# FINANCIAL AND DIGITAL INCLUSION AND CHOICE OF BANKING PRODUCTS IN PORTUGAL



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2020



Lisbon, 2021 • www.bportugal.pt

Financial and digital inclusion and choice of banking products in Portugal 2020 | December 2021• Banco de Portugal Av. Almirante Reis, 71 | 1150-012 Lisbon • www.bportugal.pt • Edition Banking Conduct SupervisionDepartment • Design Communication and Museum Department | Design Unit • ISBN (online) 968-989-678-807-0 • LegalDeposit n.º 489587/21

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# 1 Introductory note

In June this year, the results of the 3<sup>rd</sup> Survey on the Financial Literacy of the Portuguese population, conducted by the National Council of Financial Supervisors, were announced. However, it was decided that some of the results should be published independently by Banco de Portugal.

This report is thus based on data collected from the 3<sup>rd</sup> Financial Literacy Survey, focusing on aspects related to the population's access to retail banking services and the empowerment of bank customers. It should therefore be considered as a complement to the survey published in June.

In line with international best practices, Banco de Portugal recognises the importance of regularly assessing the population's levels of financial literacy and inclusion as a diagnosis prior to the implementation of financial training initiatives. It also recognises that the promotion of financial inclusion is a crucial part of social inclusion and a decisive factor for economic growth that is meant to be inclusive. It further recognises that the promotion of financial citizenship is based on adequate access to banking products and services, which presupposes that customers are aware of the risks and characteristics of the products and services available, so that they can make their choices according to their needs, characteristics and goals.

As pointed out on several occasions and in several documents, the availability of financial products and services through digital channels has brought new challenges to the supervisor, since it has become involved in monitoring the compliance of institutions with the applicable regulatory framework, regardless of the marketing channel.

On the other hand, promoting the digital financial education of the Portuguese population has become an increasingly important goal for Banco de Portugal, as part of its Strategic Plan for the 2021-2025 period.

This report presents the results of the survey on financial and digital inclusion, the management of savings and the access to and use of banking products by the population, as well as on financial know-how, essential for Banco de Portugal's definition of priorities regarding its mission of protecting bank customers.

The survey on financial literacy took place in early 2020, in other words before the COVID-19 pandemic. Its results, therefore, do not capture behavioural changes induced by the pandemic, although it is generally recognised that one of its effects was the acceleration of the trend towards greater use of digital channels.

Notwithstanding this limitation, as previously mentioned, the information now disclosed is a key instrument for Banco de Portugal's oversight and, in general, for all those interested in knowing the characteristics of demand in retail banking markets in Portugal.

As this report shows, there is a significant gap in the levels of digital financial inclusion and financial literacy among different population groups. Unsurprisingly, young people and seniors are at opposite levels of digital financial inclusion, but it should be noted that as far as young people are concerned, higher digital financial inclusion is not accompanied by a high level of financial education, an aspect that deserves our utmost attention. In terms of gender, there is a gap between women and men in most financial training indicators, although considerably less than in other countries with which we compare ourselves.

It is also interesting to note that advice given at the bank's branch is the most frequently mentioned source for loans and time deposits, which should be analysed from several angles, but which in any case seems to show that, despite all the situations that have affected the reputation of the Portuguese banking system in recent years, institutions are viewed with confidence by customers.

The results now presented often confirm what was empirically anticipated. This is the case of the positive evolution regarding knowledge of banking products, particularly in terms of basic bank accounts, which Banco de Portugal has disseminated through various awareness-raising campaigns and actions, promoting financial inclusion.

Based on the results obtained and undertaking the challenge of updating them in the near future, Banco de Portugal reiterates its commitment with a comprehensive approach to banking conduct supervision, where digital financial inclusion and training have become particularly relevant, in an era that is being strongly marked by the effects of the Covid-19 pandemic.

Lisboa, 23 de September 2021

The Vice-Governor,

Luís Máximo dos Santos

## Executive summary

This report analyses financial and digital inclusion indicators and the choice of banking products in Portugal in early 2020. It describes the level of access and integration in the banking system, use of digital channels and savings management habits. It also addresses the process of choosing and managing banking products and the population's level of understanding of certain financial concepts.

The analysis is based on data collected in the 3<sup>rd</sup> Survey on Financial Literacy of the Portuguese Population, meaning the interviews were carried out before the COVID-19 pandemic. This situation may have influenced financial attitudes and behaviours, namely those related to saving habits and the use of digital channels.

The results of this survey have already been partially disclosed by the National Council of Financial Supervisors in the Report of the *3<sup>rd</sup> Financial Literacy Survey of the Portuguese Population (2020)*<sup>1</sup>. The survey also included questions that provide a follow-up to issues that Banco de Portugal has been monitoring since 2010. The results presented in this report focus on these issues. Some results were disclosed previously, but are resumed in this report to provide a framework for the analysis of banking products and services.

**Chapter 1** is dedicated to financial inclusion indicators, describing the level of access to the banking system, the use of current accounts and knowledge of the characteristics of basic bank accounts.

**Chapter 2** assesses digital financial inclusion, analysing the level of access and the services used in digital channels.

**Chapter 3** focuses on the management of savings, describing saving habits, the ability to cover expenses and attitudes and behaviours towards savings.

**Chapter 4** addresses the choice and management of banking products, examining the main sources of information used and the criteria considered when choosing these products.

**Chapter 5** analyses the degree of understanding of banking products and concepts such as inflation, risk and return.

**Chapter 6** presents the global financial literacy index, which results from the aggregation of the partial results obtained for financial inclusion, digital financial inclusion, management of savings, choice and management of banking products and understanding of financial concepts.

**Chapter 7** looks at the financial literacy levels of different population groups, namely young people, seniors, workers, the unemployed and women.

The 2020 results are compared with those obtained in the financial literacy surveys of 2015 and 2010, making it possible to identify the developments seen over the past 10 years. The results on digital financial inclusion answer questions included for the first time in the 2020 survey to enhance the knowledge on the use of digital channels by the Portuguese population, taking into account the growth of these channels in recent years.

1. The report can be downloaded at https://www.todoscontam.pt/sites/default/files/2021-06/relatorio3inqlf.pdf.

### **Financial inclusion**

# Most respondents have a current account and the knowledge of basic bank accounts has significantly improved.

Around 91% of respondents held at least one current account in 2020<sup>2</sup> (compared to 92.5% in 2015 and 88.9% in 2010). More than one-fifth of respondents stated knowing the conditions of access to a basic bank account, compared to 4.9% of respondents in 2015 and 1.4% in 2010.

Around 70% of respondents are at the highest level of financial inclusion since they regularly use their current account and have other financial products, with an emphasis on time deposits and credit cards.

Among those under the age of 18, 41% of respondents do not have a current account, a lower percentage than in 2015 (46.4%). Among respondents with no education, 25.7% do not have a current account. Among those living in households with a monthly net income of up to 500 euros, this percentage is 24.9%.

The main reason indicated by respondents for not having a current account continues to be insufficient income (55.9% in 2020). However, this reason was, less mentioned than in 2015 and 2010. On the other hand, the proportion of respondents that refer that someone else's current account is sufficient increased.

### **Digital financial inclusion**

## Young people are more prominent users of digital channels than the senior population.

Almost half of the respondents use the digital channels (home banking or apps) provided by banks to access their current account and other banking products and services. Respondents aged between 25 and 39 are those who use digital channels the most (74.7%), a proportion that drops to 8.1% among respondents aged 70 or over. Among young people aged between 16 and 24, 39.6% use only apps.

The use of digital channels increases with the level of education and income. The vast majority of respondents with higher education (80.3%) and those from households with an income of more than EUR 2,500 (78.9%) use home banking or apps.

Among those who do not use digital channels, 32.1% indicate difficulties when dealing with techoogy, 20.3% state they prefer to use ATMs<sup>3</sup>, 16.8% say they prefer personal contact and 16% do not trust that it is safe to use these channels.

2. Result previously disclosed in the Report of the 3<sup>rd</sup> Financial Literacy Survey of the Portuguese Population 2020, conducted by the National Council of Financial Supervisors.

3. For the purpose of this report, the use of automated teller machines (ATMs) was not considered as a use of digital channels.

#### Management of savings

# The majority of respondents say they save and about half of these save to meet unexpected expenses.

Around 60% of respondents say they save, in keeping with the results obtained in 2015 (59%), however above the proportion of 2010 (52%).

Although the main reason for not saving continues to be insufficient income (mentioned by 82.7% of respondents who do not save), the importance of this reason decreased (around 88% in 2015 and 2010). On the other hand, the proportion of respondents who do not consider savings a priority went up (12.3% in 2020, 9.1% in 2015 and 7% in 2010).

Among respondents who save, almost half (49.8%) indicated unexpected expenses as the main reason and 15.4% referred future non-regular expenses (such as holidays or travel). Savings for education and to help their children and for retirement were mentioned by only 14% and 9.5% respectively, but these reasons have grown in comparison to 2015 and 2010.

Respondents who save regularly have invested in time deposits in the last year (45.3%) more often than those who save irregularly (30.2%) and those who do not usually save (8.1%). Respondents who save regularly have more capacity to pay an unexpected expense of an amount equivalent to their monthly income and are able to cover their expenses for a longer period of time in case they lose their main source of income.

#### Choice and management of banking products

# Most respondents state that they read the pre-contractual and contractual information of the banking products they contract.

In addition to the current account held by most respondents, it is also common for them to have time deposits (41.6%), credit cards (36.2%) and home loans or other mortgage credit (20.2%). Around 16% of respondents have a payment account associated with a mobile phone (for example, MBWay), 12.9% have other loans, such as personal or car loan and 6.3% indicate having overdraft facilities<sup>4</sup>.

The reading of pre-contractual and contractual information is mentioned by around 75% of respondents who take out loans and by around 72% of those who invest in time deposits. This percentage drops to around two thirds for respondents who have current accounts.

When opening a current account, respondents continue to mention more frequently the recommendation of family or friends when choosing a bank (27.8% of respondents), but this reason lost importance in relation to 2015 and 2010. On the other hand, the fact that it is the bank where the respondent has loans (20.2%) and the employer's recommendation (17.2%) became more frequent.

More than a third (35.1%) of the respondents do not know the account maintenance fee in 2020, a higher proportion than in 2015, albeit lower than in 2010.

Executive summary

# The over-the-counter advice of the institution is the most mentioned source of information when taking out loans and time deposits.

The advice of the institution's employee at the branch is the source of information mentioned by 63.9% of the respondents when taking out loans and by 41.4% of the respondents when investing in time deposits. Advice from family and friends was mentioned by approximately 28% of the respondents for both products.

When choosing a loan, the amount of the instalment continues to be the main criterion, adopted by 34.7% of the respondents, although its importance dropped when compared to 2015 (44.2%). By contrast, the interest rate was mentioned by a greater proportion of respondents (24.8% in 2020 and 20.1% in 2015). The annual percentage rate of charge (APR<sup>5</sup>) continued to have a reduced weight in the decision to take out a loan (mentioned by 10.9% of respondents in 2020) and its importance decreased compared to 2015 (13.5%).

### Understanding of financial concepts

## Respondents have difficulties when describing spread and Euribor.

Less than half of the respondents correctly answer the question about simple interest calculation (42.5%) and less than one third get the question about compound interest right (31%)<sup>6</sup>. Almost two thirds of the respondents correctly identify the current account balance on a bank statement (63.6%), but the proportion of those who concluded that the payment suggested implied that the account would be overdrawn (36.8%) was lower.

More than half of the respondents (55.1%) correctly answer the questions about the payment of fees on cash withdrawals using their credit card (cash advance) and about the payment of interest if they only partially pay the outstanding balance of their credit card (53.3%). Almost one quarter correctly identifies the concept of spread, but only 8.1% reveal that they know what Euribor is.

Almost three quarters of those interviewed correctly identify the positive relation between inflation and the cost of living and more than half (55.5%) recognise that inflation implies a reduction in purchasing power.

Most of the interviewees (71.6%) recognise that an investment with a high return bears, in general, a higher risk and around half of the interviewees (51.2%) correctly consider that a time deposit has low risk.

<sup>5.</sup> A measure that makes it possible to compare alternative credit proposals because it includes all the associated costs.

<sup>6.</sup> Some results on the understanding of financial concepts were previously disclosed in the Report of the 3<sup>rd</sup> Financial Literacy Survey of the Portuguese Population 2020, conducted by the National Council of Financial Supervisors.

### Global financial literacy index

# The global financial literacy index increases as income and education levels rise.

Respondents with at least secondary education or living in households with gross monthly incomes of more than EUR 1,000 have positive results in the overall financial literacy index, similar to respondents aged between 25 and 54, men and workers.

This index comprises five partial indices on: financial inclusion, digital financial inclusion, management of savings, choice and management of banking products and understanding of financial concepts. The results of respondents on the indices of financial inclusion, management of savings and choice and management of banking products contribute positively to the global financial literacy index, while the digital financial inclusion and understanding of financial concepts indices have less positive results.

### Financial literacy by population groups

## Young people stand out for their high digital financial inclusion, but have a lower global financial literacy index than the other respondents.

Around 63% of young people aged between 16 and 24 state that they use digital channels to access their account or other banking products or services (44% among the remaining respondents), with a clear preference for apps, since approximately 40% state that they only use this channel (13.8% among the remaining respondents). The use of payment accounts associated with mobile phones (such as MBWay) is also much higher among young people. Approximately one third of the young people have these accounts, in comparison with 13.6% among the other respondents.

Young people have a global financial literacy index (54.9) lower than the remaining respondents (59.5). The digital financial inclusion index is the only one in which young people have more positive results than the remaining respondents (62.5, compared to 25).

The percentage of young people aged between 16 and 24 with a current account (85.7%) is lower than that of the remaining respondents (91.6%). They are also less knowledgeable about basic bank accounts (15.5% of the young people, compared to 24% among the other respondents), even though most of them only have one current account and can access this regime.

The proportion of young people who save (around 60%) is similar to the rest of the respondents, but a higher percentage reports saving regularly (38.7% of young people, compared to 27.7% among the rest of the respondents). Young people save more for future expenses (such as holidays and travel) and less for unexpected expenses. Young people who do not save, state more often than the other respondents that they do not consider saving as a priority (around one fifth, compared to 11.5% among the other respondents) and that they spend money on impulse (10.3% among the young people and 2.4% among the other respondents).

The knowledge of young people on financial concepts is relatively low when compared to the remaining respondents. Nevertheless, they score above the average of the remaining respondents in the answer to the question on the amount of interest to be paid on a loan of 25 euros, in reading a bank statement and in calculating simple interest.

## Seniors show greater weaknesses than the remaining respondents, highlighting the low level of digital financial literacy.

Seniors, aged 70 and above, have a lower global financial literacy index (42) than the remaining respondents (61.5), with less favourable results than the other respondents in all partial indices.

The percentage of seniors with a current account (88.2%) is slightly lower than the other respondents (91.6%) and they are also less knowledgeable about basic bank accounts (13.2% of seniors, compared to 25.4% among the other respondents). The proportion of seniors that do not know the amount of the account maintenance fee (59.9%) is much higher than that of the other respondents (29.6%).

The use of digital channels by seniors to access their bank account or to perform banking operations is very low, with the most frequently reason mentioned being difficulties in dealing with technology. Only 8.1% of seniors indicate using home banking or bank apps.

Seniors show less financial resilience than the other respondents, as they are less able to pay for an unexpected expense of an amount equivalent to their monthly income.

The proportion of senior respondents who answer correctly is lower across all of the questions on the understanding of financial concepts.

# Workers are the population group with the highest levels of financial inclusion and digital literacy.

The results of workers in the global financial literacy index (66.7) are higher than those obtained by the other respondents (50), a relationship which is also observed in all partial indices.

Around 96% of the workers<sup>7</sup> have at least one current account and most of them use it relatively often. The proportion of workers who are knowledgeable of basic bank accounts (28.2%) is higher than that of the other respondents (17.8%).

The percentage of workers who state they use home banking or apps to access their account (61.7%) is much higher than the remaining respondents (27.8%). The use of mobile phone payment accounts (such as MBWay) is also relatively more significant (23.2%, compared with 8.3% among the other respondents).

The proportion of those who claim to save (68.3%) exceeds that of the other respondents (50.6%), and workers indicate that they save more regularly.

Approximately 83% of the workers have other financial products besides their current account. Around half of the workers interviewed say they have time deposits and credit cards and about one third has home loans and other mortgage loans.

The main criterion mentioned by workers when choosing a loan is the amount of the instalment (32.1%), but in a lower proportion than the other respondents (45.4%). Workers indicate more often the interest rate and APR.

Workers score better on all the questions about understanding of financial concepts. The difference is particularly significant in the questions about identifying the current account balance on a statement, the degree of risk of time deposits, charging interest on partial payment of credit card debt and the relation between return and investment risk.

7. Workers are considered to be those individuals who are employed, self-employed, trainees or apprentices.

## The unemployed are more vulnerable when it comes to savings.

The global financial literacy index of the unemployed (53.1) is lower than that of the other respondents (59.3).

The unemployed show less financial resilience than respondents from other working situations. They are the ones that most often say that they do not save (60.9%, compared to 38.2% among the other respondents), that they are less able to pay for an unexpected expense of an amount equivalent to their monthly income and that they would be able to cover their expenses in case of loss of their main source of income for a shorter period of time.

The percentage of the unemployed with a current account (85.2%) is lower than the average of the other respondents and only among students is this proportion lower (84%). The reason they most frequently point out for not having a current account is that someone else's account is sufficient. However, their knowledge of basic bank accounts is slightly higher than the average of the other respondents (26.1%), albeit below that of workers (28.2%).

Around 45% of the unemployed state they use digital channels to access their account or other bank products or services, a percentage below that seen among workers (61.7%) and students (66.3%).

The unemployed's knowledge of financial concepts is, on average, similar to that of the other respondents, outperformed only by workers.

## Women are less integrated in the financial system than men and reveal greater vulnerabilities when understanding financial concepts

Women have a lower global financial literacy index (55.5) than men (61.7), a relationship that is true for all partial indices.

Approximately 89% of women indicate holding a current account and 66% hold other financial products besides that account, proportions lower than those of men (93% and 74%, respectively). Women are also slightly less knowledgeable of basic bank accounts than men.

The percentage of women (58%) who refer not using the digital channels of financial institutions is higher than that of men (48.5%), even though the reasons for not using these channels are the same (difficulties in using technology or preference for ATMs). The use of mobile phone payment accounts (such as MBWay) is also lower among women than men.

The proportion of women who say they save (59.6%) is similar to that of men, but they place more importance on goals related to the education of their children and retirement.

In all the questions on the understanding of financial concepts, the proportion of women interviewed who answer correctly is lower than that of men. The differences are especially significant in the questions about simple and compound interest, the evaluation of the degree of risk of time deposits and the concept of spread.

# I Financial inclusion

1 Access to the banking system
2 Levels of financial inclusion
3 Use of the current account
4 Basic bank account
5 Financial inclusion index

# 1 Access to the banking system

## Most respondents have a current account.

Only 9.1% of the respondents state that they do not have a current account<sup>1</sup>. Among respondents over the age of 18, this percentage is slightly lower (8.6%), which is justified by the high proportion of young people aged between 16 and 17 who do not have a bank account (40.9%).

The percentage of respondents aged 55 and over who do not have a bank account (around 12%) is also slightly higher than average. Students and the unemployed are also population groups with a high proportion of respondents without a bank account (16% and 14.8%, respectively).

Lower levels of education and income are also associated with greater exclusion from the banking system (25.7% of respondents with no primary education and 24.9% of respondents with an income of up to EUR 500 do not have a bank account).

The proportion of respondents who do not have a current account in 2020 is higher than in 2015, but lower than in 2010. The population groups with the highest levels of exclusion from the banking system are identical in the three years analysed.

### Chart I.1.1 • Percentage of respondents who do not have a current account | 2020, 2015 and 2010



Questions 2020: A3 and B1; Base: 1502 interviews. Questions 2015: A3 and B1; Base: 1100 interviews. Questions 2010: A4 and B1; Base: 2000 interviews.



