

Digitization and financial exclusion study

ASUFIN

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· FINANCIAL AND DIGITAL EDUCATION 2023 ·



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About **the author**

This study was carried out by **ASUFIN**'s Studies Department, in collaboration with Antonio Luis Gallardo Sánchez-Toledo. A graduate in Business Administration and Management from the Autonomous University of Madrid, specializing in Financial Management and Economic Research. After having worked in the securities company La Caixa (now CaixaBank) and in the Santander Group, he has been working for more than 18 years in the field of consumer protection and financial education, carrying out educational programs that includes the preparation of studies in the field of personal finance and insurance.

Introduction

Digitalization is a reality that has radically changed the financial institutions' relationship with its customers, and that continues to generate a large number of issues. For example, **to what extent is it a voluntary option chosen by the client** to obtain convenience or speed in their banking operation, or is it forced, and feels like an imposition. This happens especially in sectors of the population that are not prepared for it.

This is what we know as financial exclusion, which **has its origin in multiple factors**, including the merging of banks experienced in the last two decades, with the resulting cost savings and, in general, the transformation of the financial business when facing technological innovation.

To learn more about the situation posed by financial digitization, we start, first of all, with an **analysis of the user's operations**. Secondly, how the user reflects on the reality posed by the transfer of data and information and **their processing by banks and other market operators, such as insurers and, of course, the top technology companies**. And lastly, we **present the situations of exclusion, especially in the most relevant segment, that of the elderly**, where a good part of the efforts to improve the sector are being concentrated.

Five key points

1

The majority of Spaniards continue to use online banking tools to make inquiries (96.50%) or basic operations such as transfers (89.90%). On the contrary, more complex operations such as savings and investment management (34.20%), or contracting products or services (27.80%).

2

There is a greater distrust of customers in terms of transferring their information, especially to tech companies (74.50%), although it is also growing towards banks and insurers, and is very relevant (55.90%).

3

Four out of ten Spaniards (39.60%) do not believe that digitalization is helping them in the management of their finances, with very notable differences between age groups, since the vision is clearly positive for those under 25 (96.80% believe that it does help them compared to 3.20% that it does not) and the opposite for those over 65 years of age (32.10% believe that it does help them and 67.90% that it does not).

4

88.80% of the elderly are still obliged to carry out ATM operations, which is only a decrease of 2.40% compared to 91.20% in 2022. In 72.10% of cases, the senior citizen is accompanied by a bank employee, up 2.60% from 69.50% a year ago.

5

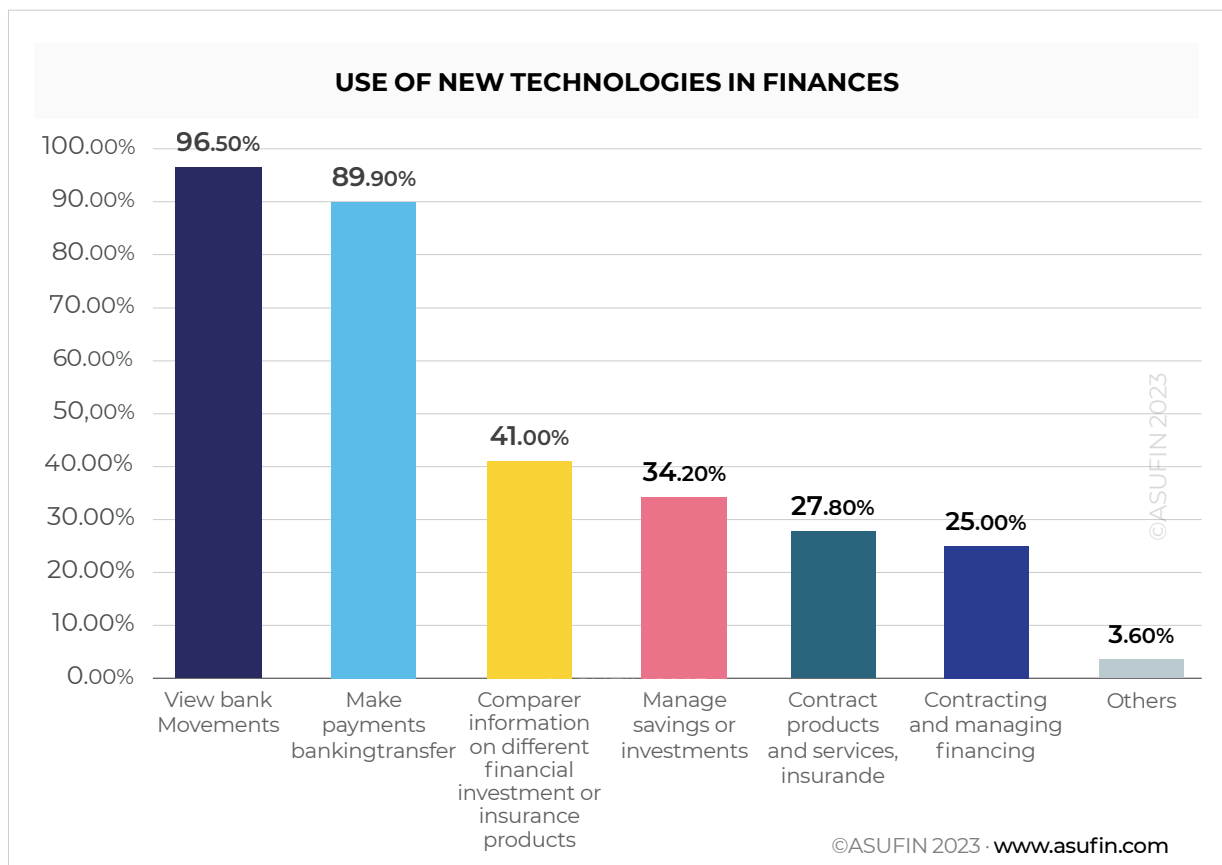
35.50% of seniors still consider ATMs difficult to use, an improvement of 2.50% compared to 37.00% in 2022. 40.10% consider that their app offers a better user experience, which substantially improves the figure of 18.90% in 2022.

Only 34.20% use new technologies to manage investments and 25.00% to contract financing

The use of new technologies in the relationship with banking operations focuses mainly on basic inquiries and making payments and transfers. Thus, **96.50%** usually view their balance and movements through devices and their apps, a percentage quite similar to that of last year, 96.40%. And **89.90%** make payments, online compared to 89.60% in 2022. In short, **minimal changes that reflect the total adherence of new technologies to basic banking operations.**

If we refer to management and contracting of products, the scenario changes slightly. Regarding the first point, users who manage their financial information to, for example, compare products, are reduced to **41.00%**, 0.50% more than the 40.00% of the previous year; and those who admit that they manage their savings or investments online, are reduced to just over a third, **34.20%**, with an increase of 0.90% compared to 33.30% in 2022.

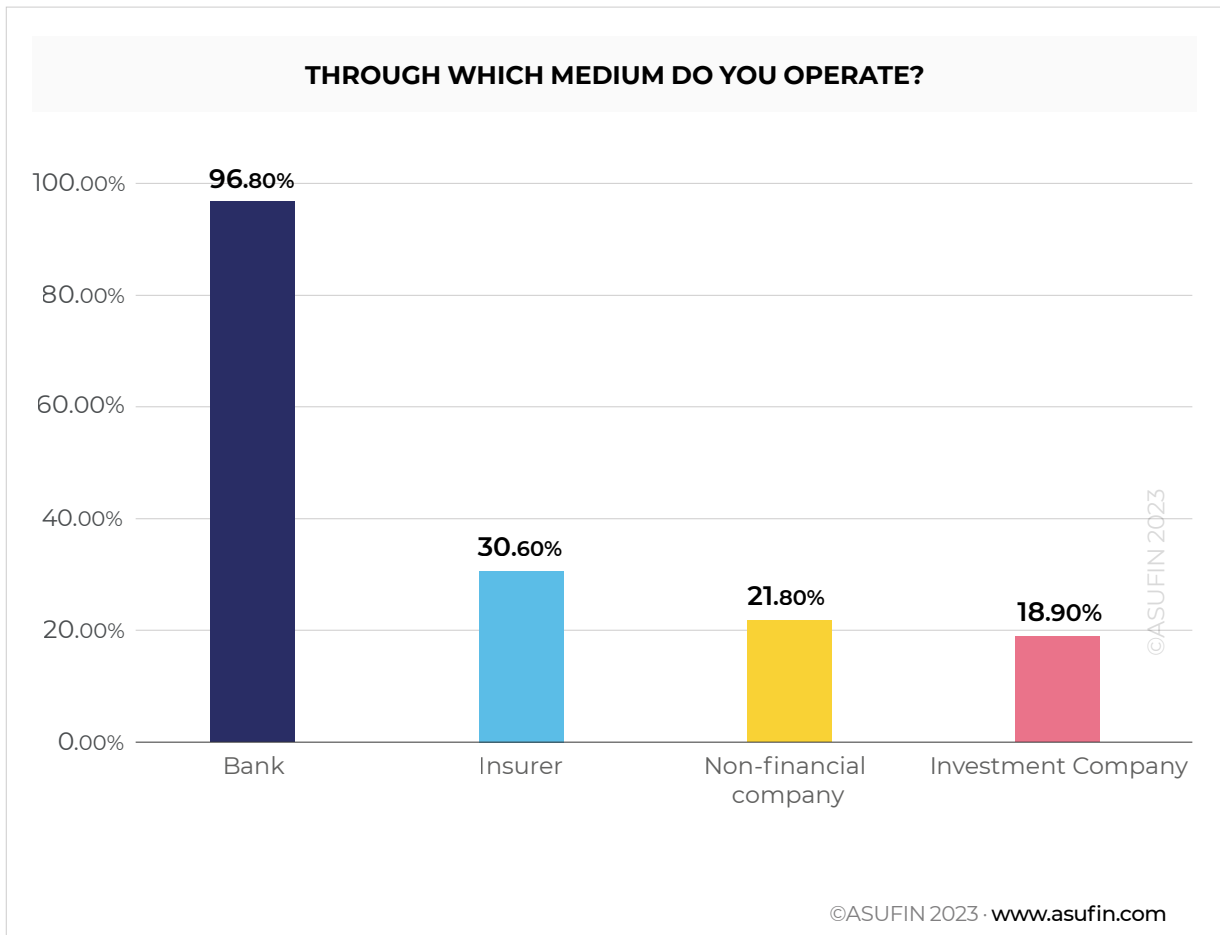
When it comes to contracting products, the data is poorer. 27.80% say they contract products and services, up 1.40%, compared to 26.40% in the previous year, while only **25.00%**, do so, despite having risen by 2.30% compared to 22.70% in 2022. Both percentages can be considered low, due to general reservations or mistrust but also due to **problems of access or exclusion.**



The bank remains the main means of operating for 96.80% of citizens

96.80% of Spaniards operate mainly through their bank, which represents a very slight drop of 0.20% compared to 97.00% in 2023. The remaining financial alternatives go up, but very slightly. Those who operate online through insurance applications reach **30.60%**, 0.20% more than 30.40% in 2022.

