

RESEARCH PAPER N. 2

From indebtedness to over-indebtedness: individual characteristics and financial literacy

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FROM INDEBTEDNESS TO OVER-INDEBTEDNESS: INDIVIDUAL CHARACTERISTICS AND FINANCIAL LITERACY

Observatory on Private Debt and Department of Psychology

Research report by:

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INTRODUCTION



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The **phenomenon of over-indebtedness** is assuming **increasingly significant proportions** with particularly negative repercussions both on the well-being of the over-indebted individual and, in a broader sense, on the stability of the economic and financial system of the society as a whole. For these reasons it is particularly relevant to **identify the reasons behind over-indebtedness**, that is, the potential risk factors that contribute to determining the tendency to incur debt beyond one's own possibilities.

Although several studies have highlighted the link between **macro-economic** and **demographic factors** and indebtedness conditions, it is necessary to deepen the connection with some **aspects of a psychological nature** - including personality traits, values, attitudes towards money management, and **different levels of financial education**.

In addition, the **attention** paid by research to the **chronically indebted population** has so far been **limited** – in particular, throughout Italy.

Starting from this premise, this project was born. Its purpose is to **investigate the characteristics and the path that leads to a condition of (over)indebtedness** by involving a representative sample of the Italian adult population and an oversample of over-indebted.

INTRODUCTION



The work has been promoted by the **EDUFIN Committee**, responsible for the planning and coordination of financial education activities aimed at measurably improving the skills of Italian citizens in regard to savings, investments, social security and insurance.

The research programme is led by Professors Sciarrone Alibrandi Antonella and Lanz Margherita (Università Cattolica del Sacro Cuore), in coordination with the member of the EDUFIN Committee belonging to CNCU or by one of his delegates.

The entire **research team** is composed as follows:

- Legal area: Professors Sciarrone Alibrandi Antonella, Mucciarone Gianluca, Bonfanti Benedetta
- Psychological area: Professors Lanz Margherita, Lozza Edoardo, Iannello Paola, Sesini Giulia
- Statistics area: Prof. Bonanomi Andrea

In addition, the research involved the **active involvement of three consumer associations** for the validation of the questionnaire and the recruitment of the sample of over-indebted individuals:

- Adoc
- Casa del Consumatore
- Movimento Consumatori



1) OBJECTIVES AND METHODOLOGY

OBJECTIVES AND METHODOLOGY



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OBJECTIVES

- to analyse **psychosocial predictors** of different **indebtedness conditions**
- to investigate the **link between psychological variables, levels of financial education** and tendency to **indebtedness/over-indebtedness** in the different **conditions of severity** of the phenomenon

METHODOLOGY

A **quantitative approach** was adopted, with the administration of an **online questionnaire** lasting 15-20 minutes.

A total of 3,314 responses were collected, divided between:

- A **representative sample** of the Italian population by gender, age, geographical area and level of education (n=3,011)
- A sample of **over-indebted individuals** found through the involvement of the **associations Adoc, Casa del Consumatore and Movimento Consumatori** (n=303)

The descriptions of both samples can be found in **Appendix A**.

OBJECTIVES AND METHODOLOGY



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INSTRUMENT

The questionnaire (available in Appendix B) consists of the following sections:

- **Section 1:** Socio-demographic profiling (gender, age, educational qualification, region of residence, occupation)

- **Section 2:** Psychological variables (part 1)

- Financial locus of control (ad hoc)
- Materialism (Richins, 2004)
- Frugality (Lastivocka et al., 1999)

-

Section 3: Debt gradient (questions about active forms of financing/lending, number and amount of debts, monthly instalment, loan-to-income ratio, financing channels, guarantees and collateral, ability to repay debts, doing without, causal factors of the debt situation, role of associations and of the family, perceived concern level)

Section 4: Attitudes and beliefs towards debt (Almenberg et al., 2021; Haultain et al., 2010)

- **Section 5:** Psychological variables (part 2) and Financial/Debt literacy

- Brief Money Management Scale (Ksendzova et al., 2017)
- Financial Self-efficacy Scale (Lown, 2011)
- Big Three Financial Literacy (Lusardi & Mitchell, 2011)
- Debt literacy (Lusardi & Tufano, 2015)
- Subjective Financial Well-being Scale (Sorgente & Lanz, 2019)
- Expectations for the future (taken from the Index of Consumer Sentiment)
- Dickman Impulsivity Inventory (Dickman, 1990)

- **Section 6:** Final socio-demographic profiling (civil status, household, children, forms of fragility, income)

OBJECTIVES AND METHODOLOGY



RELIABILITY ANALYSIS OF THE MEASUREMENT SCALES

- Before proceeding with the analyses, the **reliability of the dimensions** (or scale) of the questionnaire was checked; in other words, it is a question of verifying whether the answers given to the scales with more than one item are consistent with each other.
- The preliminary analysis confirmed an **acceptable level of reliability** for all the scales investigated (an index higher than 0.6 is considered acceptable, and constitutes the green light for subsequent analyses).
- The table below shows the reliability indices and a brief description for each scale (for further information, see section 2.4, page 35 et seq.).

Scale name	Description	Reliability index
Financial locus of control (ad hoc)	Perception of the extent that what happens depends on one's actions or on external factors	0.882
Materialism (Richins, 2004)	Valuing the possession of assets as a sign of success	0.844
Frugality (Lastivocka et al., 1999)	Tendency to save and use resources sparingly	0.901
Attitudes towards debt (Almenberg et al., 2021)	Perception of debt as something fair	0.631
Attitudes towards debt (Haultain et al., 2010)	Perception of debt as something acceptable	0.827
Brief Money Management Scale (BMMS; Ksendzova et al., 2017)	Daily practices to save, monitor expenses, draw on forms of credit and activate insurance coverage	
	Inclination to save (sub-dimension of the BMMS)	0.899
	Inclination to insure oneself (sub-dimension of BMMS)	0.781
	Inclination to invest (sub-dimension of BMMS)	0.895
	Inclination to take on debt (sub-dimension of BMMS)	0.740
Financial Self-efficacy Scale (Lown, 2011)	Confidence in one's ability to manage finances	0.852
Subjective Financial Well-being Scale (Sorgente & Lanz, 2019)	Satisfaction with one's current economic condition	0.944
Dickman Impulsivity Inventory (DII; Dickman, 1990)	Seize opportunities quickly, sometimes without thinking before acting	
	Functional impulsivity (sub-dimension of DII)	0.677
)	0.836



2) OVER-INDEBTEDNESS IN ITALY

2.1) The numbers of over-indebtedness

THE NUMBERS OF DEBT IN ITALY

Introduction



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In this first section, data are presented relating to:

- The **spread of debt** throughout Italy, with details on the **type** of debts;
- The **characteristics of indebtedness**, with a focus on the **number** of debts, the **size** and **channels**;
- The **different levels of indebtedness**, which will make it possible to identify the subjects belonging to the group of the **over-indebted**.

The data discussed here relate to the representative sample of 3,011 individuals.

THE NUMBERS OF DEBT IN ITALY

Summary



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- Compared to **50% of non-indebted individuals**, there are **2%** of people who fall into the category of **over-indebted**, i.e., in conditions of chronic indebtedness.
- In general, the **most common forms** of debt are **loans for personal/family purchases** and forms of **instalments** for consumer goods.
- The preferred **channel** for obtaining loans is **banks or other financing companies**.
- With a **small number of debts** (in the form of 1/2 debts for almost one in 7 people), most indebted people have **loans of amounts lower than € 20,000** - with monthly payments that cover less than **half of the household income**.

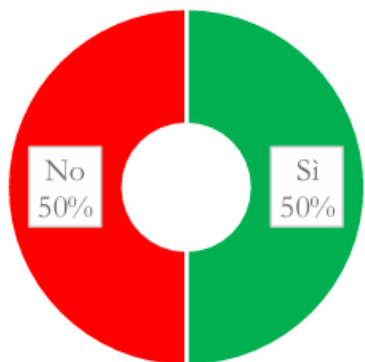
THE NUMBERS OF DEBT IN ITALY

Levels of indebtedness



- **One in two people** declare to have at least one type of **loan/debt**;
- **Two percent** of respondents were **unable to repay** all or part of their debts, corresponding to the group of the over-indebted.
- If the figure is **projected onto the Italian adult population**, it is estimated that the group of the over-indebted may correspond to about **one million people**.

At least one type of loan/debt



I have no debts

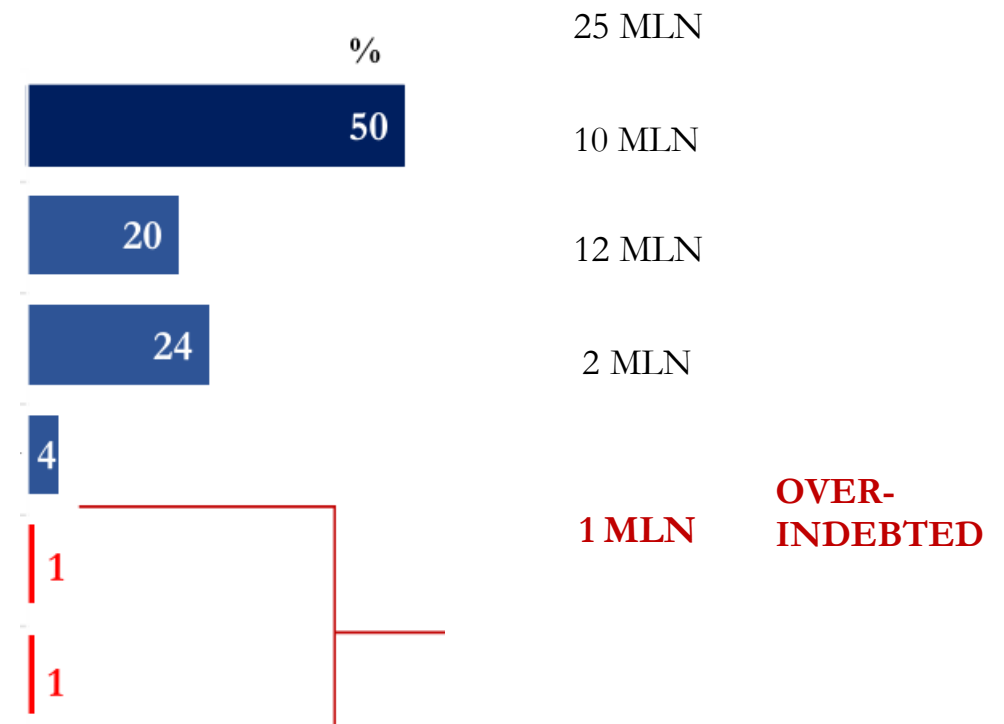
I've been able to pay back my financing/loans/debts regularly **without making sacrifices**

I've been able to pay back my financing/loans/debts regularly **making some sacrifices**

I've been able to pay back all my financing/loans/debts but **late**

I've been able to pay back **only some** financing/loans/debts late

I've **not be able to pay back my** financing/loans/debts



THE NUMBERS OF DEBT IN ITALY

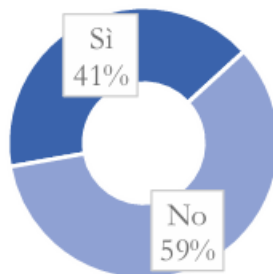
The types of debt



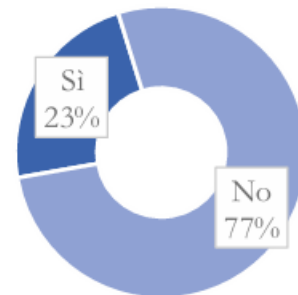
With respect to the type of debt:

- there is a clear prevalence of financing for **personal and family purchases** (41%) followed by forms of **instalment** (23%)
- less frequent are debts to repay taxes and salaries (11%) or for work activities (6%)

Financing for
personal and family
member purchases



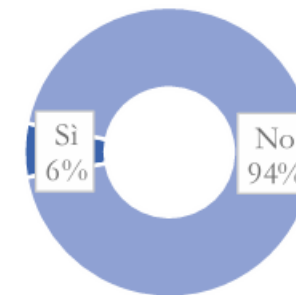
Form of instalment of the
payment per purchase of
consumer goods



Other forms of
financing (e.g., for
paying taxes and
salaries)



Financing for work or
business activity



Total sample; n=

THE NUMBERS OF DEBT IN ITALY

The number of debt and channels



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Among those who have at least one debt, it is more common to have **one or two forms of financing**, in most cases obtained from **banks or other financing companies**.

Number of debts		Channels		Collateral (or guarantees)	
1-2 debts	69	Bank or company	81	No collateral	53
3-5 debts	25	Friends, family or acquaintances	7	Mortgage	23
More than 5 debts	4	Both options	6	Surety	8
I won't answer	2	I won't answer	6	Pledge on personal or company goods	6
				I don't know/don't remember	9
				I won't answer	3
					N=1308

Who has at least one form of debt; n=1515

THE NUMBERS OF DEBT IN ITALY

Entity of the debt



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Fifty-seven percent of the indebted have financing of amounts **lower than € 20,000** - with instalments, in most cases, corresponding to **less than half of the household income**.

Entity of the debt		Monthly instalments		The monthly instalments correspond...	
Lower than € 5k	35	Lower than € 500	47	To less than half of my income	65
5- € 20k	22	5€ 500 - 1,000	30	To about half of my income	14
2€ 20 - 100k	21	1€ 1,000 - 2,000	15	To more than half of my income	12
Greater than € 100k	10	More than € 2000	4	I won't answer	9
I won't answer	12	I won't answer	4		

57%

Who has at least one form of debt; n=1515



2) OVER-INDEBTEDNESS IN ITALY

2.2) The socio-demographic profile of the over-indebted

THE SOCIO-DEMOGRAPHIC PROFILE OF THE OVER-INDEBTED

Introduction



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To reconstruct the **socio-demographic profile of the over-indebted**, the comparison was made between the respondents found by the associations and four comparative groups:

- Over-indebted in the representative sample (n=73)
- Other indebted (n=1442)
- Unindebted (n=1496)
- Total representative sample (n=3011)

THE SOCIO-DEMOGRAPHIC PROFILE OF THE OVER-INDEBTED

Summary



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- The research highlighted how, considering socio-demographic variables, **the over-indebted** stand out from the other groups investigated.
- In particular, those in chronic debt are more frequently **men**, with **low levels of education and income**.
- They also **tend to be older than the general population**, those who do not have debts and other groups of indebted people.
- Finally, they are **more often workers** (more than 7 out of 10 people are employed).

THE SOCIO-DEMOGRAPHIC PROFILE OF THE OVER-INDEBTED

Gender, education, geographical area



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The respondents found by the associations are mostly **men**, with a **lower level of education** and more concentrated in **northern Italy**.

	%	%	Primary/Middle Sch. %	High School %	Bachelor's degree %	North-West %	North East %	Centre %	South %
Over-indebted (associations) (n=303)	60	40	48	39	13	44	22	12	22
Over-indebted (representative sample (n=73))	52	48	37	47	16	29	16	15	40
Other indebted (n=1442)	53	47	25	51	24	24	20	21	35
Unindebted (n=1496)	43	57	31	50	19	29	19	18	34
Total sample (n=3011)	48	52	28	50	22	26	19	20	35



THE SOCIO-DEMOGRAPHIC PROFILE OF THE OVER-INDEBTED

Age, occupation, income

- The differences are also due to **age and employment status**: the over-indebted found by the associations are older and more frequently employed.
- They also have a **lower income level** compared to all four comparison groups.

	Age (average)	Worker %	Unemployed %	< € 20,000 %	€ 20-40,000 %	> € 40,000 %	I won't answer %
Over-indebted (associations) (n=303)	54.1	73	27	60	32	5	2
Over-indebted (representative sample (n=73))	45.9	60	40	42	27	6	25
Other indebted (n=1442)	46.8	68	32	25	40	22	13
Unindebted (n=1496)	49.1	44	56	31	33	15	21
Total sample (n=3011)	47.9	56	44	28	37	18	17



2) OVER-INDEBTEDNESS IN ITALY

2.3) The experience of the over-indebted with debt

THE EXPERIENCE OF THE OVER-INDEBTED WITH DEBT

Introduction



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The boundaries and characteristics of the **experience of indebtedness** of over-indebted persons are described here, with a detail on:

- **Type** of financing
- **Channels and collateral**
- **Number and size** of the debts
- **Causes and consequences** (restorative strategies, social support, psychological well-being)

Where possible, the **comparison with other indebted people** (i.e., those who have not declared difficulties in repaying their debts) **and with over-indebted people belonging to the representative sample** is presented.

THE EXPERIENCE OF THE OVER-INDEBTED WITH DEBT

Summary



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- Among the over-indebted, it is more frequent to have **taken out loans for personal/family purchases** and forms of **instalments**, while financing for work activities are less frequent.
- Of course, those in conditions of chronic debt declare that they have a **greater number of loans**, obtained both through **banks and financing companies** and **informal loans**.
- The **size** of these debts is also significantly **higher** than for other groups of indebted people, with monthly **instalments** corresponding to **more than half of the household income** in most cases.
- Among the most frequent **causes** are the **depreciation of goods and assets** and the **cost of living**, followed by **refusals to renegotiate loans** and the **tendency to overspend**.
- Among the most adopted **restorative strategies** are requests for **new financing** and the use of **informal loans**, at the same time as **frequent renunciations** (in particular, doing without luxury goods and other non-essential activities).
- Almost 70% of over-indebted people **have informed** their **families** of the critical financial situation.
- Finally, **almost all** of the over-indebted respondents say they are **worried about debts**, particularly in moments of loneliness.

THE EXPERIENCE OF THE OVER-INDEBTED WITH DEBT

Type of debt

- **Loans for personal/family purchases** and forms of **instalment** payments are more common among the **respondents found by associations**.
- On the other hand, **financing for work activities** are less frequent.

OVER-INDEBTED (associations)

Type of debt	Over-indebted (rep. samp.)	Other indebted
Financing for purchases personal / family members	68 ↓	83 ↓
Form of instalment of the payment of consumer goods	37 ↓	46
Financing for work activity	30 ↑	12
Other forms of debt	54	20 ↓

Over-indebted (associations) n=303; Over-indebted n=73; Other indebted n=1442.



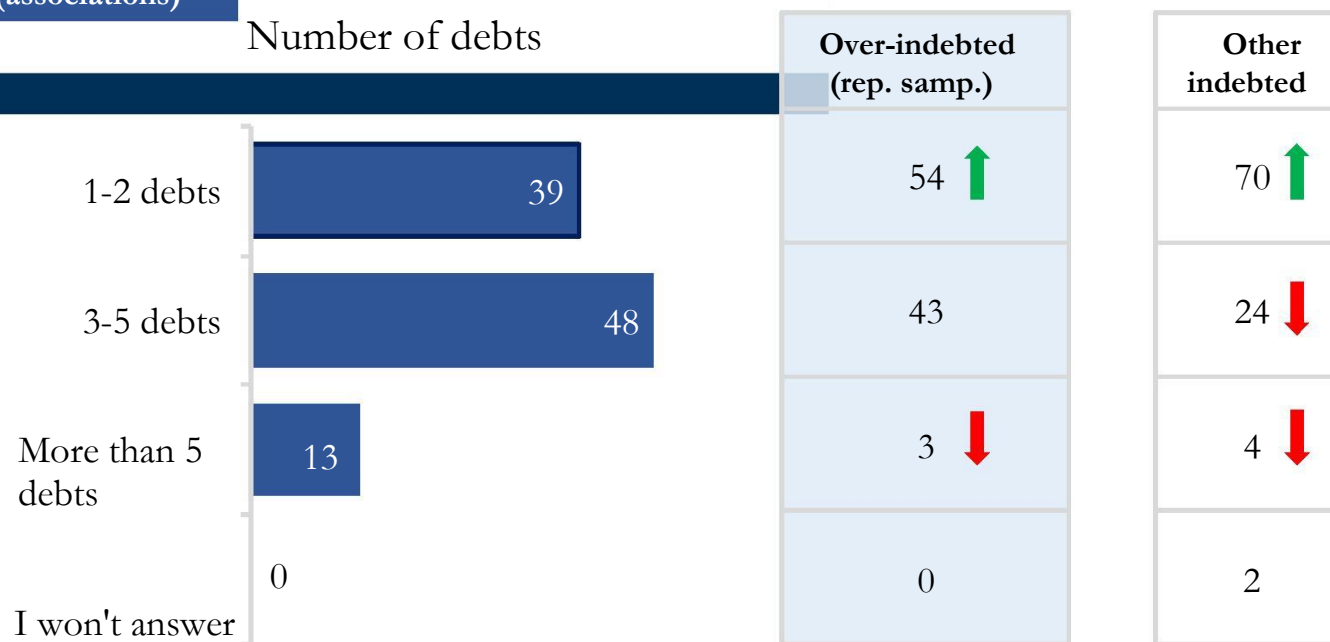
THE EXPERIENCE OF THE OVER-INDEBTED WITH DEBT

Number of debts

- The **over-indebted** tend to have a **higher number of debts** both when compared to other indebted persons and when compared to indebted persons belonging to the representative sample.

OVER-INDEBTED (associations)

Number of debts



Over-indebted (associations) n=303; Over-indebted n=73; Other indebted n=1442.



