



Sustainable finance in times of crisis: retail investors' insights



Forum per la
Finanza Sostenibile

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1. Introduction

In 2013 the Italian Sustainable Investment Forum (ItaSIF) started to conduct surveys, in collaboration with BVA Doxa, in order to analyze the saving and investment attitudes and behaviors in Italy, with an emphasis on SRI (Sustainable and Responsible Investment) products. The findings of these surveys are presented during the SRI Week, an event promoted and coordinated by ItaSIF¹.

Over the last year and a half, the healthcare emergency and the resulting economic crisis have caused a significant evolution in the behaviors and habits of individuals and triggered processes of change that are still ongoing. For 2021, ItaSIF has therefore decided to update the survey of Italian retail investors in order to examine if and how their saving and investment attitudes have changed, by also analyzing **the possible effects of the pandemic on the choices of retail investors and the role of sustainable finance in the economic recovery.**

2. Methodology

The survey was conducted in the months of **June and July 2021** and had two stages:

In the **first, exploratory stage, qualitative research involved 12 retail investors** (aged 25+) who have invested in **SRI products**. Interviewees participated in a 3-day **Web Discussion** session aimed to provide in-depth elements of information on the attitude of investors in SRI products in regard to:

- their mindset in relation to investments;
- their decision-making and information-gathering process;
- reasons for their choice, benefits and criticalities of this type of products;
- use of digital channels.

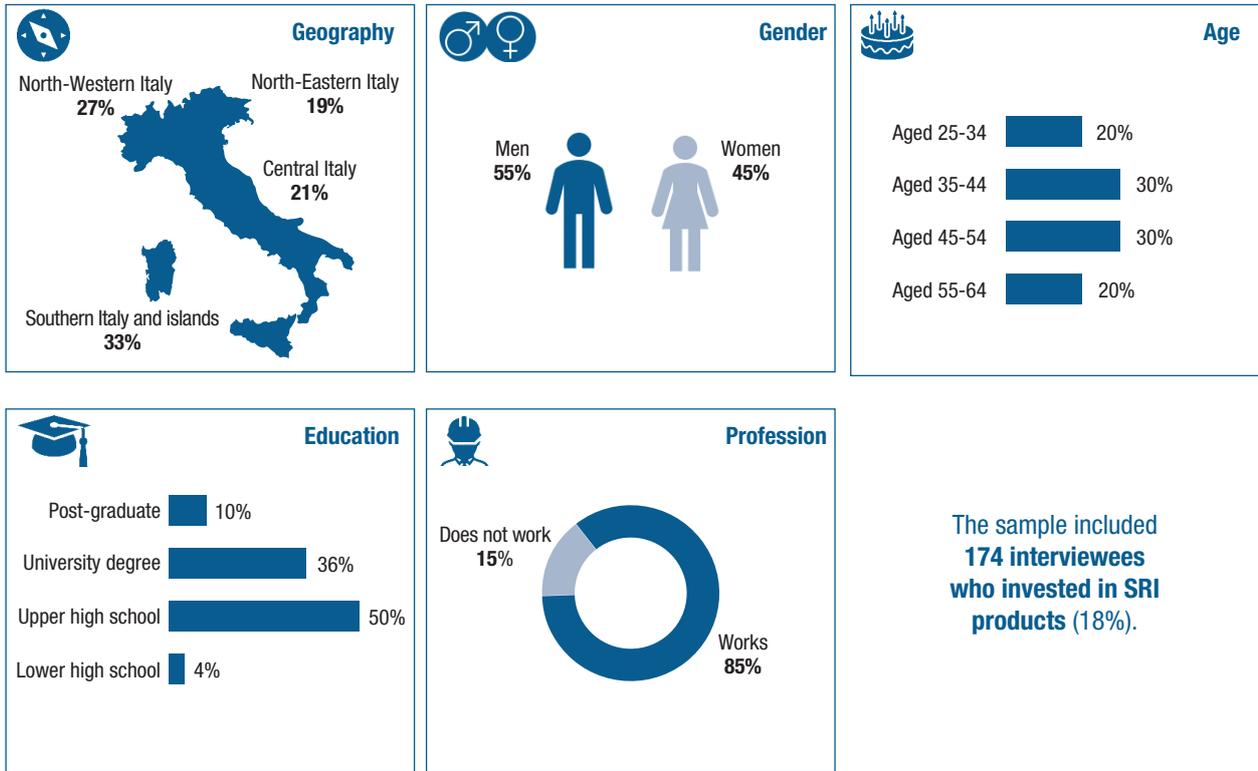
The **second, quantitative stage**, used the **CAWI (Computer Assisted Web Interview) methodology** on the BVA Doxa proprietary online panel to collect a national sample of **1,000 interviews of retail investors** (aged 25+) who have invested, over the past year, at least €1,000. The survey had the following objectives:

- investigate the **saving and investment habits** of Italian retail investors and **how the pandemic influenced their financial attitudes**;
- explore the **role of digital tools** in the evaluation, underwriting and management of saving and investment products;
- evaluate the **importance of Environmental, Social and Governance (ESG) themes** on the saving and investment choices and the **role that sustainability might have for re-boosting the economy**;
- investigate the knowledge, level of information and perception of **SRI products**;
- highlight the **distinctive traits of SRI investors** in terms of investment attitudes and financial choices.

