



PONZI SCHEME AND POVERTY ALLEVIATION: AN EMPIRICAL STUDY FROM RIVERS STATE, NIGERIA

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ABSTRACT: This study examined the effect of Ponzi scheme on poverty alleviation in Rivers State. The purpose was to study the relationship between Ponzi scheme and poverty alleviation. Questionnaire was administered to 400 respondents sampled from residence of port Rivers State. Four research questions and null hypotheses were formulated to study the effect of Ponzi scheme on poverty alleviation in Rivers State. Ponzi scheme was proxy by Mavordi Mondial Money, Get Help Worldwide Exclusive, Twinkas and Wealth funds while poverty was proxy alleviation of relative poverty, absolute poverty, subjective poverty and dollar poverty. Simple percentages and spearman rank correlation coefficient was used as data analysis methods. The study found a correlation coefficient of 59.3 and probability value of .036 between Mavordi Mondial Money and the Alleviation of Relative Poverty. 60.3 and probability value of .006 between get help worldwide exclusive and the alleviation of absolute poverty. 52.6 and probability value of .011 between Twinkas and the Alleviation of Subjective Poverty and 39.4 and probability value of .078 between Wealth funds and the alleviation of dollar poverty in Rivers State. From the findings, the study concludes that Ponzi scheme increases poverty in Rivers State. The study recommends that Policies such as financial awareness ease access to business finance and investment promotions should be directed towards increasing financial access of low income earners to reduce investment in Ponzi scheme. The operational efficiency of the financial institution should further be strengthened; existing challenges should be eliminated by the regulatory authorities and there should be increase in rate of return on savings rate to discourage investment in Ponzi scheme.

Keyword: Ponzi scheme, Poverty Alleviation, The Dollar Per Day, Financial Awareness, Investment Promotion and Operational Efficiency and Financial Access

INTRODUCTION

The description of Nigeria as a paradox by the World Bank (1996) has continued to be confirmed by events and official statistics in the country. The paradox is that the poverty level in Nigeria contradicts the country's immense wealth. Among other things, the country is enormously endowed with human, agricultural, petroleum, gas, and large untapped solid mineral resources. Particularly worrisome is that the country earned over US\$300 billion from one resource petroleum during the last three decades of the twentieth century. But rather than record remarkable progress in national socio-economic development, Nigeria retrogressed to become one of the 25 poorest countries at the threshold of twenty-first century whereas she was among the richest 50 in the early-1970s. The increasing

incidence of poverty, both within and among locations, was in spite of various resources and efforts exerted on poverty-related programmes and scheme in the country, thus suggesting that the programmes and schemes were ineffective and ineffectual.

Ponzi scheme was first discovered by Edwin Sutherland in 1940 and it was defined as 'a crime committed by a person of respectable and high social status in the society (Sutherland, 1940). It has affected lives positively and negatively. Some months ago in Nigeria, it affected millions of lives and shook the socio economic of the Nation. Many people have argued that the scheme has no effect on the economy of Nigeria but a closer look revealed that they have direct and indirect effect on the components of the economy. At start, the negative effects looks

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minimal and go largely unnoticed, thus to provide answers to unanswered questions such as why were these investment only revealed in the recessive periods of the economy? Previous researches explored Ponzi schemes in terms of its historical structure and growth but with scanty literatures on the effect of its operation on subscribers especially in the developing nations. Economy viability is usually measured by the production of goods and services with adequate security on financial services by relevant agencies in the economy. Policy loopholes has been a factor which Ponzi-scheme operators leverage on in most of the Country of operation and this has left all forms of subscribers to their unguided faith in developing nations.

Ponzi schemes are financial investment schemes where existing investors' returns are paid with investments from new investors. According to Greenspan (2011) it is a fraud where monies invested are taken by the schemer and investors that wish to regain their money are then paid out of proceeds gotten from new investors. It is simply a money creation market hub where one person's money is used to pay another. It operates on the robbing Peter to pay Paul principle, as the Ponzi schemers according to Deason, Rajgopal, Waymire and White (2015) never invests the monies into any legitimate business to produce returns on investment. While Ponzi schemes have existed since the 1800s, it became popular in the 1990s and has continued to spread across nations, especially in developing countries with low per capita income like Nigeria where the rate of poverty and unemployment is high. Describing the nature and modus operandi of Ponzi schemes, Jack and Ibekwe (2018) posited that Ponzi scheme owners build their business by persuading a few investors to put in their monies in the scheme who receives an expected percentage return at a stipulated time. Based on the initial successes, the schemer asks investors to reinvest more money for higher returns in a circular manner over time, only for the schemer to break the chain and abscond with investors monies.

According to Jack and Ibekwe (2018) Ponzi schemes took the country by storm in the wake of the economic recession in 2016 as a strategy adopted by Nigerians to cope with the ensuing economic hardship. They identified over 160 operational Ponzi schemes in the country including Marvodi Mundial Movemen, Twinkas, Ultimate Cyclor,

Get-Help Worldwide as well as several independent operated on instant messaging platforms such as WhatsApp, BlackBerry Messenger and so on. The popularity and acceptance of these Ponzi schemes by Nigerians was massive, despite the inherent risks involved in such schemes. However, the collapse of most of these schemes in later part of 2017 came with it, great shock, disbelief and disenchantment for most investors. Ponzi schemes are known to constitute severe impacts on the National economy of any country where such schemes thrive. Loss of money is the most recurring economic impact of Ponzi schemes. Wilkins, Acuff and Hermanson (2012) reported that investors in Ponzi schemes do not only lose principal invested when the scheme is discovered, but they may have to repay amounts received from the investment before discovering that the investment was a fraud. Experts from various sectors of the economy have identified poverty, greed and lack of financial education as reasons people continue to fall for Ponzi schemes.

The proliferation of digital technology, and the convergence of computing and communication devices, has transformed the way in which we socialize and do business around the world. While overwhelmingly positive, there has also been a dark side to these developments. Proving the maxim that Ponzi scheme follows opportunity, virtually every advance has been accompanied by a corresponding niche to be exploited for fraudulent purposes (Clough, 2010). Thus, one major consequence of this unlimited access to the world has been an increase in the spate of internet fraud that characterized the operations of the Ponzi scheme.

In the era where many people are interested in 'making quick money' or "are having the get-rich-quick syndrome, there is nothing they would not do in order to have money and also sustain themselves". Tade (2013) explores the use of Internet fraud popularly known in Nigeria as Yahoo Yahoo and the addition of spiritual elements with internet surfing to boost success rates (Yahoo plus) by the people interested in making quick money. With the addition of spiritual elements, it shows that many people can go to any length in order to get rich. While some are in this act, others resolved to be involved in other acts that are not internet fraud but rather, in investment frauds known as Ponzi schemes. These individuals usually take advantage of the



investors on the financial market through fraudulent investment schemes (Amoah, 2018).

The fact remains that with the collapse of such schemes, the schemers not be sued as their schemes are often done underground and because there are no legal frameworks to support those who had lost their investments (Sadiraj & Schram, 2018). Even with this, most people are habitually unruffled whenever there is a new scheme in town. The reason is not far as the schemers mostly make use of the happenings around the country to perpetuate their evil schemes. This is why the scheme became very popular in Nigeria during the economic recession of 2016.

