The financial skills of Trentino micro-enterprises

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An analysis conducted by FBK-IRVAPP in collaboration with ISPAT on a representative sample of microenterprises in Trentino shows an encouraging figure: on average, owners correctly answer 77% of OECD/INFE questions on financial knowledge, well above the Italian average (64%). However, the picture is not uniform, and gaps persist related, for example, to sector and education.

A rising loan payment, a customer who pays late, a supplier requesting different terms: for a micro-entrepreneur, financial knowledge is an integral part of daily business management. From relationships with banks and suppliers to investment and inventory planning, these skills are crucial to a company's very survival. Given their small size, microenterprises have narrower margins and fewer resources to absorb external shocks.

It is therefore essential to measure and monitor financial skills in companies with fewer than ten employees. This need is what gave rise to the research developed by FBK-IRVAPP in collaboration with ISPAT, based on the Survey panel on microenterprises in the Province of Trento. The analysis offers a clear picture, showing that the average level of financial knowledge is high, although specific weaknesses and systematic gaps across sectors and company profiles emerge.

The measurement follows the OECD/INFE standard, a set of questions on fundamental concepts such as simple and compound interest, the cost of a loan, inflation and purchasing power, the risk-return ratio, and diversification. The OECD indicates as a "sufficiency" threshold a score of 5 correct answers out of 7, or 71% as the minimum level needed to understand essential concepts. The main figure is significant: **microenterprises in Trentino answer an average of 5.4 questions out of 7 correctly, equal to 77%**. **This level is well above the OECD threshold of 71% and above the national average of 64% for micro-entrepreneurs (4.5 correct answers out of 7).** The data confirm that many microenterprises in Trentino have a solid foundation for navigating inflation, loans, and risk-related decisions.

Within this positive framework, however**, two areas emerge where knowledge is less solid**, and these are precisely the areas that matter most in a context of higher interest rates and uncertainty. On understanding compound interest, **only 51% respond correctly:** one in two microenterprises answers incorrectly. This is significant because c**ompound interest** is not “finance for experts” but directly affects the actual cost of a loan, the value of payment deferrals, and the evaluation of alternative instruments.

Even on **investment diversification**, **correct answers reach only 72%,** just above the minimum required level: not problematic in itself, but still far from the strongest areas (close to 90%). **By contrast, some concepts are very well understood: inflation and purchasing power register 88–89% correct responses, as do the cost of a loan (87%) and the risk-return ratio (82%).**

However, the overall average is likely to mask the diversity and specific characteristics of the Trentino economic landscape. At the **sector level, companies in market services** reach 85% correct answers, followed by manufacturing, trade, construction, and transport, while the “other services” category drops to 64%, the only one below the OECD minimum required level.

Educational background also plays a role: owners with a university or postgraduate degree reach 85%, those with a high school diploma 80%, while those with a vocational qualification or diploma reach 69%, below the minimum required level. On the gender front, female micro-entrepreneurs have slightly lower average levels (74% compared to 79% for male micro-entrepreneurs). **The gap is limited but becomes relevant if the goal is to design inclusive training initiatives.**

Overall, the picture is positive: Trentino microenterprises start from a satisfactory level of financial competence, above the Italian average. F**rom a policy perspective, the report provides important indications on which dimensions of financial knowledge should be strengthened to increase business owners’ awareness in financial decision-making.**

The report can be consulted at the following link:
http://www.statistica.provincia.tn.it/binary/pat_statistica_new/struttura_competitivita_imprese/Competenze

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