

Utilization of Integrated Various Capital in Fraudulent Investment Practices in Singaraja, Buleleng, Bali

Anantawikrama Tungga Atmadja
Accounting Department, Economic Faculty
Universitas Pendidikan Ganesha
Singaraja, Bali, Indonesia
anantawikrama_t_atmadja@undiksha.ac.id

Nyoman Trisna Herawati
Accounting Department, Economic Faculty
Universitas Pendidikan Ganesha
Singaraja, Bali, Indonesia

Abstract - This article is the result of a research using qualitative methods in order to understand the background of the community investing their capitals in fraudulent investment, the process of fraudulent investment offered by the organizers, and its implications toward the community. Data was collected by interviewing, observing and documenting studies and interpreted with the help of the theoretical framework that had been prepared previously. The results of the research showed that the organizers used various capitals in manipulating the victims' id and ego. The implications of this fraud are the existence of conflicts among societies, loss of victims' various capitals, relative deprivation and distrust of investment institutions.

Keywords: **fraudulent investments, capitals, conflicts.**

I. INTRODUCTION

People who is interested in investing increase from time to time. This can be shown by the increasing number of investors in the Capital Market. Based on data presented by *Kontan* Tabloid (31 December 2018 - 6 January 2019) there has been an increase of 8.34% year-to-date compared to the number of investors at the end of 2017. Apart from the number of investors who have a single investor identification, the increase can also be seen from an increase in the contribution of local investors compared to foreign investors as of the first week of December 2018.

In addition to conducting transactions on the Stock Exchange, investment activities in the community carry out investment activities through various investment instruments. Investment instruments include buying gold, foreign exchange, buying property, etc. The increase in the number of investors is also accompanied by an increase in the amount of funds invested in these various investment instruments.

Although the enthusiasm of the people in investment has increased, this has not been accompanied by adequate literacy in various investment instruments. This condition has resulted in the circulation of various fraudulent investment instruments which are detrimental to the community. It was said to be a fraudulent investment instrument because this type of investment does not have permission from the Financial Services Authority (OJK) which has the authority to oversee financial services including investments in Indonesia. Aside

from not having a fraudulent investment permit, it is also carried out without following the correct investment rules but is a mere game money practice. Funds from investors who enter the business later are used to pay the returns for previous investors.

This fraudulent investment instrument is circulated with the lure of an extremely high rate of return that goes far beyond other investment instruments. This rate of return is even higher than the return on investment in shares or property in a shorter period of time. Besides offering a high level of return, fraudulent investment also offers a "certainty" of return per month. Unlike the case with other investment instruments that have a very diverse degree of certainty about the return, the fraudulent investment instrument promises a fixed rate of return each month. If the instrument is stated to be able to produce a return of 15% per month, then every investor will get the same amount as if the investor is investing funds. It's just that the return offered is much higher than the deposit interest rate.

The rise of fraudulent investment also occurs in the City of Singaraja. Although this investment instrument was contrary to the principle of investment in general, but the interest of this fraudulent investment instrument is very large and comes from various background of society. The investors did not only come from uneducated people but also affect those who have high levels of education. Based on the field observations in the city of Singaraja and its surroundings, the victims of this fraudulent investment come from various professions such as traders, civil servants, housewives, farmers, etc.

This fraudulent investment phenomenon was very interesting when it's seen from the number of investors who are victims and their backgrounds. The large number of participants shows the high ability of the fraudulent investment providers to utilize social capital, economic capital, cultural capital and symbolic capital that makes it able to always attract new customers. This condition makes prospective participants who have a high level of education and should avoid this type of investment instead become victims. In addition, there were also participants who had been victims for several times in several different institutions. This

shows that human nature as a learning creature does not occur and was replaced by his desire to achieve maximum profits. The high interest of the community to participate in this fraudulent investment resulted in the amount of financial losses to the community becomes very large and makes this phenomenon more interesting to study. This article will discuss why people follow fraudulent investments and the implications of fraudulent for their victims.

II. LITERATURE REVIEW

Efforts to obtain economic capital cause people to do things that often even against the ratio they have. The ratio that is able to process various knowledge possessed has been defeated by the desire to obtain economic capital to fulfill human desires. This condition results in the end of humans trapped in deviant behavior and vulnerable to becoming victims of exploitation by irresponsible parties.

As stated by Bourdieu (2010) efforts to obtain economic capital are made by utilizing various capital owned by someone. These capitals are cultural capital, social capital, and symbolic capital. Cultural capital includes a variety of knowledge or intellectual qualities that are formally produced as well as family inheritance. For example, diplomas, cultural codes, ways of speaking, manners, ways to get along, etc. Social capital includes social relations between individuals and the shared values associated with these contacts. Symbolic capital comes from one's honor and prestige (Ritzer and Goodman, 2003: 526-527; Takwin, 2005: xx; Fashri, 2007: x; Mutahir, 2011; Field, 2010). Different fields require different types of capital ownership, both in terms of quantity and quality and its priority (Fashri, 2007: x-xi). Specifically Bourdieu's (2010) notion of social capital is so important that many experts study it.

