

## **Triple Helix Model to Improve Financial Literacy of Students in Faculty of Economics**

**Dwi Wulandari\* and Bagus Shandy Narmaditya**

*Department Development Economics, Faculty of Economics,  
Universitas Negeri Malang, Malang 65145, Indonesia*

### **ABSTRACT**

This study is aimed to reveal financial literacy among students and efforts to improve the financial literacy. This study used a mixed method. A quantitative approach is used to rate students about financial literacy of six components: insurance, stock market, financing, pension fund, pawn, and banking. The result showed that the majority of students was in the category of sufficient literate and also showed that financial literacy was the lowest in the insurance sector. This is partly caused by a lack of education about insurance in the Faculty of Economics. In order to improve financial literacy, especially in the field of insurance, we used triple helix model of the relationship between the University, Government and Financial Industry. In University, we can create an effective learning model positively correlated with the understanding related financial product where the financial product is a component of financial literacy. The Role of Government in this context is the OJK as overseeing and regulating the respective regulations of the financial industry. Financial Industry conducted socialization for students and society to make people believe more in their products. The cooperation of these three sectors are important to create a good synergy among parties related to financial literacy.

*Keywords:* Financial education, financial literacy, financial products, triple helix model

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*E-mail addresses:*

[dwi.wulandari.fe@um.ac.id](mailto:dwi.wulandari.fe@um.ac.id) (Dwi Wulandari)

[bagusshandy@gmail.com](mailto:bagusshandy@gmail.com) (Bagus Shandy Narmaditya)

\*Corresponding author

### **INTRODUCTION**

Financial literacy plays a great role in our environment nowadays. Financial literacy defined as the knowledge of basic financial investment concepts such as inflation and risk diversification and the capacity

to do calculations related to interest rates (Lusardi & Mitchell, 2011) and the ability to make simple decisions regarding debt contracts, in particular how one applies basic knowledge about interest compounding, measured in the context of everyday financial choice (Lusardi & Tufano, 2009). The Organization for Economic Cooperation and Development (OECD) started an inter-governmental project in 2003 with the objective of providing ways to improve financial education and literacy standards through the development of common financial literacy principles. In March 2008, the OECD launched the International Gateway for Financial Education, which aims to serve as a clearinghouse for financial education programs, information and research worldwide. The continuous effort in improving financial literacy is not only in Indonesia but also around the world. In Asia Pacific context, The Australian Government established a National Consumer and Financial Literacy Taskforce in 2004. In Singapore, the National Institute of Education Singapore established the Inaugural Financial Literacy Hub for Teachers. In Indonesian context, OJK (Financial Authorities Services) concern in improving financial literacy.

A low level of financial literacy can lead to many financial problems of an individual such as high debt, high expenses compared to income, psychological problems, crime in financial sectors and many more. In Indonesia, we heard a lot of problems related to fraud, Ponzi schemes, and high debt. These problems come from a low

level of knowledge of financial literacy. It is not always a result of low income but how people manage their income properly.

Financial education and financial literacy campaign concern about two important things. First, they look forward to complex global financial markets that make the 21<sup>st</sup> century different from previous eras and there are more financial products to choose among with a wider array of features (Hogarth, 2006). In addition to improving the livelihood of people, the ongoing economic development is also aimed at creating intellectual and visionary Indonesians. Therefore, economic development is not merely implemented through physical infrastructures that are instantly tangible to public in general, but also through developing the thinking capacity of Indonesian people. One effort to improve thinking capacity is by developing people's capacity to better manage their finances. This ability needs to be learned as early as possible because having this ability will provide a better understanding and behavior towards the usage of money and finance.

Through Financial Literacy, the public is expected to gain understanding on financial services and the products and services that they offer, including features, benefits, and risks, as well as the rights and responsibilities of stakeholders. In addition, the people is expected to gain more skills in utilizing financial products and services. Furthermore, increased utilization of financial products and services according to individual needs is expected. This condition

will in turn, encourage and motivate the financial service sector to educate and to develop financial products and services that are tailored to the needs of the various population groups. Jarboui (2015) showed that a lower level of financial literacy was one of the main factors related to the under diversification. In fact, households with lower financial literacy may fail to appreciate the advantages of portfolio diversification. Financial literacy can affect the investors behavior (Klapper, Lusardi, & Panos, 2013). The higher financial literacy, the more investor cares about their portfolio diversification.

