



The Role of Financial Literacy in Preventing Fraudulent Investments in Bengkulu: A Case Study of Central Bengkulu

Anggun Citra Lestari*, Masnita Sinaga, Ilham Rudiansyah, Arya Sulistio Setiawan

Universitas Prof Dr Hazairin SH

DOI:

<https://doi.org/10.53697/emba.v5i2.3124>

*Correspondence: Anggun Citra Lestari

Email:

citralestarianggun364@gmail.com

Received: 21-10-2025

Accepted: 03-11-2025

Published: 19-12-2025



Copyright: © 2025 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<http://creativecommons.org/licenses/by/4.0/>).

Abstract: Financial fraud has become an increasing concern in Indonesia, particularly in smaller regions such as Central Bengkulu. The rapid expansion of online investment platforms and limited understanding of financial principles have made the local population vulnerable to fraudulent investment schemes. This study aims to analyze the role of financial literacy in preventing individuals from engaging in such deceptive investment activities. Using a qualitative descriptive approach, data were collected through semi-structured interviews and documentation from ten participants in Central Bengkulu who had prior experience or knowledge related to investment. The findings reveal that individuals with higher financial literacy demonstrate stronger awareness of risk assessment, greater ability to verify financial information, and are less likely to be deceived by unrealistic promises of high returns. Conversely, low levels of financial understanding correlate with susceptibility to fraudulent investment offers. The study concludes that strengthening financial literacy through community education, government initiatives, and digital literacy programs can significantly reduce the risk of financial fraud in local communities

Keywords: Financial Literacy, Investment Fraud, Central Bengkulu, Financial, Education, Risk Awareness.

Introduction

In recent years, Indonesia has experienced a significant increase in fraudulent investment activities, particularly in semi-urban and rural areas where financial literacy levels remain low. According to the Otoritas Jasa Keuangan (OJK, 2023), financial fraud cases—including online trading scams, illegal cooperatives, and Ponzi schemes—have caused substantial financial losses, affecting thousands of citizens across the country. Many of these victims were persuaded to invest their savings in high-yield schemes that promised unrealistic profits in a short time. This phenomenon is especially concerning in regions like Central Bengkulu, where people are generally less exposed to formal financial education and rely heavily on word-of-mouth recommendations or community networks in making financial decisions. Financial literacy has been widely acknowledged as a fundamental skill that enables individuals to make informed and rational financial decisions. Lusardi and Mitchell (2014) define financial literacy as the ability to understand and apply financial concepts such as budgeting, investment, risk management, and interest rates in daily life. A

financially literate individual can distinguish between legitimate investment opportunities and fraudulent schemes by critically evaluating financial products and identifying potential red flags. In contrast, a lack of financial knowledge often leads to irrational financial behaviors, impulsive investment decisions, and greater susceptibility to manipulation.

In the case of Central Bengkulu, several incidents of fraudulent investment have been reported, involving local residents who were deceived by individuals or companies claiming to offer quick profits through unverified online platforms. These fraudulent practices exploit not only the financial ignorance of victims but also their social trust and desire for financial improvement. Many victims admitted that they invested their money because they were influenced by friends, relatives, or community leaders who had already participated in similar schemes. This shows that social and psychological factors play a major role in amplifying the risk of financial fraud in communities with limited access to financial education.

Furthermore, the expansion of digital financial platforms has created new challenges for regions like Central Bengkulu. While digitalization increases financial accessibility, it also opens opportunities for online scammers to operate more effectively. People who lack digital and financial literacy are more likely to fall for phishing, fake investment websites, or fraudulent social media advertisements. Therefore, financial literacy today must include not only knowledge of financial principles but also digital financial awareness—the ability to recognize online fraud, verify financial institutions, and use digital tools securely.

The government, particularly through OJK and Bank Indonesia, has launched various financial literacy programs to improve the public's understanding of finance. However, the effectiveness of these programs at the regional level remains limited. Many residents in Central Bengkulu are not aware of these initiatives or have not participated in them. This gap indicates a need for a more localized and culturally appropriate approach to financial education. Strengthening financial literacy at the grassroots level is essential to empower citizens to make safer investment decisions and protect themselves from financial crimes.