THE EXPERIENCE OF THE OVER-INDEBTED WITH DEBT

Channels

- In most cases, financing and loans have been obtained through **banks or other financing companies**, and after that, from **friends** and acquaintances.
- Most frequent among the **respondents of the associations** is the request of **informal loans** from friends and family.

OVER-INDEBTED (associations)

Channels

Bank or company education

55

Over-indebted
(rep. samp.)

47

Other indebted

82 ↑

Friends, family or acquaintances

2

10 ↑

7 ↑

Both options

42

19 ↓

5 ↓

I won't answer

1

24 ↑

6 ↑

OVER-INDEBTED (associations)

Collateral

No collateral

16

Over-indebted
(rep. samp.)

50 ↑

Other indebted

53 ↑

Mortgage

61

19 ↓

24 ↓

Surety

32

6 ↓

9 ↓

Pledge of personal or company goods

26

8 ↓

6 ↓

I don't know/don't remember

5

17 ↑

9 ↑

I won't answer

3

4

3

Over-indebted (associations) n=303; Over-indebted n=73; Other indebted n=1442.



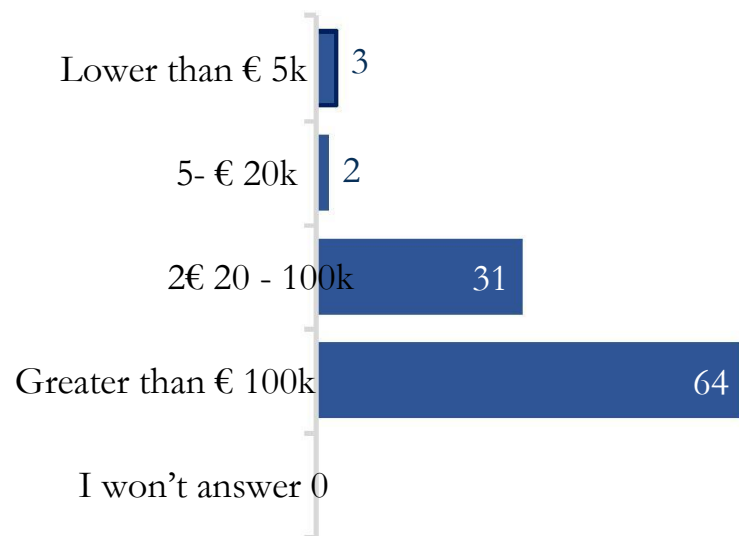
THE EXPERIENCE OF THE OVER-INDEBTED WITH DEBT

Entity of the debt

- The **respondents of the associations** show a **higher debt** compared to those who belong to the representative sample - contributing to this is also the absence of failure to respond.

OVER-INDEBTED (associations)

Entity of the debt



Entity of the debt	Over-indebted (rep. samp.)	Other indebted
Lower than € 5k	30 ↑	36 ↑
5- € 20k	12 ↑	22 ↑
2€ 20 - 100k	18 ↓	21 ↓
Greater than € 100k	6 ↓	11 ↓
I won't answer	34 ↑	10 ↑

Over-indebted (associations) n=303; Over-indebted n=73; Other indebted n=1442.

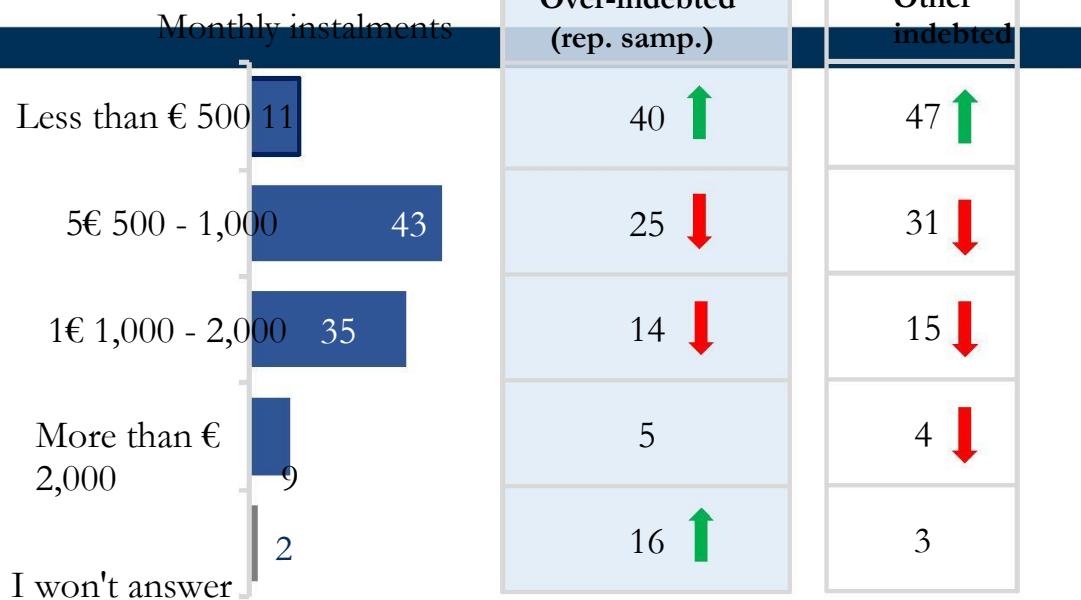


THE EXPERIENCE OF THE OVER-INDEBTED WITH DEBT

Entity of the debt

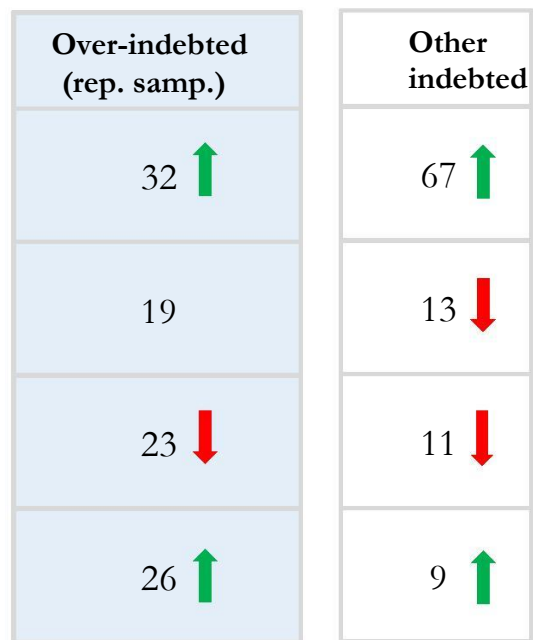
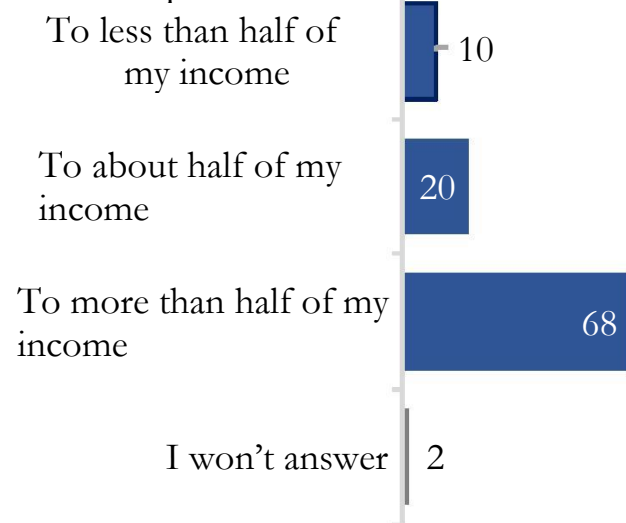
- **Over-indebted** people have **significantly higher monthly instalments** compared to indebted people who are not in situations of difficulty.
- In fact, almost **70% of the respondents of the associations** indeed claim that their **debt corresponds to more than half of their income**, a figure that is significantly less critical in the representative sample.

OVER-INDEBTED (associations)



OVER-INDEBTED (associations)

The monthly instalments correspond...



Over-indebted (associations) n=303; Over-indebted n=73; Other indebted n=1442.



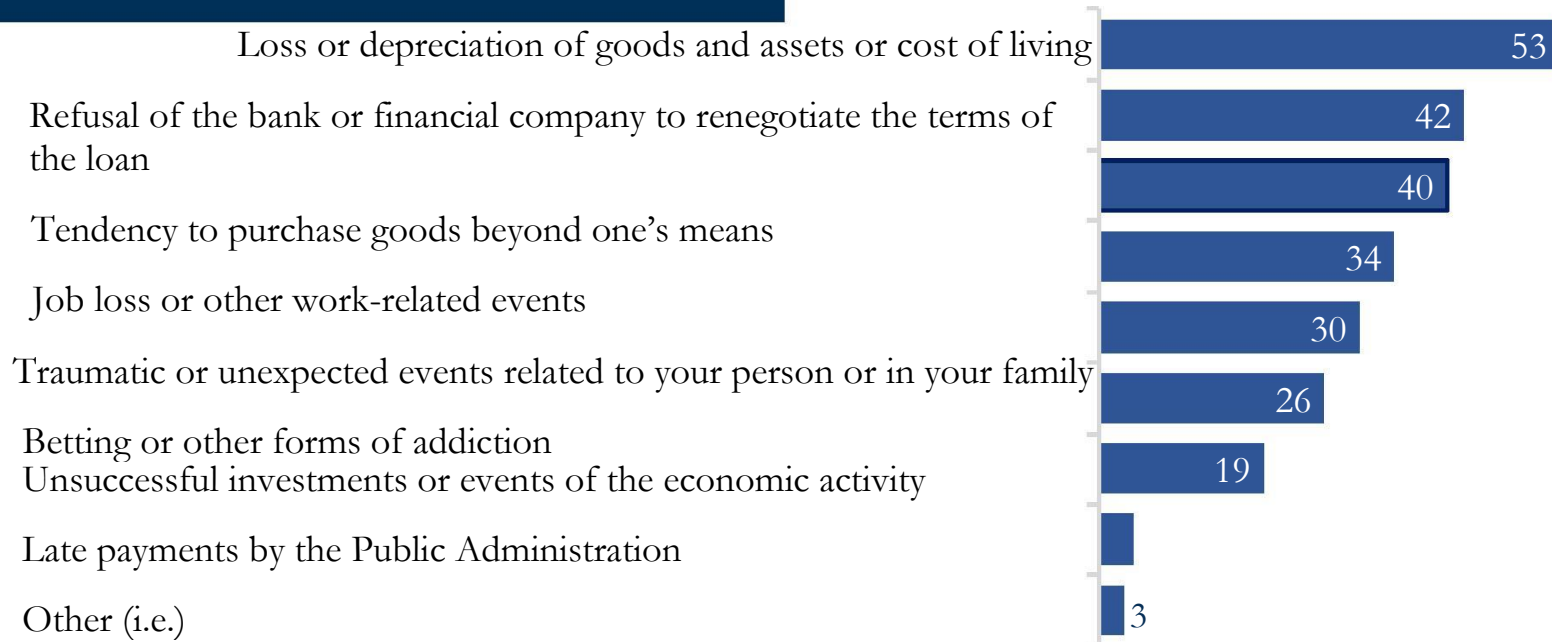
THE EXPERIENCE OF THE OVER-INDEBTED WITH DEBT

Causes*

- The most frequent **cause** of over-indebtedness is the **depreciation of goods and assets and the high cost of living** (53%), followed by **banks' refusals to renegotiate loans** (42%) and the **tendency to overspend** (40%).
- Among the respondents found by the associations, **forms of addiction** as a cause of over-indebtedness are also more common (26% vs. 5% among the over-indebted of the representative sample).

OVER-INDEBTED (associations)

What factors do you think have contributed to your current situation of difficulty?



Over-indebted (rep. samp.)
21 ↓
16 ↓
18 ↓
38
23
5 ↓
16
15 ↑
12 ↑

Over-indebted (associations) n=303; Over-indebted n=73



THE EXPERIENCE OF THE OVER-INDEBTED WITH DEBT

Restorative strategies*

To meet the debts, the following were requested:

- in more than half of the cases **new financing from banks** (59%)
- or **loans from relatives and friends** (48%)

OVER-INDEBTED (associations)

To remedy the debt situation...

I asked for a new financing from the bank or financing company

59

I asked friends and family for a loan

48

I have requested an advance on severance pay or the pension fund

22

Other

18

Over-indebted
(rep. samp.)

31 ↓

48

12

18

Over-indebted (associations) n=303; Over-indebted n=73

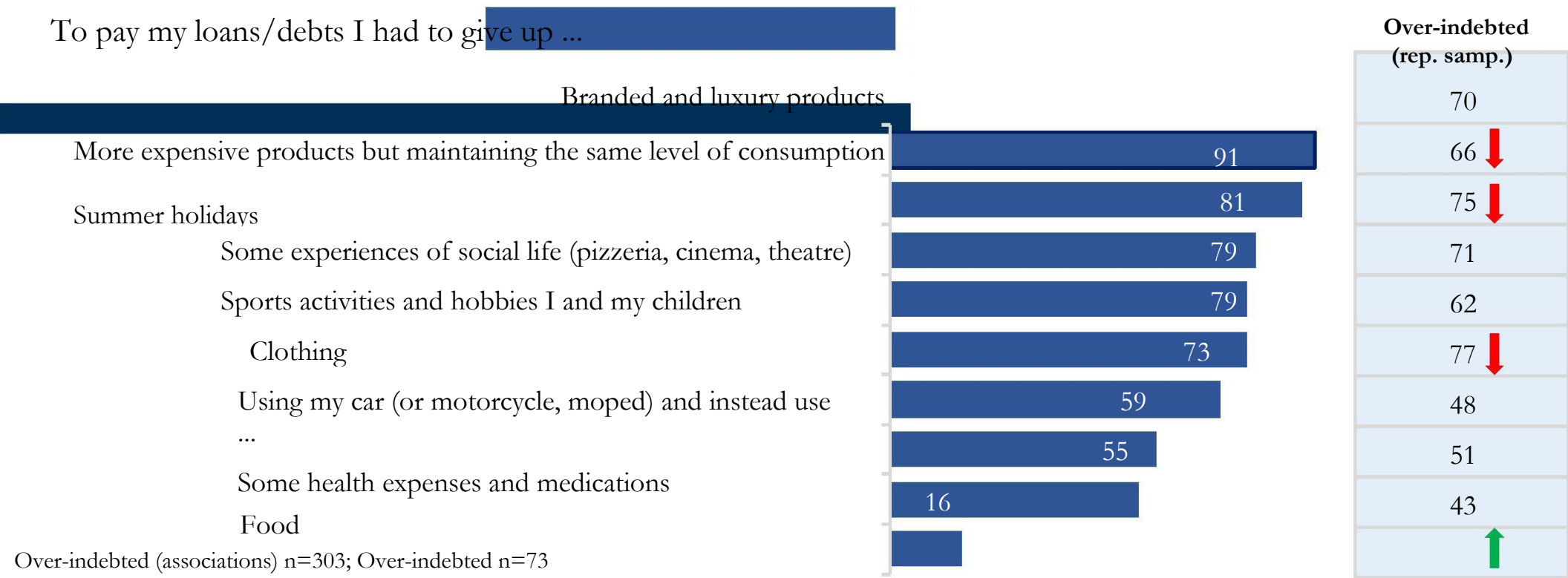


THE EXPERIENCE OF THE OVER-INDEBTED WITH DEBT

Restorative strategies*

- **Going without** is also frequent, especially for **non-essential expenses**, such as branded products (94%), expensive products (91%) and leisure activities (81%).

To pay my loans/debts I had to give up ...



Over-indebted (associations) n=303; Over-indebted n=73

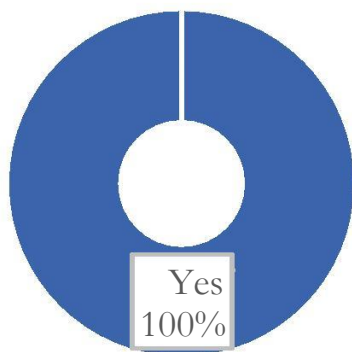
THE EXPERIENCE OF THE OVER-INDEBTED WITH DEBT

Support and social context*

- It is **rare** for the over-indebted in the representative sample to **turn to an association for support**.
- Both in the representative sample and among the respondents of the associations, the majority of over-indebted people **share** the difficult situation with their **family**.

OVER-INDEBTED (associations)

Have you ever turned to an association or professionals in the sector for support in understanding how to deal with the situation?



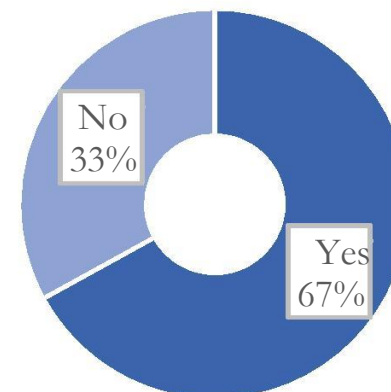
Over-indebted
(rep. samp.)

Yes: 16 ↓

No: 84 ↑

OVER-INDEBTED (associations)

Is your family aware of your financial situation?



Over-indebted
(rep. samp.)

Yes: 70

No: 30

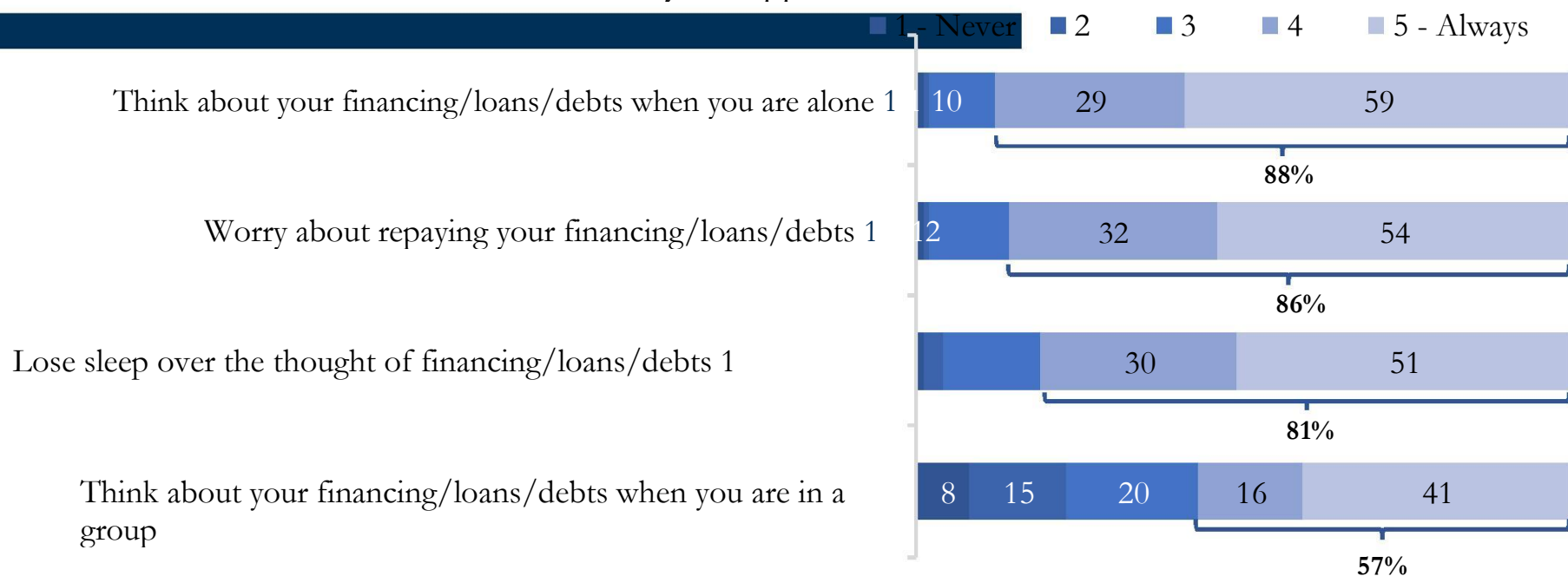
THE EXPERIENCE OF THE OVER-INDEBTED WITH DEBT

Psychological well-being*

- The psychological burden of over-indebtedness is highlighted by the fact that **almost all over-indebted people** say that they **always or almost always think about their debts**, especially in moments of **loneliness**, and they are worried about them.
- Data that are significantly higher among users of associations.

OVER-INDEBTED (associations)

How often do you happen to...



AVERAGE	Over-indebted (rep. samp.)
4.5	3.9 ↓
4.4	3.9 ↓
4.3	3.5 ↓
3.7	3.3 ↓

Over-indebted (associations) n=303; Over-indebted n=73





2) OVER-INDEBTEDNESS IN ITALY

2.4) The psychological profile of the over-indebted

THE PSYCHOLOGICAL PROFILE OF THE OVER-INDEBTED

Introduction

This section is dedicated to the **psychological profile of over-indebted people** (n=303), built considering the following aspects:

Materialism	Valuing the possession of assets as a sign of success
Frugality	Tendency to save and use resources sparingly
Functional and Dysfunctional Impulsivity	Functional impulsivity implies knowing how to quickly seize the opportunities offered by the environment; dysfunctional impulsivity is characterised by an inability to stop and reflect before acting.
Locus of Control	Perception of how much life outcomes depend on one's actions rather than on external factors
Attitudes about money management	Daily practices to save, monitor expenses, draw on forms of credit and activate insurance coverage.
Perception of financial effectiveness	Confidence in one's ability to manage finances
Attitudes and beliefs about debt	Opinions on loans and the responsibility of over-indebtedness, between personal choices and external factors
Financial well-being	Satisfaction with one's current economic condition
Expectations for the future	Forecasts of financial improvement or deterioration

For each variable, a **comparison will be presented with the total sample** (n=3,011), the **unindebted** (n=1,496) and the **other indebted** (n=1,442) and the **over-indebted belonging to the representative sample** (n=73).

