

“The flip side of multi-level marketing: A diagnosis of factors leading to the mass uptake of unregulated pyramid schemes in South Africa”

AUTHORS

Steven Kayambazinthu Msosa 

ARTICLE INFO

Steven Kayambazinthu Msosa (2022). The flip side of multi-level marketing: A diagnosis of factors leading to the mass uptake of unregulated pyramid schemes in South Africa. *Innovative Marketing*, 18(1), 142-151.
doi:[10.21511/im.18\(1\).2022.12](https://doi.org/10.21511/im.18(1).2022.12)

DOI

[http://dx.doi.org/10.21511/im.18\(1\).2022.12](http://dx.doi.org/10.21511/im.18(1).2022.12)

RELEASED ON

Wednesday, 09 March 2022

RECEIVED ON

Saturday, 25 December 2021

ACCEPTED ON

Friday, 04 February 2022

LICENSE



This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/)

JOURNAL

"Innovative Marketing "

ISSN PRINT

1814-2427

ISSN ONLINE

1816-6326

PUBLISHER

LLC “Consulting Publishing Company “Business Perspectives”

FOUNDER

LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

29



NUMBER OF FIGURES

0



NUMBER OF TABLES

5

© The author(s) 2022. This publication is an open access article.



BUSINESS PERSPECTIVES



LLC "CPC "Business Perspectives"
Hryhorii Skovoroda lane, 10,
Sumy, 40022, Ukraine
www.businessperspectives.org

Received on: 25th of December, 2021
Accepted on: 4th of February, 2022
Published on: 9th of March, 2022

© Steven Kayambazinthu Msosa, 2022

Steven Kayambazinthu Msosa, Ph.D.,
Department of Marketing, Faculty of
Management Science, Mangosuthu
University of Technology, South Africa.



This is an Open Access article,
distributed under the terms of the
[Creative Commons Attribution 4.0
International license](https://creativecommons.org/licenses/by/4.0/), which permits
unrestricted re-use, distribution, and
reproduction in any medium, provided
the original work is properly cited.

Conflict of interest statement:
Author(s) reported no conflict of interest

Steven Kayambazinthu Msosa (South Africa)

THE FLIP SIDE OF MULTI-LEVEL MARKETING: A DIAGNOSIS OF FACTORS LEADING TO THE MASS UPTAKE OF UNREGULATED PYRAMID SCHEMES IN SOUTH AFRICA

Abstract

This study sought to diagnose the factors leading to the mass uptake of unregulated pyramid schemes in South Africa. The study adopted an exploratory and qualitative research design. Face-to-face interviews were conducted with 20 respondents using a non-probability sampling technique known as purposive sampling. The respondents were drawn from the target population of individuals who have previously used unregulated pyramid schemes. Data were analyzed using the Nvivo framework matrix. The findings of this study show that individuals are motivated to join pyramid schemes because of the expected benefit or return, accounting for 40%, followed by current economic conditions (30%), friends and family recommendation (15%), desire to get rich quickly (10%), and past performance of the scheme (5%). This study has contributed to the literature on multi-level marketing and pyramid schemes in South Africa and the developing world in general. It will further act as a launchpad for designing policies in the financial services sector.

Keywords

pyramid scheme, downline, scam, money-making scheme, enrollment, participant

JEL Classification

M31, D11

INTRODUCTION

Across the globe, people are enthralled by quick money-making schemes that promise a fortune, as well as the financial trappings of sudden riches, money, and luxury automobiles. People are encouraged to think that their money or investment will keep coming in, resulting in an income stream that requires little or no work from the participants (South Africa Government Gazette, 1999). However, the proliferation of pyramid or illegal multi-level marketing schemes on the market has not gone without scrutiny from the financial regulator. In its annual report of 2016, the South African Reserve Bank (SARB) indicated that it was investigating 19 schemes. The bank was concerned with the mass uptake and willingness of South Africans to participate in these schemes. It further warned the public to be vigilant and prudent in their investment choices. Moreover, the SARB reported that investors often disclose illicit schemes only when they do not receive the promised returns. This situation usually happens when the finances have run out, and the scheme is on the verge of failing. As a result, the chances of recouping funds to repay investors are slim (le Cordeur, 2016).

Therefore, this study sought to diagnose factors that lead to the mass uptake of illegal pyramid schemes in South Africa. The study further provides the basis for altering policies in the financial services sector to prevent cannibalistic behavior of unscrupulous individuals and companies running unregulated pyramid schemes.