OJK (2013) explained that Financial Literacy brought a huge benefit to the public in general, considering that with Financial Literacy, the public: a) Would be able to determine and utilize financial products and services that are suitable to their needs; b) Would have the capacity to conduct better financial planning; c) Would avoid shady and illegitimate investment activities and financial instruments; d) Would gain understanding on the benefits and risks of financial products and services

The National Survey on Financial Literacy suggests that the higher the level of education that someone attains, the higher they will score on the Literacy Index. Table 1 shows that a person with no formal education scores the lowest in the Financial Literacy Index at 16.3%, compared to someone with educational background. Those with a higher education degree score the highest at 56.4%.

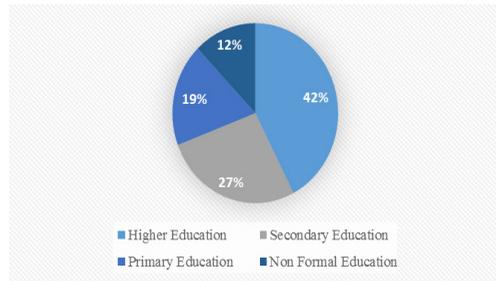


Figure 1. Financial Literacy Index based on education level

Source: National Survey on Financial Literacy

One of the components of financial literacy is the understanding of banking and other financial institutions products. This research will focus on the knowledge of students in the area of insurance, stock market, financing, pension fund, pawn, and banking. One of the reasons is that the students we examine have already learned about banking and other financial institutions subject, so we assume that their literacy in this topic will be high. Not only they understand the concept but they will apply it in their daily lives and share it with the people close to them so we can expect a multiplier effect in financial literacy. Another reason why we choose students as our respondents is because in 2018 target and activities of increasing financial literacy by OJK is focused on students. Therefore we would like to know the condition of our students so it will be easier to give such recommendation for government in improving financial literacy for our students.

Table 1  
*Financial literacy target*

Priorities	2014	2015	2016	2017	2018
Target	Housewives SMEs	Students College students Professionals	Employees Retirees	Housewives SMEs	Students College students Professionals
Activities	Conduct Financial Literacy education/campaign activities	Conduct Financial Literacy education/campaign activities	Conduct Financial Literacy education/campaign activities	Conduct Financial Literacy education/campaign activities	Conduct Financial Literacy education/campaign activities
	Build Education Infrastructure	Build Education Infrastructure	Strengthen Financial Literacy infrastructure Conduct National Survey on Financial Literacy Conduct Evaluation of Financial Literacy Programs		

Source: OJK (2013)

## METHOD

The respondents of the research were students of development economics program, Faculty of Economics Universitas Negeri Malang. From the purposive sampling, we found 44 students to be our respondents from 298 of the total population. The categories of students that were eligible for our research are as follows:

**1. Students must be at least in the second year of study**

**2. Students must participate in at least two courses of financial economics**

**3. Students must have the willingness to be interviewed**

We gave them questionnaire regarding to their knowledge of six main products of insurance, stock market, microfinance, pension fund, pawn, and banking. We developed this research by the instrument of Financial Services Authority of Republic Indonesia [OJK] (2013) and asked them basic questions about insurance, stock market, financing, pension fund, pawn, and banking. **We understand that it cannot**

**generalize all population but at least it will give some insight for us to understand the level of financial literacy**

We categorized students as well literate if someone had answered eight to ten items correctly in each category. If they could answer six to seven items correctly, they were sufficient literate. If they could answer four to five items correctly, they were less literate. If they could answer less than three items correctly, they were not literate. Well literate is having the knowledge and confidence of financial services and their products and services, including the features, benefits and risks, as well as the rights and responsibilities with regards to financial products and services, and having the skills in utilizing financial products and services. Sufficient literate is having the knowledge and confidence of financial services institutions and their products and services, including the features, benefits and risks, as well as the rights and responsibilities with regards to financial

products and services. Less literate is only having knowledge of financial services institutions, as well as some knowledge of financial products and services. Not literate is not having the knowledge of and confidence in financial services institutions and their products and services, as well as not having the skills to utilize financial products and services.

