

# Experiences of Novo Ecijanos who were Scammed by Investment Companies

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**Abstract**— This study described the experiences of the respondents who were scammed by investment companies in Nueva Ecija, Philippines. The research design was descriptive and the respondents were 50 persons chosen through the purposive sampling technique. The researchers found out that most of the respondents' age ranges from 20 to 24 years old. 70% of them were single, 74% were female, and their source of income was work/employment. They have learned about the investment company through social media and they were not aware that the company is fraud. The majority of them were recruited and the most enticing offer of the investment company is to double their income/profit or double their money in a month. They were bothered by the money they lose but most of them are having second thoughts of trying their luck again in an investment company.

**Keywords**— Investment, employment, fraud, offer, scam.

## I. INTRODUCTION

Online investment has become more and more appealing to everyone's interest as access to technology becomes easier and accessible. Among those investments include digital marketing, forex trading or forex exchange market, cryptocurrency, and play-to-earn applications. These are now dominating the online market and mainstream social media platforms.

While a lot of investment companies have established their business well, not all investment entities can prove the legitimacy of their business. The Securities and Exchange Commission has recorded at least 28 entities soliciting investment from the public this year. But despite warning the public to be cautious in dealing with these schemes, investment fraud has also been predominant. The Philippines has been bombarded with fraudulent acts of investment this 2021 alone.

Last January 2021, Inquirer.net has published an article [1] regarding an exposé on online investment scams that tricks Filipinos by using the names of public officials and celebrities. Despite the adverse impact of the pandemic, there are still people who are taking advantage of the current situation by putting up schemes and fraudulent acts for their benefit. This includes posting fake ads on social media and asking new investors for their money. One of them is an unregistered investment platform, the Bitcoin Revolution, which uses fake government official endorsements and promises returns up to \$1,000 in one day for a minimum investment of \$250.

A study titled "Victim Characteristics of Investment Fraud" [2] conducted by three researchers in the US – S. Lee, B. Cummings & J. Martin – focused on the demographic profile of victims of fraud. They concluded that individuals in their 50s and 60s are more susceptible to becoming fraud victims, usually those who were on the

verge of retirement. Meanwhile, single individuals turned out to be more aggressive in reporting fraudulent acts compared to those who were in their 50's and 60's.

J. Badua (2020), author of the study entitled "The Nature and Victimization of Investment Frauds" [3], specifically studied the reasons for falling into investment fraud, its effects, and the victim's coping mechanisms to reduce investment fraud victimization. The researcher conducted an In-Depth-Interview and used an interview guide to the 12 participants from Ilocos Norte who also turned out to be investment fraud victims. According to the author's study, the reasons for falling into investment frauds include the desire to increase income, scarcity in life, persuasion, trust and confidence, the profile of the victims, and recklessness. Additionally, the effects of investment fraud victimization include financial losses, feeling of betrayal, depression, frustration, vigilance, powerlessness, impairment of relationships, and loss of appetite. On the other hand, the author also found out the victim's coping mechanisms to reduce investment fraud victimization through openness, hopefulness, courageousness, and self-help. After studying the respondents from Ilocos Norte, J. Badua concluded that the victimization of an individual with investment fraud is attributed to personal motivations and character and various coping mechanisms were of great help for the victims to overcome their suffering.

Now this study focused on the experiences of the Novo Ecijanos who were scammed by fraud investment companies. The variables included were the demographic profile of the respondents as to age, civil status, sex, and source of income. Their experiences specifically involved the following: how did they learn about the company? were they recruited? were they aware that the company was the fraud? what were the offers of the company? were they bothered by the money they lose? and will they try to invest in a company again?