1. LITERATURE REVIEW

1.1. Multi-level marketing and pyramid scheme

There is a thin line of distinction between multi-level marketing and pyramid schemes. Multi-level marketing is an initiative that facilitates the distribution of products or services from which individual distributors earn sales directly from the individuals they enroll (Keep & Vander Nat, 2014). Furthermore, the MLM companies frequently control the product's pricing for end-users while providing mass discounts to participants. This encourages people to order large quantities of things because a per-unit price drops. Cutting product and operation costs become critical for profit generation with fixed sales prices. The difficulty with order size discounts is that they become troublesome if a participant cannot sell their items and instead builds up inventory (Federal Trade Commission, 2016). In other words, a pyramid scheme is one in which the lower levels of a pyramid are asked for money in exchange for receiving a reward from those at the upper levels (Liu, 2018). Another school of thought suggests that the organizer of a pyramid scheme attracts participants by promising a greater interest rate than the market rate. Additionally, everybody who joins the scheme gets a portion of the total investment of those he or she introduces to the scheme straight from the initial investor's wallet. Thus, early adopters and the next generation of adopters are incentivized to recruit additional individuals to maximize their revenues (Yong et al., 2019).

A multi-level marketing initiative can be deemed a pyramid scheme if it involves selling low-value products to friends and relatives to receive compensation. In the multi-level marketing business, things are not always that clean. However, it is difficult to distinguish a legitimate marketing opportunity from a pyramid scheme (Muncy, 2004). Similarly, Lee et al. (2016) have noted that beginners in the multi-level marketing sector start building their businesses by recruiting close friends and relatives since there is a higher propensity to tolerate mistakes made by a close associate. The reality is that people are skeptical about joining "new unbelievable businesses" that are viewed as "too good to be true" if these are marketed to them by strangers.

Vander Nat and Keep (2002) argue that multi-level marketing was one of the more successful business models until recently. However, the business model has been infiltrated by fraudulent companies and operators operating pyramid schemes to get rich quickly at the expense of unsuspecting participants. There are two general characterizations applicable to pyramid schemes and MLM. Firstly, according to the USA federal court, which applies what is referred to as the Koscot test, a pyramid scheme is an endless chain of recruitment. Its compensation scheme is designed to condemn most players or participants to financial failure. Secondly, in the economic context, a pyramid scheme is viewed as an organization that thrives on the active and ongoing recruitment of individuals who subsequently need to recruit other members to enable them to recoup their profits and returns. Thus, a participant continues to benefit from ongoing recruitments. In addition, a pyramid scheme comprises what is known as a downline, which means the direct and indirect recruitment of an individual participant such that if one is to generate maximum return, there is a need to generate further downline enrollments (Keep & Vander Nat, 2014).

Pyramid schemes thrive on making extraordinary promises of wealth to the participants. To gain this wealth, individuals are sometimes induced to spend all their hard-earned money and resources and lose or resign from existing permanent jobs. In addition, they may neglect and abandon their families and relatives and make huge debts in trying to pursue an elusive dream or fortune deceptively marketed and sold to them. In addition, due to the high demand for recruitment or the need for enrolment, participants of pyramid schemes are sometimes enticed to dupe or defraud their immediate family members and friends. This creates social harm, and the ripple effects are more severe than the financial damage occasioned from participation thereof (Taylor, 2000). In a pyramid scheme, individuals make money for recruiting, such that this activity is deemed an illegal operation that must be avoided at all costs. The implication of patronizing this kind of business is a significant risk of losing money because once the regulator discovers it, the chances are high that the business will be shut down (Muncy, 2004).

1.2. Unregulated pyramid schemes in South Africa

Pyramid and Ponzi schemes, which use numerous false investment and business concepts to entice and effectively deceive unsuspecting people, are not new, although their popularity has recently surged (Schütz, 2021). Such a situation has resulted in numerous cases in South African courts involving schemes offering a return on investment with interest rates significantly greater than the maximum allowed by law or programs promising a reward for active recruitment of participants, which has continuously increased. Mabe (2016) postulates that these scams, often known as pyramid or Ponzi schemes, are unviable activities that lead to insolvency issues. Hence, the National Consumer Commission (NCC) has urged all South Africans to be truthful in their dealings as responsible citizens and community members. Suppose people are lured into prohibited/illegal activities. In that case, consideration should be given to the relationships that may be broken, the trust that may never be repaired, and most importantly, the financial problems that others may face and from which they may never recover in this lifetime (Xinhua, 2021).

