EDUFIN 2021 REPORT:

Financial education as an antibody to economic vulnerability

BVA Doxa

EduFin

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Summary

Financial education functions as an antibody to economic vulnerability, but the level of financial literacy in our Country remains low and currently it is precisely the most financially fragile groups in the Italian population, women and young people, who can count less on having financial knowledge. This is what emerges from this second edition of the Report on the economic and financial situation and financial knowledge of Italian households carried out for the first time in June 2020 by the Committee on the Planning and Coordination of Financial Education Activities together with Doxa and repeated this year. From the report it also emerges that Italians do not have confidence in their financial abilities and skills and they would prefer concrete interventions in the field of training to increase them: 88% of interviewees are in favour of its introduction in schools, 77% in the workplace.

Although the survey carried out in May/June 2021 paints a progressively improving economic picture, significant difficulties and inequalities remain, particularly if we consider women and young people, those who have a low educational qualification and those who live in the south and on the islands. The number of those who say they save is increasing (more than 5 percentage points compared to 2020) but there is an uneven capacity to save, a symptom of the increase in inequality.

The results of the survey conducted this year confirm a positive association between the claimed level of knowledge and financial fragility. That is, knowledge is also in this second investigation strictly correlated to some explanatory variables of the level of resilience and financial fragility of households, such as the ability to deal with an unexpected expense or to make ends meet with the income available. The share of those who make ends meet with difficulty is as much as 21 percentage points higher among those interviewed with low knowledge (59% vs 38%). The percentage of those who would not be able to deal with an unexpected expense (probably or with certainty) or that are financially fragile, is 19 percentage points higher among interviewees with low financial knowledge (30% vs 11%).

In this context, it is also interesting to explore the differences in the level of financial literacy of two groups identified as particularly fragile in the survey: young people and women. Only 30% of the sample interviewed claimed that they are familiar with all three concepts of “simple interest rate”, “compound interest rate” and “risk-return trade-off”, concepts that are the basis of many financial decisions. But it is precisely among the most financially vulnerable groups, made even more fragile by the crisis, that there is an inferior level of knowledge. In fact, the percentage drops to 25% if we look at the female sample (vs 33% of the male sample) and 19% if we consider young people aged between 18 and 34.

As further evidence of the greater fragility of women, the share of those who are certain that they will not be able to deal with or probably would not be able to deal with an unexpected expense is 9 percentage points higher compared to that of men.

Gender is also confirmed as one of the relevant variables on the financial anxiety front: the percentage of women who say they experience financial anxiety is almost 15 percentage points higher than that of men.

Among the novelties compared to the previous edition is the survey of the financial knowledge of Italians through the introduction of 3 additional questions, the so-called “big three”, used internationally to test the level of financial literacy on knowledge and understanding of interest rates, inflation and risk diversification. The percentages of correct answers to these questions are low, demonstrating the correctness of the previous results. Also in this case, significant differences emerge by gender and age, which highlight once again the “fragility” of the female target and young people.

Another novelty of the 2021 report concerns the detection of the ability to understand and calculate percentages and probabilities. A rather small share of interviewees know how to calculate percentages and probabilities and more than 40% do not know how to answer. These data highlight, on the one hand, the lack of the basic calculation knowledge necessary, for example, to read a bank statement and manage one's finances, on the other hand, the inability to understand the information necessary to manage risks both related to life events and those generated by the COVID-19 pandemic.

The 2021 edition of the study also re-proposed the questions aimed at investigating the level of knowledge of the Italians in the insurance and social security sector (with some additions compared to the previous survey) through simple questions on some basic concepts, such as premium, co-payment, complementary pension instruments, etc..

Also on these issues, the general level of knowledge is low and with a significant percentage of people who answer "I don't know". Data still characterised by a "gender gap" that in some cases almost reaches 15 percentage points. On many of the concepts investigated, the lowest level of knowledge of those under 35 is also confirmed.

A new section is dedicated to the impact and consequences deriving from the transversal spread of digitalisation tools and processes that are transforming the behaviours and habits of consumption, saving and investment. As far as digitalisation is concerned, opportunities are emerging related to the spread of home banking, investments, the possibility of taking out policies or joining online pension plans, but there are also risks related to online scams, phishing, the theft of sensitive data or the circulation of false information (fake news).

Finally, the report also included references to sustainability, as the development towards an increasingly sustainable model of society is having a significant impact on the capital market and investments.
However, important concepts such as sustainability, sustainable finance and ESG factors are not yet known by a large part of the population (more than 40% of Italians surveyed say they have not heard of the term ESG).

Also in light of these results, the initiatives of the Edufin Committee and of Financial Education Month focused this year on young people and women. For robust and inclusive growth, it is necessary to invest in the most fragile groups.

Introduction

The COVID-19 pandemic continued to have a significant impact on the economic and financial situation of Italian households in 2021 (at least until June, when the data from this survey was collected). Distancing and limitations in social interaction are the main phenomena that have added to the economic crisis that has continued to affect entire sectors, albeit to different extents.

The various sectors of the economy have had different dynamics and will have uneven restart times. Regardless of capacity, skills and professionalism, people have been affected differently in terms of job continuity and continuity of income flows: to the predictable increase in the population in absolute poverty (source: ISTAT - in 2020 just over two million households are in absolute poverty and over 5.6 million individuals, equal to 7.7% and 9.4% of the total[1]) contrasts with the significant increase in bank deposits and savings of Italians, recorded by various institutional sources.

At the end of its first three-year term of office and on the eve of the definition of a new Programme for the implementation of the National Strategy,[2] the Committee on the Planning and Coordination of Financial Education Activities (hereinafter, the Committee) had conducted a survey in June 2020 aimed at understanding the economic effects of the COVID-19 emergency, the financial condition of households before and after the onset of the pandemic, their financial resilience and their level of financial literacy, which is particularly important for making informed economic choices in a period of difficulty and uncertainty.

In 2021, the survey was repeated, with the same methodology and on the same sample (panel) with a questionnaire that made it possible both to update the situation one year later and to collect useful elements for guiding the Committee's Strategy. The great interest in the analysis of the effects of the pandemic dictated the extension of the survey questions compared to the 2020 edition. For this year, the Committee has in fact decided to significantly expand the questionnaire, both for a greater in-depth study of the issues of financial, insurance and social security knowledge, and for the addition of sections relating to digitalisation and sustainability.

Also this year, the data were collected and processed by the DOXA research institute, appointed by the Committee to carry out the sample survey.

The report follows this scheme: at the beginning the objectives of the survey are reported, then a summary of the main results is offered, starting from the description of the economic situation of households; it continues with the analysis of financial knowledge and its relationship with the fragility and resilience of households, and then continues with insurance and social security knowledge and concludes on the issues of digitalisation and sustainability.

Goals of the survey

As already highlighted in the previous report, the Committee considers it particularly important to undertake providing data to policy-makers, the general public and the scientific community. The main goal of this survey remains to communicate in a clear and objective way, with the support of data, the importance of financial education and knowledge and to make available to everyone an updated database - which reflects the current economic context - rich in information on the financial knowledge, behaviour and attitudes of Italians. These data are also a very useful source for updating the Committee's Operational Programme.

The Committee needs to have disaggregated data of households and their economic choices, in particular so that it can identify the most economically fragile segments of the population and those with levels of financial skills that are below average. The identification of vulnerable groups will allow the Committee to plan and create targeted interventions and initiatives specifically for them. Measurement is a fundamental part of the National Strategy's mission, which seeks to promote financial, insurance and social security education to provide all citizens with some of the essential instruments for building a better, safer, more serene and sustainable future for themselves and their families.

[1] In 2019 they were respectively 6.4% and 7.7% of the total.

[2] See for further insights on the National Strategy and the Programme : http://www.quellocheconta.gov.it/it/chi-siamo/strategia- nazionale/.

Recent international comparative data from the survey on the financial literacy and skills of Italians (IACOFI) conducted by the Bank of Italy in the first 2 months of 2020 as part of the OCSE-INFE project confirm the urgency of training interventions on the themes of financial education. In 2020, Italy shows a persistence of the international gap with an average value of the indicator of 11.2, identified by the OECD, compared to an average value of 13 in the 11 participating OECD countries. Compared to the previous survey in 2017, there has been a slight overall increase due to an improvement in financial knowledge, partly eroded by a worsening of the component that measures financial behaviour and with a constant financial attitude score.[3]

Consob's 2020 Report on the investment choices of Italian households also shows that the financial culture of Italians remains limited, although slightly improved compared to previous surveys. In particular, the share of interviewees who correctly answer questions about basic financial knowledge ranges from 38% (concept of diversification) to 60% (risk-return trade-off). The Report also investigated the aptitude of Italian households to acquire greater financial knowledge. In view of the low level of financial knowledge, the interest in further investigation of the topics potentially useful when making important choices is expressed by about 60% of the interviewees.[4]

Similar conclusions can be reached by analysing the data of the first survey commissioned by Ivass on the insurance knowledge and behaviour of Italians. The survey, which is unique in the international context, highlights, among other things, that the most significant deficiencies are concentrated in insurance knowledge, regarding both some basic concepts and the main products. The knowledge gap is more marked in women than in men and in the South and Islands than in the North and Centre.[5]

The definition of a National Strategy, its implementation and the updating of the three-year Operational Programme begin and evolve from a careful examination of the data, so as to identify the strengths and weaknesses of the system.

Going into detail, the analysis seeks to measure the financial situation of households by paying particular attention to the evidence by gender, age group, level of education and geographical area.

These characteristics are deemed as meaningful, because young people, women, the less educated and citizens of the southern regions of Italy present situations of greater fragility and financial anxiety.

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[3] https://www.bancaditalia.it/statistiche/tematiche/indagini-famiglie-imprese/alfabetizzazione/index.html

[4] The most frequently mentioned topic is financial investments (26% of the sample) while just over 20% cannot identify a specific topic and about 15% say they are not interested. With reference to financial education instruments, most prefer in-person or remote lessons, followed by books, manuals and newspapers. https://www.consob.it/web/area-pubblica/abs-rf/-/asset_publisher/Ir0V5xvz7Z8K/content/report-famiglie-2020/11973).

[5] https://www.ivass.it/consumatori/conoscenza-assicurativa/index.html

The economic and financial situation of households in 2021

The 2021 report takes up many of the topics covered in 2020, but broadens the scope of research. Sixteen months of pandemic have affected the behaviour and habits of Italian households and have contributed, on the one hand, to consolidating these changes, and on the other hand, to let the effects and reactions to the crisis "accumulate".

Starting from the perception of the economic and financial situation of Italian households, there is a slight increase in the average level of satisfaction: the average score in June 2021 is 5.9 (on a scale of 1 to 10) i.e., four-tenths below the pre-COVID value of 6.3 and up three-tenths compared to the score of 5.6 recorded last year (Chart 1). Although small, these differences are statistically significant.[6]

The distribution of satisfaction scores shows that 36.4% of households are dissatisfied with their situation (scores 1-5): this means that about 1 in 3 households is dissatisfied, a figure to be taken into account in the following analysis (Chart 1).

