

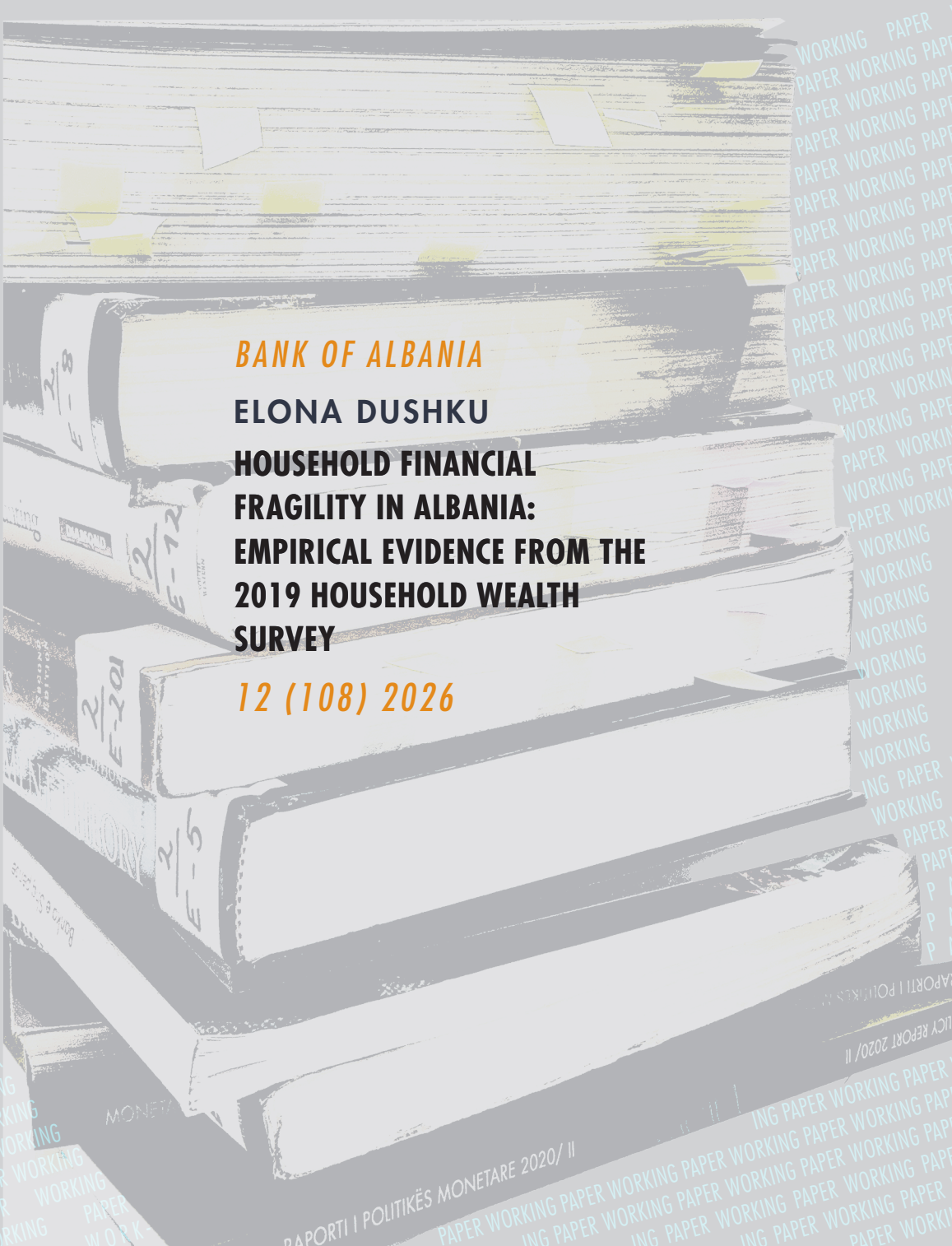
WORKING PAPER

BANK OF ALBANIA

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**HOUSEHOLD FINANCIAL
FRAGILITY IN ALBANIA:
EMPIRICAL EVIDENCE FROM THE
2019 HOUSEHOLD WEALTH
SURVEY**

12 (108) 2026



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***Disclaim:** The views and opinions expressed in this paper are those of the author and do not necessarily reflect the views of the Bank of Albania. The author would like to thank the participants of the 17th South-Eastern European Economic Research Workshop, held in Tirana on 4–5 December 2023, for their valuable comments and suggestions, which have contributed to improving this paper.*

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ABSTRACT

This study analyzes household financial fragility in Albania, measured through households' ability to cope with unexpected expenses, while also assessing the role of socio-economic and financial factors. Using data from the first wave of the Household Wealth Survey in Albania (2019), the results show that approximately 59% of households do not hold sufficient liquid resources to withstand external shocks and are therefore classified as financially fragile. Estimates from a multinomial logit model indicate that access to financial services, receipt of remittances, and higher levels of education of the household head are all associated with greater financial resilience to unexpected income fluctuations. These findings suggest that expanding financial inclusion, channeling remittances through formal financial institutions, and promoting financial education are key policy instruments for reducing household financial fragility and enhancing economic resilience in Albania.

