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Understanding the Vulnerabilities Contributing to Investor Victimization in Scams

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Abstract

Investment scams pose significant threats to individuals and the economy of Malaysia, exploiting psychological vulnerabilities and technological advancements to deceive unsuspecting investors. This study investigates the multifaceted factors driving the occurrence of investment scams in Malaysia. Drawing on interviews with officers from the Royal Malaysia Police, this research provides valuable insights into the dynamics of investment scams. Through meticulous analysis, the study identifies key factors contributing to the proliferation of scams, including the allure of quick wealth, digital technology's influence, demographic, financial literacy gaps, and regulatory inadequacies. By comprehensively examining these factors, the study aims to deepen understanding and propose targeted interventions for effectively combating investment scams and safeguarding potential victims.

Keywords: Investment scams, External Factors, Internal Factors

Introduction

Investment scams have been a major worry in Malaysia in recent years as scammers use personal variables and deceitful tactics to exploit psychological and social processes, posing enormous financial dangers to individuals and the economy of the country (Singh & Misra, 2023). They are adeptly designed schemes that promise substantial returns with little risk to trap naive investors in a web of financial deception. The ease of accessing internet communication and financial transactions has contributed to an increase in investment scams within

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the rapidly evolving digital landscape (Claessens et al., 2002). This highlights the concerning rise of investment scams in Malaysia. The temptation of quick and substantial profits promised by investment scams can be particularly enticing in a country such as Malaysia due to the reason that aspirations for economic growth and financial success are widely shared. Moreover, the promise of high returns with minimal effort appeals to individuals who seek to enhance their financial standing or secure their future. The desire for financial gain can also blind investors to the inherent risks associated with such schemes, making them vulnerable to exploitation by fraudsters.

The number and complexity of the fraudulent acts have alarmingly increased in Malaysia. In 2021 alone, the Securities Commission Malaysia (SC) recorded a staggering 3,475 such complaints and inquiries, reflecting a remarkable 93% increase compared to 2020 and an even more substantial 132% surge when compared to 2019 (Securities Commission Malaysia, 2022). The Royal Malaysia Police's commercial crime investigation department reported that there were 71,833 scams reported between 2020 and May 2022, resulting in losses of more than RM5.2 billion (Salleh, 2022). Of the frauds, 68% (48,850 cases) were online scams, with 26,213 cases prosecuted. The rising number of online scams indicates that this type of fraud is a major problem, with 5,851 incidents reported in 2020, 9,569 cases reported in 2021, and 3,833 cases reported up to May 2022. There were 11,875 occurrences of loan and investment scams in addition to online scams. The figures are not mere statistics but represent the shattered dreams, financial ruin, and emotional distress experienced by countless individuals and families across the nation. The perpetrators of the scams employ various tactics to exploit the trust and ignorance of their targets, making it challenging for the authorities to curb their operations effectively.

The proliferation of investment scams can be attributed by a combination of various factors. Some factors can be categorised as external and internal. External factors encompass socio demographic, financial literacy, enforcement capacity and social media. Conversely, internal factors revolve around personal traits and psychological characteristics of potential targets. Moreover, the appeal of quick and significant financial rewards plays a crucial role to lure potential targets. Scammers frequently entice individuals with the prospect of high returns and minimal risks, capitalizing on people's aspirations for financial stability and wealth accumulation. The widespread use of digital technology and the internet has also facilitated scammers in reaching a broader audience, expanding their reach, and ensnaring unsuspecting investors (Falade, 2023). Additionally, the vulnerability of potential victims is elevated by insufficient due diligence, combined with a tendency to place trust in charismatic and convincing con artists.

Lack of financial literacy and investment acumen in investment further heighten individuals' susceptibility to the schemes as they may not grasp the associated risks or recognize red flags indicating a scam. Psychological elements such as the quest for quick financial gains or a tendency to trust charismatic figures without due scepticism also play a pivotal role. When coupled with external circumstances, these internal factors may create a conducive environment to the success of investment scams, underscoring the intricate interplay between individual susceptibilities and the broader socio-technical context.

Additionally, the absence of strict regulatory measures and penalties in some jurisdictions, or the perception of weak enforcement, encourages scammers to operate with relative liberty (Rahman, 2020). The combination of the factors may create conducive environment for the occurrence of investment scams. Therefore, it is essential to address the factors comprehensively in order to protect investors and maintain financial integrity.

