



# SURVEY OF FINANCIAL COMPETENCES

2016

Report by Olympia Bover,  
Laura Hospido and Ernesto Villanueva

financial education  
plan



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Minor errors from the previous version have been amended in this version.

# SURVEY OF FINANCIAL COMPETENCES 2016: MAIN RESULTS

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## INTRODUCTION

Several international studies have shown that, in many countries, people are not familiar with basic concepts related to inflation, compound interest and risk diversification. Given the growing complexity of financial products, this lack of knowledge may make it difficult for individuals to choose the savings, insurance and debt vehicles best suited to them.

Against this background, the Banco de España (BdE) and the CNMV (National Securities Market Commission) have, as part of the Financial Education Plan, collaborated in preparing the Survey of Financial Competences (ECF by its Spanish abbreviation). The survey measures knowledge and understanding of financial concepts by the Spanish population aged 18 to 79, and this age group's holding, acquisition and use of various savings, debt and insurance vehicles. Included under the National Statistics Plan, this survey has key characteristics that provide for a rigorous and comprehensive description of the Spanish adult population's financial literacy and of their relationship with the financial system.<sup>1</sup>

The study has been able to count on the collaboration of INE (the National Statistics Institute), which has provided a large sample of randomly selected individuals representing Spanish territory as a whole and each of its regions.

A second key characteristic of the ECF is that it is part of an international project coordinated by the International Financial Education Network which, under the aegis of the Organisation for Economic Co-operation and Development (OECD), measures the financial literacy, attitudes and behaviour of the population from a broad set of countries between 2015 and 2016. As a result this study, performed in Spain in the period from 2016 Q4 to 2017 Q2, helps set Spaniards' financial literacy and interaction with the financial system in an international context.

The ECF includes the questions proposed in the international study, further adapting the questionnaire to the Spanish case. Firstly, in addition to the financial competences of the individual selected, the ECF also includes information on the household's financial competences. Secondly, the ECF includes measures validated in international studies of individuals' cognitive skills, beyond those of a strictly financial nature. Finally, there is a module in the survey on the main residence from which information is obtained on the decision in respect of owner-occupation, expectations about the price of the dwelling and, where appropriate, on how the purchase was financed (see Box 1).

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<sup>1</sup> Other, previous studies on the financial competences of the Spanish population in an international context are: L. Klapper, A. Lusardi and P. van Oudheusden (2015), *Financial Literacy Around the World: Insights from the Standard and Poor's Ratings Services*, [http://gflec.org/wp-content/uploads/2015/11/3313-Finlit\\_Report\\_FINAL-5.11.16.pdf?x87657](http://gflec.org/wp-content/uploads/2015/11/3313-Finlit_Report_FINAL-5.11.16.pdf?x87657), and Allianz (2017), *When Will the Penny Drop?*, International Pension Papers, 1/2017.

Following a brief description of the sample, the second section of the report offers a description of Spaniards' core financial literacy. The third section documents individuals' familiarity with different savings, insurance and debt products: whether they have heard of them and whether they hold any. The fourth section analyses recently acquired financial products and which information sources they used for them. The fifth section analyses financial inclusion and the interviewee's formal and informal means of saving and household debt. The sixth section examines the economic vulnerability of the households in which the interviewees reside. Punctuating the study are seven boxes analysing specific aspects, ranging from an international comparison of survey results to gender- or country of birth-based differences in financial competences.



# 1 TOTAL SAMPLE AND REGION-BY-REGION CHARACTERISTICS

Before presenting the main results of the survey, the demographic characteristics used to break down the population in the tables and charts of the report are shown. The variables of this study generally refer to the interviewee. When not so, this shall be explicitly indicated.

The report presents the results for different groups of the population. First are the results according to the age bracket of the interviewee, whether male or female, the maximum level of educational attainment achieved, and labour market status. Second, the results are broken down according to the characteristics of the household in which the interviewee resides: family structure based on the adults with which the interviewee lives, the level of total income and properties owned. Finally, the information is presented according to the interviewee's region of residence.

Table 1 shows the distribution of the population by age group, education, gender and labour market status, and household characteristics such as family structure, income and number of properties. There are demographic, educational and level of income-based differences from region to region. Analysing by age group, around 21% of the population in the 18-79 year-old bracket are younger than 35 in Asturias, Cantabria and the Basque Country, while this percentage is 26% in Castile-La Mancha and Murcia. Further, whereas in the Canary and Balearic Islands 14% of the population is in the age range from 65 to 79, this percentage stands at around 20% in Castile-Leon and Galicia.

The level of educational attainment also varies from region to region. In Andalusia and Extremadura the level for at least half of the population is at most that of primary schooling, while in Madrid and the Basque Country the related percentage stands at 34% or is even lower.<sup>2</sup> Similar variation is seen in income and unemployment levels. In Madrid and the Basque Country, 22-23% of individuals live in households whose income is higher than €44,500, while in Andalusia and Extremadura only 8% attain this income level. The percentage of individuals declaring themselves to be unemployed is 11% or lower in Cantabria, Catalonia, the Basque Country and Navarre, but rises to 20% in the Canary Islands and to 18% in Andalusia.

It is important to be mindful of these differences when considering the cross-regional comparisons presented in this study.

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<sup>2</sup> Educational attainment levels follow the 2014 National Education Classification. In this report, university education refers both to those who have attained university qualifications (240 credits or more) and to High-Level Vocational Training Studies or equivalent.

**Table 1. DEMOGRAPHIC COMPOSITION OF THE SAMPLE (total and by region)**

Percentage of the population (a)	TOTAL																
	Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castile-Leon	Castile-La Mancha	Catalonia	Valencia Region	Extremadura	Galicia	Madrid Region	Murcia Region	Navarre	Basque Country	La Rioja
Relative weight of each region	18	3	2	3	5	1	5	4	16	11	2	6	14	3	1	5	1
<b>AGE</b>																	
18-34	24	26	23	20	27	21	22	26	24	24	26	21	25	27	24	21	23
35-44	22	22	21	20	24	22	19	22	23	22	19	21	23	23	22	21	22
45-54	21	21	20	20	22	21	21	21	20	20	21	20	21	21	21	21	21
55-64	16	16	17	20	15	19	19	16	16	16	17	18	16	15	17	18	17
65-79	17	16	18	20	14	18	20	16	17	18	17	21	16	15	17	19	17
<b>GENDER</b>																	
Male	49	50	49	50	50	49	50	51	49	50	50	49	48	50	50	49	50
Female	51	50	51	50	50	51	50	49	51	50	50	51	52	50	50	51	50
<b>EDUCATION</b>																	
Primary	44	50	39	42	53	46	35	50	48	43	56	47	31	51	38	34	43
Secondary	23	19	26	20	25	23	24	22	23	23	19	22	25	20	21	22	25
University	34	30	35	38	22	32	41	28	29	33	25	31	44	28	41	43	31
<b>LABOUR MARKET STATUS</b>																	
Self-employed	11	11	10	12	10	13	10	15	10	11	11	13	9	12	12	12	13
Employee	42	34	46	32	47	38	44	39	44	47	37	39	48	45	50	45	45
Unemployed	14	18	12	16	16	20	11	12	16	11	17	14	12	15	9	9	13
Retired	16	15	16	21	15	14	17	17	13	17	14	19	15	14	16	18	15
Other inactive	17	21	16	18	12	16	17	17	17	16	21	15	16	15	14	15	14
<b>HOUSEHOLD STRUCTURE</b>																	
Lives with partner	65	63	65	64	66	63	66	68	65	65	65	67	65	69	68	67	65
Lives with other adults, no partner	24	25	22	23	23	28	24	22	24	24	25	24	25	22	23	21	22
Does not live with other adults	11	12	12	13	11	10	10	10	11	12	10	10	10	9	9	12	13
<b>TOTAL HOUSEHOLD INCOME</b>																	
Up to €14,500	37	48	25	34	42	28	28	37	40	29	47	34	26	43	27	21	26
From €14,501 to €26,000	28	26	31	29	28	20	29	29	29	34	27	32	26	31	29	29	31
From €26,001 to €44,500	21	18	28	23	17	14	32	23	22	20	19	22	25	17	24	28	27
Over €44,500	13	8	16	15	12	10	11	12	9	15	8	12	23	9	19	22	16
<b>HOUSEHOLD PROPERTIES</b>																	
Does not own main residence	22	18	19	25	34	23	18	14	21	29	17	20	28	18	14	14	20
Owens only main residence	45	49	39	38	40	53	49	42	37	51	45	33	39	53	49	49	33
Owens main residence and others	33	33	42	37	26	24	33	45	42	20	38	47	32	29	37	37	46

(a) The classifications based on the individual characteristics of educational level, labour market status, household structure and properties exclude the observations in which the interviewee does not answer this question. These same observations with no answer are excluded in the related classifications of the remaining tables in this report.  
The percentage of "don't know/no answer" (DK/NA) in the question on education is 0.02%, that for labour market status is 0.01%, that for household composition is 0.04% and that for ownership of main residence or other properties is 0.5% (unweighted). 9.7% of the individuals in the sample did not answer the question on their household income and, for this sub-group, the variable has been imputed using multiple imputation techniques.

# Box 1

## The Survey of Financial Competences (ECF)

The ECF questionnaire adapts to the Spanish case a questionnaire devised by representatives of the governments and central banks of some 30 countries belonging to the International Network For Financial Education (INFE), coordinated by the OECD. The aim of this joint effort is to measure, in an internationally comparable way, the financial competences of the population aged 18 to 79.

While the main part of the ECF follows this model, it also includes significant adaptations for Spain's case. Overall, the survey comprises eight sections:

- a. Demographic characteristics and labour market status of sample interviewees.
- b. The interviewee's portfolio and the means of acquisition of the information.
- c. Income sources in old age or inactivity.
- d. Attitudes toward saving.
- e. Financial literacy.
- f. Economic literacy.
- g. Main residence.
- h. Household expenses and financial fragility.

The first six sections – demographic characteristics, the interviewee's portfolio, sources of income in old age or inactivity, attitudes toward saving and financial and economic literacy – are those of the randomly selected person. The information in the last two sections – main residence and household expenses – are obtained at the household level.

Most of the questions relate to the point in time of the survey, although there are some questions referring to the past 12 months, the past two years and, in some cases, the past five years (the case of disagreements with financial institutions).

The ECF complements the questionnaire of the international study in three respects. First, in addition to the financial competences of the randomly selected person, the ECF gathers information on the household's competencies. Hence, when the randomly selected person is not familiar with the financial decisions of the household, an informed person gives information on his/her financial competences, on the household portfolio, on the main residence and on expenses and financial fragility. Second, the ECF includes measures, previously validated in international studies, on individuals' cognitive skills, including their reading comprehension of non-financial texts or charts. Finally, the survey contains a module on housing in which questions are asked on the reasons for owning or renting, expectations about the price of the main residence during the 12 months following the survey and, in the event of having financed the purchase of the main residence with a mortgage, the loan/purchase price ratio and the monthly loan instalment.

The questions on financial literacy analysed, and which have been used in several international studies in addition to the OECD survey, are as follows:<sup>1</sup>

<sup>1</sup> See A. Lusardi and O. Mitchell (2014), "The Economic Importance of Financial Literacy: Theory and Evidence", *Journal of Economic Literature* 52(1), pp. 5-44.

## Inflation

After an initial question, namely IMAGINE THAT FIVE BROTHERS RECEIVE A GIFT OF €1,000. IF THEY DIVIDE UP THE MONEY EQUALLY, HOW MUCH WILL EACH RECEIVE?, the following question is posed: NOW IMAGINE THAT THE FIVE BROTHERS HAD TO WAIT A YEAR TO OBTAIN THEIR SHARE OF THE €1,000, AND THAT INFLATION FOR THAT YEAR WAS 1%. WITHIN ONE YEAR THEY WILL BE CAPABLE OF PURCHASING:

- 1 More than they could buy today with their share of the money
- 2 The same amount
- 3 Less than they could buy today

## Compound interest

To measure knowledge on the concept of simple interest, the following question is asked: LET US SUPPOSE YOU DEPOSIT €100 IN A SAVINGS ACCOUNT WITH FIXED INTEREST OF 2% PER ANNUM. NO COMMISSION OR TAX IS CHARGED ON THIS ACCOUNT. IF YOU MAKE NO OTHER DEPOSIT IN OR WITHDRAWAL FROM THIS ACCOUNT, HOW MUCH MONEY WILL THERE BE IN THE ACCOUNT AT THE END OF THE FIRST YEAR, ONCE YOU ARE PAID THE INTEREST?

Next, there is a question to measure the concept of compound interest: ONCE AGAIN, IF YOU

DEPOSIT OR WITHDRAW NO MONEY, ONCE THE INTEREST IS PAID HOW MUCH MONEY WILL THERE BE IN THE ACCOUNT AFTER FIVE YEARS: MORE THAN €110, EXACTLY €110, LESS THAN €110 OR IT IS IMPOSSIBLE TO SAY WITH THE INFORMATION PROVIDED?

- 1 More than €110
- 2 Exactly €110
- 3 Less than €110
- 4 It is impossible to say with the information provided

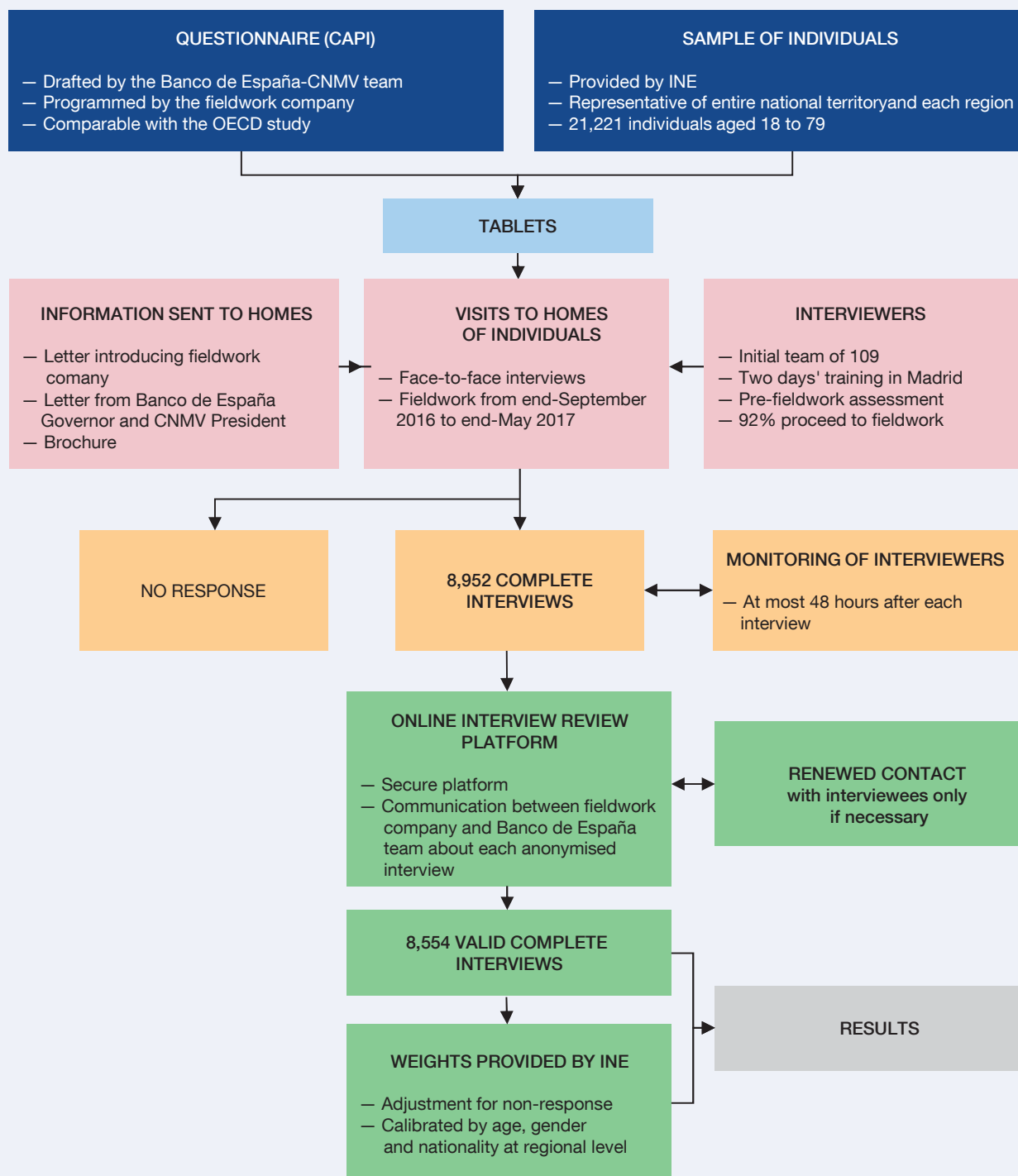
## Risk diversification

Lastly, the concept of risk diversification is evaluated asking the interviewee whether the following statement is true or false: GENERALLY, IT IS POSSIBLE TO REDUCE THE RISK OF INVESTING IN THE STOCK MARKET BY PURCHASING A WIDE VARIETY OF SHARES.

The questions on the interviewee's portfolio also adhere to the INFE questionnaire. First, interviewees are asked whether they have heard of a specific financial product. If so, they are asked whether they currently hold it and, irrespective of the reply, whether they have acquired this product in the past two years. After completing the list of products and, in the event of any such products having been acquired, questions are asked about the product-search process and the means of obtaining information on such product.

# Box 2

## How the survey unfolds



SOURCE: Banco de España (2018).

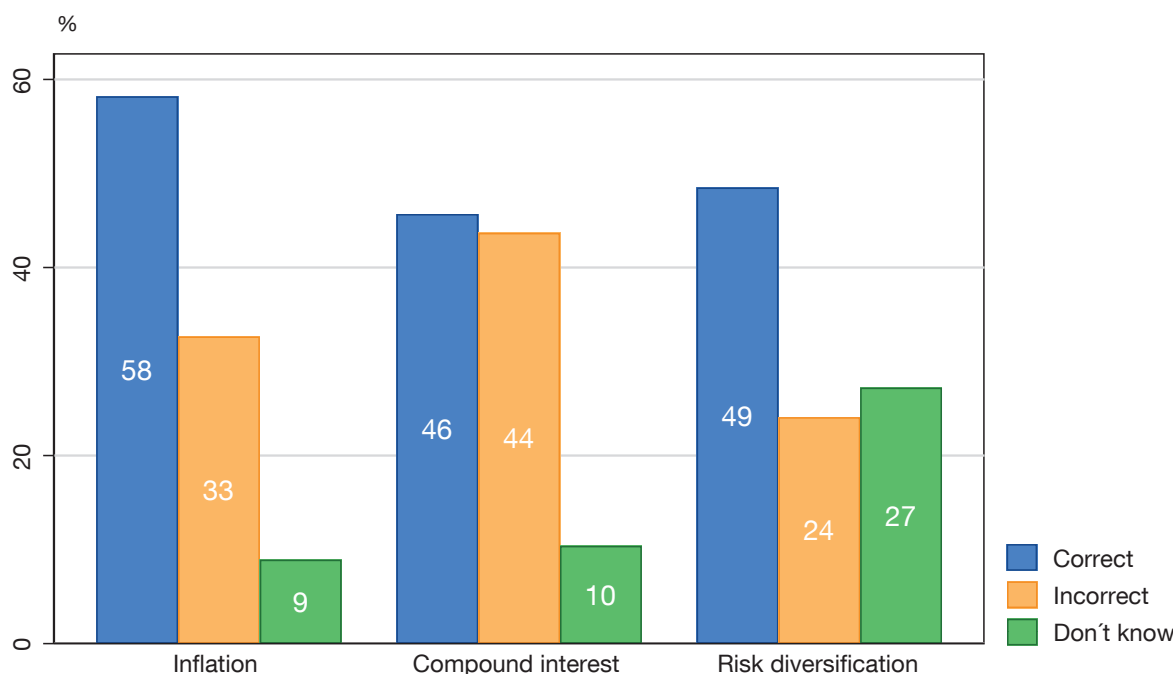


## 2 FINANCIAL LITERACY OF THE SPANISH POPULATION AGED 18 TO 79

Financial literacy is measured in this report through three questions used previously in several international studies and which are described in Box 1.<sup>3</sup> Responding correctly to the first question (inflation) requires understanding that an amount of money loses purchasing power when prices rise. To answer the second question correctly, the interviewee must realise that the changes to an amount saved in an account over five years depends not only on the annual interest rate applied to the amount saved the first year, but also on the interest accrued thereafter. Finally, the third question measures whether it is understood that the risk associated with investing in equities diminishes if a broad range of shares is acquired rather than a single type of share.