Keywords:

Household financial fragility; financial resilience; financial inclusion; remittances; liquidity constraints.

JEL Classification:

D14, G51, O15, F24

I. INTRODUCTION

The COVID-19 pandemic, following the global financial crisis of 2007–2008, has once again brought the short-term financial vulnerability of households into sharp focus. These crises demonstrate that a substantial share of households are poorly prepared to cope with unexpected income losses or emergency expenses, underscoring the importance of financial fragility not only for individual well-being, but also for broader macroeconomic and social stability. Financially fragile households are more likely to experience economic stress, face difficulties in maintaining consumption levels, and encounter barriers to accessing formal financial services. At the macroeconomic level, widespread household vulnerability can amplify the effects of adverse shocks and weaken the overall resilience of the economy.

Although the concept of financial fragility has attracted increasing attention in recent literature, there is still no universally accepted definition. Traditionally, financial fragility was primarily associated with high levels of indebtedness and difficulties in debt repayment. More recent studies, however, have broadened the concept to include income constraints, lack of liquidity, and limited capacity to absorb unexpected financial shocks. In this broader sense, financial fragility is viewed as a multidimensional phenomenon that reflects not only the current financial condition of households, but also their ability to withstand short-term economic disruptions.

Lusardi, Schneider, and Tufano (2011) define a financially fragile household as one that is unable to cope with an unforeseen expense, emphasizing the lack of liquid assets rather than debt levels. Similarly, Brunetti, Giarda, and Torricelli (2016) argue that households may have sufficient income to cover regular expenses while remaining vulnerable because of inadequate liquidity to absorb unexpected shocks. These approaches shift the focus away from traditional debt indicators toward the broader concept of household financial sustainability. Literature generally distinguishes



between objective and subjective measures of financial fragility. Objective measures rely on observable financial indicators such as income, assets, debt, and liquidity ratios (Holló and Papp, 2007; Brown and Taylor, 2008; Jappelli, Pagano, and Di Maggio, 2008). Subjective measures, by contrast, focus on households' perceptions of their ability to manage unexpected expenses or meet daily financial obligations (Lusardi, Schneider, and Tufano, 2011; Ampudia, van Vlokhoven, and Żochowski, 2016). As Brunetti, Giarda, and Torricelli (2016) note, these approaches are complementary and together provide a more comprehensive understanding of financial fragility.

An increasing number of studies highlight the role of socio-economic characteristics in shaping household financial fragility. Factors such as low educational attainment, low income, limited asset holdings, and high debt levels are associated with a greater likelihood of financial vulnerability (Lusardi, Schneider, and Tufano, 2011; Hasler and Lusardi, 2019). In addition, financial literacy, financial inclusion, and income stability have been identified as important determinants of household financial resilience (Clark, Lusardi, and Mitchell, 2020). Other studies suggest that financial fragility is driven more by income and expenditure volatility than by persistent poverty itself (Morduch and Schneider, 2017).

This study examines the financial fragility of Albanian households using the analytical framework proposed by Brunetti, Giarda, and Torricelli (2016) and data from the first wave of the Albanian Household Wealth Survey (Dushku and Çami, 2022). The findings indicate that approximately 59% of Albanian households can be classified as financially fragile, as they lack sufficient liquid assets to cover an unforeseen expense. The results further suggest that households with lower levels of education and income are significantly more exposed to financial fragility, while remittances and financial inclusion play a protective role by strengthening households' capacity to cope with financial shocks.

Research on household financial fragility in Albania remains limited. Existing studies have focused mainly on credit risk and its implications for banking sector stability (Kalluci, 2011; Shijaku and Ceca, 2012; Shijaku and Kalluci, 2014), largely due to the lack of household-level microdata. This study contributes to the literature by providing an empirical analysis of the financial fragility of Albanian households based on detailed microdata and by examining the relationship between socio-economic characteristics, financial inclusion, and households' ability to withstand unexpected financial shocks.

The remainder of the paper is organized as follows: Section 2 reviews the relevant literature; Section 3 presents the data; Section 4 outlines the methodology; Section 5 discusses the empirical findings; and Section 6 concludes with policy implications and recommendations.

