

# FINANCIAL LITERACY AND DIGITALISATION FOR MSMEs IN SOUTH EAST EUROPE

A tool for empowering owners  
and managers

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This report analyses the relationship between financial literacy, inclusion, and awareness, as well as the use of financial products and services, and the digitalisation of micro, small and medium-sized enterprises (MSMEs). It presents the results of a thorough data collection and analysis exercise carried out with owners and managers of MSMEs in Bulgaria, Croatia, Georgia, Moldova, Montenegro, North Macedonia and Romania in 2021 and 2022.

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# Foreword

This report is part of the OECD/INFE Technical Assistance project for Financial Education in the Constituency Programme of the Ministry of Finance of the Netherlands, carried out with the financial support of the Ministry of Finance of the Netherlands and its Money Wise platform. It presents the results of a comprehensive data collection and analysis exercise carried out with owners and managers of micro, small and medium-sized enterprises (MSMEs) in Bulgaria, Croatia, Georgia, Moldova, Montenegro, North Macedonia, and Romania in 2021 and 2022. It analyses the relationship between MSME owners and managers' financial literacy, awareness and use of financial products and services, and digitalisation.

The report was developed under the general supervision of Flore-Anne Messy, Elena Miteva, and Chiara Monticone. It was prepared by Elsa Favre-Baron and edited by Liv Gudmundson. Data collection was undertaken by ACT Global (Tbilisi, Georgia).

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# Executive summary

The overall picture of financial literacy in South East Europe is encouraging, with countries scoring on average close to MSMEs in G20 countries who participated in a similar data collection in 2021 (OECD, 2021<sup>[1]</sup>).<sup>1</sup> Four of the seven countries, namely Croatia, Montenegro, North Macedonia, and Romania score higher than the G20 average.

The analysis highlights some country differences that could be addressed by financial education programmes:

- On financial knowledge for example, some countries would benefit from reinforcing the knowledge of MSME owners and managers around equity financing and the functioning of dividends, or on the relationship between loan duration and interests. These concepts and others forming the financial knowledge score are considered key for MSME owners and managers to understand in order to safely run their business and to take informed financial decisions that can assist with the performance and sustainability of the business.
- On financial behaviour, the analysis highlights some gaps on important behaviours such as keeping business and personal financial accounts separate, the need to shop around for financial products and services, and the need to plan for retirement. Careful financial planning and data management are essential behaviours for MSME owners and managers to ensure the financial resilience of their business as well as their own.
- On financial attitudes, a majority of MSME owners and managers in South East Europe appear to set not only short-term, but also long-term goals for their business, which is an important aspect to ensure the sustainability of their business in the long run. MSME owners and managers in the region demonstrate some level of confidence in their decisions and capacity to access finance, but they often lack prudence by relying too heavily on their instinct rather than on fundamental parameters such as the economic environment before making financial decisions for their business.

The level of financial inclusion of MSMEs in South East Europe, as measured by their holding of a bank account, is high and comparable to that of MSMEs in G20 countries that took part in the 2021 report. On average 91% of MSMEs (compared to 92% in G20 countries) have a financial account for their business, mostly traditional bank accounts, although a high proportion of digital accounts is starting to be used for MSMEs in several countries.

Apart from holding bank accounts, awareness of other financial products and services among MSME owners and managers in South East Europe is rather limited. Respondents in the region are aware of about half (53%) of the financial products and services tested, from credit financing solutions to equity products and insurance contracts. MSMEs often use a limited set of financial products and services for their business, although this is not the case in Romania, where a high variety of products, in particular those linked to equity financing, appear to be relatively popular.

MSMEs in South East Europe have lower levels of digitalisation for their financial and business activities than the G20 countries who participated in the OECD/INFE data collection in 2021. MSMEs in the region score closer to G20 companies on the digitalisation score component representing business activities than

on the component representing financial activities, suggesting that the digital transformation of financial services and activities may be slower for MSMEs in South East Europe than in G20 countries.

Higher financial literacy is associated with higher financial awareness, higher use of financial products and services, and with higher digitalisation of financial and business activities for MSMEs in the South East Europe region, after considering characteristics of the business (such as sector, number of employees and turnover) and the owner (such as gender, entrepreneurial experience, and formal education level). MSME owners and managers who are more financially literate are often more advanced in the digitalisation of their operations, and they know (and use) a wider variety of financial instruments than their peers who have lower financial literacy levels, all other characteristics of the business and the owner being equal.

The analysis identifies several MSME groups in South East Europe that may be vulnerable and in need of targeted financial education programmes:

- **Smaller businesses:** The size of the MSME, in terms of number of employees, appears to be strongly associated with financial literacy, awareness and use of financial products, and digitalisation. Smaller (1-person) MSMEs have lower financial literacy scores by an average of about 10 percentage points than larger ones (with between 10 and 49 employees). Smaller MSMEs also have slightly lower awareness and use of financial products and services than larger ones, and the level of digitalisation of 1-person companies is lower than that of larger companies, by an average of over 17 percentage points.
- **Owners and managers with low levels of formal education:** Lower formal educational attainment for the MSME owner or manager is associated with lower financial literacy scores in all countries of the region. On average, MSME owners and managers with less than upper secondary education have a financial literacy score around 8 percentage points lower than those with higher levels of formal education, and the difference can reach over 20 percentage points in some countries.
- **Owners and managers with limited entrepreneurial experience:** In several countries, shorter entrepreneurial experience of the owner or manager appears to be associated with lower financial literacy scores. However, it is worth noting that owners and managers with less experience have on average higher digitalisation scores for their business, even after taking the MSME owner or manager's age into account.

Given that the financial landscape is evolving towards greater digitalisation and complexity, adequate financial literacy levels of MSME owners appear to be more important than ever to ensure they can successfully navigate the economic and business environment and make sound financial decisions to sustain their operations. This report therefore puts forward a number of policy considerations summarised as follows:

- Continuing to collect and analyse evidence on the financial literacy, financial inclusion and digitalisation of MSMEs;
- Enhancing MSME owners and managers' financial literacy;
- Improving the awareness of financial products and services available to MSME owners and managers and the skills to use them;
- Addressing the needs of most vulnerable MSME owners and managers;
- Ensuring MSME owners and managers receive financial education content that is relevant to them;
- Enhancing co-operation between financial education stakeholders.



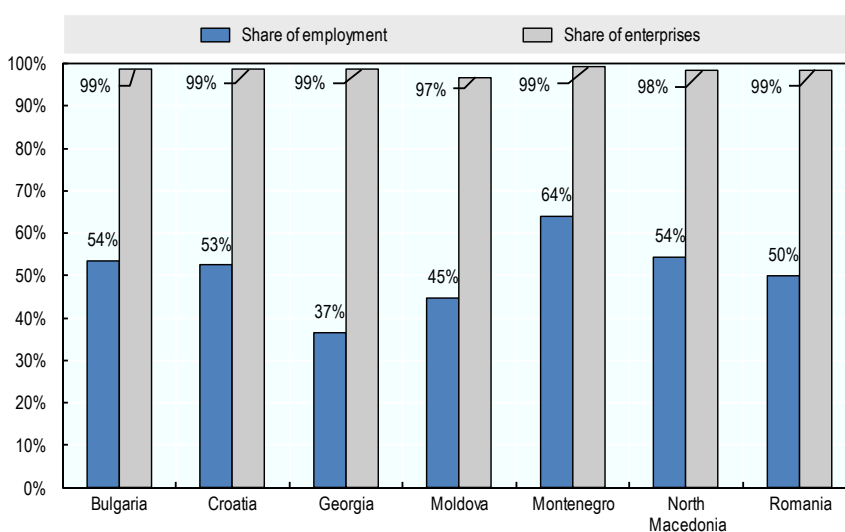
# 1 Introduction

## Background

According to the World Trade Organisation (WTO), micro, small and medium enterprises (MSMEs) represent 95% of companies across the globe, and account for 60% of the world's total employment (World Trade Organization, 2016<sup>[2]</sup>). In OECD countries, close to 99% of companies are MSMEs, and they provide close to 70% of employment (OECD, 2017<sup>[3]</sup>). Among MSMEs, micro and small enterprises, i.e. those with up to 49 employees, are estimated to contribute close to 40% of employment worldwide (International Council for Small Business, 2022<sup>[4]</sup>). In South East European countries, micro and small enterprises represent between 97% and 99% of companies, and between 37% and 64% of total employment (Figure 1.1).

**Figure 1.1. Micro and small enterprises in South East Europe (2022 or latest year available)**

As a percentage of people employed in all companies, and of the total number of companies, by country



Note: Micro and small enterprises refer to companies with up to 49 employees. Data refer to 2019 for Moldova, 2020 for Croatia and North Macedonia, 2021 for Bulgaria and Romania, and 2022 for Georgia and Montenegro. 2022 data for Georgia is preliminary, final numbers will be available in October 2023.

Source: National Statistical Institute of Bulgaria ([Employed in enterprises | National statistical institute \(nsi.bg\)](#), [Number of enterprises | National statistical institute \(nsi.bg\)](#)), Croatian Bureau of Statistics ([POD-2022-1-2 Structural Business Indicators of Enterprises, 2020 | Državni zavod za statistiku \(dzs.hr\)](#)), National Statistics Office of Georgia, European Commission ([sba-fs-2019\\_moldova.pdf \(europa.eu\)](#)), Montenegro Revenue and Customs Administration and Statistical Office of Montenegro, (OECD, 2022<sup>[5]</sup>), Romanian National Agency for Fiscal Administration.

Whilst MSMEs cover a wide range of businesses and even business types, they have in common that, contrary to larger companies with significant financial departments, a limited number of people need to

make most of the financial and business decisions. This in turn requires owners and managers to possess adequate financial knowledge and skills.

Having adequate financial and digital skills is a widely recognised requirement to manage MSMEs. The G20/OECD High-Level Principles on SME financing developed in 2015 and updated in 2022, highlight the need to “Enhance SME financial skills and strategic vision” in Principle 7 (G20/OECD, 2015<sup>[6]</sup>), (G20/OECD, 2022<sup>[7]</sup>). The G20 High level Policy Guidelines on Digital Financial Inclusion for Youth, Women and SMEs developed in 2020 emphasise the role of financial literacy in empowering small and medium-sized enterprises (GPFI, 2020<sup>[8]</sup>). Finally, the OECD Council Recommendation on Financial Literacy specifically mentions micro and small entrepreneurs as a target group for financial literacy policies and programmes aiming to facilitate business growth and sustainability (OECD, 2020<sup>[9]</sup>).

The first step to address the financial education needs of MSME owners and managers is to assess their level of financial literacy to identify any potential gaps and needs. The OECD International Network on Financial Education (INFE) developed a dedicated survey instrument to measure the financial literacy of MSME owners and managers (OECD, 2020<sup>[10]</sup>). This survey instrument was developed through an iterative and collaborative process with members of the INFE over the period 2015 to 2020, and is based on the widely used OECD/INFE international survey of adult financial literacy (OECD, 2020<sup>[11]</sup>), and the OECD/INFE financial literacy core competency framework for MSMEs (OECD, 2018<sup>[12]</sup>).

The first report of the OECD on the financial literacy of MSME owners and managers was published in 2021 (OECD, 2021<sup>[11]</sup>). It analyses the financial literacy, digitalisation, and impact of the COVID-19 crisis on MSMEs in nine G20 (Brazil, the People’s Republic of China [hereafter ‘China’] France, Germany, Italy, Mexico, Russia, Saudi Arabia, Türkiye) and five non-G20 countries (Georgia, the Netherlands, Peru, Portugal, Spain). It was prepared in 2021, based on a data collection exercise carried out for this purpose, using the OECD/INFE 2020 survey instrument to measure the financial literacy of MSMEs (OECD, 2020<sup>[10]</sup>).

The OECD/INFE Technical Assistance project for Financial Education in the Constituency Programme of the Ministry of Finance of the Netherlands, which started in 2018, provides tailored research and policy support to seven countries of the region (Bulgaria, Croatia, Georgia, Moldova, Montenegro, North Macedonia, and Romania) in the field of Financial Education. It is carried out with the financial support of the Ministry of Finance of the Netherlands and its Money Wise platform. Several reports have been published under the Project, including on the financial literacy of adults (OECD, 2020<sup>[13]</sup>), of youth (OECD, 2021<sup>[14]</sup>), and of rural populations in South East Europe (OECD, 2022<sup>[15]</sup>).

## Structure

The current report analyses MSMEs’ financial literacy, awareness and use of financial products, and digitalisation in the South East Europe region. It extends the analysis carried out in 2021 to six new countries (Bulgaria, Croatia, Moldova, Montenegro, North Macedonia, and Romania) and uses the data collected in Georgia in 2021. This report first explores the levels of financial literacy of MSME owners and managers in the aforementioned seven South East European countries, to uncover any differences or gaps that need to be addressed (Section 2). It also discusses the awareness and use of various financial products and services that can be useful to MSME owners and managers to run their business (Section 3), as well as the levels of digitalisation in their financial and business affairs (Section 4). It then analyses the relationship between financial literacy, the awareness and use of financial products and services and digitalisation (Section 5). The report finally offers policy recommendations to improve the level of financial literacy of MSME business owners and managers in South East Europe based on a cross-country analysis and international good practices (Section 6).

## Methodological information

The OECD conducted a quantitative survey to measure the financial literacy, awareness and use of financial products, and digitalisation, of owners and managers of micro, small and medium-sized enterprises (MSMEs) in the South East European Region (Bulgaria, Croatia, Moldova, Montenegro, North Macedonia, and Romania). Data were gathered through face-to-face interviews in the six countries throughout May, June, and July 2022. Similar data on the financial literacy of MSMEs had already been collected by Georgia through face-to-face interviews throughout June and July 2021, as part of the OECD/G20 exercise which led to the publication of a report on the financial literacy of MSMEs in several G20 and non-G20 economies (OECD, 2021<sup>[1]</sup>).<sup>2</sup> The present document therefore aggregates the data of the seven countries of the Technical Assistance Project.

The data collection was done using the OECD/INFE 2020 survey instrument to measure the financial literacy of MSMEs (OECD, 2020<sup>[10]</sup>). The questionnaire was translated into all the local languages for the purpose of the survey, and slight modifications were included to account for country specificities, such as currency, turnover, and geographical regions.

The OECD survey instrument defines MSME owners/managers as (one of) the person(s) involved in making financial decisions for the business of companies employing fewer than 50 people, including owners, managers, all types of part-time and full-time employees regardless of their job contract, but excluding unpaid family members. It focuses on for-profit businesses and may cover informal (non-registered) businesses.

Overall, 7 027 responses were gathered across the seven participating countries, forming a representative sample of the MSME ecosystem in each country. Annex 1.A provides details on the sample per country and per MSME owner/manager and business characteristics.

## Annex 1.A. Sample description

The total number of MSME owners and managers interviewed for the purpose of this survey was 7 027 across the seven participating countries (Annex Table 1.A.1).

**Annex Table 1.A.1. Breakdown of respondents per country**

Project country	Total number of respondents
Bulgaria	1 001
Croatia	1 000
Georgia	1 002
Moldova	1 002
Montenegro	1 001
North Macedonia	1 000
Romania	1 021
TOTAL	7 027

Source: ACT Global data 2021 and 2022.

### Characteristics of the business

The data set is representative of the MSME ecosystem in each country, with a mix of companies of different sizes – by number of employees and by annual turnover – (Annex Table 1.A.2), and different sectors (Annex Table 1.A.3).

**Annex Table 1.A.2. Breakdown of respondents by MSME size**

Panel A – Number of staff by company						
Project country	1-person	2 to 4	5 to 9	10 to 19	20 to 49	TOTAL
Bulgaria	108	339	253	182	119	1 001
Croatia	103	331	266	211	89	1 000
Georgia	377	423	113	57	32	1 002
Moldova	47	263	392	162	138	1 002
Montenegro	113	315	272	233	68	1 001
North Macedonia	132	362	206	221	79	1 000
Romania	200	287	233	184	117	1 021
TOTAL	1 080	2 320	1 735	1 250	642	7 027

Panel B – Annual turnover by company						
Project country	Bottom quartile	Second quartile	Third quartile	Top quartile	No response	TOTAL
Bulgaria	236	179	88	167	331	1 001
Croatia	272	169	180	170	209	1 000
Georgia	486	187	183	146	0	1 002
Moldova	196	174	169	112	351	1 002
Montenegro	371	0	153	141	336	1 001
North Macedonia	263	227	166	137	207	1 000
Romania	491	0	321	107	102	1 021
TOTAL	2 635	1 105	823	928	1 536	7 027

Note: Local adaptations based on currency and turnover ranges were used by the local teams collecting data. In Bulgaria, 12 turnover categories were used, from up to BGN 10 000, to above BGN 20 million. In Croatia, Moldova, Montenegro, and Romania, nine categories were used, from up to respectively HRK 75 000 /MDL 200 000 /EUR 10 000 /RON 50 000 to above respectively HRK 375 million /MDL 1 billion /EUR 50 million /RON 250 million. In Georgia and North Macedonia, seven categories were used for turnover, from up to respectively GEL 15 000 /MKD 1 million to above respectively GEL 5 million /MKD 50 million.

Source: OECD computation, ACT Global data 2021 and 2022.

**Annex Table 1.A.3. Breakdown of respondents per sector**

Project country	Agriculture, forestry, and fishing, and mining	Manufacturing	Construction and real estate	Wholesale and retail trade	Transportation, shipping, and storage	Accommodation, food, and beverage services	Information and communication	Other services	TOTAL
Bulgaria	64	106	124	323	66	69	31	218	1 001
Croatia	39	140	178	203	47	89	51	253	1 000
Georgia	21	122	81	457	39	50	5	227	1 002
Moldova	54	132	92	306	51	0	20	347	1 002
Montenegro	48	88	146	287	65	126	28	213	1 001
North Macedonia	46	135	87	292	77	81	35	247	1 000
Romania	54	90	128	335	81	50	40	243	1 021
TOTAL	326	813	836	2 203	426	465	210	1 748	7 027

Note: Different sector categories and sector numbers were used by local teams collecting data. Sixteen categories were used in Bulgaria, 17 in Croatia, 13 in Georgia, 12 in Moldova, 18 in Montenegro, North Macedonia and Romania. The OECD team regrouped sectors to obtain meaningful sample sizes. No distinction was made in Moldova between the various components of the services sector, hence the impossibility to allocate respondents to the “Accommodation, food and beverage services” sector for this country.

Source: OECD computation, ACT Global data 2021 and 2022.

### Characteristics of the MSME owner/manager

The data set is also made of a balanced set of respondents according to gender (Annex Table 1.A.4), age (Annex Table 1.A.5), formal education (Annex Table 1.A.6) and entrepreneurial experience (Annex Table 1.A.7).

**Annex Table 1.A.4. Breakdown of respondents by gender**

#### Gender of the MSME owner or manager

Project country	Female	Male	TOTAL
Bulgaria	481	520	1 001
Croatia	440	560	1 000
Georgia	519	483	1 002
Moldova	393	609	1 002
Montenegro	407	594	1 001
North Macedonia	350	650	1 000
Romania	478	543	1 021
TOTAL	3 068	3 959	7 027

Source: Source: OECD computation, ACT Global data 2021 and 2022.

### Annex Table 1.A.5. Breakdown of respondents by age group

Age of the MSME owner/manager

Project country	Aged 29 or younger	Aged 30 to 49	Aged 50 to 69	Aged 70 or older	No response	TOTAL
Bulgaria	33	419	514	25	10	1 001
Croatia	40	660	294	6	0	1 000
Georgia	66	534	363	37	2	1 002
Moldova	332	451	163	56	0	1 002
Montenegro	193	528	257	10	13	1 001
North Macedonia	46	575	375	3	1	1 000
Romania	216	585	213	7	0	1 021
TOTAL	926	3 752	2 179	144	26	7 027

Source OECD computation, ACT Global data 2021 and 2022.

### Annex Table 1.A.6. Breakdown of respondents by formal education

Highest formal education attained by the MSME owner/manager

Project country	Less than upper secondary	Upper secondary education	University level education	No response	TOTAL
Bulgaria	5	301	687	8	1 001
Croatia	12	511	469	8	1 000
Georgia	6	185	810	1	1 002
Moldova	23	67	908	4	1 002
Montenegro	14	381	581	25	1 001
North Macedonia	103	409	484	4	1 000
Romania	12	238	768	3	1 021
TOTAL	175	2 092	4 707	53	7 027

Source OECD computation, ACT Global data 2021 and 2022.

### Annex Table 1.A.7. Breakdown of respondents by entrepreneurial experience

Experience of the MSME owner/manager (in years)

Project country	Less than 2 years	Between 2 and 5 years	Between 5 and 10 years	More than 10 years	No response	TOTAL
Bulgaria	21	107	245	613	15	1 001
Croatia	40	157	354	436	13	1 000
Georgia	93	173	296	432	8	1 002
Moldova	20	91	198	689	4	1 002
Montenegro	186	286	267	237	25	1 001
North Macedonia	43	117	251	583	6	1 000
Romania	167	259	256	303	36	1 021
TOTAL	570	1 190	1 867	3 293	107	7 027

Source OECD computation, ACT Global data 2021 and 2022.

# 2 Financial literacy of MSME owners and managers

This chapter describes the financial literacy of MSME owners and managers in participating countries, in line with the OECD/INFE definition (OECD, 2018<sub>[12]</sub>), and using the financial literacy score for MSMEs (OECD, 2020<sub>[10]</sub>) (Box 2.1).

## Box 2.1. Definition of financial literacy of MSME owners and managers and computation of the financial literacy score

### Definition

The OECD/INFE defines financial literacy for MSME owners and managers as: “The combination of awareness, knowledge, skills, attitudes and behaviour that a potential entrepreneur or an owner or manager of a micro, small or medium sized enterprise should have in order to make effective financial decisions to start a business, run a business, and ultimately ensure its sustainability and growth.”

This definition stresses that:

- The subject displaying a certain level of financial literacy is an individual, be it an entrepreneur-to-be or owner/manager of an MSME, and not the MSME as a whole (even if it is considered to be a legal person).
- The financial literacy being described is specific to business issues rather than personal ones (i.e. it is not the personal financial literacy of an entrepreneur).

### Financial literacy score computation

The financial literacy of MSME owners is assessed via the financial literacy score and its three components: financial knowledge, financial attitudes, and financial behaviours. Financial literacy scores are rescaled to range between 0 and 100, and consist of the sum of three elements:

- Financial knowledge score (takes the range 0 to 5 before rescaling, 0 to 29 after rescaling)
- Financial behaviour score (takes the range 0 to 9 before rescaling, 0 to 53 after rescaling)
- Financial attitude score (takes the range 0 to 3 before rescaling, 0 to 18 after rescaling).

Each of these three scores is itself computed as a result of the responses to a number of questions set to ascertain these attributes.

Source: OECD (2018<sub>[12]</sub>), OECD/INFE Core Competencies Framework on Financial Literacy for MSMEs, <https://www.oecd.org/finance/financial-education/OECD-INFE-core-competencies-framework-on-financial-literacy-for-MSMEs.pdf>; OECD (2020<sub>[10]</sub>), OECD/INFE Survey Instrument to Measure the Financial Literacy of MSMEs 2020 version, <https://www.oecd.org/finance/education/2020-survey-to-measure-msme-financial-literacy.pdf>.

On average in South East Europe, MSME owners and managers have a financial literacy score of 67 (out of 100), ranging from 60 in Georgia on average to 71 in Croatia on average (Table 2.1).<sup>3</sup>

**Table 2.1. Financial literacy scores and their components**

Average financial literacy scores (out of 100)

	Financial literacy score (max 100)	Financial knowledge score (max 29)	Financial behaviour score (max 53)	Financial attitude score (max 18)
Bulgaria	67	20	37	10
Croatia	71	22	38	11
Georgia	60	18	33	9
Moldova	64	17	35	11
Montenegro	69	18	39	11
North Macedonia	69	20	38	11
Romania	69	20	39	11
South East Europe Average	67	19	37	11

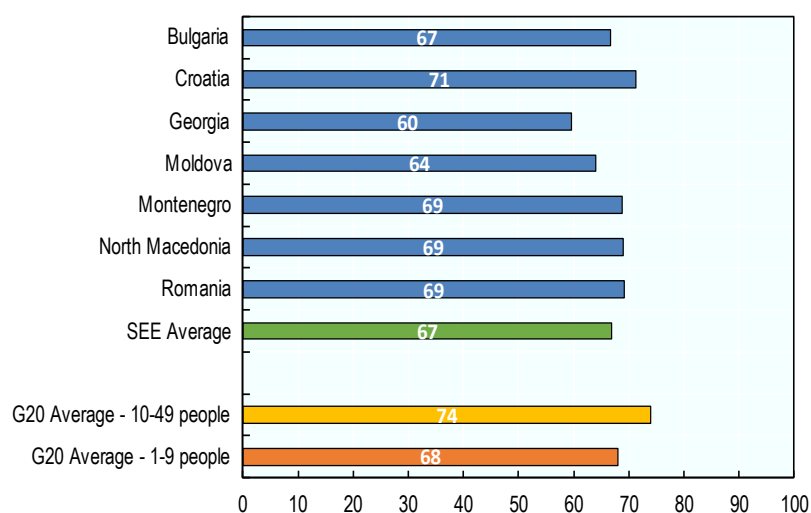
Note: Data used to compute financial literacy scores were collected in 2021 in Georgia, and in 2022 in other countries, possibly leading to slight differences in results.

