



## Effects of Ponzi Schemes on Students of University of Port Harcourt

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### Article History

Received: 12.03.2023

Accepted: 25.04.2023

Published: 29.04.2023

**Abstract:** The study examined the effects of Ponzi schemes on students of University of Port Harcourt. Five research questions were formulated to guide the study. Descriptive survey design was adopted for the study. The population of the study comprised 37,628 students of the University of Port Harcourt. The sample size is 396 obtained from applying Taro Yamene's sample size selection technique. The instrument used for data collection was questionnaire titled Effects of Ponzi Schemes on students Questionnaire (EPSSQ). The reliability of the instrument was determined using test re-test method. Pearson Product Moment Correlation was used for analysis which gave a reliability coefficient of 0.81. Mean ( $\bar{x}$ ) statistical tool was used to answer the research questions. At the end of the analysis, it was found that some University of Port Harcourt students who participated in Ponzi Schemes were so negatively affected that they could not only pay their accommodation and tuition fees promptly but also could not progress to next levels. Some became so depressed and took ill, while some others dropped out of school. Based on the findings, it was recommended among others that the government agencies such as the police, EFCC (Economic and Finance Crimes Commission) etc should be proactive; the policy of "no fee, no exam" initiated and implemented in University of Port Harcourt should be reviewed; guidance counselors should be made to counsel students periodically.

**Keywords:** Ponzi Schemes, Students, Effects, University, Port Harcourt.

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## INTRODUCTION

It is natural that human beings engage in various activities to make ends meet. Such activities could be political, religious, economic, social, cultural, educational etc. However, it is worthy of note that certain activities which people engage in are not legitimate. Such activities may not be approved by the society hence it is outlawed. For instance, female genital mutilation (female circumcision) has been outlawed though it is a cultural activity in several tribes of the world. Another example is Ponzi scheme which some

societies also outlawed. Ponzi scheme is explained as follows:

*A plan for making money that involves encouraging people to invest by offering them a high rate of interest and using their money to pay earlier investors. When there are not enough new investors, people who have recently invested lose their money (Hornby, 2000, P. 1190).*

Similarly, Chen (2022) posits that Ponzi scheme is a fraudulent investing scam promising high rates of return with little risk to investors. It is a fraudulent investing scam where later investors'

**Citation:** Okanezi Bright, Ogeh Obitor Wizoma Mathew (2023). Effects of Ponzi Schemes on Students of University of Port Harcourt. *Glob Acad J Humanit Soc Sci*; Vol-5, Iss-2 pp- 134-141.

money is used to pay those that invested earlier. Ponzi scheme is an illegal means of making money. It is a fraudulent financial investment scheme where investors are promised high return rates and money of those that invested later are used to pay earlier investors. One remarkable thing is that the money invested is not used for any trade or investment that could yield profit. Rather, the later investors' money is used as returns to pay the earlier investors.

Also, whenever new investors' money is no longer enough to pay earlier investors, the scheme would collapse. The scheme is more or less a system where they rob Peter to pay Paul. In line with the foregoing, Asogwa, Etim, Etukafia, Akpanuko and Nteido (2017, P.47) defined Ponzi scheme as "an investment that yields uncharacteristically high returns on investment based strictly on conscious and serious hunt for admission of new members bearing little or no risk at all".

The origin of Ponzi scheme could be traced to William F. Miller who in 1899 employed the system to generate or defraud the populace of about one million dollars. However, the scheme known as "Ponzi Scheme" is coined from Charles Ponzi. The said Charles Ponzi is an Italian born in 1882 and later emigrated to the United States of America in 1903. Actually his real name as an Italian was Carlo Pietro Giovanni Guglielmo Tebaldo Ponzi but adopted the name Charles Ponzi. It may not be out of place to opine that the scheme was an inspiration from William F. Miller who made use of the same technique to amass one million dollar in the twilight of the 19<sup>th</sup> century. Being motivated by the tales of William F. Miller's financial investment scheme, Charles Ponzi started advertising in the United States that if a client invests any amount of money with him, he would give the client fifty percent as profit within six weeks period or one hundred percent profit within 3 months. He convinced a lot of people by lying to them that he would use the money to buy international postal coupons and redeem them in the United States of America at face value. He also lied that profits were to be made from arbitrage. Whereas the money invested by clients were redistributed to older investors and he kept

part of the money for his personal use or sustenance. Thus this Ponzi scheme was coined after the swindler Charles Ponzi. In the year 1920, the government of United States arrested Mr. Ponzi and charged him with mail fraud. Charles Ponzi was found guilty of the charges in the court of law hence he was imprisoned. He was however deported to Italy in 1934. He later travelled to Brazil where he died in penury in 1949 (Chen 2022).

