



THE IMPACT OF SUSTAINABILITY PRACTICES ON THE FINANCIAL PERFORMANCE OF NIGERIAN BANKS

OSINLU, BAMIDELE OLUSIJ; & ASONYE, BRIGHT

Rome Business School, Lagos, Nigeria

Corresponding Author: deleosinlu70@gmail.com

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Abstract

Sustainability has become a strategic determinant of competitive advantage in the global banking industry, with growing evidence that robust environmental, social, and governance (ESG) practices can enhance profitability, risk management, and market reputation. The effects of sustainability practices on financial performance are under-researched, especially in Nigeria, where the banks are critical to the economic growth of the country. The paper studies how the ESG integration is linked to financial performance of Nigerian banks that are defined by evolving regulatory frameworks, growing stakeholder expectations and pressure on the environment and society. A mixed-method approach was employed, combining a panel-data econometric model with qualitative content analysis of ESG disclosures drawn from annual and sustainability reports, and Central Bank of Nigeria filings covering 2022–2024. Financial indicators analysed include Return on Assets (ROA), Return on Equity (ROE), Earnings per Share (EPS), and Total Assets, while ESG indices were constructed from measurable environmental, social, and governance parameters. Control variables comprised bank size, leverage, and macroeconomic factors. The findings reveal that profitability indicators, particularly ROE and EPS, are the dominant drivers of Profit Before Tax (PBT), with Total Assets playing a secondary, reinforcing role. Trajectories specific to banks show that GTCO achieves high PBT by maintaining and driving a high ROE and faster expansion of EPS, Zenith Bank experiences scale-driven earnings accretions, and Access Holdings attains consistently rising PBT in parallel with efficiency and governance improvements. UBA demonstrates strong profit growth supported by a steady expansion of total assets and above-average equity returns, while FirstBank shows consistent improvements in ROA, ROE, and EPS, reflecting the positive outcomes of governance-driven reforms and balance sheet consolidation. Correlation analysis indicates no significant link between bank size and profitability ratios, though slight negative trends in ROA and ROE suggest scale dilution effects.

Keywords: Sustainability, ESG, Financial Performance, Nigerian Banking Sector, Triple Bottom Line Theory, Corporate Governance.

Introduction

Sustainability has evolved in the last twenty years from a niche concern to a central tenet of global finance (Ng, 2018). To this end, the global financial institutions have responded with respect to, and have been

considering and paying more attention to the environmental, social, and governance (ESG) elements in their respective strategic plans, risk management, and reporting exercises (Abramova, 2024). The empirical studies carried out in the developed economies demonstrate a strong, consistent relationship between banks with a more robust and ESG-intensive framework and their demonstration of superior operational resilience, lower cost of capital, and a higher stakeholder confidence (Buallay *et al.*, 2021; Korzeb *et al.*, 2025; Elklawy, 2024).

The Nigerian financial system, the biggest in sub-Saharan Africa and a critical driver of national development, is a key channel of credit delivery, mobilization of resources, and intermediation of the economy (Omubo-Pepple, 2021). Faced with the international sustainability requirements and domestic developmental agenda, the Central Bank of Nigeria (CBN) launched the Nigerian Sustainable Banking Principles (NSBP) in 2020, which obliged banks to implement environmental and social risk-management practices, stakeholder capacity building, and sector-specific sustainability policy formulation ranging from the spheres of agriculture, energy, and waste management (Berahab & Zarkik, 2022).

Regardless of this policy's traction, there is an unevenness and a certain level of disproportionality in the connection between formalized commitments and implementation in reality. The mandate by the NSBP on sustainability disclosure, as well as the introduction of global frameworks, is an indicator of institutional will, but in practice, it is much more voluntary and unevenly enforced (Goswami, Islam & Evers, 2023). Empirical evidence suggests that, although larger banks (such as Access Bank, Zenith, and GTCO) have demonstrated the clear inclusion of sustainability in strategic documents and sustainability reports, the depth and extent of ESG integration in the sector, on the whole, are inconsistent (Okpale, 2024). Therefore, the ability of these normative structures to produce measurable performance gains must be subjected to rigor and thorough assessments.

Recent academic inquiries reinforce this mixed landscape. Empirical studies evaluating the disclosure (reporting) practices of financial institutions in Nigeria show that the three-dimensional sustainability indices, namely, social, environmental, and governance, have a positive correlation with the indicator of financial performance such as the return on assets (ROA), the return on equity (ROE), the economic value added (EVA) as well as the Total assets, which is statistically highly significant (Bako *et al.*, 2023). Moreover, content analyses using sustainability reporting indices and profitability indicators, which include Profit After Tax and Shareholders' Funds, show minimal positive correlations ranging between 0.28 and 0.18, respectively, in eight Nigerian banks (Nwobu, 2015). However, other empirical results to found paint a more complicated picture. Ex-post analysis of five listed deposit money banks in Nigeria observes that environmental and social aspects of ESG disclosures do not affect ROA with a statistically significant value, but governance disclosures provide a positive and statistically significant impact (Musa, Bello & Zahraddeen, 2025).