**Chart I.1.2** • Characterisation of respondents who do not have a current account | 2020

Questions 2020: A2, A3, A4, A5, B1 and G13; Base: 1502 interviews. Questions 2015: A2, A3, A4, A5, B1 and F21; Base: 1100 interviews.

# More than half of respondents who do not have a bank account say they do not have enough income to justify it.

As a reason for not having a bank account, 55.9% of respondents state that they have not enough income to justify it and 32.4% state that another person's account is sufficient. These were also the most frequently mentioned reasons in 2015 and 2010. However, the proportion of respondents stating that someone else's bank account is sufficient has increased and the importance of the reason relating to insufficient income has decreased.



#### Chart I.1.3 • Reason why they do not have a bank account | 2020, 2015 and 2010

Questions 2020: B4, Base: 136 interviews. Questions 2015: B5; Base: 81 interviews. Questions 2010: B5 and B6; Base: 221 interviews.

# 2 Levels of financial inclusion

# Approximately 70% of the respondents have a bank account that they use regularly and hold other financial products.

Access to the banking system through a current account is the first stage of financial inclusion, but this is also characterised by the frequency of bank account movements and the diversity of financial products held by the respondent. These criteria make it possible to classify respondents according to 5 levels of financial inclusion, with level 1 being the lowest level of financial inclusion<sup>2</sup>.

Around 70% of the respondents are in the highest levels of financial inclusion (levels 4 and 5) as they have a bank account that they use regularly and hold other financial products. About 15% have at least five financial products in addition to their bank account (level 5).

By contrast, 17.4% of the respondents have a bank account and use it regularly, but do not hold other financial products (level 3), and 3.9% have a bank account but do not use it regularly (level 2).

The highest level of financial inclusion, where respondents have at least five financial products in addition to their bank account (level 5), is more frequent in 2020 than in previous surveys.



### Chart I.2.1 • Levels of financial inclusion | 2020, 2015 and 2010

Level 1 Level 2 Level 3 Level 4 Level 5

Questions 2020: B1, B3 and E1.2; Base: 1502 interviews. Questions 2015: B1, B3 and D1.2; Base: 1100 interviews. Questions 2010: B1, B3 and E1; Base: 2000 interviews.

2. The five levels used correspond to: (i) level 1: individuals who do not have a bank account; (ii) level 2: individuals who have a bank account, but do not use it regularly; (iii) level 3: individuals who have a bank account and use it regularly, but do not hold any other financial product; (iv) level 4: individuals who have other financial products in addition to their bank account, but do not hold more than five financial products; and (v) level 5: individuals who have five or more financial products in addition to their bank account.

# **3** Using the current account

## On average, respondents have 1.4 current accounts in 2020.

Among respondents with a current account, around 71% have one bank account, 23.1% hold two accounts and 5.5% claim to have more than two accounts.

In 2020, respondents have on average 1.4 current accounts, slightly above 2015 (1.3 accounts) and equal to the 2010 average.



### Chart I.3.1 • Number of current accounts held by the respondent | 2020, 2015 and 2010

Questions 2020: B2, Base: 1356 interviews. Questions 2015: B2; Base: 1017 interviews. Questions 2010: B2; Base: 1769 interviews.

Respondents with higher education (48.8%) and with a monthly household income of more than EUR 2,500 (54.2%) stand out as having two or more current accounts.



Chart I.3.2 • Characterisation of respondents who have 2 or more current accounts | 2020

Questions: A2, A3, A4, A5, B2 and G13; Base: 1356 interviews.

## Most respondents use their bank account more than once a week.

Around 63% of the respondents with a current account use their account more than once a week, a higher percentage than in 2015 (57.5%) and 2010 (61.3%).

The frequency of bank account movements increases with the level of education. Only 18.7% of respondents with no education use their account more than once a week, in comparison to 89.6% of respondents with higher education.

Chart I.3.3 • Frequency of bank account movements | 2020, 2015 and 2010



Question 2020: B3; Base: 1360 interviews. Question 2015: B3; Base: 1017 interviews. Question 2010: B3; Base: 1769 interviews.

#### Chart I.3.4 • Frequency of bank account movements by level of education | 2020



Questions 2020: A4 and B3; Base: 1360 interviews.

# 4 Basic bank account

## There has been a significant increase in the proportion of respondents who indicate that they know what a basic bank account is.

A basic bank account allows access to a current account, a debit card and other essential banking services<sup>3</sup> at a reduced cost and is offered by most institutions authorised to receive deposits.

Approximately 51% of those interviewed say they know about basic bank accounts and, among those who say they know about them, almost half (45.4%) correctly identify the condition necessary to have such an account: having only one current account. Of the total number of respondents, around 23% know that basic bank accounts exist and know the access condition.

In 2020, knowledge about basic bank accounts improved significantly. In 2015 and 2010, only 4.9% and 1.4% of all respondents, respectively, knew about basic bank accounts and the condition to access it.



### Chart I.4.1 • Do you know what a basic bank account is? | 2020, 2015 and 2010

Questions 2020: G6; Base: 1502 interviews. Questions 2015: F6; Base: 1100 interviews. Questions 2010: B7; Base: 2000 interviews.

3. With an annual fee of no more than one per cent of the social support index, basic bank accounts include opening and maintaining a current account – the basic bank account; provision of a debit card; access to account movements through ATMs, home banking service and the institution's branches; making deposits, withdrawals, payments for goods and services, direct debits, national intrabank transfers and up to 24 national interbank transfers through home banking; each month, five transfers through payment applications operated by third parties for an amount equal to or less than 30 euros per operation. Individual customers holding a single current account may access a basic bank account.



Chart I.4.2 • What are the access requirements for a basic bank account? | 2020, 2015 and 2010

Question 2020: G7; Base: 1502 interviews. Question 2015: F7; Base: 1100 interviews. Question 2010: B7 and B8; Base: 2000 interviews.

## 5 Financial inclusion index

### <sup>1</sup> The financial inclusion index increases with education and income.

The financial inclusion index<sup>4</sup> is calculated based on questions about holding bank accounts, the frequency of account activity and the knowledge and ownership of other financial products<sup>5</sup>. This index benefits respondents that hold other financial products besides a current account and respondents that use the account more frequently.

The distribution of the financial inclusion index shows a median of 78.6, slightly above the average of 78.1. The results also show that 25% of the respondents have a financial inclusion index lower than 66.1 (1<sup>st</sup> quartile) and 75% of the respondents have an index up to 92.9 (3<sup>rd</sup> quartile). The left-skewness<sup>6</sup> implies that the test for normality<sup>7</sup> rejects the hypothesis that the distribution of the financial inclusion index is close to a normal distribution.

- 4. Methodological notes on the construction of the financial literacy indices can be found in Annex I.
- 5. The questions related to basic bank accounts are considered in the index of the understanding of financial concepts.
- 6. The financial inclusion index has a skewness of -1.059471 and a kurtosis of 4.512776.

7. Based on the test described by D'Agostino, Belanger and D'Agostino Jr. (1990) adjusted by Royston (1991), the hypothesis that the financial inclusion index follows a normal distribution (p-value of 0.0000) is rejected.

Indicator	Value	
Minimum	0.0	
1 <sup>st</sup> quartile	66.1	
Average	78.1	
Median	78.6	
3 <sup>rd</sup> quartile	92.9	
Maximum	100.0	
Standard deviation	18.3	

### Table I.5.1 • Descriptive statistics of the financial inclusion index | 2020

The financial inclusion index increases with education and income. For respondents with no education, the financial inclusion index is 57.1, a figure that rises to 92.9 for respondents with higher education. Similarly, the financial inclusion index for respondents with an income of up to EUR 500 is 64.3, a figure which rises to 92.9 for respondents with an income of over EUR 1000.

Respondents between the ages of 25 and 54, men and workers also stand out due to the positive results in the financial inclusion index.

### Chart I.5.1 • Financial inclusion index (median values) | Characteristics of the respondents |2020



Question 2020: G7; Base: 1502 interviews. Question 2015: F7; Base: 1100 interviews. Question 2010: B7 and B8; Base: 2000 interviews.
### II Digital financial inclusion

Use of digital channels
 Services used in digital channels
 Digital financial inclusion index

Financial institutions provide their customers with access to a current account and other banking products and services through digital channels, namely home banking and mobile applications (apps)<sup>1</sup>.

### 1 Use of digital channels

### Almost half of the respondents use digital channels provided by financial institutions.

Approximately 46% of respondents with a bank account say they use the digital channels provided by banks. Almost 20% use both channels, while 16.5% use only apps and 10% use only home banking. The proportion of respondents who use apps is higher than those who use home banking.

The percentage of respondents who say they use banks' digital channels in 2020 is higher than in 2010, when only 24% of respondents said they use home banking<sup>2</sup>.



#### Chart II.1.1 • Use of digital channels | 2020

Question 2020: C4; Base: 1366 interviews.

#### Young people are the ones who tend to only use apps.

Digital channels are used more by younger people, with emphasis on the proportion of respondents aged 25 to 39 who use at least one digital channel (74.7%). More than half (63.2%) of the respondents between the ages of 16 and 24 use digital channels, and this age group has the highest proportion of those who only use apps (39.6%). Also notable are respondents aged between 40 and 54 (56.7% use digital channels), with this age group having the highest proportion of those who only use home banking (14.5%).

2. In 2010, institutions did not usually provide apps, so the question referred only to home banking.

By contrast, only 8.1% of respondents aged 70 or over use digital channels.

The use of digital channels increases with the level of education. The vast majority of respondents with higher education (80.3%) and respondents with secondary education (71.3%) use at least one of the digital channels. Conversely, only 4% of respondents with no primary education use these channels.





Questions 2020: A2, A3, A4, A5, G13 and C4; Base: 1366 interviews.

## Around one third of respondents who do not use digital channels indicate that they have difficulties in dealing with technology.

As the main reason for not using digital channels, 32.1% indicate difficulties in dealing with technology, 20.3% prefer to use ATMs, 16.8% prefer personal contact and 16% do not trust that it is safe to use these channels.

In the 2010 survey on the financial literacy of the Portuguese population, this question was asked only in relation to home banking and with fewer response options<sup>3</sup>. Even so, it can be concluded that the reasons most frequently referred for not using digital channels in 2020 are similar to those in 2010, where preference for ATMs was the most indicated reason (27%), followed by difficulty in dealing with technology and mistrust of security conditions (19% in both cases).

3. In 2010, the similar question, regarding home banking exclusively, did not include the following response options "Does not have adequate financial knowledge", "Has concerns related to sharing personal data" and "Does not know the applicable legislation".



#### Chart II.1.3 • Reason why they do not use digital channels | 2020

Question 2020: C7; Base: 730 interviews.

#### E Respondents use apps more frequently than home banking.

Of the respondents who use digital channels, 71.7% use home banking daily or at least once a week and 79.1% use apps daily or at least once a week. The almost daily use is significantly more frequent in the case of apps (34.8%) than in home banking (22.8%).



#### Chart II.1.4 • Frequency of use of digital channels | 2020

Question 2020: C7; Base: 730 interviews.

### 2 Services used in digital channels

The services most commonly used in digital channels are checking the current account balance and transactions, the payment of services and credit transfers.

Most of the respondents (around 95%) use digital channels to check the bank account balance and transactions. This is followed by the payment of services (82.9% through home banking and 76.1% through apps) and credit transfers (78.9% through home banking and 70.2% through apps).



Chart II.2.1 • Services used in digital channels in the last two years | 2020

Questions 2020: C6.1 and C6.2; Base: 403 and 494 interviews (multiple choice question).

Respondents were asked whether they use their bank's app or another personal finance management tool to control their expenses. Only 13.6% of respondents say they use this type of tool to control their expenses<sup>4</sup>, with this behaviour being more frequent among respondents aged between 25 and 39 (29%).

## Approximately one third of respondents aged between 16 and 39 have a mobile phone payment account.

More than half of the respondents (54.1%) say that they have heard of mobile phone payment accounts, such as MBWay or other payment applications from institutions. However, the percentage of respondents who say they have a mobile payment account is much lower (15.9%)<sup>5</sup>.

<sup>4.</sup> Result previously disclosed in the Report of the 3rd Financial Literacy Survey of the Portuguese Population 2020, conducted by the National Council of Financial Supervisors.

<sup>5.</sup> Result previously disclosed in the Report of the 3rd Financial Literacy Survey of the Portuguese Population 2020, conducted by the National Council of Financial Supervisors.

Approximately 83% of respondents aged between 16 and 24 and 81% of respondents aged between 25 and 39 have heard of mobile phone payment accounts. Around one-third of respondents in these age groups actually have such accounts.



**Chart II.2.2** • Knowledge and ownership of mobile phone payment accounts by age group | 2020

Questions 2020: A3, E1.1.14 and E1.2.14; Base: 1502 interviews.

### **3** Digital financial inclusion index

# The digital financial inclusion index shows marked asymmetries among the different population groups.

The digital financial inclusion index is calculated based on questions regarding the use of home banking and apps, the number of services used and knowledge and ownership of a mobile phone payment account. This index, values respondents who use both channels and respondents who use digital channels more frequently.

The digital financial inclusion index has an average of 37.4 and a median of 25, with around 39% of respondents having an index of zero. These figures reflect the still low use of these channels. The right-skewness<sup>6</sup> implies that the normality test<sup>7</sup> rejects the hypothesis that the digital financial inclusion index distribution approaches a normal distribution.

7. Based on the test described by D'Agostino, Belanger and D'Agostino Jr. (1990) adjusted by Royston (1991), the hypothesis that the Index of the use of digital channels follows a normal distribution (p-value of 0.0000) is rejected.

<sup>6.</sup> The Index of the use of digital channels shows a skewness of 0.3334531 and a kurtosis of 1.529844.

Indicator	Value
Minimum	0.0
1 <sup>st</sup> quartile	0.0
Average	25.0
Median	37.4
3 <sup>rd</sup> quartile	75.0
Maximum	100.0
Standard deviation	36.2

#### Table II.3.1 • Descriptive statistics of the financial inclusion index | 2020

Respondents aged between 16 and 54 have a digital financial inclusion index above the median (25), especially those aged between 25 and 39 (75). Emphasis is also given to workers, students and respondents with at least secondary education or a monthly household income of more than EUR 1000.



**Chart II.3.1** • Index of the use of digital channels (median values) | Characteristics of the respondents | 2020

### III Management of savings

1 Saving habits

2 Relation between savings and coverage of expenses

3 Attitudes and behaviours

4 Savings management index

### 1 Saving habits

#### Approximately 40% of respondents do not save.

Around 60% of respondents claim they save, of which 29% say they save regularly. Of the respondents who say they do not save (39.9%), their main reason for not saving is not having enough income (82.7%) and 12.3% do not consider saving a priority.

The proportion of respondents who have saving habits in 2020 is similar to that of 2015 (59%) and higher than that of 2010 (around 52%). Nonetheless, the proportion of respondents who save irregularly increased slightly, to the detriment of those who save regularly.



#### Chart III.1.1 • Saving habits | 2020, 2015 and 2010

Question 2020: D4; 1502 interviews. Question 2015: C2; Base: 1100 interviews. Question 2010: D3; Base: 2000 interviews.

Insufficient income continues to be the main reason for not saving; however, the proportion of respondents who indicated this reason decreased (from around 88% in 2010 and 2015 to 82.7% in 2020). By contrast, the proportion of respondents who do not consider savings a priority increased (12.3% in 2020, 9.1% in 2015 and 7% in 2010).

Chart III.1.2 • Main reason for not saving | 2020, 2015 and 2010



Question 2020: D6; 600 interviews. Question 2015: C3; Base: 451 interviews. Question 2010: D6; Base: 963 interviews.

Among younger people (aged between 16 and 17) and respondents over the age of 55, savings are less frequent, with about half of the respondents belonging to these groups stating that they do not save.

The majority of respondents with no education (62.4%) do not save, a proportion that drops to 14.9% among respondents with higher education. Likewise, three-quarters of respondents with no income and 68.5% of respondents with income of up to EUR 500 do not save, a proportion that decreases to 14.1% in respondents with incomes above EUR 2,500.

Savings are also less frequent among the unemployed (60.9% do not save) and retirees (49%).



Chart III.1.3 • Characterisation of respondents who do not save | 2020

Question 2020: D4; 1502 interviews.

#### Around half of the respondents save to meet unexpected expenses.

Among the respondents who save, about half (49.8%) do so primarily to meet unexpected expenses and 15.4% save to cover future non-regular expenses (such as holidays or travel). Other reasons mentioned for savings are children's education (14%), the use of savings for retirement (9.5%) and the purchase of durable goods such as a house, furniture or appliances (8.9%).

### Savings tend to be more associated with retirement planning and children's education than in 2015 and 2010.

The proportion of respondents who save to meet unforeseen expenses is higher than in 2015 (44.8%) but lower than in 2010 (58%). Saving to meet future non-regular expenses or to purchase durable goods lost importance in 2020, in comparison to 2015, but is similar to 2010. Conversely, the proportion of respondents who save for their children's education and retirement went up.

Chart III.1.4 • Main reason for not saving | 2020, 2015 and 2010



Question 2020: D5; Base: 896 interviews. Question 2015: C3; Base: 649 interviews. Question 2010: D5; Base: 1037 interviews.

#### 65% of respondents state that they effectively saved in the last year.

Most of the respondents who usually save stated that they saved in the last year (95.9% of those who save regularly and 88.3% of those who save irregularly). On the other hand, 24.8% of respondents who do not usually save also state that they saved in the last year.

More than half of the respondents who claim to have saved in the last year left the money in their current account (58.5%) and 15.6% kept the money at home or in their wallet<sup>1</sup>. These percentages are higher among respondents who do not usually save (65.8% and 16.1%, respectively).

Conversely, around one third of the respondents put their money in a time deposit<sup>2</sup>. Of the respondents who usually save regularly, 45.3% put their money in a time deposit, a proportion that drops to 30.2% for respondents who save irregularly and to 8.1% for respondents who do not usually save.

2. Result previously disclosed in the Report of the 3rd Financial Literacy Survey of the Portuguese Population 2020, conducted by the National Council of Financial Supervisors.

<sup>1.</sup> Result previously disclosed in the Report of the 3rd Financial Literacy Survey of the Portuguese Population 2020, conducted by the National Council of Financial Supervisors.

Chart III.1.5 • Savings in the last year | 2020



Questions 2020: D4 and D7; Base: 1502 interviews.

#### Chart III.1.6 • Savings application in the last year | 2020



Questions 2020: D4 and D7; Base: 977 interviews (multiple-choice question).

5 Saving habits

# **2** Relation between savings and coverage of expenses

Among those who save regularly, most are able to pay for an unexpected expense equivalent to their monthly income.

Approximately 60.7% of the respondents claim that they can pay an unexpected expense equivalent to their monthly income without having to borrow money or get help from relatives or friends<sup>3</sup>. This proportion is significantly higher among respondents who claim to save regularly (88%) or irregularly (72.8%), compared to respondents who do not save (31.8%).





Questions 2020: D4 and D8; Base 1473 interviews.

# About half of the respondents who do not usually save say they have not been able to cover their cost of living in the last year.

Around 62% of the respondents claim to have had enough income to cover their cost of living in the last year<sup>4</sup>. This percentage rises to 77.1% for respondents who save regularly and to 67.4% for respondents who save irregularly. In contrast, 50.9% of respondents who do not usually save say they were unable to cover their cost of living.

<sup>3.</sup> Result previously disclosed in the Report of the 3<sup>rd</sup> Financial Literacy Survey of the Portuguese Population 2020, conducted by the National Council of Financial Supervisors.

<sup>4.</sup> Result previously disclosed in the Report of the 3<sup>rd</sup> Financial Literacy Survey of the Portuguese Population 2020, conducted by the National Council of Financial Supervisors.



#### Chart III.2.2 • Savings and sufficient income to cover the cost of living | 2020

Questions 2020: D4 and D11; Base 1478 interviews.

#### Almost half of respondents who save regularly say they can cover their expenses for more than six months.

Respondents were asked how long they could cover their expenses without borrowing money and without moving house if they lost their main source of income.

Approximately a quarter of the respondents (24.3%) say they would be able to cover their expenses without borrowing money and without moving house, for a period longer than six months<sup>5</sup>. Among respondents who save regularly, approximately half (47.4%) would be able to meet their expenses for over six months if they lost their main source of income. This proportion falls to 22.3% among respondents who save irregularly and to 9.2% among those who do not save.

