

## Abstract

This study explores the impact of being “green” as a response to variability in the business environment. We examine the financial resilience of green Small and Medium-sized Enterprises (SMEs) in Italy compared to non-green during the COVID-19 pandemic. We verify whether green SMEs are more able to attract external funding than non-green and whether green SMEs rely more heavily on trade credit than non-green ones. We carry out an analysis with 215,564 observations, of which 6844 refer to “green” firms, over the period 2017–2020 and we find that before and during the pandemic, Italian green SMEs do not attract more external funding than other SMEs, but they rely more on trade credit than non-green SMEs. Our results partially confirm the traditional substitution effect, and we suggest that the reasons for this relationship are also supplied in the literature which sees trade credit as a component of a long-term portfolio management strategy, i.e., as a tool for consolidating relationships with clients, for price discrimination and/or for increasing firm profitability in facing variable demand conditions. Our paper contributes to the literature in two ways. First, it investigates the relationship between the “green” characteristics of a firm and its level of economic and financial resilience during the pandemic. Second, it verifies whether, during a complex economic shock, green orientation increases or decreases the importance of trade credit relative to bank credit in financing the firm.