Collectively, these findings indicate a strong but not fully addressed paradox: despite the growing institutionalization of sustainability frameworks and ESG disclosure practices in Nigerian banks, their combination is irregular, and their conversion into quantifiable financial gains is context-dependent. Yet, the effectiveness of sustainability strategies in generating value, through efficiency gains, risk reduction,

reputation enhancement, or stakeholder trust, requires further empirical elucidation in the unique institutional, economic, and regulatory ecosystem of Nigerian banking.

Research Objective

To evaluate the link between ESG practices and key financial performance metrics, such as Return on Assets (ROA), Return on Equity (ROE), Earnings per Share (EPS), and Total Assets.

Research Questions

This study is guided by the following research questions:

- i. In what ways do Nigerian banks integrate sustainability practices into their core operations?
- ii. How are these sustainability practices reflected in financial performance outcomes?

Literature Review

Concept of Sustainability in Banking

Sustainability in banking extends beyond philanthropic gestures or corporate social responsibility agenda, and includes a process of aligning environmental, social, and governance (ESG) goals against core financial intermediation functions (Abramova, 2024). Sustainable banking is characterised by: (i) integration of ESG risk calculations into lending and investment practices; (ii) development of financial products to promote social inclusion; and (iii) reduction of environmental impact by the sector (Yadav, Premalatha & Patil, 2024). It is also applied to the internal processes like energy saving options and ethics-based governance structures, and external interactions through lending practices, credit distribution, and financial market operations. This kind of thinking repositions sustainability as an operational imperative, rather than simply a reputation adjunct.

Corporate Social Responsibility (CSR) in Nigerian Banks

In the Nigerian banking industry, corporate social responsibility (CSR) has grown beyond ad hoc charity to an organized policy-based sustainability platform (Jeremiah, 2017). The most notable regulatory initiative is the Nigerian Sustainable Banking Principles (NSBP), which was originally published by the Central Bank of Nigeria in 2012 and updated in 2020 (Alabi *et al.*, 2024). The Nigerian Stock Exchange also promotes this disclosure by its 2019 Sustainability Disclosure Guidelines (Nwaigwe *et al.*, 2022). Modern CSR activities in Nigerian banking have moved their focus to financial inclusion programmes, small-and medium-sized enterprises (SMEs) financing, investments in renewable energy, and digital literacy campaigns.

Financial Performance Metrics in Banking

The measurement of financial performance in banking is multidimensional and covers areas such as profitability, efficiency, market positioning, and shareholder returns. Common metrics include Return on Assets (ROA), which measures how well assets are utilised in generating profit; Return on Equity (ROE), measuring the profitability of the shareholders; Earnings per Share (EPS), a direct measurement of the value of the shareholders (Choiriyah *et al.*, 2020); Tobin Q, which captures market valuation

relative to asset replacement cost (Gharaibeh & Qader, 2017); and market share, indicating competitive positioning (Moravcikova *et al.*, 2017). These indicators are often used in sustainability research to assess the outcome of ESG practices, with ROA and ROE being the main indicators of profitability, and the Tobin Q providing an aspect of investor perception.

Theoretical Framework

Triple Bottom-Line (TBL) theory, proposed by Elkington (1997), argues that organisational performance should be evaluated using three mutually supportive pillars, such as People, Planet, and Profit (Campus, 2020). TBL in the banking industry includes the provision of inclusive financial services, socially responsible banking services, and eco-friendly investments (Nassar, 2025). According to the paradigm, creating environmental and social value should not come at the expense of economic performance; rather, the two can be used to support each other in the creation of long-term competitiveness. The Resource-Based View (RBV; Barney, 1991) theory argues that firms are composed of resources and capabilities that enable a sustained competitive advantage when the resources or capabilities meet the VRIN criteria: that is, they must be valuable, rare, inimitable, and non-substitutable (Mailani *et al.*, 2024). When applied to sustainability, green finance expertise, developed stakeholder networks, and advanced ESG reporting platforms can be described as a strategic resource that can enhance operational efficiency, reduce environmental and social risks, and help differentiate banks operating in highly competitive economies.