The percentage of interviewees answering the inflation question correctly is 58% (see Chart 1), while less than half of the interviewees respond correctly to the question on compound interest (46%) or to that on risk diversification (49%). The percentage of individuals responding “don’t know” is 9% for

**Chart 1. REPLIES TO FINANCIAL LITERACY QUESTIONS (%)**



<sup>3</sup> In addition to featuring in the INFE questionnaire, these questions have been used in several countries for the past decade. See the evidence in A. Lusardi and O. Mitchell (2014), “The Economic Importance of Financial Literacy: Theory and Evidence”, *Journal of Economic Literature*, 52(1), pp. 5-44.

**Table 2. PERCENTAGE OF REPLIES TO FINANCIAL LITERACY QUESTIONS**

	Inflation (a)			Compound interest			Risk diversification		
	Correct	Incorrect	Don't know	Correct	Incorrect	Don't know	Correct	Incorrect	Don't know
<b>TOTAL</b>	<b>58</b>	<b>33</b>	<b>9</b>	<b>46</b>	<b>44</b>	<b>10</b>	<b>49</b>	<b>24</b>	<b>27</b>
<b>AGE</b>									
18-34	49	43	7	46	47	7	43	34	23
35-44	59	34	7	50	44	5	51	23	26
45-54	65	29	7	48	44	7	54	22	23
55-64	63	28	9	46	41	12	53	19	28
65-79	57	25	17	36	40	24	42	18	39
<b>GENDER</b>									
Male	63	31	6	50	43	7	55	24	21
Female	54	35	11	42	44	14	42	25	33
<b>EDUCATION</b>									
Primary	48	38	14	39	42	19	38	24	38
Secondary	61	33	6	48	46	5	51	25	24
University	70	26	4	53	44	2	60	24	16
<b>LABOUR MARKET STATUS</b>									
Self-employed	65	30	5	52	44	5	57	23	21
Employee	61	33	6	50	44	5	52	25	23
Unemployed	51	39	10	41	47	11	46	25	29
Retired	60	26	14	39	42	19	47	19	34
Other inactive	51	36	13	40	41	18	38	27	35
<b>HOUSEHOLD STRUCTURE</b>									
Lives with partner	60	31	9	46	43	10	50	22	27
Lives with other adults, without partner	54	36	9	44	46	10	43	30	27
Does not live with other adults	56	33	11	46	41	13	50	23	27
<b>TOTAL HOUSEHOLD INCOME</b>									
Up to €14,500	47	39	14	39	43	18	39	25	36
From €14,501 to €26,000	58	33	9	46	45	10	47	25	28
From €26,001 to €44,500	67	28	4	49	47	4	55	25	20
Over €44,500	75	22	3	58	39	3	69	19	13
<b>HOUSEHOLD PROPERTIES</b>									
Does not own main residence	54	37	9	46	44	11	45	25	29
Owns only main residence	54	35	10	45	43	12	46	25	29
Owns main residence and others	67	27	7	47	45	8	55	22	23
<b>REGION</b>									
Andalusia	53	33	13	41	43	15	44	25	31
Aragon	74	20	6	57	38	5	67	16	17
Asturias	66	23	10	45	42	14	47	23	29
Balearic Islands	50	46	3	51	40	9	52	21	26
Canary Islands	60	31	8	40	51	9	48	24	28
Cantabria	70	27	3	49	46	5	49	24	27
Castile-Leon	54	36	10	47	45	8	46	25	29
Castile-La Mancha	58	35	7	44	41	15	39	33	27
Catalonia	55	34	10	48	41	10	49	23	28
Valencia Region	58	37	5	48	46	5	47	24	29
Extremadura	50	35	14	42	40	18	46	21	33
Galicia	65	26	9	38	46	16	45	21	34
Madrid Region	62	32	6	46	45	8	56	24	20
Murcia Region	51	40	9	47	44	10	46	23	31
Navarre	70	26	4	52	41	7	53	26	21
Basque Country	65	27	8	50	44	6	53	24	23
La Rioja	61	28	11	52	37	11	52	24	23

(a) For the sake of clarity, the percentage for NA is not included in the table. The related percentages were 0.2% for the inflation question, 0.2% for the compound interest question and 0.2% for that on risk diversification. However, these observations are not excluded from the calculations, meaning that the sum of the categories may be lower than 100.



the inflation and compound interest questions, but climbs to 27% in the question on risk diversification. The final Box compares the percentage of correct replies to these questions in Spain with that of similar surveys in other countries.<sup>4</sup>

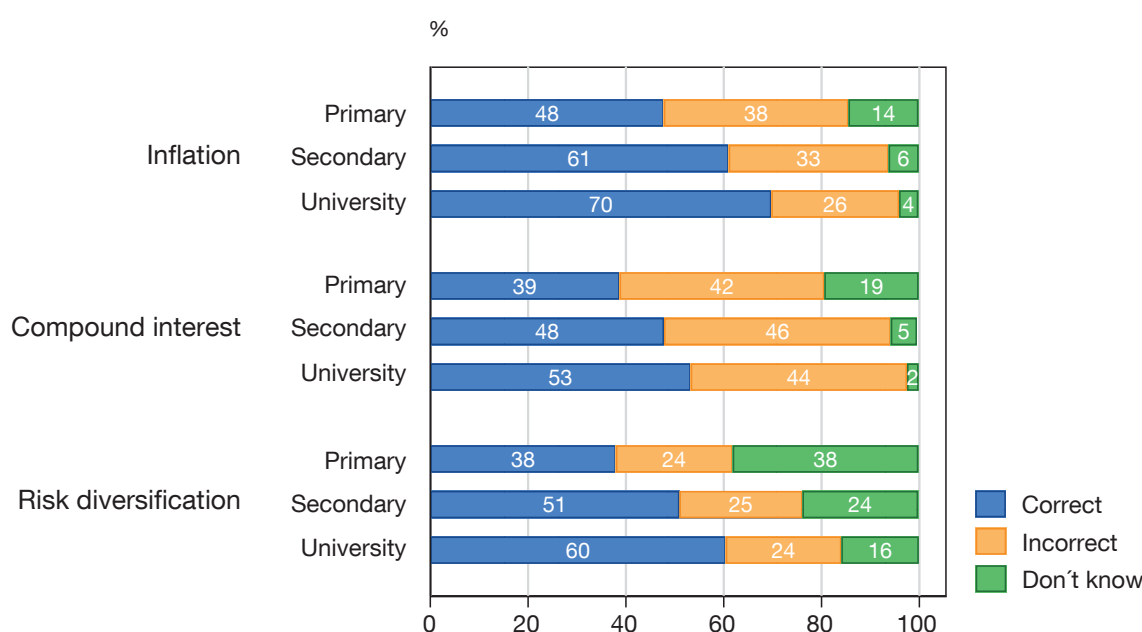
With regard to the demographic characteristics of the interviewees, two patterns common to the distribution of the correct replies to the three questions are detected.

Firstly, the percentage of correct replies to each of the questions is around 10 pp lower for women than for men (see Table 2). At least half of this difference is due to the fact that, in each of the questions, women respond more often with a “don’t know” than men. Box 4 analyses these differences in greater detail.

Secondly, the percentage of correct replies depends on the interviewee’s educational level. 70% of university graduates answer the inflation question correctly, and for the compound interest and diversification questions the figures are 53% and 60%, respectively. The percentage of correct replies among individuals with a university education exceeds that of those with primary schooling by between 14 pp (in the question on compound interest) and 22 pp (in the other two – see Chart 2). The percentage of correct replies increases commensurately with household income, rising similarly with educational attainment.

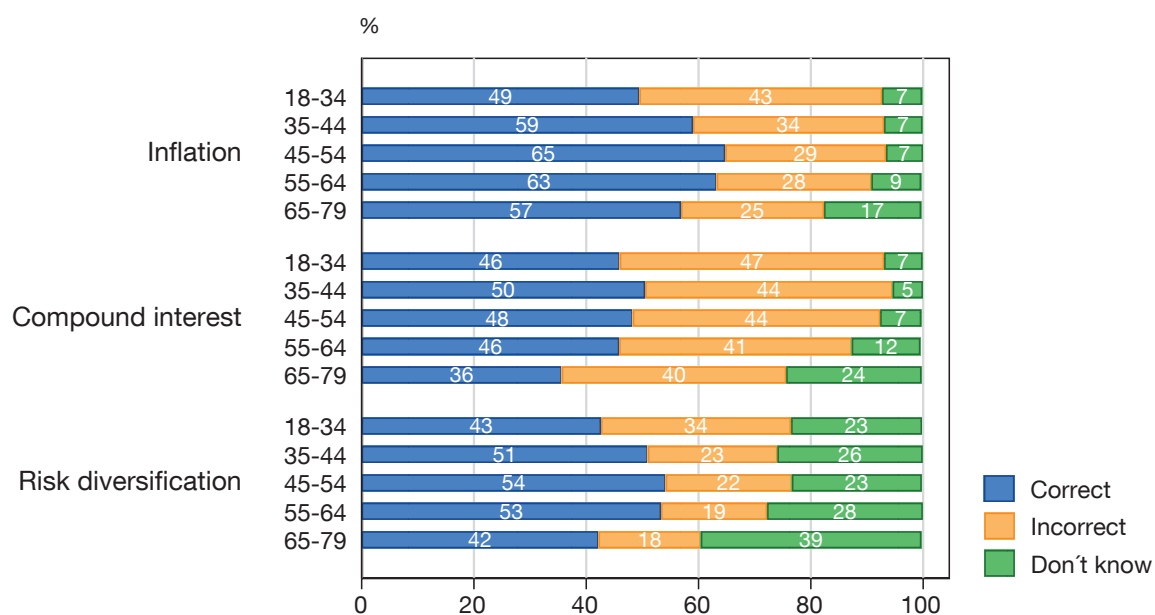
There are different response patterns to questions when comparing across different age groups (see Chart 3). In the case of the question on inflation, the group with the lowest percentage of correct replies is that of individuals under the age of 35 (49%). The proportion of correct replies increases with age up to the 65% achieved by 45-64-year-olds, falling by 8 pp among the over-65s.

**Chart 2. REPLIES TO FINANCIAL LITERACY QUESTIONS (%), BY EDUCATIONAL LEVEL**



<sup>4</sup> The questions mentioned refer to the handling of personal finances and not so much to economic literacy in general. Box 3 discusses the replies to the three economic literacy questions also included in the ECF.

Chart 3. REPLIES TO FINANCIAL LITERACY QUESTIONS (%), BY AGE



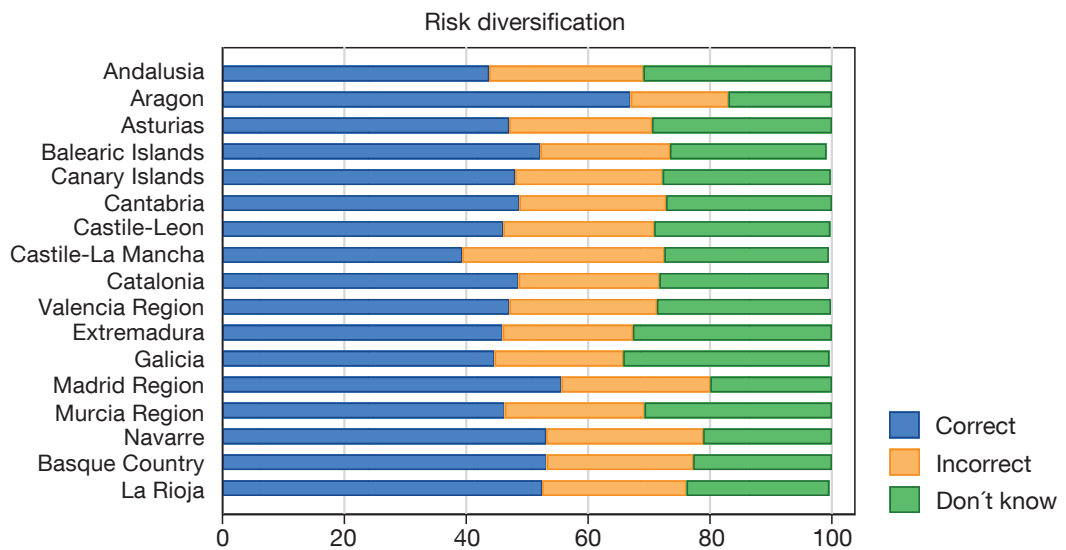
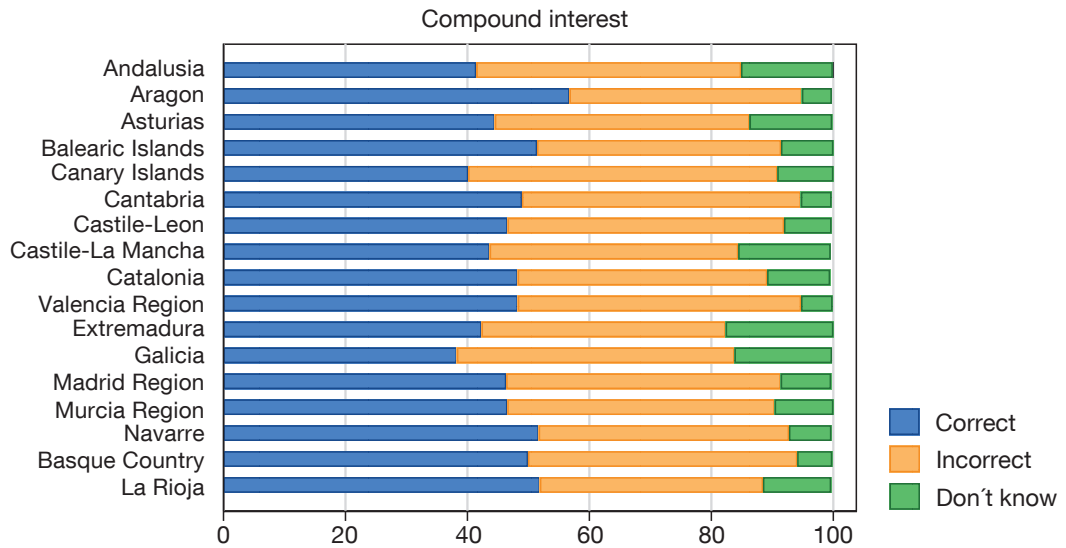
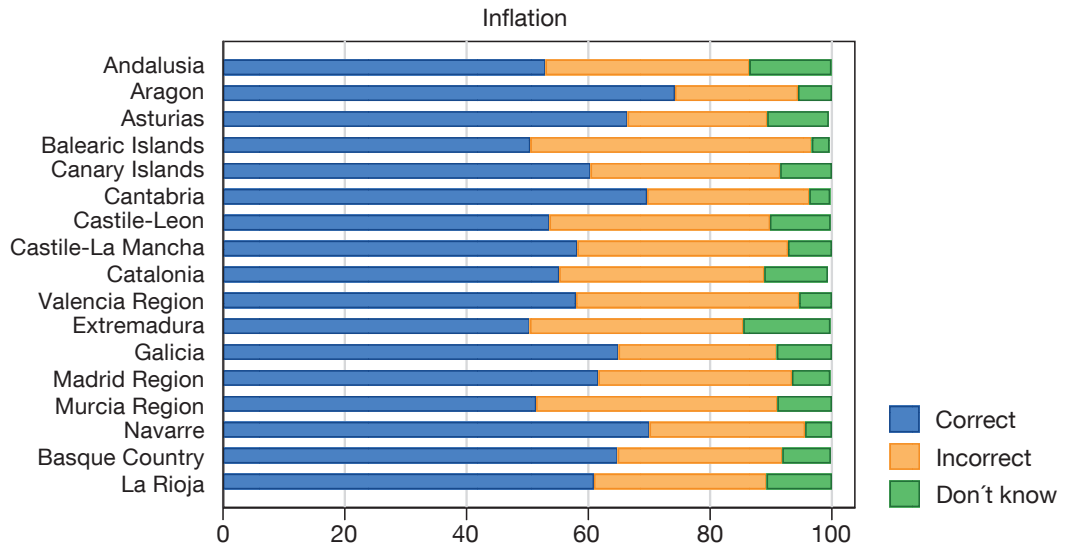
These marked age-related differences ease off considerably in the question on compound interest, since in all age groups below 64 the percentage of correct replies to this question stands at around 46-50%, but it falls to 36% among the over-64s. As regards the question on the possibility of diversifying risk by purchasing varied shares, the percentage of correct replies among those aged 35 to 64 is slightly higher than 50%, but it is around 43% both for the under-35s and the over-65s. In all the questions the percentage responding “don’t know” is higher among the over-65s, rising to 39% in the question on risk diversification. Some international studies have documented how generations that have lived through high-inflation episodes know the consequences better than those who have experienced stable-inflation periods. This hypothesis would explain why the over-65s are more aware of inflation effects than young people.<sup>5</sup>

The specific financial literacy of individuals may depend to some extent on the type of household in which they live. Thus, the percentage of correct replies to the questions on inflation and risk diversification is 6-7 pp lower among those who live with other adults who are not their partner than in the group of adults that live with their partner. In this group, namely interviewees who reside with other adults who are not their partner, 61% are in the 18-35-year-old bracket and 72% live with their parents.

Finally, financial literacy varies from region to region (see Chart 4). The percentage of correct replies to the inflation question is 50% in Extremadura and the Balearic Islands, but 70% or higher in Aragon, Cantabria and Navarre. As regards the correct replies to the question on the compound interest rate, the dispersion is lower, with the percentage of correct replies standing at approximately 40% in Galicia and the Canary Islands, and at 50% in the Balearic Islands, La Rioja, Navarre and Aragon. Finally, the percentage of individuals responding correctly to the question on risk diversification varies between 39% in Castile-La Mancha and 67% in Aragon.

<sup>5</sup> T. Bucher-Koenen and A. Lusardi (2011), “Financial Literacy and Retirement Planning in Germany”, *Journal of Pension Economics and Finance*, Volume 10(4), pp. 565-584.