There is a complicated interaction of numerous aspects in the context of investment scams that leads to their continuous occurrence and development. To develop effective prevention efforts, this multidimensional issue necessitates a thorough understanding of the underlying processes. Therefore, the internal and external factors that contribute to making an environment conducive to investment scams should be considered. Recognizing the factors that lead to the issue of investment scams, the objective of this study is to investigate the diverse factors that drive the occurrence of investment scams to develop targeted interventions and regulatory enhancements for mitigating their impact and protecting potential victims. Valuable data were collected through interviews with the officers from the Royal Malaysia Police, who possess firsthand knowledge of the subject matter. The interviews served as a primary source of information, providing insights into various aspects related to investment scams. Subsequently, this study involved a meticulous analysis of the gathered information. The analysis aimed to detect and reveal the multifaceted factors that play a pivotal role in influencing the occurrence and proliferation of investment scams. By engaging in the comprehensive examination, this study seeks to contribute to a deeper understanding of the dynamics surrounding investment scams and identify the factors influencing the occurrence of investment scams.

Literature Review

Investment Scams

Investment scams, often masked in the disguise of lucrative opportunities, have become a persistent and harmful threat in the financial landscape. The scams, characterized by their deceptive promises of high returns with minimal risk, relentlessly target unsuspecting individuals, wreaking havoc on their financial security and eroding trust in the financial system (Reurink, 2016). Investment scams refer to deceptive and fraudulent schemes designed to lure individuals or organizations into investing their money in fraudulent or non-existent financial opportunities. The scams often promise high returns on investment with little or no risk, appealing to people's desire for quick and substantial profits (Alam et al., 2023). However, the perpetrators of investment scams typically use the funds from new investors to pay returns to earlier investors, creating a Ponzi scheme-like structure (Bhadra & Singh, 2023). The deceptive practices are orchestrated by individuals, organizations, or entities with the intention of illicitly accessing the funds of unsuspecting victims. According to Huang (2019), an unexperienced investor cannot distinguish between legitimate and fraudulent offerings compared to sophisticated investors.

Specifically, they are unaware that the firm can confiscate their investment returns, leading them to underestimate the actual risk associated with fraudulent financial products. Consequently, the investment decisions of the novice investors do not align with their risk preferences, and their actions unconsciously engage in financial fraud. As a result, investors often experience significant financial losses when the fraudulent schemes eventually collapse or are exposed. Investment scams exploit the trust and lack of financial knowledge of their victims and can have devastating financial and emotional consequences for those who fall victim to them. To protect themselves, individuals and organizations should exercise caution, conduct thorough due diligence, and seek advice from reputable financial experts before making any investment decisions (Rajesh & Arun, 2021; Singh & Misra, 2023).

Factors influencing the occurrence of investment scams

The rise of investment scams can be attributed to a blend of external and internal factors, and each factor plays a distinct role in their occurrence. External influences include socio-demographic factors, levels of financial literacy, enforcement capabilities, and the prevalence of social media. In contrast, internal factors centre on the individual traits and psychological attributes of potential victims.

External Factors

Socio Demographic Attributes

The socio-demographic dynamics of investment scam victims encompass key characteristics related to age, gender, education, marital status, and professional standing (Bar Lev et al., 2022). Previous research revealed that the most vulnerable demographic to financial fraudulent investment schemes comprised educated males aged between 40 and 59 years old. Despite of holding at least a graduate degree, the individuals exhibited low levels of financial literacy. They typically fell within the middle-income bracket and were associated with households categorized as middle socio-economic class (Singh & Misra, 2023). Lokanan and Liu (2021) reported that individuals aged 60 years old and above were to be at a higher risk of becoming victims of various investment scams. In contrast, the US Federal Trade Commission (2022) states that many scams harm younger people more than older adults especially investment scams and online scams, while older adults are more vulnerable to phone call and website application scams.

