

Micro-entrepreneurs and the twin green and digital transitions.

Does financial literacy play a role?

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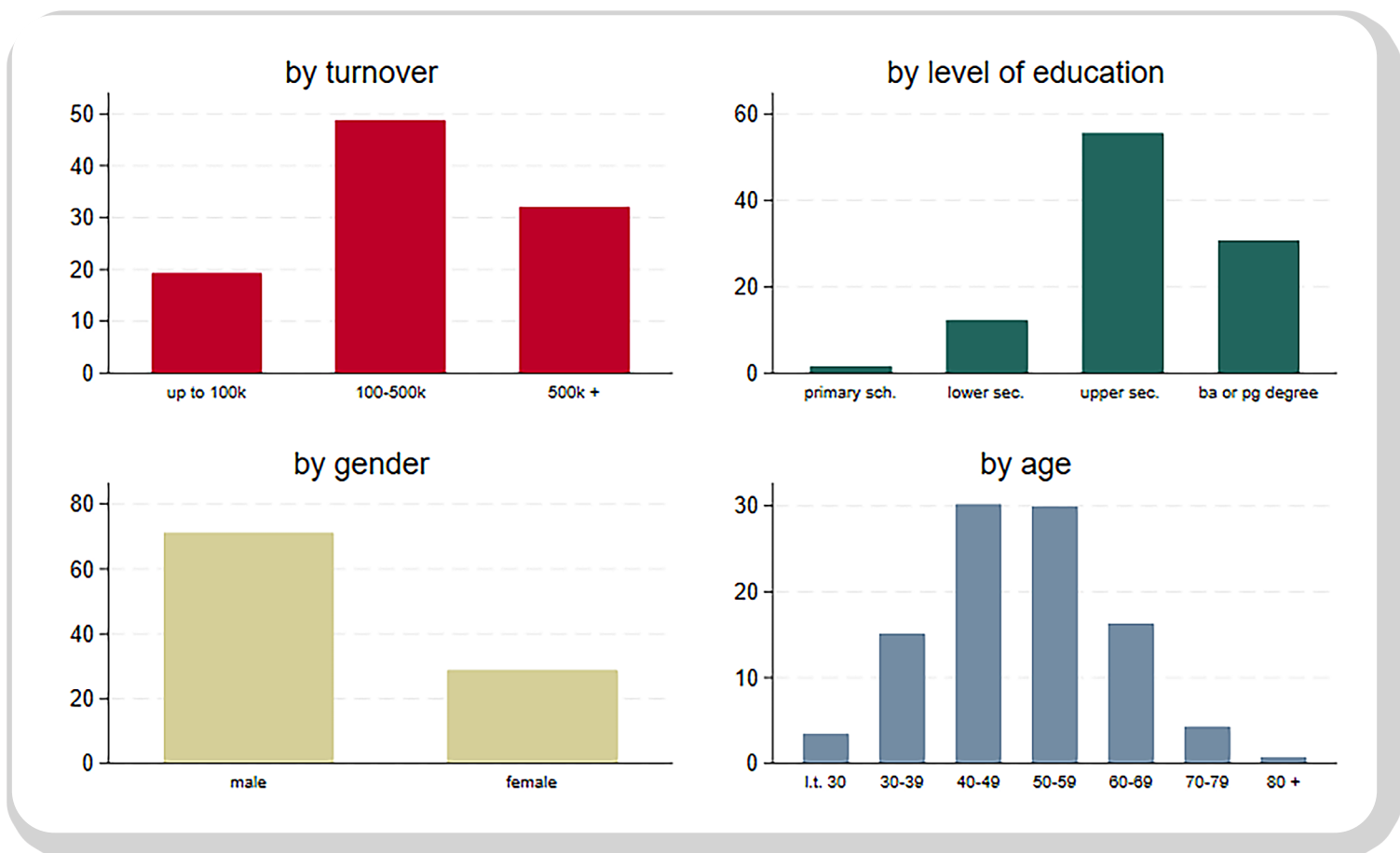


Motivation

- The **digital and sustainable transitions** represent two strategic drivers of growth and innovation for micro, small and medium-sized enterprises.
- Micro-firms significantly lag behind larger firms in these areas.
- Financial literacy can play a key role in guiding small entrepreneurs to make sound financial choices and make the twin transition successful.

