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### FACTORS INFLUENCING STUDENTS BEING DECEIVED IN PYRAMID SCHEME IN MALAYSIA

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### ABSTRACT

Since the middle of the 20th century, multi-level marketing (MLM) became a way of doing business. Unfortunately, not every MLM opportunity is a legitimate business opportunity. Many pyramid schemes, frauds plotted to part the unwary from their money, are disguised. The syndicate activities behind the MLM had targeted university students to make a profit through participation in their business. Therefore, this study intended to measure the factor that might affect the involvement of students being duped in pyramid schemes, including the ambitious, desire to try, surrounding society, family background, and deceived by advertising. This study examines the relationships between the ambitious with being duped in pyramid schemes. This study employed a quantitative method where a questionnaire is used as a method in the collection of the data. The hypothesized relationships are tested using survey responses from 119 university students in Malaysia. The finding of the study revealed that two determinants had a positive relationship being deceived in pyramid schemes among the students: family background and surrounding society. This study's findings are able for universities and industries can revise their policies to discern the extent of student involvement in the pyramid scheme businesses and take the initiative to help students who fall into this scheme.

**Keywords:** Pyramid Scheme; higher education; multi-level marketing.

## INTRODUCTION

Since the middle of the 20th century, Multi-Level marketing (MLM) became a way of doing business. The companies give their members a chance to create a business where they buy the products or services at a production cost and sell them at a retail price. According to Gregor & Wadlewski (2013), the last model franchising model used as an underpinning for a business is Multi-Level Marketing (MLM), where the distributors work with a brand but without the infrastructure behind a franchising model business, like a store or employees. Multi-Level Marketing (MLM) can be interpreted as legitimate business methods that use a network of independent representatives to sell consumer products. Compensation must be based on the sale of products and services to end-users. It is often expressed as direct selling or network marketing. MLM relies on the sale, entrepreneurial capabilities, and personal contacts of their agents, involving minimum upfront investments (Nga & Mun, 2010). In Malaysia, established MLM companies such as Tupperware, Amway, and Nu Skin reckon on a brand allure to market their product. Legitimate MLM companies get their earnings mainly through retail sales, incorporate buyback policies, and do not mandate training materials (Koehn, 2001).

Pyramid schemes are based on the assumption that many investors can make money by selling distributorships to others over some time. The pyramid investment scheme relies on new investors to pay commissions, returns, and bonuses. There is an absence of a legitimate product or service being sold (Walker, 1996). Pyramid schemes can be explained where consumers consider the opportunity to receive compensation mainly by introducing other users into the scheme from the sale or use of products. According to the Australian Constitution Law (2011), pyramid schemes consist of three inherent: participation payment, recruitment payment, and inducement requirement. In section 45(1)(a) states that participants make a payment (participation payment), and section 45(1)(b) says that the participation payment is entirely or substantially prevail upon by the prospect given to new participants that they will be entitled to recruitment payment 'in relation to' the inception to the scheme of further new participants.

Unfortunately, not every Multi-level marketing opportunity is a legitimate business opportunity. Many pyramid schemes, frauds plotted to part the unwary from their money, are disguised. The significant divergence between MLM and a pyramid scheme is in the mode the business operates. The entire justification of a pyramid scheme is to get the money and then use the loser to recruit other suckers. Pyramid schemes indict to be selling products to consumers to look like a multi-level marketing company. However, little or no effort is made actually to market the product. Instead, money is generated in a typical pyramid fashion by recruiting others to market the program. Sometimes, new distributors are enticed to purchase inventory or overpriced products and services when they sign up.

In Malaysia, MLM business is regulated by Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna (KPDNHEP) under the Direct Selling and Anti-Pyramid Scheme Act 1993 (AJLSAP). Therefore, as long as the MLM business is registered and licensed by KPDNHEP, then the MLM business is in accordance with the law (Haeme Hashim, 2019). However, trade in the form of a pyramid scheme is indeed illegal. Many in the community are confused with MLM business and pyramid schemes because business is almost the same but not the same. Therefore, the community needs to be aware of a company that they want to venture into, especially students at the university, so that it is not easily deceived. In that series, the study conducted by this researcher will see what the real factors involving university students are deceived and trapped in this pyramid scheme business.

The syndicate activities behind the MLM had targeted university students to make a profit through participation in their business. Social Expert from Universiti Putra Malaysia (UPM), Prof Datuk Dr

Mohammad Shatar Sabran (2016), revealed that his study found that the business behind the MLM strategy has been actively searching university students as their victims for the past five years. Besides, the President of the UTM Student Representative Council, Muhammad Zuhaili Mohammad Aminuddin (2016) said, the syndicate targeted university students using propaganda 'Islamic economic jihad' during the entrepreneurship seminar before recruiting them as agents to find other victims. They will invite students who are seen to show interest in attending entrepreneurship seminars. The opportunity was used as best as possible for the syndicate to obscure the students by showcasing all the luxuries supposedly belonging to their agents. After filling out the registration form and paying thousands of ringgits as a member, students were finally asked to sell herbal oil and find new customers as a condition of earning a monthly commission.

The situation worsened when the students were willing to deceive the lecturers into borrowing thousands of ringgits. Some of them also borrow money from other students and bear unpaid debts. Through this scheme, the company will appoint individuals to distribute goods, and the individual will appoint another network (downline) to sell company goods. Each member will earn a commission from the sale. The more extensive the downline network, the faster a person is promoted and profited. Many are so influenced by the upline's success stories that they are willing to do anything to create such a shortcut. According to the Deputy Vice-Chancellor Student and Alumni Affairs of Universiti Putra Malaysia (UPM), the students involved are bribed with business methods while studying and monthly income, but the fact is that the investment will not go anywhere, even burdening themselves (Berita Harian, 2016). Therefore, some public universities in Malaysia have banned their students from participating in this MLM. This is because it not only damages the students but also damages their morale as students.

Previously, many studies have been done on the factors that influence students to participate in MLM but silent on the factors that affect the student being deceived in pyramid scheme. Therefore, this study will fill the gap by studying the factors of students participating in the pyramid scheme business, which really popular under MLM and a few types of business. This study focuses on the factors that cause university students to jump into business with the pyramid scheme system. The researcher also predicts whether there is a relationship between business understanding and involvement.