During bad economic times, South Africans seek a way out of poverty and debt turn to pyramid schemes or multi-level marketing (MLM) companies. The flow of information due to the surge in available social media platforms has led to increased investment scams. The difficulty of differentiating a legitimate business opportunity from investment fraud creates a conundrum for inexperienced would-be investors or clients. As a result, customers must exercise caution when evaluating products. Investment fraud is rising as fake news spreads at an unprecedented rate on social media platforms. Therefore, it might be difficult to distinguish between a legitimate company opportunity and an investment fraud. The fact that the market is filled with fraudulent pyramid schemes does not suggest that all multi-level marketing organizations or platforms are illegal. However, they may not be the ideal option for making extra money (Collier, 2019).

The Reserve Bank of South Africa has recently identified a Covid-19 pyramid scheme as illegally

operating. It leveraged social media to attract participants. New participants were required to pay a once-off joining fee of R180. This qualified them for a meat pack. The new members were then required to recruit five other new participants. This process was termed “first level”. Each of the five people whom the first investor has recruited can help attract five more people. First-time investors would be advanced to the second level, receiving a pack of meat, groceries, and R500 compensation. The initial investor was promoted to the third level after those on the first level were promoted by the others they recruited. The new participants formed the pyramid’s base and paid those who had already been recruited. As a result, the new recruits pushed those who had previously joined to the top (Businesstech, 2020).

Heartlines (2019) argues that schemes that offer high returns and usually use terms as offering “guaranteed returns” should be viewed with high skepticism. It must be noted that while the majority of South Africans understand the concept of high returns, they fail to discern when the returns are excessively high. Typically, South African investors expect an annual return of 7% in cash (low risk) and a 15% return over five years on the stock market. Thus, any investment that promises returns higher than the expectations of the country’s top asset managers is far-fetched and unlikely to happen. Therefore, to secure an investment, one must engage a licensed financial advisor as they follow the rules and regulations that are put in place to protect consumers. Consumers must also be reminded that no return is ever “guaranteed” because even the smallest transaction carries a certain amount of risk in the world of investment.

WhatsApp gifting, according to the National Consumer Commission (NCC), is a pyramid scheme in violation of South African law, specifically Section 43(2) of the Consumer Protection Act (CPA). According to the NCC, they are not recognized by the South African Central Bank. Both the National Prosecuting Authority and the Asset Forfeiture Unit have stated their intention to pursue the pyramid scheme known as Up Money, which duped over 230 000 individuals. Thus, it is feasible to prosecute people who commit fraud or violate the “Organized Crime Prevention Act (POCA)”. These offenses include racketeering and

money laundering, fraud, theft, aiding another in profiting from illegal activities, acquiring, holding, and using cash obtained via criminal activity, and assisting another in doing so (Seeletsa, 2020).

There have been many studies about the psychology of pyramid schemes (Mackenzie, 2005), the effects of higher-order motivations in multi-level marketing organizations (Sparks & Schenk, 2001), and the factors that make Tanzanians participate in pyramid schemes using quantitative research method (Chalu, 2016). In South Africa, there is evidence of research on network marketing and multi-level marketing (Krige, 2012). However, few studies have discussed the motive for joining pyramid schemes in the South African context. Collier (2019) argues that pyramid schemes, often known as multi-level marketing (MLMs), offer potential members quick money and passive income for minimal effort. Initiates are assured that just acquiring new network members will provide a profit.

Furthermore, newbies are taught that they can make a fortune with little effort or participation, which is hardly sound advice for prospective entrepreneurs. South Africa has high levels of unemployment, especially amongst the youth who are expected to be productive citizens. This is due to the unavailability of jobs, other legitimate investment opportunities, and start-up capital for businesses. As a result, many unsuspecting South Africans have fallen prey to fraudulent pyramid schemes (le Cordeur, 2016).

Therefore, this study aims to diagnose the factors leading to the mass uptake of unregulated pyramid schemes in South Africa.