II. LITERATURE REVIEW

The concept of household financial fragility has gained increasing prominence in the economic literature, particularly in the aftermath of the 2007–2008 global financial crisis and the COVID-19 pandemic. These events exposed households' vulnerability to unexpected income and expenditure shocks, highlighting the broader macroeconomic implications of such fragility. At the microeconomic level, financial fragility negatively affects household well-being through reduced consumption, payment delays, and increased reliance on informal support networks. At the macroeconomic level, it can amplify business cycles and weaken the effectiveness of fiscal and monetary policies.

Despite its growing importance, literature does not provide a unified definition of household financial fragility. Instead, it is generally regarded as a multidimensional concept encompassing: (i) debt-related risks and defaults, (ii) income and liquidity constraints, and (iii) the limited capacity of households to withstand unexpected financial shocks, such as job loss or health emergencies. This broader framework shifts the focus from traditional debt indicators toward financial sustainability and liquidity availability.

Empirical literature has developed two main approaches to measuring financial fragility: the objective approach and the subjective approach. The objective approach relies on measurable financial indicators, such as the debt-to-income ratio (DTI), the debt service-to-income ratio (DSTI), and indicators of liquidity or income volatility. Studies by Jappelli, Pagano, and Di Maggio (2008), Brown and Taylor (2008), Holló and Papp (2007), and Ampudia, van Vlokhoven, and Żochowski (2016) demonstrate that these indicators are useful in identifying financial stress but often fail to capture the substantial heterogeneity across households. Albacete and Fessler (2010) argue that households with similar debt ratios may face very different levels of risk depending on their asset liquidity and access to credit.

The subjective approach, by contrast, relies on household survey data and focuses on the self-assessed ability of households to cope with unexpected expenses or financial difficulties. Lusardi, Schneider, and Tufano (2011) propose one of the most widely used measures, according to which a household is considered financially fragile if it is unable to raise \$2,000 within 30 days. This approach emphasizes the importance of liquidity rather than overall income levels. Brunetti, Giarda, and Torricelli (2016) further develop this perspective by showing that even households with sufficient income may remain vulnerable to financial shocks when they hold limited liquid assets.

A substantial body of literature highlights the close relationship between financial fragility and socio-economic as well as institutional factors. Low income, limited education, low levels of financial literacy, and high indebtedness are all associated with greater financial vulnerability (Lusardi, Schneider, and Tufano, 2011; Anderloni, Bacchiocchi, and Vandone, 2012; Hasler and Lusardi, 2019). At the same time, institutional factors such as the development of financial markets, consumer protection mechanisms, and the effectiveness of legal frameworks influence households' ability to manage financial risk.

Several empirical studies support these theoretical findings. Jappelli, Pagano, and Di Maggio (2008), in their analysis of European countries, show that households with higher debt burdens are more exposed to macroeconomic shocks, whereas stronger financial and legal institutions can mitigate such risks. Lusardi, Schneider, and Tufano (2011) find that a large share of American households are unable to cover even relatively modest unexpected expenses, particularly those with low incomes and limited education. These findings are consistent with the precautionary savings theory (Deaton, 1992; Carroll, 1997), according to which individuals accumulate financial reserves to protect themselves against future uncertainty.

Similarly, Anderloni, Bacchiocchi, and Vandone (2012), in the case of Italy, show that high levels of debt and debt-servicing costs increase financial vulnerability, whereas education reduces it. Brunetti, Giarda, and Torricelli (2016) further emphasize the importance of portfolio composition, demonstrating that lack of liquidity is a key determinant of fragility even when household incomes are stable. They also argue that reliance on informal borrowing may itself be an indicator of financial fragility rather than a mechanism for reducing it.

Clark, Lusardi, and Mitchell (2020) show that, following the global financial crisis, a substantial proportion of American households were unable to cope with a \$2,000 emergency expense, with particularly high vulnerability among younger, low-income, and female-headed households. The study also documents coping mechanisms such as borrowing from relatives or friends, increasing working hours, or selling personal belongings.

Chen, Zeng, and Tam, in their analysis of the role of family and society in reducing financial fragility in China, argue that social and family networks can play an important role in mitigating financial vulnerability by facilitating access to informal credit and providing economic support, particularly for highly indebted households.

Although the existing literature provides valuable insights into the determinants and measurement of household financial fragility across different economic contexts, relatively little is known about how these dynamics operate in countries with specific structural and institutional characteristics, such as Albania.

The Albanian case is particularly relevant due to its high rate of homeownership, low degree of financial diversification, limited access to formal credit markets, and significant reliance on informal support networks, including remittances. These characteristics suggest that conventional indicators may not fully capture the complexity of financial fragility in this context, thereby highlighting the need for a tailored and multidimensional approach.