This research is focusing on students at universities in Malaysia. The researcher focuses on students because they play an essential role in shaping the administrative system. Most of them are involved in the pyramid scheme business. This is because they are the main target in this pyramid scheme business, especially PTPTN (Pinjaman Tabung Pendidikan Tinggi Nasional) borrowers and those who get certain sponsorships. The selected universities students are all from universities in Malaysia, whether public or private universities. This study is entirely quantitative and uses a survey study design. The instrument of this study is a set of questionnaires adopt by the researcher from the previous researches themselves.

This article is structured as follows: Section 2 presents the a brief overview of the existing literature on pyramid scheme and theory related to being deceive: there follows, in Section 3, an explanation of the data and methodology used; Section 4 contains the analysis of the results; and last, these results are discussed and conclusion drawn in Section 5, along with comments on the limitations and suggestions for future related research.

## LITERATURE REVIEW

### Fraud and the networking marketing model

The terms “fraud”, “con”, and “swindle” is commonly used synonymously with the scam. Fraudulent products involving tangible goods include “miracle” health cures and fake gemstones, as well as fake lotteries, prize draws, lottery games, and auction sites (Chua and Wareham, 2008). On the other hands, fraudulent products involving non-existent items include fake job offers and housework and dating scams that lure victims and persuade them to send money to prospective. Service scams involve fake psychics and home repairs (Levi, 2008). For example, the scams that promise financial returns include “Nigerian 419” advance-fee scams, which convince individuals to part with money to anticipate greater returns (Smith 2009). Also, Ponzi or pyramid schemes use early investors to recruit the next investors, with the final contribution to pay off the preliminary (Trahan et al., 2005). These scams also enable online execution, and the Internet has become the primary domain of scams (Cross et al., 2014).

Although fraud is not a new offence, with the rise in new technologies, its delivery has become more comfortable, allowing fraud to be committed on a larger scale than ever before. Fraud statistics show that adults between the ages of 45 and 54, and those in higher-income households are more likely to be fraud victims than younger or lower-income families. Those in managerial and professional occupations were identified as more likely to be affected by fraud than full-time students, the unemployed or those in manual professions (Office of National Statistics, 2016).

The Annual Fraud Indicator (AFI) for 2017 estimates fraud losses in the United Kingdom (U.K.) to be around £190 billion, with £6.8 billion lost to fraud by private individuals (Button, Gee & Mothershaw, 2017). Fraud estimates include scams incurred in public, private and charity sectors and cons incurred by private individuals. Public sector fraud includes local and central government, tax and benefits, National Health Service and pensions. Besides, private sector fraud includes financial services, consumer goods, manufacturing, technology, media and telecoms, construction, retail and wholesale, travel, leisure and transportation, professional services, healthcare, pharmaceuticals, biotechnology, and natural resources. Individual fraud is defined as all fraud perpetrated against private individuals (National Fraud Authority, 2010).

The pyramid scheme is so named because of the hierarchical structure formed by investors or their recruits. These schemes typically begin with initiators recruiting several investors expected to recruit the same number of recruits to receive their expected monetary returns. The continuation of this investment pattern is how the scheme earns its income and is a hallmark of the pyramid scheme (Blaylock, 1998; Commerce Commission, 1999). Consequently, for this investment design to work, the number of recruits at each level of the pyramid must increase exponentially, determined by how many recruits each investor is required to enlist. According to the Australian Competition and Consumer Commission (ACCC)’s annual Targeting scams report (2019), a pyramid scheme is defined as a scheme a consumer considers the opportunity to receive compensation primarily derived from the introduction of other users into the scheme rather than from the sale or use of the products. The pyramid schemes are illegal and risky ‘get-rich-quick’ schemes. To participate in this pyramid scheme, members have to pay a fee. If the only return from the scheme is entirely dependent on the member depends on the member convincing others to join.

The entire pyramid investment scheme shared a standard structure that promises a high-profit return. The researcher’s idea can be proved and identified in nowadays market (Carvajal et al., 2009). In Malaysia context, as reported in The Star on 15 May 2017, there are several pyramid investments schemes in the

country such as JJ Poor to Rich (JJPTR), Change Your Life (CYL), Richway Global Venture, BTC I-system (Lim, 2017). The Sun on 30 April 2017 stated that all of these schemes were also practised to promise the investor's lucrative return of profit. BTC I-System was a scheme that invests in Bitcoin digital currency, and it offered 30% of profit return within 15 days of investment (Lee, 2017).

According to Keep and Nat (2014), a pyramid or reward scheme may seek to hide its real nature practically, a chain letter introducing products or services to dupe people into thinking they are involved in business or income opportunities. Furthermore, the pyramid's members receive commission only by adding other team members without selling any products or services (Vahidi, 2016). In network marketing, active customers are independent distributors who receive a commission from more sales profit. Moreover, in pyramid schemes, a member invests in obtaining authorisation to recruit others and collect a commission when recruiting others to join the scheme (Franco and Perez, 2016). The objective of the pyramid is to earn commissions based on hiring rather than selling products. Individuals at the ridge of the pyramid make high endeavour while those at the bottom buy products that are often challenging to resell (Stern and Grover, 1991). According to Hock & Button (2023), some of the reasons why people join pyramid schemes because of the reasons including the vision of high reward for little work and the attraction to a better lifestyle or participant dominant.

### **Islamic perspectives on deceived**

Islam has expressly prohibited any fraudulence in transactions, whether made before or after purchase. Deceived was one of the activities in Islam that had been banned. In Islam, unclear transactions based on vague speculation and circumstances are forbidden. *Taghrir* is defined as using deceptive means of acts or words to trick another person, thereby inducing another person to transact where they would not transact if that technique is not used (Abdul Jabbar, 2012). In other words, *taghrir* may either be the actions or statements of deceit. *Taghrir* can be divided into two kinds of *taghrir fi'li*, such as illegal behaviour and manoeuvres and *taghrir qawli*, such as deception (Abdul Jabbar, 2012). Even so, Islam prohibits its citizens explicitly from engaging in fraud. This verse gave the general sense of theft, where Allah s.w.t. has forbidden Muslims to consume others riches falsely. Any operation that leads to such action is therefore called fraud. Islam prohibits all kinds of fraud and deceit, whether it is fraud between individuals in the trade or other matters.