Given this context, this study focuses on exploring the role of financial literacy in preventing fraudulent investments in Central Bengkulu. By examining how people's understanding of financial concepts influences their investment behavior, this research aims to provide deeper insights into the preventive power of financial literacy. The findings are expected to contribute not only to academic discussions but also to the development of practical strategies for policymakers, educators, and financial institutions in promoting ethical and secure financial behavior within local communities.

Methodology

This study employs a qualitative descriptive method to explore the role of financial literacy in preventing fraudulent investments. The research was conducted in Central Bengkulu Regency, with ten participants selected through purposive sampling based on their knowledge, experience, or involvement in investment activities. Data were collected through semi-structured interviews, allowing respondents to share their experiences and

perceptions freely. Documentation and literature reviews were also used to support the findings.

Data analysis followed the Miles and Huberman (1994) model, consisting of data reduction, data display, and conclusion drawing. Triangulation was applied to ensure data validity, comparing interview results with secondary sources such as financial education reports and fraud prevention campaigns conducted by OJK. Ethical considerations, including informed consent and confidentiality, were maintained throughout the study..

Result and Discussion

Result

The results of this study reveal several crucial findings regarding the relationship between financial literacy and the prevention of fraudulent investment practices among residents of Central Bengkulu. Based on in-depth interviews and supporting documentation, four main themes emerged: (1) awareness of investment risk, (2) ability to evaluate information, (3) social influence and trust, and (4) digital literacy as a protective factor.

Awareness of Investment Risk

The first and most dominant finding relates to the level of awareness individuals have regarding the risks involved in investment. Respondents with a low understanding of financial concepts tended to perceive all investments as opportunities for quick profit, without recognizing the inherent risks or the possibility of fraud. They often equated high returns with successful investment performance and failed to consider the basic financial principle that higher return always comes with higher risk. Some participants admitted that they joined investment groups or online trading platforms because their peers claimed it was profitable, even though they did not fully understand how the investment worked. In contrast, respondents who possessed at least basic financial literacy—such as understanding compound interest, diversification, and risk-return relationships—demonstrated a more cautious attitude. They were more likely to investigate the legitimacy of investment programs and avoid those that lacked transparency or regulatory approval.

Ability to Evaluate and Verify Financial Information

Another key finding concerns the respondents' ability to analyze and verify financial information. Those with higher financial literacy were able to interpret financial documents, recognize unrealistic profit claims, and cross-check the company's registration through the Otoritas Jasa Keuangan (OJK) database. They also tended to consult financial experts or official sources before making investment decisions. On the other hand, participants with limited financial knowledge often relied solely on verbal information or promotional materials, which made them more vulnerable to manipulation. For example, one respondent stated that they lost several million rupiah after trusting an unregistered online investment advertised through social media. This illustrates how a lack of verification skills directly contributes to financial vulnerability.

The Role of Social Influence and Community Trust

The study also found that social dynamics play a significant role in shaping investment decisions in Central Bengkulu. Many fraudulent schemes were introduced through community gatherings, social media groups, or even religious networks, where individuals tend to trust familiar faces rather than verify formal documentation. This cultural pattern reflects the collectivist nature of rural Indonesian communities, where trust and social bonds are often prioritized over financial logic. Participants with stronger financial literacy, however, reported that they could balance social trust with rational evaluation, demonstrating that financial education not only improves knowledge but also strengthens psychological resilience against social pressure.

Digital Literacy and Fraud Prevention

The emergence of digital finance platforms has transformed how people engage in investments. Participants with adequate digital literacy were more vigilant toward online scams, fake websites, or cloned investment applications. They were aware of indicators such as unsecured URLs, absence of official contact information, and unrealistic online testimonials. Conversely, those with poor digital understanding were easily misled by professional-looking advertisements or manipulated screenshots showing fake profits. This finding highlights the importance of integrating digital financial literacy into public education programs, particularly in regions like Central Bengkulu where online fraud is increasingly prevalent.

