

The Economics Perspective of The Practice of MMM-Indonesia

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Abstract

The MMM presence in Indonesia is becoming very popular because it promises a fantastic profit. Although covered by mutual-aid mode, not a few who perceive it as an investment business. Having observed the rapid development of the MMM as a new investment scheme, the researcher is driven to conduct a study on the economics perspective on the MMM. The objective of this research is to describe the practice of MMM-Indonesia and to review it from economics perspective.

This study belongs to qualitative study with the descriptive-empirical approach. The informants were 4 MMM national top-leaders, a manager, a victim, and a new member. The methods of data collection used were preliminary survey, literature studies, interviews and observation. The data were analyzed using the descriptive analysis technique.

The result of the study shows that MMM-Indonesia practice pyramid scheme, Ponzi scheme, and money game in its system. The research concludes that Indonesian government is unaware of the existence of this scheme threat and does no action against it. The study also concludes that the practice of MMM-Indonesia is incompatible with economics theories.

The author suggests that the Indonesian government must ban the practice of the MMM as it is a threat to national economic growth and stability. The author suggests other researchers to do further research on the server, moderator, administrator, and company management of the MMM.

Keywords: Economics, MMM, Ponzi Scheme, Pyramid Scheme

1. INTRODUCTION

This study takes a case from the investment firm named MMM. The MMM is an investment company established by Sergei Mavrodi. Mavrodi admitted that the company is operating in the base of Pyramid Scheme, a scheme which is illegal in many countries. MMM require partisipants to Provide Help (PH) before they can Get Help (GH). PH is transferring some money to certain bank account specified by MMM. GH is asking MMM to order other participant to transfer some greater amount of money, usually with a gain of 30%.

MMM presence in Indonesia is becoming very popular because it promises fantastic profit. By depositing a certain value, the members entitled to await the return of 30 percent higher in the next month. Although covered by mutual aid mode, not a few who perceive MMM as an investment. Whereas the MMM did not

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run a business or a real investment, but only play money coming from the prior members to paying members who joined later.

MMM managers claimed that MMM is neither a investment nor a bussiness institution. They claimed that this scheme is no more than giving each other money to each other people. They stated that there is no central account where the partisipants' money can be easily retrieved by the MMM. If so, how they can promise a gain of 30%. Where do the profits come from if there is no real business being run?

Many contemporary theories try to uncover MMM. Pyramid and Ponzi schemes are something that has always been associated by scholars with MMM activity. Some tried to see it from legal perspective and find a conclusion that the MMM is difficult to be regarded as a legal entity since there is no compatibility with existing business classifications. With MMM only operate on the Internet makes it more difficult to assess.

In Indonesia it came with new name "Manusia Membantu Manusia". Like in many other countries, enthusiasm for MMM in Indonesia is also quite large. People are tempted by the high promised percentage of returns. Many investors are unaware of how MMM operates. Many who realized but they wanted to take advantage of gaining benefit from MMM in its early stage before it falls.

Pyramid and Ponzi schemes have caused economic crisis in many countries such as England, Russia, and Albania. This leads to the curiosity why are MMM running well and even legally in Russia and many other countries including Indonesia. What is actually run by the MMM? Is it true that the concept would be able to fight the global financial system as claimed by its founder Sergey Mavrodi.

2. LITERATURE REVIEW

Studies of previous research include reading, observing, identifying, and absorbing reading material (literatures). The purpose of literature review is an attempt to examine, identify and discuss the research plan theoretically, conceptually and find a variety of variables related research, as well as the results of previous research (Supardi, 2005).

Researcher search for relevant literature find a wide range of research include:

1. Research by Rajko (2007) entitled *Crisis Management: The Case of the MMM Financial Pyramid* (Rajko, 2007). The Paper considers MMM, one of the world's most famous financial pyramids that worked during the last decade of the 20th century. The author shows that financial pyramids were not the result of the transition process. They have been a regular phenomenon in the most developed economies (The Netherlands, France, England etc) during the earlier periods. The short history of the pyramid MMM is given, and then in the key part of the article the functioning of the Crisis Management Group that help MMM to survive the crisis period in the middle of the year 1994. At this manner, MMM became perhaps the only pyramid in history that continues to work successfully after the financial collapse.
2. The research by Christopher Jarvis - a Senior Economist in the IMF's Policy Development and Review Department –entitled: *The Rise and Fall of Albania's Pyramid Schemes* (Jarvis, 2016). This study uses a qualitative method that emphasizes the crisis prevention by the government due to Ponzi

