

Digital skills and financial behaviour

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BANCA D'ITALIA PER LA CULTURA FINANZIARIA

Motivation

- The financial landscape is changing fast, driven by the digitalization
- Individuals are called to make more complex financial decision early in life
- Digital literacy and financial literacy are two crucial competences to empower people
- They have become competences for well being and better financial inclusion in the digital financial world
- Do Italians feel ready for reaping the benefits of digital financial services?

Research questions

- How sophisticated are the digital skills of internet users in Italy?
- Do Italians have the right perception of their digital skills?
- Do digital skills correlate with financial behaviour (saving and investment)?
- Do digital skills correlate with the attitude towards traceable payments?
- Do digital skills correlate with the perception of the benefits of digital finance for financial inclusion and financial knowledge?

Data

- Sample of 2020 individuals interviewed representing medium-heavy internet user population. The interviews were carried out in December 2019
- Main variables/questions:
 - Socio-demographic (sex, age, residence, family type, degree etc.)
 - Economic situation (status, independence, profession etc.)
 - Digital skills (perceived and managed)
 - Economic behaviour (savings, (non) financial investment payment means, etc.)
 - Opinion (Risk/benefits of financial-digital instruments, payments traceability)

Digital skills: self evaluation vs effective skills

- ❑ **Individuals self-evaluate their digital skills [1-10]:** when they do so they may give more weight to certain abilities, such as the use of social media or the ability to install a programme

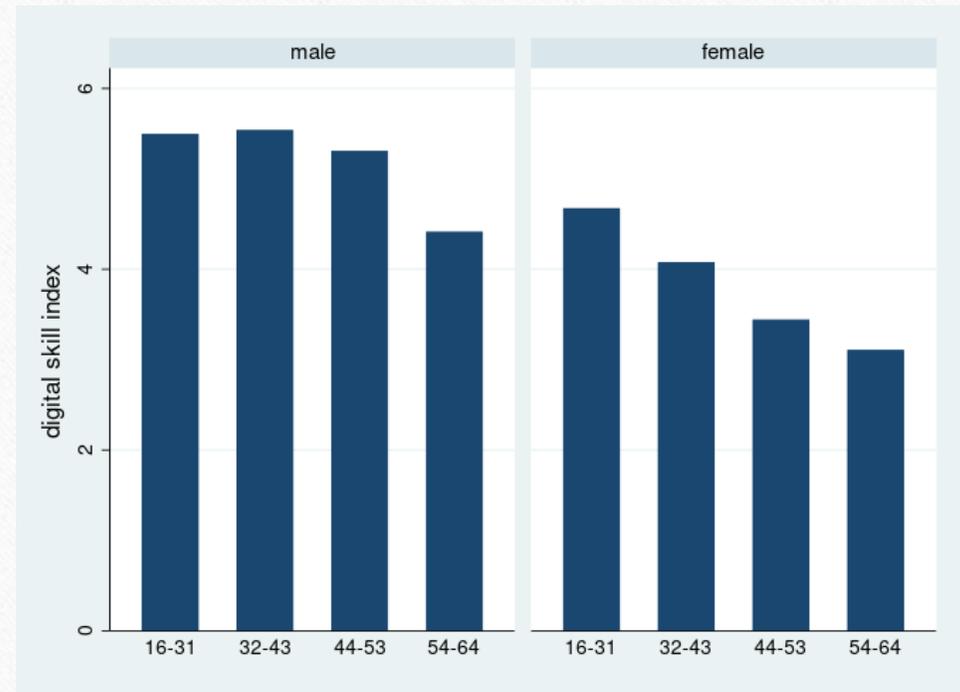
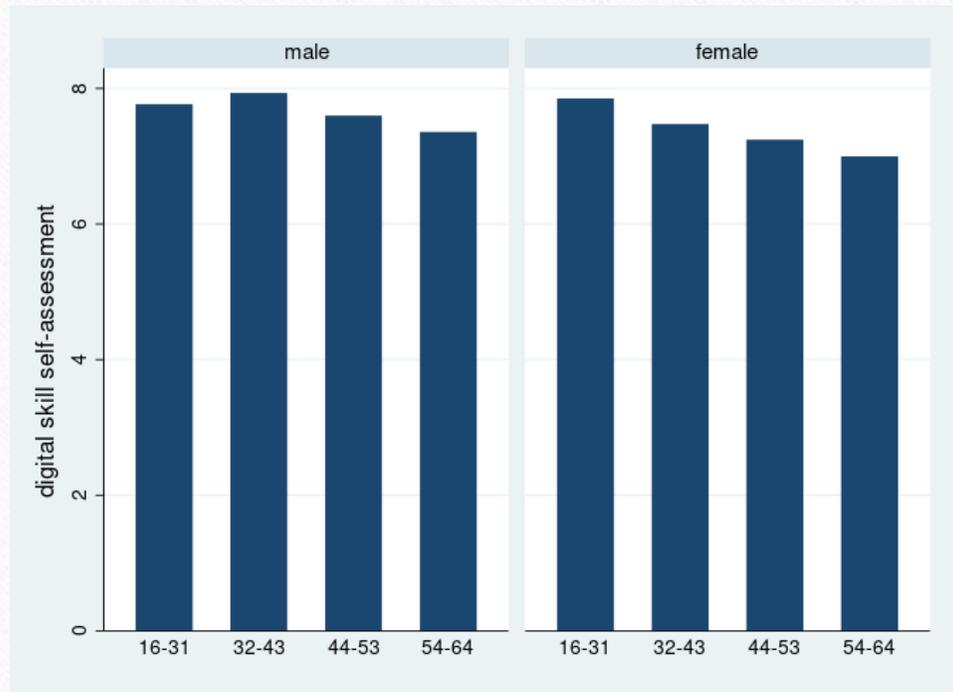
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- ❑ **Set of 13 specific (self-assessed) skills** ⇒ Digital Skill Index: normalized and weighted sum of these specific skills

