COGENT EDUCATION
2025, VOL. 12, NO. 1, 2464309
https://doi.org/10.1080/2331186X.2025.2464309

HIGHER EDUCATION | RESEARCH ARTICLE

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Investment scam vulnerability among university students: the role of personality traits and risk tolerance

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ABSTRACT

This study demonstrates that personality traits affect investment scam vulnerability, either directly or indirectly, through risk tolerance. This study uses the Big Five personality traits, specifically openness to experience, conscientiousness, extraversion, agreeableness, and neuroticism. This study collected data by randomly distributing surveys to students from A-accredited universities in Java and Bali, Indonesia, areas known for their economic growth. The study analysed 421 respondents aged 18–24 years old at undergraduate and graduate levels using the partial least squares method. Our findings reveal a negative correlation between the conscientiousness trait and scam vulnerability. The ability of conscientiousness-type respondents to obtain quality and relevant information prevents them from making impulsive investments. This study also finds that students with high openness to experience, extraversion, and neuroticism traits increase their vulnerability to scams through risk tolerance. These types of personality traits cause the individual to tolerate more risky investments, thereby increasing their susceptibility to investment fraud. There is still limited research that connects personality traits, risk tolerance, and scam vulnerability. In addition, this study is able to expand the boundaries of the Big Five personality theory.

ARTICLE HISTORY
Received 8 August 2024
Revised 30 January 2025
Accepted 31 January 2025

KEYWORDS
Personality traits; risk tolerance; scam vulnerability; investment scam; scam susceptibility; University students

SUBJECTS
Finance; Business, Management and Accounting; Higher Education

1. Introduction

The fraud causes victims to experience financial and other losses (Wilson et al., 2024). One of the reasons why people fall victim to investment fraud is financial dissatisfaction (Kadoya et al., 2020). Klapper and Lusardi (2020) study on financial literacy found discrepancies between developed and developing countries. The average financial knowledge score in advanced nations is 55%, whereas in developing nations it is 28%. The authors noted that gender differences exist in both established and developing countries, with younger individuals having more knowledge than earlier generations, particularly in emerging countries (Goulart et al., 2023; Klapper & Lusardi, 2020). Previous studies have investigated the relationship between personality traits and socio-economic factors (Kadoya et al., 2020), victimisation and lifestyle routines (Akdemir & Lawless, 2020; Drew, 2020), financial literacy (Sirohi & Misra, 2024), and financial management education (Mohd Padil et al., 2022).

Investment scams frequently offer huge profits and violate legal restrictions. This lures investors, particularly those who are more materialistic (Deliema et al., 2020), into investing. As technology advances, people's financial habits have also evolved, leading them to favour investing through mobile devices (Fan, 2022). Indonesia has struggled with investment fraud for years. Organised criminals perpetrate numerous schemes, leading thousands of Indonesians to become victims annually (Prabowo, 2024). From 2017 to 2022, Indonesians lost a total of IDR137.84 trillion due to investment fraud (Soehandoko, 2023). There are many cases of crypto-related fraud (Mehta & Chawla, 2024) using schemes such as Ponzi schemes and Get-rich-quick, which offer unrealistic returns for small investment amounts (A. Rahman et al., 2020). Using the Prospect Theory, this study examines an investor's response and