

Assessing Retail Consumers' Understanding of and Behaviour towards Sustainable Finance

Conduct Supervision
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Foreword

The Paris Agreement, signed in December 2015 by 195 countries across the globe, was the first ever universal, global climate deal to adapt and build resilience to climate change and to limit global warming well below two degrees Celsius. This agreement includes the commitment to align financial flows with a pathway towards low-carbon and climate resilient development. Hence, to honour such international commitments, specific policy framework is needed to incentivise the private sector, which has a key role to play, to assist in attaining these goals.

Indeed, the financial system has a key role to play as an intermediary of financial savings and investment, specifically by reorienting and facilitating the flow of private capital to more sustainable investments, whilst fostering more transparency and long-termism in the economy. This reorientation requires a shift in how the financial system works. The scope is to develop more sustainable economic growth and ensure the long-term stability of the financial system.

The Malta Financial Services Authority (hereinafter referred to as the “MFSA” or “the Authority”) remains committed to increase awareness on sustainable finance to the general public by building necessary knowledge for the benefit of all its stakeholders and society at large. In fact, the [MFSA’s Supervisory Priorities for the years 2024 and 2025](#), highlight that sustainable finance is one of its main priorities. On the other hand, consumer protection and education are also part of the MFSA’s strategic priorities as further explained in the [MFSA’s 2023 – 2025 Strategy](#), including the strategic objective to further engage with the public.

Consumer protection is one of the core mandates of the MFSA, with consumer education being one of the pillars enabling its fulfilment. Hence, the Authority has a fundamental role to play to bridge the gap between the investors’ fundamental values and their actual behavioural choices. During 2024, the Authority embarked on a research project related to sustainable finance, to obtain insights of the public’s awareness, attitudes, and behaviour regarding sustainable finance and sustainable financial services and products in Malta. This research is intended to assist the MFSA in enhancing its insight with respect to consumers’ understanding of the sustainable finance related concepts.

Within the current global financial landscape, households’ investment choices are constantly evolving. The emergence of the Environmental, Social and Governance (ESG) concept is regarded to be a potential factor which can significantly impact such choices. This concept offers new opportunities but also complexities and risks which cannot be overlooked. The Authority has an important role to play to achieve adequate balance between the aim to protect investors from misleading greenwashing practices and the importance of promotion of sustainable investment, whilst maintaining stability and integrity of the financial markets.

During the third quarter of 2024, the MFSA commissioned a third-party provider to undertake the fieldwork part of this research. The research objectives of this study include to:

- measure consumers’ awareness and understanding of sustainable finance and how attributable benefits and risks are perceived.

- understand whether the public is aware of how different types of financial products can be sustainably oriented, in other words, 'green'.
- reveal what may be the drivers and/or barriers to purchasing sustainable financial products.
- Understand the primary motivators and barriers to adopting such products.
- Providing actionable insights to guide future MFSA initiatives related to sustainable finance.

Overall, this research reveals relatively low knowledge and awareness of the above, yet rather forward-looking interest in sustainable finance for the foreseeable future. Despite increased public interest in environmental concerns, it appears that take-up of sustainable products/services is not that widespread, as only few respondents claim to have purchased such products. Respondents outlined that the adoption of green financial products is limited by barriers such as limited product knowledge and them being tied by other financial commitments. Findings highlight the need for the continuation of targeted educational outreach to strengthen consumer understanding and adoption of sustainable oriented financial products.

A summary of the key findings on awareness, usage and attitudes is being presented in this report.

Key Findings

The analysis of trends in investment decision making is imperative for the Authority to understand the interplay between the current economic, financial and social dynamics, whilst also monitoring investors' levels of sustainable finance literacy. The following outlines the main key findings were noted by the Authority:

- The majority of respondents (73.2%) claimed to be aware of the concept of sustainable finance. However, only 58% could correctly describe it. Furthermore, 23.6% of all respondents claim to definitely make use of such products.
- As outlined in Figure 13 of this report, from those respondents who claim to have previously made use of or purchased sustainable financial products, 36.4% and 33.9% claim to have respectively invested in green bonds and Insurance-Based Investment Products which are sustainably oriented, on the main premise of better financial returns.
- 40.6% consider the main barrier to purchase sustainable financial products to be the lack of knowledge on the subject.
- Based on the analysis of this research, the Authority envisages that the demand within the next five (5) years for sustainable finance products/services, will heavily increase. In fact, only a few respondents (10%) remarked that they would never consider sustainable products within the next five years.
- As outlined in Figure 20, respondents expect the main features of green loans to be lower interest rates, fees and charges and only 0.2% of respondents expect a green loan to ultimately have environmental benefits.
- About a third of respondents remarked that they have never heard of the term 'greenwashing'.

Methodology

The purpose of undertaking this research was to gather evidence-based information to increase the Authority's understanding of consumers' attitudes, preferences, and behaviours within the context of sustainable finance.

During the second quarter of 2024, the MFSA engaged with a professional third-party provider to independently conduct the fieldwork of this research amongst a sample of five hundred (500) respondents. The eligible target respondents were aged between eighteen (18) and sixty-five years (65) and was conducted through an online questionnaire. Data collection took place between the 4th and 20th July 2024. The study was carried out with a confidence level of ninety five percent (95%) and a margin of error of four point four percent (+/-4.4%). Moreover, the sample was balanced across demographic criteria which included age, gender, level of education, and annual household income.

In order to ensure that the sample was representative of the general population, a quota was applied for key demographic variables including age and gender. However, soft quotas were also applied for education level and income thresholds. The questionnaire was available to respondents in both English and Maltese, mostly making use of closed ended questions. Moreover, the questionnaire was structured as follows:

- Sample Profile
- Awareness of sustainable finance and the use of sustainable finance products
- Access to sustainable product offerings
- Greenwashing

Sample Profile

The following figures graphically represent the profile of the sample of consumers that participated in this survey in terms of gender, age, education, income and employment. These factors were then used as a base to cross-refer with other subsequent questions in order to identify trends.

Figure 1: Demographics of sample (categorised by gender and age)

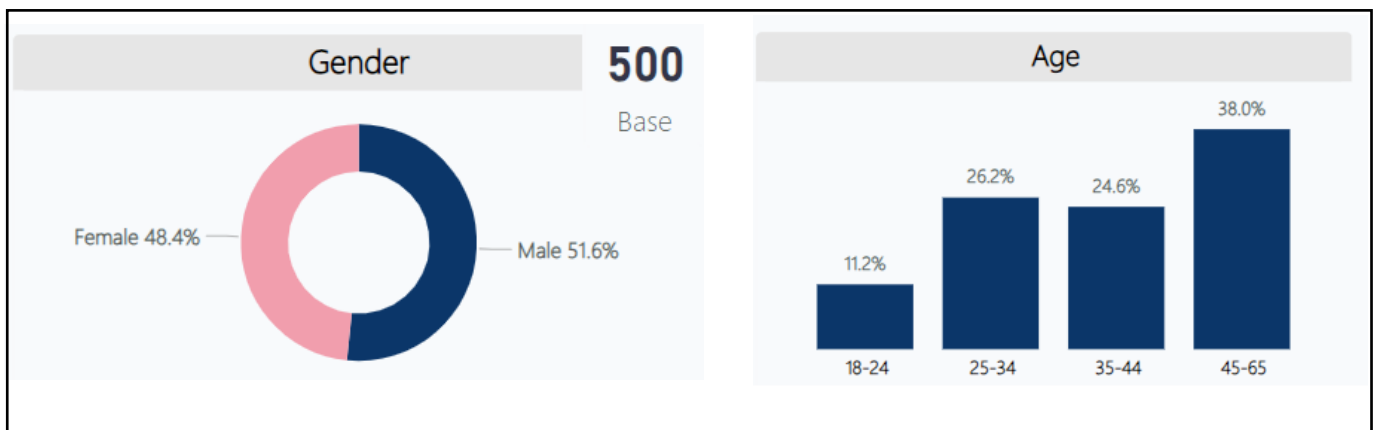


Figure 1 above illustrates that the sample population is nearly equally split between male and female participants. Most of these respondents were aged 45-65 years old, with 11.2% of the sample being aged between 18 and 24 years. This group contains a relatively smaller age bracket than the others (7 years vs 10 years).