Development of Ponzi scheme in Nigeria seems to be a fairy tale, as it is becoming unattainable day by day. Ezema and Ogujiuba (2012) claimed that the Nigerian system has broken down and the economy has failed. The reason for this is because there is gross distortion and inequality in income distribution with the attendant high level of poverty; with Nigeria ranking 160 out of 177 Countries with respect to per capita income (Ezema & Ogujiuba, 2012) as Nigerians are grappling with this level of development obscurity in the country, many engagers Ponzi schemes. The Security and Exchange Commission in Nigeria warned stakeholders and the entire public on the activities of promoters of fraudulent schemes in the country. While there are many studies on factors that determine poverty the effect of Ponzi scheme on poverty alleviation is lacking in literature, therefore this study wants to examine the effect of Ponzi scheme on poverty alleviation in Rivers State.

LITERATURE REVIEW

Ponzi Schemes in Nigeria

Wikipedia defined Ponzi schemes as a fraudulent investment activity where individuals or organization's pay out returns to investors from new capital paid to the operators by new investors, in lieu of the profit earned (through legitimate sources), while the US securities and exchange commission defined it as an investment fraud that involves the payment of purported returns to existing investors from funds contributed by new investors. It is a financial investment that pays abnormally high return on investment strictly sequel to aggressive search and entrance of new members bearing little or no risk at all. Not until recently, Ponzi schemes are not common in Nigeria.

Its history dates back to an Italian businessman called Charles Ponzi in the 20th century. He simply developed a system that rewards old investors through the new investors.

This idea/business thrives until a time when it will bust (which certainty will). Technically, Ponzi became popular in Nigeria as a result of the recent economic hardship in the country. The operators of the scheme usually enticed new investors by offering a very high return on operation in oil producing area (Niger Delta) which has investment. In most of the Ponzi schemes, the operators focus on attracting new investors to make good their promised interest to the earlier investors to create the impression that the investment is lucrative and that investors are profiting thereof.

Ponzi scheme is mathematically a financial freedom mechanism that is capable of turning around the fortunes of millions of poor cum greedy people only on a condition that system does not collapse. It typifies a system of 'robbing Peter to pay Paul'. The intelligence behind Ponzi scheme is to be foolish and greedy. This suggest that all the investors must continually be re-investing both their initial capital, the interest and consistently persuade new people to join the scheme bearing no risk in order to keep the platform liquid and mutually beneficial. However, this is unfortunately unrealistic, no matter how long it lasts, since there is a possibility of aeroplane crash, chances are that the scheme is bound to fail at some point. The most popular The operations of these schemes are similar and one common feature among them is aggressive search for new members. A stepwise of how it works is as follows;

- a. Convince a few potential investors to put their money in the scheme
- b. After the specified time period, usually one month, return the investment money to the investors plus the agreed interest as profit.
- c. Capitalize on the success of earlier investors to convince and entice more investors to trust their money in the scheme
- d. This steps are repeated until a point where the system crashes, in this case, the step b of the cycle is threatened and in lieu of returning the investment money and paying the interest as promised, the operators run away with the invested money. MMM (Mavrodi Mondial Moneybox)



Nigeria is one of the most common Ponzi scheme in Nigeria being part of the MMM Global Community with its origin traced to the purported founder, Sergei Pantelevich Mavroni of Russia and dates back to 1989. Its operation in Nigeria became popular in November, 2015. It provides a platform that helps millions of participants worldwide free. The money is then transferred to them given by their own goodwill towards others who needed help in the past. Technically one must provide help to a needy before he can receive help with a promise of 30% of whatever amount you provided as help to others after 30 days. Moreover, an additional 10% accrues to individuals for referrals to the scheme to the tune of whatever amount the person was able to provide as help.

Get Help Worldwide Exclusive (GHWE): This is a scheme that claims to be a mutual -aid and crowd funding scheme. It offers a platform to operate than MMM. It would seem like they look thoroughly into the popular MMM scheme and decided to make theirs better by targeting all shortcomings of MMM and correcting them. This latest Ponzi scheme offers 30% cash ROI and 50% in 30 days via Bitcoin the latest and trending crypto currency in the world today.

Claritta: This is another variety of Ponzi scheme which swooped in immediately after MMM broke the hearts of many in the South West Geo-political Zone of Nigeria. Though quite surprising, Nigerians still plunged into it, possibly because of its timing as it was true to its promises at the inception by paying the subscribers immediately their deal matures. The source of the site was latter traced to FASTDOMAIN, INC. which was the domain company where the name was created. Yet information is out that this Ponzi scheme is said to be registered by a Nigerian, on 30th of January, 2017.

Twinkas: This is a scheme which claims to provide reliability, efficiency, sustainability and trustworthiness to its members. It offers 100% cash as ROI in less than 21 days with a 5% referral bonus as commission. It does not interfere with transaction between the payer and payee and has a time limit of 24 hours for pledge payment and activation. The scheme has been said to have disappeared but it is also said to be back again and some people are giving their testimonies on it.

NNNN Nigeria: This is one of the current Ponzi schemes as it is an upgraded MMM Nigeria

Ponzi scheme with automated system that prevent moratorium as can be found in the former. MMM Nigeria was launched in August 2017 and has the same ideology just as MMM. It is claimed to be owned and ran by the participants. An upgraded version of MMM with a launch date just few months before the former version suspended their activities due to the reasons that the new Ponzi scheme was upgraded leaves much to be suspected.

Community Mutual Aid: This is a new scheme which was launched on the 1st of March, 2017. Owners of this platform are not known as it is also claimed to be created for the people and for the people, and so rely greatly on the participants to keep it going. This scheme involves creation and fulfillment of dreams, be it paying of loan, building house. The scheme has claimed to have some features which include the use of secret pin known to the CMA holder only, protection of the site by SSL security, use of auto confirm for bitcoins pledges to eliminate fake payments.

Wealth funds: This scheme was Launch on June 1st, 2017, this is one of the current Ponzi schemes that offers platform of no upgrade issue, verification of phone number, no allowance of multiple accounts, provision of help at any time. It is said to use a security system of commode

Poverty

The poverty situation in Nigeria is galloping. Despite several attempts by successive governments to ameliorate the scourge, Eze (2009) explained that the level of poverty is geometrically increasing (Okpe and Abu, 2009). Poverty is deep and pervasive, with about 70 percent of the population living in absolute poverty (OkonjoIweala, Soludo and Muhtar, 2003).

Fundamentally, poverty is a denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and cloths a family, not having a school or clinic to go to, not having the land on which to grow one's food or a job to earn one's living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means



susceptibility to violence, and it often implies living on marginal or fragile environments, without access to clean water or sanitation.

According to the World Bank (2003), the major indicators of poverty are: lack of freedom of action and choice; lack of adequate food, shelter, education and health; vulnerabilities to ill health; economic dislocation; maltreatment by public agencies; and exclusion from key decision-making processes and resources in society. Accordingly, poverty depicts a situation in which a given material means of sustenance within a given society is hardly enough for subsistence in that society (Townsend, 1962). Thus, people are considered to be poor if their standard of living falls below the poverty line, that is, the amount of income (or consumption) associated with a minimum acceptable level of nutrition and other necessities of everyday life (World Bank, 1992). In essence, when people are unable to eat, go to school, unable to find employment, or have access to health care, then they can be considered to be in poverty, regardless of their income.