The figure for non-financial companies is up, but it is far from being an alternative: **only 2 out of 10 Spaniards operate online with this type of company, 21.80%**, up 0.70% compared to 21.10% in 2022. In the same way, investment firms continue with a very marginal position, since it is only an alternative for **18.90%** of Spaniards, although it has grown by 0.80% compared to 18.10% last year.

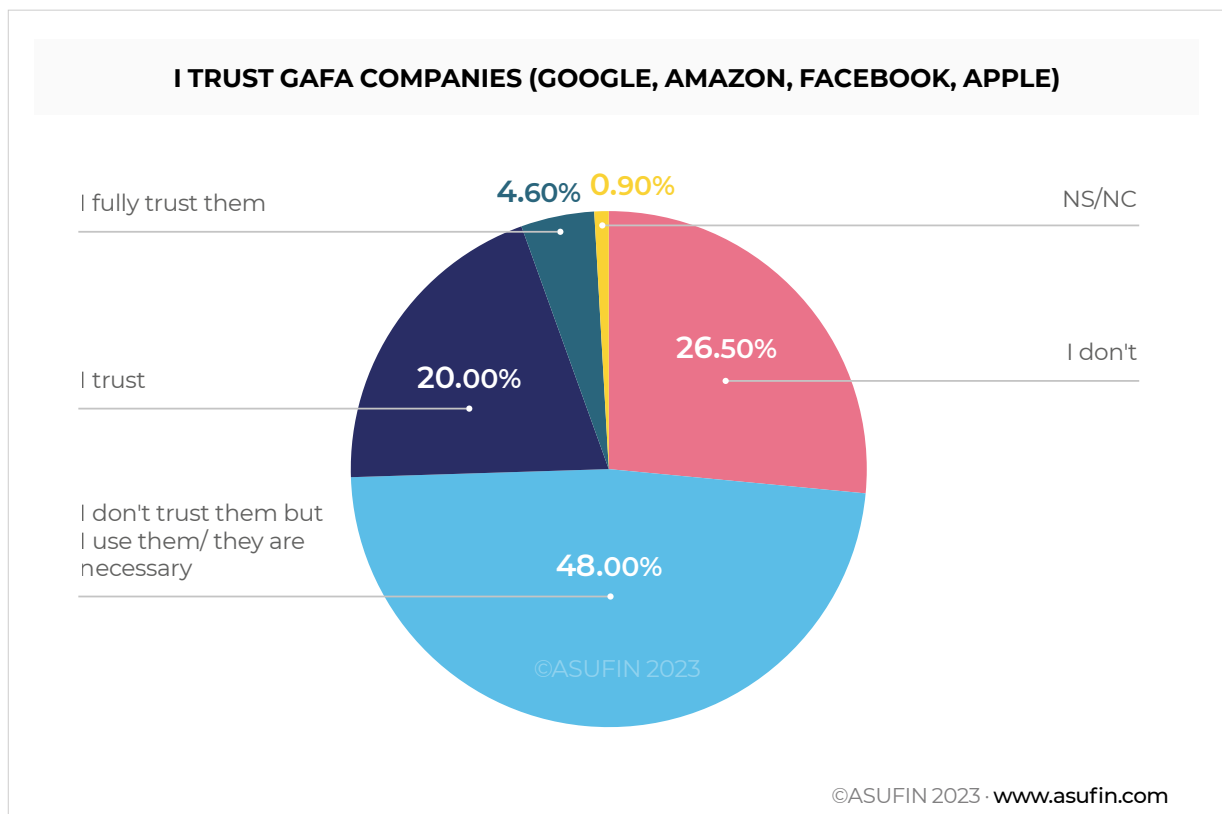


Mistrust in large technology companies is growing, already reaching three out of four citizens

Much of this digitization comes from large technology companies that play a very important role in the direct or indirect marketing of financial products. Faced with the massive use of what we know as GAFA (Google, Amazon, Facebook, Apple), **distrust grows in a very relevant way regarding the transfer of personal information.**

26.50% directly declare that they are suspicious of the data processing carried out by these companies, 1.40% more than the 25.10% of the previous year. **48.00%** are equally suspicious but use them because they consider it necessary, assuming a significant increase of 1.50% compared to 46.50% in 2022. Both add up to 74.50%, practically 3 out of 4 Spaniards.

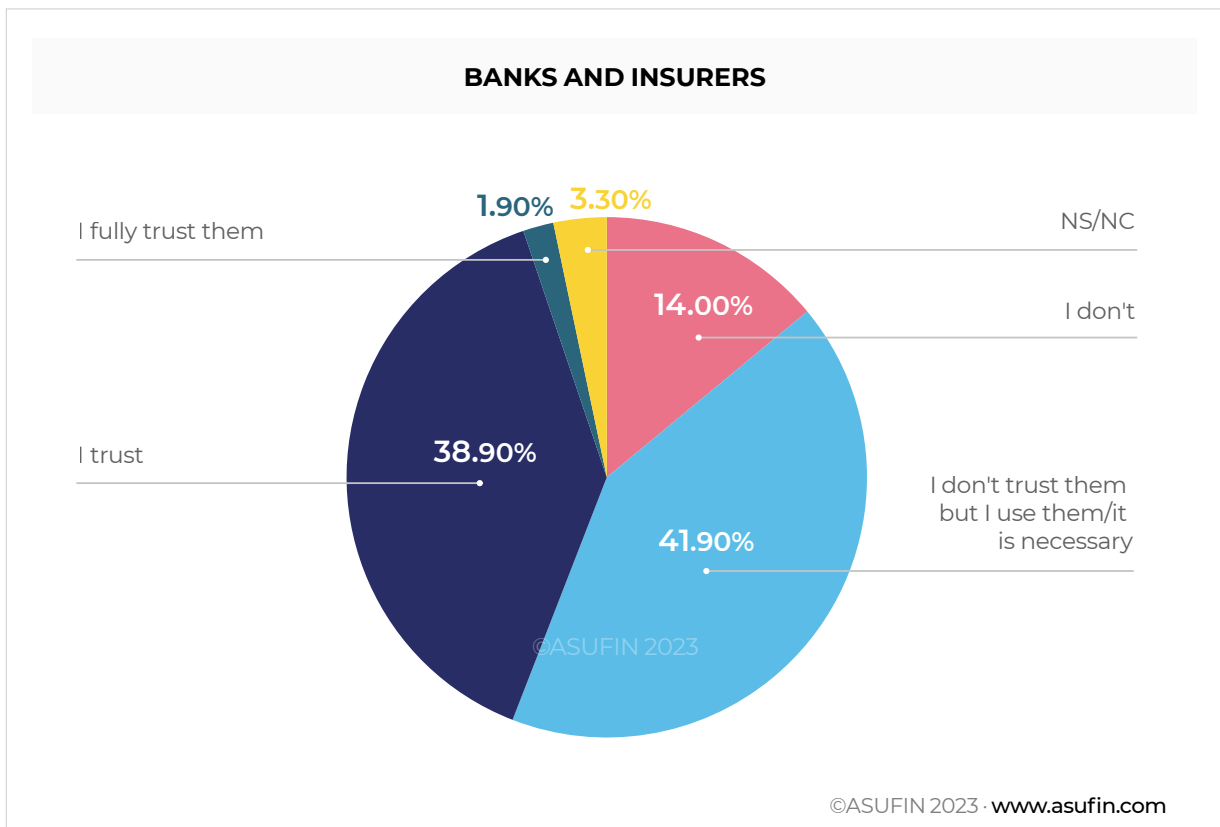
On the other hand, those who trust fell by 3.10%, from 23.10% to **20.00%** this year, and those who fully trust remained at **4.60%**, increasing by 0.10% compared to 4.50% last year.



Trust in banks and insurers drops to 40.80% of citizens

Banks and insurers also do not enjoy the full level of trust that could be expected in terms of the transfer and processing of our data. Thus, just under 4 out of 10 citizens, **38.90%** declare that they trust them, which represents a significant drop of 2.00% compared to 40.90% in 2022. Likewise, those who indicate that they fully trust them are slightly down, falling from 2.00% in 2022 to **1.90%** in 2023. Both account for just 40.80% of the total.

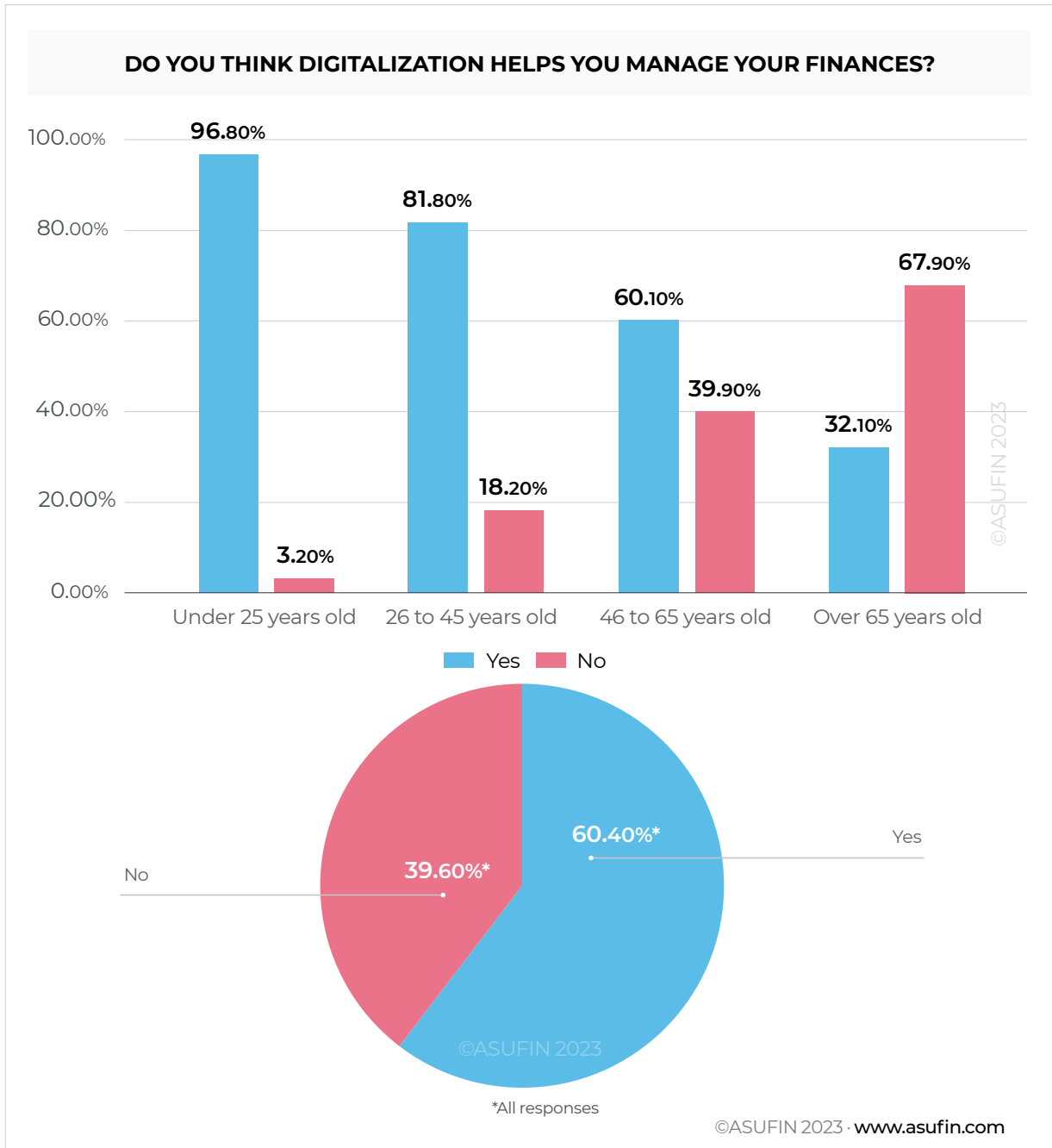
Above this percentage, there are those who do not trust them but consider it necessary, which adds up to **41.90%**, 0.80% more than 41.10% last year. Those who indicate that they do not trust them also grow to **14.00%**, compared to 13.50% in 2022. Between them they total 55.90%, which is 15 points more than those who trust.