Source: OECD computation, ACT Global data 2021 and 2022.

The average financial literacy score in South East Europe is comparable to that of smaller MSMEs (with up to nine people working) in the G20 countries that participated in the 2021 OECD/G20 report on the financial literacy of MSMEs, and seven points lower than that of larger MSMEs (with 10 to 49 staff members) in G20 countries included in the report (Figure 2.1).

**Figure 2.1. Average financial literacy scores in South East Europe and other countries**

Average financial literacy scores (out of 100)



Note: Data used to compute financial literacy scores were collected in 2021 in Georgia, and in 2022 in other countries, possibly leading to slight differences in results. G20 averages are computed as the arithmetic averages of the financial literacy scores of MSME owners in Brazil, China, France, Germany, Italy, Mexico, Russia, Saudi Arabia and Türkiye. In the 2021 G20 report, companies were split according to their number of employees as some countries did not provide data for companies with 10 to 49 employees, and no overall average was provided.

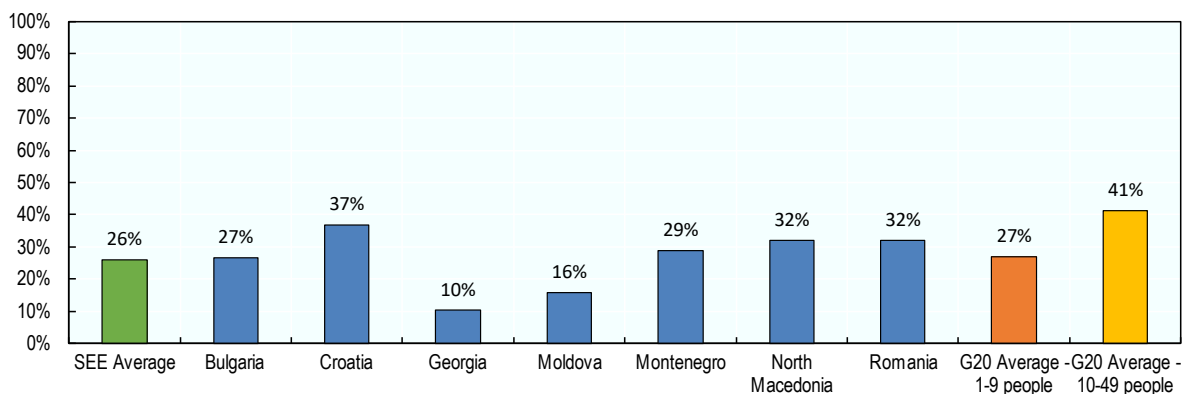
Source: OECD computation, ACT Global data 2021 and 2022; OECD (2021<sup>[1]</sup>), G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 Times, [G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 Times](#).



On average across the region, about a quarter (26%) of MSME owners and managers are considered as having a high financial literacy score, i.e. a score that is higher than 80 out of 100 (Figure 2.2). This proportions greatly varies by country, from 10% of owners/managers in Georgia, to 37% of those in Croatia, and is comparable to that of MSME owners and managers of companies with up to nine employees in G20 countries who participated in the 2021 OECD/INFE G20 report.

**Figure 2.2. Proportion of MSME owners/managers with a high financial literacy score**

Proportion of respondents having a score higher than 80 out of 100, by country



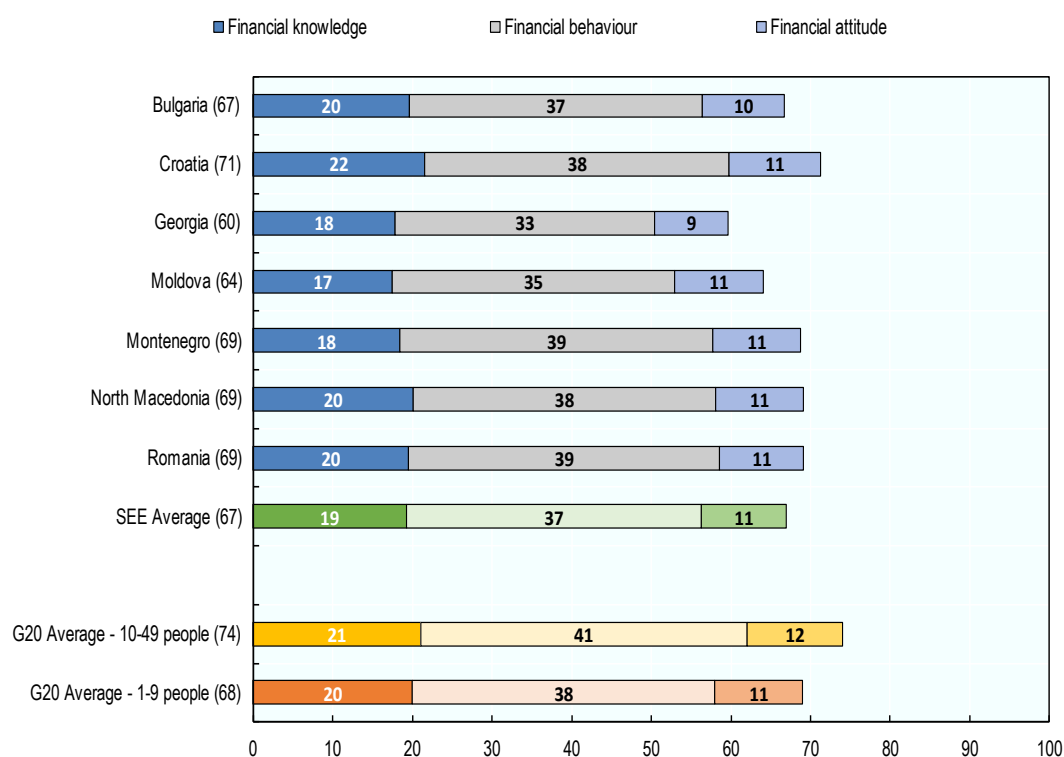
Note: Data used to compute financial literacy scores were collected in 2021 in Georgia, and in 2022 in other countries, possibly leading to slight differences in results. In the 2021 G20 report, companies were split according to their number of employees as some countries did not provide data for companies with 10 to 49 employees, and no overall average was provided.

Source: OECD computation, ACT Global data 2021 and 2022; OECD (2021<sup>[1]</sup>), G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 times, [G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 Times](#).

The relative weight of each of the three components (financial knowledge, financial behaviour and financial attitude) in the overall financial literacy score in South East Europe is generally quite similar, with some variation by country. The financial behaviour score is on average over six points higher in Montenegro and Romania compared to Georgia – 39 versus 33 respectively, and the financial knowledge score in Croatia is higher than in other South East Europe countries and G20 countries (Figure 2.3).

**Figure 2.3. Components of financial literacy scores**

Average financial literacy component scores (out of 100)



Note: Data used to compute financial literacy score components were collected in 2021 in Georgia, and in 2022 in other countries, possibly leading to slight differences in results.

Source: OECD computation, ACT Global data 2021 and 2022; OECD (2021<sup>[1]</sup>), G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 times, [G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 Times](#).

## Financial knowledge

The first component of the financial literacy score is the financial knowledge score. The knowledge score is computed as the number of correct responses to five financial knowledge questions, asking respondents to indicate whether a series of statements are true or false. The questions forming the basis of the financial knowledge score assess the understanding of MSME owners of key financial concepts that are relevant for their business, such as the functioning of dividends and equity ownership, the relationship between expected risk and expected return, inflation and the time value of money, and the link between interests paid and loan maturity.

Data show that about half of respondents on average understand that dividends are different from loan repayments, while about one-in-five respondents on average does not know or want to answer this question (Table 2.2). However, there appears to be some disparity among South East Europe countries, as MSME owners in Bulgaria and Georgia, and to a lower extent Romania, have both a lower-than-average rate of correct response and a higher-than-average rate of respondents unwilling or unable to respond to the question. Conversely, 66% of Croatian MSME owners and managers know the correct answer to the question on dividends, and only 11% did not respond, suggesting that there is a good understanding of the functioning of dividends among business owners in the country.

**Table 2.2. Knowledge about dividends**

Percentage of respondents indicating whether the statement “Dividends are part of what a business pays to a bank to repay a loan” is true or false, by country

Country	True	False (correct response)	Don't know / No answer
Bulgaria	36%	32%	32%
Croatia	23%	66%	11%
Georgia	41%	34%	26%
Moldova	25%	54%	21%
Montenegro	20%	60%	20%
North Macedonia	33%	49%	18%
Romania	34%	45%	21%
South East Europe average	30%	49%	21%

Note: Area highlighted in light grey shows the correct response.

Source: OECD computation, ACT Global data 2021 and 2022.

Similarly, there is a wide regional disparity about the understanding of equity (Table 2.3). While on average half of respondents across the region know that company equity relates to shares of its ownership, this percentage ranges from 40% and 41% respectively in Moldova and Montenegro, to 62% in Georgia. Similar to the question on dividends, about one-in-five respondents on average does not know or want to answer this question. In Bulgaria, Moldova and Montenegro, a higher-than-average proportion of respondents refused to respond or said they could not respond (30%, 29% and 27% respectively, versus 22% on average for the region).

**Table 2.3. Knowledge about equity**

Percentage of respondents indicating whether the statement “When a company obtains equity from an investor, it gives the investor part of the ownership of the company” is true or false, by country

Country	True (correct response)	False	Don't know / No answer
Bulgaria	51%	19%	30%
Croatia	49%	32%	19%
Georgia	62%	21%	18%
Moldova	40%	31%	29%
Montenegro	41%	33%	27%
North Macedonia	55%	31%	15%
Romania	57%	24%	19%
South East Europe average	51%	27%	22%

Note: Area highlighted in light grey shows the correct response.

Source: OECD computation, ACT Global data 2021 and 2022.

Across all seven countries of the region, a majority of MSME owners understand that higher expected returns usually come with higher risk, from 65% in Montenegro to 86% in Croatia (Table 2.4). Here the proportion of respondents replying that they do not know or want to answer is lower (11% on average) than for the previous two questions, indicating that respondents may be rather familiar with the concept of risk and return trade-off.

**Table 2.4. Knowledge about the risk-return trade-off**

Percentage of respondents indicating whether the statement “If a financial investment offers the chance to make a lot of money, it is likely that there is also a chance to lose a lot of money” is true or false, by country

Country	True (correct response)	False	Don't know / No answer
Bulgaria	80%	7%	13%
Croatia	86%	10%	3%
Georgia	75%	11%	14%
Moldova	81%	10%	9%
Montenegro	65%	16%	19%
North Macedonia	83%	12%	5%
Romania	75%	12%	12%
South East Europe average	78%	11%	11%

Note: Area highlighted in light grey shows the correct response.

Source: OECD computation, ACT Global data 2021 and 2022.

A large majority – 85% on average – of MSME owners in South East Europe Project countries understand the effect of inflation on the cost of living, and only 5% on average reply that they do not know or want to answer the question on inflation (Table 2.5).

**Table 2.5. Knowledge about inflation**

Percentage of respondents indicating whether the statement “High inflation means that the cost of living is increasing rapidly” is true or false, by country

Country	True (correct response)	False	Don't know / No answer
Bulgaria	94%	2%	4%
Croatia	92%	6%	2%
Georgia	71%	19%	10%
Moldova	81%	14%	5%
Montenegro	83%	10%	7%
North Macedonia	91%	7%	2%
Romania	85%	9%	6%
South East Europe average	85%	10%	5%

Note: Area highlighted in light grey shows the correct response.

Source: OECD computation, ACT Global data 2021 and 2022.

Across the region, on average 64% of MSME owners understand the relationship between a loan’s maturity and the amount of interests paid (Table 2.6). The proportion of respondents who reply that they do not know or want to reply to this question greatly varies across countries, from 4% of respondents in Croatia to 33% in Moldova.

**Table 2.6. Knowledge about loans and interest**

Percentage of respondents indicating whether the statement “A 15-year loan typically requires higher monthly payments than a 30-year loan of the same amount, but the total interest paid over the life of the loan will be less” is true or false, by country

Country	True (correct response)	False	Don't know / No answer
Bulgaria	75%	11%	14%
Croatia	74%	22%	4%
Georgia	62%	23%	15%
Moldova	41%	26%	33%
Montenegro	65%	15%	20%
North Macedonia	64%	25%	11%
Romania	69%	16%	14%
South East Europe average	64%	20%	16%

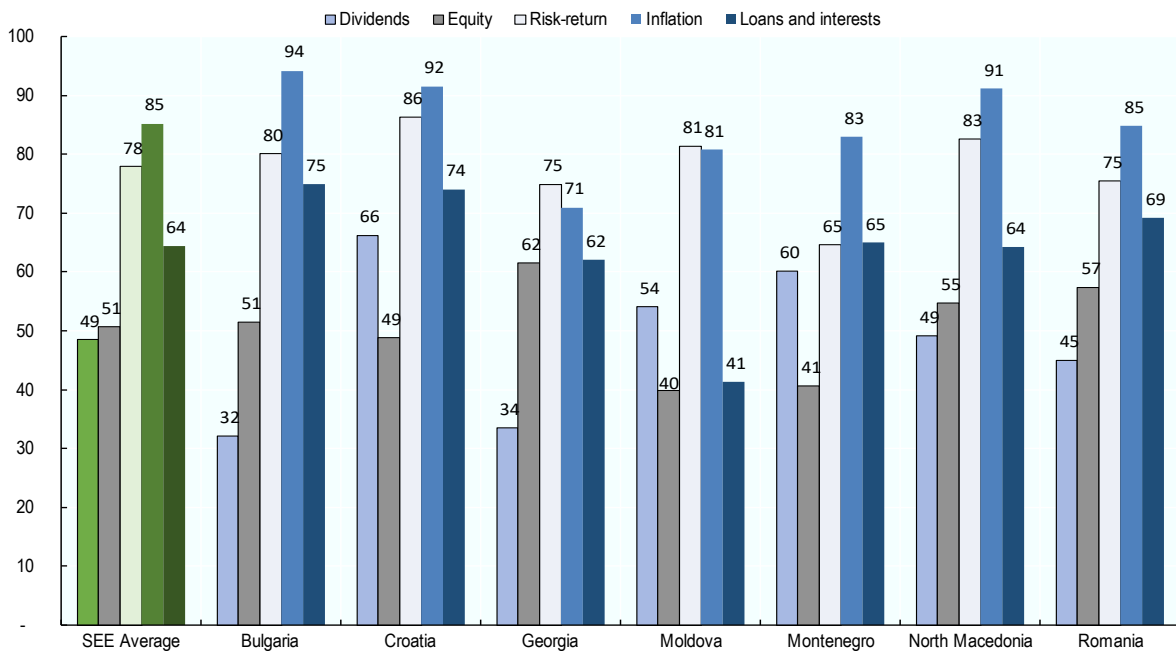
Note: Area highlighted in light grey shows the correct response.

Source: OECD computation, ACT Global data 2021 and 2022.

Figure 2.4 summarises the responses of MSME owners to the five financial knowledge questions.

**Figure 2.4. MSME owners and managers' responses to financial knowledge questions**

Percentage of correct answers, by country



Source: OECD computation, ACT Global data 2021 and 2022.

## Financial behaviour

The MSME financial literacy questionnaire contains 14 financial behaviour questions that participants are expected to answer. Responses to nine of these questions are used to compute the financial behaviour score, which is created by allocating one point for each answer corresponding to a financially savvy behaviour, with the maximum possible being nine.

### **Core financial behaviour questions**

The core financial behaviour questions are those whose responses are taken into account to compute the financial behaviour score. These questions cover how MSME owners plan for the future, how they manage business data, how they control financial costs, and whether they demonstrate other financially savvy behaviours such as prudence when making financial decisions.

Keeping business finances separate from personal finances is considered a financially savvy behaviour as it allows better financial and risk management. Overall in the region, 55% of MSME owners reported holding strictly separate accounts for their household and business finances (Table 2.7).

**Table 2.7. Separation of business and household accounts**

Percentage of respondents indicating which statement best describes their situation with regards to the separation of business and household financial accounts, by country

	Hold same account for business and household	Hold separate account but find it difficult	Hold strictly separate accounts
Bulgaria	10%	25%	60%
Croatia	6%	12%	65%
Georgia	21%	16%	35%
Moldova	8%	20%	57%
Montenegro	18%	25%	51%
North Macedonia	10%	18%	70%
Romania	19%	27%	48%
South East Europe average	13%	21%	55%

Note: Area highlighted in light grey shows the response(s) attracting 1 point in the financial behaviour score. The sum of percentages per country is lower than 100% as the table does not show “Don’t know/Refused to answer” responses.

Source: OECD computation, ACT Global data 2021 and 2022.

Shopping around, i.e. considering various options and various providers, is deemed an important and positive behaviour when purchasing or subscribing to a financial product or service, both for consumers and for business owners. MSME owners often carry out various tasks and may have limited time to shop around, meaning that they may overlook the importance of considering the various options that could meet their requirements. On average 46% of MSME owners in the South East Europe region considered several options from several providers when making their most recent choice about a financial product or service for the business (Table 2.8).

Across all seven South East European countries, a large majority of MSME owners keep track of their business’ financial records in a formal way (Table 2.9), from 91% in Georgia, to 99% in Moldova and North Macedonia on average. Formal methods of keeping track of financial records include in electronic format (48% of respondents on average), in paper format (16% on average), via an accountant (31% on average) or in another way (1% on average). It is worth noting that Moldova stands out with 87% of MSME

owners declaring they keep track of their business' financial records in electronic format, versus 28% in North Macedonia for instance. Conversely, 54% of North Macedonian MSME owners delegate keeping track of financial accounts to someone else, such as an accountant for instance, versus only 4% of those in Moldova. Georgia and Montenegro have the highest rates of respondents keeping track in paper format (33% and 29% respectively).

**Table 2.8. Shopping around**

Percentage of respondents indicating which statement best describes how they made their most recent choice about a financial product or service for the business (e.g. current account, business loan, insurance policy, etc.), by country

	Consider several options from several providers	Consider various options from one provider	Does not consider other options at all	Look around but no option to consider
Bulgaria	47%	17%	12%	3%
Croatia	51%	27%	6%	1%
Georgia	30%	6%	7%	4%
Moldova	34%	7%	9%	6%
Montenegro	62%	16%	8%	3%
North Macedonia	42%	20%	12%	3%
Romania	54%	15%	8%	3%
South East Europe average	46%	15%	9%	3%

Note: Area highlighted in light grey shows the response(s) attracting 1 point in the financial behaviour score. The sum of percentages per country is lower than 100% as the table does not show "Don't know/Refused to answer" responses.

Source: OECD computation, ACT Global data 2021 and 2022.

**Table 2.9. Financial records**

Percentage of respondents indicating which statement describes how they keep track of the financial records of the business, by country

	Electronic format	Paper format	In head	Someone else (e.g. accountant)	In another way	Do not keep track	Total formal way
Bulgaria	39%	15%	2%	41%	1%	1%	95%
Croatia	47%	6%	2%	42%	1%	2%	96%
Georgia	48%	33%	7%	10%	0%	0%	91%
Moldova	87%	7%	0%	4%	0%	0%	99%
Montenegro	47%	29%	2%	21%	1%	0%	97%
North Macedonia	28%	16%	1%	54%	1%	0%	99%
Romania	43%	9%	2%	43%	1%	0%	96%
South East Europe average	48%	16%	2%	31%	1%	0%	96%

Note: This question is compulsory for businesses with up to nine employees, and optional for those with ten employees or more. Area highlighted in light grey shows the response(s) attracting 1 point in the financial behaviour score. The sum of percentages per country is lower than 100% as the table does not show "Don't know/Refused to answer" responses.

Source: OECD computation, ACT Global data 2021 and 2022.

A majority (55% on average) of MSME owners in South East Europe have thought about how to fund their retirement (Table 2.10). Planning for retirement is considered an important and financially savvy behaviour, as it is a step toward improving one's future financial well-being. Planning for retirement is particularly important among MSME owners and managers, as in many countries, they are required to make lower contributions to the public pension system than employees, and therefore typically receive lower pension benefits than employees. MSME owners and managers therefore have a greater need than employees to plan for their retirement themselves, in order to receive an adequate income in retirement. In Bulgaria and Croatia, less than half (45%) of respondents have thought about how to fund their retirement, indicating more may need to be done to raise MSME owners' awareness about retirement planning.

**Table 2.10. Retirement planning**

Percentage of respondents indicating whether they have thought about how they will fund their own retirement or maintain themselves when they will no longer work due to old age, by country

	Yes	No/Not yet
Bulgaria	45%	50%
Croatia	45%	52%
Georgia	51%	44%
Moldova	56%	40%
Montenegro	67%	30%
North Macedonia	56%	39%
Romania	63%	33%
South East Europe average	55%	41%

Note: Area highlighted in light grey shows the response(s) attracting 1 point in the financial behaviour score. The sum of percentages per country is lower than 100% as the table does not show "Don't know/Refused to answer" responses.

Source: OECD computation, ACT Global data 2021 and 2022.

Planning for the unexpected is also considered an important behaviour as it allows to manage certain business risks, such as those linked to business continuity in case of theft. The financial behaviour score attributes 1 point to strategies that demonstrate advance risk management and planning, i.e. setting aside an emergency money pot that can be used in case of unforeseen cash needs, or contracting an insurance policy to cover unexpected losses. On average across the region, 22% of MSME owners would have claimed insurance on a previously contracted policy in case of theft of their business equipment, and 16% would have set aside an emergency savings pot they could use for this purpose (Table 2.11). There are country differences within the region, with 59% of Romanian MSME owners responding they would have set up a strategy in case of theft, compared to 20% and 24% of those in Georgia and Moldova respectively.

A large majority of MSME owners in South East Europe demonstrate positive financial behaviours when asked whether they keep data and information about their business secure, whether they compare the cost of different sources of finance for their business, whether they regularly forecast the profitability of their business, and whether they adjust their planning to changes in economic circumstances and factors (Table 2.12).



**Table 2.11. Strategy in case of theft**

Percentage of respondents indicating which statement best represents what they would do if tomorrow they discovered that most of the equipment that they need to operate the business has been stolen, by country

	Use emergency money set aside	Claim insurance	Take out a loan	Use personal or household funds	Ask family for loan	Stop business	No strategy	Other
Bulgaria	14%	23%	12%	11%	4%	6%	18%	0%
Croatia	9%	31%	22%	11%	2%	5%	15%	0%
Georgia	10%	10%	17%	15%	8%	11%	22%	0%
Moldova	14%	10%	17%	10%	4%	7%	24%	4%
Montenegro	17%	35%	13%	13%	3%	3%	12%	0%
North Macedonia	13%	16%	14%	7%	5%	16%	22%	1%
Romania	30%	29%	9%	8%	2%	4%	12%	0%
South East Europe average	16%	22%	15%	11%	4%	7%	18%	1%

Note: Area highlighted in light grey shows the response(s) attracting 1 point in the financial behaviour score. The sum of percentages per country is lower than 100% as the table does not show "Don't know/Refused to answer" responses.

Source: OECD computation, ACT Global data 2021 and 2022.

**Table 2.12. Behavioural elements**

Percentage of respondents agreeing with the proposed statements, by country

	Keep secure data and information about business	Compare the cost of different sources of finance	Regularly forecast the profitability of business	Adjust planning to changes in economic factors
Bulgaria	86%	82%	83%	89%
Croatia	90%	87%	87%	88%
Georgia	80%	76%	80%	86%
Moldova	91%	70%	79%	86%
Montenegro	90%	85%	80%	82%
North Macedonia	87%	83%	86%	89%
Romania	89%	84%	82%	85%
South East Europe average	87%	81%	82%	87%

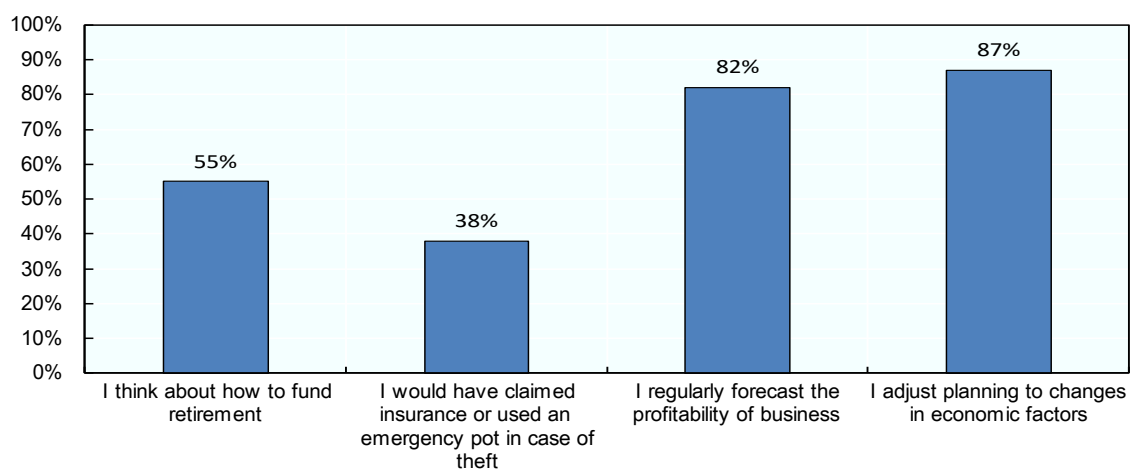
Note: Percentage computed as the weighted number of respondents answering they agree or strongly agree to each statement, divided by the weighted number of respondents for each statement. Agreeing to each statement attracts 1 point in the financial behaviour score. The sum of percentages per country is lower than 100% as the table does not show "Don't know/Refused to answer" responses.