THE PSYCHOLOGICAL PROFILE OF THE OVER-INDEBTED

Summary



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Over-indebted people have a **complex psychological profile** that profoundly influences their financial situation:

- They show a high level of **materialism**, accompanied by a limited drive towards **frugality**, which suggests a greater appreciation of the possession of material goods, often at the expense of a prudent management of resources.
- They are characterised by a marked **impulsivity**, which leads them to make quick decisions without adequately reflecting on the consequences. This attitude can contribute to a debt cycle that is difficult to break.
- They also show **low confidence** in their ability to manage economic resources.
- Debt is **perceived** more as a **normal** and acceptable element, leading to a greater willingness to take out new loans.
- They tend to **blame external factors** for their over-indebtedness, rather than acknowledging their own contribution.
- The level of **dissatisfaction** with their current personal economic situation is marked, and often linked to **pessimistic expectations** about the future.

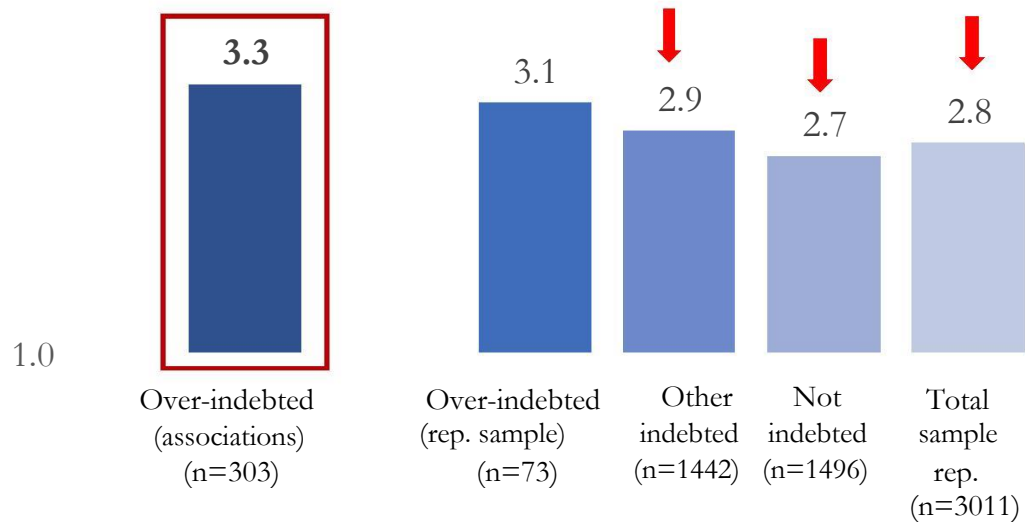
THE PSYCHOLOGICAL PROFILE OF THE OVER-INDEBTED

Frugality and Materialism

- Over-indebted people appear to have a **high tendency towards materialism** and, conversely, **reduced frugality**.
- These results suggest a tendency to **value the possession** of goods more than their preservation and care.

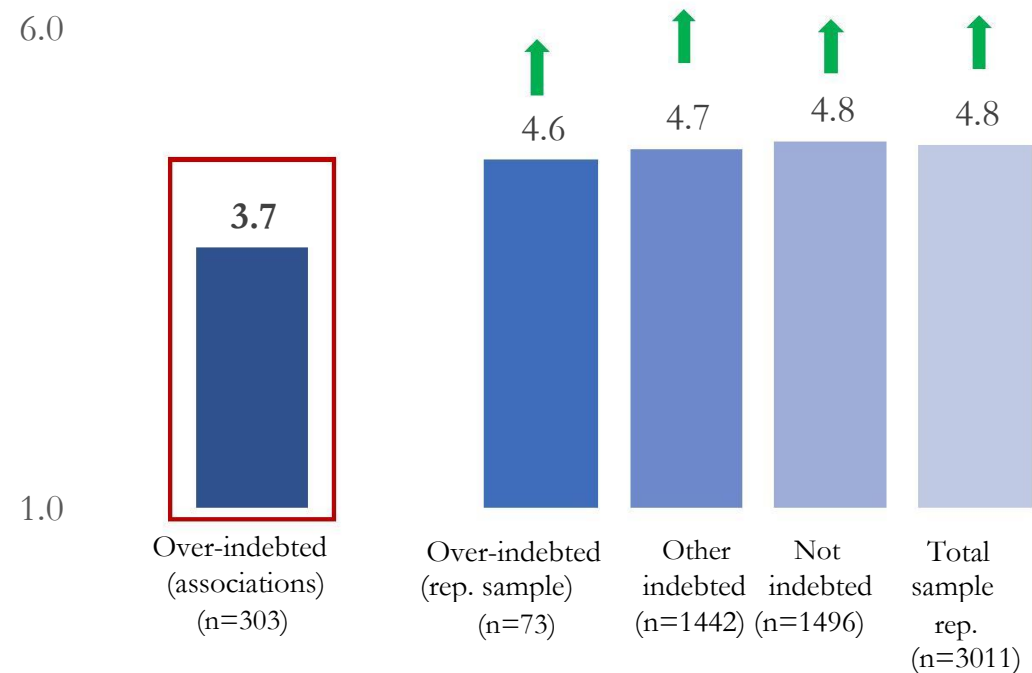
MATERIALISM (average value)

5.0



FRUGALITY (average value)

6.0



THE PSYCHOLOGICAL PROFILE OF THE OVER-INDEBTED

Impulsivity

- Over-indebted people have a **significantly high level of dysfunctional impulsivity**, signalling a propensity to act quickly without adequately reflecting on their actions and on the possible consequences.
- However, there are **no significant differences** with respect to **functional impulsivity**, which involves the ability to act spontaneously but beneficially, such as seizing unexpected opportunities or responding quickly in situations that require it.

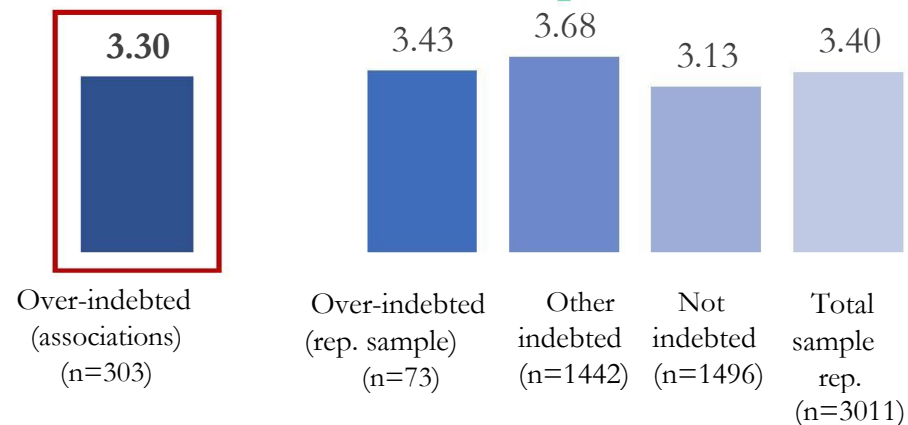
FUNCTIONAL IMPULSIVITY (average value)

9.00

6.00

3.00

0.00



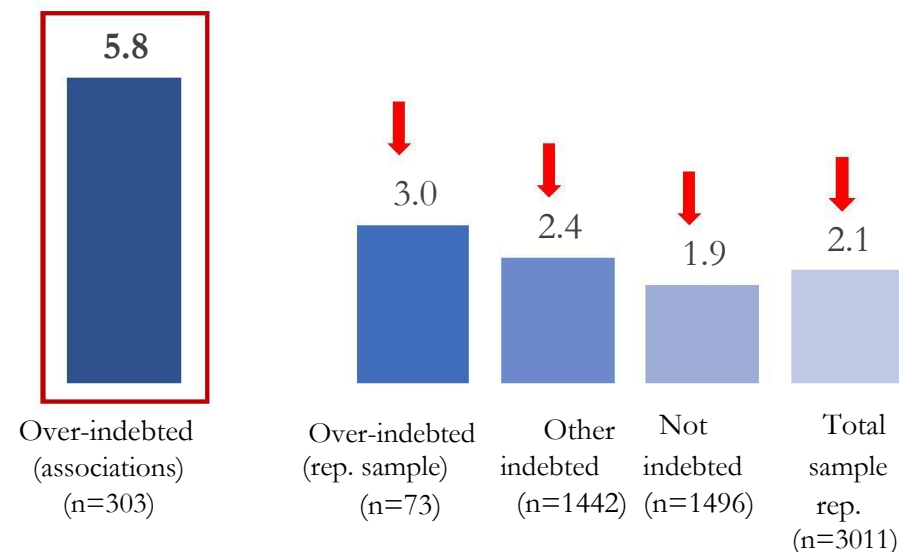
DYSFUNCTIONAL IMPULSIVITY (average value)

9.0

6.0

3.0

0.0

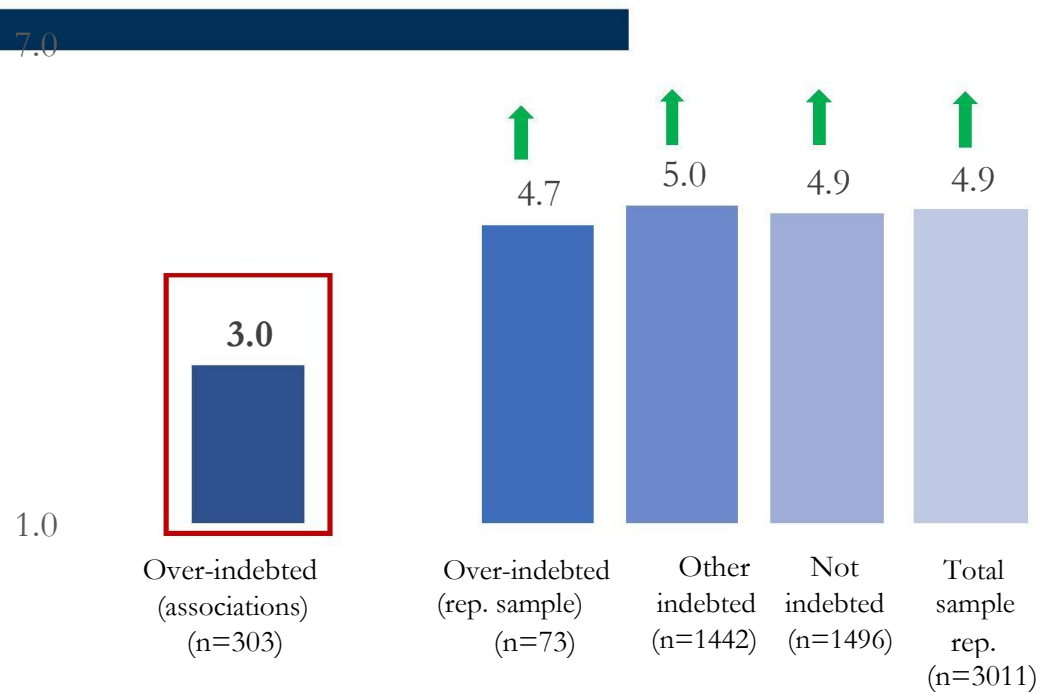


THE PSYCHOLOGICAL PROFILE OF THE OVER-INDEBTED

Locus of Control

Over-indebted individuals tend to attribute the **cause of what happens to them to external events** rather than to their own direct actions, unlike the rest of the sample.

LOCUS OF CONTROL (average value)



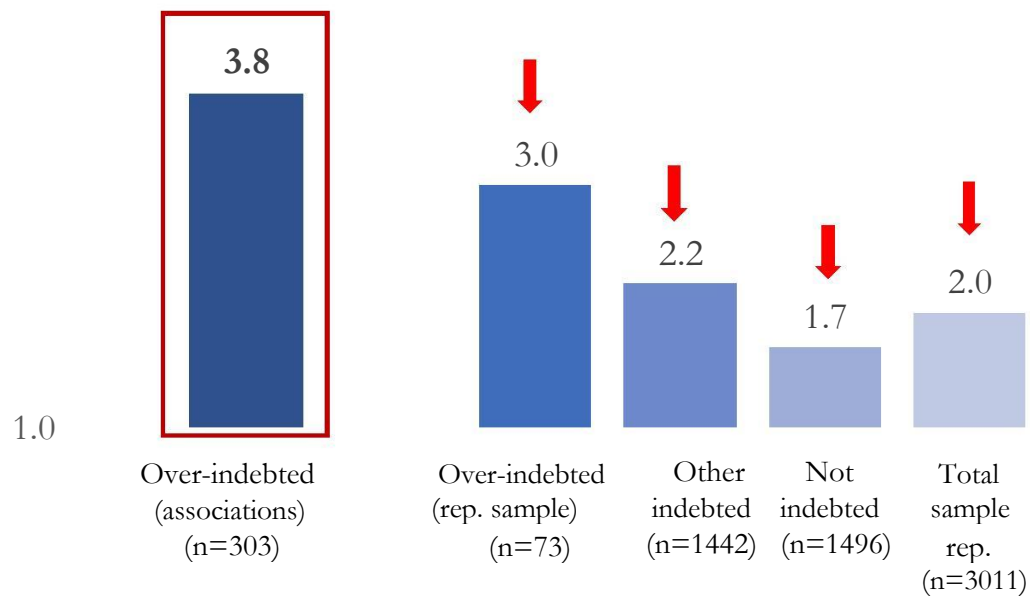
THE PSYCHOLOGICAL PROFILE OF THE OVER-INDEBTED

Attitudes about money management

- Over-indebted people obviously tend to **resort more often to forms of credit**, for example spending more than they earn, suspending loan payments and reaching the monthly limit on several cards.
- Over-indebted people also tend not to **follow a budget** and **do not monitor their finances**, while in the rest of the sample it is more common to regularly evaluate expenses and keep a record of cash flows.

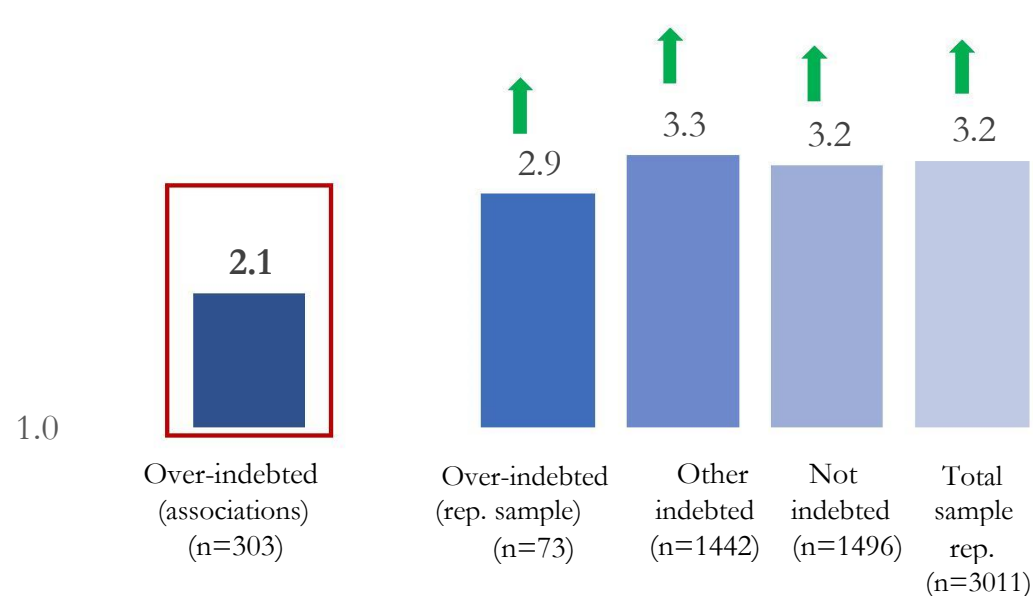
CREDIT HABITS
(average value)

5.0



SPENDING TRACKING HABITS
(average value)

5.0

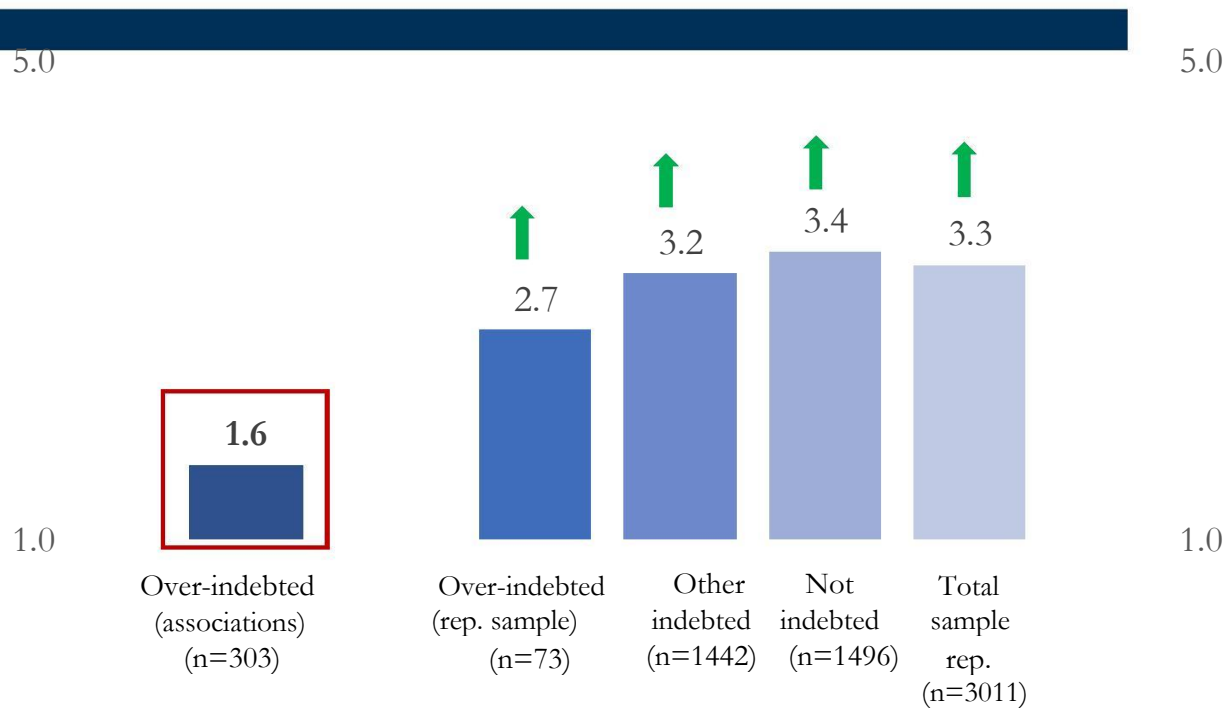


THE PSYCHOLOGICAL PROFILE OF THE OVER-INDEBTED

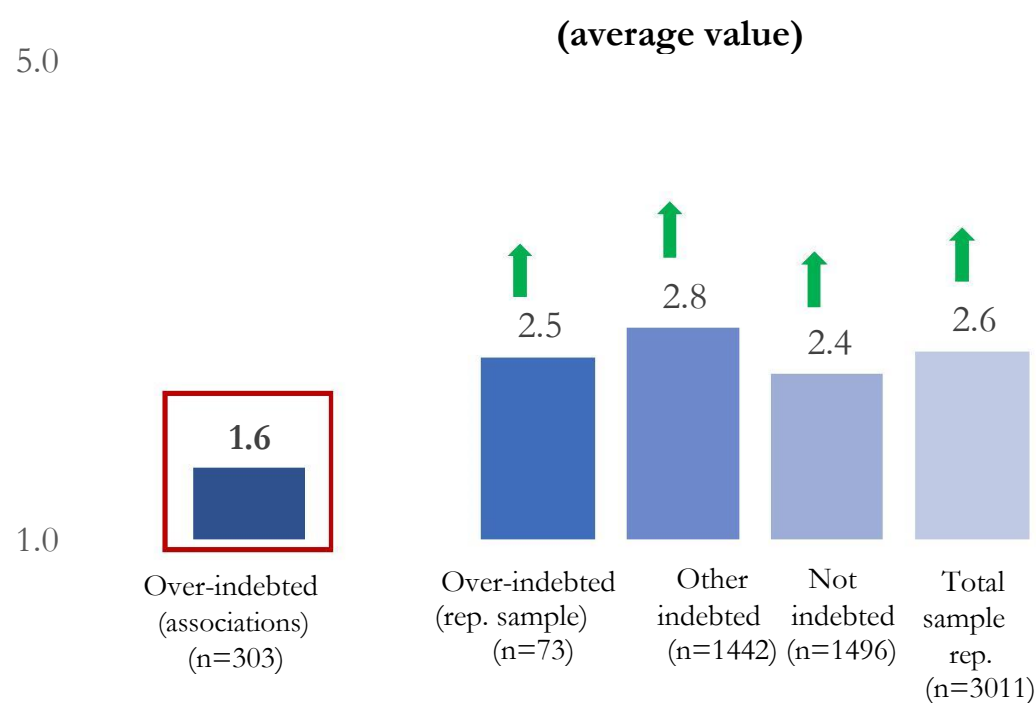
Attitudes about money management

- As far as money management habits are concerned, over-indebted people tend to **save significantly less** compared to the rest of the respondents, monitor their spending less and do not practice sufficiently effective financial planning.
- In addition, over-indebted people tend to **take out or renew different types of insurance less frequently** and to contribute less to retirement savings plans.