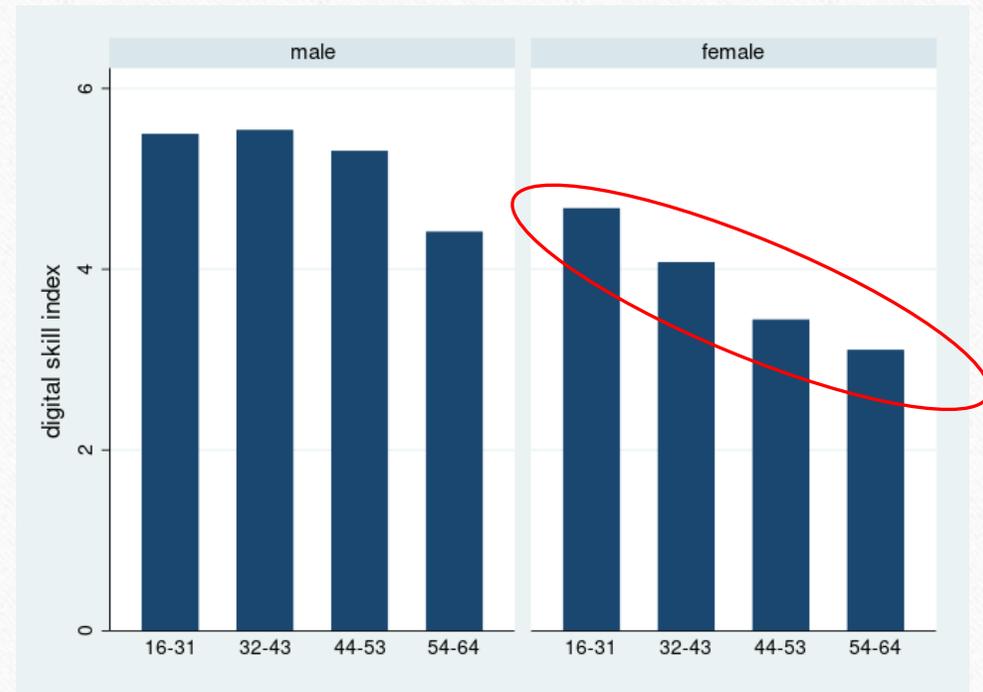
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- ❑ **Set of 13 specific (self-assessed) skills** ⇒ Digital Skill Index: normalized and weighted sum of these specific skills
- ❑ Here **we use both measures**: two measures are not equivalent because there is a weak correlation between overall self-assessment and the *dsi*

