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Green Management and Sustainable Finance Strategies in Nigeria ESG Landscape

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Abstract: *This study examines Green Management and Sustainable Finance Strategies in Nigeria Environmental, Social, and Governance (ESG) landscape. The study aims is to investigate the opportunities and challenges associated with green management and sustainable finance strategies practices in Nigeria Environmental, Social, and Governance (ESG). The study utilises a qualitative method using content analysis of secondary data sources, including journals, policy documents, and institutional reports. The findings reveal that, green management offers opportunities for corporate entities to incorporate environmental principles into investment decision-making and capital allocation processes which can create sustainable value for the environment and society as a whole. Also, green management ensures that investors are becoming more aware that environmental, social, and corporate governance (ESG) factors significantly influence the long-term performance of a company. More so, challenges such as Limited ESG data and reporting standards, lack of knowledge and understanding of green management, inconsistent regulatory frameworks, high costs of implementation and weak corporate governance culture etc affected Green Management and Sustainable Finance Strategies in Nigeria Environmental, Social, and Governance (ESG) landscape. The study recommends among others that: Mass mobilization, awareness and Capacity building on green management for both government and private institutions. Fiscal incentives such as tax reductions or subsidized interest rates are necessary to enhance the attractiveness of green projects compared to conventional financing. Collaborative partnerships with government agencies, NGOs, and multilateral financial institutions for effective implementation*.
Keywords: green management, sustainable finance strategies, potential, challenges, ESG compliance

INTRODUCTION

Businesses all over the world are realising the value of incorporating sustainable business practices into their operations in a time when environmental and social concerns are becoming more widely recognised. This emphasis goes beyond only making money and takes into account the wider effects on society and the environment (Schlütter et al., 2023). The use of green finance strategies by businesses looking to integrate sustainable environmental objectives with financial considerations has significantly increased.

Green management includes a variety of activities, such as directing funds to lower carbon emissions and funding in environmentally friendly projects. It also includes financial reporting that considers environmental aspects (Ye & Dela, 2023). This marks an imperative transition in the modern business paradigm, where sustainability has become an inevitable strategic priority for organisations seeking to maintain their relevance in an increasingly environmentally conscious era.

While sustainable finance expands its domain to include environmental, social, and governance concerns (ESG), green finance management has a wider scope because it also addresses other environmental goals (such as biodiversity protection and restoration). As a result, sustainable finance can be viewed as an advancement of green finance, or green finance as a subset of sustainable finance. Green finance is a subset of future-focused finance that concurrently aims to advance economic growth, environmental betterment, and the financial sector. According to Nguyen & Tan (2021), green finance could assist low-carbon green by incorporating innovative technology, financial products, industries, and services that take into account the environment, energy efficiency, and reduction of pollutant emissions.

The "green management" segment of the financial sector aims to assist initiatives that advance environmental sustainability (Beckmann, Czudaj, & Arora, 2023). It includes a variety of financial services and products meant to promote eco-friendly projects, such as renewable energy projects, energy efficiency enhancements, and sustainable farming practices. Funding projects that mitigate the effects of climate change, reduce carbon emissions, and encourage the preservation of natural resources is the main objective of green financing (Shipalana, 2020). By incorporating environmental factors into financial decision-making procedures, this strategy harmonises ecological stewardship with economic growth. Important elements of green finance include green loans, green bonds, and sustainable investing.

Green bonds are financial instruments specifically created to finance projects that offer environmental advantages, whereas sustainable finance concentrates on providing funding to businesses and projects that follow environmental, social, and governance (ESG) standards (Xu, Zhu & Chen 2024). The rise of Environmental, Social, and Governance (ESG) practices in Nigeria demonstrates a growing awareness of the role sustainable development plays in fostering long-term economic stability. Nigeria has gradually embraced ESG during the past several years, despite the formal concept's global rise in popularity in the early 2000s (Banga, 2021).

Demand for sustainable products and services are on the rise, driving business organizations to incorporate green financial management practices into their operational strategies. Consumer awareness of the environmental impact of the products they consume is increasing, thereby influencing their preferences and purchasing decisions (Lopes et al., 2024). This phenomenon signals a paradigm shift in consumer behavior, with significant implications for marketing strategies and product development within business organizations. Green management practices not only have the potential to reduce negative environmental impacts but also open doors to new and sustainable business opportunities (Yardımcı & Oskay, 2025). Companies adopting this approach have the opportunity to tap into emerging markets for eco-friendly products and services while gaining competitive advantages through product differentiation and enhanced corporate reputation.