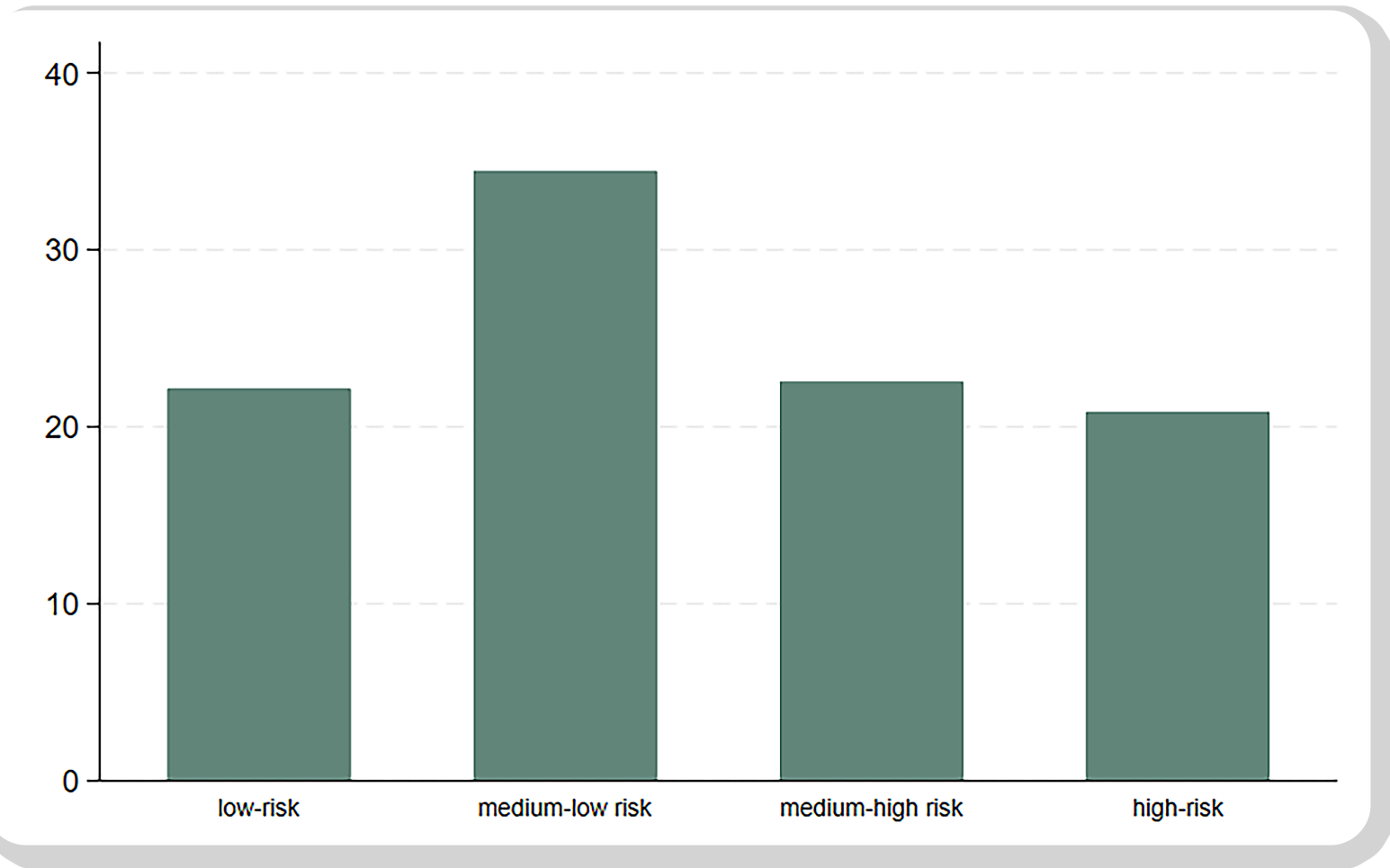
Data

- Bank of Italy's **survey on 2,000 non-financial firms** with less than 10 employees.
- OECD/INFE toolkit to measure FL MSMEs