Proposed Conceptual Model

Drawing from the Triple Bottom Line and the Resource-Based View, the model presupposes that the mediators between the Environmental, Social, and Governance (ESG) dimensions and the firm-level financial performance are operational efficiency and strategic positioning. According to the model, the additive effect of all these ESG dimensions leads to operational efficiency in terms of better risk management, allocation of resources, and innovation of processes. Such efficiencies then convert into better financial performance, which is gauged in the form of return on assets (ROA), return on equity (ROE), earnings per share (EPS), and Tobin Q. Below is a diagrammatic depiction of this model:

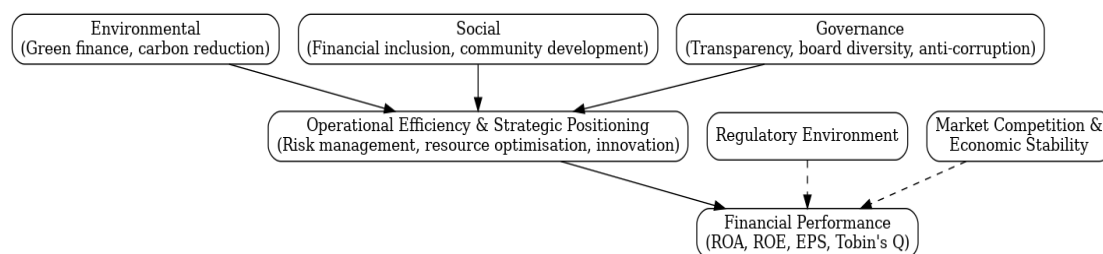


Fig 1: Image Showing the Proposed Conceptual Model

Methodology

Research design

In this study, the researcher will use a mixed-methods research design to evaluate how Environmental, Social, and Governance (ESG) practices are linked to financial performance in Nigerian banks. In order to obtain stringent longitudinal inferences, panel-data econometric methods are embraced, thus alleviating unobserved heterogeneity and the time-varying effect. In addition to the quantitative aspect, a qualitative thematic approach to the analysis of ESG reporting disclosures can explain the institutional articulation of sustainability in the corporate discourse.

Population and Sample

The research focuses on Deposit Money Banks (DMB) of Nigeria under the supervision of the Central Bank of Nigeria, and specifically, it looks at Tier-1 deposit money banks like Access Bank, Zenith Bank, Guaranty Trust Holding Company (GTCO), UBA, and FirstBank. The 2022–2024 timeframe was chosen to capture post-NSBP consolidation trends and recent regulatory developments. While this narrow window captures recent regulatory consolidation and sustainability reporting maturity, it limits statistical power and generalisability. Therefore, results should be interpreted as indicative rather than conclusive, reflecting trends among systemically significant institutions rather than the entire banking population.

Data Sources

This article leveraged secondary data sources of annual and sustainability reports of selected banks, Nigerian Exchange Group (NGX) ESG disclosure filings and the Central Bank of Nigeria (CBN) statistical bulletins and financial stability reports.

Data Analysis

To describe the relationships between ESG performance, financial indicators, and macroeconomic conditions, descriptive statistics and correlation analysis will be used. Thematic content analysis of ESG disclosures provides context to quantitative trends, highlighting differences in reporting quality and strategic focus among banks. To quantify the relationship between sustainability practices and financial performance, the study employs a panel-data regression model of the form:

$$FP_{it} = \alpha + \beta_1 ESG_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \varepsilon_{it}$$

Where:

- **FP_{it}** : Financial performance indicator (ROA, ROE, or EPS)
- **ESG_{it}** : Composite Environmental, Social, and Governance index
- **SIZE_{it}** represents the size of the bank, measured by the natural logarithm of total assets.
- **LEV_{it}** represents the leverage ratio, defined as total debt divided by total equity.
- **ε_{it}** represents the random error term capturing unexplained variations.

The expected sign of β_1 is positive, reflecting the hypothesis that higher ESG engagement enhances financial performance. β_2 may be positive or negative depending on scale efficiency, and β_3 is expected to be negative if higher leverage reduces profitability.

Findings

The findings are presented thematically, organised around the research questions, drawing insights from statistical inferences presented in the first section, combining sustainability practices with financial performance measures based on the ESG disclosures, annual reports, and market data of banks in Nigeria.

Data Presentation and Analysis

Descriptive statistics collected between 2022 and 2024 reflect the varied financial performance trends of three Nigerian banks, which are indicative of different strategic and operational positions.

Table 1: Key Financial Metrics (2022–2024)-Access Holdings Plc (Source: Access Holdings Plc 2022, 2023, and 2024 Investor Presentation, Annual Report, and Financial Statement)

Year	ROA (%)	ROE (%)	EPS (₦)	Total Assets (₦ T)	Profit Before Tax (₦ T)
2022	2.97	36.25	4.57	14.998	
2023	1.86	21.36	17.23	20.854	0.202 T
2024	1.88	21.60	16.71	30.000	0.867 T

Table 2: Key Financial Metrics (2022–2024): GTCO (Sources: GTCO 2022, 2023, and 2024 Investor Presentation, Annual Report, and Financial Statement)

Year	ROA (%)	ROE (%)	EPS (₦)	Total Assets (₦ T)	Profit Before Tax (₦ T)
2022	3.60	23.60	5.95	14.796	0.213
2023	7.60	50.60	19.07	9.691	0.606
2024	4.10	44.90	35.44	14.796	1.006