4 out of 10 Spaniards consider that digitization is not helping them in managing their finances

If we want to go beyond knowing the type of use and the trust or distrust generated by the user’s online experience when operating, we have to consider the user’s vision of digitization. Thus, **60.40%** say that digitization helps them in the management of their finances, which means that 4 out of 10 citizens, **39.60%**, consider that it does not help them.

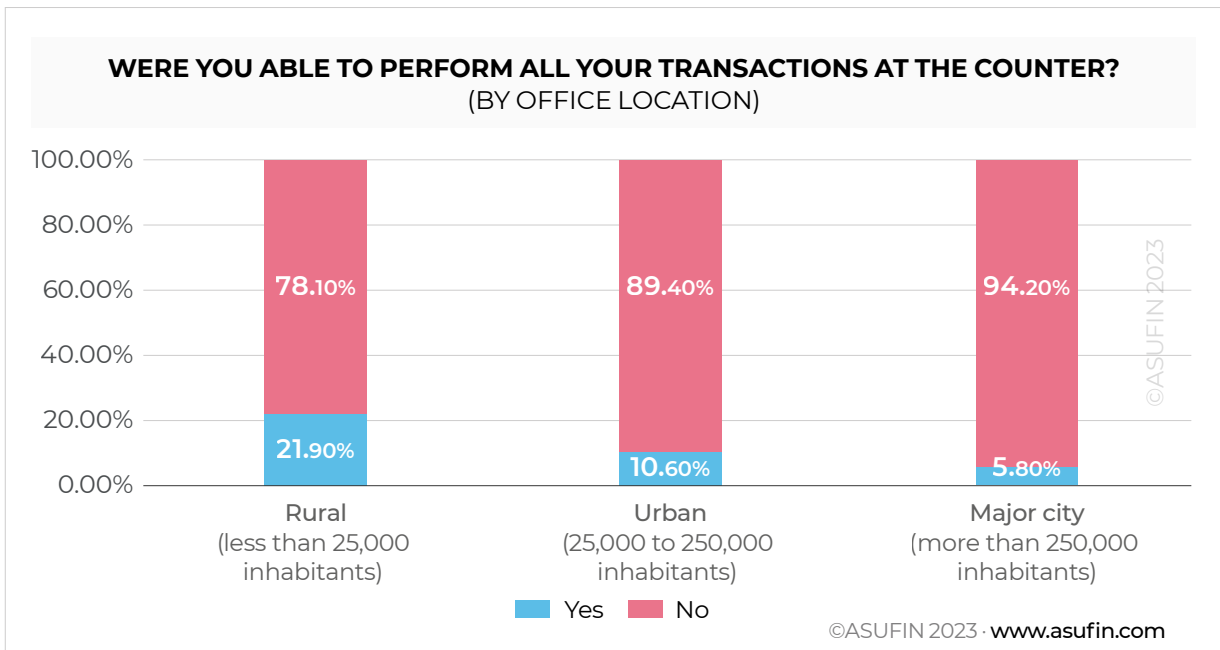
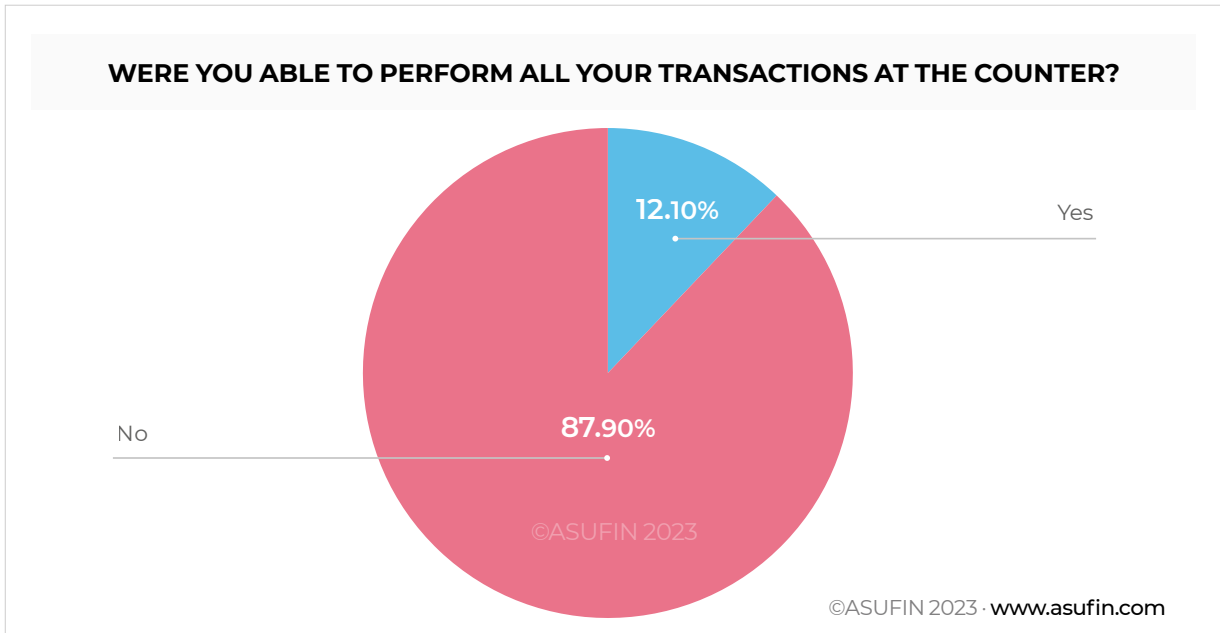
The data also reflects a divide by age. That is, practically all of the younger users, under 25 years of age, **96.80%**, consider that it helps them. The percentage decreases as age groups increases: **81.80%** between the ages of 26 and 45 say that it does help them, **60.10%** between the ages of 46 and 65, and only **32.10%** among those over 65.



Only 12.00% of seniors can perform all operations over the counter

One of the clearest effects of exclusion on the elderly is not allowing over-the-counter office operations, such as cash withdrawals or receipt payments, and force them to be done at ATMs. This reality remains, although it has improved very slightly, and only 12.10% of the elderly indicate that they can still carry out operations at the counter, compared to 10.30% a year ago.

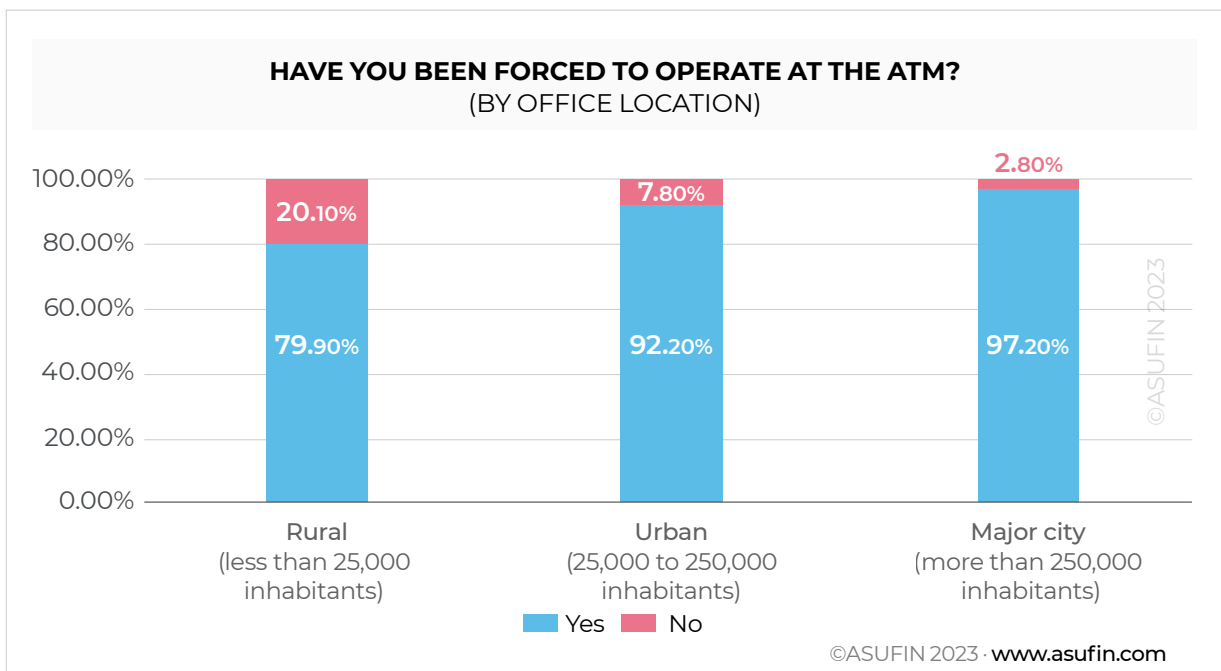
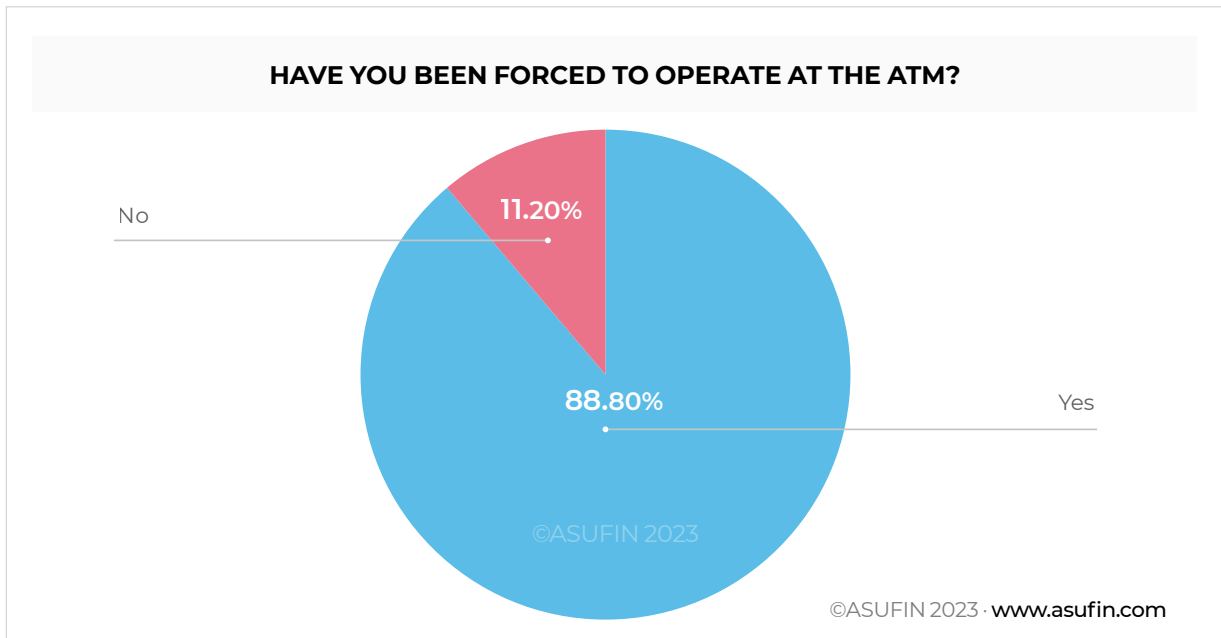
This data represents a growth of 1.80% that is supported by bank offices in rural areas. In populations of less than 25,000 inhabitants, the percentage is 21.90%, with a growth of 3.50% compared to 18.40% last year. In the localities from 25,000 to 250,000, there is a slight growth, up to 10.60% compared to the previous 10.30%. On the contrary, in large cities with more than 250,000 inhabitants, there is a slight decrease, from 5.90% in 2022 to 5.80% now.