Apart from William F. Millers and that of Charles Ponzi, there arose another person that operated the Ponzi scheme whose name was Bernard Madoff. He floated an investment technique (Ponzi scheme) which he named split- strike conversion. Thousands of American citizens were defrauded by Bernard Madoff's Ponzi scheme amounting to tens of billions of dollars. His ponzi scheme had been described or regarded as the largest financial frauds in the contemporary era because his scam was not discovered easily and early enough. He was a swindler who operated for about two decades, precisely seventeen years. Madoff exhibited attitudes that earned him respect hence investors believed him without reservation. He promised and gave high returns which were not strange as he asserted that the strategy he employed was lawful. His scam was however discovered which led to his arrest and prosecution. At the end of the court proceedings, he was found guilty of the various charges hence it was ruled that he forfeit one hundred and seventy billion dollars (\$170b) as restitution and sentenced to 150 years in prison in 2009 for money laundering, security frauds and other felonies. On 14<sup>th</sup> April, 2021, Bernard Madoff died in prison at the age of 82 years. Meanwhile, the Madoff Victims Fund distributed its seventh distribution of over \$568 million in September, 2021 (Hayes, 2022).

Fraudsters or fraudulent behaviours had been exhibited by many at different times especially in the United States of America. Some were quite notorious. Hare and Gerken (2021) named eight of the most notorious Ponzi schemes in United States history which include:

1.	Charles Ponzi	-	\$15 million
2.	Lou Pearlman	-	\$ 300 million
3.	Gerald Payne and Greater Ministers International	-	\$448 million
4.	Reed Slatkin	-	\$593 million
5.	Scott Rothstein	-	\$1.2 billion
6.	Tom Petters	-	\$ 3.7 billion
7.	R. Allen Stanford	-	\$7 billion
8.	Bernie (Bernard) Madoff	-	\$ 20 billion

Nigeria like the United States had experienced ponzi scheme operations or

transactions. Ponzi scheme was operational in Nigeria as far back as the 1980s and 1990s. They

include the Umana Umana scheme which operated in both Calabar and Port Harcourt in the 1980s and that of Planwell in Edo State in the 1990s. Another ponzi scheme that operated in Nigeria was the MMM. This MMM is variously referred to as Mavrodi Mundial Movement, Mavrodi Mondial Moneybox, Money Making Machine, and or Magic Money Movement. The acronym MMM may not be unconnected with the surnames of the three founders. It was a Russian company used to defraud an approximately ten million people in the 1990s. The founders include Sergei Mavrodi, Vyacheslav Mavrodi and Olga Melnikova. The MMM operated in Nigeria from 2015 to 2017. It actually collapsed towards the end of 2016. The modus operandi of MMM is not different from other ponzi schemes discussed above. How MMM works is explained as follows:

*Marvo 'A' agrees to 'provide help' and therefore, pledges ₦100,000 for instance. He would be asked to send the money to say Marvo 'B' who 'needs help'. Marvo 'A' would declare that he 'needs help'. And Marvo 'C' who had pledged to "provide help" would be asked to send to Marvo 'A' the ₦100,000 earlier pledged, plus interest of 30 percent. And Marvo 'B' and 'C' need help", other people down the line would be asked to send money to them. Therefore, as people get paid, the money of other would be "hanging". And if the bubble bursts, those whose money is "hanging" would be the ultimate losers (Ukeh, 2016, P. 48).*

The imminent collapse of the scheme in Nigeria became real on the 13<sup>th</sup> December, 2016 when the promoters of MMM announced the freezing of the accounts of Nigerian participants for one month. Some days after the accounts of Nigerian participants were frozen, a website popped up with the assertion that the management of MMM will unfreeze the accounts of the scheme as a response to the yearnings of the Nigerian participants. The website also announced that the MMM promoters have relocated to Kenya (Adigun, 2016, P. 43).