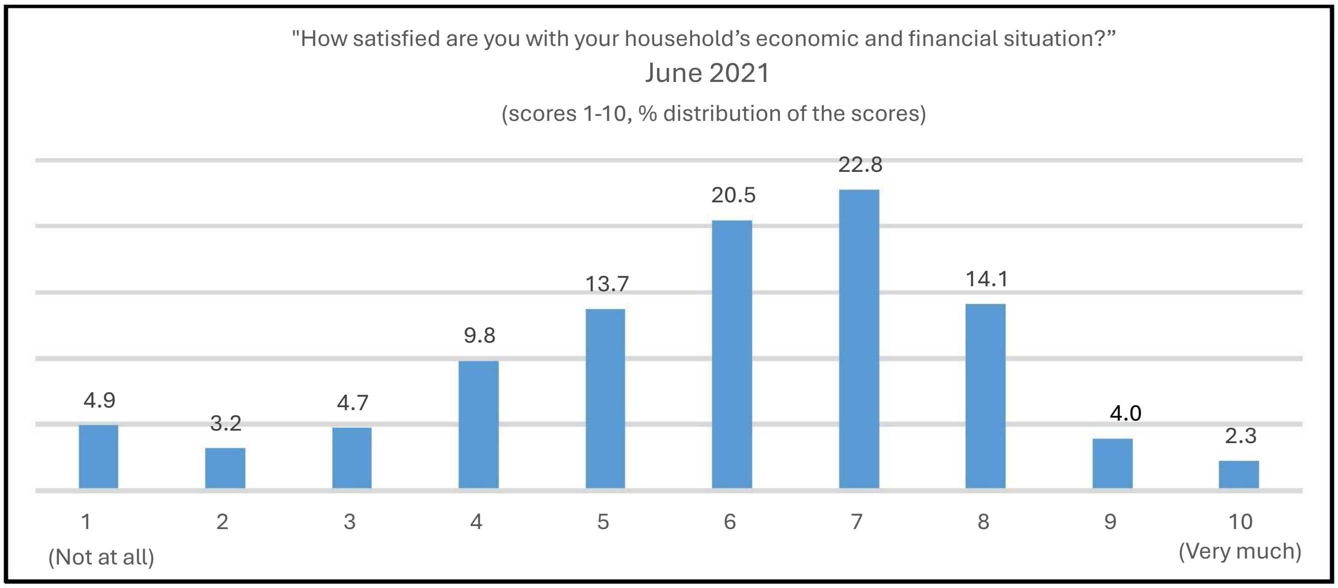

Chart 1

[6] The differences by gender of the "head of the household" are quite significant: the average score is 6.0 among men and 5.6 among women.

The declarations relating to income dynamics show the significant drop, equal to 13.3 percentage points (compared to June 2020) in the share of households that saw their income decrease (Table 1).

Table 1: *Think about all the sources of income of your household (work income, rents, capital gains, etc.). From the start of the COVID emergency, your household's income has:*

	From before the COVID emergency to JUNE 2020	From before the COVID emergency to JUNE 2021
increased	2.0%	4.8%
decreased	47.0%	**33.7%**
remained unchanged	51.0%	61.5%

These values are comparable with the Bank of Italy's COVID-19 Notes: in the survey conducted in April 2021, 30% of households said they had received a lower income in the last month than before the outbreak of the pandemic.[7] The figure is also in line with the evidence referred to December 2020 of the CONSOB Report on the investment choices of Italian households,[8] according to which just over 30% of households have undergone a (temporary or permanent) reduction in their income in the last year due to the crisis triggered by the COVID-19 pandemic (the figure drops to 27% in September 2021).[9]

Within this group, however, important differences emerge in the answers depending on gender, educational qualification and geographical area: 3.6 percentage points for gender (36.0% of women interviewed saw their household's income decrease compared to 32.4% of men), 3.9 points for educational qualifications (lower qualifications vs degree) and the same is true between South and North (see Table 2).

Table 2: *Think about all the sources of income of your household (work income, rents, capital gains, etc.). From the start of the COVID emergency, your household's income has:*

	Man	Woman	Bachelor's degree	High school diploma	Lower qualification	North	Centre	South+Islands
increased	5.3%	4.1%	7.5%	4.1%	4.2%	4.1%	5.4%	5.4%
decreased	32.4%	**36.0%**	31.1%	33.5%	**35.0%**	32.2%	33.2%	**36.1%**
remained unchanged	62.3%	60.0%	61.3%	62.4%	60.8%	63.6%	61.3%	58.6%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

N=5011

The reduction is perceived as stable (it will last a long time) by the majority of those who have seen their income decrease (55.1%); in this case, gender differences are less marked, while the correlation with educational qualifications remains important.

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7 https://www.bancaditalia.it/pubblicazioni/note-covid-19/2021/Nota_Covid_ISF5.pdf

8 https://www.consob.it/web/area-pubblica/abs-rf/-/asset_publisher/Ir0V5xvz7Z8K/content/report-famiglie-2020/11973.

9 The CONSOB Report for 2021 is in the process of being published.

Perhaps also thanks to the remodulation of consumption and the various support measures launched by the Government, the percentage of families who say they make it to the end of the month with disposable income without difficulty has increased, although the majority of households still state that they have difficulties. COVID therefore seems to have generated lasting effects on the ability to make ends meet in the household budget.

Table 3: *The income available to your household allows you to make ends meet:*

	Before the emergency	Jun-20	Jun-21
with difficulty	45.7%	57.6%	**52.6%**
easily enough	33.0%	25.3%	30.8%
easily	21.4%	17.0%	16.6%
Total	**100.0%**	**100.0%**	**100.0%**
Base: total sample	*N/A*	*N=5009*	*N=5011*

Differentiating by gender, age group, level of education and geographical area, some differences, albeit quite small, emerge with the data of Bank of Italy's COVID-19 Note referring to the period February-March 2021.[10]

Also in this case, the share of women who show difficulties is 8.3 percentage points higher than men; the same applies to the so-called sandwich generation (aged 45-65) which provides support to both children and parents (caregivers) while difficulties are less frequent among older generations (mainly recipients of retirement funds; Chart 2).

Again, the important impact of schooling emerges, undoubtedly the most relevant factor among those analysed: 22.6 points of difference between those with a Bachelor's degree and those with lower qualifications.
Even among geographical areas, inequalities are decidedly evident: if in the North and Centre just under half of households (47% and 49%, respectively) say they have difficulty making ends meet, in the South the percentage is 62%.

[10] https://www.bancaditalia.it/pubblicazioni/note-covid-19/2021/Nota_Covid_ISF4_210521.pdf "More than 60% of households say they have economic difficulties making it to the end of the month, 10 percentage points higher *than in the period before the pandemic"; "Just under 40% of households report that in the last 12 months it has been verified that the household's income was not sufficient to make ends meet"*
https://www.bancaditalia.it/pubblicazioni/note-covid-19/2021/Nota_Covid_ISF4_210521.pdf

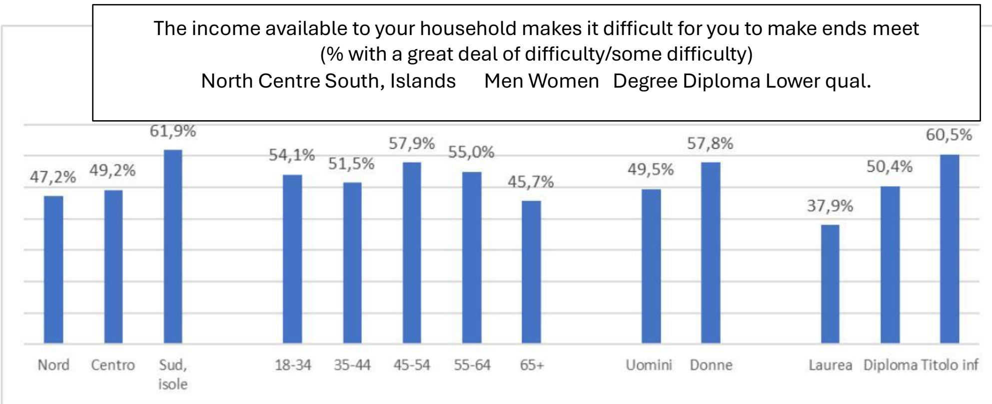


Chart 2

Savings in 2021

The traditional attitude Italians have to saving, together with the various containment measures and restrictions that have limited the supply of goods and services, have increased the percentage of households that do not spend all their income to 44.9%, i.e., +5.3 percentage points compared to 2020 (see vs before COVID in Table 4). Despite the support offered by government measures, the emergency has produced important effects on work, illustrated in the following tables. This can help to explain the differences in savings; a share of households saved, in some cases, a great deal, other households instead had to resort to funds previously set aside, to debt, to borrowing, some to the point of depleting their savings; it is therefore likely that inequalities have increased.

Table 4: *Before/from the start of the COVID emergency, your household spent…*

	before COVID	from the start of COVID to June 2020	from the start of COVID to June 2021
less than its income, being able to set aside some savings	60.6%	39.6%	44.9%
all of its income, without being able to save anything	35.4%	46.3%	43.3%
more than its income, having to use savings or going into debt	4.0%	14.2%	11.8%
Total	**100.0%**	**100.0%**	**100.0%**

The analysis by age group shows that among young people, 56.7% of interviewees said they had spent less than their income. However, this evidence could be a temporary effect of the pandemic containment measures and the consequent and more pronounced reduction in consumption among young people.

The difference in savings capacity in the analysis by educational qualification is also extremely significant: 22.3 points less for interviewees with a lower level of education than for those with a Bachelor's degree.

Table 5: *Can you tell me if your household from the start of the COVID emergency has spent…*

	Man	Woman	18-34	35-44	45-54	55-64	65+	Degree	High School Diploma	Lower qualification
less than its income, being able to set aside some savings	46.7%	**41.8%**	**56.7%**	48.0%	42.7%	41.0%	43.1%	**59.5%**	46.9%	37.2%
all its income, without being able to save anything	42.5%	44.6%	32.1%	42.4%	46.4%	44.0%	44.4%	33.1%	42.2%	**48.5%**
more than its income, having to use savings or going into debt	10.8%	13.5%	11.2%	9.7%	10.9%	15.1%	12.5%	7.4%	10.9%	14.4%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Italian households between fragility and resilience

This edition of the survey also takes up one of the most important indicators, at international level, of the financial fragility of households, namely the ability to bear a medium-sized expense (2,000 euros) relating to an unexpected expense, for example for maintenance, repairs, unscheduled replacements of household appliances, medical or dental expenses, or similar emergencies; the amount is roughly the same as the monthly income of a typical household. Note that the difficulty of dealing with an unforeseen event can depend not only on the strictly economic availability but also on the friend/family network to which the person belongs. This indicator has been used in various studies and has proved particularly useful in offering an insight into the financial situation of households.