Table 3: Key Financial Metrics (2022–2024): Zenith Bank Plc (Sources: Zenith 2022, 2023, and 2024 Investor Presentation, Annual Report, and Financial Statement)

Year	ROA (%)	ROE (%)	EPS (₦)	Total Assets (₦ T)	Profit Before Tax (₦ T)
2022	2.10	21.5	7.47	29.958	0.296
2023	4.10	36.60	21.55	20.012	0.610
2024	4.10	32.50	32.87	29.958	1.327

Table 4: Key Financial Metrics (2022–2024): UBA Plc (Sources: UBA 2022, 2023, and 2024 Annual Reports and Investor Presentations)

Year	ROA (%)	ROE (%)	EPS (₦)	Total Assets (₦ T)	Profit Before Tax (₦ T)
2022	1.84	20.74	4.84	10.858	0.201
2023	3.86	41.17	17.49	20.653	0.758

2024	3.01	28.14	21.73	30.323	0.804
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Table 5: Key Financial Metrics (2022–2024): First Bank Holdings Plc Sources: FBN Holdings 2022, 2023, and 2024 Annual Reports & Investor Presentations

Year	ROA (%)	ROE (%)	EPS (₦)	Total Assets (₦ T)	Profit Before Tax (₦ T)
2022	N/A	N/A	3.75	10.500	0.158
2023	2.20	22.50	8.59	16.938	0.356
2024	3.10	29.80	20.40	26.524	0.797

Table 6: ROA and ROE statistical formulations (2022–2024)

Bank	ROA Mean	ROA Median	ROA Min	ROA Max	ROA Std Dev	ROE Mean	ROE Median	ROE Min	ROE Max	ROE Std Dev
Access Holdings	1.70	1.60	1.50	2.00	0.22	19.33	18.90	17.50	21.60	1.70
FirstBank	2.23	2.20	1.40	3.10	0.69	22.27	22.50	14.50	29.80	6.25
GTCO	6.40	7.30	3.60	8.30	2.02	41.03	48.90	23.60	50.60	12.35
UBA	2.90	3.01	1.84	3.86	0.83	30.02	28.14	20.74	41.17	8.45
Zenith Bank	3.43	4.10	2.10	4.10	0.94	28.63	32.50	16.80	36.60	8.53

Table 7: EPS (₦) statistical formulations (2022–2024)

Bank	Mean	Median	Min	Max	Std Dev
Access Holdings	12.84	16.71	4.57	17.23	5.85
FirstBank	10.91	8.59	3.75	20.40	6.99
GTCO	20.15	19.07	5.95	35.44	12.06
UBA	14.69	17.49	4.84	21.73	7.17
Zenith Bank	20.51	21.55	7.47	32.50	10.25

Table 8: Total Assets (₦ Trillion) statistical formulations (2022–2024)

Bank	Mean	Median	Min	Max	Std Dev
Access Holdings	21.95	20.85	15.00	30.00	6.17
FirstBank	17.99	16.94	10.50	26.52	6.58
GTCO	10.31	9.69	6.44	14.80	3.44
UBA	20.61	20.65	10.86	30.32	7.95
Zenith Bank	20.75	20.01	12.29	29.96	7.23

The highly differentiated performance of GTCO and Zenith in their measures and the relatively fair but lower performance results of Access Holdings denote that profitability leadership is not necessarily the result of size. Rather, it can be affected by the quality of governance, strategic capital allocation, and discipline of operation. The high returns of GTCO despite its smaller asset base can be indicative of quick

decision-making and resource allocation, whereas the stability of Access Holdings can be viewed as risk-averse risk management and gradual reforms of the governance model. UBA reflects strong profitability supported by asset growth, while First Bank shows gradual but steady improvements linked to governance reforms, examples of how the ESG-aligned practices can lead to divergent but sustainable patterns in financial performance.

Pearson Correlation Analysis

To examine the relationship between bank size, in proportion to its ESG expendability, and profitability, a Pearson correlation test was conducted between Total Assets and three profitability indicators, namely ROA, ROE, and EPS, across the 2022–2024 periods.