SAVING HABITS
(average value)



INSURANCE HABITS
(average value)

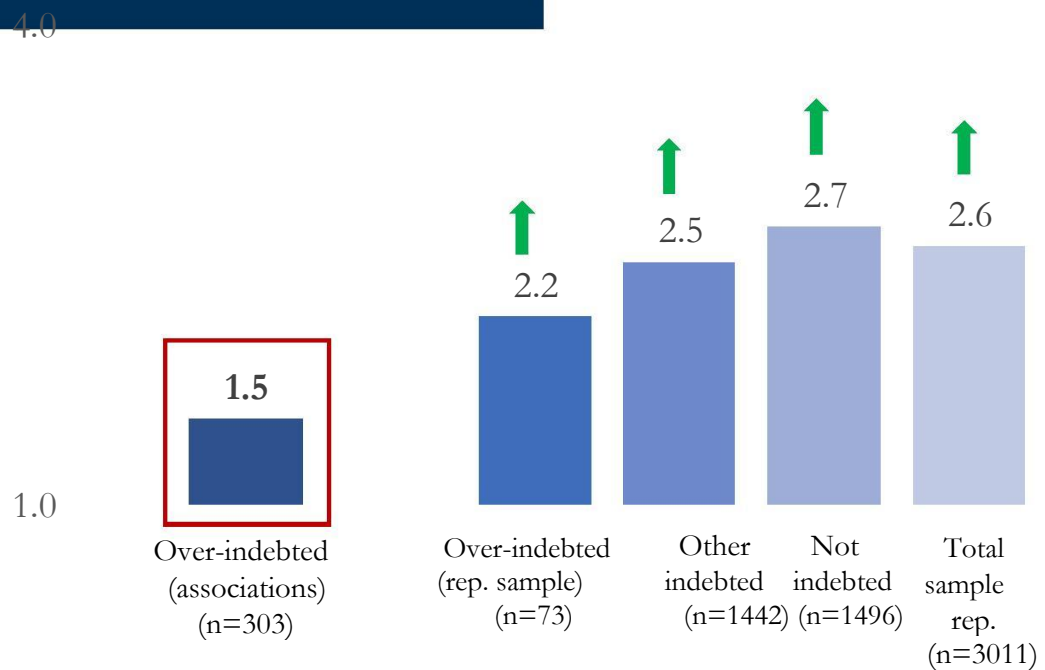


THE PSYCHOLOGICAL PROFILE OF THE OVER-INDEBTED

Perception of financial effectiveness

The over-indebted people tend to share the perception that they are not able to make effective choices in an economic and financial context, while those in the rest of the sample show greater confidence in themselves.

PERCEPTION OF FINANCIAL EFFECTIVENESS (average value)

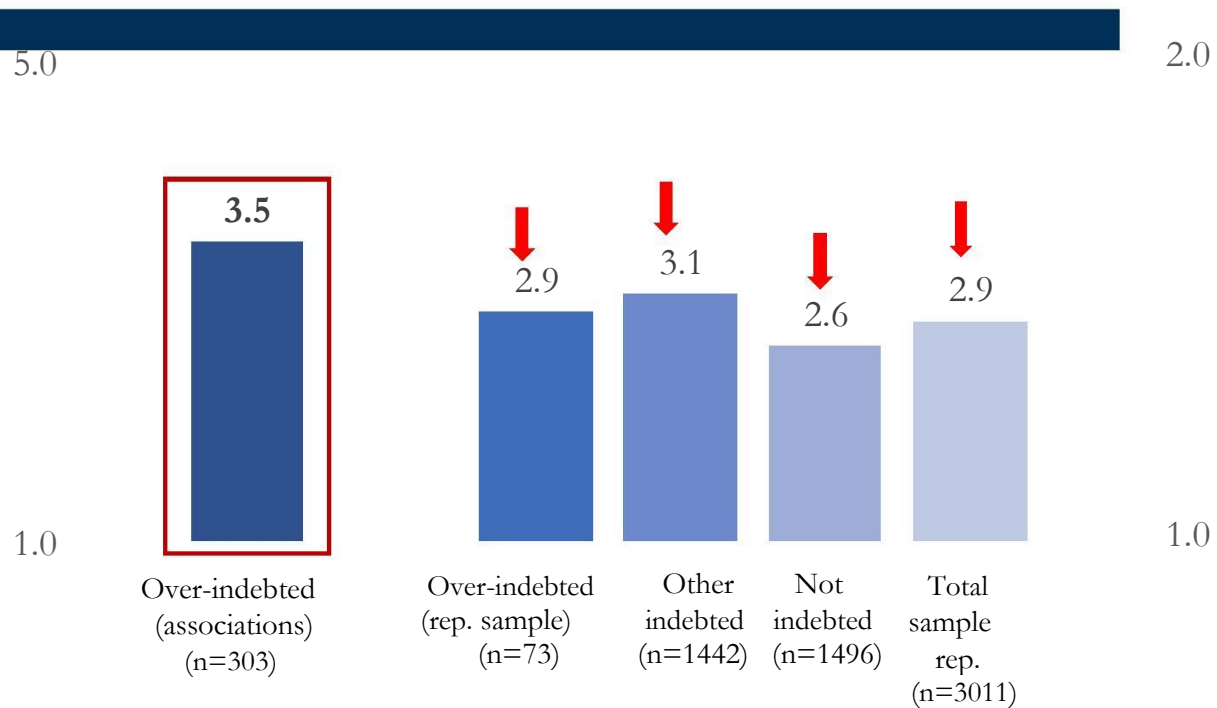


THE PSYCHOLOGICAL PROFILE OF THE OVER-INDEBTED

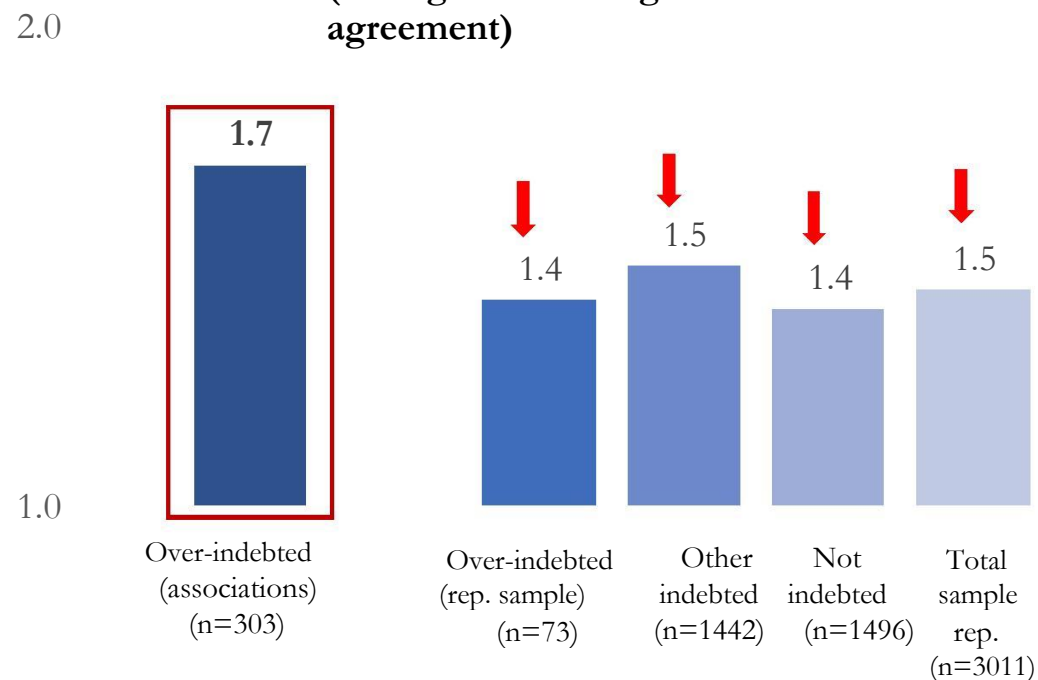
Attitudes about debt

- Among the over-indebted people, there is a tendency to have a **positive attitude towards debt**, considered as something normal and acceptable in their daily lives.
- This perception can be reflected in their willingness to take on new debts and in the justification of expenses, making **debt an element integrated into their reality** rather than a problem to be avoided.

HAVING DEBTS IS NORMAL (average value – degree of agreement)



HAVING DEBTS IS ACCEPTABLE (average value – degree of agreement)



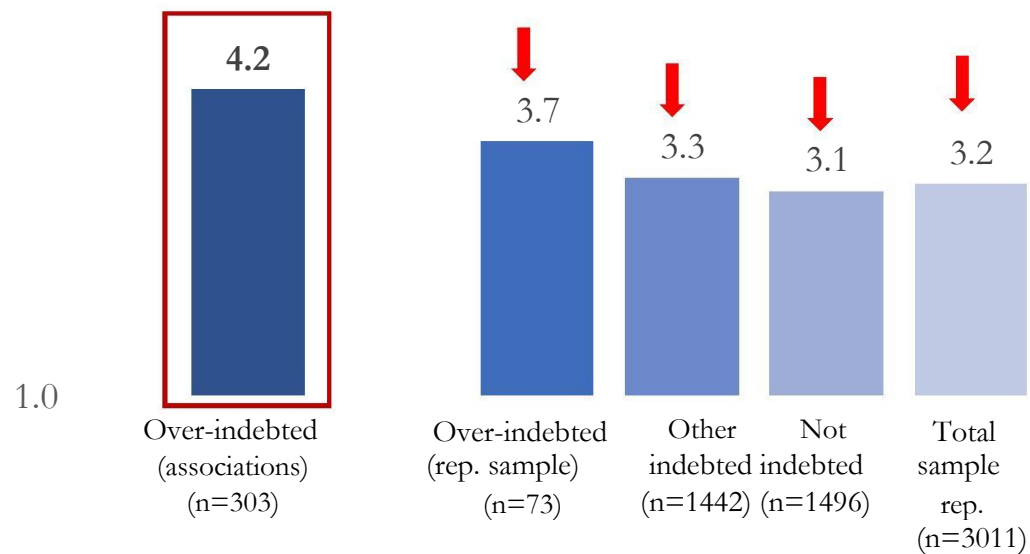
THE PSYCHOLOGICAL PROFILE OF THE OVER-INDEBTED

Beliefs about debt

- Consistently, over-indebted people believe that the **culprit for their condition of over-indebtedness** is to be attributed to external factors, such as banks and economic conditions, and not to their own individual responsibility.

If a person has debts that he/she cannot repay, the main culprits are the banks and financing companies
(average value – degree of agreement)

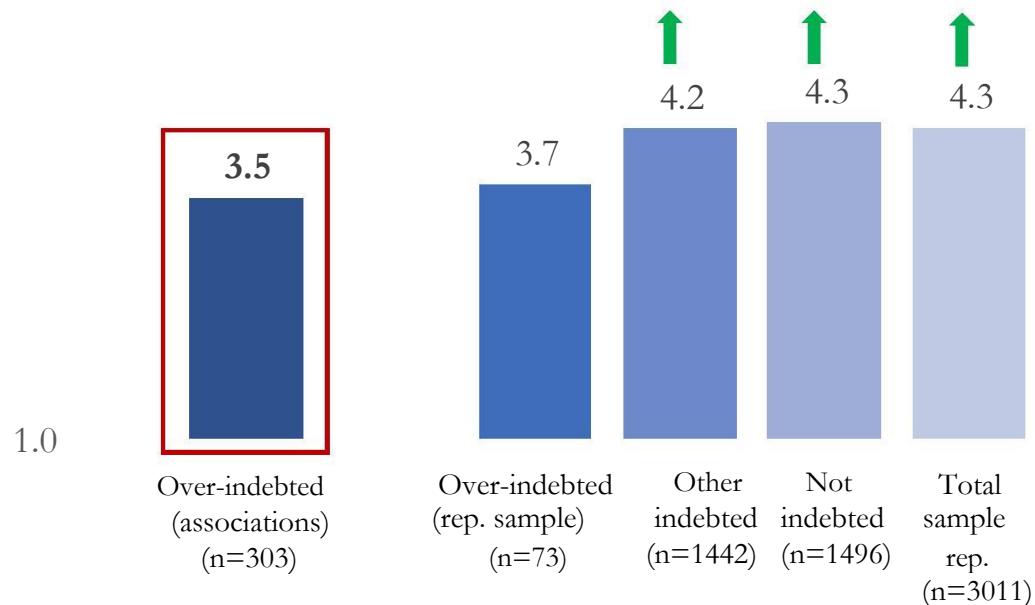
6.0



If a person has debts that he/she cannot repay, the person who has contracted the debt is the main culprit for his/her current financial situation

(average value – degree of agreement)

6.0



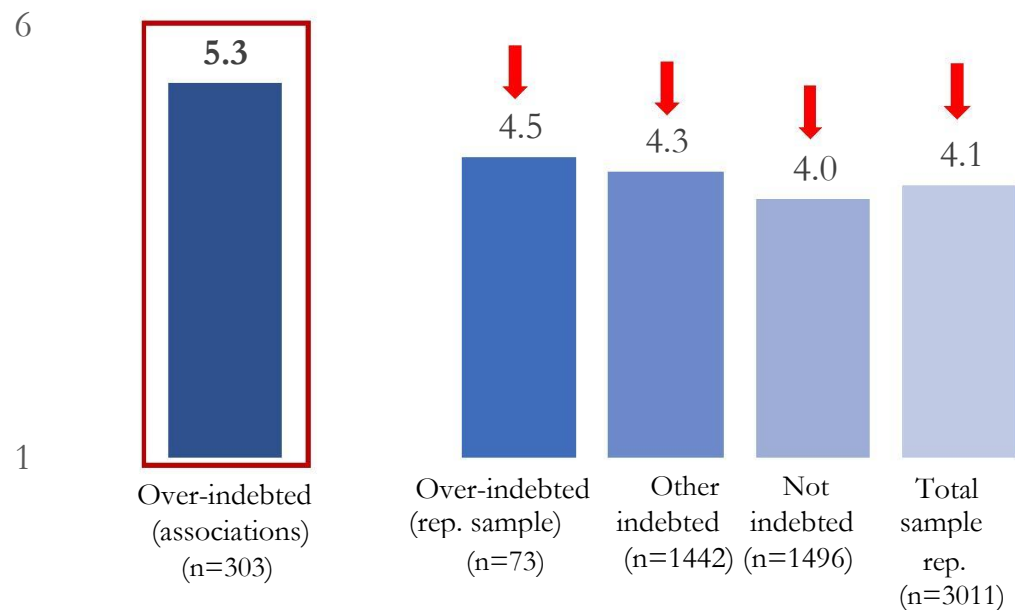
THE PSYCHOLOGICAL PROFILE OF THE OVER-INDEBTED

Beliefs about debt

- Over-indebted people believe that the **culprit for their condition of over-indebtedness** is to be attributed to **external factors**, such as the economic context, the possibilities of work, rather than themselves.

If a person has debts that he/she cannot repay, the main culprits are external conditions (for example: the economic context, the possibilities of work, the economic crisis...)

(average value – degree of agreement)



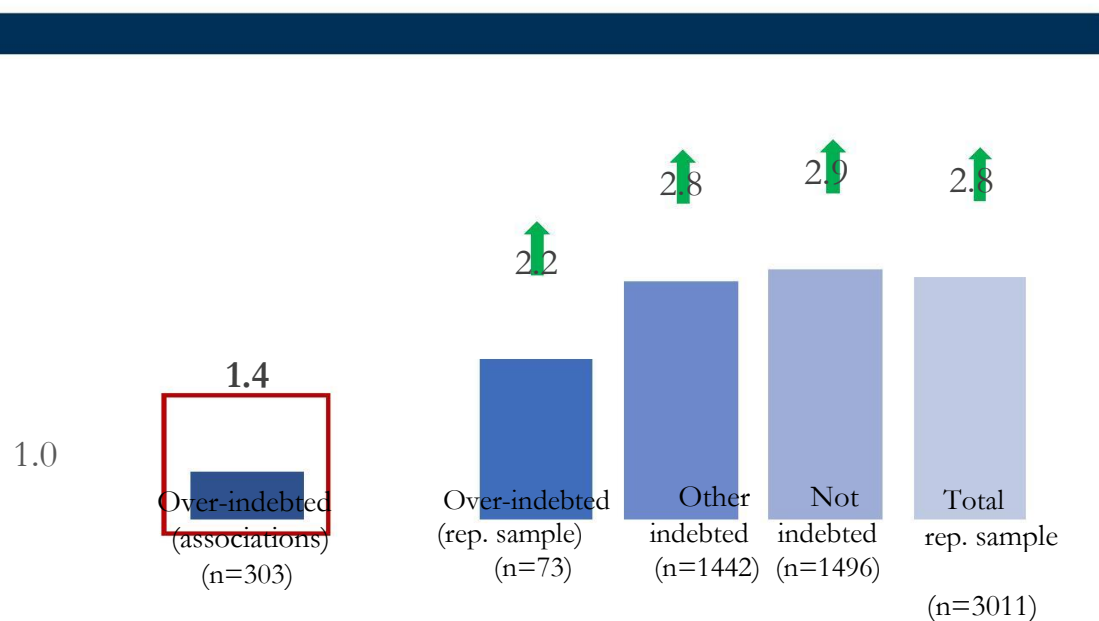
THE PSYCHOLOGICAL PROFILE OF THE OVER-INDEBTED

Financial well-being and Expectations of the future

- People in conditions of chronic indebtedness show **clear dissatisfaction with their current economic situation** and **they do not harbour great hopes for the future**, rather, they foresee a **significant worsening** of their economic condition.

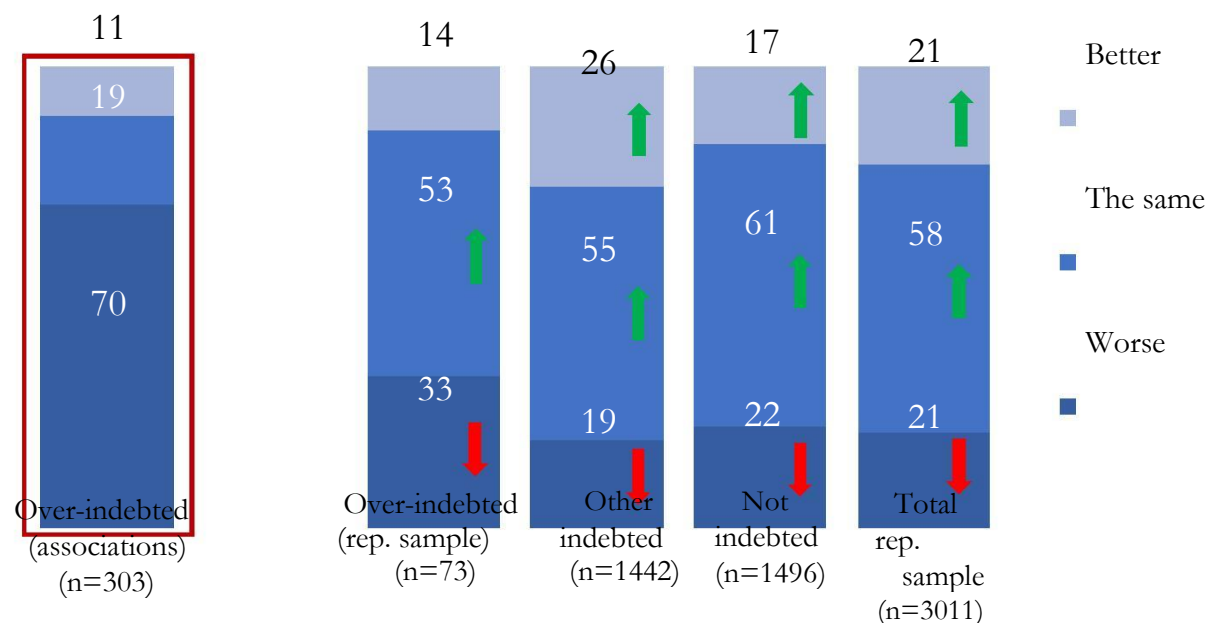
FINANCIAL WELL-BEING (average value)

5.0



EXPECTATIONS FOR THE FUTURE

A year from now, do you think that you and your family will be economically better off or worse off than today?





2) OVER-INDEBTEDNESS IN ITALY

2.5) The level of financial knowledge

THE LEVEL OF FINANCIAL KNOWLEDGE

Introduction



In the next slides, the data relating to the basic and **specific financial knowledge on debt** of the respondents to the survey will be presented.

The concept of **financial literacy** refers to the ability to understand and use financial information correctly in order to make informed decisions about personal economic matters.

In other words, it concerns the knowledge of fundamental financial concepts, such as how interest rates work, inflation, and risk diversification.

