PREFACE

The purpose of this book is to analyse financial literacy from theoretical and empirical points of view, with a particular focus on the evidence related to Italy. This work is motivated by the increasing complexity of financial instruments as well as by the evolution of individuals' needs that result in the need to implement measures to increase individuals' financial literacy. Since financial literacy level seems to determine an individual's position in the financial system relative to other economic agents, financial illiteracy or the lack of financial knowledge and skills can lead to lifelong financial hardships (Lusardi & Mitchell, 2011). In this regard, a sufficient degree of financial literacy is a necessary condition for financial welfare (Lusardi & Mitchell, 2011).

We divide the book into two parts. In part 1, we present an extended and critical comparison of previous studies and evidence related to financial literacy at an international level, both from traditional finance (Chapter 1) and behavioural finance (Chapter 2) points of view. In part 2, instead, we present evidence related to financial literacy in Italy, documented through our own empirical findings.

In Chapter 3, we analyse the relationship between behavioural propensities, financial literacy, and personality traits using a survey of Italian respondents. We administered a questionnaire including questions on the basic measures of financial knowledge proposed by Lusardi and Mitchell (2011), as well as on personality traits — a reduced version of the so-called "Big Five" personality traits approach (Gosling, Rentfrow, & Swann, 2003) — and behavioural propensities (Pan & Statman, 2013).

In Chapter 4, we show how the differences in gross domestic product (GDP) between Italian macro-regions are associated with financial literacy proxies. Italy represents a useful case study to analyse the effects and consequences related to financial literacy because Italians generally have low literacy on financial topics (Klapper, Lusardi, & van Oudheusden, 2015; di Salvatore, Franceschi, Neri, & Zanichelli, 2018). Northern and central regions with high GDP show a higher level of financial literacy, while southern regions and islands present lower GDP and financial literacy levels. For our objective, it is important to implement a new methodology, combining the measures already used in past studies as well as new variables which enable a better understanding of financial literacy. The choice of investigating financial literacy levels by combining as key variables skills and attitudes along with knowledge in the financial realm is motivated by the necessity of conducting a more in-depth investigation of the causes of financial illiteracy. To measure financial attitudes and skills, we introduce a new set of items designed following the guidelines provided by the Organization for Economic Co-operation and Development (OECD, 2016).

Furthermore, considering both skills and attitudes results in a more accurate picture of various aspects pertaining to financial literacy, which makes it possible to determine what aspects of financial decisions processes are affected regarding levels of financial literacy.

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