Figure 2: Demographics of sample (categorised by education and income)

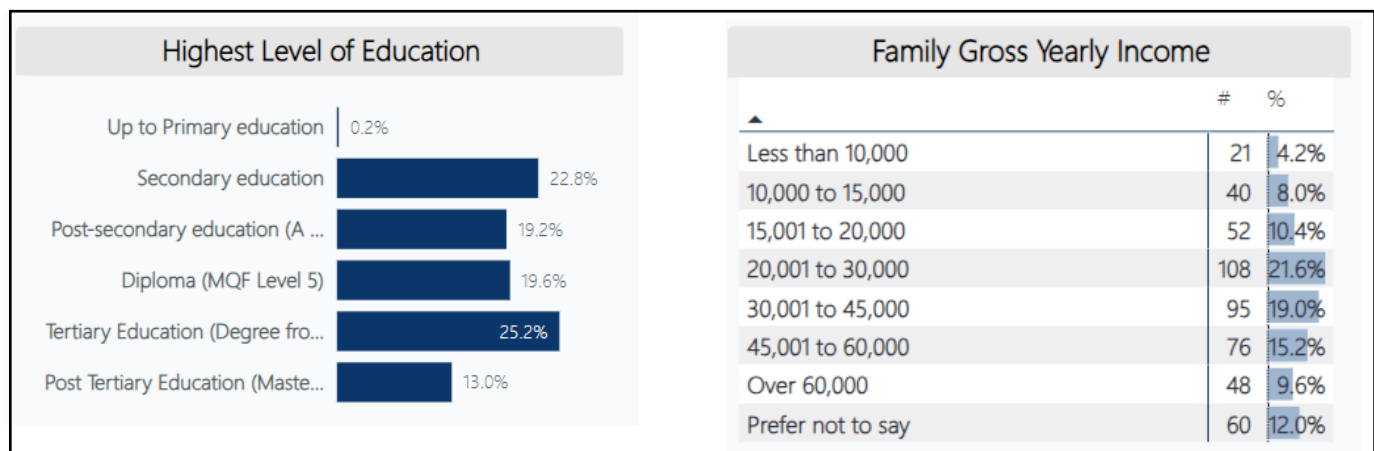


Figure 2 above outlines the main disparities pertaining to both education and the gross yearly income. Most of the respondents have attained an education level up to a diploma or lower

(61.8%). The remaining participants have attained a post/tertiary level of education (38.2%). On the other hand, the most common gross yearly is between €20,001 to €30,000 (21.6%). It was also noted that majority of the respondents earn more than €30,001 (43.8%), while the remaining earn less than €20,000 (22.6%). Other respondents preferred not to disclose their family gross yearly income (12%).

Figure 3: Demographics of sample (categorised by employment)

Employment		
	#	%
Professionals	154	30.8%
Clerical and administration workers	99	19.8%
Managers	64	12.8%
Taking care of the home	36	7.2%
Associate professions	27	5.4%
Full-time Student	25	5.0%
Retired	22	4.4%
Service and sales workers	18	3.6%
Technicians	17	3.4%
Unemployed	14	2.8%
Armed forces/ Disciplinary corps	6	1.2%
Self-employed	5	1.0%
Skilled crafts and trades	5	1.0%
Plant and machine operators	4	0.8%
Primary level occupations	4	0.8%
Total	500	100.0%

Figure 3 provides an overview of the respondents' current position of employment. It was noted that most of the respondents are 'professionals' (30.8%), followed by clerical staff (19.8%) and managerial positions (12.8%). The remaining respondents (36.6%) occupy different positions including self-employed and unemployed.

Main Findings

In this section, the Authority shall be outlining its observations, which are categorised in three main areas, namely:

- a) Awareness of sustainable finance and the use of sustainable finance products;
- b) Access to sustainable product offerings; and
- c) Greenwashing.

For the purpose of this survey, all the questions included in Sections A to C, have a base of five hundred (500) respondents. However, there are a number of questions, where this may be lower, depending on the replies obtained. In cases where the base is less than 500, this is highlighted and identified within the Figure title.

A. Awareness of 'sustainable finance' and use of sustainable finance products

Figure 4: Awareness of Sustainable Finance

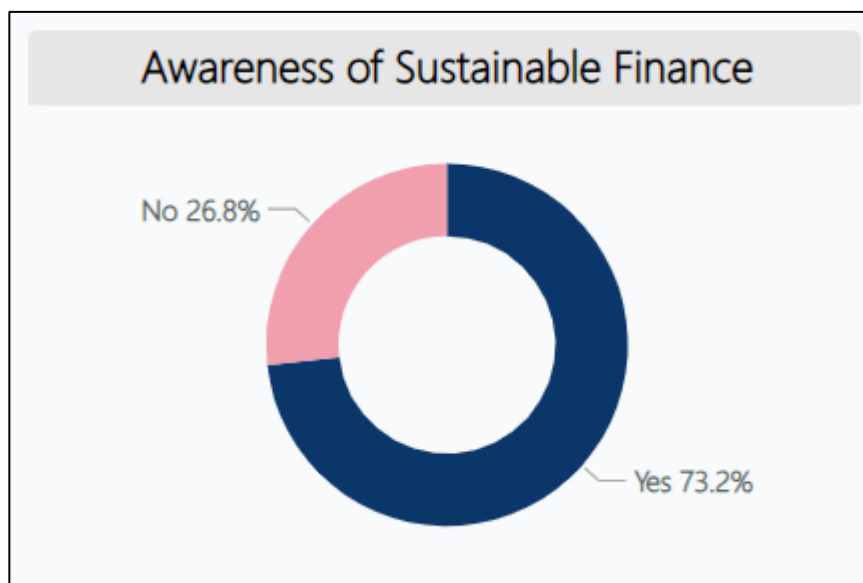


Figure 5: Awareness of Sustainable Finance (up to secondary education; Base: 115)

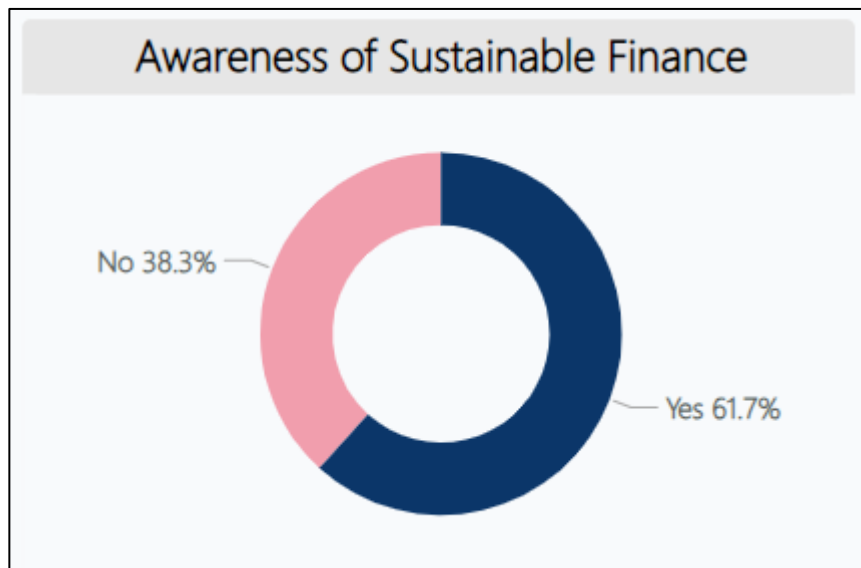
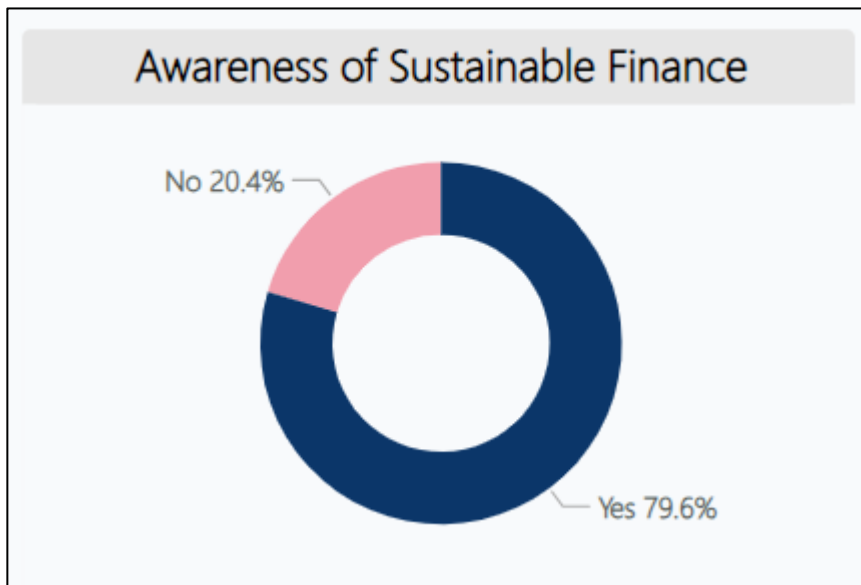
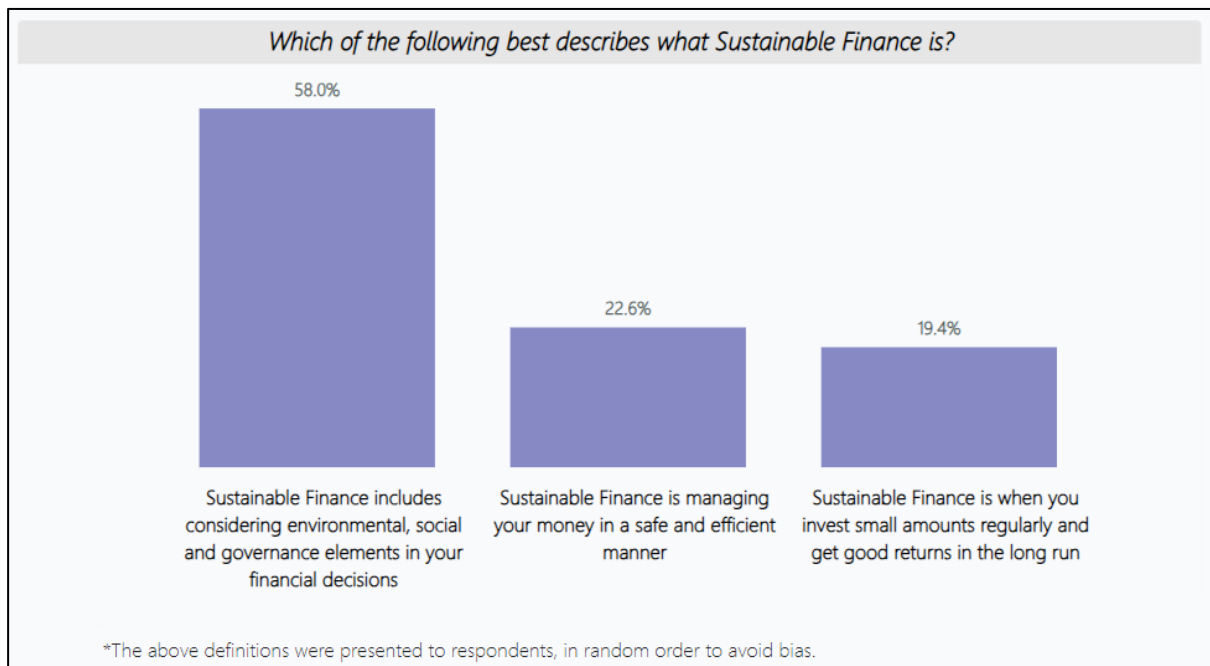