There is a decrease of 6 percentage points compared to a year ago in the share of those who state that they are not able (certainly or probably) to meet an expense of 2,000 euros; a rather important data, which probably reflects the reduction in consumption linked to the measures to contain the contagion adopted during 2020, as well as the positive impact of the support measures activated by the Government.

Table 6: *If an unforeseen expense should arise, how confident do you feel that you could come up with 2,000 euros to deal with it within a month?*

	Jun-20	Jun-21
I'm certain that I'd be able to	34.0%	40.0%
Probably I'd be able to	29.4%	30.2%
Probably I wouldn't be able to	**16.7%**	**13.1%**
I'm certain that I wouldn't be able to	**14.0%**	**11.6%**
I don't know	5.9%	5.1%
Total	**100.0%**	**100.0%**

As further evidence of the greater fragility of women, the share of those who are certain that they will not be able to deal with or probably would not be able to cope with an unexpected expense is 9.1 points higher compared to that of men; the analysis by educational qualification shows a share of 16.3% of those with a Bachelor's Degree vs 30.8% of those who do not have a qualification lower than a high school diploma, confirming that the university degree tends to be associated with a higher level of income and economic security.

Table 7: *If an unforeseen expense should arise, how confident do you feel that you could come up with 2,000 euros to deal with it within a month?*

	Man	Woman	Bachelor's degree	High school diploma	Lower qualification
I'm certain that I'd be able to	43.5%	34.3%	50.3%	42.5%	33.8%
Probably I'd be able to	30.5%	29.7%	28.6%	31.7%	29.6%
Probably I wouldn't be able to	**11.6%**	**15.6%**	**11.0%**	11.6%	**15.2**%
I'm certain that I wouldn't be able to	**9.7%**	**14.8%**	**5.3%**	10.0%	**15.6%**
I don't know	4.7%	5.7%	4.8%	4.2%	5.9%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The reading by age group and geographical area also confirms what has already been seen in the previous tables: older generations and older people are less financially exposed to unforeseen events.

The distribution by geographical area shows that 16.7% of households residing in the South and Islands are certain that they will not be able to deal with an unforeseen event. A significant difference compared to the North and the Centre, where this share does not reach 10%.

Table 8: *If an unforeseen expense should arise, how confident do you feel that you could come up with 2,000 euros to deal with it within a month?*

	18-34	35-44	45-54	55-64	65+	North	Centre	South and Islands
I'm certain that I'd be able to	36.1%	36.2%	38.4%	41.1%	45.8%	46.7%	37.8%	32.4%
Probably I'd be able to	30.0%	35.2%	31.2%	27.6%	26.6%	28.3%	36.5%	29.0%
Probably I wouldn't be able to	16.8%	14.2%	14.5%	13.0%	**9.4%**	11.5%	12.2%	15.8%
I'm certain that I wouldn't be able to	10.6%	9.1%	11.7%	13.3%	12.9%	8.6%	9.8%	**16.7%**
I don't know	6.5%	5.3%	4.2%	5.0%	5.2%	4.8%	3.7%	6.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

As for the economic difficulties encountered as a result of the COVID emergency, the data for June 2020 and June 2021 show limited differences: those who experienced economic difficulties (very much/pretty much) decreased by less than 3 percentage points. It therefore seems that those who have undergone the economic impact of COVID have not yet been able to recover from the situation.

Also in this case, women show a decidedly more critical situation: compared to 72.2% of men who answered that they had not had or had few economic difficulties, only 60.9% of women answered that way.

Table 9: *Following the COVID emergency, has your household had to deal with economic difficulties?*

	Jun-20	Jun-21	Man	Woman
Very much	5.9%	5.3%	4.4%	6.8%
Pretty much	28.9%	26.7%	23.3%	**32.3%**
Slightly	39.0%	38.1%	39.3%	36.0%
Not at all	26.3%	29.9%	32.9%	24.9%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

What are the strategies for managing the economic difficulties of Italian households? The answers with, similar results by gender, show two main instruments (of immediate application): the use of savings and the reduction of consumption (a strategy adopted by almost 6 out of 10 households).

On the other hand, other strategies such as the postponement of payments (16.1%), the use of loans (9.1%) and the use of the social and family network (less than one in 10 households) were marginal.

Table 10: *How did you deal with it?* (more than one answer possible)

	Total	Man	Woman
drawing from my savings	46.9%	48.4%	44.6%
reducing my consumption	58.7%	58.9%	58.5%
putting off payments	16.1%	16.1%	16.1%
asking for help/loans from family and friends	12.0%	11.0%	13.5%
asking for a loan from banks and financial lenders	9.1%	10.2%	7.5%
asking for advances/redemption of accumulated capital from the pension fund	2.8%	3.4%	2.0%
selling or pledging family property	5.2%	5.2%	5.2%
asking for advance surrender of the life insurance policy	2.9%	3.0%	2.8%
Other	4.2%	4.4%	3.9%

Base: those who had to deal with economic difficulties (N=3511)

The difficulties and economic fragilities highlighted so far generate worry, uncertainty and have consequences of emotional and psychological hardships: indeed, one speaks of *financial anxiety*, which is another indicator used for detecting the financial well-being of households. The 2021 edition also collected this information, which is shown below:

Table 11: *Thinking about my financial situation generates anxiety*

	Jun-20	Jun-21
I disagree	29.5%	32.6%
I neither agree nor disagree	35.8%	37.4%
I agree	34.8%	30.0%
Total	**100.0%**	**100.0%**

Once again, the situation seems to have improved, albeit slightly: 32.6% (vs 29.5% in 2020) are households “without anxiety” due to financial situation, and the number of interviewees who say they are in a state of financial anxiety is reduced by 4.8 points (which, however, remain almost a third of Italians).

As can be seen in Chart 3, gender is confirmed as one of the most strongly discriminating variables: the percentage of women who say they are in a situation of financial anxiety is almost 15 points higher than that of men.

The educational qualification also appears to be an important "protection" factor, with a difference of about 7 points between those with a Bachelor's Degree and those who do not even have a high school diploma.

On the other hand, the dynamics by age group are more jagged, which sees caregivers and young people in decidedly more anxiety-provoking conditions than the more mature age groups. Availability of income, dependent children, the presence of mortgages and monthly payments are all conditions that determine a daily life that affects anxiety.

Finally, the heterogeneity between geographical areas is highlighted: once again the South presents a more critical situation, with a state of anxiety reported by 35.4% of interviewees, compared to 27.9% in the North and 25.7% in the Centre.

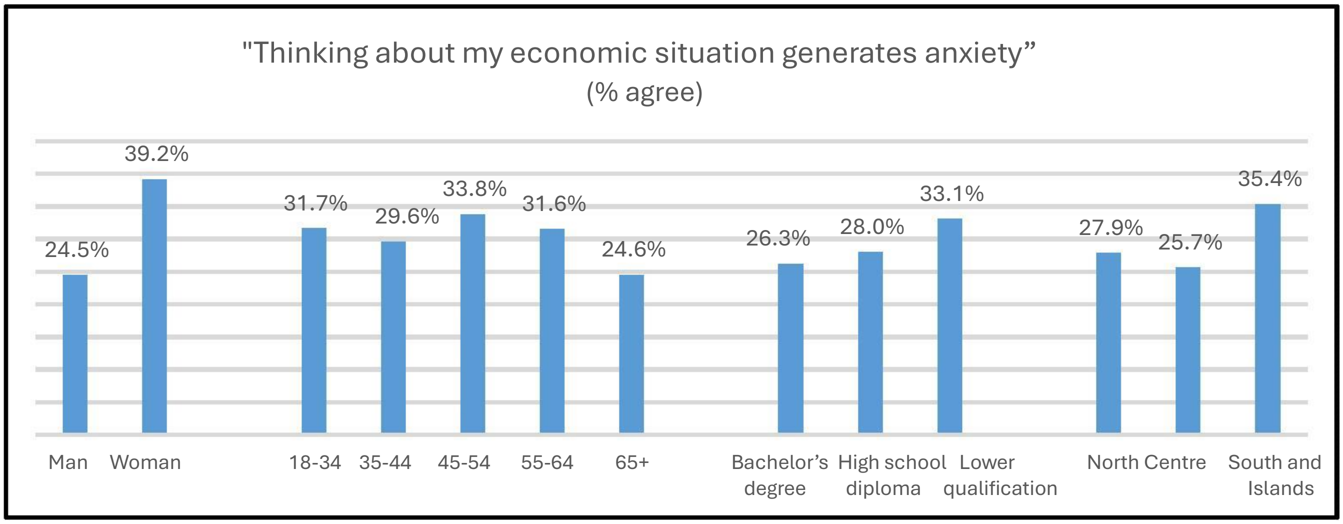


Chart 3

The impact of COVID and financial difficulties led to a change in the goals of the household, although in 2021 the phenomenon eased somewhat: the share of households that had to revise their goals fell by more than 5 percentage points. Unfortunately, the question does not allow us to understand what these changes consist of. Young people (aged 18-34) report that they have revised their goals more than others (see Chart 4): they are practically one out of two. The figure for women (40.8% have revised their goals, 9 points more than men) could reveal critical issues, taking into account that the loss of jobs in 2020 has massively affected them in particular.

One in four households (25.6%) say they do not have medium- to long-term goals, a share that has remained the same as in 2020.