- Finance. Research explains how Ponzi Finance can lead to a crisis in the country. Ponzi Finance may cause the bubble due to rising unnatural purchasing power. The study concludes that the state investment business operations that are not controlled can lead to a crisis in the country. This study suggests that the government must investigate every type of investment to prevent the crisis.
3. Research by Nesvetailova (2008) - a professor at the School of Arts and Social Sciences, City University of London –entitled: *Ponzi Finance and Global Liquidity Meltdown: Lessons from Minsky* (Nesvetailova, 2008). This study uses a qualitative method emphasizes that the economy of a country is not determined by the government but on the investment activities that occur therein. This study looked at the Ponzi Finance from the standpoint of political science. This research concluded countries tend to do the omission of investment activity due to two factors; difficulty of detecting fraudulent investments; and avoiding the risk. This study suggested that the government must be completely aware of all the investment activities in the country.
 4. Research by Елькина, А. В. (Elkina AV), 2008 entitled: *Financial Pyramid Scheme: Is it a lie or revenue* (Elkina, 2014). This study emphasizes that Pyramid schemes works at the expense of investors only. These investors are people, who do not deal with the economy and do not know nuances of the financial sphere. And after termination one of the financial pyramid defrauded investors gives their money for the same activity. Why? First, people believe that not all pyramid schemes were founded for cheating. Second, here there is a psychological factor. It is a passion. Investors think that they have time and they come out from this system before its destruction. And finally, people watch an advertisement and believe it. This research concluded that investors can earn money from a financial pyramid, if they are a creator of it or a part of this system, so they know economy and nuances of this scheme very well. Generally, this research concludes financial pyramids are much more often risk, losses and lie than revenue and wellbeing.
 5. Research by Puscaciu, Mihalache, & Puşcaci (2014) entitled *Stacked Affairs – Versus MLM (Or: Guised Pyramids-Wolf in Sheep's Fur)* (Puscaciu, Mihalache, & Puscaciu, 2014). The Paper reveals the model of pyramid, invented by the ancient Egyptians was used by mankind in different ways, during the time. In their research they try to underline the link between some pyramidal schemes: that means their research has to show a comparative approach of two aspects apparently without any link, but reality shows that there are both resembles, and differences between them. The common element is not only the pyramid shape, but also the financial scope which they are used for. More by token, they are using this leitmotiv of pyramid not only for earning huge sum of money, but also without paying taxes on it. Besides these common features, there are also a clear difference between them, i.e. one of these action (the pyramidal games) are not giving any product for the sum of money given by the participants, as the other activity (the MLM used in cosmetics and nutritional supplements industries) uses goods given instead of paying money by the involved people.
 6. Research by Duha entitled “*Kedudukan Dan Bentuk Badan Usaha Mavrodi Mondial Moneybox (MMM) Dalam Praktik Niaga Di Indonesia Dan Perlindungan Hukum Bagi Anggota Atas Transaksi Mavrodi Mondial*

Moneybox (MMM)” (Duha, 2015). The objective of this study was to determine the position and form of business entity Mavrodi Mondial Moneybox (MMM) in a commercial practice in Indonesia in order to determine the existence of legal protection for transactions detrimental to members Mavrodi Mondial Moneybox (MMM). The conclusion from this study is the legal status of Mavrodi Mondial Moneybox (MMM) is not clear. Judging from the form of business entity cannot be categorized. Judging from the trade, no goods or services offered by Mavrodi Mondial Moneybox (MMM). This research suggests that operation Mavrodi Mondial Moneybox (MMM) should be reexamined in a commercial practice in Indonesia in order to create certainty of legal protection for its members.

3. THEORIES

There are two theories are most often referred to by academics about the MMM. Jarvis (1999), Rajko (2007) and Elkina (2008) called it a financial pyramid scheme. Anastasia (2008) called it a Ponzi Finance. From this, it can be concluded that the MMM is the practice of Financial Pyramid Scheme or the Financial Ponzi Scheme. A brief explanation of both is needed in this research to give a clear idea of the MMM.

1. Pyramid Scheme

A pyramid scheme is an unsustainable and often illegal business model that involves promising participants’ payment or services, primarily for enrolling other people into the scheme, rather than supplying any real investment or sale of products or services to the public.

Pyramid scheme (financial scheme or investment scheme) is a way of ensuring revenue for participants of the structure at the expense of a constant entrance of money. In the most countries, such as Australia, Japan, USA, Germany, France, UK and others, this kind of financial activity is forbidden, because it is cheating (Elkina, 2014).