Figure 6: Awareness of Sustainable Finance (tertiary education upwards; Base: 191)



From Figures 4 to 6, it is observed that just 26.8% of the total respondents are not aware of the concept of 'sustainable finance'. However, this figure rises to 38.8% when considering respondents who have a level of education up to secondary level. On the other hand, this figure decreases to 20.4% when considering respondents who have a tertiary level of education and upwards. Therefore, it is noted that the concept of sustainable finance is recognised more amongst those with a relatively higher level of education.

Figure 7: Defining the term 'sustainable finance'



As part of this survey, the Authority also included a multiple-choice question whereby the respondents had to select the most appropriate statement which describes the concept of sustainable finance. The scope of this question was to include one correct statement and the remaining two statements which do not accurately define the concept of sustainable finance. The statements were presented to the respondents randomly to mitigate the probability of bias.

Figure 7 illustrates that overall fifty-eight percent (58%) of respondents opted for the correct statement. This result significantly contrasts with the result obtained in Figure 4 above, whereby majority of the respondents (73.2%) outlined their awareness of the concept of sustainable finance.

This shows that while there may be a perception among respondents of correctly understanding the concept, there is still a cohort of respondents where their actual understanding does not match the perceived understanding.

Figure 8: Defining the term 'sustainable finance' (up to secondary education; Base: 115)

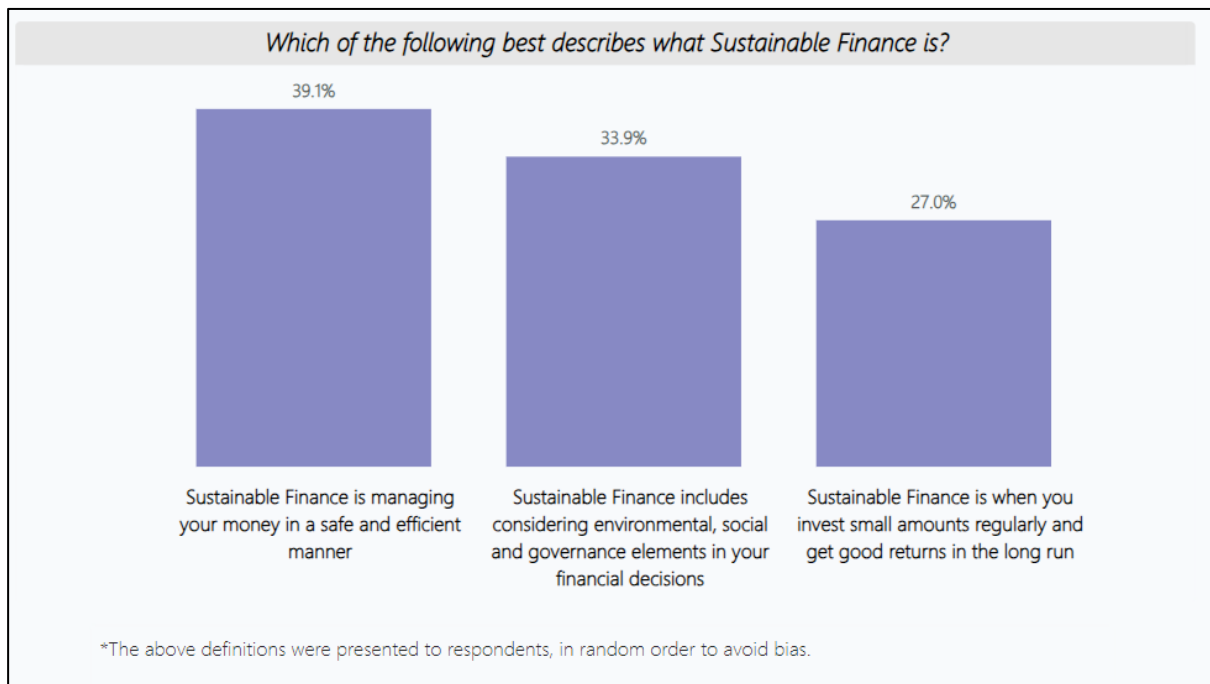
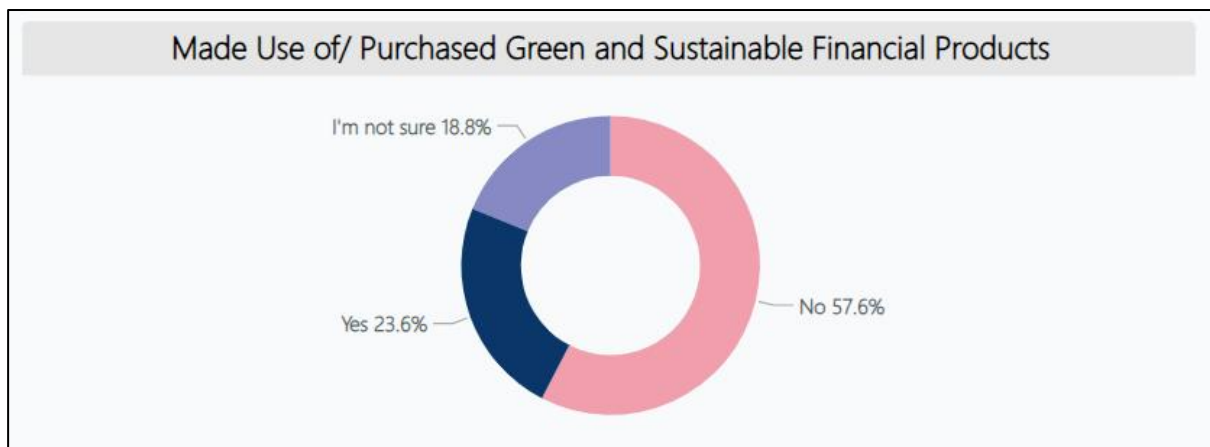


Figure 8 above illustrates that most of the respondents having a level of education up to secondary level could not properly define properly the concept of sustainable finance. For this cohort, the percentage of respondents that correctly define sustainable finance goes down to 33.9%, the second popular option. Figure 5 had outlined that within this cohort, 61.7% had indicated they are aware of the concept of sustainable finance. This implies that respondents having a lower level of education, require additional guidance to better understand the concept of sustainable finance.

B. Access to sustainable offerings

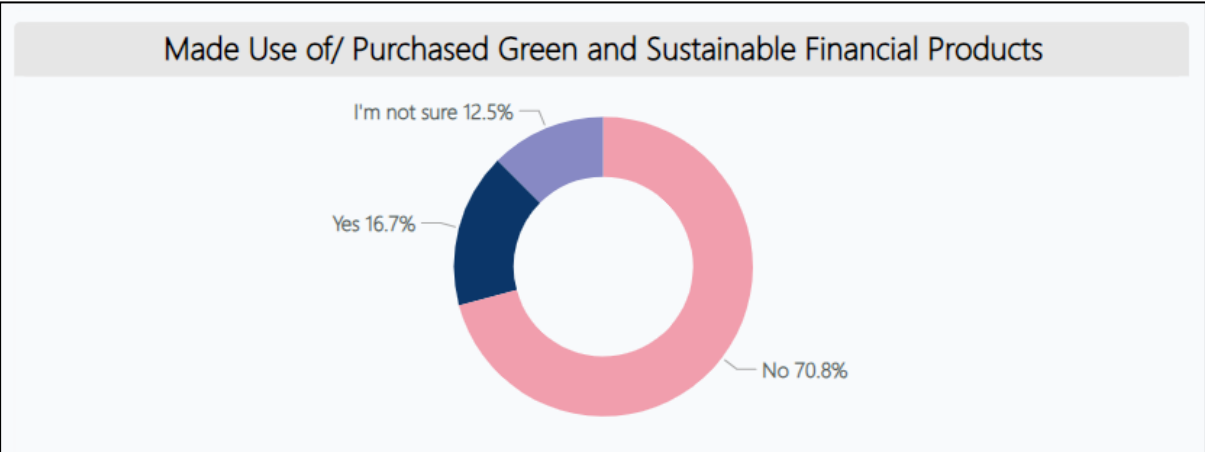
Following an assessment of the respondents' awareness on sustainable finance, the Authority wanted also to assess the accessibility to sustainable offerings. Several questions were included to assess the awareness and identification of such products, including the main deterrents which impact the purchase of any sustainable finance products/services. The survey also included a specific question related to the preferred source of information with respect to sustainable finance products/services.