2. METHODS

This study adopted a qualitative and exploratory research approach. The study was conducted amongst 20 individuals who previously participated in or joined unregulated pyramid schemes. Thus, a non-probability sampling technique known as purposive sampling was used to identify respondents. Non-probability sampling does not use “random” selection techniques. Thus, it does not provide everyone with an equal chance of be-

ing chosen, and in many cases, they are not chosen at all (Vehovar et al., 2016). Furthermore, Senam and Akpan (2014) aver that a purposive sample is based on predetermined characteristics or certain qualities that the respondents possess or appeal to researchers. The respondents drawn from a sample were individuals with prior knowledge who have transacted with or joined a pyramid scheme.

In order to diagnose the factors leading to the mass uptake of the un-regulated pyramid scheme, interviews were conducted using an interview guide that had open-ended questions requesting the respondents to describe their experiences on what motivated them to join the pyramid scheme. Bolderston (2012) believes that interviews are a powerful way of investigating a research problem and facilitating rich data collection. Specifically, the following open-ended questions were posed to the respondents during the interview:

- Have you ever participated in any pyramid scheme? What was it?
- What were the factors that motivated you to join the pyramid scheme?

Using the Nvivo framework matrix, the information collected was analyzed and grouped into five categories: current economic conditions, expected benefit or returns, friends and family recommendations, desire to get rich quickly, and past performance of the scheme. The study had to come up with five categories because this is a virgin area of research. Therefore, there is no previous information to categorize the factors leading to the mass uptake of pyramid schemes.

3. RESULTS

3.1. Socio-demographic characteristics

The socio-demographic characteristics of the participants in this study are described in Table 1. The findings show that most of the participants were females (55%), followed by males accounting for 45%. In terms of the age category of the participants, the majority were between 23-34 years old (50%) followed by the age category of

Table 1. Socio-demographic characteristics and profiles of the participants

Characteristics	Frequency (n = 20)	Percentage
Age		
18-24 years	8	40%
25-34 years	10	50%
45-54 years	1	5%
55-64 years	1	5%
Race		
Black	20	100%
Gender		
Male	9	45%
Female	11	55%
Education		
Matriculation	8	40%
Diploma/Advanced diploma	7	35%
Degree	3	15%
Postgraduate degree	2	10%
Monthly income		
R500-R10 000	13	65%
R10 000-R20 000	6	30%
R20 000-R30 000	1	5%

18-24 years old (40%); while the age categories of 45-54 years and 55-64 years old accounted for 5% each. Concerning education, Table 1 further shows that most of the respondents (40%) hold a matriculation level education (Grade 12 Senior School Certificate), followed by a Diploma (35%), Degree (15%), and Postgraduate Degree (10%). Furthermore, in terms of income, most participants were earning R500-R10000 per month (65%), followed by those earning R 10000-R20000 per month (30%) and R20000-R30000 per month (5%). Lastly, Table 1 illustrates that all the participants in this study were from the black race.

3.2. Factors leading to the mass uptake of pyramid schemes

Before interpreting the analysis, the factors leading to the mass uptake of the pyramid scheme were grouped into six themes. As indicated in Table 2, the findings of this study show that the expected benefit or return was the factor that led the majority of the respondents to join the pyramid scheme (40%), followed by current economic condition (30%), friends and family recommendation (15%), get rich quickly (10%), and past performance of the scheme (5%). The find-

Table 2. Framework matrix on the emerging themes and statements

A: Current economic condition (6)	B: Expected benefit or return (8)	C: Friend and family recommendations (3)	D: Get rich quickly (2)	E: Past performance of the scheme (1)
I joined one of the pyramid schemes because I needed money to support my family but also to generate more money that could assist me to pay school fees for children at home (Participant 1)	The returns from the pyramid scheme were so attractive that I thought it was an easy way for me to generate more money than keep it in the bank idle with low-interest rates (Participant 6)	The pyramid scheme I joined was money in the crew; this was last year around June. A close cousin of mine introduced me to it, and she was recruiting. So, out of sympathy, I decided to be a member with no intention of taking it seriously; however, I did manage to get a few hundred, and I just decided to stop after individuals got scammed (Participant 3)	To make money in a short period of time since normally pyramid schemes are joined using a small amount of money, and you get interested quickly (Participant 10)	My immediate family members joined MMM during its inception and made some profit from the investment. This encouraged me to try the investment but was sadly scammed because this time around, we lost money (Participant 20)
The need to make more money to support my family and me is what motivated me to invest in a scheme (Participant 15)	I was motivated to join the pyramid because of the benefits that were presented to me and the returns I will make (Participant 5)	I was persuaded by my friends who advised me that I could make a lot of money if I joined a pyramid scheme because they had benefited from it (Participant 2)	I was motivated to join the pyramid scheme so that I could get money instantly and use it to spoil myself (Participant 8)	

