sciendo

Vol. 17, No. 29, Year 2024
ISSN: 2286-2102
E-ISSN:2286-2552

PREVALENCE OF MASS FINANCIAL FRAUD IN RURAL AREAS: AN EXPLORATORY STUDY IN TANGAIL, BANGLADESH

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DOI: 10.2478/eras-2024-0007

Abstract

Financial fraud activities are very frequent in recent days in rural areas where people are more in need of money and desperate to make some in any way possible. This research explores the nature, causes, and consequences of rural financial fraud with the impact on rural life and the responses of law enforcement to these occurrences. The primary data for this study was collected through in-depth interview from 24 victims of financial fraud, and 4 KIIs were conducted to get the data through semi-structured questionnaires using the qualitative research method, and the findings are presented using thematic analysis. This study found greed, temptation, and believing in fraudsters are the main causes of these fraud incidents. The fraudster, in all cases, motivated the victims in a certain way and took as much money as possible before running away, and the responses of law enforcement, credit cooperative authorities, and the local government are not satisfactory as they did nothing much to prevent and combat these fraudulent activities. The impact of these fraudulent schemes is severe, as the victims faced financial breakdown, family pressure, and psychological pressure. Moreover, reducing cravings for money, inspecting schemes before investing, monitoring by the respective authorities and building awareness among people can be preventive factors to stop these kinds of rural financial fraud.

Keywords

fraudulent activities; rural financial fraud; business fraud; credit cooperative fraud

Introduction

People of Bangladesh are constantly being cheated by fraudsters who are known as '*Hai Hai Company*' in the language of our people (Daily Prothom Alo, 2017). Mass financial fraud is an intentional fraudulent activity to gain purposeful illegal financial gain. It may include fraudulent business and cooperative societies. Fraudulent business schemes do not resemble the appearance of fraudulent credit cooperative societies' schemes; however, the pattern of both schemes is identical, as they create temptation to get money from people. These fraudulent activities generate the fuel as ‘more profit or interest’. But according to the laws of the People’s republic of Bangladesh, no institution other than a bank has the right to collect deposits for profit from the public. The cooperative societies have the right to deposit the money of their members (Daily Prothom Alo, 2017).

Two associations named ‘ICTL’ and ‘Youth’ have cheated thousands of people, and the government did nothing to recover the money of the victims. The government's Directorate of Co-operatives has compiled a report on fraudulent societies that have disappeared since 2008, but has not taken up the task of preventing them from committing mass fraud. 266 'co-operative

DOI: 10.2478/eras-2024-0007

societies', after collecting deposits of Tk 4,68 crore from common people, did not return them. Most of them closed their offices and went into hiding (Daily Prothom Alo, 2017). A fraudulent scheme operating in disguise of a credit cooperative society, known as *Domar Cooperative Society* in Nilphamari District, Bangladesh, targeted several rural women and defrauded them of nearly 60 million taka (approximately 500,000 USD) (Ekushey Sangbad, 2021). In Joypurhat, a complaint has been made against the local cooperative society that the customer stole around Tk 9 crore and ran away (Rasheduzzaman, 2021). In the name of co-operative society, fraudsters stole about 10 crore Tk from the savings of working people and at least 12,000 low-income people have lost their last savings and become destitute in the clutches of this cycle (Daily Jugantor, 2020).

The Directorate must regularly monitor and audit the activities of Cooperative Societies. The question arises whether they are consistently doing so. If audits are conducted, they should be recorded in the annual financial statements. Authorities must also ensure regular visits to the societies. This study seeks to understand the prevalence of fraudulent investment schemes in rural areas and their impact on the economic well-being of these communities. It examines the nature of mass financial fraud, the types of schemes used, and the effects on vulnerable rural populations. By analyzing these schemes, the study can uncover factors contributing to the vulnerability of rural communities and suggest preventive measures. The findings can help policymakers and financial regulators create effective policies to protect rural areas from fraud. Additionally, the study can raise public awareness to prevent future occurrences. The objectives include identifying the roots of mass financial fraud in rural Bangladesh, assessing the role of law enforcement in tackling this issue, and examining proactive awareness and fraud prevention policies.

Study review

In developing countries like Bangladesh, the liquidation of rural banks due to fraud is a common issue, with 76 rural banks liquidated in just eight years, reflecting poor governance and violations of banking principles (Diantika, 2015).

Risk Factors of Fraud

Fraud mainly occurs in small enterprises, such as credit cooperatives, often run by close-circle groups of friends or relatives. The lack of internal controls with high levels of trust creates an environment fit for fraud occurrences (Bunn et al., 2019). The "Fraud Triangle", developed by Cressey (1950), identifies opportunity, incentive, and rationalization as key factors in fraudulent activities. Wolfe and Hermanson expanded this to the "Fraud Diamond", adding capability as a crucial element (Hidajat, 2020). People invest in these schemes for some reasons that include financial pressures like debt or gambling, while non-financial motivations often come from greed (Hidajat, 2020). Opportunities for fraud arise from weak governance and poor supervision, with internal audits (Asmah et al., 2019). Rationalization allows fraudsters to justify their actions, often framing their dealings as temporary or necessary for survival (Albrecht et al., 2011). Capability, or the personal traits that enable fraud, includes exploiting internal control weaknesses and managing stress effectively (Wolfe & Hermanson, 2004).