Ajakaiye and Adeyeye (2002) noted that poverty can be structural (chronic) or transient. Structural poverty is defined as persistent or permanent socio-economic deprivations and is linked to a host of factors such as limited productive resources, lack of skills for gainful employment, endemic socio-political and cultural factors and gender. Transient poverty, on the other hand, is defined as transitory/temporary and is linked to natural and man-made disasters. Transient poverty is more reversible but can become structural if it persists. The issue of poverty in Nigeria is a paradox. While Nigeria is a leading oil-producing nation and highly endowed in terms of various natural resources, most of her people are economically poor. As a national data shows, over one-third of Nigerians (35%) live in extreme poverty while 54% are relatively poor. For instance, the Nigeria Poverty Profile 2010 Report of the National Bureau of Statistics provides an insight into the level of poverty in the country. More than half of the Nigerian population lives on less than a dollar a day.

The ballooning poverty situation notwithstanding, Nigeria is blessed with abundant resources. Chukwuemeka (2009) observes that the country is blessed with natural and human resources, but in the first four decades of its independence,

the potentials remained largely untapped and even mismanaged (Omotola, 2008). Putting the problem in proper perspective, Nwaobi (2003) asserts that Nigeria presents a paradox. The country is rich but the people are poor. Given this condition, Nigeria should rank among the richest countries that should not suffer poverty entrapment. However, the monumental increase in the level of poverty has made the socio-economic landscape frail and fragile. Today, Nigeria is ranked among the poorest countries in the world. The fight against poverty has been a central plank of development planning since independence in 1960 and about fifteen ministries, fourteen specialized agencies, and nineteen donor agencies and non-governmental organizations have been involved in the decades of this crusade but about 70 percent of Nigerians still live in poverty (Soludo, 2003). Observers have unanimously agreed that successive government's interventions have failed to achieve the objectives for which they were established (Ovwasa, 2000, Adesopo, 2008; Omotola, 2008). With reference to sub-Saharan Africa including Nigeria, the inauguration of the MDGs more or less represents an exit strategy from poverty trap. The global partnership for development which constitutes the substance of goal 8 reflects the commitment of the industrialized North to the fight against poverty in the developing world through official development assistance.

(a) Relative Poverty is defined by reference to the living standards of majority in a given society. In 2004, Nigeria's relative poverty measurement stood at 54.4%, but increased to 69% (or 112,518,507 Nigerians) in 2010. The North-West and North-East geo-political zones recorded the highest poverty rates in the country with 77.7% and 76.3% respectively in 2010, while the South-West geo-political zone recorded the lowest at 59.1%. Among States, Sokoto had the highest poverty rate at 86.4% while Niger had the lowest at 43.6% in the year under review.

(b) Absolute Poverty is defined in terms of the minimal requirements necessary to afford minimal standards of food, clothing, healthcare and shelter. Using this measure, 54.7% of Nigerians were living in poverty in 2004 but this increased to 60.9% (or 99,284,512 Nigerians) in 2010. Among the geo-political zones, the North-West and North-East recorded the highest rates at 70% and 69% respectively, while the South-West had the least at 49.8%.



At the State level, Sokoto had the highest at 81.2% while Niger had the least at 33.8% during the review period.

(c) The-Dollar-Per-Day Measure refers to the proportion of those living on less than US\$1 per day poverty line. Applying this approach, 51.6% of Nigerians were living below US\$1 per day in 2004, but this increased to 61.2% in 2010. Although the World Bank standard is now US\$1.25, the old reference of US\$1 was the standard used in Nigeria at the time that the Olubukola Stella Adesina (2017). Canadian Social Science, 13 (4), 19-29 survey was conducted. The North-West geo-political zone recorded the highest percentage at 70.4%, while the South-West geo-political zone had the least at 50.1%. Sokoto had the highest rate among States at 81.9%, while Niger had the least at 33.9%.

(d) Subjective Poverty is based on self-assessment and sentiments from respondents. In this regard, 75.5% of Nigerians considered themselves to be poor in 2004, and in 2010 the number went up to 93.9%. FCT recorded the most number of people who considered them to be poor at 97.9%. Kaduna recorded the least number of people who considered themselves poor at 90.5%. A major indicator of poverty in Nigeria is unemployment. In broad terms, the term unemployment denotes a condition of joblessness or lack of employment.

In other words, anyone who is fit and available to work but fails to get one may be considered as being unemployed for the concerned period. Statistics reveal that the unemployment rate is very high among youth in Nigeria, most of who are university graduates with computer and internet competence. According to statistics from the 2011 National Bureau of Statistics, Nigeria's overall unemployment rate amounted to 23.9 % of total Labour Force in March 2011, indicating a sharp increase from 14.9% in March 2008 to 19.7% in March 2009 and 23.9% in 2011. When disaggregated by sector, 17.1% of these are in the urban areas, while 25.6% are from rural areas.

The Vicious Cycle of Poverty

The vicious cycle of poverty states that the poor man is poor because he is poor or a country is underdeveloped because it is underdeveloped. The vicious cycle of poverty is a kind of curse which is feared by individuals and countries because it is said that an individual/country is

poor because it is poor. The theory states that there are circular relationships known as the “vicious cycle of poverty” that tend to perpetuate the low level of development in less developed countries (LDCs). The trajectory is that poverty is caused by low income.

Low income engenders low savings and this in turn leads to low investment. The latter provokes low productivity and the cycle continues. According to Jhingan (2003), the basic vicious cycle stems from the facts that in LDCs total productivity is low due to deficiency of capital, market imperfections, economic backwardness and underdevelopment. Jhingan stressed that vicious cycle operates both on the demand side and supply side. On the demand side of the vicious cycle, the low level of real income leads to a low level of demand which in turn leads to a low rate of investment and hence back to deficiency of capital, low productivity and low income.

On the supply side, low productivity is reflected in low real income. The low level of savings leads to low investment and to deficiency of capital. The deficiency of capital in turn leads to a low level of productivity and back to a low income. Accordingly, this theory views poverty as being self-perpetuating.

Power Theory of Poverty

The power theory of poverty is similar to the Maxists theory of poverty. This theory sees power in terms of who controls what and how in the political and economic structures of the system. In this context, the structure of political and economic power in the society is the determinant of the extent of poverty among the populace. This is basically the Maxian theory of historical materialism. According to this theory, the system of poverty determines the basic division of the society into two classes: they have and the have-nots (the property owners and the non-property owners). This view constitutes the fundamental nature of government, religion and culture in any given society. This theory further stated that the society has been dominated by the ruling class owners of properties who exploit the non-property owners, made possible by their ownership of the means of production.

According to the proponents of this theory, the individual's position in the society depends on whether he owns the means of production or work for someone else. They held



religion responsible for sustaining this power structure between the rich and the poor by denying the poor of any initiative to fight to improve their condition which prevails and subject them to poverty Nyong (1995). Thus, an effective poverty reduction programme should have exploitative property that could be addressed and dislodged.