Conversely, 24.3% of respondents indicate periods of less than one month, a proportion that rises to 44.4% among those who do not usually save.

5. Result previously disclosed in the Report of the 3rd Financial Literacy Survey of the Portuguese Population 2020, conducted by the National Council of Financial Supervisors.



#### Chart III.2.3 • Savings and period of cost coverage in the event of a drop in income | 2020

Questions 2020: D4 and D12; Base 1502 interviews.

### 3 Attitudes and behaviours

### Respondents who save tend to demonstrate more appropriate financial attitudes and behaviours.

Respondents were asked to indicate whether they agreed or disagreed with the statement "I like spending money more than saving for the future". This statement assesses the respondent's attitude towards money, determining whether they are concerned about the future or not. They were also asked to evaluate the statements "I set long-term goals and do everything to achieve them" and "I have money left over at the end of the month", which makes it possible to identify appropriate saving behaviours.

Respondents who do not save are those who proportionally agree more with the statement "It gives me more pleasure to spend money than to save for the future" (25.7%). This percentage drops to 16.7% for respondents who save irregularly and to 16.1% for respondents who save regularly.

The majority of respondents who save regularly (71.7%) and more than half of those who save irregularly (54.9%) agree with the statement "I set long-term savings goals and do everything to achieve them".

Of those respondents who save regularly, the majority (66.7%) agree with the statement "I have money left over at the end of the month". This percentage drops significantly among respondents who save irregularly (25.8%) and those who do not usually save (13.7%).



#### Chart III.3.1 • Savings and financial attitudes and behaviours | 2020

Questions 2020: D4 and D13; Base 1502 interviews.

### 4 Savings management index

## The savings management index increases with education and income.

The savings management index is calculated on the basis of questions about saving, how savings are spent, ability to meet unforeseen expenses or insufficient income to cover the cost of living, and how long it takes to cover expenses after a drop in income. Questions on attitudes and behaviours towards saving were also included. In constructing the index, value was given to respondents who disagreed with the statement "It gives me more pleasure to spend money than to save for the future" and respondents who agreed with the statement "I have money left over at the end of the month", for example.

The distribution of the savings management index has a median of 64.7, slightly above the average of 61. The 1<sup>st</sup> quartile is 41.2, indicating that 25% of the respondents have a savings management index below this value. On the other hand, 75% of respondents have a savings management index below 81.3 (3<sup>rd</sup> quartile). The skewness towards the left<sup>6</sup> implies that the test for normality<sup>7</sup> rejects the hypothesis that the savings management index distribution is close to a normal distribution.

Indicator	Value	
Minimum	5.9	
1 <sup>st</sup> quartile	41.2	
Average	61.0	
Median	64.7	
3 <sup>rd</sup> quartile	81.3	
Maximum	100.0	
Standard deviation	23.2	

#### Table III.4.1 Descriptive statistics of the savings management index | 2020

The savings management index increases with education and income. Respondents with no education have a median savings management Index of 43.8, a figure that rises to 81.3 for respondents with higher education. Respondents with no income have a median savings management index of 23.5, a figure that increases to 81.3 for respondents who earn more than EUR 2500.

Emphasis is also placed on workers and respondents between the ages of 25 and 54 due to their positive results in the savings management index.

6. The savings management index has a skewness of -0,315801 and a kurtosis of 1,986425.

7. Based on the test described by D'Agostino, Belanger and D'Agostino Jr. (1990) adjusted by Royston (1991), the hypothesis that the savings management index follows a normal distribution (p-value of 0.0000) is rejected.



**Chart III.4.1** • Savings management index | Characteristics of the respondents (median values) | 2020

Questions 2020: D4 and D13; Base 1502 interviews.

### IV Choice and management of banking products

1 Banking products contracted

2 Current accounts

3 Time deposits

4 Loans

5 Interest rates of deposits and loans

6 Index of the choice and management of banking products

### 1 Banking products contracted

# The proportion of respondents holding time deposits and credit cards increased.

Most of the respondents (90.9%) say that they have a current account, and they often have other banking products, including time deposits (41.6%), credit cards (36.2%), mortgage or home loans (20.2%) and other loans such as personal loans or car loans (12.9%)<sup>1</sup>.

The proportion of respondents who say they have time deposits increased (from 26.7% in 2010 to 38.7% in 2015 and to 41.6% in 2020), as did the proportion of those who say they have credit cards (from 28.2% in 2010 to 31.6% in 2015 and to 36.2% in 2020). Conversely, only 6.3% of respondents say they have overdraft facilities in 2020, a lower proportion than in 2015 (12.6%) and 2010 (21.6%).



#### Chart IV.1.1 • Banking products held by respondents | 2020, 2015 and 2010

Question 2020: E1.2; Base 1502 interviews. Question 2015: D1.2; Base: 1100 interviews. Questions 2010: E1; Base: 2000 interviews (multiple choice question).

1. Result previously disclosed in the Report of the 3<sup>rd</sup> Financial Literacy Survey of the Portuguese Population 2020, conducted by the National Council of Financial Supervisors.

### **2** Current accounts

# The recommendation of family or friends continues to be the main reason for choosing a bank, although it has lost importance in relation to 2015 and 2010.

The reasons most frequently mentioned by respondents for choosing the bank where they have their main current account are the recommendation of family or friends (27.8%), being the bank where they have their mortgage or other loan (20.2%) and proximity to home or workplace (18.4%). Respondents also mentioned their employer's recommendation (17.2%) and the fees or costs associated with the current account (5.1%). Approximately 11% of the respondents mentioned other reasons for choosing the bank where they hold their main current account, such as the existence of a partnership between the bank and the university attended.

The proportion of respondents indicating the recommendation of family or friends decreased in 2020 (27.8%), compared to 2015 (43.2%) and 2010 (35.1%). The importance of the proximity to home or workplace also declined (18.4% of respondents in 2020, 19.2% in 2015 and 23.5% in 2010) as did that of the fees or costs associated with the current account (5.1% in 2020, 8.7% in 2015 and 5.7% in 2010). On the other hand, respondents referred more often to the employer's recommendation (17.2% in 2020, 6.1% in 2015 and 14.1% in 2010) and the fact that it is the bank where they have their mortgage or other loan (20.2% in 2020, 16% in 2015 and 11.9% in 2010).



### **Chart IV.2.1** • Main reason for choosing the bank where they have the primary current account | 2020, 2015 and 2010

Questions 2020: C1; Base: 1366 interviews. Questions 2015: D6; Base: 1012 interviews. Questions 2010: C11; Base: 1742 interviews.

# More than half of the respondents check their bank account activity more than once a week.

The daily monitoring of current account movements is done by 16.8% of the respondents and 41.8% do so several times a week.

The proportion of respondents who check their activity daily went up in 2020 (16.8%, which compares with 10.3% in 2015 and 6.5% in 2010). The proportion of respondents who rarely or never check their account also increased (8% in 2020, which compares with around 3% in 2015 and 2010).



**Chart IV.2.2** • Frequency of checking current account movements | 2020, 2015 and 2010

Questions 2020: C2; Base: 1366 interviews. Questions 2015: D7; Base: 1012 interviews. Questions 2010: C4; Base: 1742 interviews.

# Respondents who manage their income and expenses check their bank account activity more frequently.

Respondents were asked to rate the statement "You make a plan to manage your income and expenses". Around 40% of respondents agree with the statement, revealing that they plan their household budget<sup>2</sup>.

Respondents who agree with the statement check their current account activity more frequently. Approximately 73% of respondents who say they make a plan to manage their income and expenses check their account daily or more than once a week, a percentage which falls to 47.8% of those who do not.

**Chart IV.2.3** • Frequency of checking current account movements and income and expenditure planning | 2020



Questions 2020: C2 and D3.1; Base: 1366 interviews.

Most respondents (64%) say they know the maintenance fee of their current account, although only 23.9% know the exact amount. The proportion of respondents who know the approximate or exact amount of the account maintenance fee declined in comparison to 2015 (75.4%), but increased in comparison to 2010 (59.7%).



Chart IV.2.4 • Knowledge of the current account maintenance fee | 2020, 2015 and 2010

Questions 2020: C3; Base: 1366 interviews. Questions 2015: D8; Base: 1012 interviews. Questions 2010: C15; Base: 1742 interviews.

More than half of the respondents that hold current accounts claim that they read the precontractual information (63%) and contractual information (66.7%), with emphasis on the proportion of respondents who state that they read both types of information in some detail (around 29%). Conversely, 32.6% do not read the pre-contractual information and 31.1% do not read the contractual information. Approximately one-fourth say that this is because they trust in the verbal information given by the clerk at the branch. Chart IV.2.5 • Reading of pre-contractual and contractual information by the holders of a current account  $\mid$  2020



Questions 2020: E4 and E5; Base: 1366 and 1306 interviews.

### **3** Time deposits

# The holding of time deposits increases with the monthly household income.

Around 42% of the respondents say they have time deposits. The, time deposits are more frequent among respondents aged between 25 and 54, and especially among respondents between the ages of 40 and 54 (48,5%).

Emphasis is also placed on workers (49.7%), respondents with secondary education (45%) or with higher education (64,8%), as well as respondents belonging to households with a net monthly income of between EUR 1000 and 2500 (56.5%) or above EUR 2500 Euros (69.5%).



Chart IV.3.1 • Characterisation of respondents who have time deposits | 2020

Questions 2020: A2, A3, A4, A5, E1.2 and G13: Base: 1502 interviews.

# Less than one fifth of respondents considered the options of other institutions before contracting a time deposit.

Time deposits were indicated as the most recently contracted financial product by 10.5% of the respondents. Of these, about one third (33.8%) considered several options from the same institution and only 14.6% considered several options from different institutions. About one fifth of respondents (20.4%) neither researched nor considered other options.

The advice given at the bank branch where the time deposit was contracted and the advice of family or friends were the most used sources of information when taking out time deposits, mentioned by 41.4% and 27.4% of the respondents, respectively.

#### Chart IV.3.2 • Choice of time deposits | 2020





#### Chart IV.3.3 • Sources of information used in the choice of time deposits | 2020



Questions 2020: E1.4.2 and E3; Base: 157 interviews (multiple choice question).

### Most respondents who have time deposits claim they read the precontractual and contractual information.

Most respondents who have time deposits state that they read the pre-contractual (71.9%) and contractual information (72.7%) on these products, with emphasis on the proportion of respondents who state that they read this type of information in some detail (around one third in both cases). Almost a quarter of those interviewed do not read the pre-contractual and contractual information because they trust what the bank clerk tells them.





Questions 2020: E4 and E5; Base: 625 and 619 interviews.

### 4 Loans

#### Approximately 46% of respondents say they have some form of credit, be it a home loan or mortgage credit or consumer credit.

Over one third of respondents (36.2%) have credit cards, around one fifth say they have a home loan or other loan backed by a mortgage, 12.9% have other loans (such as personal loan or car loan) and 6.3% report having overdraft facilities.

Holding credit increases with the level of education and income and is more common among respondents aged between 40 and 54 and workers.

		Home loan or other mortgage-backed loans	Credit card	Other loans	Overdraft facilities
Age	16 to 24 years	1.2%	17.9%	3.0%	1.2%
	25 to 39 years	22.9%	47.4%	22.6%	8.7%
	40 to 54 years	38.4%	51.3%	18.6%	10.3%
	55 to 69 years	20.5%	32.9%	11.0%	6.4%
	70 years or over	2.1%	17.5%	2.5%	1.1%
Gender	Female	18.6%	32.8%	13.3%	6.0%
	Male	22.0%	40.2%	12.4%	6.7%
Education level	No education	2.0%	7.9%	5.0%	0.0%
	Basic education (1 <sup>st</sup> stage)	13.6%	21.4%	9.2%	2.6%
	Basic education (3 <sup>rd</sup> stage)	21.3%	40.0%	13.3%	6.7%
	Secondary education	22.5%	44.4%	14.9%	7.9%
	Higher education	34.2%	58.7%	19.6%	12.8%
Employment situation	Worker	32.9%	49.7%	19.7%	9.8%
	Unemployed	7.0%	25.2%	12.2%	4.3%
	Retiree	6.5%	22.0%	3.8%	1.8%
	Student	1.9%	16.0%	1.9%	1.9%
Monthly hou- sehold income	No income	0.0%	5.0%	0.0%	2.5%
	Up to € 500	3.0%	12.2%	2.5%	0.5%
	Between 500 and € 1000	11.2%	28.5%	10.8%	3.5%
	Between 1000 and € 2500	32.6%	48.9%	18.8%	8.5%
	More than € 2500	46.3%	70.1%	26.0%	19.8%
	Total	20.2%	36.2%	12.9%	6.3%

### Table IV.4.1Characterisation of respondents who have housing or mortgage loansor consumer credit | 2020

Questions 2020: A2, A3, A4, A5, E1.2 and G13: Base: 1502 interviews.

#### Around one third of the respondents have neither researched nor considered other options when taking out their loans.

In 18.2% of cases, respondents say that the most recent banking product they took out was a loan, either a mortgage or home loan, or consumer credit. Of these respondents with loans, around 30% considered several options from different banks and more than one fifth (23%) considered several options from the same bank. By contrast, around one third (32.8%) neither researched nor considered other options.

When asked about the choice process, the answers vary according to the credit product most recently acquired by the respondent. In the case of mortgage or home loans, 63.5% of the respondents considered several options from different institutions before making their decision, a proportion that drops to 22.5% in the case of consumer credit. With regard to consumer credit, around 38% of the respondents neither researched nor considered any other option, a proportion that falls to 9.6% for mortgage or home loans.

#### Most of the respondents refer to the advice given at the bank branch as the most used source of information when taking out loans.

The advice given at the branch of the institution that granted the credit was the most used source of information when taking out loans, indicated by 63.9% of the respondents. This is followed by advice from family or friends, mentioned by 28.5% of the respondents.

When asked about the sources of information used, the answers vary according to the credit product the respondent has most recently acquired. In the case of mortgage or home loans, 59.6% of the respondents mentioned the advice given at the bank branch as the most used source of information, a percentage that rises to 64.9% in the case of consumer credit. With regard to consumer credit, 31.1% mention the advice of family or friends, a proportion that falls to 17.3% in the case of mortgage or home loans.



#### Chart IV.4.1 • Choice of Loans | 2020

#### Chart IV.4.2 • Sources of information used in the choice of loans | 2020



Questions 2020: E1.4 and E3; Base: 274 interviews (multiple choice question).

Questions 2020: E1.4 and E2; Base: 274 interviews.

# The majority of respondents who have some type of credit read the pre-contractual and contractual information.

Of the respondents who have some type of credit, most state that they read the pre-contractual (74.6%) and contractual information (75.7%). Of these, approximately 35% state that they read both types of information in some detail.





Questions 2020: E4 and E5; Base: 274 interviews (multiple choice question).

# The amount of the instalment is the main criterion in the choice of loans, yet its importance decreased compared to 2015.

Respondents who have mortgages, personal loans or car loans (26.3% of the total) were asked about the main criterion used in the choice of their loans.

More than a third (34.7%) refer that the amount of the instalment was the main criterion used in the choice of their loans, followed by the amount of the interest rate (24.8%). Only 10.9% of the respondents mention the annual percentage rate of charge (APR), which is the appropriate cost measure to compare alternative credit proposals, since it reflects all the costs associated with the loan, on an annual basis (interest, fees and other charges).

The proportion of respondents for whom the amount of the instalment was the main criterion for choosing a loan declined in comparison to 2015 (44.2%). The proportion of those who indicated the APR also decreased (from 13.5% in 2015 to 10.9% in 2020). On the other hand, the proportion of those who mentioned the interest rate went up (from 20.1% in 2015 to 24.8% in 2020), with a slight increase in the proportion of respondents who took into account the costs of the loan.



Chart IV.4.4 • Main reason for choosing home loans, personal loans or car loans | 2020 and 2015

Question 2020: E9; Base: 395 interviews. Question 2015: D11; Base: 333 interviews.

# Approximately 62% of respondents pay off their outstanding credit card balance at the end of the month, up from the proportions in 2015 and 2010.

Around 62% of respondents say they pay their entire outstanding credit card balance at the end of the month, while 22% pay it off partially.

The proportion of respondents who pay the entire outstanding balance at the end of the month increased in comparison to 2015 (54%) and 2010 (52%), to the detriment of respondents who pay the balance in instalments. There was also a significant increase in the percentage of respondents who do not know or did not answer the question, which may indicate that they are unaware of the payment method associated with their credit card.



#### Chart IV.4.5 • Credit card payment scheme | 2020, 2015 and 2010

Question 2020: E11; Base: 544 interviews. Question 2015: D14; Base: 348 interviews. Question 2010: E28; Base: 564 interviews.
Only a small percentage of respondents (1.9%) reported that they have experienced credit card fraud, where someone used their credit card details without their permission.

#### Around 14% of respondents say that the instalments consume more than half of their monthly income, a percentage higher than in 2015 and 2010.

More than half of the respondents (59.3%) indicate that their loan instalments consume half or less than half of their net monthly household income and 36.1% indicate an effort rate of less than a quarter. In contrast, for 13.9% of respondents, the burden of loans represents more than half of the household income.

The proportion of respondents with loans where benefits represent more than half of their income went up (13.9% in 2020, 8.6% in 2015 and 12% in 2010). The proportion of respondents who does not know what their effort rate is also increased (26.8% in 2020, 8.5% in 2015 and 13% in 2010).





Question 2020: E10; Base: 684 interviews. Question 2015: D12; Base 505 interviews. Question 2010: E8; Base: 822 interviews.

The lowest effort rates, less than a quarter of the monthly income, are more frequent among respondents aged between 25 and 54 (around 40%). On the other hand, effort rates above 50% are more frequent among respondents between the ages of 55 and 69 (21.7%). Also noteworthy are the respondents between the ages of 16 and 24 and 70 or over, where the majority does not know or does not answer the question.

The lowest effort rates (less than one quarter of the monthly income) are more frequent among respondents with a net monthly income of more than EUR 1000 (39.1% among those with an income of between EUR 1000 and 2500 and 43.9% in those with an income above EUR 2500). Half of the respondents with an income of up to EUR 500 do not know or do not answer the question.

Chart IV.4.7 • Effort rate, by age group | 2020



Questions 2020: E10 and A3; Base: 684 interviews.

#### Chart IV.4.8 • Effort rate, by household's net monthly income bracket | 2020



Questions 2020: E10 and G13; Base: 684 interviews.

More than half of the respondents (52.6%) with higher effort rates (over 50%) say that their income was insufficient to cover their cost of living in the last year. This proportion decreases to one-third for respondents with effort rates of between 25% and 50% of their income and to 30.4% for respondents with lower effort rates (less than 25%).



#### Chart IV.4.9 • Effort rate and income to cover the cost of living | 2020

**5** Interest rates

# Around half of the respondents claim to know the interest rates of their savings and loans.

Almost half of the respondents (51.8%) state that they know the interest rates of their savings applications or loans, although only 16.7% know the exact amount. Conversely, 34.6% have no idea of the interest rates they receive or pay, and 13.6% only find out when they take out the loan or savings application.

The percentage of respondents who claim to know the value of the interest rates decreased in relation to previous years (75% of respondents in 2015 and almost two thirds of respondents in 2010).



#### Chart IV.5.1 • Knowledge of the interest rates of savings and loans | 2020, 2015 and 2010

Question 2020: E6; Base: 909 interviews. Question 2015: D9; Base: 693 interviews. Question 2010: E4 and E6; Base: 670 and 822 interviews.

# More than half do not compare interest rates before applying savings or taking out loans.

When taking out loans or applying savings, more than half of the respondents (57,2%) admit not having previously made any type of comparison of the interest rates charged, 32.1% because they always resort to their usual bank. The remaining respondents compare interest rates, with 18.2% of them comparing the rates of the banks of which they are customers and 24.6% also comparing the interest rates practised by other banks.

The proportion of respondents who say they do not compare interest rates increased in comparison to 2015 (48.5%) and 2010 (40.2% in the case of loans and 55.8% in the case of savings).