Nature of Fraud

Fraud schemes often involve misappropriation of assets, with small businesses being particularly weak due to their limited resources (Bunn et al., 2019). Fraudsters inspire investors with commitments of high returns, often using MLM or Ponzi schemes to create trust and attract more participants. These schemes rely on new investors to pay off the earlier ones, and the

DOI: 10.2478/eras-2024-0007

fraudsters eventually disappear with the funds upon getting big investments (Chariri & Meiranto, 2017). Pyramid schemes, driven by commissions upon referral, also play a significant role in rural fraud (Bosley & Knorr, 2017).

Victims of Fraud

Victims of fraud are mainly those who are in disadvantaged social positions, often facing some extreme events that make them vulnerable (Anderson, 2019). Characteristics such as poor banking skills, excessive debt, and low self-control increase the likelihood of fraud (Holtfreter et al., 2010). In rural areas, women are frequently targeted, often losing their savings to fraudulent schemes (Daily Jugantor, 2020). The consequences of fraud are severe, ranging from financial loss to social and even medical repercussions, such as divorce or heart attacks. (Ekushey Sangbad, 2021).

Prevention

Preventing rural financial fraud requires addressing situational and legal factors, such as improving financial education and services in rural areas. Internal controls within organizations are crucial to reduce the fraud opportunities, focusing ethical management and reducing the issue of lack of information (Munidewi et al., 2019). Microfinance institutions must strengthen their internal systems and strategies to combat such fraud (Sama & Niba, 2016). Ethical behavior, properly following religion, and effective monitoring systems are some core components of successful fraud prevention in rural areas (Hamid & Nasih, 2021). Moreover, improved internal and government oversight, and law enforcement efforts are essential to prevent and address such fraud, particularly in rural communities (Smith & Jorna, 2011). Institutions can further prevent fraud by fostering positive workplace cultures, adhering to ethical standards, and regularly updating internal control systems (Hamid & Nasih, 2021). Lastly, small businesses can protect themselves by promoting ethical practices, using technology to manage risks, and implementing proper employee background checks (Bishop, 2022).

Research Method

This study used an exploratory research design with a qualitative approach. Data was collected through semi-structured interview guides, primarily using open-ended questions. The research explored the nature, causes, and risk factors of fraudulent activities in rural areas, selecting a village in Tangail, Bangladesh named Baruha, known for widespread fraud. In this study, we selected 14 out of 24 respondents for business fraud cases, that was recorded in the Tangail Sadar Police Station's case register. The remaining 10 victims of credit cooperative fraud were identified through the victim list maintained by the district credit cooperative office. We had got the list of 37 victim’s list combined from Tangail Sadar Police Station, and Credit Cooperative Office, Tangail. Totally, 24 respondents were interviewed using convenience non-probability sampling. The rest of the victims couldn’t be accessed for different reasons. All respondents verbally consented to participate in the interview. Also, key informant interviews with two cooperative officials, a police officer, and a union parishad chairman provided broader insights. The interview narratives were coded, categorized into sub-themes, and analyzed thematically to formulate the final results.

Findings

The study explores the nature of mass financial fraud in rural areas, the types of investment schemes used to defraud vulnerable individuals and communities, and the impact

DOI: 10.2478/eras-2024-0007

of these schemes on the economic well-being of rural communities. It involved interviewing 24 victims. The socio-demographic information of those 24 victims are presented as follows:

Variable	Frequency (n)	Percentage (%)	Variable	Frequency (n)	Percentage (%)
Age			***Occupation***		
30-39	9	37.5	Business	7	29.167
40-49	8	33.333	Agriculture	5	20.833
50-59	6	25	Private Job	4	16.666
60-69	0	0	Immigrant	3	12.5
70-19	1	4.167	Weaver	2	8.333
Marital Status			Teacher	1	4.167
Married	23	95.833	Tailor	1	4.167
Unmarried	1	4.167	Housewife	1	4.167
Gender			***Religion***		
Male	21	87.5	Islam	24	100
Female	3	12.5	Hindu	0	0
Educational Qualification			***Working Year***		
Primary	11	45.833	1-10	8	33.333
Secondary	7	29.167	11-20	11	45.833
Higher Secondary	5	20.833	21- 30	4	16.667
Honors	1	4.167	31-40	1	4.167
Monthly Income			***Family Members***		
1k-10k	8	33.333	1-5	15	62.5
11k-20k	9	37.5	6-10	9	37.5
21k-30k	6	25	***Monthly Expenditure***		
31k-40k	1	4.167	1k-10k	9	37.5
			11k-20k	12	50
			21k-30k	2	8.333
			31k-40k	1	4.167

Table 01. Socio-Demographic Information of Respondents

Nature and Causes of Rural Financial Fraud

The collected data from respondents indicates that financial fraud in rural communities is mainly dominated by the structure of a 'pyramid scheme'. The table below presents the nature, characteristics and patterns of these fraudulent activities as observed in the study area.