Figure 9: Use of sustainable finance products



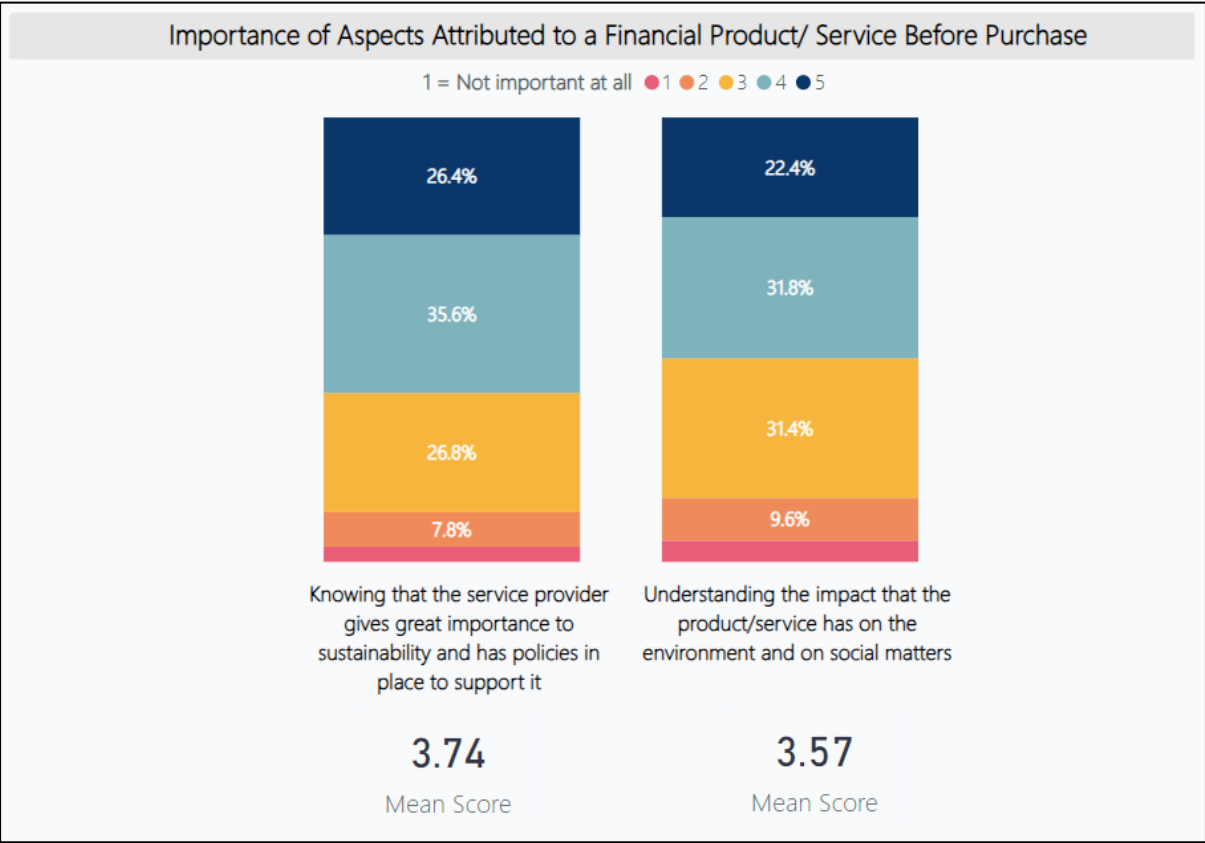
It was observed that in total of 23.6% of respondents claim to have made use of or purchased sustainable finance products. On the other hand, it was noted that 18.8% of respondents are not sure whether the products they have made use of or purchased fall within the definition of "sustainable finance". Hence, such result indicates either that the respondents either did not fully understand or recall the products or services that they have purchased or that respondents are not keen to take sustainability into consideration when undertaking investment decisions.

Figure 10: Use of sustainable finance products (family gross yearly income over €60,000; Base: 48)



For families which have a gross yearly income of over €60,000, the percentage of respondents that have made use of sustainable financial products drops from 23.6% to 16.7%. This indicates that households with relatively higher income, and therefore arguably a higher disposable income, tend to resort less to the purchase sustainable financial products.

Figure 11: Importance attributed to sustainable service providers vis-à-vis sustainable products



It was observed that respondents attributed slightly more importance to the service provider's approach towards sustainability through their policies and procedures, rather than the impact their products or services have on the environment and social matters. This implies that the service provider's sustainability strategy is deemed crucial for consumers prior to undertaking any informed decisions. It is also a reflection of the trust which consumers place in their financial services providers. This in turn puts more onus on such entities to ensure that they are well versed in sustainable related products such that they are in a position to clearly explain their characteristics to their clients.

Figure 12: Source of Information (categorised by age)

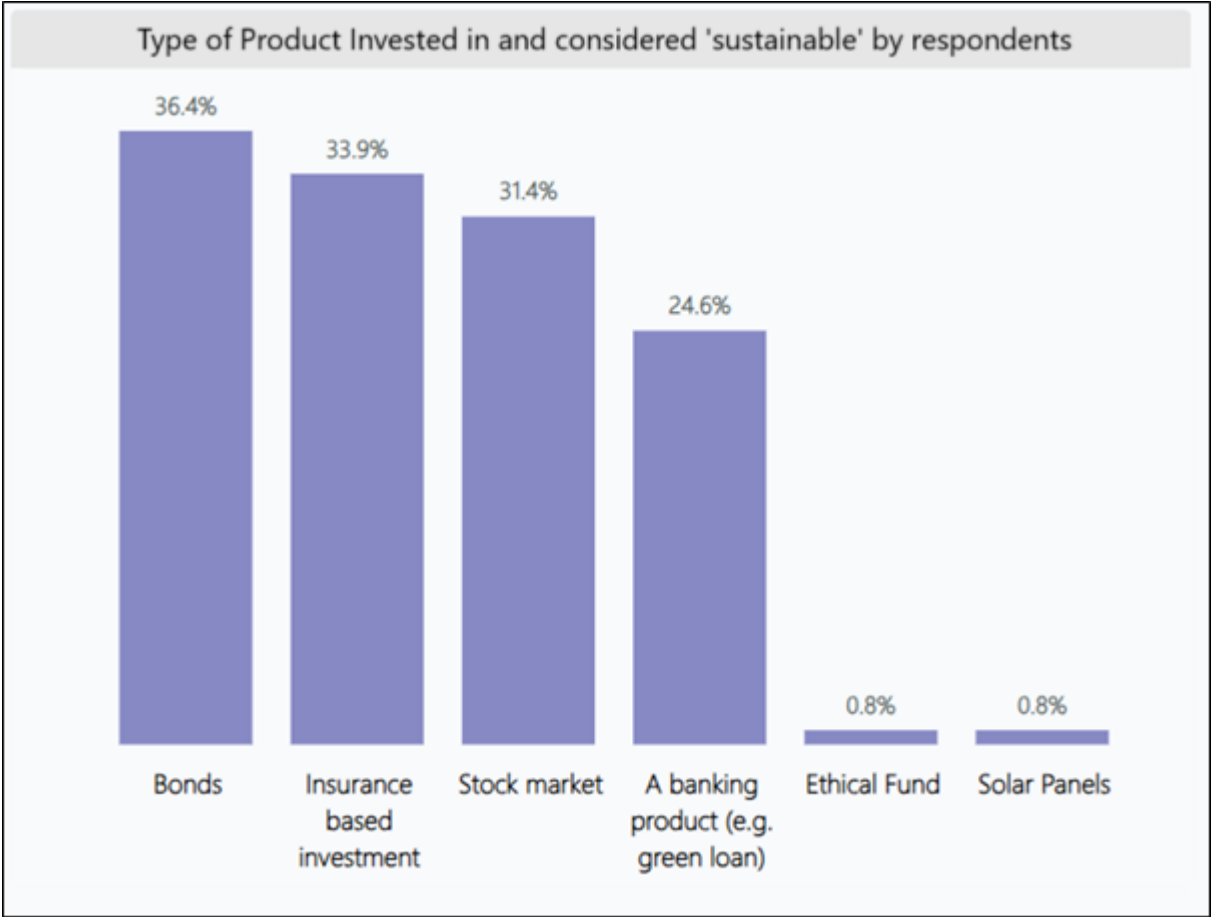
Point of Reference for Information (By Age)									
Age Group	18-24		25-34		35-44		45-65		
	#	%	#	%	#	%	#	%	
Bank	25	44.6%	65	49.6%	53	43.1%	82	43.2%	
Information documents/brochures and promotional material/financial service provider's website	27	48.2%	56	42.7%	57	46.3%	81	42.6%	
Malta Financial Services Authority's (MFSA's) website and outreach	24	42.9%	48	36.6%	47	38.2%	93	48.9%	
Social Media and Financial communities	27	48.2%	66	50.4%	45	36.6%	72	37.9%	
Investment advisor/broker	17	30.4%	43	32.8%	37	30.1%	70	36.8%	
Specialised Media on Financial topics	21	37.5%	39	29.8%	36	29.3%	54	28.4%	
Family and friends	16	28.6%	37	28.2%	21	17.1%	34	17.9%	
Online search engine (Google)			4	3.1%	1	0.8%			
Chat GPT			1	0.8%	1	0.8%			
Don't know/ Unspecified					1	0.8%			
NGOs							1	0.5%	

It is apparent from the results indicated within Figure 12, that any information provided by the financial services provider's website and the social media platforms are the most popular point of reference for the age group of 18-24 year olds. The MFSA's website and outreach initiatives are mostly popular with the 45-65 year olds. Overall, banks act as the main source of information across the total sample considered for this study. The number of respondents sourcing information from online tools such as Google and ChatGPT, together with NGOs, are negligible.