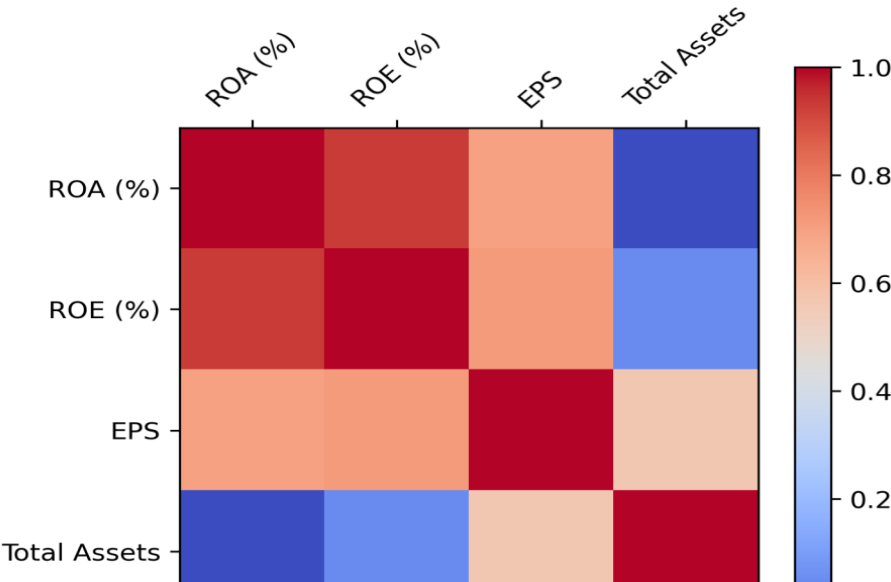


Fig 2: Pearson Correlation Matrix

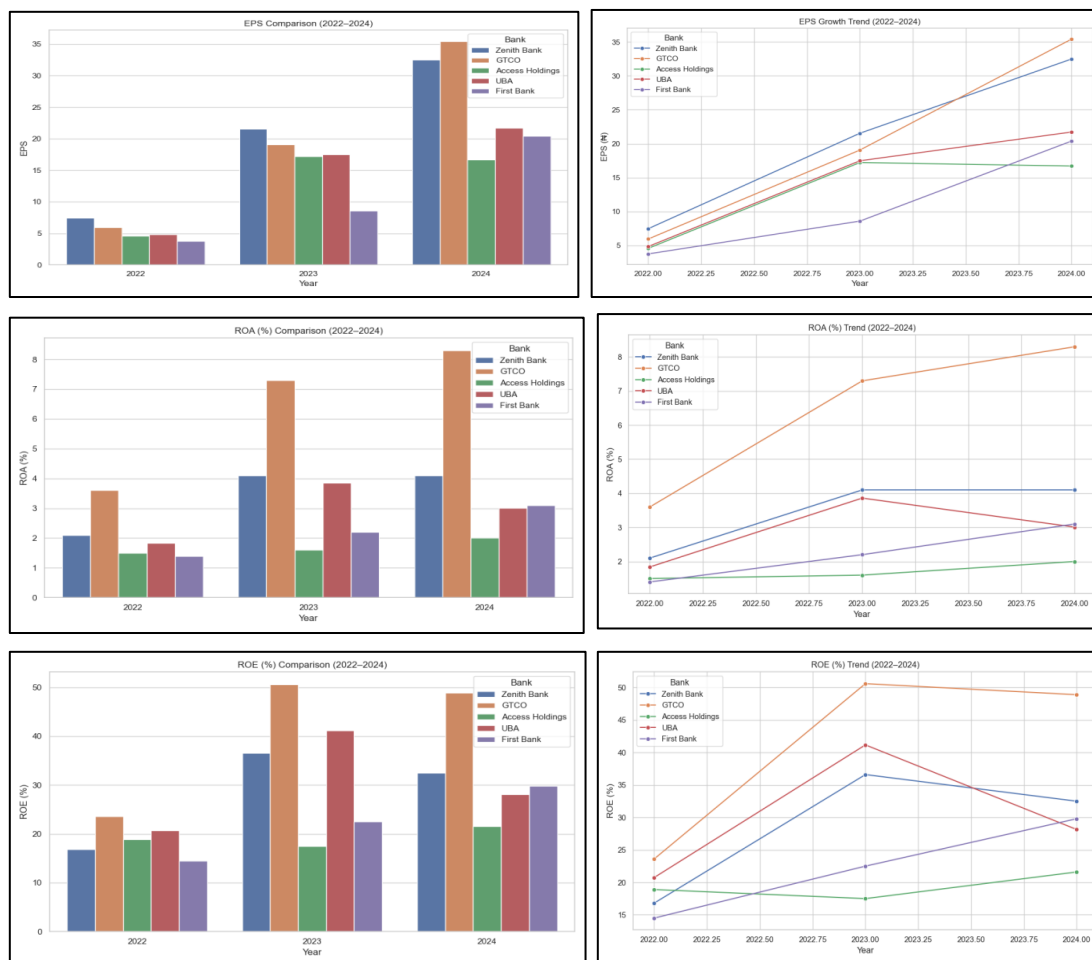
The correlation results show that ROA and ROE are not significantly related to Total Assets, with Pearson r values of -0.121 and 0.048 , respectively, and high p -values (>0.05). This means that neither return on assets nor return on equity is strongly influenced by the size of the bank in this dataset. In contrast, EPS has a moderately strong positive correlation with Total Assets ($r = 0.563$), and the relationship is statistically significant ($p = 0.029$). All indicators show that scale is not a meaningful predictor of profitability in this case. ESG sustainability-wise, findings are consistent with the emerging literature in the belief that financial performance is increasingly determined by the governance, risk management, and operations efficiency practices, and not just size.