This integration of sustainability into financial strategies is not only a moral responsibility but also a smart strategic move to strengthen market position and expand market share. Despite the significant benefits of implementing green management it is accompanied by a series of challenges in Nigeria Environmental, Social, and Governance (ESG) that need to be addressed. These challenges include uncertainty regarding applicable regulations, complexity in measuring the environmental impact of business activities, and the initial costs that may be required to adopt green financial practices (Okafor, Adeleye, & Adegbite, 2022; Agrawal et al., 2023; La Torre, Sabelfeld, Blomkvist & Dumay, 2020). In tackling these challenges, government must implement strategies focused on risk mitigation, innovation in technology and environmental impact measurement methodologies, and careful financial management to ensure that investments yield optimal long-term results. Therefore, this study examines green management and sustainable finance strategies which aims to thoroughly investigate the opportunities and challenges associated with green management and sustainable finance strategies practices in Nigeria Environmental, Social, and Governance (ESG).

CONCEPTUAL CLARIFICATION

Concept of Green management

There is no internationally agreed definition of green management. The term describes a broad range of funding for environment-oriented technologies, projects, industries or businesses. A more narrow definition of green finance refers to environment-oriented financial products or services, such as loans, credit cards, insurances or bonds. Green investing recognizes the value of the environment and its natural capital and seeks to improve human well-being and social equity while reducing environmental risks and improving ecological integrity (Fang, Zhang & Zhang, 2022). Other terms used to describe green finance management include “environmentally responsible investment” and “climate change investment”.

Green finance management according to Okafor et al. 2022; Agrawal et al., 2023; La Torre et al. (2020) is a strategic approach that integrates financial resources with sustainability objectives to support environmentally and socially responsible projects by embedding sustainability goals into financial policies, enhancing institutional capacity, and fostering stakeholder engagement, where the integration of green finance with environmental, social, and governance (ESG) performance is crucial for advancing sustainable development and transitioning to a low-carbon economy. Green finance policies are designed to support investments in projects with positive environmental impacts and facilitate the transition to a low-carbon economy (Xu, Zhu & Chen, 2024), while embedding sustainability goals into financial regulations is essential for promoting environmental stewardship and corporate social responsibility (Wang, Li & Zhang, 2024). Strengthening the capacity of financial institutions to design and implement green financial products is vital for effective management, though challenges such as lack of understanding, initial costs, and resource constraints remain and must be addressed through cross-sector collaboration (Nguyen & Tan, 2021).

Moreover, stakeholder engagement involving government, private sector, and communities is crucial for inclusive and sustainable outcomes, as green finance practices are increasingly recognized as essential for integrating environmental values into investment decisions and mitigating environmental risks

Sustainable Finance

Sustainable Finance is the practice of creating economic and social value through financial models, products, and markets that are sustainable over time, according to Houlihan (2023). It takes into account investments which are more expansive, comprehensive, and inclusive, considering not only the environmental aspect, but also the social aspect and governance issues (Hasan, Hossain, Hasan, & Dewan, 2024; Kumar, & Suryanarayana 2024). Sustainable finance (SF) is defined as the integration of environmental, social, and governance (ESG) considerations into investment decisions within the financial sector (Martin, 2023; Mehdiyev, 2023). This approach aims to foster long-term investments in sustainable economic activities and projects. Sustainable finance includes environmental, social, governance and economic aspects.

METHODOLOGY

This study adopted a qualitative methodology and is based entirely on secondary sources of data. These sources include relevant journals, articles and online materials on Green Management and Sustainable Finance strategies in Nigeria ESG Landscape therefore, conclusion emerged from content analysis.

RESULTS AND DISCUSSION

Prospects of Green Management and Sustainable Finance Strategies in Nigeria ESG Landscape

In a period where awareness of environmental implications is experiencing significant growth and development, organisations worldwide are increasingly recognising the essential nature of adopting sustainability focused business strategies. One crucial aspect of sustainable finance strategies implementation is ecosystem aligned financial management, often known as 'green finance management.' This concept encompasses not only environmentally responsible financial management practices but also emphasizes the significance of integrating environmental considerations into organizations business and financial decision-making processes (Yucel et al., 2023).