Empirical Review

Bupo and Abam-Smith (2017) carried out a study that investigated the spread and Business Education students' participation in Ponzi schemes in Rivers State University, Port Harcourt. The findings revealed that about 72% of the students indicated that though increasing their income and reducing impact of harsh economic realities; Ponzi schemes encourage borrowing and greed. This suggests that failure or collapse of a Ponzi scheme could possibly lead to other vices. To Deb (2014), he observed that a 2013 collapse of Ponzi chit fund in West Bengal, Tripura, Assam and Orissa districts of India sprang panic, social unrest, violence, physical harassment and even suicide.

Bhain (2015) carried out a study that tried to ascertain the overall impact of Ponzi businesses on West Bengal economy. The findings indicated that money loss, credibility loss and financial system leakage were major direct consequences of Ponzi scam in the region. The indirect effects were found to include reduction in consumption expenditure, wrong signal to industries, government failure on regulation and loss of investment morale. Similarly, Asogwa et al (2017) conducted a research on the problems of Ponzi schemes on the Nigeria's economy. The findings revealed that students took speculative risk to invest their tuition fees in Ponzi schemes in order to raise pocket money and cushion the effects of economic hardship, but ended up losing the investment. The study further revealed that students' involvement was leading to suspension from studies, wanton accumulation of debt and erosion of creativity.

Cortés, Santamaría and Vargas (2016) estimated the impact of the simultaneous crash down of various Ponzi schemes at the end of 2008 in Colombia. The results showed that the shock exacerbated cash-grabbing crimes in affected municipalities relative to places with no presence of Ponzi schemes. Again, a positive effect on mugging, commercial theft and burglary were found with

no significant effect on major crimes like murder or terrorism. It was further revealed that the escalation in crime rates was larger in municipalities where access to formal credit is limited and where judicial and law enforcement institutions were weaker. This suggests that Ponzi schemes can lead to other forms of criminality.

Furthermore, Vlad-Dan (2014) carried out a study that examined the dynamism of electronic payment on Ponzi operators in Finland. The results revealed that evolving payment instruments from very rudimentary barter transaction to digital modern currencies is aiding Ponzi criminality. Other associated risks identified were high volatility of digital coins, value loss, theft, tax evasion. This implies that without adequate cyberspace security the emerging online transactions and payment systems would end up endangering many than serving them.

Omanyo (2017) examined the regulatory challenges and loopholes that were paving way for the existence of Ponzi and the effects on Kenyan economy. The results showed that promoters of fraudulent schemes usually hope that the schemes would outlive them. However, as soon as the scheme get exposed or collapse, many of the promoters take their own lives. With respect to possible impact on tuition payment, Yusuf (2017) in his study in Nigeria after the crash of a famous Ponzi scheme found that education sector was badly hit as many students took speculative risk of investing their fees in order to raise pocket money and cushion effects of hardship, but ended up losing the investment.

Jack and Jack (2019) revealed that Ponzi schemes are fraudulent money doubling schemes that operates with the robbing Peter to pay Paul principle, aimed at defrauding unsuspecting investors of their hard-earned monies. Findings from the study showed that Ponzi schemes constituted negative economic, social and psychological impacts including financial losses, heightened mistrust, psychological traumas, depression and even suicide. The study concluded that Ponzi schemes are fraudulent financial institutions and should be criminalized by the Nigerian government with appropriate sanctions to the promoters of such schemes in the country.

Ibekwe & Oli, (2020) examined the effect of Ponzi on institutions in Anambra State, South-East, Nigeria. Signaling theory served as the theoretical thrust of this



paper. The mixed methods research design was adopted and multi-stage sampling procedure was used in selecting respondents. A sample size of 1,093 was generated using Taro Yamane formula for determining sample size. The quantitative and qualitative instruments of data collection used in the study were structured questionnaire and In-Depth Interview (IDI) Guide. The quantitative data were processed with SPSS software and analyzed using frequency distribution tables, percentages, mean and graphic illustrations. The qualitative data were analyzed using content analysis and were also used to complement the quantitative data. The findings indicated that majority of the respondents (73.1%) believe that there are risks associated with Ponzi schemes. The major risks found to be associated with Ponzi schemes include loss of money, panic/no peace of mind, erosion of confidence in domestic financial sector, diversion of savings to unproductive venture, etc. It was again found that no significant relationship exists between involvement in Ponzi schemes and undergraduates delay in tuition payment in tertiary institutions in the state. This paper concluded that tertiary institution students are prone and easy recruits of such schemes in the nation's cyberspace, with its ugly toll on many. It recommended amongst others that the National Orientation Agency (NOA) should partner with experts in the financial industry in carrying out sensitization programmes in tertiary institutions at least once in a semester. This should be hinged on issues associated with Ponzi schemes and related fraud.

Zuckoff (2006) found that Ponzi scheme involves no legitimate fund investment in assets that can yield any possible income. The money usually paid to the supposed investors is capital contributions from new investors. This means that, this kind of scheme is based on deception, as new investors oftentimes do not know what they are venturing into, except for the high income that must have beclouded their reasoning (cf. DePaulo et al., 1997; Heydenburg, 2015). Once new investors cease from investing, the scheme is bound to collapse.

Amoah (2018) stated that these schemes come in different shades of investment and business presentations. He avers that, Some (Ponzi schemes) come in the form of investment companies dealing in financial instrument such as stocks or bonds, investment in foreign currency trading,

insurance products, microfinance and banking operations. Others deal with nonfinancial assets, such as real estate, cars, helicopters and funeral insurance products as happened in Lesotho, to any business ideal that can be conceived by the Ponzi operator (Amoah, 2018). Looking critically at the above view as stated by Amoah, one may tend to believe that Ponzi schemes are legitimate businesses. This is because the involvement of Ponzi operators in any of the investments listed above makes them to have a good source of income that any investor would be proud to associate with. However, this is far from it as anything Ponzi schemes usually promise high returns within a short time. Most of them are often unregistered investments with the Securities and Exchange Commission (SEC), especially in order to deal in any capital market activities.

Jack and Ibekwe (2018) described the scheme as an enticing established swindle networking where money of newer entrants or investors are used to pay increased returns to earlier investors rather from profit earned through legitimate business investment. Sadiraj and Schram (2018) even believe that the schemes have typically flourished in countries, where reliable data on variables like inflation or interest rates are difficult to find. This could be said to be true of a country like Nigeria.

Asogwa et al (2017) examined the effect of Ponzi scheme on Nigerian economy during the 2016 economic recession. In their study, the authors discovered that the citizens of the country embraced Ponzi scheme as an alternative for succour during this period. They however state that Ponzi scheme can never serve as a supplement to any harsh economic realities in the country.

Onoh and Eze (2018) noted it was fear and greed that act as the determinant factors for the booming market of anything Ponzi in Nigeria, and never the forces of demand and supply. Kranacher, Riley and Wells (2011) as well see greed as a major factor that contributes to the fraud that is being perpetuated by the schemers and the investors. Both the schemers and the investors are greedy to the extent that the investors often neglect warnings and red flags, all in the hope of very high returns.