This study contributes to the literature by assessing the financial vulnerability of Albanian households using data from the 2019 Household Wealth Survey. Building on the framework developed by Brunetti, Giarda, and Torricelli (2016), the analysis integrates objective indicators of income and liquidity to identify the mechanisms through which financial vulnerability emerges. The main objective of the study is to determine the extent of household financial vulnerability in Albania and to examine the role of socio-economic characteristics, wealth composition, and remittances in shaping the financial resilience and economic sustainability of Albanian households

III. DATA

As noted above, one of the main issues in the literature on household financial fragility is the lack of a unified definition, which has led to the use of different empirical approaches to its measurement. The assessment of financial fragility in this study is based on the methodology proposed by Brunetti, Giarda and Torricelli (2016), who define a financially fragile household as one that can afford expected expenses but does not have sufficient liquid assets to cover unforeseen expenses. This approach offers several important advantages: (i) it includes all households without being limited to specific groups, such as indebted households; (ii) it relies on quantitative indicators, reducing the influence of subjective perceptions; (iii) it distinguishes between expected and unforeseen expenses, enabling a more accurate assessment of short-term risks; and (iv) it takes into account the structure of households' financial portfolios.

In this paper, in line with Brunetti, Giarda and Torricelli (2016), households are classified as financially fragile if (i) income is sufficient to cover expected expenses, but (ii) liquid assets are insufficient to cover unexpected expenses. Based on these two criteria, households are divided into four categories: (1) non-conditional households, (2) financially fragile households, (3) households that consume more than their income but are liquid, and (4) conditional households.

Non-conditional households are characterized by having sufficient income to cover expected expenses, as well as having sufficient liquid assets to cover unexpected expenses. Financially fragile households have sufficient income to cover expected expenses, but do not have sufficient liquidity to cover unexpected financial shocks. Households that consume more than their income but are liquid have income lower than their expenses, but sufficient liquid reserves to cover unforeseen expenses. Meanwhile, conditional households are characterized by the simultaneous lack of income and liquidity to cover both expected and unforeseen expenses.

Household income refers to annual net disposable income. Expected expenses include planned expenses, such as food, utilities (electricity, water, internet), rent and other basic services, converted to an annual basis. According to estimates by Dushku and Çami (2022), these expenses constitute on average about 80% of household income. Unforeseen expenses are defined in accordance with Lusardi, Schneider and Tufano (2011) and Brunetti et al. (2016) as unexpected financial shocks, including health emergencies, job loss or temporary reduction in income, and are approximated by the average monthly household income, which in the sample is around ALL 59,862.

Liquid assets include bank deposits and current accounts, while cash held by households is not available in the survey data. Given the low level of reporting of liquid assets, they are approximated by the difference between income and actual expenses.

Data on Albanian households show an average size of 3.7 members and an average age of the reference person of 56.2 years; 77% of them are male. Around 51.5% have primary education, 35.9% have secondary education and 12.5% have higher education. In terms of employment status, about 46.9% are employed and/or self-employed, 15% unemployed and 38.2% retired or in other categories.

The average annual household income is about 1 million ALL, while the average total wealth is about 6.2 million ALL, reflecting a high heterogeneity among households. About 93% of households own their main residence, which constitutes the main part of real wealth.

Financial inclusion remains limited: only 3.9% of households have mortgage loans and 5.8% consumer loans, while 14% report debts to other individuals. About 23% of households receive remittances, confirming the importance of income from emigration in the financial structure of Albanian households.

Table 1: Descriptive statistics on household and their reference person

| Variables | Average | Std. Dev. | Min | Max |
|---|---------|-----------|-----|------|
| Gender: Male | 77.1% | 0.4 | 0 | 1 |
| Age (years) | 56.2 | 14.7 | 19 | 92 |
| Marital status, married | 81.1% | 0.4 | 0 | 1 |
| Years of education | 10.1 | 3.5 | 0 | 21 |
| Levels of educations | | | | |
| Primary education | 51.5% | | | |
| Secondary education | 35.9% | | | |
| Tertiary education | 12.5% | | | |
| Occupation status (as % of total reference persons) | | | | |
| Employed/Self-employed | 46.9% | | | |
| Unemployed | 15.0 % | | | |
| Retired & others | 38.2% | | | |
| Household size | 3.7 | 1.7 | 1 | 17 |
| Total household income (ALL million) | 1.0 | 0.9 | 0.0 | 12.9 |
| Household wealth (ALL million) | 6.2 | 3.9 | 0.6 | 39.8 |
| Having a mortgage loan | 3.9 % | 0.2 | 0 | 1 |
| Having consumer loans | 5.8 % | 0.2 | 0 | 1 |
| Having debts towards others | 14.0 % | 0.3 | 0 | 1 |
| Owning the main dwelling | 93 % | 0.3 | 0 | 1 |
| Owning other real estate properties (house, land, apartment etc.) | 36 % | 0.5 | 0 | 1 |
| Household receiving remittances | 23 % | 0.42 | 0 | 1 |

