

## Factors that Influence People in Indonesia to Get entangled in Investments Ilegal

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**ABSTRAK:** Banyaknya masyarakat terjerat investasi bodong menunjukkan bahwa masih banyak masyarakat Indonesia dengan pengetahuan investasi terbatas yang mudah tergiur dengan keuntungan yang dijanjikan oleh investasi ilegal. Penelitiannya bertujuan untuk mengidentifikasi mendalam mengenai faktor-faktor yang mempengaruhi masyarakat terjerat investasi bodong, dan mengedukasi masyarakat agar terhindar dari investasi bodong. Penelitian ini menggunakan metode deskriptif kualitatif. Jenis penelitian ini berupa studi kepustakaan (library reseach) dengan menggunakan data sekunder. hasil penelitian menunjukkan bahwa faktor yang mempengaruhi masyarakat terjerat yaitu kurangnya literasi finansial, tergiur dengan hasil yang akan didapat dan kemudian ada pear presure dan FOMO.

**Kata kunci:** investasi, investasi ilegal, keuangan.

**ABSTRACT:** The large number of people trapped fraudulent invesment shows that there are still many Indonesians with limited investment knowledge who are easily tempted by the profits promised by illegal investments. The research aims to identify in-depth the factors that influence people to get entangled in fraudulent investments, and educate the public to avoid fraudulent investments. This research uses a qualitative descriptive method. This type of research is in the form of a literature study (library research) using secondary data. the results show that the factors that influence people to get entangled are lack of financial literacy, tempted by the results to be obtained and then there is pear presure and FOMO.

**Keywords:** invesment, investment ilegal, financial

### 1. INTRODUCTION

The wave of rapid technological development has not only impacted mankind, but also the era of globalization and the development of the times. Technology can also connect everyone to any part of the world, especially in the field of financial digitization. Technology is one of the cornerstones in the process of financial technology development in the field of indirect investment, which has a significant impact on economic development and therefore on the progress of business fields that prioritize economic efficiency (Investor & Against, 2024). This indicates that investment progress is characterized by the development of technology as a forum for increasing economic activities, especially in the investment sector.

Investment so far has a significant impact on both the country and society in terms of the economy; in Indonesia itself investment is very popular as a means of doing business because it can generate huge profits if done properly. In Indonesia, investment is used by several groups, both young and old, as a means of doing business to seek profit.(Tambunan & Hendarsih, 2022). Due to the variety of financial products and suits, there are many illegal investment products or often called bulging

investments. It is called illegal because it carries out activities without having a license from the relevant agency (Investasi et al., n.d.).

In recent years, cases of illegal and fraudulent investments have increased in Indonesia, and there are countless victims of fraudulent investments, and the victims come from various backgrounds, ranging from ordinary people to highly educated people. The losses incurred are enormous (Tambunan & Hendarsih, 2022). Fraudulent investments usually offer large and attractive returns. That way, victims can get more attention and investment without thinking twice. However, this does not mean that you will make a profit, and if you overdo it, you will actually experience losses.

There are still many people in Indonesia who actively sell illegal investment products. It is usually aimed at people who lack information about investment. Therefore, these people can easily be tempted by the huge profits offered. This is certainly very detrimental. In these cases, victims are usually asked to deposit a certain amount of money to be invested in a product or business that does not actually exist, and then they take the money.

The rise in illegal investments shows that there are still many Indonesians with limited investment knowledge who are easily tempted by the profits promised by illegal investments. There are many types of investment scams, and it is not easy for most people to identify what they are.

Lack of knowledge and interest in learning about financial products and services causes Indonesians to commit financial crimes, such as fraudulent investments, which result in huge losses. Therefore, financial literacy is very important for someone who wants to enter the world of investment. The lack of knowledge and interest in learning about financial products and services leads Indonesians to commit financial crimes that cause huge losses, such as fraudulent investments. With a lot of knowledge about financial literacy, it is hoped that someone will be able to choose a good financial product or service and be able to avoid fraud, such as fraudulent investments, committed by irresponsible parties.

One way to increase financial literacy is to include a curriculum on financial management. The Faculty of Economics and Islamic Business, especially the Islamic banking study program, by enforcing financial management courses in each curriculum, and enforcing investment and portfolio management and risk management courses for 6th semester students who take financial specialization concentrations, to support government programs in increasing the level of financial literacy of the community, starting with students, because students are agents of opportunity to create change for the future, they can spread the theories they learn to the rest of society and prepare them to respond to the future economy through appropriate means. Other than that the government must also move by holding socialization about the dangers of fraudulent investment to the public so that they understand about investment and avoid fraudulent investment. In addition, the government must also move by conducting socialization about the dangers of fraudulent investment to the public so that they understand about investment and avoid fraudulent investment.

Knowing the above problems, researchers are interested in researching what are the factors that cause people to fall into fraudulent investments. The research aims to identify in depth the factors that influence people to fall into fraudulent investments, and educate the public to avoid fraudulent investments. With the intention that readers can understand about investment and be more careful in choosing financial products and services. Therefore, from the above statement, the researcher is interested in conducting research by raising the title "Factors that Influence People in Indonesia to fall for Fraudulent Investments".

