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ITALIAN SMES, POLYCRISIS,
AND SUSTAINABLE FINANCE
ABSTRACT



Forum per la
Finanza Sostenibile

The Italian Sustainable Investment Forum (ItaSIF) has conducted research since 2020 to analyze the inclusion of ESG themes in the business strategies of Italian SMEs and to further investigate their relationship with sustainable finance. In 2023, the survey was focused on the **concept of “polycrisis”** (i.e., the coexistence of crises of different nature and origin, e.g., economic, geopolitical, energy, climate crisis, etc.) and on the perception of companies regarding the role of sustainability and sustainable finance in this context.

The study was divided into two phases: **1)** a first exploratory stage, carried out through extensive **individual interviews** with 5 sustainability-friendly SMEs; and **2)** a second **quantitative stage**, in which **450 interviews** were collected from micro, small, and medium-sized enterprises in the agri-food, industrial, logistics and transport, and construction sectors.

The survey conducted this year confirms the trend, started in the past few years, whereby sustainability is considered increasingly relevant among Italian SMEs: **56% of companies consider ESG themes to have a very important role in their strategic and investment choices** – a figure that is significantly higher than the 27% recorded in the 2020 survey. Moreover, the importance accorded to sustainability is now consistent across sectors. Companies are mostly oriented towards medium- and long-term ESG strategies and more than 80% believe that sustainability initiatives focused only on the short-term lead to excessive costs. However, **only 17% of the SMEs have already incorporated sustainability into their entire business strategy**, with some differences between sectors, ranging from 24% in the agri-food sector to 13% among industrial businesses. Overall, 54% are moving in this direction; however, the proportion of companies that consider themselves far from this objective or that have no interest in pursuing sustainability remains significant (29%).

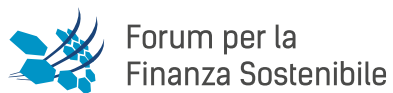
Companies recognize several sustainability-related benefits. In addition to **economic benefits** (44% mention the reduction in costs and consumption thanks to energy efficiency), SMEs identify opportunities linked mainly to **competitiveness and reputation**: the chance to gain new markets; reputation, marketing, and communication benefits; greater economic strength and reduction of costs due to extreme weather events. Regarding the **barriers**, the main ones cited are **bureaucratic difficulties and the fear of increased management costs**, as well as difficulties in finding economic resources to finance projects (options mentioned by more than 40% of companies). Among the **enabling factors** for designing and launching sustainability initiatives, accessing forms of **tax incentives** is the aspect considered the most significant (90% agree or mostly agree with this), but **external advice** is also relevant, focusing on regulatory aspects, finding new financial sources and getting guidance on sustainability matters.

In relation to **environmental sustainability**, there is an increasing use of **renewable energy sources** (85% are already using them or have planned to do so in the future) and the introduction of measures to **reduce GHG emissions** (74% have already adopted them or plan to do so). Furthermore, the increase in frequency and intensity of extreme weather events has prompted more companies to implement **climate adaptation** measures. Moreover, **green certifications** are of great relevance, and 4 out of 10 companies have already obtained them and 25% have planned to obtain them. In the **social sphere**, **safety at work** is the focus point; the next attention point is the launch of employee feedback initiatives, collaborations with schools and institutions for the job placement of young people, and initiatives aimed at the local territory and the community. Concerning **corporate governance, stakeholder relations** is the priority for the SMEs interviewed.

In relation to the **polycrisis**, 48% of the SMEs had heard of it: while for 19% it is only a problem, 73% also see opportunities for the future (which for 14% even exceed the risks). Among the **risks** linked to the polycrisis, SMEs cite first the increase in the cost of raw materials and energy. On the other hand, as regards **opportunities**, companies identify, **innovation, the development of new products and the launch of new sustainable projects and initiatives**, as well as benefits from mergers and acquisitions and access to new markets.

For most of the SMEs interviewed, **banks** should play a **central role** in the financing of sustainable projects and, in general, the choice of financial partners is based on the financing and credit access conditions, but also on transparency and clarity of the proposals, reputation and specific expertise in ESG. Finally, the survey confirms the central role played by banks in the Italian SME market: **1 out of 2 SMEs does not know or knows only basics about sustainable financial instruments other than credit**, and only 18% of the companies surveyed have already made use of them. However, the proposals of financial operators appear to be quite widespread (54% of the interviewees have received proposals for instruments other than credit). The scenario may change in the future, as **more than half of SMEs express the willingness to use new financial instruments**.

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