88.80% of the elderly are still required to carry out operations at the ATM

88.80% of seniors indicate that they are still required to carry out operations at the ATM. This percentage is still very high, although it **has improved compared to the 91.20% from last year**.

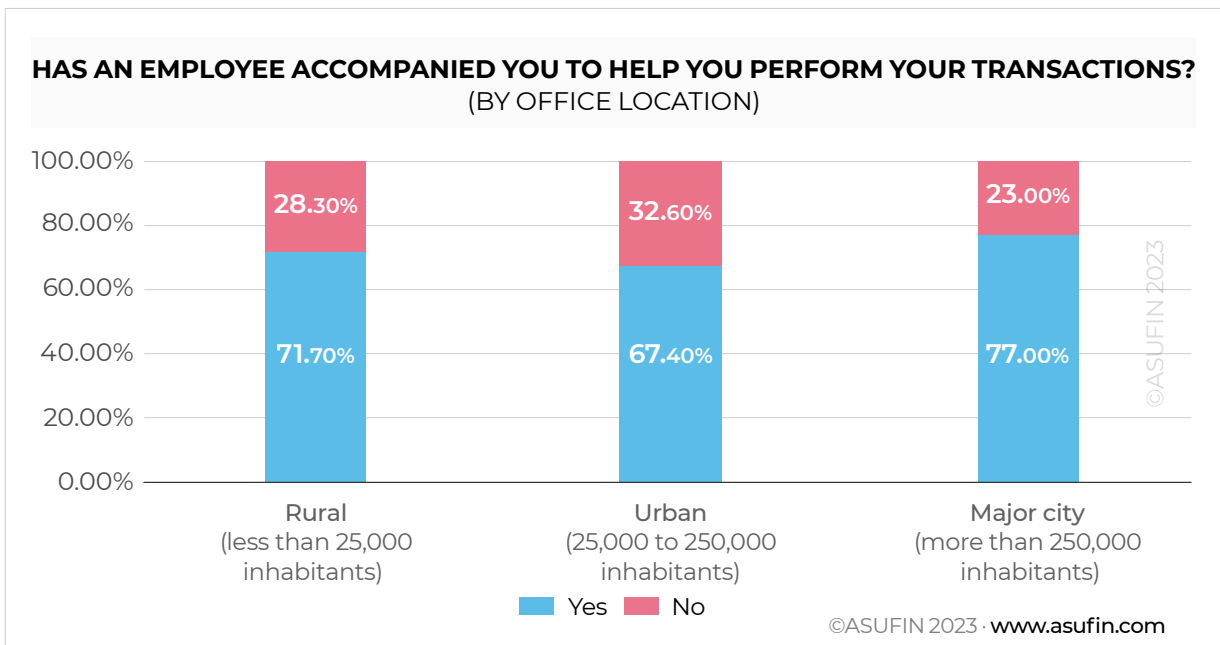
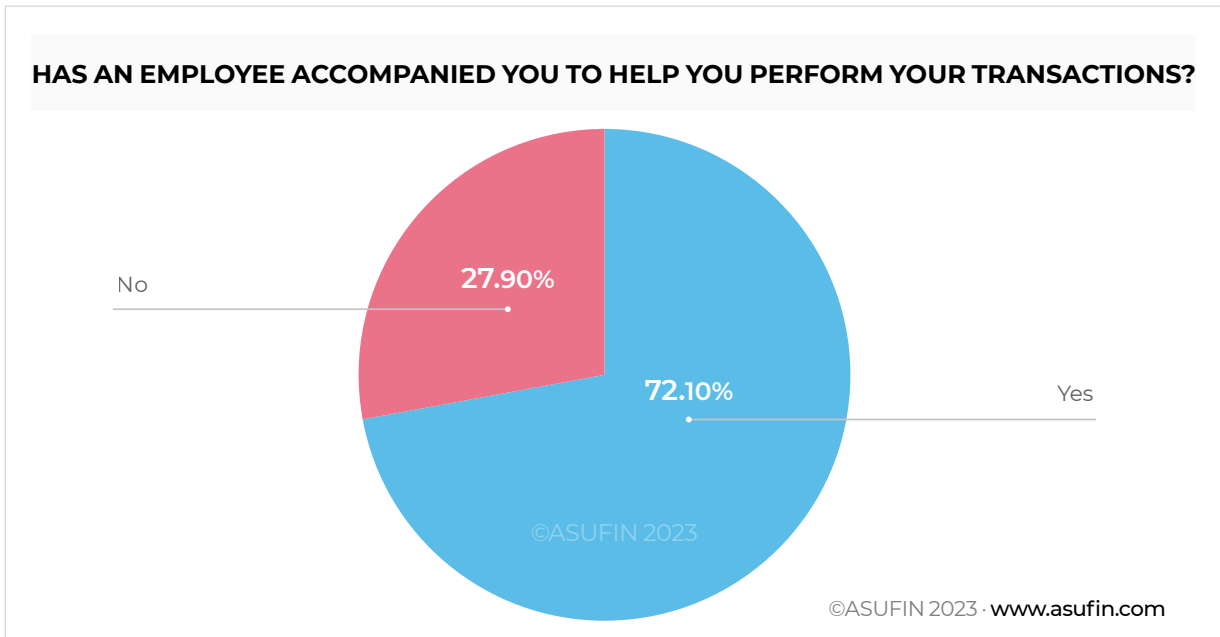
This improvement is due to the contribution to the data made by smaller towns, with less than 25,000 inhabitants, whic **79.90%** declaring to perform the operation through the ATM compared to 83.40% the previous year. In the case of urban populations, from 25,000 to 250,000 inhabitants, this percentage goes from 92.80% to **92.20%**. On the contrary, in cities with more than 250,000 inhabitants there is a slight deterioration, up to **97.20%**, from 96.9% in 2022.



72.00% of the elderly are accompanied by a bank employee to perform their operations

Not being able to operate at the counter, along with not knowing how to operate all the functions of ATMs or online banking applications, leads to the need for help from bank staff. **This assistance is critical for 72.10% of respondents**, up from 69.50% the previous year.

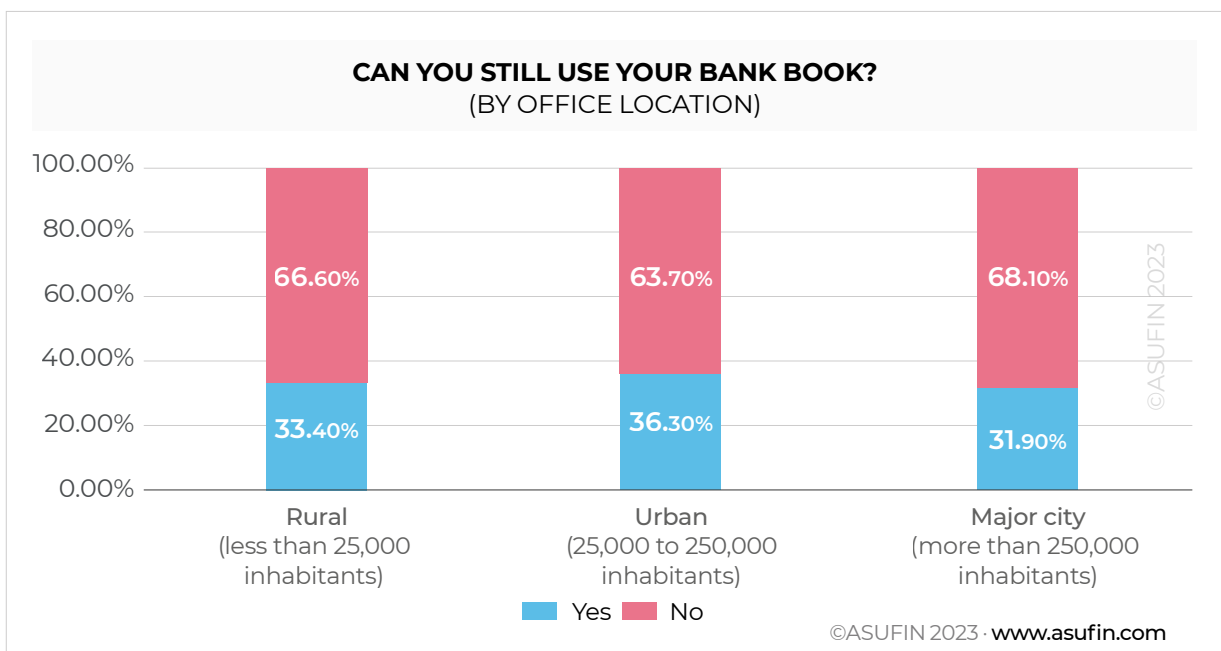
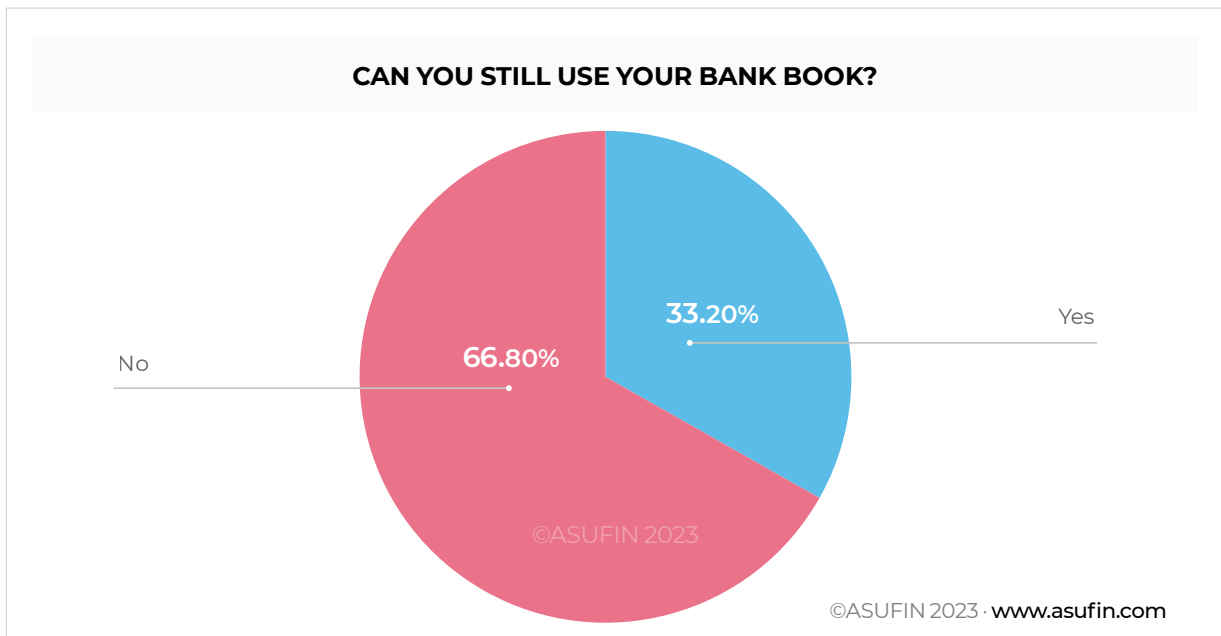
We are witnessing the phenomenon **that with less service at the window, more help is required by the staff**. In large cities, this help is provided in **77.00%** of cases, compared to 73.40% in 2022. In medium-sized cities, from 25,000 to 250,000 inhabitants, it is **71.70%**, compared to 71.10% in 2022. Finally, in populations of less than 25,000 inhabitants it is reduced to **67.40%**, compared to 67.20% in 2022.