## **2. METHOD**

### **2.1 Types of Research Methods**

*The research method used in this research is descriptive qualitative method. By using the type of research in the form of a library study (library research). Library Research is research conducted by collecting information and data through the help of various kinds of literature in the library such as reference books, results of previous similar studies, articles, notes, and various journals related to the problem to be solved (Sari & Asmendri, 2020). Information is collected to find out about the factors that influence people to fall for fraudulent investments which are described and explained clearly, systematically and critically.*

### **2.2 Data Source**

*The data source in this study uses secondary data. Secondary data is data that does not directly provide data collectors and is supportive of primary data in the form of journals, articles, and relevant books regarding factors that influence people to fall into fraudulent investments for Indonesian people.*

### **2.3 Data Collection Methods**

*In this research, the data collection method used is library data that has been selected, searched, presented, and analyzed. This research data comes from searching for information in the library which is processed in a concise manner. Data collection in this research was carried out through various literatures regarding the factors that influence people to fall into fraudulent investments for Indonesian people. Then, the information is selected, presented, analyzed, and processed.*

### **2.4 Data Analysis Technique**

*The data analysis technique used in this research is descriptive analysis where the data obtained will be described, analyzed and conclusions drawn. The stages of data analysis begin with determining the object to be studied. After that the researcher conducts a study, this is done to collect data that is in accordance with this research and the next stage is a systematic presentation of data by describing and analyzing the data, for the last stage the researcher draws conclusions.*

## **3. RESULT AND DISCUSSION**

### **3.1 Investment**

Investment is the process of investing capital to obtain additional money or profit from the investment. Investment is essentially the placement of a number of funds at this time with the hope of obtaining future profits (Dr. I Made Adnyana, 2020). Investment is a financial asset that is able to help its owner to maintain his finances in the future by obtaining from the investment. By investing, the capital invested has the opportunity to continue to grow so that it can get a large return in the future. There are several types of investment based on time, namely long-term investment, medium-term investment, short-term investment. An example of long-term investment is stock investment, namely by buying shares in a company, then an example of medium-term investment is a deposit while an example of short-term investment is retail sukuk, namely buying securities issued by the government, besides that stock investment can also be included in short-term investment because it can be sold at any time when the share price has increased or has made a profit

### **3.2 Investment decision theory**

Investment decisions are choices made by a person in collecting income from an asset to get future profits. Based on previous research gaps, there are several factors that influence investment decisions, including financial literacy, overconfidence, herding, risk tolerance, and risk perception. (Fitriasuri & Simanjuntak, 2022) Decisions regarding investment will determine the source and form of funds for its financing. Investment decision is a person's policy in using existing funds to buy an asset with the expectation that it will provide future profits.

### **3.3 Fraudulent investment**

Investment fraud, also known as "fraudulent investment", involves the illegal sale or sale of unrecognized financial instruments. Typical investment fraud or fraudulent investment schemes are characterized by offering investments with low or no risk, guaranteed returns, overly consistent returns, complex strategies, or unregistered securities. Examples of investment fraud include advance fee fraud, Ponzi schemes, pyramid schemes, and market manipulation fraud. (Zakhariah et al., 2022)

### **3.4 Factors that cause people to fall for illegal investments**

#### **1. Lack of financial literacy**

OJK Chief Executive Officer of Financial Services Business Conduct Supervision, Consumer Education and Protection Friderica Widyasari Dewi said the number of people caught up in illegal investments and pinjol is due to low financial literacy. In addition, the need for funding is also still very high.

"Many people do not have literacy, especially digital literacy related to finance, so they cannot understand which ones are legal and which ones are illegal. Although we have facilitated public access to check whether the offer given is legal or illegal," said the woman who is familiarly called Kiki in a virtual press conference on the results of the December 2023 Monthly Board of Commissioners Meeting (RDK), Tuesday (9/1/2024). Knowing how to budget is a must for everyone to avoid financial problems. If there are mistakes in financial management (poor management), financial problems will arise. Financial literacy is the most important thing you can do to live a healthy life. With good financial knowledge and good financial management, it is expected that people's standard of living will increase, because no matter how high a person's income is if it is managed properly, it will be very difficult to achieve financial well-being. Public education about financial and non-financial products is very important so that people are not easily deceived by irresponsible individuals. The importance of financial literacy in all aspects of personal finance is not to make it difficult for them to use the money they have, but to empower people to live healthy lives by using the financial assets they have correctly. (Novi Yushita Amanita, 2017)

#### **2. Tempted by high returns**

People are also influenced by the casino mentality, where they want to make a quick profit and ignore the risks that come with it. As a result, many people are trapped in illegal investments. To become an investor we are required to have a strong mentality and must be able to manage risks in order to avoid large losses.

#### **3. FOMO and peer pressure**

OJK also sees social environmental factors, namely peer pressure and fear of missing out (FOMO), where people do not want to lose investment opportunities and opportunities that turn out to be fraud.

Peer pressure is social pressure where people just follow their friends, in terms of investing this is not good to do. Then FOMO is a feeling that often arises when we see other people involved in investing, in this case it is not uncommon to influence financial

decisions solely because they hear other people's recommendations without doing their own analysis. These two things are not good in investing because when we just follow along and lose, no one is to blame because investment decisions are our own responsibility.

#### **4. CONCLUSION**

Investment so far has a significant impact on both the state and society in terms of the economy, then many people use the name of investment to commit fraud in this case it is often called bulging or illegal investment. Fraudulent investment is an investment that does not have a license from the OJK. This fraudulent investment is currently rampant in the community, many people are entangled in fraudulent investments, in this case the factors that influence people to be entangled are lack of financial literacy, tempted by the results to be obtained and then there is peer pressure and FOMO.

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