Criteria	Nature
Target Audience	Less educated, financially vulnerable individuals in rural areas
Fraud Schemes	- Business offering 12%-20% annual interest on investments - Cooperative offering 15%-20% annual profit on savings
Fraudsters Strategy	- Personally approach each investor - Ensured secrecy between investors - Fraudsters are well-known in their community
Victims Motivation	- Greed for high returns - Increase the savings intended for personal goals like building a home, farming, etc.
Fraudster's Tactics	- Took money from neighbors, relatives, and friends - Disappeared with the money

Reasons for Success in Fraud	- Familiarity with the community - Lack of communication among victims, preventing suspicion

Table 02. Nature and Causes of Rural Financial Fraud

Consequences of Mass Financial Fraud

People invest or deposit money in a particular scheme for economic improvement including future safety through upward mobility and stability. In rural areas, people of diverse social statuses, rich to poor, want this upward mobility and lead a better life. The primary concern of the investment is gaining economic profit. But the investment in such a fraud scheme leads to a vice versa outcome of what they aimed for. Such fraud leads to individuals in dilemma rather than economic improvement.

Identification of Fraud

Vulnerabilities and impact of fraud depend on the identification of the fraud. The later detection of fraud leads to a greater damage caused by late action against fraudsters. Victims may notice unusual patterns, such as unexpected charges, missing funds, or communications from unfamiliar sources, which prompt further investigation. Effective identification often relies on vigilance, knowledge of common fraud tactics, and access to monitoring tools, allowing victims to take timely action to mitigate losses and report the fraud to authorities.

Immediate or within a few days (Suspicion)

People who are aware of their assets are more prone to faster identification of fraud. The identification of fraud in an area happens when individuals are connected by shared interests. Fraudulent activities can be detected through information sharing via a snowball process (slowly spreading of information in an area). This community of individuals becomes more aware of their asset security and demonstrates an enhanced ability in identifying fraudulent schemes after being frauded: *"When I heard about the debt he made, I began to suspicions about him and after the 2nd day of his scarper I believed that he frauded me"* (Respondent 2).

Suspicion is one of the indicators of post-investment consciousness and concern about their asset and they were constantly inquiring or keeping track of their asset. Suspicion arises means there is a particular negative event that occurs, which is the cause of anxiety and potential vulnerability: "*Before 15 days of shirk, there was suspicion due to internal conflict in the credit cooperative society. So, I want my money back, but they told me they give me after 15 days and after 15 days they shirk*" (Respondent 6).

Within a week (No Suspicion)

People who believe more in the credit cooperative society and business investment are less concerned about their assets and more prone to letter identification of fraud. Less concern makes assets more vulnerable. Although individuals may have suspicions about a potential fraudster, a lack of awareness often leads them to trust the fraudster, who presents seemingly logical temptations. Consequently, people become reluctant to believe in the possibility of fraud, resulting in a delayed realization of the fraud incident: "*When the members of the credit cooperative society missing out and unknown and then I doubted them (fraud). Then after 7-8 days, I ensured about the fraud they made to us*" (Respondent 1).

DOI: 10.2478/eras-2024-0007

Providing little interest is a process of gaining investor trust. Assurance and increasing time of payback is another concern to assets. Increasing time continuously creates more room and increases the possibility of defalcating the asset. By getting more time, fraudsters are able to make more organized fraud and delaying might be considered as a possible indicator of fraud: "*When I want to withdraw and want my money back, he assures me and takes more time and increases time continuously and suddenly he shirked*" (Respondent 11).

Within a few weeks (Sudden)

People who blindly trust someone are more prone to becoming victims of scams and fraud than others. Interconnection and relation are one of the keys to gaining blind trust. There is also a lack of proper consciousness of assets. This lack of awareness often results in individuals having no clue about the occurrence of a fraud incident: "*I believed them because they were well known, brothers alike to me as well as some village. Before they pulled away from the village, I had no clue or suspicion. After waning 1 week from the village, I have known that fraud*" (Respondent 20).

Even after not getting interest of their money, people still believe the fraudster as they lack awareness of the security of their asset. Having a few months in between after stopping providing interest and waning provides fraudsters enough time to commit fraud: "*After a certain time, he stopped giving me the interest and after 3 months, he vanished into the air with my and other people's money*" (Respondent 21).

Current Financial Status

People of rural areas invest and deposit for the betterment of their financial situation and secure future, and mostly they are from middle and lower-middle-class society. Some of them invest for having more interest, instead of a bank, known management people etc. Due to becoming the victim of fraud and scam in such a state of financial condition victims can have a devastating breakdown in financial condition through loss of principle, difficulty meeting financial obligation, debt, breakdown of relation, impact on family etc.

Financial Breakdown

Money provides mental calmness and financial security. The ability to withdraw money at any time is a common aspect of depositing money in such a scheme. Becoming a victim of such a scheme causes financial insecurity, which leads to impacts on all aspects of life. Such loss causes severe negative effects on the financial conditions of victim and they become unable to accomplish their need as they have lost their savings: "*Currently, I have to lead a bad life. This deposit was my savings which is all about the security and prosperity of my life, but now I lost all of the savings*" (Respondent 3).

Credit cooperative societies and similar business schemes offer the bait of lucrative interest from deposits or investments. People from rural areas who lack personal savings are often want to participate in such profitable schemes by any means possible. As a result, they take loans from others to invest or deposit in these schemes. In such cases, fraud results in severe impacts on their financial condition and burdens them with the responsibility of repaying the loans they have taken: "*Since then, I am in a bad financial condition. I loaned that money from other people so now I have to pay them back which is quite a burden to me*" (Respondent 21).