Greenspan (2009) believed four factors contributed to the success of the Madoff Ponzi scam, and these factors could also be responsible for the success of any other Ponzi



schemes in any part of the world. The factors are situation, cognition, personality and emotion. The situation people tend to find themselves usually makes them to fall or be involved in Ponzi scheme. Also, despite people having high intelligence quotient (IQ), it does not mean they cannot be involved in these schemes. This is because people are often looking for easy way out and putting trust in others. On the part of personality, Greenspan opines that the individual disinclination to question a trusted person usually helps a schemer to have success. Moreso, whenever people put emotion into anything, it is believed that this usually beclouds their sound judgment into knowing and differentiating what is good from what is bad (Greenspan, 2009).

Cox (2014) called these schemes fast money schemes and views the role being played by the Christian Church in promoting the rise of the schemes in Papua New Guinea. The investors make use of U-Vistract, the largest and most elaborate of the schemes in the country. Cox says that, U-Vistract had spread through churches, where pastors and church leaders had seen the scheme as a divine blessing. Ordinary investors were required to present a letter from a church minister testifying to their good character, a test that undoubtedly lent U-Vistract an air of credibility. Meetings of the scheme frequently began with prayer or even interdenominational worship services (Cox, 2014). Obviously, the scheme makes use of Christian networks to woo its investors. Even after its collapse, some of the proponents of the scheme still built on investors' acceptance of Christianity and being genuinely born-again before they could be paid any amount of money. This is nothing but what Quisenberry (2017) termed as fraudulent religious leaders acting as wolves and preying on their 'flock' while posing as shepherds. This could only be possible when the members who are the investors in this instance have taken the church leaders as their heroes/gods; the only people they believe have access to God. Be that as it may, these studies have created a space that this study intends to fill, by examining the roles being played by the Christian Church in Ponzi schemes and its effect on development in Nigeria.

Literature Gap

Section 39(1) of the Investments and Securities Act (ISA) 2007 stipulates that only persons or investment platforms

registered with the Nigeria Security and Exchange Commission (SEC) can engage in capital market activities (Olisah, 2020; SEC, 2020). The Act posits that any investment platform that is not registered with the commission is not only illegal but fraudulent. It is therefore problematic to engage in unregistered investment platforms like Ponzi schemes that are flourishing online, especially in developing nations.

Studies have shown that implications of getting involved in Ponzi schemes are usually grave and greater in countries with weaker financial regulatory frameworks (Carvajal et al, 2009). Aside loss of money, morale decadence and quest for quick money were identified as risks inherent in such nefarious transaction (Adebumiti, 2016). In Rivers State, Nigeria it was observed that major promoters who are university students have lost various degree of valuables in Ponzi schemes (Bupo & Abam-Smith, 2017). Similarly, while it was reported that two students of Nwafor Orizu College of Education, Nsugbe in Anambra state were not allowed to write exams due to tuition fees lost in Ponzi schemes; a young lady was arrested in the state's capital (Awka) for defrauding unsuspecting individuals through a WhatsApp Ponzi platform (Jones, 2017; Odogwu, 2016; Oyelude, 2017).

Efforts have been made by financial regulatory agencies, such as the Central Bank of Nigeria (CBN) and SEC to raise alarm over the proliferation of Ponzi schemes that are promising huge but unjustifiable returns on Nigeria's cyberspace. They advised Nigerians to stay away from such unhealthy investments and their associated consequences (Ndubuisi, 2020). In spite of the warnings, many individuals, especially tertiary institution students' still patronize such swindling activities (Osah & Adewumi, 2020). The above studies did not focus in Rivers State; therefore, this study wants to examine the effect of Ponzi scheme on poverty alleviation in Rivers State.

METHODOLOGY

The type of research design that was used in this study is the cross sectional research design, which is selected because it would ably facilitate the collection of data from the different strata of respondents namely civil servants, business men/women, traditional rulers and students in Rivers State. This helped the researcher to get the individual characteristics of the variables under study.



Population of the Study

The study population consists of all citizens and inhabitant of Rivers State. This includes Petty traders, civil servants of grade level 1-5 and farmers residing in the local government Area. According to the 2006, the state population was 5,384,174.

Sample Size and Sampling Procedures

The sampling element for this study was made up of Four Hundred (400) inhabitants of Rivers State; the sample size is drawn from Civil servants, business operators and others drawn from local governments under study. It was determined by Krejci and Morgan (1970).

Data Collection Sources

The study uses primary data as original data that was collected for the first time and it will be retained by form of questionnaires which was sent out to a certain number of low income earners were preferably via Internet research assistant. The study used closed questions that were utilized where it is possible to restrict responses to predetermined answers or where alternatives are few. On the other hand, open questions used where details were needed and where there were many alternative choices.

Validity

the validity of the instruments was established by the supervisor through an assessment of selected items in the instruments that ensured that the instruments are measuring to the expectations. After identifying the vague and ambiguous questions, corrections were made and final instruments were prepared.

Reliability

The reliability of an instrument is defined as the consistence of the instrument in picking the needed information. Reliability (Internal consistency and stability) of the instruments will be tested using Cronbach’s Alpha (α) coefficients (Cronbach, 1946). The researcher was tested the inter-item consistency reliability to ensure that

there is the consistency of respondents ‘answers to all items in the measure.

Data Processing, Analysis and Presentation

The statistical techniques employed in analyzing data collected in this study are:

Tables

Tables effectively order and summarize the quantitative data. They are used to arrange facts and figures in columns and rows. These facts and figures can be systematically examined (Ojo, 2005).

Percentages

These are used in translating frequency counts into percentage. These percentages were used to show the distribution of respondents according to their responses (Ojo, 2005)

Correlation Analysis

It is used as a measure of the strength of linear dependence between two variables. According to Ojo (2005) correlation is used to find out if there is any relationship between two variables. While doing this, a variable is correlation to another variable. Spearman rank correlation coefficient with the aid of the Statistical Package for Social Sciences, (SPSS) Version 20.0.

The correlation coefficient ranges from -1 to 1 . A value of 1 implies that a linear equation describes the relationship between X and Y perfectly, with all factors affecting Y held constant for which Y increases as X increases. A value of -1 implies Y decreases as X increases. A value of 0 implies that there is no linear correlation between the variables.