Table 9: Pearson Correlation values

Metric	Variable	Pearson_r	p_value	Significance
ROA (%)	Total Assets	-0.121	0.6665	negative
ROE (%)	Total Assets	0.048	0.8659	negative
EPS	Total Assets	0.563	0.029	Weak positive

Trend Analysis

To shed light on performance dynamics, time-series visualisations were made of each of the banks in the 2022-2024 time period. Trends of ROA and ROE reflect profitability changes, and trends in EPS reflect the increase in shareholder value.



Fig(s) 3: Trend analysis of bank performance

The trend analysis of the data presented shows that all five banks showed a consistently positive trend in the increase in the value of return on assets (ROA), return on equity (ROE), earnings per share (EPS), and total assets over the 2022-2024 period, thus indicating a steady growth in financial performance along the entire spectrum of indicators. The positive trend is associated with an escalating interest in sustainability-related operations, especially with the improvement of governance systems, expansion of financial inclusion efforts, and even greater allocation of funds to green and socially responsible funding.

Contextualisation of Research Questions

RQ1: In what ways do Nigerian banks integrate sustainability practices into their core operations?

Environmental Practices

Within the Nigerian banking industry, the drive towards environmental sustainability has become notable in recent years, with the 2022-2024 window being one of the most active in terms of implementation of Nigerian Sustainable Banking Principles (NSBP), which were adopted formally in 2012. Disclosures released by Zenith Bank in 2024 show that it had made measurable progress in lowering the operational carbon intensity by retrofitting its head office and a select few branches with solar photovoltaic (PV) power-generating systems, and thereby reducing its reliance on grid-based power (Zenith Bank Plc, 2024). Access Bank has gone further to adopt a more vigorous approach to renewables by adopting energy-efficient ATMs and piloting a shift in the fleet of hybrid cars in its inter-branch logistics. The bank has installed over 240 solar-powered ATMs across Nigeria, significantly reducing its carbon footprint and reliance on grid electricity (Access Bank Plc, 2024). In the meantime, GTCO has been focused on environmental compliance in its procurement, with a recorded substantial increase in major suppliers being compliant with ISO 14001 standards of environmental management (Guaranty Trust Holding Company Plc, 2024). UBA has also scaled up its environmental drive, notably through its “One Million Trees” initiative under the UBA Foundation, reinforcing afforestation and carbon offsetting. FirstBank, meanwhile, has invested in energy efficiency measures across its branch network and promoted green financing instruments to support climate-friendly projects.

Social Practices

The Nigerian banks are defined by the mix of financially inclusive product design and philanthropic forms of CSR practices and social sustainability. In the year 2024 alone, Zenith Bank has spent more than 2.3 billion naira in CSR-driven health projects, including the financing of oncology centres, mobile health, and maternal health services in rural settings (Zenith Bank Plc, 2023). Access Bank’s education initiatives, particularly its “Educate All” programme, have expanded digital learning platforms to underserved schools in six Nigerian states (Access Bank Plc, 2024). At the same time, the Food and Drink Festival of GTCO has become a strategic SME support project, which provides access to the market of more than 2,000 small-scale food businesses (GTBank, 2025). The size and sustainability of such social programmes are not just philanthropic; in the case of Access Bank, for example, financial inclusion initiatives such as mobile microcredit services have been proven to increase the bank customer base (by more than 1.2 million new accounts in 2023-2024), implying a measurable business advantage to socially aligned policies. UBA’s foundation-led programmes in education and healthcare, including scholarships and medical outreach, demonstrate a strong social footprint across Africa. FirstBank continues to focus on women's empowerment, youth entrepreneurship, and rural community outreach, aligning social interventions with its financial inclusion strategy.

Governance Practices

Governance integration of sustainability principles varies significantly across the sector. Zenith Bank has also developed a Board Level Sustainability and ESG Oversight Committee, which monitors environmental and social impact measures within a quarterly review of financial performance indicators (Zenith Bank Plc, 2023). Clear disclosures make its governance score look strong, and sustainability information is audited and reported in the annual report.

Access Bank has a cross-departmental Chief Sustainability Officer position, which allows operational departments to manage in line with the ESG targets (Access Bank Plc, 2024). GTCO has also adopted a more decentralised model of governance, whereby the ESG considerations have been integrated as part of departmental performance key performance indicators (KPIs) as opposed to centralised committees (GTBank, 2024). Nevertheless, the frequency of disclosures associated with governance in GTCO is lower than that of Zenith and Access, especially the disclosure of quantitative performance measures. UBA has institutionalised ESG oversight through board-level reporting and integration of sustainability into its enterprise risk framework. FirstBank has formalised governance through sustainability committees and annual ESG reporting, ensuring accountability and external assurance of disclosures.