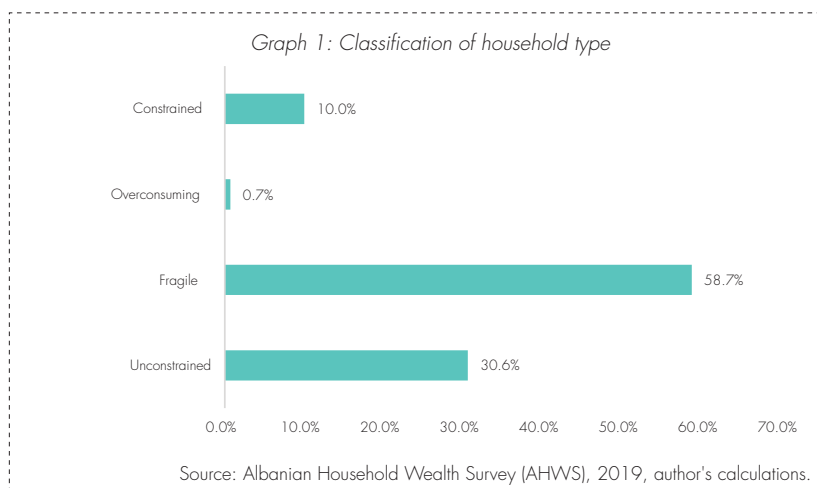
Source: Albanian Household Wealth Survey (AHWS), 2019, author's calculations

Based on the classification methodology proposed by Brunetti, Giarda and Torricelli (2016), about 59% of households in Albania are classified as financially fragile, 31% as non-conditional, 10% as conditional and less than 1% as households that consume more than their income.

Financially fragile households are not inherently vulnerable, as they have sufficient income to cover expected expenses; however, they do not have sufficient liquid assets to cover unforeseen expenses. As a result, any unexpected economic shock, such as job loss, unexpected medical expenses, temporary income reductions or wage cuts, can push these households into financial difficulties.

Unconditional households constitute 31% of the total and are characterized by the ability to meet both expected and unforeseen

expenses, thanks to both sufficient income and sufficient liquidity. Meanwhile, conditional households constitute about 10% of the sample and are characterized by the simultaneous insufficiency of income and liquidity to meet both types of expenses. Households that consume more than their income represent less than 1% of the sample and due to limited representation, are excluded from the empirical analysis.



IV. METHODOLOGY

As described above, the aim of this paper is to examine how the socio-economic characteristics of households are associated with financial fragility, particularly in situations where households may not currently experience financial distress but remain vulnerable to unexpected shocks or expenditures. In this context, households may appear financially stable in the short term yet still be exposed to fragility due to insufficient liquidity or inadequate financial buffers.

To investigate the determinants of different household financial statuses—namely financially unconditional households, financially fragile households, households with excessive consumption, and financially conditional households—a multinomial logit model is estimated as follows:

$$\ln \Omega_{(m|b)}(x) = \ln \left(\frac{\Pr(y = m | x)}{\Pr(y = b | x)} \right) = x\beta_{(m|b)}, m = 1, \dots, J$$

where b denotes the base category used for normalization, allowing the parameters for the remaining categories to be estimated relative to this reference group.

The model is used to compute the probability that a household belongs to each financial status category, defined as follows:

$$P(Y_i = m | X_i) = \frac{\exp(\hat{\beta}_{m|b}X_i)}{\sum_{j=1}^J \exp(\hat{\beta}_{j|b}X_i)}$$

In this specification, the dependent variable Y_i represents the financial status of household i , taking four possible outcomes:

- $m = 1$: financially unconditional households
- $m = 2$: financially fragile households
- $m = 3$: households with excessive consumption
- $m = 4$: financially conditional households

The vector of explanatory variables includes X_i both household-level socio-economic characteristics and attributes of the household reference person (head of household). These include demographic variables such as household size, gender, age, education level, and employment status, incorporated as categorical indicators to capture differences in financial conditions across socio-demographic groups.

To capture financial behavior and the degree of financial inclusion, the model also includes binary variables indicating whether the household holds mortgage debt, consumer loans, or informal debt (i.e., liabilities to other individuals), as well as whether it has a bank account and owns additional real estate assets beyond the primary residence. These variables are intended to reflect the role of financial inclusion and asset diversification in shaping households' ability to withstand financial shocks.

In this context, the structure of household wealth plays a central role in financial resilience. While real estate ownership and portfolio diversification may provide protection against economic shocks, their effectiveness depends on the liquidity of assets. A high concentration of wealth in the primary residence may constrain households' ability to respond to short-term financial emergencies.