It is interesting to note that the investment advisor/broker is not considered to be a highly influential point of reference for information on sustainable finance. This is a point of contention as certain age groups, especially the younger generation are heavily dependent on the financial content available on social media. On the other hand, an investment advisor plays

an important role to assist consumers to navigate the complexities of sustainable finance in the context of the wide possibilities of investment opportunities.

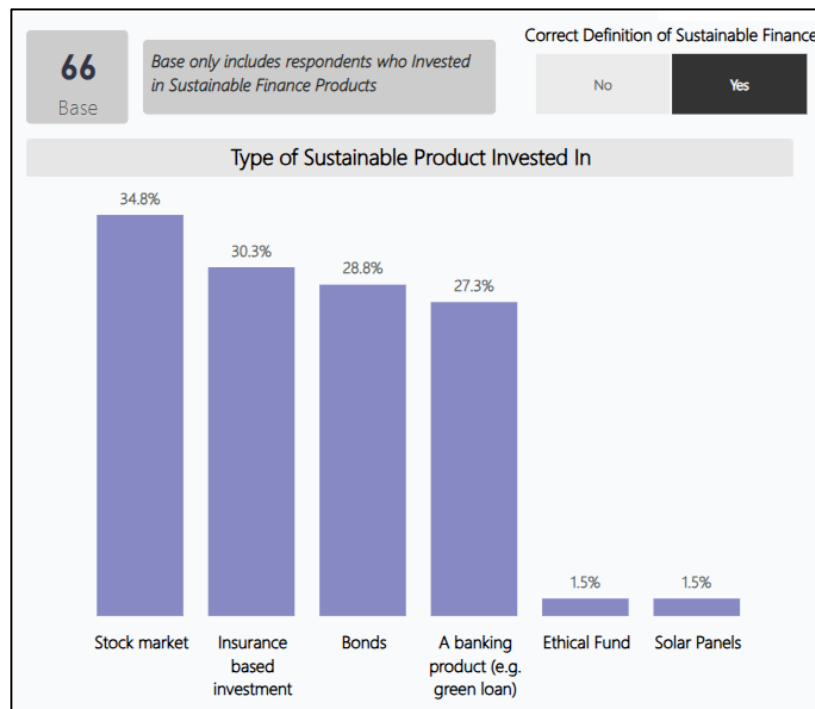
Figure 13: An overview of the types of products invested in (Base: 118)



Overall, a limited number of respondents remarked that they have recently purchased or made use of a sustainable finance product/service (in total 23.6% of the population, 118 out of 500 respondents), with bonds being the most popular option.

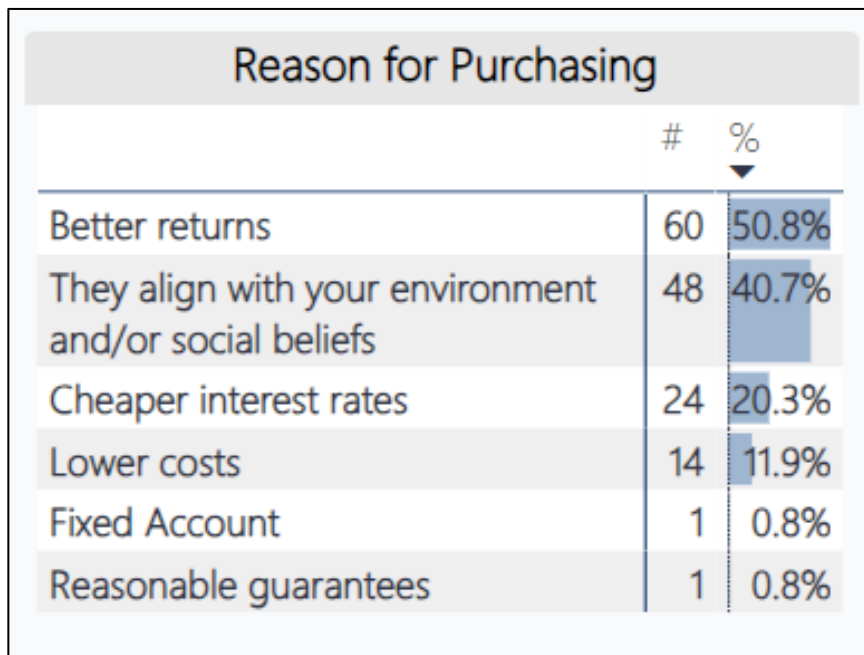
From these 118, the Authority notes that just 66 (55.93%) had provided the correct definition of 'sustainable finance', as initially discussed in Section A of this report, outlined in Figure 14 below.

Figure 14: An overview of the types of sustainable products invested in; those who provided a correct definition of Sustainable Finance (Base: 66)



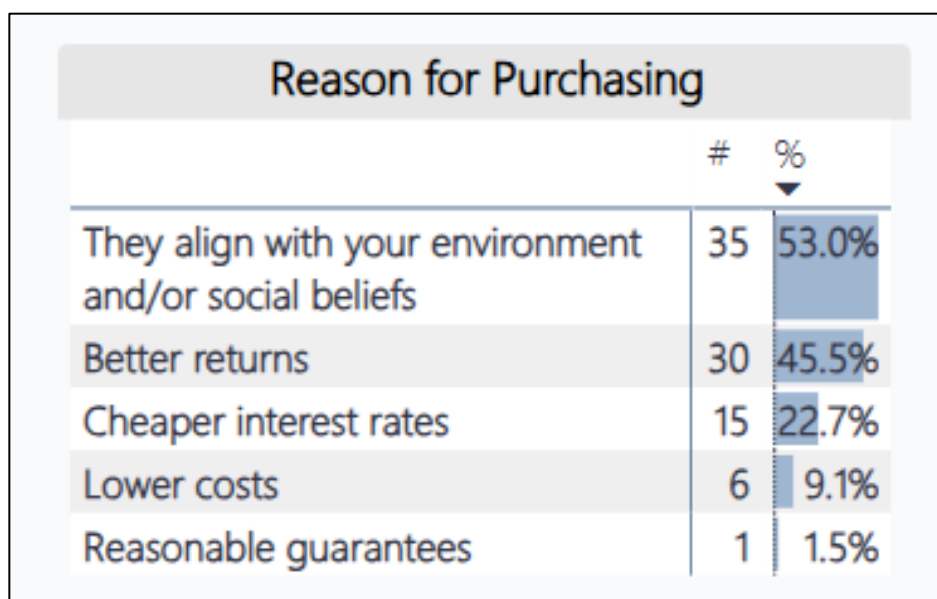
The Authority acknowledges that this identified trend is an issue which illustrates lack the understanding of the subject matter. Investors are struggling to identify the unique characteristics of sustainable finance products.

Figure 15: Reason for purchasing a sustainable finance product (Base: 118)



With reference to Figure 15 above, respondents were also requested to indicate their rationale for opting to buy a sustainable finance product/service. The main motivator is identified as 'better returns'.

Figure 16: Reason for purchasing a sustainable finance product; those who provided a correct definition of Sustainable Finance (Base: 66)



As indicated in Figure 16, respondents who initially did correctly define the term sustainable finance, outlined that the main reason is that such type of products align with their environmental and/or social beliefs (53%). This trend implies that a large portion of investors, who understand the definition of sustainable finance, still see financial gains as their main priority.

Furthermore, in order to further assess the main obstacles faced by respondents who have never purchased any sustainable finance product, respondents were requested to outline the top three reasons which hinder the purchase of any sustainable finance product, as further outlined in Figure 17 below.