In a pyramid scheme, an organization compels individuals to make a payment and join. In exchange, the organization promises its new members a share of the money taken from every additional member that they recruit. The directors of the organization (those at the top of the pyramid) also receive a share of these payments. For the directors, the scheme is potentially lucrative—whether or not they do any work, the organization's membership has a strong incentive to continue recruiting and funneling money to the top of the pyramid.

Such organizations seldom involve sales of products or services with real value. Without creating any goods or services, the only ways for a pyramid scheme to generate revenue are to recruit more members or solicit more money from current members. Eventually, recruiting is no longer possible and the plurality of members is unable to profit from the scheme.¹

Head of the National Consumer Protection Agency (BPKN) Ardiansyah Parman said that MMM is extremely dangerous because it uses a pyramid system which is prohibited under the Law of Commerce. In fact, such a system is a money game that has eluded many victims in Russia. He then explained, in the pyramid

¹ Wikipedia, “Pyramid Scheme”, retrieved from https://en.wikipedia.org/wiki/Pyramid_scheme on Thursday 17 September 2015 at 3:45.

system, employers earn revenue not of his own business but from of recruiting others. Such this system, according to him, has a very high risk that the funds collected could be at any time corrupted by managers.²

Aidil Akbar said on its website that the MMM is a fraud because running a pyramid scheme. This conclusion he took from the statement of Sergei Mavrodi which states: "It is a naked scheme, nothing more. People Interact with each other and give each other money. For no reason"³

Aidil further stated that MMM similar social gathering chain which was once widespread in the late 90s and early 2000s. This scheme is just about each other money transfers whom require a high level of trust and confidence of the participants so that would put money into the scheme. This scheme will usually run smoothly at the beginning and will collapse when participants put large amounts of money because of greed by investing all the capital and profits that have been obtained even plus of sources of funds from selling assets or from lending sources.

2. Ponzi Finance

A Ponzi scheme is an investment fraud that involves the payment of purported returns to existing investors from funds contributed by new investors. Ponzi scheme organizers often solicit new investors by promising to invest funds in opportunities claimed to generate high returns with little or no risk. In many Ponzi schemes, the fraudsters focus on attracting new money to make promised payments to earlier-stage investors to create the false appearance that investors are profiting from a legitimate business.⁴

With little or no legitimate earnings, Ponzi schemes require a consistent flow of money from new investors to continue. Ponzi schemes tend to collapse when it becomes difficult to recruit new investors or when a large number of investors ask to cash out.

The schemes are named after Charles Ponzi, who duped thousands of New England residents into investing in a postage stamp speculation scheme back in the 1920s. At a time when the annual interest rate for bank accounts was five percent, Ponzi promised investors that he could provide a 50% return in just 90 days. Ponzi initially bought a small number of international mail coupons in support of his scheme, but quickly switched to using incoming funds from new investors to pay purported returns to earlier investors.

3. Money Game

The terminology of money game has broader meaning than the terminology of Ponzi scheme. Money game is all forms of investments without underlying business. A schematic money game could be MLM, gathering chain, or Ponzi schemes. Money game is the major model of the most investment fraud. When a scheme contains elements of money games it certainly has the potential fraud schemes.

²Yoga Sukmana, "BKPN: MMM itu Money Game", retrieved from <http://bisniskeuangan.kompas.com/read/2014/08/07/152222626/BKPN.MMM.Itu.Money.Game> on Wednesday, 9 December 2015 at 10.18.

³Danang Sugianto, "MUI Sebut Money Game MMM Haram", <http://economy.okezone.com/read/2015/04/09/457/1131586/mui-sebut-money-game-mmm-haram> at 4 November 2015 at 13:04

⁴Retrieved from <https://www.sec.gov/answers/ponzi.htm> on Friday, January 15, 2016, at 8:04

Money game is similar to Ponzi scheme in some cases. This system collects the money from the new members to be paid to the old members. New members can benefit when recruiting new members. This system is definitely in favor of those who are in the top line. Money games sometimes have a product that is not realistic because the product is sold at a very high price than the price of similar products in the market. Such products are just really a symbol to get a bonus in the amount of sales exceeds the actual price of the product.⁵