ANALYSIS AND DISCUSSION

Analysis of Demographic Data

The demographic data of the respondents gathered from the field using the questionnaire are presented in the tables below;

Table 1: Distribution of Respondents by Sex

S/N	Sex	Response	Percentage
a)	Female	226	60.1
b)	Male	150	39.9
	Total	376	100

Source: Survey Data, 2022

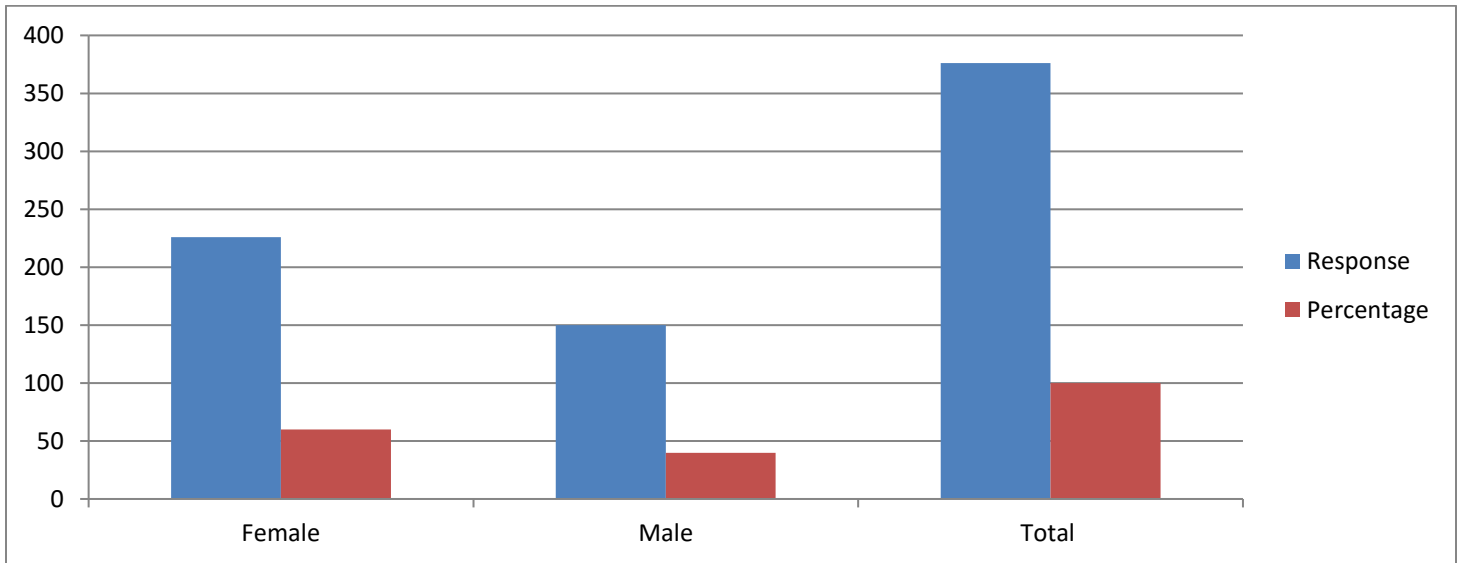


Figure 1; Bar chart showing gender distribution of questionnaire

Table 1 indicates that there were more females than males among the respondents that participated in the study. This disparity in sex was deliberate because small businesses is more undertaken by the females more that the males.

Table 2: Distribution of Respondents by Age

	Age	Response	Percentage
a)	20-29years	196	52.1
b)	30-39years	159	42.3
c)	40years and above	21	5.6
	Total	376	100

Source: Survey Data, 2022.

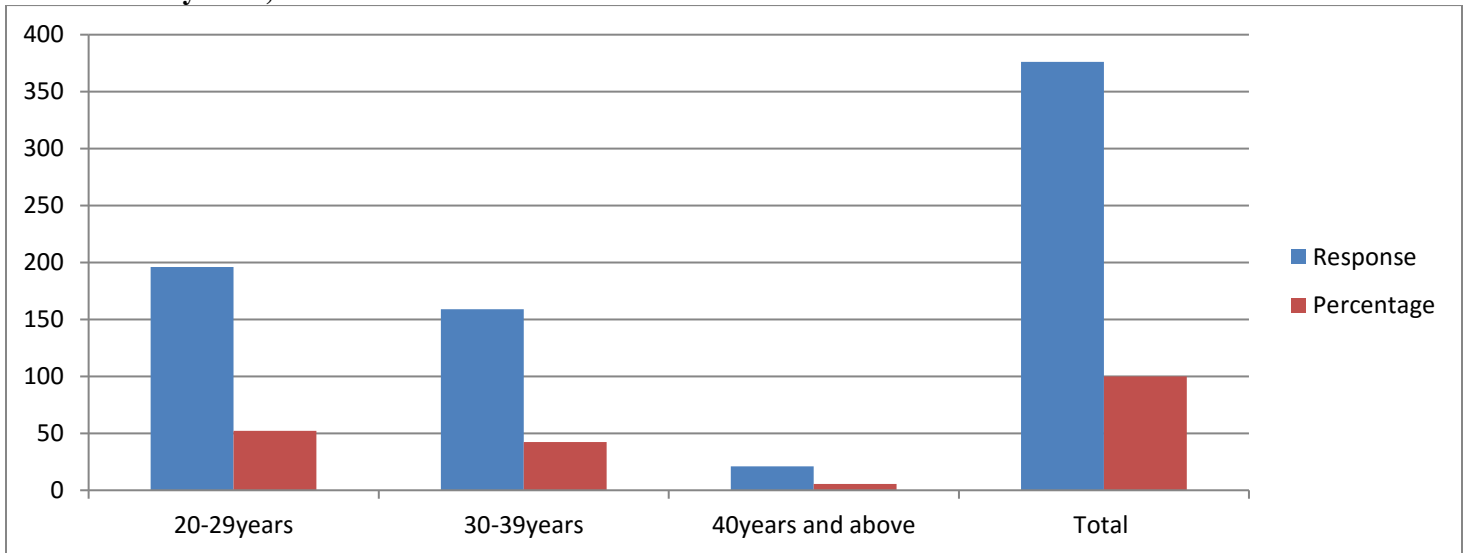


Figure 2; Bar chart showing age distribution of questionnaire



Table 2 above shows that most of the respondents were between the age of 30 and 29 years. The implication of this result is that the actual target that participated in the study was those who were still early adult stage.

Table 3: Distribution of Respondents by Educational qualification

	Educational qualification	Response	Percentage
a	FSLC	63	16.8
b	ND/HND	130	34.6
c	BA/B.SC	126	33.5
d	MA/M.SC	57	15.2
	Total	376	100

Source: Survey Data, 2022.