## II. RESEARCH METHODOLOGY

The researchers utilized a descriptive research design. [5] Descriptive research is a type of research that describes a population, situation, or phenomenon that is being studied. It focuses on answering the how, what, when, and where questions. The data gathering instrument used was an online survey through the use of Google Forms. All of the researchers' respondents were victims of online investment fraud. Using a questionnaire interview, the demographic profile of the victims, their source of income, and how they became involved in investment fraud were described. The researchers gathered 50 respondents for the research. They were all victimized by

scammers and all of these respondents are Novo Ecijanos who invested from small to large capital in online investments through social media, friends, acquaintances, and other platforms. They are all scams, with the convincing statements becoming more "profitable". To evaluate and validate the interview questionnaire survey, the data were analyzed using frequency, percentages, averages, and weighted mean.

## III. RESULTS AND DISCUSSION

### 1. What is the Profile of the Respondents in terms of age, civil status, sex, and source of income?

The profile of scam victims of investment fraud was described in terms of age, civil status, sex, and source of income.

Table 1 shows that most of the respondents' ages range from 20 to 24 years old. 70% of them were single, 74% were female, and their source of income was work/employment. The average of their ages indicates that even at a young age, they are involved in investment schemes. This implies that the investment in the business by young people is also being admitted. Even though the allowance for pocket money is their investment, younger and single people are more likely to make such an investment to earn even more in the future. This goes to show that younger individuals are at most risk when it comes to fraudulent activities. With their small to large investment through their work/employment (46%) monthly salary income, the investor may have to risk the opportunity to earn and to lose, considering that their investment is only guaranteed with flowery words and promises from the recruiter or scammer.

Table 1. Profile of the Respondents

| PROFILE             | Frequency | Percentage |
|---------------------|-----------|------------|
| <b>AGE</b>          |           |            |
| 20-24               | 17        | 34%        |
| 25-29               | 14        | 28%        |
| 30-34               | 13        | 26%        |
| 35-40               | 6         | 12%        |
| <b>CIVIL STATUS</b> |           |            |
| Single              | 35        | 70%        |
| Married             | 14        | 28%        |
| Separated           | 1         | 2%         |
| Widow               | 0         | 0%         |
| <b>SEX</b>          |           |            |
| Female              | 37        | 74%        |

|                         |    |     |
|-------------------------|----|-----|
| Male                    | 13 | 26% |
| <b>SOURCE OF INCOME</b> |    |     |
| Allowances              | 12 | 24% |
| Business                | 15 | 30% |
| Work/Employment         | 23 | 46% |

The findings describe the age, gender, or financial capacity of the respondent victims who enter and gamble on an investment, including people who want to make a profit. It has been shown that young, single female employees are easily deceived into investing online. The negative or positive outlook, especially for investors who want to enter a business market, also means that an investment is likely to lead to failure or success, or maybe a gamble with uncertainty. What they learn as they embark on any investment will assist them in learning to recognize and evaluate the people with whom they will interact in their chosen investment or business. It could be any of the following: they are tempted to make big profits or easy money; they are convinced by an acquaintance, relative, friend, or another person who they believe is trustworthy or who has a flowery way of speaking; or they are out of poverty or struggling in life, so they gamble the things they have. An investment is a choice whether you can be secured or assured; if you continue, you can earn or lose, because the investment is also a gamble.

## 2. How did you learn about the investment company?

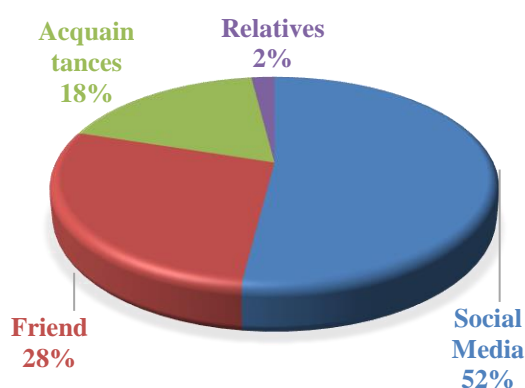


Fig.1. How did you learn about the investment company?

Figure 1 shows that 52% of respondents learned about the investment company through social media, followed by information from their friends with 28%, 18% from acquaintances, and 2% from their relatives.