Source: OECD computation, ACT Global data 2021 and 2022.

Figure 2.5 shows the average South East Europe response to questions related to anticipating the future. This figure shows that there may still be room for improvement of concrete and financial behaviour of MSME owners in the region.

**Figure 2.5. Behaviours related to anticipating the future**

Percentage of respondents agreeing with the proposed statements – South East Europe Average

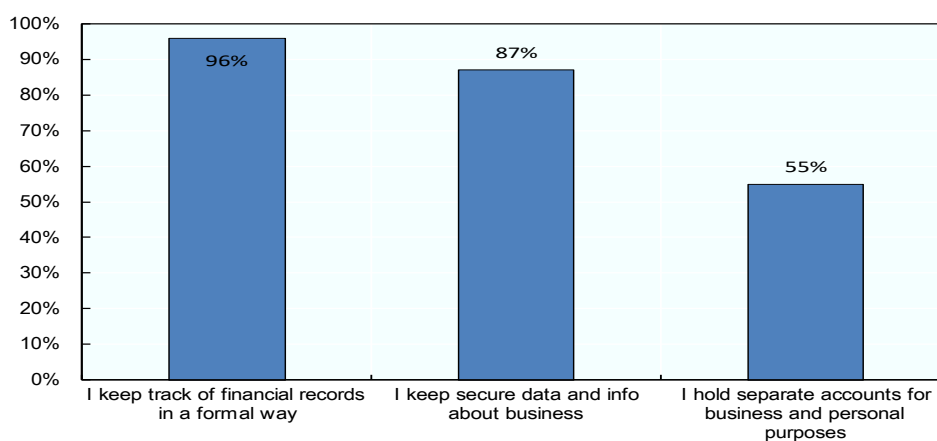


Source: OECD computation, ACT Global data 2021 and 2022.

Figure 2.6 shows the average South East Europe response to questions related to the management of business data.

**Figure 2.6. Behaviours related to business data and financial accounts management**

Percentage of respondents agreeing with the proposed statements – South East Europe Average

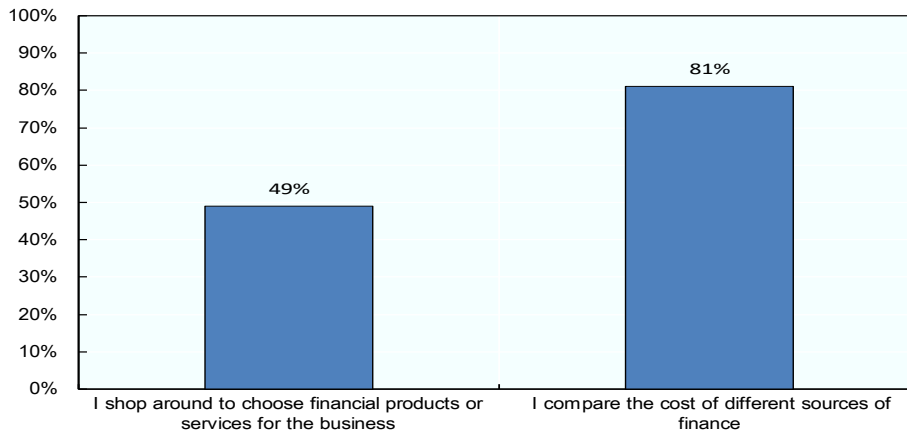


Source: OECD computation, ACT Global data 2021 and 2022.

Figure 2.7 shows the average response to questions related to controlling financial costs. This figure highlights that while MSME owners appear to know the importance of shopping around for financing solutions for their business, they may overlook it when selecting other financial products. This may also be linked to the availability of various financial products and services in South East Europe countries.

**Figure 2.7. Behaviours related to controlling financial costs**

Percentage of respondents agreeing with the proposed statements – South East Europe Average



Source: OECD computation, ACT Global data 2021 and 2022.

**Additional elements of financial behaviour**

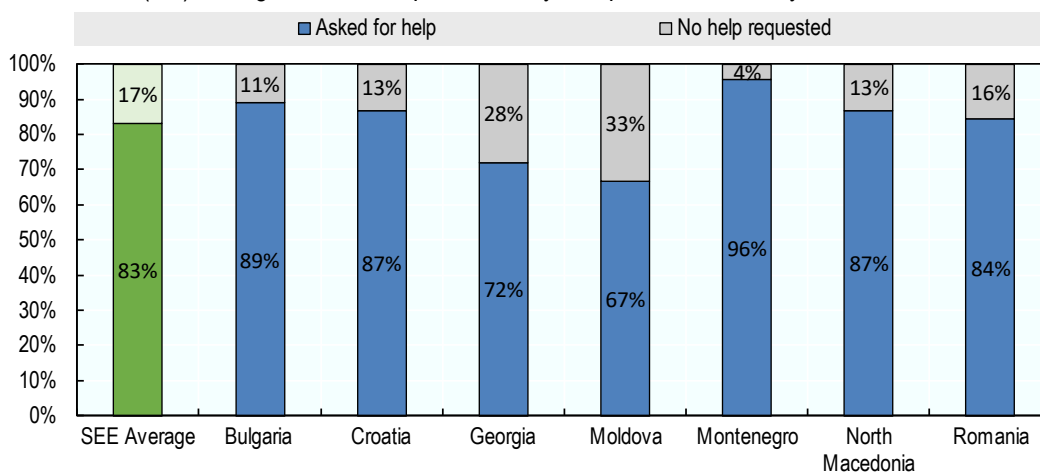
Other behaviours such as the propensity to ask for help with financial decisions for the business, or preferences linked to sustainability choices are assessed in the survey. The responses to these questions do not enter the financial behaviour score, as they do not lead to a clear distinction between financially savvy and non-savvy behaviour but are nevertheless worth analysing.

*Asking for help*

When asked whether MSME owners have used or asked for help to make financial decisions for their business in the two years prior to the survey, 17% of MSME owners in South East Europe respond that they have not asked anyone for help, and this proportion ranges from 4% in Montenegro, to 28% in Georgia and 33% in Moldova (Figure 2.8).

**Figure 2.8. MSME owners in South East Europe often ask for help with financial decisions**

Proportion of owners (not) having asked for help in the two years prior to the survey



Source: OECD computation, ACT Global data 2021 and 2022.

Those MSME owners who do ask for help about their business' financial decisions primarily ask their friends or family (59% on average across the region) or their accountant or bookkeeper (53% on average) (Table 2.13). There are important regional disparities in the people MSME owners reach out to for advice on financial decisions, in particular with the role of accountants as 75% of entrepreneurs in Bulgaria go to their accountant for such advice, versus only 25% of those in Moldova. This may be linked to preferences and habits as well as to different legal obligations with regards to having an external accountant or bookkeeper for the business across countries.

**Table 2.13. Who to turn to for help with financial decisions?**

Proportion of owners having asked for help to various people in the two years prior to the survey

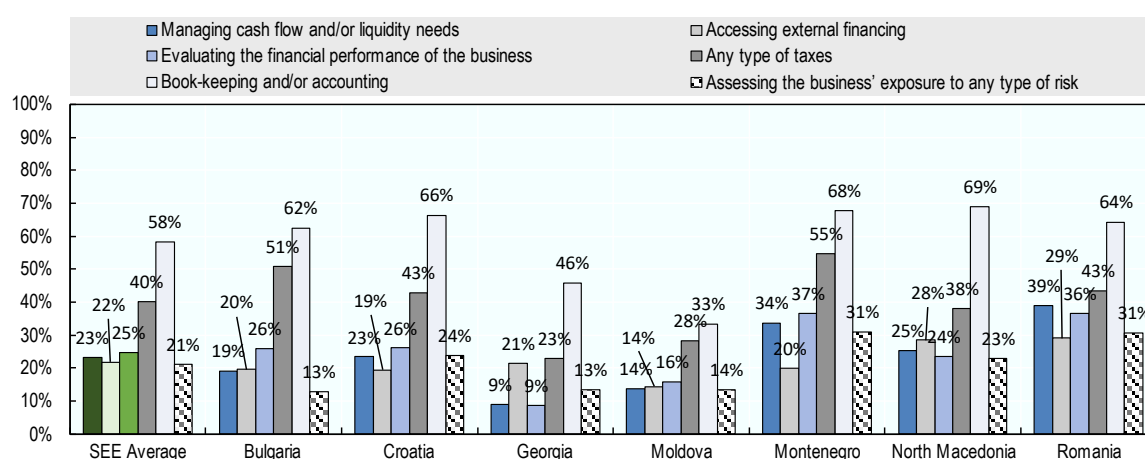
	No help requested	Asked for help to ...						
		A business partner	An external accountant	An external business financial advisor	A financial intermediary	A public agency or institution	Family or friends	Someone else
Bulgaria	11%	36%	75%	11%	29%	6%	59%	2%
Croatia	13%	20%	71%	20%	28%	12%	43%	1%
Georgia	28%	18%	31%	4%	13%	5%	53%	0%
Moldova	33%	30%	25%	12%	22%	12%	45%	7%
Montenegro	4%	58%	60%	29%	50%	15%	78%	0%
North Macedonia	13%	36%	62%	22%	36%	22%	73%	1%
Romania	16%	50%	48%	29%	38%	21%	62%	2%
South East Europe average	17%	36%	53%	18%	31%	13%	59%	2%

Note: Several answers are possible, hence the totals do not add up to 100%.

Source: OECD computation, ACT Global data 2021 and 2022.

**Figure 2.9. Matters for which help is sought**

Proportion of respondents having asked for help about various matters in the two years prior to the survey



Note: Several answers are possible, hence the totals do not add up to 100%.

Source: OECD computation, ACT Global data 2021 and 2022.

Unsurprisingly, given the high proportion of respondents who ask for help to their accountant or bookkeeper, accounting is the number one topic MSME owners ask for advice about (58% of respondents on average), followed by taxes (40% of respondents) (Figure 2.9).

Knowing when and who to ask for help and assistance with business financial decisions can be positive for the business' development and sustainability. In several South East European countries, asking for help is associated with higher financial literacy levels for the MSME owner (Box 2.2).

### Box 2.2. Financial literacy and asking for help with financial decisions

On average across the region, having a higher financial literacy score is associated with asking for help with financial decisions. MSME owners and managers with a high financial literacy score (i.e. above 80 out of 100) are on average twice as likely to ask for help as those with lower financial literacy scores (Figure 2.10). In North Macedonia, Moldova and Bulgaria, they are close to three times as likely to ask for help than their counterparts with lower financial literacy scores. In Romania however, the opposite phenomenon is observed and MSME owners and managers with high financial literacy scores are less likely to ask for help than those with lower scores.

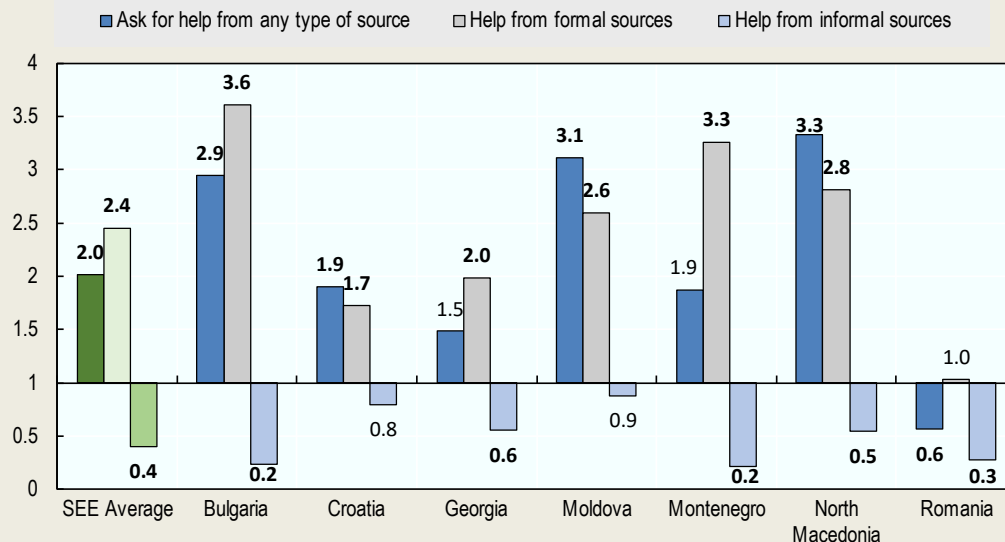
These results do not imply causality and may indicate that:

- Business owners and managers who are more financially literate understand the importance of asking for help.
- Business owners and managers who ask for help become more financially literate because they learn from these sources.

Both phenomena may be at play and it may not be possible to distinguish between them.

### Figure 2.10. Relationship between asking for help and financial literacy

Likelihood of asking for help about financial decisions to any type of source, to formal sources and to informal sources, for respondents with high financial literacy scores (odd ratios)



Note: These results are based on a logit regression, with robust standard errors and sampling weights (if available for a given country). Respondents who asked for help to several sources, including at least one formal source, are considered as having asked for help to a formal source, even if they also asked for help to informal sources. No other factors are taken into account in this regression. Statistically significant values are marked in bold (at the 5% level).

Source: OECD computation, ACT Global data 2021 and 2022.

Looking at the type of sources used to ask for help about financial decisions indicates that these may also be linked to financial literacy levels. Asking for help to formal sources, such as a business partner, an accountant, a financial advisor, a public institution or a financial intermediary is associated with higher financial literacy than asking for help to informal sources such as family and friends. On average, respondents with high financial literacy are 2.4 times more likely to ask for help to a formal source in the two years prior to the survey, than those with lower scores. This odds ratio reaches 3.6 for MSME owners and managers in Bulgaria, and 3.3 in Montenegro. Conversely, respondents with high financial literacy levels are 60% less likely to have asked for help to informal sources (family and friends) than those with lower financial literacy scores.

### *Sustainability considerations in business decisions*

A majority of MSME owners in South East Europe appears to consider the environmental and social impact of their business decisions. On average, 74% of MSME owners in the region claim that they take into account the environmental impact of investment decisions they make for their business, 80% their social impact, and 61% claim that they involve their providers in implementing actions with low environment impact (Table 2.14).

**Table 2.14. Importance of sustainability considerations for MSME owners**

Proportion of respondents agreeing with the following statements

	When I make an investment for the business, I take into account its environmental impact	When I make an investment for the business, I take into account its social impact	I involve my providers in implementing actions with low environmental impact
Bulgaria	70%	75%	62%
Croatia	63%	81%	57%
Georgia	83%	84%	75%
Moldova	72%	74%	41%
Montenegro	70%	78%	64%
North Macedonia	79%	83%	60%
Romania	77%	82%	67%
South East Europe Average	74%	80%	61%

Note: Percentage of respondents stating they agree or strongly agree with each statement.

Source: OECD computation, ACT Global data 2021 and 2022.

Considering the environmental and/or social impact of business decisions also appears to be associated with higher financial literacy scores for MSME owners in South East Europe (Box 2.3).

### Box 2.3. Financial literacy and sustainability considerations

MSME owners in South East Europe who declare considering the environmental or social impact of their business decisions appear to have higher financial literacy scores than those who declare not taking these considerations into account (Table 2.15). A regression analysis shows that on average, considering the environmental impact of business investments is associated with a financial literacy score 9.4 points higher (out of 100), considering their social impact is associated with a score 12.5 points higher, and involving providers with low environmental impact actions is associated with a financial literacy score 7.4 points higher. Across all countries, these three behavioural elements are positively related with higher financial literacy scores.

**Table 2.15. Relationship between sustainability considerations and financial literacy**

Score-point differences associated with various sustainability considerations

	Taking environmental impact into account when investing	Taking social impact into account when investing	Involving providers in low environmental impact actions
Bulgaria	12.8	13.5	11.4
Croatia	5.7	14.8	3.5
Georgia	20.6	18.2	17.0
Moldova	9.1	10.6	6.2
Montenegro	4.0	4.7	4.5
North Macedonia	14.3	16.1	5.3
Romania	10.6	13.1	10.2
South East Europe Average	9.4	12.5	7.4

Note: These results are based on a linear regression (OLS), with robust standard errors and sampling weights (if available for a given country). Statistically significant values are marked in bold (at the 5% level).

Source: OECD computation, ACT Global data 2021 and 2022.

## Financial attitude

The MSME financial literacy questionnaire contains four financial attitude questions that participants are expected to answer. These questions allow to describe the attitudes and preferences of MSME owners when making financial decisions for their business. They include those attitudes that are deemed core and make up the financial attitude score, and others that do not enter the financial attitude score but can be useful to understand the preferences of MSME owners in participating countries.

### **Core financial attitude**

The financial attitude score of MSME owners depends on whether they demonstrate three financially savvy attitudes, namely their ability to plan beyond the short term, to finance the business and to demonstrate a prudent attitude. The financial attitude score is created by allocating one point for each answer corresponding to a financially savvy attitude, with the maximum possible being three. Table 2.16 shows the responses of MSME owners to these questions.

**Table 2.16. Key components of the financial attitude score**

Percentage of respondents agreeing/disagreeing with the following statements

	Agree: I set long-term financial goals for the business and strive to achieve them	Agree: I am confident to approach banks and external investors to obtain business finance	Disagree: I prefer to follow my instinct than to make detailed financial plans for my business
Bulgaria	73%	60%	41%
Croatia	82%	66%	46%
Georgia	71%	59%	27%
Moldova	80%	65%	45%
Montenegro	78%	66%	43%
North Macedonia	80%	68%	38%
Romania	83%	59%	37%
South East Europe average	78%	63%	40%

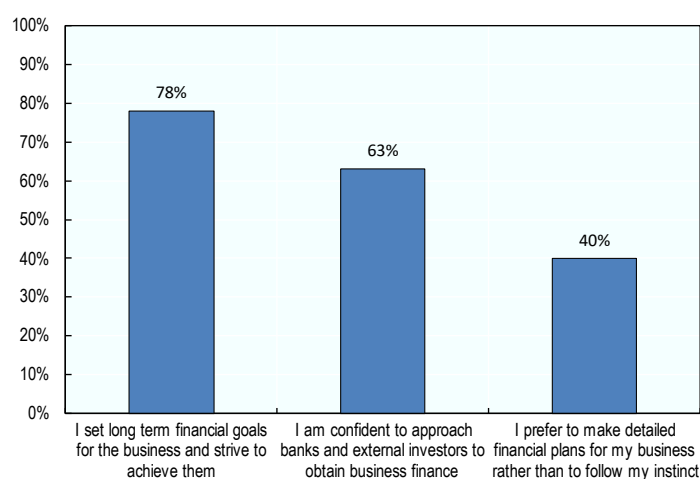
Note: 1 point is allocated for agreeing to the first statement, 1 point for agreeing to the second statement, and 1 point for disagreeing with the third statement.

Source: OECD computation, ACT Global data 2021 and 2022.

Figure 2.11 shows the average response of MSME owners in South East Europe about financial attitude questions related to planning, confidence, and prudence.

**Figure 2.11. Planning, confidence, and prudence**

Percentage of respondents agreeing with the proposed statements – South East Europe Average



Source: OECD computation, ACT Global data 2021 and 2022.

### ***Other elements of financial attitude***

The questionnaire also assesses the risk tolerance of MSME owners. This financial attitude is not incorporated into the financial attitude score as it does not demonstrate a financially savvy or non-savvy attitude, but rather reflect personal preferences. There is no right or wrong level of risk tolerance. However, it is important that MSME owners know their level of risk tolerance so that they can make financial and business decisions that are appropriate given their preferences and circumstances. Data suggest that only



22% of respondents in Croatia prefer high risk and high yield projects, compared to 44% in Moldova (Table 2.17).

**Table 2.17. Risk tolerance**

Percentage of respondents agreeing/disagreeing that they prefer high-risk and high-yield projects rather than low-risk and low-yield projects

	Total agree (high risk tolerance)	Total disagree (high risk aversion)
Bulgaria	30%	61%
Croatia	22%	75%
Georgia	42%	50%
Moldova	44%	42%
Montenegro	37%	55%
North Macedonia	33%	65%
Romania	42%	54%
South East Europe average	36%	58%

Source: OECD computation, ACT Global data 2021 and 2022.

## Financial literacy of MSMEs according to characteristics of the owner/manager and the business

Financial literacy may vary by country, but also according to characteristics of the business and of the MSME owner/manager. The characteristics of the business include its size in number of employees, its size by annual turnover (compared to other companies in the country), and its reported sector of activity. The characteristics of the MSME owner/manager include gender, formal education, and experience as an entrepreneur.

### *Financial literacy of MSME owners/managers in South East Europe by gender*

Gender differences in financial literacy have been observed across the adult population (OECD, 2020<sub>[11]</sub>), as well as among MSME owners in some G20 and other countries (OECD, 2021<sub>[11]</sub>).

Data suggest that there are limited gender differences across the financial literacy scores of MSME owners and managers in South East Europe, when other characteristics of the owner/manager and business are not taken into account (See Annex 2.A, Annex Table 2.A.1 for detailed results). Regressing financial literacy, and also its components i.e. financial knowledge, financial behaviour, and financial attitude scores on gender only (not considering other characteristics of the MSME owner/manager or business) indicates that:

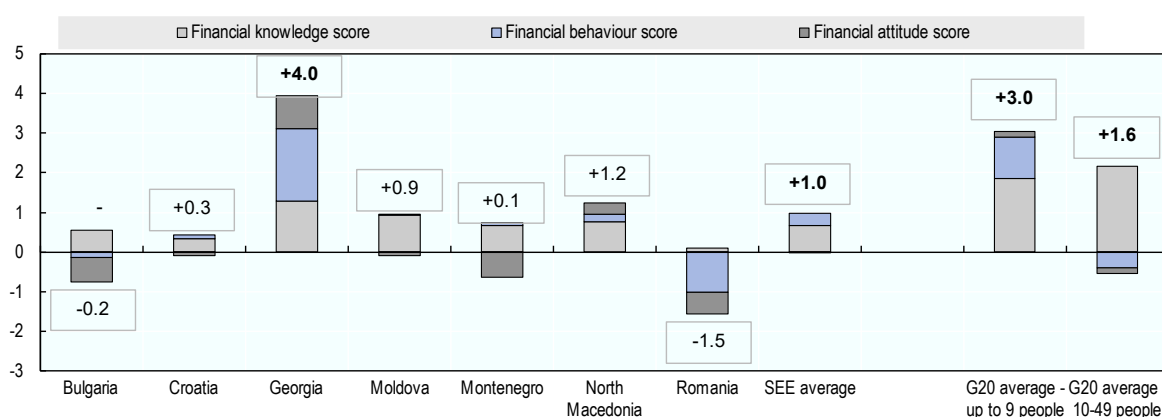
- On average across the region, financial literacy scores of male MSME owners and managers tend to be slightly higher than those of female owners, by about 1 score point (out of 100) and that this gender difference is driven mainly by higher financial knowledge scores for male than female owners/managers, by 0.7 score point (out of 100). There are very little gender differences in MSME owners and managers' financial behaviour and financial attitudes scores in South East Europe.
- Georgia is the only country where financial literacy scores are statistically different between male and female MSME owners and managers, by 4 score points (out of 100). All components of financial literacy – i.e. financial knowledge, financial behaviour, and financial attitude scores – are higher for male owners/managers than for their female counterparts in Georgia, and the main difference comes from behaviour (1.8 score point).

It is worth noting that when other characteristics of the MSME owner/manager and business are accounted for, such as formal educational level or sector, gender no longer appears to be associated with a difference in financial literacy score (as detailed in the following sub-section).

Gender differences in financial literacy scores in South East Europe appear to be lower than in G20 countries participating in the 2021 G20 report (OECD, 2021<sup>[11]</sup>), without other characteristics of the business and the owner/manager being taken into account, with the exception of Georgia, as illustrated in Figure 2.12. In G20 as in South East Europe countries, this difference is mainly driven by financial knowledge scores, which are about 2 score points higher for male owners and managers on average in G20 countries, compared to about 1 score point in South East Europe.

**Figure 2.12. Differences in financial literacy score components by gender**

Score point differences associated with male MSME owners, compared to female owners



Note: Note: These results are based on a linear regression (OLS), with robust standard errors and sampling weights (if available for a given country). Statistically significant values are marked in bold (at the 5% level). No other characteristics of the MSME owner/manager or business are taken into account.