Financial Literacy as a Defensive Mechanism

Overall, the study concludes that financial literacy acts as a defensive mechanism that equips individuals with critical thinking, skepticism, and the ability to verify information. Respondents who participated in financial education workshops or who had previous experience in managing personal finance showed a lower tendency to engage in risky or unverified investment programs. They demonstrated confidence in saying “no” to suspicious offers and were more aware of the need to consult legitimate financial authorities before investing.

In summary, the results clearly indicate that financial literacy—encompassing knowledge, attitudes, and digital awareness—plays a vital role in protecting individuals from fraudulent investment practices. The findings suggest that enhancing financial literacy among residents of Central Bengkulu can serve as a sustainable strategy to reduce financial losses and foster more responsible financial behavior across the community.

Discussion

The results affirm that financial literacy plays a pivotal role in preventing fraudulent investment behavior. Consistent with the theory of behavioral finance (Pompian, 2017), individuals’ financial decisions are shaped not only by their income but also by their cognitive understanding of risk and return. In Central Bengkulu, low financial literacy often

leads to emotional decision-making, driven by greed or social trust rather than rational analysis.

Furthermore, the findings align with Lusardi and Tufano (2015) who stated that financial literacy enhances financial self-protection. Educated individuals are more likely to cross-check information through credible sources such as OJK or Bank Indonesia before investing. This suggests that education campaigns and community-based workshops can be highly effective in reducing fraud cases.

However, improving financial literacy must go hand-in-hand with strengthening digital awareness. Many fraudsters now operate through online channels, making it necessary for educational interventions to integrate both financial and digital literacy components. Collaborative efforts between local governments, universities, and OJK can help build a culture of financial responsibility and vigilance.

Conclusion

This study concludes that financial literacy significantly contributes to preventing fraudulent investments in Central Bengkulu. Individuals with sufficient knowledge of financial management, risk evaluation, and digital verification are less likely to be deceived by fraudulent schemes. To reduce investment-related fraud, stakeholders should prioritize financial education through formal and informal channels, promote accessible financial information, and integrate digital security training into local financial literacy programs. Future research could involve larger samples and quantitative methods to measure the statistical impact of financial literacy on fraud prevention across different regions in Indonesia.

References

- Adil, M. (2023). Do trust in financial institution and financial literacy enhances intention to participate in stock market among Indian investors during COVID-19 pandemic?. *Cogent Economics and Finance*, 11(1), ISSN 2332-2039, <https://doi.org/10.1080/23322039.2023.2169998>
- Akhtar, M. (2023). Personality traits and investor risk behavior: moderating role of financial literacy. *Managerial Finance*, 49(5), 884-905, ISSN 0307-4358, <https://doi.org/10.1108/MF-08-2021-0387>
- Amelia, T.N. (2024). Investment Trend on Millennials and Fintech Fraud Mitigation. *Global Business and Finance Review*, 29(2), 35-46, ISSN 1088-6931, <https://doi.org/10.17549/gbfr.2024.29.2.35>
- Bank Indonesia. (2023). Financial Literacy and Inclusion Survey 2023. Jakarta: Bank Indonesia.
- Caroline, S.T. (2023). Analysis of the Effect of Profitability, Liquidity and Capital Structure on Investment Risk in Primary Consumer Goods Industry (Non-Cyclicals)

