

ABSTRACT

The phenomenon of investment fraud with Ponzi and pyramid schemes continues to grow and change its form every year. The development of increasingly sophisticated technology makes access to illegal investment schemes easier, makes many individuals more vulnerable to fraud. This study aims to identify important factors that influence individuals' decisions to make illegal investments and examine the influence of overconfidence, optimism, personality, risk perception, budgeting, and financial literacy on illegal investment decisions. The research method used a questionnaire survey completed by 115 respondents in Indonesia. Respondents were chosen using a purposive sampling method. Data were analyzed using multiple linear regression. The results showed three main indicators that can be used to detect investor vulnerability to ponzi and pyramid schemes, namely, optimism has a positive impact on illegal investment decisions, while risk perception and financial literacy have a negative influence. However, the results show that overconfidence, personality, and budgeting do not affect illegal investment decisions. This research is expected to help investors to realize the impact of psychological factors, risk and their own level of financial literacy on their investment decisions. Since a better understanding of these factors, it is hoped that individuals can make wiser investment decisions and reduce vulnerability to illegal investment schemes.

Keywords: Illegal investment decisions, Optimism, Risk perception, Financial Literacy, Ponzi Schemes