Table 2 (cont.). Framework matrix on the emerging themes and statements

A: Current economic condition (6)	B: Expected benefit or return (8)	C: Friend and family recommendations (3)	D: Get rich quickly (2)	E: Past performance of the scheme (1)
To make more money and earn a living (Participant 17)	I wanted to make more money which in turn I could invest in my studies so that I have better knowledge than what I have now (Participant 11)	I was persuaded to join one of the schemes by a close friend who was operating an office in Durban on a full-time basis as a representative of the scheme (Participant 18)		
As a pensioner, I wanted to make more money from my longtime pension savings so that I can support my family (Participant 19)	The interest received in return after joining the pyramid scheme (Participant 16)			
I am a full-time student and decided to use some money on the pyramid scheme so that I can make extra cash to assist me with meeting other expenses on this side (Participant 9)	Different people were telling me about the returns that I would gain after entering the pyramid scheme (Participant 7)			
The motivation behind joining these programs was to make further income to sustain my family (Participant 4)	I wanted to earn some money as people whom I know were enjoying the benefits of the pyramid scheme (Participant 14)			
	What motivated me was the interest or profit that people received after joining the pyramid scheme (Participant 13)			
	I joined the pyramid scheme so that I could make extra money. It seemed like easy money, and a lot of money was promised as a return on my investment (Participant 12)			

ings of this study imply that the majority of the participants joined the scheme with an expectation that they would generate money through the lucrative returns or benefits that were promised to them.

3.3. Comparison between demographic variables and factors leading to the mass uptake of pyramid schemes

Cross-tabulation was used to compare differences in the demographic variables and the emerging factors leading to the mass uptake of pyramid schemes.

3.3.1. Gender and age group

As shown in Table 3, most of the respondents who joined pyramid schemes due to the expected benefit or return were females 25-34 years old, while those who joined the pyramid scheme because of the current economic condition were males 25-34 years old. Furthermore, it was found that two of the male respondents joined the pyramid scheme because of friends and family recommendations, as opposed to one female who joined the scheme for the same reason. Nevertheless, females ($n = 2$) between the age of 18-24 years were the only ones who engaged in the scheme in order to get rich quickly, whereas one elderly male between the age of 55-64 years

Table 3. Comparison between gender and age group and factors leading to the uptake of pyramid schemes

Demographic	Gender = Male (9)				Gender = Female (11)				Total (20)
	age = 18-24 (3)	age = 25-34 (4)	age = 45-54 (1)	age = 55-64 (1)	age = 18-24 (5)	age = 25-34 (6)	age = 45-54 (0)	age = 55-64 (0)	
Current economic condition	1	2	1	0	1	1	0	0	6
Expected benefit or return	1	1	0	0	1	5	0	0	8
Friend and family recommendations	1	1	0	0	1	0	0	0	3
Get rich quickly	0	0	0	0	2	0	0	0	2
Past performance of the scheme	0	0	0	1	0	0	0	0	1
Total (unique)	3	4	1	1	5	6	0	0	20

joined the pyramid scheme because of the past performance of the scheme ($n = 1$).

3.3.2. Level of education

As shown in Table 4, most of the respondents who joined the pyramid schemes due to expected benefit or returns were holders of a diploma/advanced diploma ($n = 3$) and matriculation level of education ($n = 3$). On the other hand, those who engaged in the schemes for the economic condition were mainly holders of diplomas ($n = 3$) and advanced diplomas ($n = 3$). Furthermore, it was found that those who joined the scheme because of friends and family recommendations ($n = 3$) and the desire to get rich quickly ($n = 3$) were holders of matriculation level of education. The findings further showed that one of the respondents with a degree level of education joined the pyramid scheme because of the past performance of the scheme ($n = 1$).