### **Chart IV.5.2** • Comparison of interest rates before making a savings investment or taking out a loan | 2020, 2015 and 2010



Question 2020: E7; Base: 906 interviews. Question 2015: D10; Base: 693 interviews. Questions 2010: E5 and E7; Base: 670 and 822 interviews.

# **6** Index of the choice and management of banking products

## Respondents living in higher income households score most positively on the choice and management of banking products.

The index of the choice and management of banking products is calculated on the basis of questions related to the choice of bank and banking products, the checking of account movements and balance, the knowledge of interest rates, fees and other characteristics of the banking products, the reading of pre-contractual and contractual information and the effort rate. The construction of this index values, for example, respondents who considered several options from different institutions before taking out a banking product and respondents who read the pre-contractual and contractual information in detail.

The median of the index of the choice and management of banking products is 60.8, slightly higher than the average of 60.3. As regards the choice and management of banking products, 25% of respondents have an index below 45.1 (1<sup>st</sup> quartile) while 75% have an index below 75 (3<sup>rd</sup> quartile). The left-skewness<sup>3</sup> implies that the normality test<sup>4</sup> rejects the hypothesis that the distribution of the index of the choice and management of banking products approaches a normal distribution.

Indicator	Value
Minimum	0.0
1 <sup>st</sup> quartile	45.1
Average	60.3
Median	60.8
3 <sup>rd</sup> quartile	75.0
Maximum	100.0
Standard deviation	20.3

### **Table IV.6.1**Descriptive statistics of the index of the choice and management of banking<br/>products | 2020

The index of the choice and management of banking products increases with the level of education and household income. For respondents with no education, this index is 37.5, while for those with higher education the value rises to 72.2. Likewise, respondents with no income show a median index of 46.9, which rises to 72.3 for respondents with a household income of over EUR 2500.

Respondents between the ages of 25 and 54, men, workers and the unemployed also stand out for their positive results in the index of the choice and management of banking products.

<sup>3.</sup> The index of choice and management of banking products and services has a skewness of -0.0846528 and a kurtosis of 2.467165.

<sup>4.</sup> Based on the test described by D'Agostino, Belanger and D'Agostino Jr. (1990) adjusted by Royston (1991), the hypothesis that the index of choice and management of banking products and services follows a normal distribution (p-value of 0.0000) is rejected.



**Chart IV.6.1** • Index of the choice and management of banking products (median values) | Characteristics of the respondents | 2020

Question 2020: E7; Base: 906 interviews. Question 2015: D10; Base: 693 interviews. Questions 2010: E5 and E7; Base: 670 and 822 interviews.

# V Understanding of financial concepts

1 Deposits

2 Loans

3 Inflation, return and risk

4 Index of the understanding of financial concepts

# The average number of correct answers declined in 2020, compared to 2015.

In this survey 14 questions were asked about knowledge related to financial concepts associated with deposits, loans, inflation, return and risk.

On average, respondents answer correctly to 6.8 questions, with emphasis on the proportion of respondents answering correctly to 8 questions (12.6%), 7 questions (12%) or 6 questions (11.1%). There is a small proportion of respondents (2.9%) who did not answer any question correctly and only 3 respondents (0.2%) answered all 14 questions correctly.

The results in 2020 are lower than in 2015, when respondents answered correctly to 7.8 questions, on average.



#### Gráfico V.1 • Distribution of the number of correct answers | 2020

Questions 2020: G2.1, G3, G4, G4.1, G5, G6, G7, G8, G9, G10, G11 and G12; Base: 1502 interviews.

## 1 Deposits

#### Almost two thirds correctly identify the current account balance on a bank statement.

Faced with a bank statement for a current account, respondents were asked to identify the account balance and the possibility of making an additional payment. Approximately 64% of respondents correctly identified that the account would be overdrawn if they made a payment in excess of the original balance.

In 2020 the proportion of respondents who correctly identified the account balance went down (82% in 2015 and 72.5% in 2010), as did the proportion of respondents who realise that the account would be overdrawn after making the suggested payment (58.8% in 2015 and 45.7% in 2010).

# The proportion of respondents who can correctly calculate simple interest and who understand the concept of compound interest decreased.

Respondents were asked to indicate how much they would have in their account at the end of one year (simple interest) and at the end of five years (compound interest) if they put EUR 100 into a time deposit with an annual interest rate of 2%.

Less than half (42.5%) correctly answer the question on simple interest and only 31% know that after five years they would have a higher amount in their account than they would have with simple interest<sup>1</sup>.

The percentages of respondents who correctly answered the questions on simple and compound interest went up in comparison to 2015.

Around 23% of respondents know what a basic bank account is, a significant improvement compared to 2010 (1.4%) and 2015 (4.9%).

#### Table V.1.1 • Proportion of correct answers in questions related with deposits | 2020, 2015 and 2010

	2010	2015	2020
Calculation of simple interest		58.4%	42.5%
Calculation of compound interest		39.5%	31.0%
Knowledge of basic bank accounts	1.4%	4.9%	23.1%
Identification of the current account balance	72.5%	82.0%	63.6%
Identification of the current account balance after movements	45.7%	58.8%	36.8%

Questions 2020: G4, G4.1, G7, G8 and G9; Base: 1502 interviews. Questions 2015: F4, F4.1, F7, F8 and F9; Base: 1100 interviews. Questions 2010: B8, G7 and G8; Base: 2000 interviews.

### 2 Loans

# Most respondents who have credit cards are familiar with the concept of cash advance and with the interest in case of partial payment of the card debt.

Respondents were asked to indicate the amount of interest paid on a loan of 25 euros to a friend who has to pay back those 25 euros the next day. They were also asked about the payment of fees on cash advances from ATMs and about the payment of interest if they only partially pay off the outstanding balance of the card.

1. Result previously disclosed in the Report of the 3r<sup>d</sup> Financial Literacy Survey of the Portuguese Population 2020, conducted by the National Council of Financial Supervisors.

The majority (87.4%) correctly indicates that no interest was payable in the case of a loan of 25 euros to a friend, which compares with 86.5% in 2015.

More than half of the respondents correctly answer the questions about the payment of the cashadvance fee (55.1%) and about the interest in case of partial payment of the credit card debt (53.3%). Amongst respondents who hold credit cards, the majority answered these questions correctly (68.6% and 73.5%, respectively).

The percentages of correct answers to the questions on credit cards are lower than in 2015 (more than three quarters of respondents, in both cases). The high percentage of respondents who did not answer these questions (27.4% and 26.6%, respectively) is also noteworthy<sup>2</sup>.

## Respondents show weakness in their knowledge of the concepts of **Euribor** and **spread**.

Respondents were also asked to identify the concepts of spread and Euribor, frequently associated with mortgage loans. More than a fifth of the respondents (23.2%) know what the spread is and only 8.1% correctly identify the Euribor concept.

The proportion of respondents who correctly identify the concept of spread went up (21.4% in 2015 and 16.4% in 2010), but the percentage of respondents who know what Euribor is went down (10.5% in 2015 and 9.3% in 2010).

#### Table V.2.1 • Proportion of correct answers in questions related to loans | 2020, 2015 and 2010

	2010	2015	2020
Loan of 25 € for one day to a friend		86.5%	87.4%
Interest on partial payment of the outstanding balance on the credit card		75.8%	53.3%
Cash advance fees on credit cards		79.5%	55.1%
Concept of spread	16.4%	21.4%	23.2%
Concept of Euribor	9.3%	10.5%	8.1%

Questions 2020: G3, G5.1, G5.2, G10 and G11; Base: 1502 interviews. Questions 2015: F3, F5.1, F5.2, F10 and F11; Base: 1100 interviews. Questions 2010: G1 and G2: Base: 2000 interviews.

2. If we exclude the respondents who did not answer the questions, the percentage of respondents who answered correctly is 75.8% in the question related to cash advance fees on the credit card (compared with 81.3% in 2015) and 72.7% in the question related to interest on partial payment of the outstanding balance on the credit card (compared with 77.4%).

## 3 Inflation, return and risk

# More than half of the respondents correctly identify that a time deposit has a low risk.

When asked about the relation between inflation and the cost of living, around 74% of respondents correctly identify that high inflation means a rise in the cost of living. However, only 55.5% recognise the effect of loss of purchasing power resulting from an inflation rate of 2%<sup>3</sup>.

The proportion of respondents who correctly identify the relation between inflation and the cost of living decreased in 2020 compared to 2015 (87%), but increased in comparison to 2010 (56.5%). This decrease may be related to the high percentage of respondents who did not answer the question (17.5%)<sup>4</sup>.On the other hand, the percentage of respondents who recognise the implications of a 2% inflation rate on purchasing power increased in comparison to 2015 (52.9%).

Respondents were also asked to assess the degree of risk of a time deposit. More than half (51.2%) correctly identified that a time deposit has a low risk when it comes to recovering the capital initially invested, a proportion higher than in 2015 (46.1%) and 2010 (49.4%).

Most respondents (71.6%) correctly identify that an investment with a high return generally has a high risk, although this percentage is lower than in 2015 (81%). This decrease may be associated with the increase in the proportion of respondents who do not respond to the question (22.3%)<sup>5</sup>.

### **Table V.3.1**Proportion of correct answers to the questions related to inflation, return and risk2020, 2015 and 2010

	2010	2015	2020
Implications of an inflation rate of 2%		52.9%	55.5%
Relation between inflation and the cost of living	56.5%	87.0%	74.4%
Assessment of the degree of risk of a time deposit	49.4%	46.1%	51.2%
Relation between the return and risk of an investment		81.0%	71.6%

Questions 2020: G2.1, G5.3, G5.4 and G12.7; Base: 1502 interviews. Questions 2015: F2.1, F5.4, F5.5 and F15.7; Base: 1100 interviews. Questions 2010: G4.7 and G5: Base 2000 interviews.

3. There are various results on the concepts of inflation, return and risk that previously disclosed in the Report of the 3<sup>rd</sup> Financial Literacy Survey of the Portuguese Population 2020, conducted by the National Council of Financial Supervisors.

4. If we exclude respondents who did not answer the question, the percentage of respondents who answered correctly is 90.2%, in comparison with 88.5% in 2015 and 56.8% in 2010.

5. If we exclude respondents who did not answer the question, the proportion of respondents who answered the question correctly is 92.2%, which compares with 82.1% in 2015.

# **4** Index of the understanding of financial concepts

# The Index of the understanding of financial concepts increases with education.

The Index of the understanding of financial concepts is based on the 14 questions that assessed the population's knowledge on key concepts related to deposits, loans, inflation, return and risk.

The distribution of the index of the understanding of financial concepts presents a median of 54.2 slightly higher than the average of 51.9, with 25% of the respondents (1st quartile) having an index below 33.3 and 75% of the respondents (3rd quartile) having an index below 70.6.

The left-skewness<sup>6</sup> implies that the test for normality<sup>7</sup> rejects the hypothesis that the distribution of the index of the understanding of financial concepts approaches a normal distribution.

Indicator	Vaue	
Minimum	0.0	
1 <sup>st</sup> quartile	33.3	
Average	51.9	
Median	54.2	
3 <sup>rd</sup> quartile	70.6	
Maximum	100.0	
Standard deviation	24.0	

#### Table V.4.1 Descriptive statistics of the index of the understanding of financial concepts | 2020

The Index of the understanding of financial concepts increases with the level of education. The median value of this index rises from 16.7, for respondents with no education, to 72.5, for respondents with higher education. This index also shows the highest value (72,5) for respondents with a monthly household income of over EUR 2500.

In terms of age, respondents aged between 40 and 54 show the best results in the index of the understanding of financial concepts, followed by respondents aged between 25 and 39. Workers and men also stand out.

6. The index of the understanding of financial concepts shows a skewness of -0.3079251 and a kurtosis of 2.334343.

7. Based on the test described by D'Agostino, Belanger and D'Agostino Jr. (1990) adjusted by Royston (1991), the hypothesis that the comprehension index of financial concepts follows a normal distribution (p-value of 0.0000) is rejected.



#### Chart V.4.1 • Index of the understanding of financial concepts (median values) | Characteristics of the respondents | 2020

VI Global financial literacy index

# Respondents with higher levels of education and income show better results in the global financial literacy index.

The global financial literacy index<sup>1</sup> is the result of aggregating the partial indices previously analysed: financial inclusion, digital financial inclusion, management of savings, choice and management of banking products and understanding of banking products.

The distribution of the global financial literacy index has a median of 58.4 above the average of 57.3. It was seen that 25% of respondents (1st quartile) have a global financial literacy index below 44.4 and 75% of respondents (3rd quartile) have an index below 71.3. The left-skewness of the distribution<sup>2</sup> implies that the normality test<sup>3</sup> rejects the hypothesis that the global financial literacy index distribution approaches a normal distribution.

Indicator	Value
Minimum	7.8
1 <sup>st</sup> quartile	44.4
Average	57.3
Median	58.4
3 <sup>rd</sup> quartile	71.3
Maximum	96.1
Standard deviation	17.6

#### Table VI.1 Descriptive statistics of the global financial literacy index | 2020

The global financial literacy index increases with income and level of education. For individuals with no education, the index is 32.4, a figure that rises to 75.2 for individuals with higher education. Along the same lines, individuals with a household income of up to EUR 500 present an index of 39, a value that rises to 75.8 for respondents with an income of more than EUR 2500.

Also noteworthy are respondents aged between 25 and 54, men and workers.

1. Methodological notes on the construction of the financial literacy indices can be found in Annex I.

2. The global financial literacy index presents a skewness of -0.2634936 and a kurtosis of 2.351101.

3. Based on the test described by D'Agostino, Belanger and D'Agostino Jr. (1990) adjusted by Royston (1991), the hypothesis that the global financial literacy index follows a normal distribution (p-value of 0.0000) is rejected.



**Gráfico VI.1** • Global financial literacy index (median values) | Characteristics of the respondents | 2020

#### Table VI.2 • Descriptive statistics of the Index of the Understanding of financial concepts | 2020

	Minimum observed	Maximum observed	Average	Mediana	Desvio padrão
Financial inclusion index	0.00	100.00	78.06	78.57	18.30
Digital financial inclusion index	0.00	100.00	37.35	25.00	36.18
Savings management index	5.88	100.00	60.96	64.71	23.15
Index of the choice and management of banking products	0.00	100.00	60.33	60.78	20.32
Index of the Understanding of financial concepts	0.00	100.00	51.90	54.17	23.99
Global financial literacy index	7.84	96.08	57.28	58.41	17.59

The financial inclusion index has the highest median (78.6), contributing positively to the global financial literacy index. The savings management index and the index of the choice and management of banking products also have median values above the global financial literacy index.

The digital financial inclusion index has the lowest median value (25), contributing negatively to the global financial literacy index. The index of the understanding of financial concepts, with a median of 54.2, is also below the global financial literacy index.

The digital financial inclusion index shows a greater dispersion of values, as opposed to the financial inclusion index, where values are more concentrated around the average (25.2).

# VII Financial literacy by population groups

1 Young people

2 Seniors

3 Workers

4 The unemployed

5 Women

The socio-demographic criteria collected in the Financial Literacy Survey of the Portuguese Population 2020 make it possible to divide the sample into different population groups: young people, seniors, unemployed, workers, women and men. This division, in turn, allows us to characterise the financial literacy levels of each of these population groups and to compare them with the rest of the population.

## 1 Young people

Around 11% of the respondents are aged between 16 and 24 and are considered as the group of young people in this analysis. Most of the young people (79.2%) live with their parents and more than half are students (55.4%). About 30% are workers and 10% are unemployed. Among the young people interviewed, approximately 30% have completed basic education, half have secondary education and around 11% have completed higher education. In this last age group there is an expectation of an increase in the level of education given the high proportion of those who are still studying.

### 1.1 Financial inclusion

#### Young people have a lower level of financial inclusion.

The percentage of young people with a current account (85.7%) is lower than that of the remaining respondents (91.6%), revealing a lower level of financial inclusion among the younger population. This situation is even more evident among minors, where only 59.1% indicate they have at least one bank account.

The young people who do not have a current account state more often (66.7%) than the rest of the population (53.6%) that the reason is because they do not have an income that justifies it. Among the young people who are under the age of 18, 88.9% indicate that they do not have an income that justifies having a current account.





Questions 2020: A3 and B4; Base: 136 interviews.

Among the young people, 14.3% do not have a bank account and 4.8% have an account but do not use it regularly, which means that around 19% of the young people do not use the banking system on a daily basis. The proportion of young people who have other financial products besides a bank account (52.9%) is lower than the rest of the population (71.8%).



#### Chart VII.1.2 • Young people | Levels of financial inclusion | 2020

Most young people (88%) only have one current account, making the average number of accounts held by young people (1.1) lower than the remaining respondents (1.4).

Around 56% of the young people use their account more than once a week, compared with 63.8% of the other respondents.



#### Chart VII.1.3 • Young people | Frequency of current account movements | 2020

Questions 2020: A3, B1, B3 and E1.2; Base: 1502 interviews.

Questions 2020: A3 and B3; Base: 1366 interviews.

Young people show less knowledge about basic bank accounts than the other respondents. Around 35% of the young people claim to know that basic bank accounts exist, a proportion significantly lower than the rest of the population (52.8%), and 44.1% correctly identify the access condition, in comparison with 45.5% of the older respondents. Therefore, 15.5% of young people know that basic bank accounts exist and know the access condition, which compares with approximately 24% of the remaining respondents.

### **1.2** Digital financial inclusion

# Approximately 40% of young people indicate they only use apps to access their account.

The percentage of young people who use home banking or mobile applications (apps) to access their bank account (63.2%) is much higher than the remaining respondents (44%). The preference of young people for the use of apps is also highlighted, since around 40% of young people indicate only using this channel, a proportion that is 13.8% in the case of the remaining respondents.



#### Chart VII.1.4 • Young people | Use of digital channels | 2020

Questions 2020: A3 and C4; Base: 1366 interviews.

Of the young people who do not use digital channels to access their accounts, 44.2% indicated that they do not do so because they prefer to use ATMs. No young respondent mentioned that they had difficulty in using technology, which was the reason most frequently mentioned by the remaining respondents (34.5%).



#### Chart VII.1.5 • Young people | Reason not to use digital channels | 2020

Questions 2020: A3 and C7; Base: 730 interviews.

## Approximately one third of the young people interviewed have a payment account associated to their mobile phone.

Most young people (82.7%) have already heard about mobile phone payment accounts (such as MBWay), a proportion which is 50.5% among the other respondents. Likewise, around one third (33.9%) of young people hold such accounts, which compares with a proportion of 13.6% in the remaining respondents.



**Chart VII.1.6** • Young people | Knowledge and ownership of mobile phone payment accounts | 2020

Questions 2020: A3, E1.1.14 and E1.2.14; Base: 1502 interviews.

### **1.3** Management of savings

### Around 39% of young people say they save regularly, which is higher than the proportion of the remaining respondents.

In both groups, around 60% of the respondents save. However, the percentage of young people who indicate that they save regularly (38.7%) is higher than that of the remaining respondents (27.7%).





Questions 2020: A3 and D4; Base: 1502 interviews.

# Young people who save do so more often to cover non-regular expenses, such as holidays or travel.

The reasons for saving among young people are different from those mentioned by the rest of the population. Of the young people who say they save, 41% do so to cover later non-regular expenses such as holidays or travel, which contrasts with only 12.2% of the remaining respondents. On the other hand, 31% of the young people save to cover unexpected expenses, a proportion that is 52.1% in the remaining respondents.

Chart VII.1.8 • Young people | Reason for saving | 2020



#### Questions 2020: A3 and D5; Base: 896 interviews.

Most young people (around 60%) leave their savings in their current account. However, young people show a greater preference for keeping their money at home or in their wallet (27.1%, which compares with 14.1% among the other respondents) and a lower propensity to put their savings in a time deposit (17.8%, which compares with 35.1% among the other respondents).

#### Chart VII.1.9 • Young people | Form of saving | 2020



Questions 2020: A3 and D7; Base: 977 interviews (multiple choice question).

#### About one fifth of the young people interviewed do not consider saving a priority.

The reason most indicated by young people for not saving is that their income does not allow it (mentioned by 67.6% of the respondents), below the proportion of the remaining respondents (84.6%). However, 19.1% of the young people indicate that they do not save because they do not consider it a priority and 10.3% indicate that they spend on impulse, proportions higher than the remaining respondents (11.5% and 2.4%, respectively).