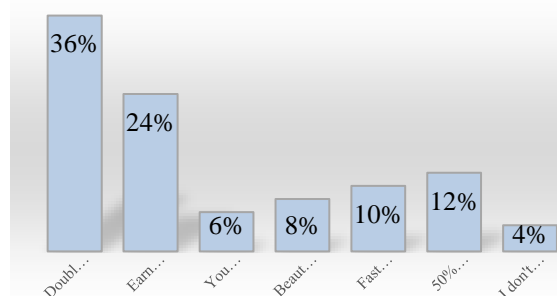


Fig. 2. What offer(s) did you get?

## 3. What offer did you get from the investment company?

Figure 2 shows that scammers offer or promise a good deal to entice the respondents to invest in their company. Scammers offer to double their income/profit or double their money in a month, according to an average of 36%; 24% offered a play-to-earn basis whereby if they play they can earn points that convert to cash; 6% said that scammers promised 10% of daily revenue, and 10% were promised a fast source of income and 12% offered of 50% return of investment within a month; 8% of respondents also said some scammers offer a beauty product in exchange for their investment, and 4% didn't have an offer because they were enticed by the investment platforms posted by the unknown person in the public group in social media. The offer from the scammer is not easy to reject, especially if it is a small amount of investment, and they can earn big.

## 3. Are you aware that the investment company is a scam?

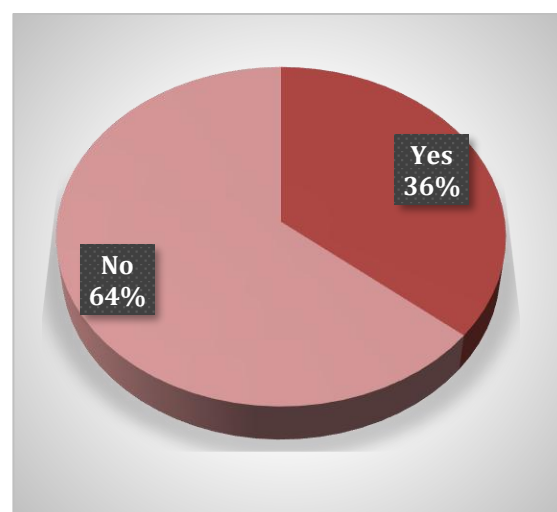


Fig. 3. Are you recruited by the Company? Are you aware that the investment company is a scam?

Figure 3 shows that 80% of respondents were recruited and 20% voluntarily entered into the investment. They were not aware the company is a scam.

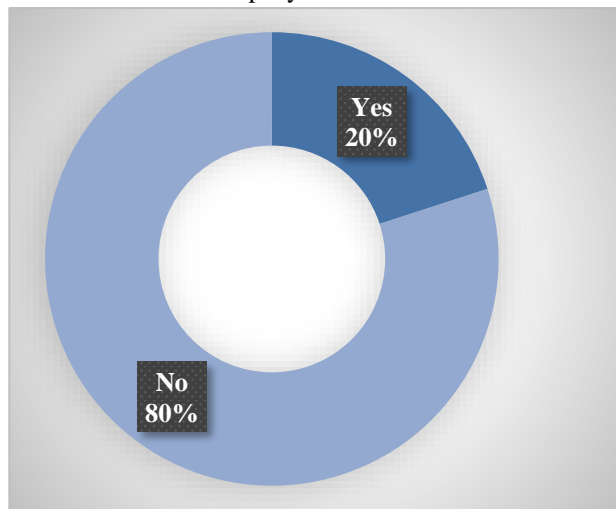


Fig. 4. Have You Recruited Someone Else?

Figure 4 shows that out of 50 respondents who were scammed online, 36% recruited someone else, while 64% say that they did not recruit anyone else. Recruiting is the other reason how does the investment scheme rapidly spreads.