3.3.3. Monthly income

As shown in Table 5, most of the respondents ($n = 5$) who joined the pyramid scheme due to its expected benefit or return were earning R10000-R20

000 per month. On the other hand, those who joined the scheme because of the current economic condition ($n = 5$) were earning R500-R10 000. Furthermore, it was found that those who joined the scheme due to friends and family recommendations ($n = 3$), followed by those who joined the scheme to get rich quickly ($n = 2$), were earning R500-R10 000 per month. The findings further show that one respondent who joined the scheme due to past performance was earning R10 000-R20 000per month, whereas the one who joined the scheme due to current economic conditions ($n = 1$) was earning 20 000-R30 000 per month.

4. DISCUSSION

This study examined the factors leading to the mass uptake of unregulated pyramid schemes. This study shows that most of the people joined pyramid schemes because of the current economic conditions. According to Collier (2019), it is common for South Africans to look for pyramid schemes and multi-level marketing groups to help them get out of poverty and debt, especially when the economy is terrible. In addition, Krige (2012)

Table 4. Comparison of the level of education and factors leading to the uptake of pyramid schemes

Demographic	Level of education = Diploma/Advanced diploma (7)	Level of education = Matriculation (8)	Level of education = Postgraduate degree (2)	Level of education = degree (3)	Total (20)
Current economic condition	3	1	1	1	6
Expected benefit or return	3	3	1	1	8
Friend and family recommendations	1	2	0	0	3
Get rich quickly	0	2	0	0	2
Past performance of the scheme	0	0	0	1	1
Total (unique)	7	8	2	3	20

Table 5. Comparison of the monthly income and factors leading to the uptake of pyramid schemes

Demographic	Monthly income = R500-R10 000 (13)	Monthly income = R10 000-R20 000 (6)	Monthly income = R20 000-R30 000 (1)	Total (20)
Current economic condition	5	0	1	6
Expected benefit or return	3	5	0	8
Friend and family recommendations	3	0	0	3
Get rich quickly	2	0	0	2
Past performance of the scheme	0	1	0	1
Total (unique)	13	6	1	20

argues that financialization and attempts to bring “bankless” communities into the official financial system have produced structural conditions that have allowed illicit pyramid schemes, fake investment programs, and legitimate multi-level marketing businesses to grow.

In addition, the findings show that females 25-34 years old were motivated to participate in these schemes because of the expected benefits or returns. Deb and Sengupta (2020) argue that the benefits of these schemes are also grounds for those at the bottom of the pyramid to invest. The promise of better returns in a short period with minimal work gives a tempting possibility for the impoverished to escape the poverty trap.

It was further found that those who engaged in the schemes for the economic condition were males between 25 and 34 years old. According to Bosley and McKeage (2015), participation in pyramid schemes

is higher in countries that have experienced poor economic conditions. Similarly, Tajti (2021) avers that the lower a country’s living standards are at a given historical point, the more vulnerable consumers there are. This simple rule is legitimate regardless of exceptions, context specificity, or the fact that vulnerable consumers exist even in the wealthiest countries. This study further found that those who engaged in pyramid schemes due to expected benefits or returns earn R10000-R20000 per month. Those who engaged in the schemes for the economic conditions mainly earned R500-R10000. The pressure amongst low-income earners to generate more money to cater to their family and household needs may be creating the pressure to join pyramid schemes. According to Lappeman et al. (2019), there are considerable socio-economic pressures on low-income South African citizens because of economic restrictions, including unemployment, low income, and inconsistency in income, all of which influence their financial choices.

CONCLUSION

This study evaluated the factors leading to the mass uptake of unregulated pyramid schemes. The findings have shown that participation in pyramid schemes is influenced by current economic conditions, expected benefit or returns, friends and family recommendations, desire to get rich quickly, and past performance of the scheme. Based on the findings of this study, policymakers and regulators should provide financial literacy to educate South Africans about the growth of unlawful pyramid schemes and ways to differentiate an illegal pyramid scheme from a simple multi-level marketing program.

A strict financial regulatory regime is needed to prevent, trace, and monitor all illegal financial pyramid schemes. Currently, the financial services market is awash with unregulated schemes, which becomes difficult to trace when the participants are duped or condemned to financial failure. Thus, monitoring measures should be enhanced at both the national and provincial levels to protect unsuspecting innocent citizens looking for investment schemes.

This study has some limitations. The findings cannot be generalized beyond the current scope; however, they are useful for benchmarking against similar studies conducted in a different jurisdiction. In ad-

dition, the findings can help policymakers to alter and design policies in the financial services sector. Future research should consider using a larger sample and a quantitative approach to validate these factors and ascertain the challenges that the participants encounter in redeeming their expected benefits or returns.