Chart VII.1.10 • Young people | Reason for not saving | 2020



Questions 2020: A3 and D6; Base: 896 interviews.

Almost half of the young people (46.3%) say that they do not have the capacity to pay an unexpected expense of an amount equivalent to their monthly income, which compares with 32.2% for the remaining respondents. Young people also indicate shorter periods of coverage of expenses in case of loss of their main source of income. Around 39% of the young people indicate that they would be able to cover their expenses for less than one month in case of loss of their main source of income, a higher proportion than the rest of the respondents (22.5%).



**Chart VII.1.11** • Young people | Capacity to pay an unexpected expense of an amount equivalent to the monthly income | 2020

Questions 2020: A3 and D8; Base: 1502 interviews.



Chart VII.1.12 • Young people | Period of coverage of expenses in case of loss of income | 2020

Questions 2020: A3 and D12; Base: 1502 interviews.

### 1.4 Choice and management of banking products

## Young people have more mobile phone payment accounts than the other respondents.

With regard to the banking products held, there are significant differences between young people and the remaining respondents. The percentage of young people with mobile phone payment accounts (40%) is higher than the remaining respondents (13.6%). However, the ownership of other banking products is lower. About one fifth (21.4%) of the young people have time deposits (44.2% among the remaining respondents) and 17.9% have credit cards (38.5% among the remaining respondents). The proportion of young people who have mortgage and home loans, other loans (such as car or personal loans) or overdraft facilities is residual.





Questions 2020: A3 and E1.2; Base: 1502 interviews (multiple choice question).

# Most of the young people interviewed chose their bank on the recommendation of family or friends.

Approximately 70% of the young people interviewed indicate that they chose the bank where they have their main current account on the recommendation of family or friends, which contrasts with 22.8% in the case of the remaining respondents.





Questions 2020: A3 and C1; Base: 1366 interviews.

The proportion of young people who mention that they check the account movements on a daily basis or more than once a week (67.3%) is higher than the remaining respondents (57.5%). The percentage of young people who indicate not knowing the amount of the account maintenance fee (54.2%) is much higher than the remaining respondents (32.8%).





Questions 2020: A3 and C1; Base: 1366 interviews.



Chart VII.1.16 • Young people | Knowledge of the current account maintenance fee | 2020

Questions 2020: A3 and C3; Base: 1366 interviews.

### **1.5** Understanding of financial concepts

#### Young people reveal greater weaknesses than the other respondents in assessing the degree of risk of a time deposit and the relation between inflation and the cost of living.

On average, young people answer correctly to 6.4 questions about bank deposits, loans, inflation, return and risk.

For the questions about bank deposits, young people show better results than the remaining respondents on reading the balance of a bank statement (with the proportion of young people answering correctly being 13.5 percentage points higher than the remaining respondents), on identifying the account balance after a transaction (10.2 percentage points higher) and on calculating simple interest (7 percentage points higher).

With regard to the concept of loans, the proportion of young people who answer correctly that they do not receive interest if they lend 25 euros to a friend who returns the 25 euros the next day (91.1%) is higher than that of the other respondents (86.9%).

With regard to the remaining questions, the proportion of correct answers given by young people is lower than that of respondents over the age of 25, especially concerning the degree of risk of a time deposit (14.7 percentage points less) and the relation between inflation and the cost of living (13.4 percentage points less).

	Young people	Others
Deposits		
Calculation of simple interest	48.8%	41.8%
Calculation of compound interest	31.0%	31.0%
Knowledge of basic bank accounts	15.5%	24.1%
Identification of the current account balance	75.6%	62.1%
Identification of the current account balance after movements	45.8%	35.6%
Loans		
Loan of 25 € to a friend for one day	91.1%	86.9%
Interest on partial payment of the outstanding balance on the credit card	47.0%	54.1%
Cash advance fees on credit cards	43.4%	56.5%
Concept of spread	13.7%	24.4%
Concept of Euribor	4.8%	8.5%
Inflation, return and risk		

48.2%

62.5%

38.1%

70.2%

56.4%

75.9%

52.8%

71.8%

#### Table VII.1.1 • Young people | Proportion of correct answers in each question | 2020

Questions 2020: A3, G2.1, G3, G4, G4.1, G5.1, G5.2, G5.4, G5.5, G8, G9, G10, G11, G12.7; Base: 1502 interviews.

### 1.6 Financial literacy indices

Implications of an inflation rate of 2%

Relation between inflation and cost of living

Assessment of the degree of risk of time deposits

Relation between return and risk of an investment

#### Young people score well on the digital financial inclusion index, but are below the remaining respondents in the other indices.

Young people have a median in the digital financial inclusion index of 62.5, significantly higher than the other respondents (25), indicating young people's preference for using these channels. However, in the other partial indices, the median value of young people is lower than the other respondents, especially the financial inclusion index (in which young people present a median of 71.4, which compares with 85.7 for the remaining respondents). Therefore, young people have a global financial literacy index median of 54.9, below the other respondents (59.5).

According to the Krushall-Wallis test, the difference between the median of young people and the median of the other respondents is statistically significant for most of the partial indices and for the global financial literacy index. The exception is the index of the understanding of banking products, where the median of young people is not significantly different from the median of the other respondents<sup>1</sup>.

<sup>1.</sup> The null hypothesis of the Krushall-Wallis test is that the medians of one or more population groups are identical, whereby the rejection of the null hypothesis leads to the conclusion that the medians of each population group are different. Applying this test, for a 95 per cent confidence level, most young people's median indices are statistically different from the median indices of the remaining respondents, since the respective p-values are lower than 0.05. The only exception is the index of the understanding of banking products, with a p-value of 0.1116.

**Chart VII.1.17** • Young people | Global financial literacy index and partial indices (median values) | 2020



### 2 Seniors

Around 19% of the respondents are over the age of 70 and in this analysis form the seniors group. More than half of seniors (52.9%) live with their spouse or partner and 28.2% live alone. Almost all of the seniors interviewed are retired (98.2%). More than half have completed primary education (52.9%) and 27.5% do not have this level of education.

### 2.1 Financial inclusion

#### Seniors show a lower financial inclusion than the other age groups.

The percentage of seniors with a bank account (88.2%) is lower than the other respondents (91.6%), showing a lower financial inclusion of this population group.

As a reason for not having a bank account, around two thirds of seniors mention that they do not have an income to justify it, in comparison with 52.4% of the remaining respondents.

 66.7%
 30.3%
 3.0%

 Seniors
 52.4%
 33.0%
 5.8%
 7.8%
 1.0%

 Others
 52.4%
 33.0%
 5.8%
 7.8%
 1.0%

 Others
 5.8%
 7.8%
 1.0%
 0
 0
 0
 0

 Income does not justify it
 Another person's bank account is sufficient
 • The costs of having a bank account are high
 • Does not know/Does not reply
 • The costs of having a bank account are high

Chart VII.2.1 • Seniors | Reason for not having a current account | 2020

Questions 2020: A3 and B4; Base: 136 interviews.

### Almost a quarter of seniors do not use the banking system on a daily basis.

Approximately 24% of seniors do not use the banking system on a daily basis, since 11.8% do not have a bank account and 11.8% have an account, but do not use it regularly. About half of the seniors (51.8%) have other financial products in addition to a bank account. However, this proportion is significantly lower than that of the other respondents (73.8%).





Among the seniors interviewed, 83.4% report having only one current account. The average number of accounts held by seniors (1.2) is lower than that of other respondents (1.4).

Seniors use their current account less frequently than younger respondents, as only 31.6% of seniors use their account more than once a week, which contrasts with 69.9% of the other respondents. About half of seniors (49.8%) indicate that they use their account more than once a month.

Questions 2020: A3, B1, B3 and E1.2; Base: 1502 interviews.

Chart VII.2.3 • Seniors | Frequency of current account movements | 2020



Questions 2020: A3 and B3; Base: 1366 interviews.

About one third of the seniors interviewed (32.1%) claim to know of the existence of basic bank accounts, a proportion which is 55.2% in the case of the remaining respondents. The proportion of seniors who correctly identify the condition for accessing this account (41.1%) is also lower than that of younger people (46%). Therefore, the proportion of seniors who know of the existence of basic bank accounts and the condition of access (13.2%) is lower than that of the other respondents (25.4%).

### 2.2 Digital financial inclusion

#### Almost no seniors use digital channels to access their account.

Only 8.1% of seniors indicate that they use home banking or apps to access their bank account. As a reason for not using digital channels, about half (51.3%) of seniors report difficulties in dealing with technology, a much higher proportion than the other interviewees (23.4%).



Chart VII.2.4 • Seniors | Use of digital channels | 2020

Questions 2020: A3 and C4; Base: 1366 interviews.


Chart VII.2.5 • Seniors | Reason not to use digital channels | 2020

Questions 2020: A3 and C7; Base: 730 interviews.

## The vast majority of seniors are unaware of the existence of payment accounts associated with mobile phones.

Payment accounts associated to mobile phones (such as MBWay) are not known by the vast majority of seniors (84.3%) and only 0.7% indicate that they have one of these accounts.



Chart VII.2.6 • Seniors | Knowledge and ownership of mobile phone payment accounts | 2020

Questions 2020: A3, E1.1.14 and E1.2.14; Base: 1502 interviews.

### 2.3 Management of savings

### Seniors save less regularly than the other respondents.

About half (51.4%) of seniors say they do not save, a proportion higher than that of the other respondents (37.3%). Approximately 29% of seniors save irregularly and only 18.9% say they save regularly.



#### Chart VII.2.7 • Seniors | Saving habits | 2020

Questions 2020: A3 and D4; Base: 1502 interviews.

# Among the seniors interviewed, saving is more associated with taking precautions against unexpected circumstances than the rest of the population.

Among seniors who say they save, 60.9% indicate that they do so to take care of unexpected expenses, which contrasts with 47.8% among the other respondents. The percentage of seniors who save for subsequent non-regular expenses, such as holidays or travel, or for the purchase of durable goods (12.7%) is lower than that of the other respondents (26.4%).



#### Chart VII.2.8 • Seniors | Reason for saving | 2020

Questions 2020: A3 and D5; Base: 896 interviews.

More than half of seniors (55.3%) leave their savings in their current account, similarly to the other respondents. Seniors put their savings in time deposits (27.7%) less frequently than the rest of the population (34.2%). The proportion of seniors who give their money to their family to save (18.2%) is much higher than the proportion observed in the other respondents (4.5%).



#### Chart VII.2.9 • Seniors | Form of saving | 2020

Questions 2020: A3 and D7; Base: 977 interviews (multiple choice question).

## The vast majority of seniors does not save because of insufficient income.

Most of the seniors interviewed (91%) say that they do not save because their income does not allow it, which compares with 80% of the other respondents.



#### Chart VII.2.10 • Seniors | Reason for not saving | 2020

Questions 2020: A3 and D6; Base: 896 interviews.

More than half of the seniors (53.4%) claim to be able to pay an unexpected expense of an amount equivalent to their monthly income, but this proportion is lower than that of the other respondents (62.4%). The percentage of seniors who would only be able to cover their expenses in case of loss of their main source of income for less than one month is similar to the remaining respondents (around one quarter). It is worth mentioning the proportion of senior respondents who do not know (or did not answer) how long they would be able to pay their expenses in case of loss of their main source of income fifth, which compares with 10.5% among the remaining respondents).





Questions 2020: A3 and D8; Base: 1502 interviews.



Chart VII.2.12 • Seniors | Period of coverage of expenses in case of loss of income | 2020

Questions 2020: A3 and D12; Base: 1502 interviews.

### 2.4 Choice and management of banking products

## Senior respondents have fewer banking products than the other respondents.

The proportion of seniors who have banking products is lower than the remaining respondents, a difference that is especially significant in credit products. Only 17.5% of the seniors interviewed say that they have a credit card (23 percentage points less than the remaining respondents) and the proportion that has other credit products, such as home and mortgage loans, and personal or car loans or overdraft facilities is residual.



#### Chart VII.2.13 • Seniors | Banking products held by respondents | 2020

Questions 2020: A3 and E1.2; Base: 1502 interviews (multiple choice question).

## Almost one third of seniors chose the bank where they have their account because of the proximity to home or work.

When it comes to the criteria used to choose the bank where they have their main current account, seniors indicate the proximity to home or work (31.6%) more often than the other respondents (15.5%). In addition, 28% of seniors say that they chose that bank because their employer recommended it (compared to 14.8% for the other respondents) and only 18.2% of seniors state that they chose the bank on the recommendation of a relative or friend (compared to 29.8% for the younger respondents).

### **Chart VII.2.14** • Seniors | Main reason for choosing the bank where they have their primary current account | 2020



Questions 2020: A3 and C1; Base: 1366 interviews.

Seniors report that they check the movements and balance of their main bank account less frequently. This may be associated with the fact that they use the account less. Only 2.8% of seniors say that they do this on a daily basis (which contrasts with 19.8% of the other respondents) and 23.5% say that they do it more than once a week (45.8%, in the case of the other respondents).

The percentage of seniors who indicate that they do not know the maintenance fee for their account (59.9%) is much higher than that of younger respondents (29.6%).



Chart VII.2.15 • Seniors | Frequency of checking the movements of the current account | 2020

Questions 2020: A3 and C1; Base: 1366 interviews.



Chart VII.2.16 • Seniors | Knowledge of the current account maintenance fee | 2020

Questions 2020: A3 and C3; Base: 1366 interviews.

### 2.5 Understanding of financial concepts

### Seniors show less favourable results than the other respondents.

On average, seniors correctly answer 4.5 questions on knowledge related to bank deposits, loans, inflation, return and risk.

When compared to younger respondents, seniors show less favourable results in all the questions asked, with less than half of seniors answering most questions correctly.

Emphasis is placed on the questions related to the current account, since only 29.3% of senior respondents correctly identify the account balance (compared to 71.5% among the other respondents) and only 16.8% correctly identify the account balance after a transaction (41.3% in the case of other respondents).

With regard to loans, the discrepancy between the knowledge of seniors and the other respondents is prominent in the questions related to credit cards. Only 31.4% of the seniors interviewed know that they have to pay interest if they only partially pay the outstanding balance on the credit card (compared to 58.4% among the remaining respondents) and only 39.6% know that they pay fees if they withdraw money from ATMs with this type of card (58.6% among the remaining respondents).

In the remaining questions, the relation between risk and return on an investment stands out, with only 52.5% of seniors answering correctly, compared to 76% in the remaining respondents.

#### Table VII.2.1 • Seniors | Proportion of correct answers in each question | 2020

	Seniors	Others
Deposits		
Calculation of simple interest simples	26.1%	46.3%
Calculation of compound interest	18.6%	33.8%
Knowledge of basic bank accounts	13.2%	25.4%
Identification of the current account balance	29.3%	71.5%
Identification of the current account balance after movements	16.8%	41.3%
Loans		
Loan of 25 € for one day to a friend	71.1%	91.1%
Interest on partial payment of the outstanding balance on the credit card	31.4%	58.4%
Cash advance fees on credit cards	39.6%	58.6%
Concept of the spread	9.3%	26.4%
Concept of Euribor	4.3%	9.0%
Inflation. return and risk		
Implications of an inflation rate of 2%	39.7%	59.1%
Relation between inflation and cost of living	61.5%	77.4%
Assessment of the degree of risk of time deposits	37.1%	54.4%
Relation between return and risk of an investment	52.5%	76.0%

Questions 2020: A3, G2.1, G3, G4, G4.1, G5.1, G5.2, G5.4, G5.5, G8, G9, G10, G11, G12.7; Base: 1502 interviews.

### 2.6 Financial literacy indices

#### Seniors show lower values than the other respondents in all partial indices.

The financial inclusion index is the one where seniors show the highest median value (71.4). However, in all partial indices, seniors show lower medians than the remaining respondents, highlighting the median value in the digital financial literacy index (zero) and the median values below 50 in the indices of choice and management of banking products and understanding of financial concepts. The seniors interviewed therefore have a median global financial literacy index of 42, lower than the remaining respondents (61.5).

According to the Krushall-Wallis test, the difference between the median of seniors and the median of the other respondents is statistically significant for all partial indices and for the global financial literacy index<sup>2</sup>.

2. Applying this test for a 95% confidence level, it was found that the median scores of seniors are statistically different from the median scores of the other respondents, since the respective p-values are lower than 0.05.



Chart VII.2.17 • Seniors | Global financial literacy index and partial indices (median values) | 2020

## 3 Workers

About half of the respondents (51.1%) are self-employed workers, employees or trainees. Around two thirds of the workers interviewed (67.7%) live with their spouse or partner, and about 43% have children or other young people under the age of 18 in their household. The most frequent level of education of the workers interviewed is higher education (28.2%), followed by secondary education (24.9%), 3<sup>rd</sup> stage of basic education (23.7%) and 1<sup>st</sup> stage of basic education (22.5%).

### 3.1 Financial inclusion

### Almost all workers indicate they have at least one bank account.

Around 96% of workers have one or more current accounts, which indicates a high access to the banking system among this population group. For the remaining respondents, this proportion is 85.7%.

## Around 83% of the workers interviewed have other financial products besides a bank account.

Most of the workers (83.2%) have other products besides their current account, which compares with 55.6% in the case of the remaining respondents and shows a high integration of workers in the financial system.

#### Chart VII.3.1 • Workers | Levels of financial inclusion | 2020



Questions 2020: A5, B1, B3 and E1.2; Base: 1502 interviews.

Around 30% of workers have two current accounts and 7.4% have three or more accounts, making the average number of accounts held by workers (1.5) higher than the remaining respondents (1.2). Most workers (77.4%) say that they use their account more than once a week, in comparison with approximately half (46%) of the other respondents.



#### Chart VII.3.2 • Workers | Frequency of current account movements | 2020

More than half of workers (59.6%) state that they know about the existence of basic bank accounts, a proportion higher than that of the other respondents (41.8%). Also, the proportion of workers who correctly identify the condition to access this account (47.3%) is slightly higher than that of the other respondents (42.7%). The proportion of workers who know that basic bank accounts exist and know how to access them (28.2%) is higher than the other respondents (17.8%).

Questions 2020: A5 and B3; Base: 1366 interviews.

### 3.2 Digital financial inclusion

## Around 62% of workers use digital channels to access their account.

The percentage of workers who say they use home banking or apps to access their bank account (61.7%) is much higher than the rest of the respondents (27.8%). Among workers, the proportion of respondents who use only apps (20.7%) is higher than the proportion who use only home banking (12.2%).





Questions 2020: A5 and C4; Base: 1366 interviews.

Of the workers who do not use digital channels to access their account, more than a fifth (22.8%) indicate that they have difficulties in dealing with technology, although this proportion is lower than among the other respondents (37.8%). Around 24% of workers prefer to use ATMs, 21.3% do not consider digital channels to be safe and 19.1% prefer personal contact at the counter, higher proportions than among the other respondents.



#### Chart VII.3.4 • Workers | Reason not to use digital channels | 2020

Questions 2020: A5 and C7; Base: 730 interviews.

## Almost one fifth of workers have a mobile phone payment account, above the proportion of the other respondents.

Around 69% of workers have heard of mobile phone payment accounts (such as MBWay), a much higher proportion than the 38.9% observed among the other respondents. Workers also hold these accounts more frequently (23.2%) than the remaining respondents (8.3%).



Chart VII.3.5 • Workers | Knowledge and ownership of mobile phone payment accounts | 2020

Questions 2020: A5, E1.1.14 and E1.2.14; Base: 1502 interviews.

### 3.3 Management of savings

### Around 35% of workers save regularly.

Workers tend to save more frequently than other respondents. More than a third of workers save regularly (35.1%) or irregularly (33.2%), compared with 22.6% and 28% in other work situations, respectively.

Chart VII.3.6 • Workers | Saving habits | 2020



Questions 2020: A5 and D4; Base: 1502 interviews.

## Almost half of workers who save do so in order to cover unexpected expenses.

Among workers, the main reasons for saving do not differ significantly from the other respondents. Almost half of the workers (47.3%) save to cover unexpected expenses, 15.7% save for education or initial help for their children and 14.7% for later non-regular expenses, such as holidays or travel.





Questions 2020: A5 and D5; Base: 896 interviews.

