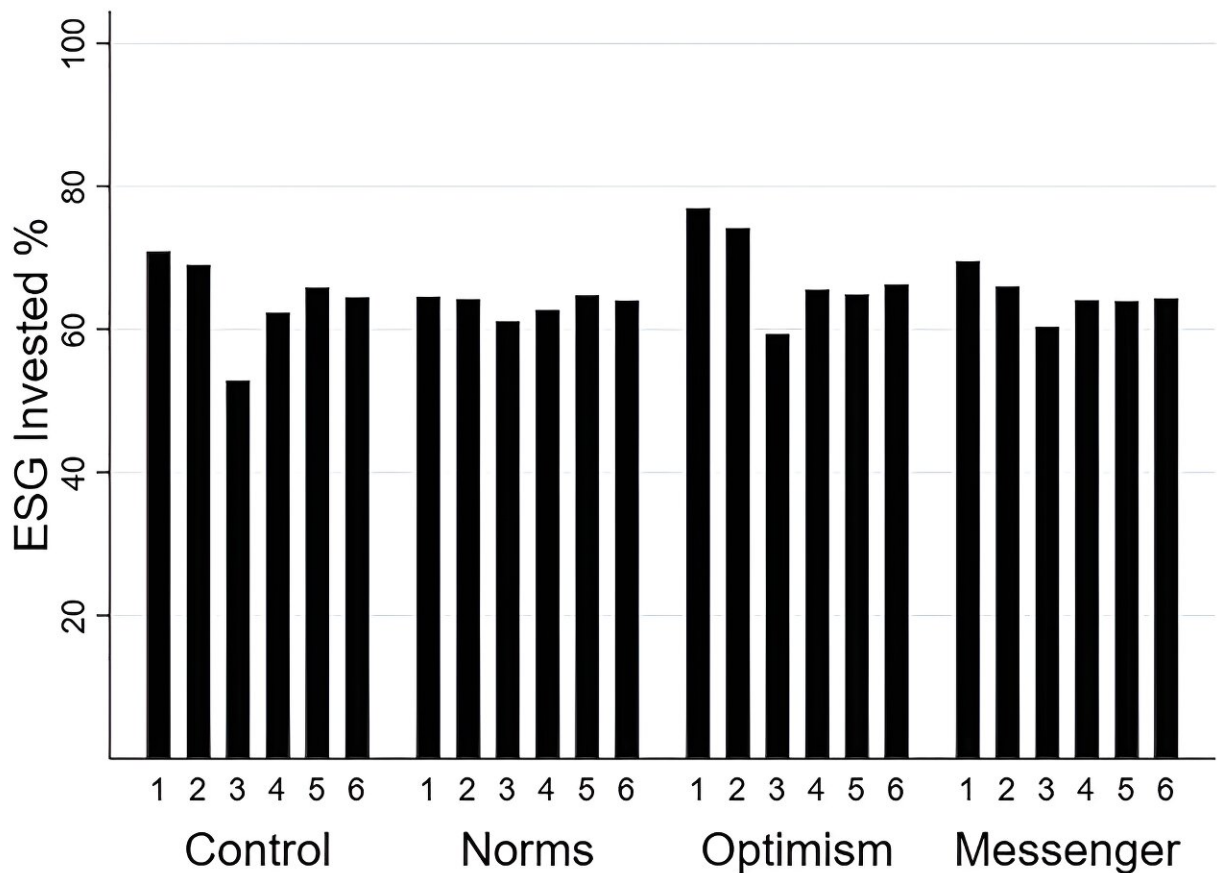


Optimism key to greening the global financial system, says study

February 5 2024, by Harrison Vesey



ESG (%) allocation for scenarios (1–6) by condition. The higher sustainability charge in Scenario 3 is associated with lower ESG investment. N = 335 subjects. Credit: *Scientific Reports* (2024). DOI: 10.1038/s41598-023-50965-w

The transition away from fossil fuels requires a significant and global shift towards sustainable investment, and institutional investors are key.

Professional investors respond better to optimistic messages than dire warnings when it comes to "green investment," according to a new study from the University of Sydney Business School and University of Tasmania that could have a USD \$3.6 trillion impact.

Published in *Scientific Reports*, [the study](#) tested four different styles of message encouraging environmentally responsible investment on 335 [institutional investors](#). It then analyzed their subsequent environmental, social and [corporate governance](#) (ESG) investment allocation.

Those who received the optimistic message invested in ESG assets at a rate between 3% and 4% higher than those who received the other messages—a result lead author Dr. Danielle Kent called "surprising."

"One major challenge for responsible investing is that it fails to register as a moral imperative because it does not create a strong emotional response, and no-one is acting intentionally to harm anyone," Dr. Kent said.

"In taking this different approach, emphasizing the benefits of sustainable investing, we can connect the analytical facets of investment to our human bias towards hope for greater action around [climate change](#)

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"We demonstrated that framing sustainable investment more optimistically, with an emphasis on the temporary costs compared to the permanent future benefits, can overcome our natural bias toward inaction.

"The results are particularly striking because it shows that optimistic

climate communication is effective on highly analytical professional experts with an average of 19 years of experience in investing. The assumed knowledge is these sophisticated investors can't be nudged, but we observed a statistically significant increase in environmentally conscious investment decisions."

The transition away from [fossil fuels](#) requires a significant and global shift towards sustainable investment among assets under management.

Institutional investors play a particularly important role in the divestment from fossil fuels because they have the most influence over the proportion of managed assets that go into responsible investments.

To test whether message framing influenced investor decisions, researchers gave participants a task in which the only variable was the preamble. The optimistic preamble emphasized the permanent gains and growing value of low carbon emission assets, while the others emphasized the risk of fossil fuel assets or used an expert voice.

With professionally managed assets valued at USD \$98.4 trillion globally, the effect observed in this study would equate to a USD \$3.6 trillion shift in global asset allocations.

"Communicating decisions around sustainability in financial settings requires a human-centered approach," Dr. Kent said.

"Instead of focusing on the consequences of global warming, investment decision messages could incorporate the permanency of future benefits such as flourishing ecosystems, improved longevity and health, shared [economic prosperity](#) and greater global security."

Study co-author Associate Professor Dan Dugaard from the University of Tasmania added, "This research will enable investment professionals

to more effectively communicate sustainable investment opportunities."

More information: Dan Daugaard et al, Optimistic framing increases responsible investment of investment professionals, *Scientific Reports* (2024). [DOI: 10.1038/s41598-023-50965-w](https://doi.org/10.1038/s41598-023-50965-w)

Provided by University of Sydney

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