PONZI SCHEME – SEMINAR PRESENTATION

Introduction

Good evening everyone. Today I am going to present my seminar on the topic Ponzi Schemes, where I am going to go through its meaning, working process, warning signs and preventive measures to help you guys understand what it is.

Meaning

A Ponzi scheme is a type of financial fraud where money from new investors is used to pay returns to earlier investors instead of generating profits through a genuine business or investment. The term Ponzi is derived from a person called Charles Ponzi, an Italian-born businessman who became famous for operating a fraudulent scheme in 1920 in the United States.

Working Process

First, the fraudster promises investors unusually high or guaranteed returns. They then attract people through friends, family, social media, advertisements, or referrals. For example, if Person A invests ■1 lakh, the fraudster may use money from Person B, a new investor, to pay A his profit. Person A then believes the investment is genuine and may invest more money or recommend it to others. The fraudster continues this process by using money from newer investors to pay earlier investors. To gain the investors' trust, he may also create fake profit statements and documents.

However, the scheme cannot continue forever, as it is a loop that depends on constantly attracting new investors. Hence, the scheme eventually collapses.

Warning Signs

There are several warning signs in a Ponzi scheme. The first is extremely high returns with little or no risk. Next is guaranteed or consistent profits, as we all know genuine investments have a fair chance of going up or down. Other warning signs include pressure to invest immediately, having difficulty withdrawing money invested, or lack of transparency.

In simple words, if someone cannot clearly explain where your money is invested and how the returns are generated, you simply should not invest in that business.

Preventive Measures

Lastly, the preventive measures so that you and I don't fall victim to such schemes. To prevent becoming a victim, a person should research thoroughly before investing. He should understand how the investment generates returns. In India, investors can check the regulatory information through official resources like SEBI or RBI, depending on the type of financial activity. We should also be very careful with investment offers received through social media and never invest simply because someone promises quick or guaranteed profits.

Conclusion

To conclude in a single sentence: if an investment is too good to be true, it's too good to be true.

Thank you.