Chart 4. REPLIES TO FINANCIAL LITERACY QUESTIONS, BY REGION (%)



**Table 3. PERCEPTION OF OWN FINANCIAL LITERACY**

Percentage of the population

	Very low	Fairly low	Average	Fairly or very high	Don't know/no answer
<b>TOTAL</b>	<b>17</b>	<b>29</b>	<b>46</b>	<b>8</b>	<b>0</b>
<b>AGE</b>					
18-34	12	30	49	9	0
35-44	12	26	52	9	0
45-54	15	28	47	9	0
55-64	22	30	43	6	0
65-79	31	29	35	5	1
<b>GENDER</b>					
Male	15	27	48	10	0
Female	20	30	44	6	0
<b>EDUCATION</b>					
Primary	30	31	36	3	0
Secondary	9	30	52	9	0
University	7	25	55	13	0
<b>LABOUR MARKET STATUS</b>					
Self-employed	12	25	51	11	0
Employee	11	28	51	9	0
Unemployed	20	30	44	5	0
Retired	27	28	38	6	1
Other inactive	24	31	38	6	0
<b>HOUSEHOLD STRUCTURE</b>					
Lives with partner	17	28	47	8	0
Lives with other adults, no partner	16	31	45	8	0
Does not live with other adults	22	26	42	10	0
<b>TOTAL HOUSEHOLD INCOME</b>					
Up to €14,500	28	30	38	4	0
From €14,501 to €26,000	16	32	46	6	0
From €26,001 to €44,500	9	25	55	10	0
Over €44,500	5	24	54	17	0
<b>HOUSEHOLD PROPERTIES</b>					
Does not own main residence	18	27	47	8	0
Owns only main residence	20	30	44	6	0
Owns main residence and others	14	28	48	9	0
<b>REGION</b>					
Andalusia	21	29	43	7	0
Aragon	13	28	52	7	0
Asturias	19	33	42	6	0
Balearic Islands	19	24	46	10	0
Canary Islands	19	25	47	8	1
Cantabria	15	31	47	7	0
Castile-Leon	15	30	49	6	0
Castile-La Mancha	21	28	45	6	0
Catalonia	14	27	52	7	0
Valencia Region	19	28	43	10	0
Extremadura	21	27	46	6	0
Galicia	20	31	42	6	1
Madrid Region	12	30	47	11	0
Murcia Region	19	25	49	7	0
Navarre	19	31	43	7	0
Basque Country	22	31	40	7	0
La Rioja	21	28	46	5	0

As can be seen, even in those regions where a higher percentage of individuals answers the financial literacy questions correctly, a significant proportion of the population is unfamiliar with one or more of these concepts. For example, even in Aragon, the region with the highest percentage of correct replies to the compound interest question, 43% of the population does not know the answer or does not respond correctly. A portion of the cross-regional differences observed may be associated with different demographic composition and different educational levels, variables which, as seen, are related to the level of financial literacy.

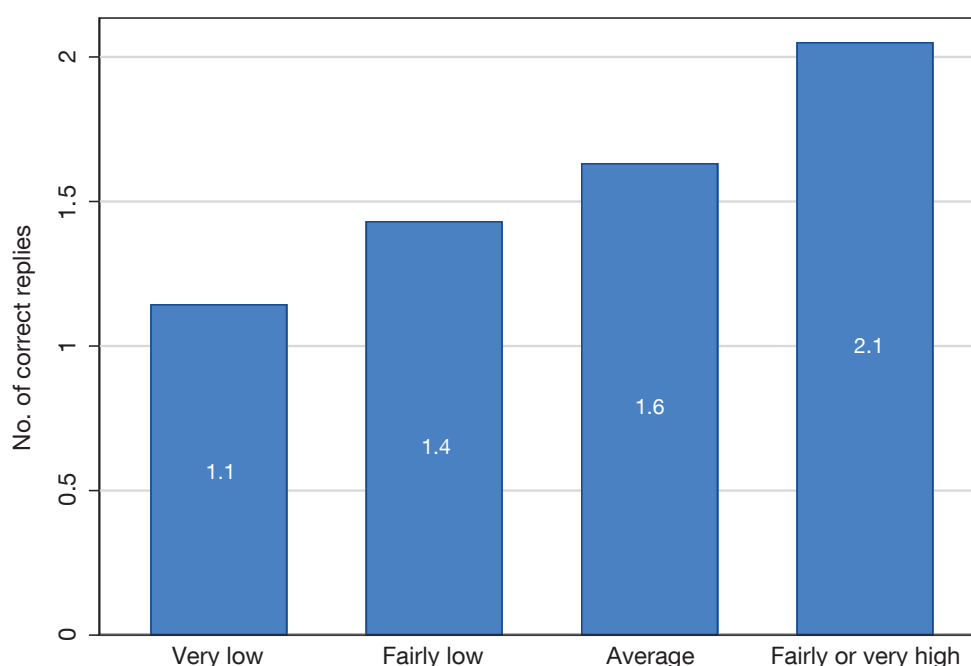
Given the percentage of individuals who respond incorrectly to the foregoing questions, it is worth asking how the population perceives its own financial literacy. Insofar as such literacy were perceived to be high, but actually the basic notions in respect of inflation, interest rates and diversification are lacking, there would be a concern that population groups might invest in risky products or incur debt without being in possession of the basic tools.

In the interview, before starting the financial literacy section, individuals are asked to assess how they perceive their own level of financial literacy (see Table 3).

Almost half the population (46%) perceives its literacy to be “low” or “very low”. A further 46% says it is “medium” and only 8% declare their financial literacy to be “high” or “very high”. On average, those who say their financial literacy is very low reply correctly to 1.1 of the 3 questions asked, while those declaring their literacy to be high or very high answer 2.1 questions correctly (see Chart 5).

The groups who perceive their financial literacy to be low or very low largely coincide with those who give the wrong answer to the questions on inflation, compound interest and risk diversification.

**Chart 5. SUM OF CORRECT REPLIES TO FINANCIAL LITERACY QUESTIONS, ACCORDING TO PERCEPTION OF OWN KNOWLEDGE**





# Box 3

## Economic literacy

The ECF also includes three questions on general economic literacy that are not frequent in financial competences surveys.

First, a question is asked on the uses to which cash can be put. 43% of interviewees correctly reply that money makes it easier to purchase and sell goods, a percentage which increases with the age of the interviewee. 34% of the under-35s answer this question correctly and the percentage increases to 52% among the over-64s. The percentage of correct replies stands at around 42% for all levels of educational attainment (these percentages are not shown in Chart B3.1).

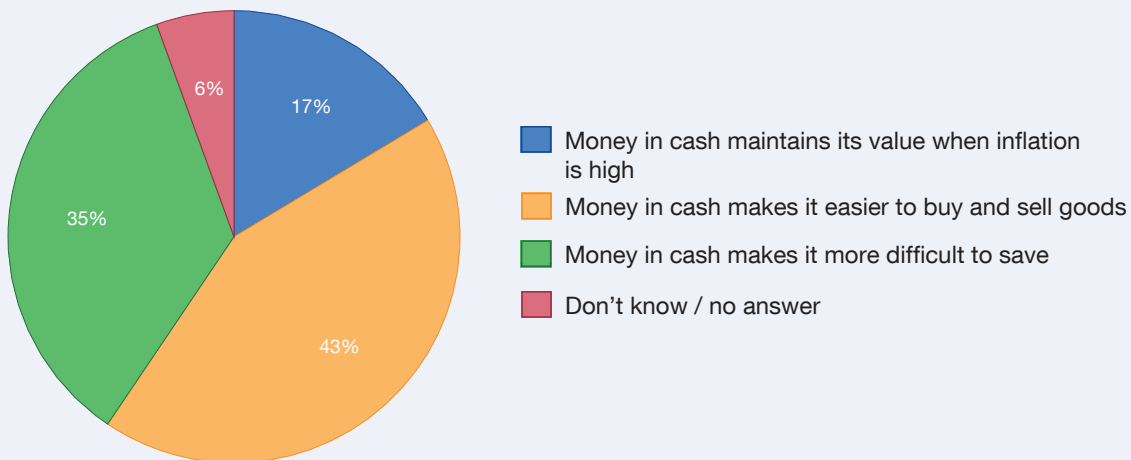
Next it is asked which group may benefit most from an unexpected increase in inflation: a household that has a fixed-rate mortgage, a bank that has lent money at a fixed rate, or a household that lives off the returns on fixed-income assets. 32% correctly reply that a household that has a

fixed-rate mortgage benefits from an unexpected increase in inflation, and 15% do not know or do not reply. The percentage of correct replies is around 35% among interviewees aged 35 to 64, standing at around 25% among the under-35s and over-64s. The percentage of correct replies increases with educational level: while 22% of interviewees with primary schooling reply correctly, the percentage among interviewees with a university education is 44%.

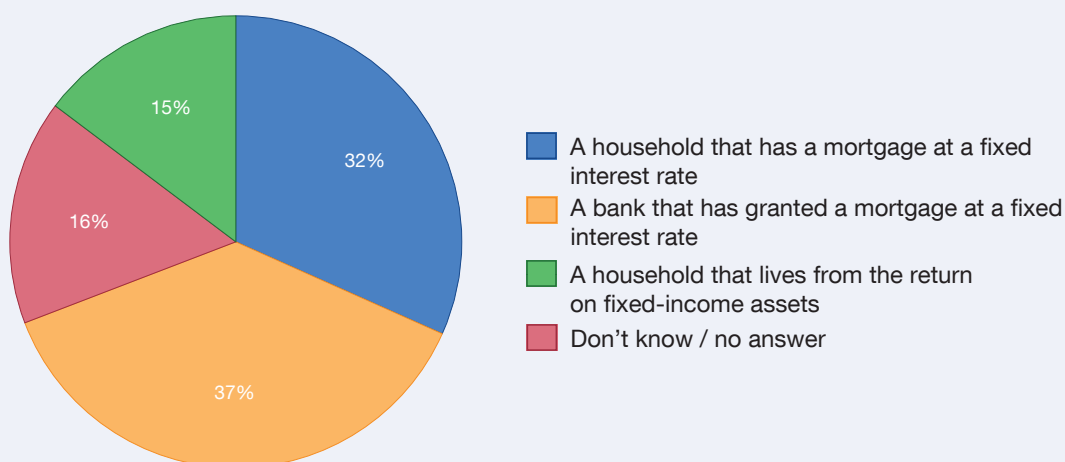
Lastly, more than half the interviewees (52%) rightly consider that firms, consumers and governments determine the goods and services that are produced in Spain. The percentage of correct replies diminishes with age (standing at 65% in the group aged 18 to 34 and 39% among the over-65s) and increases with educational level (40% among interviewees with primary schooling and 65% among those with a university education).

**Chart B3.1: REPLIES TO ECONOMIC LITERACY QUESTIONS**

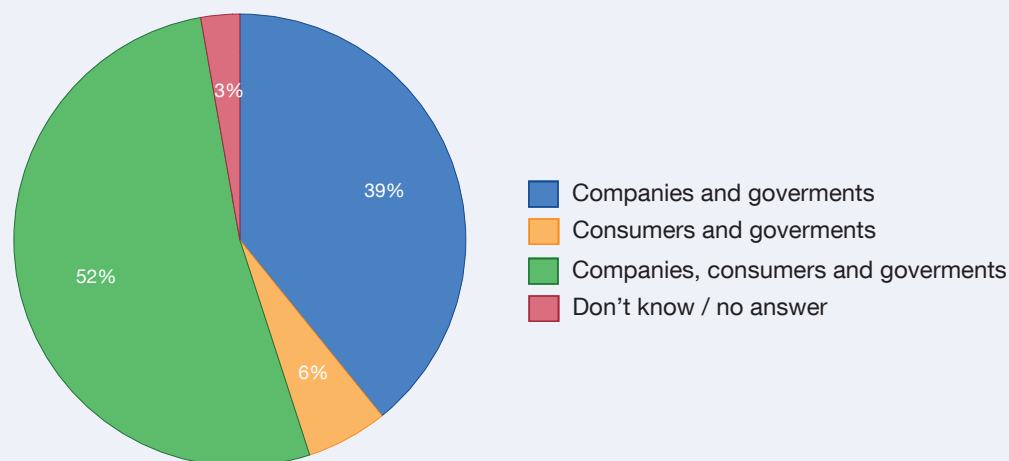
Which statement about money do you consider to be correct?



Which group might benefit most from an unexpected increase in inflation?



Who determines which goods and services are produced in Spain?





# Box 4

## Gender differences in financial literacy

The recent literature has emphasised a significant gender difference in financial literacy.<sup>1</sup> This gap, documented in numerous countries, is found both in simple and in more sophisticated questions on financial literacy. In the United States, the difference between men and women in the likelihood of responding correctly to the three questions is 16 pp; in Germany it is 12 pp, a very similar figure to the 11 pp gap in Spain (see Table B4.1).

Furthermore, it has been observed that while women have less of a propensity than men to respond to the financial literacy questions correctly, they also tend to reply to a greater extent that they do not know the answer to a question, a result which is surprisingly uniform in all countries. Thus, in the United States the percentage of men who reply “don’t know” to at least one of the three questions considered in Table 2 is 34%, while this rises to 50% for women. In Germany these figures stand at 30% and 43%, respectively. In Spain, we find that 26% of men respond at least with a “don’t know” in

<sup>1</sup> See Figure 1b in A. Lusardi and O. Mitchell (2014), “The Economic Importance of Financial Literacy: Theory and Evidence”, *Journal of Economic Literature*, 52(1), pp. 5-44.

**Table B4.1. PERCENTAGE OF CORRECT REPLIES TO THE THREE QUESTIONS ON FINANCIAL LITERACY AND PERCENTAGE OF AT LEAST ONE "DON'T KNOW", BY GENDER AND TOTAL**

	All three correct (a)			TOTAL	At least one "don't know"			TOTAL
	Men	Women	Diff. Men-Women		Men	Women	Diff. Men-Women	
TOTAL	23	12	11	18	26	40	14	33
AGE								
18-34	15	10	5	13	25	33	8	29
35-44	26	14	12	20	24	35	11	29
45-54	29	14	15	21	23	35	12	29
55-64	29	13	16	21	26	42	16	34
65-79	19	9	10	13	36	61	25	49
EDUCATION								
Primary	12	6	6	9	40	54	14	47
Secondary	26	13	13	20	21	37	16	28
University	37	19	18	27	12	25	13	19
HOUSEHOLD STRUCTURE								
Lives with partner	26	13	13	20	25	41	16	33
Lives with other adults, without partner	15	10	5	13	30	36	6	33
Does not live with other adults	24	10	14	17	26	43	17	35
DELEGATES FINANCIAL DECISIONS								
Delegates	13	9	4	11	35	44	9	39
Does not delegate	24	12	12	18	26	40	14	33

(a) The three questions considered are those shown in Table 2, on "inflation", "compound interest" and "risk diversification".

one or more of the three questions, while the percentage rises to 40% for women.

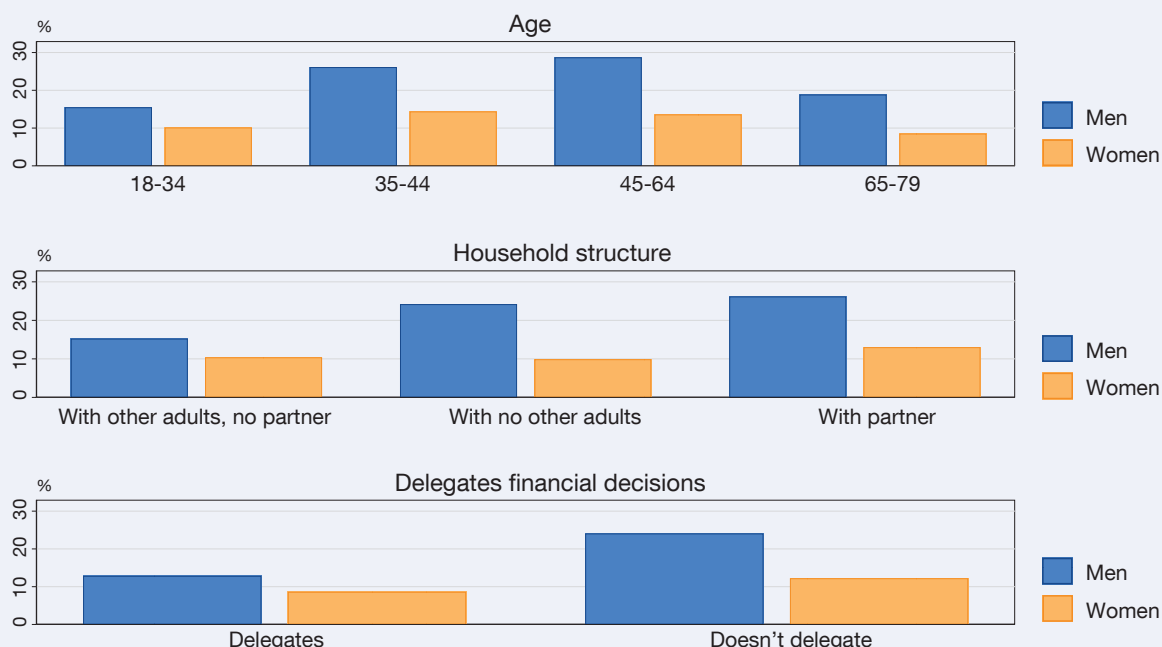
Comparing men and women with similar demographic characteristics, it can be seen that the literacy gaps narrow especially among younger interviewees and among those individuals who live in households with other adults, but without a partner (see Chart B4.1). Indeed, for this group the gap in the percentage of those who reply “don’t know” is also narrower, and is indeed the narrowest.

The group of individuals that live in households with other adults, but without a partner, is associated with the concept of “delegating” financial decisions. Specifically, individuals are deemed to delegate when they have replied “No” in the survey to the following question: “WE WISH TO KNOW WHETHER YOU ARE FAMILIAR

WITH YOUR HOUSEHOLD FINANCES. WE REFER NOT ONLY TO WHETHER YOU KNOW THE OVERALL HOUSEHOLD’S PROPERTIES, FINANCIAL PRODUCTS AND DEBT, BUT ALSO THE REASONS BEHIND SPECIFIC DECISIONS ON SPENDING AND INVESTMENT.” Among individuals living in households with other adults, but without a partner, the percentage of those delegating is 20% while for other family structures it is 2%.

The financial literacy of those who delegate is clearly less than that of the rest of the population (11% answer the three questions correctly and 39% reply with at least one “don’t know”). Moreover, the gender differences in this group are small (4 pp). We can therefore conclude that the gender differences are practically non-existent among those who do not face financial decisions.

**Chart B4.1. PERCENTAGE WITH THREE CORRECT REPLIES TO THE FINANCIAL LITERACY QUESTIONS (%), BY GENDER**



Note: we consider individuals to be delegating when they have responded “No” in the survey to the question “We wish to know whether you are familiarised with your household finances. We refer not only to whether you are aware of the properties, financial products and debts of your household as a whole, but also of the reasons behind decisions on expenditure and investment”.

# 3 KNOWLEDGE AND HOLDING OF FINANCIAL PRODUCTS (INDIVIDUALLY OR JOINTLY)

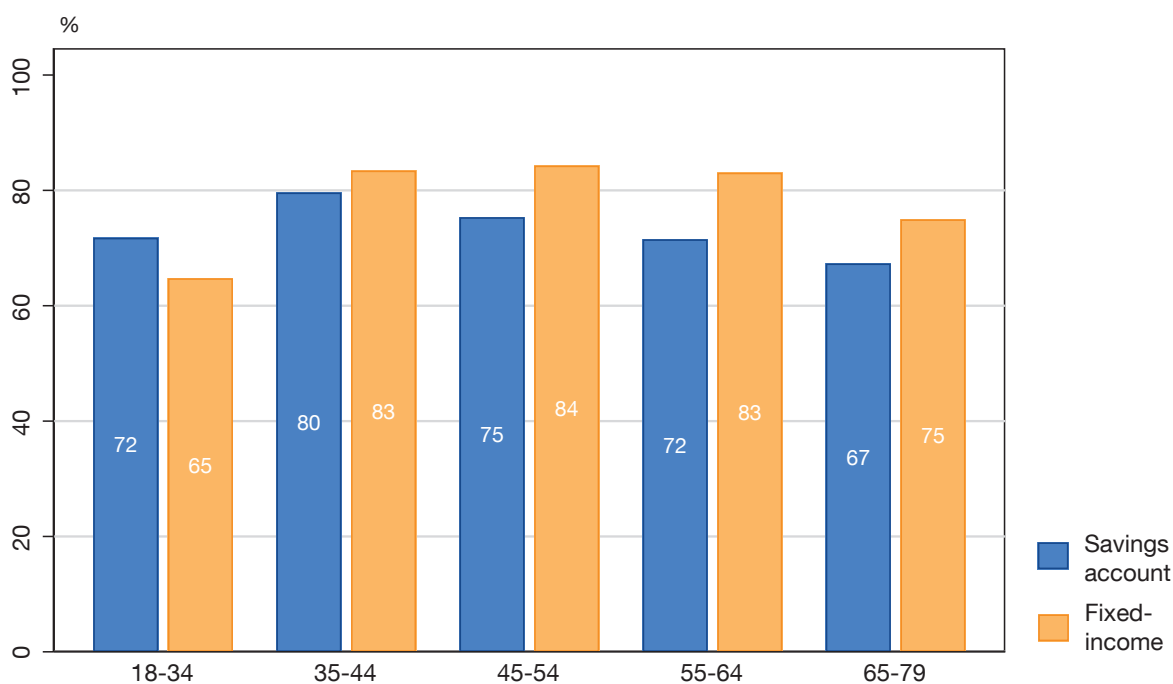
## 3.1 Knowledge of financial products

Along with literacy in general financial concepts, another measure of the population's financial competences is whether they are familiar with different types of savings, insurance, payment and debt vehicles.