DOI: 10.2478/eras-2024-0007

Family and Psychological Pressure

Family in a rural area mostly extend in nature, and in a family one principal man bears the financial burden. Investing in business or depositing money in a credit cooperative society makes financial burdens easier. But losing money or becoming a victim of fraud creates a vice-versa situation. The loss causes breakdown of status and financial situation that leads to mental pressure and family pressure: *"Due to the fraud and loss, I have been under extreme mental pressure and stress and my current situation is worse than past. I faced family pressure and pressure for money due to the loss"* (Respondent 8).

After becoming a victim of fraud, some has to pay back the debt or provide instalments of past loans, which is an extra burden to them. The loss already made them vulnerable and this situation pay instalment is making the situation worsen. This leads to an impact on families, children etc.: "*Due to the loss, I face family problems, have to bear extra loans and face defamation for referring some people to this scheme"* (Respondent 11).

Loan and Other Means to Pay Back

Investing or depositing all savings, or from other means like borrowing or loans, leads the victim to grim impact. People have to make another loan to payout the borrow or loan. Some victims immigrated by means of another loan to minimize the crisis. It's like making a loan and to payout made another loan like a loop which is caused due to the loss to the fraudster: "*To minimize the current crisis, I had to take a loan to go abroad and my financial situation is very bad*" (Respondent 12).

People who are unable to pay instalments have to find other means to pay back loans, like selling trees or cows. The money deposited might have other means of purpose, and due to the loss, other means are also hampered to accomplish: "*I had sold my cows and deposited this money to the credit cooperative society and I thought that it is more secure to deposit money than keep it at home*" (Respondent 1).

Current Status of Fraudster

In such rural financial fraud, fraudsters by and large abscond from the area where they live. And it is tough to know about the current situation and trace the fraudster. It mostly depends on the awareness and consciousness of victims and law enforcement agencies. If they as soon as possible trace the fraudster and bring them under the law, as much as the loss of victims will be minimized. If fraudsters are untraceable and unable to be brought under the law, losses will be enormous. According to the interviews, there is no information about any fraudster.

The victims haven't any conclusive evidence but heard rumors that the fraudster ran away from Bangladesh to another country; the possible countries are KSA or a neighboring country, RSA. Perhaps the fraudster was able to run away from Bangladesh due to the victims' unconsciousness and lack of awareness, which led them to delay complaints to law enforcement agencies: "*There is a rumor that one of them shirked to a country besides KSA and one of them in RSA*" (Respondent 6).

In most of the cases, the fraudster has a close connection with the higher up people in the village. Following a fraud incident, they flee with the assistance of the *mattaber* (village leader). So, the *mattaber* (village leader) may know the whereabouts of the fraudster: "*I don't have current information about the fraudster, he might be in this country and upper-class people like matabbar may know about it*" (Respondent 12).

DOI: 10.2478/eras-2024-0007

Response to Mass Financial Fraud

Stapes taken

Recovery and further prevention of financial fraud depend on how actively and efficiently steps are taken. Reactive steps typically taken in financial fraud cases can vary depending on the specifics of the fraud, the jurisdiction, and the roles of the parties involved. When victims of financial fraud take reactive steps, they often engage in measures to mitigate the damage and recover lost assets. Initially, they may report the fraud to authorities, such as law enforcement or regulatory bodies, to trigger investigations.

Didn't take any steps

People who generally believe that complaining to law enforcement agencies and running a complaint is an extra burden and pressure from all aspects like psychological, physical, and economic don't want recourse to law enforcement agencies. When people believe or find that the expense of a complaint to the law enforcement agency is rationally not impactful to recover money, they keep away from law enforcement agencies: *"I didn't want to experience the burden of court and police so I only made a complaint to the chairman of Union Parishad*" (Respondent 21).

Moreover, when the victim fails to believe law enforcement agencies can't do anything and can't recline law enforcement agencies, they avoid recourse to the law enforcement agencies. Trust in law enforcement is the leading factor here in engaging law enforcement in such an event: *"I couldn't go to the police because I didn't have any faith in the police*" (Respondent 18).

Dependency on Others

Most people try to avoid the law enforcement process, as it is complex and time-consuming. Consequently, many victims hold back from filing a case, instead waiting for other victims to take collective action on their behalf: *"Behalf of the victims complained to the head of Bazaar (local market) committee then chairman of UP and police"* (Respondent 3).

In such cases, incidents of fraud are not formally reported, and only a few informal measures are taken by the local rural council. However, these steps do not bring about significant change, as the village council lacks the jurisdiction to function as an enforcement agency: *"I didn't complain to the police or law enforcement agencies. I heard from other some victims complain to the police or law enforcement agencies. The village council tried to solve the issue but that was of no use"* (Respondent 11).

Actively complain and other initiatives

In rural areas, people are more interconnected to each other than in urban areas. This leads to them solving issues through informal dispute resolution like Village-Court or Salish. People representatives like UP chairman, UP members, and respectable persons (*mattabar*) generally organize and manage village courts or salish. So, people have to recourse to them to resolve the issue: "*I contacted with UP chairman to solve the issue but didn't go to the police. Later I contacted others for help*" (Respondent 9).