According Setyawibawa of EC Consulting (Pesona.co.id, 2015), since the beginning of the business founders of money game were aware that the system would not last long. As the more members, the more difficult they are to recruit new members and eventually fall off by itself. Unfortunately, there is a clause in the agreement containing benefit can only be granted if there are new members – the chapter that was usually approved by the members. So when this falls, the money game makers could not face justice. Business money games are usually packed with interesting and different names like gathering and mode of helping others; people help people. If recently many cases and victims of money game in Indonesia, it is more because of the financial regulation is unclear. According to Eka, the case of money game continues to occur because many people are not aware of and understand about the economy. In fact, economic literacy is one of the strategies to avoid such frauds investment money game. Moreover, Eka added, the victims are usually the type of person who is easily tempted by the lure of high profits, and those who have spare funds but do not know how to invest it, and the person who is economically driven.⁶

Money games businesses usually do not have a real product to sell to consumers. In fact, this is the main difference from a proper MLM business. Therefore, in order to be seen as a proper MLM, some money game companies made products. However, the products have very poor quality.⁷

4. RESEARCH METHOD

To make research into a systematic, a method needs to be defined. Therefore in this study researcher will use a methodology for describing, assessing and analyzing the data. The basic function of methodology is to help in reaching the truth.

Despite so many approaches debated among the researchers, there are those who classify those approaches in two major types: quantitative research and qualitative research (Holmes *et al*, 1991:172).

The former is also frequently named as mainstream or positivistic approach, while the latter has several different names, such as critical, interpretive, phenomenology, and so on, for each term implies different characteristics of its

⁵ Femina Pesona, “Apa Itu Money Game”, retrieved from <http://www.pesona.co.id/article/apa-itu-money-game->, on Wednesday, 9 December 2015 at 9:29.

⁶ Sukses Bisnis Usaha, “Mewaspadai Money Game”, retrieved from <http://suksesbisnisusaha.com/bisnis-investasi/mewaspadai-money-game> on Wednesday, 9 December 2015 at 9:34.

⁷ Sigit Setiawan, “Mengenal Bisnis Money Game”, retrieved from <https://sigitstw.wordpress.com/mengola-keuangan-pribadi/penghasilan-dan-faktor-pendukungnya/mengenal-bisnis-money-game/> on Wednesday, 9 December 2015 at 10:24

research approach or method. Although the difference among naturalistic approaches mostly lie in the technical levels of research, this is not so if mainstream and naturalistic researches are compared. The differences between the two emanate further from ontological assumption, and consequently from epistemological approaches. These are followed obviously by methodology and research methods.

The critical approach is a relatively new approach. It is strongly related to the Frankfurt school, more particularly Jurgen Habermas (Aitken & Gaffikin, 1987). In recent development, it is now growing into diverse types. In this respect, Laughlin and Lowe (Laughlin & Lowe, 1990) say: "It would be wrong to see the alternative approaches which they advance as some homogenous set. Despite the diversity in critical approaches, this study adopts the critical theory in the sense of its essential features.

Effective critical analysis is dependent on one's understanding of the terms topic, thesis, purpose, and point of view.⁸ These terms overlap in meaning and are sometimes used interchangeably.

The real aim of critical theory is not to predict but to provide the knowledge that social agents need to know in order to realize their own best interest in a rational manner (Gaffikin, 1989). It seems that this approach is quite in keeping with the objectives of this study.

1. Type of and Research Approach

This study is a qualitative research. Qualitative research is an approach which is also called investigative approach because researcher collected data by directly engaging and interacting with people in the study (Bungin, 2001).

According to the data source, this study is categorized into field research. Field research is empirical research which data and information derived from the activities in the field of research (Supardi, 2005, p. 10). This type of research has been due to the type of data collected is the data obtained from the respondents. Thus, to obtain the desired data researchers need to plunge directly into the field.

With field research method, researchers work directly in the field to collect data by observation of active participation, in addition to using interviews. Its main purpose is to describe the conditions in the field, so it can be studied the problems and systems that have been implemented by the MMM.

A "modified" descriptive-empirical approach is going to be applied in this study. This implies that the study will not purely adopt the descriptive theory as it is, for there is a necessity to adjust it to empirical facts in some extent. Therefore some of the empirical method will be included to get closer to the more precise conclusion.

Basically, there are three major components of qualitative research. First, there are the data, which can come from various sources such as interviews, observations, documents, records, and films. Second, there are the procedures that researchers can use to interpret and organize the data. These usually consist of *conceptualizing and reducing* data, elaborating categories in terms of their properties and dimensions, and *relating* through a series of prepositional statements. Conceptualizing, reducing, elaborating, and relating often are referred to as *coding*. Other procedures are part of the analytic process. These include non statistical *sampling*, the *writing of memos*, and diagramming. *Written and verbal*

⁸ Maple Woods Community College Writing Center Staff, 1999 <http://www.sce.carleton.ca/faculty/chinneck/thesis.htm>

reports make up the third component. These may be presented as articles in scientific journals, in talks, or in books (Strauss, 1998, p. 12).