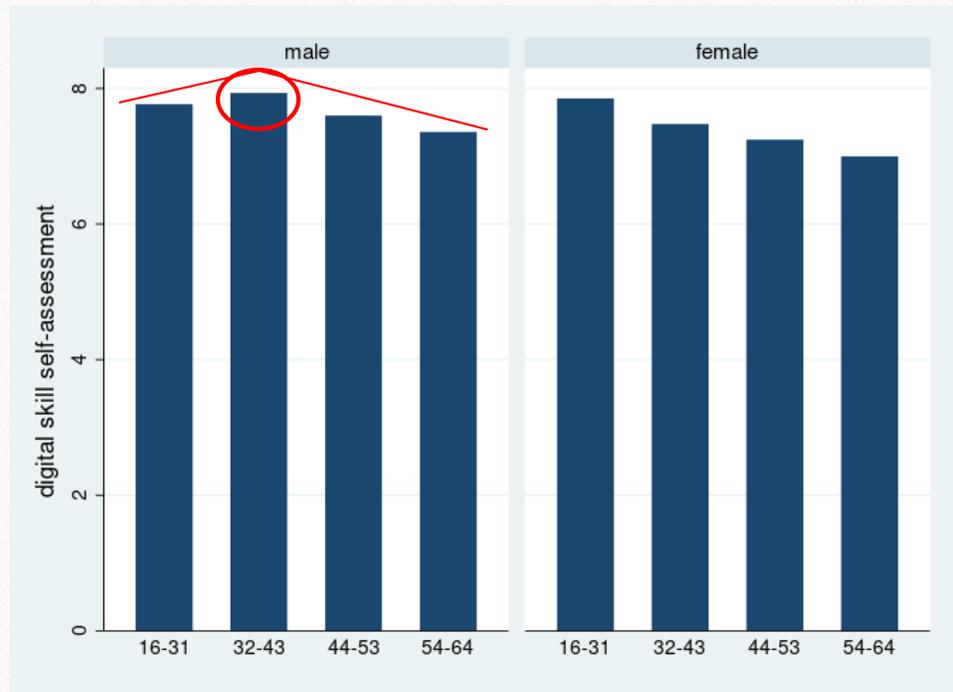
Age and gender gaps in digital skills



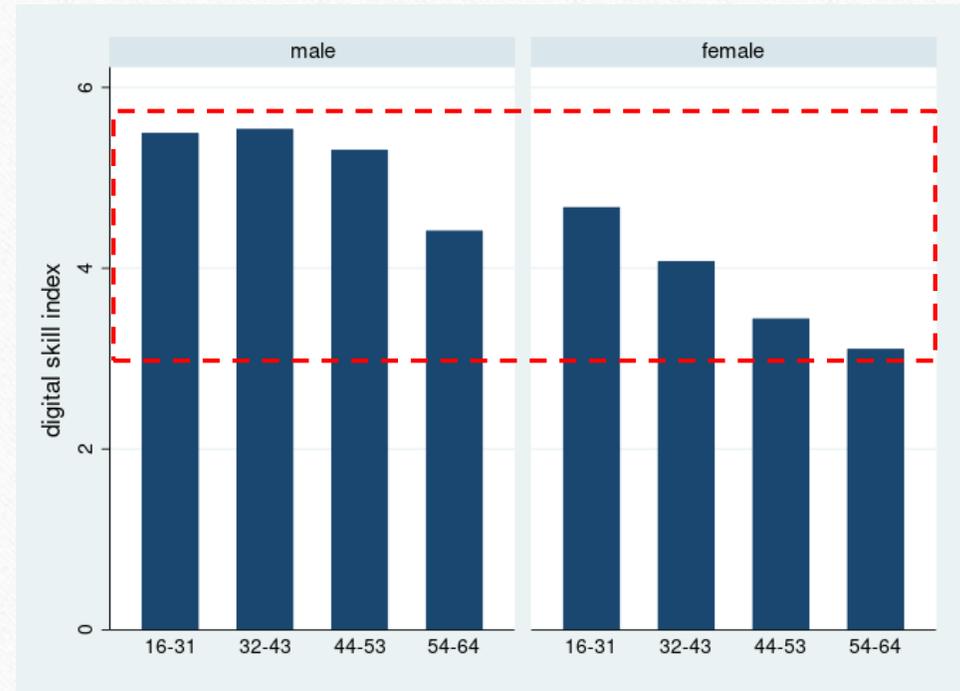
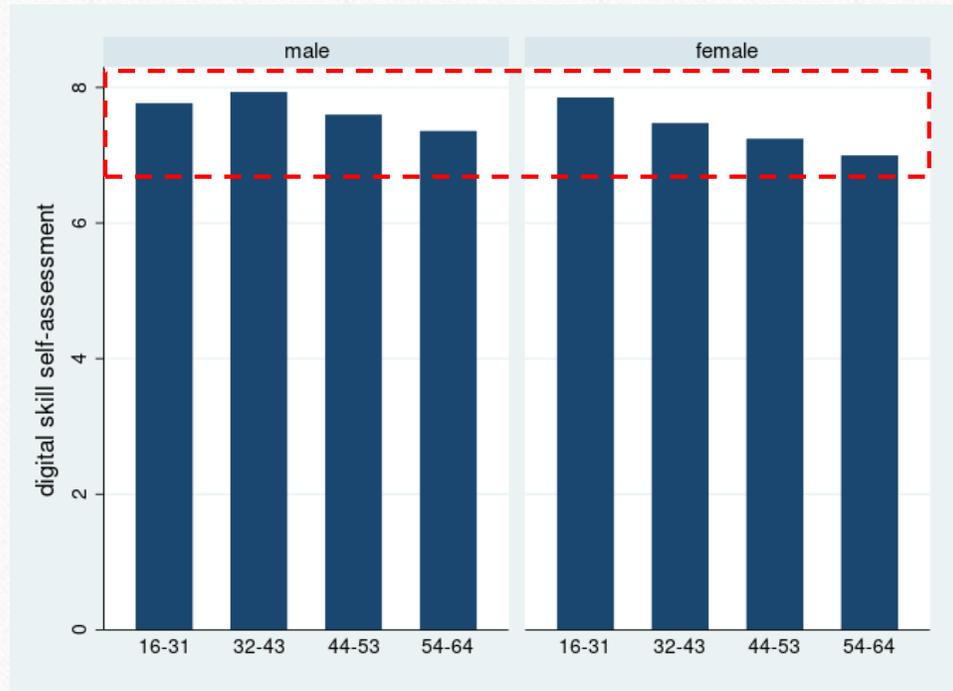
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Financial behaviour