According to Campbell (2006), household wealth composition, particularly homeownership may influence financial decision-making through two competing mechanisms. The wealth effect suggests that homeownership may encourage greater financial risk-taking by increasing perceived security and net wealth. In contrast, the crowding-out effect implies that households with high exposure to illiquid assets such as housing may reduce investment in other financial assets due to limited liquidity and financial flexibility (Chetty and Szeidl, 2010; Chetty, Sándor, and Szeidl, 2017; Li, Brounen, Li, and Wei, 2022).

Furthermore, the model includes variables capturing family ties, specifically remittances, to examine their relationship with household financial fragility. Remittances represent an important component of household income in Albania and are widely recognized for their role in reducing poverty and enhancing financial stability at both micro and macro levels (Dushku and Frashëri, 2021). Including this variable allows for the assessment of whether households receiving remittances are better able to cope with unexpected financial shocks.

V. RESULTS

Table 2¹ presents the results of the multinomial logit regression, focusing on the average marginal effects of the explanatory variables on the probability of a household being classified as financially fragile. The results show a negative and statistically significant association between the level of education and financial fragility: the higher the level of education, the lower the likelihood that the household is financially fragile. This result is consistent with the existing literature (Lusardi, Schneider and Tufano, 2011; Hasler and Lusardi, 2019; Clark, Lusardi and Mitchell, 2020), which argues that education increases financial management skills, improves economic decision-making and increases the ability to cope with unforeseen shocks. Furthermore, education is associated with better access to the labor market and higher income stability, contributing to greater financial resilience (Lusardi and Mitchell, 2008; Brunetti, Giarda and Torricelli, 2016).

Regarding marital status, the results show that being married statistically reduces the probability of being financially vulnerable, compared to other marital categories. This effect may be related to the sharing of risk within the family and the greater stability of financial resources in consolidated family units. Regarding employment status, the findings suggest that both families with an employed reference person and those with a retired reference person exhibit a higher probability of financial vulnerability. This result shows that in the Albanian context, exposure to financial shocks does not differ substantially according to economic activity status.

In terms of debt and wealth involvement, there is no statistically significant relationship between holding a mortgage loan, consumer credit or debts to other individuals and the probability of being

¹ Before estimating the model, the presence of multicollinearity among the explanatory variables was examined. The correlation coefficients are generally low to moderate, while all Variance Inflation Factor (VIF) values remain below the conventional threshold of 10. These results suggest that multicollinearity does not represent a concern in the empirical specification, thereby supporting the reliable inclusion of the explanatory variables in the multinomial logit model.

financially vulnerable. Similarly, secondary real estate ownership exhibits a negative, but not statistically significant, effect, suggesting that its role in mitigating financial fragility is limited in this sample.

The extended model specifications include two additional binary variables: (i) receipt of remittances and (ii) access to formal financial services (bank account or deposit). The results show that both factors are associated with a lower probability of being financially fragile. These findings highlight the role of remittances as an important protective mechanism against economic shocks, as well as the importance of financial inclusion in strengthening the financial resilience of households. In this regard, the results are consistent with the existing literature (Demirgüç-Kunt and Klapper, 2013; Chen, Zeng and Tam, 2023), which highlights the contribution of migration networks and financial access to household economic stability.

Table 2: Determinants of being financially fragile

| | Average marginal effect | Average marginal effect | Average marginal effect, |
|--|-------------------------|-------------------------|--------------------------|
| Household size | 0.00776 | 0.00403 | 0.0113 |
| <i>p</i> -value | (0.328) | (0.614) | (0.127) |
| Marital status: married | -0.156** | -0.155** | -0.171*** |
| <i>p</i> -value | (0.016) | (0.019) | (0.008) |
| Cohabiting | -0.0564 | -0.0785 | -0.0785 |
| <i>p</i> -value | (0.847) | (0.812) | (0.805) |
| Widow | -0.139* | -0.136* | -0.153** |
| <i>p</i> -value | (0.056) | (0.064) | (0.033) |
| Divorced | -0.00538 | -0.0245 | -0.0975 |
| <i>p</i> -value | (0.959) | (0.820) | (0.385) |
| Gender of reference person (Male) | 0.0160 | 0.0155 | 0.0131 |
| <i>p</i> -value | (0.625) | (0.636) | (0.677) |
| Age | -0.00204 | -0.00192 | -0.00110 |
| <i>p</i> -value | (0.116) | (0.139) | (0.374) |
| Primary level of education (base: Secondary level of education) | 0.0738*** | 0.0756*** | 0.0375 |
| <i>p</i> -value | (0.002) | (0.002) | (0.101) |
| Tertiary level of education (base: secondary level of education) | -0.178*** | -0.182*** | -0.116*** |
| <i>p</i> -value | (0.000) | (0.000) | (0.003) |
| Labor status: Employed | 0.0718** | 0.0649* | 0.0880** |
| <i>p</i> -value | (0.047) | (0.073) | (0.010) |
| Labor status: Retired& Others | 0.0933** | 0.0907** | 0.0808** |
| <i>p</i> -value | (0.024) | (0.029) | (0.040) |
| Having debts towards others | 0.0409 | 0.0450 | -0.000916 |
| <i>p</i> -value | (0.236) | (0.195) | (0.978) |
| Having a consumer loan | 0.0530 | 0.0493 | 0.0526 |
| <i>p</i> -value | (0.330) | (0.370) | (0.371) |
| Having a mortgage loan | -0.0271 | -0.0327 | -0.00306 |
| <i>p</i> -value | (0.667) | (0.601) | (0.962) |
| Having other real estate properties | -0.0381 | -0.0328 | -0.0306 |
| <i>p</i> -value | (0.105) | (0.164) | (0.167) |
| Receiving remittances | | -0.0685*** | -0.0680*** |
| <i>p</i> -value | | (0.008) | (0.005) |
| Financial access | | | -0.357*** |
| <i>p</i> -value | | | (0.000) |
| Pseudo R ² | 0.0515 | 0.0602 | 0.1540 |
| N | 1971 | 1971 | 1971 |