To measure general financial literacy, Lusardi and Mitchell (2011) developed a tool known as the “**Big Three**”, which consists of three questions aimed at testing knowledge of three basic financial concepts:

- Interest rates
- Inflation
- Risk diversification

This approach is recognised as one of the most effective for measuring the level of financial literacy in different contexts, because it combines knowledge of basic financial concepts with the ability to make informed financial decisions.

THE LEVEL OF FINANCIAL KNOWLEDGE

Introduction



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Similarly, **Debt literacy** refers to the ability to understand debt-related concepts and is often measured through a series of questions (Lusardi & Tufano, 2015) that assess people's understanding of debt concepts, including:

- Compound interest
- Calculating the interest rate on debt
- Instalment payments

The **results** will be presented in **aggregate** form for general financial literacy and debt literacy (pp. 51-52) and then the **details** on each question will be reported.

For each variable, a **comparison will be presented with the total sample** (n=3,011), the **unindebted** (n=1,496) and the **other indebted** (n=1,442) and the **over-indebted belonging to the representative sample** (n=73).

THE LEVEL OF FINANCIAL KNOWLEDGE

Summary



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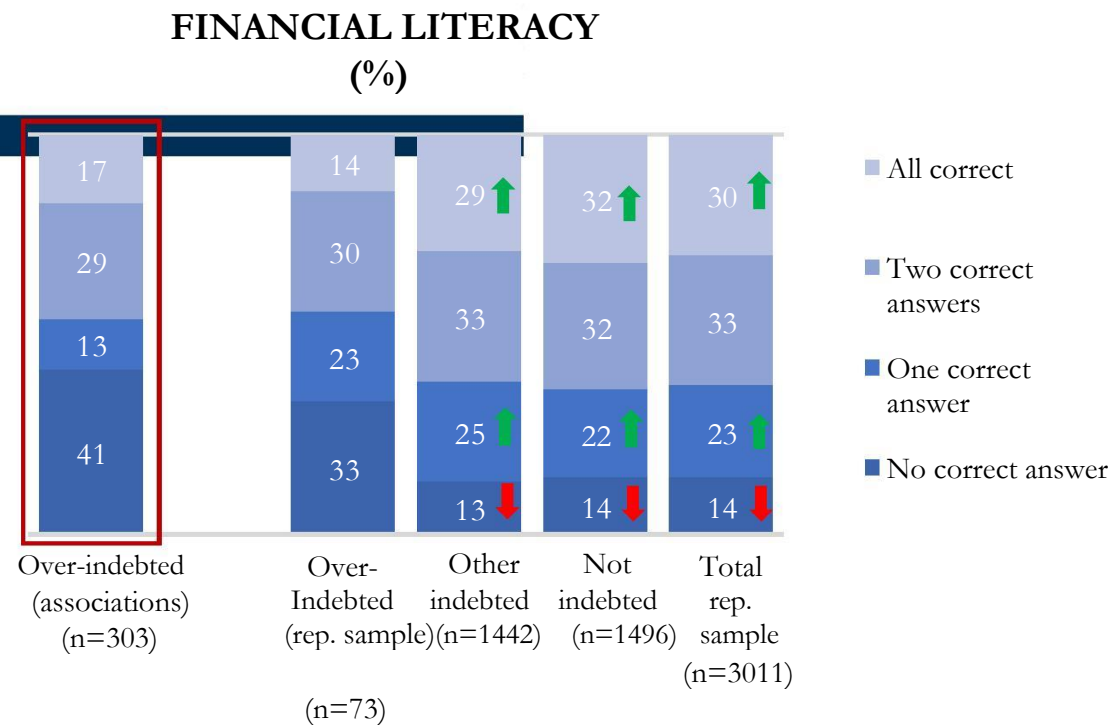
Over-indebted people:

- Also show a **limited understanding of basic financial concepts** compared to indebted not in difficulty and those who do not have any debts.
- On the contrary, **there are no significant differences** in terms of **debt-related knowledge**.
- However, analysing the detail of each question, it can be seen that:
 - For **general financial literacy**, there is **less knowledge of all three basic concepts** (inflation, interest rate and risk diversification) on the part of subjects in conditions of over-indebtedness;
 - For **debt literacy**, the **poor overall performance** particularly concerns the concepts of **compound interest** and **instalments**, while there is a **greater understanding** compared to the other respondents about the **calculation of the interest rate on the debt**.

THE LEVEL OF FINANCIAL KNOWLEDGE

General financial literacy

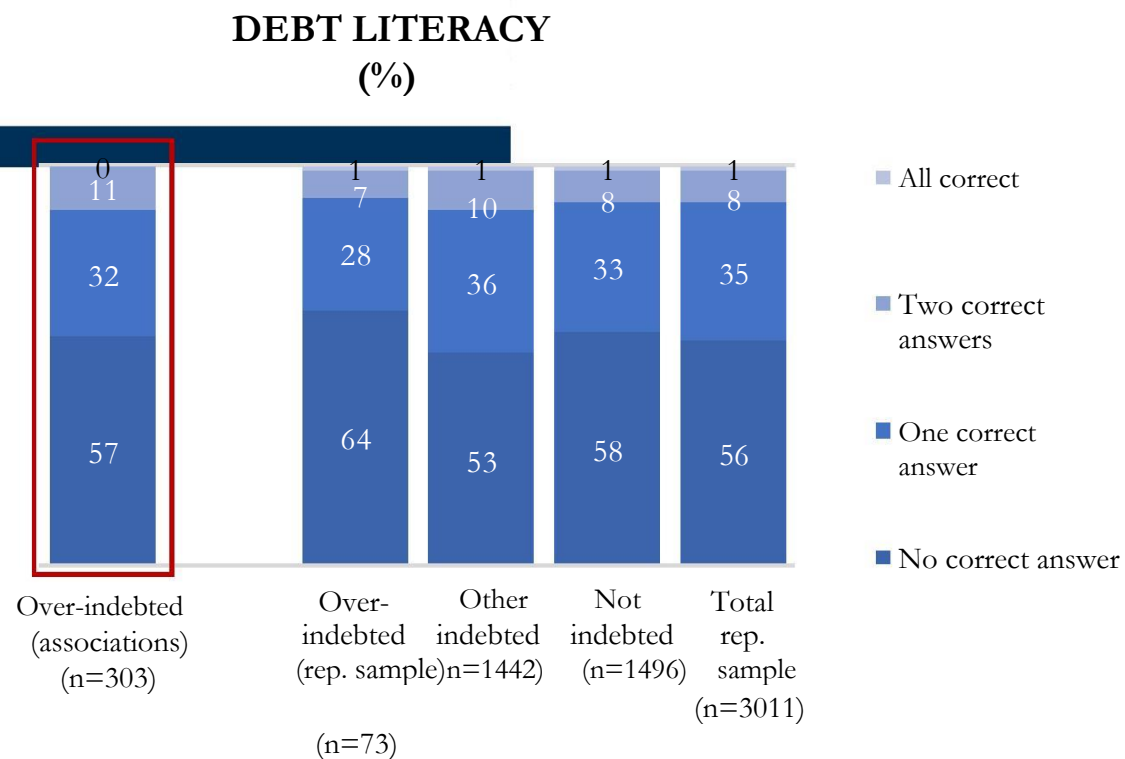
- Over-indebted people demonstrate **less financial knowledge**, highlighting difficulties in understanding and applying fundamental financial concepts, such as interest rates, inflation and risk diversification.



THE LEVEL OF FINANCIAL KNOWLEDGE

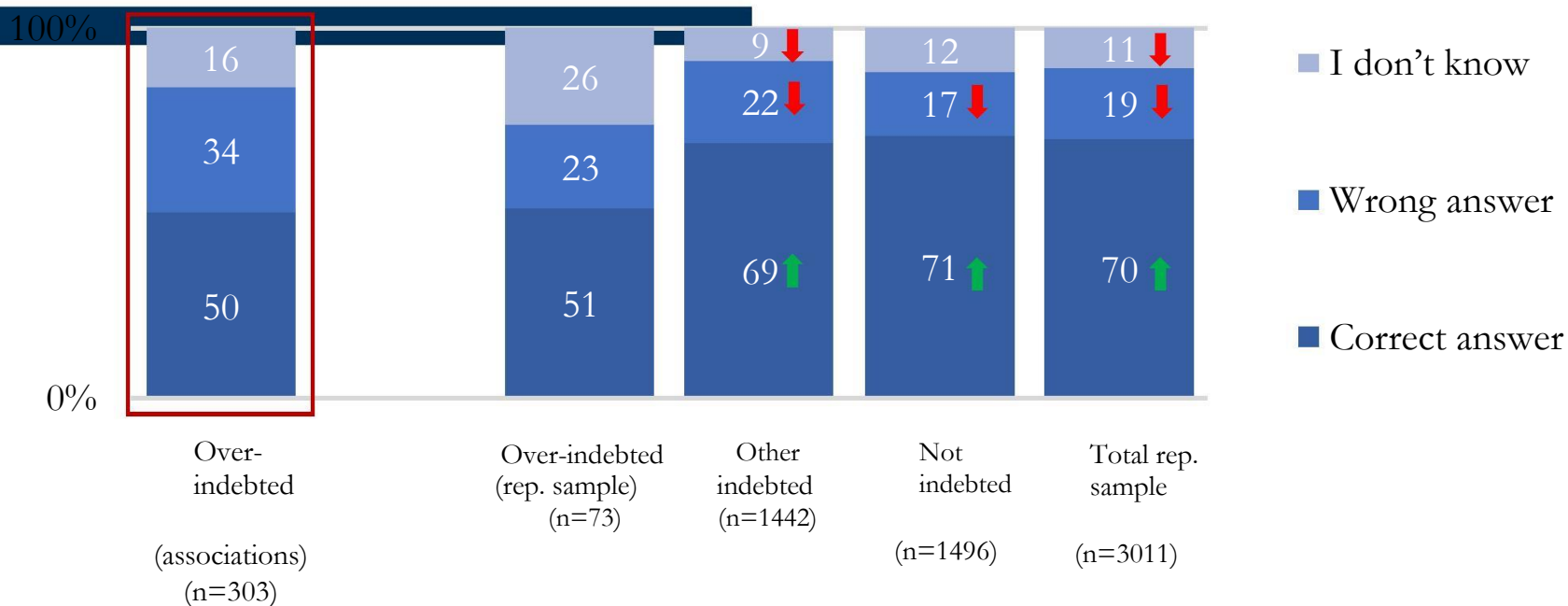
Debt literacy

- While there are significant differences in general financial literacy, **there are no significant changes** in specific knowledge of **debt-related concepts**.



Understanding of interest rates

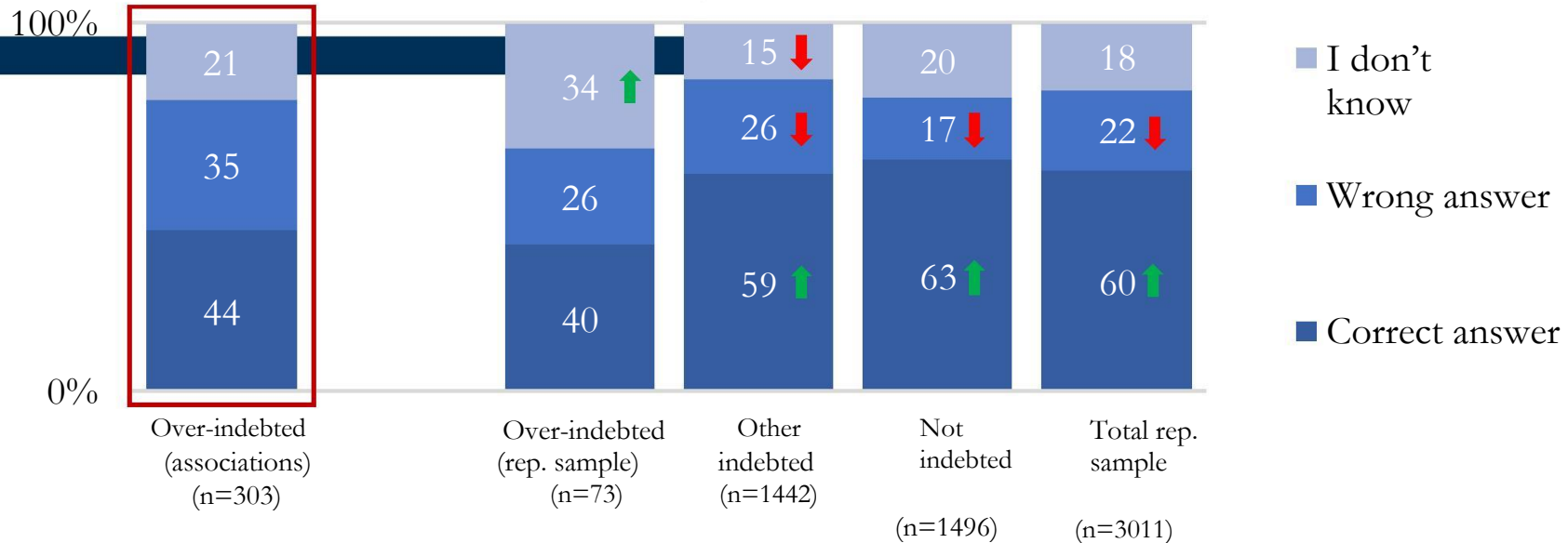
Suppose you are depositing € 100 in a deposit account that gives you a 2% interest rate per annum. On your account there are no taxes or costs of any kind. If you never withdraw any money, how much do you think you will have accumulated on the account?



Understanding inflation and purchasing power

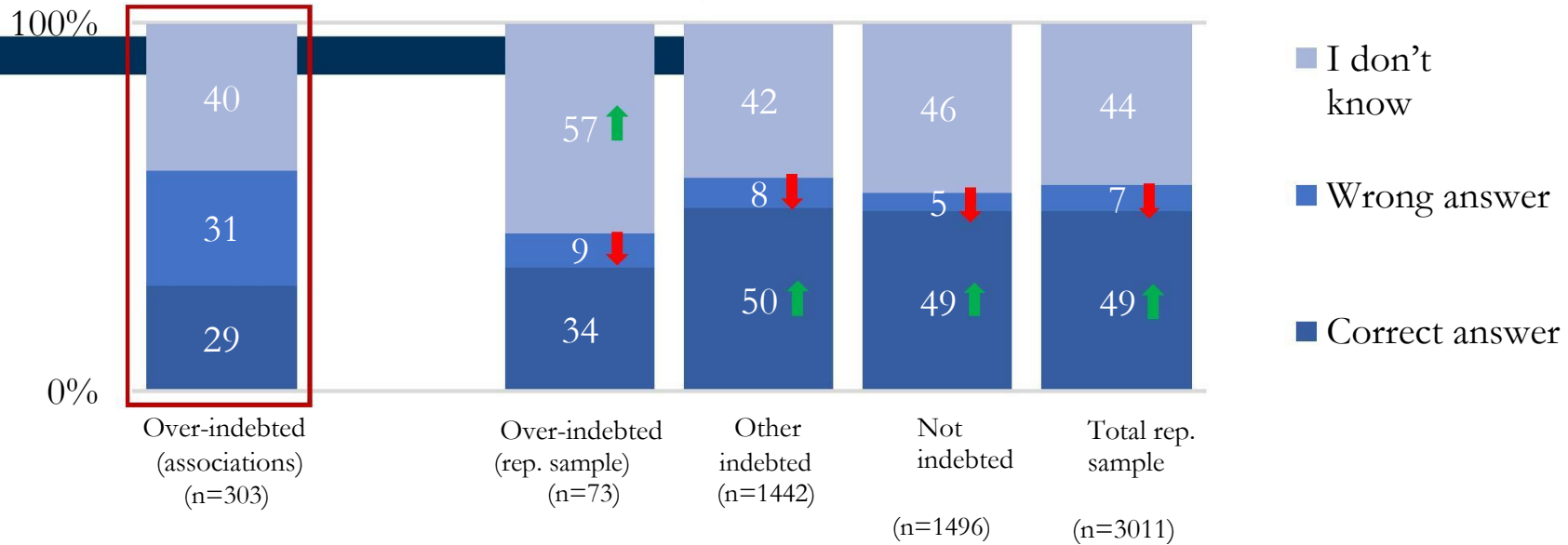
Imagine that the interest rate of a deposit account is 1% and that the inflation rate for the current year is 2%

After a year, how much do you think you will be able to spend with the money accumulated on the account?



Understanding of risk diversification

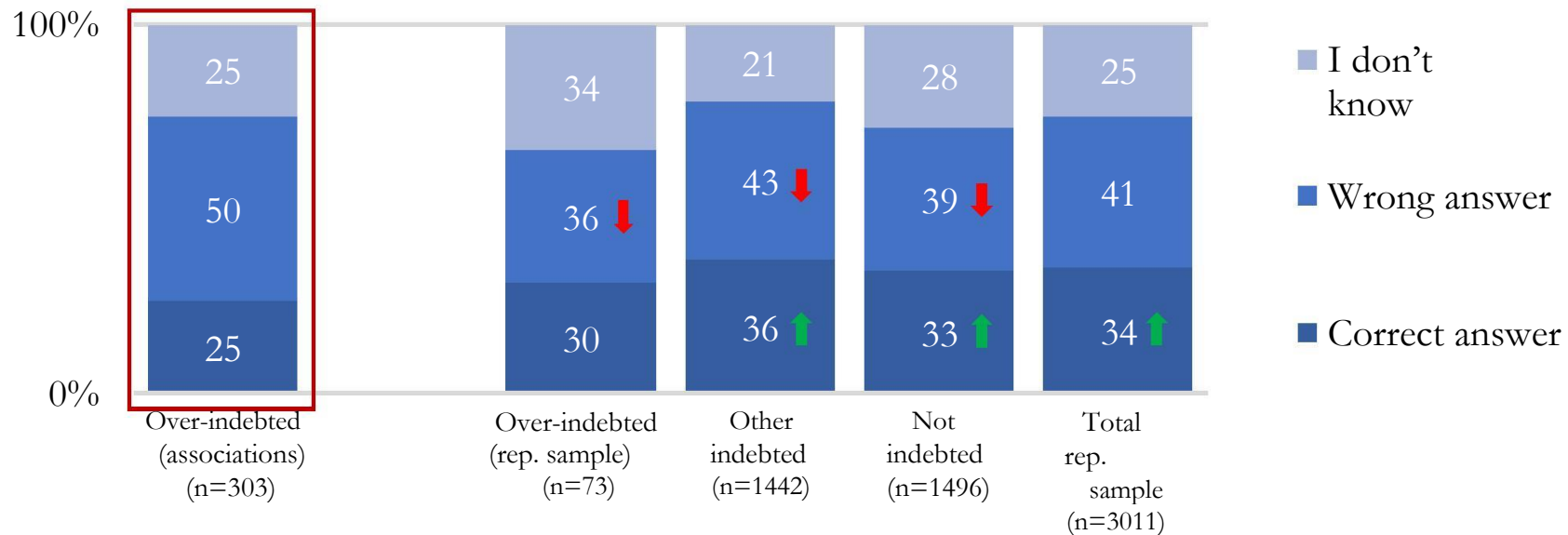
Indicate if the following affirmation is true or false: “Purchasing shares of a single company is the only way to ensure a safer return of an equity fund”



Compound interest

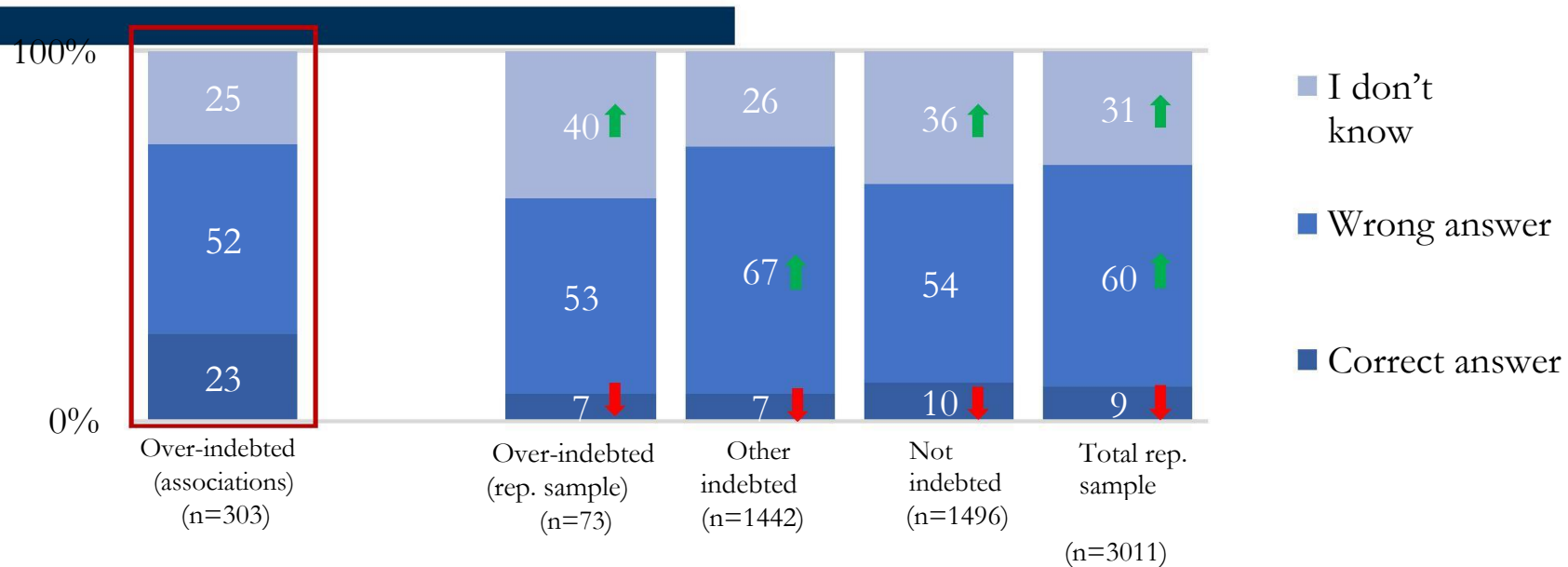
Imagine that you have a debt of € 1,000 on your credit card and that you are charged a compound interest rate of 20% per annum.

