

Financing the sustainable transition of SMEs: insights from companies and financial operators



The Italian Sustainable Investment Forum (Ita-SIF) 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 finance¹. In 2024, the survey was focused on fostering communication between SMEs and the financial sector, emphasizing areas of alignment, divergence, and possible future developments.

The survey aims to achieve the following specific objectives: evaluate the incorporation of ESG themes into the strategies and operational processes of Italian SMEs; examine the financing methods for sustainable projects undertaken by these companies, along with their awareness and use of the various financial instruments currently available; and, from a complementary perspective, collect insights from both companies and financial operators on ESG financial instruments, including their expectations, benefits, challenges, and future outlook.

The study was conducted between June and July 2024 and was divided into two phases: 1) the first **quantitative stage** was carried out using CATI/CAWI (Computer Assisted Telephone Interviewing / Computer Assisted Web Interviewing), and a total of **513 interviews** were collected from **micro, small and medium-sized enterprises** in the agri-food, industrial, logistics and transport, and construction sectors; 2) the second **qualitative stage**, involved conducting **in-depth individual interviews with 7 financial institutions** (banks, insurance companies, asset managers, and pension schemes) that integrate ESG criteria into their products, services, and investment strategies.

The survey conducted this year confirms the trend, started in the past few years, whereby sustainability is considered increasingly relevant among Italian SMEs: **62% 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. This phenomenon indicates a **broad recognition of the advantages** sustainability offers, not only in enhancing **competitiveness** (mentioned by 88%) but also in **reducing economic and financial risks** (pointed out by 87%). Taking into account all the sustainable initiatives currently underway or planned, **79% of SMEs have a medium- to long-**

term project outlook, spanning at least one and a half years. However, a notable percentage of companies (24%) agree that ESG considerations are mainly linked to **legal obligations**. Financial operators interviewed observed that, compared to previous years, SMEs are now placing greater emphasis on sustainability, primarily due to **new norms and standards** (such as reporting requirements) and rising demands from stakeholders. Also, they pointed out several opportunities that SMEs appear to overlook, particularly the significance of sustainability for **long-term value creation** and its role in attracting **new talent**, especially from younger generations.

SMEs identified **several challenges** to implementing sustainable projects within their organizations: **higher management costs** (reported by 48% of respondents), **challenges in obtaining financial resources to support projects** (noted by 33%), and **bureaucratic hurdles** (mentioned by 46%).

While **45%** of the companies surveyed **intend to publish data on ESG aspects in the future**, only **11%** are **currently** engaged in this practice. Among the 89% of companies that have yet to produce a sustainability report, the primary **barriers** are a **lack of internal expertise** (noted by 40%) and **high costs** (mentioned by 38%). Beyond these challenges, **financial operators** emphasize that **SMEs often undervalue the strategic importance of ESG reporting**, viewing it more as a cost and an additional burden rather than an opportunity for company enhancement.

Regarding the financing of ESG projects, **48%** of SMEs that have initiated or planned sustainable initiatives have opted for **self-financing**, while more established companies also utilize **public funds**. Furthermore, **26%** of businesses employ at least one **sustainable finance instrument** (with credit lines for ESG projects reported by 13%, sustainable bonds in 11% of cases, and private equity funds in 9%).

On average, **one in two SMEs claims to be familiar with or to have adopted at least one sustainable finance instrument**. However, a significant number of SMEs (at least 4 out of 10) either have only a basic understanding of or are entirely unaware of sustainable finance instruments. In discussing these findings, some **financial operators** remark that **the level of awareness** surrounding

¹ All previous reports and researches are available at the following link: <https://finanzasostenibile.it/ricerca/>

sustainable finance instruments is **greater than expected**, reinforcing the idea that SMEs are becoming increasingly focused on sustainability. Conversely, the relatively **low usage** of these instruments surprises some respondents, particularly given the expanded ESG financial offerings, indicating a possible **reluctance among SMEs to diversify their financing sources**.

For 9 out of 10 SMEs, **challenges** in adopting sustainable finance instruments stem from difficulties in **accessing information**. Specifically, companies report struggling with **navigating the available options** (an issue mentioned by 35%), **finding trustworthy and clear information** (34%), and **understanding the procedures for activating various instruments** (33%). **Financial operators**, on their part, identify three key factors contributing to the limited adoption of sustainable finance instruments among SMEs. First, companies find it challenging to **pinpoint the most appropriate offers**, highlighting a significant need for improved training of sales networks in this area. In some cases, SMEs are deterred by the **requirements and commitments associated with accessing sustainable financial products**, while in other cases, they show a preference for **more traditional and familiar solutions**.

In the future, **70% of SMEs may consider sustainable finance instruments** – an increase from 56% in 2023. The **proposition of financial instruments** appears to be quite **widespread**, with

60% of SMEs reporting to have received support or advice for financing sustainable projects. However, this assistance primarily focuses on securing European, state, or regional funds (in 24% of cases) and traditional bank credit that is not specifically linked to ESG objectives (in 20%). Additionally, 70% of companies still view the **financial offer as not very adequate or only partially adequate**, considered **too complex** (especially for smaller entities), with overly **restrictive access criteria** and **lengthy timelines**. To enhance these offerings, SMEs show a strong interest in **insurance solutions or financing options with more favorable terms**, noted by 29% and 28% of respondents, respectively.

67% of companies are aware of the requirement to obtain insurance coverage against catastrophic events by the end of 2024. However, a significant portion (33%) is still unaware of this obligation. **Financial operators** are not surprised by this finding, as they generally observe **limited attention to insurance coverage among SMEs**, coupled with a tendency toward underinsurance, with many companies opting for only basic coverage. In terms of **climate risks**, **more than half of the companies** (56%) have begun **analyzing their exposure**, while 26% are considering it for the future. Additionally, **49% of SMEs have already taken out an insurance policy** for damages caused by extreme weather events (of these, 26% insured themselves in the past year), and 40% plan to do so.

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