Financial Situation	Due to the scheme, it led to financial loss; with assets & funds and even has prolonged effect on their status
Emotional and Mentally Disturbed	Experience emotional & mental stress as they hold themselves responsible for what occurred.
Positive Reframing	Coping strategies that shifting away the negative situation in a more positive light

3.1 Incapacitated Financial Situation

By its very nature, investing typically involves taking on some risk, ranging from the risk of returns failing to keep pace with inflation to incurring losses on investment and even the entire investment (Kircanski et al., 2016). However, Ponzi scheme victimization extends beyond ordinary investment risk and produces catastrophic financial consequences. Victims suffered from financial losses and loss of employment, and their personal financial circumstances changed dramatically following contact with the fraudster. For several participants, economic suffering escalated into prolonged indebtedness and near bankruptcy. The severity of financial incapacitation is evident in Participant 4's narrative:

> "No, I was not able to recover anything. The ₱410,000 was the total amount I invested—it was everything. Yes, there was a time when I really struggled because I had taken out a CFI loan and invested it. It was only last year that I was able to fully pay off the loan. It was really difficult."

This statement illustrates complete capital loss (₱410,000), compounded by loan obligations. The financial burden was not temporary but extended over multiple years, demonstrating how Ponzi victimization restructures household economic stability. The inability to recover principal investment further intensified hardship. Similarly, Participant 1 stated:

> *"I only recovered a small amount. I invested ₱120,000, but I only received ₱30,000... I was able to cash out just once."*

The minimal recovery (25% of capital) highlights asymmetric loss typical in Ponzi operations. Participant 6 reinforced this pattern:

> "That was my hard-earned money... I invested ₱10,000, and it was lost. I was never able to recover anything."

The phrase *hinagoan* (hard-earned money) signifies emotional attachment to earned capital, which deepens the perceived magnitude of loss. Financial loss in fraud contexts is not merely numerical—it represents accumulated labor and sacrifice. This aligns with Button et al. (2019), who argue that investment fraud produces long-term indebtedness and economic destabilization. For some participants, the loss involved borrowed capital, thereby multiplying the financial consequences. Participant 2 explained:

> *"I haven't recovered anything, even up to now. I still have an existing loan. It was a three-year loan... I will never forget it."*

The persistence of repayment three years after the collapse indicates prolonged economic incapacitation. The memory of the event remains tied to ongoing financial strain. Participant 9 further expressed:

> *"I was not able to recover even a single peso; instead, I ended up deeply in debt... I even had to borrow money up to now."*

Here, the scheme not only erased savings but generated new debt cycles. This supports Albrecht et al. (2017), who found that fraud victims experience difficulty obtaining credit and face extended financial instability. Thus, Ponzi schemes, often labelled pseudo-investments, generate structural financial disruption rather than short-term monetary setbacks. Consistent with Brenner et al. (2020), victimization significantly alters perceptions of financial security and household welfare. Participants invested not only money but time and emotional labor in managing the economic aftermath (Ghazali et al., 2018), further reinforcing the incapacitating nature of financial victimization.

3.2 Emotional and Mentally Disturbed

While financial loss was severe, emotional consequences were equally profound. Crime, even when non-violent, is a traumatic event with lasting psychological effects (Green et al., 2019). For several participants, being scammed marked the beginning of sustained emotional distress. Participant 4 described acute anxiety and insomnia:

> *"I really felt it deeply—I could not sleep for almost a week… I kept thinking about how I would pay the loan… I had to pay two banks."*

The inability to sleep and obsessive rumination reflect acute stress responses consistent with trauma literature (Langton & Truman, 2015). The cognitive fixation on loan repayment demonstrates how financial stress translates into psychological disturbance. Participant 12 articulated self-directed blame:

> *"There is no one else to blame because it was my own decision… I can only blame myself."*

This internalization of responsibility aligns with Harvey (2017), who notes that guilt and shame intensify emotional isolation among Ponzi victims. Similarly, Participant 13 stated:

> *"It was my own choice, so there is no one to blame… I just think of it as if I lost in gambling."*

The comparison of investment loss to gambling reflects cognitive reframing but also self-attribution of fault. This self-blame discourages formal reporting and reduces help-seeking behavior. Participant 5 demonstrated emotional coping through belief in karmic justice:

> *"There will come a time in their lives when what they did will come back to them."*

While appearing hopeful, this statement also signals resignation and perceived powerlessness. Rather than seeking legal recourse, participants expressed faith in eventual moral retribution. This supports findings that fraud victims frequently avoid reporting due to embarrassment, shame, and perceived futility (Frankel, 2015).

Thus, emotional disturbance manifested through insomnia, regret, guilt, distrust toward financial institutions, and withdrawal from formal systems. These findings align with literature showing heightened risks of anxiety and depressive symptoms following significant financial fraud (Freshman, 2018; Kasim et al., 2020).