Table 12: *Since the beginning of the COVID emergency, has your household changed its medium- to long-term goals (e.g., home purchase, child's/children's education, taking out insurance or a pension plan)?*

	Jun-20	Jun-21
Yes, totally/partially	40.4%	35.1%
No, we will stick to our goals	30.1%	34.9%
We don't have medium- to long-term goals	25.6%	25.6%
I don't know	3.9%	4.4%
Total	**100.0%**	**100.0%**

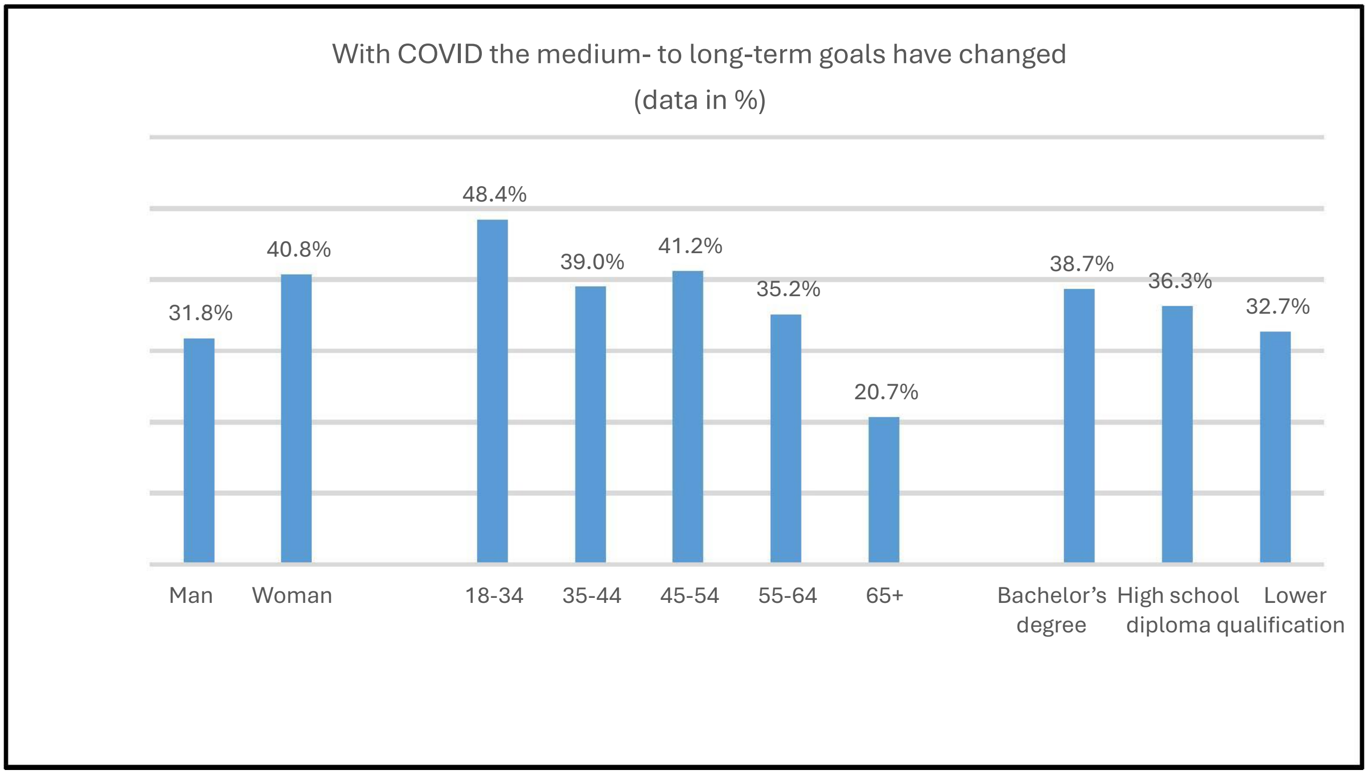


Chart 4

The information channels mainly used for finding support for the household's economic and financial decisions, such as savings, investments, insurance, compared to 2020 the the confirmation of the importance of personal relationships and of the "expert opinion" of one's own contacts and intermediaries (32.3% - 21.0%), followed by "relatives and friends" (17.7%). There remains a share of 17.4% (1 out of 6) that does not inform itself in any way.

Table 13: *What are the sources of information normally consulted for the economic and financial decisions of your household (savings, investments, debts, insurance, taxes, contributions, etc.)?*

	Jun-20	Jun-21
documentation on banking-financial-insurance products/services	15.6%	16.6%
non-specialised media (TV, radio, magazines and newspapers)	6.6%	5.0%
institutional websites (Revenue Agency website, INPS website, etc.)	15.5%	15.1%
specialised press and websites (institutional websites, product comparison sites…)	13.2%	12.3%
personnel of the bank/post office	27.7%	32.3%
financial advisers/insurance intermediaries	18.2%	21.0%
accountant/labour adviser	13.4%	13.2%
CAF/patronages/trade associations	14.2%	13.5%
consumer associations	5.1%	7.3%
family/friends	15.7%	17.7%
non-specialised Internet websites, blogs, social networks	13.5%	15.2%
other	1.7%	1.5%
I don’t consult any source of information	20.9%	17.4%
Total	**100.0%**	**100%**

Perceived and actual financial knowledge of Italians in 2021: state of the art and expectations of financial education in schools and at work

Investigating the level of financial literacy of Italian households is important for understanding not only how much people are able to use the various instruments available with a certain degree of autonomy, but also for understanding what basic knowledge they have so that they are able to make financial decisions in times of difficulty, precariousness and unpredictability. To this end, some self-assessment questions[11] (the same as in 2020) of the knowledge of basic financial concepts were also used in the 2021 survey, the results of which are represented in Charts 5-8.[12] Fundamental concepts such as the simple interest rate, the compound interest rate and the risk-return trade-off were considered. Compared to 2020 data, the picture is substantially stable: Italian financial decision-makers claim that they have a low level of financial literacy. About half of the interviewees said they knew what they were talking about when dealing with concepts of “simple interest rate”, “compound interest rate” and “risk-return trade-off”.

[11] It is important to remember that the financial knowledge referred to is the result of the self-assessment of the interviewees and is therefore a subjective and self-perception assessment.

[12] In this report, we report the data relating to the knowledge of only some of the concepts present in the questionnaire, favouring the simplest ones that are the basis of the main financial decisions a household makes.

In addition, as can be seen in Chart 8, less than a third of interviewees (30%) claim to know all three of these concepts.

Chart 5 *- Have you ever heard of the following before:*

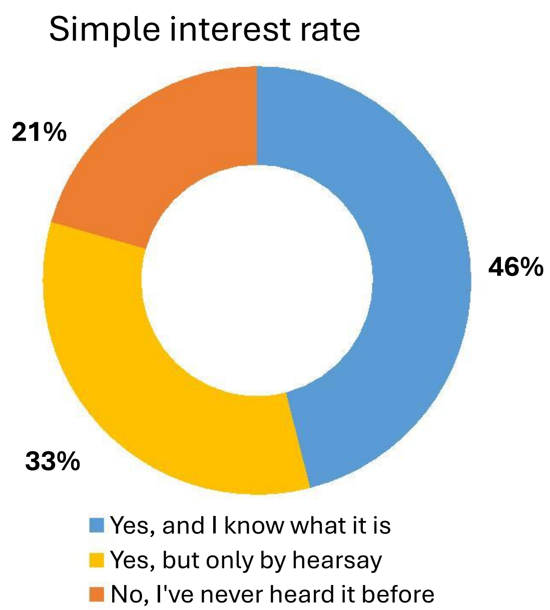


Chart 6 *- Have you ever heard of the following before:*

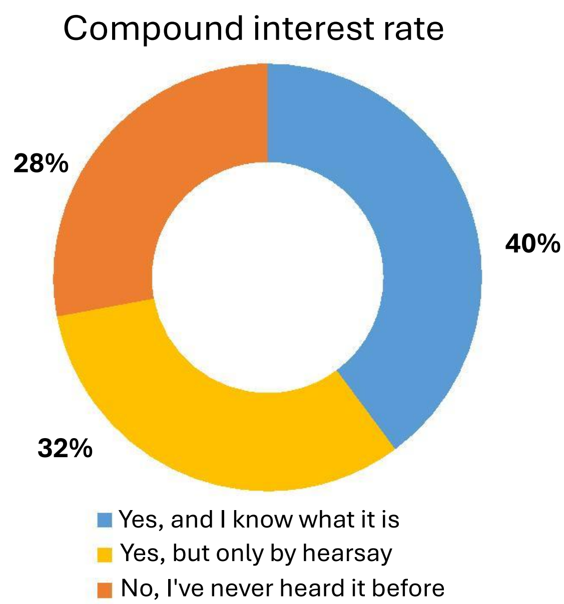


Chart 7 *- Have you ever heard of the following before:*

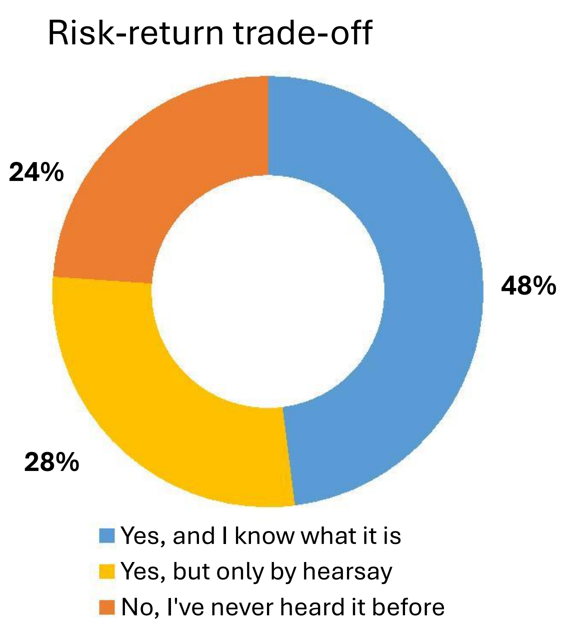


Chart 8 - *knowledge the 3 concepts:*

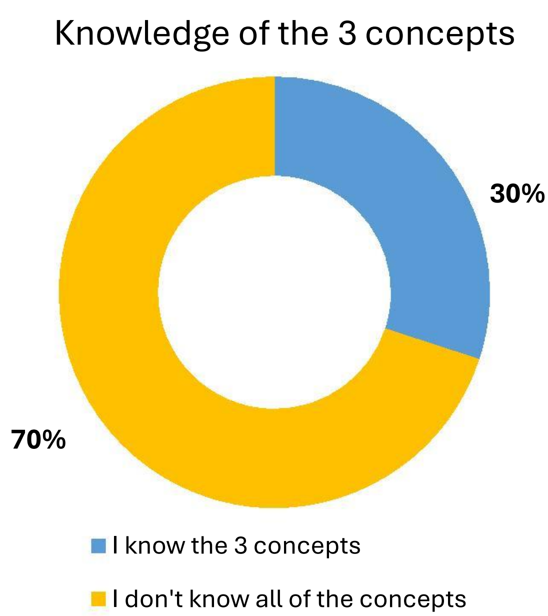
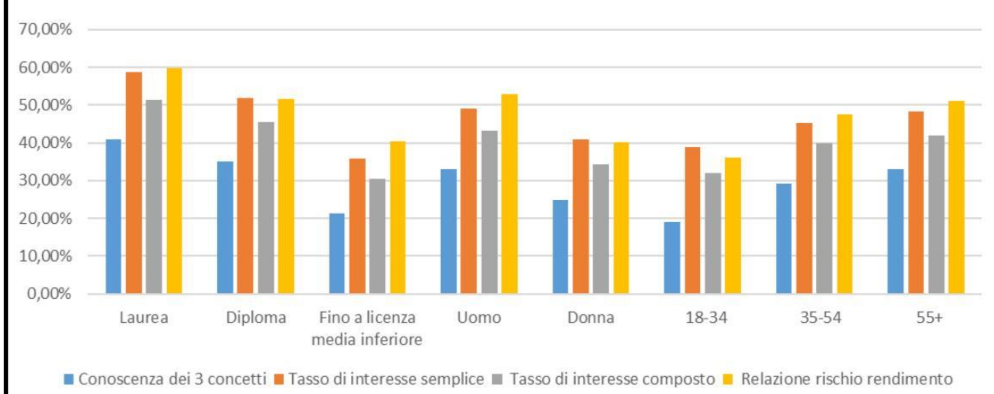


Chart 9 shows the differences in perception of knowledge of these concepts based on the interviewee's educational qualification, gender and age. The correlation with the level of education is clear. It is possible to see an accentuated difference between interviewees with a lower educational qualification (up to middle school) compared to both those with a Bachelor's degree, but also to those with a high school diploma. On the other hand, the difference between those with a Bachelor's degree and those with a high school diploma is less marked.