Although most workers (59.4%) leave their savings in their current account, the proportion of those who put their money in a deposit account (39.2%) is higher than the rest of the respondents (24.9%). The same happens with the application of savings in shares, bonds or investment funds, mentioned by 11.6% of workers and which compares with 7.8% among the other respondents.

#### Chart VII.3.8 • Workers | Form of saving | 2020



Questions 2020: A5 and D7; Base: 977 interviews (multiple choice question).

## Among workers who do not save, around 15% do not consider saving a priority.

The percentage of workers who do not save because they do not have sufficient income (78.8%) is lower than the other respondents (85.3%). Conversely, 15.4% of workers do not consider saving a priority, which compares with 10.3% in the other work situations<sup>3</sup>.



#### Chart VII.3.9 • Workers | Reason for not saving | 2020

Most workers (69.5%) claim to be able to pay for an unexpected expense of an amount equivalent to their monthly income, which compares with 51.1% in the case of respondents from other work situations.

3. Other work situations include the unemployed, retirees and students.

Questions 2020: A5 and D6; Base: 600 interviews.

In case of loss of their main source of income, 27.8% of workers would be able to cover their expenses for a period longer than six months without borrowing money and without moving house, a proportion higher than the remaining respondents (20.7%). In the same sense, shorter periods (less than one month) are mentioned less frequently by workers (18.7%), when compared to the other respondents (30.1%).



**Chart VII.3.10** • Workers | Capacity to pay an unexpected expense of an amount equivalent to the monthly income | 2020



#### Chart VII.3.11 • Workers | Period of coverage of expenses in case of loss of income | 2020

Questions 2020: A5 and D12; Base: 1502 interviews.

Questions 2020: A5 and D8; Base:1473 interviews.

### 3.4 Choice and management of banking products

#### <sup>1</sup> Workers have more banking products than the other respondents.

About half of the workers interviewed have time deposits and credit cards (33.2% and 22.2% among the remaining respondents, respectively), one third have home loans (6.9% among the other respondents) and one fifth have other loans (5.9% among the remaining respondents).



Chart VII.3.12 • Workers | Banking products held by respondents | 2020

Questions 2020: A5 and E1.2; Base: 1502 interviews (multiple choice question).

## For around 27% of workers, loans held were the reason why they chose the bank where they have their main current account.

Around 27% of workers indicate that they chose the bank where they have their main current account because it is the bank where they have their mortgage or other loan, which compares with only 11.7% among the remaining respondents and may be related to the fact that holding loans is more common among workers. The recommendation of family or friends was indicated by 26.4% of the workers, which compares with 29.4% among the remaining respondents.

**Chart VII.3.13** • Workers | Main reason for choosing the bank where they have their primary current account | 2020



Questions 2020: A5 and C1; Base: 1366 interviews.

Workers tend to check their current account movements more frequently, since the proportion of workers who do this on a daily basis or more than once a week (70.9%) is much higher than that of the other respondents (44.1%).

The percentage of workers who indicate that they know the exact or approximate amount of the maintenance fee for their account (75.4%) is also higher than that of the other respondents (50.9%).



**Chart VII.3.14** • Workers | Frequency of checking the movements of the current account | 2020

Questions 2020: A5 and C1; Base: 1366 interviews.



Chart VII.3.15 • Workers | Knowledge of the current account maintenance fee | 2020

Questions 2020: A5 and C3; Base: 1366 interviews.

The main reason for the choice of loans by workers is the amount of the instalment (32.1%), which is still a lower proportion than that of the other respondents (45.4%). On the other hand, the cost components of the loan are mentioned more by workers, with 27% mentioning the interest rate (15.6% among the other respondents) and 11.6% indicating the APR (7.8% among the non-workers).



Chart VII.3.16 • Workers | Main reason for choosing the home loan or the consumer credit | 2020

Questions 2020: A5 and E9; Base: 395 interviews.

Among workers who have credit cards, 64% indicate that they pay off the balance of their credit card in full the following month, in comparison with 56.4% among the other respondents.



Chart VII.3.17 • Workers | Credit card payment scheme usually used | 2020

Questions 2020: A5 and E11; Base: 544 interviews.

### <sup>1</sup> Workers indicate lower effort rates than the other respondents.

Lower effort rates (less than a quarter of the monthly income) are more frequent among workers (38.6%) than among the other respondents (30.5%). In addition, the proportion of workers that does not know their effort rate (21.4%) is lower than the proportion observed among the other respondents (39.1%).



Chart VII.3.18 • Workers | Effort rate (weight of loan instalments in monthly income) | 2020

Questions 2020: A5 and E10; Base: 684 interviews.

### 3.5 Understanding of financial concepts

## Workers show more solid knowledge than the other respondents on all questions.

On average, workers correctly answer 7.8 questions on knowledge related to bank deposits, loans, inflation, return and risk.

On the questions about bank deposits, most workers (75.7%) correctly identify the current account balance (51% among the other respondents) and 44.2% correctly identify the current account balance after a transaction (29% among the other respondents).

On the concepts of loans, most of the workers (64.3%) correctly identify that interest has to be paid if they only partially pay off the outstanding balance on the credit card, a proportion that is 41.9% among the rest of the population. The concept of spread is also more familiar among workers (31.2% answer correctly) than among the other respondents (14.8%). These results may be associated with the fact that credit cards and housing loans and mortgages are more common among workers.

In the remaining questions, workers stand out because of favourable results on the relation between investment return and risk, with 81.5% of the workers answering correctly (20.1 percentage points more than in the other working situations) and on the identification of the degree of risk of a time deposit, with 60.5% of the workers answering correctly (19 percentage points more than in the other working situations).

	Workers	Others
Deposits		
Calculation of simple interest	49.4%	35.4%
Calculation of compound interest	36.3%	25.4%
Knowledge of basic bank accounts	28.2%	17.8%
Identification of the current account balance	75.7%	51.0%
Identification of the current account balance after movements	44.2%	29.0%
Loans		
Loan of 25 € to a friend for one day	92.2%	82.3%
Interest on partial payment of the outstanding balance on the credit card	64.3%	41.9%
Cash advance fees on credit cards	62.7%	47.1%
Concept of spread	31.2%	14.8%
Concept of Euribor	9.7%	6.5%
Inflation, return and risk		
Implications of an inflation rate of 2%	63.9%	46.8%
Relation between inflation and cost of living	80.6%	67.9%
Assessment of the degree of risk of time deposits	60.5%	41.5%
Relation between return and risk of an investment	81.5%	61.4%

#### Table VII.3.1 Workers | Proportion of correct answers in each question | 2020

Questions 2020: A5, G2.1, G3, G4, G4.1, G5.1, G5.2, G5.4, G5.5, G8, G9, G10, G11, G12.7; Base: 1502 interviews.

### 3.6 Financial literacy indices

## Workers have higher values than the other respondents in all partial indices.

Particularly noteworthy are the differences in the index of the use of digital channels, with a median value of 62.5 for workers and a median value of zero for the other working situations, and in the financial inclusion index, with a median value of 92.9 for workers and a median value of 71.4 among the other respondents. Workers therefore have a higher median global financial literacy index (66.7) than the other respondents (50).

According to the Krushall-Wallis test, the difference between the median of workers and the median of the other respondents is statistically significant for the partial and for the global financial literacy index<sup>4</sup>.



### Chart VII.3.19 • Workers | Global financial literacy index and partial indices (median values) | 2020

4. Applying this test, for a 95 per cent confidence level, it was found that the median indices of workers are statistically different from the median indices of the remaining respondents, since the respective p-values are lower than 0.05.

## 4 The unemployed

Around 8% of the respondents are unemployed. Of these, 47.8% are over the age of 40. Approximately half live with their spouse or partner, and 37.4% live with children or others under the age of 18. Around one third of the unemployed (33.9%) have completed the 1<sup>st</sup> stage of basic education, around 22% the 3<sup>rd</sup> stage of basic education, 27.8% secondary education and 14.8% higher education.

### 4.1 Financial inclusion

## Around 15% of the unemployed respondents do not have a bank account.

Among the unemployed, around 85% have one or more current accounts, compared to 91.4% for the remaining respondents.

Just over half (52.9%) of the unemployed who do not have a bank account state that the reason is that they have no income to justify it and 41.2% indicate that someone else's account is sufficient. Compared with the other respondents, the unemployed more often consider that someone else's bank account is sufficient.



#### Chart VII.4.1 • The unemployed | Reason for not having a current account | 2020

Questions 2020: A5 and B4; Base: 136 interviews.

## The unemployed are relatively less integrated in the financial system, when compared with the other respondents.

About half of the unemployed (50.5%) have other financial products besides their current account, which compares with 71.3% among the other respondents. The proportion of the unemployed who do not have a bank account or who have an account but do not use it is higher than that among the other respondents (6.7 percentage points higher).



#### Chart VII.4.2 • The unemployed | Levels of financial inclusion | 2020



The vast majority of the unemployed only have one current account (86.8%), compared to 69.6% for the remaining respondents. This means that the average number of accounts held by the unemployed (1.1) is lower than for the remaining respondents (1.4).

The unemployed also tend to use their current account less frequently than the other respondents. Just over half of the unemployed (54.1%) say that they use their account more than once a week, compared to 63.6% for the other respondents.



Chart VII.4.3 • The unemployed | Frequency of current account movements | 2020

Questions 2020: A5 and B3; Base: 1366 interviews.

## The unemployed show better knowledge about basic bank accounts than the other respondents.

Around 54% of the unemployed say that they know of the existence of basic bank accounts (50.6% among the other respondents) and 48.4% correctly identify the access condition (45.2% among the other respondents). The proportion of the unemployed who know that basic bank accounts exist and the condition of access (26.1%) is slightly higher than that of the other respondents (22.9%).

### 4.2 Digital financial inclusion

When asked about the use of home banking or mobile applications (apps) to access the account, 44.9% of the unemployed use one or both options. Among the unemployed, the exclusive use of apps is more frequent (18.4% of the respondents) than the exclusive use of home banking (8.1%), with no significant differences between this population group and the remaining respondents.



Chart VII.4.4 • The unemployed | Use of digital channels | 2020

Of the unemployed who do not use digital channels to access their account, around 30% indicate that they prefer to use ATMs, 20.4% prefer personal contact at the bank branch, 18.5% report difficulties in dealing with technology and 16.7% indicate that they do not trust it to be safe. Compared to the other respondents, the unemployed more often mention the preference for ATMs and personal contact, but attach less importance to difficulties in dealing with technology.

Questions 2020: A5 and C4; Base: 1366 interviews.



#### Chart VII.4.5 • The unemployed | Reason not to use digital channels | 2020

Questions 2020: A5 and C7; Base: 730 interviews.

Around 62% of the unemployed have heard of the existence of mobile phone payment accounts (such as MBWay), which is higher than the 53.5% of the other respondents. However, only 13.9% of the unemployed state that they have one of these accounts, compared with 16.1% of the other respondents.





Questions 2020: A5, E1.1.14 and E1.2.14; Base: 1502 interviews.

### 4.3 Management of savings

### Around 61% of the unemployed do not save.

The percentage of the unemployed who say they do not save (60.9%) is much higher than the remaining respondents (38.2%). Nevertheless, about one fifth of the unemployed (20.9%) say they save regularly and 18.2% save irregularly





Questions 2020: A5 and D4; Base: 1502 interviews.

The vast majority of the unemployed (81.4%) give insufficient income as the reason for not saving. Conversely, 14.3% of the unemployed indicate that they do not save because it is not a priority. These results are similar to those of the remaining respondents (12.1%).





Questions 2020: A5 and D6; Base: 600 interviews.

The unemployed show less ability to meet unexpected expenses and less ability to cover their expenses in case of loss of their main source of income, compared to the other respondents.

Most of the unemployed respondents (61.1%) say that they are unable to pay an unexpected expense of an amount equivalent to their monthly income, which compares with 31.4% among the other respondents.

In the event of losing their main source of income, around a quarter of the unemployed respondents would only be able to cover their expenses for less than a week without borrowing money or moving house (compared with 7.5% of the other respondents). About a quarter said they could cover their expenses for more than a week but less than a month, which compares with 14.6% among the other respondents.

**Chart VII.4.9** • The unemployed | Capacity to pay an unexpected expense of an amount equivalent to the monthly income | 2020



Questions 2020: A5 and D8; Base:1473 interviews.





Questions 2020: A5 and D12; Base: 1502 interviews.

### 4.4 Choice and management of banking products

## The unemployed hold fewer banking products than the other respondents.

Time deposits are held by only 18.3% of the unemployed (this compares with 43.5% among the other respondents). Home loans are held by 7% of the unemployed (21.3% among the other respondents) and credit cards are held by around a quarter of the unemployed (37.1% among the other respondents).



#### Chart VII.4.11 • The unemployed | Banking products held by respondents | 2020

Questions 2020: A5 and E1.2; Base: 1502 interviews (multiple choice question).

### More than a third of the unemployed chose the bank where they have their main current account on the recommendation of family or friends.

About 37% of the unemployed indicate that they chose the bank where they have their main current account on the recommendation of family or friends, a higher proportion than the other respondents (27.1%). In addition, almost one fifth of the unemployed indicated proximity to home, slightly above the proportion among the other respondents (18.3%).

### <code>Chart VII.4.12</code> • The unemployed | Main reason for choosing the bank where they have their primary current account<sup>(a)</sup> | 2020



Questions 2020: A5 and C1; Base: 1366 interviews. | Note: (a) In the case of the unemployed, the choice of the option "Employer requires account in that bank" can be justified by reasons prior to the unemployment situation.

More than half of the unemployed (55.1%) check their bank account daily or more than once a week, in line with the other respondents (58.9%).

The proportion of the unemployed who indicate knowing the exact or approximate amount of the maintenance fee for their current account is 62.3%, also in line with the other respondents (64.3%).



**Chart VII.4.13** • The unemployed | Frequency of checking the movements of the current account | 2020

Questions 2020: A5 and C1; Base: 1366 interviews.



Chart VII.4.14 • The unemployed | Knowledge of the current account maintenance fee | 2020

Questions 2020: A5 and C3; Base: 1366 interviews.

### 4.5 Understanding of financial concepts

## The unemployed have worse results in questions about interest calculation and better results in concepts related to credit cards.

On average, the unemployed respond correctly to 6.6 questions on knowledge related to bank deposits, loans, inflation, return and risk.

When it comes to knowledge about bank deposits, the unemployed score less favourably than the other respondents on most questions. The most important is the identification of the current account balance, in which 56.5% of the unemployed answered correctly (7.7 percentage points less when compared with the other respondents) and the calculation of compound interest, in which around one quarter of the unemployed answered correctly (6.2 percentage points less).

In the knowledge related to loans, the unemployed tend to have more favourable results. Most of the unemployed (69.6%) know that they have to pay fees when they withdraw money with a credit card, a proportion that is 53.9% among the other respondents. The proportion of the unemployed who know that they have to pay interest if they only partially pay off the balance due on a credit card (54.8%) is slightly higher than among the other respondents (53.2%).

The proportion of the unemployed that correctly identify the relation between inflation and the cost of living and between the return and risk of an investment is slightly higher than the rest of the population. However, only 40.9% of the unemployed correctly identify the degree of risk associated to a time deposit (52.1% among the other respondents) and 47.8% correctly identify the implications of an inflation rate of 2% on the purchasing power (56.2% in the remaining population).

	The unemployed	Others
Deposits		
Calculation of simple interest	37.4%	43.0%
Calculation of compound interest	25.2%	31.4%
Knowledge of basic bank accounts	26.1%	22.9%
Identification of the current account balance	56.5%	64.2%
Identification of the current account balance after movements	40.0%	36.5%
Loans		
Loan of 25 € for one day to a friend	87.0%	87.4%
Interest on partial payment of the outstanding balance on the credit card	54.8%	53.2%
Cash advance fees on credit cards	69.6%	53.9%
Concept of spread	17.4%	23.7%
Concept of Euribor	8.7%	8.1%
Inflation, return and risk		
Implications of an inflation rate of 2%	47.8%	56.2%
Relation between inflation and cost of living	75.7%	74.3%
Assessment of the degree of risk of time deposits	40.9%	52.1%
Relation between return and risk of an investment	76.5%	71.2%

#### Table VII.4.1 • The unemployed | Proportion of correct answers in each question | 2020

Questions 2020: A5, G2.1, G3, G4, G4.1, G5.1, G5.2, G5.4, G5.5, G8, G9, G10, G11, G12.7; Base: 1502 interviews.

### 4.6 Financial literacy indices

# The unemployed show less favourable results than the other respondents in most of the partial indices.

In the savings Index, the unemployed have a median value of 44.1, while among the other respondents this value is 65.6. The unemployed only have a higher median in the Index of the choice and management of banking products (64.1, in comparison to 60.4 among the other respondents). The unemployed therefore have a lower median global financial literacy index (53.1) than the other respondents (59.3).

According to the Krushall-Wallis test, the difference between the median of the unemployed and the median of the other respondents is statistically significant for most partial indices and for the global financial literacy index. The exception are the indices of the use of digital channels and the understanding of financial concepts, where there is no evidence that the medians of the unemployed are significantly different from the medians of the remaining respondents<sup>5</sup>.

5. Exceptions are the tests concerning the indices of the use of digital channels and the understanding of financial concepts, as they have p-values of 0.7205 and 0.6273, respectively.

**Chart VII.4.15** • The unemployed | Global financial literacy index and partial indices (median values) | 2020



### 5 Women

Around 54% of the respondents are women. The socio-demographic characteristics of the respondents do not differ significantly between women and men, namely in terms of age, employment status or level of education.

### 5.1 Financial inclusion

## The percentage of women who have a bank account is lower than that of men.

Around 89% of women have one or more current accounts, compared to 93.3% of men.

Of the women who do not have a bank account, more than half (57.3%) say that they do not have an income to justify it, a higher proportion than that of men (53.2%). Women also state more often that someone else's account is sufficient (36% of women, compared to 25.5% of men).

Chart VII.5.1 • Women | Reason for not having a current account | 2020



Questions 2020: A2 and B4; Base: 136 interviews.

## Women have a lower level of integration in the financial system than men.

Although most women (66%) have financial products other than a bank account, the proportion is lower than that of men (74%). Conversely, 15% of women do not have a bank account or do not use it regularly, compared to 10.6% of men.



#### Chart VII.5.2 • Women | Levels of financial inclusion | 2020

Around 74% of women have only one current account, compared to 67.8% of the other respondents, making the average number of accounts held by women (1.3) slightly lower than that of men (1.4).

Approximately 61% of women (65% of men) use their account more than once a week and 30.4% use it more than once a month (28.4% of men).

Questions 2020: A2, B1, B3 and E1.2; Base: 1502 interviews.

Chart VII.5.3 • Women | Frequency of current account movements | 2020



Questions 2020: A2 and B3; Base: 1366 interviews.

## Women show slightly less knowledge than men regarding basic bank accounts.

Less than half of the women (47.1%) indicate that they know of the existence of basic bank accounts, compared to 55.2% of the men. The proportion of women who correctly identify the access condition is similar to men (45.8% for women and 45.1% for men). The proportion of women who know that basic bank accounts exist and know the access condition (21.5%) is slightly lower than that of men (24.9%).

### 5.2 Digital financial inclusion

### Women use digital channels to access their account less than men.

The proportion of women who say they do not use home banking or apps to access their account (58%) is higher than that of men (48.5%). Among women, 16.4% indicate using both options (23.2% of men), 16.1% use only apps (17% of men) and 8.5% use only home banking (11.3% of men).





Questions 2020: A2 and C4; Base: 1366 interviews.

The reasons identified by women for not using digital channels are very similar to those of men. About a third of women (32.4%) say they have difficulties in dealing with technology (31.6% of men), 19.3% indicate they prefer to use ATMs (21.6% of men), 17.6% prefer personal contact at the bank branch (15.8% of men) and 15.2% do not trust them to be safe (17.1% of men).



#### Chart VII.5.5 • Women | Reason not to use digital channels | 2020

## The percentage of women who have a mobile phone payment account is lower than that of men.

Around 49% of women have heard of the existence of mobile phone payment accounts (such as MBWay), a lower percentage than men (60.2%). The proportion of women who say they have one of these accounts (12.8%) is also lower than that of men (19.5%).