Generally, people who are more aware and educated are more prone to take legal steps. Informal dispute resolution lacks legal properties and it's more like a mediation process to solve issues. The aware people take both informal and formal steps to solve the issue. Complaining to court is a legal step and complaining to UP for Salish is an informal step and both simultaneously bring positive outcomes: "*After this incident, I filed a CR (complaint register)*

DOI: 10.2478/eras-2024-0007

in the court and Union Parishad tried contacting the family of the fraudster and made some amends" (Respondent 24).

Law Enforcement Agencies Response

Law enforcement agency has the responsibility to resolve the issues and bring justice. Law enforcement agencies play a critical role by guiding victims through the initial crisis, offering emotional support, comprehensive support, including counselling and legal assistance. Law enforcement agencies facilitate victims' participation in the criminal justice system. The victims of fraud aim to solve the issues by arresting the fraudster and bringing the money to the victim.

Police Response

The principal objectives of law enforcement agencies like the police are to maintain law and order and resolve the issues of the citizens. When police don't properly respond to the complaints of people and are uncooperative or lack proper support for the complaint, unfaith in police develops: "*The law enforcement agencies were so uncooperative toward us, that they didn't register our complaint at first*" (Respondent 14).

Resolving the issue and apprehending the perpetrator also rely on the process of reporting the case as soon as possible which ensure sufficient time for resolution as well as proper assistance and proactive measures from the police. Insufficient response from police in apprehending the perpetrators affect solving the case. In many instances, this can even give rise to rumors, such as allegations of bribe-taking from perpetrators. Indeed, the corruption of police isn't a rumor only: "*Police didn't support and provide proper assistance regarding the incident. They weren't able to arrest the fraudsters. Rather I think police take bribes from offenders*" (Respondent 4).

Court Response

The wheels of justice turn slowly, and sometimes frustratingly. People filed CR cases to court and hoped for swift action and a resolution, but the response from law enforcement left respondents feeling unheard. People aim to fast initiative taken to solve the issue but there are legal procedures and barriers which lead them to unsatisfactory end: "*CR case is filed and running. I am not satisfied with the service of law enforcement agencies"* (Respondent 7).

A negative outcome from a lawsuit deeply disappoints the victims. In cases, where a Complaint Register (CR Case) is filed directly in the court, many victims have not recovered their money, as the court has also been unable to apprehend the fraudster. This leaves the victims feeling powerless and frustrated: "*I filed a CR (complaint register) in court but that didn't help at all"* (Respondent 24).

Credit Cooperative Office Response

The Credit Cooperative Office is obligated to regulate all credit cooperative societies. They serve as the supervisory body for all credit cooperative schemes in Bangladesh. People can seek assistance if they fall victim to fraud, and it is the responsibility of the Credit Cooperative Office to ensure the recovery of funds to the victims in a fraud event. However, the Credit Cooperative Office has only provided assurances that they will attempt to help, yet ultimately, they are also unable to apprehend the criminal or recover the funds: "*The district credit cooperatives office only assured us that couldn't rescue the money*" (Respondent 5).

To solve an issue authority has to be sincere to the victim and the complaint. If authority is ignorant to complaint, probably the outcome will be unsatisfactory. The primary objective of

DOI: 10.2478/eras-2024-0007

the credit cooperative office is to prevent such fraud and scams. The continuous audit creates a transparent process and prevents fraud. Discontinuity of audit provides room to fraudsters and obstructs the transparency of credit cooperative society and the credit cooperative office can't ignore liability and failure to observe obligations: *".... credit cooperative office didn't want to help and provide needful assistance. The audit of the Credit Cooperative Society wasn't transparent, which means the Credit Cooperative Society regulatory authority didn't maintain a regular audit of the Credit Cooperative Society*" (Respondent 4).

Village Court and UP Response

Village court or Salish is mostly known as an informal dispute resolution system, where people have recourse to solve the issue without legal proceedings, with the help of mediators like most respected persons in society, such as the UP chairman, *mattabar*, UP members etc. It can be defined as a mediation process.

Provide Support but Wasn't Enough

The effort of the mediator sometimes determines whether the issues will be solved or not. The initiative of the village court or Salish also depends on how fast steps are taken. The effort of the mediator might not be enough to solve the issues. The help to the fraudster by upper class or respected persons creates questionable situations and also decreases the effort of the village court: "*Village Court, the UP chairman tried to help but wasn't enough. Some people help the fraudster to escape*" (Respondent 9).

In a village court might not limit to a particular person as a mediator. Initiatives at the individual level are not particularly significant; however, cumulative efforts by all stakeholders, including the UP chairman and the *matabbar* (village leader), could bring about meaningful change. If other people help the fraudster escape and the chairman as a mediator tries to solve the issue, this will hinder the positive initiative taken: *"The chairman was helpful, but other people in the village helped the offender to run away"* (Respondent 15).

Didn't Provide Proper Support

Informal dispute resolution systems like village courts or Salish are generally folksy among rural people because of the fast resolution process. However, the outcome depends on how cooperative the parties and mediators are. The support and proper initiative are also a crucial factor to solve the issues. The lack of support and the failure to take proper initiatives from all parties make the victim helpless: "*From UP and the village, Salish didn't provide proper support and initiative"* (Respondent 3).