Source: OECD computation, ACT Global data 2021 and 2022; OECD (2021<sup>[11]</sup>), G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 times, [G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 Times](#).

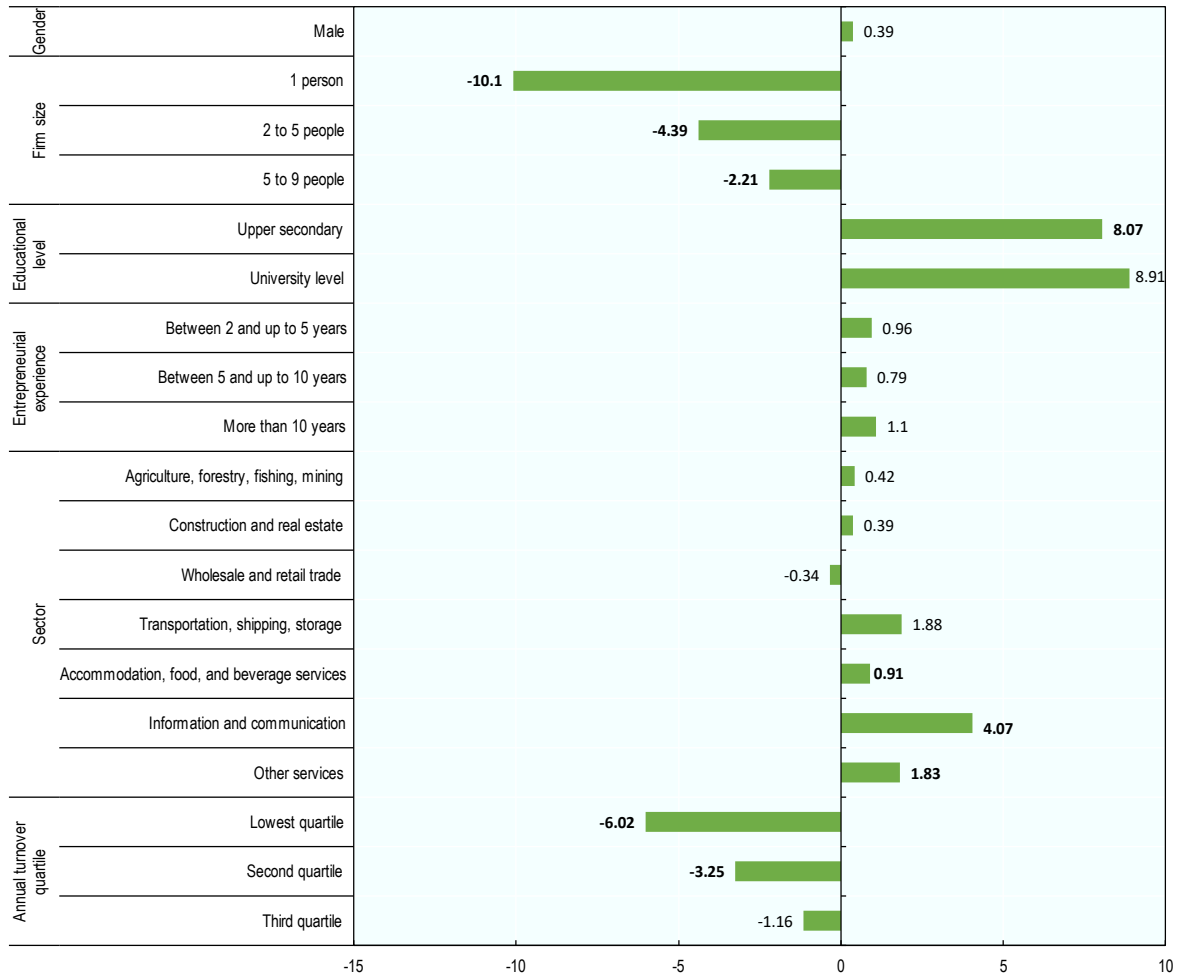
### **Financial literacy of MSME owners in South East Europe by characteristics of the business and owner/manager**

Differences in financial literacy scores, considering various characteristics of the owner/manager and of the business at the same time can be analysed via a multivariate regression (See Annex 2.A, Annex Table 2.A.2 for full regression results by country).

Figure 2.13 presents the regional average score-point difference in financial literacy levels according to characteristics of the owner/manager and of the business.

**Figure 2.13. Financial literacy scores, by characteristics of the business and the owner/manager**

Region average score-point differences associated with characteristics of the business and the owner/manager



Note: These results are based on a linear regression (OLS), with robust standard errors and sampling weights (if available for a given country). Comparison categories are: women, firms with 10 to 49 people, respondents with less than upper secondary education, respondents with less than two years' experience as business owners, manufacturing firms, firms in the upper quartile of respondents in their country for annual turnover. Statistically significant values are marked in bold (5% level).

Source: OECD computation, ACT Global data 2021 and 2022.

When considering not only gender, but several characteristics of the business and the owner/manager, male and female MSME owners and managers in South East Europe appear to display comparable financial literacy scores. The G20 report also revealed little gender difference on average (1.65 score points in favour of male owners and managers), but still some difference in some countries, as male MSME owners and managers display higher financial literacy than female owners/managers in Brazil, China, Mexico, and the Netherlands after taking into account other characteristics of the business and the owner.

Across all South East European countries studied, owners/managers of larger MSMEs in terms of employee numbers have higher financial literacy scores than owners of micro and very small businesses. On average, the larger the company size, the higher the financial literacy score of its owner/manager. For example, the average 1-person company owner/manager in South East Europe has a score 10.10 points lower than the owner/manager of a company with 10 to 49 employees; the average owner/manager of a two to five people company has a score 4.39 points lower, and the owner/manager of a company with

between five and nine employees has a score 2.21 points lower than the owner/manager of a company with 10 to 49 employees. Country differences in the structure of the MSME ecosystem – such as the proportion of micro-enterprises – may therefore contribute to some of the differences in average financial literacy scores observed between countries. In Georgia for instance, 38% of the sample of MSMEs are 1-person companies, compared to proportions ranging between 5% and 20% in other project countries. While sample data are weighted to ensure representativeness for each country, lower average financial literacy scores can expect to be observed in countries with higher actual proportions of micro enterprises, such as in Georgia.

Higher formal educational attainment is also associated with higher financial literacy scores in all South East European countries. In Bulgaria for instance, MSME owners/managers with upper secondary education have a score 19.5 points higher than those with lower levels of formal education, and this difference reaches almost 24 score points for owners/managers who have attained university-level education.

In several South East European countries, longer entrepreneurial experience of the owner/manager appears to be associated with higher financial literacy scores. Compared to an MSME owner/manager with less than two years of experience, those with longer entrepreneurial experience display financial literacy scores that are about 8 to 9 score points (out of 100) higher in Croatia, and about 5 to 6 score points in Montenegro.<sup>4</sup>

There are some differences in financial literacy levels across sectors in some countries, but there is no clear and consistent pattern of financial literacy across different industries. However, in Romania, MSME owners/managers in the manufacturing sector display lower financial literacy scores than those in many other sectors, including construction (4.96-point difference), services (6.77), trade (8.03), transportation (8.23), and accommodation (9.57).

Across several South East European countries, larger annual turnover is associated with higher financial literacy score for the MSME owner/manager. In Bulgaria for instance, owners/managers of company who declared their annual turnover to be in the lowest quartile have a score on average 8.27 points lower than those in the highest quartile, and this score difference reduces to 6.26 and 4.28 points respectively for turnover in the second and third quartile.

## Annex 2.A. Financial literacy by characteristics of the MSME owner/manager and business

Annex Table 2.A.1. Gender differences in financial literacy scores

Score-point differences associated with gender only (men – women)

	Financial literacy score	Financial knowledge score	Financial behaviour score	Financial attitude score
Bulgaria	-0.2	0.6	-0.1	-0.6
Croatia	0.3	0.3	0.1	-0.1
Georgia	<b>4.0</b>	<b>1.3</b>	<b>1.8</b>	<b>0.8</b>
Moldova	0.9	0.9	0.0	-0.1
Montenegro	0.1	0.7	0.1	-0.6
North Macedonia	1.2	0.8	0.2	0.3
Romania	-1.5	0.1	-1.0	-0.5
South East Europe average	<b>1.0</b>	<b>0.7</b>	0.3	0.0
G20 average – up to 9 people	<b>3.0</b>	<b>1.9</b>	<b>1.1</b>	0.1
G20 average – 10-49 people	<b>1.6</b>	<b>2.2</b>	-0.4	-0.2

Note: Note: These results are based on a linear regression (OLS), with robust standard errors and sampling weights (if available for a given country). Statistically significant values are marked in bold (at the 5% level). No other characteristics of the MSME owner/manager or business are taken into account.

Source: OECD computation, ACT Global data 2021 and 2022; OECD (2021<sup>[1]</sup>), G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 times, [G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 Times](#).

## Annex Table 2.A.2. Financial literacy scores, by characteristics of the business and the owner/manager

Score-point differences associated with characteristics of the business and the owner/manager

Score-point differences in financial literacy associated with the following characteristics of the owner/manager									
	Gender	Firm size			Formal educational level		Entrepreneurial experience		
	Male	1 person	2 to 5 people	5 to 9 people	Upper secondary	University level	Between 2 and up to 5 years	Between 5 and up to 10 years	More than 10 years
Bulgaria	0.54	<b>-8.84</b>	<b>-5.79</b>	<b>-5.05</b>	<b>19.50</b>	<b>23.61</b>	-6.17	-3.49	-1.61
Croatia	-0.62	<b>-8.41</b>	<b>-6.29</b>	<b>-2.72</b>	<b>14.09</b>	<b>20.22</b>	<b>7.61</b>	<b>8.37</b>	<b>8.76</b>
Georgia	0.42	<b>-10.53</b>	-2.91	1.95	7.73	<b>15.46</b>	-1.33	-1.78	0.01
Moldova	1.17	-4.67	<b>-2.85</b>	-0.78	2.62	<b>7.79</b>	7.50	4.52	2.81
Montenegro	-0.80	<b>-7.72</b>	-1.51	-1.36	<b>16.88</b>	<b>15.83</b>	1.89	<b>5.14</b>	<b>5.64</b>
North Macedonia	2.03	<b>-6.54</b>	<b>-4.17</b>	-1.26	<b>8.18</b>	<b>10.65</b>	<b>-6.37</b>	-4.43	-0.10
Romania	-0.59	<b>-7.40</b>	<b>-4.21</b>	-2.00	<b>11.31</b>	<b>15.28</b>	2.04	1.21	0.62
South East Europe average	0.39	<b>-10.10</b>	<b>-4.39</b>	<b>-2.21</b>	<b>8.07</b>	<b>8.91</b>	0.96	0.79	1.10

Score-point differences in financial literacy associated with the following characteristics of the business and the owner										
	Sector							Annual turnover quartile		
	Agriculture, forestry, fishing, mining	Construction and real estate	Wholesale and retail trade	Transportation, shipping, storage	Accommodation, food, and beverage services	Information and communication	Other services	Lowest quartile	Second quartile	Third quartile
Bulgaria	-0.12	-0.90	<b>-4.11</b>	-0.82	-3.82	0.09	-1.35	<b>-8.27</b>	<b>-6.26</b>	<b>-4.28</b>
Croatia	-4.25	2.08	0.77	-3.23	1.37	2.91	-0.46	<b>-8.16</b>	<b>-5.04</b>	-1.67
Georgia	-4.24	2.68	-0.35	1.18	3.25	<b>12.89</b>	2.76	<b>-9.61</b>	<b>-4.40</b>	-1.00
Moldova	<b>6.76</b>	-2.01	2.88	1.18	0.00	-2.71	1.45	<b>-7.17</b>	<b>-4.98</b>	-2.18
Montenegro	-2.89	<b>-5.76</b>	-0.89	-1.36	-2.45	0.63	1.33	<b>-8.53</b>	0.00	-2.58
North Macedonia	-4.89	<b>-6.18</b>	<b>-3.62</b>	0.73	<b>-8.17</b>	-2.24	0.02	-0.75	2.97	2.73
Romania	4.69	<b>4.96</b>	<b>8.03</b>	<b>8.23</b>	<b>9.57</b>	6.23	<b>6.77</b>	1.34	0.00	2.98
South East Europe average	0.42	0.39	-0.34	1.88	0.91	<b>4.07</b>	<b>1.83</b>	<b>-6.02</b>	<b>-3.25</b>	-1.16

Note: These results are based on a linear regression (OLS), with robust standard errors and sampling weights (if available for a given country). Comparison categories are: women, firms with 10 to 49 people, respondents with less than upper secondary education, respondents with less than two years' experience as business owners/managers, manufacturing firms, firms in the upper quartile of respondents in their country for annual turnover. Statistically significant values are marked in bold (5% level).

Source: OECD computation, ACT Global data 2021 and 2022.

# 3 Use of financial products and services

Across South East Europe, MSME owners and managers have access to various financial products and services for their business, but not all MSME owners and managers use or know about the products and services available to them. Analysing the extent to which awareness and use of different financial products and services is widespread in each country can provide an interesting insight into the financial education needs of MSME owners. This chapter will explore the awareness as well as the holding of financial products and the use of financial services by MSMEs in participating countries.

First, the analysis will look at the holding of traditional and digital bank accounts as a measure of financial inclusion.

Then the report will discuss the financial awareness score and the financial use score of MSMEs in South East Europe, which assess how much MSME owners are aware of and use other types of financial products and services for their business, including financing and risk management solutions.

## Holding of traditional and digital bank accounts

The holding of a bank account, whether traditional or digital, can be considered an indicator of financial inclusion. On average across the region, 91% of MSME owners have a bank account for their business, either in traditional or in digital form (Table 3.1).

A majority of MSME owners use a traditional bank account with a physical branch (90% of respondents in the region on average), but 23% declare using an online bank account, and 19% a mobile-only bank account. The use of online bank accounts greatly varies by country, with 1% of MSME owners in Croatia holding such bank account, compared to 43% of those in Moldova. Mobile-only bank accounts are most commonly used in Romania (36% of MSME owners) and North Macedonia (30%), and are seldom used in Croatia (1% of MSME owners).

The proportion of respondents with no bank account for their business is highest in Georgia (26% of MSME owners) and Croatia (17%), compared to 6% or fewer respondents in other South East Europe countries.<sup>5</sup>

On average across the region, MSMEs have a business bank account in similar proportions than companies with up to nine employees in the G20 countries who participated in the 2021 report on MSMEs (OECD, 2021<sup>[1]</sup>): 91% versus 92% respectively (Figure 3.1). Companies with between 10 and 49 employees in G20 countries more frequently hold a financial account for their business (96%).

**Table 3.1. Holding of a bank account for the business**

As a percentage of respondents per country

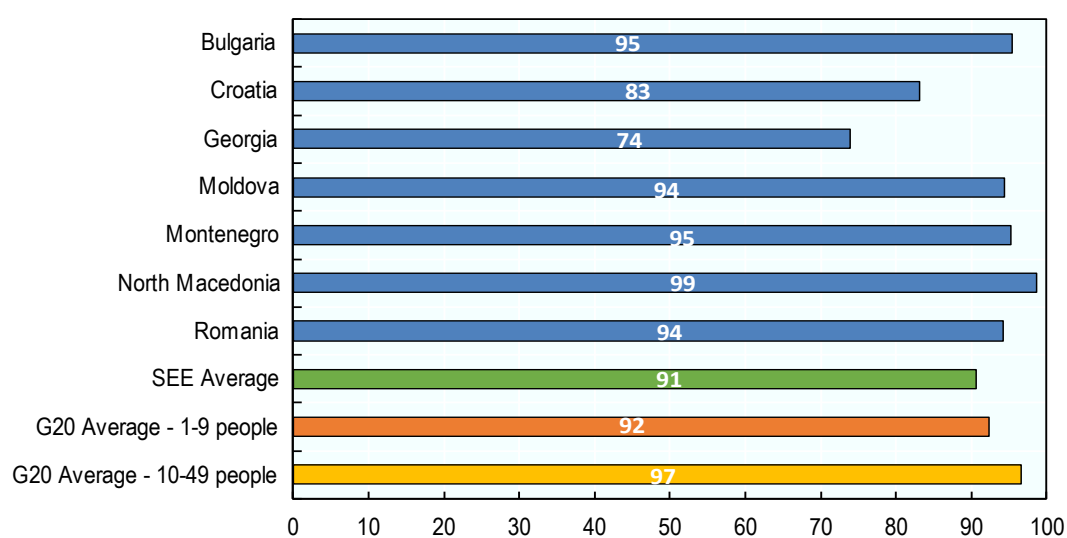
	Bank account with physical branch	Online bank account	Mobile only bank account	Any bank account	No bank account
Bulgaria	95%	16%	20%	95%	5%
Croatia	82%	1%	1%	83%	17%
Georgia	74%	*	*	74%*	26%*
Moldova	94%	43%	18%	94%	6%
Montenegro	95%	11%	12%	95%	5%
North Macedonia	98%	26%	30%	99%	1%
Romania	93%	38%	36%	94%	6%
South East Europe average	90%	23%	19%	91%	9%

Note: \* no data was collected on online only and mobile only accounts in Georgia. The total proportion of respondents holding any type of bank accounts in Georgia is therefore potentially higher than the figure for banks with a physical branch. Conversely, the proportion of respondents with no bank account at all in Georgia may be overestimated in the table.

Source: OECD computation, ACT Global data 2021 and 2022.

**Figure 3.1. Holding of a business bank account in South East Europe and other countries**

Out of a maximum of 100



Note: No data was collected on online only and mobile only accounts in Georgia. The total proportion of respondents holding any type of bank accounts in Georgia is therefore potentially higher than the figure for banks with a physical branch. G20 averages are computed as the arithmetic averages of the financial account holding scores of MSME owners in Brazil, China, France, Germany, Italy, Mexico, Russia, Saudi Arabia and Türkiye. In the 2021 G20 report, companies were split according to their number of employees and no overall average was provided.

Source: OECD computation, ACT Global data 2021 and 2022; OECD (2021<sup>[1]</sup>), G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 times, [G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 Times](#).



## Awareness and use of financial products and services

Various types of financial products and services can be used by MSME owners to finance their business or to manage risks to which their business is exposed. A financial awareness score and a financial use score can be computed based on how many of the products and services tested are known and used by respondents. Box 3.1 lists the various products and services tested in the survey. One point is awarded for each product or service that is known/used and scores are rescaled to range between 0 and 100.

### Box 3.1. Financial products and services assessed for awareness and use

The survey assesses the level of awareness and of use of various financial products and services by MSME owners and managers to compute a financial awareness and financial holding score. These products and services can be classified in four main categories: credit financing, equity financing, other financing, and risk management, and are listed below:

#### Credit financing products and services

- Business loan from a bank
- Micro-credit
- Bank overdraft or credit line
- Trade credit
- Corporate bonds or commercial paper
- Invoice discounting
- Sustainable bonds or loans

#### Equity financing products and services

- Public equity
- Venture capital
- Angel investment

#### Other financing products and services

- Lease or purchase hire
- Invoice factoring
- Crowdfunding or peer-to-peer lending
- Initial coin offering
- Mezzanine financing

#### Risk management products and services

- Property insurance
- Life insurance for the owner
- Third-party liability insurance
- Business interruption insurance
- Derivatives

Source: OECD/INFE survey instrument to measure the financial literacy of MSMEs

On average across the region, MSME owners are aware of about half (53%) of the financial products and services tested (Table 3.2). There is little difference in this score by country, as it ranges from 47 in Georgia, to 59 in Croatia.

**Table 3.2. Financial products awareness score**

Average financial products awareness scores (out of 100), overall and by components

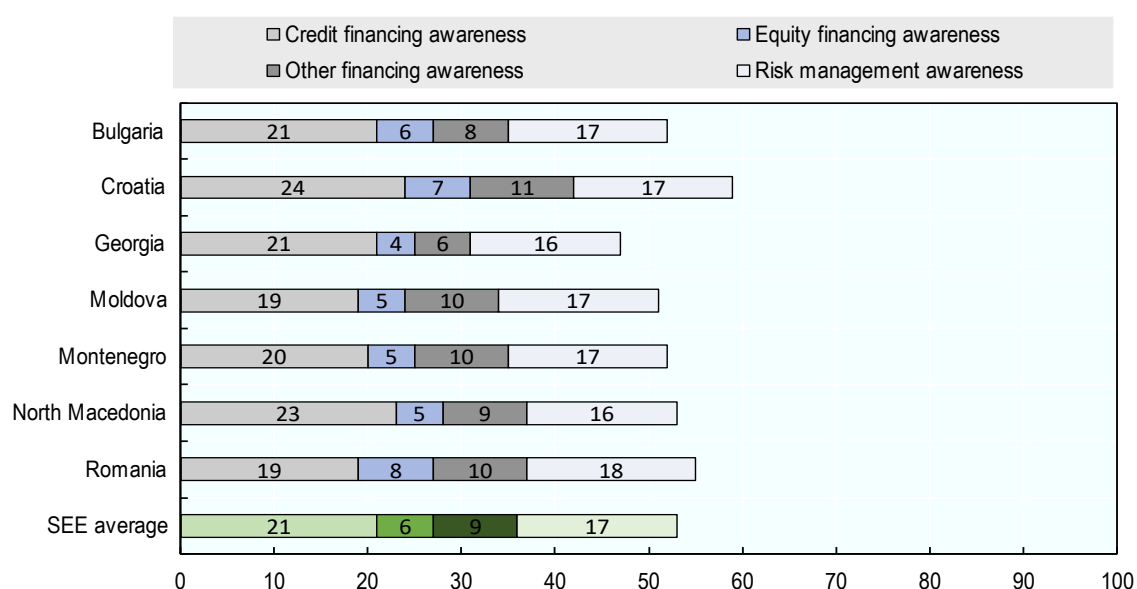
	Overall awareness score (max 100)	Credit financing awareness score (max 32)	Equity financing awareness score (max 16)	Other financing awareness score (max 26)	Risk management awareness score (max 26)
Bulgaria	52	21	6	8	17
Croatia	59	24	7	11	17
Georgia	47	21	4	6	16
Moldova	51	19	5	10	17
Montenegro	53	20	5	10	17
North Macedonia	53	23	5	9	16
Romania	55	19	8	10	18
South East Europe average	53	21	6	9	17

Note: Invoice discounting was not included in the credit financing awareness score as this product was not tested in the Georgian version of the survey.

Source: OECD computation, ACT Global data 2021 and 2022.

**Figure 3.2. Components of the financial awareness score**

Average financial awareness component scores, by country



Note: Invoice discounting was not included in the credit financing awareness score as this product was not tested in the Georgian survey.

Source: OECD computation, ACT Global data 2021 and 2022.

Products and services which are assessed in the score include credit financing, equity financing, other financing, and risk management (Figure 3.2). Similarly, there is no significant difference in the components

of the financial awareness score by country, with awareness scores for credit financing and risk management products and services demonstrating that MSME owners and managers have heard of more than half of the products tested in all countries, and awareness scores for equity and other financing methods showing that less than half of these products are known by MSME owners and managers (6 out of 16, and 9 out of 26 respectively on average).

The holding of various products and services differs by country (Table 3.3). While awareness levels are on average comparable across countries in South East Europe, the holding of these products varies, with an average overall holding score of 13 (out of 100) in the region, ranging from 6 and 7 in Georgia and Moldova respectively to 23 in Romania.

**Table 3.3. Financial products holding score of MSME owners and managers**

Average financial products holding scores (out of 100), overall and by components

	Overall holding score	Credit financing holding score (max 32)	Equity financing holding score (max 16)	Other financing holding score (max 26)	Risk management holding score (max 26)
Bulgaria	13	3	0	2	8
Croatia	16	6	0	3	7
Georgia	6	4	0	0	1
Moldova	7	3	0	1	3
Montenegro	16	6	0	2	8
North Macedonia	12	6	0	1	5
Romania	23	7	2	4	10
South East Europe average	13	5	1	2	6

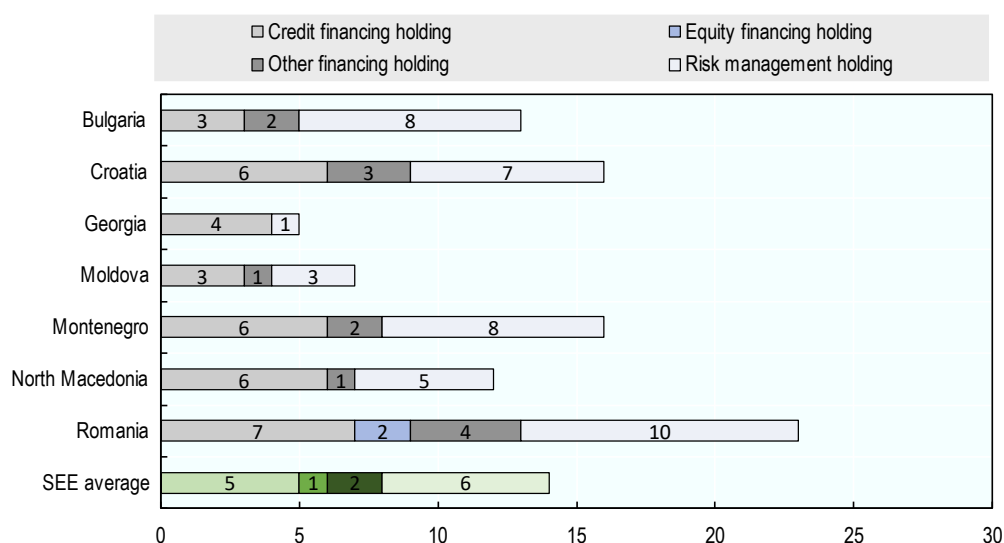
Note: All respondents are included in this assessment. Invoice discounting was not included in the credit financing holding score as this product was not tested in the Georgian version of the survey.