High level of claimed knowledge of the concepts



Bachelor's Degree – High School Diploma – Up to Middle School – Man – Woman – 18-34 – 35-54 – 55+
Knowledge of the 3 concepts – Simple interest rate – Compound interest rate – Risk-return trade-off

Chart 9

Women claim to be less prepared compared to men on all the concepts.

Young people also claim lesser knowledge of these three concepts. Only 19% of young people aged 18 to 34 claim to know, in fact, all 3 proposed topics and knowledge of the individual topics is rather low.

The perception of the degree of financial knowledge is a central element to the purposes of an understanding and analysis of much data on the fragility and resilience of households, as we will see in the following paragraph.

We report here below also the three questions that were used at international level to test the level of financial literacy of Italians, the "big three": knowledge and understanding of interest rates, inflation and risk diversification.

The percentages of correct answers to these questions are around 70%. To highlight, however, are the significant differences by gender and age, which once again highlight the "fragility" of the female target and young people aged 18-34.

Table 14: *Suppose you have 100 euros deposited on a current account that gives you an annual interest rate of 2% without management expenses. How much do you think you will find on your account after 5 years without having ever withdrawn?*

	Total Sample	Men	Women	18-34
more than 102 euros (correct answer)	70.6%	75.4%	**62.6%**	**63.0%**
exactly 102 euros or less (wrong answers)	19.9%	17.5%	24.0%	26.2%
I don't know	9.5%	7.1%	13.4%	10.8%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table 15: *Suppose you leave 100 euros on a current account that gives you an annual interest rate of 1% without management expenses. Imagine, additionally, that inflation is 2%. After 1 year, how much can you buy with that amount?*

	Total Sample	Men	Women	18-34
correct answer (less than today)	67.1%	72.1%	**58.7%**	**51.0%**
wrong answers (exactly the same or less than today)	18.8%	17.5%	21.1%	31.9%
I don't know	14.1%	10.4%	20.2%	17.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

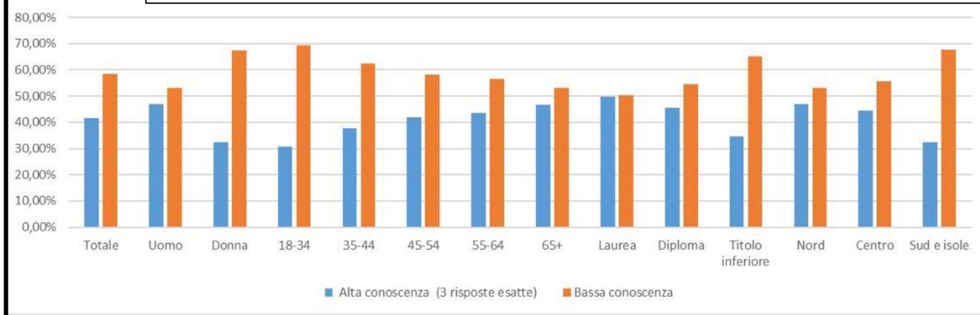
Table 16: *The following affirmation: "In general, investing 1,000 euros in shares in a single company is less risky investment compared to investing 1,000 euros in 10 different companies", in your view, is that true or false?*

	Total Sample	Men	Women	18-34
correct answer (false)	63.3%	65.6%	**59.4%**	66.2%
wrong answer (true)	12.9%	13.7%	11.5%	10.3%
I don't know	23.8%	20.7%	29.0%	23.5%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The "big three" have also been used to build an indicator, consistently with international studies, considering the share of the sample that has given correct answers to all three questions.

This indicator shows how less than half of the Italian population has a basic knowledge and reflects on the heterogeneity already illustrated by gender, age, education and geographical area (see Chart 10).

Indicator of Financial knowledge obtained with the "big three"



Total – Man – Woman – 18-34 – 35-44 – 45-54 – 65+ - Bachelor's Degree – High School Diploma – Lower qualification – North – Centre – South and Islands
High knowledge (3 correct answers) – Low knowledge

Chart 10

In addition to the "big three" other questions on financial literacy were asked, for example, one relating to the knowledge of the compound interest rate. Even if the questions don't involve any mathematical calculation, the percentage of exact answers still remains low: only about half of the population knows how a compound interest rate works, with once again evident differences between men and women and even greater ones with young people.

Table 17: *Suppose you have deposited money on your bank account for 2 years at a hypothetical interest rate of 5% annually without management expenses. Will the bank pay you more money the second year compared to the first or will it be the same amount for both years?*

	Total Sample	Men	Women	18-34
correct answer (more money the second year)	53.6%	59.2%	**44.3%**	**39.5%**
wrong answer (the same amount)	21.2%	18.8%	25.3%	29.5%
I don't know	25.2%	22.0%	30.4%	31.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The knowledge level reaches slightly higher values where mortgages are concerned. However, the data remain unsatisfactory and, again, characterised by lower values for women and for the younger age group. The question on mortgages also shows a low level of financial knowledge in general and, in particular, among young people and women.

Table 18: *The following affirmation: "A 15-year mortgage usually provides for the payment of higher instalments than a 30-year mortgage, but the total interest paid during the overall duration of the mortgage is lower", in your view, is it true or false?*

	Total Sample	Men	Women	18-34
correct answer (true)	59.9%	63.7%	**53.5%**	**52.2%**
wrong answer (false)	21.6%	20.6%	23.3%	23.2%
I don't know	18.6%	15.8%	23.2%	24.6%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

This year's questionnaire also included two new questions on the calculation of probabilities and percentages, given the constant reference to these concepts to describe the pandemic and the potential risks arising from it. It is also useful for understanding if people are familiar with the concept of probability, also in order to be able to apply it in financial decisions. The percentages of correct answers are very low (Tables 19 and 20).

The poor ability of people to calculate percentages is also confirmed by the Consob Report on the investment choices of Italian households (2019 edition) which shows that just over 40% of interviewees are able to perform a simple percentage calculation.[13]

A lack of statistical knowledge is also found in the survey commissioned by Ivass on the "Insurance knowledge and behaviour of Italians": it shows that only just over half of the interviewees recognise that, having had to file a claim a year after they have already filed one, the probability of incurring a similar event remains the same as the average.[14]

Table 19: *In your view, which of these 3 sentences describes the greater probability of being selected to be part of a jury?*

Correct answer (one person out of 20 is selected)	20.6%
Wrong answers (2% chance of being selected / 25 people out of 1,000 are selected)	38.9%
I don't know	40.5%
Total	**100.0%**

13 (https://www.consob.it/web/area-pubblica/abs-rf/-/asset_publisher/Ir0V5xvz7Z8K/content/report-famiglie 2019/11973).
14 https://www.ivass.it/consumatori/conoscenza-assicurativa/index.html

Table 20: Let's suppose a family has a 50% chance that their car will break down and repair costs € 800.
Let's also suppose that the same family has a 10% chance of having to carry out a home repair at a cost of €3,000.
Which of these two situations poses a greater threat to the family's finances?

Correct answer (car repair)	40.6%
Wrong answer (home repair)	26.1%
One can't know with this information	19.2%
I don't know	14.1%
Total	**100.0%**

Italians do not have confidence in their financial abilities and skills. The answers given to the question of confidence in one's own financial abilities and skills, on a scale of 1 to 10, indicate a mediocre 5.2, which becomes 4.9 among women.

The result is in line with the findings of the IACOFI survey conducted by the Bank of Italy in 2020, which found that the percentage of individuals who believe they have knowledge that is below average is about 20 percentage points higher than the OECD average and the tendency to underestimate their knowledge is stronger among women.[15]

On the other hand, partly divergent results can be found in the survey commissioned by Ivass on "Insurance knowledge and behaviour of Italians", where it emerges that the interviewees' overconfidence in their own knowledge and the tendency to believe that they do not need the advice of the insurer or have to rely on external information sources (autonomy bias), phenomena that, taken together, can lead the insured to make choices that are not very effective and uninformed.[16]

Table 21: *When you think about your financial decisions, including financial investments, how much confidence do you have in your financial skills and expertise?*

	Men	Women	18-34	35-44	45-54	55-64	65 and older
average score on a scale of 1-10	5.4	**4.9**	5.3	5.4	5.3	5.1	5.3

15 https://www.bancaditalia.it/pubblicazioni/qef/2020-0588/QEF_588_20.pdf.
16 https://www.ivass.it/consumatori/conoscenza-assicurativa/index.html

It is perhaps also because of this lack of confidence in one's own financial abilities and skills that the need for financial education emerges very clearly: 88% of interviewees are in favour of introducing it in schools, 77% in the workplace.[17]

Table 22: *Would you be in favour of introducing financial education…*

	In schools	In workplaces
Yes	87.5%	76.6%
No	12.5%	23.4%
Total	**100.0%**	**100.0%**

The share of those who believe (definitely + probably) that, with the teaching of financial education in schools, young people and children could also benefit from it in the future is 88%. Considering only the answers "definitely yes", it can be seen that this opinion is more rooted among interviewees with higher educational qualifications.

Table 23: *If financial education were taught to young people and children in schools, do you think that they could benefit from it as they are growing up?*

	Total sample	Bachelor's degree	High school diploma	Lower qualification
Definitely yes	42.7%	**46.9%**	44.1%	39.8%
Probably yes	45.6%	42.2%	45.3%	47.3%
Probably no	4.5%	5.9%	4.4%	4.0%
Definitely no	1.5%	1.4%	1.5%	1.7%
I don't know	5.7%	3.6%	4.9%	7.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Fragility, resilience and perceived financial knowledge

We entitled the 2021 Report "Financial education as an antibody to economic vulnerability": we therefore see how, in the face of different levels of perceived financial knowledge, behaviours change, including the use of financial instruments by Italian households.

As illustrated in the previous chapter, on the basis of 3 self-assessment questions, we classified the interviewees according to the level of perceived financial knowledge and highlighted that 30% of the sample with "high" claimed financial knowledge is 30%.

In Table 24 and Chart 11 we compared the claimed level of knowledge, distinguishing between high and low, with some indicators of fragility and resilience to highlight the correlation between the variables.