The participants of MMM in Nigeria waited in vain to receive their Marvo (money). It soon dawned on the participants that MMM promoters are fraudsters and have defrauded them. Those Nigerians who patronized MMM scheme looked so dejected when they realized that their money is gone. This unfortunate development in the scheme had an earlier warning from the Nigerian government agencies. They warned Nigerians against patronizing the MMM referring to it as ponzi scheme. Those government agencies include the Security and Exchange Commission (SEC), the Central Bank of Nigeria (CBN), the House of

Representatives, the Economic and Financial Crimes Commission (EFCC) and others. Nigerians refused to heed to the warnings from the government agencies rather more people embraced the scheme. The Nigerian authorities were suspicious of the financial investment scheme which culminated in a tension between them and the promoters of the schemes (Bello, 2016).

The MMM Nigeria Global was not the only ponzi scheme operational in Nigeria between 2015 and 2017. Several other ponzi schemes in Nigeria as at February, 2017 were Get Help Worldwide, Claritta, Naira propeller, Twinker Alwayspays, Loopersclub, 247 Helpers, GiversCricle, Pledge Cycle and DonationHub. All these operated in Nigeria. Some started after MMM ended its operations and lasted for few months. Meanwhile in 2019, another type of MMM Ponzi scheme came on board. This new type was called "Loom" and was mostly embraced by the dwellers of the Federal Capital Territory, Abuja. Loom as it is called was handled or coordinated on a WhatsApp group hence nobody or group of people can be held accountable. It has no named founder. People are recruited to invest in the scheme to make more money. It could be described as unsustainable in circulation among linked friends. The explanation about loom is as follows:

*The more people you bring to the group, the richer you become. You always have a percentage from every donation your group member puts in. people now invest nothing less than ₦1,000 and get eight times the value in less than two days (Bello, 2019, P.28).*

The Loom Ponzi scheme also crashed leaving several participants dejected. Some of these Nigerian participants are either parents of students/pupils or students themselves hence the curiosity for this study.

### **Statement of the Problem**

Ponzi schemes introduced in Nigeria between 2015 and 2019 were embraced by the Nigerian populace which includes students and their sponsors (parents/guardian). Ordinarily, patronizing MMM ought to yield money for the students to pay for their accommodation and settle down for their academics. It is however flabbergasting that some students could not afford accommodation for themselves either in the hostel or off campus. In the same vein, a lot of students from the University of Port Harcourt owed school fees for 2015/2016 and 2016/2017 academic session. There is also the experience that many students in the University of Port Harcourt did not progress to the next level within the between 2015 and 2019 academic sessions. Apart from the above,

it is also alleged that most of the students were emotional while some dropped out of school. What could be responsible for all these negative developments? Why should these development occur during the period when MMM and other ponzi schemes were operational and shortly after their quit. The above are sources of worry hence the decision to embark on this study.

### **Aim and Objectives of the Study**

The aim of the study is to ascertain the effects of Ponzi schemes on the students of University of Port Harcourt. On the specifics, the objectives of the study are to:

1. Determine whether Ponzi schemes have effect on University of Port Harcourt students' ability to pay for accommodation between 2016 and 2019.
2. Find out whether Ponzi schemes have effect on University of Port Harcourt students' prompt payment of tuition fees between 2016 and 2019.
3. Ascertain whether Ponzi schemes have effect on University of Port Harcourt students academic progression between 2016 and 2019.
4. Determine whether Ponzi schemes have effect on University of Port Harcourt students' emotional condition between 2016 and 2019.
5. Find out whether Ponzi schemes have effect on University of Port Harcourt students' drop out of school between 2016 and 2019.

### **Research Questions**

The following research questions were formulated to guide the study thus:

1. What effects do to Ponzi schemes have on University of Port Harcourt students' ability to pay their accommodation between 2016 and 2019?
2. What effect do Ponzi schemes have on University of Port Harcourt students' prompt payment of their tuition fees between 2015/2016 and 2019/2020 academic sessions?
3. What is the effect of Ponzi schemes on University of Port Harcourt students' academic progression between 2015/2016 and 2019/2020 academic sessions?