Islam condemns those who commit fraud with an essential penalty, based on the verses above. Among them are people who, while giving measurements, are not sincere. It is deemed dishonest to have a lower weight than should be charged or provided a lower sum than should be approved, and those associated with it will face severe punishment. It is not permissible to sell an article without making everything (about it) clear, nor is it permissible for anyone who knows (about its defects) to refrain from mentioning them. It is not permitted to sell an article without making it clear about it, nor is it permissible for anyone who knows (about its defects) to refrain from mentioning it.

In conclusion, Islam sees deceit and lying as egregious crimes, a source of shame for those guilty of committing them, both in the afterlife of this world and here. In addition to condemning them, the Prophet SAW removed them from the Muslim culture in this world. This is because the purity of thought, devotion, sincerity towards every Muslim and the fulfilment of commitments to every member of the group are the basis of Muslim society. Muslims, sincere and true-hearted, are endowed with piety. Cheating and deceit, therefore, were strikingly different from the noble character of a genuine Muslim. For swindlers, double-crossers, tricksters or traitors, there is no room in it.

## Theory related to deceived

There are a few theories related to fraud and deceived. However, in this research, the idea chosen is the theoretical Model of Scamming Vulnerability by Langenderfer and Shimp (2001). This model was based on the large-scale research conducted with elderly victims of fraud by the American Association of Retired People and their survey of scam experts from Better Business Bureau (BBB). Its moderators under high and low visceral influence a person's intentions are tested. The factors are assumed to include social isolation, cognitive impairment, gullibility and consumer susceptibility to interpersonal influence.

Langenderfer and Shimp's (2001) theoretical Model of Scamming vulnerability explains how attention is directed under high and low visceral influence. Visceral influence takes our attention away from the usual information processing like when hungry and in the presence of food, people find it hard to concentrate on anything else. Scammers often exploit visceral influences such as greed (high-return investments, fake lotteries) or sexual desires (romance scams); therefore, better understanding the factors that moderate visceral impact is vital for fraud prevention. Langenderfer and Shimp (2001) suggest that certain factors moderate and influence scam vulnerability under the low and high visceral influence. Scammers frequently evoke visceral force to bypass the central route of processing.

Instead, they get the potential victim to focus on scam reward instead of the scam information, which may alert to potential danger. Even under the low visceral influence, certain factors increase scam vulnerability, such as cognitive impairment, social isolation, consumer susceptibility to interpersonal influence, and gullibility, while scepticism and scam knowledge act as moderators. Self-control is identified as the only factor able to prevent scamming vulnerability under the high visceral influence. Langenderfer and Shimp (2001) presented a theoretical model of scamming vulnerability in which visceral impact was identified as a factor that leads to scam vulnerability by diverting the victim's attention away from rational thought. Fear, appetite, greed, sexual impulses, and other primitive drive states are also defined as visceral influences (Ariely & Loewenstein, 2006).

An individual under visceral influence is likely to divert their attention from careful information processing and toward obtaining an object or engaging in an activity that will satisfy the visceral need, much like a hungry person is more likely to think about food. For example, positive emotions elicited by a tempting scam offer lead to a reduction in risk perception and an increase in the likelihood of rash behaviour (Slovic & Peters, 2006). Visceral influence can be triggered by the thought of high prizes such as a lottery win or the promise of a cure that would alleviate pain (Lea et al., 2009). Visceral influence is greater when the scam incentive is evident in real time and space and is vibrant. Vividness may be exploited by convincing the possible victim that someone similar to them has also received the scam reward and and profited from the scam pay-out (Langenderfer & Shimp, 2001). Since visceral impact is always brief, many scams put a premium on fast decision-making by restricting scam deals to a specific time frame (Langenderfer & Shimp, 2001).

Besides, social evidence has been discovered to be a characteristic of certain market opportunity fraud, as they often provide false testimonials from individuals who have previously profited from the opportunity (Lea et al., 2009). Meanwhile, Stajano and Wilson (2011) found that social proof or they call 'herd principle' is often used as scamming techniques as people let their guard down when they see others taking risks. For example, in auction scams, shills, or fake bidders may bid on items for sale and leave the feedback for the seller. This bogus feedback will inspire confidence in others who want to buy from the same seller. Scammers also frequently set up fake aliases on social media or other online communications platforms, in order to convince potential victims that there are others who share the same opinion.

## **Students Being Deceived**

Many college students enter the workforce without preparation and are unable to detect unwanted financial statements. Holtfreter et al. (2010) provided study participants with a violation hypothesis and victim hypothesis based on several methods used by fraudsters to target potential victims, as well as self-control measures. After each procedure, students were also asked to indicate the likelihood of engaging in such behaviour. They found low self-control to be positively related to fraud victimisation. Suggesting that those with lower self-control levels were more likely to report they would engage in behaviours that lead to fraud victimisation. This is consistent with Modic and Lea (2012), who found that premeditation as part of an impulsivity scale, or the ability to foresee future consequences. That was a good predictor of whether someone is likely to respond to fraudulent offers.

Meanwhile, in the Ponzi Scheme, students supported themselves financially, reducing their parents and guardian's financial burdens. Fatunde (2017) reports that students are the main target of online Ponzi schemes, with about 4,000 students facing possible expulsion in Osun State for shifting their school fees to Ponzi scheme investments. They lost their investment which totals about \$6.5 million. Fatunde (2017) riposte that very few students harvested large sums of profits in the scheme every campus in tertiary institutions in the State. Today, many online Ponzi schemes run on a small scale are owned and operated by students. It would seem that specific capabilities and skills have been awakened in these students even though they exist for only a short period. Despite the scams, students found ways to create jobs for themselves. Building networks that would advertise their schemes and posting videos about huge returns made from investments increased students involved.

Jagatic et al. (2007) simulated a phishing attack to see whether an email coming from a friend rather than from a stranger would influence compliance with a phishing request. Students selected for the study were specifically chosen based on the amount and the quality of the information they shared about themselves online. Often, this is how scammers choose their victims. One group of participants received an email purporting from a person known to them, intending to deflect them to a phishing site where they were asked to enter their university details. Another group received an email from a person they did not know but had a university email from the same institution. They found that phishing emails were more successful when they came from a friend than from a stranger. Emails were also more successful when they purported to come from the opposite gender, with this effect being more substantial for men.