p-values in parentheses, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Source: Albanian Household Wealth Survey (AHWS), 2019, author's calculations

To assess the robustness of the main results, a logit regression model is estimated in which the dependent variable takes the value of 1 if the household is classified as financially fragile and 0 otherwise (Table 3). In the last three columns, an alternative measure of financial fragility is also employed, following Lusardi, Schneider, and Tufano (2011), according to which a household is considered financially fragile if it does not have sufficient savings to cover at least three months of basic expenses.

The results reported in the first three columns consistently confirm the findings from the multinomial logit model, highlighting the importance of the education level of the reference person in reducing the likelihood of financial fragility. Similarly, remittances remain statistically significant and negatively associated with financial fragility, suggesting that households receiving income from migrants are less likely to be financially fragile and exhibit a greater capacity to withstand unexpected shocks.

Overall, these findings reinforce the interpretation that remittances play an important role not only in poverty reduction (Dushku and Frashëri, 2021), but also in enhancing the short-term financial resilience of Albanian households, acting as an additional liquidity buffer in conditions of economic uncertainty.

Table 3: Robustness checks for households of being financially fragile

| | Financially fragile households (Brunetti, Giarda, and Torricelli (2016),) | | | Financially fragile households (less than 3 months of saving) | | |
|--|---|------------|------------|---|-------------|-------------|
| | (II) | (III) | (III) | (IV) | (V) | (VI) |
| Household size | 0.00576 | 0.00179 | 0.00850 | -0.00329 | -0.00854 | -0.00645 |
| p-value | (0.461) | (0.820) | (0.241) | (0.653) | (0.244) | (0.373) |
| Marital status: Married | -0.112* | -0.113 | -0.127** | -0.170** | -0.185*** | -0.189*** |
| p-value | (0.099) | (0.101) | (0.052) | (0.050) | (0.031) | (0.027) |
| Cohabiting | -0.0378 | -0.0132 | -0.0647 | 0 | 0 | 0 |
| p-value | (0.900) | (0.963) | (0.800) | (.) | (.) | (.) |
| Widow | -0.0811 | -0.0806 | -0.0992 | -0.107 | -0.118 | -0.122 |
| p-value | (0.281) | (0.287) | (0.165) | (0.252) | (0.203) | (0.186) |
| Divorced | 0.0416 | 0.0233 | -0.0515 | 0.00966 | -0.0431 | -0.0696 |
| p-value | (0.693) | (0.828) | (0.631) | (0.940) | (0.734) | (0.575) |
| Gender of reference person (Male) | 0.0270 | 0.0262 | 0.0226 | 0.0176 | 0.0179 | 0.0183 |
| p-value | (0.412) | (0.427) | (0.468) | (0.590) | (0.579) | (0.571) |
| Age | -0.00186 | -0.00174 | -0.000867 | -0.00423*** | -0.00406*** | -0.00379*** |
| p-value | (0.146) | (0.173) | (0.471) | (0.000) | (0.001) | (0.001) |
| Primary level of education (base: secondary level of education) | 0.0747*** | 0.0750*** | 0.0371 | 0.0773*** | 0.0785*** | 0.0649*** |
| p-value | (0.002) | (0.002) | (0.102) | (0.001) | (0.001) | (0.006) |
| Tertiary level of education (base: Secondary level of education) | -0.188*** | -0.191*** | -0.110*** | -0.117*** | -0.120*** | -0.105*** |
| p-value | (0.000) | (0.000) | (0.004) | (0.000) | (0.000) | (0.001) |
| Labor market status -Employed | 0.0661* | 0.0548 | 0.0776* | -0.0968*** | -0.114** | -0.110*** |
| p-value | (0.066) | (0.128) | (0.022) | (0.009) | (0.002) | (0.003) |
| Labor market status -Retired& Others | 0.0860** | 0.0804* | 0.0701* | -0.0223 | -0.0333 | -0.0389 |
| p-value | (0.039) | (0.053) | (0.075) | (0.607) | (0.448) | (0.371) |
| Having debts towards others | 0.0351 | 0.0389 | -0.00290 | 0.0206 | 0.0270 | 0.0130 |
| p-value | (0.303) | (0.253) | (0.928) | (0.534) | (0.413) | (0.692) |
| Having a consumer loan | 0.0503 | 0.0463 | 0.0450 | 0.0110 | 0.00735 | 0.00526 |
| p-value | (0.350) | (0.391) | (0.407) | (0.826) | (0.883) | (0.916) |
| Having a mortgage loan | -0.0709 | -0.0788 | -0.0322 | -0.0838 | -0.0916 | -0.0809 |
| p-value | (0.224) | (0.176) | (0.580) | (0.187) | (0.147) | (0.198) |
| Having other real estate properties | -0.0443* | -0.0379 | -0.0344 | -0.00811 | -0.000409 | -0.0000309 |
| p-value | (0.059) | (0.107) | (0.115) | (0.722) | (0.986) | (0.999) |
| Receiving remittances | | -0.0820*** | -0.0851*** | | -0.109*** | -0.110*** |
| p-value | | (0.001) | (0.000) | | (0.000) | (0.000) |
| Financial access | | | -0.503*** | | | -0.166*** |
| p-value | | | (0.000) | | | (0.000) |
| Pseudo R ² | 0.0246 | 0.0284 | 0.1227 | 0.0358 | 0.0450 | 0.0570 |
| N | 1963 | 1963 | 1963 | 1715 | 1715 | 1715 |