Less than a third of seniors claim to be able to use a bank book

Where there is a significant decrease is in the possibility of using a bank book, a product preferred by the elderly to view their balance and movements. When asked if they can continue using their bank book, **33.20%**, answered yes, compared to 40.90% in the previous wave of this survey.

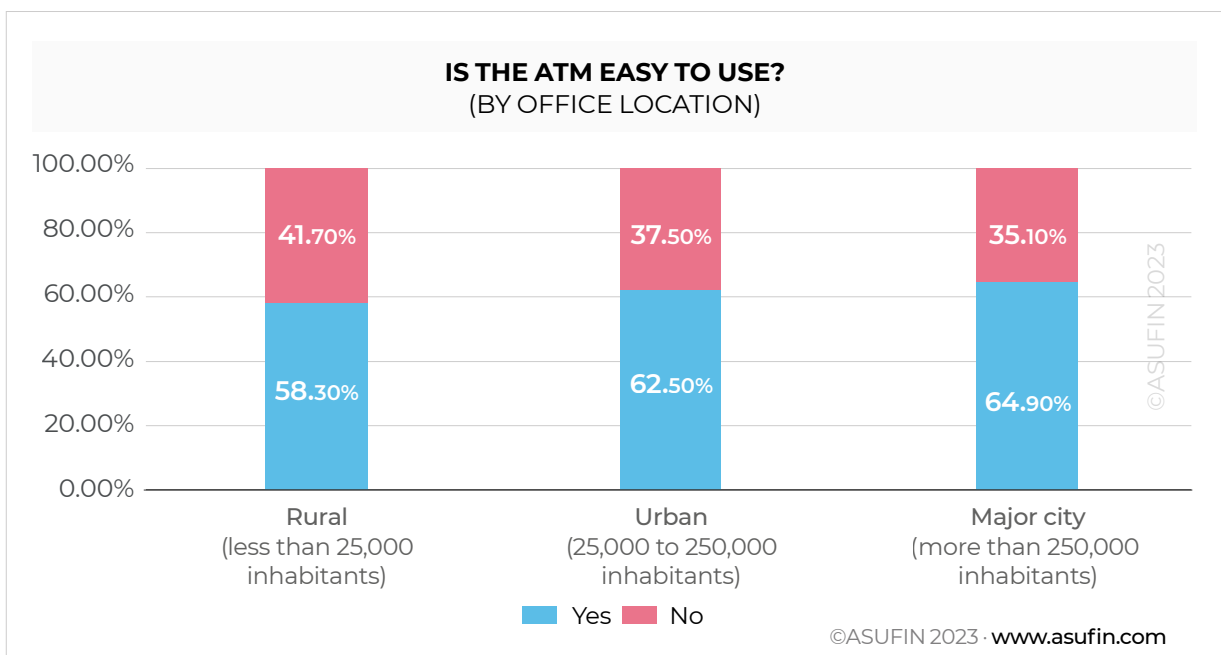
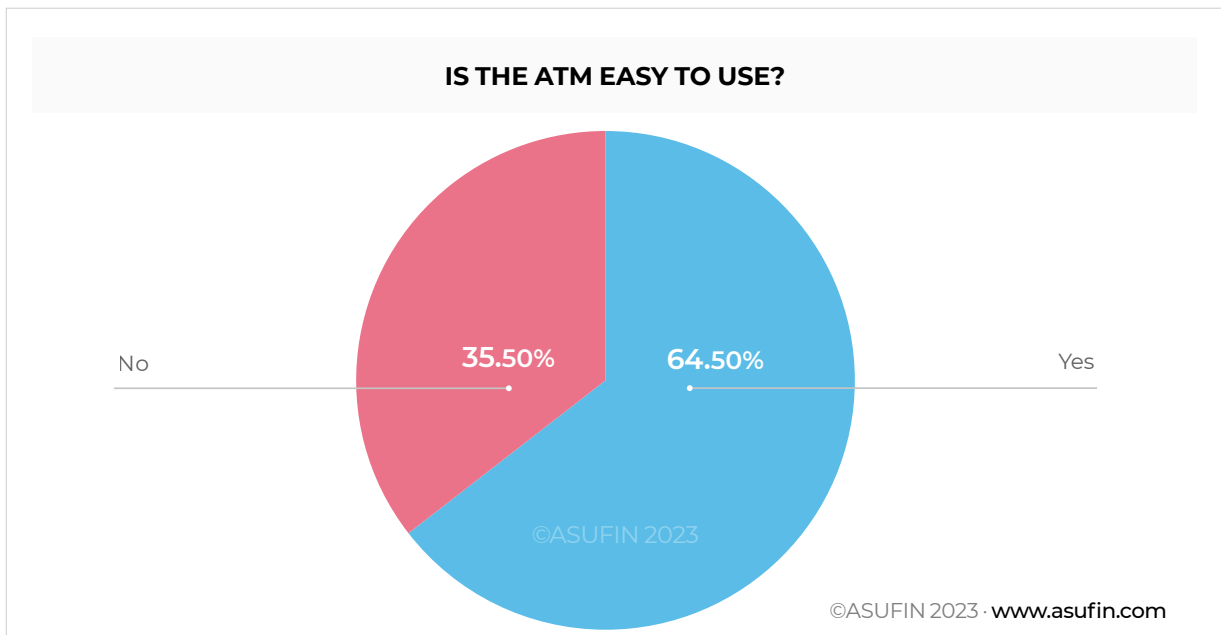
In large cities, this drop in use is especially noticeable, from 41.50% last year to 31.90% now. In medium-sized cities, we went from 41.30% to **33.40%**; and in small cities, with less than 25,000 inhabitants, it remains at 36.30% compared to 40.40% last year. **This data reveals that larger entities, more present in large cities, are being more restrictive** in relation to smaller entities, such as rural savings banks, which more often maintain this resource.



ATMs continue to improve ease of use, but more than a third find them difficult to use

Only **35.50%** of seniors still consider that **their bank’s ATMs are not easy to use**, compared to 37.00% who considered them difficult a year ago.