2. Research Location

Research location has been conducted in Yogyakarta, since the MMM operates in a number of other places in the world, information from other places will also be included for comparison. Yogyakarta is one of the basis participants of the MMM in Indonesia. A server of website seminar between managers of the MMM-Indonesia is in Yogyakarta.

3. Research Informants

Informants will be taken from participants of the MMM-Indonesia, academics, and others. Other parties that can be taken as informants of research are: the investors, sources of data media, victims, and managers of the MMM. There are various managerial levels in the MMM participant. The informants will be taken in each of them.

Insider informants are the most important. Researcher attempts to learn the insider's view to seek the help of knowledgeable individuals from within the MMM. Obviously, researcher wants someone who has been involved in the MMM long enough. Other qualities to look for are that they should be observant, reflective and articulate.

However, researcher has no access to the administrator of the MMM despite its important role to give technical information. The administrator existence is a secret in the MMM. Nobody knows their existence except Sergey Mavrodi himself. Once rumor said that there was once when the identity of administrator is leaked and soon after it Mavrodi changed the administrator board. Mavrodi wants to keep their identity hidden.⁹

4. Informants Selection Technique

Informers will be selected through theoretical sampling. The researcher makes an initial selection of informants; collects and analyses the information and produces a preliminary explanation. After that and based on this explanation the researcher will decide what further information to collect and from whom. Once these new data are analyzed the theory is refined, and which in turn guides the next round of information collection.

5. Data Collection Technique

Data (single datum) is a material that contains information about an object of research acquired in the study site. Actual data definition similar to the definition of information, it is just information more highlighted in terms of services, while data further highlight the material aspects (Bungin, 2001:119).

Data collection techniques are part of the research plan associated with the process of determining ways to obtain or collect data research.(Supardi, 2005:117). The technique for collecting data in this thesis is done by several methods. The data in this study are divided into two types, primary data and secondary data. Interviews and observations are the primary data in this descriptive research. However, secondary data will be used to provide broader overview.

1. Primary Data, Primary data is data obtained or collected directly in the field by the researcher. The primary data are:

⁹ An Interview with Arif Hidayat a 1 Thousand manager of the MMM on Saturday, 12 Desember 2015 at Pakualaman Square Yogyakarta.

- a. Preliminary Survey, a preliminary survey was conducted to determine the characteristics, the general picture and the overall activities of the company and matters related to the discussion. This technique is a preliminary study to find out about the company's operational systems and internal aspects of the organization of the company.
 - b. Literature Studies, this study was conducted by collecting a wide range of literature relevant to the discussion of research in the form of books, magazines, newspapers and other scientific papers related to the study.
 - c. Field Studies, namely studies carried out directly to the object of research with the aim of describing all the facts that occurred on the object of study, so that the problems can be solved. The technique used to obtain the data by carrying out field studies are as follows:
 - d. Interviews, interviews were conducted by way of question and answer orally and meet directly (Muhamad, 2008:151) to the managers of MMM.
 - e. Observation, by observing either directly or indirectly to the object under study.
2. Secondary Data, they are:
- a. Documentation, documentation techniques used to collect data in the form of written data containing information and explanations as well as thinking about the phenomenon that is still actual and are associated with the research problem. Documentation technique begins by compiling the document, choose the document in accordance with the purpose of research, record and explain, interpret and connect with other phenomena.
 - b. Researcher obtains primary data from inscriptions, manuscripts and archival (either in the form of printed goods or recording), the image data, photos and so forth. With these data the researcher can complete the study (Supardi, 2005:117).
 - c. Records, including; data of history, concept of forming, vision and mission of founding the company, data of organizational structures, table of bonuses and other supporting data about company, data of the operational management, rules, etc., and data of practice applied through field observations, by perceiving directly to find the actual facts in the field.

6. Validity of Data

Validity of the data will be examined through data cross-check against other data from other sources. Data will be selected and chosen the most valid for subsequent use in the analysis.

One classification of the validity that is generally accepted is that consists of three main forms: content, criterion-related, and construct. Content validity of an instrument measuring the extent to which these instruments include a research topic. If the instrument contains a representative sample population of subjects studied, the validity of the content is good (Muhamad, 2008:130).

7. Data Analysis Technique

In the qualitative research, data analysis technique that is often used is descriptive analysis technique. Descriptive study concerned by the current situation, attitudes and views in society, conflict two states or more, the relationship between variables and so forth (Moleong, 1994: 288). This kind of research is done

at the level of study to reveal a phenomenon or sign and circumstances as they are. This study outlines the research activities to make a systematic description of a fact (Supardi, 2005:28).