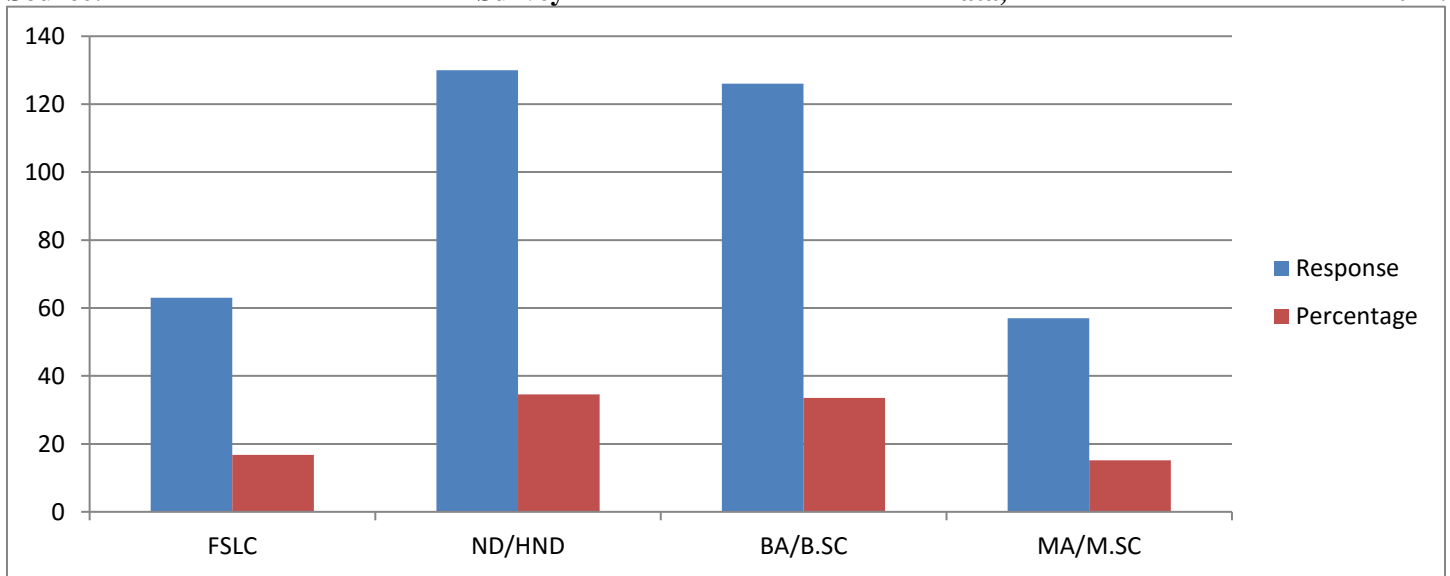


Figure 3; Bar chart showing academic qualification of questionnaire

Table 3 Data shows that the majority of the respondent had higher national diploma as their highest educational qualification. The implication of this result is that more educated individuals participated in the survey, which lends some credence to the quality of their responses on the objectives being canvassed.

Table 4: Distribution of Respondents by Occupation

S/N	Options	Frequency	Percentage
4)a	Business	134	35.6
b	Civil Servant	92	24.5
c	Student	33	8.8
e	Others (farmers, artisans etc.)	117	31.1
	Total	376	100

Source: Survey Data, 2022.

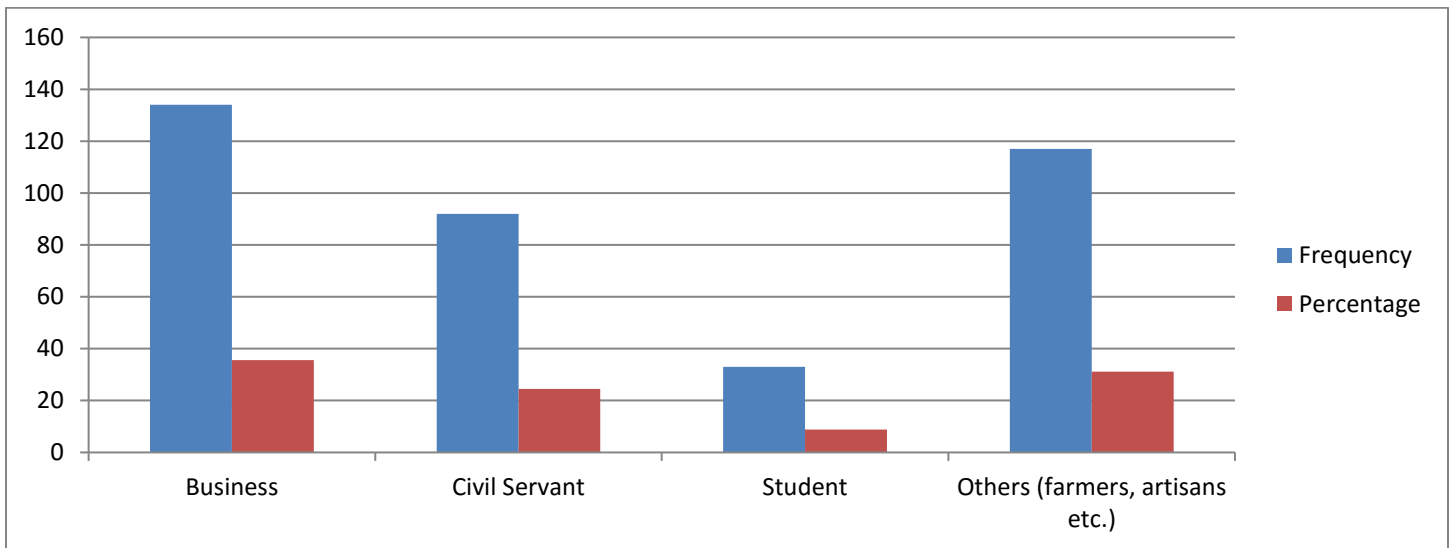


Figure 4; Bar chart showing status distribution of questionnaire

Table 4 above shows that majority of the respondents are into private business. This group was closely followed by the farmers and artisans who further justify the fact that the respondents were responsible individuals capable of making decisions for them within society.

Univariate Analyses

The univariate section is concerned with the presentation of the data for the variables of the study. The data presented

below is continuous and so is assessed using the mean and standard deviation in the assessment of its central tendencies and dispersion. Given the positive statements adopted in the measurement of each variable and the scaling method which ranks from 1 = for strongly disagree to 4 = strongly agree, a mean score of $\bar{x} > 2.5$ with a relative standard deviation of $s < 2.0$ is adopted as substantial evidence of support or agreement to the indicator.

Table 5: Mavordi Mondial Money relate to alleviation of relative poverty in Rivers State

S/N	Questionnaire items	Responses				N	$\sum \bar{X}$	Mean (\bar{X})	Remarks
		SD	D	SA	A				
1.	MMM scheme have impact on relative poverty	175	165	35	29	376	1300	1.46	Accept H0
2.	There is significant relationship between MMM scheme and relative poverty	110	125	66	75	376	900	1.39	Accept H0
3.	The existence of MMM alleviate poverty in Rivers State	110	135	50	81	376	1105	1.94	Accept H0
4.	The introduction of MMM was to reduce relative poverty in Rivers State	110	115	85	76	376	930	1.47	Accept H0
5.	It is accepted that MMM was scheme to reduce relative poverty	145	150	40	41	376	1220	1.24	Accept H0



Source: Survey Data, 2022.

Results of respondents in question one is presented in Table 5 above. It shows that item 1 have a mean variation less than 2.50 and a low standard deviation. In summary, all the five (5) items entered in relation to question one had mean variation of >2.50 and standard deviation of <2.00. This proved that the respondents opined to the negative statement on the relationship between MMM and relative poverty reduction in Rivers State.

Table 6: Get Help Worldwide Exclusive relate to the alleviation of absolute poverty in Rivers State

S/No	Questionnaire items	Responses				N	$\sum \bar{X}$	Mean (\bar{X})	Remarks
		SD	D	SA	A				
6.	Get Help Worldwide Exclusive scheme have impact on absolute poverty	180	141	35	20	376	1325	1.52	Accept H0
7.	There is significant relationship between Get Help Worldwide Exclusive scheme and absolute poverty	200	156	20	-	376	1380	1.67	Accept H0
8.	The existence of Get Help Worldwide Exclusive absolute poverty in Rivers State	165	146	50	15	376	1285	1.42	Accept H0
9.	The introduction of Get Help Worldwide Exclusive was to reduce absolute poverty in Rivers State	200	156	15	5	376	1375	1.66	Accept H0
10.	It is accepted that Get Help Worldwide Exclusive was scheme to reduce absolute poverty	90	46	120	120	376	930	2.47	Accept H0

Source: Survey Data, 2022.