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Questions 2020: A2 and C7; Base: 730 interviews.

Chart VII.5.6 • Women | Knowledge and ownership of mobile phone payment accounts | 2020



Questions 2020: A2, E1.1.14 and E1.2.14; Base: 1502 interviews.

### 5.3 Management of savings

### The proportion of women who save is similar to that of men, but they save less regularly.

The percentage of women who say they do not save is similar to that of men (around 40%). However, women tend to save less regularly. About a third of women report saving irregularly (27.9% for men) and 26.5% report saving regularly (31.8% for men).



#### Chart VII.5.7 • Women | Saving habits | 2020

Questions 2020: A2 and D4; Base: 1502.
# The percentage of women who save for education and assistance to children is higher than that of men.

Among women who save, approximately 52% do so to meet unexpected expenses (48% for men) and 17% save for education or initial help for their children (10.5% for men). In contrast, only 12.1% of women save for non-regular expenses such as holidays or travel, compared to 19.2% of men.



## Chart VII.5.8 • Women | Reason for saving | 2020

Around 60% of women leave their savings in their current account, a proportion slightly higher than that of men (57.5%). The proportion of women who invest their savings in time deposits (34.1%) is also slightly higher than that of men (32.2%). There is also a difference in the use of investment products, with 7.6% of women and 12.7% of men identifying this form of saving, which may indicate a greater aversion to risk on the part of women.

## Chart VII.5.9 • Women | Form of saving | 2020



Questions 2020: A2 and D7; Base: 977 interviews (multiple choice question).

Questions 2020: A2 and D5; Base: 896 interviews.

The proportion of women who indicate that their income does not allow them to save (89.1%) is higher than that of men (75.4%). Only 6.9% of women indicate that they do not save because they do not consider it a priority, which contrasts with 18.6% of men.





Questions 2020: A2 and D6; Base: 600 interviews.

# Women are less able to cope with unexpected expenses than men.

More than half of the women interviewed (55.6%) say that they are able to pay an unexpected expense of an amount equivalent to their monthly income. However, this proportion is lower than that of men (66.6%).

In case of loss of the main source of income, the time it takes to cover expenses is shorter for women than for men. Just over a fifth (21.2%) of women report that they would be able to cover their expenses for a period longer than six months without borrowing money or moving house, compared to 27.9% of men.





Questions 2020: A2 and D8; Base:1473 interviews.



Chart VII.5.12 • Women | Period of coverage of expenses in case of loss of income | 2020



# 5.4 Choice and management of banking products

# Women tend to hold less banking products than men.

The differences stand out in credit cards, held by 32.8% of the women interviewed (40.2% of men) and in home loans and mortgages, held by 18.6% of women (22% of men).



Chart VII.5.13 • Women | Banking products held by respondents | 2020

Questions 2020: A2 and E1.2; Base: 1502 interviews (multiple choice question).

Around 28% of the women interviewed indicate that they chose the bank where they have their main current account on the recommendation of family or friends, a proportion similar to that of men (27.1%). Women tend to attach more importance to the proximity to home (20.3%, compared to 16.3% for men) and to mention more frequently that it was their employer who recommended that bank (19.9%, compared to 14.3% for men).



# **Chart VII.5.14** • Women | Main reason for choosing the bank where they have their primary current account | 2020

With regard to the frequency of checking account activity, only 14.7% of women check their account movements on a daily basis, lower than the proportion of men (19%). The proportion of women who check their account more than once a week (41.7%) is similar to that of men (41.9%).

The proportion of women who indicate that they know the exact or approximate amount of the maintenance fee for their account is 64.1%, similar to that of men.



**Chart VII.5.15** • Women | Frequency of checking the movements of the current account | 2020

Questions 2020: A2 and C1; Base: 1366 interviews.

Questions 2020: A2 and C1; Base: 1366 interviews.



Chart VII.5.16 • Women | Knowledge of the current account maintenance fee | 2020

Questions 2020: A2 and C3; Base: 1366 interviews.

Around 37% of women refer to the amount of the instalment as the main reason for choosing the home loan or the consumer credit, a proportion higher than that of men (32.8%). Conversely, 23% of women mention the interest rate and 9% consider the value of the APR, which contrasts with 26.7% and 12.8% of men, respectively, who show greater attention to the cost of the loan.



**Chart VII.5.17** • Women | Main reason for choosing the home loan or the consumer credit | 2020

Questions 2020: A2 and E9; Base: 395 interviews.

# Just over half of women pay off their credit card debt in full, below the proportion of men.

The proportion of women who indicate that they pay off their credit card debt in full in the following month (54%) is lower than that of men (69%).

 54.0%
 25.9%
 20.1%

 Women
 69.0%
 18.9%
 12.1%

 Men
 69.0%
 18.9%
 12.1%

Chart VII.5.18 • Women | Credit card payment scheme usually used | 2020

Questions 2020: A2 and E11; Base: 544 interviews.

Lower effort rates (less than 25%) are less frequent among women than among men (32.7%, compared to 39.4%, respectively). It is also noteworthy that 28.9% of women do not know the value of their effort rate, a higher proportion than that of men (24.6%).



Chart VII.5.19 • Women | Effort rate (weight of loan instalments in monthly income)| 2020

Questions 2020: A2 and E10; Base: 684 interviews.

# **5.5** Understanding of financial concepts

# Women show less favourable results than men on all questions.

On average, women respond correctly to 6.1 questions on knowledge related to bank deposits, loans, inflation, return and risk, compared with 7.5 correct answers for men.

In the questions about bank deposits, the calculation of simple and compound interest are noteworthy, where only 32.1% and 24.3% of women answer correctly (compared to 54.5% and 38.6% of men, respectively).

With regard to loan concepts, the discrepancy between men and women is particularly significant in the definition of spread, since only 17.8% of women answered the question correctly (29.3% of men). In the same vein, 48.7% of women know that they have to pay interest when they only partially pay the outstanding balance on their credit card, compared to 58.7% of men.

Although the proportion of women who have time deposits is similar to that of men, the percentage of women who correctly identify the degree of risk of a time deposit (44.6%) is significantly lower than among the other respondents (14.2 percentage points less). Half of the women correctly identify the implications of a 2% inflation rate on purchasing power (compared to 61.7% of men) and 66.9% correctly identify the relation between return and risk of an investment (77.1% of men).

	Women	Others
Deposits		
Calculation of simple interest	32.1%	54.5%
Calculation of compound interest	24.3%	38.6%
Knowledge of basic bank accounts	21.5%	24.9%
Identification of the current account balance	60.5%	67.2%
Identification of the current account balance after movements	34.8%	39.1%
Loans		
Loan of 25 € to a friend for one day	85.2%	89.8%
Interest on partial payment of the outstanding balance on the credit card	48.7%	58.7%
Cash advance fees on credit cards	51.1%	59.7%
Concept of spread	17.8%	29.3%
Concept of Euribor	6.4%	10.2%
Inflation, return and risk		
Implications of an inflation rate of 2%	50.2%	61.7%
Relation between inflation and cost of living	70.7%	78.7%
Assessment of the degree of risk of time deposits	44.6%	58.8%
Relation between return and risk of an investment	66.9%	77.1%

## Table VII.5.1 • Women | Proportion of correct answers in each question | 2020

Questões 2020: A2, G2.1, G3, G4, G4.1, G5.1, G5.2, G5.4, G5.5, G8, G9, G10, G11, G12.7; Base: 1502 entrevistas.

# 5.6 Financial literacy indices

# Women show less favourable results than men in all indices.

The discrepancies in the median values between women and men stand out in the index of the use of digital channels (25 for women and 37.5 for men) and in the index of the understanding of financial concepts (50 for women and 58.8 for men). The financial inclusion index is the one in which women reveal a higher median value (78.6), but, even so, below that of men (85.7). Thus, women have a lower median global financial literacy index (55.5) than that of men (61.7)

According to the Krushall-Wallis test, the difference between the median for women and the median for the other respondents is statistically significant for all partial indices and for the global financial literacy index<sup>6</sup>.



# **Chart VII.5.20** • Women | Global financial literacy index and partial indices (median values) | 2020

6. Applying this test, for a 95 per cent confidence level, it was found that the median indices of women are statistically different from those of the remaining respondents, since the respective p-values are less than 0.05.

# VIII Annexes

1 Methodological notes 2 Questionnaire

# 1 Methodological notes

The analysis is based on data gathered under the 3<sup>rd</sup> Financial Literacy Survey of the Portuguese Population. The results of this survey have already been partially disclosed by the National Council of Financial Supervisors in the Report of the 3<sup>rd</sup> Financial Literacy Survey of the Portuguese Population (2020). The survey also included questions that are a continuation of issues that Banco de Portugal has been monitoring since 2010. The results presented in this report focus on these issues. Some results have already been disclosed previously, but are resumed in this report to accommodate the analysis on banking products and services.

# 1.1 Sample

The 3<sup>rd</sup> Financial Literacy Survey of the Portuguese Population 2020, carried out by the National Council of Financial Supervisors, involved 1502 door-to-door interviews, throughout the national territory, conducted by the Centre for Studies and Opinion Polls of the Catholic University (CESOP-UCP), between December 2019 and February 2020. The average duration of the interviews was 37 minutes.

The sample size allows us to infer that the same results apply to the population with an average error of 2.5% for a probability of 95%.

The sample of 1502 respondents was stratified according to the following criteria:

- Gender: male; female;
- Age: 16 to 24 years; 25 to 39 years; 40 to 54 years; 55 to 69 years; 70 years or more.
- Geographical location: North, Centre, Lisbon; Alentejo; Algarve; Autonomous Region of Madeira; Autonomous Region of Azores.
- Employment situation: active; not active.
- Level of education (complete): no education; 1<sup>st</sup> stage of basic education; 3<sup>rd</sup> stage of basic education; secondary education; higher education.

For each stratum, quotas were defined according to the proportions identified for the Portuguese population in the 2011 Census of the National Institute of Statistics.

Characteristics	Sample
Gender	
Female*	53.50%
Male*	46.50%
Age	
16 to 24 years/young people*	11.20%
of which:	
16 and 17 years	1.50%
25 to 39 years*	20.70%
40 to 54 years*	26.50%
55 to 69 years*	23.00%
70 years or over/Seniors*	18.60%

## Table VIII.1.1 Characterisation of respondents | 2020

Geographical location

Fable VIII.1.1	٠	Characterisation of respondents	2020
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Characteristics	Sample
North*	
Centre*	22.00%
Lisbon*	25.70%
Alentejo*	6.70%
Algarve*	4.30%
Autonomous Region of Madeira*	2.70%
Autonomous Region of Azores*	2.60%
Employment situation	
Active*	59.40%
of which:	
Workers	51.10%
Unemployed	7.70%
Not active*	40.60%
of which:	
Retirees	29.90%
Students	7.10%
Education level	
No education*	6.70%
1st stage of basic education*	32.70%
3rd stage of basic education*	20.00%
Secondary education*	21.90%
Higher education*	18.70%
Household net monthly income	
No income	2.70%
Up to 500 €	13.10%
Between 500 and 1000 €	33.90%
Between 1000 and 2500 €	29.80%
Over 2500 €	11.80%
Does not know/Does not reply	8.70%

Notes: The variables marked with an asterisk are part of the strata used for sample selection. Thus, the characteristics of the respondents reflect the proportion in which the various strata considered in each stratification criterion occur in the Portuguese population.

# **1.2** Interviews

Respondents were selected randomly, according to stratification quotas, from a population universe consisting of residents in Portugal over the age of 15.

The interviews were carried out by 44 interviewers, all with previous experience in conductingdoor-todoor surveys, who received specific training to conduct the Financial Literacy Survey of the Portuguese Population. All interviews were conducted on tablets.

The team of interviewers was supervised and coordinated by the CESOP-UCP project team, which verified and ensured the correct performance and compliance with the methodological objectives.

# **1.3** Financial literacy indices

The methodology used to construct the 2020 financial literacy index follows the one developed in 2010 in the 1st Financial Literacy Survey of the Portuguese Population published by Banco de Portugal. This methodology was subsequently used in the 2nd Financial Literacy Survey of the Portuguese Population conducted in 2015.

Although the methodology used is the same, the comparison of the 2020 indices with those of 2015 and 2010 is not possible, since the questions considered in each year were different.

The global financial literacy index corresponds to the aggregation of five partial indices: financial inclusion, use of digital channels, management of savings, choice and management of banking products and understanding of financial concepts. The global financial literacy index thus considers all the questions used for the construction of the partial indices.

The answers to the selected questions were rated on the scale  $\{-2, -1, 0, 1, 2\}$ . Since the distribution of scores across questions is not always equal, due to their importance in the degree of financial literacy and the variability of admissible answers, not all questions were able to contain answers with a maximum score of "+2" or a minimum score of "-2".

In the questions on financial understanding, the maximum score was given to the correct answer and the minimum score to the remaining answer options. In the questions that assess financial attitudes and behaviours, the classification of the answers on the scale mentioned above is based on the behaviour/attitude that is considered most appropriate and that reveals greater capacity to manage personal finances. For the construction of this indicator, questions on the socio-economic characterisation of the respondent, on the holding of a certain financial product or others in which the behaviour or attitude is not susceptible of being valued were not selected.

For each respondent an index was calculated, which is the arithmetic sum of the scores of their answers<sup>1</sup>. The index for each respondent only takes into account the questions they answered, allowing a comparison between the indices of respondents with a different number of answers.

The index for each respondent shows that the lowest value observed in the global financial literacy index is -1.53 and the highest value is 1.68. However, as respondents did not necessarily reply to the same questions, the individual indices are not all on the same scale, so they were transformed to a scale of 0 to 100<sup>2</sup>. The values expressed on this scale constitute a comparable index of financial literacy across respondents.

The methodology used to calculate the partial indices of financial inclusion, digital financial inclusion, management of savings, choice and management of banking products and understanding of financial concepts follows the methodology used for the global financial literacy index.

1. Considering all replies, the maximum attainable score on the global financial literacy index is 91 points and the minimum attainable score is -89 points.

2. According to the questions answered by each respondent, the theoretical minimum score was set to "0" and the theoretical maximum score to 100%.

# 2 Questionnaire

The questionnaire presented below includes all the questions of the 3<sup>rd</sup> Financial Literacy Survey of the Portuguese Population 2020, although this report focuses only on some of these questions.

	Survey No.
Survey on Financial Literacy	
Date: // Start tim <u>e: :</u> End tim <u>e: :</u> Interview <u>er:</u> Addre <u>ss:</u>	
Good morning/afternoon/evening. My name is and I am co Survey Centre of the Catholic University in partnership with the National Supervisors in carrying out an opinion survey with the aim of knowing the the Portuguese population. I kindly ask you to answer a few questions o participation is completely voluntary, anonymous and confidential.	ollaborating with the Council of Financial financial literacy of n this subject. Your
Compreendo os objetivos do estudo e aceito participar.	

### A1. 1. Parish (Register without asking):

A1. 1.a Name of the town (Register without asking):

### A - Profile of the respondent

A1.2. Size of the town	(Register without asking)
------------------------	---------------------------

- Up to 4999 inhabitants
- From 5000 to 9999 inhabitants
- From 10 000 to 49 999 inhabitants
- From 50 000 to 99 999 inhabitants
- 100 000 or more inhabitants

## A2. Gender (Register without asking)

Male Female

A3. Please could you tell me how old you are, currently? (NOTE: The interviewer should estimate if the respondent does not wish to reply)

Δ4	What is the	highest level	ofe	education	that you	i have	completed?
A4.	villat is the	i ligi lest level	OIE	Euucation	that you	Inave	completeu:

No formal education
Attended primary school
Completed primary school Attended lower
Secondary school or middle school
Completed lower secondary school or middle school
Attended upper secondary school or high school
Completed upper secondary school or high school
Attended university level education (e.g. degree or higher-level vocational training)
Completed university level education (e.g. degree or higher-level vocational training)
Post-graduate education or equivalent (e.g. master's degree, PhD or advanced professional training)
Does not reply (do not read) → Questionnaire ends

## A5. And which of these best describes your current work situation?

Active – Self-employed [work for yourself]
Active - In paid employment [work for someone else]
Apprentice
Active – Looking for work [unemployed]
Not active – Looking after the home
Not active – Retired
Not active - Unable to work due to sickness or ill-healt
Not active – Not working and not looking for work
Not active – Student
Active – Other (specify)
Not Active – Other (specify)

#### Does not reply (do not read) → End questionnaire

# A6. Who do you usually live with in your household? (Multiple)

Entirely alone
With a partner/spouse
With children under the age of 18 (theirs or their spouse's/partner's)
With children over the age of 18 (theirs or their spouse's/partner's)
With other young people under the age of 18
With parents or parents-in-law
With other relatives
With friends, colleagues or students
Other type of household
Does not reply (do not read)

A6.1. How many adults (aged 18 or over) live in your household, including yourself? (Note: Only ask if in A6 the answer was not "alone")

Does not reply (do not read)

A6.2. How many children under the age of 18live in your household, including yourself? (Note: Only ask if in A6 they do not reply "with children under the age of 18" or "with other young people under the age of 18")

Does not reply (do not read)

### B – Financial inclusion

B1. Do you have one or more current accounts?

Yes
No $\rightarrow$ Go to B4
Does not know (do not read) $\rightarrow$ End questionnaire
Does not reply (do not read) → End questionnaire

B2. How many current accounts do you have, in total?

Does not know (do not read)

Does not reply (do not read)

B3. How often do you use your main bank account, including payments with your bank card or at the ATM?

e

More than once a week $\rightarrow$ Go to C1
More than once a month $\rightarrow$ Go to C1
Not every month $\rightarrow$ Go to C1
Hardly every throughout the year $ ightarrow$ Go to C1
Never → Go to C1
Does not know (do not read) $\rightarrow$ End questionnair
Does not reply (do not read → End questionnaire

B4. Why do you not have a bank account? (Only one answer)

Does	not	have	the	income	to justify it	

Another person's bank account is sufficient

The costs of having a bank account are high

Other reason. Which?

Does not know (do not read)

Does not reply (do not read) → Go to group D

### C - Management of the Bank Account

C1. What is the main reason why you chose the bank where you have your main current account?
Recommendation of family or friend
It is the bank where they have their home loan or other loan
Has low fees/costs
Employer requires an account in that bank
Proximity to home or work
Other reason. Which?
Does not reply (do not read)

## C2. How often do you check your account activity and the balance of your main current account?

Daily
More than once a week
More than once a month
Less than once a month
Rarely
Never
Does not reply (do not read)

## C3. Do you know the maintenance fees that your bank charges for your current account?

- Yes, the exact amount Yes, approximately
- No
- Does not reply (do not read)

C4. Banks provide access to the account and other banking products and services on digital channels, for example through home banking or mobile applications (apps). Which do you use?

Uses both (home banking and apps)
Uses only home banking
Uses only apps (mobile phone applications)
Does not use them $\rightarrow$ Go to C7
Does not reply (do not read) $\rightarrow$ Go to group D

# C5. On average, how often do you use home banking or apps?

	Home banking	Apps
Almost daily		
At least once a week		
At least once every two weeks		
At least once a month		
Less than once a month		
Does not reply (do not read)		

# C6. Which services did you use in digital channels in the last 2 years? (Multiple)

	Home banking	Apps
Checking of account movements and the balance		
Payment of services		
Transfers		
Taking out a time deposit		
Subscribing insurance		
Investing in bonds, shares or investment funds		
Taking out consumer credit		
Opening of a current account		
Does not reply (do not read) $\rightarrow$ Go to group D		

C7.	What is t	the main	reason	why you	do	not use	digital	channels?	,

Does not access the internet regularly
Has difficulty in dealing with technology
Does not have appropriate financial knowledge
Does not trust they are safe
Is concerned with sharing personal data
Does not know the applicable legislation
Prefers personal contact/branch
Prefers to use the ATM
Does not know (do not read)
Does not reply (do not read)

#### **D** – Planning of Personal Finances

The next set of questions will help us understand how people think about and plan their personal finances. There are no right or wrong answers to these questions.

D1. Do you make day-to-day decisions about your own money?

- Yes No
  - Does not reply <mark>(do not read)</mark>

D2. And who is responsible for making day-to-day decisions about money in your household?