Based on The Consumer Fraud Research Group in 2006, which found that most of the investment fraud victims are college students, financially literate and men who have positive thinking. Many researchers pointed out that younger adults will fall into investment fraud to satisfy their needs for materialistic things like clothes, accessories, and automobiles in their age range. They are being lured by the pyramid scheme's quick money earning tactics since they do not have extra money. However, there is the belief that older people have higher chances to become investment fraud targets because usually, they have more assets than younger people (Christine & Gary, 2014). That is why this paper is focussing on the students, especially in university.

## **Hypotheses Development**

### *Ambitious*

Income is one of the essential aspects that determine Generation Y attitudes towards their career options. As Generation Y has the perspectives of getting things more, they will have high expectations for their income salary, which is perceived as equal to their lifestyle of living and further promotion and salary

increment. Therefore, income is the factors that attract a Generation Y to be part of the distributor who expects to earn higher revenue from the commission scheme, proportionate to sales performance (Koroth & Sarada, 2012). Without a specific requirement of professional and educational qualification, an individual's capabilities and performance efforts are the main determinants of earning income in MLM companies or pyramid schemes that motivate individuals to produce income from product selling and the recruitment of new 'Downline' distributor. In the non-salary-based system, distributors received the commission from product sales and referral bonuses (Coughlan & Grayson, 1998) and based on the proportionate on distributor's performance in recruiting and selling activities (Coughlan & Grayson, 1998; Keep & Nat, 2014). Therefore, the lucrative of the compensation plan and rewarding policy of MLM companies become the primary attractive motivator in recruiting distributor an opportunity to grow individual income and entrepreneurial career development to join and stay in MLM business (Nga & Mun, 2011; Koroth & Sarada, 2012).

Generally, working attitudes are described as the cognitive or affective response to some work features (Hulin, 2003). Generation Y is looking for an opportunity to enhance their professional skills that bring advantages to their career development. Generation Y emphasises their lifestyle with a preference for flexibility and freedom of working characteristics, capable of multitasking, work-life and teamwork. Moreover, Generation Y is born in the technologically savvy era, which highly relevant in their workplace behaviour in accepting Information Technology, E-commerce platform, social media communications (Twenge, 2010). Usually, pyramid scheme companies will diffuse individual career development to people in the recruitment process.

H<sub>1</sub>: There is a significant correlation between being deceived in pyramid scheme and the ambitious.

H<sub>6</sub>: Ambitious is significantly positive influenced in being deceived in pyramid scheme.

### *Surrounding society*

People shape their beliefs and behaviour by looking at how others behave and what they believe, therefore scam offers that have bogus testimonials or the backing of other people tend to be more successful (Stajano & Wilson, 2011). Research by Modic and Lea (2013) also found that those who scored more highly on a measure of social influence such as being influenced by their peers or social circle were more likely to respond to fraud offers. They suggested that scammers might exploit this by pretending to have a close relationship with potential victims in order to prompt compliance.

In this millennium era, most people will account for social media as the Internet's rapid evolution (Tsimonis, 2014). Various social media exist in society, for example, blogs, Twitter, online videos, social networks, Facebook, YouTube and more (Elving, 2017). The reason why social media was being widely used is due to it enables social interaction for the audience through the Internet. Social media is a practical approach to communicating and interacting with each other (Xie, 2014). Social media has offered many new opportunities for the consumer, such as research, communication without boundaries, exchanging information with another, and even expressing their feelings and thoughts on social media platforms (Tsimonis, 2014). Moreover, the Internet helps the scheme beyond different limits, for example, time and place. This allows schemers to attract and promote pyramid investment schemes to potential investors anytime and anywhere in the world (Omany, 2017).

On the other hand, social media provides a platform for creating their own social life, making their friends, and communicating with them. It is the most convenient way of sharing one's opinions and thoughts (Colak, 2014). The best advantage of social networks was a better connection with family and companions and more association in social, political and social exercises (Hamade, 2013).



H<sub>2</sub>: Surrounding society is positively and significantly influenced in being deceived in pyramid scheme.

#### *Desire to try*

Self-interest is the attitude that contributes to the individual's achievement of valued goals (Searset al., 1980). Several standard terms are similar to self-interest, which are "selfish" or "greedy", and it emphasised egocentric, material and short-to-medium term determinants of human behaviour (O'Brien, 1992). Egocentric is used to describe those people who are highly concerned about their own desire's needs. Egocentric people will also behave in strict accordance with their interest, demands, and wishes regarding self-interest satisfaction, self-preservation, or preference satisfaction (Debeljak & Krkac, 2008). In other words, self-interest can be defined as the person who is demanding or concerning about their current situation's needs, demands, and wishes. There are many influential theories of human behaviour, and the layperson proved that the motive of self-interest is compelling (Miller, 1999). Besides, from economic order perspectives, self-interest can drive people to achieve wealth (O'Brien, 1992). Self-interest does not have many options to choose from; the choice is between direct and indirect selfishness, as self-interest continues to be linked to maximising profit (Debeljak & Krkac, 2008).

In general, the current recession and the desire for quick fortune have caused many young and old to get involved in Ponzi schemes (Bupo & Abam-Smith, 2017). Meanwhile, the underlying motivation that seems to drive the expansion and recruitment of MLM is greed and the desire to make money quickly, even at the expense of many victims (Taylor, 2017). Although not articulated by the founders, they understand that it is easier to simplify schemes that promote products purchase by selling counterfeit opportunities than selling products without the chance attached.

H<sub>3</sub>: Desire to try is significantly positive with being deceived in pyramid scheme.

#### *Advertising*

Deception is perceived differently by different people, among many other factors; this has to do with varying processing capabilities, information availability and the context of interpretation. Marketers might indulge in misleading and deceptive advertising practices that try to change consumer behaviour and the impression of a particular product. Olson & Dover (1978) observed the cognitive influence of deceptive ad in their operating form affecting customer's cognition and buying behaviour. The potentially affected cognitive states are future purchase intention, customer and brand belief; the verbal and nonverbal cues in the ad can change into symbolic and cognitive code that can be kept in the memory for a longer time.