Victims of such fraud want compensations from fraudsters or other means by arbitrating of mediators. But compensation from fraudsters depends on how agreements occur between parties and how cooperative they are and accosts of the mediator. Compensation from other means like government isn't possible here: "*UP didn't provide content support or initiative to compensate the victim"* (Respondent 1).

Preventive Measures to Counter Rural Financial Fraud

Fraudsters always have such charismatic power to convince people to invest in their schemes. If people become conscious of these kinds of events, then fraud events can be reduced and prevented from happening. Some preventive measures recommended by the respondents in this study include reducing cravings for money, being religious, being aware of these incidents, investing in secured governmental schemes, monitoring by the respective authorities, awareness seminars, improving law enforcement mechanisms, inspecting schemes before

DOI: 10.2478/eras-2024-0007

investing, etc. These countermeasures can prevent not only fraud activities but also ensure a fine financial environment among rural people.

Reducing Cravings for Money; being Religious

After being victims of fraud, people become aware of this situation. If they didn't fall for greed and invest money to make more money out of it, then it would be safe for people. People get greedy and try not to acknowledge other people for their investments. That way, they think only they will benefit from the scheme. The fraudster mainly takes that chance to make people invest in fraud schemes: "*To prevent further fraud, people have to obviate their greediness. People don't disclose about the deposit and it leads to fraudster a massive opportunity. Women are deposited secretly, especially wives of immigrant people*" (Respondent 8).

If people can do business on their own, it would be good to make money in a legal way without getting greedy. Profits from businesses can be further used to expand their business: *"I recommend that general people shouldn't get into the temptation of profit from investing money, they should do business that can be small to earn money legally"* (Respondent 24).

Inspecting Schemes Before Investing

Investing money in a scheme can be risky and sometimes problematic. Cross-checking before investing can be a good option to make sure if a scheme is safe or not. Before investing, discussing the scheme with other people can also be a good option: *"Now, I recommend it is better to acknowledge people before loaning money to someone. So that, if he took money from another, that can be revealed before the runaway of the fraudster"* (Respondent 23).

Without knowing a person properly, it is safe not to deal with him. Sometimes known people can turn out to be fraudsters, as we observed in this study. Knowing a person properly can be beneficial for the investor: "*I recommend people not to believe anyone in case of investing money even if he is a very well-known person. If anyone wants to invest, they need to do it with surety"* (Respondent 18).

Investing in Secured Governmental Schemes

Government organizations are best at keeping money for people. Government schemes have several varieties, and there is no chance of fraud. Investing in governmental schemes can be safe and secure: *"I suggest people keep their money in government banks. So that, they get surety of their money. Authority needs to be more careful and forfeit the property of the offender and return the money, even half of it"* (Respondent 21).

There are different methods to check if a scheme is legitimate or not when it is governmental. But the other schemes can't be cross-checked that easily. Overall, it is safe to invest in a governmental or well-established monetary organization: *"People have to obviate their greediness and maintain higher security of money by using a bank and cross-check the truthfulness of individuals who take or borrow money, such types of fraud will be reduced"* (Respondent 11).

Monitoring by the Respective Authorities

Monitoring the monetary organization at all levels can ensure the transparency of those organizations. But audits are quite infrequent and only show up in this sector. Auditing properly can point out many illegitimate transactions that can help indicate fraud schemes: "*Government can stop such kinds of fraud and also close down such scheme license; if government bank service increase and audit properly to licensed financial institution"* (Respondent 1).

DOI: 10.2478/eras-2024-0007

Mainly, a regulatory authority is responsible for auditing these organizations called the District Cooperative Office (Zilla Somobay Office). Many respondents held this office responsible for not auditing properly when needed. If the authority could monitor properly, then this would not happen: "*The audit of the Credit Cooperative Society wasn't transparent, providing an opportunity for misuse. The Credit Cooperative Society regulatory authority has to be more conscious about providing licenses to the new Credit Cooperative Society maintain and ensure transparency"* (Respondent 4).

All the respective authorities should do their tasks properly to detect and neutralize the risk of fraudulent activities occurring in rural areas. The administration, the police, and the cooperation office can collaborate among themselves to prevent these unusual activities: "*And people shouldn't trust people that easily despite of well-known person. OC, UNO, and UP Chairman need to oversee and monitor all the transactions that happen in their area of jurisdiction*" (Respondent 15).

Improving Governmental Responses

The cost of responding to a crime is comparatively high in our country, along with its complexity. The adversarial justice system complicated every process of investigation, trial, and sentencing. The police and court should be active and simple in dealing with these crimes: "*I couldn't go to the police. Because the expense of court and police could be more. I want exemplary punishment for the offender. The police should be more proactive in finding the fraudster"* (Respondent 19).

Monitoring is a fine-tuning method to detect and tackle fraud activities. Unusual transactions can't be detected if there are no audits or monitoring systems on a regular basis. All the relevant authorities have to be aware of their responsibilities: *"The government needs to appoint a fit authority to monitor and oversight over this kind of transaction. If the authorities would apprehend the criminal and return our money, that would be very helpful for us"* (Respondent 13).