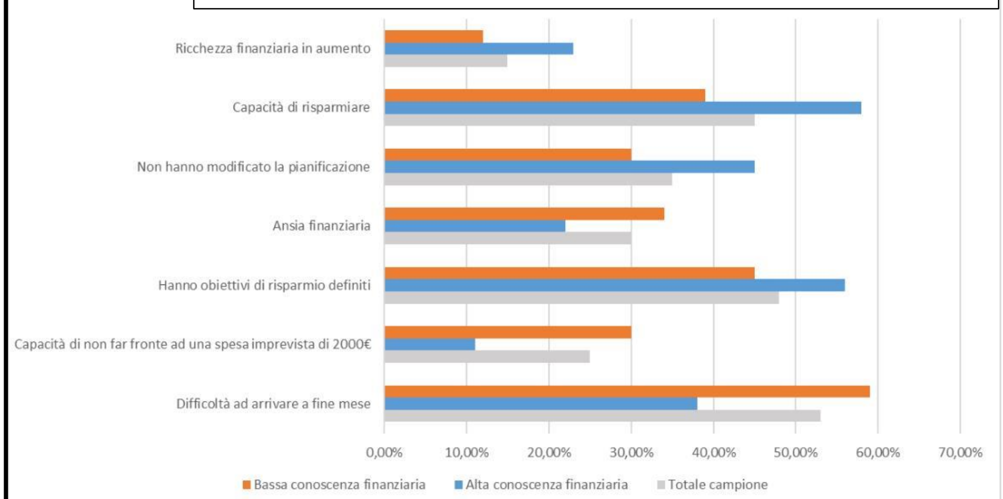
[17] The Report commissioned by Ivass also notes that a large part of the interviewees (70%) consider their insurance culture inadequate, highlighting that this knowledge gap should be filled above all by public institutions (60%), companies, banks and insurance intermediaries (45.5%), while only a small part believes that schools can also perform this function.

As can be seen, the perception of low financial knowledge is very much correlated with the difficulty of making ends meet with the income available: the share of those who make ends meet with difficulty is 21 percentage points higher among interviewees with a perception of low financial knowledge (59% vs 38%).

Table 24: *Correlation between perceived financial knowledge, fragility and resilience*

Indicators of fragility and resilience	Total sample	High knowledge financial	Low knowledge financial
Difficulties in making ends meet	53.00%	38.00%	**59.00%**
Capacity to not be able to deal with an unexpected expense of € 2,000	25,00%	11.00%	30.00%
Have defined savings goals	48.00%	**56.00%**	45.00%
Financial anxiety	30.00%	22.00%	**34.00%**
Have not changed their planning	35.00%	45.00%	30.00%
Capacity to save	45.00%	**58.00%**	39.00%
Increase in financial wealth	15.00%	**23.00%**	**12.00%**

Correlation between financial knowledge, fragility and resilience



Increase in financial wealth – Capacity to save – Have not changed their planning – Financial anxiety – Have defined savings goals – Capacity to not be able to deal with an unexpected expense of € 2,000 – Difficulties in making ends meet
Low financial knowledge – High financial knowledge – Total sample

Chart 11

Financial fragility also strongly varies according to the perceived financial knowledge: the percentage of those who would not be able to cope with an unexpected expense (probably or with certainty) or that are financially fragile, is 19 percentage points higher among interviewees with low financial knowledge (30% vs 11%).

Among those who have a perceived high level of financial knowledge, there seems to be a greater frequency (56% vs 45%) of fairly defined savings goals.

We also note that among those who have a perceived low financial knowledge, the fear of not being able to give a serene and secure future to their family is more widespread (for further information, see appendix).

Finally, it seems interesting to us to focus on how much perceived financial knowledge is correlated with medium/long-term planning and goals such as home purchase, child's/children's education, taking out insurance or a pension plan (45% vs 30% say they will meet the established goals).

As the title of this report says, increased financial education can act as an antibody to vulnerability; the data on savings management and the financial situation (for further information, see the appendix) also show that both the ability to manage income and savings and asset growth are significantly higher in the part of the sample that has better financial knowledge (and which, it should be remembered, represents 30% of the sample).[18]

The insurance and social security knowledge of Italians

The 2021 edition of the study also re-proposed the questions aimed at investigating the level of knowledge of the Italians in the insurance and social security sector through simple questions on some basic concepts, such as premium, co-payment, complementary pension instruments, etc..

As confirmed by other studies, both Italian and international, even on these issues the general level of knowledge is at rather low levels, still characterised by a "gender gap" that in some cases (insurance knowledge) even exceeds 10 percentage points. The percentage of people who answer with "I don't know" is also significant. On many of the concepts, the lowest level of knowledge is confirmed also among those under 35.

Table 25: *In your view, is a policy that provides that when the claim is made, a part of the expense is borne by the insured (deductible) is on average more expensive or less expensive than a policy that does not provide for it and reimburses the damage in full?*

	Total Sample	Men	Women	18-34
correct answer (less expensive)	54.8%	60.2%	**45.7%**	**45.6%**
wrong answer (more expensive)	26.4%	23.4%	31.5%	31.8%
I don't know	18.8%	16.4%	22.8%	22.6%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

[18] These data refer exclusively to correlations and subsequent analyses will further investigate this theme.

Table 26: *In your view, which of the following policies provides the best protection in the event of loss of self-sufficiency?*

	Total Sample
correct answer (long term care)	25.2%
wrong answers (life policies, in case of sickness)	38.8%
I don't know	36.0%
Total	**100.0%**

Table 27: *What is meant by co-payment in an insurance contract?*

	Total Sample	Men	Women	18-34
correct answer (the share of the damage in % borne by the insured)	39.1%	43.9%	**31.4%**	**27.7%**
wrong answers (the share of the damage in absolute value which is borne by the insured/insurer)	31.1%	32.1%	29.3%	41.1%
I don't know	29.8%	24.0%	39.3%	31.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

When it comes to insurance premiums, Italians show that they have slightly clearer ideas and the distribution between informed and uninformed is around 80/20.

Table 28: *Do you know what is meant by INSURANCE PREMIUM?*

	the price you pay to sign up for a policy	the returns of a policy	the capital in case of surrender	the amount you get in case there is no claim
TRUE	80.1%	17.0%	22.2%	16.2%
FALSE	19.9%	83.0%	77.8%	83.8%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Speaking of supplementary pensions, less than half of the sample (44.6%) say they know the supplementary pension instruments or know how they work; among women, the share of those informed on the subject is less than 40% (38.5%). Although not shown in the table below, the level of knowledge claimed on this topic is lower among those under 35 (40%) and among over-65s (34%). Less knowledge is also found among interviewees with a lower educational qualification (39%).

Table 29: *Do you know the supplementary pension instruments (pension fund, individual pension plan)?*

	Total sample	Men	Women
Yes, but only by hearsay	42.7%	40.9%	45.7%
Yes, and I know how they work	44.6%	48.2%	**38.5%**
No, I've never heard of them	12.7%	10.8%	15.8%
Total	**100.0%**	**100.0%**	**100.0%**

The level of information on when to start saving to supplement retirement benefits is much better, although 30% of women and as many as 40% of young people do not know how to indicate the correct answer.

Table 30: *In your view, in order to obtain a high capital to supplement the retirement benefits, it is necessary to:*

	Total Sample	Men	Women	18-34
correct answer (start saving as soon as possible)	75.2%	77.9%	**70.5%**	**60.6%**
wrong answers (start saving only when working for at least 10 years/wait until you are 50)	11.5%	11.3%	12.0%	22.0%
I don't know	13.3%	10.8%	17.5%	17.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The new normal: digitalisation and sustainability

Among the many changes that COVID has brought with it, the growing "digitalisation" of behaviours is often cited among the most relevant and above all permanent, i.e., destined to become a characteristic feature of the so-called new normal.

In light of this consolidation of digitalisation, which has *de facto* entered the daily life of a large majority of Italians, we also record a growth of 6 percentage points for the use of the Internet to look for financial information; consistent with access to information and news via the web; even for this category, access is now consolidated for one in two Italians.

Table 31: *Use of the Internet to look for financial information*

	before COVID	Jun-20	Jun-21
Yes	46.2%	44.2%	51.0%
No	53.8%	55.8%	49.0%
Total	**100.0%**	**100.0%**	**100.0%**

Interesting and in part even a little surprising are the data on the relationship between financial knowledge and risk management and fake news on the web. As can be seen from the following table (Table 32), there are no particular differences in the incidence of scams or fake news between the two groups, but those with lower perceived knowledge are more fragile and vulnerable.

Table 32: *Digitalisation and perceived financial knowledge*
Scams and Fake News on Internet

I lost money through a scam of a hacker or through phishing	TOTAL SAMPLE	Financial HIGH	knowledge LOW
		data in %	
Yes	4	4	5
No	96	96	95
Total	**100**	**100**	**100**

I found out that someone used my cards or my data without being authorised	TOTAL SAMPLE	Financial HIGH	knowledge LOW
		data in %	
Yes	6	5	6
No	94	95	94
Total	**100**	**100**	**100**

Some news (on the web) that I had believed turned out to be false	TOTAL SAMPLE	Financial HIGH	knowledge LOW
		data in %	
Yes	23	24	22
No	77	76	78
Total	**100**	**100**	**100**

Among the risks of the Internet, particularly for the financial sector, scams, phishing and theft of sensitive data are reported by about 5% of the sample. The figure appears significant and seems to testify to a worrying diffusion, aggravated by the vulnerability of the less knowledgeable and experienced segments, as well as revealing a need for awareness-raising, training and information to the population. Over 2 out of 10 interviewees realised that they had naively believed fake news, only to realise that they had done so; the percentage of those who do not notice it remains unknown (and difficult to explore). Here too, while limiting the scope to financial information, there is a clear gap in the level of ability to cope with this phenomenon.

The strategies implemented to manage these risks are of a very concrete type: 6 out of 10 adopt both hardware/software protection solutions and an increase in the frequency of checking their accounts; however, it is surprising that 4 out of 10 do not yet do so.

Table 33: *Have you been doing these things since the beginning of the COVID emergency?*

	Yes	No	Total
Protecting your Internet connection carefully (Wi-Fi password, antivirus, etc.)	62.4%	37.6%	100.0%
Using more home-banking to control spending	64.1%	35.9%	100.0%

If we delve deeper into the analysis of Internet usage in the sample, there is a consolidation of use rather than a significant increase, albeit with an important caveat: the survey question sought only to collect information on usage, without asking for the frequency or intensity of use. This explains - for example - the marginal growth figure of “Internet use for purchases of goods or services”, which at first glance does not seem consistent with the growth of the e-commerce market. The absolute user base, in fact, has grown by only two points (and in any case, counts over 8 out of 10 interviewees) but it is evident how the frequency of use has changed.

With regard to the digitalisation of financial assets, we see marginal increases, which on the one hand, confirm that the use of home banking was already widely consolidated, as well as the use of instruments (through app/website of one’s bank or other platforms) for investments.

On the other hand, the slight drop in Internet insurance should not be surprising: the stop in travel and tourism has certainly had a significant impact on the third-party liability/non-life branch. Online membership of the supplementary pension scheme is still limited.