According to Xie (2014), deceptive advertising leaves financial charge, social disbelief and emotional distress on the customer. Misleading advertising gives little or wrong information about the product and motivates customer for acquiring a product or service. Saeed et al. (2013) surveyed deceptive advertising's effect on customer attitude behaviours and psyche. In reality, the schemers general approaches to attract victims are social media platforms, online investment newsletters, online bulletin boards and chat rooms, spam mail, or online dating sites for romance scams. The schemer used the Internet to spread information about the pyramid investment scheme to potential investors before approaching it (ACCC, 2018).

Furthermore, the schemer used persuasive techniques to polish different investments scheme through junk emails (Baker & Puttonen, 2017). Hence, the technology benefits the schemers in the form of to lure potential investors into various schemes. One of the famous investment schemes on the Internet in the United States is called "ZeekRewards". According to the U.S. Securities and Exchange Commission, this

investment scheme began in January 2011 until August 2012. This scheme has defrauded money more than \$850 million from over one million-internet investor nationwide and internationally through its website ZeekRewards.com (U.S. Securities and Exchange Commission, 2012).

H<sub>4</sub>: Deceived by advertising is positively significant influenced in being deceived in pyramid scheme.

#### *Family background*

The risk of being targeted by fraudsters has been shown to vary across totally different life circumstances. As an example, getting into prize attracts, reaching retirement age, moving home, creating massive purchases, shopping for insurance, medical treatment, marriage, and also the incidence of births or deaths within the family have all been shown to extend risk (Titus & Gover, 2001). Research and practise evidence suggests that low-income and high-income individuals might be more susceptible to different types of fraud. While low-income individuals are vulnerable to scams such as debt relief scams, job scams, gift scams, and weight loss product scams (Anderson 2013), high-income individuals are more likely to fall victim to identity fraud, especially regarding the use of existing accounts and for fraud investment (Harrell 2019). In the meantime, higher education reduces the odds of becoming a victim of weight-loss product scams; having a college degree or more is associated with higher odds of experiencing income and investment frauds (Anderson 2013).

Also, bound life circumstances, like an efficient medical treatment, marriage, birth or death within the family, could increase the probability of being targeted by scammers as this info is commonly unbroken by legitimate and illegitimate businesses to focus on shoppers with specific offers (Titus & Gover, 2001). Life events, like sorrow, divorce or unwellness within the family could cause extreme emotional vulnerability, exploited by scammers. For example, Olivier et al. (2015) found that some victims engaged in scams because they were showing emotion vulnerable or socially isolated at the time. The communication allowed them to flee their grief, as regular contact with a sympathetic sharpie was comforting.

H<sub>5</sub>: Family background is positively and significantly influenced in being deceived in pyramid scheme.

## **DATA AND METHODS**

### **Population**

The population of this study was made up from students in higher learning institutions who have been involved in pyramid scheme. There are 62 Public Higher Learning Institutions and 25 Private Higher Learning Institutions around Malaysia. This paper used cluster sampling technique which the samples are selected based on the naturally occurring group in cluster sampling technique. This cluster sampling technique is used because of the difficulties arise such as difficult to get a list of members population, no provision for go to all study locations and it is more feasible compared to other probability sampling techniques especially when dealing with a large population.

This paper allocated 10 students represents universities by state. There are 14 states in Malaysia. This mean the population was made up to 140 students. A sample size of 140 students was drawn using Krejcie & Morgan (1970) formula for sample size determination. The sample size for this research is 103 respondents. The respondents are contacted using social media such as Facebook, WhatsApp and Twitter.

## Questionnaire development

The instrument for data collection was a questionnaire designed by the researchers titled: Factors Influencing Students Deceived in Pyramid Scheme. The instrument had three sections: Section A covers the background of the respondents, namely gender, year, course of study, hobby and ambition. Part B consists of items related to student involvement in business. Part C comprise on items related to the factor's students involved in pyramid schemes. This instrument was structured on a four-point scale of Strongly Agreed, Agreed, Disagreed and Strongly Disagreed. The whole structures of the questionnaire including the items for each section were checked by the expert in the research field so that it can be considered as true and valid.

Table 1  
Questionnaire

Measurement	Questionnaire		Sources
	Number of Question	Total of Items	
<b>Section A</b>			
Demographic Background	1-10	10	(Isita and Mrinal, 2012) and (ACCC, 2018)
Family Background	11-20	10	
<b>Section B</b>			
Information on joining Pyramid Scheme Business	21-29	9	(Godwin Bupo and I Abam-Smith, 2017) and (M. Dove, 2018)
<b>Section C</b>			
Deceived by advertising	30-32	3	(Mackenzie, 2005)
Family Background	33-37	4	
Surrounding society	38-41	4	
Being Deceived in Pyramid Scheme	42-45	4	
Desire to try	46-48	3	
Ambitious	49-51	3	

The questionnaire distributed through online. The online survey website link was provided for the potential respondents to answer the study questionnaire at their convenience. Also, because the questionnaire was posted online and only took about 10 minutes of the respondents per questionnaire, it was convenient and easy to find the sample population in absolutely any place. Before any respondents answered the research questions, each of the respondents had the brief study summary provide on the webpage for them to read on their own so that they get to know what the study is all about. Ethical considerations included the upholding of the honesty and integrity of the any information derived from the sample population in the form of data was adhered. Besides, any respondents who agreed to take part in the study and answer the research questionnaire online was allowed to withdraw at any time at will.

## RESULTS

### Response rate and data examination

160 responded questionnaires had been received after two weeks been distributed through online. The 140 valid responses were then coded in the SPSS software. A sample size ranging from 100 to 200 should be a good start to model the path (Hoyle, 1995). The total number of responses received is 80 percent, which is deemed appropriate.

Table 2  
Response Rate

Response	Frequency
No of distributed questionnaires	200
Returned questionnaires	160
Unusable questionnaires	20
Outliers	21
Usable questionnaire	119
Response rate	80%

The data is examined to be no missing data. From the total 140 responses, there is no missing data in the data. The data is examined using the IBM SPSS Statistic 19 software for data screening and it is confirmed that there is no missing data in from the 140 responses.. For each Likert scale question, the z-scores are checked in the SPSS whether there is any value that exceeds z-scores  $\pm 3.29$  (Kim, 2013). Based on the outlier's detection, there are 21 cases are removed from the total respondents. It was found that the remaining items that can be used is 119.