Results of respondents in question one is presented in Table 6 above. It shows that item 1 have a mean variation less than 2.50 and a low standard deviation. In summary, all the five (5) items entered in relation to question two had mean variation of >2.50 and standard deviation of <2.00. This proved that the respondents opined to the negative statement on the relationship between Get Help Worldwide Exclusive and relative poverty reduction in Rivers State.

Table 7: Twinkas relate to the alleviation of subjective poverty in Rivers State

S/No	Questionnaire items	Responses				N	$\sum \bar{X}$	Mean (\bar{X})	Remarks
		SD	D	SA	A				
11.	Twinkas Ponzi scheme have impact on object poverty	120	145	55	80	376	1105	1.94	Accept H0
12.	There is significant relationship between Twinkas Ponzi scheme and object poverty	200	180	15	5	376	1375	1.66	Accept H0
13.	The existence of Twinkas reduces object poverty in Rivers State	80	70	120	130	376	900	1.39	Accept H0
14.	The introduction of Twinkas was to reduce object poverty in Rivers State	165	170	50	15	376	1285	1.42	Accept H0



rudimental barter transaction to digital modern currencies is aiding Ponzi criminality.

Relationship between Get Help Worldwide Exclusive and the Alleviation of Absolute Poverty in Rivers State

The study found a correlation coefficient of .603 and probability value of .006 between get help worldwide exclusive and the alleviation of absolute poverty in Rivers State, this implies that Get Help Worldwide Exclusive have positive relationship with Alleviation of Relative Poverty in Rivers State. The findings mean that the existence of Get Help Worldwide Exclusive increases poverty rate in Rivers state. The findings confirm the a-priori expectation of the study and government warnings for people not to investment in illegal financial scheme. It could be recall that investors in Ponzi scheme lost billions of naira in the scheme. The findings negate the financial intermediation theory and empirically confirm the findings of Omanyo (2017) that promoters of fraudulent schemes usually hope that the schemes would outlive them, Yusuf (2017) that education sector was badly hit as many students took speculative risk of investing their fees in order to raise pocket money and cushion effects of hardship, but ended up losing the investment, the findings of Jack and Jack (2019) that Ponzi schemes constituted negative economic, social and psychological impacts including financial losses, heightened mistrust, psychological traumas, depression and even suicide and the findings of Ibekwe & Oli, (2020) that majority of the respondents (73.1%) believe that there are risks associated with Ponzi schemes.

Relationship between Twinkas and the Alleviation of Subjective Poverty in Rivers State

The study found a correlation coefficient of .526 and probability value of .011 between Twinkas and the Alleviation of Subjective Poverty in Rivers State, this implies that Twinkas have positive relationship with Alleviation of Subjective Poverty in Rivers State. The findings mean that the existence of Twinkas increases poverty rate in Rivers state. The findings confirm the a-priori expectation of the study and government warnings for people not to investment in illegal financial scheme. It could be recall that investors in Ponzi scheme lost billions of naira in the scheme. The findings negate the financial intermediation theory and empirically confirm the findings of Omanyo (2017) that promoters of fraudulent schemes

usually hope that the schemes would outlive them, Yusuf (2017) that education sector was badly hit as many students took speculative risk of investing their fees in order to raise pocket money and cushion effects of hardship, but ended up losing the investment, the findings of Jack and Jack (2019) that Ponzi schemes constituted negative economic, social and psychological impacts including financial losses, heightened mistrust, psychological traumas, depression and even suicide and the findings of Ibekwe & Oli, (2020) that majority of the respondents (73.1%) believe that there are risks associated with Ponzi schemes.

Relationship between Wealth funds and alleviation of dollar poverty in Rivers State

The study found a correlation coefficient of 39.4 and probability value of .078 between Wealth funds and the alleviation of dollar poverty in Rivers State, this implies that Wealth funds have positive relationship with alleviation of dollar poverty in Rivers State. The findings mean that the existence of Wealth funds increases poverty rate in Rivers state. The findings confirm the a-priori expectation of the study and government warnings for people not to investment in illegal financial scheme. It could be recall that investors in Ponzi scheme lost billions of naira in the scheme. The findings negate the financial intermediation theory and empirically confirm the findings of Bupo and Abam-Smith (2017) that about 72% of the students indicated that though increasing their income and reducing impact of harsh economic realities; Ponzi schemes encourage borrowing and greed, Deb (2014) that a 2013 collapse of Ponzi chit fund in West Bengal, Tripura, Assam and Orissa districts of India sprang panic, social unrest, violence, physical harassment and even suicide, Bhuin (2015) that money loss, credibility loss and financial system leakage were major direct consequences of Ponzi scam in the region, Asogwa et al (2017) that students took speculative risk to invest their tuition fees in Ponzi schemes in order to raise pocket money and cushion the effects of economic hardship, but ended up losing the investment, Cortés, Santamaría and Vargas (2016) that the shock exacerbated cash-grabbing crimes in affected municipalities relative to places with no presence of Ponzi schemes, Vlad-Dan (2014) that evolving payment instruments from very rudimental barter transaction to digital modern currencies is aiding Ponzi criminality.



CONCLUSION

This study examined the relationship between Ponzi scheme and poverty alleviation in Rivers State. Findings from hypothesis one proved a correlation coefficient of .593, which implies that of 59.3 correlation coefficient between Mavordi Mondial Money and the alleviation of relative poverty in Rivers State. Hypothesis two found a correlation coefficient of 60.3 between Get Help Worldwide Exclusive and the alleviation of absolute poverty in Rivers State. The Spearman ranking coefficient shows a p- value of .011 and a correlation coefficient of 52.6. The null hypothesis is rejected at 5% confidence level that there is no significant relationship between Twinkas and the alleviation of subjective poverty in Rivers State the correlation. The correlation coefficient of 39.4 shows positive and weak relationship between Wealthfundz and alleviation of dollar poverty in Rivers State.

From the findings, the study concludes that there is significant relationship Mavordi Mondial Money and the alleviation of relative poverty in Rivers State. There is significant relationship between Get Help Worldwide Exclusive and the alleviation of absolute poverty in Rivers State. The correlation coefficient of 593% shows positive and strong relationship between the variables. From the findings, the study concludes that there is significant relationship Get Help Worldwide Exclusive and the alleviation of absolute poverty in Rivers State. The correlation coefficient of shows positive and weak relationship between Wealthfundz and alleviation of dollar poverty in Rivers State.

Recommendations

1. Policies such as financial awareness ease access to business finance and investment promotions should be directed towards increasing financial access of low income earners to reduce investment in Ponzi scheme.
2. The operational efficiency of the financial institution should further be strengthened; existing challenges should be eliminated by the regulatory authorities and there should be increase in rate of return on savings rate to discourage investment in Ponzi scheme.
3. There should be law to strengthen the operational functions of the informal financial institutions, this will increase the operational efficiency and further give access

to financial services to low income earners to reduce investment in Ponzi scheme.

4. There is need to regulate for the regulatory authorities to put a stop on the existence of the Ponzi scheme to avoid investors loss of life savings money that increases poverty rate.

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