Table 34: *For which of these activities do you use Internet?* (financial and banking activities)

	home banking			financial investments			purchase of policies			joining or payments contributions to pension funds		
	before COVID	Jun-20	Jun-21	before COVID	Jun-20	Jun-21	before COVID	Jun-20	Jun-21	before COVID	Jun-20	Jun-21
Yes	84.5%	84.4%	86.9%	24.4%	22.5%	26.1%	39.5%	35.8%	37.8%	15.8%	16.4%	16.4%
No	15.5%	15.6%	13.1%	75.6%	77.5%	73.9%	60.5%	64.2%	62.2%	84.2%	83.6%	83.6%

A different and more growing picture, on the other hand, is the one that emerges from the increase in the use of digital for daily activities; in addition to the aforementioned impact on remote work, the use of digital technology for the relationship with the PA has grown markedly; SPID, PagoPA and DAD are acronyms that have entered common language; access to central and territorial public offices has (by necessity) become widespread; the "stimulus cheques" to be requested on the INPS website, registry services, distance learning only have been a real accelerator for Italians.

Table 35: *For which of these activities do you use Internet?* (daily activities and work)

	using the services of the Public Administration (e.g. booking visits/ payment of taxes)			bill payment			purchase of goods and services			remote work		
	before COVID	Jun-20	Jun-21	before COVID	Jun-20	Jun-21	before COVID	Jun-20	Jun-21	before COVID	Jun-20	Jun-21
Yes	55.2%	56.3%	**70.1%**	70.9%	70.7%	74.4%	79.8%	74.4%	81.1%	18.7%	**34.1%**	**33.1%**
No	44.8%	43.7%	29.9%	29.1%	29.3%	25.6%	20.2%	25.6%	18.9%	81.3%	65.9%	66.9%

The interviewees seem to have developed an awareness of the opportunities and risks of digitalisation: 40% (across the level of education) agree in seeing a risk of "recklessness" linked to the speed of digital processes, while the opportunities seem to be perceived in a decidedly more relevant way by those with higher educational qualifications (66.5% of those with Bachelor's degrees vs 59.8% of those with lower educational qualifications - see Table 37).[19]

To further confirm this, those with degrees are less concerned about the risks of fraud than those with lower educational qualifications.

[19] The CONSOB Report on the Investment choices of Italian households (2020) also highlights an overall positive attitude towards digitalisation, although there is no lack of concerns arising from the complexity of the digital environment and the risks of fraud and cyber attacks.

Table 36: *The digitalisation of financial services and products will increase…*

	I strongly disagree	I partially disagree	I neither agree nor disagree	I partially agree	I strongly agree	Total
…the risk of making decisions that are hurried and not well-thought out	4.8%	10.3%	44.1%	28.2%	12.7%	100.0%
…the possibility of carrying out financial transactions quickly, anywhere and at any time	3.2%	4.6%	30.1%	34.1%	28.0%	100.0%
…the risk of being a victim of fraud	3.5%	5.6%	35.4%	**32.8%**	**22.8%**	100.0%

Table 37: *The digitalisation of financial services and products will increase…* (partially + strongly agree)

EDUCATIONAL QUALIFICATION	Bachelor's degree	High school diploma	Lower qualification
…the risk of making decisions that are hurried and not well-thought out	40.0%	38.8%	43.0%
…the possibility of carrying out financial transactions quickly, anywhere and at any time	66.5%	62.6%	59.8%
…the risk of being a victim of fraud	52.0%	55.1%	57.5%

Another aspect of particular relevance for the "new normal" is sustainability. This has become an important and central pillar of the global agenda (think of the 17 Sustainable Development Goals defined in Agenda 2030 of the United Nations), a fundamental element for the financial world and for the ability to attract capital and investments (ESG20 - or sustainability - factors are becoming increasingly important). There seems to be a certain degree of overlap/identification of the concepts of sustainability and "green", where the Social and Governance dimensions are less known and towards which there seems to be a lower degree of sensitivity.

[20] ESG factors indicate the integration of environmental (E), social (S) and corporate governance (G) profiles into the valuation of investments.

Even the lexicon and the knowledge of the concepts seem to confirm this fact (see Table 38): while only 6% of interviewees have never heard of "sustainable development", 4 out of 10 Italians have never heard of the term ESG.

Similarly, advanced (claimed) knowledge of sustainability-related concepts is still absolutely marginal in the population.

The results are in line with what was found in the Consob report on the investment choices of Italian households (2019 edition) which showed that as many as 40% of interviewees are unable to express an opinion on the relevance of ESG factors. The report also showed that the potential interest of Italian households in socially responsible investments also depends on the importance given to ESG (environmental, social and governance) factors and, within these, to climate change, i.e., the environmental factor most frequently brought to the attention of the general public. Finally, the report recorded, in over a third of the interviewees, a high propensity to dedicate themselves to a good cause without expecting anything in return, thus revealing a marked sensitivity of Italian households towards the issues that affect the community and therefore towards the Social factor.[21]

Table 38: *Level of perceived knowledge of sustainability-related concepts*

	I've never heard of them	I've heard of them	I have basic knowledge	I have advanced knowledge
Sustainable development	5.8%	37.8%	45.5%	10.9%
Sustainable finance	21.6%	42.3%	30.3%	5.7%
ESC, i.e., Environmental, social and governance factors	43.0%	32.1%	19.7%	5.1%

[21] https://www.consob.it/documents/46180/46181/rf2019.pdf/b3a1763b-a869-4aca-8930-9ae370a0aa90

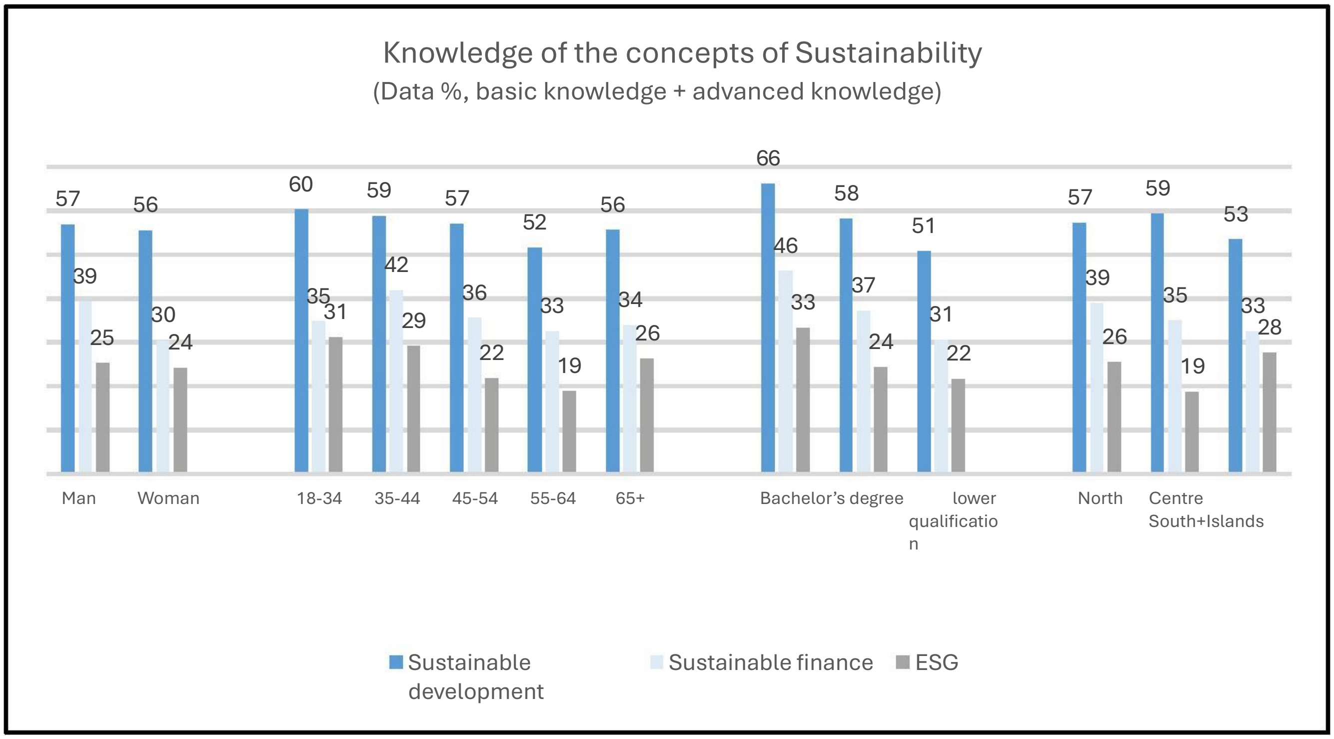


Chart 12

To conclude, the evidence relating to the correlation between knowledge of sustainability-related issues and perceived financial knowledge is reported below (Graph 13): familiarity with sustainability issues appears to be more frequent among individuals with a perceived higher level of financial culture.[22] In particular, the distribution by level of financial culture of the knowledge of the three concepts identified above ('sustainable development', 'sustainable finance' and 'ESG') confirms a broader familiarity with the concept of 'sustainable development' with respect to 'sustainable finance' issues and with respect to the acronym 'ESG'.

[22] The figure appears to be in line with the evidence illustrated in the CONSOB Report on the investment choices of Italian households (2020), which notes a correlation between interest and propensity towards socially responsible investment instruments and financial skills.

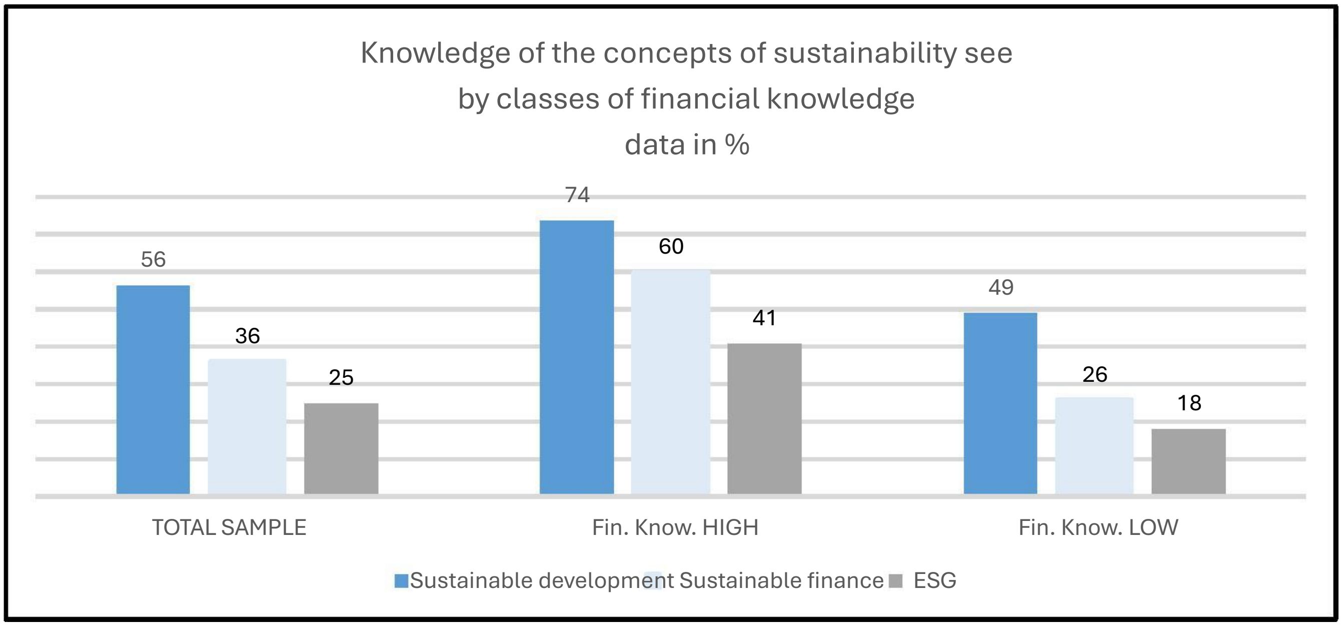

Knowledge of the concepts of sustainability see
by classes of financial knowledge
data in %
56
36
25
74
60
41
49
26
18
TOTAL SAMPLE
Fin. Know. HIGH
Fin. Know. LOW
Sustainable development
Sustainable finance
ESG

Chart 13

Conclusions

From the data collected in June 2021, through 5,000 online interviews, of which about 80 percent to the panel of households already interviewed in 2020, a general picture of the economic and financial situation of households emerges that is still critical, but with slight signs of recovery.