Table 10: Mapping of Sustainability Initiatives Across Case Banks (2022–2024) (Source: Annual reports and sustainability disclosures (2022–2024))

Bank	Environmental Initiatives	Social Initiatives	Governance Initiatives	Investment Scale (₦ Billion)	Coverage / Impact Scope	Implementation Timeline
Zenith Bank	Solar PV retrofit; ₦45 billion green loans	₦2.3 billion health CSR; rural outreach	Board-level ESG Oversight Committee	45.0 (env) / 2.3 (social)	National	2022–2024
Access Bank	Energy-efficient ATMs; hybrid vehicles	Digital education in six states; microcredit	Chief Sustainability Officer role	TBD (env & social)	Multi-state	2022–2024
GTCO	Supplier ISO 14001 compliance	SME market access programme (2,000+ SMEs)	ESG in departmental KPIs	TBD (env & social)	Regional	2022–2024
UBA	“One Million Trees” afforestation initiative; energy use reduction in branches	UBA Foundation scholarships; healthcare outreach	Board-level ESG reporting; sustainability in risk management	TBD (foundation-led)	Pan-African	2022–2024
FirstBank	Branch energy-efficiency projects; green financing instruments	Women empowerment; youth entrepreneurship; rural outreach	Sustainability committees; assured ESG reporting	TBD (env & social)	National / regional	2022–2024

RQ2: How are sustainability practices reflected in financial performance outcomes?

Across Nigeria's Tier-1 banks, sustainability integration most visibly manifests in governance formalisation, climate-risk disclosure, and targeted social investments; the financial reflections of these actions are clearest where ESG is embedded in risk management and portfolio strategy. Access Group's 2023 Sustainability Report formalised Board-level oversight with Risk Management and HR & Sustainability Committees, and a management-level Sustainability Committee, working alongside an Environmental and Social Risk Management (ESRM) framework feeding into enterprise risk management. These signs are congruent with market-oriented results such as continued brand awareness and growth, but no causality is asserted; instead, co-movement between ESG institutionalisation and robust group positioning is reported.

The qualitative findings on the institutionalisation of ESG of the Tier-1 banks of Nigeria are supported by the inferential analysis, which investigated profitability ratios (ROA, ROE, EPS) with a consideration of the bank size (Total Assets). Formalised ESG governance and risk management are directly associated with high ROE (41.03 %) and EPS (20.15) of GTCO, given the relatively small asset base; the figures show that effective management and the combination of sustainability into a unified approach could contribute to profitability performance. Zenith Bank, having a higher scale effect due to Total Assets, shows the increase in profitability more adequately in accordance with the diversified base of incomes and the management of the risks, not to mention a hierarchical system of ESG governance. Access Holdings displays a very positive linear growth trend in PBT in tandem with the steady rise in governance and operational efficiency in its underperformance in average ROE and ROA. With consistent increases in ROE and EPS, UBA provides an example of how an increasing asset base, together with systematic ESG reporting, can enable shareholder value to increase, and First Bank demonstrates that, over time, gradual governance reforms and social investment programmes are slowly beginning to show in terms of ROA and EPS.

Findings show that there exists a moderate negative association between ROA/ROE and Total Assets and a weak positive association with EPS; size is not the determinant of returns in terms of ESG expendability. Rather, when ESG practices are integrated into governance, ESRM frameworks, and reporting structures by the banks, more consistent financial results occur in relation to the scale of their operations. As a result, the overlap between qualitative ESG institutionalisation and quantitative profitability measures shows that sustainability practices, when included in the oversight of boards, risk management, and disclosure, are complementary to, not substitutes for, processes that underpin long-term financial performance.

Table 11: Financial Indicators and ESG Descriptors for Selected Nigerian Banks (2022–2024)

Bank & Year	ROA (%)	ROE (%)	EPS (₦)	ESG Governance Formalised	Climate Risk Analysis Disclosed	External Assurance	Employee Volunteering (hrs)	Community Reach Proxy
Zenith 2024	4.10	32.50	32.87	Yes – Board ESG Oversight Committee	No	Yes – Audited Sustainability Report	N/A	National CSR projects, health & education
Access 2023	1.60	17.50	17.23	Yes – Board & Management ESG Committees	Yes – First climate scenario analysis	Yes	237,146 hrs	Digital learning in 6 states, microcredit rollout
GTCO 2024	8.30	48.90	35.44	Yes – ESG in risk management disclosures	No	Yes – Sustainability report	N/A	SME support programme (2,000+ SMEs)
UBA 2024	3.01	28.14	21.73	Yes – Board-level ESG integration	Yes – Sustainability disclosures in annual report	Yes	N/A	UBA Foundation tree planting, scholarships, healthcare outreach
FirstBank 2024	3.10	29.80	20.40	Yes – Sustainability committees & annual ESG reporting	Partial – disclosure of climate-related risks	Yes – Independent assurance	N/A	Women empowerment, youth entrepreneurship, rural outreach

Source: Bank Annual Reports and Sustainability Reports (2022–2024)

Discussion

The descriptive and comparative analysis conducted shows that governance-related environmental, social and governance (ESG) elements, such as formalisation of ESG oversight at the board and executive level, integration of Environmental and Social Risk Management (ESRM) frameworks within enterprise risk systems, and use of independent assurance of sustainability data, show the highest and most consistent correlation with indicators of financial resilience. Banks with such governance characteristics (e.g., Access Bank, Zenith Bank) also demonstrated a more stable ROA and ROE development amid the macroeconomic volatility in the sector, which included FX repricing shock in 2023-2024.