The data analysis will use interpretative techniques. The facts from MMM will be confronted with the basic principles of finance. What is not in accordance with finance will be discarded. Number of findings will be collected to be taken into consideration in making conclusions.

5. FINDING AND ANALYSIS

MMM refer to four different companies that are all founded by Sergey Mavrodi. First, MMM that was electronics company established in 1989 and has already collapsed. Second, MMM-1994, which run Ponzi finance in 1994 and also has collapsed. Third, MMM-2011, like the current system but still collected participants fund directly. Fourth, MMM-2012, is not collected public funds but only providing the system to transferring the fund from one another participant.

Table 1 The MMM Transformation

Company	Year	Characteristics
MMM	1989	Electronics importing company, collapsed.
MMM-1994	1994	Pure ponzi scheme, collapsed.
MMM-2011	2011	Pyramid scheme with official accouts to collect participants fund and run its own campaign.
MMM-2012	2012	Pyramid scheme with no official account and the participants to make their own campaign.

Source: Interviews with Taufik – a national top leader, on January 8, 2016.

Discussed in this study is the MMM-2012, which is the latter and actual MMM. The term that will be used to refer MMM-2012 is hereinafter referred to MMM alone. A brief history of two previous MMM's will be mentioned to provide a broader view of the latter the MMM.

Analysis begins by explaining the MMM internally; MMM identity, the system, and the participants' views of the system. Practically the sytem of the MMM only exists on the Internet. No one knows where their office to operate the system. Informations about their existence can only be found in some journalist report or from their own website.

A. The Practice of MMM-Indonesia

1. The Participants' Behaviour and View on the MMM

It is not easy to find participants MMM. Most of them hide themselves when questioned. This is a common sign of an illicit activity. Psychologically, people who make mistakes tend to shut down to admit the mistakes. This is contrary to their repeated claim that they are just the charity community, as why they would hide themselves from the public if their actions do noble work.

However, there are still some participants who show their action publicly. They believe that there is no need to hide as they do nothing wrong. They also believe that MMM is the right system and people should join it for the good of themselves.

This group of people in Yogyakarta is led by Krisnawan Heru Suryanto, a MMM One Thousand Manager. He is the most active manager who regularly runs a campaign about how to follow the system correctly and safely. He insists that most people even amongst participants misunderstand the MMM. He says that his commitment is to correct all wrong perceptions about the MMM.¹⁰

He says that there are two keys to follow the system correctly; 1) Self positioning, and 2) Using free money. He says that all participants should consider themselves as a donor when they put the money into the MMM system so they never expect to lose the money in the future, this is what he means by self positioning. The other key is to use the free money. Free money is a term created by the MMM to describe spare money or unliability money. Krisnawan believes when both keys are followed participants would have nothing to lose.

Jeffry, a top leader in Manado, a friend of Krisnawan, says that the only thing that participants enjoying from the MMM is the spare money. He himself have enjoying this spare money almost in entirety of his life. Although there are still much of his 'Old Mavro' yet be able to be liquidated, the total amount of what he has received is much higher than those locked old Mavro so he has no problem with that.¹¹

Taufik another MMM leader from Madiun sees the MMM with another perspective. He does not agree to call the MMM is a mutual-aid scheme as the official claims. He rather uses different thought that he see it just the new financial system. He compares the MMM to the banks. He believes that the MMM is far better than bank due to some following factors; 1) MMM does not collect participants money, 2) Participants only need to buy a Mavro when there is another participants who need to sell the Mavro at the same time. He rather sees the MMM as a community organization with same interesting and interest such as BMW community or Ninja community. He believes that this thought is more acceptable to the public rather than the familiar thought.¹²

The story of participants is not always good. Rais, a student of magister of Islamic studies in UII, feels that he was a victim of the MMM. An interview with him suggests that he was doing a wrong manner in following the system according to Krisnawan belief. He seen the MMM as an investment business and he used unsafe money. He lost all the money and also he lost the contact to the manager who was introduced him the MMM. However, he believes that he is still the member of the MMM, at least as long as he is not receiving his money back.¹³

Knowing the intention of the founders and participants is a key in solving this problem. They claimed that their intention was to help people sincerely. It is need

¹⁰ First interview Western Indonesia Timeh Krisnawan Heru Suryanto on Sunday, 13 December 2015 at Bamboo Restourant, 10am to 4pm WESTERN INDONESIA TIME.