If you don't pay anything back, considering this interest rate, how many years will it take for the amount you have to pay back to double?



Calculating the interest rate on debt

You owe € 3,000 on your credit card. Imagine paying a minimum instalment of €30 per month. Considering a loan payment of 12% per annum (or 1% per month), how many years would it take to pay off the debt completely without (considering) additional charges on the card?

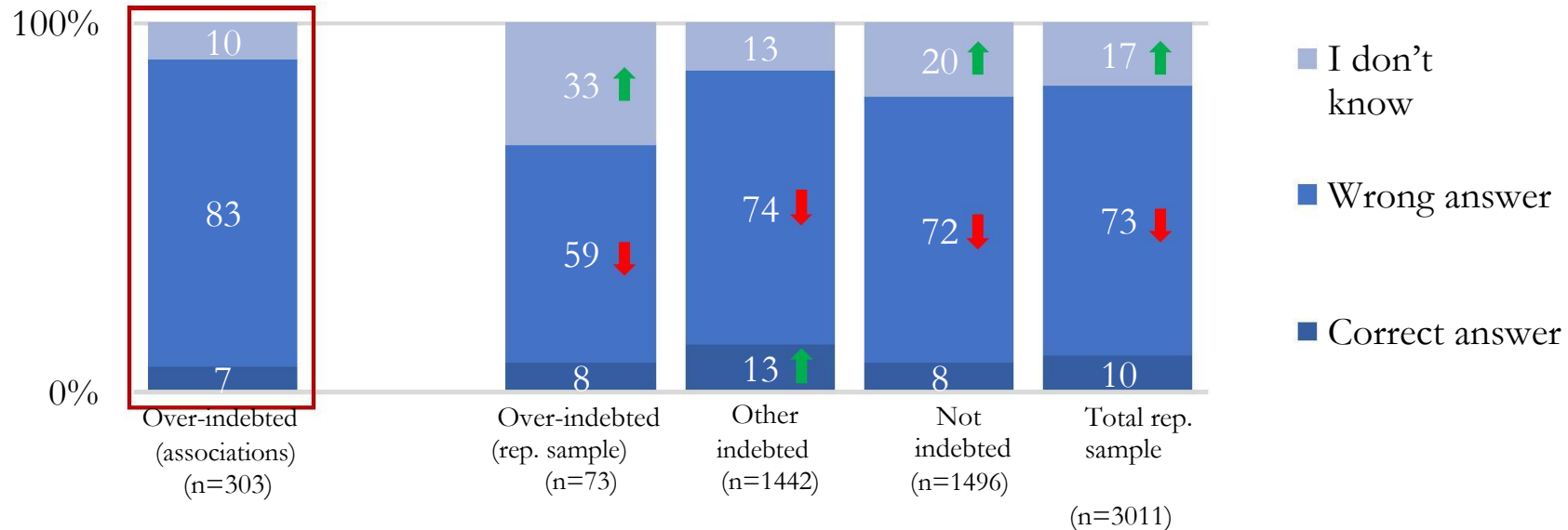


Instalment payments

You are buying an appliance that costs € 1,000. You will be given the following options for payment:

- (a) paying 12 monthly instalments of € 100 each; (b) taking out a loan with an interest rate of 20% per annum and repaying € 1,200 in a year.

Which is the more advantageous offer between the two? In other words, which one costs less?





2) OVER-INDEBTEDNESS IN ITALY

2.6) A segmentation of the over-indebted

A SEGMENTATION OF THE OVER-INDEBTED

Introduction



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To better **understand the differences within the group of the over-indebted**, a **profiling analysis** was carried out based on the psychological variables and financial knowledge introduced in the previous section of the report.

Specifically, the variables that helped define the groups included in the analysis are the following:

- Materialism
- Frugality
- Functional and Dysfunctional Impulsivity
- Locus of Control
- Attitudes about money management
- Perception of financial effectiveness
- Financial and Debt Literacy
- Attitudes and beliefs about debt
- Financial well-being.

For each group, the most distinctive characteristics will be emphasised in relation to:

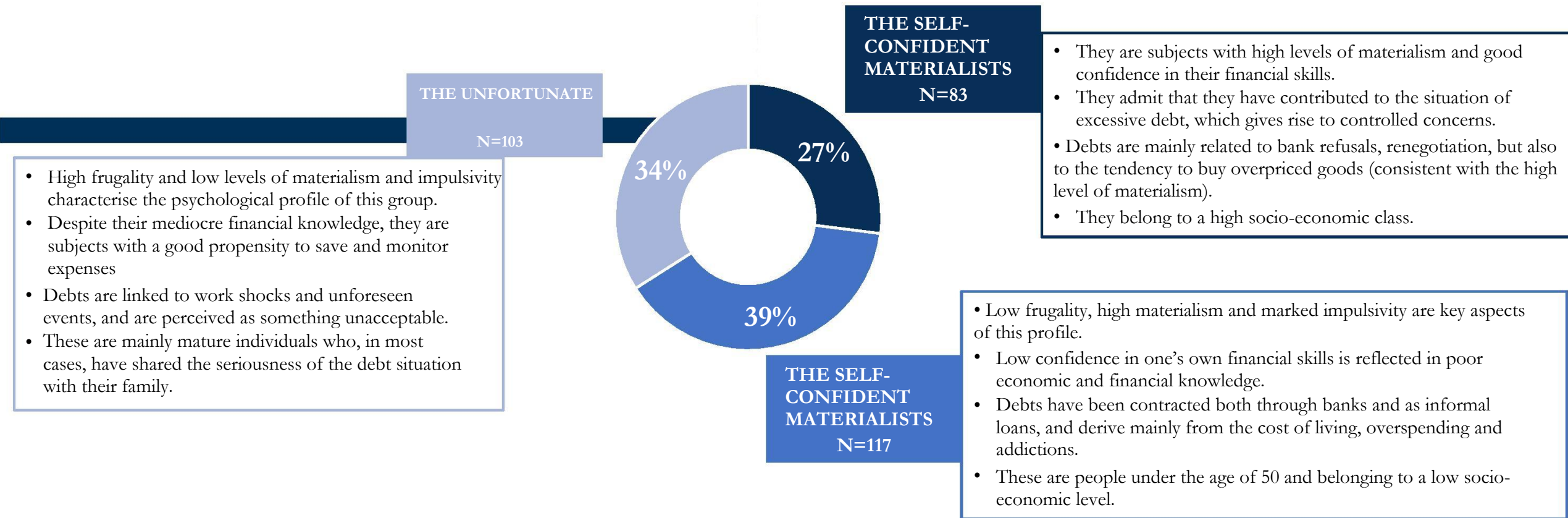
- Psychological profile
- Socio-demographic profile
- The experience of indebtedness



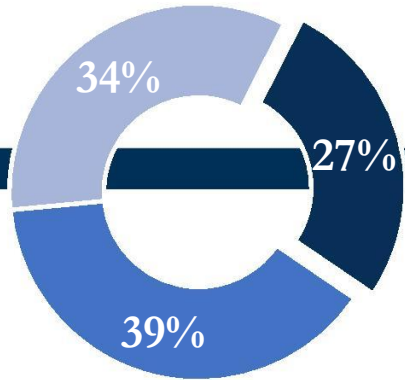
A SEGMENTATION OF THE OVER-INDEBTED

Overview of the profiles

- The profiling analysis made it possible to identify **3 groups of over-indebted people**, each of which is composed of individuals with homogeneous characteristics and different from those belonging to the other groups.
- Each group was then given a **label** to better characterise its members, described in detail in the slides that follow.



THE SELF-CONFIDENT
MATERIALISTS



PSYCHOLOGICAL PROFILE

- **High** levels of **materialism**
- **High levels of functional impulsivity** (they can quickly seize the opportunities offered by the environment)
- **Increased** perception of **financial well-being** and greater **confidence in their** financial management **skills**
- Perception of **self-responsibility** for what happens in their lives
- Higher propensity to **save** than the other two groups

SOCIO-DEMOGRAPHIC PROFILE

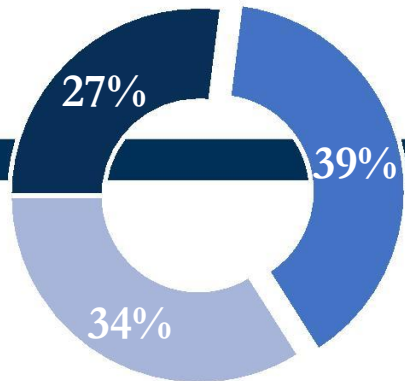
- **Medium/high** level of **education**
- Most frequently **employed**
- **Upper-middle income**

EXPERIENCE WITH DEBT

- **Indebtedness** is perceived as a completely **acceptable and normal** thing
- **Greater number** and **lesser amount** of debts, but with **high** monthly **instalments**
- Debts contracted mainly with **banks or financing companies**
- Over-indebtedness caused by the **bank's refusal** to renegotiate debts and the **tendency to buy goods beyond their reach**
- They are the **least concerned about the situation**

THE IMPULSIVE MATERIALISTS

N=117



PSYCHOLOGICAL PROFILE

- **Low** propensity for **frugality** and **high** levels of **materialism**
- **Lower** perception of **financial well-being** and **low confidence** in their financial management skills
- **High dysfunctional impulsivity** (characterised by an inability to stop and reflect)
- Attribution of events that happen to **external causes**
- **Poor financial knowledge** and **low** propensity to **save** and **monitor** expenses

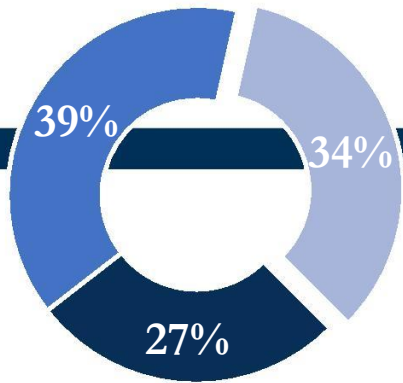
SOCIO-DEMOGRAPHIC PROFILE

- **Younger** people (average age = 50 years) with **low** level of **education** and **income**
- Most frequently **employed**
- **Poor social support** (in more than half of the cases the family is not aware of the situation)

EXPERIENCE WITH DEBT

- **Indebtedness** is perceived as an **acceptable** and **normal** thing
- **Fewer** debts BUT **greater** debt **size**,
- Debts contracted both with **financing companies** and through **acquaintances**
- Over-indebtedness caused by the **high cost of living**, the tendency to **spend more** than you can afford, and by forms of **addiction**
- They are the most **worried** about the debt contracted

THE
UNFORTUNATE
N=103



PSYCHOLOGICAL PROFILE

- **Strong** propensity for **frugality** and **low** levels of **materialism**
- **Greater confidence** in their financial management skills
- **Low** functional and dysfunctional **impulsivity**
- **Mediocre financial knowledge**
- Greater propensity to **save** and **monitor** expenses

SOCIO-DEMOGRAPHIC PROFILE

- **Older** (average age = 59 years)
- **Greater social support** (in more than 80% of the cases the family is aware of the situation)

EXPERIENCE WITH DEBT

- **Indebtedness is not** perceived as an **acceptable or normal** thing
- **High monthly instalments**, which weigh heavily on the household income
- Debts contracted mainly with **banks or financing companies**
- Over-indebtedness caused by **job loss** and **traumatic or unforeseen events**



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3) PUBLIC OPINION ON DEBT



- Over-indebted people and public opinion (represented by the representative sample of the Italian population) have **conflicting beliefs** about the **reasons** considered acceptable for getting into debt and the causes that contribute to creating conditions of difficulty in repaying loans.

In particular, it is a **common opinion** in the representative sample that it is **NOT acceptable to get into debt for**

- **superfluous reasons**, such as holidays or expensive products; on the contrary, a larger proportion of over-indebted people consider it justifiable to borrow - whatever the reason.

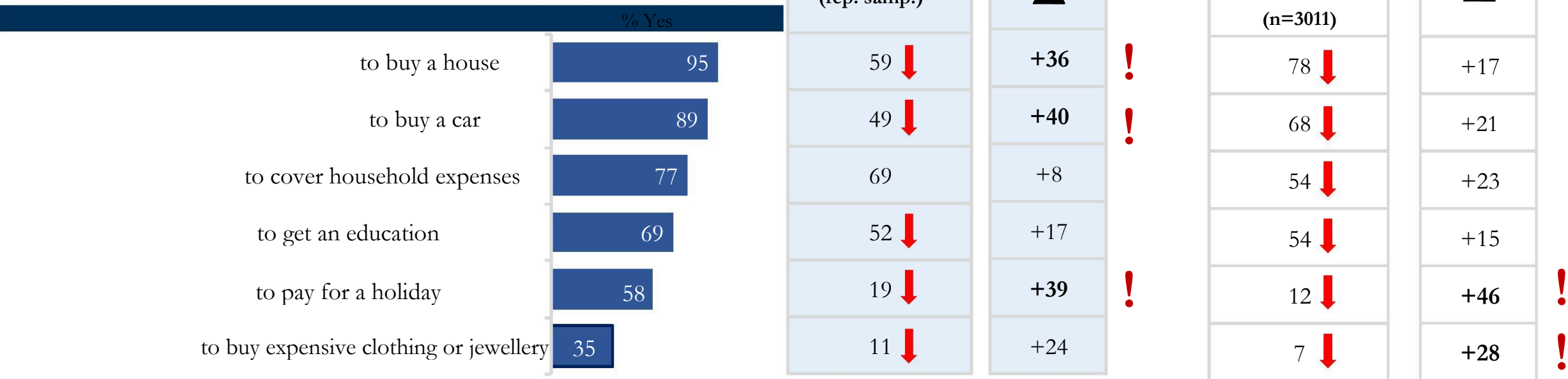
With respect to the causes, an opposite view can be found: while the **over-indebted** blame the **socio-economic context**,

- the idea of a **direct responsibility** of those requesting loans is more shared in the **representative sample**.

- Among the reasons for asking for a loan, **paying for a holiday and buying expensive items** are the reasons that most **distinguish** the over-indebted from the representative sample, the latter less inclined to believe it is right to get into debt.

OVER-INDEBTED (associations)

Do you think it is right for a person like you to ask for a loan in money for...



Over-indebted (associations) n=303; Over-indebted n=73; Total rep. sample N=3011

*The question has an answer scale from 1 (do not agree at all) to 5 (completely agree), with 3 being the neutral midpoint.



- A much higher percentage of over-indebted people believe that **getting into debt is a normal part** of today’s society and a **correct choice**.

OVER-INDEBTED (associations)

How much do you agree with the following statements?*

■ % I strongly agree (4+5)

Asking for loans is a normal part of today’s lifestyle



It is right to ask for a loan if you know you will be able to pay it back



Asking for a loan is fundamentally a good thing



It is better to have something now and pay for it later than to give it up



Taking out a loan is a good thing, because it allows you to enjoy life



I’d rather take out a loan than change my lifestyle



Over-indebted (rep. samp.)	Δ	Total rep. sample (n=3011)	Δ
41 ↓	+41 !	41 ↓	+41 !
62	+2	66	-2
27 ↓	+33 !	25 ↓	+35 !
21 ↓	+23	22 ↓	+22
21 ↓	+21	19 ↓	+23
15 ↓	+17	14 ↓	+18

Over-indebted (associations) n=303; Over-indebted n=73; Total rep. sample N=3011

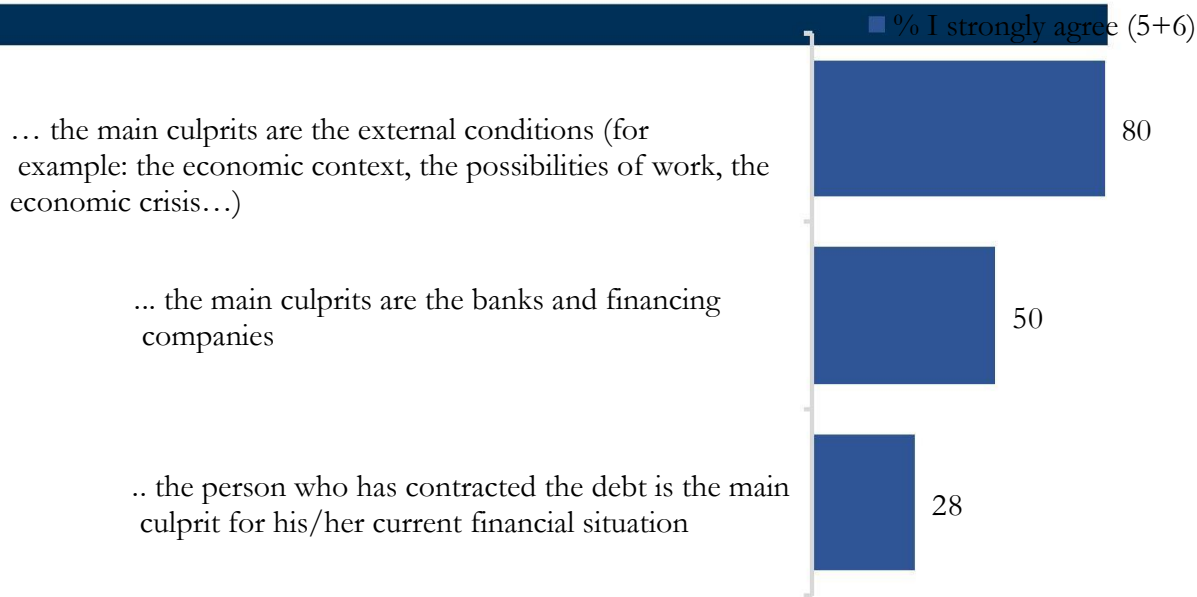
*The question has an answer scale from 1 (do not agree at all) to 5 (completely agree), with 3 being the neutral midpoint.



- 8 out of 10 over-indebted people recognise external conditions as the main culprits of a condition of difficulty in repaying debts, compared to only 39% of respondents in the representative sample.

OVER-INDEBTED (associations)

If a person has debts that he/she cannot repay...



Category	Over-indebted (rep. samp.)	Δ	Total rep. sample (n=3011)	Δ
... the main culprits are the external conditions (for example: the economic context, the possibilities of work, the economic crisis...)	51 ↓	+29 !	39 ↓	+41 !
... the main culprits are the banks and financing companies	33 ↑	+17 !	22 ↓	+28 !
.. the person who has contracted the debt is the main culprit for his/her current financial situation	26	+2	45	-17

Over-indebted (associations) n=303; Over-indebted n=73; Total rep. sample N=3011

*The question has an answer scale from 1 (do not agree at all) to 6 (completely agree)





4) LEVELS OF INDEBTEDNESS

This last section is designed to highlight the **variables** that most **distinguish subjects at different levels of debt**, that is:

- Unindebted
- Indebted with regular payment of instalments
- Indebted and forced to make some sacrifices to keep up with the payment instalments
- Indebted with difficulty in handling the deadlines on time
- Over-indebted (from representative sample)
- Over-indebted (found by the associations)

The analysis technique used - **decision trees** - allows the identification of the **most relevant variables** in the **distinction** between different groups of subjects. In the following diagram all the variables analysed are included, distinguishing those that were important and those that were not important (for a description of each psychological variable and related to financial knowledge, see pp. 35 and 48-49).