Lack of financial literacy

Financial literacy refers to the knowledge, skills, and understanding that individuals possess regarding financial concepts, tools, and practices (Tuffour et al., 2022). Financial literacy empowers individuals to make sound financial decisions, assess risks, and plan for their short-term and long-term financial goals (Kumar et al., 2023). Individuals with low financial literacy or limited access to financial education resources may lack of knowledge and skills to recognize and avoid investment scams. Early financial education for individuals should prioritize the development of disciplined budgeting habits to safeguard them against falling prey to investment scams (Mohd Padil et al.,2022). Despite having clear financial goals, individuals may not necessarily be more aware of identifying investment scams. Therefore, it is essential to provide guidance for them in establishing realistic financial objectives to steer them away from impractical goals that might tempt them to seek a lavish lifestyle through “quick and easy” money (Mohd Padil et al.,2022). Insufficient financial literacy increases the vulnerability to falling prey to investment scams, underscoring the significance of thorough financial education for individuals (DeLiema et al., 2020).

Social Media

Social media encompass online platforms and websites designed to foster the generation, sharing, and exchange of information, ideas, and multimedia content among users (Zabidi & Wang, 2021). They empower individuals and organizations to connect, share, and actively engage with a diverse audience in a dynamic and interconnected digital landscape (Chukwu, 2023). The platforms, which range from Facebook and Twitter to Instagram, LinkedIn, and others, have evolved into crucial components of global communication. The internet has opened a vast landscape for scams that target unsuspecting individuals seeking various opportunities. Social media grant scammers access to an expansive and readily available audience, enabling them to rapidly reach numerous individuals without geographical constraints. This broad reach significantly expands the potential pool of victims susceptible to falling prey to investment scams (Taodang & Gundur, 2023). Utilizing fake profiles or assuming the identities of reputable entities on social media, scammers construct a deceptive facade of credibility. This tactic aims to mislead individuals, fostering trust in fraudulent investment schemes promoted through the platforms (Johnson & Bonner, 2022).

Scammers may engage in sophisticated schemes by exploiting the extensive and interactive reach of social media platforms. A common strategy includes the widespread distribution of phishing links and enticing clickbait content on the networks (Zeng et al., 2020). Phishing links are crafted to mimic authentic websites, deceiving users into divulging sensitive details like usernames, passwords, and financial information (Alam et al., 2020). Simultaneously, clickbait content employs attention-grabbing or deceptive headlines, enticing users to click on links that redirect them to fraudulent websites. In essence, scammers use the tactics to manipulate the trusting nature of users, leading them unwittingly into situations where their personal and financial data is at risk (Zeng et al., 2020).

Lack of Enforcement capacity

The lack of enforcement capacity is a critical factor contributing to the increase in investment scams. Enforcement capacity pertains to the resources, manpower, and infrastructure available for enforcing regulations (Kayode-Ajala, 2023). As Malaysia strives to achieve its economic and societal goals, the presence of investment scams threatens to hinder progress by siphoning off substantial financial resources and eroding trust in the financial sector. Strong regulatory systems encompass a set of rules, processes, and mechanisms instituted and enforcement by governmental bodies to oversee and regulate diverse sectors especially financial environment. Essential components of a robust regulatory system include clear, enforceable laws, independent and well-equipped regulatory bodies, and transparent procedures for monitoring and compliance (Kayode-Ajala, 2023). The absence of readiness in the systems can increase their vulnerability to a spectrum of risk such as investment scams. Furthermore, online investment scams and various forms of internet fraud are identified as significant concerns that will affect the financial sustainability (Shams et al., 2021). However, enforcement agents are ill-equipped to address the crimes due to a lack of resources and relevant training, hindering their ability to effectively investigate, apprehend, and prosecute the culprits (Mwakio et al., 2020).

Internal Factors

Greed

Behavioural factors significantly influence investors' decision patterns to engage in investment scams (Drew & Drew, 2010). The insatiable desire for financial gains blinds individuals to the ethical implications of their conduct, driving them into dishonest activities that take advantage of others' trust and weakness. Greed and tempting promise of quick and easy wealth often gives rise to scams. This creates a perfect environment for fraudulent activities to flourish. This greed-driven behaviour does not only harm immediate victims but also affect the trust in society, undermining the foundations of honest and transparent transactions. Cross (2013) emphasises the dominant theme of assigning blame to victims and framing their victimisation because of individual greed. Excerpts from interviews illustrated the widespread belief that greed was the primary motivator for individuals responding to fraudulent emails (Mussel & Hewig, 2016).