3.3 Positive Reframing

Despite severe financial and psychological distress, participants demonstrated adaptive coping strategies characterized by resilience and cognitive reframing. Participant 7 expressed:

> *"Laugh at your problems… After all, there is nothing we can do about it."*

Laughter and humor functioned as emotional regulation mechanisms. Participant 3 adopted behavioral coping:

> *"I just kept myself busy at my store… I just have to work harder so I can recover the money that was lost."*

Active engagement in work reflects problem-focused coping. Rather than succumbing to depressive ideation, participants redirected energy toward income recovery. Participant 1 stated:

> *"Charge it to experience… don't dwell too much on the problem because money can still be earned."*

This reflects meaning-making and experiential learning, transforming victimization into perceived life lesson. Cognitive reframing reduces long-term psychological damage by assigning constructive interpretation to loss. Family support further moderated distress. Participant 6 shared:

> *"I somehow felt lighter because I was not the only one who was deceived."*

Collective victimization reduced personal shame. Participant 2 emphasized shared experience within the household, preventing blame attribution. Social support is strongly associated with trauma recovery (White House Office & FTC, 2020).

Consistent with Tan (2016), Filipino resilience emerges as culturally embedded adaptive strength. However, resilience did not negate the seriousness of harm; rather, it functioned as a survival mechanism enabling forward movement. As Bloch (2018) notes, post-adversity growth often arises when individuals reinterpret setbacks as developmental turning points.

RECOMMENDATIONS

Primary Recommendations

The researchers recommend implementing indicated prevention measures, especially for the investors. Galasintu et al. (2018) suggested that investors must be self-regulated by becoming more aware of investment fraud and learning to be more protective by recognizing that victims' characteristics like lack of financial knowledge and gullibility significantly aid the success of Ponzi schemes. Proper education strategies for investors have been identified as the most effective approach to preventing Ponzi schemes (Kasim et al., 2020). By prioritizing educational awareness, the researchers believe there is a strong likelihood of disrupting the cycle of Ponzi fraud. Also, before investing, potential investors should conduct comprehensive due diligence on the investment opportunities, researching aspects such as the company's background, track record, financial stability and legitimacy; it must be registered to financial authorities like The Securities and Exchange Commission (SEC). It is crucial to remain vigilant and well-informed, capable of identifying indicators or 'red flags' of investment deception, such as promises of high returns with minimal risk, offers touted as once-in-a-lifetime opportunities, pressure to make swift investments, and unusually consistent returns (Baker & Puttonen, 2017).

Secondary Recommendation

- **To the Investing Companies**. Investment companies are advised to establish a more comprehensive network of organizations to support fraud victims, partly due to the high rate of revictimization (Hume & Canan, 2016). For instance, organizations like the National Center for Victims of Crime are starting to provide training to staff at adult protective services agencies and other community-based consumer protection organizations. This training aims to enhance their ability to assist potential investors and fraud victims. Since understanding the causes and consequences of fraud is still in its early stages, there are gaps in knowledge.
- **To the Law Enforcement Agencies**. The researchers suggest further research to explore the need for distinct legislation specifically targeting Ponzi schemes, aiming for detailed and explicit control. Additionally, it is necessary to educate the public, especially law enforcement personnel, about how Ponzi schemes differ from other financial frauds. Initially, this education could involve examining legal actions taken against cases involving suspected Ponzi schemes, as discussed in this study, to provide guidance. Investment groups frequently exploit the absence of clear legal regulations as a loophole to perpetuate Ponzi schemes. All relevant authorities must stay updated on the latest technologies employed by fraudsters, as their methods are subject to evolution at any time (Reddy, 2020).

- **To the Future Researchers**. Future researchers are encouraged to expand their studies to larger populations, as the sample of 15 investors interviewed may not accurately represent the demographic of more minor Ponzi scheme victims. Despite the limited number of participants, their shared experiences and perceptions suggest a level of consistency that could apply to larger populations. Also, it is recommended that research be conducted from the perspective and profile of Ponzi fraudsters to understand their characteristics and how they influence investors' decision-making, especially in fraudulent investments. This is essential to uncover the modus operandi used by promoting schemers, which could help raise awareness of warning signs, particularly for potential investors (Kasim et al., 2020).

CONCLUSION

This study aimed to explore the factors contributing to victimization in Ponzi schemes, focusing on the experiences of individuals in Barangay Santa Ana, Nasipit, Agusan del Norte. The findings reveal that a combination of factors, including social influence, the promise of high returns, and limited financial knowledge, played significant roles in the participants' involvement in Ponzi schemes. Victims were often persuaded by family and friends, felt enticed by the potential for quick financial gains, and lacked the financial literacy to critically assess the legitimacy of the investment. Interestingly, even participants with higher educational backgrounds were not immune to falling victim to these schemes, suggesting that gullibility and misplaced trust, rather than educational attainment alone, contributed to their vulnerability.

The financial and emotional consequences of Ponzi scheme victimization were severe. Victims reported significant financial losses, some resulting in bankruptcy in the worst scenario, and experienced long-term emotional distress, including trauma and a loss of trust in financial institutions. However, despite the hardships, many participants exhibited resilience, focusing on recovery and maintaining hope for a better future.

In light of these findings, the study recommends that investors become more educated on the risks of Ponzi schemes, emphasizing the importance of conducting thorough research and recognizing warning signs of fraud. It is also suggested that investment companies and law enforcement agencies play a more active role in supporting fraud victims and ensuring clear legal frameworks are in place to address Ponzi schemes. Future research should explore the perspectives of fraudsters to gain a deeper understanding of their tactics and expand the study to a larger population to better represent the broader demographic of Ponzi scheme victims.

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