AUTHOR CONTRIBUTIONS

Conceptualization: Steven Kayambazinthu Msosa.
 Data curation: Steven Kayambazinthu Msosa.
 Formal analysis: Steven Kayambazinthu Msosa.
 Funding acquisition: Steven Kayambazinthu Msosa.
 Investigation: Steven Kayambazinthu Msosa.
 Methodology: Steven Kayambazinthu Msosa.
 Project administration: Steven Kayambazinthu Msosa.
 Resources: Steven Kayambazinthu Msosa.
 Software: Steven Kayambazinthu Msosa.
 Supervision: Steven Kayambazinthu Msosa.
 Validation: Steven Kayambazinthu Msosa.
 Visualization: Steven Kayambazinthu Msosa.
 Writing – original draft: Steven Kayambazinthu Msosa.
 Writing – review & editing: Steven Kayambazinthu Msosa.

REFERENCES

- Bolderston, A. (2012). Conducting a research interview. *Journal of Medical Imaging and Radiation Sciences*, 43(1), 66-76. <https://doi.org/10.1016/j.jmir.2011.12.002>
- Bosley, S., & McKeage, K. K. (2015). Multi-level marketing diffusion and the risk of pyramid scheme activity: the case of fortune hi-tech marketing in Montana. *Journal of Public Policy and Marketing*, 34(1), 84-102. <https://doi.org/10.1509/jppm.13.086>
- Businesstech. (2020, August 4). *Covid-19 pyramid scheme exposed in South Africa*. Retrieved January 14, 2021, from <https://businesstech.co.za/news/government/422610/covid-19-pyramid-scheme-exposed-in-south-africa/>
- Cahn, P. S. (2006). Building down and dreaming up: Finding faith in a Mexican multi-level marketer. *American Ethnologist*, 33(1), 126-142. <https://doi.org/10.1525/ae.2006.33.1.126>
- Chalu, H. (2016). Factors Influencing People's Participation in Financial Pyramid Schemes (FPS) in Tanzania: A Case of DECI. *The African Journal of finance and management*, 25(2), 75-94. Retrieved from <https://www.ajol.info/index.php/ajfm/article/view/176494>
- Collier, G. (2019, October 16). *Understanding pyramid schemes and multi-level marketing*. Moneyweb. Retrieved from <https://www.moneyweb.co.za/financial-advisor-views/understanding-pyramid-schemes-and-multi-level-marketing/>
- Deb, S., & Sengupta, S. (2020). What makes the base of the pyramid susceptible to investment fraud. *Journal of Financial Crime*, 27(1), 143-154. <https://doi.org/10.1108/JFC-03-2019-0035>
- Federal Trade Commission. (2016). *Case No. 2:16-cv-05217: Complaint for permanent injunction and other equitable relief*. Retrieved from <https://www.ftc.gov/system/files/documents/cases/160725herbalifeorder.pdf>
- Heartlines. (2019). *Don't fall for the WhatsApp stokvel and other pyramid schemes*. Retrieved February 13, 2021, from <https://www.heartlines.org.za/articles/dont-fall-for-the-whatsapp-stokvel-and-other-pyramid-schemes>
- Keep, W.W., & Vander Nat, P. (2014). Multi-level marketing and pyramid schemes in the United States: An historical analysis. *Journal of Historical Research in Marketing*, 6(2), 188-210. <https://doi.org/10.1108/JHRM-01-2014-0002>
- Krige, D. (2012). Fields of dreams, fields of schemes: Ponzi finance and multi-level marketing in South Africa. *Africa*, 82(1), 69-92. <http://dx.doi.org/10.1017/S0001972011000738>
- Lappeman, J., Chigada, J. M., & Pillay, P. (2019). Modifying monthly household expenditure allocations: an exploration of South African BoP consumers. *Journal of Consumer Sciences*, 47, 51-70. Retrieved from <https://www.ajol.info/index.php/jfec/article/view/191123>
- le Cordeur, M. (2016). *Exclusive: Capitec has closed 2 000 MMM bank accounts*. Fin24. Retrieved