As can be seen in Table 4, knowledge of the saving vehicles available differs from product to product. Shares or pension schemes are well-known products; around 90% of the population has heard of them. Three out of four individuals have heard of savings accounts or time deposits (73%) and four out of five are familiar with fixed-income assets (78%). Practically the entire Spanish population is familiar with life or medical insurance, credit cards, mortgages and loans.

Knowledge of the different savings vehicles considered varies across age groups, with relatively low knowledge among 18-35-year-olds and the over-65s, as can be seen in Chart 6. For instance, while 80% of individuals in the 35-44 age group have heard of savings accounts, two out of every three people older than 65 (67%) are familiar with them.

Chart 6. HAVE YOU HEARD ABOUT... (%), BY AGE INTERVAL



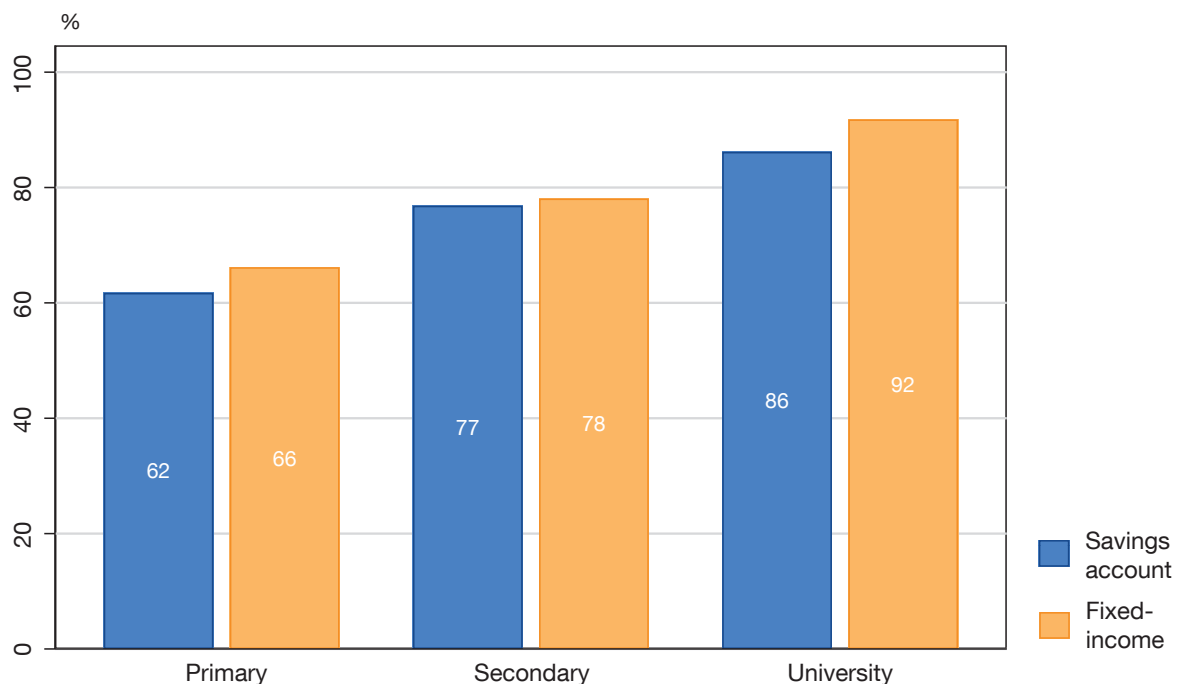
**Table 4. KNOWLEDGE OF FINANCIAL PRODUCTS: have you heard of...?**

Affirmative replies (% population) (a)

	Savings vehicles					Insurance		Means of payment	Debt	
	Savings account	Pension scheme	Investment fund	Shares	Fixed income	Life insurance	Medical insurance	Credit card	Mortgage	Personal loan
<b>TOTAL</b>	<b>73</b>	<b>89</b>	<b>84</b>	<b>90</b>	<b>78</b>	<b>97</b>	<b>95</b>	<b>97</b>	<b>98</b>	<b>95</b>
<b>AGE</b>										
18-34	72	83	80	88	65	97	94	98	98	93
35-44	80	93	88	92	83	98	97	99	99	98
45-54	75	93	88	91	84	98	96	98	99	96
55-64	72	93	88	91	83	97	96	97	98	96
65-79	67	86	80	86	75	94	90	94	97	92
<b>GENDER</b>										
Male	73	90	86	91	80	97	95	97	99	95
Female	74	89	83	88	76	97	94	97	98	95
<b>EDUCATION</b>										
Primary	62	82	74	82	66	94	90	95	97	92
Secondary	77	92	88	93	78	99	97	99	100	96
University	86	97	95	98	92	99	99	99	99	98
<b>LABOUR MARKET STATUS</b>										
Self-employed	78	94	89	92	84	98	96	99	99	99
Employee	79	93	88	93	82	98	97	98	99	97
Unemployed	68	85	78	86	71	97	94	97	99	94
Retired	70	89	83	89	79	95	91	95	98	94
Other inactive	64	82	79	84	66	95	93	97	97	90
<b>HOUSEHOLD STRUCTURE</b>										
Lives with partner	74	91	85	90	80	97	95	97	99	96
Lives with other adults, no partner	71	85	83	89	69	96	94	98	98	93
Does not live with other adults	74	89	82	89	78	97	94	96	97	95
<b>TOTAL HOUSEHOLD INCOME</b>										
Up to €14,500	60	80	72	80	64	94	89	95	96	90
From €14,501 to €26,000	76	91	88	92	79	98	96	98	99	97
From €26,001 to €44,500	85	97	94	97	89	100	99	99	100	98
Over €44,500	89	99	98	99	95	100	100	100	100	99
<b>HOUSEHOLD PROPERTIES</b>										
Does not own main residence	68	83	75	83	66	95	92	97	97	94
Owens only main residence	73	89	85	90	78	97	94	97	99	95
Owens main residence and others	78	94	90	94	84	98	97	98	99	96
<b>REGION</b>										
Andalusia	60	83	74	83	65	94	90	94	98	91
Aragon	81	96	92	95	88	99	98	99	99	99
Asturias	80	93	88	93	85	98	93	97	100	93
Balearic Islands	70	89	81	86	70	98	97	99	98	96
Canary Islands	67	86	85	86	78	98	94	95	99	94
Cantabria	83	95	93	96	86	99	97	99	100	96
Castile-Leon	80	92	86	90	80	97	95	98	99	94
Castile-La Mancha	65	85	82	87	75	95	92	97	97	93
Catalonia	80	90	87	90	80	97	95	98	98	96
Valencia Region	75	89	84	91	80	98	96	99	98	96
Extremadura	73	86	80	84	68	95	91	93	97	92
Galicia	77	91	88	92	81	98	93	99	98	94
Madrid Region	80	95	91	96	85	99	98	99	100	98
Murcia Region	70	89	80	90	74	99	96	99	99	97
Navarre	68	92	88	93	86	98	95	98	99	95
Basque Country	76	94	91	95	84	99	97	99	99	96
La Rioja	81	89	90	93	79	99	95	99	99	97

(a) In this report, instances in which the interviewee DK/NA are not excluded from calculations, but are considered as a non-affirmative reply to the question. The percentage of DK/NA in the questions on knowledge of financial products is below 0.1%.

**Chart 7. HAVE YOU HEARD ABOUT... (%), BY EDUCATIONAL LEVEL**



As shown in Chart 7, there are also differences in terms of educational level in the degree of knowledge about each savings vehicle. For example, 66% of interviewees with primary schooling have heard of fixed-income assets, but among those with a university education, the figure is 92%.

In all the savings vehicles, the percentage of the population familiar with financial products varies also on the basis of their labour market status. The percentage of dependent employees and the self-employed who have heard of the savings vehicles considered is generally higher than that of the unemployed, retirees and other inactive individuals, with the difference being more marked in the case of savings accounts and fixed-income assets.

Distinguishing by region, the percentage of the population that has heard of savings accounts is relatively low in Andalusia, the Canary Islands and Castile-La Mancha (where two-thirds or less of interviewees have heard of the product), while in Aragon, Cantabria and La Rioja around 80% of the population is familiar with the product.

### **3.2 Holding (individually or jointly) of financial products**

A basic measure of financial inclusion is the holding of a current account, an instrument providing for the management of income and payments.<sup>6</sup> 97% of individuals in Spain have this instrument, with account-holdership slightly lower among individuals with primary schooling (96%) and those living in households whose income is lower than €14,500 (94%). As Table 5 shows, current account holdership is similar across all the regions.

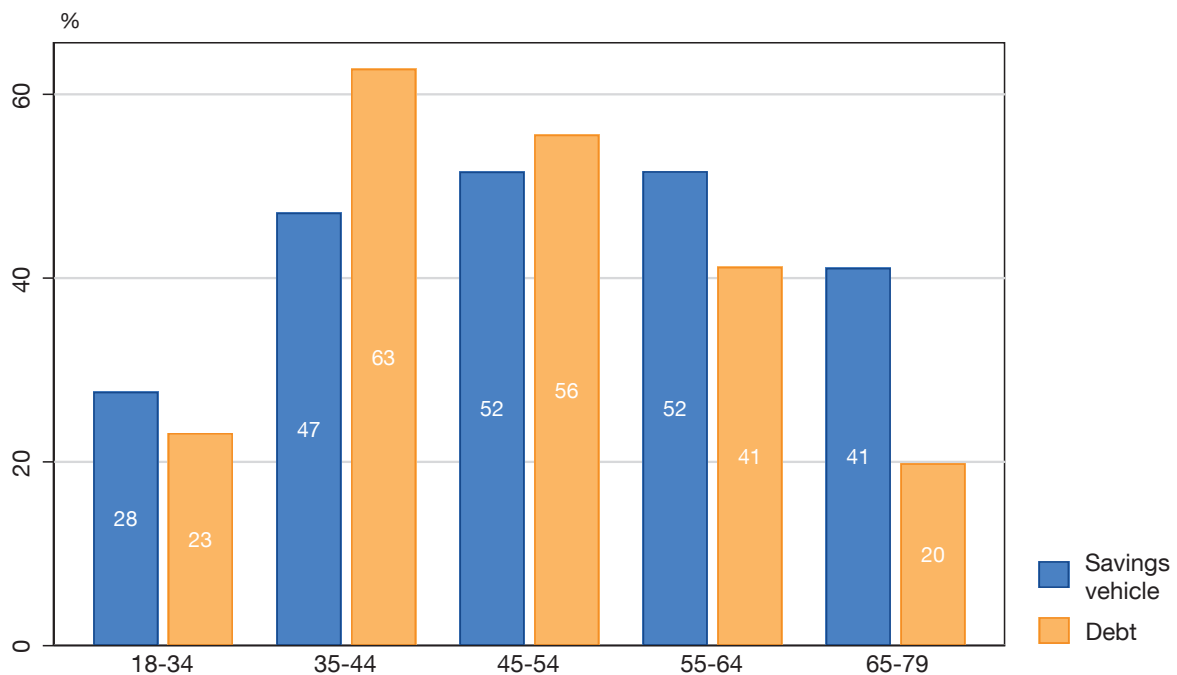
<sup>6</sup> See A. Demirgüç-Kunt, L. Klapper, D. Singer and P. van Oudheusden (2015), *The Global Findex Database 2014: Measuring Financial Inclusion Around the World*, World Bank, Policy Research Working Paper 7255.

**Table 5: HOLDING OF FINANCIAL PRODUCTS: do you individually or jointly have a...?**

Affirmative replies (% population) (a)	Current account	Savings vehicles					Insurance			Means of payment	Debt		
		Any type of savings vehicle	Savings account	Pension scheme	Investment fund	Shares	Fixed income	Life insurance	Medical insurance	Credit card	Any type of mortgage or loan	Mortgage	Personal loan
<b>TOTAL</b>	<b>97</b>	<b>43</b>	<b>26</b>	<b>21</b>	<b>8</b>	<b>13</b>	<b>1</b>	<b>30</b>	<b>21</b>	<b>56</b>	<b>41</b>	<b>32</b>	<b>18</b>
<b>AGE</b>													
18-34	95	28	21	5	2	6	1	22	21	46	23	13	14
35-44	97	47	29	23	7	12	1	45	24	63	63	54	24
45-54	98	52	27	33	10	17	1	40	23	67	56	46	23
55-64	98	52	26	34	12	16	2	27	21	60	41	31	20
65-79	98	41	27	11	13	19	2	12	16	44	20	13	10
<b>GENDER</b>													
Male	97	44	26	23	9	15	1	33	21	58	42	32	20
Female	97	42	26	19	8	11	1	27	21	54	40	32	16
<b>EDUCATION</b>													
Primary	96	30	18	13	5	7	1	21	10	41	35	26	17
Secondary	97	41	25	20	8	13	1	32	22	60	41	31	20
University	99	60	37	31	13	22	2	41	34	73	48	40	18
<b>LABOUR MARKET STATUS</b>													
Self-employed	98	55	28	33	11	21	2	46	34	67	58	46	28
Employee	98	50	30	28	8	13	1	41	25	67	52	42	22
Unemployed	93	29	19	10	4	8	1	21	11	42	35	27	15
Retired	99	44	29	15	14	19	3	15	18	51	25	16	13
Other inactive	95	28	18	8	6	8	1	13	16	40	21	16	9
<b>HOUSEHOLD STRUCTURE</b>													
Lives with partner	98	48	28	25	10	16	1	35	23	61	50	41	21
Lives with other adults, without partner	95	28	19	9	4	7	1	18	17	44	19	11	11
Does not live with other adults	97	43	26	21	10	12	2	26	20	52	37	27	17
<b>TOTAL HOUSEHOLD INCOME</b>													
Up to €14,500	94	22	13	9	3	5	1	18	9	37	31	22	15
From €14,501 to €26,000	98	43	26	18	7	10	1	30	19	58	41	32	20
From €26,001 to €44,500	99	60	37	29	13	20	2	38	30	71	48	39	20
Over €44,500	99	73	43	47	19	33	3	51	46	83	56	48	21
<b>HOUSEHOLD PROPERTIES</b>													
Does not own main residence	94	29	19	11	4	7	1	22	19	46	22	6	19
Owens only main residence	98	41	24	20	6	10	1	32	20	56	49	42	19
Owens main residence and others	99	56	34	29	15	22	2	33	25	63	43	36	17
<b>REGION</b>													
Andalusia	97	33	18	17	5	8	1	27	18	51	42	33	18
Aragon	99	50	29	26	12	16	1	32	18	60	40	31	18
Asturias	97	47	27	23	11	19	0	31	14	54	38	28	19
Balearic Islands	94	41	22	21	9	13	1	36	28	53	41	33	16
Canary Islands	94	32	17	16	5	7	1	29	20	45	41	27	26
Cantabria	98	49	31	20	9	21	2	25	16	60	37	28	15
Castile-Leon	98	53	37	22	13	16	2	31	16	60	38	31	16
Castile-La Mancha	97	33	17	17	7	9	1	23	14	52	37	30	15
Catalonia	97	46	31	22	8	12	1	30	25	60	40	30	19
Valencia Region	97	46	28	20	8	14	1	31	16	55	45	36	21
Extremadura	100	35	23	16	7	11	1	26	15	47	35	30	12
Galicia	99	40	26	17	7	14	1	27	16	52	35	24	19
Madrid Region	97	50	30	23	11	19	2	36	35	63	42	33	18
Murcia Region	97	42	24	21	5	11	2	28	14	48	50	41	17
Navarre	97	51	28	27	13	17	2	34	13	64	43	35	20
Basque Country	99	54	28	34	16	19	1	34	24	65	41	36	10
La Rioja	97	49	33	23	12	17	3	32	17	61	41	30	18

(a) The percentage of DK/NA in the questions on the holding of financial products is below 0.8%.

**Chart 8. HOLDING OF FINANCIAL PRODUCTS (%), BY AGE INTERVAL**



The percentage of individuals holding (individually or jointly) a savings vehicle – a concept including savings accounts, pension schemes, investment funds, shares and fixed-income assets – is 43%. The proportion with some type of savings vehicle increases with age up to the 55-64-year-old group (in which 52% has some type of product), falling to 41% among the over-65s (see Chart 8). This age-based profile, increasing up to 64 years and then diminishing, is also observed both in knowledge of inflation and risk diversification concepts and in having heard about savings vehicles. Holdership of any of the savings vehicles considered increases both with educational level and with household income.

The most frequent savings vehicle is the savings accounts or term deposit, which 26% of individuals have. However, this product is also the least well-known of those considered in this study (27% have not heard of it). Hence, among the population that has heard of savings accounts or term deposits, 35% of them possesses this product (compared with 26% of the total population).

The following most frequent savings vehicle are pension schemes, held by one out of five individuals among 18-79-year-olds. As the vehicle is geared to saving for retirement, the product is more common among those aged 45 to 64 (one out of three people in this age bracket have such a scheme) than among retirees or the under-35s (groups among which one out of nine and one out of twenty, respectively, hold this product). Among 45-64-year-olds it is more common to have a pension plan than a savings account.

The holding of other financial assets is less frequent. The percentage of individuals holding shares or investment funds does not exceed 13%, while only 1% of the population considered owns fixed-income assets. The holding of shares or investment funds is concentrated among individuals in households with an income of over €26,000, approximately one-third of the population with a higher income level.

Although the holding of savings vehicles increases with individuals' educational levels, these differences are particularly marked in the cases of investment funds and shares. Thus, for example, the percentage of individuals holding shares is three times greater among those who have completed a university education than among those whose highest level of attainment is primary education.

30% of individuals have life insurance, and 21% medical insurance. The proportion with life insurance rises to 45% among 35-54-year-olds, and holdership increases with income and level of educational attainment. Having medical insurance increases markedly with educational level and household income, but does not vary greatly across age groups. In the 18-64-year-old bracket 21-24% have medical insurance, with this percentage falling to 16% among the over-65s.

Credit cards offer both ease of payment and the possibility of assuming short-term debt, this latter aspect being discussed in Section 5. 56% of the population has credit cards, this being the most common financial product after current accounts. They are more common among the higher educational, income and property-wealth levels.

Turning to debt, a concept that includes mortgages and personal loans, 41% of the population are holders. In respect of debt-holders, there are two differences with savings vehicle owners. The group that most frequently (63%) has some debt is that of individuals aged 35 to 44, and this percentage diminishes as older groups are considered. This is not the case with savings vehicles, the holding of which increases up to the age of 64. Secondly, although the proportion of indebted individuals increases with their level of educational attainment and with their household income, the differences between these groups are less marked than in the case of savings vehicles. For example, around 20% of the various income or education groups have taken out a personal loan.

