

Eco-innovations and digitalisation in Small Medium Enterprises: Does geographical location make the difference?

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We investigate the extent to which the adoption of digital technologies correlates with SMEs' propensity to eco-innovate by distinguishing the kind of geographical area they are located. Drawing on the geography of eco-innovation literature and on recent firm studies on twin transitions, we expect that the location in urban areas favours the eco-innovative impact of digital technologies and that the correlation between digitalization and eco-innovation should be greater in urban areas than in rural ones. Using data from the EU Flash Eurobarometer 486 on "SMEs, Start-ups, Scale-ups and Entrepreneurship", we test our expectations with respect to a large sample of SMEs for cross-sectional observations over the period 2016-2019. Results generally confirm our expectations. Surprisingly, but in line with some recent studies on the green transition, SMEs located in rural areas display a consistent higher propensity to eco-innovate notwithstanding their relatively poor adoption of digital technologies. Still, it is the urban nature of a location that positively moderates the eco-innovative impact of digital technologies. Policy support to help SMEs going digital could also help them going green and facilitate their path towards the twin transition. However, this is context-specific and requires industrial and environmental policies to get combined with regional ones.