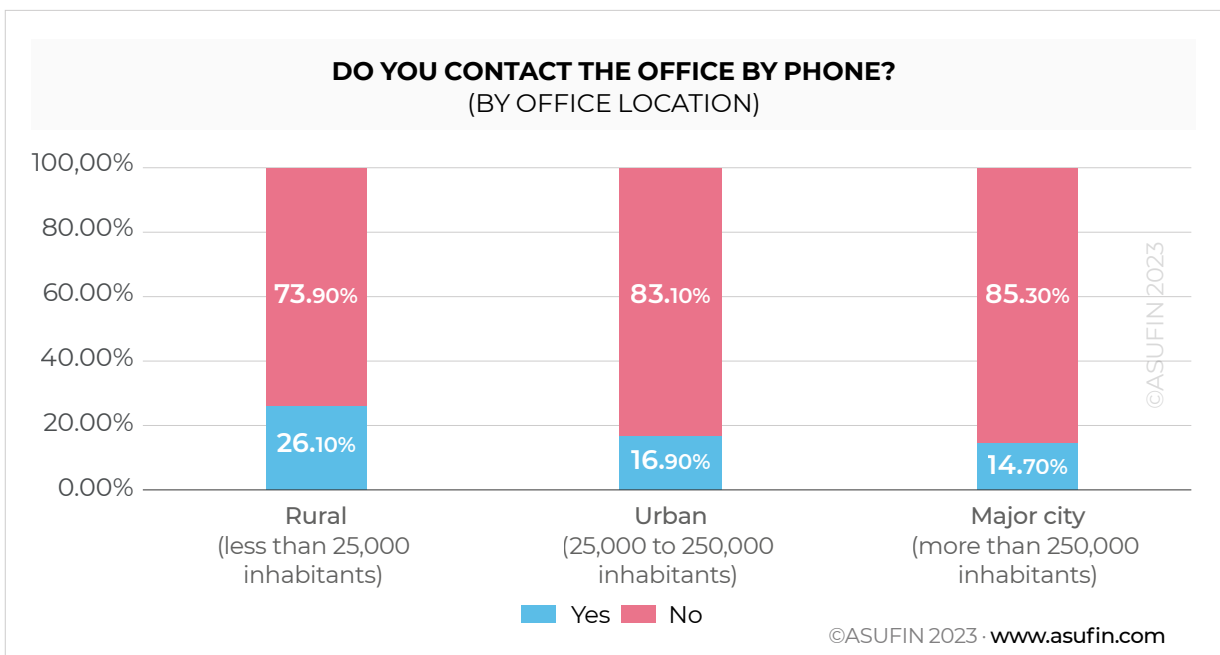
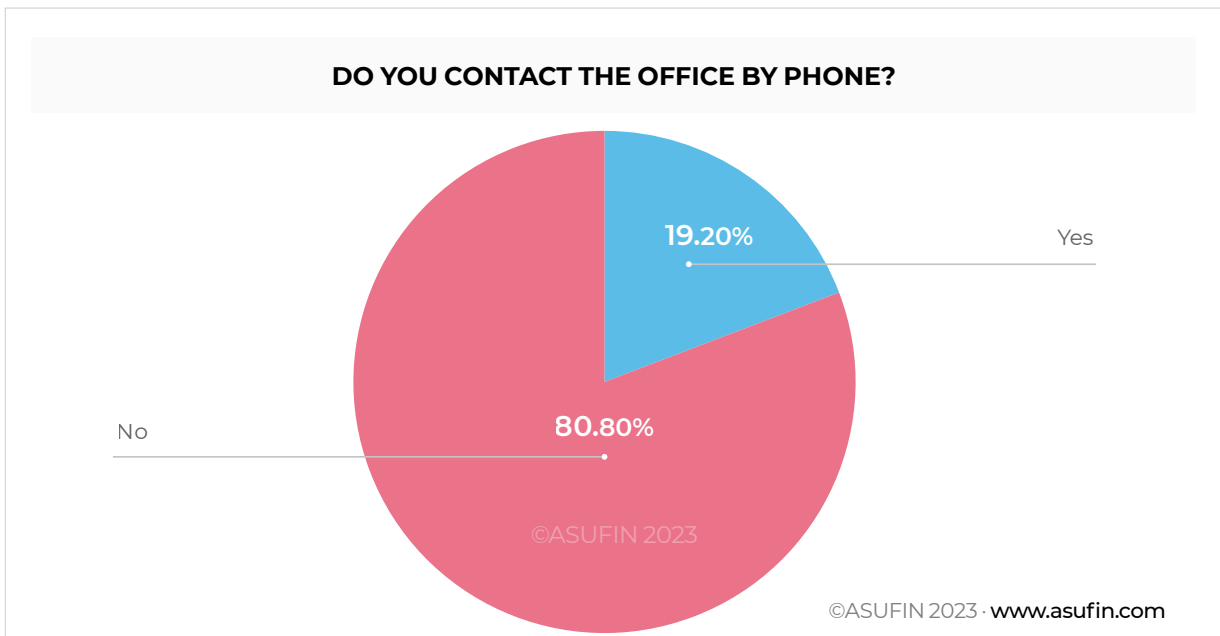
The lowest percentages of those who consider ATMs difficult remain in large cities with **35.10%**, compared to 36.70% a year ago. In cities with 25,000 to 250,000 inhabitants, the percentage increases to **37.50%**, compared to 41.10% in 2022. In small towns, this percentage rises to **4.70%**, compared to 44.60% a year ago.



Fewer than 2 in 10 seniors contact their office by phone

Only **19.20%** of seniors use the phone to contact their office, a percentage that has decreased compared to 23.10% a year ago.

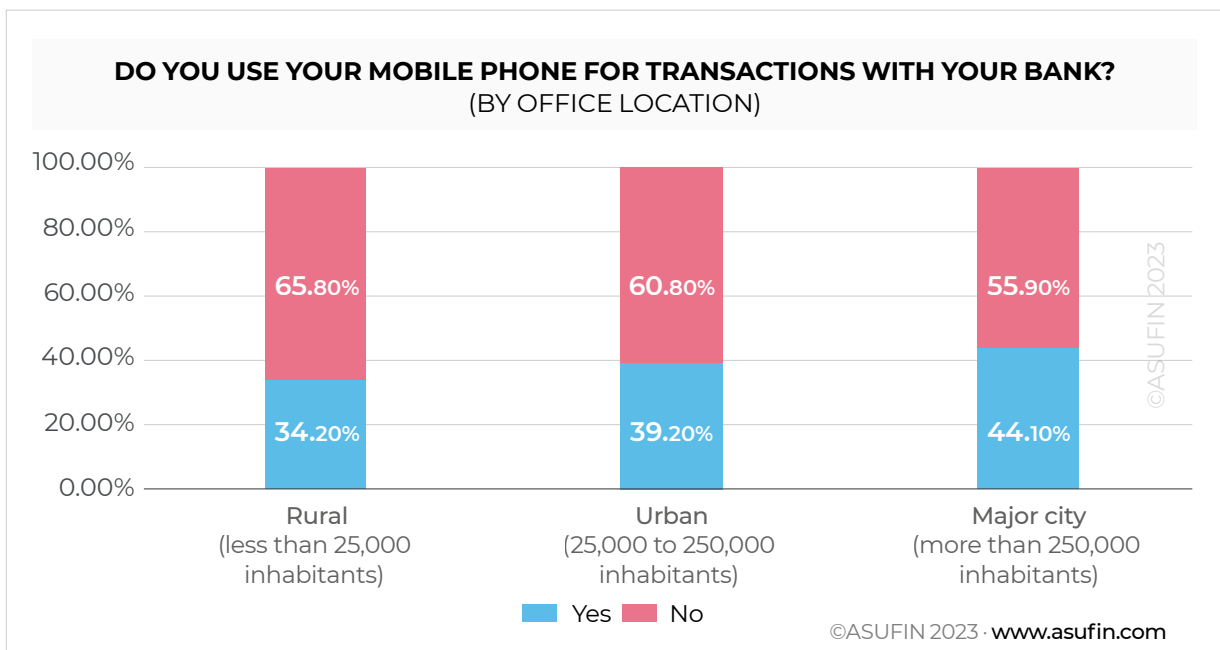
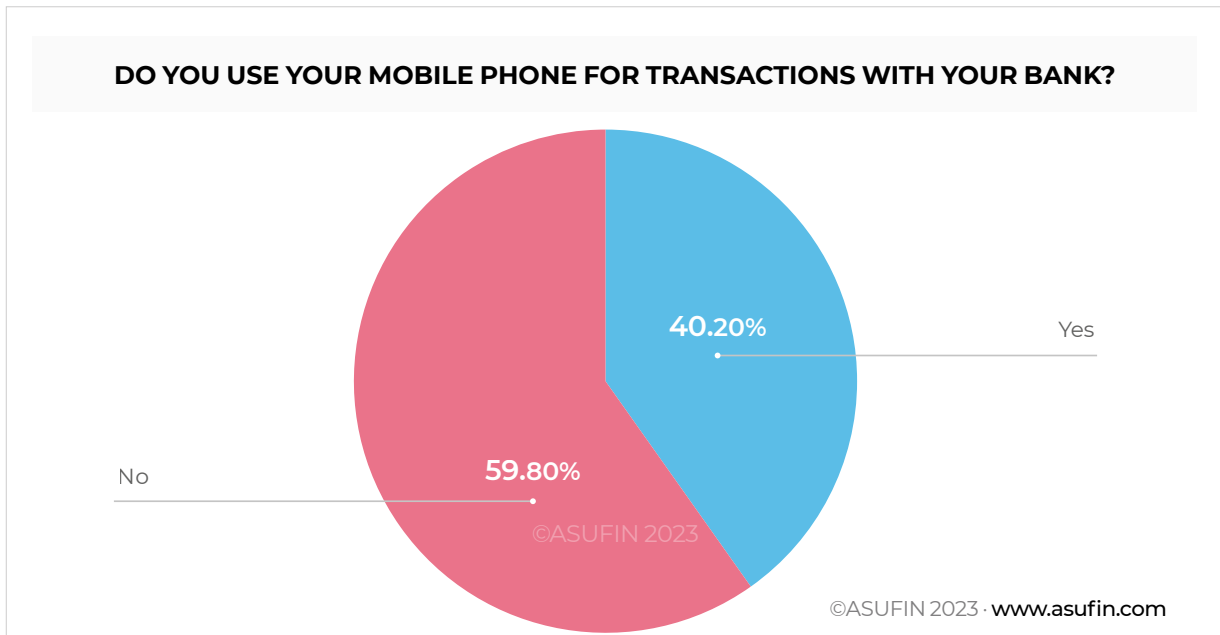
The causes of this decline may be due to the end of the restrictions, as well as possible waits or even lack of personal attention. Therefore, the lowest percentages are concentrated precisely in cities, with **14.70%**, compared to 17.90% in 2022. It grows to 20.20% in cities with 25,000 to 250,000 inhabitants, compared to 16.90% in the previous year, and is especially higher in rural areas, with **26.10%** compared to 32.40% 12 months ago.



4 out of 10 seniors use mobile apps for their transactions with their banks

The use of mobile applications by the elderly population rises significantly to **40.20%**, compared to 34.00% last year, which may be the **result of greater knowledge and help provided by the banks when adapting their online banking tools.**