**Chart 9. HOLDING OF SAVINGS VEHICLE (%), BY REGION**

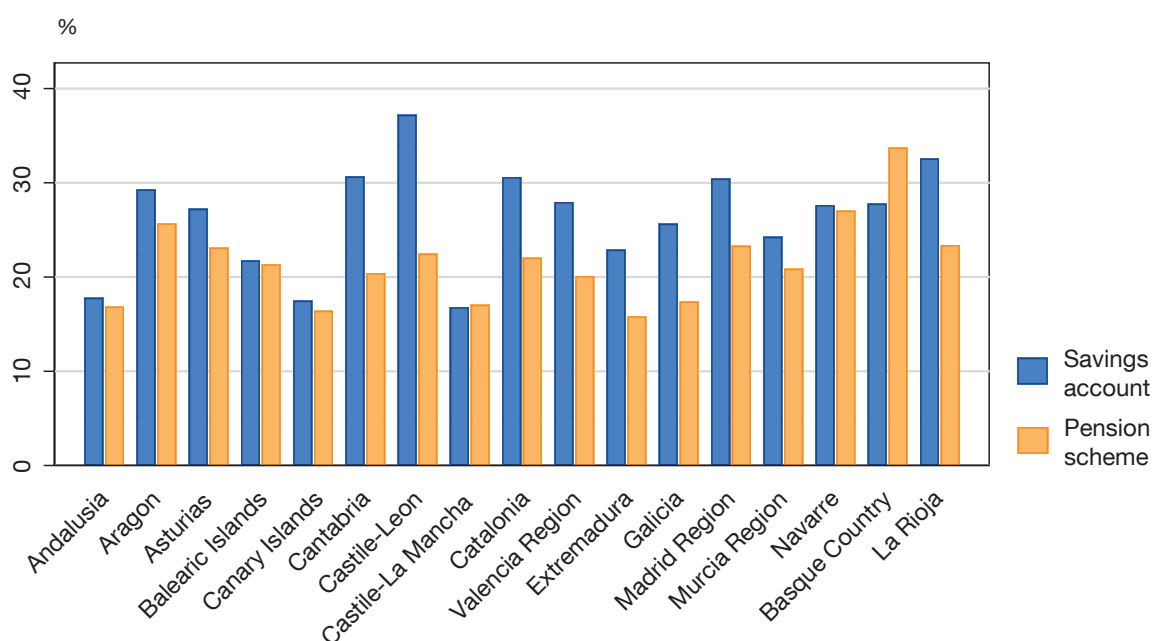
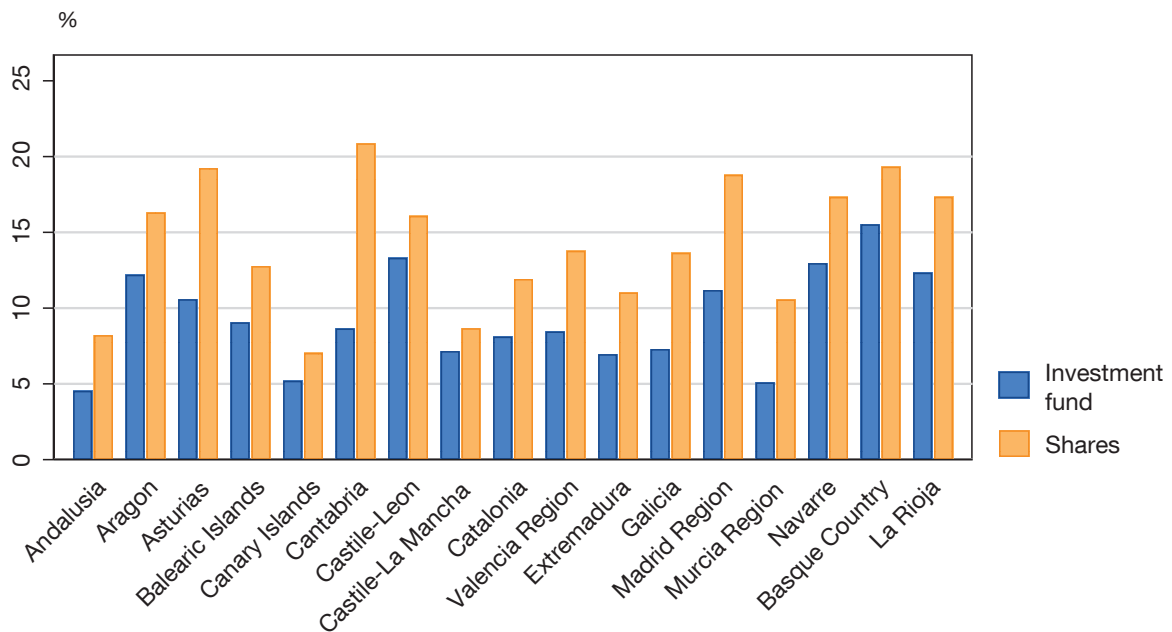




Chart 10. HOLDING OF SAVINGS VEHICLE (%), BY REGION



Finally, the holding of any type of financial product – whether relating to savings, insurance or debt – changes with the structure of the household. Those residing with other adults who are not their partner have a probability of holding a savings vehicle that is 20 pp lower than those who live with their partner. As regards the probability of holding debt or a credit card, the probability is 30 pp and 17 pp lower, respectively. When compared with those not living with other adults, those who reside with adults that are not their partner also have a lower probability of holding a savings vehicle, credit card or debt (15 pp, 8 pp and 18 pp, respectively).

When comparing the regions, Table 5 shows that at least 50% of individuals aged between 18 and 79 have some type of savings vehicle in Aragon, Castile-Leon, Madrid and the Basque Country, whereas in Andalusia, the Canary Islands and Extremadura the percentage is around 35%. Chart 9 shows the differences in the choice of savings vehicles: while over 27% of inhabitants in the Basque Country and Navarre have pension schemes, the holding of savings accounts exceeds 30% in Catalonia, Cantabria and Castile-Leon. While close to 20% of individuals in Cantabria and the Basque Country hold shares, the proportion in the Canary Islands and Castile-La Mancha stands below 10% (see Chart 10). The change from region to region in the proportion of indebted individuals is less marked than it is in the holding of savings vehicles.



# 4 ACQUISITION OF FINANCIAL PRODUCTS AND INFORMATION SOURCES

## 4.1 Acquisition (individually or jointly) of financial products

The ECF contains information not only on the holding of financial products but also on whether such products have been recently acquired and on the information sources Spaniards use when choosing savings, insurance, means-of-payment and debt vehicles.

The proportion of the population that has acquired (individually or jointly) a financial product in the two years prior to the survey is 38%, as shown in Table 6. The most commonly acquired financial product is the credit card (16% of the population has acquired one), followed by personal loans (14%). With regard to savings vehicles, 11% of the population has acquired a savings account in the past two years.

The proportion of individuals aged between 35 and 64 who, in the past two years, have acquired savings vehicles stands at around 20%. This percentage increases with the level of educational attainment and, above all, with household income. The income differences are more marked in the case of shares and investment funds: 2% of individuals with household income below €14,500

**Chart 11. PERCENTAGE ACQUIRING SAVINGS VEHICLES IN THE PAST TWO YEARS, BY LEVEL OF HOUSEHOLD INCOME**

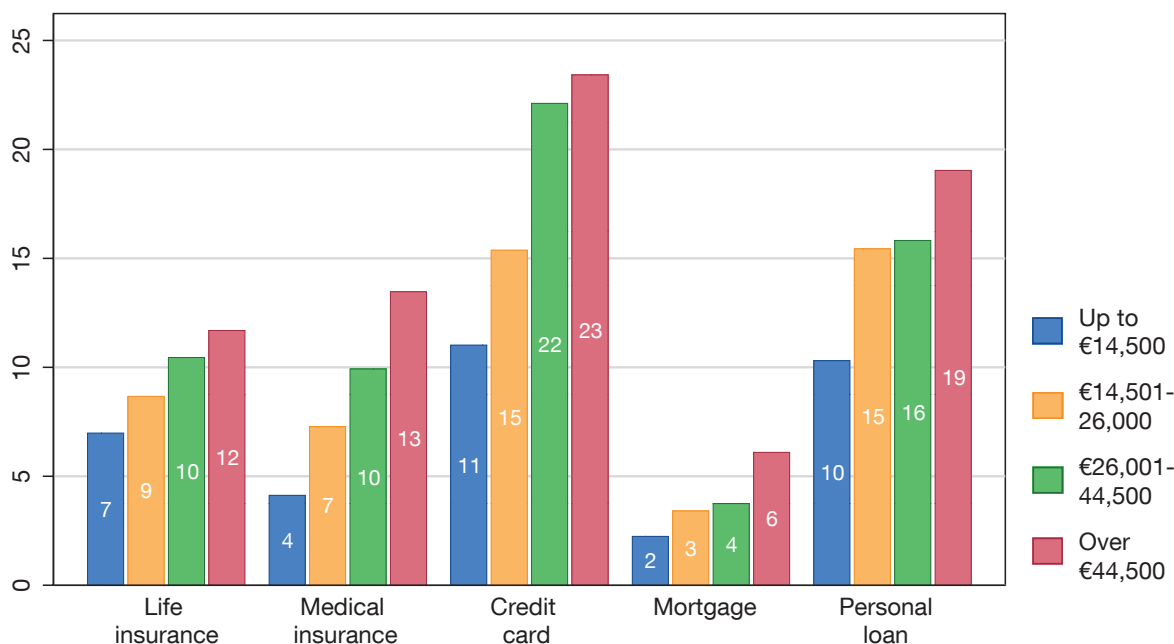


**Table 6. ACQUISITION OF FINANCIAL PRODUCTS:**  
**Have you individually or jointly acquired a... in the past two years?**

Affirmative replies (% population) (a)	Savings vehicles					Insurance			Means of payment	Debt			Memorandum item: have you acquired any of the foregoing financial products
	Any type of savings vehicle	Savings account	Pensions scheme	Investment fund	Shares	Fixed income	Life insurance	Medical insurance	Credit card	Any type of mortgage or loan	Mortgage	Personal loan	
<b>TOTAL</b>	<b>18</b>	<b>11</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>1</b>	<b>9</b>	<b>8</b>	<b>16</b>	<b>17</b>	<b>3</b>	<b>14</b>	<b>38</b>
<b>AGE</b>													
18-34	15	10	2	2	4	0	12	10	20	14	4	12	36
35-44	22	15	4	5	7	1	14	11	21	22	5	18	47
45-54	22	12	5	7	9	1	9	8	17	21	4	17	44
55-64	18	10	3	6	6	1	5	4	12	16	2	15	35
65-79	15	9	1	6	6	1	2	1	8	8	1	7	25
<b>GENDER</b>													
Male	20	12	3	6	8	1	10	8	18	18	3	16	41
Female	17	11	3	4	5	1	8	7	15	15	4	12	36
<b>EDUCATION</b>													
Primary	8	5	1	2	2	0	7	4	11	13	2	12	26
Secondary	17	11	2	4	5	1	11	8	18	19	4	17	40
University	32	20	5	9	12	2	10	12	23	19	5	15	52
<b>LABOUR MARKET STATUS</b>													
Self-employed	25	14	7	6	10	1	17	14	26	28	7	24	52
Employee	23	15	4	6	7	1	11	10	20	21	4	17	45
Unemployed	11	6	1	3	4	0	8	5	12	13	3	11	29
Retired	18	11	1	7	7	1	3	2	10	10	1	10	30
Other inactive	11	7	0	2	3	0	4	6	12	8	1	7	25
<b>HOUSEHOLD STRUCTURE</b>													
Lives with partner	20	13	3	6	7	1	10	8	16	19	4	16	41
Lives with other adults, without partner	13	8	1	2	4	0	7	6	17	10	2	8	30
Does not live with other adults	19	12	3	5	6	1	7	7	16	15	2	14	36
<b>TOTAL HOUSEHOLD INCOME</b>													
Up to €14,500	8	5	1	1	2	0	7	4	11	12	2	10	25
From €14,501 to €26,000	15	9	2	4	4	0	9	7	15	18	3	15	37
From €26,001 to €44,500	26	17	4	8	9	1	10	10	22	19	4	16	47
Over €44,500	43	24	8	13	20	2	12	13	23	23	6	19	61
<b>HOUSEHOLD PROPERTIES</b>													
Does not own main residence	14	9	3	3	4	1	11	10	17	16	1	15	34
Owens only main residence	15	10	2	4	5	1	7	6	14	17	4	15	35
Owens main residence and others	26	15	3	8	10	1	9	8	19	17	5	13	45
<b>REGION</b>													
Andalusia	14	9	3	3	4	1	8	8	17	18	4	16	37
Aragon	20	11	2	5	8	0	7	7	14	16	2	14	41
Asturias	21	13	1	6	9	0	9	6	14	17	3	15	40
Balearic Islands	19	11	3	6	7	2	15	10	16	19	3	16	40
Canary Islands	18	11	4	3	6	1	11	9	20	22	3	20	41
Cantabria	25	13	3	7	15	1	7	6	16	11	3	8	37
Castile-Leon	21	13	4	6	8	0	8	6	17	14	4	12	38
Castile-La Mancha	14	8	3	3	4	0	7	7	13	13	4	10	30
Catalonia	17	11	2	5	5	1	8	8	15	18	3	15	35
Valencia Region	19	11	4	5	5	1	9	7	19	17	3	16	43
Extremadura	14	9	2	4	5	1	7	6	17	11	4	9	33
Galicia	19	12	3	4	6	1	9	6	13	15	3	13	35
Madrid Region	24	15	3	8	9	1	10	10	18	17	4	14	42
Murcia Region	17	12	4	2	4	1	8	7	20	16	4	12	38
Navarre	24	14	5	7	6	2	9	5	17	16	3	13	44
Basque Country	23	12	4	8	9	1	7	5	9	10	3	7	35
La Rioja	23	16	2	9	7	1	11	8	19	17	3	15	43

(a) The percentage of DK/NA in the questions on acquisition of financial products is below 0.5%.

**Chart 12. PERCENTAGE ACQUIRING INSURANCE, CREDIT CARDS, DEBT, IN THE PAST TWO YEARS, BY LEVEL OF HOUSEHOLD INCOME**



have acquired shares and 1% investment funds, but among individuals with income higher than €44,500 the percentages are 20% and 13%, respectively.

The differences in income levels when it comes to taking out insurance or cards are less marked than in the case of savings vehicles (see Charts 11 and 12). The proportion of those who have acquired life insurance or credit cards diminishes with the age of the individual, and increases with educational level and income.

The differences in terms of educational level and income are also less marked in the acquisition of debt, since the majority of those who have incurred debt in the past two years have done so with a personal loan, and this is a means of indebtedness to which all groups resort. For instance, the proportion of individuals who have taken out a personal loan varies between 10% among interviewees with income below €14,500 and 19% among those with income in excess of €44,500.

#### 4.2 Information sources in the acquisition of financial products

Analysed below are the alternatives considered and the information sources used by those who have acquired financial products in the two years prior to the survey.

Around two out of three people (62%) who have acquired a financial product in the past two years have confined themselves to those offered by a single company or financial institution (see Chart 13). Table 7 shows that when specific financial products are examined, 53% of individuals who have acquired shares in the past two years have considered alternatives from several institutions, while this figures stands at around 29% for those who have taken out credit cards and pension schemes.

**Table 7. ALTERNATIVES CONSIDERED AND INFORMATION SOURCES USED BY THOSE WHO HAVE VOLUNTARILY ACQUIRED A FINANCIAL PRODUCT IN THE PAST TWO YEARS**

Affirmative replies (%) (a)

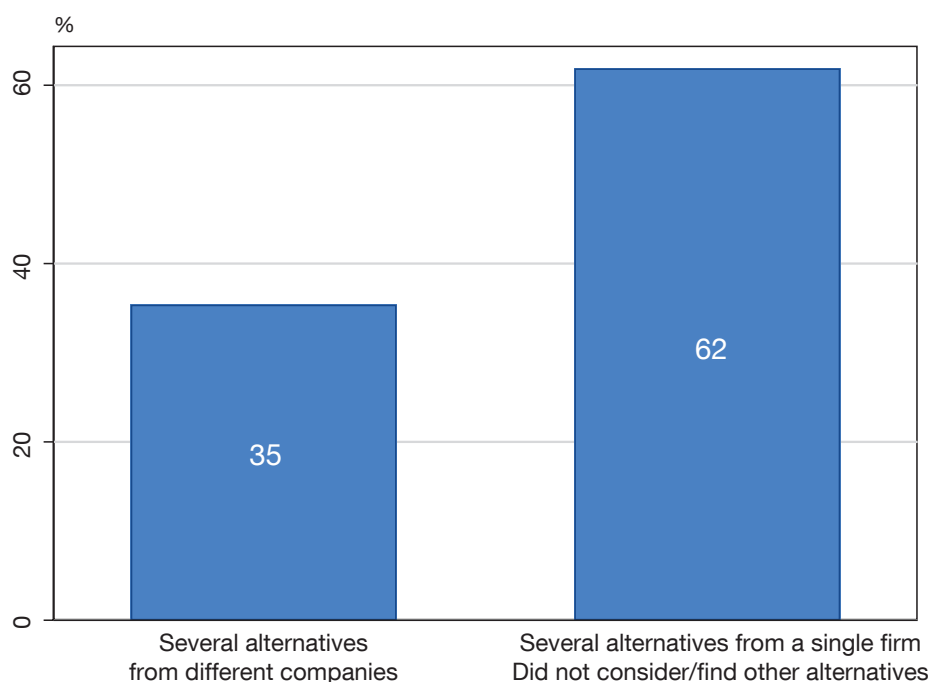
	Savings vehicles (b)				Insurance		Means of payment	Debt		Memorandum item: any type of financial product (previous and fixed-income assets)
	Savings account	Pension scheme	Investment fund	Shares	Life insurance	Medical insurance	Credit card	Mortgage	Personal loan	
Last product acquired in the past two years	12	3	6	8	7	11	24	5	25	100
<b>WHAT ALTERNATIVES DID YOU CONSIDER?</b>										
Several alternatives from different firms	39	29	41	53	37	42	26	59	29	35
Several alternatives from a single firm	35	45	40	21	30	26	35	20	37	33
Did not consider/find other alternatives	24	22	16	22	30	31	37	16	31	29
Don't know	1	2	2	3	3	1	1	4	1	2
<b>INFORMATION PROVIDED BY PROFESSIONAL</b>										
Independent professional gave information	83	89	93	50	77	60	80	92	77	76
<b>WHICH INFORMATION SOURCES WERE MOST INFLUENTIAL IN YOUR ACQUISITION DECISION? (c)</b>										
Specific information on the product ( <i>staff at selling entity, brochures</i> )	78	59	80	50	61	53	67	74	74	67
Comparers or financial professionals ( <i>magazines, public institutions, financial professionals</i> )	11	10	20	27	14	12	9	15	8	12
Contacts from friends, employer	37	43	28	35	43	50	33	34	22	33
Media	10	10	9	27	8	12	10	10	10	12
Previous experience	17	10	16	24	8	13	12	15	17	15

(a) The percentage of DK/NA in the questions on alternatives considered and information sources on financial products is below 3%.

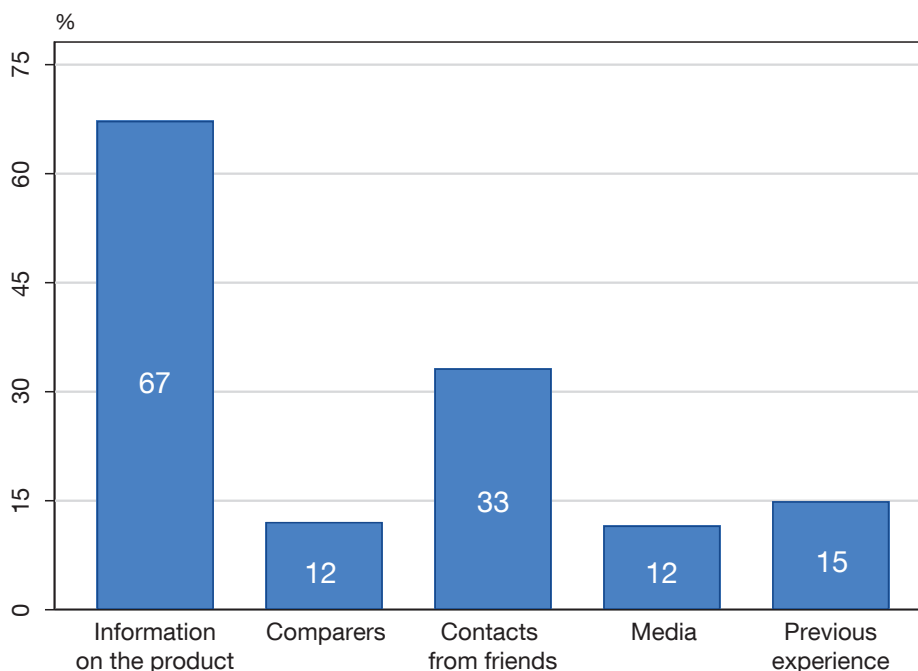
(b) The number of interviewees whose latest acquired product is a fixed-income asset is below 20, which explains why this product is not presented separately.