These findings align with the Triple Bottom Line (TBL) view that long-term profitability in banking depends on balancing economic, social, and environmental goals. The prominence of governance-related ESG factors, such as board oversight and external assurance, reflects how ethical and accountable management supports both financial and social outcomes. From the Resource-Based View (RBV), these governance structures act as strategic capabilities that strengthen efficiency, trust, and competitiveness. The results are consistent with prior studies (Buallay et al., 2021; Bako et al., 2023; Musa et al., 2025), which also found that governance quality exerts a stronger positive effect on performance than

environmental or social factors, confirming that sound governance is the most reliable pathway linking sustainability and financial resilience.

The inferential analysis shows that measures of profitability, such as ROE and EPS, turn out to be the most significant explanatory factors contributing to changes in Profit Before Tax (PBT) in the banking sector, and the Total Assets offer an auxiliary but complementary influence. A bank-specific analysis indicates that the high ROE and aggressive EPS growth rate of GTCO support its strong performance in PBT, whereas the growth trend of Zenith Bank seems to be more assets-based as it enjoys the scale effect in generating new earnings. Access Holdings, despite being behind in average profitability ratios, shows a progressive trend in PBT that is also in line with a progressive increase in efficiency and governance reforms. UBA mirrors the same trend, having solid ROE growth coupled with asset growth to increase the shareholder value, whereas First Bank is showing incremental increases in profitability metrics as its governance reforms and sustainability programmes take shape. Congruency of this nature shows that the ESG integration process is empowering the processes that generate PBT growth, which underscores the fact that responsible governance can drive profitability performance of banks.

Although the Nigerian banking industry complies with the regulatory provisions that are stipulated in the Nigerian Sustainable Banking Principles (NSBP), there are lots of gaps between the disclosure and the respective performance indicators. Most institutions tend to write lengthy narratives about sustainability without offering much in the form of quantifiable targets or outside certification, thereby risking being a mere pretence: fulfilling the communicative demands but proffering no material change of operations. Even more, the low level of independent verification in certain disclosure reports and selectivity with regard to impact indicators predisposes the industry to reputational threats and greenwashing claims. This is particularly pertinent in Nigeria where the proliferation of ESG branding is coincided with systemic vulnerabilities such as high non-performing loans and disproportional advances in connection with climate-risk scenario planning.

Conclusion

In this paper, the integration of Environmental, Social, and Governance (ESG) and financial performance of the Nigeria Tier-1 banking industry have been taken into consideration along with the correlation between governance structures, environmental and social programs as well as disclosure strategies. The findings show that governance effectiveness as a source of ESG maturity is superior to all alternatives in terms of stability in key financial performance indicators, most significantly ROA and ROE in macroeconomic turbulent environments. Banks with board-level ESG controls, with Environmental and Social Risk Management (ESRM) systems and external verification of their sustainability reporting have repeatedly been more robust, suggesting that governance is the most significant element to incorporate ESG into long-term risk management, and strategic positioning. Beyond governance, environmental and social initiatives also play supporting roles by improving reputation, stakeholder trust, and operational efficiency. However, their short-term financial impact appears less direct and materializes gradually as institutions institutionalize ESG principles.

Recommendations

1. Banks should strengthen board-level ESG oversight and ensure that sustainability performance is integrated into executive key performance indicators (KPIs).
2. The Central Bank of Nigeria and the Nigerian Exchange Group should standardize ESG disclosure requirements and encourage independent third-party assurance to enhance credibility.
3. Banks should expand data-driven sustainability reporting systems, enabling clearer linkage between ESG investments and profitability outcomes.

Limitations and Future Research

This study is limited by its short observation window (2022–2024) and small sample size (five Tier-1 banks), which restricts statistical generalization. Future research should extend the time frame, include mid-tier and regional banks, and employ more comprehensive econometric estimation to test causal relationships. The evidence supports that governance-driven sustainability integration remains the most reliable channel through which Nigerian banks can convert ESG practices into enduring financial performance.

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Ethics Approval

This study relied solely on publicly available documents and secondary data sources; no human subjects were involved, and formal ethics clearance was therefore not required.

Conflict of Interest

The author declares no conflict of interest.

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