Source: OECD computation, ACT Global data 2021 and 2022.

Romania tops the holding score for all components of the score, i.e. credit financing, equity financing, other financing, and risk management.

**Figure 3.3. Components of the financial holding score**

Average financial holding component scores, by country



Note: Invoice discounting was not included in the credit financing holding score as this product was not tested in the Georgian survey. The figure was rescaled for ease of reading.

Source: OECD computation, ACT Global data 2021 and 2022.

### **Awareness and use of financing products**

The funding of MSMEs' business activities is a crucial aspect to ensure their development. According to the 2022 OECD report on Financing SMEs and entrepreneurs 2022: An OECD scoreboard, credit to SMEs increased from GEL 1 400 million in 2010 to GEL 7 105 million in 2020, and evidence suggests that Georgian SMEs are very depending on the banking sector for meeting their financing needs (OECD, 2022<sub>[16]</sub>). Other South East Europe countries have put in place innovative programmes as part of recovery plans, to facilitate the financing of MSMEs following the COVID-19 pandemic and its consequences on the economy. Examples include the agreement signed by the United Bulgarian Bank and the European Investment Fund in February 2021 for a new programme to offer preferential pricing and security requirements to improve trade financing for MSMEs, the strengthening of the guarantee fund for export credit to support exporter entrepreneurs and enhance SME internationalisation in Croatia, and the EUR 370 million package of private financing to provide cheaper leasing finance to Romanian MSMEs in particular to acquire agricultural equipment in rural areas (OECD, 2022<sub>[16]</sub>).

The first category of products that are assessed in the MSME survey are therefore products that can be used to finance the business. These are classified as credit, equity and other financing products and their awareness and use by MSME owners are detailed in the following section.

#### *Credit financing*

The first type of financing products assessed covers credit facilities, including bank loans, micro-credit, bank overdrafts or credit lines, trade credit, corporate bonds or commercial paper, invoice discounting, and sustainable bonds or loans.

On average 79% of respondents have heard of a bank overdraft or a credit line for their business, and 24% have used such a facility (Table 3.4). Sustainable bonds or loans are not as widely known by MSME owners in South East Europe (38% on average), which is probably linked to their relative novelty and the

limited market for such instruments in many jurisdictions, including in the OECD (Dembele, Schwarz and Horrocks, 2021<sup>[17]</sup>). However, in Romania, the average difference in awareness between traditional corporate bonds and sustainable bond is only of 2 percentage points, and in North Macedonia, sustainable bonds are even more widely known than corporate bonds, indicating that sustainable instruments may have become part of the typical financing solutions MSMEs can consider for their funding needs (Figure 3.4). Cash-flow management solutions such as invoice discounting are also known by less than half of respondents in several countries, indicating that financial institutions may not frequently offer such services to MSMEs in those countries. Business loans from a bank and micro-credit are commonly known across South East European countries, especially in Georgia where 96% of MSME owners have heard of micro-credit and 90% of bank loans for the business.

Usage of credit financing products is significantly lower than awareness, as can be expected. However, it is worth noting that invoice discounting is the most widely used source of credit financing in both North Macedonia and Montenegro, ahead of bank overdrafts and bank loans, contrary to what is observed in other South East European countries.

**Table 3.4. Awareness and use of credit financing products**

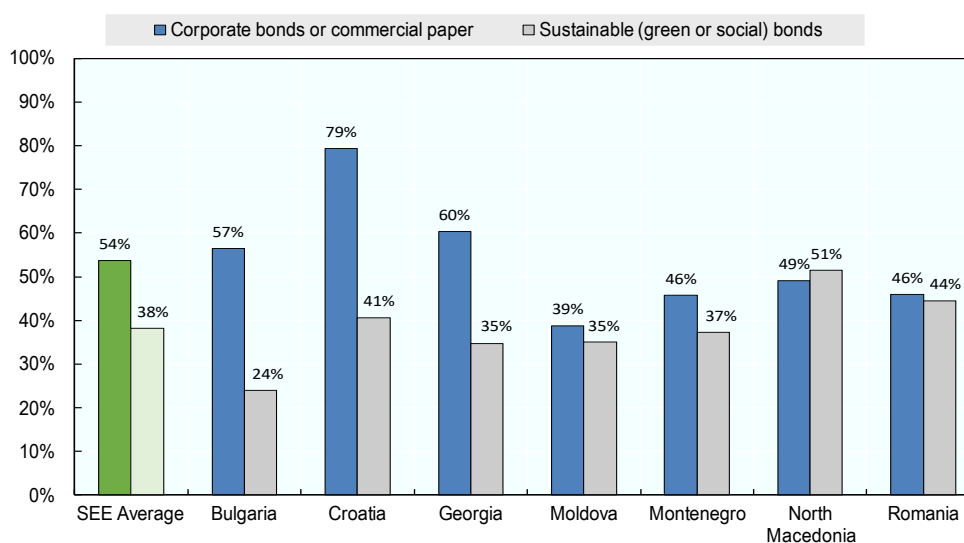
Panel A – Percentage of all respondents having heard of various credit financing methods							
Product	Business loan from a bank	Micro-credit	Bank overdraft or credit line	Trade credit	Corporate bonds or commercial paper	Invoice discounting	Sustainable bonds or loans
Bulgaria	88%	74%	81%	74%	57%	31%	24%
Croatia	88%	77%	95%	78%	79%	75%	41%
Georgia	90%	96%	61%	60%	60%	NA	35%
Moldova	68%	83%	70%	64%	39%	32%	35%
Montenegro	86%	71%	74%	70%	46%	69%	37%
North Macedonia	96%	87%	92%	69%	49%	73%	51%
Romania	54%	72%	79%	72%	46%	51%	44%
South East Europe average	81%	80%	79%	70%	54%	47%	38%
Panel B – Percentage of all respondents having used various credit financing methods							
Product	Business loan from a bank	Micro-credit	Bank overdraft or credit line	Trade credit	Corporate bonds or commercial paper	Invoice discounting	Sustainable bonds or loans
Bulgaria	21%	8%	17%	13%	1%	3%	1%
Croatia	29%	11%	40%	27%	9%	16%	3%
Georgia	28%	17%	10%	19%	0%	NA	1%
Moldova	12%	8%	16%	7%	2%	8%	3%
Montenegro	34%	12%	22%	30%	8%	35%	7%
North Macedonia	25%	14%	32%	13%	20%	38%	5%
Romania	18%	23%	35%	25%	17%	22%	14%
South East Europe average	24%	13%	24%	19%	8%	17%	5%

Note: NA stands for Not Applicable. In the Georgian questionnaire, invoice discounting was not proposed in the list of products.

Source: OECD computation, ACT Global data 2021 and 2022.

**Figure 3.4. Awareness of corporate and sustainable bonds**

Percentage of respondents having heard of corporate bonds or commercial paper, and of sustainable bonds



Source: OECD computation, ACT Global data 2021 and 2022.

### *Equity financing*

The second type of financing products assessed in the survey of MSME owners covers equity financing instruments, such as public equity, venture capital and angel investment.

**Table 3.5. Awareness and use of equity financing products**

Panel A – Percentage of all respondents having heard of various equity financing methods			
	Public equity	Venture capital	Angel investment
Bulgaria	44%	48%	13%
Croatia	63%	47%	21%
Georgia	35%	13%	18%
Moldova	39%	38%	21%
Montenegro	46%	34%	20%
North Macedonia	47%	36%	21%
Romania	50%	60%	33%
South East Europe average	46%	40%	21%
Panel B – Percentage of all respondents having used various equity financing methods			
	Public equity	Venture capital	Angel investment
Bulgaria	1%	1%	0%
Croatia	3%	2%	1%
Georgia	0%	0%	0%
Moldova	0%	1%	1%
Montenegro	5%	2%	2%
North Macedonia	2%	1%	1%
Romania	13%	16%	13%
South East Europe average	4%	3%	3%

Source: OECD computation, ACT Global data 2021 and 2022.

On average, 40% of MSME owners in South East Europe Project countries have heard of venture capital, and 3% have used venture capital to finance their business (Table 3.5). It is worth noting that Romania stands out in terms of usage of equity financing, with 13% of MSME owners reporting having used public equity, 16% venture capital, and 13% angel investment, compared to 4%, 3% and 3% respectively on average across all seven countries. This may indicate a more developed market for equity financing for MSMEs in Romania.

### *Other types of financing*

Other instruments may be used by MSME owners to finance their business, including lease or purchase hire for material or vehicles, invoice factoring, crowdfunding, initial coin offering and mezzanine financing (Box 3.2).

#### **Box 3.2. Alternative sources of financing**

In addition to credit and equity financing methods, the MSME survey assesses the awareness and use of various alternative types of financing among MSME owners. Definitions for these alternative sources of financing are detailed in Table 3.6.

**Table 3.6. Definition of alternative financing sources**

Financing type	Definition
Lease or purchase hire	Asset financing mechanism by which land, property, material, or vehicles belonging to a third party are rented. At the end of a lease, the asset's ownership remains with its initial owner, while a purchase hire contract entails the transfer of property at the end of the contract.
Invoice factoring	Financial transaction in which a business sells their accounts receivables to a third party at a discount.
Crowdfunding or peer-to-peer lending	Raising of funding (either debt or equity) from individuals through a centralised platform.
Initial coin offering	Capital raising through the selling of a new crypto-currency.
Mezzanine financing	Hybrid of debt and equity financing, representing a claim on the company's assets which is senior only to that of common shares. Examples include preferred stock and subordinated debt.

Around 80% or more respondents know of lease or hire purchase in each of the seven countries, and about a quarter of respondents on average have used this type of financing for their business (Table 3.7). A larger proportion (34%) of Romanian MSME owners/managers use lease or hire purchase than in other South East European countries, except for Croatia. This may be related to policy measures implemented in Romania to boost leasing operations as part of the economic recovery plan following the COVID-19 pandemic (OECD, 2022<sup>[16]</sup>). Invoice factoring is known of about one-third of respondents on average. Although this is the case for 45% of MSME owners in Croatia, only 2% of respondents declare using such financing instrument. As is the case for equity financing solutions, MSME owners in Romania are the highest users of crowdfunding, initial coin offerings and mezzanine financing in South East Europe, with 12%, 12% and 11% of respondents respectively for these financing methods, compared to 3%, 2% and 3% respectively of all respondents on average across the region. The relatively high awareness and use of crowdfunding by MSME owners and managers in Romania may be linked to the increased visibility and attractiveness of such financing arrangements brought about by the agreement signed between the Bucharest stock exchange (BVB) and an equity crowdfunding platform (SeedBlink) in 2021 (OECD, 2022<sup>[18]</sup>). This agreement aims to support the financing of entrepreneurs, by facilitating the listing of promising companies previously financed via crowdfunding.

**Table 3.7. Awareness and use of other financing products**

Panel A – Percentage of all respondents having heard of various financing methods					
	Lease or hire purchase	Factoring	Crowdfunding/Peer-to-peer lending	Initial coin offering	Mezzanine finance
Bulgaria	87%	30%	13%	18%	12%
Croatia	95%	45%	36%	22%	13%
Georgia	79%	11%	6%	13%	4%
Moldova	87%	35%	32%	24%	11%
Montenegro	83%	37%	25%	12%	29%
North Macedonia	80%	23%	33%	17%	12%
Romania	81%	35%	34%	29%	19%
South East Europe average	85%	31%	26%	19%	14%
Panel B – Percentage of all respondents having used various financing methods					
	Lease or hire purchase	Factoring	Crowdfunding/Peer-to-peer lending	Initial coin offering	Mezzanine finance
Bulgaria	30%	1%	1%	0%	0%
Croatia	43%	2%	2%	2%	1%
Georgia	3%	0%	0%	0%	0%
Moldova	16%	2%	3%	0%	0%
Montenegro	28%	4%	2%	1%	4%
North Macedonia	17%	2%	3%	1%	1%
Romania	34%	12%	12%	12%	11%
South East Europe average	24%	4%	3%	2%	3%

Source: OECD computation, ACT Global data 2021 and 2022.

### ***Awareness and use of risk management instruments***

Risk management techniques can be very useful to ensure MSME owners have the appropriate tools when exposed to certain types of risk for their business. The questionnaire assesses whether MSME owners have heard or used various of these techniques, including different types of non-life insurance (i.e. for their business' property, damages caused to third parties, in case of an interruption of business), life insurance (for themselves), as well as derivatives.

Awareness of various insurance products is high among project countries, with 92% of respondents on average knowing of property insurance, 80% of life insurance for business owners, and 70% of third-party liability insurance (Table 3.8).

While property insurance is widely known among all countries, there are country differences in awareness about life insurance for business owners and third-party liability insurance, with percentages ranging from 67% in Bulgaria to 89% in North Macedonia for the former, and from 58% in North Macedonia to 95% in Bulgaria for the latter, indicating that there may be country specificities in the type of insurance contracts that are offered and advertised.

Use of insurance instruments is rather heterogeneous across countries, with 45% of MSME owners in the region on average using property insurance, from 13% in Georgia to 64% in Montenegro; 23% using life insurance, from 7% in Georgia and Moldova to 36% in Romania; and 31% using third-party liability insurance, from 6% in Georgia to 70% in Bulgaria.

Business interruption insurance is less widely known, with 50% of MSME owners declaring they are aware of this solution, and 9% of respondents having used it.



Some 28% of respondents on average declare having heard of derivatives, from 15% of MSME owners in Georgia to 41% in Moldova, and about 4% of respondents in the region have used them, with Romania standing out with some 14% of users among MSME owners.

**Table 3.8. Awareness and use of risk management products**

Panel A – Percentage of all respondents having heard of various risk management methods					
	Property insurance	Life insurance for the owner	Third-party liability insurance	Business interruption insurance	Derivatives
Bulgaria	93%	67%	95%	43%	20%
Croatia	94%	86%	66%	49%	25%
Georgia	94%	77%	60%	57%	15%
Moldova	89%	74%	67%	55%	41%
Montenegro	96%	87%	63%	54%	32%
North Macedonia	92%	89%	58%	35%	23%
Romania	87%	80%	82%	55%	38%
South East Europe average	92%	80%	70%	50%	28%
Panel B – Percentage of all respondents having used various risk management methods					
	Property insurance	Life insurance for the owner	Third-party liability insurance	Business interruption insurance	Derivatives
Bulgaria	49%	18%	70%	8%	1%
Croatia	63%	32%	24%	9%	3%
Georgia	13%	7%	6%	2%	0%
Moldova	28%	7%	15%	3%	4%
Montenegro	64%	41%	28%	15%	3%
North Macedonia	41%	17%	17%	5%	6%
Romania	57%	36%	55%	22%	14%
South East Europe average	45%	23%	31%	9%	4%

Source: OECD computation, ACT Global data 2021 and 2022.

## Financial awareness, and use of financial products and services according to characteristics of the MSME owner/manager and business

Awareness and use of financial products and services may be associated to some characteristics of MSME owners and managers (such as their gender, level of formal education, entrepreneurial experience) or business (such as its size and sector of activity). This section explores some possible relationships between the scores for financial inclusion, financial awareness and holding of financial products, and characteristics of the owner/manager or the business.

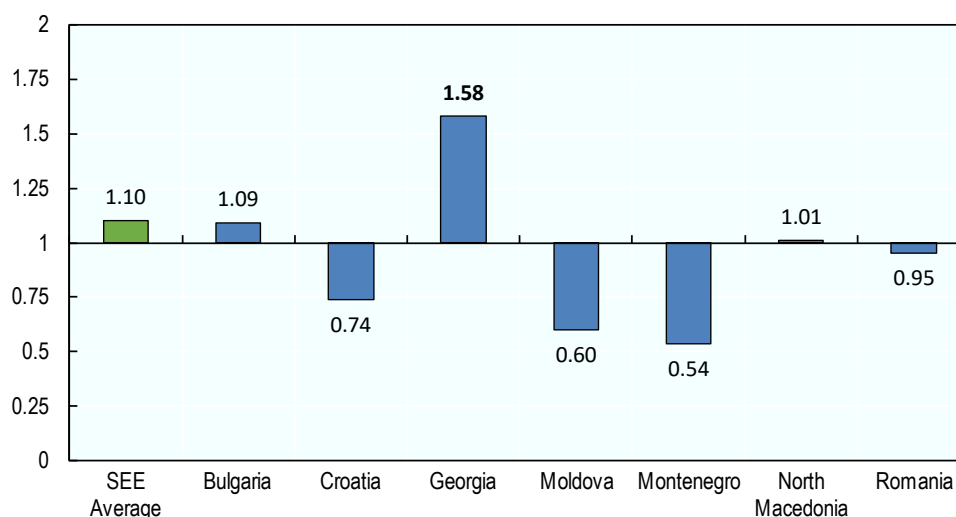
### ***Financial inclusion of MSME owners and managers in South East Europe by characteristics of the owner/manager and the business***

Analysing differences in holding a financial account (either traditional or digital), considering various characteristics of the business (size as measured by number of employees and by turnover, sector) and the owner or manager (gender, formal education level, entrepreneurial experience) at the same time provides an indication of the variation in financial inclusion according to those characteristics.<sup>6</sup>

Overall, in the region, there are mixed results on the association between gender and the holding of a bank account for the business, considering other personal and business characteristics (Figure 3.5). In Georgia, male MSME owners and managers are 1.58 times as likely as their female counterparts to hold a financial account for their business. In other South East Europe countries, the gender differences observed are not statistically significant.

**Figure 3.5. Holding of a financial account, by gender of the owner or manager**

Likelihood of holding a financial account, either traditional or digital (odds ratio)



Note: These results are based on a logit regression, with robust standard errors and sampling weights (if available for a given country). Comparison category is female owner/manager. Other parameters included in the regression include owner/manager formal education and entrepreneurial experience, and company size and business sector. Full regression results are shown in Annex 3.A, Annex Table 3.A.1. Statistically significant values are marked in bold (5% level).

Source: OECD computation, ACT Global data 2021 and 2022.

Larger MSMEs are on average more likely than smaller ones to hold a financial account (Table 3.9). For example, the average 1-person and 2 to 5-person MSME in South East Europe are respectively 0.18 and 0.39 as likely to hold a financial account as a company with 10 to 49 people working, after other business and owner/manager characteristics have been taken into account. Lower financial account holding levels can therefore be expected in countries with higher proportions of micro enterprises, such as in Georgia for example.

Other variations in account holding by characteristics of the business and owner/manager are rather limited or not statistically significant, likely due to the fact that a large proportion of businesses in South East Europe have a traditional account (see Annex 3.A, Annex Table 3.A.1). Figure 3.6 shows the odds ratio of holding a financial account for the business on average in the region, by characteristics of the business and the owner/manager. In addition to the size of the MSME in number of employees, several business sectors appear to be associated to the holding of a financial account. Compared to manufacturing firms, MSMEs in the accommodation sector are 2.57 times as likely to hold a financial account, those in the transportation sector are 2.30 times as likely, those in the agricultural sector are 1.81 times as likely, and those in the services sector are 1.50 times as likely.

**Table 3.9. Holding of a financial account, by company size**

Likelihood of holding a financial account, either traditional or digital (odds ratio)

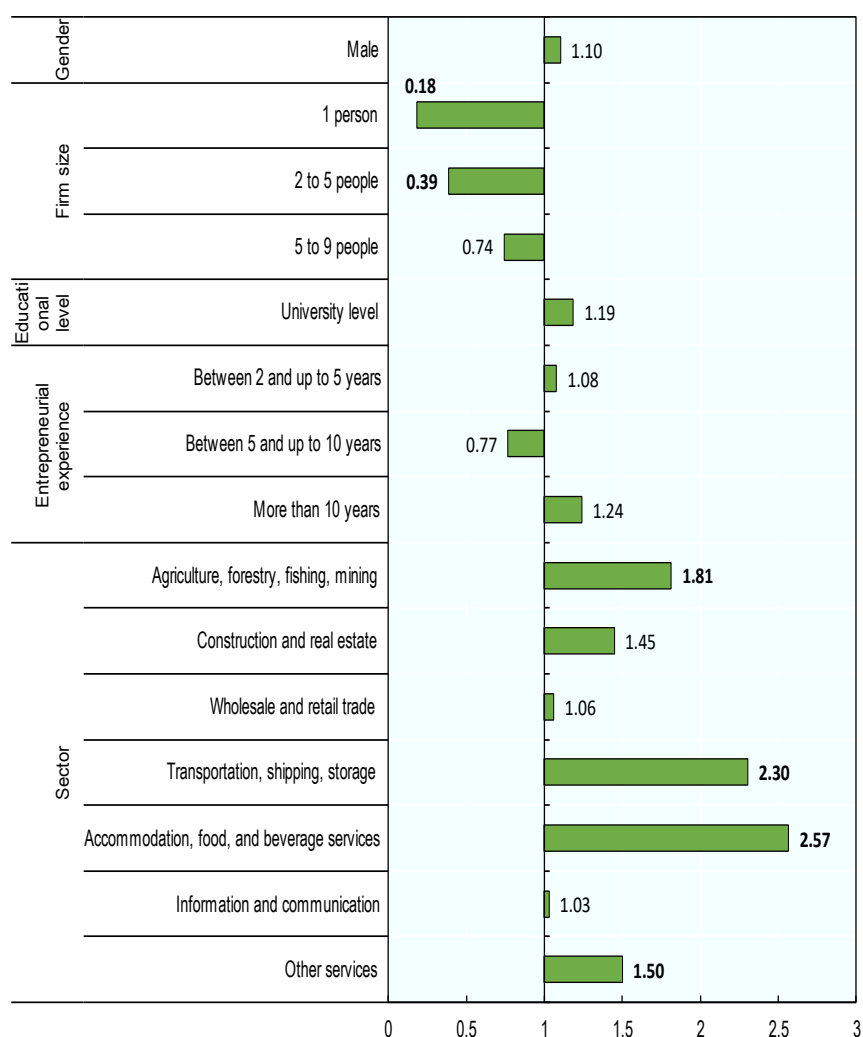
	Likelihood of holding of a traditional financial account associated with firm size		
	1 person	2 to 5 people	5 to 9 people
Bulgaria	<b>0.07</b>	0.31	1.13
Croatia	2.63	<b>0.41</b>	<b>0.55</b>
Georgia	<b>0.05</b>	<b>0.09</b>	0.33
Moldova	<b>0.12</b>	0.45	0.79
Montenegro	<b>0.15</b>	0.37	0.79
North Macedonia	1.64	1.82	2.02
Romania	<b>0.33</b>	0.54	1.20
South East Europe average	<b>0.18</b>	<b>0.39</b>	0.74

Note: These results are based on a logit regression, with robust standard errors and sampling weights (if available for a given country). Comparison category is firms with 10 to 49 people. Other parameters included in the regression include gender, formal education, entrepreneurial experience, business sector. Full regression results are shown in Annex 3.A, Annex Table 3.A.1. Statistically significant values are marked in bold (5% level).

Source: OECD computation, ACT Global data 2021 and 2022.

**Figure 3.6. Financial account holding, by characteristics of the business and the owner/manager**

Likelihood of holding a financial account, either traditional or digital (odds ratio), region average



Note: These results are based on a logit regression, with robust standard errors and sampling weights (if available for a given country). Comparison categories are: women, firms with 10 to 49 people, respondents with less than university education, respondents with less than two years' experience as business owners/managers, manufacturing firms. Full regression results by country are shown in Annex 3.A, Annex Table 3.A.1. Statistically significant values are marked in bold (5% level).

Source: OECD computation, ACT Global data 2021 and 2022.

### ***Awareness and use of financial products by MSME owners and managers in South East Europe according to characteristics of the owner/manager and the business***

When analysed separately from other characteristics of the owner/manager and the business, gender appears to be associated to financial awareness and financial holding to a very limited extent overall in the region (Table 3.10), with average differences in scores of less than one point (out of 100) on each of the scores.

**Table 3.10. Gender differences in financial awareness and financial holding scores**

Score-point differences associated with gender (men – women)

	Financial awareness score	Financial holding score
Bulgaria	-0.1	0.1
Croatia	0.1	0.3
Georgia	<b>0.9</b>	<b>0.3</b>
Moldova	0.2	0.1
Montenegro	0.2	0.3
North Macedonia	-0.1	<b>0.3</b>
Romania	0.6	0.2
South East Europe average	<b>0.3</b>	<b>0.2</b>

Note: These results are based on a linear regression (OLS), with robust standard errors and sampling weights (if available for a given country). Statistically significant values are marked in bold (at the 5% level). Other characteristics of the business and owner/manager are not taken into account.