1. www.settimanasri.it; all surveys are available on ItaSIF website: <https://finanzasostenibile.it/tipo-attivita/ricerca/>

Quantitative stage: sample characteristics

1,000 interviews with a sample of national individuals, broken down as follows:



3. Key findings

The new reference scenario

Almost all interviewees (88%) agree that, **on the back of the pandemic, there is a need for more cash**; that **people are more risk-averse** following the healthcare and economic emergency, including **in relation to financial choices** (85%) and that the pandemic has highlighted the **importance of proper information** (73%).

In the 2020-2021 period, while the number of individuals who live in absolute poverty increased², Italians accumulated more than usual (due to concerns related to job uncertainty and since the lockdown periods significantly reduced the chances of spending)³. Indeed, the survey shows that **27% of interviewees increased the proportion of their savings and investments** since the start of the healthcare emergency; whereas 46% did not significantly change such amount and a further 27%, conversely, reduced their savings and investments to pay recurring expenses or to cater for their daily needs⁴.

Investment habits amid pandemic

The survey found that **1 in 2 retail investors has changed, or is changing, his/her financial habits** in the wake of the healthcare emergency and of the resulting economic crisis. The main changes relate to investment purposes (i.e., 40% reported they want to save more for the future of their family), a growing focus on information relating to the markets and the economy (28%) as well as the definition of the investments' risk profile and time horizon (23%).

The growth in the proportion of retail investors who prefer low-risk investments was confirmed in 2021 (a trend already detected before the pandemic), up from 55% in 2018 to 66% in 2021. Alongside caution, the survey found an ambivalent increase in the need for awareness and control of one's own investments and the need to rely on expert advisors. In particular, compared to 2019, **the proportion of those who invest autonomously decreased by 4%** and, specifically, **7 in 10 interviewees reported relying on the support of an advisor for their financial choices** (usually their bank's advisor).

Besides, a number of sectors have taken center stage following the healthcare emergency and the resulting economic crisis, becoming the protagonists of this historical period. Indeed, **1 in 2 retail investors believes that the pandemic has enhanced the financial attractiveness of sectors such as pharma** (65%), **healthcare** (63%), **technology and digital** (56%), followed, though to a lesser extent, by energy (35%) and electrical mobility (28%).

Another aspect that strongly correlates to the pandemic is the **increased digitalization**: 43% of retail investors reported increased use of the digital tools to manage their saving and investment products. Still, the digital tools appear to add to – rather than replace – the more traditional, physical channels, which remain predominant, specially when it comes to new saving and investment products underwritten. Indeed, for this purpose, only 19% of interviewees use the apps, the bank or insurance's website or other web platforms. The reasons are, on the one hand, the long-established habit to ask a consultant, who simplifies and steers choices, and, on the other hand, poor self-confidence in relation to know how regarding investments.

The survey has shown an awareness of poor financial knowledge on the part of retail investors, with 30% reporting that they do not know in detail their financial assets and only 53% believe they are regularly updated on economic and market performance. Regarding **SRI investors, the picture appears to be significantly different**: the percentage of those who stay regularly updated increases to 77% and the proportion of those who do not know their financial assets decreases by 17% to 13%. Despite this, **investors in SRI products rely more heavily on advisors** (87% versus 71% of the overall sample).

2. Source: Istat 2021, Rapporto Povertà, year 2020.

3. Source: Bank of Italy 2021.

4. 84% of cases.

SRI investments

The 2021 edition of the survey shows a **marked increase in the proportion of retail investors who know, or at least, have heard of SRI**, up by 20% over 2019. This increase is likely due, amongst other things, to the several media campaigns focusing on sustainability over the last two years. However, **the knowledge of SRI products appears to be, in some cases, still superficial**: for example, 1 in 3 retail investors cannot express an opinion on profitability and riskiness of sustainable investments in the long term.

46% of interviewees report that they receive from their bank, insurer or financial advisor **more information on sustainable investments** than in the past. Besides, 47% of retail investors perceive an **increase in the competences and consciousness** of these themes in the financial sector.

This notwithstanding, the proportion of retail investors to whom SRI products were proposed declined by 4%. This can be explained in part by the need of some retail investors (almost one third of interviewees) to reduce the amount of their savings and investments to tackle the economic crisis: investors who, in general, are not interested in underwriting new financial products might also pay less attention to the proposals made by financial advisors regarding SRI products. One more reason for this could be a possible misalignment between the perception of advisors and that of investors⁵.

Since the beginning of the pandemic, **35% of SRI investors have increased their share of sustainable investments and 57% think they will do so in the future**. Indeed, those who already invest in this type of products report that they have first-hand experience of the good performance of these products and that they want to pursue and strengthen sustainability values also through their financial choices. Still, SRI investors emphasize the need for more promotion of these instruments with potential new investors. Among those who invest on the basis of sustainability criteria, **85% agree on the importance of taking into account, in their financial choices, the growing risk of environmental or healthcare emergencies**; and 81% agree on the **importance of ESG themes in mitigating exogenous risks** (e.g., pandemics and climate crises).

The role of sustainability

21% of retail investors reported that ESG aspects are very important in investment choices and, more broadly, **44% of interviewees believe that** (a greater) **integration of sustainability** among the criteria that drive the strategic choices of companies **can help speed up the recovery** from the current crisis.

The environment remains dominant, event though the pandemic played a role in increasing the focus on the social sphere. Compared to 2019, more retail investors believe that environmental and social aspects are important in their investment choices (in regard to governance, instead, no changes were found).

Finally, 7 in 10 interviewees believe that **some productive sectors should be more mindful of sustainability** including, in the first place, **energy** (66%) and **agri-food** (64%). In any case, 48% of interviewees believe that there will be a greater focus on sustainability as a result of the pandemic.

5. In this regard, see "La relazione consulente-cliente" by Consob (2020).