Individuals with a strong desire for financial gain tend to show a higher level of involvement in various financial products, particularly demonstrating increased investment in stocks and savings accounts. Scammers often exploit the biases to manipulate potential victims (Bagama, 2024). Fraud perpetrators do not solely rely on victims' greed; instead, they strategically manipulate victims' emotions and vulnerabilities, making the victimisation process more intricate and nuanced (Bulatov, 2015). It is crucial for individuals to recognise the dangers of succumbing to greed and cultivate a sense of ethical responsibility to protect themselves and others from falling victim to scams.

Cultural

Cultural factors play a pivotal role in shaping individuals' vulnerability to investment scams by influencing their behaviours and decision-making processes (Prabowo, 2023). Collectivist cultures, emphasizing group harmony, contribute to individuals relying heavily on the advice of their social circles (Prabowo, 2023). A victim within the community can trigger a ripple effect, leading others to follow suit. Insufficient emphasis on financial literacy in some cultures leaves individuals ill-equipped to assess investment risks, making them vulnerable to scams that promise quick returns (Soffer, 2023). In cultures emphasizing collectivism and strong family bonds, individuals may be more prone to scams exploiting their desire to protect and support their families.

Individuals from marginalized backgrounds may be particularly vulnerable to get-rich-quick scams as they seek ways to improve their financial situations. Scammers manipulate the values by crafting fraudulent schemes that promise family financial security (Perri & Brody, 2012). Cultural practices and rituals related to wealth accumulation can also be exploited by scammers who align their fraudulent offerings with the traditions to appear more credible. Furthermore, cultures where shame and stigma deter open discussions of victimization may see victims of investment scams hesitant to report their experiences, enabling scammers to operate without repercussions (Razaq et al., 2021). Language and communication styles are adapted by scammers to align with cultural norms and languages for building trust using local idioms and symbols.

Psychological pressure

Psychological factors play a crucial role in influencing the popularity of investment schemes such as Ponzi schemes (McDowell, 2023). The factors are intricately linked to an investor's knowledge about financial matters and various investment schemes (Bhadra & Singh, 2023). Numerous research investigations have shed light on the psychological factors influencing individuals' decisions to engage in Ponzi schemes. Toledo (2022) states that the resemblance between investment scam and consumer fraud is notable, with deceptive advertising being a key motivator that entices individuals into the schemes, only to later experience regret. In the exploration of investment scam occurrences, Bar Lev et al. (2022) applied the self-control theory. Their research revealed a correlation between lower self-control and impulsive decision-making for immediate satisfaction, thereby heightening the susceptibility of individuals to falling victim to fraudulent activities. Teitelbaum (2021) emphasizes the role of self-control in resisting impulsive decisions whereby investors with higher levels of self-control demonstrated superior money management skills, enabling them to resist the allure of schemes promising unrealistic returns compared to prevailing market rates.

Kemp (2020) discusses the connection between vulnerability to crime and low self-control. Individuals who are deficient in the dimensions are more prone to victimization. Furthermore, the factors for individuals especially investors to be duped in investment scams are also associated with traits such as greed and carelessness. The roots of scams lie in a combination of lack of awareness and excessive greed to the promise of high return by fraudsters (Bar Lev et al., 2022).

Methodology

As the investment scams in Malaysia have seen an alarming increase in the number and posed huge financial risks, the perceptions of victims involved in investment scams are crucial. To gain a deep understanding of investment scams, this study employed a qualitative phenomenology method that adopted a multisite qualitative design as an interpretive approach. An interpretive and a naturalistic approach in qualitative research involves studying phenomena in their natural contexts and interpreting them based on the meanings attributed by individuals (Denzin & Lincoln, 2008). Therefore, this method facilitates a deep understanding of the factors contributing towards joining the investment scam from the perspectives of officers from the Royal Malaysia Police.

The primary sources of data for this study consisted of semi-structured interviews with officers from the Royal Malaysia Police Department. The permission to conduct the interviews was obtained from the Royal Malaysia Police Headquarter, which provided the contact information for officers in the Commercial Crime Investigation Department across all states. The interviews were structured around open-ended questions drawn from the existing literature on investment scams, covering diverse aspects including the factors of joining among victims and strategies utilized by fraudsters. Before conducting the interviews, approval from the Research Ethics Committee (REC) was obtained to ensure the compliance of ethical standards for gathering input from the respondents. Table 1 displays the lists of interviewees from several Royal Malaysia Police State Headquarters involved and the total interview hours for each branch. The semi-structured interviews were analysed using Atlas.ti Version 24. During the analysis, artificial intelligence (AI) successfully condensed the responses into 16 codes. Subsequently, the16 codes were further consolidated into seven themes that comprises external and internal factors.