(c) Multiple response question, meaning the sum of the different information sources may add up to over 100.

**Chart 13. ALTERNATIVES CONSIDERED WHEN ACQUIRING A NEW PRODUCT**



**Chart 14. MOST INFLUENTIAL INFORMATION SOURCES WHEN ACQUIRING A NEW PRODUCT**



As regards information sources when acquiring a financial product, three-quarters of those who have done so (76%) mention having received information from a financial professional. In 84% of cases professionals explained the advantages and disadvantages of the product, and in 52% of cases they provided information about at least two alternative products available on the market. 61% of those who resorted to a professional received a brochure of some type on the characteristics of the savings, insurance or debt vehicle, with these instructions being clear in 83% of cases.

The use of information sources also varies among the different savings vehicles. Hence, 50% of those who have acquired shares in the past two years have received information from a professional while this percentage exceeds 80% in the case of those who have acquired savings accounts, pension schemes or investment funds.

Moreover, 67% of those who have acquired a financial product in the past two years state that the information source most influential in their final decision was the information on that specific product, i.e. that provided by the staff of the company offering the product or through brochures. This percentage varies between 50% of those who acquired shares and 80% of those who acquired investment funds.

Finally, 12% of those who have acquired financial products in the past two years mention product comparers as a significant information source (see Chart 14).<sup>7</sup> Their relative importance amounts to 27% among those who acquired shares, 20% among those who acquired investment funds and is below 10% among those who took out personal loans or obtained credit cards.

<sup>7</sup> This section has focused on the process of acquiring a new product. Box 5 discusses the potential disagreements with financial institutions that arise once the financial product has been acquired.





# Box 5

## Disagreements with financial institutions

The ECF asks interviewees whether they have had disagreements with financial institutions over the past five years for an amount of over €30 that they have not been able to resolve with a telephone call. If they have, they are asked about the type of disagreement, distinguishing between those relating to mortgages, personal loans, cards and means of payment, preferential shares, deposits, insurance and pension schemes.

19% of interviewees say they have had some disagreement of these types with a bank and, within this group, in half the cases they had experienced a problem relating to a savings

product – a concept encompassing preference shares, deposits, insurance, pension schemes and investment funds. The commonest disagreements had to do with interest rates or commission associated with savings accounts and term deposits.

Approximately 30% of interviewees who reported disagreements said these related to mortgage loans, because of floor clauses, payment reduction requests, commission and discrepancies in respect of interest. Similarly, for approximately one-third of the interviewees with disagreements with financial institutions, these related to personal loans and cards.

**Table B5.1. DISAGREEMENTS WITH BANKS: in the past 5 years, have you had any disagreement for an amount over €30 that a phone call could not resolve?**

Affirmative replies (% population)

	Savings and insurance vehicles (a)	Mortgage	Personal loan and credit card	Memorandum item: one or more of the foregoing (b)
<b>TOTAL</b>	9	6	7	19
<b>AGE</b>				
18-34	5	3	6	13
35-44	12	10	9	27
45-54	11	6	9	22
55-64	10	5	6	19
65-79	6	3	3	11
<b>EDUCATION</b>				
Primary	7	4	5	15
Secondary	8	6	8	20
University	11	7	8	23
<b>TOTAL HOUSEHOLD INCOME</b>				
Up to €14,500 euros	7	5	5	16
From €14,501 to €26,000	8	6	7	19
From €26,001 to €44,500	11	6	9	22
Over €44,500	10	8	8	22

(a) The percentage of DK/NA in the questions on the type of disagreement with financial institutions in the past five years is 1.9%.

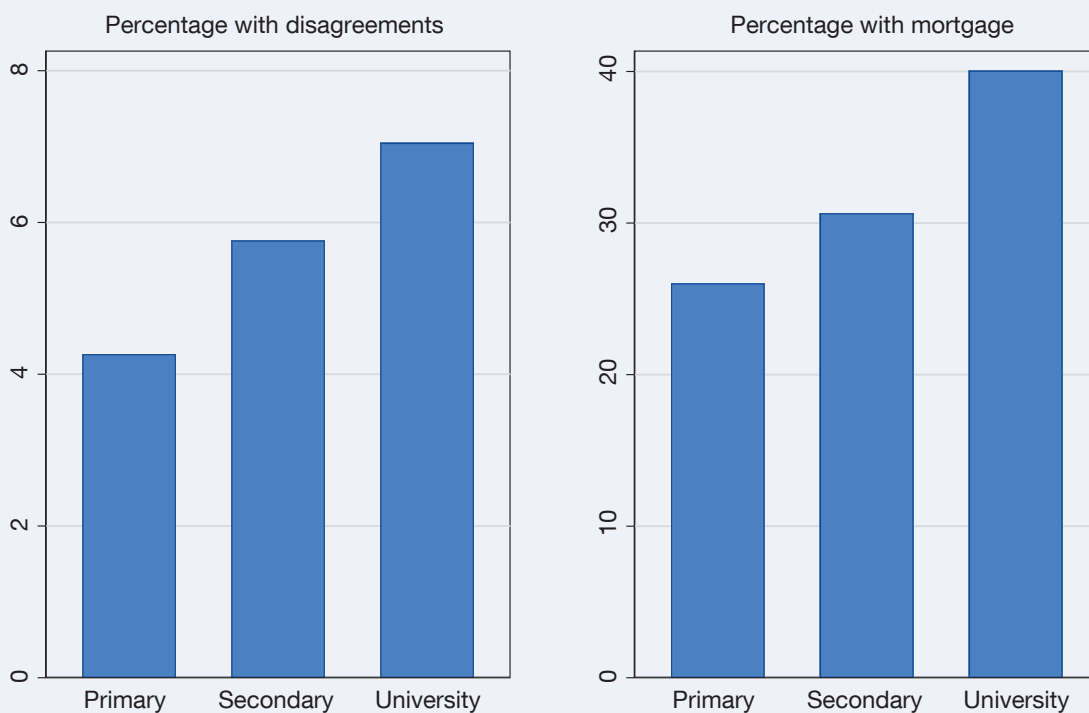
(b) The question on what type of disagreements there have been in the past five years is a multiple response question; accordingly, the sum of the different disagreements may be greater than 100.

Disagreements over savings products are more common among interviewees aged 35 to 64. The incidence of such disagreement in respect of savings products also increases with the educational level of the interviewee: it is 7% among interviewees with primary schooling and 11% among those with a university education. In both cases, it is important to bear in mind that the holding of savings products (savings accounts, pension schemes, investment funds, shares or bonds) follows a similar pattern to that of the likelihood of disagreement by age or education group.

The probability of having a mortgage loan-related disagreement with the financial institution

increases with educational level in a similar fashion to that of the probability of having mortgage loans (see Chart B5.1). Within the group of interviewees who have a mortgage, the percentage that has had a disagreement with a financial institution in association with this financial product stands at around 13% for all the educational groups considered. Conversely, as shown in Table 2, lower levels of financial competences are more common in groups with a lower educational level. It does not therefore seem that groups with less financial literacy are those that have a greater probability of entering into disagreement with financial institutions, although a more detailed analysis is needed here.

**Chart B5.1. PERCENTAGE OF MORTGAGE-RELATED DISAGREEMENTS AND PERCENTAGE OF THE POPULATION WITH A MORTGAGE (%), BY EDUCATIONAL LEVEL**



# 5 USE OF FINANCIAL PRODUCTS

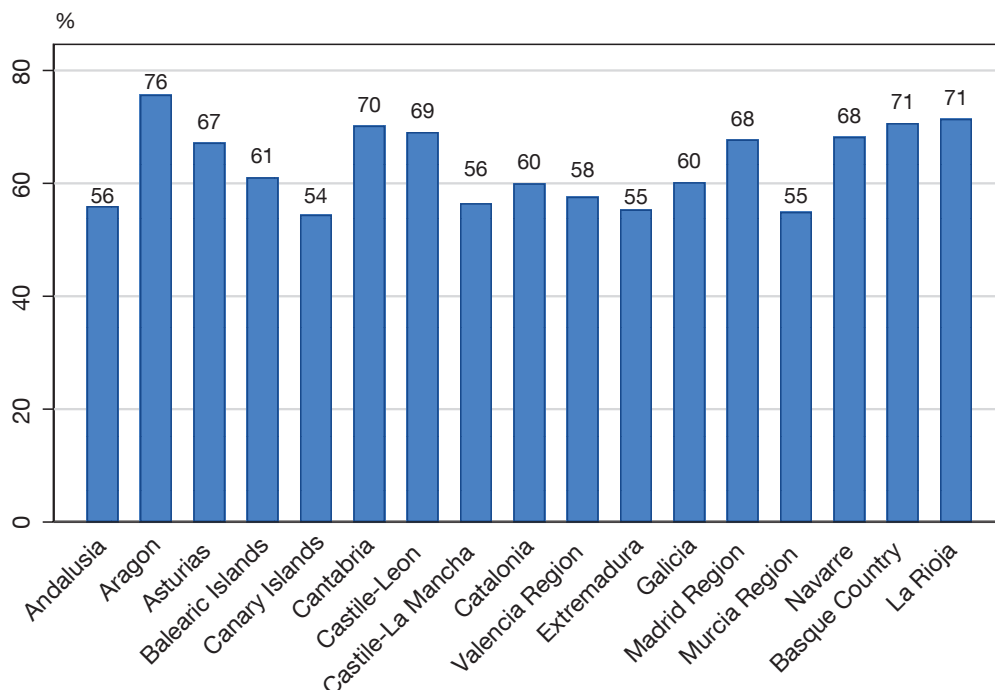
## 5.1 Vehicles used for saving

The ECF asks interviewees whether they have been saving over the past 12 months, either by means of using the financial vehicles considered in Table 5, of purchasing properties other than the main residence or, finally, of saving in cash or giving money to family members so that they may save it. Table 8 shows that 61% of individuals say they have been saving through one more of these means over the past 12 months. Moreover, 8% of interviewees claim not to have saved but to be paying a mortgage loan for the acquisition of property.

The possibilities of saving and the means of formal or informal saving vary across the different groups of the population. The percentage of individuals who have saved diminishes with age, and increases with educational level and household income.

The most frequent means of saving, mentioned by 63% of those doing so, consists of accumulating funds in a current account. The percentage of the population that uses other financial vehicles to channel their saving is lower: 14% use their savings account in this connection, while 11% mention having contributed to their pension scheme in the past 12 months.

**Chart 15. HAVE BEEN SAVING IN PAST 12 MONTHS (%), BY REGION**



**Table 8. VEHICLES USED FOR SAVING**

Affirmative replies (% population) (a)

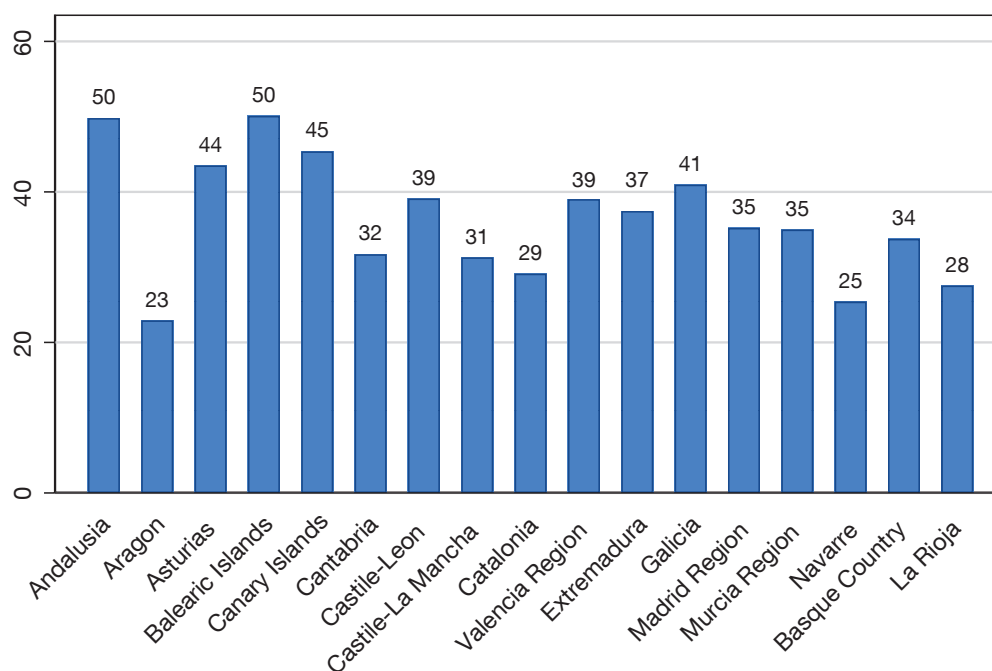
	Have been saving in past 12 months	Means of saving if have saved over the past 12 months (b)						
		Current account	Saving account	Pension scheme	Investment fund (c)	Acquisition of property other than the main residence	Cash	Giving to family members so they can save / remittances
<b>TOTAL</b>	<b>61</b>	<b>63</b>	<b>14</b>	<b>11</b>	<b>5</b>	<b>3</b>	<b>38</b>	<b>6</b>
<b>AGE</b>								
18-34	77	57	11	2	2	1	54	9
35-44	67	64	17	12	6	3	37	5
45-54	58	64	16	21	8	4	30	3
55-64	50	65	13	21	6	3	25	5
65-79	45	72	14	3	8	2	26	4
<b>GENDER</b>								
Male	64	63	14	11	6	3	38	5
Female	59	63	14	10	5	2	38	6
<b>EDUCATION</b>								
Primary	44	61	9	6	3	2	37	6
Secondary	67	57	12	8	4	2	48	7
University	80	67	19	15	8	3	33	4
<b>LABOUR MARKET STATUS</b>								
Self-employed	66	59	14	18	5	6	40	4
Employee	73	66	18	13	6	2	31	5
Unemployed	47	50	9	5	3	1	53	8
Retired	49	71	15	5	9	3	28	3
Other inactive	55	58	6	4	2	2	55	7
<b>HOUSEHOLD STRUCTURE</b>								
Lives with partner	60	65	15	13	7	3	32	4
Lives with other adults, without partner	67	57	10	5	3	1	53	8
Does not live with other adults	58	65	17	10	5	3	35	7
<b>TOTAL HOUSEHOLD INCOME</b>								
Up to €14,500	41	54	6	3	2	1	49	9
From €14,501 to €26,000	64	63	11	9	3	1	38	5
From €26,001 to €44,500	77	66	18	13	7	3	34	4
Over €44,500	87	70	23	22	12	5	28	3
<b>HOUSEHOLD PROPERTIES</b>								
Does not own main residence	58	54	14	6	4	2	46	12
Owens only main residence	56	66	13	11	5	0	36	3
Owens main residence and others	70	65	15	14	7	6	35	4
<b>REGION</b>								
Andalusia	56	56	10	10	2	2	50	5
Aragon	76	74	18	12	9	3	23	4
Asturias	67	64	14	14	11	5	44	5
Balearic Islands	61	61	9	11	5	4	50	9
Canary Islands	54	53	13	11	4	3	45	8
Cantabria	70	67	12	11	10	1	32	6
Castile-Leon	69	72	13	11	6	2	39	4
Castile-La Mancha	56	72	7	10	3	5	31	4
Catalonia	60	63	17	12	6	2	29	7
Valencia Region	58	61	16	10	4	3	39	6
Extremadura	55	63	12	8	4	2	37	1
Galicia	60	67	11	8	5	3	41	4
Madrid Region	68	62	18	10	6	3	35	6
Murcia Region	55	63	11	8	3	2	35	7
Navarre	68	73	19	16	7	4	25	3
Basque Country	71	67	13	13	9	2	34	5
La Rioja	71	76	23	13	11	3	28	5

(a) The percentage of DK/NA in the question on vehicles used to save is 0.5%.

(b) Multiple response question, meaning the sum of the different means of saving may add up to over 100. The replies are percentages within the group that has actually been saving.

(c) The "contribute to investment fund" category also includes acquiring shares or fixed-income assets.

**Chart 16. HAVE BEEN SAVING IN CASH (% OF THOSE WHO HAVE SAVED), BY REGION**



A significant proportion of individuals saves outside the financial system. For example, 38% of the population who save do so in cash and, to a differing extent, this means of saving is observed in practically all age, education or income groups, rising to 53% among the unemployed or inactive. 9% of those who have been saving have given money to family members so that they may save it or send remittances, behaviour which is analysed in greater detail in Box 6.<sup>8</sup>

Charts 15 and 16 illustrate the cross-regional differences both in the proportion of individuals who have saved over the past 12 months and in the savings vehicles used. The proportion saving stands at around 55% in the Canary Islands, Extremadura and Murcia, while it exceeds 70% in Aragon, the Basque Country and La Rioja. Moreover, around half of those who save in Andalusia and the Balearic islands accumulate cash, while this proportion does not reach 30% in Aragon, Catalonia, La Rioja and Navarre.

## 5.2 Spending outpacing income and the financing thereof

Financial inclusion among the Spanish population is also reflected in the means of financing spending when this exceeds income (see Table 9). Given that a series of expenditures are common to several household members, the unit of analysis in this sub-section is the household in which the interviewees reside. 28% of individuals live in households whose expenditure has exceeded their income in the 12 months prior to the survey. With the exception of the over-65s, the percentage varies little across age groups, but is relatively higher among the groups with a low level of educational attainment, where it stands at 35%, and among those who live in households with income of less than €14,500, where it is at 44%.

<sup>8</sup> Specifically, Box 6 compares the financial competences of those born in Spain and of those born abroad.

**Table 9. HOUSEHOLD SPENDING EXCEEDING HOUSEHOLD INCOME AND FINANCING THEREOF**

Affirmative replies (% population) (a)

	Spending has exceeded income in past 12 months	What did you do the last time your spending exceeded your income? (b)				
		Obtained secured loan or used credit card	Personal loans (incl. pawns)	Savings	Informal credit (friends, employer)	Unauthorised use of overdraft or payment deferrals
<b>TOTAL</b>	<b>28</b>	<b>13</b>	<b>9</b>	<b>51</b>	<b>35</b>	<b>15</b>
<b>AGE</b>						
18-34	29	10	10	55	40	15
35-44	31	15	9	47	38	16
45-54	31	16	9	45	35	18
55-64	28	13	8	49	34	12
65-79	21	9	8	63	21	9
<b>GENDER</b>						
Male	26	13	9	52	33	14
Female	30	13	9	49	36	15
<b>EDUCATION</b>						
Primary	35	10	8	45	40	17
Secondary	30	16	11	51	35	14
University	20	17	9	64	24	10
<b>LABOUR MARKET STATUS</b>						
Self-employed	25	19	9	57	22	20
Employee	24	17	12	50	35	12
Unemployed	46	7	6	43	46	18
Retired	20	9	10	63	21	9
Other inactive	33	11	7	52	36	17
<b>HOUSEHOLD STRUCTURE</b>						
Lives with partner	28	14	8	52	32	13
Lives with other adults, without partner	30	11	10	51	37	19
Does not live with other adults	30	9	10	45	46	14
<b>TOTAL HOUSEHOLD INCOME</b>						
Up to €14,500	44	8	8	42	43	19
From €14,501 to €26,000	25	17	11	57	31	11
From €26,001 to €44,500	17	22	10	69	14	8
Over €44,500	11	20	12	73	12	4
<b>HOUSEHOLD PROPERTIES</b>						
Does not own main residence	38	12	10	37	48	20
Owens only main residence	28	13	8	48	35	15
Owens main residence and others	23	13	10	70	22	9
<b>REGION</b>						
Andalusia	35	10	9	44	38	17
Aragon	20	9	9	60	37	10
Asturias	23	14	14	56	42	8
Balearic Islands	36	19	10	50	49	22
Canary Islands	36	13	13	45	37	13
Cantabria	28	9	2	68	22	15
Castile-Leon	24	15	7	61	30	9
Castile-La Mancha	27	11	7	58	33	8
Catalonia	23	17	10	37	35	21
Valencia Region	31	15	9	55	34	16
Extremadura	23	7	4	58	29	12
Galicia	27	15	5	59	35	13
Madrid Region	32	12	10	58	30	11
Murcia Region	26	12	6	47	41	14
Navarre	23	9	1	43	25	28
Basque Country	16	14	7	60	29	13
La Rioja	23	4	17	58	33	19

(a) The percentage of DK/NA in the question on spending exceeding income is 1.6%.