Figure 17: Barriers to purchasing sustainable financial products (Base: 288)

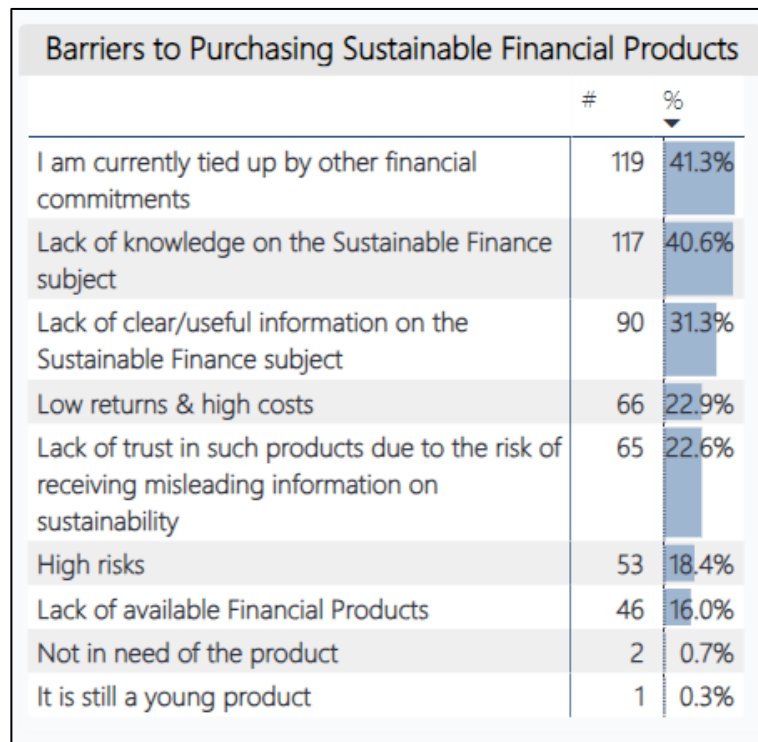
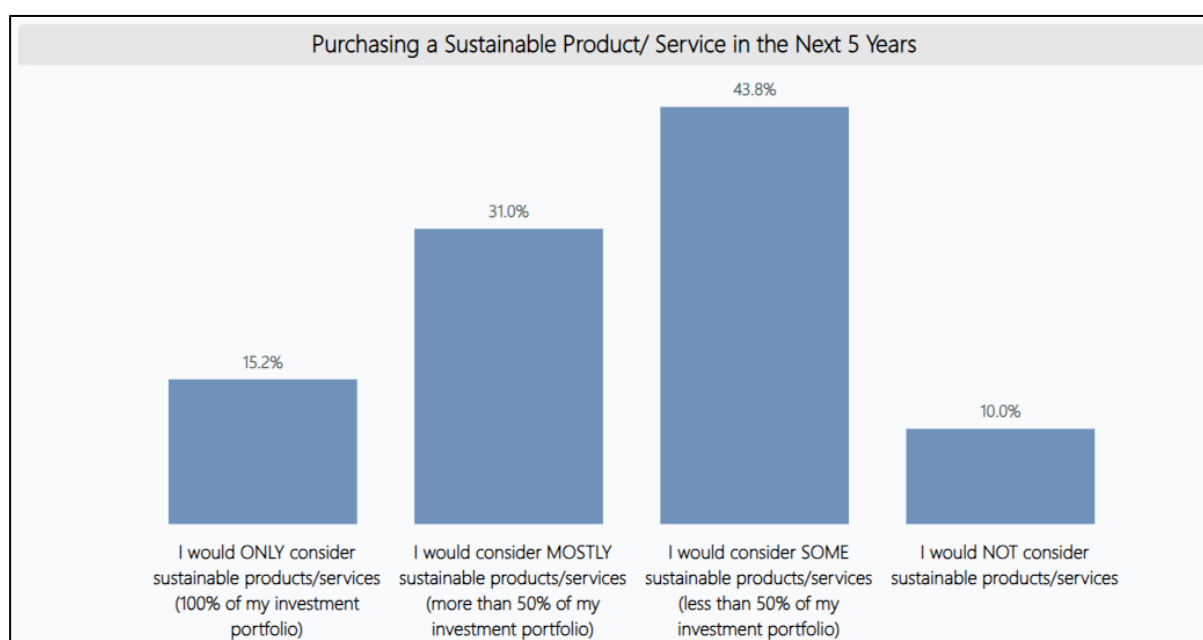


Figure 17 reveals that existing financial commitments is the top barrier to purchasing of sustainable finance products (41.3%). Lack of knowledge is another major deterrent (40.6%), followed closely by the lack of clear/ useful information on the subject (31.3%). Another crucial deterrent which is of a major concern to respondents is the provision of misleading information and therefore the implications of greenwashing (22.6%). The above scores collectively seem to suggest that awareness on the sustainable finance topic is still a major concern for respondents. Therefore, it is extremely important that stakeholders work to raise awareness on sustainable finance.

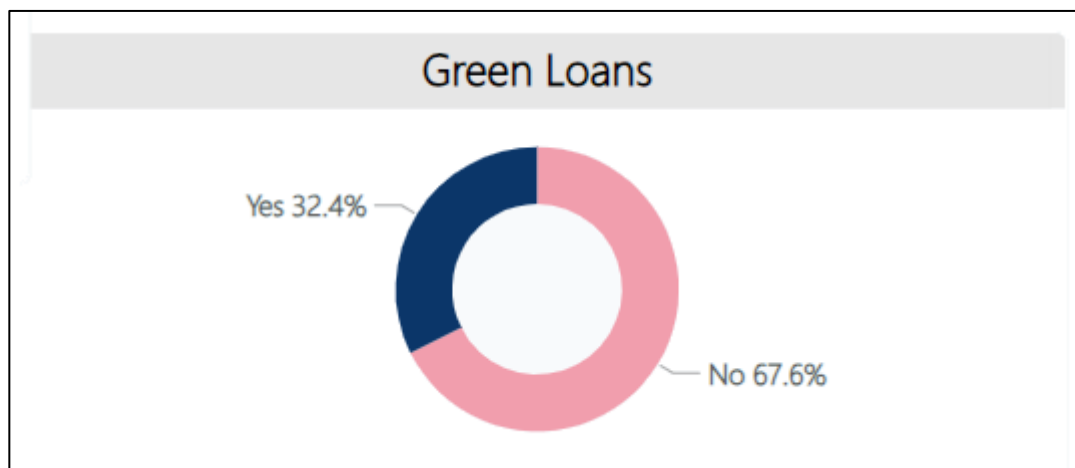
Figure 18: Interest in purchasing sustainable financial products in the next five (5) years



As shown in Figure 18 above and notwithstanding the barriers highlighted earlier in this report, only 10% of respondents are not inclined to consider sustainable products/services. On the other hand, the remaining respondents (90%) are inclined to consider sustainable products/services in the next five years, but the extent of such consideration tend to vary. Most of these respondents would consider allocating less than half (50%) of sustainable products/services in their investment portfolio (in total 43.8%). Only a few respondents (in total 15.2%) would allocate all of their investment portfolio towards sustainable products/services. Overall, such results illustrate that demand for sustainable finance products/services may increase in the near future.

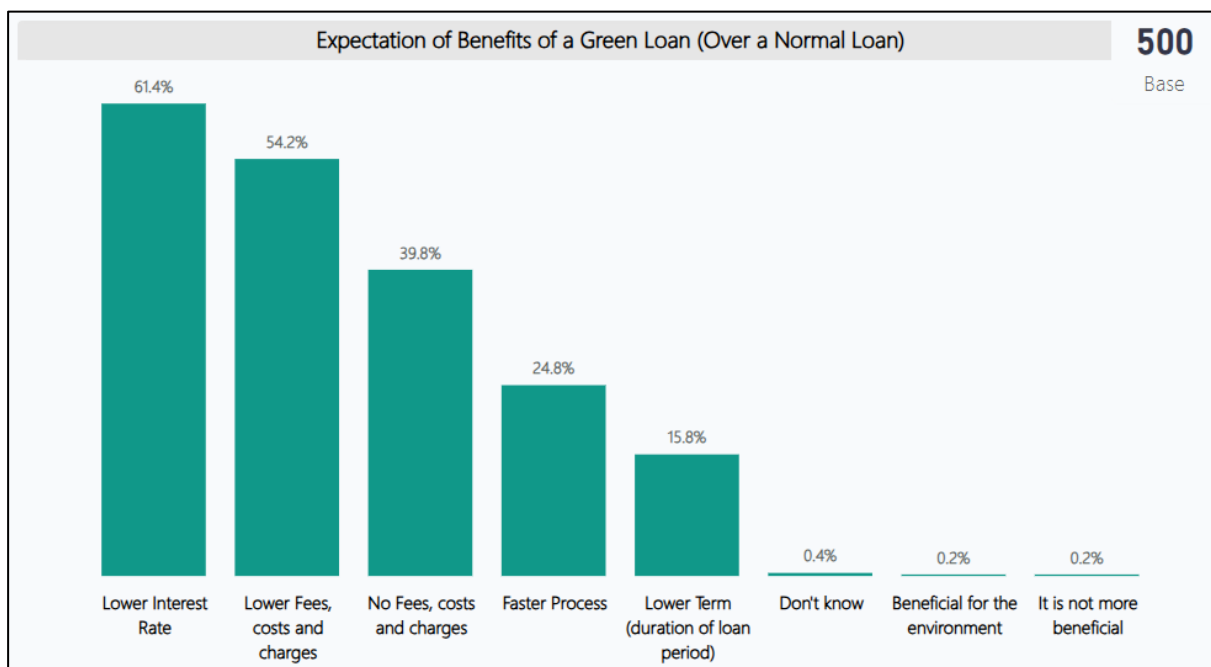
As part of this research, the Authority also assessed whether respondents had previously refinanced/or intend to refinance a 'green' project in the nearby future. In fact, about a third of respondents have opted to finance/or will finance a green project, as outlined in Figure 19 below.