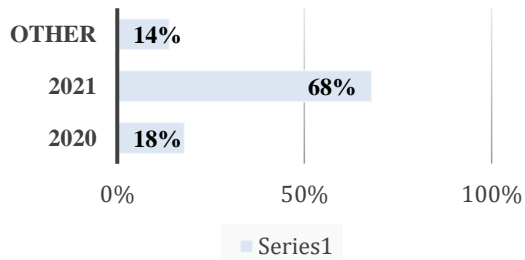


Fig. 5. Average Number of Victims in Investment Fraud Scam

Figure 5 shows that the average number of victims in 2021 in investment fraud scams is larger, with an average of 68% compared to 18% last year (2020) and 14% in the previous year. The continuous increase and proliferation of online victims show that despite reports of investment fraud, people are attracted and still enter into online investing.

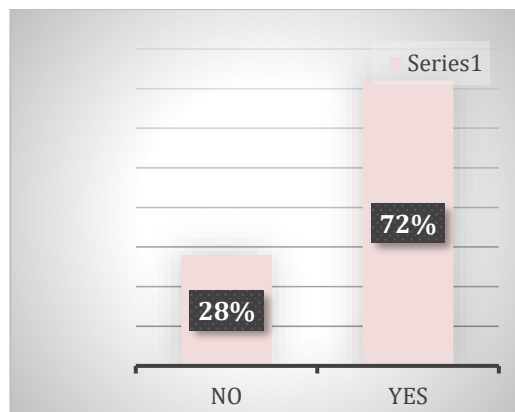


Fig. 6. Did the amount you lose bother you?

The survey interview question described in figure 6 was that 72% were highly bothered by fraudulent investment losses but 66% in Figure 7 answered that they may be investing again in the future. The responses show that many still want to gamble and invest even if they were already scammed.

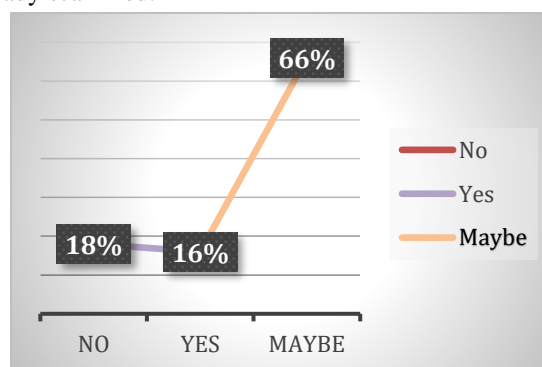


Fig. 7. Are you still going to invest in an investment company in the future even if you are not sure if it is Legal?

This is a very alarming situation since even if they were victimized by investment fraud, most of them are having second thoughts of trying it again.

Investment fraud is a form of financial scheme, and it can happen when a person lacks knowledge when it comes to investing or maybe overconfident and deceived by sweet words, misinformation, and investment income goals. The influence of social media, acquaintances, friends, or relatives can encourage to change the mindset and feelings upon entering into an investment.

Using various methods of persuasion, using sweet promises and persuasion to deceive others, including social influence tactics using pyramid recruitment, commonly used by others to expand its deception, and its effectiveness in influencing psychological mentality,

especially in young people, who even invest their allowances.

#### IV. CONCLUSIONS AND RECOMMENDATIONS

The findings implied that good and tempting offer and promises of the fraud companies to the respondents was undeniably enticing. They were offering a good return on a small investment and promising a money-back guarantee. Another strategy of scammers is to recruit or "pyramid" recruitment, where it speeds up and increases the number of people who will be their victims. After conducting this research, the researchers came up with the following conclusion and recommendations: Young and single females who are in their early twenties are more enticed in entering into investment. They are easily swayed to invest by irresistible offers made by their friends and what they see on social media platforms. Most of the investment companies offer a double income and investment becomes highly profitable in a short period. The scammers are spreading rapidly through pyramid recruitment that increases the volume of victims.

To prevent fraudulent acts in the future, and to avoid shrinkage of income [6], people need to investigate before investing, think before grabbing. There is no easy profit in business; it needs the hardship to gain more profit. If the offer is too good to be true, one must think twice and verify the credibility of a company. Likewise, if someone is interested in investing, take time to talk to a third party who's knowledgeable when it comes to investments to avoid getting victimized by fraudulent companies.

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