Recovering Money

Even if recovering the money from the victim is not a preventive measure, the government and the authorities related to this issue can try their best to recover the amount the victim lost and compensate them: *"If in any way the invested money could be recovered and returned to us that would be very helpful for us. The government and all the stakeholders need to work together to solve this matter*" (Respondent 16).

Forfeiting the offender's property is a good option to compensate. But if the property can't fill the fraudulent amount, then that will be no good. If even half the amount can be returned to the victim, that can also be good for some respondents: *"The government should forfeit the property and other things of the offender to get us the money. The authorities should be more cooperative with us*" (Respondent 23).

Awareness Building among People

Building awareness is vital for preventing any problems from happening. If people had been aware beforehand, then this kind of incident might never have happened. To build awareness, social media publications, the press, rallies, etc. can be effective: "*Awareness-increasing initiatives may be helpful like using social media, rallies or manifestations to reduce such types of fraud*" (Respondent 12).

If awareness programs can be arranged by the government and relevant authorities at the root level, then people can be more resilient about these issues. Awareness seminars can be arranged in rural areas to make people aware of the problems: "*Authority should campaign in the rural areas to aware people. And consumer need to keep their money in a place that gives them some kind of surety. Police, and Union Parishad members should be more cooperative in this kind of awareness campaign*" (Respondent 20).

Analysis of KIIs

Causes of Rural Financial Fraud

Rural financial fraud has increased after pandemic across the country, with vulnerable communities facing financial crises. Fraudsters exploit villagers' lack of awareness about laws, like NGOs being unauthorized to take investments, and motivate them with commitments of high returns. The illegal loan system and lack of awareness about banking procedures contribute to this. Many rural residents, especially the illiterate, find banking system complex and difficult, making them easy targets for fraud schemes.

Credit cooperative organizations are permitted to loan money but are not authorized to accept deposits from consumers. But most rural people are unaware of such regulations, allowing fraudsters to easily persuade them to invest: "*The NGOs are only authorized to give loans to the consumer, not to take investments from them. The rural people are not acknowledged of these rules and regulations. With the temptation of a high-interest rate, the fraudster can easily convince village people and make them invest in their fraud scheme"* (KII 1).

Due to their generally low income, rural people often seek quick and easy financial gains, which is a primary reason they fall victim to fraud. Fraudsters exploit this opportunity by tempting people to invest in the fraudulent schemes: "*The causes of the prevalence of such types of fraud include illegal loan system and provocation of more interest than the conventional banking"* (KII 3).

The supervisory body of the Credit Cooperative Authority holds the responsibility to aware the public and regulate credit cooperative societies. However, neglect of these responsibilities ultimately leads to incidents of fraud: "*Incognizance of the Credit Cooperative Office is the primary cause of the rural financial fraud made by the Credit Cooperative Society. People in rural areas aren't aware of their rights, and their objectives and they are also dependent on credit cooperative society committees, which leads them to become victims of such fraud"* (KII 4).

Challenges to Preventing Rural Financial Fraud

Fraud persists due to public unawareness, insufficient manpower, inadequate training, and poor oversight within audit agencies. The lack of a proper accountability system raises concerns about transparency. Although regular audits could prevent fraud, limited resources hinder effective monitoring. Moreover, victims often avoid legal action, and there are no provisions for compensating those affected, especially when the fraud involves illegal deals.

Apprehending a fraudster is highly challenging, as they often escape abroad after committing the fraud. Audit agencies also face significant challenges with logistical support, and the lack of coordination among agencies further complicates these issues: "*Most of the fraudsters fled away from the country before filing the case. So, that is a common challenge for us to chase the offender. Audit agencies also have less manpower and support than what they need. So, it would not be possible to monitor all the cooperative agencies. It may not possible in Bangladesh that coordination among relevant authority"* (KII 1).

Personnel within audit agencies is insufficiently trained, limiting their ability to detect fraud before the offender escapes. In several cases, corrupt officials are connected to these types

DOI: 10.2478/eras-2024-0007

of fraudulent activities: "*Shortage of manpower in audit agencies, lack of proper training for the oversight agencies, lack of monitoring, and lack of logistic support in cooperative agencies motivate the fraudster to commit financial fraud. The oversight agencies don't have a proper accountability chain system so their activities are in question if they are transparent or not"* (KII 2).

The current laws and regulations for detecting, combating, and preventing financial fraud are not enough. This lack of comprehensive rules leads to poor collaboration among agencies and hinders the free flow of information and intelligence: "*The existing laws and regulations are able to prevent rural financial fraud by ensuring transparency of executive agencies and maintaining responsibility. Cooperation among relevant authorities could enhance preventive measures of rural financial fraud, free flow of information through digitalization could help in this process but different authority has to be helpful and cooperative"* (KII 4).

A Way Forward

Prioritizing the prevention of the fraud incidents is essential, as law enforcement agencies often fail to apprehend criminals after a fraud occurs. A centralized information-sharing system, that ensures collaboration among agencies to prevent these, can be developed. Raising awareness among all stakeholders through financial literacy is equally important to prevent rural financial fraud: "*Centralized platforms or databases could be impactful where relevant authorities can share information, in addition to providing legal education, providing necessary information and taking measure cumulatively; audit agencies need to be transparent and accountable in their position People have to have contemporary financial knowledge to prevent these kinds of occurrences"* (KII 1).