¹¹ Interview Western Indonesia Timeh Jeffry at 27 Desember 2015 via video conference at 21:00 pm WESTERN INDONESIA TIME.

¹² Interview Western Indonesia Timeh Taufik on Friday, 8 January 2016 at 10:00 pm WESTERN INDONESIA TIME.

¹³ Interview Western Indonesia Timeh Rais at 2 January in Yogyakarta at 1:30 pm WESTERN INDONESIA TIME.

to be clarified whether their intention was consistent to the practice of MMM. If their intention was contrary to the practice then MMM is *haram*.

It is clear that the intention of the participants is trying to make money by joining MMM. It is obvious that this fact is contrary to the intention expressed. Therefore, hence there is no consistency between intention and reality then the claimed intention is rejected by itself.

Regarding the intention of the founders, these are difficult to trace, because it is difficult to track where funds are flowing. The funds could flow into administrator accounts. Lack of clarity about the board, making clarification of the intention becomes impossible to acquire the real intention.

Most participants have agreed at some point when they see the MMM, the following table shows their thoughts:

Table 2 Participants View of the MMM Activity

Participant	Level	View
Arif Hidayat	Manager 1K	Social
Krisnawan	Manager 10K	Social
Andreas Wijaya	Top Leader	Social
Taufik	Top Leader	Business
Jeffry	Top Leader	Social
Rais	Victim	Business
Hartadi	Beginner	Business

Source: Interviews and discussions with all participants

Even when the OJK called a number of MMM participants for questioning, all of them were absent from the call. Rusli Nasution, the OJK head of investigations for the financial services sector, said the regulator had found several names on the MMM website and Facebook page and invited them for questioning on April 7 at the financial regulator's headquarters regarding to review their business. However, as of now, the invited people have still failed to show up. Rusli said that their domiciles are in Bekasi and Bogor, West Java, as well as Tangerang, Banten. Some gave clarification for their absent saying that they were busy.¹⁴

Table 3 Participants Profession After Joining the MMM

Participant	Profession	After joining the MMM
Arif Hidayat	Tourism agent	Active
Krisnawan	Politician	Non-active
Andreas Wijaya	Trader	Non-active
Taufik	Farmer	Less-active
Jeffry	Christian priest	Less-active
Rais	Student	Active
Hartadi	Milk producer	Active

Source: Interviews and discussions with all participants

The participants are required to trust the fellow members. It is somewhat difficult to be realized as members may not know each other very well. They are

¹⁴ Grace D. Amianti, "OJK warns of fraud risk in MMM Scheme", retrieved from <http://www.thejakartapost.com/news/2015/04/10/ojk-warns-fraud-risk-mmm-scheme.html> on Wednesday, 9 December 2015 at 6:27 pm WESTERN INDONESIA TIME.

also required to believe in the management of MMM which is unclear controlled by whom and where. Server MMM seems to be abroad. MMM participant's confidence seems just based on the cradle lure of big profits. MMM participant's trust completely unfounded. Many participants finally lose their trust in MMM and resigned. Most of those who resigned even do not want to admit that they've once joined MMM.

When the system restart in late August and early September 2014 many less loyal participants resigned from MMM and never join again, who remain are only loyal participants plus some new participants recruited by the loyalists. MMM system was successfully restored some old fund. The restart caused reduces of participants in a significant number.¹⁵ The restart was probably the only way MMM can do to reduce the number of participants. By restarting the system they can reduce a significant number of participants and be able to avoid the exceed of their capacity.

An old participant with the initials AM who has currently resigned believed that the restart is only a trick to recruit new participants and to reduce old participants in a same time. New participants will bring fresh money and will support the new round of the system to continue.¹⁶

A dialog with MMM manager revealed that the most manager believes that the MMM is no more than just to provide a system to facilitate mutual aid between the participants. Further they believe that those who reject the MMM are the ones who do not recognize MMM as a whole.

They said that MMM only facilitates the system and can not be blamed. Who should be blamed are the users of the system, its participants. The system could be fall if many people are abusing the system. One example of abusing the system is to create multiple accounts, which is prohibited. Another form is to do PH with bonus money that should have been used for real business.

1. Economics Analysis Perspective

Many academics have concluded that the MMM running a Ponzi scheme. Others put it into the pyramid scheme. This difference occurs because of differences in viewpoint. Scientists argue Ponzi scheme look of the MMM financial side. While the opinion of the Pyramid Scheme see MMM structural side. Thus, this difference is not the difference in the opposite but is complementary differences.