Figure 19: Green financing



When it comes to the expectations of the characteristics of a green loan, Figure 20 indicates that only 0.2% of respondents expect a green loan to facilitate sustainable goals and contribute towards positive sustainable outcomes. Expectations for what respondents understand to be green loans are mainly lower interest rates (61.4%), fees and charges (54.2%). In this regard the Authority further notes that such expectations are not aligned with the actual scope of taking out a green loan.

Figure 20: Expectations of a green loan



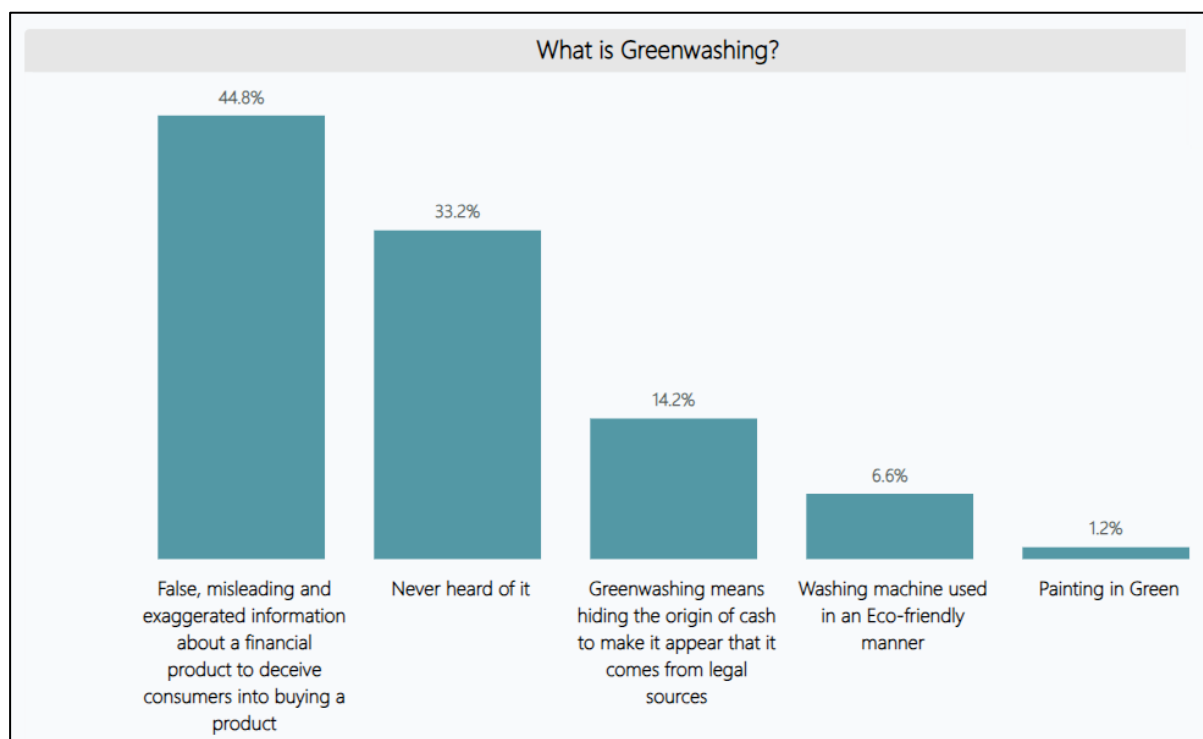
C. Greenwashing

The phenomenon of greenwashing could severely impact investors' confidence in sustainable finance. The Authority has also included questions related to greenwashing to assess the level of awareness of the respondents and what actions the respondents would undertake if they were to come across any misleading information.

Figures 21 to 23 below highlight the key observations when it comes to analysing the population's understanding of the term 'greenwashing'. For the purpose of this question, the Authority has included one correct statement and three other statements which do not correctly define the concept of 'greenwashing'. Another statement was included outlining that the respondent never heard of such concept. This method is line with assessing the levels of sustainable finance literacy.

Figure 21 highlights that a third of the respondents have never heard of the term greenwashing, and less than half (44.8%) of the respondents could correctly define it. The overall result implies that most of the respondents would be prone to the risk of misleading information, given the lack of their knowledge related to sustainable finance.

Figure 21: Defining the term 'Greenwashing'



Moreover, the Authority has also factored the importance of age as demographic factor to assess the trend related between age and the concept of understanding the term greenwashing.

Figure 22: Defining the term 'Greenwashing' (categorised by age group 45-60; Base: 190)

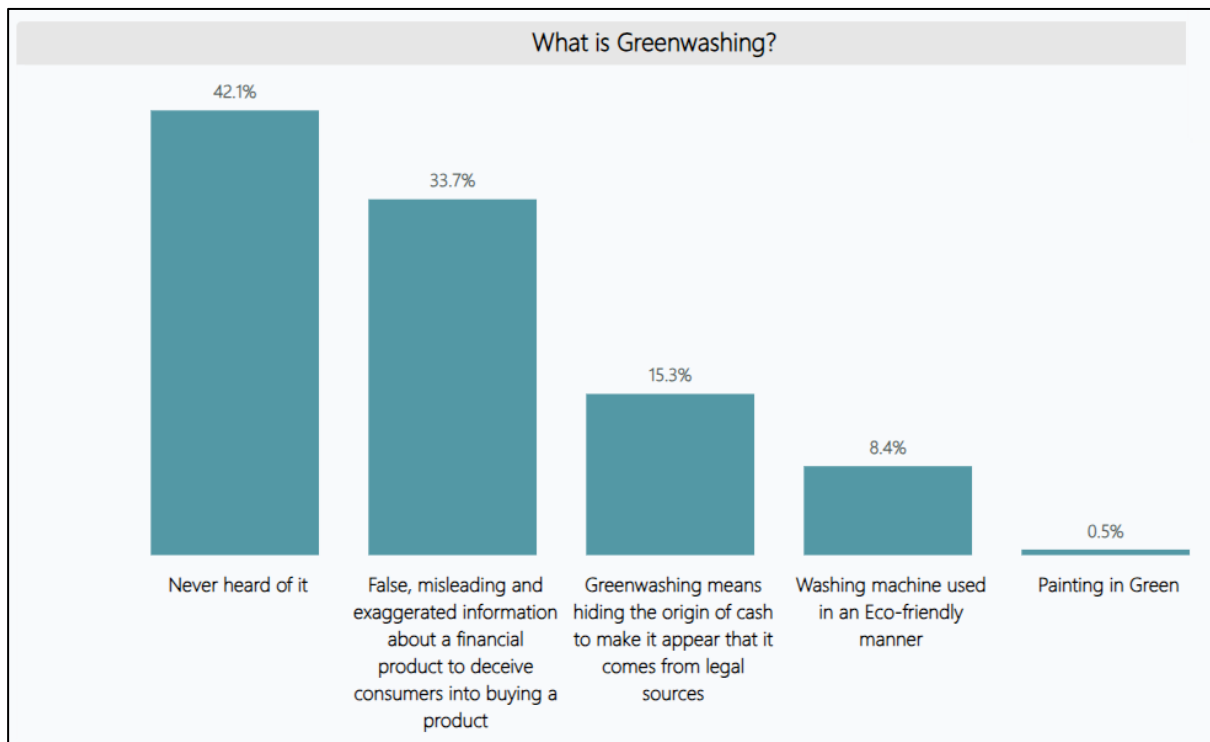
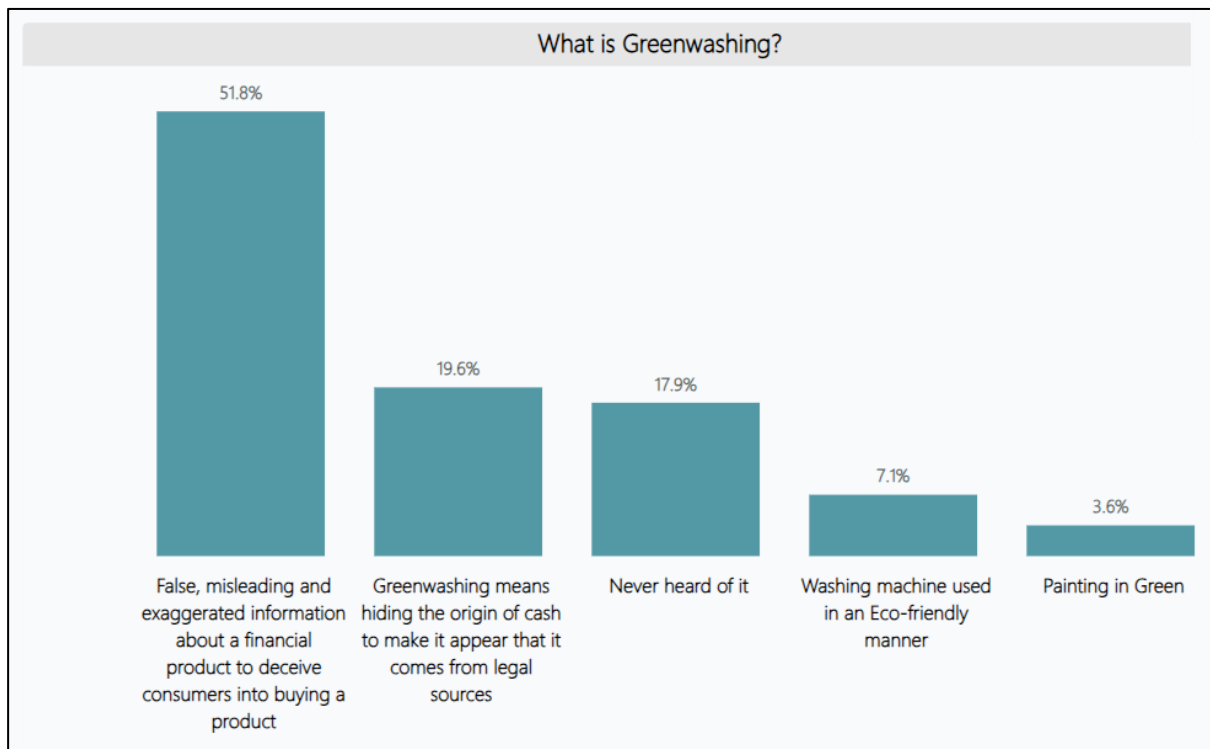