Source: OECD computation, ACT Global data 2021 and 2022.

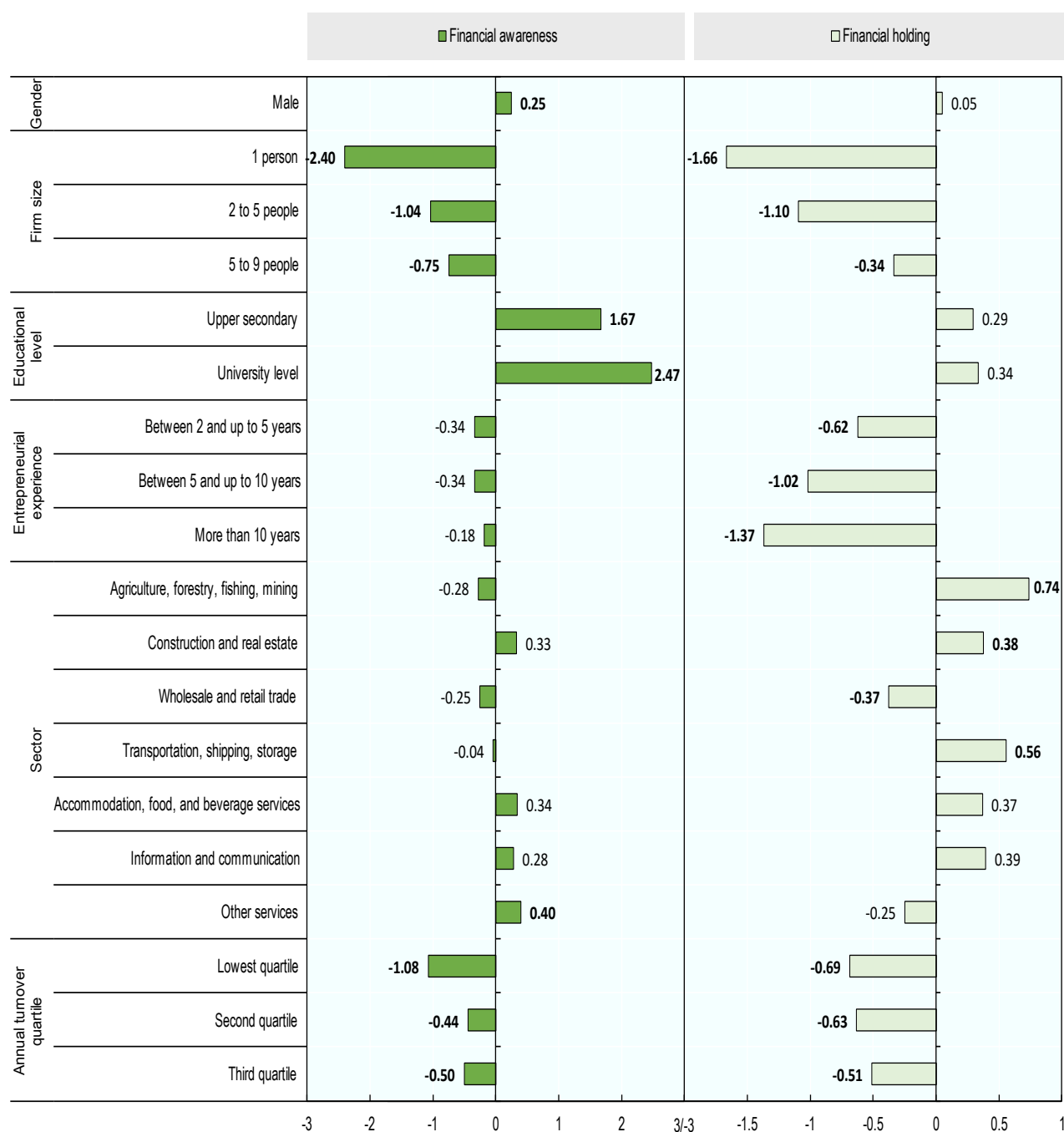
Differences in financial awareness and holding scores, taking into account various characteristics of the owner and of the business at the same time can be analysed via a multivariate regression (full details in Annex 3.B, Annex Table 3.B.1 and Annex Table 3.B.2). While several characteristics of the owner/manager and the business appear to be associated with higher financial literacy score, this does not hold for financial awareness and holding scores, for which only firm size (in number of employees and in turnover) and formal educational attainment appear to show a significant correlation – albeit rather small in magnitude (Figure 3.7).

Across all South East European countries studied except Moldova, owners and managers of larger MSMEs in terms of employee numbers have higher financial awareness and financial holding scores than owners and managers of micro and very small businesses, although the difference in scores due to company size remains limited. On average, the larger the company size, the higher the financial awareness and the financial holding score of its owner or manager. For example, the average 1-person company owner/manager in South East Europe has an awareness score 2.40 points lower than the owner/manager of a company with 10 to 49 employees.

Higher formal educational attainment is also associated with higher financial awareness scores in several South East European countries and on average across the region. On average, MSME owners and managers with upper secondary education have a score 1.67 points higher than those with lower levels of formal education, and this difference reaches 2.47 score points for owners and managers who have attained university-level education.

**Figure 3.7. Financial awareness and holding scores, by characteristics of the business and owner/manager**

Region average score-point differences associated with characteristics of the business and the owner/manager. The financial awareness and holding scores range from 0 to 100



Note: These results are based on a linear regression (OLS), with robust standard errors and sampling weights (if available for a given country). Comparison categories are: women, firms with 10 to 49 people, respondents with less than upper secondary education, respondents with less than two years' experience as business owners/managers, manufacturing firms, firms in the upper quartile of respondents in their country for annual turnover. Statistically significant values are marked in bold (5% level).

Source: OECD computation, ACT Global data 2021 and 2022.

## Annex 3.A. Financial account holding by characteristics of the MSME owner/manager and business

**Annex Table 3.A.1. Holding of a financial account, by characteristics of the business and the owner/manager**

Likelihood of holding of a financial account (traditional or digital), by characteristics of the business and the owner/manager (odds ratios)

Likelihood of holding of a financial account associated with the following characteristics of the business and the owner/manager								
	Gender	Firm size			Formal educational level	Entrepreneurial experience		
	Male	1 person	2 to 5 people	5 to 9 people	University level	Between 2 and up to 5 years	Between 5 and up to 10 years	More than 10 years
Bulgaria	1.09	<b>0.07</b>	0.31	1.13	1.16	0.59	0.93	0.91
Croatia	0.74	2.63	<b>0.41</b>	<b>0.55</b>	1.23	0.60	<b>0.21</b>	0.30
Georgia	<b>1.58</b>	<b>0.05</b>	<b>0.09</b>	0.33	<b>1.68</b>	0.96	0.92	1.45
Moldova	0.60	<b>0.12</b>	0.45	0.79	1.51	0.76	0.82	1.83
Montenegro	0.54	<b>0.15</b>	0.37	0.79	1.38	<b>2.31</b>	<b>4.25</b>	<b>3.04</b>
North Macedonia	1.01	1.64	1.82	2.02	3.42	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Romania	0.95	<b>0.33</b>	0.54	1.20	<b>2.39</b>	0.95	1.97	1.11
South East Europe average	1.10	<b>0.18</b>	<b>0.39</b>	0.74	1.19	1.08	0.77	1.24
Likelihood of holding of a financial account associated with the following characteristics of the business and the owner/manager								
	Sector							
	Agriculture, forestry, fishing, mining	Construction and real estate	Wholesale and retail trade	Transportation, shipping, storage	Accommodation, food, and beverage services	Information and communication	Other services	
Bulgaria	1.11	4.40	1.00	2.22	0.66	0.39	2.76	
Croatia	0.73	1.06	0.59	0.79	2.00	0.59	0.87	
Georgia	2.66	<b>2.47</b>	1.37	1.80	2.27	1.00	1.44	
Moldova	<b>0.18</b>	0.43	0.75	1.00	1.00	1.00	0.62	
Montenegro	2.48	0.96	1.30	4.60	2.26	1.36	1.55	
North Macedonia	0.56	1.00	1.07	1.00	0.74	0.15	0.82	
Romania	4.00	<b>3.65</b>	2.47	2.79	3.38	1.31	<b>3.23</b>	
South East Europe average	<b>1.81</b>	1.45	1.06	<b>2.30</b>	<b>2.57</b>	1.03	<b>1.50</b>	

Note: These results are based on a logit regression, with robust standard errors and sampling weights (if available for a given country). Comparison categories are: women, firms with 10 to 49 people, respondents with less than university education, respondents with less than two years' experience as business owners/managers, manufacturing firms. Statistically significant values are marked in bold (5% level).

Source: OECD computation, ACT Global data 2021 and 2022.

## Annex 3.B. Financial awareness and holding scores by characteristics of the MSME owner/manager and business

Annex Table 3.B.1. Financial awareness scores, by characteristics of the business and the owner/manager

Score-point differences associated with characteristics of the business and the owner/manager. The financial awareness score ranges from 0 to 100

Score-point differences in financial awareness associated with the following characteristics of the business and the owner/manager										
Gender		Firm size			Formal educational level		Entrepreneurial experience			
	Male	1 person	2 to 5 people	5 to 9 people	Upper secondary	University level	Between 2 and up to 5 years	Between 5 and up to 10 years	More than 10 years	
Bulgaria	0.20	<b>-1.52</b>	-0.50	-0.46	3.28	<b>4.85</b>	-1.76	-1.33	-0.33	
Croatia	-0.22	<b>-2.52</b>	<b>-0.82</b>	<b>-0.65</b>	3.67	<b>4.66</b>	-0.53	0.68	1.22	
Georgia	0.27	<b>-1.36</b>	-0.68	-0.65	<b>2.66</b>	<b>4.79</b>	-0.31	-0.46	-0.42	
Moldova	0.24	-0.72	0.08	-0.45	<b>2.46</b>	<b>3.15</b>	2.59	1.28	1.34	
Montenegro	-0.13	<b>-2.43</b>	<b>-1.02</b>	<b>-1.52</b>	0.08	1.26	0.58	0.35	<b>1.00</b>	
North Macedonia	0.22	<b>-2.65</b>	<b>-1.92</b>	<b>-1.53</b>	<b>1.55</b>	<b>2.76</b>	0.11	0.24	0.38	
Romania	<b>0.88</b>	<b>-2.52</b>	<b>-1.62</b>	-0.45	1.60	2.48	-0.78	<b>-1.27</b>	<b>-1.71</b>	
South East Europe average	<b>0.25</b>	<b>-2.40</b>	<b>-1.04</b>	<b>-0.75</b>	<b>1.67</b>	<b>2.47</b>	-0.34	-0.34	-0.18	

Score-point differences in financial awareness associated with the following characteristics of the business and the owner/manager										
Sector								Annual turnover quartile		
	Agriculture, forestry, fishing, mining	Construction and real estate	Wholesale and retail trade	Transportation, shipping, storage	Accommodation, food, and beverage services	Information and communication	Other services	Lowest quartile	Second quartile	Third quartile
Bulgaria	<b>-1.44</b>	0.31	-0.29	-0.93	-0.34	0.24	-0.26	<b>-1.09</b>	<b>-1.11</b>	<b>-1.31</b>
Croatia	-1.07	0.60	-0.09	-0.47	0.28	0.75	0.22	<b>-1.19</b>	-0.09	-0.35
Georgia	-0.27	-0.02	-0.58	-0.93	0.75	<b>2.81</b>	0.47	<b>-2.71</b>	<b>-2.15</b>	<b>-1.34</b>
Moldova	<b>-1.78</b>	-0.84	0.07	0.01	0.00	-1.77	-0.06	<b>-2.08</b>	-0.90	-0.45
Montenegro	<b>2.17</b>	1.01	0.17	0.53	0.92	0.36	0.82	0.82	0.00	<b>2.03</b>
North Macedonia	-0.52	0.35	-0.36	0.71	0.05	-0.73	<b>1.18</b>	0.18	0.38	-0.43
Romania	1.36	-0.29	0.20	-0.12	-0.01	-1.23	-0.27	-0.44	0.00	-0.15
South East Europe average	-0.28	0.33	-0.25	-0.04	0.34	0.28	<b>0.40</b>	<b>-1.08</b>	<b>-0.44</b>	<b>-0.50</b>

Note: These results are based on a linear regression (OLS), with robust standard errors and sampling weights (if available for a given country). Comparison categories are: women, firms with 10 to 49 people, respondents with less than upper secondary education, respondents with less than two years' experience as business owners/managers, manufacturing firms, firms in the upper quartile of respondents in their country for annual turnover. Statistically significant values are marked in bold (5% level).

Source: OECD computation, ACT Global data 2021 and 2022.



**Annex Table 3.B.2. Financial holding scores, by characteristics of the business and the owner/manager**

Score-point differences associated with characteristics of the business and the owner/manager. The financial holding score ranges from 0 to 100.

Score-point differences in financial holding associated with the following characteristics of the business and the owner/manager										
	Gender	Firm size			Formal educational level		Entrepreneurial experience			
	Male	1 person	2 to 5 people	5 to 9 people	Upper secondary	University level	Between 2 and up to 5 years	Between 5 and up to 10 years	More than 10 years	
Bulgaria	0.05	<b>-1.35</b>	<b>-1.05</b>	<b>-0.57</b>	-0.01	0.17	-0.02	0.31	0.10	
Croatia	-0.11	<b>-1.94</b>	<b>-1.05</b>	-0.13	-1.11	-1.51	0.61	<b>0.79</b>	<b>1.52</b>	
Georgia	0.02	<b>-0.78</b>	<b>-0.57</b>	-0.13	-0.08	0.00	0.17	0.11	0.18	
Moldova	0.13	-0.42	<b>-0.68</b>	<b>-0.39</b>	0.15	0.44	0.46	0.59	0.39	
Montenegro	0.07	<b>-1.53</b>	<b>-0.92</b>	-0.33	<b>1.08</b>	<b>1.51</b>	0.38	0.39	0.23	
North Macedonia	0.27	<b>-2.98</b>	<b>-2.05</b>	<b>-1.04</b>	0.12	<b>0.74</b>	<b>0.53</b>	<b>0.63</b>	<b>0.60</b>	
Romania	0.19	<b>-2.58</b>	<b>-1.56</b>	-0.58	-2.21	-0.90	<b>-1.77</b>	<b>-2.69</b>	<b>-3.67</b>	
South East Europe average	0.05	<b>-1.66</b>	<b>-1.10</b>	<b>-0.34</b>	0.29	0.34	<b>-0.62</b>	<b>-1.02</b>	<b>-1.37</b>	
Score-point differences in financial holding associated with the following characteristics of the business and the owner/manager										
	Sector								Annual turnover quartile	
	Agriculture, forestry, fishing, mining	Construction and real estate	Wholesale and retail trade	Transportation, shipping, storage	Accommodation, food, and beverage services	Information and communication	Other services	Lowest quartile	Second quartile	Third quartile
Bulgaria	0.02	-0.21	-0.29	0.05	0.06	0.55	-0.23	<b>-0.60</b>	<b>-0.65</b>	-0.50
Croatia	0.61	0.34	-0.12	-0.02	0.59	0.32	-0.05	<b>-0.53</b>	-0.04	-0.07
Georgia	-0.09	-0.17	-0.03	0.07	-0.09	-0.76	-0.20	<b>-0.68</b>	<b>-0.41</b>	-0.36
Moldova	0.39	<b>-0.63</b>	0.11	0.51	0.00	<b>-1.06</b>	-0.24	<b>-1.37</b>	<b>-1.04</b>	<b>-0.69</b>
Montenegro	0.28	0.55	0.32	0.48	0.30	0.33	-0.10	0.30	0.00	<b>0.89</b>
North Macedonia	-0.15	0.02	-0.08	<b>0.90</b>	0.16	0.01	0.34	0.58	0.46	-0.02
Romania	1.99	-0.79	<b>-2.19</b>	-0.46	-0.13	-1.93	<b>-1.77</b>	<b>-1.99</b>	0.00	<b>-1.89</b>
South East Europe average	<b>0.74</b>	<b>0.38</b>	<b>-0.37</b>	<b>0.56</b>	0.37	0.39	-0.25	<b>-0.69</b>	<b>-0.63</b>	<b>-0.51</b>

Note: These results are based on a linear regression (OLS), with robust standard errors and sampling weights (if available for a given country). Comparison categories are: women, firms with 10 to 49 people, respondents with less than upper secondary education, respondents with less than two years' experience as business owners/managers, manufacturing firms, firms in the upper quartile of respondents in their country for annual turnover. Statistically significant values are marked in bold (5% level).

Source: OECD computation, ACT Global data 2021 and 2022.

# 4 Digitalisation of MSMEs

The trend towards digitalising the economy has increased over recent years across the globe, accelerated by the COVID-19 pandemic and lockdown measures limiting people's ability to buy products and services from traditional businesses (OECD, 2020<sub>[19]</sub>).

Data collected among MSMEs in South East Europe can be used to analyse the digitalisation in different areas of business activity and to compute digitalisation scores to assess the extent to which MSMEs have adopted digital practices in their business operations. This chapter first analyses the digitalisation scores of MSMEs in South East Europe, and then investigates the digital activities performed by MSMEs in two key areas: financial products and services, and sales and other business operations.

## Digitalisation scores of MSMEs

A digitalisation score can be computed by evaluating the extent to which MSMEs perform certain financial and business activities via digital tools (Box 4.1).

### Box 4.1. Digital activities assessed to compute the digitalisation score of MSMEs

A digitalisation score is computed by awarding points for various activities performed digitally by MSMEs. The score is based on 10 questions and rescaled to range between 0 and 100. It is the combination of two sub-scores, based on the categories and activities listed below:

#### Digital activities related to financial products and services

The score for digital financial activities assesses MSME owners and managers' use of digital financial tools for their business. It is based on five questions, and assessed according to the following scoring methodology:

- 1 point is awarded to respondents having opened a bank account completely online
- 1 point is awarded to respondents having signed a financial contract completely online
- 1 point is awarded to respondents having signed an insurance completely contract
- 0.5 point is awarded to respondents whose online payments from customers represent a small or very small percentage of total payments from customers; 1 point to those for whom it is a large or very large percentage
- 0.5 point is awarded to respondents whose online payments to suppliers represent a small or very small percentage of total payments to suppliers; 1 point to those for whom it is a large or very large percentage.

### Digital activities related to sales and other business operations

The score for digital business activities assesses MSME owners and managers' use of digital tools when running their business operations. It is based on five questions, and assessed according to the following methodology:

- 1 point is awarded to respondents having a website to showcase their business
- 1 point is awarded to respondents having a dedicated website to sell their products or services
- 0.5 point is awarded to respondents whose sales done through their company website represent a small or very small percentage of total sales; 1 point to those for whom it is a large or very large percentage
- 0.5 point is awarded to respondents whose sales done through a shared online platform represent a small or very small percentage of total sales; 1 point to those for whom it is a large or very large percentage
- 0.5 point is awarded to respondents whose use of social media for business activities such as advertising and networking represent a small or very small percentage of these total activities; 1 point to those for whom it is a large or very large percentage.

Source: OECD (2021<sup>[1]</sup>), G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 times, [G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 Times](#).

On average across the region, MSME owners and managers have a digitalisation score of 31 (out of 100), with digitalisation related to financial activities (13.4 out of 50, i.e. 27%) below digitalisation related to sales and other business activities (17.5 out of 50, i.e. 35%) (Table 4.1). There is a relatively high disparity in the extent to which MSMEs in South East Europe use digital tools to perform their business activities, with Romania (48) scoring more than twice as high as Georgia and Bulgaria (20 and 21 respectively).<sup>7</sup>

**Table 4.1. Levels of digitalisation of MSMEs, normalised to 100**

Average digitalisation scores (out of 100)

	Overall digitalisation score (max 100)	Score for digital financial activities (max 50)	Score for digital business activities (max 50)
Bulgaria	21	8.4	12.8
Croatia	39	16.5	23.2
Georgia	20	10.3	10.2
Moldova	33	14.5	18.2
Montenegro	26	8.1	18.5
North Macedonia	28	12.7	15.0
Romania	48	23.2	24.6
South East Europe average	31	13.4	17.5

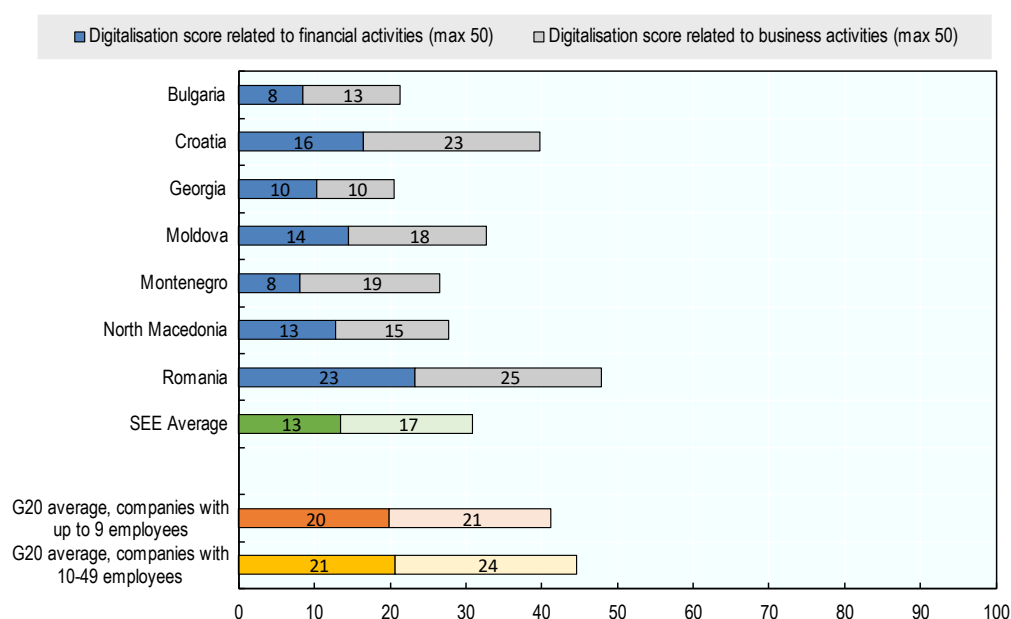
Note: Data used to compute digitalisation scores were collected in 2021 in Georgia, and in 2022 in other countries, possibly leading to differences in results.

Source: OECD computation, ACT Global data 2021 and 2022.

The average digitalisation score in South East Europe is lower than that of MSMEs in G20 countries who participated in the 2021 OECD/INFE survey of MSMEs (OECD, 2021<sup>[1]</sup>), as illustrated in Figure 4.1.

**Figure 4.1. Levels of digitalisation of MSMEs**

Digitalisation scores (out of a total maximum of 100)



Note: Data used to compute digitalisation scores were collected in 2021 in Georgia, and in 2022 in other countries, possibly leading to differences in results. In the 2021 G20 report, companies were split according to their number of employees and no overall average was provided. The digitalisation scores and sub-scores were recomputed according to the methodology presented in Box 4.1 for G20 countries to provide a comparable basis.

Source: OECD computation, ACT Global data 2021 and 2022; OECD (2021<sup>[1]</sup>), G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 times, [G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 Times](#).

### Digital activities related to financial products and services

MSME owners and managers in participating countries have engaged in various digital financial activities such as opening a bank account completely online, signing a financing contract completely online, signing an insurance contract completely online, using banking services or applications to manage their business finances and payments, as well as making online payments to suppliers and receiving online payments from customers.

There are important regional disparities in the extent to which MSME owners and managers in South East Europe use digital financial products and services (Table 4.2), which may be partly due to differences in the product and services offering by financial institutions in each country.

- Romanian MSMEs appear to use digital financial services more broadly than MSMEs in other South East Europe countries, as respondents in Romania have the highest rate of take up of all digital financial activities evaluated in the survey.
- On average about one MSME owner/manager in five (21%) has opened a bank account completely online in South East Europe. This proportion is lowest in Montenegro (7%), Bulgaria and Croatia (12% each), and is above average in Georgia (23%), Moldova (24%), North Macedonia (27%) and Romania (37%).

- Relatively few (10% on average) MSME owners and managers in South East Europe have already signed a financing contract completely online. This proportion ranges from 2% in Montenegro and 4% in Bulgaria to 22% in Romania.
- On average 12% of MSME owners and managers in South East Europe have already signed a financing and insurance contract completely online: from 4% in Montenegro to 15% in Croatia and 31% in Romania.
- MSME owners and managers in most South East Europe countries appear to have adopted digital or mobile banking services to manage finances and payments to some extent: 18% of respondents in Bulgaria use such services, 32% in Montenegro, 45% in North Macedonia, and above 50% in Moldova (51%), Croatia (56%), and Romania (68%).
- On average 59% of MSME owners and managers in South East Europe accept online payments from customers. Less than half of respondents do so in Georgia, Montenegro, and Bulgaria (40%, 43% and 46% respectively), 53% in North Macedonia, and a large majority of MSME owners and managers accept online payments from their customers in Moldova (69%), Croatia (74%), and Romania (88%).
- On average 61% of MSME owners and managers in South East Europe make online payments to some of their suppliers: under 50% in Georgia, Montenegro, and Bulgaria, and above 50% in other South East Europe countries.

