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Digitalization and Financial Awareness

ABSTRACT

Background:

Carried out in December 2019, the research '*Digitalizzazione e consapevolezza finanziaria-Digitalizion and Financial Awarness*' was published in April 2020, as a follow-up of a field research started in 2017 on Italians' money management habits. The study focuses on the digital and financial literacy level perception and the preferences regarding the use of different devices in the personal financial management.

The purpose of the research was to map the technological skills level of the interviewed sample and to measure whether and how the degree of digital skills has a significant impact on economic and financial inclusion.

The investigation was conducted on a sample of individuals aged 16-64, representative of the Italian internet user population (medium and heavy user) classified by gender, geographical area of residence and age group. 2020 interviews were realized via a closed-ended questionnaire from 2 to 9 December 2019.

International context and Italian specificities - Italy is a mature and connected country in terms of use of the Internet (82%) and social networks (58%), but if we consider other indicators, according to the Digital Economy and Society Index (DESI 2019), Italy is lagging behind other European countries: 24° in the EU ranking (only 44% of individuals between 16-74 years old have basic digital skills compared to 57% EU average).

Main evidences of the study:

Positive expectations vs fears associated to the spread of digital - The digital development makes access to financial services more democratic and beneficial (for 71.9% and 74.1% of the sample respectively). On the other hand, 75.2% fears that falling behind in the acquisition of basic technological skills could lead to a deep form of exclusion of the most fragile segments of the population.

The danger of overestimating their own digital capabilities - The self-assessment of digital skills, cross-referenced with the measurement of what the sample actually know how to do, reveals a significant risk factor: in addition to those who know they are insufficiently prepared, there is a group of respondents, equal to 8.8%, who overestimates their skills, feeling much more capable than it is in reality. This erroneous self-perception can be very dangerous if it is combined with the underestimation of the pitfalls of the network. Let's think, for example how easily fake news circulate and the effects they may have on the decision-making processes of internet users.

Smartphones: the Italian way to the home banking - Thanks to smartphones diffusion, Italy rises the European rankings in terms of diffusion of banking apps and home banking, 80% of individuals using apps for payments: when it comes to banking access channels, home banking is the new standard.

Digital payments: interest vs caution - Cash is still the most appreciated and most used method of payment (71.6%), defined as "for all" (53.9%) and "simpler" (45.4%). While credit and debit cards are still poorly used by Italians compared to other European countries (Denmark, Sweden, UK above all). 46.7% of the sample believe that the credit card would lead to unwanted debt.

This study confirms that the approach to new digital payment instruments is affected by the ability to use technology: the rising of digital skills the greater awareness of smart payments, not only in terms of positive expectations, but also in terms of awareness of possible dangers inherent in the new possibilities. At a general level, the opinions of Italians about the future of payments are both open to the new and cautious (cfr. §2.2). For example, the request for simplification of the steps to make digital operations should be counterbalanced by security mechanisms (for 50.7% of respondents) while new apps are appreciated especially when dealing with daily needs related to the management of expenses (for 72.5%) more than when artificial intelligence is applied to address our investment decisions (for 53.5%).

Concerns related to the speed of the financial digitalization - 81.9% of the sample showed concern about the potential control by the external, companies and governments; 75.2% about the possible increase in social disparities, due to the digital divide; 70,4% about the reduction of the self-control capacity, with the fear to fall into impulse buying and choices. Nevertheless, some evidences show the possibility of creating a virtuous circle of trust involving banks, governments and citizens through the spread of financial literacy and awareness.

The synergy between digital and financial skills: a two-speed process - 48.5% use digital tools to manage their financial plan. For the most advanced segment of the sample, digital tools are also part of the strategic management of their economic and financial sphere, not only of their daily operations. Digital and financial skills thus act in full synergy: one digital savvy people out of two states that he/she has increased his/her knowledge in the economic and financial field also thanks to the use he/she makes of digital tools. However, there is a widespread attitude to buy unneeded things more easily when the purchase is made online (49% of the sample, regardless of the level of education), as evidence of the perception of less self-control, and the idea that using a credit card facilitates unwanted debt (46% of the sample). Pretty surprisingly, about 30.5% of respondents are interested in investing in bitcoin, especially people with a high lifestyle (46.7% vs. the, however significant, 27% of the less well-off). This is a clear case of underestimation of the risks associated with the speculative instrument, which underlines the need for a greater transversal diffusion of financial culture.

Women pay the price of less banking - There are still gender differences and women pay the price of a lower level of banking because they have less access to the world of work (59.4% vs 81.5% of men) and a consequent lower economic independence (67.2% of women manage a bank account independently vs 81.6% of men, 26% of women have money invested vs 43.6% of men). Women also show less confidence in the use of technology (32.4% of high skilled vs 51.9% of men). The combination of these factors makes up a barrier that distances women from an active management of savings and the use of new digital services, increasing scepticism towards the possibility that new technologies can increase economic and financial awareness (45,8% vs 51,9% of men).

Young people: confident but not always competent - The expectations of young people associated with the digitization of financial markets are high: 80.3% (16-24 years old) and 79.8% (25-34) use apps to manage daily expenses (72.5% on average) or to set aside money (76% and 73.1% vs 67% on average) and finally to make investment choices thanks to roboadvisors (64.1% and 58.8% vs 53.5% on average). In Italy, this technological momentum remains theoretical because it finds limits in the economic conditions of the youngest: only 17,4% (16-24) and 43% (25-34) are economically independent.

The most fragile segments of the population - 51.3% do not use the new digital tools and do not find them useful to increase their economic and financial literacy. The digitization of economic-financial products seems, for the time being, to benefit the empowerment of those who are more skilled and have more resources, while it struggles to intercept those with less cognitive and material means at their disposal.