**RESULTS AND DISCUSSION**

Financial literacy is indicated from awareness, understanding the financial product, financial product ownership, and attitude and behavior necessary about financial decisions. The financial product consists of insurance, stock market, financing, pension fund, pawn, and banking that is described in more detail in the following figure. Based on the figure 2, in general, financial literacy of students falls into the category of well literate in the stock market, financing, pension fund, and banking. In the questionnaire

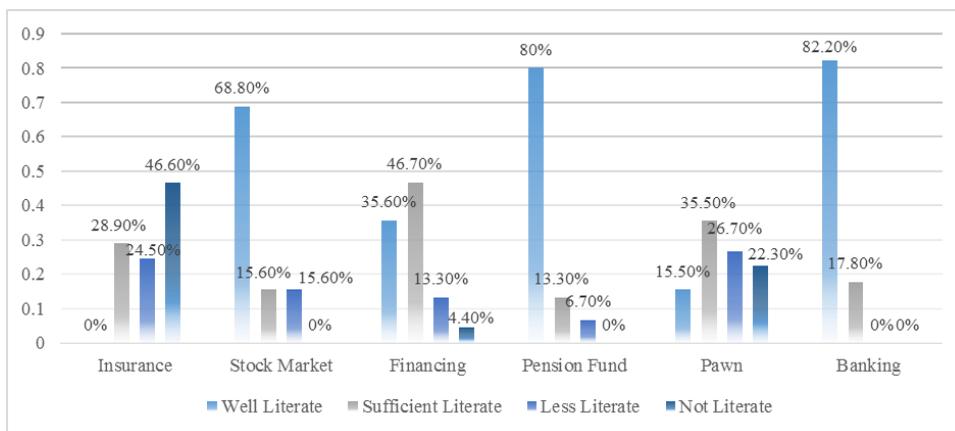


Figure 2. Financial literacy among university students in Faculty of Economics  
 Source: Data processed, 2016

relating to insurance, the majority of students in the not literate category is 46.60%, this means that students are only able to answer and understand less than three questionnaires. Another result showed that 28.90% of the category is sufficient literate and 24.50% is in the less literate category. Financial literacy in the insurance sector is the lowest among other sectors.

From the result, we found an interesting phenomenon that the literacy of insurance was quite low among these students. No students were categorized as well literate and the highest percentage of students were categorized not literate. Even though it is not surprising since the knowledge of insurance in Indonesia is very low. Survey showed, that public awareness of insurance in Indonesia is minimal. The following is an illustration of insurance awareness in most countries in Asia: Japan 1 to 6, meaning that an average of one person in the country of Japan had six insurances. Singapore 1 to 4 means an average of one person Singapore has four insurances. Malaysia 1 to 2 means an average of one person has two insurances. Indonesia 1 to 0.02 means that from 100 people in Indonesia only two who have insurance (Yosiki, 2015).

Unlike in developed countries, where the insurances are mandatory for all citizens, in Indonesia nearly a third of Indonesia's population has no insurance that can protect them from accidents, illness, or guarantee for the future education of children. This is because the insurance investment is still considered a luxury for the lower middle class. In addition, the premiums are considered too high

and the lack of public knowledge about the importance of insurance. In 2016 the government of Indonesia will launch microinsurance products, which took the market segmentation of the lower middle class people with an income of no more than Rp. 2,5 million per month. The launch of microinsurance will be a new milestone in the insurance industry in Indonesia, because low income people also need protection, so as not to fall into poverty, in the case of an accident on the breadwinner, crop failures, or any other disaster. Many of the factors that cause people to have a minimal interest for insurance:

Welfare or the low income communities, made the insurance is not a necessity or a lifestyle. Because there are many necessities that need to be fulfilled, people do not care about protection for themselves, their families and possessions. They barely met their daily needs.

Cultural factors. Many thinks that the future's later, the important thing is to meet the needs now. It can affect the public awareness of the importance of insurance. Moreover, many parents generally still leaning their hopes for their children as if the child is considered as an asset to guarantee their old times.

Socialization about insurance. Socialization of the importance of insurance is still relatively low, causing an effort to educate the public about financial literacy is still limited. In fact, the socialization is very important to raise public awareness about insurance.