- You make these decisions by yourself
- You make the decisions in conjunction with his/her spouse/partner
- You Make the decisions in conjunction with another person
- Someone else makes these decisions
- Does not know (do not read)
  - Does not reply (do not read)

D3. Do you do any of the following for yourself or your household? (Multiple)

Make a plan to manage your income and expenses
Keep a note of your spending
Keep money for bills separate from day-to-day spending money
Make a note of upcoming bills to make sure you don't miss them
Use a banking app or a money management tool to keep track of your outgoings
Arrange automatic payments for regular outgoings
None of the above (do not read)
Does not reply (do not read)

The next set of questions concerns only you. Please answer in relation to yourself and not in relation to your household.

#### D4. Do you usually save?

Yes, regularly

Yes, irregularly (extra income, holiday allowance or Christmas bonus, bonuses...)

No → Go to D6

Does not reply (do not read) → Go to D7

D5.	What is your main reason for saving? (Only one reply)
	For later non-regular expenses (holidays, travel)
	To purchase/replace durable goods (bigger house, furniture, household appliances, means of transport)
	For education or initial help for children
	To meet unforeseen expenses

To be used in retirement
Other. Which?

Does not reply (do not read) → Go to D7

### D6. Why do you not save? (Only one reply)

Income does not anow it		Income	does	not	allow	it
-------------------------	--	--------	------	-----	-------	----

Does not consider it a priority

Makes unplanned expenses – on impulse

Other. Which?\_\_\_\_\_

Does not reply (do not read)

D7. In the past 12 months have you been (personally) saving money in any of the following ways, whether or not you still have the money? Please don't take into account any money paid into a pension, but think about all kinds of savings, such as building up a rainy-day fund or putting money aside for a special occasion.. (Multiple)

Paying money into a deposit account
Paying money into a savings account
Buying bonds
Investing in stocks and shares
Investing in crypto-assets or ICOs
Saving or investing in some other way, other than a pension (transfers to family abroad, buying gold, buying property, buying art objects,)
Saving cash at home or in your wallet
Giving money to family to save on your behalf
I did not save in the last year
Does not reply (do not read)

D8. And if you, personally, faced a major expense today – equivalent to your own monthly income – would you be able to pay it without borrowing the money or asking family or friends to help?

Yes
No
Does not know (do not read)
Not applicable – does not have personal income (do not read)
Does not reply (do not read)

D9. Some people set themselves financial goals, such as paying university fees, buying a car or becoming debt free. Do you (personally, or with your partner) have any financial goals?

Yes
No → Go to D11
Does not know (do not read) $\rightarrow$ Go to D11
Does not reply (do not read) $\rightarrow$ Go to D11

D10. What actions have you (personally) taken to meet your most important goal...(Multiple)

Prepared	а	plan	of	action
----------	---	------	----	--------

Increased your credit card or loan repayments

Saved or invested money

Looked for new/different/additional source of income

Identified a source of credit

Cut-back on spending	
----------------------	--

Something else. (Record what)

Nothing

Does not know <mark>(do not read)</mark>

Does not reply (do not read)

D11. Sometimes people find that their income does not quite cover their living expenses. In the last 12 months, has this happened to you, personally?

Yes
No $\rightarrow$ Go to D12
Does not know (do not read) $\rightarrow$ Go to D12
Not applicable – does not have personal income (do not read) $ ightarrow$ Go to D12
Does not reply (do not read) $\rightarrow$ Go to D12

D11.1. What did you do to make ends meet the last time this happened? (Multiple) (Note: do not read but may give examples. The titles are only to guide the interviewer. The interviewer may ask: "And did you do anything else?")

Existing resources – Draw money out of savings or transfer savings into current account
Existing resources – Cut back on spending, spend less, do without delay a planned expense
Existing resources – Sell something that you own
Additional resources – Worked overtime, take an extra job, earn extra money
Additional resources – Claim support from the government
Additional resources – Ask for help from family, friends or the community
Access credit by using existing contacts or resources – Borrow from family, friends or the community
Access credit by using existing contacts or resources - Borrow from employer/salary advance
Access credit by using existing contacts or resources – Pawn something that you own
Borrow from existing credit line - Used authorized, arranged overdraft or line of credit
Borrow from existing credit line - Use credit card for a cash advance or to pay bills/buy food

Access additional credit - Take out a personal loan from a financial service provider (including bank, credit union or microfinance)

Access additional credit - Take out a loan from an informal provider/moneylender

Fall behind/go beyond arranged amount - Use unauthorised overdraft

Fall behind/go beyond arranged amount - Pay bills late; miss payments

Other responses – Other. Which?

Does not know (do not read)

Does not reply (do not read)

D12. If you lost your main source of income, how long could you continue to cover your living expenses, without borrowing any money or moving house?

Less than a week
At least a week, but not one month
At least one month, but not three months
At least three months, but not six
Six months or more
Does not know <mark>(do not read)</mark>
Does not reply (do not read)

D13. I am now going to read out some statements. I would like to know how much you agree or disagree with each of these statements (as it relates to you).

Please use a scale of 1 to 5, where: 1 (strongly disagree), 2 (disagree), 3 (neither agree nor disagree), 4 (agree) and 5 (strongly agree), you should rate your answers as follows).

	<b>1</b> Disagree totally	<b>2</b> Disagree	<b>3</b> Neither agree nor disagree	<b>4</b> Agree	<b>5</b> Agree totally	Does not reply
1. I find it more satisfying to spend money than to save it for the long term						
<ol> <li>I am prepared to risk some of my own money when saving or making an investment</li> </ol>						
3. Money is there to be spent						
4. I am satisfied with my presentfinancial situation						
5. I keep a close personal watch on my financial affairs						
6. I use my mobile phone to make or receive payments						
7. My financial situation limits my ability to do the things that are important to me						
8. I set long term financial goals and strive to achieve them						
9. I have too much debt right now						
10. If I borrow money I have a responsibility to pay it back						

D14. And how often would you say this statement applies to you. For each statement could you tell me whether it Always, often, sometimes, rarely or never applies to you? Record responses as: 1 (never), 2 (rarely), 3 (sometimes), 4 (often) and 5 (always).

	<b>1</b> Never	<b>2</b> Rarely	<b>3</b> Sometimes	<b>4</b> Many times	<b>5</b> Always	Does not reply
1. I tend to worry about paying my normal living expenses						
2. My finances control my life						
3. Before I buy something I carefully consider whether I can afford it						
4. I have money left over at the end of the month						
5. I pay my bills on time						
6. tend to buy things on impulse						

D15. I would also like to how well this statement describes you or your situation. For each statement could you let me know whether it describes your situation or thoughts completely, very well, somewhat, very little or not at all. Record responses as: 1 (not at all), 2 (very little), 3 (somewhat), 4 (very well) and 5 (completely).

	<b>1</b> Not at all	<b>2</b> Very little	<b>3</b> Somewhat	<b>4</b> Vey well	<b>5</b> Completely	Does not reply
1. I tend to live for today and let tomorrow take care of itself						
2. I am just getting by financially						
3. I am concerned that my money won't last						
4. Because of my money situation, I feel like I will never have the things I want in life						

The next two questions concern planning for your retirement savings and are relevant whether or not you are retired.

D16. Overall, on a scale of 1 to 5 where 1 is very confident, and 5 is not at all confident; how confident are you that you have done a good job of making financial plans for your retirement?

Veryconfident
Confident
Somewhat confident
Not very confident
Not at all confident
Does not (or did not) plan for retirement (do not read)
Does not know (do not read)
Does not reply (do not read)

D17 And how wills	iou or do	iou fundu	our ratiromant?	
DT7. AND NOW WILLY	/ou - or uo y	/ou – iunu y		IVIULIIPLE)

Draw a government pension/ old-age benefit
Draw an occupational or workplace pension plan
Draw a private pension plan
Sell your financial assets (such as: stocks, bonds or mutual funds)
Sell your non-financial assets (such as a car, property, art, jewels, antiques, etc.)
From income generated by your financial or non-financial assets (such as dividends or rental income)
Rely on a spouse or partner to support you draw on your savings
Rely on your children or other family members to support you
Draw on your savings
Continue to work
From the revenues of a business that you own
Other. Which?
Does not know (do not read)
Does not reply (do not read)

## E - Choice and Management of Financial Products

The next set of questions are about financial products and services. We will not ask you about account balances or other figures. We are only interested in your experience in choosing and managing financial products and services.

E1.1. Of the following financial products, which ones have you heard of? (Multiple)

E1.2. Which financial products do you hold (individually or in combination)? (Multiple) (Not: read only the options chosen in E1.1)

E1.3. Which of the following financial products have you purchased in the last two years? Answer even if you no longer have the products. Do not include products with automatic renewal. (Multiple) (NOTE: read only the options chosen in E1.1)

E1.4. And which of these products have you purchased more recently? (Only one answer) (Note: if respondent answered E1.3, read out options. Otherwise, read out options chosen in E1.2))

	E1.1		E1.3	E1 /
	Have	E1.2	Purchased	E1.4 Purchasod
	heard	Have it	in the last 2	+ recently
	about it		years	· recently
1. A current/checking/payment account				
2. A savings account				
3. Savings certificates/Treasury bills				
4. Stocks and shares				
5. Bonds				
6. An investment account such as a unit trust				
<ol> <li>A pension or retirement product (disregarding compulsory social security contributions or other compulsory contribution schemes)</li> </ol>				
8. Insurance				
9. A credit card				
10. Bank overdraft				
11. A mortgage or home-loan				
12. A unsecured bank loan				
13. A microfinance loan				
14. MBWay				
15. Cryptoassets (such as cryptocurrencies or virtual currencies) or ICOs				
16. Crowdfunding				
17. Others. Which?				
18. None				
Does not know (do not read)				
Does not reply (do not read)				

(NOTE: If E1.2 and E1.3 and E1.4 equal "None" – no Financial Product  $\rightarrow$  Go to E12) (Note: For the product chosen in E1.4. If you have not chosen any product go to E4)

E2. And which of the following statements best describes how you made your most recent choice?

- I considered several options from different companies before making my decision
- I considered various options from one company
- I looked around but there were no other options to consider
- I didn't consider any other options at all
- Does not know (do not read)
- Does not reply (do not read)

E3. And which of these sources of information do you feel most influenced your decision? (Multiple) (Note: Wait for answer, only read if necessary. Do not read the titles, they only serve as a guide)

Information provided by bank staff (in person, online or over the phone)
A recommendation from friends, family or acquaintances
Specialist product comparisons or best-buy guidance (such as a specialist magazine, or a price comparison website)
A recommendation from an independent financial advisor Specialist product comparisons or best-buy guidance (such as specialist magazine, or a price comparison website)
Information from an advert or brochure about this specific product
Information on the internet
Information from an advert or <brochure> about this specific product</brochure>
Own experience from previous times
Others. Which?
Does not know (do not read)
Does not reply (do not read)

E4. Before purchasing a financial product (e.g. savings applications, investments, loans, insurance...) do you read the information provided by the institution on the conditions of the products?

Yes, I read it in great detail
Yes, I read it in some detail
Yes, I read it, but not in detail
I don't read it, I trust in what the bank clerk tells me verbally
l don't read it, it's not that important

Does not reply (do not read)

E5. Do you read the contracts of the financial products (e.g. savings, investments, loans, insurance?) you purchase?

Yes, I read them in great detail
Yes, I read them in some detail
Yes, I read them, but not in detail
I don't read them, I trust in what the bank clerk tells me verbally
l don't read it, it's not that important
Does not reply (do not read)
Não se aplica (do not read)

(Note: Answer E6 and E7 if E1.2 = 2 or 3 or 9 or 10 or 11 or 12 (Time deposits; Savings certificates; Credit cards; Bank overdrafts; Home or mortgage loans; Other loans (e.g. personal, car, household)). Otherwise, skip to NOTE before E8)

E6. Do you know the interest rates of the savings applications or loans you have?

Yes, always and the exact amount
Yes, always and an approximate amount
I only ask for information when I purchase the savings product or loan
No
Does not reply (do not read)

E7. And do you compare interest rates before you invest in savings or take out a loan?

Yes, from the banks where I am a customer

Yes, from the banks where I am a customer and from those practiced by other banks

No, I always use my bank

No

Does not reply (do not read)

(Note: Answer E9 if E1.2 = 11 or 12 (Home loan or mortgage-backed loan; Other loans (e.g. personal, car, household)). Otherwise, skip to Note before E10)

E9. What is the main criterion you used to choose your loans (home loan or consumer credit)?

Amount of the instalment
Interest rate
Annual percentage rate of charge (TAPR)
Repayment term
I went to my usual bank
I followed the bank's advertising
Other. Which? \_\_\_\_\_\_
Does not reply (do not read)

01 Questionnaire (Note: Answer E10 if E1.2 = 9 or 10 or 11 or 12 (Credit card; Bank overdraft; Home loan or mortgage-backed loan; Other loans (e.g. personal, car, household)). Otherwise, Go to Note before E11)

### E10. Do you have any idea of how much your loans take up your household's net monthly income?

- Less than a quarter (25%)
- Less than half More than half
- Does not know (do not read)
- Does not reply (do not read)

#### (NOTE: Answer E11 if E1.2 = 9 (Credit card). Otherwise, Go to E12)

### E11. Which payment scheme do you usually use for your credit card?

- Pays off the next month, in full Pays off partially Does not know (do not read)
- Does not reply (do not read)

E12. Thinking about financial products and services in general, in the last 2 years, have you experienced any of the following issues? (Multiple)

Have you accepted advice to invest in a financial product that you later found to be a scam, such as a pyramid scheme?
Have you accidently provided financial information in response to an email or phone call that you later found out was not genuine?
Have you discovered that someone has used your <card> details to pay for goods without your authorisation?</card>
And in the last 2 years have you queried a transaction listed on your bank or credit card statement that you did not recognise?
Have you made a formal complaint about the service you have received from a bank or other financial institution?
Have you tried to open a bank account and been refused for any reason?
Have you been refused a claim on an insurance product that you expected to cover you?
Have you complained to a remittance provider about high charges when sending or receiving money?
Have you lost money as a result of hackers or phishing scams?
None of these things happened to them (do not read)
Does not know (do not read)

Does not reply (do not read)

### F – Choice and knowledge of the sources of information

(Note: If they do not have a current account, answer only F1)

F1. What kind of information do you regularly follow? (Read options)			
	Yes	No	NR
1. General news about the economy			
2. News about the real-estate market			
3. News about the stock market			
4. Interest rate developments			
5. Legislation and regulation on financial products			
Other. Which?			

# F2. What sources of information do you usually use when you want to obtain information on financial products? (Multiple)

Account/bank manager
Financial intermediary/insurance broker
Friends/family/colleagues
Specialised newspapers (print or online)
Other press (print or online)
Television/radio
Internet (except the press)
Others. Which?
Does not know (do not read)
Does not reply (do not read)

F3. What entity would you turn to, or have you turned to, in case of disagreement/disagreement about a financial product? (Spontaneous. Multiple)

The supervisory authority (Banco de Portugal, Securities Market Commission or the Insurance and Pension Funds

Supervisory Authority)
Courts
Consumer protection associations (e.g.: Deco)
Ministry of Finance
Other. Which?
Does not know (do not read)
Does not reply (do not read)

# F4. Which entity would you turn to, or have you turned to, in case of the impossibility to pay your loan instalments? (Spontaneous. Multiple))

Family
Your bank
Banco de Portugal
Consumer protection associations (e.g.: Deco)
Support Network for Consumers in Debt
Ministry of Finance
Other. Which?
Does not know (do not read)
Does not reply (do not read)

### G – Financial understanding

The next questions are about your financial knowledge. The questions are not designed to catch you off guard, so if you think you know the answer, you probably do. If you don't know the answer, please say you don't know.

G1. Could you tell me how you would rate your overall knowledge about financial matters compared with other adults in Portugal?

Very high
Quite high
About average
Quite low
Very low
Does not know (do not read)
Does not reply (do not read)

G2. Imagine that five brothers are given a gift of <\$>1,000 in total. If the brothers have to share the money equally how much does each one get?

Record response

Does not know (do not read)

Does not reply (do not read

G2.1. Now imagine that the brothers have to wait for one year to get their share of the \$1,000 and inflation stays at 2 percent. In one year's time will they be able to buy:

More with their share of money than they could today

The same amount

Less than they could buy today

Depends on the types of things that they want to buy (do not read)

Does not know (do not read)

Does not reply (do not read)

G3. You lend 25 euros to a friend one evening and he gives you 25 euros back the next day. How much interest has he paid on this loan?

Record response: \_\_\_\_

Does not know (do not read)

Does not reply (do not read)

G4. Imagine that someone puts 100 euros into a savings account with a guaranteed interest rate of 2% per year. They don't make any further payments into this account and they don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made?

Record response:
Does not know <mark>(d</mark>

Does not know (do not read)
Does not reply (do not read)

G4.1. And how much would be in the account at the end of five years? (Assume that no fees or taxes are charged and that at the end of each year you leave the amount of interest in that same time deposit)

More than 110 £
Exactly 110 €
Less than 110 €
Impossible to tell from the information given
Does not know (do not read)

Does not reply (do not read)

G5. I would like to know whether you think the following stateme	nts are t	rue or f	alse
	Т	F	NR
1. If I partially pay off the balance on my credit card, I pay no interest			
2. If I withdraw money from the ATM with my credit card, I pay commissions on that amount			
3. High inflation means that the cost of living is increasing rapidly			
4. An investment with a high return is likely to be high risk			
5. It is usually possible to reduce the risk of investing in the stock market by buying a wide range of stocks and shares			

56	Dov		know	of the	evistence	of	hasic	hank	accounts?	
JU.	00	you	NI IOVV			UII	DUSIC	Darin	accounts:	

Y	'es		

No → Go to G8

Does not reply (do not read) → Go to G8

G7. What is necessary in order to have access to a basic bank account?

Have	а	low	income	

Be unemployed

Have only one current account

- Does not know (do not read)
- Does not reply <mark>(do not read)</mark>

G8. I am going to ask you to please look at the following statement of a current account. (CARD G8) According to this statement, what is the balance of the current account that can be used on 20 April 2019 without using a bank overdraft? (NOTE: Do not read. Spontaneous answer)

110€
100€
1060€
1160€
Does not know (do not read)

Does not reply (do not read)

# G9. Suppose that on 21 April 2019 your car insurance of €150 will be debited. Does your account has sufficient balance to cover this payment?

#### No

Yes,	but the	account	will	be	overdrawn	by	50	€
· co,	our crie	account		~~	0101010111	$\sim j$	00	~

- Yes, the account has enough funds, so there is no need to resort to overdrafts
- Yes, but the account will be overdrawn by 150 €
- Does not know (do not read)
- Does not reply (do not read)

# G10. In most home loans, the interest rate paid to the bank is indexed to a reference rate, which is usually Euribor. Tell us if Euribor:

- Is a rate defined by the Portuguese government Is a rate defined by Banco de Portugal
  - Is a rate defined by the Central European Bank
  - Is a rate resulting from loans made between a group of European banks
  - Does not know (do not read
  - Does not reply (do not read)

## G11. Do you know what the spread is?

Does not know
It is the total interest rate charged by the bank for loans
It is the increase that your bank establishes, in relation to a reference interest rate, which may vary from customer to customer
It is the increase that your bank establishes in relation to a reference interest rate, which is the same for all customers
It is an interest rate that your bank defines according to the loan amount
Other. What?
Does not reply (do not read)

G12. On a scale of 1 to 3, where 1 is low, 2 is medium and 3 is high, please rank the following financial investments by risk level, in terms of getting your money back.

	1 Low	<b>2</b> Medium	<b>3</b> High	Does not
1. Shares				
2. Bonds				
3. Savings certificates/Treasury bills				
4. Investment funds				
5. Derivative financial instruments (e.g.: CFD, warrants, forex, swaps)				
6. Retirement savings plans				
7. Time deposits				

G13. And finally, could you tell me which of these categories your household net monthly income usually falls into?

No income
Up to 500 €
Between 501 and 1000 €
Between 1001 and 2500 €
Between 2501 and 3500 €
Between 3501 and 5000 €
Over 5000 €
Does not know (do not read)

Does not reply (do not read)