4. What is the effect of Ponzi schemes on University of Port Harcourt students' emotional condition between 2016 and 2019.
5. How do Ponzi schemes result in University of Port Harcourt students' drop out of school between 2016 and 2020?

### **METHODOLOGY**

The research design employed in this study is the descriptive survey design. The population for the study is 37,628 students of the University of Port Harcourt. The sample size used for the study was 396 students gotten after applying Taro Yamene's sample size mathematical selection formula. The instrument used to collect the required data was a structured questionnaire titled "Effects of Ponzi schemes on Students Questionnaire (EPSSQ)". It is made up of two sections (A and B). Section 'A' contains respondents' bio-data while section 'B' contains items on the effects on ponzi schemes on University of Port Harcourt students. The questionnaire is patterned in the modified four-point Likert format of Strongly Agree (SA), Agree (A), Disagree (D) and Strongly Disagree (SD) with corresponding values of 4, 3, 2, and 1 respectively. The instrument was both face and content validated by two experts. For the sake of ascertaining the internal consistency of the instrument, Cronbach Alpha reliability method was used which yielded a coefficient of 0.91. Two research assistants were recruited (trained) to join the researcher in administering and retrieval of the questionnaire. The data collected were analyzed using mean statistical tool in answering the research questions.

With regards to taking decision on the research questions, cut-off point of 2.50 on 4-point rating scale was used to interpret the results as Agreed or Disagreed. Thus any item with mean value of 2.50 and above were regarded as "Agreed" and the contrary as "Disagreed".

### **RESULTS**

The results for this study were obtained based on the research questions answered.

**Research Question I:** What effects do Ponzi schemes have on University of Port Harcourt students' ability to pay for their accommodation between 2016 and 2019.

**Table I: Mean rating of responses on the effects Ponzi schemes have on University of Port Harcourt students' ability to pay for their accommodation between 2016 and 2019**

S/N	ITEMS	SA	A	D	SD	NO	TWS	$\bar{x}$	RE-MARKS	
1.	Some students invested their accommodation money in MMM and lost it so they could not pay for their accommodation	146	172	55	23	396	1233	3.11	Agreed	
2.	Only few students got Return On Investment (ROI) due to abrupt collapse of the Ponzi schemes hence only few students secured accommodation between 2016 and 2019	120	213	42	21	396	1224	3.09	Agreed	
3.	Some parents invested their children's accommodation money in Ponzi scheme and lost it hence their wards made to go from home daily to school between 2016 and 2019	98	185	74	39	396	1134	2.86	Agreed	
4.	Most of the students could not pay for accommodation due to Ponzi schemes hence they were hanging about and most of them slept in the classrooms	105	197	49	45	396	1154	2.91	Agreed	
<b>Grand</b>		<b>2.99</b>								

The data presented in Table 1 above revealed that all the test items had a mean range of 2.86 - 3.11. Moreso, since the grand mean is 2.99 which is above the criterion mean, we therefore conclude that Ponzi schemes have effect on students' payment for their accommodation in University of Port Harcourt.

**Research Question 2:** What effects do Ponzi scheme have on University of Port Harcourt students' prompt payment of their tuition fees between 2015/2016 and 2019/2020 academic sessions?

**Table 2: Men rating of Responses on the Effects Ponzi Schemes have on University of Port Harcourt Students' prompt payment of Tuition Fees between 2015/2016 and 2019/2020 Academic Sessions**

S/N	ITEMS	SA	A	D	SD	NO	TWS	$\bar{x}$	RE-MARKS	
1.	Some students could not pay their tuition fees promptly because their parents invested their money in Ponzi schemes	75	198	72	51	396	1,089	2.75	Agreed	
2.	Some students attracted by high ROI could not pay tuition fees promptly because schemes.	116	204	44	32	396	1,196	3.02	Agreed	
3.	Some students made part payment and could not complete the balance because they invested in ponzi schemes	93	177	69	57	396	1,098	2.77	Agreed	
4.	Some students could not pay tuition fees at all because no sooner did they invest than the Ponzi schemes collapsed	152	186	22	36	396	1,246	3.15	Agreed	
<b>Grand Mean</b>		<b>2.92</b>								

The data presented in Table 2 showed that the men responses of the respondents on the 4 items ranged from 2.75 to 3.15 which are all greater than the standard reference value of 2.50 on 4- point rating scale. Furthermore, since the grand mean of 2.92 is greater than the criterion mean, it is concluded that ponzi schemes have effect on

students' prompt payment of tuition fees between 2015/2016 and 2019/2020 sessions.