Although to a small extent, the indicators all appear to be improving compared to 2020:

- the level of satisfaction, expressed by a scale of 1 to 10 which was 6.3 in the pre-COVID phase and 5.6 in June 2020, is now 5.9;
- a third of the sample states that they have observed a reduction in their income since the beginning of the pandemic, down from 47.0% recorded in June 2020;
- the share of those who report difficulties in making ends meet, equal to 45.7% before the pandemic and 57.6% in June 2020, now stands at 52.6%;
- the share of those who spent less than their income, managing to save, dropped from 60.6% before the pandemic to 39.6% in June 2020, rose to 44.9%.

The fragility of Italian households also seems to have eased slightly compared to the previous 12 months: the portion of the sample that, faced with an unforeseen expense, would not be able (certainly or probably) to deal with an expense of 2,000 euros is reduced from 30.7% to 24.7%. In line with these trends is also the decline in financial anxiety, which is stated to be at high levels by 30% of respondents (it was 34.8% in 2020).

In our country, some inequalities have become more pronounced in the face of groups that show greater fragility: young people, citizens residing in the South and, to a more evident extent, women, who show signs of greater vulnerability than men.

Financial knowledge is confirmed at modest levels and has a strong correlation with the economic and financial situation of households: financial education therefore appears to be an instrument to protect oneself in periods of difficulty and uncertainty such as the current one and, to use an expression in tune with the period, financial education can act as an antibody against economic vulnerability.

Knowledge is also low on insurance and social security issues.

The most disappointing data emerged from the question on the calculation of probabilities and percentages, to which only one in 5 respondents (20.6%) answered correctly.

However, Italians seem to be aware of both the low level of their financial knowledge and the importance of financial education: 88% of respondents are in favour of introducing it in schools, 77% in the workplace. There are also 88% who believe that, with the teaching of financial education in schools, young people and children could benefit from it as they grow up.

Finally, among the many changes brought about by the pandemic, the growing “digitalisation” of behaviours appears to be one of the main characteristic features of the so-called new normal.

The consolidation of digitalisation translates into a 6-point increase in the use of the Internet for the search for financial information, from 44.2% to 51.0%.

Finally, sustainability is a topic known to only about half of the population; the figure increases with perceived financial knowledge.

Appendix 1

Further insight: perceived financial knowledge, fragility and resilience

Table I: *High level of claimed knowledge of the concepts (analysis by level of education)*

	Bachelor's degree	High school diploma	Lower secondary school diploma
Knowledge of the 3 concepts	41.0%	35.1%	**21.3%**
- Simple interest rate	58.8%	51.9%	35.8%
- Compound interest rate	51.3%	45.6%	30.5%
- Risk-return trade-off	59.7%	51.5%	40.3%

Table II: *High level of claimed knowledge of the concepts (analysis by gender)*

	Man	Woman
Knowledge of the 3 concepts	33.0%	**25.0%**
- Simple interest rate	49.0%	40.9%
- Compound interest rate	43.3%	34.2%
- Risk-return trade-off	52.8%	40.1%

Table III: *High level of claimed knowledge of the concepts (analysis by age)*

	18-34	35-54	55+
Knowledge of the 3 concepts	**19.1%**	29.2%	33.1%
- Simple interest rate	39.0%	45.3%	48.3%
- Compound interest rate	31.9%	40.0%	42.0%
- Risk-return trade-off	36.0%	47.6%	51.0%

Table IV: *Indicator of financial knowledge and of the "big three" (by gender and age)*

	TOTAL	Man	Woman	18-34	35-44	45-54	55-64	65+
High knowledge (3 correct answers)	41.5%	46.9%	**32.5%**	**30.6%**	37.7%	41.9%	43.5%	46.8%
Low knowledge	58.5%	53.1%	67.5%	69.4%	62.3%	58.1%	56.5%	53.2%

Table V: *Indicator of financial knowledge and of the "big three" (by educational qualification and geographical area)*

	TOTAL	Bachelor's degree	High school diploma	Lower qualification	North	Centre	South and Islands
High knowledge (3 correct answers)	41.5%	49.8%	45.6%	**34.7%**	46.9%	44.3%	**32.5%**
Low knowledge	58.5%	50.2%	54.4%	65.3%	53.1%	55.7%	67.7%

Table VI: *Difficulty of making ends meet and perceived financial knowledge*

The income available to your household allows you to make ends meet:	TOTAL SAMPLE	Financial knowledge HIGH	Financial knowledge LOW
	data in %		
with difficulty	53	38	**59**
easily enough	31	33	30
easily	17	28	12

Table VII: *Capacity to be able to deal with an unexpected expense of € 2,000 and perceived financial knowledge*

If an unforeseen expense should arise, how confident do you feel that you could come up with 2,000 euros to deal with it within a month?	TOTAL SAMPLE	Financial knowledge HIGH	Financial knowledge LOW
	data in %		
I'm certain that I'd be able to	40	58	33
Probably I'd be able to	30	28	31
Probably I wouldn't be able to	13	**6**	**16**
I'm certain that I wouldn't be able to	12	**5**	**14**
I don't know	5	2	6

Table VIII: *Defined savings goals and perceived financial knowledge*

Has your household had fairly defined savings goals in this period?	TOTAL SAMPLE	Financial knowledge HIGH	Financial knowledge LOW
	data in %		
Yes	48	**56**	45
No	52	44	55

Table IX: *Indicators of financial anxiety and fear of the future and perceived financial knowledge*

Thinking about my financial situation generates anxiety	TOTAL SAMPLE	Financial knowledge HIGH	Financial knowledge LOW
	data in %		
I disagree	33	**42**	29
I neither agree nor disagree	37	36	38
I strongly agree	30	22	**34**

Are you afraid of not being able to give a serene and secure future to yourself and your family?	TOTAL SAMPLE	Financial knowledge HIGH	Financial knowledge LOW
		data in %	
I disagree	31	**41**	27
I neither agree nor disagree	34	35	34
I strongly agree	35	24	**39**

Table X: *Planning and perceived financial knowledge*

From the start of the COVID emergency, your household has: changed its medium- to long-term goals (e.g., home purchase, child's/children's education, taking out insurance or a pension plan)?	TOTAL SAMPLE	Financial knowledge HIGH	Financial knowledge LOW
		data in %	
Yes, totally/partially	35	30	37
No, we will stick to our goals	35	**45**	30
We don't have medium- to long-term goals	26	21	28
I don't know	4	4	5

Table XI: *Savings management and the financial situation and perceived financial knowledge*

Think about all the sources of income of your household, since the start of the COVID emergency, your household ...	TOTAL SAMPLE	Financial knowledge HIGH	Financial knowledge LOW
		data in %	
has spent less than its income, being able to set aside some savings	45	**58**	39
has spent all of its income, without being able to save anything	43	32	**48**
has spent more than its income, having to use savings or going into debt	12	10	13

Start of the pandemic to today, considering all your financial resources, would you say that the overall balance has...	TOTAL SAMPLE	Financial financial HIGH	Financial financial LOW
		data in %	
increased	15	**23**	12
decreased	38	30	**41**
remained unchanged	47	48	46

Appendix 2

Methodological approach and sampling

This report illustrates the second edition of a study conducted for the first time in June 2020, when 5,011 online interviews with a representative national sample were carried out of individuals aged 18 and over, responsible for the management of the household budget and/or are more informed about the economic/financial issues of the household (hereinafter also head of household, financial decision-maker or interviewee).[23]

For the 2021 edition of the study, the same households were contacted and, as far as possible, the same people were reinterviewed, in order to give a longitudinal character to the survey. The fact that the same individuals were re-interviewed a year later and therefore has "panel" data makes it possible to outline an accurate picture of the situation, produce data are well compared over time and accurately grasp the signs of change and novelty. Panel data will also allow for more accurate studies and analyses by researchers than "cross-section" samples.

The redemption rate was 80.4%, confirming the good level of involvement of the households and individuals participating.

More specifically, for the 2021 edition, 5,011 interviews were carried out, of which 4,027 were carried out with the same subjects of 2020 and 984 (which translates into a refresh rate of 19.6%) with new subjects, having the same gender, age and geographical characteristics as the dropped out/lost subjects.

As in 2020, in order to make the distribution of the sample interviewed adherent to that of the reference universe (represented, in fact, by those responsible for the economic and financial issues of households, of any age, social class, region and type of municipality) and thus improve its level of representativeness, the data collected were weighted according to the variables considered most significant for this purpose.[24] The data were collected from 27 May to 14 June 2021.

The sample size used (5,000 cases) guarantees a maximum margin of error of 1.9%, at a 95% confidence level.[25]

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[23] The people to be interviewed were drawn from a BVA-Doxa proprietary panel, including about 120,000 enrolled persons. The selection of individuals invited to participate in the survey took place according to gender, age, geographical area and size of the municipality. The Doxa panel resides on a web platform designed and developed ad hoc to meet the specific needs of social research and marketing, with recruitment both online and offline and a continuous and constant management of a dedicated team.

[24] Age, municipality size, region and level of education (source: ISTAT); presence of children aged 0-14, income and profession (source: Doxa).

[25] This means that in correspondence with a percentage frequency of an answer given to a question of the survey in the range of around 50% (where the margin of error assumes the maximum value), by repeating the survey 100 times we can be confident that, at least 95 times, we would obtain a percentage that differs by no more than 1.9 percentage points.