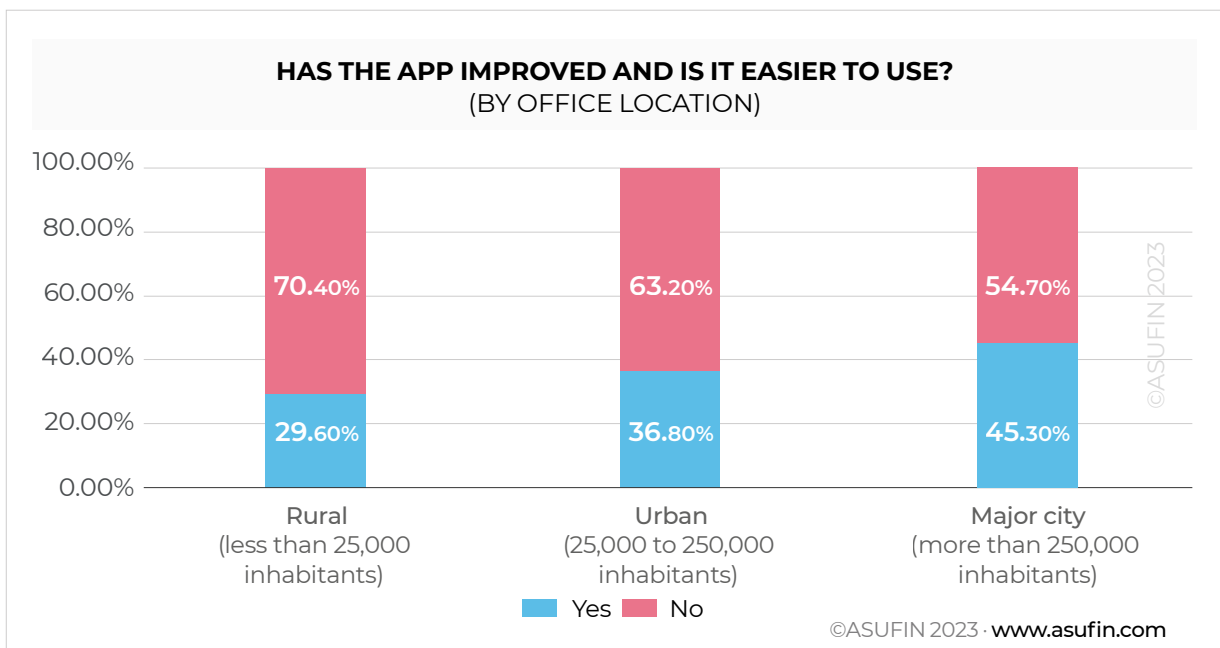
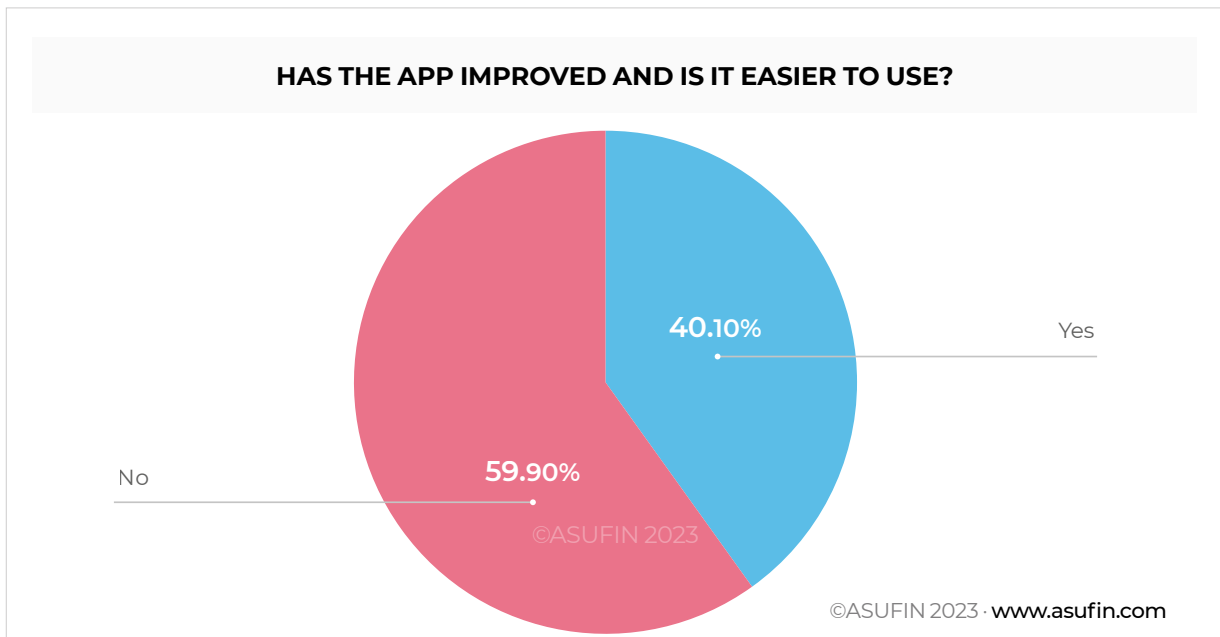
The growth is especially relevant in large cities, where it is already **44.10%**, compared to 34.80% the previous year. In urban areas from 25,000 to 250,000 inhabitants, it grows to about **39.20%**, compared to 34.60% the previous year, while less so in rural areas, with **34.20%**, compared to 32.90% in 2022. **This data reflects a significant gap of about 10 percentage points between the large city customer, which has greater ease of access, and that of smaller populations.**



40.10% of seniors claim that the mobile apps have improved

The greater use of mobile applications is closely related to their better user experience, an area with the greatest change compared to last year. Thus, **40.10%** of seniors say that their bank's application has improved, which is **almost twice as much as last year's 18.90%**.

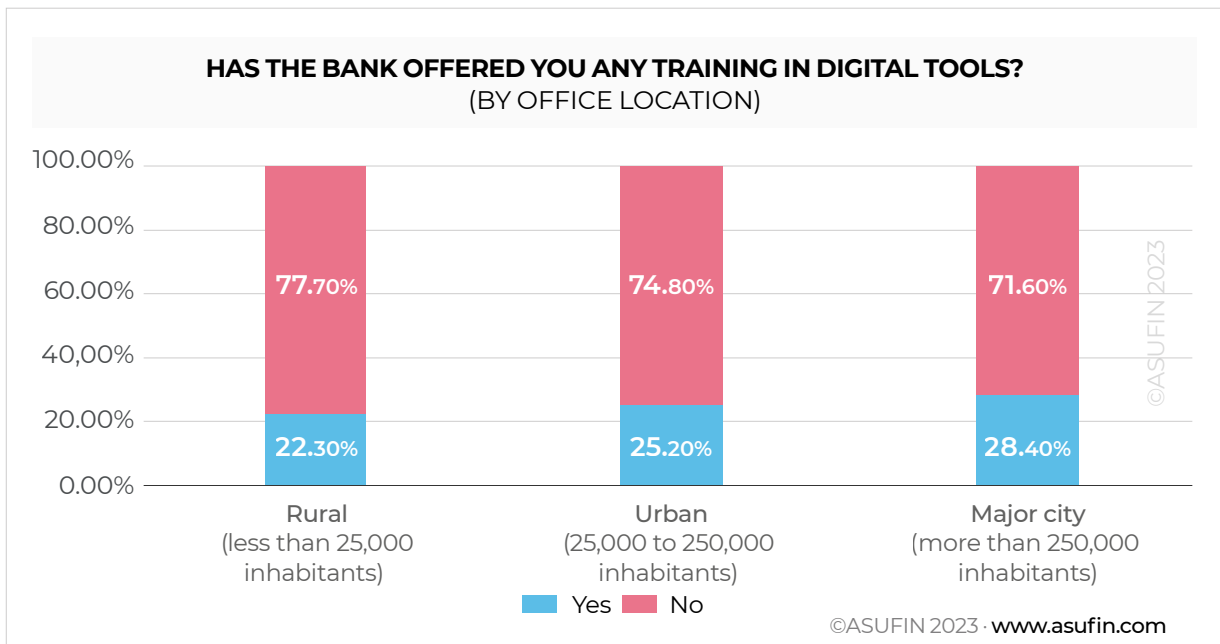
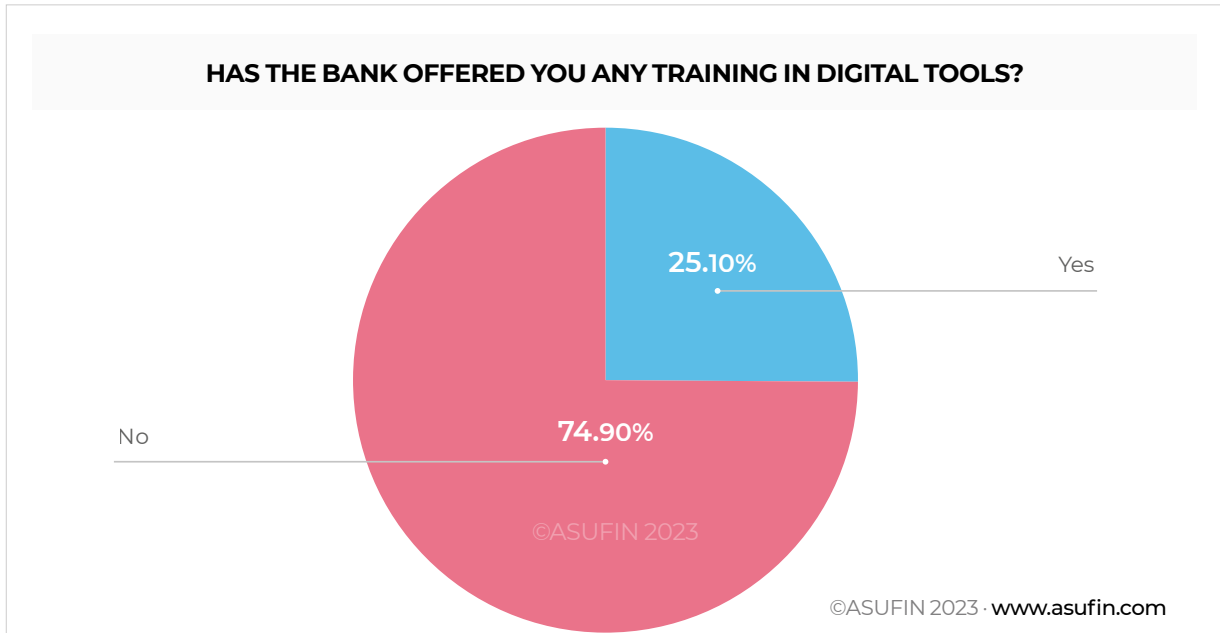
There are also important differences due to the place of residence, which could indicate a lower perception of the improvements or that they are insufficient, and shows that **the digital divide of the elderly is accompanied by another: that between the rural and urban worlds**. Thus, **45.30%** of the elderly who live in the big city notice the improvement, compared to 19.30% a year ago. In medium-sized cities, it rises to **36.80%** from 18.20% in 2022. In towns under 25,000 inhabitants, it rises to **29.60%**, compared to 18.20% in 2022.



Only 1 in 4 seniors indicate that they have already received some type of training on digital tools

One of the main reasons that would explain the greater use of applications for banking is in the improved training of the elderly, which rises from 8.90% in 2022 to **25.10%** this year. Despite the progress of this data, it is important **to consider that only a quarter of this group is trained.**

This increase is also not equal to all. Training grows especially in large cities with **28.40%**, compared to 9.80% in 2022; in cities of 25,000 to 250,000 inhabitants it reaches **25.20%**, compared to 16.20% in 2022, while again, in populations of less than 25,000 inhabitants, it reaches **22.30%**, compared to 8.20% in 2022.



Conclusions

Digitalization is not generating benefits for all groups and, in this sense, we must continue to focus on the elderly. **There are a number of issues that make it difficult to achieve full digital inclusion and respect for the rights of all consumers** that should be addressed by financial institutions and supervisors.

First of all, there is a long way to go for consumers to get the most out of financial digitization, both in time savings and efficiency. The user continues to limit their operations to very basic queries and operations, such as payments and transfers, while **the majority of contracting products and active wealth management is not performed online**. If we take into account the advances in security and access, it seems that it is the result of a mixture of mistrust, but also of knowledge, aspects that can be improved.

Service providers must work to alleviate customers' mistrust in the transfer and handling of their personal data. It is true that data processing allows greater personalization of products and services, and brings benefits, but it is perceived with great distrust, especially with respect to large technology companies (Google, Amazon, Facebook, Apple), which reaches three out of four users (74.50%). Distrust is not limited to these, it also extends to banks and insurers, which far exceeds half of the population (55.90%). Therefore, if we want to advance in digitization, we must make sure that the consumer is aware of this transfer of information, which is generating dissatisfaction, because they do not perceive that everything is a benefit, as well as being used for the marketing of unnecessary products or services.