**Research Question 3:** What is the effect of Ponzi schemes on University of Port Harcourt Students' academic progression between 2015/2016 and 2019/2020 academic sessions?

**Table 3: Mean Rating of Responses on the Effect Ponzi schemes have on University of Port Harcourt Students' Academic Progression between 2015/2016 and 2019/2020 Academic Sessions**

S/N	ITEMS	SA	A	D	SD	NO	TWS	X	RE-MARKS
1.	Some students who were participants in Ponzi schemes did not progress to next level because they could not pay tuition fees as their money was trapped by the ponzi schemes promoters	121	173	72	30	396	1,177	2.97	Agreed
2.	"No tuition fee, no examination" policy of University of Port Harcourt management affected students who were ponzi scheme participants	161	194	30	11	396	1,297	3.28	Agreed
3.	Some students wrote examinations but their results were withheld due to "no tuition fee no examination" hence they did not progress to next level	155	198	15	28	396	1,272	3.21	Agreed
4.	Some students stayed for extra-years as they carried over a whole academic session while some carried over more than 2 sessions	138	165	37	56	396	1,177	2.97	Agreed
<b>Grand Mean</b>								<b>3.11</b>	

The data presented in Table 3 above showed that the mean responses of the respondents on the 4 items ranged from 2.97 to 3.28 which are all greater than the standard reference value of 2.50 on 4 - point rating scale. Moreso, since the grand mean of 3.11 is greater than the criterion mean, it is concluded that ponzi schemes have effect on

University of Port Harcourt students' academic progression between 2015/2016 and 2019/2020 academic sessions.

**Research Question 4:** What is the effect of Ponzi schemes on University of Port Harcourt students' emotional condition between 2016 and 2019?

**Table 4: Mean Rating of Responses on the Effect Ponzi Schemes have on University of Port Harcourt students' emotional conditions between 2016 and 2019**

S/N	ITEMS	SA	A	D	SD	NO	TWS	$\bar{x}$	RE-MARKS
1.	Students affected negatively by Ponzi schemes were saddened and traumatized between 2016 and 2019	93	170	84	49	396	1,099	2.77	Agreed
2.	Some students negatively affected by the ponzi schemes developed ill health hence they could not concentrate in their academics	126	158	65	47	396	1,155	2.92	Agreed
3.	Some students negatively affected by ponzi schemes took to drug addiction	145	121	62	68	396	1,135	2.87	Agreed
4.	Some students negatively affected by the ponzi schemes could not afford school financial needs, so they opted to becoming truants	111	163	75	47	396	1,130	2.85	Agreed
<b>Grand Mean</b>								<b>2.85</b>	

Table 4 above showed that the mean responses of the respondents on the 4 items ranged from 2.77 to 2.92 which are all greater than the criterion reference value of 2.50 on 4 - point rating scale. Moreso, since the grand mean of 2.85 is greater than the criterion mean, it is concluded that Ponzi schemes have effect on University of Port

Harcourt students' emotional conditions between 2016 and 2019.

**Research Question 5:** How do ponzi schemes result in University of Port Harcourt students' school drop out between 2016 and 2020.

**Table 5: Mean Rating of Responses on how Ponzi schemes Result in school drop out of University of Port Harcourt students between 2016 and 2020**

S/N	ITEMS	SA	A	D	SD	NO	TWS	$\bar{x}$	RE-MARKS
1.	Some of the students negatively affected by the Ponzi schemes could not pass their examinations because they were emotional hence the school dropout option.	133	205	23	35	396	1,228	3.10	Agreed
2.	“No fee, no exam” policy made students to lose two academic sessions and being ashamed of going back to 200 level in lieu of 400 level, they decided to drop out of school	118	184	45	49	396	1,163	2.94	Agreed
3.	Some parents lost their children’s tuition fees to ponzi schemes hence their wards dropped out of school.	95	129	101	71	396	1,040	2.63	Agreed
4.	The ponzi schemes promoters were faceless, they could not be sued and since the affected students had nothing left to sustain themselves in school, they decided to withdraw	147	163	36	50	396	1,199	3.03	Agreed
	<b>Grand Mean</b>							<b>2.93</b>	

The data presented in Table 5 above showed that the mean responses of the respondents on the 4 items ranged from 2.63 to 3.10 which are all greater than the criterion reference value of 2.50 on 4 - point rating scale. Furthermore, since the grand mean of 2.93 is greater than the criterion mean, it is therefore concluded that ponzi schemes resulted in school drop out of some University of Port Harcourt students between 2016 and 2020.