### Triple Helix Model to Improve Financial Literacy

In this research, the category of financial literacy is low in the field of insurance. Such conditions would need the synergy not only from college, the government, nor from the industry alone, but the whole of the three institutions above. Triple Helix Model is one of the alternatives proposed by researchers in an effort to increase financial literacy. The detailed model developed as follows:

Intercept A is cooperation between the University and the government (in this case OJK). In order to increase financial literacy we put together a learning framework by inserting a core of financial literacy related subjects into various levels of education. The core mentioned by the OJK (2015) covers money and transactions, planning and managing finances, risk and reward, and financial landscape. Hogarth (2006)

designed a learners financial education center programs that requires planners take into account at least four distinct elements: 1) The topics, does the learner need information and education about general cash flow management, credit, saving, investment, retirement planning, estate planning, or some combination of reviews for those topics 2) The audience, is the program targeted to the general public, youth, low income, first time home buyers, pre retirees, employees of a particular firm, or someone else 3) Learning styles, is the pedagogy set up for visual, auditory, and kinesthetic learners 4) Behavior stage, what is the learner’s current stage of behavior change? Learners are most targets in the contemplation, preparation, action, maintenance or states.

Effective learning model that properly structured to involve students actively in

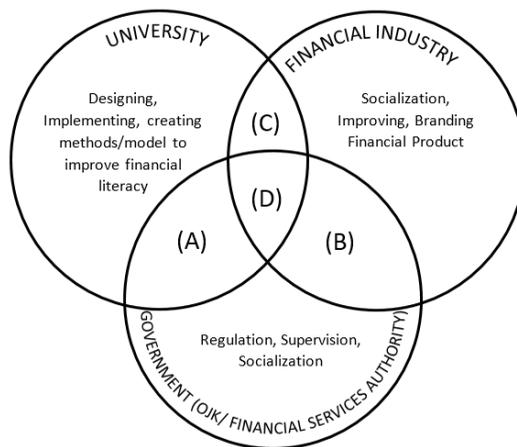


Figure 3. Triple Helix Model in improving financial literacy  
Source: Modified form Witjaksono (2014)

learning will form a good understanding of the formation of financial literacy. Research by Wulandari and Narmaditya (2016) explains that the simulation model can improve students understanding of capital market. Other forms in an effort to increase financial literacy is by organizing seminars, lectures and workshops in collaboration with OJK. Intercept B shows the need for cooperation between the Government and Financial Industry. This cooperation is in an effort to reduce the problems related to how to have a healthy financial system, so it will increase public confidence in the use of financial products. In this research, the understanding and use of insurance products is still low. This is because the public's understanding of insurance still not good and there is a bad mindset related to asymmetric information (Wulandari & Narmaditya, 2015).

Intercept C shows the relationship between the University with the Financial Industry. The model directly through the introduction of cooperation in the form of simulated banking, insurance, capital markets become an effective model in financial literacy. In this context at the State University of Malang, there are two laboratories of financial products in banking and capital markets. It showed a positive correlation with students understanding of knowledge related to financial products. In addition, another form of this cooperation is through workshops, guest lectures and seminars.

In intercept D there is a collaboration between the University, Government, and

Financial Industry. The cooperation of these three components can improve financial literacy. University designing and creating methods/models of learning, financial industry actively participated as described in the intercept A and also the socialization and cooperation with the university. The role of Government in this context is OJK as regulator of the financial industry. Certainly, a nice cooperation of those three organization will manifest a sound financial system in the context of macroeconomic and financial literacy and a good understanding that benefit each individuals. Lusardi (2007) revealed that households with lower levels of financial literacy are unlikely to plan for retirement and consequently accumulate less wealth.

## CONCLUSION

Financial literacy is defined not only the understanding of financial products but also the awareness, attitudes, and decision making in everyday life. Understanding financial literacy continues to be made in improving the welfare of individuals. During this time the efforts already made by OJK (Financial Services Authority) to continue a campaign related to the socialization of financial literacy through online media as well as other efforts by issuing a series of literacy. Triple helix model is adopted in improving financial literacy. In this model there are cooperation from university, government, and financial industry. University serves as a designer, implementer, methods maker in the learning process, financial industry contributes to socialization, improving

financial and product branding, and the role of government (OJK) is on the regulation and supervision. Through this cooperation, financial literacy will be improved.

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