Table 1: List of interviewees

Position and department	Total interview hours
ASP, Investment Crime Syndicate Investigator Officer	2 hours
ASP, Investigation Officer of Counterfeiting/ Investment Syndicate/ Cybercrime	1.5 hours
Inspector Investigation Officer Corporate/Financial Crime	1 hour
ASP, Investigation Officer of Counterfeiting/ Investment Syndicate/ Cybercrime	1 hour

Inspector Investigation Officer of Counterfeiting/ Investment Syndicate/ Cybercrime	1 hour
ASP, Head of Commercial Crime Investigation Division	1 hour
ASP, Head of Commercial Crime Investigation Division	1 hour
Strategic Planning Inspector	1 hour
Inspector Investigation Officer of Counterfeiting/ Investment Syndicate/ Cybercrime	1 hour

Findings And Discussion

The following sections present key findings on the influencing factors for joining investment scams as highlighted by the police officers in several states.

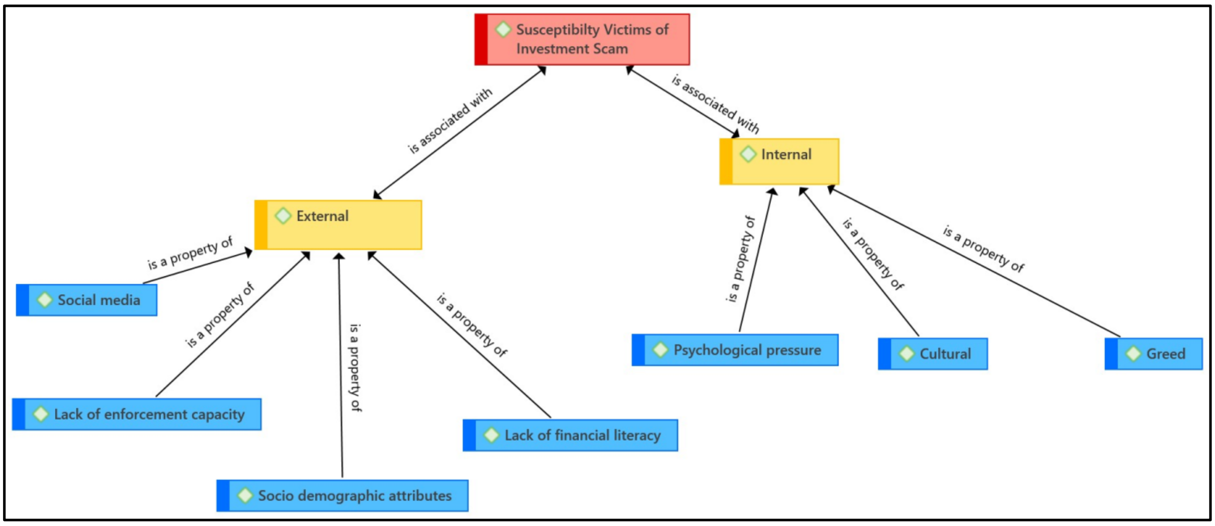

Figure 1 depicts the external and internal factors.

Figure 1 External and internal factors

External Factors

Socio Demographic Attributes

Age

Age significantly impacts the likelihood of individuals becoming victims of investment scams, with the majority of those affected being within the working age group. Specifically, individuals who are 25 years old and older are often targeted by fraudsters. This information is corroborated by the following insights from an Investigation Officer (IO) from one of the state police departments:

"The age factor plays a role. Younger individuals may test with smaller amounts initially. Many victims are still young, more than

> *older people, because most of the investments offered are on social media. There are even many who are employed with high salaries. Last year, it involved staff from a big company. Yes, the young ones are mostly deceived online, while those with money, retirees, are deceived through their own acquaintances."*