The research by Elkina says that investors can earn money from financial pyramid, if they are a creator or a part of this system, so they know economy and nuances of this scheme very well. However, the research concludes that financial pyramids are much more often risk, losses and lie than revenue and wellbeing (Elkina, 2014).

Pyramid scheme is also used not only for earning a huge sum of money, but also without paying taxes on it (Puscaciu et al., 2014). The MMM perhaps is the only pyramid in history that continues to work successfully after the financial

¹⁵ An Interview Western Indonesia Timeh Arief Hidayat at 12 December 2015 at Pakualaman Square at 10 am WESTERN INDONESIA TIME.

¹⁶ Angga Aliya, "Sistem MMM Restart, Bagaimana Nasib Para Partisipan?", retrieved from <http://finance.detik.com/read/2014/09/12/071022/2688241/5/sistem-mmm-restart-bagaimana-nasib-dana-partisipan> on Wednesday, 9 December 2015 at 6:46 pm WESTERN INDONESIA TIME.

collapse in the Netherlands, France and England during the earlier period (Rajko, 2007).

Ponzi scheme is prohibited in finance because it contains gambling, moreover because Ponzi scheme practices money game which is also prohibited in many countries. Research by Christopher Jarvis shows Ponzi finance can lead to a crisis in a country (Jarvis, 2016).

2. Potential Areas for Fraud

Regardless of unilateral MMM claims about their activities, there are still the potential areas for fraud in it:

- a. The claim that there is no central account managed by the admin, this can not be proved at all. It could be one of the accounts, from the thousands of accounts that exist in the system, is an account of MMM. It could be also MMM has thousands of accounts, which look like participants account.
- b. The claim that all members help each other willingly and voluntarily is doubtful. Initial motives of the participants allegedly is earning money from the MMM. When the motive is truly for earning money then the MMM belongs to the category of investment activity.
- c. Claim that their activity is to destroy the current global financial system which is not fair does not have the correct logic. If they want to fight the banking system why they still use bank accounts in the transaction. If the banking system blamed for applying the system of interest, their activities are also promising even greater interest.
- d. Claims that to earn money one does not have to work but can expect help from others is also unacceptable. The MMM will only provide aids if someone has been helping others first. What if there are people who can not help at all, then he will never be helped.

Safir Senduk said in a television show Apa Kabar Indonesia¹⁷ that the risk in the MMM can occur when:

1. When no one is willing to Provide Help, as long as there are still new people coming most likely Provide Help will continue to exist.
2. When the website is in maintenance or blocked.

Table 4 Potential Areas for Fraud

Suspected Areas	Potential Fraud
No central account	It could possibly be that the MMM founder has his own participant account in the System where he can ask for as much money as he wants.
Sincere help	It is contrary to the true intention of the participants which is to earn money from the MMM.
Destroying the current financial system	Contrary to the fact that all participants uses bank accounts for transaction.
One does not need to work to earn money but all he	A participant never gets help if he never provides help for others before. One has to have initial

¹⁷ Retrieved from <https://www.youtube.com/watch?v=P1TtnUdBtaM> on Thursday, January 14, 2016, at 9:04 am WESTERN INDONESIA TIME.

needs to do is asking for money to help others. The problem is not everyone help from others. has the initial money.

Source: The MMM websites and interviews with the participants

6. CONCLUSIONS

MMM-Indonesia practices pyramid scheme, Ponzi scheme, and money game in its system. Despite the public concern about it, the practice of MMM-Indonesia is running rampant without any barrier in Indonesia. There is no legal entity for the practice. The MMM do not hold a business license from the OJK since the OJK view it outside the financial industry. The OJK do not regulate and supervise the MMM-Indonesia. The practice of MMM-Indonesia has been become a public concern in Indonesia that leads the KOMINFO do the blockings to some of the MMM websites but the blockings are ineffective as the MMM launches the websites in other addresses. To date, the government actions do not stop the activity of MMM-Indonesia.

7. SUGGESTIONS

The Indonesian government must ban the practice of MMM-Indonesia because it could lead to the crisis in the country. The MMM practice is a threat to national economic growth and stability. Since the MMM participants never pay tax for their earnings from the MMM, that fact can be used by the government for the reason of the ban.

Since there is the limitation of the access, the author cannot do the research to the server, moderator, administrator, and company management of the MMM. The research about how Sergey Mavrodi operates the system also remains unknown. There is no research about whether Sergey Mavrodi himself take a huge amount of money from the MMM or how he funds the system. The author suggests researching these areas for further research.

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