### Descriptive analysis

The profiles of the respondents namely years, level, studied status, age, gender, marital status, race and current employment are illustrated in Table 3.

Table 3  
Respondents Profile

No	Item	Category	Frequency	Percentage
1	Level	Diploma	13	10.9
		Degree	94	79.0
		Master	11	9.2
		PhD	1	0.8
2	Years	First	11	9.2
		Second	27	22.7
		Third	49	41.2
		Fourth	32	26.9

3	Studied Status	Full Time	113	95.0
		Part Time	6	5.0
4	Age	18 - 22	20	16.8
		23 - 27	96	80.7
		28 - 31	2	1.7
		32 and above	1	0.8
5	Gender	Female	66	55.5
		Male	53	45.5
6	Marital Status	Married	9	7.6
		Single	110	92.4
7	Race	Malay	111	93.3
		Chinese	3	2.5
		Indian	5	4.2
8	Current Employment	Student	88	73.9
		Looking for employment	17	14.3
		Employed – Full Time	9	7.6
		Employed- Part Time	5	4.2
9	Ambitions	Business Field	46	38.7
		Service Field	20	16.8
		Education Field	33	27.7
		Others	20	16.8

Meanwhile, in a Table 4 is illustrated on family background; expected family income, father's occupation, mother's occupation, parents current employment, parents level education, family's living area, numbers of family, numbers of sibling and number of siblings had employed.

Most of the students being deceived in pyramid scheme comes from expected family income range RM 3001- RM 6000 which is 35.3%, 18.5% of them had expected family income range RM 1001- RM 3000, 17.6% of them in range RM 6001- RM 9000 expected income while the rest respectively 11.8% had RM 1000 and below, 10.1% had RM 9001- RM 12 000 and 6.7% had RM 12 001 and above of expected family income.

Majority of the respondents their fathers are government employees (38.7%) and the least is none (3.4%). While their mothers are housewives (44.5%) which is the highest profession among them followed by self-employed which is 23.5% and the lowest is none (3.4%). Almost of their parents are full time employed which is 74.8% of them. However, 20.2% of them had been retired and the least are looking for employment which is 1.7%.

Approximately the parents are educated. The highest is PhD which is 2.5% of them are PhD holder. However, the highest ranking in parents is degree holder which is 29.4% followed by diploma holder which is 18.5%. Some of them are PMR leavers (11.8%), SPM leavers (15.1%), STPM leavers (13.9%), graduate skills certificate (5.9%) and Master holder (3.4%). Most of the family comes from suburban area which is 45.4% and 38.7% from city while 16% of them comes from rural area.

Regarding number of family, the highest is 66.4% which is the number of family more than 6 and the lowest is 5% which is the number of family 1-3. The highest of number of siblings is 4-6 which is 68.1% followed by 7-9 which is 18.5% and the lowest is more than 9 which is 3.4%. 60 of the respondents do not have

siblings been employed while 59 of them had siblings been employed. However, 33.6% of the results showed that they had 1-3 siblings been employed, 10.9% of them had 4-6 siblings been employed and only 5% had more than 6 siblings been employed.

Based on the analysis showed, it can be concluded that students from moderate family background are easily been involved in fraudulent. However, most of them had been deceived in pyramid schemes had a big family and siblings does not employed yet.

Table 4  
Family Background

<b>No</b>	<b>Item</b>	<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
<b>1</b>	Expected family income	RM 1000 and below	14	11.8
		RM 1001 - RM 3000	22	18.5
		RM 3001 - RM 6000	42	35.3
		RM 6001 - RM 9000	21	17.6
		RM 9001 - RM 12 000	12	10.1
		RM 12 001 and above	8	6.7
<b>2</b>	Father's occupation	Government Employee	46	38.7
		Non-Government Employee	34	28.6
		Self-Employed	35	29.4
		None	4	3.4
<b>3</b>	Mother's occupation	Government Employee	26	21.8
		Non-Government Employee	8	6.7
		Self-Employed	28	23.5
		Housewife	53	44.5
		None	4	3.4
<b>4</b>	Parents' current employment	Looking for employment	2	1.7
		Employed – Full Time	89	74.8
		Employed- Part Time	4	3.4
		Retired	24	20.2
<b>5</b>	Parents' level education	PMR	14	11.8
		SPM	18	15.1
		STPM	16	13.4
		Sijil Kemahiran	7	5.9
		Diploma	22	18.5
		Degree	35	29.4
		Masters	4	3.4
		PhD	3	2.5
<b>6</b>	Family's living area	Urban/City	46	38.7
		Suburban	54	45.4

		Rural	19	16.0
7	Numbers of family	1-3	6	5.0
		4-6	34	28.6
		More than 6	79	66.4
8	Numbers of sibling	1-3	12	10.1
		4-6	81	68.1
		7-9	22	18.5
		More than 9	4	3.4
9	Number of siblings had employed.	0	60	50.4
		1-3	40	33.6
		4-6	13	10.9
		More than 6	6	5.0

Table 5  
Cross Tab Years Involved and Gender

Years Gender	2008	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Female	0	1	4	5	6	15	15	5	10	5	66
Male	1	0	3	4	6	20	13	2	4	0	53
Total	1	1	7	9	12	35	28	7	14	5	119

Based on Table 5, it shows that female students more likely be involved in pyramid scheme than male students. There were 66 female students participating in total and 53 were male students. 2017 had the most involvements, with 35 in all, 20 of which were dominated by male students. Otherwise, out of 28 of the total students in 2018, 15 are dominated by female students. However, the number of students participating in 2016 remains the same, at six, whether female or male. Meanwhile, from year 2019 until 2021, female students more espouse to join the pyramid scheme rather than male students.

From 119 respondents, 79% are Degree students which is 94, 10.9% Diploma students, 10% from postgraduate which is 9.2% Master and 0.8% PhD student. Majority of the respondents are from third years student which is 49 (41.2%) followed by fourth year students which is 32 (26.9%) then second years 27 students (22.7%) and first year students 11 (9.2%). Most of them are full time students which are 95% and rest 5% is part time students.