Someone who has much more capital will be able to exchange their capital more easily than those who are in the opposite condition. In the perspective of psychoanalysis, the human soul has three apparatus, namely id, ego, and super ego (Freud, 2006; in Damsar, 2011) or in Vedanta's philosophical perspective called the subconscious, conscious, and super conscious (Swami, 2005). If the id gets out of control then humans will always try to fulfill their desire (*kama*) for *lidinal* and *karnal* by violating norms, including accounting-based rules. If the super ego dominates man, he will obey rigidly to the principle of morality. For this reason, a balancing factor is needed, namely the ego or rational and conscious elements. In this way the agent can legitimize his actions consciously and rationally. Someone who cannot maintain his id then he can use his capital in violation of applicable norms.

When humans take actions that violate the norms, these actions can be detrimental to other parties who are parties in their social networks. In other words, deviant behavior carried out by someone who can damage their social capital. If the social capital has been eroded, then the perpetrators will lose their legitimacy in the community especially if this deviation results in legal consequences. This condition makes the offender lose cultural capital and symbolic capital in society. In fact, if this violation results in

fines or other financial obligations, then the person will also lose their financial capital.

In addition to generating distrust which has an impact on the weakening of social capital, failure in investment can also lead to distrust of victims and the general public of various investment instruments. If this happens, the government's efforts to increase community participation in investing will inevitably be failed.

III. RESEARCH METHOD

This research was conducted on investment managers and participants in the City of Singaraja. However, it is also possible to collect data outside the city of Singaraja if the data obtained requires expansion of the research location. In addition to investment managers and participants data collection was also carried out at the Financial Services Authority (OJK) office in Denpasar to find out the picture of fraudulent investments in Bali and even Indonesia in general as well as the rules governing investment practices in Indonesia.

The informants of this research were chosen purposively including the organizer of the investment program, participants of the investment program, the Financial Services Authority, the police, academics, etc. Informants as well as research locations can be developed using snowball techniques. The number of informants were not limited from the beginning, because it depends on the quality of data saturation to answer the research problem.

Data collection techniques were done by: *first*, in-depth interviews with informants; *second*, observation of ongoing investment practices. Observed aspects, namely settings, participant, activity and interaction, frequency and duration, and subtle factors. *Third*, study of documents, for example, records of investment participants, membership networks, police reports, etc.

In order to better guarantee the validity of the data a data triangulation technique is used. The triangulation techniques used, namely: (1) triangulation of data collection techniques; (2) data source triangulation techniques; (3) time triangulation; (4) triangulation of key informants and peers; and (4) theory triangulation. Data analysis follows the steps of Milles and Hubberman (1992), namely by verifying the findings in the field with a theoretical framework that has been prepared previously.

IV. RESULTS AND DISCUSSION

A. Capital Games as a Driving Force in Fraudulent Investment

Based on the results of interviews conducted with the Financial Services Authority, represented by I Gusti Bagus Adi Wijaya (40 years) who served as Head of Consumer Education and Protection Subdivision of the Regional Office of Bali and Nusa Tenggara Regional OJK, it can be seen that the definition of fraudulent investment is as follows:

“Investasi bodong dapat diartikan sebagai sebuah kegiatan investasi atau penanaman aset atau dana yang dilakukan oleh sebuah perusahaan atau perseorangan untuk jangka waktu tertentu demi memperoleh imbal balik yang lebih besar di masa depan yang tidak dilengkapi dengan dokumen perijinan yang sah dari lembaga yang memiliki kewenangan dalam memberikan ijin dan tidak berlandaskan hukum atau ketentuan yang berlaku. Dengan kata lain, investasi bodong adalah dugaan tindakan melawan hukum di bidang penghimpunan dana masyarakat dan pengelolaan investasi”

Furthermore, it also presents several characteristics possessed by fraudulent investments which include;

“.....a) menjanjikan keuntungan tidak wajar dalam waktu cepat, b) menjanjikan bonus dari anggota baru atau dikenal dengan istilah *member get member bonus* memanfaatkan tokoh masyarakat/tokoh agama/figur public untuk menarik minat berinvestasi, c) klaim tanpa resiko dan d) memiliki legalitas yang tidak jelas.”

With this unclear permit or legality, it can be explained that fraudulent investment is an investment that "1) does not have a permit, 2) has an institutional permit but does not have a business permit, 3) has an institutional permit but does activities that are not in accordance with the permit."