Furthermore, green finance offers opportunities for corporate entities to incorporate environmental principles into investment decision-making and capital allocation processes (Falcone, 2020). This implies that corporations can invest in projects that support ecosystems, such as the development of renewable energy technology, enhancing energy efficiency, or sustainable waste management efforts. Thus, rather than solely pursuing short-term financial gains, companies can create sustainable value for the environment and society as a whole.

Moreover, green finance management also creates incentives for corporate entities to engage in more environmentally optimal business practices (Fu et al., 2023). By leveraging financial instruments that stimulate carbon emission reductions, resource efficiency improvements, and environmental risk management, corporations can achieve financial gains while significantly contributing to ecosystem preservation.

Furthermore, the role of green finance is becoming increasingly important in shifting the global investment paradigm towards a more sustainable direction. Investors are becoming more aware that environmental, social, and corporate governance (ESG) factors significantly influence the long-term performance of a company (Chen et al., 2023). In this framework, green finance practices become a key element in ensuring that investments not only result in financial gains but also contribute to positive impacts on the environment and society as a whole. By embracing and implementing green finance principles, investors can play an active role in driving the transformation towards more sustainable business models and encouraging companies to innovate in integrating ESG factors into their operations and business strategies. Additionally, green finance plays a significant role in helping companies manage environmental risks that may disrupt their operations in the long term (Numan et al., 2023). By adopting environmentally friendly business practices, companies can reduce the likelihood of disruptions in raw material supply, be responsive to increasingly stringent environmental regulations, and address legal demands related to environmental pollution impacts. These steps not only provide protection against potential risks but also offer a competitive advantage for companies in facing the escalating environmental uncertainty levels. Thus, integrating the concept of green finance into business strategies can form a solid foundation for companies to strengthen their resilience to environmental challenges.

Green finance is pivotal in redefining investment strategies. It encompasses financial services or investments that prioritize environmental sustainability (Park & Kim, 2022). Pasupuleti et al. (2023) points out the reasons why the importance of green finance is growing. First, risks from environmental destruction and depletion of natural resources are increasing. Therefore, firms have to be prepared to handle those risks to avoid potential economic losses. Second, stakeholders require firms and financial agencies to be socially responsible. Third, the seriousness of the problem has recently been magnified. In other words, there has been a change in social awareness of crises such as climate change, lack of natural resources, and environmental destruction. Fourth, international agreements and regulations on the environment are gradually being reinforced. Global Reporting Initiative (GRI), ISO 26000, and Principles for Responsible Investment (PRI) are good examples. Fifth, there is a trend of firms' management paradigms shifting to emphasize sustainability (Li, Sun & Wang, 2021).

Challenges affecting Green Management and Sustainable Finance Strategies in Nigeria ESG Landscape

Despite clear opportunities, the implementation of green management faces several challenges that affect sustainable Finance strategies. One major challenge is the lack of understanding and awareness regarding the concept of green management among stakeholders, including investors, managers, and company employees. Without adequate understanding of the essence and benefits of green finance, companies struggle to effectively implement sustainable financial strategies (Tafsir, 2021). Therefore, there is a need for more intensive educational efforts and communication to enhance understanding and commitment to green management practices within the Nigeria ESG. One of the main obstacles is a poor comprehension of ESG law with regard to fiscal institutions.

The long-term advantages of ESG integration and the possible dangers of not implementing sustainable practices are still unfamiliar to many conclusion-creators (Adewumi et al (2024). Furthermore, many organisations still lack a thorough knowledge of ESG ideas and their real world applications, especially small and mid-sized banks. Instead of being a strategic business driver, ESG is frequently viewed as a compliance necessity. With minimal internal support and integration into core banking processes, the effects of ESG implementation are often surface-level. More so, numerous companies do not possess the understanding and skills necessary to incorporate sustainability into their financial approaches. Stakeholders may not completely grasp the climate-related risks and prospects present in various industries.

There are also challenges related to the complexity and uncertainty in measuring and assessing the environmental impacts of financial decisions. In this context, environmental impacts are often not directly considered in conventional financial parameters, making it difficult for companies to accurately evaluate the benefits and risks of investments aimed at environmental sustainability (Alvira et al., 2020). Hence, a holistic approach and careful methodology are required to address these challenges, including the development of more complex measurement methods and the integration of broader risk analysis into sustainable financial decision-making processes. According to Sun, (2024), there are some difficulties preventing the smooth funding of green industries. First, investing in green industries has a high level of uncertainty. This is because most green industries have intangible assets rather than tangible assets. Second, investing in green industries is based on future growth potential from a long-term perspective. Third, there is information asymmetry between investors and green industry companies, which may consequently cause imbalance of power in transactions and capital market failures.