Most of the respondents are at age 23-27 years old which is 80.7% (96 students), second 18-22 years old which is 16.8% (20 students) then 28-31 years old which is 1.7% and go along with students at 32 years old and above which is 0.8%. Majority of them are single which is 92.4% while rest 7.6% are married. Malay students are 93.3% followed by Indian students 4.2% and Chinese students 2.5%.

55.5 % of female students are being fraud in pyramid scheme which is higher than male students 45.5% fall in this pyramid scheme. The students tangled in this pyramid scheme mostly those who aspire to be involved in business field which is 38.7%, second in education field which is 27.7%, then 16.8% respectively in-service field and others field.

### Data normality result

Table 6 below presents the descriptive analysis and data normality results for all five variables related to this study.

Table 6  
Descriptive Analysis and Data Normality Results

Item	Mean	Std. Deviation	Skewness	Kurtosis
A	2.628	.915	.025	-1.129
DT	2.635	.645	.320	-.410
SS	2.971	.501	.492	-.182
FB	3.071	.622	-.383	-.552
DA	3.353	.499	-.302	-1.015

The table presents the mean and standard deviation values of the model variable. The mean values for ambitious, desire to try, surrounding society, family background and deceived by advertising range from 2.628 to 3.353. Therefore, from the figures, all the values can be considered as good. The highest mean value for independent variables is deceived by advertising which is 3.353 and the lowest mean value is ambitious which is 2.628. Respectively mean value for desire to try is 2.635, surrounding society 2.971 and family background is 3.071.

The mean value had been interpreted to three categorize which is 1.00-2.00 is low, 2.01-3.00 is moderate and 3.01-4.00 is good. Hence, it can be seen here that all independent variables can be assumed as good since two variables have a mean value of more than 3 and three variables have values which is almost near to 3. So, the respondents ambitious, desire to try, surrounding society, family background and deceived by advertising influencing being deceived in pyramid schemes.

### Correlation and Linearity Results

Before coming out with the correlation output, the linearity was carried out. Linearity test to determine whether two continuous-scale variables (scales) have a linear relationship.

Table 7  
Linearity Test

Between two groups		df	Mean Square	F	Sig.
Being Deceived in Pyramid Scheme	Linearity	1	3.911	4.497	.036
Vs Ambitious	Deviation from Linearity	8	1.819	2.092	.043

Based on Table 7, the assumption of linearity for those two variables involved in this study are met. If the value of Sig. less than 0.05 then there is evidence to allow the existence of linearity between the two variables. The result showed the Sig. value of linearity is 0.036 which is  $p < 0.05$ . So, it is linear relationship.



*Relationship between ambitions and students being deceived in pyramid scheme.*

As it is parametric statistic, the Pearson Correlation Test had been chosen to run the data in order to test the  $H_0$ .

$H_1$  = There is a significant correlation between being deceived in pyramid scheme and the ambitious.

Based on the Pearson Correlation Test results, the correlation between both variables is 0.186 which is significant at 0.043. The correlation is significant  $p < 0.05$ . This indicates that there is a moderate positive relationship between being deceived in pyramid scheme and ambitious factor. Thus, the hypothesis ( $H_1$ ) is accepted.

Table 8  
Pearson Correlation Result

Variables		Try1	V5
Being Deceived in Pyramid Scheme	Pearson Correlation	1	.186*
	Sig. (2-tailed)		.043
Ambitious	Pearson Correlation	.186*	1
	Sig. (2-tailed)	.043	

\*Correlation is significant at the 0.05 level (2-tailed).

Table 9  
Multiple Regression

Factors	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.174	.400		2.939	.005
Deceived by advertising	.124	.189	.063	.655	.514
Family background	.492	.215	.252	2.290	.024
Surrounding society	.302	.152	.192	1.992	.049
Desire to try	-.194	.170	-.128	-1.139	.257
Ambitious	.106	.119	.099	.894	.373
<b>Notes: <math>R^2 = 0.544</math>; Sig. = &lt; 0.001; F = 14.064</b>					

Based on Table 9 above, taken as a set, the predictors deceived by advertising, family background, surrounding society, desire to try and ambitious account for 54% of the variance in students being deceived in pyramid scheme. Generally, the higher value of R square, the better the model fits with the data.

The overall regression model was significant  $F(5,113) = 14.064$ ,  $p < 0.001$ ,  $R^2 = 0.544$ . The finding showed that there are at least two variables that have significant influence students being deceived in pyramid schemes business. The factors are family background and surrounding society which has significance value  $< 0.05$ . Indeed, family background is the most determinant factor influence student being deceived in

pyramid scheme where B value is 0.492 which is the highest value. Followed by surrounding society with B value 0.302.

Meanwhile, three other factors that is deceived by advertising, desire to try and ambitious are not significantly influence students being deceived in pyramid scheme. Unfortunately, desire to try is negatively related with being deceived in pyramid scheme with B value is -0.194 even, deceived by advertising and ambitious have positive B value respectively 0.124 and 0.106.

## DISCUSSION

The research investigates the years students joined pyramid scheme against gender. The findings show that female students more likely be involved in pyramid scheme than male students and 2017 had the most involvements with 35 in all. From 119 respondents, 44.54% male students involved and 55.46% female students. The years students involved in pyramid scheme business at range years 2008-2021.

For the second objective which is to identify the relationship between ambitious and student's being deceived pyramid scheme. The findings revealed that there is a moderate positive relationship between being deceived in pyramid scheme and ambitious factor. Thus, the null hypothesis ( $H_1$ ) is accepted.

Last but not least, the third objective is to determine the factors that influence the student's being deceived in pyramid scheme business. From five factors investigated only two factors are determinants. The family background and surrounding society which has significance value  $< 0.05$ . Meanwhile, three other factors that is deceived by advertising, desire to try and ambitious are not significantly influence students being deceived in pyramid scheme.

Based on the theoretical model of scamming vulnerability presented by Langenderfer and Shimp (2001), visceral impact was identified as a factor that leads to scam vulnerability by diverting the victim's attention away from rational thought. Family background is a life events that may lead to extreme emotional vulnerability, which is then exploited by scammers. In addition, the development of information is currently running very quickly with the advent of technological and information developments, society becomes easier in everything including in the market of buying and selling. This increasingly advanced technology should start to be especially cautious in investing advertising that implements pyramid schemes. This shows that an individual under visceral influence is likely to divert their attention from careful information processing and toward obtaining an object or engaging in an activity that will satisfy the visceral need.