Based on the explanation above, it can be understood that the fraudulent investment products were issued by institutions that did not have the legality aspect and at the same time carry out activities that deviated from the investment principle. From observations in the field, there were victims of fraudulent investment from various background. Communities with low levels of education to those with a bachelor or even a postgraduate degree have become victims.

The same thing can also be seen from the socio-economic conditions. The victims of fraudulent investments came from the upper middle class and those who came from the lower middle class. This condition makes them lose economic resources which makes the victims' equality disturbed or even lost.

The variety of victims of fraudulent investments shows that this deviation is complex and cannot be linked solely to rationality which is the main basis for investment decision making. Those who are highly educated and are often associated with high rationalism can be deceived like those who are uneducated and uninformed.

Fraudulent investments were played by the actors in a field. Like any other field, this fraudulent investment practice was bound in a social practice habitus. Besides being bound to the habitus of social practice in the field of need also capital, namely "... resources or qualities possessed by individuals or social positions that have social influence or value" (Fashri, 2007: x). There are four capital needed, namely: first, economic capital is not only in the form of money but also the means of production and objects of economic value. Second,

cultural capital includes a variety of knowledge or intellectual qualities that are formally produced as well as family inheritance. For example, diplomas, cultural codes, ways of speaking, manners, ways to get along, etc. Third, social capital includes social relations between individuals and the shared values associated with these contacts. Fourth, symbolic capital comes from one's honor and prestige (Ritzer and Goodman, 2003: 526-527; Takwin, 2005: xx; Fashri, 2007: x; Mutahir, 2011; Field, 2010).

Ownership of capital in each domain is very important, because agents who have the most capital can position themselves at the top level. Conversely, agents who are poor in capital are at the lower strata. Therefore, agents who play in the field of competition always compete for capital in order to occupy the upper strata (Ritzer and Goodman, 2003; Takwin, 2005; Fashri, 2007). Agents who have the same capital and habitus as most individuals who play in the same field will be more able to take action to change or maintain the structure compared to those who do not have capital.

Agents who occupy the upper strata are not only marked by more capital ownership, but also continue to have greater power than agents who are in the lower strata. This cannot be separated from the fact that various capital is substantially a source or basis of power for actors who are in a social sphere. Burns, Baumgartner, and Devilie (1987: 193) show that power is "anything that can be used by an actor to set up or regulate conditions, regulate the input and decision-making processes and actions of other social actors". All of this is reflected in the social practices that take place in the social field.

Based on the results of research, capital ownership was used by those who carry fraudulent investments to influence potential investors to invest in fraudulent investments. Parties who offer fraudulent investments were those who act as superiors namely the principal, section heads, teachers and make the subordinates / students as victims.

In addition to using authorized capital, those who carry out fraudulent investments also utilize financial capital to attract potential investors. This effort was done by showing the financial success that had been achieved by the fraudulent investment actors as well as providing various financial assistance needed by potential victims. When the potential victims were interested, then they will invest their funds in fraudulent investments offered to him by using the funds they have or with loan funds.

Other capital utilized was social capital. Fraudulent investment victims are those who have a social network with other perpetrators or victims. This social network makes it easy for actors to influence potential victims to invest their funds in fraudulent investments offered. This is because in a social network trust has grown so that they will easily influence their potential victims.

B. The Implications for Fraudulent Investment

Based on the field research can be seen that fraudulent investment had several implications for various parties. The first implication was the loss of financial capital

possessed by victims of fraudulent investment. This condition can cause them to experience financial difficulties. In fact, many victims of fraudulent investments got funds to "invest" from borrowing. They will of course get a bigger problem because after losing their funds they have to pay the debt from the invested funds.

In addition to financial capital, victims of fraudulent investments can also lose social capital. This can happen with the destruction of social networks due to one party committing fraud against the other party. Not only that, the damaged social capital can also impact on the loss of trust and the emergence of conflict among community members. If not well anticipated, conflicts that were latent in nature can turn into open conflicts in the community.

The loss of trust did not only occur on social networks, but can also affect official investment products issued by securities companies that are officially licensed. They will have difficulty selling their investment products to people who have been deceived into fraudulent investments or those who have known fraud scams.

If this problem has been raised in the field of law and is not resolved properly, the loss of trust can also befall law enforcement. They will be accused of not carrying out their duties properly and will get scorn from the community. It was not impossible if the inability to solve fraudulent investment problems can lead to distrust when law enforcement officials resolve other legal issues.

V. Conclusion

Fraudulent investments can occur because of the use of capital owned by the actors. This capital consists of power capital, financial capital and social capital.

When this fraudulent investment results in losses, these various kinds of capital can be lost and can subsequently lead to conflict in the community.

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