(b) Multiple response question, meaning the sum of the different means of financing the difference between spending and income may add up to over 100. The replies are percentages relating to the last time that spending exceeded income in the past 12 months.

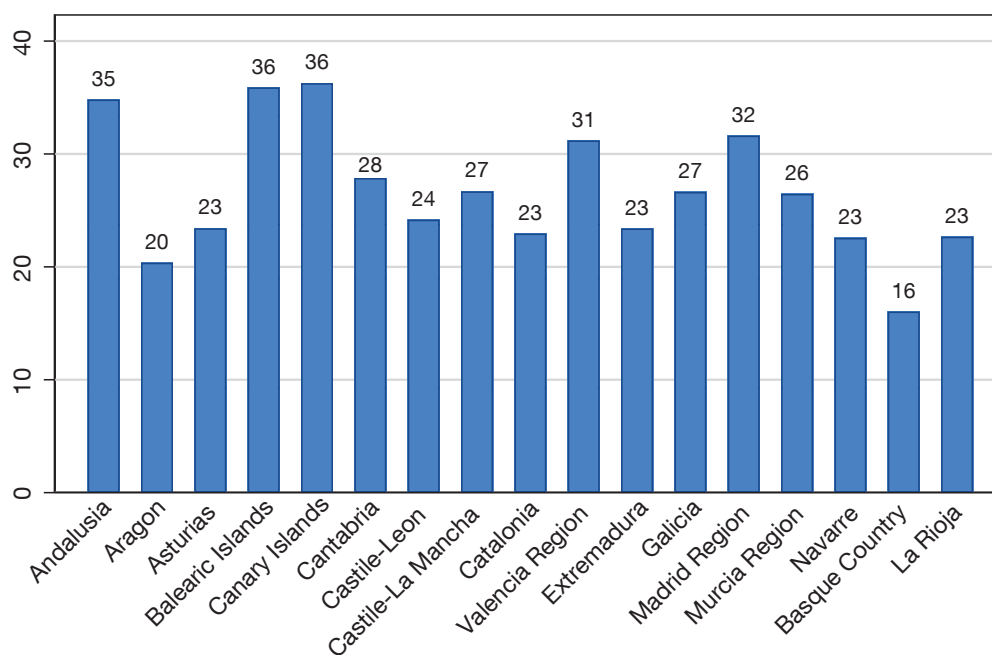
Half of the households whose expenditure exceeded their income (51%) financed the difference by resorting to savings, without necessarily excluding other methods. The second most common source for financing spending above income is credit from friends or family members, which 35% of the households in the population studied used. As regards credit from financial institutions, 13% extended existing credit lines (e.g. they used credit cards to obtain cash, they used a credit line, they extended their mortgage, etc.) and 9% took out new loans.<sup>9</sup>

The resort to credit from friends or, alternatively, from financial institutions, differs from group to group. Extending existing credit is a much more common means among individuals who live in households whose income exceeds €44,500 (in which 20% use a credit card, extend a mortgage, etc.) than among those with income below €14,500 (among whom only 8% extend existing credit). By contrast, the resort to credit from friends or family is more common among the income group below €14,500 (43%) than in the higher income group (used by 12%).

15% of households whose expenditure exceeded their income postponed payments or ran a non-authorized overdraft on their credit card. This percentage rises to around 20% among households who are not the owner-occupiers of their main residence or whose income is below €14,500.

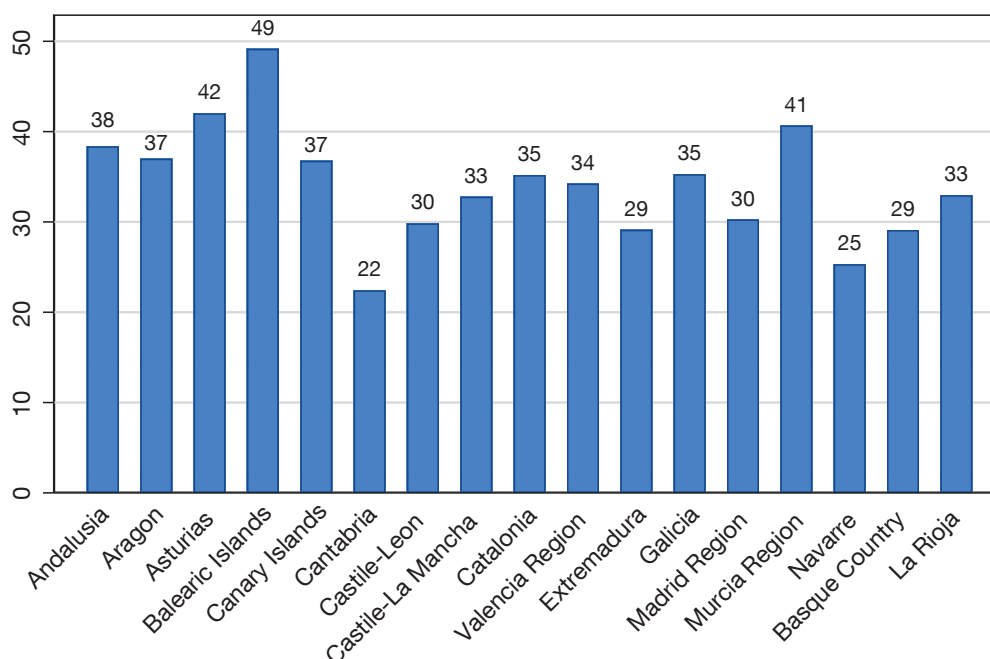
When examining regional patterns in Chart 17, it can be seen that the percentage of individuals who live in households whose spending exceeded their income rose to 36% of the population in the Balearic and in the Canary Islands, while 16% of individuals in the Basque Country and 23% in Extremadura, La Rioja and Navarre found themselves in this situation.

**Chart 17. EXPENDITURE EXCEEDING INCOME IN PAST 12 MONTHS (% OF HOUSEHOLDS), BY REGION**



<sup>9</sup> New loans may be both from financial institutions and from informal lenders, although the percentage of households with expenses exceeding income that resort to the latter is less than 1%.

**Chart 18. RESORTING TO CREDIT FROM FRIENDS OR FAMILY (% OF HOUSEHOLDS WITH EXPENDITURE EXCEEDING INCOME), BY REGION**



The use of credit from friends and family in the event of having to cover expenditure in excess of income varies less across regions than the use of savings in cash. With the exceptions of Cantabria and Navarre (where around 25% resort to credit from friends and family) and the Balearic Islands (where the percentage is 49%), the resort to credit from friends or family in the other regions varies between 30% and 40% (see Chart 18).

As in previous cases, a correct interpretation of these differences across regions requires taking into account the different composition in terms of educational attainment and income, since debt needs depend on current and expected income.

### 5.3 Credit access difficulties

The differences in the holding of debt across population groups may be due to difficulties in gaining access to the credit market or, alternatively, to personal preferences (for example, those of debt-averse individuals).

To determine difficulties in access to the credit market, it is useful to analyse both complete or partial loan application rejections by financial institutions – which would denote a readiness to take on debt that is not satisfied – and other cases in which an application for loans is not submitted because the perception is that it would be rejected. The analysis is at the household level, given that the demand for credit may depend not only on the available resources of each individual, but on all the household members. The time horizon is the two years prior to the survey.

8% of individuals reside in households that have had some type of difficulty in gaining access to credit in the past two years (see Table 10). This percentage diminishes as the individual's



**Table 10. ACCESS TO CREDIT OVER THE PAST TWO YEARS**

Affirmative replies (% population) (a)

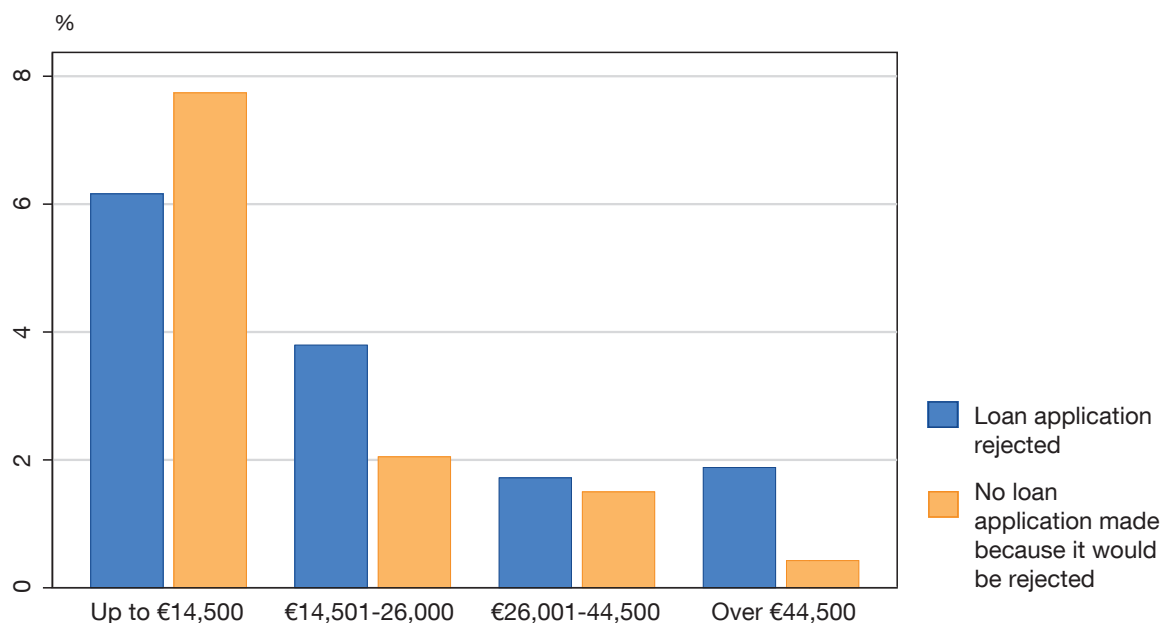
	Over the past two years have you experienced in your household any of the following situations? (b)			
	Your loan application was rejected in full	You applied for a loan and the amount granted was less than that requested	You did not apply for a loan because you would not be granted it	Any of the foregoing
<b>TOTAL</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>8</b>
<b>AGE</b>				
18-34	3	2	4	9
35-44	3	1	5	9
45-54	3	1	4	8
55-64	2	1	4	7
65-79	1	1	2	4
<b>GENDER</b>				
Male	3	2	4	8
Female	3	1	4	8
<b>EDUCATION</b>				
Primary	3	2	5	10
Secondary	3	2	4	8
University	2	1	2	4
<b>LABOUR MARKET STATUS</b>				
Self-employed	4	3	3	9
Employee	3	1	3	7
Unemployed	3	2	8	14
Retired	1	1	2	4
Other inactive	2	1	4	7
<b>HOUSEHOLD STRUCTURE</b>				
Lives with partner	3	1	4	7
Lives with other adults, without partner	2	2	4	8
Does not live with other adults	3	1	4	9
<b>TOTAL HOUSEHOLD INCOME</b>				
Up to €14,500	4	2	8	14
From €14,501 to €26,000	2	1	2	6
From €26,001 to €44,500	1	0	1	3
Over €44,500	1	2	0	2
<b>HOUSEHOLD PROPERTIES</b>				
Does not own main residence	5	3	8	15
Owens only main residence	2	1	4	7
Owens main residence and others	2	1	2	4
<b>REGION</b>				
Andalusia	4	1	6	11
Aragon	2	1	2	5
Asturias	1	1	2	4
Balearic Islands	4	1	6	11
Canary Islands	5	1	8	14
Cantabria	2	1	2	5
Castile-Leon	3	2	2	6
Castile-La Mancha	2	2	3	6
Catalonia	1	2	4	6
Valencia Region	3	2	4	8
Extremadura	2	0	2	4
Galicia	2	2	2	6
Madrid Region	2	1	3	6
Murcia Region	3	1	5	8
Navarre	1	2	3	6
Basque Country	2	1	1	4
La Rioja	2	2	3	6

(a) The percentage of DK/NA in the question on access to credit is 0.4%.

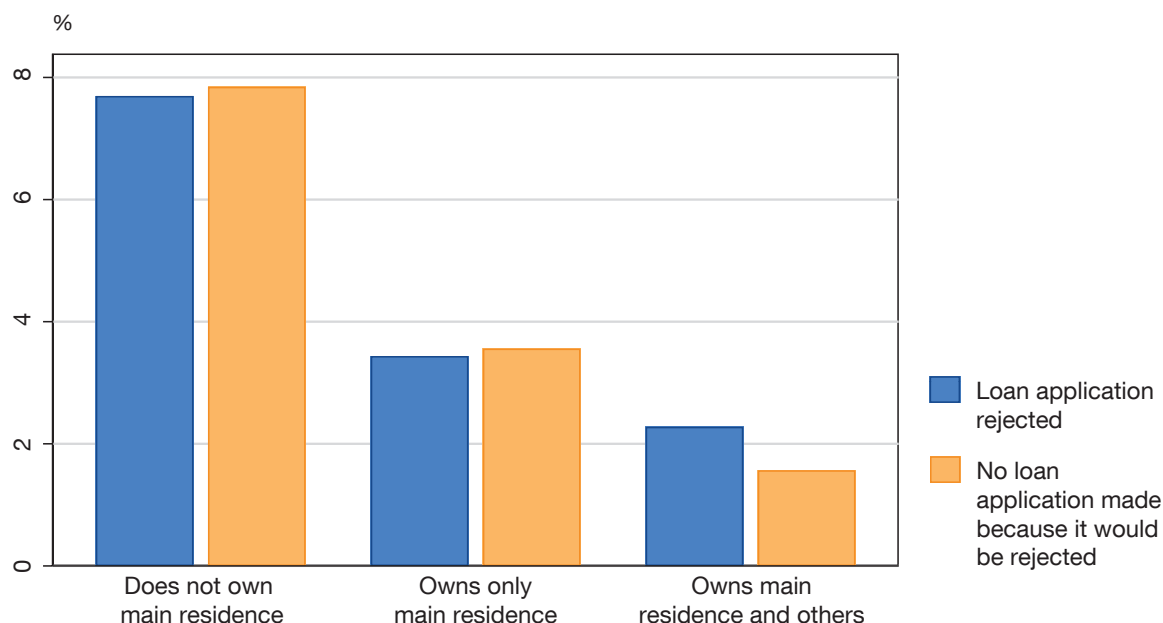
(b) Multiple response question.

educational level and the household's level of income increase, as Chart 19 shows. It also changes with labour market status. Thus, 14% of the unemployed reside in households that have perceived some type of difficulty in gaining access to credit, a percentage 5 pp and 7 pp above that for the self-employed and dependent employees, respectively. As can be seen in Chart 20, the availability of real guarantees is also significant, since when the population is classified on the basis of its properties, 15% of individuals residing in households who do not own their main residence report difficulties in credit access, while the percentage is 4% among those who own other dwellings in addition to the main residence.

**Chart 19. DIFFICULTIES GAINING ACCESS TO CREDIT (%), BY LEVEL OF HOUSEHOLD INCOME**



**Chart 20. DIFFICULTIES GAINING ACCESS TO CREDIT (%), BY HOUSEHOLD PROPERTY**



Half the individuals who reside in households with difficulties in gaining access to credit have not applied for a loan because they consider their request would be rejected.

Region by region, the percentage of individuals in households with restrictions in their access to credit ranges from the highs in the Canary Islands (14% of the population) and Andalusia and the Balearic Islands (11%) to the low of 4% in Asturias, Extremadura and the Basque Country. In interpreting these results, it is important to bear in mind the differences in the demographic composition of the regions, given that the demand for credit is higher among the young than among older groups.



# Box 6

## Financial inclusion of immigrants

The holding of saving and debt financial products differs among those born in Spain and abroad. In particular, 8% of those born abroad say they do not have a current account, while the comparable percentage among those born in Spain is 2%. Further, while almost half of those born in Spain (45%) have some type of savings vehicle, only 26% of those born abroad possess one.

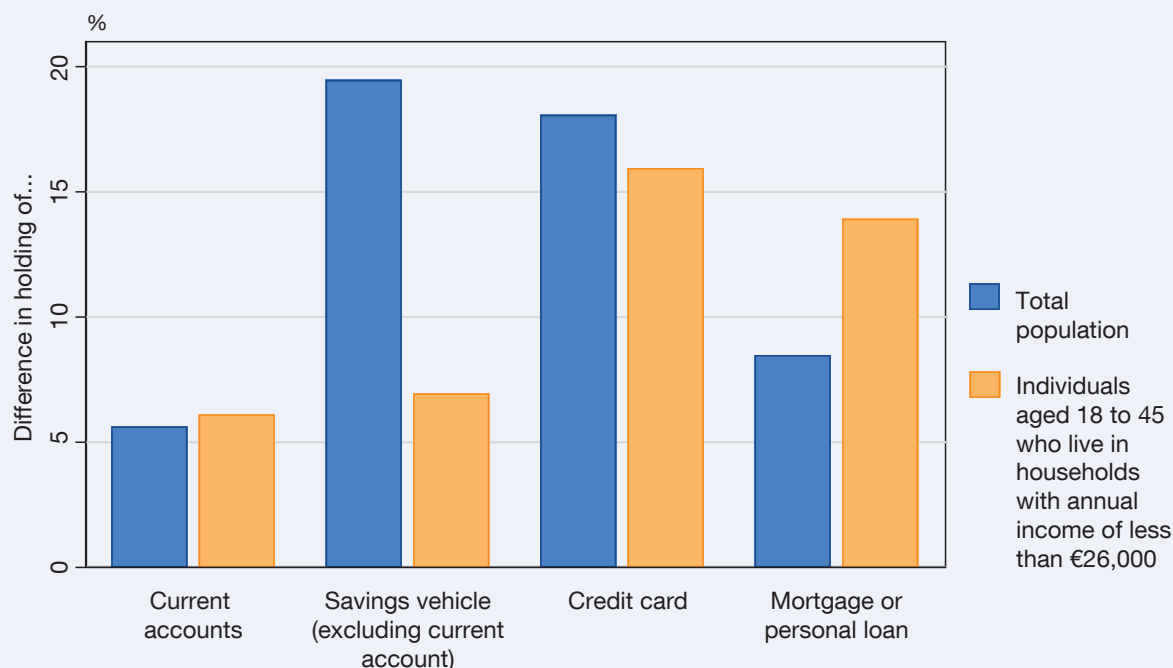
The holding of debt or means of payment is also lower among foreigners. Around 42% of those born in Spain have a mortgage or personal loan, while the percentage is 33% among those born abroad.

When interpreting possible differences based on place of birth, it should be borne in mind that

those born abroad are a younger group with a lower level of income than the rest of the population. Accordingly, it is informative also to compare the holding of financial products between nationals and foreigners in comparable groups, i.e. with ages ranging from 18 to 45 and residence in households whose income is lower than €26,000.