Every transaction in such schemes should follow a formalized process through a guarantor to ensure consumer confidence in legitimate investments. This approach would also ensure accountability and transparency in transactions: "*A guarantor needs to guarantee the investment to the consumer so that the find can be in safe hands. Moreover, accountability and transparency should be maintained when it is a question of money"* (KII 2).

Collaboration among the Credit Cooperative Authority, Police, Court, and Intelligence agencies must be strengthened to prevent further fraud incidents. Laws, regulations, and policies need to be developed in a comprehensive framework to facilitate safe transactions between Credit Cooperative organizations and customers: "*Cooperation among relevant authorities could enhance preventive measures of rural financial fraud, free flow of information through digitalization could help in this process but different authority has to be helpful and cooperative. Clear and sound investment service policies that will help prevent irregular investment and hard laws should be imposed"* (KII 4).

Discussion

The root cause of rural financial fraud is the temptation of high returns, combined with a lack of awareness and lack of trust in formal banking systems due to illiteracy and perceived risk. This creates opportunities for fraudsters, especially in areas where audits are irregular and inadequate oversight from regulatory authorities which allow fraudulent activities to be increased. Public unawareness and insufficient resources for audit agencies lead to ineffective monitoring, and victims often avoid legal action due to the lack of compensation rules and laws. All these factors create a favorable situation for fraud in rural areas. Literature supports these findings, citing greed, opportunity, and multi-level marketing schemes as common causes of fraud (Lewis, 2019; Bosley & Knorr, 2017). The success rate of fraud often can be identified by delayed identification of fraudulent activities. Fraudsters motivate victims by offering small paybacks at first, making them believe their investments are safe. Victims, primarily from the lower and middle classes, face devastating financial impacts, especially those who borrow money to invest. The effects extend further financial loss, causing psychological and familial stress. Recovery efforts are hampered by victims' lack of engaging with law enforcement, often due to distrust and perceived burdens. Many rely on local authorities or village courts (Salish), but these efforts are limited in scope and effectiveness. Respondents expressed dissatisfaction with police cooperation and the lack of proper action from the Credit Cooperative Office, leading to frustration and unresolved cases. Literature suggests that effective law enforcement and prevention measures can restore victim trust and aid in recovery (Munidewi et al., 2019; Hamid & Nasih, 2021). Greed and unawareness are key factors in victimization. Avoiding risky schemes and investing in legitimate government programs, combined with continuous monitoring and audits, can prevent these occurrences. Collaborative efforts among organizations and awareness-building initiatives at the grassroots level are crucial. Proper intervention by relevant authorities, along with compensating victims through government support or offender property forfeiture, can mitigate the impact of fraud. These findings align with previous studies on greed and the pursuit of quick profits (Hidajat, 2020; Asmah et al., 2019).

Conclusions

Rural financial fraud is a growing concern, significantly affecting the social and economic conditions of rural communities and disrupting social cohesion and peace. This study highlights the widespread vulnerability of these communities to fraudulent investment schemes, which is a critical weakness in their ability to resist mass financial fraud. Limited access to financial literacy resources creates a knowledge gap, making rural people the main targets for these fraudulent schemes. This environment allows investment scams and identity theft to thrive due to a lack of awareness about financial red flags. The causes of rural financial fraud vary based on sociodemographic factors, and the impact on victims is devastating and long-lasting. The consequences of financial fraud affect victims' lives socially, economically, and psychologically. Countermeasures against fraudulent activities in rural areas range from informal to highly formal methods, with varying degrees of success in minimizing the impact through reactive measures. It is crucial to implement comprehensive preventive strategies. These include raising awareness, increasing monitoring and audits, fostering organizational collaboration for better oversight, and ensuring government-led compensation schemes to support victims. This study focuses on rural populations and their sociodemographic characteristics to better understand rural financial fraud. Such an understanding can help mitigate the causal factors and challenges associated with rural financial fraud, guiding law enforcement agencies and policymakers in enhancing and improving policies to prevent it. Further research is needed to expand on these findings, eliminate barriers, and provide a clearer picture of the causal events. Additionally, an observational study of perpetrators could offer deeper insights into the causal factors of rural financial fraud, contributing to more effective policymaking.

Recommendations

Respondents provided recommendations based on their personal experiences, further complemented by insights from key informant interviews to create in-depth understanding about this issue. The key suggestions are summarized as follows:

- Reducing greed and prioritizing legitimate ways of earning money, such as business, over schemes with high interest rates. Religious beliefs can discourage risky and unhealthy investments.

- Thoroughly verifying any investment schemes, prioritizing government-backed options and established financial institutions for security.
- Regular monitoring and auditing of financial organizations to detect and address suspicious activities by the relevant authorities.
- Enforcing laws that ensure compensation for victims and strengthening government agencies to prevent and address financial fraud.
- Enhancing collaboration among agencies like the Police, Cooperative Office, and Bangladesh Bank to combat and prevent financial crimes.
- Raising public awareness of financial fraud, emphasizing the importance of understanding financial transactions, laws, and risks.
- Encouraging a combined effort among stakeholders to create a secure financial environment that protects all transactions.

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