Moreover, social media is an online medium, with its users can easily participate, share, and create content and interact. Common and popular social media used today include Instagram, Facebook, Twitter and Ask.fm. Thus, communication whenever and wherever they are, because there is no limitation of space and time causing the students being deceived in pyramid scheme business. This social evidence has been discovered to be a characteristic of certain market opportunity fraud, as they often provide false testimonials from individuals who have previously profited from the opportunity. Nowhere is that more true than dealing with purchases on the Internet, where this uncertainty is multiplied. In order for a scam to be successful, the scammer or the scam offer must appear trustworthy. The Model of Gullible Action by Greenspan (2009), therefore, offers support for Langenderfer and Shimp (2001) Model of Scamming Vulnerability, in which information processing under the visceral influence leads to hot cognition for example, under the influence of emotion and the prospect of missing the scam cues. Although the model of Gullible action has not been empirically tested and does not specify how the model could be practically applied, its components could be useful in explaining factors that interact to encourage compliance with fraudulent offers.

## **IMPLICATION**

Lack of experience and lack of awareness of common practices in a given branch are another reason discouraging usually young prospective businessman. This study reveals a little about pyramid schemes and provide knowledge on Multi-Level Marketing (MLM) to the community, especially university students. People characterized by high tolerance for uncertainty concerning the return on investment usually accept the challenge. Since, pyramid scheme is an illegal organization of sales, which is often mistaken for Multi-Level Marketing. This study's findings are important for students to be more careful and wiser to make assessments and take action before venturing into business. The difference that makes pyramids illegal and Multi-Level Marketing legal is the inability to distribute a product or provide service. If there are no sales of a product, it is impossible to talk about marketing.

Companies by promising high sales convince participants to pay high one-off amount of money that allows them to participate in the programme. Programme is usually built in such a way that it makes it impossible for participants to generate sales, as all payments go to the account of those organizing the business. Furthermore, online communication can enable thousands of potential victims to be contacted regardless of their situation, with different fraud strategies playing to different vulnerabilities people may have. This study's findings are also essential for universities where they can discern the extent of student involvement in the pyramid scheme business. Apart from that, these findings are expected to be considered by the university to curb illegal activities among students and take the initiative to help students who fall into this scheme.

In this regard, the industry needs to be sensitive so as not to engage in illegal business. They must also take the attitude of responsibility to not arbitrarily exploit the energy, ideas and money of students to be detrimental to their future. It is hoped that this study will open the industry's minds to provide a platform that benefits the younger generation and paves the way for them to develop the country. Pyramid schemes are illegal because there is mathematical certainty that the last people to enter the scheme will lose the funds they invest. Therefore, minimizing the occurrence of these schemes reduces the chances of laundering proceeds from such activities in the financial system. It is against this background that the SC presents this guidance to caution and urge members of the public to be mindful and refrain from participating in these illicit financial activities.

## **LIMITATION OF THE STUDY**

The finding of this study is accompanied by some limitations. Limitations refer to any obstacles or difficulties encountered by the researcher in completing this research which is beyond the control of the researcher. For example, in terms of reaching out to the respondents during current Covid-19 pandemic and cooperation from the respondents. Due to the movement control order, the researcher can only distribute the questionnaire through online and reach limited respondents. Besides, there are some respondents refuse to answer the questionnaire and this is due to the feeling of insecurity and did not want to tell people they knew about the fraud. Next, the limitation arises due to the time constrain and the researcher faces some problems at the beginning of the research progress and this is due to the limited knowledge of the researcher in the research field.

## **RECOMMENDATION FOR FUTURE RESEARCH**

In terms of defining fraud offences as more or less serious, three key factors were felt to be significant: the impact on victims, the value of the fraud and the degree of pre-planning, complexity and organisation. Any one of these being evident could aggravate the offence, and a lack of any of these factors was not necessarily felt to mitigate. There is also a role for research in the prevention of fraud victimization, such as enhanced and routine data collection on a national level. Currently, the criminological community has very incomplete data to analyse and interpret on the types of fraud that are occurring, who the victims of fraud victimization are, the costs of fraud victimization to victims and society, and what strategies have been effective in controlling and preventing fraud victimization. Another priority would be to explore research of a pre-emptive nature, which involves predicting what new scams will be committed by con artists, how new technologies will be used to carry them out and how these events can actually be prevented. A final item for a future research agenda includes a measure of the effectiveness of public information campaigns that aim to teach people how to recognize a scam, and how to quickly and effectively terminate the attempt. Additional research could help to determine if different cultural, economic and political environments have an impact on the effectiveness of pyramid scheme in that marketplace.

In this study, only factors that effectively engage in deception. Further research might investigate situations where both parties can be tempted to deceive each other, and the ensuing psychological and behaviour consequences. Further research might also consider ethical behaviour in a technology-mediated channel where the opposing party is not another human, but a computer. In addition to routine and comprehensive data collection, another research priority is to examine the operations of con artists with a view to interdicting them; most of what we know today comes from the practitioner literature. For example, more knowledge is needed on how con artists develop their lists of potential victims for purposes of preventing individuals from appearing on these lists and removing victims from these lists.

## **CONCLUSION**

The research examined the involvement of students in pyramid schemes with a focus on gender differences and temporal trends. The study revealed that female students are more likely to engage in pyramid schemes compared to male students, with the highest number of participants recorded in 2017. Among 119 respondents, 55.46% were female, and 44.54% were male. The study also explored the relationship between students' ambition and their susceptibility to pyramid schemes, finding a moderate positive correlation, thereby accepting the null hypothesis. Furthermore, the research identified that family background and societal surroundings are significant factors influencing students' involvement in pyramid schemes, while advertising deception, a desire to try new things, and ambition were not significant factors. The theoretical model of scamming vulnerability by Langenderfer and Shimp (2001) was used to explain how visceral factors, such as family background, lead to emotional vulnerability, making individuals more susceptible to scams. The rapid development of technology and social media facilitates the spread of pyramid schemes by providing false testimonials and creating an environment of trust that scammers exploit.

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