Figure 22 reveals that most of the respondents aged between 45 to 60 years old, have never heard of the term greenwashing (42.1%). On the other hand, a third of the respondents in this age group could correctly define the term greenwashing, whilst, the remaining respondents (24.2%) opted for a dummy answer, which illustrates that they do not know the definition of the term greenwashing. Hence, this result implies that the respondents aged between 45 to 60 years old are more vulnerable to the risk of greenwashing.

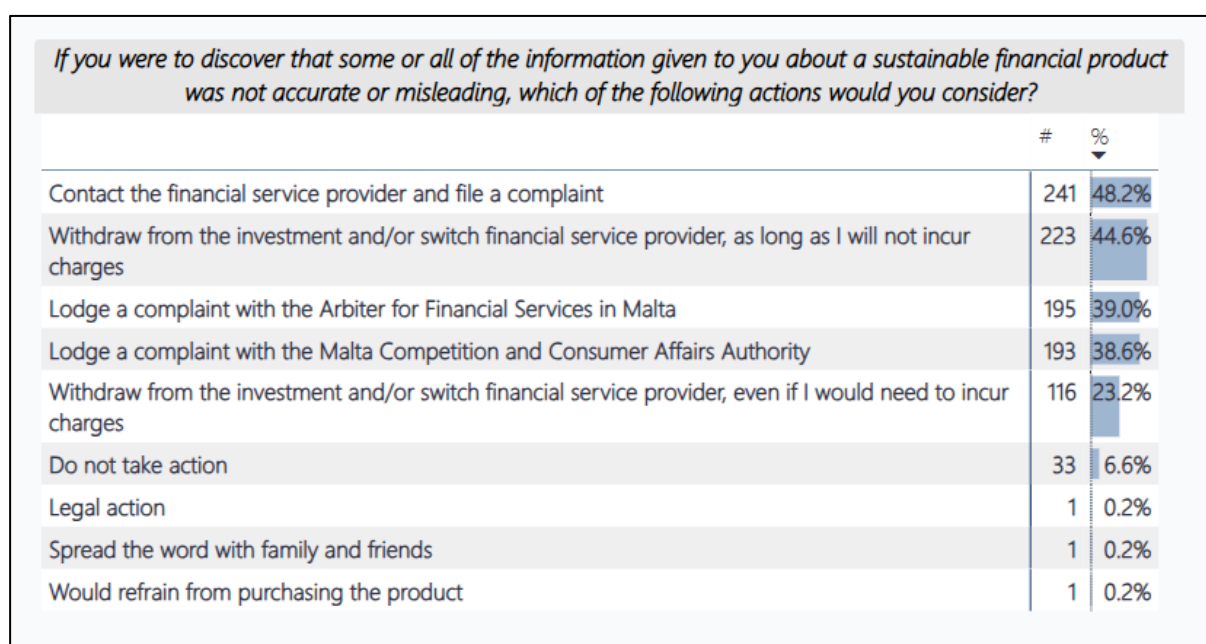
On the other hand, it was observed that the relatively younger cohort of those aged between 18 and 24 have a better understanding of the term greenwashing. In fact, over half of the respondents (51.8%) correctly defined greenwashing, as outlined in Figure 23.

Figure 23: Defining the term 'Greenwashing' (categorised by ages 18-24; Base: 56)



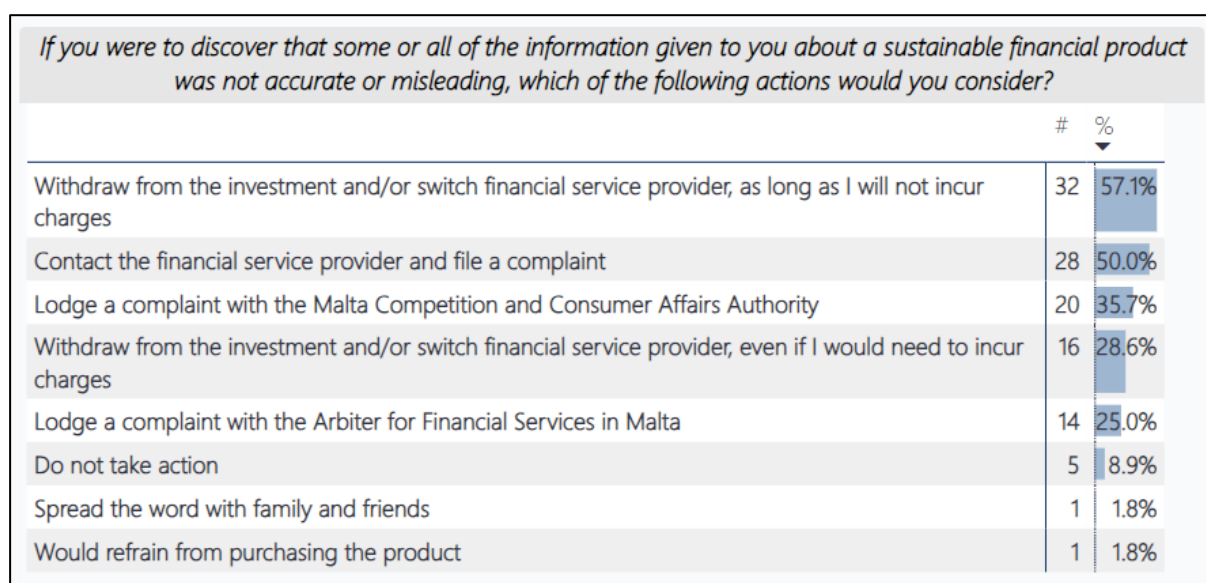
Further to the topic of greenwashing, respondents were also asked how they were to react in a situation where they were to discover that they had not been given accurate information on a sustainable financial product, in other words, had experienced greenwashing. Figure 24 outlines that just 44.6% of respondents would withdraw from the product or service if they would not incur financial charges, while 38.6% mentioned the Malta Competition and Consumer Affairs Authority as the Authority where they would lodge a complaint, as opposed to the Office of the Arbiter for Financial Services. It was concerning to note that a number of respondents (6.6%) would not take any action in such a situation.

Figure 24: Actions in case of misleading information



Notably, as further outlined in Figure 25 below, for those aged between 18 and 24, the preferred option would be to withdraw from the investment/service, even before lodging a complaint with the service provider. In this cohort, the knowledge of the Arbiter for Financial Services also appears to be lower (25%) and 35.7% would take their complaint to the Malta Competition and Consumer Affairs Authority.

Figure 25: Actions in case of misleading information (categorised by age 18-24; Base: 56)



Conclusion and Way Forward

This empirical analysis illustrates that respondents have a relatively low level of knowledge and awareness on concepts related to sustainable finance. The Authority observes that this is a major concern, as respondents could become vulnerable to misleading sustainable finance information. Concepts related to sustainable finance can be quite ambiguous to understand, especially since an investor could face complex product features while assessing a product's sustainability elements. In view of this situation, the Authority acknowledges that if the level of financial literacy related to sustainable finance is deemed to be low, consumers would be vulnerable to the implications of greenwashing. Nevertheless, the Authority remains committed to safeguard and protect the interests of the public, especially the vulnerable investors who would require further outreach and additional educational initiatives.

During 2024, the Authority had initiated an educational awareness campaign entitled "[Go Sustainable - Dodge Greenwashing!](#)" providing further information on the topic of sustainable finance, and the implications of greenwashing. Overall, such empirical findings suggest that the Authority should further strengthen its outreach and educational campaigns during the foreseeable future. In this respect the Authority will continue to engage with the public on the topic of sustainable finance and commits to build upon the extensive educational awareness campaign carried out previously.

Lastly, the Authority acknowledges that the relevant stakeholders (investment firms, credit institutions, financial undertakings and intermediaries) have a fundamental role to play to bridge the gap between the investors' fundamental values and their actual behavioural choices. Stakeholders are encouraged to utilise the insights provided within this report to design financial products that are transparent, straightforward, and tailored to the needs and knowledge levels of their target markets.

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