- November 28, 2019, from <https://www.fin24.com/Companies/Financial-Services/exclusive-capitec-has-closed-2-000-mmm-bank-accounts-20160530>
14. Lee, K., Lau, T., & Loi, K. (2016). Driving Distributors' Satisfaction in Multilevel Marketing Companies. *International Journal of Academic Research in Business and Social Sciences*, 6(2), 105-122. <https://doi.org/10.6007/IJARBS/v6-i2/2015>
 15. Liu, H. (2018). The Behavioral Economics of Multilevel Marketing. *Hastings Business Law Journal*, 14(1). Retrieved from https://repository.uchastings.edu/hastings_business_law_journal/vol14/iss1/3/
 16. Mabe, Z. (2016). Setting aside transactions from pyramid schemes as impeachable dispositions under South African insolvency legislation. *Potchefstroom Electronic Law Journal/Potchefstroomse Elektroniese Regsblad*, 19(1), 1-24. <http://doi.org/10.17159/1727-3781/2016/v19i0a1236>
 17. Mackenzie, A. I. (2005). *Almost certain loss: the psychology of pyramid schemes*. University of Canterbury. Retrieved from <https://ir.canterbury.ac.nz/handle/10092/1324>
 18. Muncy, J. A. (2004). Ethical Issues in Multilevel Marketing: Is It a Legitimate Business or Just Another Pyramid Scheme? *Marketing Education Review*, 14(3), 47-53. <https://doi.org/10.1080/10528008.2004.11488877>
 19. Schütz, E. (2021, January 17). *Ponzi and pyramid schemes have extra appeal during the pandemic*. Daily Maverick. Retrieved October 20, 2021, from <https://www.dailymaverick.co.za/article/2021-01-17-ponzi-and-pyramid-schemes-have-extra-appeal-during-the-pandemic/>
 20. Seeletsa, M. (2020, August 4). *Consumer Commission lays charges against Up Money, attaches luxury vehicles*. The Citizen. Retrieved February 13, 2020, from <https://citizen.co.za/news/south-africa/breaking-news/2334651/consumer-commission-lays-charges-against-up-money-attaches-luxury-vehicles/>
 21. Senam, N., & Akpan, U. (2014). The Survey Communication Research. *International Journal of Education and Research*, 2(10), 461-478. Retrieved from <https://www.ijern.com/journal/2014/October-2014/36.pdf>
 22. South Africa Government Gazette. (1999). *Investigation in terms of section 8(1)(6) of the harmful business practices Act, 71 of 1988, into money revolving or pyramid scheme*. Retrieved from https://www.gov.za/sites/default/files/gcis_document/201409/20169.pdf
 23. Sparks, J. R., & Schenk, J. A. (2001). Explaining the effects of transformational leadership: an investigation of the effects of higher-order motives in multi-level marketing organizations. *Journal of Organizational Behavior*, 22(8), 849-869. Retrieved from <https://www.jstor.org/stable/3649575>
 24. Tajti, T. (2021). *Are some classes of consumer-investors of collapsed pyramid and Ponzi schemes vulnerable?* Taylor & Francis. Retrieved August 15, 2021, from <http://archive.ceu.hu/sites/default/files/publications/ch010-tajti-paper-17-oct-2020.pdf>
 25. Taylor, J. M. (2000). *When Should an MLM or Network Marketing Program Be Considered an Illegal Pyramid Scheme?* The Consumer Awareness Institute. Retrieved from <https://www.pyramid-schemealert.org/PSAMain/regulators/PPSdefined.pdf>
 26. Vander Nat, P. J., & Keep, W. W. (2002). Marketing fraud: An approach for differentiating multi-level marketing from pyramid schemes. *Journal of Public Policy & Marketing*, 21(1), 139-151. <https://doi.org/10.1509/jppm.21.1.139.17603>
 27. Vehovar, V., Vera, T., & Stephanie, S. (2016). Non-probability sampling. In *The Sage handbook of survey methodology* (pp. 329-345). SAGE Publications Ltd. <https://dx.doi.org/10.4135/9781473957893.n22>
 28. Xinhua. (2021, March 29). *S. African company fined for operating pyramid scheme*. Retrieved October 11, 2021, from http://www.xinhuanet.com/english/africa/2021-03/29/c_139844953.htm
 29. Yong, S., Li, B., & Long, W. (2019). Pyramid scheme model for consumption rebate frauds. *Chinese Physics B*, 28(7), 078901. Retrieved from http://cpb.iphy.ac.cn/article/2019/1992/cpb_28_7_078901.html