The insights provided by the Investigation Officer (IO) reveal a nuanced understanding of how age influences susceptibility to investment scams. This illustrates a landscape where younger individuals are disproportionately targeted. This targeting is largely assisted by social media platforms, reflecting the younger demographic's strong online presence. These people, become victims of frauds that appear to guarantee big returns. Notably, the frauds do not discriminate victims based on the financial status, as proven that victims included high-paid employees from respectable companies such as Petronas. This implies that young professionals, regardless of their financial knowledge, are vulnerable to scammers' sophisticated tactics. In contrast, older people, particularly retirees with potentially larger financial reserves, are more likely to be targeted through their own circles of contacts, indicating a trust-based method of deception that differs from the digital strategy utilised with younger targets. This dual strategy demonstrates scammers' adaptability and cunning in exploiting both older people's psychological trust in personal networks and younger generations' digital savvy, emphasising the critical need for targeted awareness and preventive measures across demographic boundaries.

Profession

The range of professions impacted by investment scams underscores the pervasive and indiscriminate nature of the fraudulent activities. Nurses, doctors, teachers, and accountants represent a spectrum of highly respected and essential professions which each requires a significant level of education and expertise in their respective fields. This is evident in the following insights from one of the interviewees:

> *"There are people who work in banks who get scammed. Teachers, doctors, lecturers, all have been scammed. But they are embarrassed to tell us. We, the lower-income people who do not have money, are the ones who are victims. Those who have careers with a lot of money can take bank loans to invest in non-existent investment schemes."*

The diversity among victims highlights that investment scams are not limited to those with a specific level of financial literacy or income. Instead, scammers exploit vulnerabilities that transcend professional boundaries. The inclusion of such professions suggests that scammers are adept at crafting convincing narratives that can appeal to individuals across various sectors, leveraging professional credibility and the trust associated with the occupations. It also reflects the sophisticated methods employed by fraudsters to target individuals despite of their expertise in healthcare, education, or finance who may not be equally savvy about investment risks and the tactics used by scammers. The broad professional range among victims serves as a stark reminder of the importance of heightened vigilance and education on investment scams for everyone, regardless of their occupation or background.

Lack of financial literacy

Insufficient financial literacy increases the vulnerability to falling prey to investment scams, underscoring the significance of thorough financial education for individuals. Even when individuals have well-defined financial objectives, it does not necessarily imply a heightened awareness in recognizing investment scams. This view was agreed by an Assistant Superintendent as follows:

> *"The scammer promises quick returns within two hours, for example, investing RM 500 and gaining RM 50,000 or RM 10,000 in two hours. The complainant believes it, and the scammer provides a link to a website, claiming it's the company. When the complainant checks the details, they trust it. The scammer then says to earn the investment, they need to invest. The scammer provides an individual or company account, often using a mule account."*

Victims are attracted to the idea of quick and significant financial rewards, which reinforces a fallacy among individuals with insufficient financial knowledge that huge returns can be obtained with little or no risk. The mistake highlights a lack of information regarding the fundamental financial principle that larger rewards are typically linked to higher risks. Any investment that implies otherwise should be viewed with scepticism. This situation emphasises a significant deficiency in financial understanding, namely the challenge faced by persons with little financial literacy in conducting thorough research when assessing investment prospects. Therefore, due diligence is an essential process involving in-depth research on an investment, understanding its terms and circumstances, and verifying the integrity of the promotional company. The lack of scrutiny increases the risk of individuals being deceived and highlights a larger problem of insufficient financial education, which can help people make informed decisions and identify the risks in seemingly appealing investment opportunities.

A Deputy Superintendent of Police dealing with investments scams provided advice as follows:

> *"Victims need to be careful before making any investments. They should check the company's name and the account holder's name to whom the money will be transferred. If it's different from the company's name, they are likely scammers. Legitimate large companies won't use personal accounts."*

Social media

In recent years, as technology has advanced, investment scams have transitioned from traditional models to digitalized systems. The widespread use of online transactions provides fraudsters the means and opportunities to carry out investment scams worldwide. They take advantage of the anonymity, wide reach, and convenience of the internet to deceive unsuspecting individuals and steal their money. The views were agreed by the officer in the police department with the following statement:

> *"The main problems arise due to two factors, especially with the presence of internet telecommunications and easily accessible social media. It is easy to find and cheap. The second factor involves banks. The concept of banks has changed. Previously, transactions were conducted at the counter, but now it is done online. Even at the counter, it is becoming quiet nowadays. Most users are using e-Wallets. Syndicates use mule accounts, and these mule accounts are the current problem. When these two factors come together, cybercrime can happen anywhere without borders."*