**DISCUSSION OF FINDINGS**

The first finding of this study is that both parents and students used money hitherto earmarked for accommodation to invest in Ponzi schemes and it went down the drain as the schemes collapsed though very few students got Return on Investment. This culminated in some students being unable to pay for accommodation, some transported daily from home to school while some slept in the classrooms between 2016 and 2019. The findings above is given credence in the views of Ogbuokiri and Iremeka (2017, P. 3) as they stated that “unfortunately, many students who invested their school fees with the hope of making 30 percent profits from the ponzi scheme are as stranded as those who borrowed or invested their working capital”.

The second finding of this study is that students could not pay their tuition fees promptly because their parents invested such money in ponzi schemes.

Moreso, some students who made part payment could not pay up the balance because the scheme collapsed. The above finding is supported in a newspaper publication as follows:

*A father of three, Chidube Anya, said I have lost hope in MMM. I had thought that when they resumed, they would pay us. I put in my children’s school fees in the scheme, and now they cannot go back to school. Every child displays payment teller before gaining entrance to the school. I went to the school to sign a bond that I would pay latest first week of February; the school would not allow my children into the classes because I did not redeem my pledge. I feel like committing suicide... (Ogbuokiri and Iremeka, 2017, P. 3).*

The third finding of the study is that due to students’ investment in ponzi schemes, they could not pay their tuition fees and as such they were either not allowed to write examinations or their results were not released due to the University of Port Harcourt’s “no school fee, no examination” policy. Consequent upon the above, some students who were affected could not progress to next class (level). Invariably, some students lost one session while some lost two sessions. Some smart students applied for deferment.

Another finding of the study is that students who were negatively affected manifested in several ways. Some became so emotional that they were saddened and traumatized, some became ill, some took to drug addiction while some opted for becoming truants. In line with the above, a conversation was reported as follows:

*...I am not upset as other participants because it is a small amount of money. The money I put in is the interest I got from my last investment ... I have friends who put in*



*millions of naira and have either suddenly fallen ill or are showing signs of depression. I just pray that MMM Nigeria has not crashed because many people will commit suicide or turn crazy* (Folasade - Koyi, 2016, P.12).

Lastly the study found that some students who were negatively affected by the crash of the ponzi schemes could not sue the promoters of the ponzi schemes because they were faceless hence they decide to drop out of school. Also the University of Port Harcourt policy of “no fee, no exam” made the affected students to withdraw from the school programme. Students could not bear the shame of going back to level 200 instead of level 400, hence they dropped out of school. Giving credence to the foregoing, Ogbuokiri and Iremeka (2017, P.3) reported that “Sunday Telegraph further checks revealed that many students who invested their school fees in the scheme are all stranded”.

## CONCLUSION

Ponzi schemes introduced in Nigeria had serious effects on the participants especially students and their education. The University of Port Harcourt Students negatively affected by the Ponzi schemes could neither secure accommodation nor pay tuition fees promptly. They therefore became affected by the University’s policy of “no fee, no examination”. The consequences were that those students could not progress from one level to the next between 2016 and 2019. Moreso, within the period under review, the affected students became saddened and emotional which made some of them to become sick, while others took to drug addiction as well as attitude of truancy. Ultimately, some dropped out of school because they could not bear the shame of repeating classes.

## RECOMMENDATIONS

Based on the findings of the study, the following recommendations were made:

1. Government agencies such as the police, the Economic and Finance Crimes Commission (EFCC) etc should always be proactive in stopping Ponzi schemes operating in the country.
2. The University of Port Harcourt policy of “no fee, no examination” should be reviewed.

3. The government should provide employment for the populace especially the teeming youths.
4. National orientation Agency should always rise up to the occasion when issues of Ponzi schemes arise.
5. Guidance counselors should be sent to counsel students periodically.

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