- ❑ Do digital skills correlate with financial behaviour after controlling for other individual characteristics?
- ❑ What kind of financial behaviour?
 - ❖ Propensity to save
 - ❖ Investment (yes/no)
 - ❖ If investment yes \Rightarrow Propensity to invest in financial assets (share of investment in financial assets)
- ❑ We estimate **ordered logit models** for the propensity to save and the propensity to invest (ordinal multiple choice answers), we use a **linear probability model** for holding investment or not (binary variable)

Traceable Payments

- «In general, are you in favour of a law that incentivise traceable payments?»
- We check whether digital skills correlate with the answer to the question, controlling for other relevant individual characteristics (age, degree, job, etc.)
- Ordered logit** (ordinal multiple choice answers)

Digital finance and benefits for financial inclusion and financial knowledge

- ❑ Do digital skills correlate with the perceived benefits of digital financial services (dfs) on:
 - ❑ **financial inclusion** (dfs \Rightarrow greater access to products and services once exclusive)
 - ❑ **financial knowledge** (dfs \Rightarrow increased knowledge on how economy and finance work)
- ❑ Controlling for other individual characteristics (age, degree, job, etc.)
- ❑ **Ordered logit** (ordinal multiple choice answers)

Financial behaviour

	Propensity to save (d21)	Investment (yes/no) (d22)	Propensity to invest in financial assets (d23)
Digital skills (self evaluation)	(+)**	(+)	Not significant
Digital skills (weighted index)	(+)**	(+)*	Not significant
Female	Not significant	(-)***	Not significant
Age	(-)*	(+)***	(+)***
Localization (base level= North West)	Not significant	(-)*** South	Not significant
Income	(+)***	(+)***	Not significant
Profession (base level= entrepreneur)	(-)** students/unemp.	Not significant	Not significant
Education	(+/-)	(+)**	Not significant
Financial knowledge (self assessed)	(+)***	(+)***	(+)*
Observations	2020	2020	707

Traceable payments

	Would you be in favour of a law to trace payments? (d35)
Digital skills (self evaluation)	(+)**
Digital skills (weighted index)	Not significant
Female	(-)**
Age	Not significant
Localization	Not significant
Income	(+)**
Profession (base level= entrepreneur)	(+)** teacher, blue collar, retired
Education	(+)**
Financial knowledge (self assessed)	(+)***
Observations	2020

Digital finance and benefits for financial inclusion and financial knowledge

	Digital Finance and Financial Inclusion (d37_1)	Digital Finance and financial knowledge (d37_4)
Digital skills (self evaluation)	(+)**	(+)**
Digital skills (weighted index)	(+)*	(+)*
Female	Not significant	Not significant
Age	Not significant	(-)***
Localization (base level= North West)	(+)**	(+)**
Income	(-)**	Not significant
Profession	Not significant	Not significant
Education	Not significant	Not significant
Financial knowledge (self assessed)	(+)***	(+)***
Observations	2020	2020

Key takeaways

- ❑ **Saving and Investment behaviour:** **Digital skills are relevant.** But financial knowledge, income, age and sex matter more, particularly for investment behaviour.
- ❑ **Traceable Payments:** people with higher self-assessed **digital skills** and **financial knowledge** are more in favour of payment traceability. Also **higher income earners** and **fixed income workers** favour a law. Females are less in favour than men
- ❑ **Financial inclusion and digital finance:** **Digital skills** do play a role in perceiving the benefits of digital finance for financial inclusion, **but** benefits are **perceived more by low income people, people located in the south** and people with higher self-assessed **financial knowledge**. No gender gap
- ❑ **Financial knowledge and digital finance:** **Digital skills are important** to reap the benefits of digital finance in terms of financial knowledge. These benefits are perceived more by those who already have **higher financial knowledge, less by older people**. No gender gap