**Table 4.2. Digital financial products and services**

As a percentage of respondents per country

	Opening a bank account completely online	Signing a financing contract completely online	Signing an insurance contract completely online	Using banking services and applications to manage business finances and payments	Online payments from customers	Online payments to suppliers
Bulgaria	12%	4%	5%	18%	46%	48%
Croatia	12%	10%	15%	56%	74%	75%
Georgia	23%	13%	12%	NA	40%	42%
Moldova	24%	11%	7%	51%	69%	70%
Montenegro	7%	2%	4%	32%	43%	45%
North Macedonia	27%	9%	9%	45%	53%	59%
Romania	37%	22%	31%	68%	88%	88%
South East Europe average	21%	10%	12%	45%	59%	61%

Note: NA indicates that this question was not asked to MSME owners and managers in Georgia. Online payments from customers and to suppliers include all respondents accepting or making online payments, regardless of how large these payments are for their business operations.

Source: OECD computation, ACT Global data 2021 and 2022.

## Digital activities related to sales and other business operations

MSME owners and managers also carry out various digital activities linked to sales and to business operations, including having a dedicated website to showcase their business and/or to sell their products and services, selling their products or services online via their website or through a shared online platform, and using social media to advertise their business.

On average, a minority of MSME owners and managers in South East Europe have a website for their business or sell products or services online, and a majority of MSME owners and managers in South East

Europe use social media to advertise their business, which may indicate a lower cost for managing social media accounts than for maintaining a company website for MSMEs (Table 4.3).

- Except in Croatia (62%), less than half of MSME owners and managers in South East Europe countries (40% on average) have a website to showcase their business.
- A smaller proportion of MSME owners and managers have a dedicated website to sell their products and services (32% on average).
- However, 48% on average sell some of their products or services online via their business' website, from 28% in Georgia to 73% in Romania, and 41% through a shared online platform, from around 22% in Georgia and Bulgaria to 54% in Croatia and 64% in Romania.
- In all countries except Montenegro, more MSME owners and managers declare selling through their company's website than through a shared online platform.
- A significant proportion of MSME owners and managers in South East Europe use social media to advertise their business: 58% on average across the region, ranging from 32% in Georgia to over 60% in Moldova and Montenegro (61%), in Croatia (68%) and in Romania (81%).

**Table 4.3. Digital sales and business operations**

As a percentage of respondents per country

	Having a website to showcase the business	Having a dedicated website to sell products and services	Selling products or services online via the business' website	Selling products or services online via a shared platform	Using social media to advertise the business
Bulgaria	38%	26%	32%	23%	46%
Croatia	62%	44%	61%	54%	68%
Georgia	22%	30%	28%	22%	32%
Moldova	37%	34%	60%	47%	61%
Montenegro	41%	24%	47%	47%	61%
North Macedonia	36%	24%	36%	31%	57%
Romania	46%	40%	73%	64%	81%
South East Europe average	40%	32%	48%	41%	58%

Source: OECD computation, ACT Global data 2021 and 2022.

**Table 4.4. Online payments and online sales**

Percentage of respondents that the following digital activities are either large or very large for their business

	Online payments received from customers	Online payments made to suppliers	Sales done via the business' website	Sales done via a shared online platform
Bulgaria	15%	16%	11%	4%
Croatia	53%	55%	21%	19%
Georgia	13%	15%	6%	4%
Moldova	28%	38%	12%	9%
Montenegro	23%	25%	18%	25%
North Macedonia	25%	31%	14%	12%
Romania	52%	54%	34%	27%
South East Europe average	30%	34%	17%	14%

Source: OECD computation, ACT Global data 2021 and 2022; OECD (2021<sup>[11]</sup>), G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 times, [G20/OECD-INFE Report Navigating the Storm: MSMEs' Financial and Digital Competencies in COVID-19 Times](#).

The share of MSMEs' business that is carried out digitally remains limited in many South East Europe countries. While many MSME owners and managers in South East Europe use digital tools to receive and make payments, and to sell their products and services. These activities do not represent a large share of their business according to respondents in most countries from the region. Table 4.4 presents the share of respondents who declare that payments received, payments made, sales done through their website and through an online platform represent a large or very large proportion of their business.

### **Digitalisation scores of MSMEs in South East Europe by characteristics of the business and the owner/manager**

Differences in the level of digitalisation considering various characteristics of the owner/manager and of the business at the same time can be analysed via a multivariate regression (see full regression results in Annex 4.A, Annex Table 4.A.1).

Male MSME owners and managers display lower levels of digitalisation than their female counterparts in Croatia (by 3.47 score points out of 100), when considering other characteristics of the owner/manager and the business.

Owners and managers of larger MSMEs – by number of employees – are associated with higher digitalisation scores in several South East Europe countries, and the smaller the MSME, the lower the digitalisation score. When compared to a company with 10 to 49 employees, on average across the region, the digitalisation score of a one-person business is 16.10 score points lower, that of a business with two to five people is 11.86 score points lower, and that of a company with five to nine employees is 4.84 score points lower.

Younger MSME owners and managers are associated with higher digitalisation scores. On average, compared to owners and managers aged under 30, those aged 30 to 49 score 6.09 points lower, those aged 50 to 69 score 11.71 points lower, and those aged 70 and over score 15.40 points lower.

Even when age is accounted for, shorter entrepreneurial experience also appears to be associated with slightly higher digitalisation scores on average across the region and in certain countries. MSME owners and managers with less than two years of experience score around 3 points higher than those with more experience on average across the region. In Romania, this score difference reaches 8.55 points for owners and managers with 10 years or more of experience. However, this pattern is not observed uniformly across the region as for example Croatia exhibits opposite results, with more experienced owners and managers having higher digitalisation scores.

As expected, MSMEs in the information and communication sector are associated with higher digitalisation scores than those in the manufacturing sector in several countries, by 13.44 score points on average, after considering all other characteristics of the business and the owner/manager.

## Annex 4.A. Digitalisation by characteristics of the MSME owner/manager and business

Annex Table 4.A.1. Digitalisation scores, by characteristics of the business and the owner/manager

Score-point differences associated with characteristics of the business and the owner/manager

	Score-point differences in digitalisation score associated with the following characteristics of the owner/manager											
	Gender	Firm size			Age			Formal educational level		Entrepreneurial experience		
	Male	1 person	2 to 5 people	5 to 9 people	30 to 49	50 to 69	70 and over	Upper secondary	University level	Between 2 and up to 5 years	Between 5 and up to 10 years	More than 10 years
Bulgaria	1.14	<b>-17.67</b>	<b>-11.33</b>	<b>-7.24</b>	-7.37	-5.85	-10.98	-4.19	4.40	-5.82	-2.81	-6.47
Croatia	<b>-3.47</b>	<b>-15.87</b>	-2.12	-2.04	0.45	-4.60	<b>-18.05</b>	<b>-20.29</b>	-11.06	3.27	6.48	<b>9.37</b>
Georgia	-2.05	<b>-14.06</b>	<b>-13.31</b>	-2.95	-6.36	<b>-10.38</b>	-8.65	11.02	<b>16.61</b>	-2.21	<b>-8.99</b>	<b>-6.68</b>
Moldova	0.50	<b>-8.64</b>	<b>-6.16</b>	<b>-5.14</b>	<b>-4.36</b>	<b>-13.68</b>	<b>-9.25</b>	-1.36	2.77	-5.07	-4.51	-10.43
Montenegro	2.75	-2.50	<b>-6.14</b>	-1.07	<b>-6.03</b>	<b>-6.97</b>	-4.75	2.97	<b>13.86</b>	-0.10	-0.35	-0.61
North Macedonia	0.48	<b>-29.20</b>	<b>-23.29</b>	<b>-9.39</b>	-0.76	-2.11	-17.85	<b>5.98</b>	<b>16.73</b>	2.66	2.24	2.23
Romania	3.35	<b>-7.17</b>	<b>-6.77</b>	-3.28	<b>-14.06</b>	<b>-20.85</b>	<b>-23.10</b>	1.97	10.23	-4.94	<b>-11.62</b>	<b>-15.29</b>
South East Europe average	0.74	<b>-16.10</b>	<b>-11.86</b>	<b>-4.84</b>	<b>-6.09</b>	<b>-11.71</b>	<b>-15.40</b>	<b>4.28</b>	<b>11.52</b>	<b>-4.43</b>	<b>-5.86</b>	<b>-8.12</b>
	Score-point differences in digitalisation score associated with the following characteristics of the business											
	Sector							Annual turnover quartile				
	Agriculture, forestry, fishing, mining	Construction and real estate	Wholesale and retail trade	Transportation, shipping, storage	Accommodation, food, and beverage services	Information and communication	Other services	Lowest quartile	Second quartile	Third quartile		
Bulgaria	<b>-14.02</b>	0.44	-4.08	-4.76	0.54	<b>14.98</b>	2.48	<b>-8.36</b>	-5.27	<b>-8.75</b>		
Croatia	-3.20	1.57	-4.97	-5.47	<b>7.52</b>	<b>10.31</b>	3.10	<b>-6.72</b>	-4.13	0.12		
Georgia	-1.42	-1.44	<b>-5.42</b>	-4.51	<b>11.58</b>	16.49	3.01	<b>-12.02</b>	-5.56	-0.16		
Moldova	-6.63	<b>-9.38</b>	-3.66	<b>-7.75</b>	0.00	-2.45	-2.07	-2.12	5.39	-0.66		
Montenegro	<b>-12.26</b>	2.49	3.23	-7.00	7.00	<b>15.24</b>	-2.38	2.73	0.00	2.10		
North Macedonia	<b>-7.45</b>	-2.82	<b>-5.33</b>	-2.99	-3.72	10.28	3.06	-0.78	-3.33	-4.97		
Romania	3.43	-3.96	<b>-12.07</b>	-3.70	0.17	-1.42	<b>-8.83</b>	<b>-11.03</b>	0.00	<b>-8.40</b>		
South East Europe average	<b>-6.52</b>	1.21	<b>-5.45</b>	-2.55	<b>3.50</b>	<b>13.44</b>	0.94	-2.27	-0.58	0.99		

Note: These results are based on a linear regression (OLS), with robust standard errors and sampling weights (if available for a given country). Comparison categories are: women, firms with 10 to 49 people, respondents under the age of 30, respondents with less than upper secondary education, respondents with less than two years' experience as business owners/managers, manufacturing firms, firms in the upper quartile of respondents in their country for annual turnover. Statistically significant values are marked in bold (5% level).

Source: OECD computation, ACT Global data 2021 and 2022.



# 5 Relationship between financial literacy, use of financial products and digitalisation

Data collected among MSMEs in South East Europe allow to analyse possible relationships between financial literacy, the use of financial products by MSMEs and digitalisation. This section explores possible relationships between these scores, as well as potential associations between the different components of financial literacy (i.e. financial knowledge, behaviour, and attitude), MSME owners and managers' awareness and usage of financial products and their level of digitalisation.

## Financial literacy, financial awareness and holding, and digitalisation

Looking at the relationship between financial literacy, the awareness and use of financial products by MSMEs and digitalisation shows a positive association in all three cases for MSME owners in South East Europe (Table 5.1).

**Table 5.1. Relationship between financial literacy and financial awareness, financial holding, and digitalisation**

Score-point differences in the financial awareness, financial holding and digitalisation scores associated with a one-point increase in the financial literacy score

	Financial awareness score	Financial holding score	Digitalisation score
Bulgaria	<b>0.09</b>	<b>0.04</b>	<b>0.32</b>
Croatia	<b>0.06</b>	<b>0.03</b>	<b>0.34</b>
Georgia	<b>0.08</b>	<b>0.02</b>	<b>0.33</b>
Moldova	<b>0.11</b>	<b>0.03</b>	<b>0.28</b>
Montenegro	<b>0.09</b>	<b>0.03</b>	-0.11
North Macedonia	<b>0.05</b>	<b>0.02</b>	0.07
Romania	<b>0.13</b>	<b>0.03</b>	<b>0.15</b>
South East Europe average	<b>0.09</b>	<b>0.04</b>	<b>0.28</b>

Note: These results are based on a linear regression (OLS), with robust standard errors and sampling weights (if available for a given country). These results consider characteristics of the business and the owner/manager (gender, level of formal education, experience as a MSME owner, size of the business (number of employees and annual turnover), and sector). Statistically significant values are marked in bold (5% level). Source: OECD computation, ACT Global data 2021 and 2022.

The financial awareness and the financial holding scores of MSME owners and managers are positively associated with their level of financial literacy. Across all seven South East Europe countries, a higher financial literacy score is associated with a higher financial awareness score and a higher financial holding

score, after considering characteristics of the business and the owner/manager (gender, level of formal education, experience as a MSME owner, number of employees, annual turnover, and sector). On average, a one score point increase in financial literacy (out of 100) is associated with a 0.09 score point increase in financial awareness, and a 0.04 score point increase in financial holding (on a 0 to 100 scale).

Similarly, the level of financial literacy of MSMEs' owners and managers is positively associated with the level of digitalisation of their business. In all South East Europe countries except Montenegro and North Macedonia, a higher financial literacy score is associated with a higher digitalisation score, after considering characteristics of the business and the owner/manager. On average in the region, a one score point increase in financial literacy (out of 100) is associated with a 0.28 score point increase in digitalisation (on a 0 to 100 scale), after considering the same set of personal and business characteristics as in previous analyses.

## Components of financial literacy, financial awareness and holding, and digitalisation

Analysing the relationship between the components of financial literacy, i.e. financial knowledge, financial behaviour, and financial attitude, with financial awareness financial holding and digitalisation scores shows that several of these outcomes are positively associated. Overall, all three components of the financial literacy score appear to be associated with higher digitalisation scores, and to a lesser extent, with higher financial awareness and financial holding scores.

### ***Financial knowledge***

Higher financial knowledge is associated with higher financial awareness scores in all seven South East Europe countries, after considering all characteristics of the business and the owner/manager (Table 5.2). On average, a one score point increase in financial knowledge (out of 100) is associated with a 0.13 score point increase in financial awareness score. It is worth noting that financial knowledge appears to drive financial awareness more than financial literacy overall, as this increase is higher than that associated with a one-point increase in financial literacy (0.09). The relationship between financial knowledge and the financial holding score of MSME is inconclusive, and that of financial knowledge and digitalisation is generally also positive, although some countries have contrasting results. For example, on average across the region, a one score point increase in financial knowledge is associated with a 0.21 score point increase in digitalisation, but with a 0.26 score point decrease in Montenegro (out of 100).

Analysing the financial knowledge of respondents, depending on their holding of financial products and services shows that MSME owners and managers who declare using financial products are generally less likely not to respond to financial knowledge questions related to those products, and often more likely to respond correctly to these questions.

**Table 5.2. Relationship between financial knowledge and financial awareness, financial holding, and digitalisation**

Score-point differences in the financial awareness, financial holding and digitalisation scores associated with a one-point increase in financial knowledge (on a scale of 100)

	Financial awareness score	Financial holding score	Digitalisation score
Bulgaria	<b>0.09</b>	0.01	0.23
Croatia	<b>0.07</b>	-0.02	0.27
Georgia	<b>0.09</b>	0.00	<b>0.24</b>
Moldova	<b>0.13</b>	<b>0.03</b>	<b>0.27</b>
Montenegro	<b>0.12</b>	-0.01	<b>-0.26</b>
North Macedonia	<b>0.09</b>	<b>0.03</b>	-0.15
Romania	<b>0.16</b>	0.01	-0.09
South East Europe average	<b>0.13</b>	<b>0.02</b>	<b>0.21</b>

Note: These results are based on a linear regression (OLS), with robust standard errors and sampling weights (if available for a given country). These results consider characteristics of the business and the owner (gender, level of formal education, experience as a MSME owner, size of the business (number of employees and annual turnover), and sector). Statistically significant values are marked in bold (5% level).

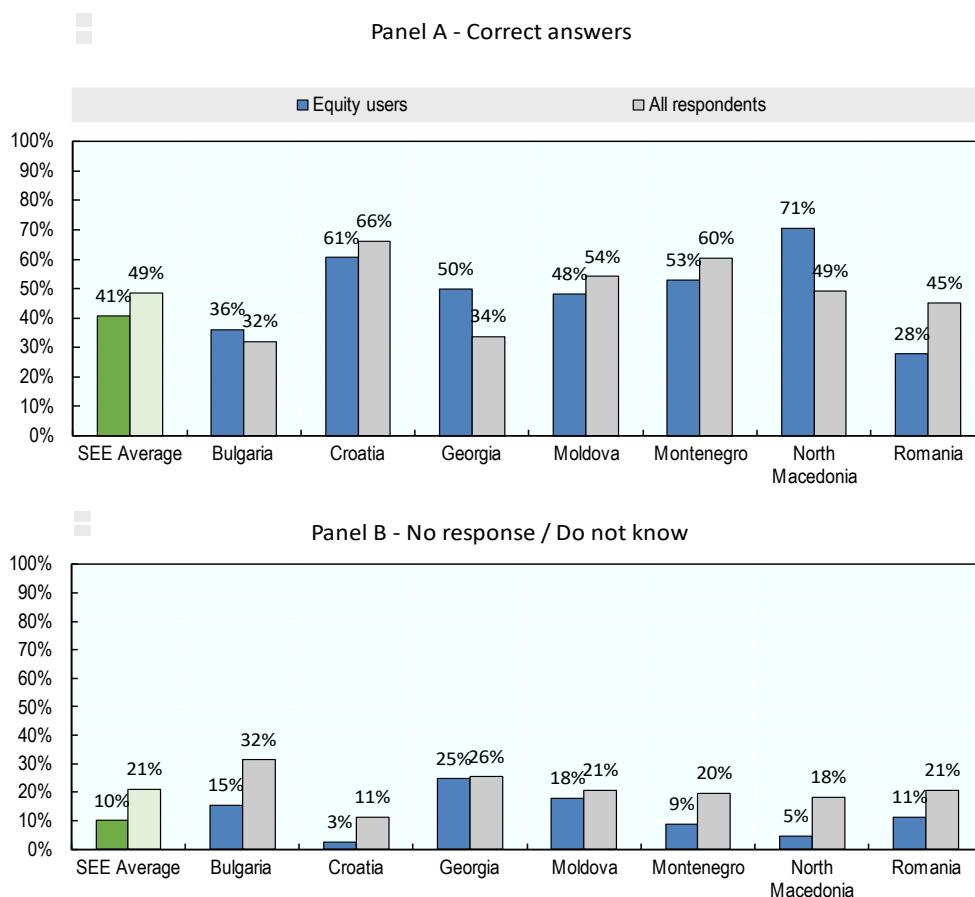
Source: OECD computation, ACT Global data 2021 and 2022.

### *Knowledge about dividends*

For example, some 10% of MSME owners and managers who use any type of equity product for their business (i.e. either public equity, venture capital or angel investment) did not respond to the question on dividends, compared to 21% of all respondents (Figure 5.1, Panel B). In all countries, the proportion of MSME owners and managers not responding to the question on dividends is lower among users of equity than among overall respondents. Some 71% of equity users in North Macedonia, 50% in Georgia, and 36% in Bulgaria answer correctly to this question, compared to respectively 49%, 34% and 32% among overall respondents in each country (Figure 5.1, Panel A). However, it is worrying to see that equity users in all other South East Europe countries are more likely to respond incorrectly to the financial knowledge question on the functioning of dividends than general respondents.

**Figure 5.1. Responses to the financial knowledge question on dividends, equity users vs. all respondents**

As a percentage of each category of respondents



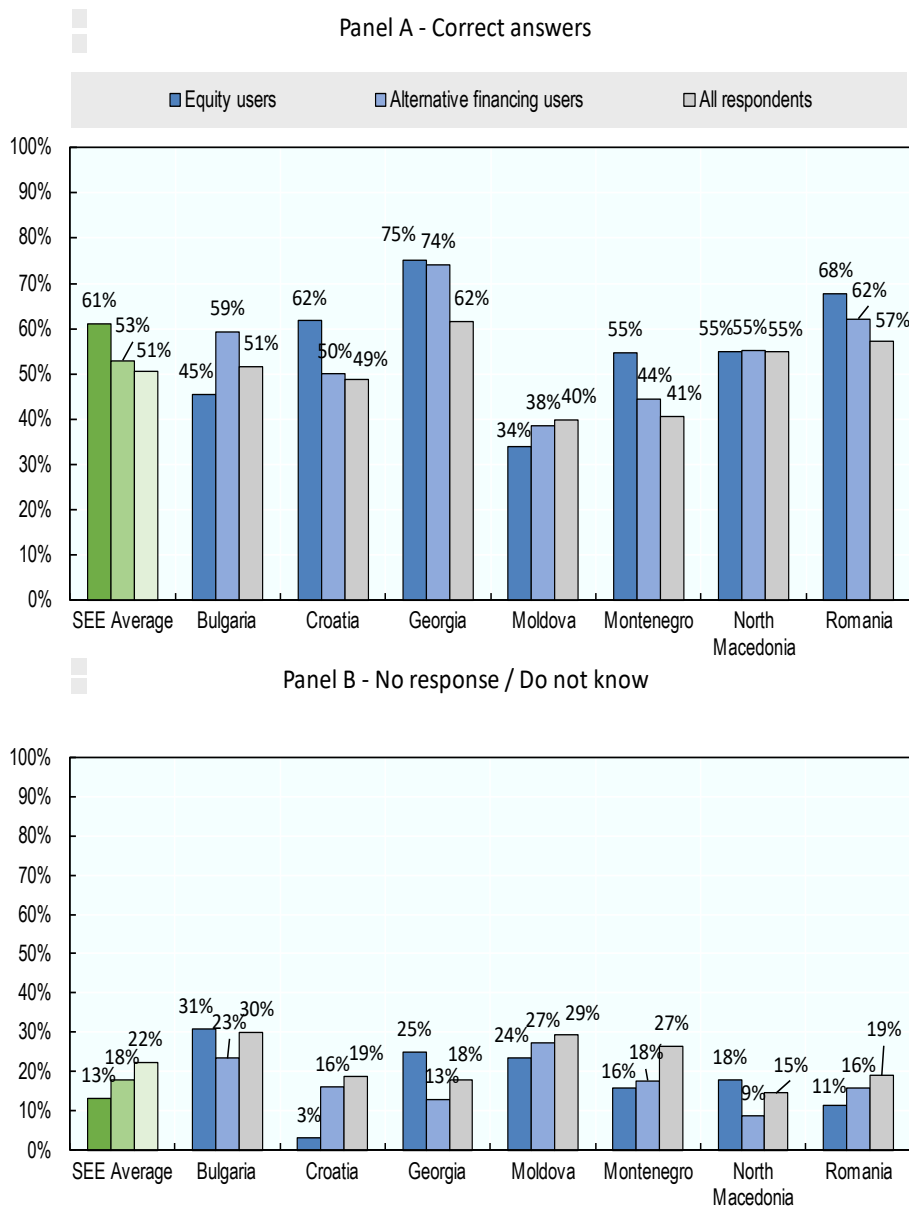
Note: "False" is the correct response to the question "Dividends are part of what a business pays to a bank to repay a loan".  
Source: OECD computation, ACT Global data 2021 and 2022.

### *Knowledge about equity*

On average, equity users are more likely to correctly respond to the question on the transfer of ownership brought about by equity investment, and less likely not to respond, than general respondents, although this is not true for MSME owners and managers in all countries (Figure 5.2).

**Figure 5.2. Responses to the financial knowledge question on equity ownership, equity users vs. alternative financing users vs. all respondents**

As a percentage of each category of respondents



Note: "True" is the correct response to the question "When a company obtains equity from an investor, it gives the investor part of the ownership of the company".

Source: OECD computation, ACT Global data 2021 and 2022.