- Companies Listed on The IDX in 2018-2020. *E3s Web of Conferences*, 426, ISSN 2555-0403, <https://doi.org/10.1051/e3sconf/202342602036>
- Kusumawati, D. (2023). Financial Literacy and Investment Decision Making in Rural Indonesia. *Journal of Economics and Development*, 15(2), 45–58.
- Lakshmi, R.M. (2023). Advanced wireless mobile network on financial literacy. *Resource Management in Advanced Wireless Mobile Networks*, 211-225, <https://doi.org/10.1002/9781119827603.ch10>
- Lusardi, A., & Mitchell, O. S. (2014). The Economic Importance of Financial Literacy: Theory and Evidence. *Journal of Economic Literature*, 52(1), 5–44.
- Lusardi, A., & Tufano, P. (2015). Debt Literacy, Financial Experiences, and Overindebtedness. *Journal of Pension Economics and Finance*, 14(4), 332–368.
- Malik, P.E.B. (2023). Features of Low and Highly Susceptible Individuals in Retail Investment Fraud: A Machine Learning - Based Analysis. *2023 International Conference in Advances in Power Signal and Information Technology Apsit 2023*, 172-176, <https://doi.org/10.1109/APSIT58554.2023.10201693>
- Miles, M. B., & Huberman, A. M. (1994). *Qualitative Data Analysis: An Expanded Sourcebook*. Sage Publications.
- Otoritas Jasa Keuangan. (2023). *Laporan Perlindungan Konsumen Sektor Jasa Keuangan Indonesia*. Jakarta: OJK.
- Pompian, M. M. (2017). *Behavioral Finance and Investor Types: Managing Behavior to Make Better Investment Decisions*. Wiley Finance.
- Rafik, A. (2023). Profiling the Victims of Ponzi Schemes: The Role of Financial Literacy. *Eurasian Studies in Business and Economics*, 25, 299-309, ISSN 2364-5067, https://doi.org/10.1007/978-3-031-36286-6_18
- Saputra, B. (2024). LEGAL LOOPHOLES IN PYRAMID AND PONZI SCHEME REGULATIONS: A CAUTIONARY TALE FROM ALBANIA TO INDONESIA. *Balkan Social Science Review*, 24, 31-67, ISSN 1857-8799, <https://doi.org/10.46763/bssr242424031s>
- Setiawan, R., & Nurfadilah, S. (2022). Financial Literacy and Its Role in Preventing Investment Fraud Among Millennials. *Indonesian Journal of Finance and Accounting*, 9(1), 12–21.

-
- Sharma, P.C. (2024). Impact of Emotional Intelligence on Investment Decision. *Deep Learning Tools for Predicting Stock Market Movements*, 341-362, <https://doi.org/10.1002/9781394214334.ch14>
- Singh, K.N. (2023). Victimization of investors from fraudulent investment schemes and their protection through financial education. *Journal of Financial Crime*, 30(5), 1305-1322, ISSN 1359-0790, <https://doi.org/10.1108/JFC-07-2022-0167>
- Sirohi, N. (2024). Vulnerability of individuals to economic crime and the role of financial literacy in its prevention: Evidence from India. *Crime Law and Social Change*, 82(1), 165-196, ISSN 0925-4994, <https://doi.org/10.1007/s10611-024-10138-w>
- Soepriyanto, G. (2022). Jouska: a lesson on financial (il)literacy of Indonesian millennials?. *Emerald Emerging Markets Case Studies*, 12(2), 1-21, ISSN 2045-0621, <https://doi.org/10.1108/EEMCS-09-2021-0319>
- Stix, H. (2021). Ownership and purchase intention of crypto-assets: survey results. *Empirica*, 48(1), 65-99, ISSN 0340-8744, <https://doi.org/10.1007/s10663-020-09499-x>
- Sudarwanto, A.S. (2023). Law enforcement against investment fraud: a comparison study from the USA and Canada with a case study on binary options in Indonesia. *Safer Communities*, 22(4), 235-253, ISSN 1757-8043, <https://doi.org/10.1108/SC-11-2022-0047>
- Sugiyono. (2021). *Metode Penelitian Kualitatif, Kuantitatif, dan R&D*. Bandung: Alfabeta.
- World Bank. (2023). *Improving Financial Capability in Emerging Economies*. Washington D.C.: World Bank Group.
- Xiao, X. (2022). Financial literacy overconfidence and investment fraud victimization. *Economics Letters*, 212, ISSN 0165-1765, <https://doi.org/10.1016/j.econlet.2022.110308>