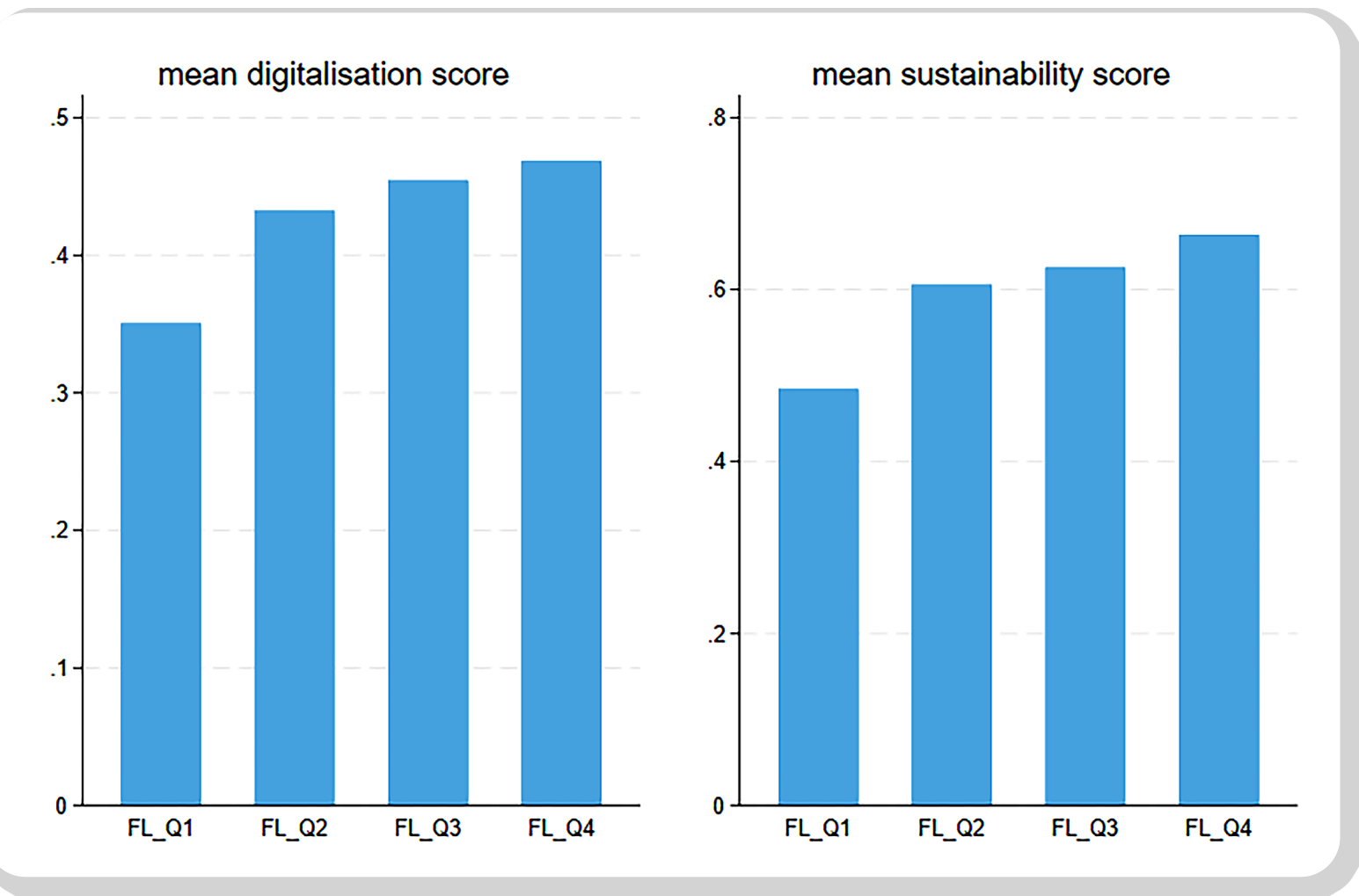
Exposure to climate risk

- The exposure to climate risks varies across firms in the sample



Correlations with Financial literacy

- Positive correlation between FL and:
 - digital adoption
 - attitude towards sustainability



FL and digitalisation: a causal relationship

VARIABLES	baseline	OLS sector	full ctrls	first-stage	IV second-stage
FL score	0.0951*** (0.0101)	0.0946*** (0.00998)	0.0812*** (0.0103)		0.307** (0.123)
observations	1,957	1,957	1,957	1,957	1,957
R-squared	0.052	0.075	0.100		
First-stage F					17.92

Notes. OLS and IV estimates on firm-level data. Clustered standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1. The dependent variable is the digitalization score (see Table A1 for the definition of both the dependent variables and the covariates). The instrumental variable is the density of bank branches at the municipal level in 1951.

1 s.d. increase in FL score implies a 44% increase in mean dig. score

FL and sustainability: a causal relationship

VARIABLES	baseline	OLS sector	full ctrls	first-stage	IV second-stage
FL score	0.153*** (0.0101)	0.158*** (0.00993)	0.159*** (0.0101)		0.389*** (0.0939)
observations	1,957	1,957	1,957	1,957	1,957
R-squared	0.127	0.141	0.145		
First-stage F					11.49

Notes. OLS and IV estimates on firm-level data. Clustered standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1. The dependent variable is the digitalization score (see Table A1 for the definition of both the dependent variables and the covariates). The instrumental variable is the density of bank branches at the municipal level in 1951.

1 s.d. increase in FL score implies a 40% increase in mean sustainability score