Additionally, there are challenges related to initial costs and economies of scale associated with sustainable projects. Also, significant financial and human resources are frequently required for ESG integration, particularly for environmental risk assessments and financial disclosures pertaining to climate change. Since there is no certainty of rapid profits, many institutions view these expenses as onerous (Al-Amin, Magaji, & Ismail, 2025; Surulere et al. 2025). The study made the case that short-term financial success occasionally takes precedence over ESG activities. Although investments in environmentally oriented technologies and business practices can yield significant long-term benefits, the initial costs of adopting new technologies or changing business processes can often be barriers for some companies (Saarikko et al., 2020). This is particularly relevant for business entities operating in industries with thin profit margins, where any additional operational costs can have a significant impact on their short-term financial balance (Ojekunle et al. 2024). Therefore, there is a need for appropriate financial strategies and support to overcome these challenges, including the development of innovative business models and a deeper understanding of the potential long-term benefits of investments in environmental sustainability.

Moreover, significant challenges related to the complexity of integrating environmental factors into financial decision-making processes also arise. Climate change is still not properly acknowledged by many financial firms as a financial concern (Owoeye, 2025; Julius, et al. 2025). In risk assessment models and credit assessments, environmental aspects are frequently left out or given insufficient weight. Environmental hazards such as drought, floods, and carbon obligations are not sufficiently priced or controlled (Adegbite, Oyelere & Alabi, 2024). Although regulatory bodies such as the Central Bank of Nigeria have made significant progress in promoting sustainability, all economic manufacturing subdivisions still lack integrated, inclusive management of authorised ESG newsgathering (Savitri and Suhari, 2023).

In many cases, financial decisions are still based on traditional financial considerations that tend to overlook the comprehensive environmental impacts that may arise from such choices (OECD, 2023). Therefore, it is essential for companies to develop a comprehensive framework to ensure that environmental factors are thoroughly considered at every stage of their financial decision-making. Measures such as integrating environmental risk assessment methods, environmental impact analysis, and sustainable performance assessments can help overcome these challenges by generating a deeper understanding of the environmental implications of each financial decision made, thereby supporting the creation of more sustainable business strategies. Furthermore, another challenge faced is the limitation of resources and internal capabilities in implementing green finance practices. Implementing sustainable business strategies requires significant investment in terms of time, funds, and manpower (Arief et al., 2021). Therefore, companies need to ensure adequate commitment and support from senior management and the entire government structure to ensure success in green management implementation. This support involves not only adequate resource allocation but also the establishment of a corporate culture that supports innovation and environmental responsibility to enhance sustainable finance strategies. Through understanding and active participation at all organisational levels, companies can enhance the sustainability of green management practices and create sustainable positive impacts on the environment and society at large.

Numerous companies, particularly small and medium enterprises, face challenges in obtaining low-cost green loans or bonds. Green technologies and initiatives necessitate substantial initial investment, rendering them less appealing (Irejeh, Oyakegha, & Sile, 2025). Companies and investors frequently focus on immediate gains, whereas environmentally friendly initiatives usually require more time to yield returns. Challenges arise in measuring the financial advantages of investments in sustainability.

CONCLUSIONS AND RECOMMENDATIONS

This study concludes that the implementation of green financial management (GFM) and sustainable finance strategies practices in Nigeria Environmental, Social, and Governance (ESG) holds significant potential to drive sustainable industrial transformation. The results show that the adoption of green financing instruments such as green bonds, green loans, and sustainability-linked credits remains limited, primarily due to regulatory uncertainty, high issuance costs, and weak institutional support. Nevertheless, firms that integrate technological innovation including cleaner production technologies, digital monitoring systems, and renewable energy solutions demonstrate stronger eligibility for green financing and greater trust from investors. This confirms the mediating role of technology in linking financial strategies to environmental outcomes.

Recommendations

The study recommends the following:

i. Mass mobilization, awareness and Capacity building on green management for both government and private institutions.
ii. Fiscal incentives such as tax reductions or subsidized interest rates are necessary to enhance the attractiveness of green projects compared to conventional financing.
iii. Collaborative partnerships with government agencies, NGOs, and multilateral financial institutions for effective implementation.

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