RELEVANT VARIABLES (in order of importance)

PSYCHOLOGICAL AND LITERACY VARIABLES:

- **Financial self-effectiveness**
- **Dysfunctional impulsivity**
- **Perception of financial well-being**
- **Frugality**
- **Locus of Control**

SOCIO-DEMOGRAPHIC VARIABLES

- **Occupational status** (employed vs unemployed)
- **Income**

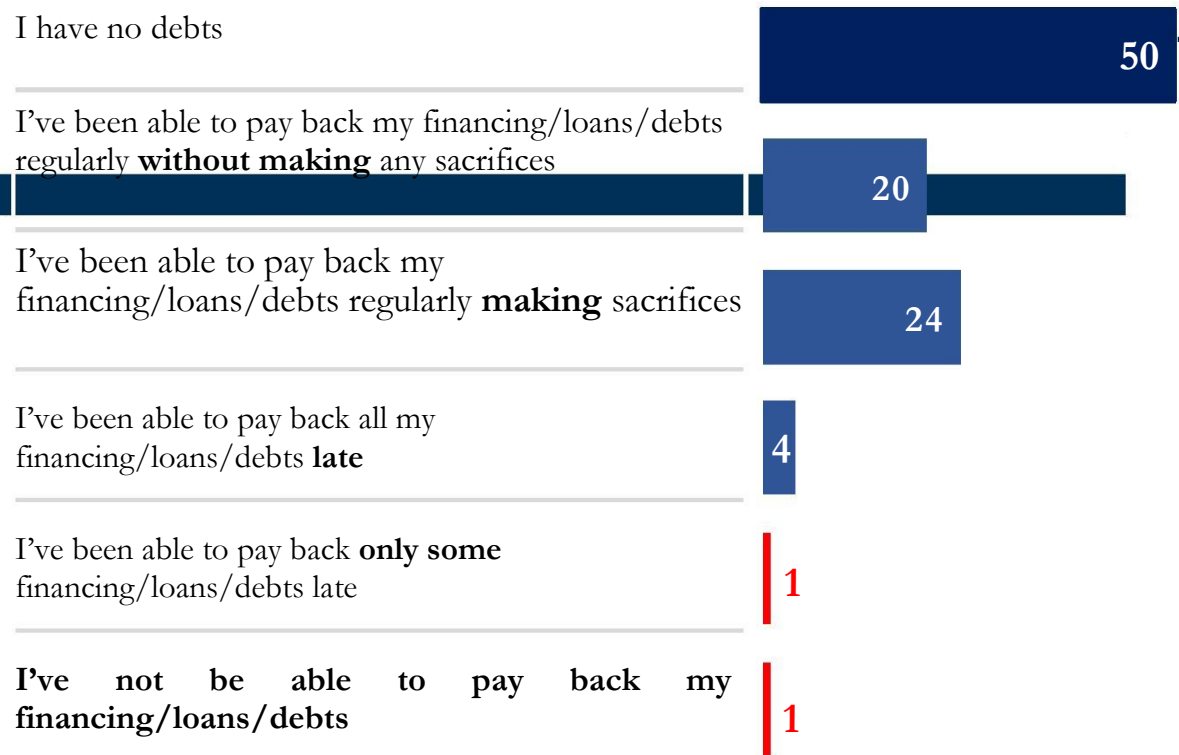
NON-RELEVANT VARIABLES

PSYCHOLOGICAL AND LITERACY VARIABLES:

- Attitudes towards debt
- Materialism
- Functional impulsivity
- Financial literacy
- Debt literacy

SOCIO-DEMOGRAPHIC VARIABLES

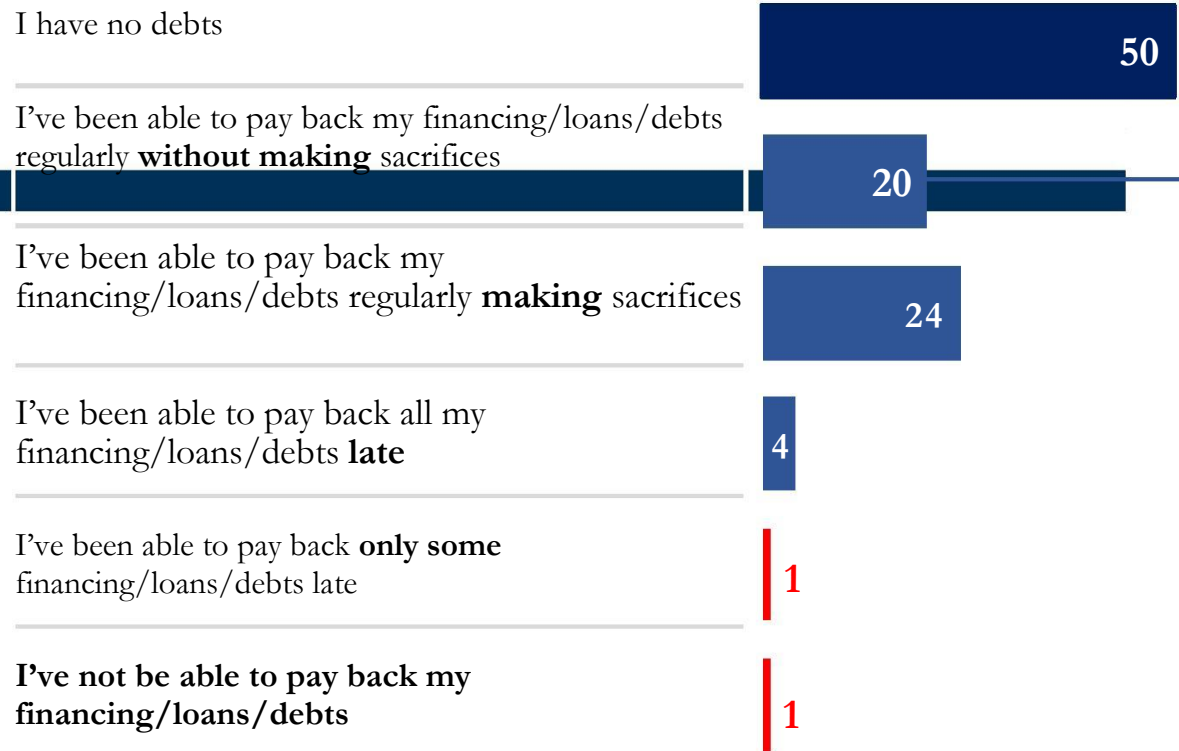
- Age
- Geographical area
- Sex
- Education



NOT INDEBTED

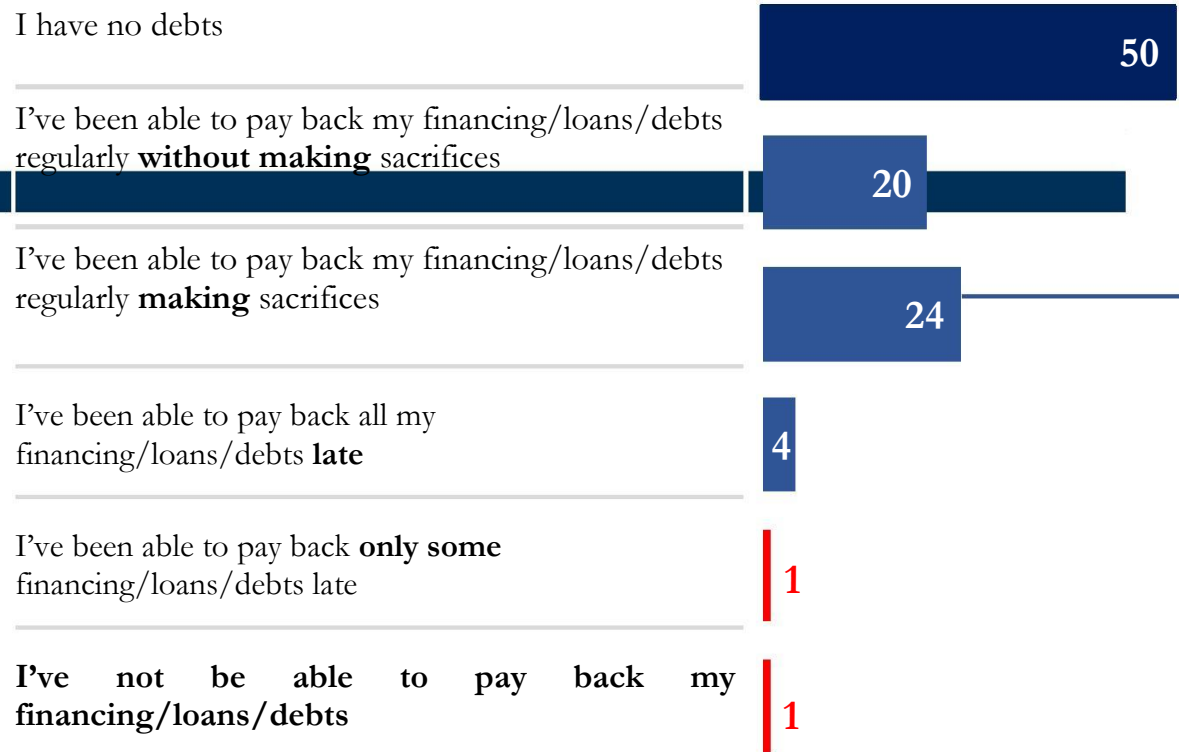
(n=1496)

- The unindebted are **sufficiently satisfied** with their **financial condition** and they feel **competent** in the **management of their economic resources**, acting in a thoughtful and non-impulsive way.
- They **feel accountable for their choices**, attributing to themselves the control of things that happen, rather than to external events.
- They are **frugal** and careful to avoid waste, preferring to save money and optimise expenses.
- They are **less frequently employed**.



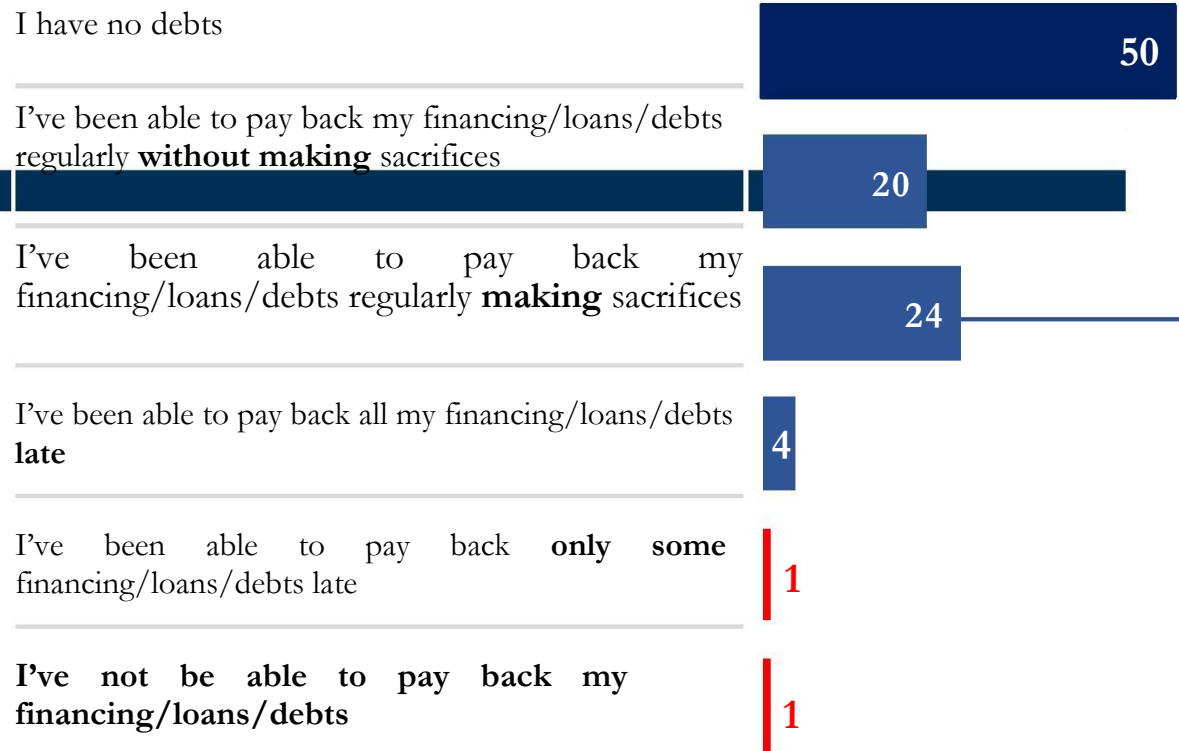
**INDEBTED WITH PAYMENTS
REGULAR WITH INSTALMENTS**
(n=610)

- Subjects in this group perceive a **high level of financial well-being**, much higher than the other groups.
- Their level of **impulsivity** is decidedly **low**, and they tend to consider themselves **active protagonists** of their own choices and destiny.
- They attribute to themselves **excellent skills for managing** their economic and financial **resources**, showing a strong inclination to **frugality** and the optimisation of expenses.
- They are individuals with an average **higher income**.



INDEBTED FORCED TO MAKE SOME SACRIFICES TO PAY THEIR DEBTS (n=721)

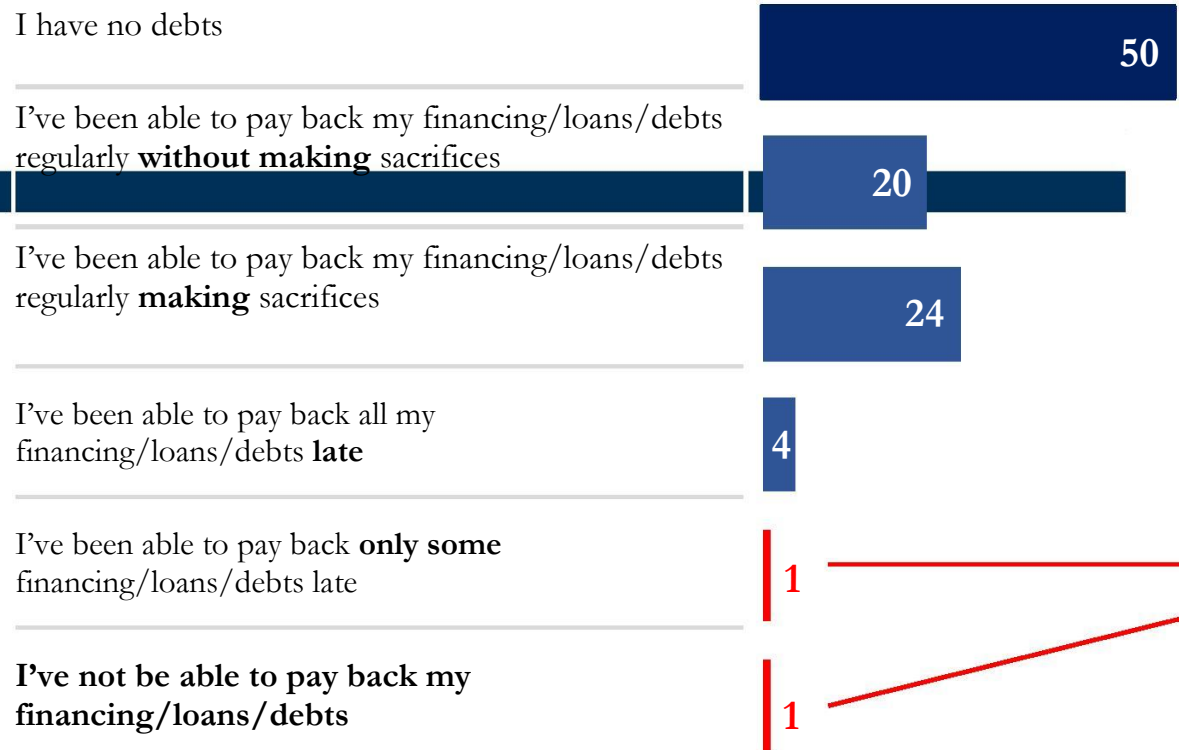
- This type of indebted person is characterised mainly by a **frugal lifestyle**.
- They attribute to themselves an **average level of financial well-being** and consider that they have **mediocre money management skills**.
- They show levels of **impulsivity** that are not particularly marked.
- The **income** of these individuals is in the average, and they are prevalently **workers**.



INDEBTED WITH DIFFICULTY HANDLING THEIR DEADLINES ON TIME

(n=111)

- These individuals are distinguished by a **strong** tendency to **dysfunctional impulsivity**, which takes the form of acting without thinking - often with negative consequences.
- Despite this, they perceive themselves as on average capable of managing their finances. They adopt a **sufficiently frugal** lifestyle, with attention to waste and the thrifty use of resources, and are on **average satisfied** with their **financial condition**.
- They are, in most cases, **employed** with a **medium-low income**.



THE OVER-INDEBTED (REP. SAMPLE)
(n=73)

- These people have **low satisfaction** with their current economic situation.
- They have **low confidence** in their financial management skills.
- With **average levels** of **impulsivity** and **frugality**, they haven't got a strong tendency to attribute the causes of what happens to them either to themselves or to external factors.
- **Less frequently employed** than the other groups, they belong to a **low income** bracket.

OVER-INDEBTED (associations)

(n=303)

- These individuals have **low satisfaction with their current financial situation** and **low confidence in their skills** in managing economic resources.
- They exhibit **much higher levels of dysfunctional impulsivity** than the other groups, suggesting an inability to stop and reflect before acting.
- The **drive for frugality** is extremely **small**, denoting little propensity to save and to use resources sparingly.
- Finally, they are people who tend to attribute the **causes** of their experiences to **external agents**, rather than recognising their role in the circumstances they experience.
- Almost always employed, they belong to a **low income bracket**.



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CONCLUSION

The key findings of the research are summarised below:

1

OVER-INDEBTEDNESS: A RELATIVELY WIDESPREAD PHENOMENON

- The research highlighted how over-indebtedness (understood as the inability to repay all or part of one's debts/loans) is a phenomenon that affects **2% of respondents** in the representative survey.
- If the figure is projected onto the Italian adult population, it is estimated that the group of the over-indebted may correspond to about **one million people**.

2

OVER-INDEBTED: A COMPLEX PROFILE

- A differentiation between the over-indebted found by the associations and the rest of the respondents (including those who fall into the category of over-indebted but are part of the representative sample) is evident.
- The users found by the associations are in fact distinguished under multiple points of view:
 - From a **demographic profile**, these are mainly male, with low levels of education and income, more frequently employed.
 - They are in a **much more critical debt situation** than the over-indebted people belonging to the representative sample, with critical repercussions on their psycho-physical well-being.
 - Considering the psychological variables, over-indebted people have a **complex psychological profile** characterised by a tendency to value material goods at the expense of prudent management of resources, a marked impulsivity and the propensity not to recognise their role in having contributed to causing the situation of chronic debt.
 - In the face of a **lack of knowledge of basic economic-financial concepts**, the **fundamental role of the perception of financial self-efficacy** is also noted, i.e., confidence in one's financial management skills.

3

NEED FOR A SEGMENTATION OF THE OVER-INDEBTED

- The research also highlighted **different profiles** within the group of over-indebted, diversified by psychological, socio-demographic characteristics and experience with debt.

4

PUBLIC OPINION ON DEBT

- The general public and over-indebted people have different views on **why it is acceptable to go into debt**, particularly with regard to **unnecessary expenses** such as holidays or expensive products.
- The **perception of those responsible** for critical situations of indebtedness is also different: on the one hand, the general public emphasises the **role of the indebted person**, on the other hand, those who are in a situation of over-indebtedness tend to attribute the cause to the **socio-economic context**.

Starting from the results of the research, the following operational recommendations are shared:

1

FINANCIAL EDUCATION: A TRIPLE READING

- The results of the research suggest the need to think about financial education on **three complementary levels**:
 - **KNOWLEDGE** = notional knowledge of basic economic-financial concepts
 - **SKILLS** = practical skills in translating knowledge into concrete actions
 - **BEING ABLE TO REFLECT** = awareness of the impact of personal beliefs, opinions and propensities in determining one's own success and failure in money management
- Combining the **promotion of knowledge with the development of practical and reflective skills** could facilitate the emergence of positive practices in the management of economic resources.

Starting from the results of the research, the following operational recommendations are shared:

1

FINANCIAL EDUCATION: A TRIPLE READING (continued)

- In practice, in addition to the more classic financial education activities (lectures, interactive quizzes, workshops, in-depth studies), practical activities such as:

KNOWLEDGE

- **Budget management simulations** to learn how to plan and monitor a monthly budget;
- Creating **virtual portfolios** to understand the basics of investing, such as the importance of diversification, evaluating performance, and balancing risk;
- **Case studies** of solving real financial problems.

KNOWING HOW TO REFLECT

- **Self-assessment questionnaires** on one's propensities and attitudes towards debt/savings/investments, so as to solicit reflection starting from one's own answers;
- **Diaries** to write down reflections on one's relationship with money, to recognise the psychological factors that influence financial decisions;
- **Simulations of stressful financial situations**, to reflect on how one would be inclined to react and the impact on their financial well-being.

Starting from the results of the research, the following operational recommendations are shared:

2

THE ROLE OF ASSOCIATIONS IN A PREVENTIVE PERSPECTIVE

- **Associations** operating at the local level play a **crucial role** in offering **support** to people in financial difficulty, facilitating access to financial advice and legal assistance services.
- Despite the importance of these services, research shows that **many over-indebted individuals do not ask for help**: this phenomenon can worsen the situation of indebtedness due to the lack of access to adequate solutions for debt management and the economic and psychological difficulties connected to it, increasing the risk of a serious worsening of the situation.
The effectiveness of associations depends on the **ability to make themselves known, make their services visible and raise awareness among the population** of the risks associated with over-indebtedness: **timely and preventive interventions**, based on education and awareness-raising, could be more effective and less expensive than ex post interventions, when the debt situation is already out of control.
- **Prevention campaigns and early warning tools** could therefore make it possible to identify **risk signals** and **intervene before** people find themselves in a situation of extreme difficulty.