The utilization of social media and the internet raises the likelihood of individuals falling prey to investment scams. Fraudsters utilize social media platforms to advertise counterfeit investment opportunities or showcase testimonials from purportedly successful investors. They may establish fake profiles to enhance the credibility of their schemes and entice followers who subsequently become targets for investment. Controlling online platforms presents significant challenges as blocking one fraudulent account or group often leads to the emergence of new ones. As a result, victims frequently find themselves deceived and trapped in investment scams. The views were agreed by the officer in the police department with his following statement:

> *"Social media, especially online platforms, are hard to control. They block one, and there is a new group. It is the same with*

phone numbers and Facebook pages. We try to block them, but they create new ones."

Lack of enforcement capacity

The shortfall in enforcement capacity underscores the challenges that regulatory bodies and law enforcement agencies encounter in effectively monitoring, detecting, and prosecuting investment scams. This struggle arises from various issues, including limited resources, outdated regulatory frameworks, inadequate training, and potential corruption within the institutions responsible for safeguarding the public. The following insights pointed out by an officer prove the current scenario:

"The online investment scammers are too fast, and there are too many cases. This makes it difficult for us to keep pace with new schemes and investigate each case thoroughly. Limited resources and competing priorities further strain enforcement efforts."

This inadequacy in enforcement capacity has a significant impact on the victims of investment scams. Without adequate support and recourse from regulatory authorities, victims often face difficulties in recovering their financial losses or pursuing legal action against the scammers. The consequences extend beyond financial hardship, causing profound emotional distress and eroding trust in financial institutions and the legal system within the community. This situation emphasizes the pressing need to strengthen regulatory and enforcement mechanisms in order to enhance investor protection and uphold the integrity of the financial market.

Internal Factors

Greed

The victims' ambition for swift wealth escalation significantly propels their engagement in the scam, paving the way for their investments into the fraudulent operation. Seduced by the prospects of substantial returns and the effortless amassing of wealth, the ambitions blind victims to the lurking risks. The enticing offer of rapid and considerable financial rewards obscure their discernment, rendering them prone to disregard crucial evaluations of the investment's safety. Seeking excessive riches can impair one's decision-making, resulting in hasty and illogical financial choices that prioritise immediate profits over sustained stability and safety. Increased susceptibility to fraud occurs when scammers exploit individuals' avarice to lure them into unsustainable and harmful schemes. The psychology of greed drives investment scams and highlights the risks of letting unchecked desires influence financial decisions.

This is confirmed by the Investigation Officer in one of the states police departments with his following insights:

> *"The main factor that traps victims is greed—seeking easy money, thinking it will come effortlessly. When we scrutinize investments, it requires careful analysis of market fluctuations, economic factors, and more. However, scammers promise quick returns within a short period, which does not make logical sense, but …one of the characteristics of most victims is they tend to be greedy, thinking they can benefit. Because even close friends, my friend himself said".*

This illustrates how the allure of fast cash can prompt individuals to engage in transactions without fully considering the risks. Hence, it is important for any potential investors to maintain discipline, scrutinise seemingly unrealistic opportunities, and thoroughly evaluate each venture before committing funds. Adhering to the guidelines can assist individuals in avoiding falling for extravagant claims and making more informed decisions on their investments.

Cultural

In cultures that prioritize group harmony and social cohesion, individuals often place significant trust in the advice and guidance of their social circles. This reliance can make them vulnerable to scams if someone within their community falls victim. Without conducting thorough investigations themselves, others may follow suit, assuming the legitimacy of the investment without question. Similarly, in cultures where strong family bonds and collective welfare are paramount, scammers target individuals by preying on their innate desire to safeguard and provide for their loved ones. By leveraging emotional manipulation, they evoke sentiments of responsibility and protection, urging victims to invest without scepticism. This view was echoed by the Investigation Officer as follows:

> *"Their reason is that they tried it, got a small amount, added more, invited friends and family, and so on. When asked why, they say they were convinced because others reported success. It becomes a chain reaction, and that's why suddenly there are many cases."*