As Chart B6.1. shows, the differences in the holding of savings vehicles shift from around 20 pp to around 7 pp on respectively comparing those born in and outside Spain with similar ages and income levels. However, even when similar individuals are compared taking these characteristics, the differences in the holding of a current account, debt vehicles and means

**Chart B6.1. DIFFERENCE IN HOLDING OF FINANCIAL PRODUCTS BETWEEN THOSE BORN IN AND THOSE BORN OUTSIDE SPAIN**



of payment hold at 6 pp, 16 pp and 14 pp, respectively.

Moreover, Table B6.1 shows that in the past two years 10% of those born outside Spain live in a household which has had a loan application fully or partly rejected, compared with 3% for those born in Spain. In the group

with comparable characteristics, the figures are 11% and 6%, respectively.

Finally, 8% of foreigners can be observed not to apply for loans because they perceive they would be rejected, while among nationals the percentage is 3%. In the comparable group, the figures are 12% and 8%, respectively.

**Table B6.1. FINANCIAL INCLUSION BY PLACE OF BIRTH**

% total population	Total population		Comparable age and income (a)	
	Born in Spain	Born outside Spain	Born in Spain	Born outside Spain
<b>HOLDING OF FINANCIAL PRODUCTS</b>				
Current account	98	92	94	88
Some type of savings vehicle (excluding current account)	45	26	20	13
Have credit card	58	40	42	26
Have some type of debt	42	33	35	22
<b>MEANS OF SAVING, IF HAVE SAVED IN PAST TWELVE MONTHS</b>				
In a formal savings vehicle (current/savings account, pension scheme, investment fund, shares or fixed-income)	77	60	54	45
In cash	37	43	63	49
Remittances	1	16	1	20
<b>FINANCING OF EXPENDITURE, IF EXPENDITURE HAS EXCEEDED REVENUE IN THE PAST TWELVE MONTHS</b>				
Formal credit	20	22	17	15
Informal credit (friends, employer, ...)	32	46	47	50
Savings	54	37	42	39
Unauthorised use of overdraft/deferring payments	14	20	20	19
<b>CREDIT MARKET ACCESS IN PAST TWO YEARS</b>				
Loan rejected fully or partly	3	10	6	11
No loan requested because it would be rejected	3	8	8	12

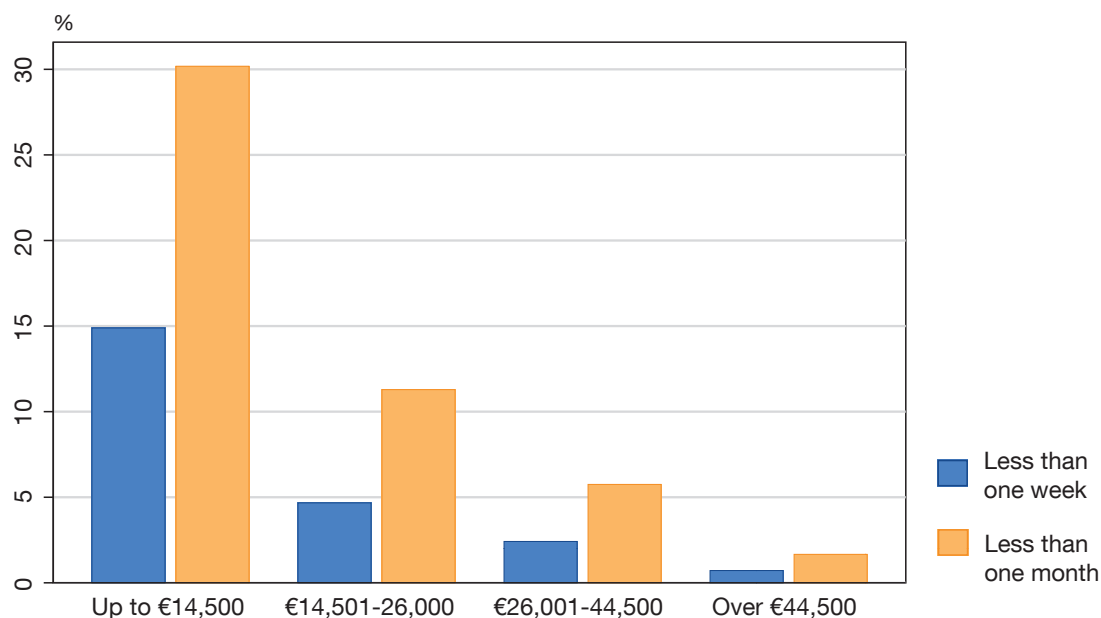
(a) The comparable age and income group is that of individuals aged 18 to 45 who live in households with annual income of less than €26,000.

# 6 ECONOMIC VULNERABILITY OF THE HOUSEHOLD

To complete the description of the financial practices of the Spanish population, it is important to know what resources are available in the face of potential loss of income. The ECF asks for how long a household could maintain its level of spending without borrowing or moving house if it were to lose its main source of income.<sup>10</sup> A usual measure of vulnerability is being able only to maintain current spending for less than one month, as this is the typical frequency at which wages and public aid are paid.<sup>11</sup> The analysis is conducted at the household level, given that resources are shared at that level.

Most interviewees (52%) reside in households which, were they to lose their main source of income, could maintain their spending for at least six months without taking on debt or selling properties. As Table 11 shows, 15% of individuals live in households which, given this eventuality, could maintain their spending for less than one month, and 7% less than one week.

**Chart 21. IF YOU CEASED NOW TO RECEIVE YOUR MAIN SOURCE OF HOUSEHOLD INCOME, FOR HOW LONG COULD YOU MEET YOUR EXPENSES? BY LEVEL OF HOUSEHOLD INCOME**



<sup>10</sup> The exact question is: “If you ceased to receive at this moment the main source of income for your household, for how long could you meet your current expenses without having to borrow or move house?”. It is made clear that loan payments must be included as current expenditure.

<sup>11</sup> It has been illustrated that, in several economies, households with less than one month’s wages have difficulty in accommodating changes in their income without altering their spending patterns. See G. Kaplan, G. Violante and J. Weidmer (2014), “The Wealthy Hand-to-Mouth”, *Brookings Papers on Economic Activity*, Spring Issue.

**Table 11. ECONOMIC VULNERABILITY OF THE HOUSEHOLD**

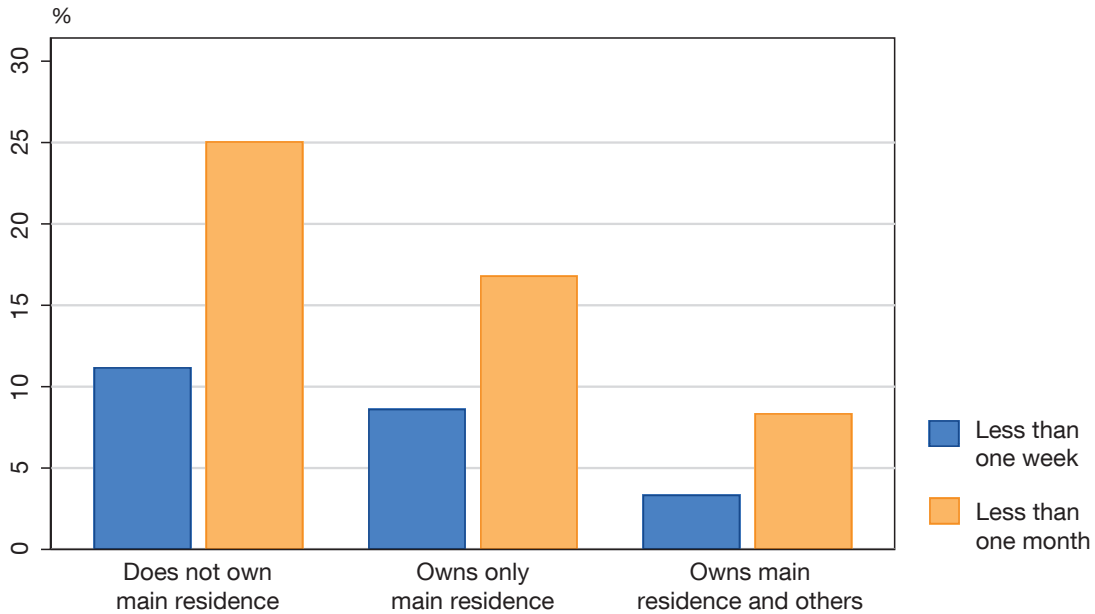
Affirmative replies (% population) (a)

	Were you to cease to receive the main source of income of your household, for how long could you meet your expenses without having to apply for a loan or move home?				
	Less than one week	More than one week, less than one month	More than one month and less than 3 months	From 3 to 6 months	More than 6 months
<b>TOTAL</b>	<b>7</b>	<b>8</b>	<b>16</b>	<b>13</b>	<b>52</b>
<b>AGE</b>					
18-34	7	9	19	13	49
35-44	7	8	16	15	53
45-54	8	8	16	12	53
55-64	8	9	15	11	52
65-79	8	8	13	10	54
<b>GENDER</b>					
Male	7	8	16	13	54
Female	8	9	17	12	50
<b>EDUCATION</b>					
Primary	11	12	19	12	41
Secondary	7	8	18	14	50
University	3	4	11	12	67
<b>LABOUR MARKET STATUS</b>					
Self-employed	5	6	15	15	56
Employee	4	6	16	13	59
Unemployed	15	13	22	12	35
Retired	8	8	13	11	54
Other inactive	10	11	17	12	45
<b>HOUSEHOLD STRUCTURE</b>					
Lives with partner	7	8	15	13	54
Lives with other adults, without partner	8	10	18	13	48
Does not live with other adults	11	10	17	12	47
<b>TOTAL HOUSEHOLD INCOME</b>					
Up to €14,500	15	15	22	12	30
From €14,501 to €26,000	5	7	18	16	51
From €26,001 to €44,500	2	3	11	10	71
Over €44,500	1	1	5	9	83
<b>HOUSEHOLD PROPERTIES</b>					
Does not own main residence	11	14	24	15	33
Owns only main residence	9	8	17	13	50
Owns main residence and others	3	5	10	11	68
<b>REGION</b>					
Andalusia	14	11	17	12	42
Aragon	3	6	12	10	66
Asturias	5	10	13	10	60
Balearic Islands	9	9	20	14	46
Canary Islands	10	13	22	10	41
Cantabria	5	4	13	14	62
Castile-Leon	6	3	14	9	64
Castile-La Mancha	5	7	14	11	58
Catalonia	7	8	16	16	48
Valencia Region	6	12	19	10	51
Extremadura	4	5	12	12	64
Galicia	7	8	13	12	54
Madrid Region	6	6	16	14	56
Murcia Region	8	10	23	15	41
Navarre	5	7	12	8	63
Basque Country	4	4	12	13	65
La Rioja	4	10	14	10	60

(a) The percentage of DK/NA in the question on funds to meet unexpected expenses is 3.6%.



**Chart 22. IF YOU CEASED NOW TO RECEIVE YOUR MAIN SOURCE OF HOUSEHOLD INCOME, FOR HOW LONG COULD YOU MEET YOUR EXPENSES? BY HOUSEHOLD PROPERTY**



The proportion of individuals in households that could maintain their spending for less than one month diminishes with household income, reaching 30% among those who reside in a household with income below €14,500, but standing at 2% among those with income of over €44,500 (see Chart 21). The proportion of individuals in vulnerable households also diminishes according to properties, as Chart 22 shows.

Vulnerability depends on the individual's labour market status, reaching 28% among the unemployed and standing at around 10% among the self-employed and dependent employees. The percentage of individuals in households with resources to sustain their spending for at least one month in the event of losing the main source of income varies across regions, exceeding 23% in Andalusia and the Canary Islands, while it is around 9% in Aragon, Castile-Leon, Extremadura and the Basque Country. To understand these results correctly, the differences across regions in the incidence of unemployment and labour turnover must be taken into account.



# Box 7

## International comparison

As earlier mentioned, the ECF questionnaire includes questions from an international study measuring financial competences, which enables us to compare the results obtained in Spain with those from peer countries.

Table B7.1 shows that the Spanish adult population's financial literacy is generally around the average for the overall countries considered. It is only the percentage of correct replies in Spain for the risk diversification concept that is clearly below the average (both for all countries and for the OECD and EU countries).

As to the holding and recent acquisition of financial products, Table B7.2 shows that in Spain the holdership of means of payment, such as a current account, is very widespread (97%). This figure is somewhat higher than the average for the EU countries (89%) and the OECD members (87%), which are in turn above the average for all countries (72%). Conversely, the holding of savings products considered in the international study (a concept that would encompass savings accounts, pension schemes, investment funds, shares, fixed-income assets and life insurance in the ECF) stands at 55% in Spain, marginally below the average both for all countries and for the OECD and EU countries (61%, 66% and 60%, respectively). In any event, the latter percentages should be viewed with some caution given that the list of products considered as savings vehicles may vary from country to country.

As to the holding of debt – a concept that would include credit cards, and mortgage and personal loans in the international study –

Spain's percentage of 68% is higher than the average for the EU countries (49%). This figure of 68% is closer to the OECD average (59%), which is in turn above the average for all countries (50%).

Moreover, the percentage of individuals in Spain who have acquired a financial product in the past two years (38%) is also below the average for the EU (50%) and OECD (54%) countries, and even further below the average for all countries (61%). This concept includes those considered in Table 4, namely savings accounts, pension schemes, investment funds, shares, fixed-income assets, life or medical insurance, credit cards, and mortgage and personal loans, and may vary across the different countries' surveys.

Finally, Table B7.3 offers information on the percentage of individuals whose spending has exceeded income over the past year and on how many of these individuals have resorted to credit to finance the difference. Two caveats are worth bearing in mind regarding the comparability of the ECF with the international study in this table. First, the international study includes as credit both that from families and friends – a common concept in Spain, as discussed in Table 9 – and other concepts such as the early cashing-in of pension schemes. Second, the question in Spain refers to whether household expenses have exceeded income.

In both measures, Spain stands in the vicinity of the OECD countries considered in the analysis and slightly above the averages for the EU countries. For 28% of the individuals in Spain,

**Table B7.1. PERCENTAGE OF CORRECT REPLIES TO FINANCIAL LITERACY QUESTIONS**

Country	Inflation	Compound interest	Risk diversification (a)
Albania	50	28	65
Argentina	69	37	59
Austria	66	44	62
Belarus	79	7	68
Belgium	73	50	56
Brazil	65	30	77
British Virgin Islands	54	32	50
Canada	57	56	68
China	70	55	57
Croatia	54	33	66
Czech Republic	68	34	69
Estonia	83	43	65
Finland	83	58	66
France	59	54	75
Georgia	61	46	63
Germany	71	53	65
Hong Kong, China	83	58	74
Hungary	67	33	65
India	41	35	50
Indonesia	14	38	48
Italy	48	33	37
Japan	56	43	46
Jordan	52	22	80
Korea	71	53	81
Latvia	75	48	64
Lithuania	75	41	75
Malaysia	47	33	48
Mexico	74	32	64
Netherlands	65	61	53
New Zealand	51	60	68
Norway	76	65	59
Poland	80	30	56
Portugal	55	41	73
Russian Federation	65	46	41
Saudi Arabia	27	34	60
South Africa	25	36	55
Thailand	52	20	42
Turkey	55	32	74
United Kingdom	38	52	52
<b>Spain</b>	<b>58</b>	<b>46</b>	<b>49</b>
Average of all the countries with available information	60	42	60
Average of OECD countries with available information	65	46	62
Average of EU countries with available information	66	44	62

(a) The wording of this concept is not perfectly comparable across countries, since changes were permitted in order to adapt the the survey to the national context. The figures for countries other than Spain are from the OECD (2016) reports "OECD INFE International survey of adult financial literacy competencies" and OECD (2017) "G20/OECD INFE report on adult financial literacy in G20 countries".

**Table B7.2. HOLDING AND ACQUISITION OF FINANCIAL PRODUCTS**

% of the population

Country	Has a current account or prepaid card	Has a savings vehicle (including life insurance) (a)	Has a credit card or debt	Recently acquired a financial product
Albania	29	28	18	62
Argentina	44	30	41	48
Australia	98	90	86	22
Austria	97	80	55	36
Belarus	83	24	30	42
Belgium	94	92	72	60
Brazil	8	21	48	67
British Virgin Islands	92	98	62	53
Canada	93	90	85	89
China	68	78	52	98
Croatia	88	40	50	41
Czech Republic	83	52	28	37
Estonia	96	63	42	46
Finland	99	69	69	97
France	100	90	51	69
Georgia	27	5	57	76
Germany	90	80	58	59
Hong Kong, China	--	98	66	56
Hungary	75	22	28	27
India	33	77	23	64
Indonesia	2	92	11	94
Italy	--	--	--	33
Jordan	50	34	43	71
Korea	94	74	77	71
Latvia	94	26	40	54
Lithuania	87	67	40	67
Malaysia	65	93	24	85
Netherlands	78	77	58	34
New Zealand	86	97	86	61
Norway	83	85	81	94
Poland	71	23	17	47
Portugal	94	45	48	58
Russian federation	77	20	32	89
Saudi Arabia	96	38	40	100
South Africa	47	64	36	64
Thailand	10	79	40	65
Turkey	43	8	32	52
United Kingdom	76	76	61	52
United States	91	82	87	--
<b>Spain</b>	<b>97</b>	<b>55</b>	<b>68</b>	<b>38</b>
Average for all countries with available information	72	61	50	61
Average for OECD countries with available information	87	66	59	54
Average for EU countries with available information	89	60	49	50

(a) The list of financial products included in each category is not necessarily the same for all countries. The figures for countries other than Spain are from the OECD (2016) reports "OECD INFE International survey of adult financial literacy competencies" and OECD (2017) "G20/OECD INFE report on adult financial literacy in G20 countries".

**Table B7.3. EXPENDITURE EXCEEDING INCOME AND THE FINANCING THEREOF**

% of the population

Country	Expenditure has exceeded income in the past 12 months	Expenditure exceeding income has been financed by credit (a)
Albania	54	41
Argentina	71	34
Australia	--	15
Austria	16	11
Belarus	57	41
Belgium	24	6
Brazil	37	19
British Virgin Islands	32	23
Canada	32	13
China	40	28
Croatia	35	20
Czech Republic	18	13
Estonia	24	17
Finland	30	14
France	40	12
Georgia	61	45
Germany	15	5
Hong Kong, China	16	9
Hungary	26	11
India	48	31
Indonesia	43	30
Italy	28	15
Jordan	32	19
Korea	15	9
Latvia	37	26
Lithuania	30	22
Malaysia	47	22
Mexico	55	43
Netherlands	26	13
New Zealand	33	11
Norway	15	9
Poland	18	13
Portugal	35	16
Russian Federation	36	24
Saudi Arabia	17	14
South Africa	49	33
Thailand	64	45
Turkey	50	42
United Kingdom	23	7
United States	24	--
<b>Spain (b)</b>	<b>28</b>	<b>17</b>
Average for all countries with available information	35	21
Average for OECD countries with available information	28	15
Average for EU countries with available information	27	14

(a) This table considers both "applying for early redemption of a pension scheme" and "obtaining credit from friends and family" as credit financing to cover expenditure in excess of income. The figures for countries other than Spain are from the OECD (2016) reports "OECD INFE International survey of adult financial literacy competencies" and OECD (2017) "G20/OECD INFE report on adult financial literacy in G20 countries".

(b) The question in Spain refers to whether household expenditure has exceeded household income. In the international questionnaire, the question is whether the individual's expenditure has exceeded the individual's income.

expenses have exceeded income on some occasion over the past year, and 17% of individuals have faced this situation resorting to some form of credit financing. The rest have either drawn on savings or disposed

of assets. The related figures in the EU and OECD countries are very similar to those for Spain, while for the overall total of countries considered the percentages increase to 35% and 21%, respectively.