But above all, this digitization continues to create a very important gap. **It is a problem that 4 out of 10 citizens still consider that digitization does not help them in managing their finances**, but it is especially so because of the enormous gap between different generations, which clearly advances according to age: from 96.80% of the youngest, under 25, to 32.10% among those over 65. This negative perspective of the elderly is even more serious if we take into account that the digitization process is being "forced," in which just over one in 10, 12.00%, points out that they cannot perform all their operations at the counter and therefore have to use applications and ATMs.

In this sense, **the autonomy of the elderly should not be ignored or moved to second place.** It is very positive that they are helped, as stated by 72.00% of the elderly, but on the contrary there are other movements that limit their independence: less than a third, 33.20%, can still use their bank book, their fundamental tool for viewing balances and movements. These senior citizens are directed to ATMs or online applications, and just over a third (35.50%) do not consider that the former are easy to use and six out of ten (59.90%), that the latter have not improved to make them more accessible.

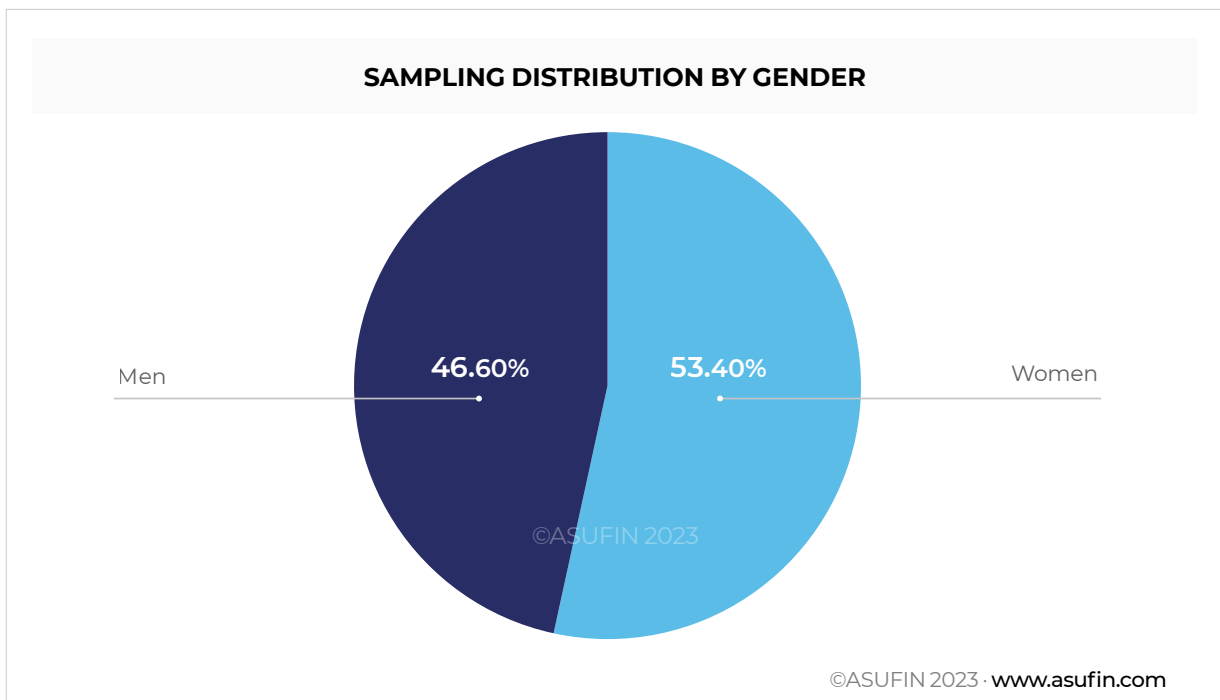
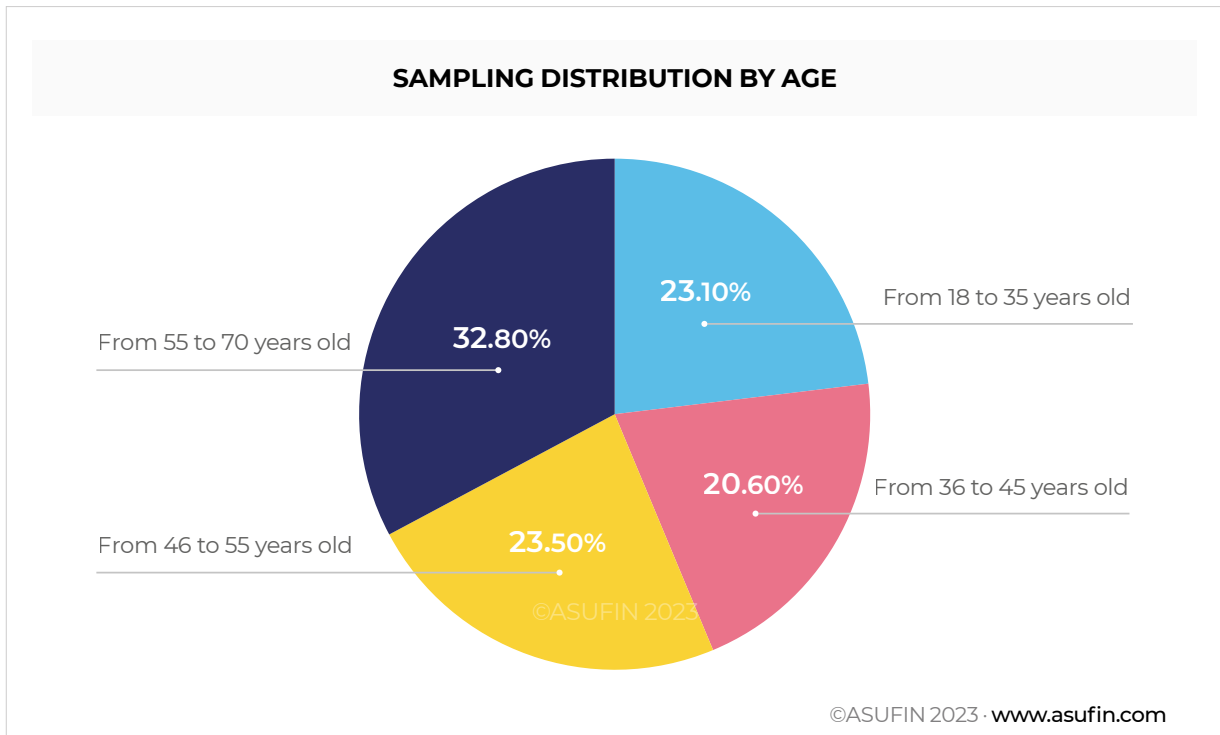
But in addition, another divide emerges: between city and countryside, which generates a greater problem of exclusion. It not only changes in perception but in points as important as in the training received: 28.40% in large cities compared to 22.30% in rural areas.

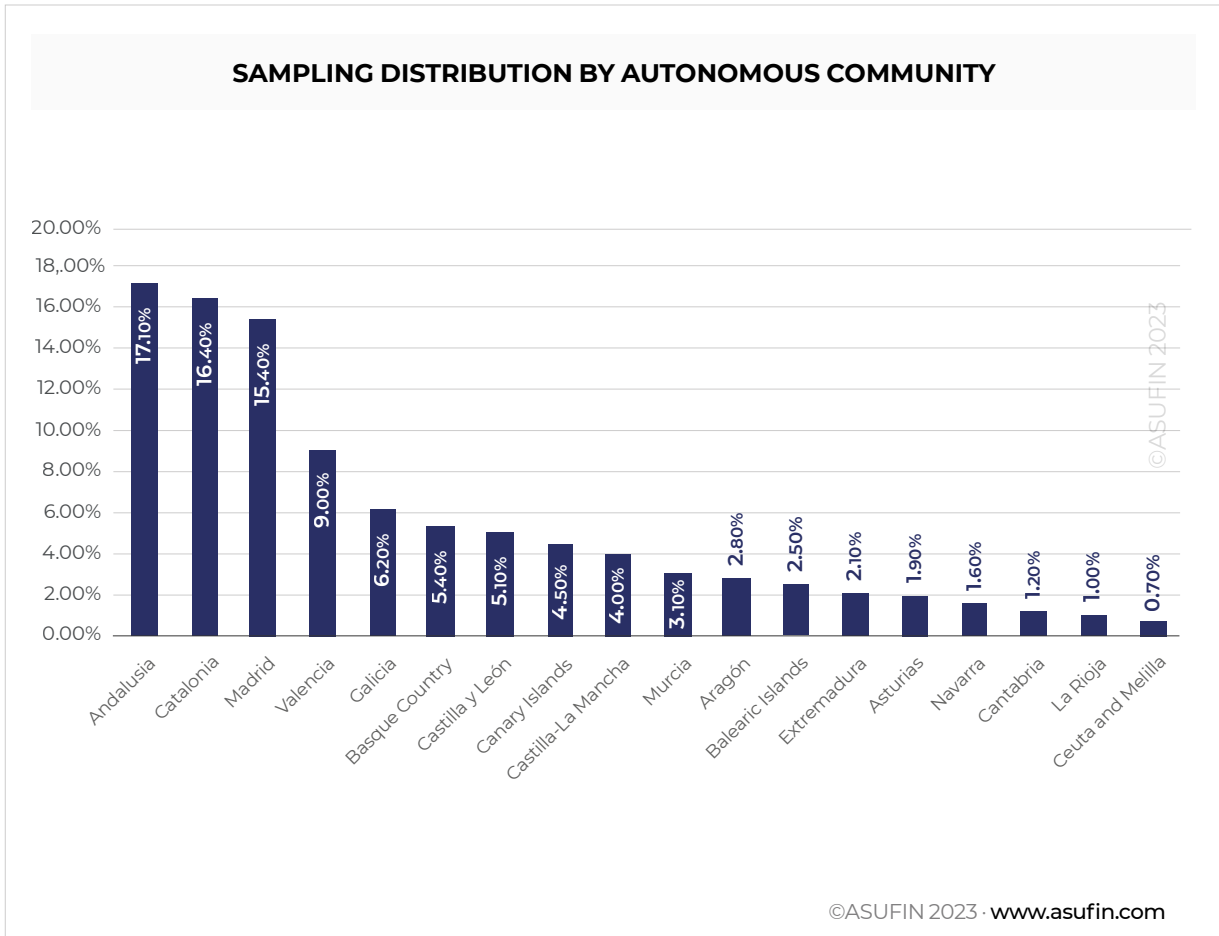
In short, if we want digitization to reach and benefit everyone, there are many points to improve upon in order to approach full inclusion.

Anex.

Methodology

The study was carried out through an online questionnaire sampling between October 10 and October 28, 2023 of 1,494 people, over 18 years of age, residing in Spain, with a confidence level of 95.00% and a margin of error of $\pm 2.56\%$, and with a margin of error of $\pm 2.25\%$ for a confidence level of 90.00%. The sample analyzed has the following characteristics in order to obtain the highest proportionality between sample and population:





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