Source: Albanian Household Wealth Survey (AHWS), 2019, author's calculations

VI. CONCLUDING REMARKS

Understanding household financial fragility is essential for assessing household well-being as well as broader macroeconomic and social stability. Households that are unable to cope with unexpected expenses are more exposed to persistent uncertainty, consumption constraints, and reduced capacity to invest in human or financial capital. This study, using data from the first wave of the Household Wealth Survey in Albania (2019) and following the methodological framework of Brunetti, Giarda, and Torricelli (2016), provides an empirical assessment of financial fragility in Albania and its main determinants.

The results indicate that financial fragility is widespread, with approximately 59% of Albanian households classified as financially fragile. This finding suggests that a substantial share of households, while able to cover regular day-to-day expenses, do not hold sufficient liquid resources to cope with unexpected negative shocks. In contrast, 31% of households are financially unconditional, around 10% are liquidity-conditioned, and only a negligible share approximately 1% is classified as engaging in excessive consumption.

The econometric analysis confirms that financial vulnerability is strongly associated with the socio-economic characteristics of households. Lower levels of education are linked to a significantly higher probability of financial fragility, underscoring the importance of human capital in resource management and risk coping. This result suggests that financial vulnerability is not determined solely by income, but also by individuals' capacity for financial planning, decision-making, and effective liquidity management.

Another important finding concerns the role of remittances. Households receiving remittances exhibit a lower probability of financial fragility, confirming their function as a form of informal insurance against economic shocks. Remittances provide an

additional source of liquidity and contribute to greater financial stability among Albanian households, particularly in a context where access to formal credit markets remains limited.

The results also show that inclusion in the formal financial system is associated with lower levels of financial fragility. Access to banking products and financial services enhances households' ability to absorb negative shocks. Conversely, limited financial diversification and reliance on informal sources of support significantly increase exposure to financial risk.

In summary, the findings highlight that household financial fragility in Albania is a multifaceted phenomenon shaped by education, financial inclusion, and migrant support. These results suggest that policy interventions should prioritize the strengthening of financial literacy, the expansion of access to formal financial services, and the promotion of remittance channels through formal financial institutions to enhance household financial resilience.

Finally, future research based on panel data and subsequent waves of the Household Wealth Survey would allow for a more dynamic analysis of financial fragility over time, as well as a deeper understanding of the stability and evolution of its determinants.

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CIP Katalogimi në botim BK Tiranë

Dushku, Elona
Household financial fragility
in Albania : empirical
evidence from the 2019 household
wealth survey / Elona
Dushku. - Tiranë : Banka e Shqipërisë, 2026
32 f. ; 21x15 cm.
ISBN 9789928262882

1.Ekonomia 2.Shqipëri
338(496.5)