Scammers often employ a tactic where they enlist the support of well-known individuals or celebrities to endorse their investment schemes. The influential figures may participate in meetings or promotional events alongside the scammers, lending their credibility and reputation to the fraudulent endeavour. The presence of the well-known personalities creates a false sense of security for victims, who may believe that if a celebrity endorses the investment, it must be legitimate. This perception often leads individuals to overlook red flags or conduct thorough due diligence before investing their money. Victims may trust the investment because they are familiar with the celebrities whom they believe would not deceive them. The tactic was mentioned by the Assistant Superintendent of Police as follows:

> *"It's unclear how they gather investors; supposedly, these victims attend the meetings, where the scammer gives a presentation, and interested individuals make payments based on the offered packages. Sometimes they use the names of well-known individuals as ambassadors or spokespersons."*

Psychological pressure

Victims may experience fear missing out on opportunities for wealth or success. Scammers often exploit this fear by creating a sense of urgency or exclusivity around the investment opportunity, making victims feel like they must act quickly to secure their place and potential profits. Investment scams often succeed by leveraging the concept of social proof, where individuals observe their friends, family, or coworkers seemingly reaping benefits from the scam. Witnessing others participate can trigger a psychological urge to join, driven by the fear of missing out. This sense of urgency can push people to invest, not just for the potential financial return, but also to sustain their standing within their social circle. The Assistant Superintendent of Police in one of the states shared the following:

> *"It is all about themselves, seeing the neighbour driving a big car, they want to drive a big car too but are too lazy to work, or sometimes they see in social media they will showcase their assets, buildings, even an airplane. They claim it is the result of investing in their scheme. But here, we do not have that."*

The officer implies that victims may be influenced by the endorsements or encouragement of close friends or acquaintances who are already involved in the scheme. This social pressure or validation from trusted individuals can further reinforce the victim's belief that the investment is legitimate and lucrative.

Despite never meeting in person, scammers work to establish trust with their victims through various means. They may use fake credentials, fabricated testimonials, or impersonate reputable individuals or organizations to lend credibility to their scheme. By appearing trustworthy and reliable, they make it easier for victims to believe their claims about the potential benefits of the investment. This is evident in the comment provided by IO as follows:

> *"The way scammers talk about money is convincing to victims, even if they never meet face-to-face. They narrate the benefits and advantages of the scheme."*

Conclusion and Recommendation

This research elucidates the factors contributing to individuals' susceptibility to investment scams. From the pervasive influence of social media to the psychological tactics employed by scammers, various elements conspire to lure victims into fraudulent schemes. Age-related vulnerabilities and professional backgrounds also shape individuals' susceptibility to scams. Cultural norms and values, such as trust in influential figures and familial obligations, further impair vulnerability. Moreover, the allure of quick profits and the lack of financial literacy create fertile ground for exploitation. Notably, the absence of robust enforcement mechanisms allows fraudulent activities to persist unabated. Addressing the intricate dynamics necessitates a holistic approach involving education, regulation, and targeted interventions tailored to vulnerable demographics.

Recommendations

By understanding and mitigating the factors, below are the recommendations for the relevant parties in combatting investment scams:

1. Policymakers, regulators, and stakeholders can collaboratively organize awareness campaign on to educate the public on how to spot, check and reports the investment scams. Notably, awareness campaigns are crucial towards creating a safer investment landscape for protecting individuals from financial exploitation and fostering long-term financial security.
2. Collaboration between higher education institutions, regulatory bodies, and law enforcement is crucial in implementing effective measures to prevent investment scams through comprehensive financial literacy education. By working together, these entities can ensure that individuals are equipped with the knowledge and skills needed to identify and avoid fraudulent schemes at young age.

Limitations of the Study

This study is limited to the data obtained exclusively from the Royal Malaysian Police thus it restricts the understanding of why individuals become victims of investment scams. Interviews with other pertinent entities for example Bank Negara Malaysia and the Securities Commission could not be pursued due to constraints such as their information disclosure policies. Furthermore, obtaining real-life victim experiences was hindered by ethical research restrictions.

Therefore, for future studies, it is advisable to engage with Bank Negara Malaysia, the Securities Commission, and non-governmental organisations (NGOs) to gather diverse perspectives on the factors contributing to individuals falling prey to fraudulent investments. Additionally, access to the data and victim details from the Royal Malaysian Police is necessary to ethically conduct victim interviews, as their experiences and viewpoints are essential for public awareness and prevention of investment scams.

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