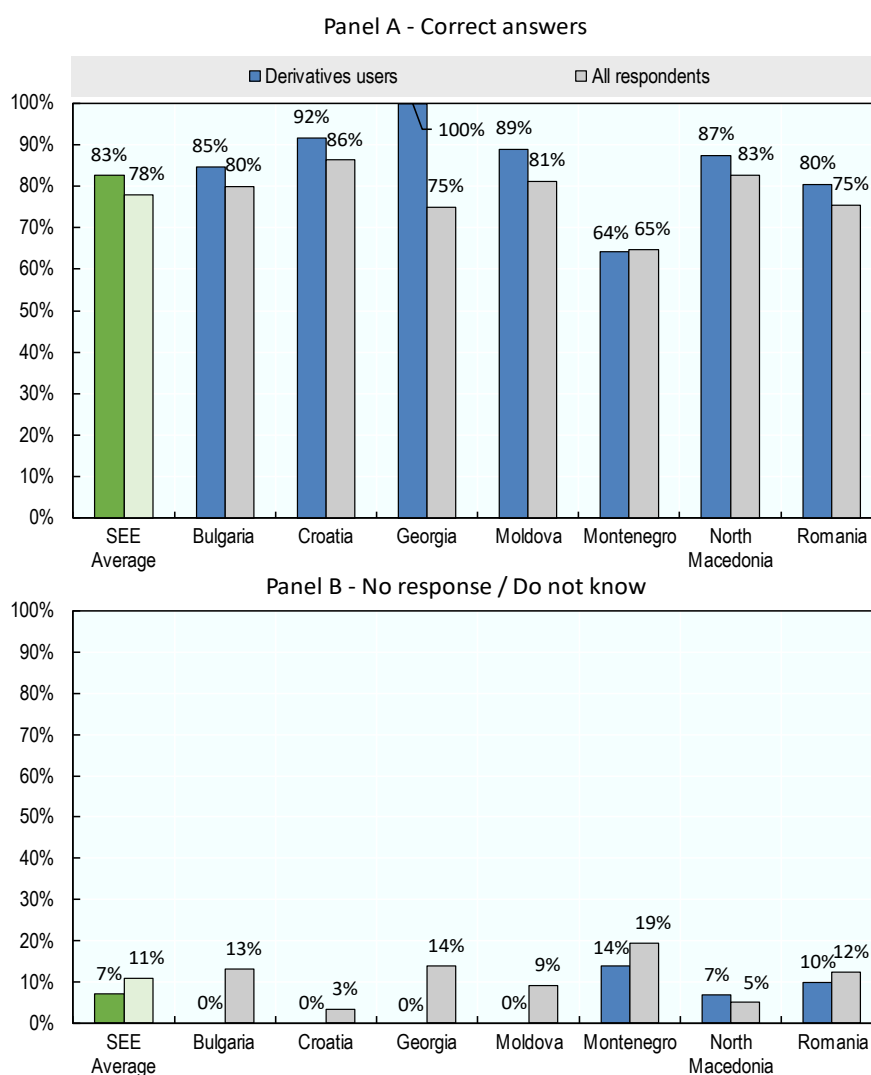
Users of alternative methods of financing, such as crowdfunding, initial coin offerings, mezzanine finance, leasing and factoring, are more likely than overall MSME owners and managers to know the correct response to the financial knowledge question on the functioning of equity investment (Figure 5.2, Panel A). In Bulgaria and Moldova, users of alternative financing methods even have higher correct response rates to the question on the functioning of equity than equity users.

### Knowledge about the risk and return trade-off

Among all South East Europe countries, MSME owners who declare using derivatives have a higher correct response rate than overall respondents, for the question on the risk and return trade-off (Figure 5.3, Panel A), except in Montenegro where both rates are comparable (64% and 65%). In most countries, users of derivatives are also less likely not to respond to this financial knowledge question than overall respondents (Figure 5.3, Panel B).

**Figure 5.3. Responses to the financial knowledge question on the risk and return trade-off, derivatives users vs. all respondents**

As a percentage of each category of respondents



Note: "True" is the correct response to the question "If a financial investment offers the chance to make a lot of money, it is likely that there is also a chance to lose a lot of money".

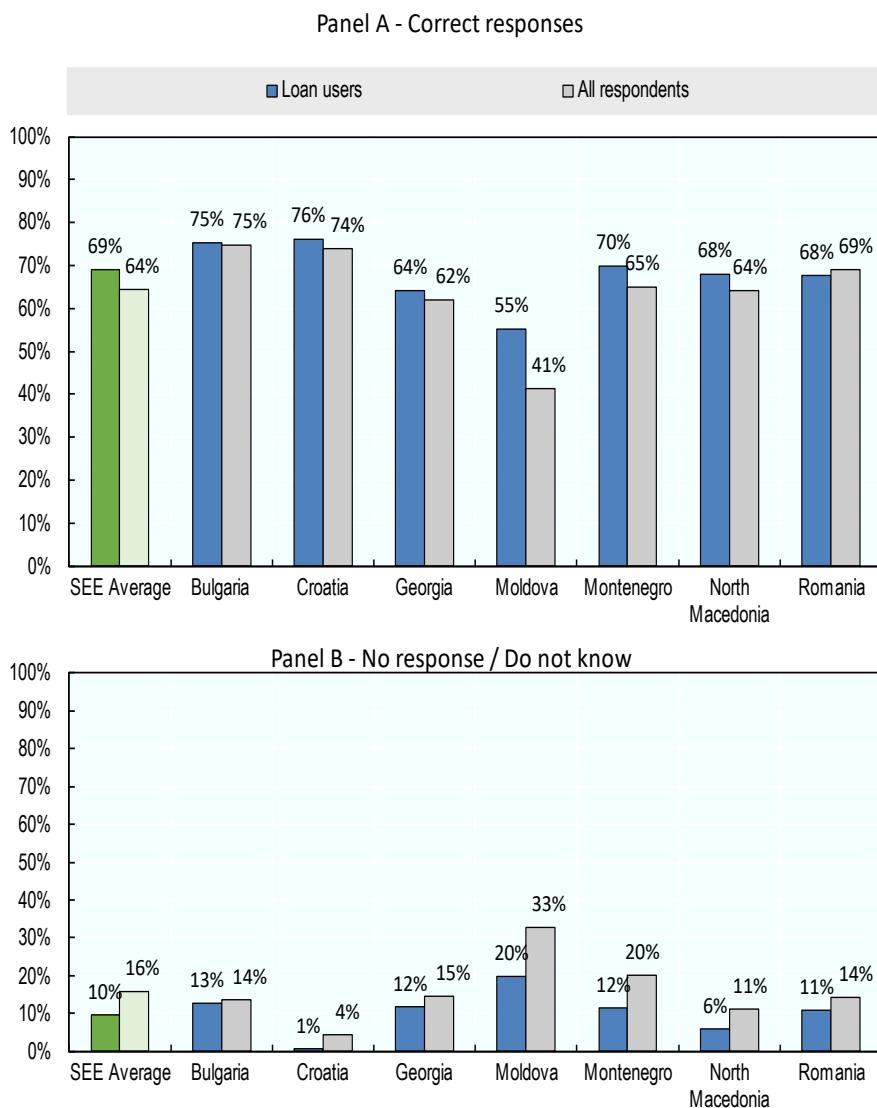
Source: OECD computation, ACT Global data 2021 and 2022.

### Knowledge about loans and interests

On average across the region, some 69% of MSME owners and managers who hold a business loan answer correctly to the financial knowledge question on the relationship between loans and interests, compared to 64% for all respondents (Figure 5.4, Panel A). In all countries, fewer MSME owners and managers who hold a loan did not respond to the question on loans and interests, compared to all respondents (Figure 5.4, Panel B).

**Figure 5.4. Responses to the financial knowledge question on loans and interests, loan users vs. all respondents**

As a percentage of each category of respondents



Note: "True" is the correct response to the question "A 15-year loan typically requires higher monthly payments than a 30-year loan of the same amount, but the total interest paid over the life of the loan will be less".

Source: OECD computation, ACT Global data 2021 and 2022.

## Financial behaviour

Financial-savvy behaviour is associated with higher financial awareness, financial holding, and digitalisation scores, considering characteristics of the MSME business and owner (Table 5.3). On average, increasing the financial behaviour score by one point (out of 100) is associated with an increase of 0.13 score point in financial awareness, 0.07 score point in financial holding, and 0.44 score point in digitalisation (on a scale from 0 to 100). It is worth noting that the increase in the digitalisation associated with a one-point increase in financial behaviour is higher than the increase associated with a one-point increase in financial literacy overall.

**Table 5.3. Relationship between financial behaviour and financial awareness, financial holding, and digitalisation**

Score-point differences in the financial awareness, financial holding and digitalisation scores associated with a one-point increase in financial behaviour (on a scale of 100)

	Financial awareness score	Financial holding score	Digitalisation score
Bulgaria	<b>0.11</b>	<b>0.07</b>	<b>0.42</b>
Croatia	<b>0.10</b>	<b>0.07</b>	<b>0.68</b>
Georgia	<b>0.11</b>	<b>0.04</b>	<b>0.49</b>
Moldova	<b>0.15</b>	<b>0.05</b>	<b>0.39</b>
Montenegro	<b>0.11</b>	<b>0.05</b>	-0.10
North Macedonia	<b>0.08</b>	<b>0.04</b>	0.15
Romania	<b>0.21</b>	<b>0.07</b>	<b>0.32</b>
South East Europe average	<b>0.13</b>	<b>0.07</b>	<b>0.44</b>

Note: These results are based on a linear regression (OLS), with robust standard errors and sampling weights (if available for a given country). These results consider characteristics of the business and the owner (gender, level of formal education, experience as a MSME owner, size of the business (number of employees and annual turnover), and sector). Statistically significant values are marked in bold (5% level).

Source: OECD computation, ACT Global data 2021 and 2022.

Financial product holding may also be linked to financial behaviour, as holding an insurance contract for the business may be seen as an illustration of the financially savvy behaviour of planning ahead.

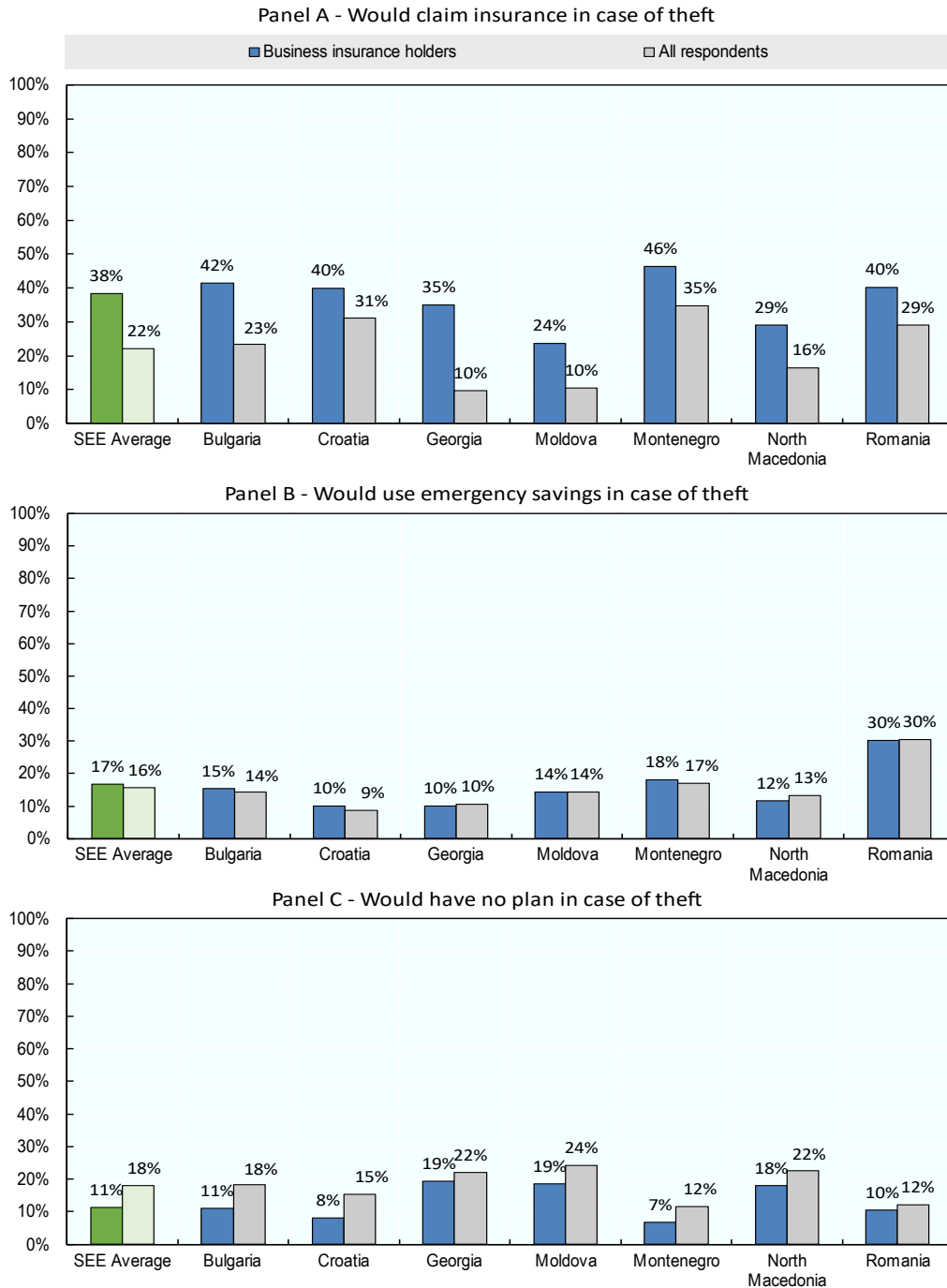
### *Behaviour with respect to insurance*

In all South Est Europe countries, MSME owners and managers who hold an insurance contract for their business, i.e. a property insurance policy and/or a business interruption insurance policy, are significantly more likely than overall respondents to declare that they would claim insurance in case of theft of their business equipment (Figure 5.5, Panel A). Holders of a business insurance contract are also as likely as overall respondents to have set aside business emergency savings from which they could withdraw in case of theft (Figure 5.5, Panel B), and less likely to declare having never thought about how to cope in such a situation (Figure 5.5, Panel C).



**Figure 5.5. Responses to the financial behaviour question on the strategy to use in case of theft, business insurance holders vs. all respondents**

As a percentage of each category of respondents



Note: Responses to the question: “Imagine that tomorrow you discover that most of the equipment that you need to operate the business has been stolen (it could be computers, vehicles or other equipment). Which one of these statements best represents what you would do?” Panel A summarises the responses “I would claim insurance on all or part of the equipment”, Panel B the responses “I would use money that my business has set aside for emergencies”, and Panel C the responses “I don’t know, I have never thought about how I would cope”.

Source: OECD computation, ACT Global data 2021 and 2022.

### **Financial attitude**

Financial attitudes considered positive, as measured in the financial attitude score, are also associated with higher financial awareness, financial holding, and digitalisation scores (Table 5.4).

**Table 5.4. Relationship between financial attitude and financial awareness, financial holding, and digitalisation**

Score-point differences in the financial awareness, financial holding and digitalisation scores associated with a one-point increase in financial attitude (on a scale of 100)

	Financial awareness score	Financial holding score	Digitalisation score
Bulgaria	<b>0.21</b>	<b>0.09</b>	<b>0.73</b>
Croatia	0.02	0.00	0.04
Georgia	<b>0.12</b>	<b>0.03</b>	<b>0.77</b>
Moldova	<b>0.16</b>	<b>0.04</b>	<b>0.43</b>
Montenegro	<b>0.10</b>	<b>0.07</b>	-0.02
North Macedonia	0.01	0.01	<b>0.32</b>
Romania	<b>0.22</b>	<b>0.06</b>	<b>0.49</b>
South East Europe average	<b>0.14</b>	<b>0.05</b>	<b>0.57</b>

Note: These results are based on a linear regression (OLS), with robust standard errors and sampling weights (if available for a given country). These results consider characteristics of the business and the owner (gender, level of formal education, experience as a MSME owner, size of the business (number of employees and annual turnover), and sector). Statistically significant values are marked in bold (5% level).

Source: OECD computation, ACT Global data 2021 and 2022.

## 6 Policy considerations

Policy considerations may be derived from the analysis of the data collection carried out in the seven South East Europe countries covered by the Technical Assistance Project for Financial Education in the Constituency Programme of the Ministry of Finance of the Netherlands. Such policy suggestions are also informed by the work carried out by the OECD/INFE on the financial literacy of MSME owners over the years (G20/OECD, 2015<sup>[6]</sup>; OECD, 2018<sup>[12]</sup>; 2020<sup>[9]</sup>; 2021<sup>[1]</sup>; G20/OECD, 2022<sup>[7]</sup>). In particular, the 2022 Update of the OECD/G20 High Level Principles on SME Financing (G20/OECD, 2022<sup>[7]</sup>) highlights the importance of enhancing MSME owners and managers' financial skills and strategic vision to foster long-term business resilience (Box 6.1).

### Box 6.1. 2022 Update of OECD/G20 High-Level Principle 5 on SME Financing

#### Enhance SME financial skills and strategic vision

To enable SMEs to develop a long-term strategic approach to finance and improve business resilience and prospects, governments should support the financial literacy of SME managers, as a way to improve their awareness, understanding and ability to use a broad range of available financial instruments, including alternative and digital ones, and to be aware of changes in legislation, public support and programmes for SMEs. Public authorities should support and inform such efforts with the collection of evidence on the financial skills of SME managers, including through the use of the OECD/INFE survey on MSMEs' financial literacy. SME managers should be encouraged to devote due attention to finance issues, acquire skills (including digital skills) for accounting and financial and risk planning, improve communication with investors and respond to disclosure requirements. Efforts should also aim to improve the quality of start-ups' business plans and SME investment projects, especially for the riskier segment of the market. Programmes should be tailored to the needs, levels of financial literacy and levels of digitalisation of different constituencies and target groups, including groups that are underserved by financial markets and that have limited digital access and skills, such as micro-entrepreneurs, women, young entrepreneurs, minorities, and entrepreneurs in the informal sector, and to different stages in the SME business cycle, including early stages.

Source: G20/OECD (2022<sup>[7]</sup>), 2022 Updated G20/OECD high-level principles on SME financing, <https://www.oecd.org/cfe/smes/2022-Update-OECD-G20-HLP-on-SME-Financing.pdf>.

### Continuing to collect and analyse evidence on the financial literacy, financial inclusion, and digitalisation of MSMEs

Having up-to-date data on the levels of financial literacy, financial inclusion, financial awareness, and digitalisation of MSMEs is crucial to ensure that policy interventions can be adapted to a rapidly evolving economic and digital landscape. Collecting data and analysing it is the first step to identify needs and gaps in the knowledge, behaviours, attitudes, and preferences of MSME owners and managers, which are key to design impactful financial education policy interventions. Regular data collection and analysis, both

aggregated and disaggregated by characteristics of the MSME business and owner or manager, also allow to measure the effectiveness of financial education programmes and to adapt them if necessary.

International experience and comparison with peer countries from the INFE is a unique opportunity to build up-to-date responses to ever evolving challenges for financial education practitioners. This is even more true for MSMEs, for which international competition may be at play, offering new potential markets but also challenges to adapt to the demands and needs of consumers locally and internationally. In such an economic landscape, ensuring MSME owners and managers have the tools and are equipped to make financial decisions is even more crucial. Using the INFE survey to measure the financial literacy of MSME owners and managers is a practical way to obtain comparable data across countries, allowing to understand the needs, gaps and challenges faced by MSMEs that are common globally, but also those that are specific to a country or region.

### **Enhancing MSMEs owners and managers' financial literacy**

The report highlights the encouraging levels of financial literacy of MSME owners and managers in South East Europe but identifies some gaps in the knowledge, behaviours and attitudes that can impede their capacity to achieve business growth and sustainability in the long term. Continuing to support the financial literacy of MSME owners and managers in South East Europe with dedicated programmes is therefore important to help them navigate the changing financial environment and weather current and future shocks.

### **Improving the awareness of financial products and services available to MSME owners and managers and the skills to use them**

The awareness and use of financial products and services – other than bank accounts – are relatively limited across the region. This indicates that more may need to be done to ensure MSME owners and managers know about the financial tools available to them to sustainably run their business. MSME owners and managers should also be provided with the skills to use financial products and services, including alternative means of financing and digital financial services, in ways that are most relevant for their business.

### **Addressing the needs of most vulnerable MSMEs**

The analysis conducted in the report identifies several vulnerable groups that are more likely to have lower levels of financial literacy, including owners and managers of smaller MSMEs, owners and managers with lower levels of formal educational attainment, and with a shorter entrepreneurial experience. This suggests the importance of targeting especially small and new businesses to help them survive and grow.

The report also highlights the positive relationship between financial literacy and digitalisation of the business, and between financial literacy and the awareness and use of various financial instruments. These relationships demonstrate the importance of financial education programmes that can act as tools to help bridge the financial literacy, but also financial awareness and digitalisation gaps for vulnerable MSMEs.

These conclusions, overall for the region, but also country by country, may help policy makers to identify more vulnerable groups and design financial education programmes that can help bridge the financial literacy gaps of such target groups.

## Ensuring MSME owners and managers receive financial education content that is relevant to them

Financial education programmes should be relevant, so that recipients can understand why they are receiving information on a certain topic at a certain moment. Information that appears personalised and relevant is much easier for people to process and integrate, and its impact on behaviour and attitudes is therefore higher. This is illustrated by the excellent level of understanding of inflation among MSME owners and managers in all seven countries of the programme. Inflation is a relevant topic for individuals and businesses in general, but particularly so in 2022 with its effects being felt across all regions of the world and especially in South East Europe, following Russia's war of aggression against Ukraine.

It is important that policy makers consider the circumstances of MSME owners and managers, which can often differ from those of full-time employees, to design and make available financial education content that is relevant to their situation and can adapt to their needs. Core financial behaviours related to financing and business management and planning show some room for improvement in most South East Europe countries. For example, only about half of MSME owners and managers declare holding separate accounts for the business, while understanding the importance of separating personal and business finances is key to the financial management of MSMEs. Similarly, just over half of MSME owners and managers in South East Europe have thought about how they will fund their retirement. Planning for retirement is crucial to ensure future financial well-being. In many countries, including Georgia<sup>8</sup> and Moldova,<sup>9</sup> self-employed individuals, including MSME owners and managers, contribute less to the pension system than employees, and therefore often can expect to receive lower income from it when they retire. Thinking about how to fund one's retirement is particularly important to ensure one can take the necessary steps, such as setting up a voluntary pension plan, or increasing one's contributions, to ensure that one can sustain their standard of living once they are no longer able to work. Making sure MSME owners and managers receive appropriate information on the income they can expect to receive in retirement, and on the impact of their decisions on their future financial situation, at regular intervals can help improve the financial literacy of MSME owners and managers with respect to their pension and decrease the risk of financial hardship in old age.

More support may also be needed to improve MSME owners and managers' skills related to using digital tools and services, given the relatively limited level of digitalisation of MSMEs in South East Europe. The average MSME in South East Europe has a digitalisation score of 31 (out of a maximum of 100), compared to 41 for MSMEs in the G20 countries that participated in the 2021 G20/OECD survey. Improving the digitalisation of MSME in their financial and business activities requires ensuring that MSME owners and managers have the necessary skills and confidence to use digital tools. Financial education content can be designed to help them acquire these skills, and delivered in ways that participate in improving the digital financial literacy of MSME owners and managers to equip them to tackle the digital challenge.

## Enhancing co-operation between financial education stakeholders

Financial education stakeholders from the public, not-for-profit and private sectors should continue co-operating to provide financial education programmes and campaigns to MSME owners and managers. Co-operation is key to ensure communication reaches its objectives, to avoid duplicating efforts, and to leverage the expertise of different actors to reach this specific target group effectively.

The report analyses the potential link between financial literacy, financial inclusion, financial awareness, and digitalisation, highlighting the growing importance of financial education in several key aspects of MSMEs' business and financial operations. Co-operation between various actors of the financial education landscape can therefore not only benefit MSME owners and managers' financial literacy levels, but also impact their capabilities to tackle the digital challenge.

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# Notes

<sup>1</sup> The G20 average corresponds to respondents owning or managing a company with up to nine employees.

<sup>2</sup> Data collection in 2021 for Georgia was therefore funded by Georgian authorities, contrary to data collection in 2022 for other project countries which was funded by the Ministry of Finance of the Netherlands as part of the OECD/INFE Technical Assistance Project. The one-year difference in the data collection period for Georgia, as compared to other countries in the report, may also lead to some differences in results, in particular for items which have seen a strong development during the course of 2021 and 2022, such as those related to digitalisation.

<sup>3</sup> Country differences in the structure of the MSME ecosystem – such as the proportion of micro-enterprises – or in the characteristics of MSME owners and managers may lead to these differences in average financial literacy scores (see section on Financial literacy of MSMEs according to characteristics of the owner/manager and the business).

<sup>4</sup> Although the difference between financial literacy scores of MSME owners with between two and five years of experience in Montenegro is not statistically significant to that of owners with less than two years of experience.

<sup>5</sup> Country differences in the structure of the MSME ecosystem – such as the proportion of micro-enterprises – or in the characteristics of MSME owners and managers may lead to these differences in business account holding levels (see section on Financial awareness, and use of financial products and services according to characteristics of the MSME owner/manager and business).

<sup>6</sup> These results are based on a logit regression, with robust standard errors and sampling weights (if available for a given country).

<sup>7</sup> Although it is worth noting that data used to compute digitalisation scores were collected in 2021 in Georgia, and in 2022 in other countries, possibly leading to differences in results.

<sup>8</sup> Chapter II – Article 3 of 6<sup>th</sup> August 2018 Law of Georgia on funded pensions (<https://matsne.gov.ge/en/document/view/4280127?publication=0>)

<sup>9</sup> <https://www.ssa.gov/policy/docs/progdesc/ssptw/2018-2019/europe/moldova.html>.