Starting from the results of the research, the following operational recommendations are shared:

3

THE NEED FOR PSYCHOLOGICAL SUPPORT

- The research highlights the key role of **psychological variables** in **determining situations of chronic debt**, such as low confidence in one's financial skills, strong impulsivity and the tendency to shun frugal lifestyles.
 - **Psychological support** activities can be an essential complement to financial advice to address not only economic difficulties, but also the individual habits, propensities and beliefs that fuel over-indebtedness.
 - **Recognising the negative impact** of these factors on one's financial stability and overall well-being can help people develop strategies for better managing their emotions and impulses, so as to lay the foundation for more careful financial management.
- Finally, it is useful to remember that situations of severe financial stress bring out strong **negative emotions** - such as anxiety, frustration, guilt, or shame - which in turn impact the **ability to make rational decisions**: under stress, in fact, the mind tends to focus on the short term, often pushing people towards impulsive or inappropriate decisions. **Psychological support** becomes crucial in this context, as it helps people recognise and manage their negative emotions related to financial difficulties, **breaking the cycle of stress and bad decisions**.

Starting from the results of the research, the following operational recommendations are shared:

4

THE SEGMENTATION OF OVER-INDEBTED PEOPLE

- Finally, since the results of the research suggest that over-indebted people do not share the same characteristics or needs, **support interventions** should be **adapted** to different types of individuals.
 - In practical terms, this could imply that:
 - More impulsive or less frugal individuals may benefit from pathways that include psychological support aimed at improving their emotional control and financial self-regulation.
 - Individuals with low confidence in their skills may need more educational tools and pathways to enhance practical economic management skills.
 - People with high levels of stress should receive psychological support to deal with negative emotions, which often fuel poor financial decisions.
- Segmentation can also **improve communication and collaboration between over-indebted people and professionals in the sector** (such as financial or legal advisers): when professionals are able to recognise the different profiles of users, they can adapt their intervention and communication strategies, improving the effectiveness of their help.



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APPENDIX



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APPENDIX A.

Description of the sample

REPRESENTATIVE SAMPLE Description by socio-demographic variables

GENDER	%
Man	48
Woman	52

AGE	%
18-34	24
35-44	19
45-54	18
Over 55	39
Average (min.- max.)	47.9 (18 – 88)

EDUCATION	%
Primary school/middle school	28
High school diploma	50
Bachelor's degree	22

GEO AREA	%
North West	26
North East	19
Centre	20
South	35

INCOME	%
I won't answer	17
< 20 thousand	28
20 - 40 thousand:	37
> 40 thousand	18

OCCUPATION	%
Unemployed	44
Retired	15
Housewife	13
Unemployed	9
Student	6
Other	1
Occupied	56
Office worker	26
Worker/shop assistant/apprentice	14
Self-employed	9
Other	7

n=3011

RESPONDENTS FOUND BY THE ASSOCIATIONS: Description by socio-demographic variables

GENDER	%
Man	60
Woman	40

AGE	%
18-34	3
35-44	15
35-54	33
Over 55	49
Average (min.- max.)	54.1 (27 – 82)

EDUCATION	%
Primary school/middle school	48
High school diploma	39
Bachelor's degree	13

GEO AREA	%
North West	44
North East	22
Centre	12
South	22

INCOME	%
I won't answer	2
< 20 thousand	61
20 - 40 thousand:	32
> 40 thousand	5

OCCUPATION	%
Unemployed	27
Retired	18
Housewife	3
Unemployed	6
Occupied	73
Office worker	16
Worker/shop assistant/apprentice	34
Self-employed	13
Other	10



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APPENDIX B.

The questionnaire

SECTION 1 - SOCIO-DEMOGRAPHIC PROFILING

To begin, you will be asked some information that will help to classify the respondents.

You are a:

- Man
- Woman
- I prefer to not answer
- Other (_____)

Indicate your age in years completed:

Please indicate the highest educational qualification you have obtained:

- Elementary school diploma
- Middle school diploma
- High school diploma
- Bachelor's degree (three-year or brief)
- Five-year Bachelor's degree
- First-level Master's degree
- Second-level Master's degree
- Doctor of Research

What region of Italy do you come from?

[List of Italian regions]

Can you indicate the demographic size of your municipality of residence?

- up 5,000 inhabitants
- 5/10,000 inhabitants
- 10/30,000 inhabitants
- 30/100,000 inhabitants
- 100/500,000 inhabitants
- More than 500,000 inhabitants

What is your occupation?

- Office worker
- Self-employed - Merchant - Artisan/Craftsman
- Worker - Shop assistant - Apprentice
- Manager/Officer/Middle manager
- Teacher
- Retired
- Unemployed
- Housewife/Homemaker
- Student
- Military
- Other (specify) _____

SECTION 2: PSYCHOLOGICAL VARIABLES

(PART 1)

We'd like you to read some affirmations that everyone can make about themselves.

FINANCIAL LOCUS OF CONTROL

1. We'd like for you to indicate on a scale from 1 (=I do not agree at all) to 7 (=I completely agree) how much you agree with the following affirmations:
 - I think that the possibility of earning through financial investments depends more on myself than on luck
 - I believe that through one's own decisions it is possible to improve one's situation
 - I think that making good financial investments is more a matter of skills and abilities than luck
 - Without the right opportunities, it is difficult to achieve a good financial condition
 - It depends only on myself if I can make the most of the earning opportunities that life offers me
 - I think my financial situation depends mainly on my actions and decisions
 - I am primarily responsible for my financial situation, regardless of external circumstances
 - The possibility of achieving good economic conditions depends mainly on my skills and my financial choices
 -
 -

MATERIALISM SCALE (Richins, 2004)

2. We'd like you to indicate on a scale from 1 (=I do not agree at all) to 5 (=I completely agree) how much do you agree with the following statements?:

- I admire people who own expensive houses, cars and clothes
- The things I own say a lot about my success in life
- I like to own things that impress others
- Buying things gives me a lot of pleasure
- I like to be surrounded by luxury
- I try to keep a simple lifestyle when it concerns what I own
- My life would be better if I owned some things I don't have
- I'd be happier if I could afford to buy more things
- Sometimes it bothers me quite a lot that I can't buy everything I would like

FRUGALITY SCALE (Lastivocka et al., 1999)

3. We'd like you to indicate on a scale from 1 (=I do not agree at all) to 6 (=I completely agree) how much do you agree with the following statements?:

- By taking care of your belongings, you will certainly save money in the long run
- There are many things that are normally thrown away and that are still quite useful
- Making good use of what I own makes me feel good
- If you can reuse a good you already have, there's no reason to buy something new
- I think you have to be careful how you spend your money
- I give myself discipline to get the most out of my money
- I am willing to wait for a purchase I want to make, so I can save money
- There are things I look forward to buying today so you can save for tomorrow

SECTION 3: OBJECTIVE GRADIENT OF INDEBTEDNESS / OVER-INDEBTEDNESS

In this section, you will be asked a few questions about your financial situation, which we invite you to answer honestly. Remember that the answers are completely anonymous, and it will not be possible in any way to trace your identity.

4. At this moment do you have one of the following forms of financing/loan/debt in progress?
- Financing for personal and family purchases (example: home loan, financing for household appliances, car, medical expenses, telephone)
 - Financing for work or business
 - Form of payment in instalments for the purchase of consumer goods (example: refrigerator, television)
 - Other forms of debt (e.g., salary-backed loans, loans to be able to pay taxes, employee salaries)

[yes/ no]

[If they answer NO to all options in Q4, skip directly to the NEXT SECTION]

5. For each of the items that you have selected in the previous question, we'd like to ask you to indicate how many you have at this moment.

- , informal loans) Financing for personal and family purchases (example: home loan, financing for household appliances, car, medical expenses, telephone)
- Financing for work or business
- Form of payment in instalments for the purchase of consumer goods (example: refrigerator, television)
- Other forms of debt (e.g., taxes, loans be able to pay employee salaries)

[show only selected options in Q4 + open box next to each item]

[If they answer Yes to Financing for personal and family purchases in Q4]

6. You told us that you had financing for personal/family purchases (example: home loan, financing for appliances, car, medical expenses, telephone). If you have several loans of this type, we ask you to think of them as a single whole. Can you estimate the size of the financing/loan/debt in euros?

o €_____

[If they answer Yes to Financing for work or business activities in Q4]

7. You told us that you have financing for work or business. If you have several loans of this type, we ask you to think of them as a single whole. Can you estimate the size of the financing/loan/debt in euros?

o €_____

[If they answer Yes to Form of payment instalments for the purchase of consumer goods in Q4]

8. You told us that you have forms of payment in instalments for the purchase of consumer goods (example: refrigerator, television). If you have several loans of this type, we ask you to think of them as a single whole. Can you estimate the size of the financing/loan/debt in euros?

o €_____

[If they answer Yes to Other forms of debt (e.g. taxes, employee salaries, informal loans) in Q4].

9. Can you estimate the size of the financing/loan/debt in euros? You told us that you have Other forms of debt (e.g. taxes, salaries of employees, informal loans). If you have several loans of this type, we ask you to think of them as a single whole.

o €_____

SECTION 3: OBJECTIVE GRADIENT OF INDEBTEDNESS / OVER-INDEBTEDNESS

(continued)

10. Referring to the last month, in total how much did you have to pay to cover the instalments of your financing/loans/debts?

- Lower than € 500
- Between € 501 and € 1,000
- Between € 1,001 and € 1,500
- Between € 1501 and € 2000
- Between € 2001 and € 2500
- Between € 2501 and € 3000
- More than € 3000
- I prefer not to answer

11. Thinking now of the total of monthly instalments that you have in this moment, could you indicate how much corresponds to the monthly income of your household?

- To more than half of my household's income (>50%)
- To about half of my household's income (50%)
- To about a third of my household's income (33%)
- To about a quarter of my household's income (25%)
- To less than a quarter of my household's income (<25%)
- I prefer not to answer

12. Through what channels did you obtain this/these financing/loans/debts?

- **From a bank or financing company**
- From friends, family or acquaintances
- **Both of the previous answers**
- I prefer not to answer

[if 1 or 3 in Q12]

13. With respect to the financing/loans/debts that you have indicated above, can you tell us if you have granted collateral to the bank? What kind?

- Mortgage
- Pledge on personal or company assets
- Securities by friends, family or acquaintances
- I did not provide collateral
- I don't know/don't remember
- I prefer not to answer

[to all]

14. Thinking now about the past 2 years, which of the following sentences best reflects your situation?

- I've been able to pay back my financing/loans/debts regularly without having to make sacrifices
- **I've been able to pay back my financing/loans/debts regularly making some sacrifices**
- **I've been able to pay back all my financing/loans/debts late**
- **I've been able to pay back some of my financing/loans/debts late**
- **I've not been able to pay back my financing/loans/debts**
-
-

SECTION 3: OBJECTIVE GRADIENT OF INDEBTEDNESS / OVER-INDEBTEDNESS

(continued)

[if 2 or 3 or 4 or 5 in question Q14]

15. Thinking about the loans you said you have, have you ever had to make a sacrifice of some of the following items to be able to pay your financing/loans/debts?

[Yes/No for each item]. I've had to do without:

- branded and luxury products
- more expensive products but maintaining the same level of consumption
- using my car (or motorcycle, moped) and instead take public transport
- some experiences of social life (pizzeria, cinema, theatre)
- sports activities and hobbies I and my children enjoy
- summer holidays
- clothing
- food
- some health expenses and medications

[if 4-5 in question Q14]

16. What factors do you think have contributed to your current situation of difficulty of payment of your financing/loans/debts?

- Traumatic or unexpected events related to your person or in your family (for example, illness, disability)
- Unsuccessful investments or events of the economic activity
- Betting or other forms of addiction
- Job loss or other work-related events
- Loss or depreciation of goods and assets or cost of living
- Late payments by the Public Administration
- Tendency to purchase goods beyond one's means
- Refusal of the bank or financial company to renegotiate the terms of the loan
- Other (i.e.)

[multiple]

[if 4-5 in question Q14]

17. To remedy the debt situation, have you had to engage in any of the following activities?

[multiple]

- I asked for a new financing from the bank or financing company
- I have requested an advance on severance pay or the pension fund
- I asked friends and family for a loan
- Other

[multiple]

[if 4-5 in question Q14]

18. Have you ever turned to an association or professionals in the sector for support in understanding how to deal with the situation?

- Yes
- No

[if 4-5 in question Q14]

19. Is your family aware of your financial situation?

- Yes
- No

[to all]

20. We'd like to ask you to indicate how often you experience:

- Worry about repaying your financing/loans/debts
- Think about your financing/loans/debts when you are alone
- Think about your financing/loans/debts when you are in a group
- Lose sleep over the thought of financing/loans/debts

[Scale 1(Never) - 5(Always)]

SECTION 4: ATTITUDES AND BELIEFS ABOUT DEBT

From Almenberg et al., 2021:

21. People have many different reasons for asking for a loan of money. Do you think that it's right for a person like you to ask for a loan in money:

- to buy expensive clothing or jewellery
- to pay for a holiday
- to cover household expenses
- to buy a car
- to get an education
- to buy a house

[*yes/no*]

From Haultain et al., 2010:

22. For every affirmation, we'd like to ask you to indicate how much you agree or disagree on a scale that goes from 1 (Strongly disagree) to 5 (Strongly agree).

- Asking for a loan is fundamentally a good thing
- Taking out a loan is a good thing, because it allows you to enjoy life
- I'd rather take out a loan than change my lifestyle
- It is better to have something now and pay for it later than to give it up
- Asking for loans is a normal part of today's lifestyle
- It is right to ask for a loan if you know you will be able to pay it back

BELIEFS ABOUT OVER-

INDEBTEDNESS

You to think about your opinions, and we'd like you to indicate on a scale from 1(=I do not agree at all) to 6 (=I completely agree) how much you agree with the following affirmations:

If a person has debts that he/she cannot repay...

- ...the main culprits are the banks and financing companies
- ...the person who has contracted the debt is the main responsible for their current financial situation
- ...the main culprits are the external conditions (for example: the economic context, the possibilities of work, the economic crisis...)

SECTION 5: PSYCHOLOGICAL VARIABLES (PART 2) AND FINANCIAL/DEBT LITERACY

BRIEF MONEY MANAGEMENT SCALE (BMMS; Ksendzova et al., 2017)

24. Now you will read a series of affirmations on money management.

How frequently do you manage to put into practice the following activities? Please respond with a point on a scale that goes from 1 (never) to 5 (always).

- I have set aside money for emergencies
- I have saved for a long-term goal (e.g., a car, education, housing...)
- I have regularly saved money
- I have regularly set aside money for any unexpected expenses
- I have taken out or renewed property insurance (e.g., for my car or house)
- I have taken out or renewed a health insurance policy
- I have taken out or renewed life insurance
- I have contributed to a retirement savings plan
- I made sure that my insurance cover was adequate
- I spent more money on my credit card than I had in my bank account
- I have suspended the payment of the instalment of a loan
- I have reached the maximum monthly limit on one or more credit cards
- I have taken on more and more debt in recent years
- I have spent more money than I make
- I follow a weekly or monthly budget
- I review and evaluate my expenses regularly
- I keep a written or electronic record of my monthly expenses
- I can estimate my and/or my family's income and expenses

FINANCIAL SELF-EFFICACY SCALE (FSES; Lown, 2011)

25. Please answer the following affirmations using the following categories of answer:

1 = Not true at all 2 = Slightly true 3 = Somewhat true 4 = Very true

- It's hard to stay within my budget when unexpected expenses loom
- It is very difficult for me to make progress towards achieving my financial goals
- In case of unexpected expenses, I usually have to resort to credit services
- When I am facing financial difficulties, I struggle to find a solution

- I don't have confidence in my financial management skills
- I am worried that during retirement my economic resources may be depleted

SECTION 5: PSYCHOLOGICAL VARIABLES (PART 2) AND FINANCIAL/DEBT LITERACY

(continued)

In this section we will ask you to answer some questions aimed at investigating your basic theoretical knowledge. Don't worry if you don't know the answer: we invite you to answer honestly.

BIG 3 FINANCIAL LITERACY SCALE (Lusardi & Mitchell,

2011)
26.6. Understanding of interest rates: Suppose you are depositing € 100 in a deposit account that gives you a 2% interest rate per annum. On your account there are no taxes or costs of any kind. If you never withdraw any money, how much do you think you will have accumulated on the account?

- More than € 102*
- Exactly € 102
- Lower than € 102
- I don't know

27. Understanding inflation and purchasing power: Imagine that the interest rate of a deposit account is 1% and that the inflation rate for the current year is 2%. After a year, how much do you think you will be able to spend with the money accumulated on the account?

- More than today
- Exactly the same as today
- Less than today*
- I don't know

28. Understanding of risk diversification: Indicate if the following affirmation is true or false: "Purchasing shares of a single company is the only way to ensure a safer return of an equity fund"

- True
- False*
- I don't know

DEBT LITERACY (Lusardi & Tufano, 2015)

29. Imagine that you have a debt of € 1,000 on your credit card and that you are charged a compound interest rate of 20% per annum. If you don't pay anything back, considering this interest rate, how many years will it take for the amount you have to pay back to double?

- 2 years
- Less than 5 years (correct)
- From 5 to 10 years
- Over 10 years
- I don't know

30. You owe € 3,000 on your credit card. Imagine paying a minimum instalment of €30 per month. Considering a loan payment of 12% per annum (or 1% per month), how many years would it take to pay off the debt completely without (considering) additional charges on the card?

- Less than 5 years
- From 5 to 10 years
- From 10 to 15 years
- Never, I would continue to be in debt (correct)
- I don't know

31. You are buying an appliance that costs € 1,000. You will be given the following options for payment: (a) paying 12 monthly instalments of € 100 each; (b) taking out a loan with an interest rate of 20% per annum and repaying € 1,200 in a year. Which is the more advantageous offer between the two?

- Option (a)
- Option (b) (correct)
- The two options are the same
- I don't know

SECTION 5: PSYCHOLOGICAL VARIABLES (PART 2) AND FINANCIAL/DEBT

LITERACY

(continued)

In this section, you will be asked to answer a few questions about your financial situation.

SUBJECTIVE FINANCIAL WELL-BEING SCALE (Sorgente & Lanz,

2019)

32 Below are some statements regarding your financial condition and the way you experience it. We ask you to indicate, for each statement, how true it is for you. Please respond with a point on a scale that goes from 1 (never) a 5 (always).

- I can't complain about my financial situation
- I am serene about my financial situation
- My current financial condition gives me peace of mind
- I am satisfied with my current financial situation
- I am satisfied with how my life is going from a financial point of view
- I have enough money to pursue my passions
- I am stressed on a daily basis because of my financial situation
- I've got enough money to enjoy life
- I have less money than I need
- I have enough money for everything I need

EXPECTATIONS FOR THE FUTURE (taken from the Index of Consumer Sentiment)

33. A year from now, do you think that you and your family will be economically better off or worse off than today?

- Better
- The same
- Worse

DICKMAN IMPULSIVITY INVENTORY (DII; Dickman, 1990)

34. 4. Below are some statements about how you behave in everyday situations. We ask you to indicate, for each statement, whether it is true (1) or false (0) for you.

- I avoid situations where you have to act quickly without having time to think first
- I don't like to make decisions quickly, even if the decisions are simple, like choosing what to wear, or choosing what to eat for dinner
- I'm good at taking advantage of unexpected opportunities, situations where you have to do something right away or you'll miss the opportunity
- I'd like to work in a place that requires you to make a lot of split-second decisions
- I'm uncomfortable when I have to make a decision quickly
- I don't like to do things quickly, even when I'm doing something simple
- I like to take part in very fast conversations, where you don't have much time to think before you speak
- I like sports and games where you have to choose your next move very quickly
- Most of the time I can translate my thoughts into words very quickly
- I often don't think enough about a situation before acting
- I often make decisions without taking the time to consider the situation from all angles
-
- I often say and do things without considering the actual
- I frequently make commitments without thinking about whether I am able to respect them
- Frequently I buy things without thinking about whether I can afford them consequences
- I'm good at deeply analysing things
- I often get into trouble because I don't think before I act
- I often say everything that goes through my mind without thinking first
- Before making an important decision, I carefully weigh the advantages and disadvantages

SECTION 6: ADDITIONAL SOCIO-DEMOGRAPHIC PROFILING

Thanks to the support you have given us so far, we have arrived at the last questions that will be used for a better profiling of respondents.

Could you please indicate your marital status?

- Married
- Engaged or in a relationship / Domestic partner
- Separated / Divorced
- Single
- Widower / widower

How many people (including you) are in your household?

- 1
- 2
- 3
- 4
- More than 4

Do you have children? If so, how many?

- 1
- 2
- 3 or more
- I have no children

Who do you currently live with?

- Alone
- With flatmates
- With my partner
- With my parents
- With my children
- Other (please specify) _____

Do you or any of the people living with you have some form of disability or illness?

Yes - No

Do you or any of the people who live with you have any chronic disease or condition?

Yes - No

Have you or any of the people who live with you obtained recognition of disability?

Yes - No

Finally, we ask you to indicate the total Net Annual Income of your household:

- Less than € 10,000
- € 10,000 – 19,999
- € 20,000 – 29,999
- € 30,000 – 39,999
- € 40,000 – 49,999
- € 50,000 – 59,999
- € 60,000 – 69,999
- € 70,000 – 79,999
- € 80,000 – 89,999
- € 90,000 – 99,999
- € 100,000 and over
- I prefer not to answer

We've reached the end of this questionnaire. Thank you for your cooperation and for the time you have dedicated to us, your answers and opinions are valuable to us.